AGENDA 2E,F
September 15, 2009
Introduction

MEMORANDUM

September 11, 2009

TO: County Council

FROM: Marlene L. Michaelson, Senior Legislative Analyst
Shondell H. Foster, Research Associate

SUBJECT: Special Appropriation to the FY10 Capital Budget for the Maryland-National Capital Park and Planning Commission for the Montgomery Regional Office Renovations ($2,214,000)

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)

The Planning Board has requested a special appropriation to the FY10 Captial Budget to fund the Montgomery Regional Office (MRO) renovations and has requested an amendment to the FY09-14 Capital Improvements Program to reflect a change in the funding source for SilverPlace/MRO Headquarters Mixed-Use Project. Since this is being introduced by the Council and was not submitted by the Executive it must be introduced as a Special Appropriation.

Montgomery Regional Office Renovations (MRO)

Background

In 2003, M-NCPPC completed a Consolidated MRO/Parkside Headquarters Study that proposed a mixed-use project (SliverPlace) that would include office and residential uses and a park. The project was estimated to cost 28 to 33 million dollars. Following this study the Council approved $125,000 for additional planning money as an amendment to the FY03-08 CIP and an additional $725,000 for planning and design in the FY05-10 CIP. A charrette was completed in 2008 and the Planning Board prepared a conceptual plan to reflect the charrette agreements. In December 2008, M-NCPPC submitted a supplemental request for $87,345,000 to fund SilverPlace.

M-NCPPC requested this special appropriation after the Council indicated that it is currently not fiscally capable of funding new construction of the MRO, but would consider the costs of renovating the current building. In response to the Council's request to determine the minimum amount of investment necessary to make the MRO serviceable, the Planning Board conducted a cost analysis for maintenance and repair of the building over the next five and ten years. (© 18-19) The report also details the current building conditions, the requisite repairs, and the costs associated with each repair. (© 14-17)

The Planning Board determined which actions should be taken to correct the most serious problems that should be completed over the next five to ten years. It is the Planning Board's opinion that the least costly approach would be to construct a new MRO building given the low costs for construction which would avoid the cost of repairs needed at the current MRO. However, since this option is not feasible, the report concludes that it would more cost effective to repair the MRO than lease space elsewhere if construction of the new MRO is delayed five years. The total amount of capital improvements needed for the renovation is $2,214,000. The Planning Board has indicated an operating budget impact for this renovation during the period FY10 through FY14 to be $2,738,000; however, additional detail regarding these costs should be reviewed by the Planning, Housing, and Economic Development Committee during the worksession. M-NCPPC anticipates the FY10 operating budget to increase by $328,000.

The Council has not yet received a recommendation from the County Executive.

Certificates of Participation

M-NCPPC previously assumed that the SilverPlace project would be funded by Certificates of Participation (COP) and as a result funded the planning efforts with COPs. 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 source from Certificates of Participation to County Current Revenue in the amount of $1,385,681.

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

OFFICE OF THE CHAIRMAN

July 28, 2009

050528

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

In File

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

8787 Georgia Avenue, Silver Spring, Maryland 20910 Phone: 301.495.4605 Fax: 301.495.1320
www.MCParkandPlanning.org E-Mail: mcp-chairman@mncppc.org

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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.

<u>SilverPlace/MRO Headquarters Mixed-Use Project</u>

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 $1,385,681. The amended Project Description Form and resolution can be found on Attachments 4 and 5, respectively.

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

Montgomery Regional Office Renovations -- No. 108701

Category	**M-NCPPC**	Date Last Modified	**July 27, 2009**
Subcategory	**Development**	Required Adequate Public Facility	**No**
Administering Agency	**M-NCPPC**	Relocation Impact	**None**
Planning Area	**Silver Spring**	Status	

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	305	0	0	305	0	150	155	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	1,909	0	0	1,909	0	1,175	734	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Total	**2,214**	**0**	**0**	**2,214**	**0**	**1,325**	**889**	**0**	**0**	**0**	**0**

FUNDING SCHEDULE ($000)

Certificates of Participation	2,214	0	0	2,214	0	1,325	889	0	0	0	0
Total	**2,214**	**0**	**0**	**2,214**	**0**	**1,325**	**889**	**0**	**0**	**0**	**0**

OPERATING BUDGET IMPACT ($000)

Energy				-246	0	-78	-72	-45	-32	-19
Program-Other				2,984	0	406	918	532	553	575
Net Impact				**2,738**	**0**	**328**	**846**	**487**	**521**	**556**

DESCRIPTION

The project described in this PDF is intended as an interim solution to the Maryland-National Capital Park and Planning Commission's need to provide adequate facilities for its administrative staff currently located at the Montgomery Regional Office (MRO) at 8787 Georgia Avenue, Silver Spring. The existing is in poor condition, overcrowded, functionally obsolescent, and fails to serve the public adequately.

The MRO is located on a 3.24-acre site that can accommodate a consolidated headquarters building as part of a mixed-use development with public and private components – housing and a new headquarters building, respectively. However, current economic conditions militate against going forward with both the private and public components of the mixed-use project.
Consequently, the Montgomery County Council asked M-NCPPC to determine the minimal amount of investment necessary to operate the MRO until funding can be secured to develop a new headquarters facility. The capital expenditures included in this PDF are those necessary to maintain operations for a five-year period.

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 the MRO's HVAC, electrical, plumbing, life safety, and other major building systems conducted by engineers, architects, and energy management consultants in 2001, 2006, and 2009. 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.

FISCAL NOTE

FY10 supplemental appropriation in the amount of $2,214,000

APPROPRIATION AND EXPENDITURE DATA

Date First Appropriation	FY09	($000)
First Cost Estimate Current Scope	FY10	2,214
Last FY's Cost Estimate		0
Appropriation Request	FY10	0
Supplemental Appropriation Request		2,214
Transfer		0
Cumulative Appropriation		0
Expenditures / Encumbrances		0
Unencumbered Balance		0
Partial Closeout Thru	FY07	0
New Partial Closeout	FY08	0
Total Partial Closeout		0

COORDINATION

SilverPlace/MRO headquarters Mixed-Use Project, PDF #048701

MAP

See Map on Next Page

Resolution No: ______________
Introduced: ______________
Adopted: ______________

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

SUBJECT: Amendment to the Maryland-National Capital Park and Planning Commission's (M-NCPPC) FY09-14 Capital Improvements Program, and Supplemental Appropriation to the FY10 Capital Budget, for **Montgomery Regional Office Renovations PDF # 108701**

Background

1. Article 28, section 2-118(a)(6) of the Annotated Code of Maryland permits the County Council to amend the budget of the M-NCPPC by resolution on the Council's initiative, or at the request of the Commission, after receipt of a recommendation from the County Executive, and after public hearing upon reasonable notice to the public.

2. Section 307 of the Montgomery County Charter states that a supplemental appropriation shall be recommended by the County Executive, who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a federal, state, or county law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of five (5) Councilmembers. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of six (6) Councilmembers. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may reapprove the appropriation, as if it were an item in the annual budget.

3. On behalf of the Maryland-National Capital Park and Planning Commission (M-NCPPC), the County Executive requests the following supplemental appropriation:

Project Name	Project No.	Cost Element	Amount	Source of Funds
Montgomery Regional Office Renovations	108701	Planning, Design & Supervision	$305,000	Certificates of Participation
Montgomery Regional Office Renovations	108701	Construction	$1,909,000	Certificates of Participation

4. M-NCPPC requests that the County Council approve this amendment to the FY09-14 CIP and supplemental appropriation to the FY10 Capital Budget of M-NCPPC in order to maintain the minimum amount of functionality at the Montgomery Regional Office which would allow M-NCPPC staff to perform their duties and to serve the public.

5. The County Executive recommends an amendment to the FY09-14 CIP, and supplemental appropriation to the FY10 Capital Budget of M-NCPPC in the amount of $2,214,000. The source of funds will be Current Revenue – General.

6. The public was notified by a news release, and a public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following actions:

An amendment to the FY09-14 Capital Improvements Program of the Maryland-National Capital Park and Planning Commission and supplemental appropriation to the FY10 Capital Budget of the Maryland-National Capital Park and Planning Commission to fund the Montgomery Regional Office Renovations project.

Project Name	Project No.	Cost Element	Amount	Source of Funds
Montgomery Regional Office Renovations	108701	Planning, Design & Supervision	$305,000	Certificates of Participation
Montgomery Regional Office Renovations	108701	Construction	$1,909,000	Certificates of Participation

County Council declares that this action is necessary to act without delay in the public interest.

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council

Attachment 3

MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

MONTGOMERY REGIONAL OFFICE ALTERNATIVES

REPORT TO MONTGOMERY COUNTY COUNCIL

July 27, 2009

TABLE OF CONTENTS

EXECUTIVE SUMMARY

OBJECTIVES

This report presents the results of an analysis of the capital and operating budget impacts of deferring the occupancy of a new Maryland-National Capital Park and Planning Commission Montgomery Regional Office (MRO) until FY2015 or FY2020, recommends a course of action, and presents a budget to accomplish the recommended course.

BACKGROUND

M-NCPPC's administrative staff is divided among four locations in Silver Spring. The MRO, the only one of these locations that M-NCPPC owns, is in poor condition, overcrowded, functionally obsolescent, and fails to serve the public adequately. The MRO is located on a 3.24-acre site that is large enough to accommodate a consolidated headquarters building as part of a mixed-use development.

After a series of analyses of headquarters consolidation alternatives, M-NCPPC embarked on a plan to construct a consolidated headquarters and develop the remainder of the MRO site as a mixed-use development. M-NCPPC issued an RFP to obtain a private partner, obtained and ranked responses, entered into a memorandum of understanding with the highest-ranked developer, and conducted a highly successful design charrette. The design charrette resulted in a program calling 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, their relationship was terminated, and M-NCPPC elected to proceed without the developer.

The Planning Board remains committed to the proposed mixed-use development. The proceeds of the sale of the residential portion of the MRO site will be used to offset part of the cost of the new headquarters building. However, current economic conditions do not make this a propitious time to market the residential portion of the site.

The Montgomery County Council has asked M-NCPPC to determine the minimum amount of investment necessary to make the MRO serviceable for five to ten years, when a new headquarters might be approved.

M-NCPPC has examined the capital and operating needs for five- and ten-year timeframes and evaluated alternate methods of meeting those needs such as remaining at the MRO or leasing space elsewhere until a new headquarters is built. This report presents the results of those analyses and recommends <u>performing sufficient renovation work to allow staff to remain in the MRO until FY2015</u>. This recommendation comes with the caveat that from a long term perspective the true least-cost alternative is to proceed to build a new headquarters without delay.

BUILDING CONDITIONS

Updating architectural, engineering, and energy analyses done from 2001 to 2006 with current operating knowledge, staff determined that the mechanical, electrical, plumbing, fire protection, life safety, window, and elevator systems require major repairs or replacement. Some of this work will be required immediately even if staff were to move to leased space within one year; some are necessary if M-NCPPC remains in the MRO for five years; and some are required, or economically justified, if M-NCPPC's tenure in the MRO is to be ten years.

To remain in the MRO for five years, M-NCPPC will need a capital investment of $2.214 million; to remain for ten years, the needed investment is $3.708 million. Deferring occupancy of a new headquarters for five years (leasing swing space during renovations, moving expenses, and extending the leases on its Spring Street and Dedrick annexes) adds $3,380,000 to the operating budget for the period from FY2010 through FY2015, inclusive. If the delay is extended to FY2020, the operating budget will increase by $5,887,000 for the FY2010 through FY2020 period.

ANALYSIS OF ALTERNATIVES

Four alternatives were analyzed to obtain estimates of the required capital budgets and operating budget impacts – two alternatives pertaining to occupancy of the new headquarters in FY2015 and two pertaining to occupancy in FY2020: (1) repairing the MRO and continuing to occupy it; or (2) vacating the MRO and leasing space in a commercial office building.

M-NCPPC has received expressions of interest or proposals by several developers who have made representations that they can deliver a new headquarters building on their sites at lower costs than the building proposed for the MRO site. Our preliminary analyses of these proposals indicates that this is quite unlikely, given that the commission owns the land at 8787 Georgia Avenue and, if public financing is unavailable to a privately-developed building, M-NCPPC can finance the project at more favorable rates than are available to the private sector.

The analysis of each alternative considers a period of time commencing at the beginning of FY2010 and concluding upon initial occupancy of the new headquarters. Each analysis examines both the capital and operating costs of each alternative.

The analyses are predicated on M-NCPPC's understanding of current building conditions and reasonable estimates of the useful life and repair and replacement costs of the building systems. However, since the original section of the MRO is more than 50 years old and the newer section is more than 30 years old, we caution that unexpected system failures or other emergencies could cause costs to rise above those estimated in this report.

RESULTS

The principal results of the analysis are:

- Making necessary capital improvements to the MRO and remaining in it until the new headquarters is ready for occupancy is less expensive than leasing commercial office space, even if the amount of space needed were available.

- **The least-cost alternative is to make necessary improvements to the MRO and to occupy it for five more years.**
  - **The capital budget required for this alternative is $2.214 million.**
  - **The operating budget impact through FY2015 is $3,380,000 of which $328,000 will be required in FY2010.**

- Remaining in the MRO for ten years would have an operating budget impact of $5,887,000 through FY2020.

- The operating budget impact of leasing space for five years is more than twice the impact of remaining in the MRO for five years.

- The operating budget impact of leasing space for ten years is more than three times the operating budget impact of remaining in the MRO for that period.

- These costs do not include escalation of construction costs for the new headquarters.

RECOMMENDATION and BUDGET REQUEST

The following recommendation and budget request are predicated on the appropriation of funds for a new M-NCPPC Montgomery County headquarters building in the FY2013 budget so that M-NCPPC can occupy the new headquarters in FY2015. The amount of funding will be determined between FY2010 and FY2012 as M-NCPPC continues to refine the cost of developing a new headquarters on the MRO site or elsewhere.

M-NCPPC recommends that the Montgomery County Council: (1) appropriate funds in an amount sufficient to make the capital repairs to the MRO so that it may be occupied until the new headquarters is ready for occupancy in FY2015; and (2) recognize that in order to carry out the minimal capital program necessary to remain in its current facilities for five years, M-NCPPC's Operating Budgets from FY2011 through FY2015 must support additional expenditures.

M-NCPPC requests that the Montgomery County Council: (1) amend the M-NCPPC FY2009 – FY2014 Capital Improvement Program by authorizing an increase of $2,214,000; (2) authorize a Supplemental Appropriation to the M-NCPPC FY2010 Capital Budget of $2,214,000; (3) authorize a Special Appropriation to the M-NCPPC FY2010 Operating Budget of $328,000; (4) recognize that, M-NCPPC's Operating Budgets from FY2011 through FY2015 must support additional expenditures in an aggregate amount of $3,380,000.

OBJECTIVES

The objectives of this report are to: (a) present the results of an analysis of the capital and operating budget impacts of deferring the occupancy of a new Maryland-National Capital Park and Planning Commission Montgomery Regional Office until FY2015 or FY2020, (b) recommend to the Montgomery County Council a course of action, and (c) present a budget to accomplish the recommended course.

BACKGROUND

The Maryland-National Capital Park and Planning Commission needs a new facility to house its Montgomery County Planning Department, key Parks Department staff, and core administrative and professional staff. These staff members are currently located in four buildings in Silver Spring. Most of the Planning Department staff is located in the Montgomery Regional Office at 8787 Georgia Avenue, a building owned by M-NCPPC, and most of the Parks Department staff is located at the Parkside facility at 9500 Brunett Avenue, a building leased from Montgomery County. Additional staff members are housed in leased spaces in privately owned buildings on Spring Street, the Spring Street Annex at 1100 Spring Street and the Dedrick Annex at 1400 Spring Street.

The dispersion of staff among four sites hinders communication, impedes the ability to manage staff, and interferes with M-NCPPC's ability to serve the public effectively and efficiently. By virtue of the nature of their work, the planners and engineers among M-NCPPC's staff have specialized space needs such as drafting and layout areas, production facilities, and unique storage facilities. M-NCPPC also serves a diverse clientele such as citizens who visit its offices to inquire about parks or to lease facilities, civic groups attending planning briefings or hearings, and representatives of private sector entities or governmental agencies with business before M-NCPPC.

M-NCPPC needs to bring its employees together in a single facility designed to serve the unique needs of each of M-NCPPC's public constituencies and its highly specialized staff.

While each of the facilities from which M-NCPPC currently operates has operational or financial drawbacks, the Montgomery Regional Office, known as the MRO, is of particular concern. It is overcrowded; it does not offer any area for public use; it has extremely high operating costs; and it requires expensive capital repairs on an ongoing basis.

The SilverPlace project was initiated to address the conditions at the MRO and the operational difficulties of having staff disbursed among four locations. As envisioned, SilverPlace would be a mixed-use development located at the current MRO site at the intersection of Georgia Avenue and Spring Street. The "Charrette Plan," the result of a highly successful charrette held in June 2008, called for a mixed-use development designed to include 300 units of multifamily housing, thirty percent of which would be affordable housing, as well as a new headquarters building. The proceeds of the sale of the residential portion of the MRO site were to be used to offset part of the cost of the new headquarters building. Additionally, the Charrette Plan accomplished several public policy goals such as constructing public buildings according to environmental design criteria, providing strong pedestrian linkages between the Silver Spring Central Business District and a residential area adjacent to it, incorporating exemplary public spaces, and adding to the County's stock of affordable housing.

However, since the development of the Charrette Plan, M-NCPPC has been faced with three issues that must be addressed before M-NCPPC's functional requirements and the ultimate development of the MRO site can be addressed:

(1) The Council has not appropriated funds to advance the Charrette Plan;

(2) Current real estate market conditions discourage M-NCPPC from marketing the housing site at this time; and

(3) Questions have arisen regarding the cost of developing a headquarters building on the MRO site as opposed to developing it on a site purchased from a third party.

The Montgomery County Council has therefore asked M-NCPPC to examine its minimal short-term and mid-term (five-year and ten-year) needs to make the MRO serviceable or to lease space until funding can be secured to develop a new headquarters facility.

The most recent formal assessment of the conditions at the MRO occurred in 2006, at approximately the same time M-NCPPC issued its request for proposals soliciting a development team to enter into a contract with M-NCPPC to plan, design, and construct the a mixed use project at the MRO site. M-NCPPC's efforts since 2006 have been directed toward securing new facilities, and in anticipation of obtaining a new headquarters building, M-NCPPC did not re-evaluate the condition of the existing MRO building, or make major repairs to the building.

In light of the need to ascertain the amount of investment required to keep the existing MRO building functioning for five to ten years, M-NCPPC staff updated the 2006 data and made the estimates incorporated into this report.

The costs of repair and replacement form only part of the costs associated with remaining at the MRO as opposed to locating staff in a new facility. Other costs which are described in detail in the Analysis of Alternatives section include, among others, the expense of leasing or operating the other three sites occupied by M-NCPPC staff, the costs of leasing space to house MRO staff during capital repairs to the MRO (or in some alternatives, leasing space to house MRO staff instead of performing capital repairs), and moving expenses. In the long run, M-NCPPC expects to realize substantial operating cost savings by moving into a new facility.

The remainder of this report includes:

(1) A description of the existing MRO's condition together with a repair and replacement schedule and the associated costs;

(2) A delineation of four alternatives studied:

   a. Remain in the MRO for five years;

   b. Move out of the MRO and lease commercial office space for five years;

   c. Remain in the MRO for ten years; and

   d. Move out of the MRO and lease commercial office space for ten years;

(3) An analysis of the capital and operating budget impacts of each of the four alternatives;

(4) The results of that analysis; and

(5) A recommendation and proposed capital and operating budgets.

BUILDING CONDITIONS

Reports done by CQI Associates (energy management and utilities) in 2001, Matrix Settles (architecture and space planning) in 2006, and TM/R Engineering (building systems) in 2006 as well as current knowledge of the operation and condition of the MRO's building systems formed the basis of the staff's evaluation the building conditions and the recommended repair and replacement schedule.

M-NCPPC staff reviewed the operating history and condition of each of the building systems and identified which systems need to be repaired or replaced in order to continue operations at the existing MRO under two sets of circumstances:

(1) Occupying the MRO only until leased space can be obtained and occupied at another building. The projected leased space occupancy date is the beginning of FY2011. Leased space would be occupied for either five or ten years; and

(2) Occupying the MRO until a new building is ready for occupancy, either five or ten years.

Staff determined that the mechanical, electrical, plumbing, fire protection, life safety, window, and elevator systems require major repairs or replacement. Some of these items will be required immediately even if M-NCPPC staff were to relocate to leased space in FY2011 or to a new headquarters building in 2012; some are necessary if M-NCPPC is to remain in the MRO for five years; and some are required, or economically justified, if M-NCPPC's tenure in the MRO is to be ten years.

The results of these analyses of major building systems are summarized in Tables 1 – 6 on the next three pages.

Table 1: Summary of Mechanical System Phased Capital Improvement Schedule

Item	Explanation	Action	Schedule	Est. Cost
Air Handlers #1 & #2, Dampers & Controls	Air handlers are in poor condition (11 years beyond useful life); dampers & controls are not operative; unable to provide adequate air flow or control air flow	Replace air handlers, dampers & controls	Required immediately	$166,000
Air Handlers #3 & #4, Controls	Air handlers are in poor condition, but within useful life; unable to provide adequate air flow or control air flow	Upgrade & repair	Required immediately	$67,000
HVAC Automated Control System	Existing control system does not function resulting in extreme temperature fluctuations within the building. Major repairs or replacement will be required when other HVAC components are replaced.	Repair	Required if occupancy less than 5 years	$25,000
		Replace (if replacement is immediate, above repair not required)	Required if occupancy greater than 5 yrs.	$117,000
Boilers	The building has 7 boilers, 3 do not function, 2 are close to the ends of their useful lives. The building can operate with 4 boilers.	Repair 1 boiler	Required immediately	$14,000
		Replace 1 boiler	Required if occupancy is greater than 2 yrs.	$97,000
		Replace additional boiler	Required if occupancy is greater than 5 yrs.	$82,000
4-Pipe HVAC System	Existing obsolescent 2-pipe system is nearing end of useful life. Current practice calls for 4-pipe systems which do not require seasonal changeover.	Install 4-pipe system	Required if occupancy is greater than 5 yrs.	$146,000
Supply Pipes & Pumps	Upgrade necessary to accommodate a 4-pipe HVAC system.	Upgrade	Required at 4-pipe installation	$104,000

Table 2: Summary of Electrical System Phased Capital Improvement Schedule

Item	Explanation	Action	Schedule	Est. Cost
Distribution Panels	Areas of the building experience brownouts due to inadequate electrical service; there is no available space in the breaker load center for additional circuits	Add 2 distribution panels	Required immediately	$28,000
Upgrade to Code	Required as part of electrical system repairs	Upgrade	Required immediately	$69,000
Switchgear	Circuit breakers, electrical contacts, temperature sensors & switch systems are approaching the end of their useful lives; replacement parts have limited availability	Replace	Required if occupancy is greater than 5 yrs.	$345,000
Transformers	2 existing transformers are running at maximum capacity & are at the end of their useful lives	Replace 2 transformers	Required if occupancy is greater than 2 yrs.	$207,000
		Add 3rd transformer	Required if occupancy is greater than 5 yrs.	$103,000

Table 3: Summary of Plumbing System Phased Capital Improvement Schedule

Item	Explanation	Action	Schedule	Est. Cost
Water Savers	Water saver technology for lavatories to reduce utility consumption	Install	Required if occupancy is greater than 2 yrs. Should be coincident with other plumbing	$50,000
Pipes & Fixtures	Galvanized steel pipes are beyond useful life & experience repeated leakage; plumbing work requires ceiling replacement	Replace	Required if occupancy is greater than 2 yrs. Should be coincident with sprinkler system	$689,000

Table 4: Summary of Fire Protection and Life Safety Systems Phased Capital Improvement Schedule

Item	Explanation	Action	Schedule	Est. Cost
Fire Alarm	Minimally meets code; upgrade required	Upgrade	Required immediately	$97,000
Sprinkler System	Original section of the building (1956) does not have a sprinkler; sprinkler system installation requires: (1) ceiling replacement & (2) excavation & installation of new water lines from the water mains in Georgia Avenue	Install	Required if occupancy is greater than 2 yrs. Should be coincident with the plumbing system work	$414,000

Table 5: Summary of Window System Phased Capital Improvement Schedule

Window Systems	Explanation	Action	Schedule	Est. Cost
Casement Windows in Original Section (1956)	Existing single-pane steel-framed windows are energy inefficient	Replace	Required if occupancy is greater than 5 yrs.	$277,000
Lower Level Glazing in New Section (1979)	Un-insulated windows on Georgia Avenue façade contribute to inability to regulate temperature	Replace with insulated panels	Required if occupancy is greater than 5 yrs.	$69,000

Table 6: Summary of Elevator System Phased Capital Improvement Schedule

Item	Explanation	Action	Schedule	Est. Cost
Elevator	Elevator requires frequent repairs; remaining useful life is approximately 5 years	Replace	Required if occupancy is greater than 5 yrs.	$276,000

The previous tables break the capital improvement costs down according to each major building system that needs or will need attention. Table 7, on the next page, arranges the costs according to the various lengths of time M-NCPPC is expected to remain at the MRO:

(1) One year. Address immediate needs, move to leased space within the next year, and remain in leased space until the new headquarters has been constructed.

- Relocating the MRO functions to another site would require the least investment in the existing MRO building. The current estimate is that the existing building would require $441,000 in major repairs and replacements to enable operations to continue until leased space could be occupied.

- The primary problems to be addressed are the inability to control temperature and air flow in the building, the inadequacy of the electrical distribution system which causes sporadic brownouts in certain sections of the building, and improvements to the fire alarm system.

(2) Five years. Address the immediate needs and other needs required to occupy the MRO until FY2015.

- In order to remain in the building until FY2015, it will be necessary to replace items that may be expected to fail within the next five years in addition to the items listed above. The most expensive of these items are two transformers and new plumbing to replace the existing galvanized steel pipes.

- The original section of the building lacks a sprinkler system. Plumbing repairs will require the removal and replacement of the existing ceiling and several interior walls making it cost effective to rectify the sprinkler system situation at the same time as the plumbing repairs.

- The capital cost of the necessary work is expected to be $1,909,000.

(3) Ten years. Address the immediate needs and other needs required to occupy the MRO until FY2020.

- More extensive repairs and replacements will be required for M-NCPPC to remain in the existing MRO until FY2020 since (a) more equipment may be expected to fail within the next ten years, and (b) other needed improvements that are not economically feasible in the short term will be cost-effective within the ten-year timeframe.

- The major items among those that may be expected to fail within the next ten years are the electric switchgear (i.e., circuit breakers, electrical contacts, temperature sensors and related components), the HVAC (heating, ventilation, and air conditioning) system, and the sole elevator that serves the entire building.

- Energy savings will justify replacing the window glass in certain sections of the building.

- The capital cost of the necessary work is expected to be $3,403,000.

Table 7: MRO Major Capital Improvement Cost by Length of Tenure

System & Item	Move to Leased Space Until New HQ Built	Initial Occupancy FY2015	Initial Occupancy FY2020
Mechanical System:			
Air Handlers #1 & #2, Dampers & Controls	$166,000	$166,000	$166,000
Air Handlers #3 & #4, Controls	$67,000	$67,000	$67,000
HVAC Automated Control System		$25,000	$117,000
Boilers - Major Repair or Replacement	$14,000	$97,000	$179,000
4-Pipe HVAC System Upgrade			$146,000
Supply Pipes & Pumps			$104,000
Mechanical System Total	**$247,000**	**$355,000**	**$779,000**
Electrical System:			
Distribution Panels	$28,000	$28,000	$28,000
Upgrade to Code	$69,000	$69,000	$69,000
Switchgear			$345,000
Transformers		$207,000	$310,000
Electrical System Total	**$97,000**	**$304,000**	**$752,000**
Plumbing System:			
Water Savers		$50,000	$50,000
Pipes & Fixtures (Includes Ceiling Repair)		$689,000	$689,000
Plumbing System Total	**$0**	**$739,000**	**$739,000**
Fire Protection & Life Safety Systems:			
Fire Alarm	$97,000	$97,000	$97,000
Sprinkler System (Includes New Water Line)		$414,000	$414,000
Fire Protection & Life Safety Systems Total	**$97,000**	**$511,000**	**$511,000**
Window Systems:			
Casement Window Replacement			$277,000
Lower Level Glass Replacement			$69,000
Window Systems Total	**$0**	**$0**	**$346,000**
Vertical Transportation System:			
Elevator Replacement			$276,000
Vertical Transportation System Total	**$0**	**$0**	**$276,000**
MRO Major Repair & Replacement Cost Total	**$441,000**	**$1,909,000**	**$3,403,000**

ANALYSIS OF ALTERNATIVES

OBJECTIVE OF THE ANALYSIS

Four alternatives were analyzed to obtain estimates of the capital and operating budget impacts so that M-NCPPC could formulate a recommended course of action and budget.

ALTERNATIVES STUDIED

In this report, M-NCPPC considers (a) that it could take occupancy of a new headquarters building in FY2015 or FY2020 and (b) that it could remain in the MRO or relocate to leased space until the new headquarters has been completed.. Therefore, there four alternatives to be examined – two alternatives pertaining to occupancy of the new headquarters in FY2015 (referred to in this report as the "A Series" alternatives) and two pertaining to occupancy in FY2020 (the "B Series").

The analysis of each alternative considers a period of time commencing at the beginning of FY2010 and concluding when the new headquarters is initially occupied. The occupancy date for the A Series alternatives is FY2015, and the occupancy date for the B Series alternatives is FY2020.

In order to achieve occupancy of a new facility in FY2015, design and construction funding must be appropriated for the FY2013 budget at the latest, and in order to achieve occupancy in FY2020, design and construction funding must be appropriated for the FY2018 budget at the latest.

The two alternatives for each occupancy date are:

(1) Remain in the MRO during the construction of the replacement facility (the "Option 1" alternatives)

- Since a portion of the new headquarters building will be built on the site of the existing MRO and M-NCPPC will continue to occupy the MRO while the new building is under construction, the replacement facility must be built in phases.
- Under these alternatives, M-NCPPC will perform the work required to address immediate needs in the MRO and the work required to maintain occupancy in the MRO until FY2015 or FY2020, as the case may be.
- Consequently, M-NCPPC will require swing space during the capital improvement work to be done on the MRO..

(2) Lease space in a private office building until the replacement facility is ready for occupancy (the "Option 2" alternatives)

- Since the existing MRO will not be occupied during construction of the replacement facility, there is no need to phase construction of the new headquarters.

- Under these alternatives, M-NCPPC will perform only the work required to address immediate needs until leased space can be secured.

- Since the MRO will be vacated, no swing space will be required, but funds must be devoted to (a) razing the existing MRO building and (b) stabilizing the MRO site Table 8, below, displays the four alternatives as a matrix.

Table 8: Alternative Identification Table

Description	FY2015 Occupancy ("A" Series)			FY2020 Occupancy ("B" Series)		
	Alternative	Phasing Required	Swing Space Required	Alternative	Phasing Required	Swing Space Required
Remain in MRO Until New HQ Complete (Option "1")	**A1**	yes	yes	**B1**	yes	yes
Lease Space Until New HQ Complete (Option "2")	**A2**	no	no	**B2**	no	no

SCHEDULES

In order to evaluate the budget impact of each of the alternatives, it was necessary to prepare a schedule for each alternative. Tables 9 and 10 on the following pages display two aspects of the project:

(1) Occupancy – which buildings will be occupied and when each will be occupied

- Existing MRO
- Swing space, if applicable
- Dedrick and Spring Street annexes
- Satellite space
- Each phase of the new headquarters, if headquarters construction is to be phased. Otherwise, the schedule displays occupancy of the new headquarters as one phase.

(2) Repair, design, and construction activities – when each activity takes place

- Repairs to the MRO
- Architectural design of the new headquarters (note that the costs of these architectural services are <u>not</u> included in the budgets described in this report
- Demolition of the existing MRO and stabilization of the MRO site
- Construction of the new headquarters (by phases, if applicable)

Table 9: Schedules for Alternatives A1 & A2

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Alternative A1 - Remain in MRO During Interim (Phasing Required, Swing Space Required)		FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Occupancy	Occupy MRO														
	Occupy Swing Space														
	Occupy Dedrick Annex														
	Occupy Spring St Annex														
	Occupy Satellite Space														
	Occupy Tower Phase														
	Occupy 2nd Phase														
Repairs, Design & Construction	MRO Repairs														
	Architectural Design														
	Demolish MRO & Stabilize Site														
	Construct Tower Phase														
	Construct 2nd Phase														

Alternative A2 - Lease Space During Interim (No Phasing Required, No Swing Space Required)		FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Occupancy	Occupy MRO														
	Occupy Dedrick Annex														
	Occupy Spring St Annex														
	Occupy Satellite Space														
	Occupy Leased Space														
	Occupy HQ														
Design & Construction	Architectural Design														
	Demolish MRO & Stabilize Site														
	Construct HQ														

Table 10: Schedules for Alternatives B1 & B2

Alternative B1 - Remain in MRO During Interim (Phasing Required, Swing Space Required)

		FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Occupancy	Occupy MRO	■	■	■	■	■	■	■	■	■	■	■			
	Occupy Swing Space	■	■												
	Occupy Dedrick Annex	■	■	■	■	■	■	■	■	■	■	■			
	Occupy Spring St Annex	■	■	■	■	■	■	■	■	■	■	■			
	Occupy Satellite Space	■	■	■	■	■	■	■	■	■	■	■			
	Occupy Tower Phase											■	■	■	■
	Occupy 2nd Phase												■	■	■
Repairs, Design & Construction	MRO Repairs	■	■												
	Architectural Design									■					
	Demolish MRO & Stabilize Site											■			
	Construct Tower Phase										■	■			
	Construct 2nd Phase											■	■		

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Alternative B2 - Lease Space During Interim (No Phasing Required, No Swing Space Required)

		FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Occupancy	Occupy MRO	■													
	Occupy Dedrick Annex	■	■	■	■	■	■	■	■	■	■	■			
	Occupy Spring St Annex	■	■	■	■	■	■	■	■	■	■	■			
	Occupy Satellite Space		■	■	■	■	■	■	■	■	■	■			
	Occupy Leased Space		■	■	■	■	■	■	■	■	■	■			
	Occupy HQ											■	■	■	■
Design & Construction	Architectural Design									■					
	Demolish MRO & Stabilize Site		■												
	Construct HQ										■	■			

EXPENSES

Before M-NCPPC takes occupancy of a new headquarters facility in either FY2015 or FY2020, it will incur operating and capital costs at the various facilities it currently occupies. Some of these expenses are associated with all of the alternatives, and some are associated only with particular alternatives. The expenses considered in this analysis are:

Capital Costs

The capital costs associated with each of the four alternatives are described below.

MRO Capital Improvement. This category consists of building systems such as mechanical, electrical, plumbing, roof, and life safety systems as well as windows and elevators. Extensive repairs to these systems, replacement of major parts of these systems, or replacement of the systems themselves are considered capital costs.

As described on pages 6 – 10 and shown in Table 7 on page 11, systems costs are estimated at:

- $441,000 to address immediate needs;
- $1,909,000 if M-NCPPC remains in the MRO for five years (this includes the $441,000 required to meet immediate needs), and
- $3,403,000 if M-NCPPC remains in the MRO for ten years (this includes the $1,909,000 required to meet immediate needs and the five-year tenure).

Demolition and Site Remediation. Under the alternatives where M-NCPPC remains in the MRO until the new headquarters has been constructed (Alternatives A1 and B1), there is no cost attributable to MRO demolition and site remediation because the MRO will be demolished as part of the new headquarters development. In contrast, under the alternatives where M-NCPPC leases commercial office space, it would vacate the existing MRO until the new headquarters has been constructed (Alternatives A2 and B2). In these cases, the existing MRO would have to be demolished and the MRO site would be stabilized at a cost of $1,090,000 in FY2010 dollars.

Staff Chargebacks. M-NCPPC is dedicating one full-time staff member to the project. Several other staff members charge time to this project on an as-needed basis. M-NCPPC estimates that staff will charge a minimum of $150,000 per year.

Operating Costs

MRO Operating and Maintenance Expense. Operating costs include utilities, cleaning, maintenance, and contract services (chiller and elevator maintenance, trash, pest control, and window cleaning). FY2010 operating and maintenance expenses are expected to be $467,000, or $9.43 per square foot. Utility costs, alone, account for $244,000 of the operating costs, or $4.93 per square foot. M-NCPPC estimates that by implementing the improvements outlined in the "Building Conditions" section of this report, the annual utility cost can be reduced to $144,000, or $2.90 per square foot.

MRO Capital Improvement Debt Service. Under Alternatives A1 and B1, M-NCPPC anticipates that it will be able to finance the capital improvements for five or ten years depending on the amount of time it expects to continue to occupy the MRO. For the purposes of this analysis, debt service payments have been calculated using a borrowing rate of 5.5% and a term of five or ten years, as appropriate. For Alternative A1, the annual debt service is $494,000 through FY2015, and for Alternative B1, the annual debt service is $478,000 through FY2010.

Annex Space Rental Expense. M-NCPPC currently leases office space in two privately owned buildings on Spring Street within walking distance of the MRO.

The Spring Street Annex is comprised of 6,900 square feet in a Class C building at 1109 Spring Street. The annual full service rental for this space, including all operating and maintenance expenses and taxes, is currently $140,000. The lease terminates on December 31, 2009 and M-NCPPC has the option to extend it through December 31, 2010 with a 4.5 percent increase in rent. For the purposes of this analysis, it is assumed that the space can continue to be renewed on a year-to-year basis at the same annual increase and that it cannot be terminated in the middle of a term.

The Dedrick Annex is comprised of 12,500 square feet in a Class B building at 1400 Spring Street. After the scheduled 4.5 percent increase on July 1, 2009, the annual full service rental for this space will increase to $277,000. Under the terms of the lease, the rent will continue to increase at 4.5 percent per year through the end of the lease term on June 30, 2012. For the purposes of the analysis, it is assumed that the space can be renewed on a year-to-year basis at the same annual increase and that it cannot be terminated in the middle of a term.

Swing Space Rental Expense. Under Alternatives A1 and B1, where M-NCPPC performs capital repair and replacement work, it would be necessary to vacate the MRO while the work is going on. The work could be staged on a floor-by-floor basis requiring approximately one-third of the staff to relocate at any one time. Since the relocation of each floor would last for three to four months, approximately 17,100 square feet of swing space in the Silver Spring Central Business District would be required for a period of up to one year spanning parts of FY2010 and FY2011.

Market analysis of the Silver Spring CBD indicates that there are five existing buildings in the Silver Spring CBD with sufficient space available on a short-term basis. The weighted average full service rental rate is $28.56 per square foot, or $488,000 for a one-year rental.

Leased Space Rental Expense. Under Alternatives A2 and B2, M-NCPPC would relocate its MRO staff into leased space, until the new headquarters is ready for occupancy for five or ten years beginning in FY2011.

There is only one existing building in the Silver Spring CBD with sufficient space available for lease terms of five or ten years. The full service rental rate for the space is $34.00 per square foot, or $1,744,000 per year for M-NCPPC's minimum need of 51,300 square feet.

Moving Expense. Repairing the MRO, as in Alternatives A1 and B1, would require the current MRO staff to move from the MRO into the swing space and then back into the MRO. Under these alternatives, the occupants of the satellite space, annexes, and the MRO would move into the new headquarters as it is delivered in phases. The total cost of these moves is expected to range from $696,000 (Alternative A1) to $755,000 (Alternative B1).

Moving the entire MRO staff to leased space until the new headquarters is ready for occupancy would require one less move. The total moving expense in these cases is expected to range from $534,000 (Alternative A2) to $593,000 (Alternative B2).

Leased Space Capital Financing. In the case where the current MRO staff relocates to leased space for a ten-year period, Alternative B2, it will be necessary to incur fit-out (or, "tenant improvement") costs, purchase new workstations, and purchase other equipment. M-NCPPC would not incur tenant improvement costs under a short-term lease since a short-term lease is assumed to be a sublease of space with tenant improvements already in place. Alternative B2's capital budget takes into account that the staff members who have occupied long-term leased space will not need new workstations and related equipment when they move into the new headquarters.

The total cost of Alternative B2's tenant improvement and "furniture, fixtures, and equipment" budget is estimated to be $2,052,000 with annual debt service payments of $481,000 from FY2011 through FY2015, inclusive. For the purposes of this analysis, debt service payments have been calculated using a borrowing rate of 5.5% and a term of five years.

Under Alternative A2, where M-NCPPC occupies leased space for a term of five years, it would move existing workstations and related equipment to the leased space and purchase new items when the staff is relocated to the new headquarters. Tenant improvements for the new headquarters, new workstations, and related equipment are included in the development and capital equipment budgets for the new headquarters.

RESULTS

M-NCPPC's analysis of the four alternatives yielded the following results:

- The cost of maintaining and repairing the MRO, or in the alternate, relocating to leased space increases over time resulting in greater capital requirements and operating budget impacts for the FY2020 occupancy date than for the FY2015 date.
- Making necessary capital improvements to the MRO and remaining in it until the new headquarters is ready for occupancy is less expensive than leasing commercial office space.
- Consequently, **the least-cost alternative is to make necessary improvements to the MRO and to occupy it for five more years.**
  - **The capital budget required for this alternative is $2.214 million.**
  - **The operating budget impact through FY2015 is $3,380,000 of which $328,000 will be required in FY2010.**
- Remaining in the MRO for ten years, rather than five years, would require a $1.494 million greater capital budget ($3.708 million vs. $2.214 million) due to the additional HVAC, electrical, elevator, and glass replacements required for a longer occupancy period.
- The operating budget impact of leasing space for five years ($7,568,000) is more than twice the impact of remaining in the MRO for five years ($3,380,000).
- The operating budget impact of leasing space for ten years ($18,381,000) is more than three times the operating budget impact of remaining in the MRO for that period ($5,887,000).
- These costs do not include escalation of construction costs for the new headquarters.

Table 11, Budget Impact, on the following page, displays the results of the analyses.

Table 11: Budget Impact

Initial Occupancy Date	Alternative		FY2010 To Initial Occupancy	
			Capital Budget Impact	Operating Budget Impact
FY2015	A1	Remain in MRO Until New HQ Occupancy	$2,214,000	$3,380,000
	A2	Lease Space Until New HQ Occupancy	$1,847,000	$7,568,000
FY2020	B1	Remain in MRO Until New HQ Occupancy	$3,708,000	$5,887,000
	B2	Lease Space Until New HQ Occupancy	$1,847,000	$18,381,000

RECOMMENDATION AND BUDGET REQUEST

RECOMMENDATION

The following recommendation and budget request are predicated on the appropriation of funds for a new M-NCPPC Montgomery County headquarters building in the FY2013 budget so that M-NCPPC can occupy the new headquarters during FY2015. The amount of funding for the new headquarters will be determined between FY2010 and FY2012 as M-NCPPC continues to refine the cost of developing a new headquarters on the MRO site or elsewhere.

Based on the foregoing analysis of the budget impacts of deferring the occupancy of a new Maryland-National Capital Park and Planning Commission Montgomery Regional Office until FY2015 or FY2020, M-NCPPC recommends to the Montgomery County Council that it appropriate funds in amounts necessary to offset the capital and operating budget impacts attributable to making necessary repairs to the MRO and related facilities and occupying them until the new headquarters is ready for occupancy. The capital budget requirement is $2,214,000 and the total operating budget impact through FY2015 will be $3,380,000, $328,000 of which will be required in FY2010.

BUDGET REQUEST

M-NCPPC requests that the Montgomery County Council:

- Amend the M-NCPPC FY2009 – FY2014 Capital Improvement Program by increasing it by $2,214,000;
- Authorize a Supplemental Appropriation to the M-NCPPC FY2010 Capital Budget of $2,214,000;
- Authorize a Special Appropriation to the M-NCPPC FY2010 Operating Budget of $328,000;

Recognize that in order to carry out the minimal capital program necessary to remain in its current facilities for five years, M-NCPPC's Operating Budgets from FY2011 through FY2015 must support additional expenditures of $3,380,000.

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	Thru 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)

	Total	Thru FY08	Rem. FY08	Total 6 Years	FY09	FY10	FY11	FY12	FY13	FY14
Maintenance				1	1	0	0	0	0	0
Energy				1	1	0	0	0	0	0
Program-Staff				1	1	0	0	0	0	0
Program-Other				1	1	0	0	0	0	0
Cost Savings				1	1	0	0	0	0	0
Offset Revenue				1	1	0	0	0	0	0
Net Impact				**6**	**5**	**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 3.24-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

Date First Appropriation	FY05	($000)
First Cost Estimate Current Scope	FY09	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

COORDINATION

Montgomery Regional Office Renovations, PDF #108701

MAP

See Map on Next Page

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funding source from COPs to current revenue.

OTHER DISCLOSURES

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

Resolution No: ______________
Introduced: ______________
Adopted: ______________

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the Maryland-National Capital Park and Planning Commission

SUBJECT: Amendment to the Maryland-National Capital Park and Planning Commission (M-NCPPC) FY09-14 Capital Improvements Program for **SilverPlace/MRO Mixed-Use Project, PDF #048701**

<u>Background</u>

1. Article 28, section 2-118(a)(6) of the Annotated Code of Maryland permits the County Council to amend the budget of the M-NCPPC by resolution on the Council's initiative, or at the request of the Commission, after receipt of a recommendation from the County Executive, and after public hearing upon reasonable notice to the public.

2. On behalf of the Maryland-National Capital Park and Planning Commission (M-NCPPC), the County Executive requests the following amendment to change the funding source as follows:

Project Name	Project No.	Cost Element	Amount	Source of Funds
SilverPlace/MRO Mixed Use Project	048701	Planning, Design and Supervision	$1,385,681	Change funding source from COPs to Current Revenue - General

3. M-NCPPC requests that the County Council approve this amendment to the FY09-14 CIP to change the funding source for a portion of the total appropriation for this project, which was originally intended to be funded by Certificates of Participation (COPs). However, the Commission is no longer in a position to issue COPs due to time limits governing COPs, and requires County Current Revenue as an alternative funding source.

4. The County Executive recommends an amendment to the FY09-14 CIP to change the funding source of a portion of the total appropriation of this project in the amount of $1,385,681.

5. The public was notified by a news release, and a public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following actions:

An amendment to the FY09-14 Capital Improvements Program of the Maryland-National Capital Park and Planning Commission to change the funding source of a portion of the appropriation for the SilverPlace/MRO Mixed Use Project.

Project Name	**Project No.**	**Cost Element**	**Amount**	**Source of Funds**
SilverPlace/MRO Mixed Use Project	048701	Planning, Design and Supervision	$1,385,681	Change funding source from COPs to Current Revenue - General

The County Council declares that this action is necessary to act without delay in the public interest.

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council