

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



SUPPLEMENTAL

Contact: David LaChina 443-885-3144
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20. **MORGAN STATE UNIVERSITY**

Ground Lease for Thurgood Marshall Housing & Dining Services Project

Recommendation: That the Board of Public Works approves Morgan State University entering into a Ground Lease with Maryland Economic Development Corporation to facilitate the financing of a Student Housing Facility.

Description: The Ground Lease is required for the Thurgood Marshall Housing & Dining Services Project. The air rights and ground lease is part of a cross-collateralization structure with the MEDCO-Morgan View Project (completed in 2002) whereby the existing Morgan View air rights and ground lease will be amended and restated to include the housing portion of the Thurgood Marshall Housing and Dining Services Project. Both projects will secure the existing Morgan View Bonds and the new Thurgood Marshall Bonds.

In the 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, under which MEDCO will develop the Student Housing Facility portion of 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 design, development and construction of the Student Housing Facility. The revenues from the Student Housing Facility will be used for, and pledged by MEDCO to secure, the repayment of the Bonds.

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 and possibly a contribution to the Student Housing Facility. The Dining Facility is expected to cost \$32 million.

The air rights and ground lease is part of a cross-collateralization structure with the MEDCO-Morgan View Project (completed in 2002).

Ground Lessor: State of Maryland on behalf of Morgan State University

Ground Lessee: Maryland Economic Development Corporation

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20. **MORGAN STATE UNIVERSITY** (cont'd)
Ground Lease for Thurgood Marshall Housing & Dining Services Project

Lease Term: 40-year extension (approximately July 1, 2056)
The air rights and ground lease term is amended to extend the term by 40-years, which is five-years beyond the 35-year term of the bonds that will finance the Student Housing Facility portion of the Thurgood Marshall Project. This represents a “tail” period for the ground lease standard in student housing public-private partnerships that provides bondholders additional assurance of repayment.

Ground Rent: MEDCO will pay ground rent to the University in an amount equal to the annual surplus generated from operations after paying debt service and operating expenses, and funding reserves.

Remarks: Board of Public Works approval of the Ground Lease and the HBCU Loan (separate agenda item) is required for closing. The HBCU Loan closing is anticipated for October 29, 2020. The University seeks to enter into a ground lease with MEDCO. MEDCO will contract with underwriter RBC Capital Markets, LLC for the bonds, the proceeds of which will be used to fund the design, development and construction of the Student Housing Facility with anticipated closing on December 1, 2020. The project is to be located on the MSU campus and is consistent with the strategic housing plan for the University.

Construction Manager: MEDCO engaged in a competitive process to procure the construction manager. MEDCO evaluated submitted proposals and selected Gilbane Building Company (“Gilbane”) based in Providence, Rhode Island. The development costs are estimated at \$115.2 million (including construction costs, development costs, soft costs, and financing fees). Gilbane will provide 100% performance and payment bonds for the construction of the facility, consistent with the terms of the ground lease.

Financing: The Student Housing Facility portion of the Thurgood Marshall Project will be substantially funded through tax-exempt bonds issued by MEDCO. The bonds will not constitute a debt to the State or Morgan State University for legal or accounting purposes. The term of the bond financing is 35 years; however, the ground lease term is for 40 years, which includes an additional 5 years to make the project financing possible.

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.

BOARD OF PUBLIC WORKS		THIS ITEM WAS:	
APPROVED	DISAPPROVED	DEFERRED	WITHDRAWN
WITH DISCUSSION		WITHOUT DISCUSSION	