

ED #1
July 11, 2011

M E M O R A N D U M

July 7, 2011

TO: Education Committee
FROM: *CHS*
Charles H. Sherer, Legislative Analyst
SUBJECT: Amendment to the FY11-16 Capital Improvements Program for Montgomery College for the Germantown Goldenrod Building Acquisition (No. 126600), \$16,000,000

Council staff recommendation Approve the College's request to buy the Goldenrod building, as explained below.

Background The College leases an office building adjacent to the Germantown campus on Goldenrod Lane. The College uses the first floor for administrative offices and for classrooms, and leases the second floor to the County Government's Department of Economic Development for its business incubator.

As the College explained, Montgomery College has coordinated with the Montgomery College Foundation, Inc., the Department of Finance, the Revenue Authority, and outside financial advisors to draft the legal credit structure and appropriate financing mechanism to buy the building. The parties have agreed that:

1. The Revenue Authority will sell its revenue bonds in July 2011 and lend the proceeds to the Montgomery College Foundation. (The College's website explains that "The Montgomery College Foundation, Inc. is a 501(c)(3) charitable organization governed by business, alumni and community leaders to enhance the work of Montgomery College. It depends on private contributions from local businesses, foundations, community leaders, and alumni to create premier programs in the arts, humanities, business, and biotech areas which rival those among the country's elite colleges and universities.")
2. The Foundation will use the proceeds to buy the building – the Foundation will own it.
3. The College will lease the building from the Foundation and will continue to use the first floor and to lease the second floor to the DED.

4. The College will make lease payments to the Foundation (using an appropriation in its operating budget + the lease payments from DED), and the Foundation will use the lease payments to repay the loan to the Revenue Authority.
5. The Revenue Authority will use these lease payments to repay the bond holders.

The tentative schedule for this project is:

Introduction	June 28, 2011
ED	July 11
Public hearing	July 19
Council action	July 19



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

June 28, 2011

TO: Valerie Ervin, President, County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Amendment to the FY11-FY16 Capital Improvements Program
#11-A11-CMC-1
Montgomery College
Germantown Goldenrod Building Acquisition (No. 126600), \$16,000,000

RECEIVED
MONTGOMERY COUNTY
COUNCIL

2011 JUN 27 PM 4:10

I am recommending an amendment to the FY11-FY16 Capital Improvements Program in the amount of \$16,000,000 for the Germantown Goldenrod Building Acquisition (No. 126600). The Goldenrod Building is currently a leased facility, which houses classrooms and faculty offices, the Center of Teaching and Learning, the Provost Office suite, an office suite for the management of the Science and Technology Park, the Campus operations and maintenance offices, and information technology support space. The College leases the entire building and occupies the first floor, while the second floor of the building is subleased by the Montgomery County Department of Economic Development for use as a business incubator.

Montgomery College has coordinated with the Montgomery College Foundation, Inc., the Montgomery County Department of Finance, the Montgomery County Revenue Authority, and outside financial advisors and bond counsel to draft the legal credit structure, appropriate financing mechanism, and documents for the purchase of the facility by the Montgomery College Foundation for the use of Montgomery College. It is expected that Revenue Authority bonds will be issued in July 2011 to fund this purchase. The College will enter a lease and lease-back of the Germantown Goldenrod Building with the Montgomery College Foundation, Inc., and the Foundation will repay the bonds from the proceeds of the lease to the College.

The recommended amendment is consistent with the criteria for amending the CIP as it offers a significant opportunity, which will be lost if not taken at this time.

I recommend that the County Council approve this amendment to the FY11-FY16 Capital Improvements Program for the Germantown Goldenrod Building Acquisition (No. 126600) in the amount of \$16,000,000 and specify the source of funds as Revenue Authority Bonds.

I appreciate your prompt consideration of this action.

IL:bh



Valerie Ervin, President, County Council
June 28, 2011
Page 2

Attachments: Amendment #11-A11-CMC-1 to the FY11-FY16 Capital Improvements Program
Germantown Goldenrod Building Acquisition (No. 126600) Project Description Form

c: Keith Miller, Executive Director, Revenue Authority
Dr. DeRionne P. Pollard, President, Montgomery College
Joseph F. Beach, Director, Office of Management and Budget
Karen Hawkins, Acting Director, Department of Finance
Doug Firstenberg, Montgomery College Foundation, Inc.
Timothy L. Firestine, Chief Administrative Officer



Office of the President

June 22, 2011

The Honorable Isiah Leggett
 Montgomery County Executive
 Executive Office Building
 101 Monroe Street
 Rockville, Maryland 20850
 and
 The Honorable Valerie Ervin, President
 Montgomery County Council
 and
 Members of the Montgomery County Council
 Stella B. Werner Office Building
 100 Maryland Avenue
 Rockville, Maryland 20850

RECEIVED
 MONTGOMERY COUNTY
 JUN 23 AM 8:26

Re: Supplemental Authorization of \$16,000,000 for the Germantown Goldenrod Building Acquisition Project (No. 126600)

Dear Mr. Leggett, Ms. Ervin, and
Members of the Montgomery County Council:

Montgomery College respectfully transmits for your consideration a supplemental authorization request to the FY12 Capital Budget and to the FY11-FY16 Capital Improvements Program in the amount of \$16,000,000 for the Germantown Goldenrod Building Acquisition project (No. 126600). The Goldenrod Building is currently a leased facility, which houses classrooms, faculty offices, the Provost office, and other campus support spaces. The College occupies the first floor of the building while the second floor of the building is subleased by the Montgomery County Department of Economic Development. The second floor of the Goldenrod Building houses the County's Up-County Business Incubator.

Montgomery College has coordinated this important project with the Montgomery College Foundation, Inc.; the Montgomery County Office of Budget and Management; the Montgomery County Department of Finance; the Montgomery County Revenue Authority; and also with outside financial advisors in order to draft the legal credit structure and develop the appropriate financing mechanism for the purchase of the facility. It is anticipated that the Revenue Authority bonds will be issued in July 2011. The College then expects to enter into a lease and lease-back



The Honorable Isiah Leggett
The Honorable Valerie Ervin
Members of Montgomery County Council
June 22, 2011
Page 2

arrangement for the Goldenrod Building with the Montgomery College Foundation, Inc., and the Foundation will then repay the bonds from the proceeds of those lease payments made by the College.

In closing, thank you very much for your continuing support of the College's capital projects, and for your on-going interest in the College, our students, and the many programs and services that we offer to the surrounding community.

Sincerely,

A handwritten signature in black ink, appearing to read "DeRionne Pollard". The signature is fluid and cursive, with the first name "DeRionne" being more prominent than the last name "Pollard".

DeRionne P. Pollard, Ph.D.
President

Enclosure

**BOARD OF TRUSTEES
MONTGOMERY COLLEGE**
Rockville, Maryland

Agenda Item Number: 14
June 20, 2011

**SUPPLEMENTAL AUTHORIZATION REQUEST
GOLDENROD BUILDING ACQUISITION PROJECT
FY2012 CAPITAL BUDGET**

BACKGROUND

The College is currently undertaking the purchase the Goldenrod Building located adjacent to the Germantown Campus. This activity was the subject of a May 2011 Board item approving a series of transactions authorizing the purchase of the building and approving various agreements related to a bond offering managed by the Montgomery County Revenue Authority and including both the College and the Montgomery College Foundation, Inc., as parties to the various agreements. As was the practice with the College's two other revenue bond-funded projects (Cafritz Arts Center and West Parking Garage), it was anticipated that the authority for this funding would be included in the County Revenue Authority's capital budget. After discussions with Montgomery County's Finance Department, Office of Management and Budget, County Council, and the Revenue Authority, it was agreed that the project should be included in the College's capital budget since the College (via the Montgomery College Foundation, Inc.), and not the Revenue Authority, will own the asset resulting from the Revenue Authority bond issuance.

In support of this direction, the College requests a supplemental authorization to the FY2012 Capital Budget for \$16,000,000 for the issuance of Revenue Authority bonds to fund the acquisition of the Goldenrod Building adjacent to the Germantown Campus. If approved by the Board of Trustees, this request will be submitted to the County Executive for review and recommendation before being forwarded to the County Council for public hearing(s) and final action on amending the College's FY2012 Capital Budget. If the supplemental authorization is approved, it is anticipated that the College will complete the property settlement sometime before September 1, 2011.

RECOMMENDATION

It is recommended that a supplemental authorization request amending the College's Approved FY2012 Capital Budget in the amount of \$16,000,000 for funding the acquisition of the Goldenrod Building located in Germantown, Maryland be submitted to the County for consideration. It is also recommended that the Board authorize the President to transmit the supplemental authorization request to the Montgomery County Executive for review and recommendation to the Montgomery County Council for final action.

BACK-UP INFORMATION

Board Resolution
Goldenrod Building Acquisition - Project Description Form, CIP#126600 (Board members only)
County Memorandum (Board members only)
County Council Resolution (Board members only)

RESOURCE PERSONS:

Mr. Capp
Mr. Moore
Mr. Sorrell

1

**BOARD OF TRUSTEES
MONTGOMERY COLLEGE**
Rockville, Maryland

Resolution Number: **11-06-094**
Adopted on: **6/20/2011**

Agenda Item Number: 14
June 20, 2011

**Subject: Supplemental Authorization Request, Goldenrod Building Acquisition Project,
FY2012 Capital Budget**

WHEREAS, on May 16, 2011, by Board Resolution #11-05-069, the Board of Trustees approved an omnibus resolution in anticipation of the issuance of revenue bonds by the Montgomery County Revenue Authority for the acquisition and leasing of the Goldenrod Building located adjacent to the Germantown Campus; and

WHEREAS, subsequent to this action, the Montgomery County Government determined that use of the Montgomery County Revenue Authority to issue a bond offering to fund an appropriate project should be included in the requesting agency's capital budget; and

WHEREAS, on June 20, 2011, the Board of Trustees authorized the President to implement the FY2012 Capital Budget, as amended and approved by the Montgomery County Council pursuant to Council Resolution #17-142, adopted May 26, 2011; and

WHEREAS, the College desires to amend the FY2012 Capital Budget and requests a supplemental authorization of \$16,000,000 for a new project titled "Goldenrod Building Acquisition" (CIP#126600) to provide funds for the acquisition of the building and site, including associated settlement and related costs; and

WHEREAS, the President of the College recommends the following action; now therefore be it

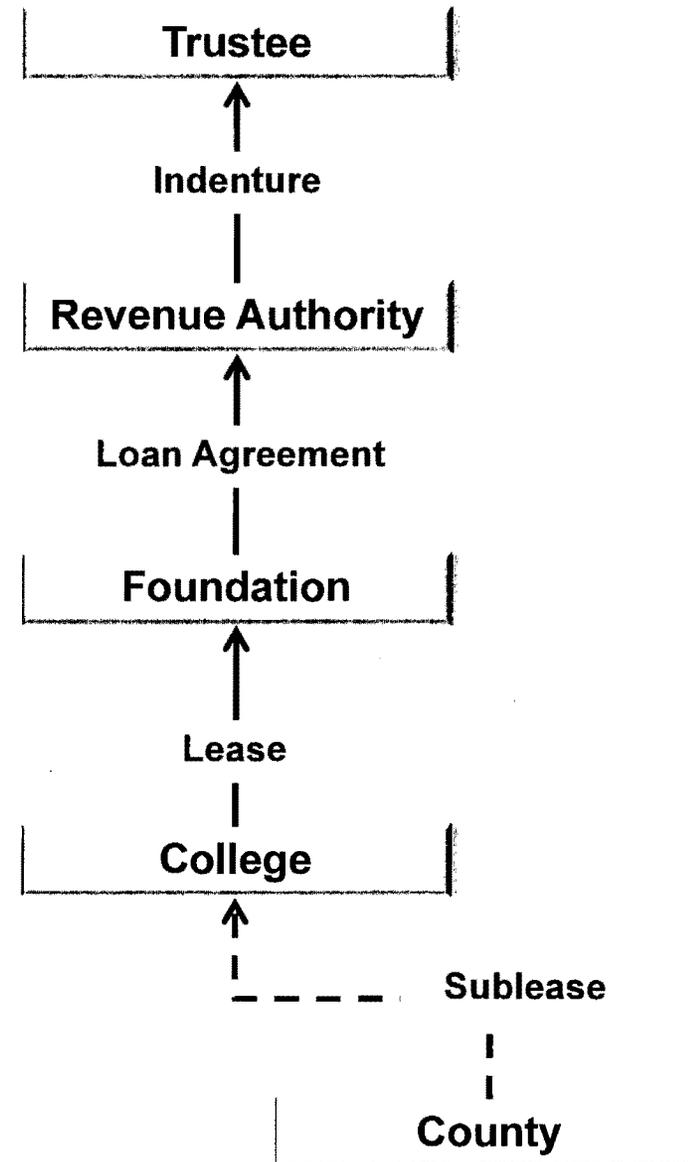
Resolved, That the Board amends the FY2012 Capital Budget to include a supplemental authorization request of \$16,000,000 for a new project titled "Goldenrod Building Acquisition" (CIP#126600) to provide funds for the acquisition of the building and site, including associated settlement and related costs, and be it further

Resolved, That the Board authorizes the President to transmit the supplemental authorization request to the Montgomery County Executive for review and recommendation to the Montgomery County Council for final action for the authorization of funds for the purchase of the Goldenrod Building property in Germantown, Maryland.

Legal Structure for the Financing of the Project



- The building is currently owned by a private entity and leased to the College.
- The lease includes an option to purchase the building (and a right to assign to the Foundation) that was required to be exercised in the first few months of the lease; the College exercised that option to purchase and will assign the right to purchase to the Foundation.
- The Foundation will lease (on a “triple net” basis) the Goldenrod Building to the College pursuant to a Lease Agreement.
- The College will continue to sub-lease a portion of the building to the County pursuant to a Sub-Lease Agreement.
- The College will pay semi-annual Base Rent to the Foundation during the Lease Agreement (with the County paying a 50% share under the Sub-Lease).
- Base Rent will cover the debt service on the Bonds



5

Summary Information

Lease Agreement between the Foundation and College



- Parties
 - Landlord: Foundation
 - Tenant: College
- Term
 - Thirty years, commencing on date on which Foundation purchases the Goldenrod Building, in accordance with the Lease and Purchase Agreement
- Rent
 - Base Rent: Due in semi-annual installments, in an amount sufficient to cover payments for the Bonds
 - Additional Rent: Includes Landlord expenses incurred for operation and maintenance of the Goldenrod Building, including supplies and materials, wages for maintenance staff, utilities and service agreements
 - Portion of Base Rent payments will come from payments from County under the Sublease
- Maintenance
 - Tenant responsible for maintenance and operation of the Goldenrod Building
- Insurance
 - Tenant responsible for providing property and third-party liability coverage under the County Self-Insurance Fund

9

Summary Information –

Sublease Agreement between the College and the County



- **Current Term** commenced on October 1, 2006 and ends on the later of:
 - Twenty years from commencement date (September 30, 2026), or
 - The end of the month in which the last payment for the financing of the purchase of the Premises under the Lease/Purchase Agreement occurs.
 - In any event, no later than September 30, 2036.
- **Base Rent:** Fifty percent (50%) of the amount the College pays to:
 - The Sale Lessor pursuant to the Lease/Purchase Agreement, or
 - After completion of the sale the amount in principal and interest the College pays, in rent leaseback or otherwise, to repay the entire purchase price of the Premises.
- **Additional Base Rent:**
 - Fifty percent (50%) of the amount the College pays for all other sums, costs, charges and expenses payable by the College under the Lease/Purchase Agreement for the common areas of the Premises for the benefit of the Tenant and as agreed in this Sublease.
- **Additional Rent:**
 - Improvements work (design and construction) for the County premises and fifty percent (50%) of the amounts charged or incurred improvements work for the common areas of the Premises.
 - Services for the benefit of the County and operations on the County Premises such as security services, snow removal, facilities maintenance and other services for which the County has agreed to pay.
- **Maintenance and Repair:** County is responsible for its portion.
- **Insurance:** College may charge the County fifty percent (50%) of the cost of insurance.

Resolution No: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

SUBJECT: Amendment to the FY11-16 Capital Improvements Program
Montgomery College
Germantown Goldenrod Building Acquisition (No. 126600), \$16,000,000

Background

1. The College leases an office building adjacent to the Germantown campus on Goldenrod Lane. The College uses the first floor for administrative offices and for classrooms, and leases the second floor to the County Government's Department of Economic Development for its business incubator.
2. Montgomery College has coordinated with the Montgomery College Foundation, Inc., the Department of Finance, the Revenue Authority, and outside financial advisors to draft the legal credit structure and appropriate financing mechanism to buy the Building.
3. The Revenue Authority intends to sell its revenue bonds in July 2011 and lend the proceeds to the Montgomery College Foundation.
4. The Foundation will use the proceeds to buy the Building.
5. The College will lease the building from the Foundation and will continue to use the first floor and to lease the second floor to the DED.
6. The College will make lease payments to the Foundation (using an appropriation in its operating budget + the lease payments from DED), and the Foundation will use the lease payments to repay the loan to the Revenue Authority.
7. The Revenue Authority will use these lease payments to repay the bond holders.
8. Section 302 of the Montgomery County Charter provides that the Council may amend an approved capital improvements program at any time by an affirmative vote of no fewer than six members of the Council.

9. The College requested and the County Executive recommends an amendment to the FY11-16 Capital Improvements Program to add this new project for Montgomery College and to authorize an amount not to exceed \$16,000,000 for this project:

Project Name	Project Number	Cost Element	Amount	Source of Funds
Germantown Goldenrod Building Acquisition	126600	Land	\$16,000,000	Revenue Authority Bonds
Total \$16,000,000				

10. Notice of public hearing was given and a public hearing was held.

Action

The County Council for Montgomery County, Maryland Council amends the FY11-16 Capital Improvements Program of Montgomery College to add this new project and authorizes an amount not to exceed \$16,000,000 for this project, as reflected on the attached project description form:

Project Name	Project Number	Cost Element	Amount	Source of Funds
Germantown Goldenrod Building Acquisition	126600	Land	\$16,000,000	Revenue Authority Bonds
Total \$16,000,000				

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council

Germantown Goldenrod Building Acquisition -- No. 126600

Category
Subcategory
Administering Agency
Planning Area

Montgomery College
Higher Education
Montgomery College
Germantown

Date Last Modified
Required Adequate Public Facility
Relocation Impact
Status

June 22, 2011
No
None
Land Acquisition

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY10	Rem. FY10	Total 6 Years	FY11	FY12	FY13	FY14	FY15	FY16	Beyond 6 Years
Planning, Design, and Supervision	0	0	0	0	0	0	0	0	0	0	0
Land	16,000	0	0	0	0	16,000	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Total	16,000	0	0	0	0	16,000	0	0	0	0	0

FUNDING SCHEDULE (\$000)

Federal Aid	0	0	0	0	0	0	0	0	0	0	0
Revenue Authority	16,000	0	0	0	0	16,000	0	0	0	0	0
Total	16,000	0	0	0	0	16,000	0	0	0	0	0

DESCRIPTION

This project provides funding to purchase the Goldenrod Building, located at 2071 Goldenrod Lane, adjacent to the Germantown Campus. The Goldenrod Building is currently leased by the College. The college exercised the option to purchase and will assign the right to purchase to the College Foundation Inc. The College will pay base rent to the Foundation during the lease agreement. Base rent will cover the debt service on the Revenue Authority bonds which will fund the building acquisition.

The first floor of the facility houses classrooms and faculty offices, as well as the Center of Teaching and Learning, the Provost Office suite, an office suite for the management of the Science and Technology Park, the Campus operations and maintenance offices, and information technology support space. The second floor of the building is subleased by Montgomery County Department of Economic Development as the up-county business incubator.

The project is part of the Montgomery College Biotechnology Project, which encompasses three interrelated initiatives that are tied together through a unique approach to bioscience education and workforce development: (1) The Bioscience Education Center, a 126,900 gross square foot academic building featuring state-of-the-art science laboratories located on the Germantown Campus (CIP# 056603); (2) the Science and Technology Park, a million gross square foot business park adjacent to the Germantown campus (CIP# 096607); (3) and the Germantown Incubator (CIP# 780701), a 35,000 gross square foot business incubator subleasing the second floor of the Goldenrod Building. The Germantown Science and Technology Park Infrastructure project and the Bioscience Education Center are separately funded projects in the College's Capital Budget.

JUSTIFICATION

The overall Montgomery College Biotechnology Project supports the College's leading role in biosciences and technology and enhances Maryland's and Montgomery County's reputation as a national leader in the provision of bioscience and technology opportunities.

Collegewide Facilities Master Plan Update (9/10), Montgomery College Science & Technology Park Master Plan (05/06), and Montgomery College Germantown Campus Site Planning Studies (03/06).

FISCAL NOTE

The Goldenrod Building Renovation CIP Project No 076624 funded the renovation and lease-related costs for the building in FY07 using Current Revenue General.

OTHER DISCLOSURES

- Montgomery College asserts that this project conforms to the requirements of relevant local plans, as required by the Maryland Economic Growth, Resource Protection and Planning Act.

APPROPRIATION AND EXPENDITURE DATA	COORDINATION	MAP																																							
<table border="1"> <tr> <td>Date First Appropriation</td> <td>FY12</td> <td>(\$000)</td> </tr> <tr> <td>First Cost Estimate</td> <td>Current</td> <td>16,000</td> </tr> <tr> <td>Scope</td> <td>FY12</td> <td></td> </tr> <tr> <td>Last FY's Cost Estimate</td> <td></td> <td>0</td> </tr> <tr> <td>Appropriation Request</td> <td>FY12</td> <td>0</td> </tr> <tr> <td>Supplemental Appropriation Request</td> <td></td> <td>0</td> </tr> <tr> <td>Transfer</td> <td></td> <td>0</td> </tr> <tr> <td>Cumulative Appropriation</td> <td></td> <td>0</td> </tr> <tr> <td>Expenditures / Encumbrances</td> <td></td> <td>0</td> </tr> <tr> <td>Unencumbered Balance</td> <td></td> <td>0</td> </tr> <tr> <td>Partial Closeout Thru</td> <td>FY09</td> <td>0</td> </tr> <tr> <td>New Partial Closeout</td> <td>FY10</td> <td>0</td> </tr> <tr> <td>Total Partial Closeout</td> <td></td> <td>0</td> </tr> </table>	Date First Appropriation		FY12	(\$000)	First Cost Estimate	Current	16,000	Scope	FY12		Last FY's Cost Estimate		0	Appropriation Request	FY12	0	Supplemental Appropriation Request		0	Transfer		0	Cumulative Appropriation		0	Expenditures / Encumbrances		0	Unencumbered Balance		0	Partial Closeout Thru	FY09	0	New Partial Closeout	FY10	0	Total Partial Closeout		0	<p>Germantown Bioscience Education Center (No. 056603) Germantown Science & Technology Park Infrastructure (No. 096607) Montgomery County Department of Economic Development, Germantown Incubator Project (No. 780701) Revenue Authority Montgomery College Foundation, Inc.</p>
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