

BY CITYBIZLIST BALTIMORE

PNC PROVIDES CONSTRUCTION FINANCING FOR JHU STUDENT HOUSING PROJECT

Financing has been secured for the 929 Project, Education Realty Trust's 572-bed, 20-story building being constructed on land owned by Johns Hopkins University and leased to a subsidiary of East Baltimore Development, Inc.

The building, which has been named 929 because of its address on 929 N. Wolfe St in Baltimore, is scheduled to open in the summer of 2012. The groundbreaking for the building was held on Sept. 10.

The total cost of the complex is \$60.7 million. The financing is through a \$42.7 million conventional construction loan agented by PNC Bank, and an \$18 million second mortgage loan provided by Education Realty Trust. Education Realty Trust had committed to fund the \$42 million construction loan if such financing could not be obtained from a third-party lender, which would have put the REIT in position to provide the entire \$60.7 million necessary to finance the Project.

The construction loan and Second Mortgage are credit enhanced by a replenishing \$2.5 million cash reserve fund provided by the property owner to cover any cash shortfalls. This cash reserve fund is equivalent to approximately 50 percent of annual cash flow before debt service and will be replenished as necessary each year until a 1.10 debt service coverage ratio with respect to all of the financing for the Project has been achieved for 12 consecutive months.

The term of the Second Mortgage is 30 years and matures in July 2040. The Second Mortgage will earn interest at an annual rate of 10% for years 1 through 5 (including construction periods), 12% for years 6 through 10 and 14% thereafter. The Second Mortgage contains customary affirmative and negative covenants and is secured by a lien on the leasehold interest and a pledge of the replenishing cash reserve fund.

Otis Warren & Company, Inc., a local real estate and development company, is co-developing the project with Education Realty Trust. Other Baltimore area companies involved in the project include Marks, Thomas Architects and Clark Construction.



Once completed, the building should attract residents from the more than 4,000 students and fellows attending the Johns Hopkins Medical School, the School of Nursing, and the Bloomberg School of Public Health as well as other colleges in the area.

Designed to appeal to graduate students, the majority of the apartments will be studios, one-and two-bedroom units. All will have amenities such as wood flooring, stainless steel appliances and granite countertops with access to state of the art technology, exercise facilities, and a garden rooftop terrace.

Education Realty Trust is based in Memphis, Tenn.

Adapted from Citybiz Real Estate article dated September 21, 2010.