

**STATEMENT OF TERMS TO BE INCLUDED IN A
HOSPITAL DEVELOPMENT AND SUPPORT AGREEMENT
BETWEEN THE GOVERNMENT OF THE DISTRICT OF COLUMBIA AND
HOWARD UNIVERSITY**

This Statement of Terms (“**Term Sheet**”) dated this 29th day of April, 2020 (the “**Effective Date**”), entered into between the Government of the District of Columbia (“**District**”), and Howard University (“**Howard**”) (each individually a “**Party**” and collectively the “**Parties**”) sets forth the key business terms and conditions that will be incorporated into a Hospital Development and Support Agreement (“**Agreement**”) between the Parties for the development of a new state-of-the-art hospital with a Level 1 trauma center and associated medical office and academic buildings (“**New Hospital**”) to replace the current Howard University Hospital and associated medical office and academic buildings (the “**Existing Hospital**”).

Following the execution of this Term Sheet, the District and Howard shall negotiate the Agreement expeditiously and in good faith.

1. PURPOSE OF THE TERM SHEET; GOALS OF THE PARTIES

- A. WHEREAS, Howard’s College of Medicine is a historic institution in Washington, DC, and a premier national medical school that produces more African-American doctors than any other university in the country; and
- B. WHEREAS, Howard operates the Existing Hospital, on Georgia Avenue, NW, which serves a significant portion of the city’s underserved population; and
- C. WHEREAS, the Existing Hospital is becoming a physically outdated and financially inefficient facility; and
- D. WHEREAS, Howard supports the building of the New Hospital near the site of the Existing Hospital, to better serve District residents and to better support its academic and medical service missions; and
- E. WHEREAS, Howard seeks to redevelop the site of the Existing Hospital as a mixed-use residential and commercial project (the “**Project**”); and
- F. WHEREAS, Washington, DC’s hospital sector is a nationally recognized system of care, offering a diverse and broad range of acute and specialty health care service among ten acute and specialty care facilities; and
- G. WHEREAS, despite this strong overall health system, a significant number of residents in District neighborhoods continue to experience poor health outcomes, including in neighborhoods near Howard University Hospital; and
- H. WHEREAS, it is important to maintain high-quality health services in

geographically diverse areas of Washington, DC; and

- I. WHEREAS, the closure of Providence Hospital created challenges around the delivery of obstetrics services and behavioral health care and created pressure in the acute care system;
- J. WHEREAS, the closure of Providence Hospital also increased the importance of having Howard University Hospital serve as a modern, high-performing medical facility providing a wide range of high-quality medical services at or near its current location; and
- K. WHEREAS, the District seeks to support the Existing Hospital and the development of the New Hospital to ensure that high-quality medical services are provided to District residents, particularly those in underserved communities; and
- L. WHEREAS, the District also seeks to support the Existing Hospital and the development of the New Hospital to help ensure that Howard can continue to operate a successful program to educate and train students from under-represented populations, including the African-American community, in the medical professions; and
- M. WHEREAS, the redevelopment of the site of the Existing Hospital will contribute to the vibrancy of District neighborhoods, create additional jobs for District residents, and generate additional revenue for the District government;
- N. NOW, THEREFORE, Howard and the District are entering into this Term Sheet to help achieve their individual and mutual goals.

2. **DISTRICT SUPPORT**

In order to achieve the goals of the Parties, the District offers to provide to Howard financial and other support to pursue the development of the New Hospital as well as its redevelopment objectives with respect to the Existing Hospital site, such support to come in the form of regulatory, zoning, and permitting support, a tax abatement, capital infrastructure funding, and financial support to establish and operate certain centers of health care excellence more particularly described below.

A. **Regulatory, Zoning, and Permitting Support for the New Hospital and/or Project**

The District will support Howard and its development partners to timely obtain the regulatory, zoning, and permitting approvals necessary to develop and operate the New Hospital and to redevelop the Existing Hospital site. This support will include the streamlined and fast-tracked consideration of such approvals for the New Hospital and/or Project consistent with the mutual goals of the Parties, including maximizing density and accelerating development and occupancy.

B. Tax Abatement for the Project

The District will provide a real property tax abatement for the property of and surrounding the Existing Hospital, more particularly described as Square 3065, Lots 0829, 0830, and 0831, Square 3074, Lot 0011 and Square 3075, Lot 0807, as well as Square 3072, Lot 0052 and Square 3080, Lot 0073, which are existing parking structures (collectively, the “**Property**”). At Howard’s election, the tax abatement will begin upon either (i) the date of issuance of the temporary certificate of occupancy of each phase of the Project for that portion of the Property on which the phase is located, or (ii) the date of transfer of each such phase for development; provided, that in neither event shall the tax abatement begin before Fiscal Year 2025. The tax abatement will be equal to one hundred percent (100%) of the real property tax amount, and will remain in effect for a period of twenty (20) years; provided, that the tax abatement will not remain in effect later than the end of tax year 2048 and will not exceed more than two hundred and twenty-five million dollars (\$225,000,000) in total or eleven million one hundred and twenty-five thousand dollars (\$11,125,000) in any tax year. Howard shall have the right, through private parties, to seek to monetize any portion of the total tax abatement amount of two hundred and twenty-five million dollars (\$225,000,000) in advance of construction, to the extent such monetization is consistent with the provisions of this Agreement.

C. Capital Improvements Funding for the New Hospital and/or the Project

The District will provide or invest twenty-five million dollars (\$25,000,000) between Fiscal Year 2021 and Fiscal Year 2025 for capital improvements on the Property, to support the development of the New Hospital and/or the Project. The Parties acknowledge that the capital funding must be spent on assets owned by the District, such as streets to be built on the Property (such as extensions of 6th Street, NW, and V Street, NW, and sidewalks and streetscape elements on the Property) or on the New Hospital site.

D. Anchor Tenant at the Project

At the request of Howard or its developer, the District will relocate a District agency or agencies to occupy at least one hundred thousand (100,000) rentable square feet of office space at the Project, for a lease term of at least ten (10) years, in order to provide an anchor tenant and initial revenue stream for the Project, and to act as a catalyst for additional tenants and as support for the Project’s financing. The District commits to payments under this lease at a gross lease rate that reflects then current market lease rates, and terms and conditions that would be customary for a District agency lease.

E. Centers of Excellence

- i. Establishment: The District will support the establishment of five (5) centers of excellence supporting Howard's Health Care initiatives at the Existing Hospital, the New Hospital and/or other health care locations of Howard in the District that are agreed to by the District. The five (5) centers of excellence will be:
 - a. Sickle cell disease;
 - b. Women's health;
 - c. Substance use and co-occurring disorders;
 - d. Trauma care and violence prevention; and
 - e. Oral health.

- ii. Operational and Start-Up Support: The District will provide twenty-six million six hundred twelve thousand and five hundred dollars (\$26,612,500) of operational and start-up support over six (6) years for the centers of excellence, as follows:
 - a. Sickle cell disease: four million one hundred twenty-five thousand dollars (\$4,125,000) of operational support over the six (6)-year period;
 - b. Women's health: four million four hundred thousand dollars (\$4,400,000) of operational support over the six (6)-year period;
 - c. Substance use and co-occurring disorders: two million three hundred thirty-seven thousand and five hundred dollars (\$2,337,500) of operational support over the six (6)-year period;
 - d. Trauma care and violence prevention: two million seven hundred and fifty thousand dollars (\$2,750,000) of operational support over the six (6)-year period; and
 - e. Oral health: five million five hundred thousand dollars (\$5,500,000) of operational support over the six (6)-year period.
 - f. Start-up support: two million five hundred thousand dollars (\$2,500,000) in Fiscal Year 2021 and five million dollars (\$5,000,000) in Fiscal Year 2022, to build out and support construction and operation of the centers of excellence.

The operational support for the centers of excellence described in paragraphs a through e, above, will commence in the District's Fiscal Year 2021. In Fiscal Year 2021, the total amount of that operational support will be one million seven hundred thousand dollars (\$1,700,000); in the following five (5) fiscal years, the total amount of that operational support will be three million four hundred eighty-two thousand and five hundred dollars (\$3,482,500) annually. In Fiscal Year 2021 and Fiscal Year 2022, at the request of Howard and with the approval of the District, the

operational support may be used for start-up costs and the start-up support may be used for operational costs. In each fiscal year, at the request of Howard and with the approval of the District, operational support funding may be transferred between the centers of excellence. The funding of operational and start-up support in each fiscal year shall be subject to Council approval and appropriation and, where applicable, Congressional appropriation and shall be subject to, and shall not commence before, the District's approval of Howard's six (6)-year Strategic Implementation Plan and shall be subject to agreement between the District and Howard on the establishment and operation of the centers of excellence and the expenditure of the operational support.

The Parties acknowledge that each of the District supports is subject to legislative and regulatory approvals.

3. COMMITMENTS OF HOWARD

In order to achieve the goals of the Parties, Howard agrees to:

- A. Cause a development plan to be created for the New Hospital (including a state-of-the-art Level 1 trauma center), with a targeted opening date of January 1, 2025 (subject to force majeure), and through or jointly with a partner, operate the New Hospital on an ongoing basis.
- B. Endeavor in good faith to maintain full operation of the Existing Hospital until the New Hospital is fully operational.
- C. Maintain the conditions necessary for designation and operation of the five (5) centers of excellence referred to in section 2.D of this Term Sheet at the Existing Hospital, the New Hospital and/or other Health Care locations of Howard in the District for the length of the District's commitment under section 2.D.
- D. Cause a redevelopment plan to be created for the Existing Hospital site, which the Parties expect to include varied and robust uses, such as residential, market and neighborhood-serving retail, hospitality, and office uses, integrated with the surrounding neighborhoods. The Parties further expect the residential portion of the Project to include affordable and workforce housing in accordance with District requirements existing as of the Effective Date, which may be supported in part by District funding, such as funding from the Housing Production Trust Fund.

4. COSTS AND EXPENSES

Each Party shall bear its own costs and expenses incurred in connection with the negotiation of this Term Sheet, the Agreement, and any other documents related thereto. Howard shall be responsible for all costs and expenses related to due diligence, studies,

and predevelopment incurred by Howard in connection with the Property and Project.

5. **ANTI-DEFICIENCY**

The District will endeavor to diligently include any obligation under this Term Sheet in its budgets submitted to the Council and Congress. However, Howard acknowledges that District cannot enter into any financial obligations under this Term Sheet, the Agreement, or any other agreement without the lawful availability of funds. Howard acknowledges and agrees that the obligation of District to fulfill financial obligations of any kind pursuant to any and all provisions of this Term Sheet relating to any public funds, or any subsequent agreement entered into pursuant to this Term Sheet or referenced herein relating to any public funds are and will remain subject to the provisions of: (i) the Federal Anti-Deficiency Act, 31 U.S.C. §§ 1341, 1342, 1349, 1351; (ii) D.C. Official Code § 47-105; (iii) the District of Columbia Anti-Deficiency Act, D.C. Official Code §§ 47-355.01-355.08; and (iv) section 446 of the District of Columbia Home Rule Act, D.C. Official Code § 1-204.46, as the foregoing statutes may be amended from time to time.

6. **ASSIGNMENT**

Except as may be agreed to in the Agreement, Howard shall not assign, transfer or otherwise convey its interests, rights, or obligations under this Term Sheet or the Agreement without prior, written approval of District, in its sole and absolute discretion.

7. **MODIFICATION**

This Term Sheet may be modified only by the written agreement of the Parties, and any such modifications shall become effective on the date determined by the Parties.

8. **TERM; TERMINATION**

- A. This Term Sheet shall become effective on the date it becomes signed by both Parties.
- B. This Term Sheet shall expire on the earlier of (i) the date on which the Parties execute the Agreement, or (ii) ninety (90) days after the date on which the District presents the first draft of the Agreement to Howard for review.
- C. This Term Sheet may be terminated by either Party without cause and without further obligation by either Party upon written notice given by either Party to the other Party. Either the District or Howard may (as determined in each of their sole and absolute discretion) terminate negotiations with regard to the transactions described in this Term Sheet upon written notice to the other Party.

9. **NATURE OF TERM SHEET**

The terms of this Term Sheet reflect certain general terms and conditions that are intended to be an outline of an arrangement to be more fully negotiated by the Parties as part of the Agreement. The Parties agree and acknowledge that (a) the Agreement will be the result of the further negotiations of the Parties and (b) until such time, if any, as the Parties execute the Agreement and the Agreement has been approved by the Council of the District of Columbia (to the extent that such approval is required) or permanent legislation has become effective that effectuates the terms of the Agreement (to the extent such legislation is required), no Party shall have any obligation to take any action or incur any liabilities with respect to this Term Sheet.

10. **NO THIRD-PARTY BENEFICIARIES**

This Term Sheet is made solely and specifically for the benefit of the District and Howard and their respective permitted successors and assigns, and no other person or entity shall have any right, interest, or claim hereunder or be entitled to any benefit under or on account of this Term Sheet as a third-party beneficiary or otherwise.

11. **ENTIRE AGREEMENT**

This Term Sheet constitutes the entire understanding and agreement of the Parties as to those matters contained in this Term Sheet. No other oral or written understanding shall be of any force or effect with respect to the subject matters contained in this Term Sheet, unless set forth in a subsequent amendment.

12. **GOVERNING LAW**

This Term Sheet shall be governed by and construed under the laws of the District of Columbia without regard to conflicts of laws principles.

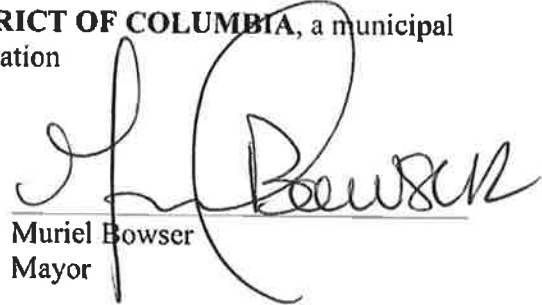
[Signature page follows]

District-Howard Statement of Terms
for Hospital Development and Support

DISTRICT:

DISTRICT OF COLUMBIA, a municipal
corporation

By:


Muriel Bowser
Mayor

HOWARD:

HOWARD UNIVERSITY

By:


Name: Wayne A. I. Frederick, M.D.
Title: President

By:


Name: Michael J. Masch
Title: Chief Financial Officer