

MEMORANDUM

April 9, 2012

TO: County Council  
FROM: Jacob Sesker, Senior Legislative Analyst  
SUBJECT: **Addendum: Wheaton Redevelopment Program**



Late on the afternoon of Thursday April 5<sup>th</sup>, the Department of General Services provided Staff with additional materials for the Council's consideration. Staff has had an opportunity to review the materials and provides the following comments.

**COST COMPARISON SPREADSHEET**

DGS' cost comparison (attached, © 1) indicates that the "PHED Committee Scenario" will cost the public approximately \$105 million, while the "Executive CIP Scenario" will cost the public approximately \$89 million. This cost comparison illustrates several of the flaws in the Executive's CIP request.

**The \$89 million cost of the "Executive's CIP Scenario" does not include the cost to the public of a new M-NCPPC headquarters building.** The County does not have any inherent reason to move County departments out of leased space in Rockville and into Wheaton. The proposal to move the Department of Permitting Services (DPS) and the Department of Environmental Protection (DEP) has been justified on two grounds: (1) B.F. Saul will not construct a 300,000 square foot office building unless the County leases half of that building, and (2) co-locating DPS and DEP with the Planning and Parks departments will create efficiencies/synergies that will benefit users. Obviously, the same co-location advantages would accrue if all departments were located in Rockville (as discussed last year) or if all departments were located in Silver Spring (e.g., with DPS and DEP leasing land from M-NCPPC at 8787 Georgia Avenue).

Co-location in Wheaton is not possible without a new M-NCPPC building there. When the public cost of an additional building is added to the ledger, the "Executive's CIP Scenario" becomes the more expensive of the two scenarios compared. If there is no M-NCPPC building in Wheaton, then the only reason the County would be moving DPS and DEP out of Rockville (the County seat) and into Wheaton would be to mitigate the market risk of B.F. Saul's first project.

**The \$89 million cost of the “Executive’s CIP Scenario” does not include the cost of the lease.** The \$89 million includes the cost of the platform and town square (total of \$42 million) and an assumed buyout cost of \$47 million (note that this cost is less than DGS’ previous estimate of \$60 million to \$83 million, see © 21 of the Council’s April 10 packet). Presumably that \$47 million buyout cost includes the cost of furniture, fixtures, and equipment (“FF&E”). The \$89 million does not include the cost of the lease, some of which is new costs. A lease for 135,000 net square feet at \$35 per square foot would cost the public more than \$4.7 million per year. Currently, DPS and DEP occupy roughly 82,000 square feet at roughly \$32 per square foot, or an annual cost of roughly \$2.6 million. Much of the difference (roughly \$2.1 million) is attributable to additional square footage that will be leased from B.F. Saul.

**The residential units may require an unknown public subsidy under either scenario.** DGS’ cost comparison table suggests that a public subsidy of residential development will be necessary under the “PHED Committee Scenario.” However, the “PHED Committee Scenario” *does not specifically include* a residential component (though the “PHED Committee Scenario” also does not preclude residential as part of a mixed-use project). On the other hand, the B.F. Saul proposal *does include* a residential component, and DGS acknowledged (during an April 2 community meeting) that a subsidy to the residential portion of the project may be necessary. B.F. Saul has already inquired as to the nature and amount of the subsidy that the County provided to the Patriot/Safeway residential project. That new residential in Wheaton may require a subsidy is indicative of the costs and challenges associated with vertical development in a market that does not support the costs of vertical construction.

**DGS has included more than 200 parking spaces in the “PHED Committee Scenario” that are not attributable to the proposed project.** Parking Lot #13 today has approximately 150-160 spaces. A government office building (150,000 gross square feet) inside the parking lot district (PLD) would probably provide between 135 and 270 spaces on site. In B.F. Saul’s proposal, the first office building had 396 parking spaces for 300,000 gross square feet (or 198 spaces per 150,000 gross square feet). The local government tenant in that building may not have the full 198 spaces on site due to the fact that a higher parking ratio will probably be required as a concession to private office tenants in the other half of the building. Using 200 parking spaces for the office building as a mid-point estimate, the project will need to provide approximately 350 parking spaces to meet office demand on site and also replace the current public parking spaces. The difference (265 spaces) at \$31,000 per space results in an additional cost of \$8.2 million. Put differently, DGS inflated the cost of the “PHED Committee Scenario” by roughly \$8.2 million. If that parking is being built by the public sector first (to be purchased by the private sector as part of a separate transaction), that buyout should be reflected on this ledger. Finally, it should be noted that the proposed alternative would allow parking to be either underground or in an above-ground garage. This flexibility could result in a lower “blended” cost per space and, therefore, lower overall parking costs.

**The private investment totals are inaccurate.** First of all, in either scenario, the private investment totals could be as low as zero. The uncertainty involved in implementation of the Executive’s proposal is substantial. Second, private investment in Phase I is significantly lower than \$250 million. Phase I includes an office building (roughly \$88 million) and a hotel (roughly \$24 million). The private sector risk associated with the office building is mitigated by the County lease. The hotel investment is made possible by the County conveying the Regional Services Center site to B.F. Saul. Even without offsetting the private investment total by the public costs of those two subsidies, the private investment in Phase I is \$112 million. Any additional private investment will only occur when market conditions justify that action, when a federal office tenant is found, and when the County subsidizes the residential portion of the B.F. Saul project.

## **DGS' DETAILED COST ESTIMATE OF "PHED COMMITTEE SCENARIO"**

Again, DGS did not provide this detailed cost estimate until late in the afternoon on Thursday, April 5<sup>th</sup>. As a result of DGS' decision to provide the information late, there has not been a dialogue regarding specific line items in DGS' estimate.

Policies and initiatives (e.g., the County's fiscal plan, the Smart Growth Initiative, Wheaton Redevelopment) should be informed by accurate cost estimates. It would be helpful for the Council to better understand DGS' estimating methods, how Montgomery County facility development costs compare to private sector costs, and how Montgomery County facility development costs compare to the same costs in other area jurisdictions.

### **Attachments:**

DGS Comparison of "Executive CIP Scenario" and "PHED Committee Scenario" © 1

DGS Detailed cost estimate of M-NCPPC headquarters building with 615 parking spaces © 2-6

Activity	Executive CIP Scenario	PHED Committee Scenario
	Platform/Hotel/Office Building Lot 13 Development	County Building on Lot 13
Platform/IOS	Public Investment	N/A
Office Tower Construction	Private Investment	Public Investment <sup>1</sup>
Parking Structure	Private Investment	N/A
Hotel Construction	Private Investment	N/A
Town Square Construction	Public Investment	Public Investment
250-280 Residential Units	Private Investment	Unknown Public Subsidy
Underground Garage Lot 13	Private Investment	Public Investment <sup>2</sup>
<b>Public Cost w/ County Owned Building (+47M) <sup>4</sup></b>	<b>\$42,000,000 <sup>3</sup></b> <b>\$89,000,000</b>	<b>\$104,981,164</b>
<b>Additional Long Term Development Program</b>	600,000 square feet mixed use development on platform <sup>6</sup>	Balance of Lot 13 garage top space for private investment <sup>5</sup>
<b>Private Investment Total</b>	<b>\$250M+ <sup>7</sup></b>	<b>\$0 - \$30M <sup>8</sup></b>

1 Public construction of office building on Lot 13 includes hard costs, escalations, contingencies, PDS, FF&E

2 Public construction of parking garage in Lot 13 (\$31k\*615 spaces)

3 Lease cost in Executive CIP assumes approximately \$5M/year

4 Private delivery of office building in Executive CIP (295/sqft + developer fees)

5 Private investment on PHED Lot 13 garage top could be office, residential or mixed use

6 Additional 600k square feet on platform includes 1 or 2 additional office buildings, additional parking and ground floor retail

7 \$250M+ private investment reduced by public purchase of office building 1

8 Balance of Lot 13 garage top space assumes 205/sqft hard costs for private construction

**M-NCPPC on Lot 13 (\$205psf hard \$31k/space) No. 150401****Project Cost & Budget Workbook**

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Department of General Services - DGS

FY 13-18

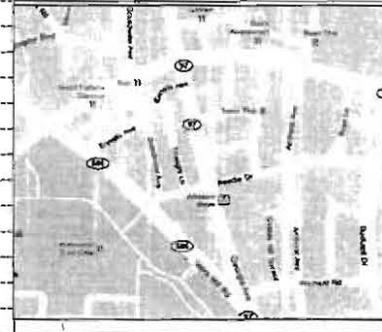
Last updated on:

April 4, 2012

**Project Information**

Project Name as it appears on PDF sheet	M-NCPPC on Lot 13 (\$205psf hard \$31k/space)
Project #	150401
Index Code	
Project Address	Downtown Wheaton
Council District	5
Council Representative	Nancy Navarro
Customer/ Using Agency	General Services
Administering Agency	General Services
Planning Area	Wheaton Kensington
Project Category	General Government
This CIP cycle	FY 13-18
This CIP FY	12
Last CIP FY	FY 11-16
Executive Manager	Rob Klein
Team Leader/ Manager	TBD
Project Manager	TBD
A/E Consultant	TBD
Construction Contractor	TBD

Location Map from Google:

**Project Schedule**

Period in month

Design Start	4/1/2013	
Design END	7/1/2015	27
Construction Start	7/1/2015	
Construction End	7/1/2017	24
Years to the mid-point of construction from cost estimate date	4.92 Years	

**Project Size**

Property Size - Acres	0.64
New Construction - GSF	380,250
Renovation - GSF	-
Site work - SF	-
Demolition - GSF	-

**Project Cost Data**

Total Project (PDF) Cost	\$	104,981,164	As shown in PDF
Total CCAP - Expected bid price	\$	77,880,066	
PDS	\$	15,417	As shown in PDF
Land	\$	-	As shown in PDF
Site & Utility	\$	7,179,075	As shown in PDF
Construction	\$	79,493,921	As shown in PDF
Other	\$	2,890,724	As shown in PDF

Inflation Rate - Planning, Design & Supervision - PDS	2.90%	Compound- Approved by OMB
Inflation Rate - Land value	2.90%	Compound- Approved by OMB
Cost Escalation Rate - Construction, Site \$ Utilities	4.00%	Compound- Approved by OMB

**Other Project Data****Division of Building Design and Construction**

For troubleshooting and questions call Hamid Omidvar, 240-777-6126 or hamid.omidvar@montgomerycountymd.gov

Version 2009.1

S:\OPD\Administrative\Budget\CIP FY13\2012-04-04 Wheaton Redev - Sesker Proposal \$205 hard \$31k pkg space.xls

1-Cover

2

**M-NCPPC on Lot 13 (\$205psf hard \$31k/space)**

Construction Cost Estimate - Present Value (PV)

DRAFT

8/19/2011

Change this date to the day that you modify any of the following costs

FY 13-18

Suresh & Cathy (cost/est)

DIV	DIVISION ACTIVITY	Note1	100%	L+M Cost	0.0% - 5%					133.6%	Note 2			
					0.0%	10.0%	8%	5%	2%			5%		
	%\$/\$F				LEED	Gen. Req.	GC Overhead	GC profit	Perf. Bond	Est. Conting.	Total PV	%CSI	\$/\$F	
02	Existing Conditions	5%	2,172,025	0	0	217,202	191,138	129,018	54,188	138,179	2,901,750	5%	7.53	
03	Concrete	5%	2,172,025	0	0	217,202	191,138	129,018	54,188	138,179	2,901,750	5%	7.53	
04	Masonry	7%	3,040,835	0	0	304,083	267,593	180,626	75,863	193,450	4,062,450	7%	10.58	
05	Metal	5%	2,505,430	0	0	250,543	229,366	154,822	65,025	165,814	3,482,100	6%	9.16	
06	Wood, Plastics, and composites	2%	868,810	0	0	86,881	76,455	51,607	21,675	55,271	1,160,700	2%	3.05	
07	Thermal and Moisture Protection	4%	1,737,620	0	0	173,762	152,911	103,215	43,350	110,543	2,321,400	4%	6.10	
08	Openings (Doors & Windows)	6%	2,505,430	0	0	250,543	229,366	154,822	65,025	165,814	3,482,100	6%	9.16	
09	Finishes	4%	1,737,620	0	0	173,762	152,911	103,215	43,350	110,543	2,321,400	4%	6.10	
10	Specialties	2%	868,810	0	0	86,881	76,455	51,607	21,675	55,271	1,160,700	2%	3.05	
11	Equipment	1%	434,405	0	0	43,440	38,228	25,804	10,838	27,636	580,350	1%	1.53	
12	Furnishings	1%	434,405	0	0	43,440	38,228	25,804	10,838	27,636	580,350	1%	1.53	
13	Special Construction	5%	2,172,025	0	0	217,202	191,138	129,018	54,188	138,179	2,901,750	5%	7.53	
14	Conveying Equipment	2%	868,810	0	0	86,881	76,455	51,607	21,675	55,271	1,160,700	2%	3.05	
21	Fire Suppressor	4%	1,737,620	0	0	173,762	152,911	103,215	43,350	110,543	2,321,400	4%	6.10	
22	Plumbing	5%	2,172,025	0	0	217,202	191,138	129,018	54,188	138,179	2,901,750	5%	7.53	
23	HVAC	20%	8,888,069	0	0	888,810	764,553	516,073	216,751	552,714	11,607,000	20%	30.52	
25	Integrated Automation	2%	868,810	0	0	86,881	76,455	51,607	21,675	55,271	1,160,700	2%	3.05	
26	Electrical	8%	3,475,240	0	0	347,524	305,821	206,429	86,700	221,086	4,642,800	8%	12.21	
27	Communications	2%	868,810	0	0	86,881	76,455	51,607	21,675	55,271	1,160,700	2%	3.05	
28	Electronic Safety and Security	1%	434,405	0	0	43,440	38,228	25,804	10,838	27,636	580,350	1%	1.53	
31	Site-Earthwork	5%	2,172,025	0	0	217,202	191,138	129,018	54,188	138,179	2,901,750	5%	7.53	
32	Site-Exterior Improvement	2%	868,810	0	0	86,881	76,455	51,607	21,675	55,271	1,160,700	2%	3.05	
33	Site-Utilities-SWM	1%	434,405	0	0	43,440	38,228	25,804	10,838	27,636	580,350	1%	1.53	
TC	<b>Total Initial Construction Cost</b>	<b>100%</b>	<b>43,440,496</b>	<b>0</b>	<b>0</b>	<b>4,344,050</b>	<b>3,822,764</b>	<b>2,580,368</b>	<b>1,083,754</b>	<b>2,763,571</b>	<b>58,035,000</b>	<b>100%</b>	<b>152.42</b>	
											Initial const cost w/o site	53,392,200	92%	140.41

Consider prevailing wage factor in the \$/SF costs

Cost / GSF Calculation Chart

New Construction	\$/SF (PV)	GSF	\$Total	Remarks
Library	\$ 300	-	\$ -	
Indoor pool	\$ 210	-	\$ -	
Outdoor pool	\$ 150	-	\$ -	
Recreation center	\$ 305	-	\$ -	
Police station	\$ 210	-	\$ -	
Fire station	\$ 230	-	\$ -	
Office standard	\$ 205	150,000	\$ 30,750,000	Assumes a 150k MNCPPC building
Office upgrade	\$ 210	-	\$ -	
Warehouse	\$ 150	-	\$ -	
Depot	\$ 160	-	\$ -	
Performing art	\$ 300	-	\$ -	
Detention center	\$ 250	-	\$ -	
Courthouse	\$ 335	-	\$ -	
Theater	\$ 330	-	\$ -	
Parking structure underground	\$ 31,000	215,250	\$ 19,065,000	615 total spaces; Assumes 3 levels of parking at 205 spaces per level. Includes PLD re
Parking structure above ground	\$ 23,000	-	\$ -	
Shelter	\$ 200	-	\$ -	
Demolition	\$ -	-	\$ -	
Temporary deck plaza	\$ 20	15,000	\$ 300,000	
Other	\$ -	-	\$ -	
Other	\$ -	-	\$ -	
Other	\$ -	-	\$ -	
<b>Total New Construction</b>		<b>380,250</b>	<b>\$ 50,115,000</b>	

Renovation	\$/SF	GSF	\$Total	Remarks
Addition	\$ -	-	\$ -	
Total systems change	\$ -	-	\$ -	
Envelope modification	\$ -	-	\$ -	
Roof replacement	\$ -	-	\$ -	
Tenant fitout	\$ -	-	\$ -	
Minor renovation	\$ 150	-	\$ -	
finishing (paint + carpet)	\$ -	-	\$ -	
Basement	\$ -	-	\$ -	
Interim Operating Center	\$ -	-	\$ -	
Other	\$ -	-	\$ -	
Other	\$ -	-	\$ -	
Other	\$ -	-	\$ -	
<b>Subtotal Renovation</b>	<b>NA</b>	<b>-</b>	<b>\$ -</b>	

Break the site into identifiable components and assign footprint areas

Sitework	\$/SF	GSF	\$Total	Remarks
Building Footprint	\$ -	-	\$ -	
Parking & Sallyport	\$ 11	-	\$ -	
Sidewalks & misc. pavings	\$ 8	-	\$ -	
Roads	\$ 10	-	\$ -	
Wetland	\$ 5	-	\$ -	
Town Square (plaza)	\$ 90.0	28,000	\$ 2,520,000	
Site/Utilities	\$ 0.5	-	\$ 5,400,000	
Landscaping	\$ 2	-	\$ -	
LID/ESD (disturbed site area)	\$ 2	-	\$ -	
Demolition	\$ 15	-	\$ -	
Contingency for POR details	\$ 250,000	-	\$ -	
<b>Subtotal Sitework</b>	<b>NA</b>	<b>28,000</b>	<b>\$ 7,920,000</b>	

Site area (ACRES)

0.64

Note: all site areas must add up to the actual site size

<b>Total Initial Cost</b>	SF=Building >>	<b>380,250</b>	<b>58,035,000</b>
L+M Cost (to be divided among CSI div.)			<b>43,440,496</b> This number is used to be divided according to % of CSI in table above

Note 1: Only use this column if you used \$/SF method. Otherwise Copy Zero as % in cells in this column and enter \$ value for each division in the next column.

Note 2: This column shows distribution of CSI division costs % of total cost

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M-NCPPC on Lot 13 (\$205psf hard \$31k/space) No. 150401

DGS Best Cost Estimate  
FY 13-18

DRAFT  
Version 2009 1

4/4/2012

PROJECT TASKS	Cost - PV	Risk Factor	Cost of Risks	Cost Escalation	Design Contingency	Bid Contingency	Construction Contingency	SUBTOTAL Future Costs	Past Expenditure FY11 & before	TOTAL Project Cost
AVE fee %	8.0000%		0.0%		10%	1.0%	10%			
Staff fee %	6.0000%	%	0.0%	Sea cover						
Planning, Design, Supervision (PDS)										
D1 A/E Fee	6,230,405	0%	0	941,665	1	1	1	7,172,070	0	7,172,070
D2 Design and Construction Management Staff	3,894,003	0%	0	588,541	1	1	1	4,482,544	0	4,482,544
D3 Permits	543,474	0%	0	82,141	1	1	1	625,614	0	625,614
D4 Inspection & Testing	800,000	0%	0	120,912	1	1	1	920,912	0	920,912
D5 Cost Estimate	100,000	0%	0	15,114	1	1	1	115,114	0	115,114
D6 Geotechnical Services	100,000	0%	0	15,114	1	1	1	115,114	0	115,114
D7 Commissioning fee	300,000	0%	0	45,342	1	1	1	345,342	0	345,342
D8 Traffic Study	40,000	0%	0	6,046	1	1	1	46,046	0	46,046
D9 BIM Clash Detection	200,000	0%	0	30,226	1	1	1	230,226	0	230,226
D10 Building Envelope Commissioning	350,000	0%	0	52,899	1	1	1	402,899	0	402,899
D11 Printing	25,000	0%	0	3,779	1	1	1	28,779	0	28,779
D12 ADA Commissioning	100,000	0%	0	15,114	1	1	1	115,114	0	115,114
D13 USGBC LEED Registration & Certification Fee	20,000	0%	0	3,023	1	1	1	23,023	0	23,023
D14 (OMB-Finance SUR) 15.4% * Future Staff Cost	690,312	0%	0	104,334	1	1	1	794,646	0	794,646
D Other	13,393,194	0%	0	2,024,251	0	0	0	15,417,445	0	15,417,445
LAND										
L1 Land Cost (ALARF)	0	0%	0	0	1	1	1	0	0	0
L2 TBD	0	0%	0	0	1	1	1	0	0	0
L Subtotal Land	0	0%	0	0	0	0	0	0	0	0
SITE IMPROVEMENT										
S1 Site-Earthwork	2,901,750	0%	0	618,109	1	351,986	38,718	3,910,559	0	4,301,619
S2 Site-Exterior Improvement	1,160,700	0%	0	247,243	1	140,794	15,467	1,564,237	0	1,720,648
S3 Site-Utilities- SWM	580,350	0%	0	123,622	1	70,397	7,744	78,211	0	860,324
S4 Reforestation	0	0%	0	0	0	0	0	0	0	0
S5 Champion Tree	0	0%	0	0	0	0	0	0	0	0
S6 Utility Relocation	100,000	0%	0	21,301	1	12,130	1,334	13,477	0	148,242
S SITE IMPROVEMENTS Subtotal	4,742,800	0%	0	1,010,275	675,307	63,284	63,917	7,030,833	0	7,030,833
UTILITIES										
U1 Water/Sewer Connection fee	50,000	0%	0	10,651	1	6,065	667	6,738	0	74,121
U2 Electrical connection fee	50,000	0%	0	10,651	1	6,065	667	6,738	0	74,121
U3 Gas connection fee	0	0%	0	0	0	0	0	0	0	0
U4 Fibernet infrastructure	0	0%	0	0	0	0	0	0	0	0
U5 TBD	0	0%	0	0	0	0	0	0	0	0
U6 TBD	0	0%	0	0	0	0	0	0	0	0
U UTILITIES Subtotal	100,000	0%	0	21,301	12,130	1,334	13,477	148,242	0	148,242
CONSTRUCTION										
C1 Existing Conditions	2,901,750	0%	0	618,109	1	351,986	38,718	3,910,559	0	4,301,619
C2 Construction	50,490,450	0%	0	10,755,088	1	6,124,554	673,701	6,804,379	0	74,848,172
C3 Prevailing Wage Consultant	232,140	0%	0	49,449	1	28,159	3,097	31,285	0	344,130
C4 TBD	0	0%	0	0	0	0	0	0	0	0
C5 TBD	0	0%	0	0	0	0	0	0	0	0
C6 TBD	0	0%	0	0	0	0	0	0	0	0
C CONSTRUCTION Subtotal	53,624,340	0%	0	11,422,645	6,604,699	715,617	7,226,720	79,453,921	0	79,493,921
OTHER										
O1 Furniture	700,000	0%	0	149,109	1	84,911	9,340	94,336	0	1,037,696
O2 Equipment	500,000	0%	0	106,506	1	60,651	6,672	67,383	0	741,211
O3 Move	150,000	0%	0	31,952	1	18,195	2,001	20,215	0	222,363
O4 Telephone system	100,000	0%	0	21,301	1	12,130	1,334	13,477	0	148,242
O5 Security system	50,000	0%	0	10,651	1	6,065	667	6,738	0	74,121
O6 Fibernet equipment	50,000	0%	0	10,651	1	6,065	667	6,738	0	74,121
O7 Computers and IT	300,000	0%	0	63,904	1	36,390	4,003	40,430	0	444,727
O8 Signs/way finding	100,000	0%	0	21,301	1	12,130	1,334	13,477	0	148,242
O9 TBD	0	0%	0	0	0	0	0	0	0	0
O10 TBD	0	0%	0	0	0	0	0	0	0	0
O11 TBD	0	0%	0	0	0	0	0	0	0	0
O12 TBD	0	0%	0	0	0	0	0	0	0	0
O13 TBD	0	0%	0	0	0	0	0	0	0	0
O OTHER Subtotal	1,950,000	0%	0	415,374	236,537	26,019	262,793	2,890,724	0	2,890,724
T Subtotal Column	73,810,334	0%	0	14,893,845	7,328,674	806,154	8,142,156	104,981,164	0	104,981,164
Construction Costs Subtotal (Const.+Site)	58,367,140	R	0	12,432,920	7,080,008	778,801	7,805,887	86,524,754	0	86,524,754
CONSTRUCTION COSTS	Cost PV 58,367,140	Cost PV for AE RFP 58,367,140	Base CCAP 70,800,080	Tot CCAP 77,880,066	Contract 78,668,867	End of Const 88,524,754				



