

PHED Committee #1  
April 28, 2014

Worksession

MEMORANDUM

April 24, 2014

TO: Planning, Housing and Economic Development Committee

FROM: Jacob Sesker, Senior Legislative Analyst 

SUBJECT: **Worksession:** Amendment to the FY13-18 Capital Improvements Program,  
Conference Center Garage (No. 781401)

Supplemental Appropriation of \$1,500,000 to the FY14 Capital Budget  
of Montgomery County Government, Department of Economic  
Development, #13-S14-CMCG-10

On March 17, 2014, the County Executive transmitted a proposed amendment to the approved FY13-18 Capital Improvements Program for the Conference Center Garage (No. 781401) and requested a supplemental appropriation of \$1,500,000 to the capital budget. In addition, the County Executive transmitted the related budget adjustment for the FY15-20 CIP.

The appropriation will fund the design of a structured parking garage to accommodate the current and future parking needs of the Bethesda North Conference Center, which is jointly owned by Montgomery County and the State of Maryland. The new garage is needed to replace the parking spaces that will be lost due to the construction and realignment of roads in White Flint/North Bethesda, to wit, the realignment of Executive Boulevard and the construction of a segment of Market Street.

When transmitted in March, the source of funds was identified as "Land Sale", though an April adjustment identifies the source of funding as "state aid" because the land sale proceeds did not come to the County but rather went to an escrow account jointly held by the State and the County. In 2013, the County Executive provided the following information about this specific land sale:

*The property (known as the "Levin" parcel) will be resold to FRIT in early FY13, depending on the final agreement to be negotiated between the County and the State. We are still finalizing the agreement, which has to be approved by the Board of Public Works (BPW) prior to any sale. It is on their schedule for May 23...*

*As a result of the Transit Oriented Development (TOD) designation that was granted by the state as of March 9, [2013,] we are eligible to purchase the SHA property at a price that equals the state's original cost of the property, plus simple interest, over the years since they purchased it, as long as it is being used for transportation purposes.*

*The parcel is currently being used by the County under an agreement with the state, to provide commuter parking (mainly for NIH). The state representatives have agreed that building a garage on the Conference Center site that replaces all the parking lost at the Conference Center (when Executive Boulevard will be realigned and Market Street will be built) is an acceptable transportation use. This garage will also be used to replace the commuter parking that we currently have arranged for NIH on the site that is being sold.*

*Under the applicable regulations, we can then sell the property to Federal Realty Investment Trust (FRIT) at the current market (appraised price) and use the proceeds towards building the garage at the Conference Center. Both the County and State have gotten appraisals on the property to make sure we are in agreement on the market price. More specifics:*

- *Cost to purchase the property from the state: \$2,233,076.72*
- *Sale price to FRIT (market value): \$23,250,000.00*
- *Sale from the State and Sale to FRIT will take place on the same day – within 30 days of BPW approval*
- *Proceeds to the County: \$21,016,923 minus settlement and escrow fees – approx. \$21M*

**Staff Recommendation:** Concur with the Executive’s proposed amendment to the CIP and supplemental appropriation request.

**Contents:**

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1	Executive’s memorandum
3	Resolution Supplemental Appropriation #13-S14-CMCG-10
5	PDF No. 781401 FY13-18 CIP (April 21)
7	PDF No. 781401 FY15-20 CIP (April 21)
8	Council Staff Q & A

PH 2/5/14  
CIP



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OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

MEMORANDUM

March 17, 2014

RECEIVED  
MONTGOMERY COUNTY  
GOVERNMENT

2014 MAR 17 PM 3:09

TO: Craig Rice, President, County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Amendment to the FY13-18 Capital Improvements Program and Supplemental Appropriation #13-S14-CMCG-10 to the FY14 Capital Budget  
Montgomery County Government  
Department of Economic Development  
Conference Center Garage (No. 781401), \$1,500,000

I am recommending a supplemental appropriation to the FY14 Capital Budget and amendment to the FY13-18 Capital Improvements Program in the amount of \$1,500,000 for the Conference Center Garage (No. 781401). The appropriation for this project will fund the design of a structured parking garage in the White Flint area to accommodate the current and future parking needs of the Bethesda North Conference Center, which is jointly owned by Montgomery County and the State of Maryland.

This new project is needed to replace the parking spaces that are being lost due to the construction and realignment of roads in the White Flint area. The recommended amendment is consistent with the criteria for amending the CIP because it leverages significant non-County sources of funds from the State of Maryland for transit-oriented development. Significant changes and development activity will occur around the Conference Center property in accordance with the 2010 White Flint Sector Plan (WFSP), including the realignment of Executive Boulevard and the construction of Market Street. These changes will cause the current number of available surface parking spaces to significantly decline. Therefore, a parking garage must be constructed to accommodate the parking needs of the conference center.

I recommend that the County Council approve this supplemental appropriation and amendment to the FY13-18 Capital Improvements Program in the amount of \$1,500,000 and specify that the source of funds will be Land Sale.

I appreciate your prompt consideration of this action.

IL:nm

Craig Rice, President, County Council  
Page 2  
March 17, 2014

**Attachment: Amendment to the FY13-18 Capital Improvements Program and Supplemental  
Appropriation #13-S14-CMCG-10**

**cc: Steven Silverman, Director, Department of Economic Development  
Jennifer A. Hughes, Director, Office of Management and Budget**

Resolution: \_\_\_\_\_  
Introduced: \_\_\_\_\_  
Adopted: \_\_\_\_\_

COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND

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By: Council President at the Request of the County Executive

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SUBJECT: Amendment to the FY13-18 Capital Improvements Program and  
Supplemental Appropriation #13-S14-CMCG-10 to the FY14 Capital Budget  
Montgomery County Government  
Department of Economic Development  
Conference Center Garage (No. 781401), \$1,500,000

Background

1. Section 307 of the Montgomery County Charter provides that any 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 Councilmembers. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of six 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.
2. Section 302 of the Montgomery County Charter provides that the Council may amend an approved capital improvements program at any time by an affirmative vote of no fewer than six members of the Council.
3. The County Executive recommends the following capital project appropriation increases:

Project Name	Project Number	Cost Element	Amount	Source of Funds
Conference Center Garage	781401	PDS	\$1,500,000	
TOTAL			\$1,500,000	Land Sale

4. This new project is needed to replace the parking spaces that are being lost due to the construction and realignment of roads in the White Flint area. The recommended amendment is consistent with the criteria for amending the CIP because it leverages significant non-County sources of funds from the State of Maryland for transit-oriented development. Significant changes and development activity will occur around the Conference Center property in accordance with the 2010 White Flint Sector Plan (WFSP), including the realignment of Executive Boulevard and the construction of Market Street. These changes will cause the current number of available surface parking spaces to significantly decline. Therefore, a parking garage must be constructed to accommodate the parking needs of the conference center.
5. The County Executive recommends an amendment to the FY13-18 Capital Improvements Program and a supplemental appropriation in the amount of \$1,500,000 for the Conference Center Garage (No. 781401), and specifies that the source of funds will be Land Sale.
6. Notice of public hearing was given and a public hearing was held.

Action

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

The FY13-18 Capital Improvements Program of the Montgomery County Government is amended as reflected on the attached project description form and a supplemental appropriation is approved as follows:

Project Name	Project Number	Cost Element	Amount	Source of Funds
Conference Center Garage	781401	PDS	\$1,500,000	
TOTAL			\$1,500,000	Land Sale

This is a correct copy of Council action.

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Linda M. Lauer, Clerk of the Council

## Conference Center Garage (P781401)

Category  
Sub Category  
Administering Agency  
Planning Area

General Government  
Economic Development  
Economic Development (AAGE06)  
North Bethesda-Garrett Park

Date Last Modified  
Required Adequate Public Facility  
Relocation Impact  
Status

4/21/14  
No  
None  
Planning Stage

Total	Thru FY11	Rem FY12	Total 6 Years	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	Beyond 6 Yrs
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### EXPENDITURE SCHEDULE (\$000s)

Planning, Design and Supervision	1,500	0	0	1,500	0	200	1,300	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
<b>Total</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>1,500</b>	<b>0</b>	<b>200</b>	<b>1,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### FUNDING SCHEDULE (\$000s)

State Aid	1,500	0	0	1,500	0	200	1,300	0	0	0	0
<b>Total</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>1,500</b>	<b>0</b>	<b>200</b>	<b>1,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### APPROPRIATION AND EXPENDITURE DATA (000s)

Appropriation Request	FY 13	0
Appropriation Request Est.	FY 14	0
Supplemental Appropriation Request		1,500
Transfer		0
Cumulative Appropriation		0
Expenditure / Encumbrances		0
Unencumbered Balance		1,500

Date First Appropriation	FY 14
First Cost Estimate	
Current Scope	1,500
Last FY's Cost Estimate	0

### Description

This project provides for the design of a structured parking garage to accommodate the current and future parking needs of the North Bethesda Conference Center, which is jointly owned by Montgomery County and the State of Maryland. The garage is needed in order to replace the parking spaces that are being lost due to the construction and realignment of roads in the White Flint area (see CIP #501506). The garage will be operated by the management company of the Conference Center, Marriott International, in accordance with the County's existing agreement with Marriott.

### Location

Bethesda North Marriott Hotel & Conference Center at 5701 Marinelli Rd, Bethesda, MD 20852

### Estimated Schedule

Design will begin in FY14 and is expected to be completed in FY15. Construction is expected to begin in FY15 and will be completed by FY16.

### Justification

Significant changes and development activity will occur around the Conference Center property in accordance with the 2010 White Flint Sector Plan (WFSP), which will require the conversion of the conference center's parking from a surface lot to a structured garage. Per the Sector Plan, Executive Boulevard will be realigned to allow for a standard four-way intersection. The addition of several smaller streets will break up block sizes into more pedestrian scale blocks, creating a more pedestrian friendly environment. These roadway modifications will significantly impact the size of the Conference Center property. The realignment of Executive Boulevard will cut across the northwest corner of the site, while the addition of the new Market Street will eliminate a 70-foot strip along the northern edge of the property. In addition, the new Woodglan Drive to the east will bisect the site into east and west parcels. These changes will significantly reduce the current number of available surface parking space. Therefore, a parking garage must be constructed to accommodate the parking needs of the conference center. The operating profits from the garage will accrue to the County's General Fund through its management agreement with Marriott and will be accounted for in the Conference Center NDA.

### Other

The project is currently funded through design only. Construction funds will be sought through a future CIP Supplemental Appropriation and Amendment request after preliminary design produces a more accurate estimate of construction costs.

### Fiscal Note

As a result of a joint agreement between Montgomery County, the Maryland Department of Transportation, and Federal Realty Investment Trust (FRIT), the County received \$21 million in proceeds from a transaction involving State Highway Administration surplus land in White Flint. As part of the agreement with the State, these land sale proceeds are designated to fund the design and construction of a multi-level parking garage at the site of the County/State owned Bethesda North Conference Center. The source of funds is classified as State Aid as the funds are being held in an escrow account that is jointly controlled by the County and the State.

### Disclosures

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

The Executive asserts that this project conforms to the requirements of relevant local plans, as required by the Maryland Economic Growth, Resource Protection and Planning Act.

### Coordination

(5)

## Conference Center Garage (P781401)

Department of Economic Development, Department of Transportation, Office of the County Executive, Department of Finance, Office of the County Attorney, Maryland Stadium Authority, Maryland Department of Transportation, Maryland State Highway Administration

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## Conference Center Garage (P781401)

Category General Government  
 Sub Category Economic Development  
 Administering Agency Economic Development (AAGE06)  
 Planning Area North Bethesda-Garrett Park

Date Last Modified 4/21/14  
 Required Adequate Public Facility No  
 Relocation Impact None  
 Status Planning Stage

	Total	Thru FY13	Est FY14	Total 6 Years	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Beyond 6 Yrs
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### EXPENDITURE SCHEDULE (\$000s)

Planning, Design and Supervision	1,500	0	200	1,300	1,300	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
<b>Total</b>	<b>1,500</b>	<b>0</b>	<b>200</b>	<b>1,300</b>	<b>1,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### FUNDING SCHEDULE (\$000s)

State Aid	1,500	0	200	1,300	1,300	0	0	0	0	0	0
<b>Total</b>	<b>1,500</b>	<b>0</b>	<b>200</b>	<b>1,300</b>	<b>1,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### APPROPRIATION AND EXPENDITURE DATA (000s)

Appropriation Request	FY 15	0
Appropriation Request Est.	FY 16	0
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		0
Expenditure / Encumbrances		0
Unencumbered Balance		0

Date First Appropriation	FY 15
First Cost Estimate	
Current Scope	FY 14      1,500
Last FY's Cost Estimate	0

#### Description

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#### Location

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#### Estimated Schedule

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#### Justification

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The Executive asserts that this project conforms to the requirements of relevant local plans, as required by the Maryland Economic Growth, Resource Protection and Planning Act.

#### Coordination

Department of Economic Development, Department of Transportation, Office of the County Executive, Department of Finance, Office of the County Attorney, Maryland Stadium Authority, Maryland Department of Transportation, Maryland State Highway Administration

## **FY14 CAPITAL BUDGET QUESTIONS FOR CONFERENCE CENTER GARAGE**

- 1. The PDF states that the garage is necessary to replace spaces that are being lost due to construction and realignment of roads. Please provide estimated number of spaces that will be lost, and estimated number of spaces in the to-be-designed Conference Center Garage (replacement plus how many?).**

Currently, there are approximately 475 parking spaces on the conference center parcel (with another 300 on the hotel parcel). The new conference center garage will replace the conference center parcel spaces, of which approximately 250 are being displaced due to the construction and realignment of adjacent roads. An additional 225 spaces will be displaced in order to accommodate a future mixed-use project on the conference center site, north of the new garage.

We are projecting that the new garage will house approximately 600-700 spaces, a number that will be solidified during the design phase of the project. The garage will replace all of the displaced parking, and builds in the flexibility to address the changes anticipated in White Flint. In the long term, it provides for the parking needs of a future expansion of the Conference Center as White Flint matures. In the short term, it will provide parking that will be available during other times of construction activity on the site.

- 2. What is the target date for obtaining land use approvals/mandatory referral?**

The current schedule, which will be more accurate once a design/construction team has been selected, calls for land-use approvals to be secured in Spring, 2015.

- 3. What is the total estimated design plus construction cost for the garage? Is the construction expected to be funded with the land sale proceeds in escrow? Will the land sale proceeds in escrow cover the total (design + construction) cost of the garage?**

It is our over-arching intention to design, value engineer and construct the parking garage at a cost not to exceed the land sale proceeds in escrow (approximately \$21.5 million). Once a team is in place and has embarked on the design, we will be in a better position to project the total cost of the garage, but at the current time, we believe the escrow funds are adequate to cover both design and construction.

- 4. The PDF states that construction will begin in FY15 and end in FY16—please provide a short narrative description of the impact on conference center and hotel operations & revenues (e.g., conference center may incur additional costs for off-site parking or transportation to off-site parking?; likely changes to booking practice/strategy on either the conference center or hotel side? Other FY16-17 operating budget impacts?).**

The temporary loss of on-site parking and the adjacent road construction will undoubtedly affect the operations of the conference center and hotel. The facility manager, Marriott International, has been through similar disruptions in the past ten years (i.e. the construction of the second hotel tower, replacement of carpeting throughout the building, etc.) and is adept at working with design/construction teams to ensure the successful continuity of operations.

Having said that, Marriott will need to use private/public parking lots/garages during the construction phase and also employ shuttle services from these parking facilities to the conference center when on-site valet parking and vehicle stacking is not adequate to meet the parking demand. The good thing about the conference center operations is that Marriott will know well in advance when off-site parking is needed, and will be in daily contact with the project team to understand the impact of construction activities on the site and the adjacent roads.

While Marriott will make every attempt to minimize the disruption that the construction will undoubtedly cause a 30-50% decline in revenues and profit during the 12-month construction period is anticipated, currently estimated to take place predominantly during FY16. This decline will be due to increased costs associated with off-site parking, shuttle and valet service, and due to the fact that some groups will choose not to hold meetings at the conference center during substantial construction.