



Term Sheet
Negotiations with UMD concerning Child Care at Calvert Road School
03/07/17

The proposed agreement with the University has been negotiated on the basis that the proportion of the value that each party contributes to this project determines the number of seats that will be allocated to City residents who are not employees of the University. Below are the most recent terms offered and accepted by the University concerning their Proposed Partnership Options for Calvert Road School as a site for a City-University Sponsored Day Care Program. These terms are recommended to the Mayor and Council by the negotiating team.

1. The City's contribution is the facility and use of the parking lot, negotiated at a value of \$788,500. The University's (UMD) capital investment is estimated at \$4.5M which may increase or decrease depending on final and actual costs. Total estimated combined contribution is \$5,504,500. The final proportional investment will be determined through open book calculations at completion of construction.
2. Priority for spaces will be established by each party's proportional investment in development costs (including land value). Based on a City contribution of \$788,500 and the University contribution of \$4.5M plus \$216,000 for rental credit (see item #9), total estimated Capital costs equal \$5,504,500. The City's proportional investment is estimated at 14% which equates to 17 seats. Final allocations will be determined at completion of construction based on the final proportional investment calculation. The City and University agree to provide top preference of seats to College Park residents who are not affiliated with UMD at the time of enrollment. Remaining seats are allocated to College Park residents who work for UMD.

The City and University agree to guarantee a minimum of 12 seats for City of College Park residents who are not affiliated with UMD at the time of enrollment even if actual investment does not support this allocation. The University agrees to allow the City to purchase up to 30 seats total (25%) in the future with the cost per seat based on proportional contribution.

The attached spreadsheet illustrates potential fluctuations in proportional investment and seat allocation due to variability of final construction costs.

3. Sibling enrollments are challenging for child care centers and cannot be guaranteed because of limitations on class size and fairness to both the City and University. Continuity of care is important for families, so Bright Horizons recommends that the center offer spaces to current families first, giving returning children and siblings priority.

The University has agreed to alternate sibling priority, thereby giving both parties equal opportunities to enroll siblings of current families, even if the City number exceeds the 17 spaces.

4. Lease of 40 years with standard lease provisions concerning indemnification, fire and other loss, breach of lease, etc.
5. Approximately 3,000 sq. ft. of community meeting space available from 7:00 p.m. to 5:30 a.m. weekdays and all day availability for use on weekends. Bright Horizons requires evening use up to four evening/weekend days monthly. Times will be scheduled in advance. Cleaning will be done by Bright Horizons. The City is responsible for any cleaning costs above normal daily cleaning.
6. Early termination by City with one year notice to UMD after an initial ten year term. This will accommodate UMD's initial lease with Bright Horizons. Buy back clause proportional to remaining term based on depreciated cost basis of the building using a standard 39.5 year straight-line depreciation schedule.
7. Use of facility shall be continuous as a fully occupied daycare facility unless agreed otherwise by City, if alternate use is compatible with site and public purpose requirement. If not agreed by City, or if property becomes vacant, this constitutes a default on the lease, which ends and property reverts to City at no cost. Will include opportunity to cure for UMD in lease.
8. Early termination if use of the building is determined by a third party (i.e. County or court) to be a violation of site "public use" requirements. Lease ends and property reverts to City at no cost. Alternate use may be proposed by UMD and approved by City if compatible with site and public purpose requirements. UMD to obtain concurrence from Prince George's County that the child care center is a "public use."
9. UMD to provide a minimum of 3,000 sq. ft. of office space at 8400 Baltimore Avenue to accommodate relocation of City Public Services Department, staff and operations at a rate of \$18/sq. ft. (20% discount) for 4 years with no direct charge to the City. The value, estimated at ~\$54,000 per year, will be an additional credit to the University's contribution to the child care center project, estimated at \$4.5M (see #1). Additional years with agreement of both parties. Annual operating expenses are included for years 1&2 (currently \$7.85/SF); in lease years 3 & 4, City will pay its proportionate share of operating expense increases over a 2018 calendar base year. Four parking spaces per 1,000 SF, shared use of visitor parking on-site (metered parking available in adjacent lot), shared rest rooms. Common areas are cleaned by management; cleaning and trash removal of leased space is responsibility of City. City agrees to pay for its relocation costs.
10. Annual review of financial audit of Bright Horizons operations and budget by the City.
11. City review and approval of site plan and final design.

12. UMD responsible for all building and parking lot maintenance, upkeep, utilities, etc. except City will plow parking lot and clear sidewalks of snow and provide routine lawn maintenance.
13. The child care center will use the parking available to the east side of the building and west side parking lot for staff and patron parking. The University has indicated that, while the child care center may make occasional use of the adjoining field and play area, the facility requirements are fully satisfied in the development area and so they are not requesting exclusive use of the field and play areas. City reserves the right to build and or utilize land (including field and play area) adjacent to facility for other public purpose uses and will maintain these areas. Any new use of this land must not conflict with the child care center.
14. The child care center will offer tiered tuition based on age (e.g. the same tuition is charged for all infants). Tuition rates will be established annually to meet the University's obligations as contracted with the child care provider and do not include debt service or tuition subsidies.
15. Building and parking lot areas to be maintained to level acceptable to the City, and returned to the City without further cost at end of lease, with understanding that reasonable wear and tear will be accepted by the City.
16. Both parties to provide copies of appraisals and other bases for estimating value, UMD to provide information with respect to the proposed financing structure, construction cost, and review of the Bright Horizon contract including cost plus calculations.
17. The City and University enter this initiative in a spirit of collaboration, viewing one another as a partner in bringing high quality child day care to our community. While it is important that the University control the operation of the center, the City and University will necessarily interact regularly as we share space and oversee terms of our agreement. The University will communicate to a designated City liaison periodic status updates, any notifications and any changes at the center that may impact the status of the license, including change in operation.
18. The City and the University will consult with one another in the event of any change in provider, including contract terms. The City is agreeable to holding contract terms confidential if proprietary.

Calvert Road UMD Child Care Proposal

Total Number of Seats

120

Four Year Rental at 8400 Baltimore at \$54,000 Annually (\$18 sq ft - 20% discount)

UMD Contribution	8400 Baltimore Rent	Total UMD Contribution	City's Contribution*	Total Investment	Percent of City Seats	Number of City Seats
\$ 4,500,000	\$ 216,000.00	\$ 4,716,000	\$ 788,500.00	\$ 5,504,500	14%	17
\$ 5,000,000	\$ 216,000.00	\$ 5,216,000	\$ 788,500.00	\$ 6,004,500	13%	16
\$ 5,500,000	\$ 216,000.00	\$ 5,716,000	\$ 788,500.00	\$ 6,504,500	12%	15
\$ 6,000,000	\$ 216,000.00	\$ 6,216,000	\$ 788,500.00	\$ 7,004,500	11%	14
\$ 6,500,000	\$ 216,000.00	\$ 6,716,000	\$ 788,500.00	\$ 7,504,500	11%	13

*Includes physical structure, parking immediately surrounding the building, and the west parking lot (\$688,500=\$100,00).