

BOARD OF PUBLIC WORKS  
SECRETARY'S  
ACTION AGENDA  
October 21, 2020



**SUPPLEMENTAL**

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19. **MORGAN STATE UNIVERSITY**  
***Financing for Thurgood Marshall Housing & Dining Services Project***

**Recommendation:** That the Board of Public Works approve Morgan State University Borrowing \$69.75 million from the Historically Black College and University Capital Financing Program (HBCU) Federal Program.

**Lender:** Rice Capital Access Program, LLC  
Atlanta, GA

**Borrower:** Morgan State University

**Loan Amount:** \$69,750,000

- (1) Series A 2020-7: \$32 million for the design and construction of the Dining Facilities and a portion of the Student Housing for the new Thurgood Marshall Housing Project in conjunction with the Maryland Economic Development Corporation new Thurgood Marshall Housing & Dining Services Project,
- (2) Series A 2020-5: \$21.25 million to refund all of the 2012 Auxiliary and Academic Facilities Revenue Bonds currently outstanding which is expected to achieve a net present value savings of approximately \$2.6 million, and
- (3) Series A 2020-6: \$16.5 million refinancing the un-advanced portion of the \$25 million HBCU Loan (of which \$8.4 million is outstanding) to complete the Public Safety Building at Northwood Commons.

This new HBCU loan has additional escrow requirements and closing costs of approximately \$1.4 million.

**Loan Term:** 12 to 30-year repayment at fixed rates.

**Repayment:** Repayment of the loan begins with each installment disbursement with payment dates of January 1 and July 1. When the Trustee disburses funds from this loan Account to the University, the Trustee is reimbursing the University for Incurred Expenses paid by the University for construction and/or renovation projects. Interest is only incurred after disbursement funds are sent to the University by the Trustee. Each installment disbursement has its Debt Service Payment Schedule. The draws have an interest-only period, at which time principal and interest payments are due.

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**Maturity:** Series A 2020-5: May 1, 2032 (Final RCAP loan maturity July 1, 2032)  
Series A 2020-6: May 1, 2048 (Final RCAP loan maturity July 1, 2048)  
Series A 2020-7: May 1, 2050 (Final RCAP loan maturity July 1, 2050)

**Security:** General obligation of the University. Additionally, limited pledge of the University's Academic Fees and Auxiliary Facility Fees under the University's 1993 Trust Agreement.

**Interest Rate:** Fixed rates based on U.S. Treasury yields prevailing at the date of each advance plus applicable Federal Financing Bank and Designated Bonding Authority fees.

Series 2020-5 – will be fixed-rate, equal to the 12-year Federal Financing Bank rate + 22.5 basis points (.225%)

Series 2020-6 – will be fixed-rate, equal to the 28-year Federal Financing Bank rate + 22.5 basis points (.225%)

Series 2020-7 – will be fixed-rate, equal to the 30-year Federal Financing Bank rate + 22.5 basis points (.225%)

**Remarks:** Board of Public Works approval of the HBCU Loan and the Ground Lease (Secretary's Agenda Item 20) is required for closing. Closing is anticipated for October 29, 2020. Projects for which the borrowed funds are planned to be used include:

*New Construction (Series 2020-7):* In fiscal year 2021, Morgan State University, in conjunction with the Maryland Economic Development Corporation ("MEDCO"), will be undertaking a development project for 670-beds of replacement housing to be owned by MEDCO (the "Student Housing Facility") and an approximately 30,000 square foot replacement dining and retail facility to be owned by the University (the "Dining Facility" and, collectively with the Student Housing Facility, the "Thurgood Marshall Project" ) on the main campus of the University.

The Student Housing Facility will be financed through a privatized financing structure where the State of Maryland, on behalf of MSU, will enter into air rights and ground lease (the "Ground Lease") with MEDCO for a term extending beyond the term of the financing, pursuant to which MEDCO will develop the Thurgood Marshall Project. MEDCO will issue tax-exempt bonds (the "Bonds"), the proceeds of which (along with certain funds provided by the University) will fund the costs of developing the Student Housing Facility.

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***Remarks (cont'd):***

Additionally, the University will obtain a loan from the U.S. Department of Education (the “New HBCU Loan”) to fund the cost of the Dining Facility. The Dining Facility is expected to cost \$32 million.

*2012 Bond Refunding (Series 2020-5):* the New HBCU Loan is also to include a refunding of the \$18 million 2012 Series Tax-Exempt Bonds. The refinancing of the \$18 million 2012 Series Tax-Exempt Bonds will allow the university to achieve preliminary net present value savings of approximately \$2.6 million.

*2018 HBCU Loan Refinancing (Series 2020-6):* the New HBCU Loan is also to include the refinancing of its existing \$25 million outstanding HBCU Loan Debt (of which only \$8.4 million is currently outstanding). This loan will continue the design and construction of a new Public Safety Building at Northwood Commons.

***MSU Board of Regents:*** The Morgan State University Board of Regents approved this HBCU financing and the structure of the MEDCO financing at the August 11, 2020, Special Meeting.

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**BOARD OF PUBLIC WORKS**

**THIS ITEM WAS:**

**APPROVED**

**DISAPPROVED**

**DEFERRED**

**WITHDRAWN**

**WITH DISCUSSION**

**WITHOUT DISCUSSION**