

D06E021D
Maryland Regenerative Research Center – PAYGO
Board of Public Works

Maryland Regenerative Research Center (Baltimore City)

PAYGO GF	\$12,000,000	Recommendation: Disapprove
Nonbudgeted	\$66,964,570	

Program Description: The project entails the construction of a 230,000 gross square foot research building at the University of Maryland, Baltimore (UMB) Biotechnology Park. The proposed State contribution (\$12.0 million) represents 5% of the total estimated \$78.9 million cost to complete the project. The State funds are intended to be used to construct one floor, totaling 34,000 gross square feet, of the new building to house the Maryland Regenerative Research Center. The space allocated to the center would be divided into two units: one unit encompassing 22,000 gross square feet would provide space for private companies engaged in regenerative science research; and the second unit encompassing 12,000 gross square feet would be made available to scientists and researchers from universities across the State. The basic concept of the center is to co-locate private companies engaged in regenerative research with university affiliated scientific researchers to provide space and opportunity for collaborative research.

Comments: With the approval of the Board of Regents of the University System of Maryland, UMB established a 501(c) (3) nonprofit corporation for the purpose of developing a health sciences biomedical research park adjacent to and affiliated with UMB. The 501(c) (3) corporation controls the overall development of the research park through ground leases to private sector developers that in turn finance, construct, and manage the individual research facilities to meet their specific needs. The first of what plans to be 10 research buildings in the research park was completed in October 2005. The State provided a \$4.0 million loan through a Sunny Day program investment for the construction of the first building. The State also plans to construct a new Forensic Medical Center within the research park and initial planning funds for this project were provided in the 2005 Maryland Consolidated Capital Bond Loan.

The project financing for the proposed building would be structured in much the same manner as the first building – the 501(c) (3) corporation will engage a private developer to finance the construction of the facility and the private sector developer in turn receives a proportionate investment in the future revenue stream to be generated by the project. Using the \$12 million in funding from the State, UMB will purchase one floor of approximately 34,000 square feet to house the Maryland Regenerative Research Center. Businesses located in the center will pay rent and/or equity to UMB or its affiliated nonprofit 501(c)(3) corporation. After all expenses have been paid, any excess revenues will be reinvested in the research activities of the center. Given such a financial

D06E021D – BPW – Maryland Degenerative Research Center – PAYGO

arrangement it is unclear why State participation in the project is warranted. If the State wants to make a financial contribution to the research and development that will take place at the center, consideration should be given to structuring equity participation or royalty investments in the companies engaged in the research. The State would therefore contribute to and benefit from the potential commercialization of the research. **The Department of Legislative Services recommends that a UMB representative be prepared to brief the committees on the financing plan for the new center and discuss other potential means by which the State may contribute to the research that will take place at the center.**

Fund Data

**Estimated Project Cost
Uses
(\$ in Millions)**

<i>Uses</i>	<i>Prior Approp.</i>	<i>2007 Request</i>	<i>Future Estimate</i>	<i>Estimated Totals</i>
Acquisition	\$0.000	\$4.980	\$0.000	\$4.980
Planning	0.000	3.670	0.000	3.670
Construction	0.000	61.815	0.000	61.815
Equipment	0.000	8.500	0.000	8.500
Total	\$0.	\$78.965	\$0.000	\$78.965

**Estimated Project Cost
Sources
(\$ in Millions)**

<i>Sources</i>	<i>Prior Approp.</i>	<i>2007 Request</i>	<i>Future Estimate</i>	<i>Estimated Totals</i>
GO Bonds	\$0.000	\$0.000	\$0.000	\$0.000
General Funds	0.000	12.000	0.000	12.000
Matching Funds	0.000	66.965	0.000	66.965
Total	\$0.000	\$78.965	\$0.000	\$78.965

Recommended Actions

	<u>Amount Reduction</u>	
1. Delete funds to assist in the construction of the Maryland Regenerative Research Center. Development of the University of Maryland, Baltimore (UMB) Biotechnology Park is being accomplished through a UMB established 501(c)(3) corporation working with private sector developers. State participation in the construction of the proposed center is unwarranted under this development model.	\$ 12,000,000	GF
Total General Fund Reductions	\$ 12,000,000	