

# ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2008

*\$18,000,000 City of Hyattsville, Maryland  
Special Obligation Bonds  
(University Town Center Project)  
Series 2004*

Prepared by:

**MuniCap, Inc.**

April 10, 2009

# ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2008

I.	UPDATED INFORMATION	1
II.	INTRODUCTION	2
III.	DEVELOPMENT ACTIVITY	3
	A. Overview	3
	B. Status of Development	3
	C. Public Improvements	8
	D. Status of Financing	9
IV.	TRUSTEE ACCOUNTS	10
V.	DISTRICT OPERATIONS	11
	A. Levy of Special Taxes	11
	B. Special Tax collection	15
	C. Collection Effort	15
VI.	DISTRICT FINANCIAL INFORMATION	16
	A. Changes to the Rate and Method of Apportionment of Special Assessments	16
	B. Special Tax Levy	16
	C. List of Taxpayers	17
	D. Significant Amendments to Land Use	17
	E. Status of Public Improvements	17
VII.	SIGNIFICANT EVENTS	18
	A. Developer's Significant Events	18
	B. Listed Events	18

## *I. UPDATED INFORMATION*

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Information updated from the period of March 31, 2008 to December 31, 2008 is as follows:

- As of December 31, 2008, the developer reports that renovation of Metro II is complete. The developer also reports that Kaiser Permanente has reduced its leasable space from 42,766 square feet to 35,202 square feet of Metro III.
- As of December 31, 2008, the developer reports that a total of 1,059,937 square feet of the 1,336,273 square foot office component of the development is leased, representing 79.3 percent of the total office leasable square feet.
- As of December 31, 2008, the developer reports that due to current capital market conditions and increases in construction costs, the construction of Safeway has not commenced. As a result, the lease with Safeway was terminated in November 2008.
- As of December 31, 2008, the developer reports leases have been signed for 106,023 square feet of the projected 225,000 square foot retail component of the development, representing 47.1 percent of the total projected retail leasable space.
- As of December 31, 2008, the developer reports that the 244-unit apartment building with 910 bedrooms of student housing is 93 percent occupied.
- As of December 31, 2008, the developer reports that 134 condominium units have been constructed opposed to the 72 anticipated condominium units at the time the bonds were issued.
- The developer reports that construction of an additional 22 condominium units, located above Retail Building 2, was completed in February 2008. According to the developer, all 22 condominium units were vacant as of December 31, 2008.
- As of December 31, 2008, the developer reports a total of 134 residential condominium units have been completed. The developer also reports that 55 condominium units have been settled with homeowners.
- Special taxes in the amount of \$1,026,000 were billed for collection in fiscal year 2008-2009. Special taxes for commercial property are due on September 30 and special taxes levied on owner-occupied, residential property are due on September 30<sup>th</sup> and December 31<sup>st</sup> each year. Prince George's County reports collecting special taxes in the amount of \$1,023,981.39, representing 99.8 percent of special taxes, for fiscal year 2008-2009. Collection process for delinquent special taxes is currently still ongoing through May 8, 2009.
- The developer reports that the \$83,300,000 construction loan with Wells Fargo, which matured on October 31, 2008 has been in default. The developer reports that the outstanding balance on the construction loan is approximately \$61,300,000. According to the developer, they are currently working with Wells Fargo on a resolution to extend the loan for 12 months.
- The developer reports that the general contractor for the retail and condominium components of the development, Whiting-Turner Construction Company, has filed two mechanic liens totaling \$479,266 and \$430,743 on December 16, 2008. The properties affected by these liens are Retail Building 1, Retail Building 2, the 112-unit condominium building, and the 22 unit condominium building. According to the developer, they are currently working with Wells Fargo to satisfy these liens.

## **II. INTRODUCTION**

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The University Town Center Special Taxing District, located in the City of Hyattsville in Prince George's County, Maryland, was created by Resolution No. 2004-02 of the City Council passed on February 17, 2004. The \$18,000,000 Special Obligation Bonds (University Town Center Project), Series 2004 (the "2004 Bonds"), were issued pursuant to Section 44A of Article 23A of the Annotated Code of Maryland, as amended (the "Special Taxing District Act" or the "Act") and an Indenture of Trust dated as of August 1, 2004 (the "Indenture"), by and between the City of Hyattsville and US Bank National Association (formerly SunTrust Bank), as trustee.

University Town Center (the "Center") consists of approximately 46 acres of land and is located within the triangle formed by East-West Highway (State Route 410) on the south, Adelphi Road on the east and Belcrest Road on the east and north, in Hyattsville, Maryland. The Special Taxing District (the "District"), within the Center, is comprised of approximately 23.4 acres of land and is located in the northeast quadrant of the intersection of East-West Highway (State Route 410) and Belcrest Road.

The property within the District is being developed by University Town Center, LLC (the "Developer") and related entities. According to the Limited Offering Memorandum, the Center consisted of four, seven to eleven story office buildings totaling 1,287,000 leasable square feet of office space located within the District at the time bonds were issued. In addition to the existing office buildings, the developer contemplated the development of a mixed-use community within the District. At buildout, the community was expected to include an approximately 244-unit apartment building with approximately 910 bedrooms oriented towards student housing, approximately 72 residential condominium units, approximately 360,000 square feet of retail space, and a below grade parking garage containing approximately 1,170 spaces.

Pursuant to the Limited Offering Memorandum, the Series 2004 Special Obligation Bonds were sold to fund the costs of construction of the public improvements, including new streets, water and sewer facilities, stormwater management, utilities, plazas, street furniture, landscaping, sidewalks, lights, design, permits, retaining walls, public art and relocation of numerous existing underground utilities to accommodate the proposed development.

The information provided herein is not intended to supplement or otherwise relate to the information provided in the Limited Offering Memorandum and any such intent is expressly disavowed. Rather, this report responds to the specific requirements of the continuing disclosure agreement.

**No representation is made as to the materiality or completeness of the information provided herein or as to whether other relevant information exists with respect to the period covered by this report. Other matters or events may have occurred or become known during or since that period that may be material. All information is provided as of December 31, 2008, unless otherwise stated, and no representation is made that the information contained in this report is indicative of information that may pertain since the end of the period covered by this report or in the future.**

### **III. DEVELOPMENT ACTIVITY**

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#### **A. OVERVIEW**

The Special Taxing District is comprised of approximately 23.4 acres of land and is located in the northeast quadrant of the intersection of East-West Highway (State Route 410) and Belcrest Road in Hyattsville, Maryland.

The property within the District is being developed by University Town Center, LLC and related entities. According to the Limited Offering Memorandum, the District consisted of four, seven to eleven story office buildings with a total of approximately 1,287,000 leasable square feet of office space at the time bonds were issued. The District is zoned for mixed-use transit-oriented use. In addition to the existing office buildings, the developer contemplated the development of a mixed-use community within the District. At build out, the community was expected to include an approximately 244-unit apartment building with 910 bedrooms oriented towards student housing, approximately 72 residential condominium units, approximately 360,000 square feet of retail space and a below grade parking garage containing approximately 1,170 spaces.

The Series 2004 Bonds were issued to fund the construction of the public improvements necessary for the development of the District. The public improvements include construction of new streets, water and sewer facilities, stormwater management, utilities, plazas, street furniture, landscaping, sidewalks, lights, design, permits, retaining walls, public art and relocation of numerous existing underground utilities to accommodate the proposed development.

The developer reports that a 1,150-space garage has been constructed, as opposed to the 1,170-space garage anticipated at the time bonds were issued.

As of December 31, 2008, the developer reports that the District development is expected to include approximately 1,341,984 square feet of office space, approximately 225,000 square feet of retail space, a 244-unit apartment building with 910 bedrooms oriented towards student housing.

As of December 31, 2008, the developer reports that 134 condominiums units have been constructed opposed to the 72 anticipated condominiums units at the time the bonds were issued.

#### **B. STATUS OF DEVELOPMENT**

According to the Limited Offering Memorandum, in addition to the existing office buildings, the developer and affiliated entities planned to develop retail space, student housing, residential condominiums, and a parking facility. The construction of the below grade parking facility began in May 2004 and was anticipated to be completed within a year. The construction of the student housing tower was expected to begin after completion of the parking facility, and construction of the retail components was anticipated to proceed as retail leases are signed. The current status of the development is described in the following subsections.

##### **(i) Building Permits**

According to the Limited Offering Memorandum, the developer had received permits for construction of the below grade parking garage at the time bonds were issued. Permits were pending for construction within East-West Highway right-of-way, construction within the Belcrest Road right-of-way, construction of stormwater drainage system, and construction of the sewer system. These permits were anticipated to be received by October of 2004.

Table III-1 in the following page provides a summary and the status of the required building permits for the development of the University Town Center Special Taxing District.

**Table III-1  
Building Permits**

<b>Development</b>	<b>Permit Issued</b>	<b>Actual Start</b>	<b>Projected Start</b>	<b>Projected Completion</b>
Garage A	December 5, 2002	-	-	Completed in 2004
Garage B Excavation	October 27, 2003	June 1, 2004	-	Completed in 2005
Garage B	June 4, 2004	June 5, 2004	-	Completed in 2006
E-W Highway	Final Review SHA	May 2005	-	Completed in 2006
Storm Drainage 1	February 17, 2005	February 2005	-	Completed in 2005
WSSC Part 1	January 25, 2005	February 2005	-	Completed in 2005
WSSC 20"	April 7, 2005	April 19, 2005	-	Completed in 2005
WSSC Part 2	-	-	July 2005	Completed in 2006
Student Housing Tower	December 21, 2004	December 22, 2004	-	Completed in 2006
Loading Docks/Walls	December 10, 2004	May 2005	-	Completed in 2005
Movie Theater	June 22, 2006	June 2006	June 2006	Completed in 2007
Metro 1 & 2 End Caps	October 2006	October 2006	Fall 2006	Completed in 2007
Safeway	May 2007	May 2007	May 2008	On Hold
Safeway/Condos	May 2007	May 2007	May 2008	On Hold
Indep. Plaza Retail 1 Shell	December 2005	December 2005	September 2006	Completed in 2007
Plaza Condo 1	March 2006	March 2006	November 2006	Completed in 2007
Plaza Retail 2	December 2006	December 2006	Winter 2006	Completed in 2007
Plaza Condo 2	December 2006	December 2006	Winter 2006	Completed in 2008
Independence Plaza	Winter 2006	Winter 2006	Winter 2006	Completed in 2007

**(ii) Status of Vertical Development**

**Office Development**

According to the Limited Offering Memorandum, the Special Taxing District consisted of four seven- to eleven-story office buildings with approximately 1,287,000 leasable square feet of space at the time bonds were issued. The offices are named Metro I, Metro II, Metro III and Metro IV. According to the Limited Offering Memorandum, the developer and affiliates had substantially renovated Metro I and Metro II and were in the process of conducting a major renovation of Metro III building.

The developer reports that the District development is expected to include approximately 1,341,984 square feet of office space.

As of December 31, 2008, the developer reports that renovation of Metro II is complete. The developer also reports that Kaiser Permanente has reduced its leasable space in Metro III from 42,766 square feet to 35,202 square feet. In addition, the developer reports that 54,984 square feet of office space has been constructed above the retail building (Metro V). According to the developer, Metro V office space is complete and currently occupied by the Federal Emergency Management Agency (FEMA).

As of December 31, 2008, the developer reports that FEMA, which occupied 128,660 square feet of Metro I vacated its place in June 2008. The developer reports that a lease has been signed with Washington Metropolitan Area Transit Authority for 40,000 square feet for Metro I.

As of December 31, 2008, the developer reports that a total of 1,059,937 square feet of the 1,336,273 square foot office component of the development is leased, representing 79.3 percent of the total office leasable square feet.

Table III-2 in the following page provides a summary of the tenants for the office development as reported by the developer as of December 31, 2008.

**Table III-2  
Leasing Status - Office**

Tenant	Rentable Square Footage	Occupancy Status	Percent
<b>METRO I</b>			
Department of Social Service of State of Maryland	51,224	Occupied	16.9%
University of Maryland University College	49,960	Occupied	16.5%
Prince Georges Community College	31,150	Occupied	10.3%
Washington Metropolitan Area Transit Authority (WMATA)	40,000	Occupied	13.2%
Tenants less than 30,000 square feet	17,514	Occupied	5.8%
Vacant	112,950	Vacant	37.3%
<b>Subtotal-Metro I</b>	<b>302,798</b>		<b>100.0%</b>
<b>METRO II</b>			
Financial Management Services (US Treasury)	392,578	Occupied	99.5%
Tenants less than 30,000 square feet	2,000	Occupied	0.5%
<b>Subtotal-Metro II</b>	<b>394,578</b>		<b>100.0%</b>
<b>METRO III*</b>			
Kaiser Permanente	35,202	Occupied	8.7%
Medlantic Healthcare	33,289	Occupied	8.2%
University of Maryland University College	32,213	Occupied	7.9%
Tenants less than 30,000 square feet	141,343	Occupied	34.9%
Vacant	163,416	Vacant	40.3%
<b>Subtotal-Metro III</b>	<b>405,463</b>		<b>100.0%</b>
<b>METRO IV</b>			
Centers for Disease Control and Prevention (CDC) (U.S Department of Health and Human Services)	178,450	Occupied	100.0%
<b>Subtotal-Metro IV</b>	<b>178,450</b>		<b>100.0%</b>
<b>METRO V</b>			
Federal Emergency Management Agency (FEMA)	54,984	Occupied	100.0%
<b>Subtotal-Metro V</b>	<b>54,984</b>		<b>100.0%</b>
Total Occupied	1,059,937	Occupied	79.3%
Total Vacant	276,336	Vacant	20.7%
<b>Total Office Square Footage</b>	<b>1,336,273</b>		<b>100.0%</b>

\* Metro III – 141,343 leasable square feet is currently leased by individual tenants occupying less than 30,000 leasable square feet.

### **Retail Development**

According to the Limited Offering Memorandum, the retail development was expected to include approximately 360,000 square feet gross leasable area. Anticipated tenants for the retail development include a 14-16 screen cinema movie theater, grocery or department store, large bookstore, health club, restaurants, and several additional retailers. The construction of the retail components is anticipated to proceed as retail leases are signed.

The developer reports that the District development is expected to include approximately 225,000 square feet of retail space rather than the planned 360,000 square feet. As of December 31, 2008, the developer reports leases

have been signed for 106,023 square feet of the projected 225,000 square foot retail component of the development, representing 47.1 percent of the total projected retail leasable space.

The developer reports that leases have been signed for Retail Building 1 for approximately 9,744 square feet with Old Dominion Brew Pub, for a pub as well as a Mongolian Barbeque, Tokyo Sushi and Salad Creations, which were opened in September 2008; approximately 2,563 square feet with Wild Onion LLC for restaurant space, which was opened in July 2008; approximately 1,107 square feet with Gifford's for an ice cream shop, which opened in the summer of 2008; approximately 1,294 square feet with Soup Man, which was opened in October 2008.

The developer reports that Retail Building 2 shell construction was completed as of February 2008, with a total of 8,478 leasable square feet. Retail Building 2 consists of 8,478 leasable square feet of retail at ground level and 22 condominium units above the retail. As of December 31, 2008, certificate of occupancies had not been obtained for the retail space.

The developer reports that leases have been signed for Retail Building 3 for approximately 4,029 square feet with CMC Ventures LLC for a Three Brothers Restaurant, which was opened in January 2008; approximately 925 square feet with Frazer Brother for a Smoothie King, which opened in 2007; approximately 930 with Choe/Lin Cleaners for a dry cleaner, which opened in the summer of 2008; 3,100 square feet with Capital Q Restaurants, LLC for a Qdoba Mexican Grill, which was opened for business in 2007.

The developer reports entering into leases for Retail Building 5 for approximately 57,000 square feet with Safeway for a grocery store. As of December 31, 2008, the developer reports that due to current capital market conditions and increases in construction costs, the construction of Safeway has not commenced. As a result, the lease with Safeway was terminated in November 2008.

The developer reports that leases have been signed for Retail Building 6 for approximately 2,375 square feet with FG University, LLC for a Five Guys Famous Burgers and Fries, which was opened in January 2008; approximately 1,990 square feet with Wireless Toyz. As of December 31, 2008, the developer reports Wireless Toyz defaulted on their lease.

The developer reports that a lease has been signed for Retail Building 7 of approximately 67,450 square feet with Hyattsville Cinema, LLC for a movie theater. According to the developer, the movie theatre was purchased by Regal Entertainment Group and started operations in June 2007. The developer reports leases have been signed for approximately 6,004 square feet with Big City Foods, LLC for Carolina Kitchen Bar and Grill, which was opened in July 2008; 4,512 square feet with WOW Café & Wingery UTC, LLC for a WOW Café and Wingery Restaurant. WOW Café and Wingery UTC, LLC defaulted on their lease in June 2008. As a result, the developer reports that a lease was signed with 6507 America Boulevard, LLC for a Hank's Tavern and Eats to fill the 4,512 square feet of space and opened in December 2008.

The developer reports that slight changes in tenant square footage is a result of the measurements before the tenants occupied the space and the measurements of the square footage after the tenants occupied the space.

Table III-3, on the following page, provides a summary of tenants and occupancy status as of December 31, 2008.



**Table III-3**  
**Leasing Status - Retail**

<b>Tenant</b>	<b>Size (SF)</b>	<b>Service</b>	<b>Occupancy Status</b>
<b>Retail Building 1</b>			
Old Dominion Brew Pub		Pub/Restaurant	Opened in 2008
Mongolian Barbeque	9,744	Restaurarant	Opened in 2008
Tokyo Sushi and Salad Creations		Restaurarant	Opened in 2008
Wild Onion LLC	2,563	Restaurant	To open in summer 2008
Giffords (ice cream shop)	1,107	Ice cream shop	To open in summer 2008
Soup Man	1294	Restaurant	To open in summer 2008
<b>Sub-total Retail Building 1</b>	<b>14,708</b>		
<b>Retail Building 2</b>	8,478	Vacant	Constructed as of 2008
<b>Retail Building 3</b>			
Three Brothers Restaurant	4,029	Restaurant	Opened in 2008
Smoothie King	925	Beverage	Opened in 2007
Choe/Lin Cleaners	930	Dry cleaning	Opened in 2008
Qdobe Mexican Grill	3,100	Restaurant	Opened in 2007
<b>Sub-total Retail Building 3</b>	<b>8,984</b>		
<b>Retail Building 4</b>		Land parcel	Land parcel
<b>Retail Building 5</b>			
Safeway		Supermarket	Lease terminated in 2008/not constructed
<b>Retail Building 6</b>			
Five Guys Famous Burgers and Fries	2,375	Restaurant	Opened in 2008
Wireless Toyz	1,990	Toys	Defaulted on lease in 2008
<b>Sub-total Retail Building 6</b>	<b>4,365</b>		
<b>Retail Building 7</b>			
Regal Entertainment Group	67,450	Movie theatre	Opened in 2007
Carolina Chicken and Grill	6,004	Restaurant	Opened in 2008
WOW Café & Wingery Restaurant	4,512	Restaurant	Defaulted on lease in June 2008
Hank's Tavern and Eats	4,512	Restaurant	Opened in December 2008
<b>Sub-total Retail Building 7</b>	<b>77,966</b>		
<b>Total</b>	<b>106,023</b>		

### Student Housing and Residential Condominiums

According to the Limited Offering Memorandum, the entities affiliated with the developer were planning to build a 16-story, 244-unit apartment building with 910 bedrooms oriented towards student housing to be marketed to students from nearby universities and colleges. The developer also intended to build approximately 72 residential condominium units.

The developer reports that the 244-unit apartment building with 910 bedrooms of student housing was completed in August 2006. As of December 31, 2008, the student housing is 93 percent occupied.

The developer also reports that 112 residential condominium units have been constructed, as opposed to the 72 anticipated units at the time bonds were issued. The developer reports that construction of the condominium units was completed in August 2007. As of December 31, 2008, the developer reports a total of 134 residential

condominium units have been completed. The developer also reports that 55 condominium units have been settled with homeowners. The developer reports that construction of additional 22 condominium units, located above Retail Building 2, was completed in February 2008. According to the developer, all 22 condominium units were vacant as of December 31, 2008.

**Parking Garage**

According to the Limited Offering Memorandum, the developer expected to build an approximately 1,170-space garage within the District.

The developer reports that a 1,150-space garage has been constructed, as opposed to the 1,170-space garage anticipated at the time bonds were issued. According to the developer, construction of the parking garage is complete.

**C. STATUS OF PUBLIC IMPROVEMENTS**

According to the Limited Offering Memorandum, the Series 2004 Bonds were issued to fund the construction of the public improvements necessary for the development of the District. The public improvements include the construction of roads, stormwater management, utilities, plazas, street furniture, landscaping, sidewalks, lights, design, permits, retaining walls and public art, and relocation of numerous existing underground utilities to accommodate the proposed development.

As of December 31, 2008, the developer reports that \$15,038,895 has been expended for construction of the public improvements. According to the developer, all public improvements funded with the Series 2004 Bonds are complete.

Table III-4 below provides a summary of the public improvements by line item funded with the Series 2004 Bonds as reported by the developer as of December 31, 2008.

**Table III-4  
Public Improvements Budget**

<b>Improvement</b>	<b>Original Budget</b>	<b>Budget Changes</b>	<b>Revised Budget</b>	<b>Spent as of Dec. 31, 2008</b>	<b>Percent Complete</b>
<b>Street</b>					
Boulevard	\$1,734,331	(\$22,682)	\$1,711,649	\$1,711,649	100%
Toledo Road	\$552,092	(\$61,201)	\$490,891	\$490,891	100%
East/West Highway	\$770,634	(\$414,620)	\$356,014	\$356,014	100%
Other Street Improvements	\$3,200,241	(\$394,383)	\$2,805,858	\$2,805,858	100%
<b>Sub-total</b>	<b>\$6,257,298</b>	<b>(\$892,886)</b>	<b>\$5,364,412</b>	<b>\$5,364,412</b>	<b>100%</b>
<b>Infrastructure</b>					
Water/Sewer/Electric	\$4,039,874	\$402,855	\$4,442,729	\$4,442,729	100%
Earthwork/Erosion Control	\$513,827	(\$6,609)	\$507,218	\$507,218	100%
Offsite Reforestation	\$25,000	(\$25,000)	\$0	\$0	100%
<b>Sub-total</b>	<b>\$4,578,701</b>	<b>(\$371,246)</b>	<b>\$4,949,947</b>	<b>\$4,949,947</b>	<b>100%</b>
<b>Other Infrastructure</b>					
Other Infrastructure	\$4,838,195	(\$113,659)	\$4,724,536	\$4,724,536	100%
<b>Sub-total</b>	<b>\$4,838,195</b>	<b>(\$113,659)</b>	<b>\$4,724,536</b>	<b>\$4,724,536</b>	<b>100%</b>
<b>Total Bond Funded Costs</b>	<b>\$15,674,194</b>	<b>(\$635,299)</b>	<b>\$15,038,895</b>	<b>\$15,038,895</b>	<b>100%</b>

#### **D. STATUS OF FINANCING**

The developer reports that the \$83,300,000 construction loan with Wells Fargo, which matured on October 31, 2008 has been in default. The developer reports that the outstanding balance on the construction loan is approximately \$61,300,000. According to the developer, they are currently working with Wells Fargo on a resolution to extend the loan for 12 months.

The developer reports that the general contractor for the retail and condominium components of the development, Whiting-Turner Construction Company, has filed two mechanic liens totaling \$479,266 and \$430,743 on December 16, 2008. The properties affected by these liens are Retail Building 1, Retail Building 2, the 112-unit condominium building and the 22 unit condominium building. According to the developer, they are currently working with Wells Fargo to satisfy these liens.

## IV. TRUSTEE ACCOUNTS

The trustee for the Series 2004 bonds is US Bank National Association (formerly SunTrust Bank). The balance as of December 31, 2007, interest paid, additional proceeds, disbursements, and account balances for each fund, as of December 31, 2008, are shown in the following table:

**Table IV-1**  
**Account Balances**

<b>Fund</b>	<b>Balance 12/31/07</b>	<b>Interest Paid</b>	<b>Additional Proceeds</b>	<b>Disbursements</b>	<b>Balance 12/31/08</b>
Reserve Fund	\$1,708,193	\$56,607	\$0	\$56,591	\$1,708,209
Debt Service Fund	\$357	\$90	\$1,016,698	\$1,017,144	\$0
Special Tax Revenue Fund	\$1,087,559	\$8,808	\$1,012,571	\$979,595	\$1,129,344
Administrative Exp. Fund	\$8,104	\$225	\$19,488	\$25,615	\$2,201
<b>Total</b>	<b>\$2,804,212</b>	<b>\$65,730</b>	<b>\$2,048,757</b>	<b>\$2,078,945</b>	<b>\$2,839,753</b>

- The additional proceeds to the Debt Service Fund were transfer of funds from the Special Tax Revenue Fund for the payment of debt service.
- The additional proceeds to the Special Tax Revenue Fund were special tax collections transferred by the County.
- The additional proceeds to the Administrative Expense Fund were transfers from the Special Tax Revenue Fund for the payment of administrative expenses.
- The disbursements from the Special Tax Revenue Account represent transfers of funds to the Debt Service Fund and Administrative Expense Fund for the payment of debt service and administrative expenses.

Interest paid does not include investment income accrued. The proceeds in the Reserve Fund are invested in a Transamerica Guarantee Investment Contract (GIC) earning 3.30 percent per annum and maturing on August 24, 2009. Other bond proceeds in each fund are invested in money market funds earning approximately 0.02 percent per year. Table IV-2 below shows the approximate rates of return on the investments as of December 31, 2008.

According to the Indenture of Trust dated August 1, 2004, if the amount in the Reserve Fund exceeds the reserve requirement, the trustee shall transfer the excess funds to the Debt Service Fund to pay interest on the bonds and/or to the Administrative Expense Fund. Interest earned, profits realized and losses suffered by reason of any investment of the funds and accounts shall be credited or charged, as the case may be, to the fund or account for which such investment shall have been made.

**Table IV-2**  
**Rate of Return**

<b>Account</b>	<b>Rate of Return</b>
Reserve Fund	3.30%
Special Tax Revenue	0.02%
Administrative Expense Fund	0.02%

## V. DISTRICT OPERATIONS

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### A. LEVY OF SPECIAL TAXES

The City of Hyattsville issued \$18,000,000 of Special Obligation Bonds in August 2004 related to the University Town Center Development District. These bonds are to be repaid from special taxes levied on the taxable property in the University Town Center Special Taxing District, which was created pursuant to Resolution No. 2004-02 adopted by the City Council on February 17, 2004.

A special tax is to be collected each fiscal year in the University Town Center Special Taxing District pursuant to Resolution No. 2004-03, and an Executive Order, dated August 9, 2004, executed by the Mayor. This report has been prepared to explain the methodology used to calculate the special tax rates at which property will be taxed in the University Town Center Special Taxing District for fiscal year 2008-2009.

#### (i) Special Tax Requirement

Special taxes are to be collected in a proportional amount equal to each parcel's equivalent use factors such that the total special taxes collected are equal to the special tax requirement. The special tax requirement is generally equal to (i.) annual debt service, (ii.) administrative expenses, less (iii.) interest income on the reserve fund (*upon closure of the improvement fund*) held by the trustee.

Table V-1 provides a summary of the special tax requirement for fiscal year 2008-2009. Special taxes equal to \$1,026,000.00 will have to be collected for fiscal year 2008-2009. Each of these numbers is explained in the following sections.

#### *Debt Service*

Debt service includes interest on the bonds payable on January 1, 2009 and July 1, 2009. Each semi-annual interest payment is equal to \$508,572 on the bonds as shown below.

Term 2017 Bonds of \$1,676,000 at 5.00%	\$41,900
Term 2024 Bonds of \$3,524,000 at 5.60%	\$98,672
Term 2034 Bonds of \$12,800,000 at 5.75%	\$368,000
Total:	\$508,572

A principal payment of \$74,000 is due on July 1, 2009. As a result, total debt service for fiscal year 2008-2009 is \$1,091,144.

**Table V-1**  
**SPECIAL TAX REQUIREMENT**  
**FISCAL YEAR 2008-2009**

Debt service:	
Interest on January 1, 2009	\$508,572
Interest on July 1, 2009	\$508,572
Principal on July 1, 2009	\$74,000
<i>Sub-total debt service</i>	\$1,091,144
Administrative expenses	\$29,500
Contingency	\$67,286
<i>Total expenses</i>	\$1,187,930
Reserve fund investment income	(\$56,370)
Surplus from prior year	(\$105,560)
<i>Funds available to be applied for FY08-09</i>	(\$161,930)
<i>Special Tax Requirement</i>	\$1,026,000

*Administrative Expenses*

Administrative expenses include the trustee, the administrator, and the expenses of the city related to the District. The annual charges of the trustee are estimated to be \$7,000. The fees and expenses of the administrator are estimated to be \$12,500. The expenses of the city are estimated to be \$10,000. Accordingly, the total administrative expenses are estimated at \$29,500.

*Contingency*

A contingency, equal to approximately six percent of annual debt service plus an additional amount to round the special tax requirement to the nearest ten-thousand has been added in case there are unanticipated expenses or tax payment delinquencies.

*Reserve Fund Income*

As of April 30, 2008, the balance in the reserve fund was \$1,708,192.50, which is the reserve requirement of Series 2004 Bonds. Bond proceeds in the reserve fund are invested in a Transamerica Guarantee Investment Contract (GIC) that is earning 3.30 percent per annum (paid semi-annually in June and December) and maturing on August 24, 2009. According to the trust indenture, reserve fund investment income should be transferred to the improvement fund after the capitalized interest period and may only be used to pay debt service or administrative services expenses upon the closure of the improvement fund.

The improvement fund was closed on December 6, 2007. Accordingly, interest income earned on the reserve fund through December 31, 2007 in the amount of \$28,185.18 was transferred to the debt service fund and administrative expenses fund to pay debt service and administrative expenses for fiscal year 2007-2008. An additional \$28,185.18 in interest income will be earned on the reserve fund through July 1, 2008 and will be made available to pay debt service and administrative expenses for fiscal year 2007-2008 (which is included in the surplus from the prior year). Likewise, the annual investment income of \$56,370.35 on the reserve fund requirement of \$1,708,192.50 will be made available to pay debt service and administrative expenses for fiscal year 2008-2009.

*Surplus from Prior Year*

Table V-2 below outlines the surplus from the prior year that may be applied to pay debt service and administrative expenses for fiscal year 2008-2009. Special taxes in the amount of \$1,080,000.00 were billed for collection in fiscal year 2007-2008. As of April 30, 2008, the entire amount billed for collection in fiscal year 2007-2008 had been collected by Prince George’s County and transferred to the trustee. A portion of these special tax revenues in the amount \$508,572.00 were used to pay debt service due on the bonds on January 1, 2008. As of April 30, 2008, the balance in the special tax fund and debt service fund was \$585,044.42 and \$14,398.08, respectively. As mentioned above, an additional \$28,185.18 in interest income will be earned on the reserve fund through the debt service payment due on July 1, 2008. A portion of these special taxes and debt service fund balances will be used to pay debt service due on July 1, 2008, which consists of an interest payment totaling \$508,572.00 as shown on Table V-2 below.

**Table V-2  
Surplus from Prior Year**

	<b>Series 2003</b>
Available Funds:	
Special tax revenue fund through April 30, 2008	\$585,044.42
Debt service fund through April 30, 2008	\$14,398.08
Estimated reserve fund interest to June 30, 2008	\$28,185.18
<i>Total funds available</i>	\$627,627.68
Interest payment on July 1, 2008	(\$508,572.00)
Administrative expenses	(\$13,495.58)
<i>Subtotal expenses</i>	(\$522,067.58)
Surplus from prior year	\$105,560.10

As of April 30, 2008, the balance in the administrative expense fund was \$19,805.53. Administrative expenses for fiscal year 2007-2008 were estimated to be \$28,050.00 and were to be funded with special taxes collected in fiscal year 2007-2008. On February 2, 2008, the trustee transferred a portion of reserve fund interest income in the amount of \$14,554.42 to the administrative expense fund. As a result, fiscal year 2007-2008 administrative expenses in the amount of \$13,495.58 (\$28,050.00 - \$14,554.42 = \$13,495.58) remain to be funded with special tax revenues collected in fiscal year 2007-2008. Accordingly, an estimated aggregate surplus of \$105,067.10 will be available to pay debt service and administrative expenses for fiscal year 2008-2009.

*Special Tax Collected*

The special tax for the year shall be equal to the special tax requirement. The special tax for each parcel shall be equal to the Equivalent Use Factors of the parcel, divided by the Equivalent Use Factors of all Taxable Property in the District, and the result multiplied by the Special Tax Requirement as shown by the formula below:

$$A = (B \div C) \times D$$

Where the terms have the following meaning:

- A = The Special Tax for a Parcel
- B = The Equivalent Use Factors of the Parcel
- C = The Equivalent Use Factors of all Taxable Property in the District
- D = The Special Tax Requirement

Equivalent Use Factors means for any parcel, the number of dwelling units, parking spaces, and building square footage of a parcel by the Land Use Class multiplied by the factor for each Land Use Class as shown in Table

V-3 below:

**Table V-3**  
**Land Use Class and Equivalent Use Factors**

Land Use Class	Equivalent Use Factors
Office Property	0.70 per 1,000 square feet
Parking Property	0.02 per parking space
Residential Property	1.00 per dwelling unit
Retail Property	1.02 per 1,000 square feet

The equivalent use factors for each taxable parcel classified under office or retail land use classes within the district were computed using building square footages obtained from the State Department of Assessments and Taxation. Schedules from the State Department of Assessments and Taxation showing the building square footage for each parcel, which were used in computing the equivalent use factors for each taxable parcel classified under office or retail land use class within the district, are attached to Appendix B. Schedules for individual condominium units of residential property can be obtained at [http://sdatcert3.resiusa.org/rp\\_rewrite](http://sdatcert3.resiusa.org/rp_rewrite). The respective land use class and the aggregate building square footage for office and retail property, the aggregate number of dwelling units for residential parcels and the total number of parking spaces for parking property and the corresponding equivalent use factors for each land use class are shown in Table V-4 below.

**Table V-4**  
**Special Tax District Parcels**

Land Use Class	Number of Parcels	Building SF/ Dwelling Units / Parking Spaces/	Equivalent Use Factor	Equivalent Use Factors
Office	5	1,419,723	0.70	993.81
Retail	5	126,884	1.02	129.42
Residential	113	356	1.0	356.00
Parking	2	1,022	0.02	20.44
<b>Total</b>	<b>125</b>			<b>1,499.67</b>

Special taxes are to be collected in a proportional amount equal to each parcel's equivalent use factors such that the total special tax to be collected is equal to the special tax requirement. For fiscal year 2008-2009, the special tax requirement is equal to \$1,026,000.00. The equivalent use factors for all parcels within the district are equal to 1,499.67. As a result, the special tax to be collected per each equivalent use factor is equal to \$684.15 ( $\$1,026,000.00 \div 1,499.67 = \$684.15$ ). The special tax to be collected on each parcel is shown in Table V-5.

**Table V-5**  
**Special Tax Levy**  
**Fiscal Year 2008-2009**

Land Use Class	Equivalent Use Factors	Special Tax Per EUF	Special Tax
Office	993.81	\$684.15	\$679,913.96
Retail	129.42	\$684.15	\$88,544.04
Residential	356.00	\$684.15	\$243,557.94
Parking	20.44	\$684.15	\$13,984.06
<b>Total</b>	<b>1,499.67</b>		<b>\$1,026,000.00</b>



**(ii) Special Tax Rates**

Special taxes are to be collected in a proportional amount equal to each parcel's equivalent use factors such that the total special tax collected is equal to the special tax requirement. The total expenses of the district for fiscal year 2008-2009 are estimated to be equal to \$1,187,930.45. Surplus revenue from prior year and interest income available to pay expenses are estimated to be \$161,930.45. Accordingly, the special tax requirement is equal to \$1,026,000.00.

**B. SPECIAL TAX COLLECTION**

Special taxes in the amount of \$1,080,000.00 were billed for collection in fiscal year 2007-2008. As of April 30, 2008, the entire amount billed for collection in fiscal year 2007-2008 had been collected by Prince George's County and transferred to the trustee. As a result, there are no delinquent special taxes for fiscal year 2007-2008.

Special taxes in the amount of \$1,026,000 were billed for collection in fiscal year 2008-2009. Special taxes for commercial property are due on September 30 and special taxes levied on owner-occupied, residential property are due September 30<sup>th</sup> and December 31<sup>st</sup> each year.

Prince George's County reports collecting special taxes in the amount of \$1,023,981.39, representing 99.8 percent of special taxes for fiscal year 2008-2009. Collection process for delinquent special taxes is currently still ongoing through May 8, 2009.

**C. COLLECTION EFFORTS**

There are no delinquent taxes for fiscal year 2007-2008. As of December 31, 2008, Prince George's County reports there are delinquent special taxes outstanding for fiscal year 2008-2009 in the amount of \$2,018.61. Collection efforts are underway at this time. To avoid tax sale, all payments must be in the Treasurer's Office and posted by May 8, 2009 by 4:30 p.m. Delinquent special taxes not received by May 8, 2009 will be sold at tax sale, which will be held on May 11, 2009.

**Table V-6  
Delinquent Properties**

<b>Parcel Account #</b>	<b>Owner</b>	<b>Special Tax Levy</b>
393534-3	Repole, Mario	\$672.87
393542-6	Kumazah, Innocent K.	\$672.87
393546-7	Repole, Mario	\$672.87
<b>Total</b>		<b>\$2,018.61</b>

## VI. DISTRICT FINANCIAL INFORMATION

The information provided in this section is to meet the requirements for the annual report as provided for in Section 2 of the Continuing Disclosure Agreement. The items listed below are in the same format and order as the items required for the annual report as listed in the Continuing Disclosure Agreement. All information in this section is provided as of December 31, 2008, unless otherwise stated.

### A. CHANGES TO THE RATE AND METHOD OF APPORTIONMENT OF ASSESSMENTS

There have been no changes to the Rate and Method of Apportionment of Assessments.

### B. SPECIAL TAX LEVY FOR ALL PARCELS WITHIN THE DISTRICT

Table VI-1 below provides a list of special tax levy for all parcels within the Special Taxing District for fiscal year 2008-2009. Special taxes in the amount of \$1,026,000 were billed for collection in fiscal year 2008-2009. Special taxes for commercial property are due on September 30 and special taxes levied on owner-occupied, residential property are due on September 30<sup>th</sup> and December 31<sup>st</sup> each year.

**Table VI-1**  
**Special Tax Levy**

Parcel Account #	Owner	Land Use	Special Tax Levy
356694-0	PG Center I Inc	Office	\$147,556.33
372073-7	PG Center II LP	Office	\$202,497.49
372074-5	PG Center II LP	Office	\$0.00
337808-0	PG Metro Center IV, LLC	Office	\$88,558.39
366669-0	PG Metro Center III, Inc	Office	\$230,088.18
383475-1	UTC Housing I, LLC	Student Housing	\$164,179.81
383475-1	UTC Housing I, LLC	Parking	\$6,728.68
383474-4	UTC CONDO I INC	Parking	\$1,507.22
383474-4	UTC Retail I, LLC	Parking	\$5,517.52
383474-4	UTC Retail I, LLC	Retail	\$11,216.62
366671-6	UTC Retail II, LLC	Retail	\$0.00
366672-4	UTC Retail III, LLC	Retail	\$7,640.86
372072-9	UTC Retail VI LLC	Retail	\$5,783.66
372068-7	UTC Retail IV LLC	Office	\$25,897.88
372070-3	UTC Retail IV LLC	Retail	\$53,466.12
	UTC Condo I, Inc.*	Condominiums	\$46,427.90
	Individual homeowners <sup>***</sup>	Condominiums	\$28,933.33
<b>Total Taxes Levied</b>			<b>\$1,026,000.00</b>

\*UTC Condo I, Inc. owns 69 condominiums

\*\*Individual homeowners' own 43 condominiums

### C. LIST OF TAXPAYERS REPRESENTING MORE THAN FIVE PERCENT OF LEVY OF SPECIAL TAXES

A list of taxpayers responsible for more than five percent of the special tax levy and individual taxpayers responsible for less than five percent in fiscal year 2008-2009 is shown in the table on the following page.

**Table VI-2**  
**Tax Levy Percentage**

<b>Owner</b>	<b>Special Tax Levy</b>	<b>Percent</b>
PG Center I, Inc.	\$147,556.33	14.4%
PG Center II, LP	\$202,497.49	19.8%
PG Metro Center IV, LLC	\$88,558.39	8.6%
PG Metro Center III, Inc.	\$230,088.18	22.4%
UTC Housing I, LLC	\$170,908.49	16.4%
UTC Retail IV, LLC	\$79,364.01	7.7%
<b>Sub-total</b>	<b>\$918,972.89</b>	<b>89.6%</b>
Individual homeowners' below 5%	\$28,933.33	2.8%
Entities below 5%	\$78,093.78	7.6%
<b>Total Special Taxes Levied</b>	<b>\$1,026,000.00</b>	<b>100.0%</b>

### D. SIGNIFICANT AMENDMENTS TO LAND USE

As of December 31, 2008, the developer reports that there were no significant amendments to land use entitlements or legal challenges to the construction of the developments. The administrator is also not aware of any significant amendments to land use entitlements or legal challenges to the construction of the project.

### E. STATUS OF PUBLIC IMPROVEMENTS

The status of the improvements is more fully outlined in Section III, "Status of Development," of this report. As of December 31, 2008, the developer has not reported any changes in the types of public improvements constructed from those stated in the Limited Offering Memorandum. The administrator is also not aware of any changes in the types of public improvements to be constructed from those stated in the Limited Offering Memorandum.

## ***VII. SIGNIFICANT EVENTS***

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### **A. DEVELOPER SIGNIFICANT EVENTS**

The Developer is required to notify the administrator of actual knowledge of the occurrence of a significant event, and the administrator is to notify the trustee and the City of the significant event.

Significant events generally include the following:

- (i) failure to pay any real property taxes (including the special taxes) levied within the Special Taxing District on a parcel owned by the developer or any affiliate thereof;
- (ii) material damage to or destruction of any development or improvements within the Special Taxing District;
- (iii) material default by the developer or any affiliate thereof on any loan with respect to the construction or permanent financing of the development;
- (iv) material default by the developer or any affiliate thereof on any loan secured by property within the Special Taxing District owned by the developer or any affiliate thereof;
- (v) the filing of the developer or any affiliate thereof, or any owners of more than 25% interest in the developer in bankruptcy or any determination that the developer, or an owner of interest in the developer, or a subsidiary of the developer, or any Affiliate thereof, is unable to pay its debts as they become due; and
- (vi) the filing of any lawsuit against the developer with claim for damage in excess of \$1,000,000 or which may adversely affect the completion of the development, or litigation in excess of \$1,000,000 which would materially adversely affect the financial conditions of the developer.

Except for the default on the Wells Fargo construction loan and the two mechanic liens filed by Whitin-Turner Construction Company, described under Section III, "Status of Financing," of this report, the administrator does not have knowledge of any listed events as of the date of this report. A notice for this significant event was previously filed with the NRMSIR, the trustee, and investors on January 19, 2009.

### **B. LISTED EVENTS**

The administrator is required to file a notice to the Municipal Securities Rulemaking Board, any Repository and each Notice Holder of actual knowledge of the occurrence of a listed event.

Listed events generally include the following:

- (i) Delinquency in payment when due of any principal of or interest on the bonds;
- (ii) occurrence of any default under the Indenture (other than described in clause (i) above) or the Acquisition Agreements;
- (iii) amendment to the indenture modifying the rights of the bondowners;
- (iv) giving notice of optional or unscheduled redemption of bonds;
- (v) defeasance of bonds or any portion thereof;
- (vi) any change in the rating, if any, on the bonds;

- (vii) adverse tax opinions or events affecting the tax-exempt status of the bonds;
- (viii) any unscheduled draws on debt service reserves reflecting financial difficulties; and
- (ix) the release, substitution or sale of property securing repayment of the bonds (including property leased, mortgaged or pledged as security)

As of March 3, 2009, the administrator is not aware of occurrence of any of the above listed events.