

MEMORANDUM

January 7, 2010

TO: Planning, Housing, and Economic Development (PHED) Committee

FROM: Marlene L. Michaelson, ^{MM} Senior Legislative Analyst

SUBJECT: Amendment to the FY09-14 Capital Improvements Program of Maryland-National Capital Park and Planning Commission for SilverPlace/MRO Headquarters Mixed-Use Project, to change the funding source from Certificates of Participation to County Current Revenue (\$1,385,681) and Park and Planning Current Revenue (\$600,000)

The Planning Board has requested an amendment to the FY09-14 Capital Improvements Program to reflect a change in the funding source for the SilverPlace/MRO Headquarters Mixed-Use Project. Since this was introduced by the Council and was not submitted by the Executive, it was introduced as a Special Appropriation.

Certificates of Participation

M-NCPPC previously assumed that the SilverPlace project would be funded by Certificates of Participation (COPs) in the amount of \$1,986,000. Since the project is not moving forward, M-NCPPC is no longer able to issue Certificates of Participation and is therefore requesting an amendment to the PDF which reflects a change in funding sources from Certificates of Participation to County Current Revenue in the amount of \$1,385,681 and Park and Planning Current Revenue in the amount of \$600,000.

The change in funding source from COPs to **Park and Planning** Current Revenue was omitted from both the Chairman's letter and the Resolution used for introduction. However, the Project Description Form (© 5) contains the correct funding sources and amounts. The letter from M-NCPPC, with a handwritten correction, is attached at © 1-3. The approved and M-NCPPC recommended PDF is attached on © 4 to 6.

Although the Executive originally supported the amendment, on November 12 the Council received a memorandum from the Executive modifying his previous recommendation to reduce the proposed use of current revenue by \$416,000 to \$970,000, since the \$416,000 represents unspent funds (see memorandum on © 7). The memorandum notes that "it would not be prudent, given the outstanding issues, to continue further spending on the project at this time."

Staff concurs with the Executive recommendation to support the change from COPs to current revenue and to reduce funding by \$416,000 so as not to allow further spending on this project. However, Staff believes there are two problems with the Executive recommended PDF changes (© 8) that need to be corrected. First, the Executive has added the Park and Planning Internal Service Funds to the funding schedule. The Internal Service Fund describes where the funding is held and is not the funding source. (The \$600,000 will be funded by Park and Planning Current Revenue held in an Internal Service Fund.) Therefore, the \$600,000 should be shown as Park and Planning Current Revenue. Second, the Executive-recommended PDF shows \$416,000 as COPs. No COPs will be issued for this project; moreover, the Executive is not recommending spending the \$416,000. He did not eliminate the \$416,000 from the project so he would not have to disappropriate funding from the project. Staff recommends taking the \$416,000 out of the PDF and reducing the total cost of the project.



MONTGOMERY COUNTY PLANNING BOARD
THE MARYLAND NATIONAL CAPITAL PARK AND PLANNING COMMISSION

OFFICE OF THE CHAIRMAN

July 28, 2009

The Honorable Phil Andrews, President
Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

Subject: Amendment to the FY09-14 Capital Improvements Program (CIP) and Supplemental Appropriation to the FY10 Capital Budget for The Maryland-National Capital Park and Planning Commission for Montgomery Regional Office Renovations, PDF # 108701, to add \$2,214,000;
and
Amendment to the FY09-14 Capital Improvements Program for SilverPlace/MRO Headquarters Mixed-Use Project, PDF #048701, to change the funding source from Certificates of Participation (COPs) to County Current Revenue in the amount of \$1,385,681

Dear Mr. Andrews:

My apology for taking so long to respond to your March 2009 memo on funding of the new MNCPPC-Montgomery headquarters. Collecting the necessary information and analyzing it has taken some time and we wanted to provide an accurate estimate of costs for delaying construction for five or ten years.

Based on the attached analysis, and if the Council wishes to delay funding construction, the Montgomery County Planning Board requests a CIP amendment, a FY10 supplemental appropriation for the Montgomery Regional Office Renovations capital project, and an amendment to the SilverPlace/MRO Headquarters Mixed-Use capital project to change the funding source for the authorized work thus far completed. Each of these requests is described below.

Montgomery Regional Office Renovations (MRO)

Approval of the request as described in the attached Project Description Form No. 108701 (Attachment 1) and Resolution (Attachment 2) will fund badly needed renovations to the Montgomery Regional Office. These renovations are the minimum needed in order for Maryland-National Capital Park and Planning Commission to operate in those facilities for the next five years.

In a memorandum dated March 23, 2009, you advised us that the Montgomery County Council was not prepared to fund the SilverPlace project at this time and asked M-NCPPC

to examine making repairs to the MRO or relocating staff to rental space, and to examine the implications of these actions for periods of five to ten years.

In order to comply with the Council's request, we have evaluated the condition and status of the MRO, determined actions to be taken to correct the most serious existing and imminent deficiencies, estimated the capital costs attendant to those actions, and compared those costs to the cost of relocating staff to leased space. Each of these analyses was conducted for periods of five and ten years. The enclosed "Montgomery-National Capital Park and Planning Commission Montgomery Regional Office Alternatives Report to Montgomery County Council" dated July 27, 2009 (Attachment 3) contains detailed descriptions of the proposed actions and their costs.

The analysis concludes that if construction is delayed for five years it will cost less to repair the MRO rather than to lease space elsewhere. Naturally, it is less expensive to defer the construction of a new headquarters facility for five years, rather than ten.

We note that the true least-cost approach is to move ahead now to build the new headquarters. To do so would take advantage of historically low prices for construction. In addition it would avoid most of the costs for repairing the MRO to keep it serviceable for 5 to 10 years. Delay will also result in escalation of construction costs--as much as \$33 million if delayed ten years.

Assuming, however, that the Council does not wish to fund the project at this time, the report presents a description of the components of the required \$2,214,000 capital investment and recommends a supplemental capital appropriation of that amount. Accordingly, this letter transmits an amendment to the FY09-14 Capital Improvements Program and a supplemental appropriation to the FY10 Capital Budget of \$2,214,000.

In order to lease swing space to house staff during renovations, move staff between the MRO and swing space, extend the leases on M-NCPPC's Spring Street and Dedrick annexes, the operating budget impact of the proposed program is \$2,738,000 for the period FY10 through FY14. The program will cause M-NCPPC's FY10 Operating Budget to increase by \$328,000, and we will forward for the Council's consideration a supplemental appropriation for that increase.

SilverPlace/MRO Headquarters Mixed-Use Project

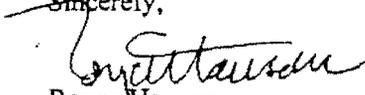
A portion of the total appropriation for this project was originally intended to be supported by Certificates of Participation (COPs), which the Commission will no longer be in a position to issue due to time limits governing COPs. Therefore, the Board is requesting a change in the funding source from COPs to County Current Revenue in the amount of \$1,385,684. The amended Project Description Form and resolution can be found on Attachments 4 and 5, respectively.

As well as
a change in
funding
source from
COPs to Park and
Planning Current
Revenue in the
amount of \$600,000.

We would appreciate the opportunity to discuss the amendment and supplemental appropriations with you at your convenience so that the enclosed resolution can be

introduced at the earliest possible time. Thank you for consideration of this severely needed program.

Sincerely,


Royce Hanson
Chairman

Also Submitted to Isiah Leggett, County Executive

cc: Chris Mullin, OMB

Attachment 1 – Project Description Form, #108701

Attachment 2 – Resolution, PDF #108701

Attachment 3 – Montgomery-National Capital Park and Planning Commission
Montgomery Regional Office Alternatives Report to Montgomery County
Council dated July 27, 2009

Attachment 4 – Project Description Form, #048701

Attachment 5 – Resolution, PDF #048701

SilverPlace/MRO Headquarters Mixed-Use Project -- No. 048701

Category	M-NCPPC	Date Last Modified	October 30, 2008
Subcategory	Development	Required Adequate Public Facility	No
Administering Agency	M-NCPPC	Relocation Impact	None
Planning Area	Silver Spring	Status	On-going

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY08	Rem. FY08	Total 6 Years	FY09	FY10	FY11	FY12	FY13	FY14	Beyond 6 Years
Planning, Design, and Supervision	2,236	957	1,107	172	172	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Total	2,236	957	1,107	172	172	0	0	0	0	0	0

FUNDING SCHEDULE (\$000)

Certificates of Participation	1,986	1,107	172	172	0	0	0	0	0	0	0
Current Revenue: Park and Planning	250	250	0	0	0	0	0	0	0	0	0
Total	2,236	957	1,107	172	172	0	0	0	0	0	0

DESCRIPTION

The Montgomery County Planning Board ranked a proposal submitted by SilverPlace, LLC, an entity composed of Bozzuto Development, Spaulding & Slye/Jones Lang LaSalle, and Harrison Development, as the highest of three proposals to construct a mixed-use project at the site of the Montgomery Regional Office (MRO), M-NCPPC's headquarters building, 8787 Georgia Avenue, Silver Spring. The mixed-use development will consist of a new headquarters office building to replace MRO, affordable and market-rate housing, a public open space network, a model urban street, and an array of public amenities. The headquarters building will consolidate functions currently located at four separate sites: two leased facilities on Spring Street, a leased former school building on Brunett Avenue (Parkside), and the existing MRO building on Georgia Avenue which was constructed in 1957 and expanded in 1978. Thirty percent of the housing in the residential component will be made available as affordable units.

From FY04 through FY07, the Commission conducted initial facility planning, retained a development advisor, issued a request for qualifications, qualified three development entities, solicited and ranked the proposals, initiated community outreach efforts, entered into negotiations with the first ranked developer, opened negotiations with the Silver Spring Parking District to acquire adjacent property, and initiated a parking needs analysis.

In FY08 M-NCPPC expects to enter into a Memorandum of Understanding and Development Services Agreement with SilverPlace, LLC; conclude negotiations with the Silver Spring Parking District; advance community outreach efforts; engage in due diligence activities (surveys, environmental analyses, etc.); complete facility and development concept planning; and initiate schematic design. The Commission intends to seek a supplemental appropriation for design of the public share of the project in FY08, prior to entering into a Development Services Agreement with SilverPlace, LLC. In FY09, following the completion of the schematic design in the Commission intends to enter into a General Development Agreement with SilverPlace, LLC and seek a supplemental appropriation to complete the design and construct the public share of the project.

JUSTIFICATION

"MRO Location Assessment Study," completed in 2000. "MRO and Parkside: Consolidated Headquarters Study/ Space Requirements and Site Selection," completed in September 2003. Analyses of MRO HVAC, Electrical Systems, 2001. The Montgomery County Council approved the Silver Spring Central Business District and Vicinity Sector Plan in February 2000 and the M-NCPPC adopted it in March 2000. Housing Montgomery: Housing the People Who Make Montgomery County Work, approved by the Planning Board and County Council in 2003.

OTHER

Traffic signals, streetlights, crosswalks, bus stops, ADA ramps, bikeways, and other pertinent issues will be considered in the design of the project to ensure pedestrian safety.

FISCAL NOTE

The debt associated with this project will be recorded in a new Internal Service Fund (ISF) to account for the new building (MRO Building ISF). The Administration Fund and the Park Fund will budget ISF service charges in amounts sufficient to cover the debt service on the building. The MRO Building ISF will budget those same charges as revenues and also budget the debt service on the note/Certificates of Participation (COPs). The allocation to the Administration Fund and the Park Fund will be based on the space to be utilized by the planning and parks functions. This process assures that each fund is paying a reasonable portion of the cost of the building.

OTHER DISCLOSURES

- A pedestrian impact analysis will be performed during design or is in progress.

APPROPRIATION AND EXPENDITURE DATA	COORDINATION	MAP																																							
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Date First Appropriation</td> <td style="text-align: right;">FY05</td> <td style="text-align: right;">(\$000)</td> </tr> <tr> <td>First Cost Estimate</td> <td style="text-align: right;">FY09</td> <td style="text-align: right;">2,236</td> </tr> <tr> <td>Current Scope</td> <td></td> <td style="text-align: right;">2,236</td> </tr> <tr> <td>Last FY's Cost Estimate</td> <td></td> <td style="text-align: right;">2,236</td> </tr> <tr> <td>Appropriation Request</td> <td style="text-align: right;">FY10</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Supplemental Appropriation Request</td> <td></td> <td style="text-align: right;">0</td> </tr> <tr> <td>Transfer</td> <td></td> <td style="text-align: right;">0</td> </tr> <tr> <td>Cumulative Appropriation</td> <td></td> <td style="text-align: right;">2,236</td> </tr> <tr> <td>Expenditures / Encumbrances</td> <td></td> <td style="text-align: right;">1,911</td> </tr> <tr> <td>Unencumbered Balance</td> <td></td> <td style="text-align: right;">325</td> </tr> <tr> <td>Partial Closeout Thru</td> <td style="text-align: right;">FY07</td> <td style="text-align: right;">0</td> </tr> <tr> <td>New Partial Closeout</td> <td style="text-align: right;">FY08</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Total Partial Closeout</td> <td></td> <td style="text-align: right;">0</td> </tr> </table>	Date First Appropriation	FY05	(\$000)	First Cost Estimate	FY09	2,236	Current Scope		2,236	Last FY's Cost Estimate		2,236	Appropriation Request	FY10	0	Supplemental Appropriation Request		0	Transfer		0	Cumulative Appropriation		2,236	Expenditures / Encumbrances		1,911	Unencumbered Balance		325	Partial Closeout Thru	FY07	0	New Partial Closeout	FY08	0	Total Partial Closeout		0		See Map on Next Page
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New Partial Closeout	FY08	0																																							
Total Partial Closeout		0																																							

M-NCPPC recommended

SilverPlace/MRO Headquarters Mixed-Use Project -- No. 048701

Category	M-NCPPC	Date Last Modified	July 22, 2009
Subcategory	Development	Required Adequate Public Facility	No
Administering Agency	M-NCPPC	Relocation Impact	None
Planning Area	Silver Spring	Status	On-going

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY08	Rem. FY08	Total 6 Years	FY09	FY10	FY11	FY12	FY13	FY14	Beyond 6 Years
Planning, Design, and Supervision	2,236	850	1,214	172	172	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Total	2,236	850	1,214	172	172	0	0	0	0	0	0

FUNDING SCHEDULE (\$000)

	Total	FY08	Rem. FY08	Total 6 Years	FY09	FY10	FY11	FY12	FY13	FY14	Beyond 6 Years
Current Revenue: General	1,386	0	1,214	172	172	0	0	0	0	0	0
Current Revenue: Park and Planning	850	850	0	0	0	0	0	0	0	0	0
Total	2,236	850	1,214	172	172	0	0	0	0	0	0

OPERATING BUDGET IMPACT (\$000)

Maintenance				1	1	0	0	0	0	0	0
Energy				1	1	0	0	0	0	0	0
Program-Staff				1	1	0	0	0	0	0	0
Program-Other				1	1	0	0	0	0	0	0
Cost Savings				1	1	0	0	0	0	0	0
Offset Revenue				1	1	0	0	0	0	0	0
Net Impact				6	6	0	0	0	0	0	0

DESCRIPTION

The Maryland-National Capital Park and Planning Commission's administrative staff is divided among four locations in Silver Spring. The Montgomery Regional Office, the only location that M-NCPPC owns, is in poor condition, overcrowded, functionally obsolescent, and fails to serve the public adequately. It is located on a 5.24-acre site that can accommodate a consolidated headquarters building among other uses.

In order to develop the MRO site as a mixed-use development, M-NCPPC issued an RFP to obtain a private partner, obtained and ranked proposals from three developers, entered into a memorandum of understanding with a developer, and conducted a highly successful design charrette which resulted in a plan for 300 units of multifamily housing (30% affordable housing), a new headquarters building, and the realization of a number of public policy objectives. In late 2008, M-NCPPC and the developer were unable to reach agreement on key business terms and their relationship was terminated.

The proceeds of the sale of the residential portion of the MRO site are intended to be used to offset part of the cost of the new headquarters building. However, current economic conditions have negatively affected M-NCPPC's ability to market the residential portion of the site and have negated M-NCPPC's ability to obtain an appropriation for the capital cost of the new headquarters building at this time.

JUSTIFICATION

"MRO Location Assessment Study," completed in 2000. "MRO and Parkside: Consolidated Headquarters Study/ Space Requirements and Site Selection," completed in September 2003. Analyses of MRO HVAC, Electrical Systems, 2001. The Montgomery County Council approved the Silver Spring Central Business District and Vicinity Sector Plan in February 2000 and the M-NCPPC adopted it in March 2000. Housing Montgomery: Housing the People Who Make Montgomery County Work, approved by the Planning Board and County Council in 2003.

OTHER

Traffic signals, streetlights, crosswalks, bus stops, ADA ramps, bikeways, and other pertinent issues will be considered in the design of the project to ensure pedestrian safety.

FISCAL NOTE

Originally, M-NCPPC proposed to use Certificates of Participation as the financing mechanism for the headquarters building and to include pre-development expenditures in the COPs issuance as formerly stated in PDF No. 048701. M-NCPPC's bond advisors have informed M-NCPPC that in order to be included in the COPs issuance, funds cannot have been expended more than three years in advance of the issuance. The delay in the SilverPlace schedule means that M-NCPPC will not be able to use COPs to fund pre-development expenditures. Accordingly, this PDF revises the

APPROPRIATION AND EXPENDITURE DATA	COORDINATION	MAP
Date First Appropriation	Montgomery Regional Office Renovations, PDF #108701	See Map on Next Page
First Cost Estimate		
Current Scope		
Last FY's Cost Estimate		
Appropriation Request		
Supplemental Appropriation Request		
Transfer		
Cumulative Appropriation		
Expenditures / Encumbrances		
Unencumbered Balance		
Partial Closeout Thru		
New Partial Closeout		
Total Partial Closeout		

5

SilverPlace/MRO Headquarters Mixed-Use Project-- No. 048701 (continued)

funding source from COPs to current revenue.

OTHER DISCLOSURES

- A pedestrian impact analysis will be performed during design or is in progress.



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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

November 12, 2009

2009 NOV 17 PM 4:51

RECEIVED
MONTGOMERY COUNTY
COUNCIL

TO: Phil Andrews, President, County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Amendment to the FY09-14 Capital Improvements Program for SilverPlace/MRO Headquarters Mixed-Use Project, PDF #048701

On October 5, 2009, I sent a recommendation on a request from the Maryland-National Capital Park and Planning Commission (M-NCPPC) for an amendment to change the funding source for the Silver Place/MRO Headquarters Mixed-use project currently funded with Certificates of Participation (COPs – \$1,986,000) and Current Revenue-Park and Planning (\$250,000). The amendment was required as M-NCPPC is unable to use COPs for predevelopment expenditures due to a delay in planned construction.

After further review of this matter I am modifying my previous recommendation by reducing the proposed use of Current Revenue – General by \$416,000 to \$970,000. This recommendation allows for adequate resources to cover actual expenditures to date. I do not recommend covering the unspent amount of \$416,000, programmed as COPs, with Current Revenue. It would not be prudent, given the outstanding issues, to continue further spending on the project at this time.

M-NCPPC advised that they used \$600,000 of Internal Service Fund resources to cover part of their requirements, which along with my recommendation, would result in funding allocations displayed on the attached brief.

I recommend that the County Council approve an amendment in the amount \$1,570,000 and specify the source of funds as Other P&P Internal Service Funds (\$600,000) and Current Revenue- General \$970,000.

IL:aw

Attachment: Publication Brief
FY09-14 Amended Approved PDF

c: Kathleen Boucher, Assistant Chief Administrative Officer
Joseph F. Beach, Director, Office of Management and Budget
Jacqueline Carter, Office of Management and Budget
Royce Hanson, Chairman, Montgomery County Planning Board

EXECUTIVE RECOMMENDATION

SilverPlace/MRO Headquarters Mixed-Use Project - No. 048701

Category: M-NCPPC
 Agency: M-NCPPC
 Planning Area: Silver Spring
 Relocation Impact: None

Date Last Modified: November 9, 2009
 Required Adequate Public Facility: No

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru 6 Year			Beyond							
		FY08	Rem. FY08	Total	FY09	FY10	FY11	FY12	FY13	FY14	6 Years	
Planning, Design and Supervision	2,236	957	0	1,279	863	416	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Total	2,236	957	0	1,279	863	416	0	0	0	0	0	0

FUNDING SCHEDULE (\$000)

Current Revenue: General	970	107	0	863	863	0	0	0	0	0	0	0
Current Revenue: Park and Planning	250	250	0	0	0	0	0	0	0	0	0	0
Certificates of Participation	416	0	0	416	0	416	0	0	0	0	0	0
Internal Service Fund (P&P only)	600	600	0	0	0	0	0	0	0	0	0	0

COMPARISON (\$000)

	Total	Thru 6 Year			Beyond						Approp. Request	
		FY08	Rem. FY08	Total	FY09	FY10	FY11	FY12	FY13	FY14		6 Years
Current Approved	2,236	497	1,567	172	172	0	0	0	0	0	0	0
Agency Request	2,236	957	1,107	172	172	0	0	0	0	0	0	0
Recommended	2,236	957	0	1,279	863	416	0	0	0	0	0	0
CHANGE			TOTAL	%	6-YEAR	%				APPROP.		
Agency Request vs Approved			0	0.0%	0	0.0%				0	0.0%	
Recommended vs Approved			0	0.0%	1,107	643.6%				0	0.0%	
Recommended vs Request			0	0.0%	1,107	643.6%				0	0.0%	

Recommendation

The County Executive recommends funding switches to cover actual expenditures to date, but given the outstanding issues, does not recommend further spending on the project, nor covering the unspent COPs with current revenue.

Comments

COPs revenues cannot be used for predevelopment activities due to the delay in planned construction.

The recommended revised funding schedule reflects:

- Funding switch from COPs to Park and Planning Internal Service Fund (\$600,000)
- Funding switch from COPs to Current Revenue - General (\$970,000)
- Remaining, previously programmed but unspent COPs (\$416,000)

⑧