Maryland Department of Health Capital Lease

MDH Headquarters – Baltimore City Central Business District

Facility Overview

- Building Size: Approximately 497,100 gross square feet of office space
- Site Area: 3.5 acres
- Parking: 1,666 total parking spaces
- Occupancy Status: Currently vacant (under development)
- Primary Occupant: Maryland Department of Health (MDH)

Background on the Site

In 2022, as part of the broader State Center relocation initiative, DGS issued a competitive Request for Proposals to consolidate approximately 3,000 Maryland Department of Health employees from their headquarters at 201 West Preston Street in the State Center Complex and from several smaller leased offices throughout the Baltimore region.

DGS awarded the lease to 300 N. Greene Street, with Greene Street Ventures (GSV) as the landlord. In November 2022, the Board of Public Works approved an operating lease for 463,000 square feet of office space and 1,101 rented parking spaces, with a 15-year initial term and a five-year renewal option.

Following the transition to the Moore–Miller Administration, MDH's space needs were reassessed, and the required square footage increased to 497,100 square feet.

Analysis and Capital Lease Strategy

In response to shifting market conditions—including rising interest rates and escalating construction costs—DGS conducted a comprehensive cost-benefit analysis evaluating all available options for relocating MDH's headquarters from the State Center Complex.

As part of this analysis, DGS explored an alternative capital lease structure utilizing tax-exempt bonds issued by the Maryland Economic Development Corporation (MEDCO). This approach was ultimately determined to be the most cost-effective option and offered the fastest path for MDH's relocation to Baltimore City's Central Business District.

Under the capital lease model:

- MEDCO will enter into a ground lease with the property owner and finance building renovations through the issuance of tax-exempt bonds.
- MDH will enter into an intergovernmental lease with MEDCO for use of the facility.
- MDH will repay the MEDCO bonds over a 25-year term, during which MEDCO will control the building through the ground lease and sublease the space to MDH.
- Upon satisfaction of the bonds and expiration of the initial ground lease, the State will have the option to either purchase the building or renew the ground lease.

Cost Savings and Additional Benefits

The Moore–Miller Administration adopted the capital lease model based on findings showing approximately $80 million in savings to the State over a 25-year period when compared to a traditional operating lease.

Additional benefits of the capital lease approach include:

- Construction of a new 1,172-space parking garage, which will be owned by the State at the conclusion of the lease term
- Ability to finance approximately $44.5 million in operating costs that would typically be borne by the agency
- 565 additional parking spaces compared to the originally approved operating lease

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Project Schedule and Relocation Timeline

- Construction Completion: January 2027
- Employee Relocation: All MDH employees relocated by February - March 2027

Cost Summary

MDH Headquarters: Operating Lease vs. Capital Lease

Option	Total Cost
Operating Lease	$642.4 million
Capital Lease	$562.5 million
Total Estimated Savings	**$80 million**