

**Annual Report to the  
Maryland General Assembly**

**regarding**

**Public-Private Partnerships**

**(SB 979, HB 1370, Chapters 640 and 641, Acts of 2010;  
State Finance and Procurement Article § 10A-101(d)(2) and (3)**

**The Department of General Services**

**January, 2012**

## **Introduction**

The Department of General Services (DGS) hereby submits this *Annual Report to the Maryland General Assembly regarding Public-Private Partnerships* pursuant to Senate Bill 979/ House Bill 1370, Chapters 640 and 641, Acts of 2010 (State Finance and Procurement Article § 10A-101(d)(2) and (3)). This report is designed to ensure that the budget committees receive sufficient and timely information regarding the status of each public-private partnership in which DGS is either involved or considering as required by the following statutory language from State Finance and Procurement Article § 10A-101(d)(2) and (3):

*“(d) (2) By January 1 of each year, each reporting agency shall submit to the budget committees, in accordance with § 2-1246 of the State Government Article, a report concerning each public-private partnership under consideration at that time by the reporting agency that has not been reviewed or approved previously by the General Assembly.*

*(3) By January 1 of each year, each reporting agency shall submit to the budget committees, in accordance with § 2-1246 of the State Government Article, a status report concerning each existing public-private partnership in which the reporting agency is involved.”*

### **I. The Scope of the Report**

#### **(d) (2) Report of Public-Private Partnerships (P3’s) under consideration**

The Department of General Services Office of Real Estate does not have any P3’s under consideration for possible implementation at the time of this report. However, should this status change, the Department will update the Budget Committees.

#### **(d) (3) Report of Public-Private Partnerships (P3’s) currently existing**

##### **A. Definition of Public-Private Partnership**

The scope of this report includes status reports on DGS’s existing or contemplated projects that meet the following definition of public-private partnership (P3) provided in State Finance and Procurement Article § 10A-101(d)(2) and (3):

*“A sale or lease agreement between a unit of State government and a private entity under which:*

- 1. The private entity assumes control of the operation and maintenance of an existing State facility; or*
- 2. The private entity constructs, reconstructs, finances, or operates a State facility or a facility for State use and will collect fees, charges, rents or tolls for the use of the facility.”*

DGS is involved in two existing P3s that meet this definition and at the time of this report has no other P3's which it is exploring.

**B. DGS Existing P3s:**

1. State of Maryland DHMH Public Health Lab: This project meets the statutory definition of a P3 because the responsibility for the development and construction of a facility which the Public Health Lab will use is being performed by a quasi-government agency contracting with a private fee development company.
2. State Center Transit Oriented Development (TOD) Project: The State Center TOD meets the statutory definition of a P3 because a private entity is redeveloping an existing State office complex.

**II. Project Status**

**A. Public Health Lab**

Project Summary

The FY 2008 Joint Chairman's Report requested that the Departments of Health and Mental Hygiene (DHMH), General Services (DGS) and Budget and Management (DBM) submit a report to the budget committees on "the Administration's plan for constructing the new Public Health Laboratory". Further, the committees requested that the report include "details regarding preliminary cost estimates for all aspects of the project that will impact either the capital or operating budgets". In addition, the report shall provide "a detailed timeline of the project beginning with the decision process concerning how to finance the project through completion of the project."

Project Description

- Construct of new 234,000 Square Foot Building designed to achieve LEED Silver
- Project costs- \$165 million, including land costs
- Additional project costs to include up to \$10 million for purchase of scientific instruments
- New Building will include six (6) laboratory divisions, support services and administrative functions
- Building to be owned and financed by Maryland Economic Development Corporation (MEDCO)

- Forest City New East Baltimore Partnership, because of its expertise, will serve as fee developer
- A community economic inclusion plan for minority business utilization and local community hiring will be implemented

Financing and Current Status:

- Summer of 2011 Design was completed
- MEDCO and Forest City, using a competitive process, selected the contracting team consisting of Turner Contracting, Cain Construction and Essex Construction in the Fall of 2011 – Cain and Essex are minority owned firms.
- Financing for the project, of \$165,075,000 in Lease Revenue Bonds rated by Standard and Poor's at AA+, closed on December 8, 2011
- Construction start projected for early 1<sup>st</sup> quarter 2012.

**State Center TOD**

State Center Project Summary

The Maryland Department of General Services (DGS) owns the 28-acre parcel that comprises the State Center complex and serves as the lead State agency for the project in partnership with Maryland Department of Transportation (MDOT). The site includes the State Center Baltimore Metro station and is adjacent to the Cultural Center Light Rail station. In September 2005, DGS issued a Request for Qualifications seeking a project developer. In March 2006, the State selected State Center LLC to pursue the project pursuant to a Memorandum of Understanding (MOU) that granted the developers an exclusive negotiating privilege (ENP). The State and development team subsequently engaged in an extensive community engagement process that included more than 60 community meetings and attracted more than 600 participants. In December 2007, the Board of Public Works (BPW) approved an Interim Development Agreement (IDA) among DGS, MDOT and the development team that extended the ENP and that laid out a road map for reaching a final Master Development Agreement (MDA). On June 3, 2009, the BPW approved the MDA, which calls for the phased development of a \$1.5 billion mixed-use (office space, residential and retail), mixed-income project to be built on the site.

The MDA calls for a phased approach to the development. For each phase, the State will ground lease the phase parcel to the developer and will have the option to lease back office space. The BPW must approve the ground leases for any phase where the State leases back office space. In Phase I, the BPW approved the construction of a 928-space State garage, two ground leases and 490,000 square feet of office leases on July 28, 2010.

The State of Maryland is currently involved in legal action on this which has restricted its progress in accordance with the original schedule. Once the litigation is resolved and the project can continue the Department of General Services will provide additional information on the project's progress.