

## MONTGOMERY COUNTY COUNCIL

### MONTGOMERY COUNTY SMART GROWTH INITIATIVE UPDATE

September 23, 2008

Good Afternoon Council President Knapp and members of the County Council. I am Diane Schwartz Jones, Assistant Chief Administrative Officer in the Office of the County Executive. With me this afternoon are David Dise, Director, Department of General Services, Jennifer Barrett, Director, Department of Finance, and Joe Beach, Director, Office of Management and Budget. Also present are Chief Bowers for the Department of Fire and Rescue Services and Chief Tracy with the Police Department.

We are here to update the County Council on the County Executive's significant initiative to implement smart growth plans, create transit oriented development and provide for county facility needs.

I'd like to begin by clarifying what we call this initiative. This is a smart growth driven initiative, and the name by which we call this effort is the Montgomery County Smart Growth Initiative.

We have the opportunity to invest in our infrastructure needs in a way that will poise us to achieve high paying quality jobs, create opportunities for sufficient and affordable housing – placed near mass transit -- redevelop and clean-up old industrial sites, make overdue investments in County facilities with lasting benefits, and reduce reliance on leases for our space needs.

We are at a critical point in time for the County, both economically and from a land development perspective. We are at a transition point. The County of 30 – 40 years ago has moved from a single income bedroom community commuting into DC for jobs into dual income employment centers within our own boundaries.

We have greater population, greater needs for jobs, greater needs for housing and greater needs for services. We must plan for these needs so that decisions today, even though difficult, don't become the problems of tomorrow.

While we struggle with the hardships of the real estate market, the economy, and needs for important public facilities, we can take advantage of current conditions and use them to the County's overall and long-term benefit. We can acquire property now – at a time when land values have flattened -- in order to meet important public needs such as implementing the Shady Grove Sector Plan vision for the County Service Park and creating a transit oriented biosciences education, employment and residential hub, so we don't fall further behind as other jurisdictions focus on where tomorrow's jobs will be found.

We can move old, outdated facilities to sites zoned for them in order to realize multiple objectives. And, a couple of years later when our new facilities are completed and the economy has had a chance to turn around, we can dispose of our properties, realize better values and implement a better long-term vision for housing and jobs.

We have previously provided you with a plan that is overall “cost neutral.” What does cost neutral mean? Cost neutral means that the costs of new land and facilities equals land values + programmed and anticipated to-be-programmed construction funds + eliminated and avoided lease amounts + new net tax and fee revenues.

Our update this afternoon will focus on 5 distinct areas – Project Balance Sheet, Executive Timeline Summary, Conceptual Finance Plan, upcoming budget requests and overall site specific summaries. Copies of the Project Balance Sheet, Executive Timeline Summary and Conceptual Finance Plan are attached.

We have made enormous progress over the past several months since we last briefed you. We expect to send over budget amendment requests in the next couple of weeks in four specific areas – general planning; Equipment and Maintenance Operations Center; Public Safety Training Academy and a bond resolution for the Liquor Warehouse. In January, we will, with next fiscal year requests, be asking for additional funds for land acquisitions. All of this will be described in greater detail by Joe Beach.

As Mr. Leggett indicated at the Gaithersburg Town Hall meeting last week we will be assembling a Smart Growth Initiative Advisory Group to help guide us to implement this initiative. We are working on the composition of this group which will include community representation.

We appreciate the opportunity to update you on the progress we have made and to answer questions that you may have.

### Smart Growth Initiative Project Balanced Sheet

	A	C	B	D
	Properties	Income \$ Millions (Property Disposition, Lease Termination and Backfilling, Asset Value, and CIP required funds)	Expenditure \$ Millions (Property Acquisition, Design, and Construction)	Total
1	GE Tech Park	15.2	(97.7)	(82.5)
2	Finmark	10.8	(41.1)	(30.3)
3	Webb Tract-PSTA	0.0	(103.2)	(103.2)
4	Webb Tract- Food warehouse	0.0	(17.5)	(17.5)
5	Casey 6 & 7	0.0	(129.9)	(129.9)
6	Gude Landfill	0.0	(55.4)	(55.4)
7	Seven Lock (Radio Shop)	0.0	(6.8)	(6.8)
8	Park and Planning	0.0	(33.0)	(33.0)
9	PSTA	63.5	0.0	63.5
10	CSP East (MCPS Buses, Park & Plan, Radio Shop)	64.2	0.0	64.2
11	CSP West (MCPS Food Services, DLC, EMOC)	181.9	0.0	181.9
12	1st District Police	29.3	0.0	29.3
13	Police HQ-Research Blvd	9.2	0.0	9.2
14	Savings from Lease Termination	37.4	0.0	37.4
15	Savings from Backfilling	25.4	0.0	25.4
16	Lease Termination and Backfilling of DLC	8.1	0.0	8.1
17	NPV Net New Annual Tax Revenues	69.9	0.0	69.9
18	<b>Total Economic Impact &gt;&gt;&gt;&gt;</b>	<b>514.9</b>	<b>(484.6)</b>	<b>30.3</b>
19	*1 - The analysis does not include Operating Budget Impact.			
20	*2 - Cost of environmental cleanups are not included in the Expenditure.			
21	*3 - Escalation of land value is included at annual rate of 8%			

**Smart Growth Initiative  
Executive Timeline Summary**

Site	Proposed Facility	Occupant	Acquisition/Disposition		Design/Construction		Occupancy
			Start	End	Start	End	
<b>GE Tech Building</b>	Public Safety Administrative Building & 1st District Police Station	Police, Fire Rescue Services, Office of Emergency Management and Homeland Security, Department of Transportation, and Other Lease Facilities	01/01/08	11/17/09	01/15/09	06/01/10	10/01/10
<b>Finmarc</b>	Department of Liquor Control Administration & Liquor Warehouse	Department of Liquor Control	01/01/08	09/01/10	06/05/09	06/30/11	10/20/11
<b>Gude Landfill</b>	MCPS Bus Depots	Montgomery County Public School			01/15/09	02/17/11	06/09/11
<b>Seven Locks Maintenance</b>	Radio Shop	Department of Technology Services			01/15/09	02/17/11	06/09/11
<b>Casey 6&amp;7</b>	Equipment and Maintenance Operations Center & Day Labor	Department Of Transportation, Department of General Services, & Day Labor	05/01/08	10/27/09	01/15/09	06/03/11	09/23/11
<b>Webb Tract</b>	Public Safety Training Academy & MCPS Food Distribution Facility	Police, Fire Rescue Services, & Montgomery County Public School	01/01/08	03/01/10	01/15/09	11/24/11	03/29/12
<b>TBD Site</b>	Park & Planning Maintenance Depots	MNCPPC, Department of Parks			01/15/09	02/17/11	06/09/11

## SMART GROWTH INITIATIVE CONCEPTUAL FINANCING PLAN

### General Sequence of Activities:

1. Acquisition
2. Design, Construction or Renovation
3. Disposition of vacated sites
4. Private development, economic returns

### Conceptual Financing Plan:

#### 2 Stages:

1. Revolving Line of Credit
2. Long-term Permanent Financing
  - Interest only LOC “bridges” time period between acquisition and disposition
  - Disposition proceeds partially offset acquisition and construction costs
  - Some costs were already planned or programmed in the CIP
  - Net costs will be financed with long-term fixed rate debt, debt service to be offset by:
    - Savings from lease termination
    - Savings from Lease Backfilling (Avoidance)
    - Long Term future fiscal impacts (property taxes and other revenues)

#### Other

- DLC Liquor Warehouse funded separately

SMART GROWTH INITIATIVE CONCEPTUAL FINANCING PLAN		\$ millions						
		FY09	FY10	FY11	FY12	FY13	FY14	Totals
1	<b>ACQUISITION</b>							
2	Subtotal	24.750	97.800	0.000	0.000	0.000	0.000	122.550
3								
4	<b>PLANNING, DESIGN, CONSTRUCTION</b>							
5	Subtotal	13.799	111.962	186.380	8.816	0.000	0.000	320.957
6								
7	<b>DISPOSITION</b>							
8	Subtotal	0.000	0.000	(79.899)	(176.360)	0.000	0.000	(256.259)
9								
10	<b>PROGRAMMED IN CIP</b>							
11	Combined Subtotal - CIP	(7.991)	(8.576)	(64.274)	(0.773)	0.000	0.000	(81.614)
12								
13								
14	<b>Net Additional Funds Required</b>	<b>30.558</b>	<b>201.186</b>	<b>42.207</b>	<b>(168.317)</b>	<b>0.000</b>	<b>0.000</b>	<b>105.634</b>
15								
16	<b>Net Financing Required</b>							
17	Short term Financing needs	<b>30.558</b>	<b>201.186</b>	<b>42.207</b>				<b>273.951</b>
18	Long term financing				<b>105.634</b>	(does not include CIP)		
19								
20	Carrying Costs - Interim Financing	<b>1.222</b>	<b>1.222</b>	<b>1.222</b>				
21	(int only on LOC @ 4%)		<b>8.047</b>	<b>8.047</b>				
22				<b>1.688</b>				
23	Debt Service - Long Term Financing				<b>7.875</b>	<b>7.750</b>	<b>7.600</b>	
24	(20 year GO \$105 million)							
25								
26	<b>Total Ongoing Costs</b>	<b>1.222</b>	<b>9.270</b>	<b>10.958</b>	<b>7.875</b>	<b>7.750</b>	<b>7.600</b>	
27								
28	Savings from Lease Termination			(2.214)	(3.041)	(3.132)	(3.226)	
29	Savings from Lease Backfilling (Avoidance)			(1.509)	(2.073)	(2.135)	(2.199)	
30	Less Net New Annual Tax Revenues		(1.195)	(6.024)	(11.382)	(9.199)	(13.648)	
31								
32	<b>GAP/(POSITIVE IMPACT)</b>	<b>1.222</b>	<b>8.075</b>	<b>1.211</b>	<b>(8.621)</b>	<b>(6.716)</b>	<b>(11.473)</b>	
33								
34								
35	<b>FINANCING WITH LIQUOR REVENUE BONDS</b>							
36								
37	Relocation Liquor Warehouse							
38	Net Cash Flow Needs	0.155	26.103	14.651	0.197	0.000	0.000	41.106
39	Already programmed in CIP	0.000	(10.920)					(10.920)
40	Additional Financing Needs	0.155	15.183	14.651	0.197	0.000	0.000	30.186
41								
42	Lease Avoidance	0.000	0.000	0.000	(0.471)	(0.728)	(0.750)	

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*Site Specific Update Information*

**Public Safety Headquarters Building at GE Tech Park**

- Traffic Study – complete and concluded that full capacity of building is already reflected in the traffic background count
- Appraisal -- complete
- Building Assessment – complete
- Environmental – complete
- Revised Program of Requirements – complete
- Market analysis – complete – PS use is expected to generate approximately additional \$5 million/year for area retail
- Discussions with City of Gaithersburg – good progress
- Negotiations -- Letter of Intent circulated and discussions are ongoing
- General – no modifications other than interior to bring it to Code
- Meetings with community -- ongoing

**Department of Liquor Control Warehouse at GE Tech Park**

- Traffic Study – complete and concluded that while full capacity of building is reflected in the traffic background count, the DLC use will be a 40% reduction with truck volumes being more than 50% less than existing truck volume and night time and weekend truck traffic being eliminated
- Appraisal – complete
- Building Assessment – complete
- Environmental – complete
- Program of Requirements – complete
- Market Analysis – same as above
- Discussions with City of Gaithersburg – same
- Negotiations – ongoing
- General – no modifications other than interior and perhaps providing canopy over 1 or 2 loading docks
- Meetings with community -- ongoing

### **EMOC at Casey 6 and 7**

- Traffic Study – under review
- Appraisal – complete
- Conceptual massing – underway
- Environmental – Phase 1 assessment planned
- Program of Requirements – complete
- Negotiations – Letter of Intent circulated and discussions are ongoing
- Meetings with community -- ongoing

### **Public Safety Training Academy and MCPS Food Distribution Warehouse at Webb**

- Traffic Study – draft received and County uses result in *reduction* of daily trips based on approved plans for site: am trips – 696 *fewer*; pm trips – 605 *fewer*
- Appraisal – complete
- Concepts – several options prepared. Met on most recent concept and based on community leadership input, revisions will be made
- Environmental – Phase 1 assessment planned
- Program of Requirements – complete
- Negotiations – ongoing
- Meetings with community -- ongoing

### **MCPS Bus Depot at Gude**

- Traffic Study – to be ordered
- Feasibility – consultant to do more in-depth study of feasibility and concepts
- Meetings with community -- ongoing