

MEMORANDUM

March 8, 2012

TO: Planning, Housing, and Economic Development Committee

FROM: Jacob Sesker, Senior Legislative Analyst *JS*

SUBJECT: **FY13-18 Capital Improvements Program: Wheaton Redevelopment Program**

ATTENDEES

The following individuals will likely attend: David Dise, Greg Ossont (DGS); Steve Silverman (DED); Mary Beck, Amy Wilson (OMB).

OVERVIEW

The Wheaton Redevelopment Program was established in 2000 with the goal of encouraging private reinvestment through targeted, complementary public investment. The County Executive's FY13-18 CIP request includes \$42.0 million for the Wheaton Redevelopment Program over the 6-year period, and an FY14 appropriation request of \$4.334 million. The request represents an increase of \$34.8 million from the approved FY11-16 CIP. The cost increase is the result of a significantly expanded project scope, which includes the construction of a platform above the Washington Metropolitan Area Transit Authority (WMATA) bus bays.

INTRODUCTION

The Wheaton Redevelopment Program presents the Council with an opportunity to make a significant public investment to meet the needs of the Wheaton community (well-located public space, increased daytime population) while also meeting the real estate needs of local government. Today the Planning, Housing, and Economic Development Committee must make a recommendation regarding the nature of that investment.

The Executive's CIP request includes approximately \$39.5 million that is attributable to constructing a platform above the WMATA bus bays and relocating the bus operations temporarily during construction. The request, if approved, would constitute a County contribution to a public/private partnership with B.F. Saul. The public/private partnership would implement a multi-phased development

project, including mixed-use development with a significant office component, as well as a “town square.” The partners currently refer to the project as “Wheaton’s New Downtown.”

The CIP request raises several key issues:

1. The County’s role in the Wheaton real estate market
2. Significance of government tenants to Wheaton’s office market
3. The rationale for a platform
4. The timing of the platform
5. The impact of platform timing on small businesses
6. Parking Lot District (PLD) capacity to absorb demand shifted from Lot 13
7. Programs and resources for affected small businesses
8. Negotiation issues
9. Fiscal issues
10. Economic issues

This memorandum contains the following:

- Summary of testimony
- Narrative discussion of key issues
- Staff’s recommendation
- Summary comparison of Executive’s request and Staff’s recommendation

Attachments:

- Detailed public/private project description © 1-3
- Executive’s PDF © 4-5
- Council staff’s PDF © 6
- JLL Fiscal Impact Analysis © 7-10
- Testimony from Council’s public hearing on capital budget © 11-12
- Testimony from Council’s public hearing on Bill 6-12 © 13-14
- Letter from Wheaton Redevelopment Advisory Committee © 15-16

COMMUNITY INPUT: TESTIMONY AND CORRESPONDENCE

Over the past month, Council received many letters from individuals, businesses, and interest groups supporting the Wheaton Redevelopment Program. At the February 7, 2012 public hearing, two local business owners and two community groups submitted testimony. Most of the letters and testimony can be placed into one of two categories:

- A “new downtown” for Wheaton: strong support for a redevelopment project with a significant office component and new retail and restaurants; impatience with the status quo.
- Small business assistance/protection and community benefits: general support for a redevelopment project, but concern about potential effects of such a project on small businesses¹; apprehension regarding future change.

¹ For example, Fillippo Leo of Marchone’s Deli offered this: “While I support the redevelopment of Wheaton, I am concerned about the negative impacts of construction and lost parking during the proposed redevelopment of parking lot 13. I would lose at least 50% of customers during the construction phase of the project. My regular customers will not be able to reach my store easily and potential new customers will not realize that we are open or that we even exist.”

In addition, the Council received testimony during the public hearing for Bill 6-12 (Economic development—small business assistance) from Wheaton-area businesses concerned about the potential future impacts of Wheaton redevelopment. That bill would create a financial assistance program for small businesses affected by County redevelopment projects or redevelopment projects on County-owned land.

KEY ISSUES

1. The County's role in the Wheaton real estate market

The Wheaton real estate market has not performed well when compared to other markets. There have been a variety of market and regulatory forces that have contributed to Wheaton's performance. Recent zoning changes (amendments to and subsequent removal of the Wheaton Retail Preservation Overlay Zone), changing demographics, and some recent changes in the residential market have somewhat altered Wheaton's position. Residents and businesses alike feel that downtown Wheaton would be strengthened by additional daytime population (i.e., more office workers). The only Class A office building in Wheaton, Westfield Wheaton North (approximately 100,000 square feet), is five decades old—clearly, the market alone will not increase Wheaton's daytime population. In such instances, a government action to increase the daytime population is justifiable.

2. The significance of government office tenants to Wheaton's office market

The Wheaton office market is stagnant—there has not been positive absorption in the Wheaton/Kensington market during the past decade. The only Class A building in Wheaton is the Westfield Wheaton North, and recent vacancy and rent data indicate that Westfield Wheaton North is struggling to compete with Class A office buildings in more robust markets.

Given the dynamics of the Wheaton office market, single-tenant buildings and government-tenant buildings will probably need to lead the way if Wheaton is to develop an office presence in the near-term. A federal (General Services Administration (GSA)) tenant could conceivably absorb an office building. Among potential non-GSA tenants, the County and the Maryland-National Capital Park and Planning Commission (M-NCPPC) are the most likely to be pioneers in the Wheaton office market.

According to the Cassidy/Turley team working with B.F. Saul, the air above the WMATA bus bays is probably the only location in Wheaton suitable for a GSA tenant. As such, the cost associated with building the platform above the bus bays (and the interim bus operations) is a cost that is necessary to attract a GSA tenant. If the platform is in place, or if all deals and financing necessary are in place, then the GSA will consider Wheaton as a location.

GSA also weighs the presence of amenities in its decision-making process. The Cassidy/Turley team indicated that, in addition to Metro accessibility and the presence of restaurants, a proposal would be significantly strengthened by the presence of a hotel.²

The GSA rent cap (\$35) is higher than the current Class A rents in Wheaton (\$29), and probably slightly above what private tenants would be willing to pay for new office space if existing Class A were available at current rates. Rents paid by the County at 255 Hungerford are in the low \$30s. These

² While there is no General Development Agreement yet, Executive staff states that there will not be any operating subsidy to support a hotel.

factors, in addition to vacancies and rents in competitive markets (e.g., Silver Spring), will define the Wheaton market in the foreseeable future.

The two most recent major GSA retentions have received County economic development incentives of \$12 million and \$19.5 million (NOAA and HHS, respectively). Those incentives were necessary because the GSA rent cap for suburban Maryland (then \$34 per square foot) was too low to justify the required investment.³

3. The rationale for a platform

The air above the WMATA bus bays is the largest potential site for Class A office space, may be the only site suitable for federal office tenants, and was contemplated/intended as a location for office space in the *Wheaton CBD and Vicinity Sector Plan*. The Executive has proposed constructing the platform as a means to implement the redevelopment of Wheaton, but there are other ways to accomplish the same objective.

The Council held its public hearings on the CIP in early February. Since that time, the Council has received scores of letters from Wheaton area residents, businesses, and community groups. The letters express support for redevelopment of Wheaton and excitement about potential changes that might occur if the County makes a catalytic investment in Wheaton.

The Council has not received any letters expressing a specific desire to have a platform in Wheaton—**the platform is a means to an end**. The “end” is not to build a platform, to execute a General Development Agreement, or to attract a federal tenant. Rather, **the desired end is to introduce land uses (to wit, office space) into downtown Wheaton that downtown Wheaton currently lacks and which the market will not provide**.

4. The timing of the platform

There is no market imperative to deliver a platform within a specified timeframe. The purpose of the platform is to create a location for office development, and there currently is no market for new office space in Wheaton. The new office space will be mostly or entirely occupied by government (County, bi-County, or federal) tenants. The right timing for County and bi-County tenants will be largely based on assessment of need and available resources. There is no right timing for federal tenants—more or less the same amount of leased space comes up for renewal each year.

In a large-scale redevelopment project, the ideal timing for the public sector is to improve the least expensive/challenging properties first. The improvements to those less expensive/challenging properties will increase the revenue-generating potential of the more expensive/challenging properties, thereby possibly reducing the public subsidy/incentive necessary to catalyze redevelopment. Applying that principle to Wheaton, **in an ideal situation, it would make the most sense to redevelop the WMATA site after redeveloping Parking Lot 13**.

A practical challenge in this particular case is that constructing a platform above the bus bay will necessitate relocating the bus operations. Consultants working for the Executive indicate that there

³ In the case of HHS, the developer requested and received an incentive of \$1.3 million per year for 15 years. During the 15-year term, this incentive was equivalent to increasing the rent from \$34/square foot to \$35.39/square foot of GSA space. The GSA rent cap has increased (to \$35 per square foot). For illustrative purposes, an economic development incentive of \$0.39 to \$1.39 per square foot annually (on a 300,000 square foot building over a 15-year period) would amount to a subsidy of \$1.755 million to \$6.255 million.

might not be any other suitable location for interim bus operations. If this is correct, it may be that the County's options are either to redevelop Parking Lot 13 only, or to construct the platform above the WMATA bus bays before redeveloping Parking Lot 13. If true, this would be an example of practical reality interfering with ideal phasing.

Council staff does not agree with the Executive's assessment that no suitable alternatives exist. Silver Spring has been in interim operations for several years. **Silver Spring has nearly three times more bus traffic than does Wheaton**, and many of the routes in Silver Spring and Bethesda begin/end at those locations, meaning that buses spend more time at the transit hubs. See comparison of bus volumes below:

- **Silver Spring: 157 buses/hour**
- **Wheaton: 59 buses/hour**
- **Bethesda: 47 buses/hour**

5. The impact of the platform timing on small businesses

Small businesses will be impacted by noise, dust, and disruptions to access and visibility during construction. Parking spaces on Parking Lot 13 will be temporarily lost. The disruptions to Parking Lot 13 that will affect adjacent or nearby businesses will vary over time; some of them will be well managed or easily mitigated and others will not.

Executive staff described the Parking Lot 13 timeline as follows: *"In 2014, construction of the Interim Operating System would occur and be in operation during the platform and building construction. Approximately half the current lot would be available for public parking. In 2017, construction will begin on the underground parking, taking approximately one year to complete. At that point, public parking would be available in the underground garage. In 2018, construction would follow on the retail, office and residential buildings. Finally, the Town Square would be constructed. Project completion would be in 2020."* In short, **the disruption could begin in FY14 and continue into FY20.**

6. PLD capacity to absorb demand shifted from Lot 13

The entire Wheaton Parking Lot District (PLD) has 1,020 parking spaces. Program capacity is a term that is used in discussions about public school capacity and which is also applicable here: the program capacity of the parking lots is 95% of total capacity to allow for frictional vacancy. The total program capacity in the Wheaton PLD is 969 spaces, and will be 818 spaces when all spaces from Lot 13 are off line. From July 2011 to February 2012, the average number of occupied spaces in the Wheaton PLD was 538.⁴

Parking Lot 13 is a 151-space surface lot. During the construction of the platform, half of those spaces would be unavailable. Between July 2011 and February 2012, during peak hours, the average utilization was 94 spaces (leaving 57 spaces available). Losing half of the spaces in Parking Lot 13 (75 spaces) would result in a loss of capacity that is currently utilized.

While there are many spaces available in the PLD, most who would use Parking Lot 13 while patronizing small businesses in the Core would probably not cross Georgia Avenue or Veirs Mill Road for parking. As such, Parking Lots 33 and 34 will most likely need to accommodate any demand displaced by the redevelopment project.

⁴ The Parking Lot District performs utilization studies on Wednesdays and Thursdays, typically between 12:00 noon and 1:00 pm.

	Total capacity	Program capacity (95% capacity)	Utilization (July 11-Feb 12)	Available Capacity
Total Wheaton Parking Lot District	1020	969	538	431
Parking Lot 13	151	143	94	49
<i>Parking Lot 13 (loss)</i>	-75		-26	
Parking Lot 33	50	48	26	22
Parking Lot 34	39	37	16	21

There are currently approximately 43 spaces available⁵ that can be used as substitutes for the 26 *utilized* spaces that will be lost; assuming that demand for these spaces stays at current levels, there is enough capacity within the Core to absorb the utilized spaces that will be lost.

Of course, one factor that could affect demand for spaces in the Core is the influx of construction workers to the area. The Coalition for the Fair Redevelopment of Wheaton, in their testimony, recommended: *“Phase construction schedule and plan to ensure adequate parking for small business customers and owners during the construction, including the provision of off-site parking for construction workers.”*

Affected business owners are concerned, not just that the spaces are available, but that potential customers will be able to find those spaces. Ultimately, signage will be needed to direct parking users to Parking Lots 33 and 34.

7. Programs and resources for affected small businesses

On January 30 and February 7, 2012, the PHED Committee engaged in discussions with the Executive Branch regarding small businesses and redevelopment. Staff identified two existing programs that are particularly relevant to a discussion of small businesses and redevelopment: the Impact Assistance Program and the Small Business Revolving Loan Fund.

The Council established the Impact Assistance Program (IAP) to mitigate the negative impacts of County projects. Assistance is generally limited to \$20,000 per business. The current balance available for the IAP is \$22,479.

The Small Business Revolving Loan Fund (SBRLP) makes short-term loans, typically between \$5,000 and \$100,000, to small businesses. The SBRLP makes loans to retain or stabilize a business, as well as to assist in start-up or expansion of a business. The remaining balance available in the SBRLP is \$668,749.

Testimony from the Coalition for the Fair Redevelopment of Wheaton requested that the County create an emergency fund of \$2 million for small businesses to ease the financial impact of construction. Obviously, this amount is well in excess of the available balance (\$22,479).

⁵ Available capacity calculated by subtracting spaces occupied from program capacity.

The Coalition for the Fair Redevelopment of Wheaton also requested that the County make longer-term investments in Wheaton area businesses. These investments would include rent subsidies, restarting the façade and streetscape improvement program (with focus along Parking Lot 13), and technical assistance to Wheaton businesses. A rent subsidy program would need to be negotiated as part of a development agreement and would be reflected in additional costs/risk to the County. Restarting the façade and streetscape improvement program would be a cost in the County's capital budget, and that decision could be made in this year's CIP (the façade and streetscape improvement program was in the approved FY11-16 CIP, and the Executive has recommended discontinuing it in FY13-18). Technical assistance to Wheaton businesses, such as the technical assistance program contemplated in Bill 6-12, would be funded in the operating budget.

8. Negotiation issues

This public/private partnership is more complex than most. Complexity increases the chance that implementation will not occur. Staff highlights three potential stumbling blocks:

- The County and WMATA may not agree on the value of the air rights above the bus bays;
- The County and the County's Parking Lot District may not agree regarding the replacement of spaces (or value of the land) on Lot 13;
- The County and B.F. Saul may not agree on the office rents to be paid by the County.

To the extent that the Council has questions regarding specific items that are being negotiated between the parties, those questions should be asked in closed session. On the other hand, general questions about possible allocations of risk and cost are appropriate in open session.

9. Fiscal issues

On March 8, 2012, project consultants revised the fiscal impact analysis sharply downward. According to the latest draft, **the project will not generate enough revenue to pay for the added cost of providing services to the new residents and employment generated by the project.** Assuming that the project is eligible for enterprise zone tax credits, the significant public sector investment in the platform **will not generate an annual operating surplus until 2026**, and generates a present value surplus of only \$2.3 million over the next 30 years. If the project is not generating any fiscal surplus, then the County's obligations to provide services and make debt service payments must be satisfied by allocating money from other priorities.

The Committee's decision to approve or reject the Executive's request should not be made solely on the basis of any fiscal impact analysis—there are many other policy goals and equities involved. However, **unlike a school or a train, a platform does not teach any child to read and does not take anyone to work. If it is not generating revenues, then it probably is not a good investment.**

The Committee is well aware of the fiscal plan and the County's larger efforts to move out of leased space. In the past, the Council has been briefed on lease termination savings related to the Smart Growth Initiative. To the extent that this proposal involves moving from leased space to other leased space, it represents a missed opportunity to take advantage of lease termination savings.

10. Economic issues

There is no current demand for office space in Wheaton. Rents are low today and will remain low for some time—this will be true whether or not a new office building is delivered. The platform does not guarantee that additional office space will be built beyond what could be built on Lot 13.

There is a question as to when (or if) that potential long-term benefit will materialize—it might take many years. A 2009 market study estimated that 20-year office absorption for Wheaton would not exceed 875,000 square feet in the rosiest of scenarios.

Parking Lot 13 can accommodate approximately 415,000 square feet of office space, which would increase total Class A office space in Wheaton from approximately 100,000 square feet to more than 500,000 square feet. **An addition of 300,000 to 415,000 square feet of office space will add a substantial daytime population to Wheaton (increase of roughly 1,200 to 1,660 office workers).**⁶

RECOMMENDATION

The Committee must decide whether to recommend that the Council approve the PDF, which includes \$39.5 million for construction of the platform and the interim bus operations, and \$2.5 million towards the construction of a town square.

Staff recommends approval of the PDF only with significant modifications. Staff recommends:

- a. removing references to the platform;**
- b. including planning, design, and construction of a 150,000 square foot County and/or bi-County office building on the Regional Services Center site or on Lot 13;**
- c. decreasing the FY13-14 appropriation to reflect FY13 and FY14 expenditures of \$0.5 million per year for planning, design, and supervision; and**
- d. programming \$55.5 million from FY15 through FY18 for (a) construction of an office building and associated underground parking (\$46.1 million), (b) replacement underground parking (\$5.6 million) to replace 151 PLD spaces in a new underground garage, and (c) constructing the town square (\$2.5 million). Note: The total cost would increase by \$3.0 million if the Regional Services Center needs to be relocated.**

Staff recommends a significant investment in Wheaton for the following reasons:

- Downtown Wheaton needs a signature public space.
- Downtown Wheaton needs an office presence to increase daytime population.

Staff recommends investing in a town square and a County office building for the following reasons:

- Direct investments in tangible public assets are preferable to indirect market manipulations (such as subsidizing what otherwise would be private land costs by constructing a platform)⁸—building a town square and a County or bi-County government office building is more likely to be effective in the short-term and will provide longer-term value to the public.

⁶ Based on estimates from a 2009 Wheaton market study by Bay Area Economics, downtown office workers spend between \$2,500 and \$3,500 annually near their jobs—an increase of 300,000 to 415,000 square feet of office space would increase daytime retail/restaurant spending by roughly \$3 million to \$6 million annually.

- The platform should not “wag the dog”—the public has no need for a platform, the fact that it is difficult to accommodate the interim bus operations should not dictate project phasing, and the additional office development opportunity afforded by the platform may be both unnecessary and unlikely to be absorbed for many years.
- The additional cost in the 6-year CIP is justified by additional certainty and reduced disruption.

SUMMARY COMPARISON

Platform timing

- Executive: platform to commence as soon as possible, construction to begin in FY14
- Council staff: Deferred indefinitely (could be taken up at a later date if not precluded by bus operation issues)

Platform cost

- Executive: \$39.5 million (including interim bus operations)
- Council staff: Unknown—if platform is ever constructed the cost could be lower (for example, positive changes in market conditions will be reflected in developer contributions) or the cost could increase (for example, the cost of interim bus operations could increase substantially if Lot 13 is developed first)

Other/land cost

- Executive: Borne by private sector
- Council staff: \$5.6 million (the cost of 151 replacement spaces for PLD underground), potentially an additional \$3.0 million to relocate the Regional Services Center if the Regional Services Center is to be part of the redevelopment project

County office cost

- Executive: Lease payments for the building on the platform of \$4.5 million (150,000 square feet times \$30) to \$5.25 million (150,000 square feet times \$35) per year
 - Option to purchase as early as year 10 (terms to be negotiated)—exercising that option would be a capital cost
- Council staff: \$46.1 million plus \$5.6 million for underground parking (estimated 151 spaces⁹ times \$37,000 per space)
 - Debt service payments would be roughly equal to the lease payments made in the Executive’s recommendation—for illustrative purposes (at 5% interest over 20 years and debt service coverage reserve of one year at 1.25 coverage), \$4.5 million to \$5.25 million per year would leverage a net bond issuance of \$50 million to \$59 million.
 - In this scenario, there would also be operating costs. If, as an example, those annual operating costs were \$15 per square foot, the total operating costs would be \$2.25 million per year.

⁹ Executive staff indicates that the current plan for Parking Lot 13 includes a total of 410 spaces, 205 of which will be PLD spaces. The remainder will be the parking for either the existing residential or a future office use (such as M-NCPPC).

Cost of possible M-NCPPC office on Parking Lot 13 (not part of the PDF, but part of overall redevelopment strategy)

- Executive: \$46.1 million, assuming B.F. Saul's estimate of \$307 per square foot
- Council staff: \$46.1 million, assuming B.F. Saul's estimate of \$307 per square foot

Private office space

- Executive: 150,000 square feet on the platform in Phase I, up to 197,000 square feet in later phases on "the point" (absorption rate unknown)
- Council staff: None on the platform unless changes in market warrant later development above the WMATA bus bays, some potential on the point (unlikely)

Total office space in Phase I (including M-NCPPC)

- Executive: 300,000 square feet to 450,000 square feet (one building on platform, plus possible M-NCPPC building on Lot 13, assuming that M-NCPPC does not become a tenant on the platform)
- Council staff: 150,000 to 300,000 square feet (either one or two buildings, County and/or M-NCPPC)

Town square on Lot 13

- Executive: Yes (28,000 square feet for \$2.5 million)
- Council staff: Yes (28,000 square feet for \$2.5 million)

Years of disruption to small businesses

- Executive: 5-6 years
- Council staff: 2-3 years, unless market conditions warrant development above the WMATA bus bays

Public assets at lease termination

- Executive: (1) an option to purchase all or part of a leased building, (2) possibly 150,000 square feet of M-NCPPC office space, (3) a town square, and (4) any remaining development potential on top of platform.
- Council staff: (1) 300,000 square feet of office space (County and M-NCPPC), and (2) a town square.

DETAILED PUBLIC/PRIVATE PROJECT DESCRIPTION

Summary of Executive’s request

The project provides for studies, engineering, site improvements, and construction in support of the public/private partnership among the County, WMATA, and the B.F. Saul Company. The project has two components: first, retail, office, and hotel development over the WMATA bus bay site and the Regional Services Center site; and second, a town center development on the current Parking Lot 13 site. The partners currently refer to the project as “Wheaton’s New Downtown.”

The request, if approved, would constitute a portion of the County’s contribution to this partnership. Specifically, the request would pay for the County’s cost to construct a platform over the WMATA bus bay site and a town square on Parking Lot 13.

Wheaton Redevelopment Program—No. 150401 (PDF at © 4-5)

In thousands of dollars (\$000s).

	Est FY12	Total 6 Years	FY13	FY14	FY15	FY16	FY17	FY18
Total	780	41,982	1,216	4,489	27,810	3,705	1,330	3,432

The Executive recommends \$42 million over the FY13-18 period. Almost all of the expenditure in the PDF is for the construction of the platform over the bus bays and the costs associated with the related interim bus operations. Executive staff clarified the breakdown of costs between the two projects: *“All but \$2.5 million of the requested \$41.9 million is attributable to the platform and interim bus operations. The remaining \$2.5 million is for the design and construction of the Town Square on a portion of Parking Lot 13.”*

Approximately 2/3 of the PDF expenditures will occur in FY15 (within this CIP but beyond the 2-year capital budget). The estimated appropriation request is for \$0 in FY13 and \$4.334 million in FY14, to be funded with General Obligation Bonds.

The CIP request represents a possible schedule of public expenditures on public capital projects but does not address the schedule of other public expenditures that will be tied to the redevelopment. Other public expenditures will be necessary to implement the project. Non-capital expenditures are¹⁰ not included in this 6-year CIP.¹¹

¹⁰ Examples of non-capital expenditures that might arise in the implementation of the Wheaton Redevelopment Program include expenditures for public sector financial support of affected businesses, economic development incentives, and any marginal costs associated with non-capital public benefits. In addition, the County will forgo revenue from impact taxes—development inside the Wheaton enterprise zone is exempt from County impact taxes, and the Executive estimates that the impact tax exemption for this project will amount to \$5.8 million that otherwise would have gone to the County to address transportation and school capacity needs.

¹¹ For example, the public-private partnership currently proposed also includes the County renting office space from the developer with an option to purchase that space at a later date. The cost of exercising that option is an example of a capital expenditure that is outside of the term of this 6-year CIP.

Public/private project summary

The public/private partnership (“Wheaton’s New Downtown”) project has two components:

- First, a commercial (office, retail, and hotel) development over the WMATA bus bay and at the location of the Regional Services Center, and
- Second, a “town center” development at the current Parking Lot 13 site (across Reddie Drive from the Regional Services Center).

The first component, commercial development over the WMATA bus bay, is not possible without a platform. The Executive staff described the County’s responsibility in a public/private partnership as follows: *“The County’s responsibility is to deliver the area above the WMATA bus bays and the site of the Regional Services Center as ‘green field’ sites, and to lease approximately 150,000 sf (with an option to purchase) in one of the commercial office buildings.”*

The timeline of the public/private project is the subject of multi-lateral negotiations. If negotiations are successful, the terms of agreement will ultimately become part of a General Development Agreement (GDA) between the parties. The GDA will spell out the timing of all public and private components of the project and define the risks and responsibilities attributable to each party. Those negotiations will clarify the obligations of all parties involved.

Initial plans for Phase I of the public-private development project assume construction of the platform followed by development both on top of the platform and in the location of the current Regional Services Center. The Phase I development program is:

- Office Building #1: Approximately 300,000 square feet, of which half would likely be leased by the County
- Hotel: Approximately 120 keys/rooms (78,000 square feet) of limited service, extended-stay hotel
- Retail/Restaurant: Approximately 10,000 square feet (personal service/valet/convenience)
- Parking: approximately 446 spaces

The platform will also serve as the ground on top of which an office building for a potential federal (GSA) tenant might later be built. The County, B.F. Saul, and WMATA will almost certainly need to have all agreements (affecting the platform) in place before the GSA will consider Wheaton as a possible location.

The initial plans for subsequent phases include the following elements:

- Platform
 - Potential Office Building #2: Office building for GSA tenant, approximately 300,000 square feet
 - Potential Office Building #3: Up to remaining 197,000 square feet of commercial zoning capacity
- Lot 13
 - Underground parking for the public and private components of Phase II (approximately 410 spaces), to be provided by B.F. Saul
 - A town square (this PDF)
 - Lot 13 Office: Potential office building for M-NCPPC
 - Multi-family residential: 200-plus units (actual unit count dependent on market)
 - Retail/restaurant: Approximately 30,000 square feet

According to Executive staff: “Phase 2 contemplates a mixed use private development plan with no contribution or subsidy from the County. The only funding within the proposed PDF on that side of Reddie Drive is the Town Square money and the Interim Operating System.” B.F. Saul would be responsible for constructing parking under the town square and replacing the spaces from Parking Lot 13.

Sector Plan context

The *Wheaton CBD and Vicinity Sector Plan* identified Wheaton as a “specialized urban center, serving local and regional retail demand.” The Plan aims to create a more diverse economy in Wheaton by **balancing new land uses with the existing retail uses to increase daytime population** (p.9). The Plan acknowledges that Wheaton lacks an established local office market, and also notes that there are generally **few properties that are appropriately sized for Class A office space** (p.11).

The *Sector Plan* states that the Core should contain “**a defined civic presence and new office uses.**” The civic presence should be a **major public use space “in the vicinity of Parking Lot 13”** (p.40). The *Sector Plan* emphasized the importance of office space to Wheaton’s future success.

The core of Wheaton has a Metro station and some of the largest potential redevelopment parcels in Wheaton. **The Sector Plan singles out the WMATA bus bay site as having the best potential to redevelop with a major office component due to the site’s location, size, and public ownership** (p.40). The WMATA bus bay site has been a part of previous redevelopment efforts that did not advance to implementation. The challenges are both financial and practical—in addition to the cost of constructing a platform structure capable of bearing the weight of multiple buildings, the project also requires successful negotiations among a private developer, WMATA, the County, and the Parking Lot District.

Wheaton Redevelopment Program -- No. 150401

Category
Subcategory
Administering Agency
Planning Area

General Government
Economic Development
County Executive
Kennington-Wheaton

Date Last Modified
Required Adequate Public Facility
Relocation Impact
Status

January 10, 2012
No
None.
Planning Stage

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY11	Est. FY12	Total 6 Years	FY13	FY14	FY15	FY16	FY17	FY18	Beyond 6 Years
Planning, Design, and Supervision	14,939	3,495	520	10,710	1,216	4,489	2,128	2,330	370	177	214
Land	1,010	1,010	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	6,677	1,309	0	5,368	0	0	4,716	161	0	491	0
Construction	24,618	408	250	22,144	0	0	20,142	0	0	2,002	1,816
Other	3,834	64	10	3,760	0	0	824	1,214	960	762	0
Total	51,078	6,286	780	41,982	1,216	4,489	27,810	3,705	1,330	3,432	2,030

FUNDING SCHEDULE (\$000)

Contributions	862	0	0	862	0	0	0	0	0	862	0
Current Revenue: General	3,000	0	0	3,000	0	0	682	818	818	682	0
Federal Aid	418	371	47	0	0	0	0	0	0	0	0
G.O. Bonds	42,501	1,618	733	38,120	1,216	4,489	27,128	2,887	512	1,888	2,030
PAYGO	3,797	3,797	0	0	0	0	0	0	0	0	0
State Aid	500	500	0	0	0	0	0	0	0	0	0
Total	51,078	6,286	780	41,982	1,216	4,489	27,810	3,705	1,330	3,432	2,030

DESCRIPTION

This project provides for studies, engineering site improvements, and construction in support of the public/private partnership, known as "Wheaton's new downtown." This partnership between the county, the Washington Metropolitan Area Transit Authority (WMATA), and the B.F. Saul Company is a County Executive critical project. The project has two main parts: 1. Retail and office development over the WMATA bus bay and the Regional Services Center (RSC) site, and 2. Town Center development on the current Parking Lot 13 site. The project program calls for 600,000 square feet of office development, a 120-room hotel, 200 to 250 residential units, 40,000 square feet of retail/flex space, and parking. In addition to the three-party partnership, the Maryland National Capital Park and Planning Commission is considering becoming part of "Wheaton's new downtown" as it weighs relocating its Montgomery County headquarters. The redevelopment program will also assist the department of economic development in its efforts to mitigate negative impacts to small and local businesses. To assist in funding this public/private partnership, the redevelopment program is discontinuing the streetscape and façade improvement programs.

ESTIMATED SCHEDULE

FY13 and FY14 includes funding for preliminary engineering to address pedestrian and vehicle issues, lighting, ADA issues, site utilities, and photometric studies. FY13 includes funding for gateways and way finding signage. In FY15, construction begins on the WMATA bus bay/RSC site. Construction of the county portion, a platform over the bus bays, will last approximately 18 months, with an additional 18 months of B.F. Saul construction of highrise office/retail buildings dovetailing with the completion of the platform. In FY16, construction engineering on the Town Square will begin. Construction itself would occur in FY18 and FY19.

COST CHANGE

Cost change due to updated project scope which includes design, engineering, site improvements, and construction in support of the public/private partnership and the elimination of streetscapes and facades.

JUSTIFICATION

The Wheaton Redevelopment Program was established in 2000 with the goal of encouraging private reinvestment through targeted, complementary public investment. It is estimated that the private sector will create over a million square feet of new development. This PDF provides County contributions to this \$200 - \$300 million project. All developers are required to adhere to a strict streetscapes plan.

The Wheaton Central Business District (CBD) and Vicinity Sector Plan (2011); State of Maryland designation as a Smart Growth (and Transit Oriented Development (TOD) site (2010); the Wheaton request for qualifications for public-private partnership for the design, construction and financing of TOD development for the Wheaton CBD (2010); Urban Land Institute Technical Assistance Panel Report: Wheaton CBD (2009); The International Downtown Association (IDA) Advisory Panel Report (2008); Wheaton's Public Safety Audit (2004); The 2005 Wheaton Redevelopment Advisory Committee (WRAC) visioning process for the Wheaton core; National Mainstreet Center Planning Study (2000); WRAC activities since established in 2000.

OTHER

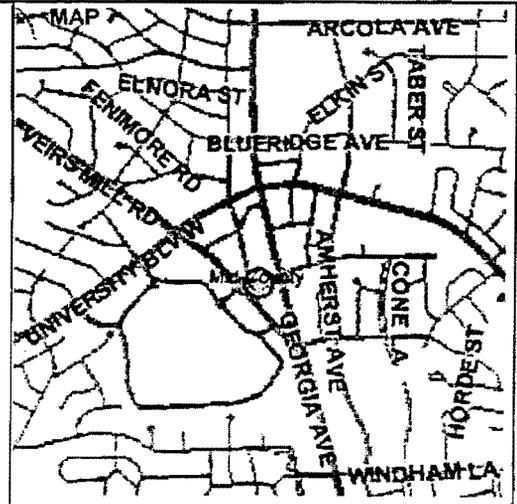
Special Capital Projects Legislation will be proposed by the County Executive.

FISCAL NOTE

- \$418,000 federal grant, funded through the SAFETEA-LU transportation act, was received in FY09.

APPROPRIATION AND EXPENDITURE DATA		
Date First Appropriation	FY04	(\$000)
First Cost Estimate	FY13	51,078
Current Scope		
Last FY's Cost Estimate		13,191
Appropriation Request	FY13	0
Appropriation Request Est.	FY14	4,334
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		8,930
Expenditures / Encumbrances		6,385
Unencumbered Balance		2,545
Partial Closeout Thru	FY10	0
New Partial Closeout	FY11	0
Total Partial Closeout		0

COORDINATION
WMATA
Office of the County Attorney
M-NCPPC
Westfield Mall
Community Associations and Residents
Department of General Services
Department of Transportation
Private developers
Department of Housing and Community Affairs
Mid-County Regional Services Center
State of Maryland



Wheaton Redevelopment Program -- No. 150401 (continued)

- A developer contribution of \$861,940 from M-NCPPC Public Use Space and Amenity Fund. November 5, 2010 Planning Board Resolution, 10-149, Site Plan 820110010.
- Cost estimates for the platform over the WMATA bus bays are based upon commercial construction standards and may change as the project evolves.
- Developer contributions will be identified in the General Development Agreement.
- Total project cost for Streetscape and Facade work \$8,930,000.

OTHER DISCLOSURES

- A pedestrian impact analysis has been completed for this project.
- 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.

Wheaton Redevelopment Program

Category	General Government	Date Last Modified	March 8, 2012
Subcategory	Economic Development	Required Adequate Public Facility	No
Administering Agency	County Executive	Relocation Impact	None
Planning Area	Kensington-Wheaton	Status	Planning Stage

Expenditures Schedule (\$000)

Cost Element	Total	Thru FY11	Est. FY12	Total 6 Years	FY13	FY14	FY15	FY16	FY17	FY18	Beyond 6 Years
Planning, Design, and Supervision	10,515	3,495	520	6,500	500	500	2,000	2,000	750	750	0
Land	1,010	1,010	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	1,470	1,309	0	161	0	0	161	0	0	0	0
Construction	50,520	408	250	49,862	0	0	20,000	27,862	1,000	1,000	0
Other	74	64	10	0	0	0	0	0	0	0	0
Total	63,589	6,286	780	56,523	500	500	22,161	29,862	1,750	1,750	0

Funding Schedule (\$000)

GO Bonds	58,012	1,618	733	55,661	500	500	22,161	29,000	1,750	1,750	0
Contributions	862	0	0	862	0	0	0	862	0	0	0
Federal Aid	418	371	47	0	0	0	0	0	0	0	0
PAYGO	3,797	3,797	0	0	0	0	0	0	0	0	0
State Aid	500	500	0	0	0	0	0	0	0	0	0
Total	63,589	6,286	780	56,523	500	500	22,161	29,862	1,750	1,750	0

DESCRIPTION

The project provides for studies, site improvements, and construction associated with the town square, underground parking and a new government office building. The office building will be either a new County office building or M-NCPPC office building located on either Parking Lot 13 or the site of the current Regional Services Center. The specific location and users of the office building will be determined following an assessment of County and bi-County needs, with planning efforts to take place in FY13-14. The project includes replacing any impacted parking spaces on Parking Lot 13. The project provides for a town square on Parking Lot 13. Following completion of the improvements, this project includes re-starting the facade and streetscape improvement program.

ESTIMATED SCHEDULE

Planning to commence in FY13. Construction of the underground parking garage and town square on Parking Lot 13 will commence in FY15. Construction of the government office building to be completed in FY16-17. Following completion, a façade and streetscape improvement program will commence, providing a safe and attractive environment and introducing uniform design elements to targeted areas.

COST CHANGE: Cost change due to updated project scope which includes planning, design, engineering, site improvements, and construction of a town square, underground parking, and a government office building. The façade and streetscape improvement program will be suspended until FY17.

JUSTIFICATION

The Wheaton Redevelopment Program was established in 2000 with the goal of encouraging private reinvestment through targeted, complementary public investment. The complementary public investment that Wheaton most needs is investment in creating a centrally located public space and a daytime population that together will contribute to an 18-hour economy in downtown Wheaton. It is expected that this public investment will leverage significant private investment, some

Plans & Studies: Wheaton CBD and Vicinity Sector Plan (2011), State of Maryland designation as a Smart Growth and TOD site (2010), The Internationals Downtown Association Advisory report (2008); WRAC activities since established in 2000.

Appropriation and Expenditure Data			Coordination	Map
Date First Appropriation	FY04	(\$000)	WMATA	
First Cost Estimate Current Scope (FY13)		63,589	Office of the County Attorney	
Last FY's Cost Estimate		13,191	Westfield Mall	
			M-NCPPC	
Appropriation Request	FY13	0	Department of General Services	
Appropriation Request Est.	FY14	0	Department of Transportation	
Supplemental Approp. Request		0	Community Associations and Residents	
Transfer		0	Private developers	
			Department of Housing and Community Affairs	
Cumulative Appropriation		8930		
Expenditures/Encumbrances		6385	Mid-County Regional Services Center	
Unencumbered Balance		2545	State of Maryland	
Partial	FY10	0		
New Partial Closeout	FY11	0		
Total Partial Closeout		0		

FISCAL IMPACT ANALYSIS FOR WHEATON DOWNTOWN DEVELOPMENT
 8-Mar-12
 With Enterprise Zone Commercial Property Tax Credit

E	
MNCPPC on Lot 13, County Office on Bus Bay Site, Office on the "Point" ALL GSA	
647,000	1
150,000	1.a
300,000	1.b
197,000	1.c
300,000	2
40,000	3
78,000	4
120	5
200,000	6
250	7
1,265,000	8
965,000	9

1	Office (s.f.) - Private		
1.a	Building 1: Bus Bay Site		
1.b	Building 2: Bus Bay Site (GSA)		
1.c	Building 3: Bus Bay Site "The Point"		
2	Office (s.f.) - County + MNCPPC		
3	Retail (s.f.)		
4	Hotel (s.f.)		
5	Hotel (rooms)		
6	Residential (s.f.)		
7	Residential (units)		
8	Total GSF		
9	Total Taxable GSF		
10			
11	THE NEW DEVELOPMENT		
12			
13	Estimated FAR Assessed Values (Private)		
14	Commercial	\$257,569,197	
15	Residential	\$95,018,140	
16	Estimated Value of Personal Property	\$15,454,152	
17			
18	Real Property Tax Rate	\$1.229	
19	Personal Property Tax Rate	\$1.783	
20			
21	Total Jobs	3,138	
22			
23	County Income Tax per New Job	\$1,406	
24			
25	DEMOGRAPHICS		
26			
27	New Households		
28	On Site (Lot 13 Residential Units)	225	
29	Off Site (within County)	596	
30			
31	New Population		
32	On Site (Lot 13 Residential Units)	281	
33	Off Site (within County)	1,590	
34	Additional Schoolchildren	280	
35	Additional College Students	50	
36			
37	New Jobs		
38	% of Total Jobs which are new to the County		
39	MNCPPC + County Jobs	5%	
40	Other Tenants	60%	
41			
42	% of New County Jobs which are also new County residents		
43	MNCPPC + County Jobs	80%	
44	Other Tenants	60%	
45			
46	New Jobs in the County	1,223	
47	New Jobs in the County which are also new County residents	746	
48			
49			
50	COUNTY REVENUES (per annum, 2012 \$'s)		
51			
52	Property Tax Revenues		
52.a	From New Commercial Development (with EZ Tax Credit, years 1-5, phasing out years 6 - 10)	\$633,105	
53	From New Commercial Development (without EZ Tax Credit)	\$3,165,525	
54	From New Residential Development	\$811,383	
55			
56	Business Personal Property Tax Revenue	\$275,548	
57			
58	Income Tax Revenues		
59	Commercial Development - New Jobs in the County which are also new County Residents (residing offsite)	\$871,305	
60	Residential Development - Residential Units (on site)	\$328,696	
61			
62	Energy & Telephone Taxes	\$636,771	
63			
64	Hotel / Motel Tax	\$329,411	
65			
66	Other Population Related Revenues	\$388,196	
67			
67.a	Total County Revenues (with EZ Tax Credit)	\$4,284,394	
68	Total County Revenues (without EZ Tax Credit)	\$6,816,814	
69			
70			
71	COUNTY SERVICE COSTS (per annum, 2012 \$'s)		
72			
73	Population related costs (net of State funding)	\$1,602,209	
74	Job related costs (net of State funding)	\$815,180	
75	Schoolchildren costs (net of State funding)	\$3,126,830	
76	College student costs (net of State funding)	\$348,184	
77	Total County Service Costs	\$5,692,203	
78			
79			
80	ON SITE FISCAL IMPACT OF THE DEVELOPMENT TO THE COUNTY		
81			
81.a	County Revenues LESS County Service Costs - With EZ Tax Credit (per annum, 2012 \$'s)	(\$1,407,810)	
82	County Revenues LESS County Service Costs - Without EZ Tax Credit (per annum, 2012 \$'s)	\$1,124,611	
83	NPV of County Revenues LESS County Service Costs - With EZ Tax Credit (30 years @5%)	\$2,262,280	
84	NPV of County Revenues LESS County Service Costs - Without EZ Tax Credit (30 years @5%)	\$16,522,597	
85			
86	OFF SITE / SECOND ORDER FISCAL IMPACT TO THE COUNTY - SENSITIVITIES		
87			
88	NPV of Increase in Off Site Commercial Property Tax Revenues (30 years @ 5%)		
89	Sensitivity 1: Baseline / Market Rate	\$0	
90	Sensitivity 2: Above Market 1 / Silver Spring	\$15,281,443	
91			
92			
93	COMBINED ON SITE AND OFF SITE FISCAL IMPACT TO THE COUNTY		
94	TOTAL FISCAL IMPACT NPV TO THE COUNTY: Sensitivity 1 - Baseline / Market Rate Inflation - With EZ Tax Credit	\$2,262,280	
95	TOTAL FISCAL IMPACT NPV TO THE COUNTY: Sensitivity 2 - Above Market Rate Inflation (Silver Spring) - With EZ Tax Credit	\$17,543,724	
96			
96.a	TOTAL FISCAL IMPACT NPV TO THE COUNTY: Sensitivity 1 - Baseline / Market Rate Inflation - Without EZ Tax Credit	\$16,522,597	
96.b	TOTAL FISCAL IMPACT NPV TO THE COUNTY: Sensitivity 2 - Above Market Rate Inflation (Silver Spring) - Without EZ Tax Credit	\$33,804,140	
96.c			
97			
98	TOTAL INVESTMENT REQUIRED (NPV @5%)		
99			
100	Total Investment Required (NPV @5%)		
101	Platform and Infrastructure: Bus Bay Site (NPV @5%)	\$34,035,201	
102	Town Square (NPV @5%)	\$1,865,538	
103	Total Investment Required (NPV @5%)	\$35,900,740	

FISCAL IMPACT ANALYSIS FOR WHEATON DOWNTOWN DEVELOPMENT
 8-Mar-12
 With Enterprise Zone Commercial Property Tax Credit

		E	
		MNCPPC on Lot	
		13. County Office	
		on Bus Bay Site,	
		Office on the	
		"Point", ALL GSA	
1	Office (s.f.) - Private	647,000	1
1.a	Building 1: Bus Bay Site	150,000	1.a
1.b	Building 2: Bus Bay Site (GSA)	300,000	1.b
1.c	Building 3: Bus Bay Site "The Point"	197,000	1.c
2	Office (s.f.) - County + MNCPPC	300,000	2
3	Retail (s.f.)	40,000	3
4	Hotel (s.f.)	78,000	4
5	Hotel (rooms)	120	5
6	Residential (s.f.)	200,000	6
7	Residential (units)	250	7
8	Total GSF	1,265,000	8
9	Total Taxable GSF	965,000	9
104			104
105	FISCAL IMPACT TO THE STATE		105
106			106
107	STATE REVENUES (per annum, 2012 \$'s)		107
108			108
109	Property Tax Revenues		109
110	From New Commercial Development	\$288,478	110
111	From New Residential Development	\$73,940	111
112			112
113			113
114	Income Tax Revenues		114
115	State Income Tax per New Job (from New Commercial Development)	\$2,022	115
118	State Income Tax per New Household (from New Residential Development)	\$2,100	118
117	Income Tax Revenues (from New Commercial Development)		117
118	New jobs which are also new State residents	387	118
119	Income Taxes from new State residents	\$741,481	119
120	Income Tax Revenues (from New Residential Development) - new households	\$472,500	120
121			121
122	Retail Sales Tax Revenues	\$798,000	122
123			123
124	Total State Revenues	\$2,374,765	124
125			125
126			126
127	STATE PROVIDED FUNDING TO THE COUNTY (per annum, 2012 \$'s)		127
128			128
129	Population related costs	\$309,736	129
130	Job related costs	\$118,925	130
131	Schoolchildren costs	\$604,432	131
132	College student costs	\$67,310	132
133	Total State Funding Provided to the County	\$1,100,402	133
134			134
135	ON SITE FISCAL IMPACT of the DEVELOPMENT TO THE STATE		135
136			136
137	State Revenues LESS State Funding Provided to the County (per annum, 2012 \$'s)	\$1,274,363	137
138	NPV of State Revenues LESS State Funding Provided to the County (30 years @5%)	\$20,989,170	138
139			139
140			140
141	OFF SITE / SECOND ORDER FISCAL IMPACT TO THE STATE - SENSITIVITIES		141
142			142
143	NPV of Increase in Off Site Commercial Property Tax Revenues (30 years @ 5%)		143
144	Sensitivity 1: Baseline / Market Rate	\$0	144
145	Sensitivity 2: Above Market 1 / Silver Spring	\$1,392,613	145
146			146
147	NPV of Increase in Off Site Retail Sales Tax Revenues (30 years @ 5%)		147
148	Sensitivity 1: Baseline / Market Rate	\$0	148
149	Sensitivity 2: Above Market 1 / Silver Spring	\$261,799,686	149
150			150
151	Total Off Site Impact to the State (30 years @5%)		151
152	Sensitivity 1: Baseline / Market Rate	\$0	152
153	Sensitivity 2: Above Market 1 / Silver Spring	\$263,192,299	153
154			154
155			155
156	COMBINED ON SITE AND OFF SITE FISCAL IMPACT TO THE STATE		156
157	TOTAL FISCAL IMPACT NPV TO THE STATE: Sensitivity 1	\$20,989,170	157
158	TOTAL FISCAL IMPACT NPV TO THE STATE: Sensitivity 2	\$264,181,469	158
159			159
160			160
161			161

FISCAL IMPACT ANALYSIS FOR WHEATON DOWNTOWN DEVELOPMENT
 8-Mar-12
 With Enterprise Zone Commercial Property Tax Credit

E	
MNCPPC on Lot 13, County Office on Bus Bay Site, Office on the "Point" All GSA	
647,000	1
150,000	1.a
300,000	1.b
197,000	1.c
300,000	2
40,000	3
78,000	4
120	5
200,000	6
250	7
1,265,000	8
965,000	9

1	Office (s.f.) - Private		
1.a	Building 1: Bus Bay Site		
1.b	Building 2: Bus Bay Site (GSA)		
1.c	Building 3: Bus Bay Site "The Point"		
2	Office (s.f.) - County + MNCPPC		
3	Retail (s.f.)		
4	Hotel (s.f.)		
5	Hotel (rooms)		
6	Residential (s.f.)		
7	Residential (units)		
8	Total GSF		
9	Total Taxable GSF		

DETAILED SENSITIVITY TABLES

PROJECTED OFF SITE COMMERCIAL PROPERTY TAX REVENUES

162	DETAILED SENSITIVITY TABLES		
163	PROJECTED OFF SITE COMMERCIAL PROPERTY TAX REVENUES		
164	Off Site Property Tax Revenues		
165	Assessed Values for Existing Commercial Properties within 1/2 mile of Project (2012)	\$256,977,500	
166	Property Taxes for Existing Commercial Properties within 1/2 mile of Project (2012)		
167	County	\$3,158,253	
168	State	\$287,815	
169			
170			
171			
172			
173	Sensitivity Analysis - Assessed Values	Below Market	
174	Inflation Rate Through Project Delivery (2012 - 2018)	3.00%	
175			
176	Inflation Rate During Adoption Period (2018 - 2025)		
177	Standard Annual Market Inflation Rate	3.00%	
178	Annual Adjustment to Market Inflation During Adoption Period (2018 - 2025)	-3.00%	
179	Total Annual Inflation Rate During Adoption Period (2018 - 2025)	0.00%	
180			
181	Inflation Rate After Adoption Period (2025 - 2048)	3.00%	
182			
183	NPV of Off-Site Commercial Property Tax Revenues (2012 - 2042 @5%)		
184	County	\$60,903,753	
185	State	\$5,550,220	
186			

187	NPV of Increase / Decrease in Off Site Commercial Property Tax Revenues (2012 - 2042)	Below Market	
188	County	(\$8,322,984)	
189	State	(\$766,482)	
190			

PROJECTED OFF SITE RETAIL SALES TAX REVENUES

191	PROJECTED OFF SITE RETAIL SALES TAX REVENUES		
192	Off Site Retail Sales Tax Revenues - State		
193	Estimated Sales Revenues for Retail Properties within 1/2 mile of Project (2012)	\$979,743,100	
194	Sales Tax Revenues for Retail Properties within 1/2 mile of Project (2012)	\$58,784,586	
195			
196			
197			
198	Sensitivity Analysis - Retail Sales Taxes	Below Market	
199	Inflation Rate Through Project Delivery (2012 - 2018)	2.50%	
200			
201	Inflation Rate During Adoption Period (2018 - 2025)		
202	Standard Annual Market Inflation Rate	2.50%	
203	Annual Adjustment to Market Inflation During Adoption Period (2018 - 2025)	-2.50%	
204	Total Annual Inflation Rate During Adoption Period (2018 - 2025)	0.00%	
205			
206	Inflation Rate After Adoption Period (2025 - 2048)	2.50%	
207			
208	NPV of Off-Site Retail Tax Revenues (2012 - 2042 @5%)		
209	State	\$1,089,795,981	
210			

211	NPV of Increase / Decrease in Off Site Retail Sales Tax Revenues (2012 - 2042)	Below Market	
212	State	(\$120,380,923)	

FISCAL IMPACT ANALYSIS FOR WHEATON DOWNTOWN DEVELOPMENT
8-Mar-12
With Enterprise Zone Commercial Property Tax Credit

1	Office (s.f.) - Private
1.a	Building 1: Bus Bay Site
1.b	Building 2: Bus Bay Site (GSA)
1.c	Building 3: Bus Bay Site "The Point"
2	Office (s.f.) - County + MNCPPC
3	Retail (s.f.)
4	Hotel (s.f.)
5	Hotel (rooms)
6	Residential (s.f.)
7	Residential (units)
8	Total GSF
9	Total Taxable GSF

E		
MNCPPC on Lot 13, County Office on Bus Bay Site, Office on the "Point", ALL GSA		
	647,000	1
	150,000	1.a
	300,000	1.b
	197,000	1.c
	300,000	2
	40,000	3
	78,000	4
	120	5
	200,000	6
	250	7
	1,285,000	8
	985,000	9

ASSUMPTIONS

1	Office (s.f.) - Private - based on B.F. Saul development plan		
2	Office (s.f.) - County + MNCPPC - based on B.F. Saul development plan as modified by County Planning		
3	Retail (s.f.) - based on B.F. Saul development plan		
4,5	Hotel (s.f. and rooms) - based on B.F. Saul development plan		
6,7	Residential (s.f. and units) - based on B.F. Saul development plan		
12	Estimated FAR Assessed Values (Private) - Rental Rates - B.F. Saul, Capitalization Rates - JLL	<u>Market Value / s.f.</u>	
13	Office - Private	\$478.67	
13	Office - GSA	\$328.57	
13	Retail	\$508.63	
13	Hotel	\$315.09	
14	Residential	\$330.09	
15	Estimated Value of Personal Property (% of Assessed Value)	6.00%	
17	Real Property Tax Rate (per \$100 of Assessed Value)		
17	General County Tax	\$0.713	
17	Municipal District Tax	\$0.000	
17	Special Services Area Tax	\$0.516	
18	Business Personal Property Tax Rate	\$1.763	
	Number of Jobs in New Commercial: Space - total jobs for Office (Private + MNCPPC + County), Retail, Hotel, Private	Per 1,000 s.f. or	
20	Office Vacancy assumed to be 7%	Per Unit	Scenario D
20	Office - Private	4.00	1,812
20	Office - MNCPPC + County	4.00	1,200
20	Retail	2.00	80
20	Hotel (per room)	0.30	36
20	Residential (per unit)	0.04	10
21	Average Salary across all use types, by scenario		\$72,202
	Average Salary Per New Job - Bureau of Labor Statistics Occupational Wage Estimates for Washington, DC-VA-MD-WV PMSA for relevant occupations (private sector)	<u>Salary</u>	
21	Office - Private	\$78,821	
21	Office - MNCPPC + County (average salary for all MNCPPC employees FY2010, inflated at 3%)	\$66,709	
21	Retail	\$26,930	
21	Hotel	\$35,736	
21	Residential	\$25,818	
22	County income Tax per New Job based on the following assumptions:		
22	Income Tax Rate - Montgomery County	3.20%	
27	Net New Households in the County - represents net new households (on-site and to the County)		
	Residential Units (on site) - percentage of the residential units are assumed to be net new households to the County		30%
28	Average Household Size for people that are employed by the project, which are net new jobs and also net new county residents		2.00
29	Elsewhere in County - Net new households to the County, not located in the new development, calculated by dividing jobs which are County residents by 2.67 people per household		
29	Percentage of new Jobs in the County which are also new County residents, which will live on site (in the residential units on Lot 13)		20%
32	New Population: Residential Units on site based on average unit size of 800 s.f., persons per unit		1.25
33	New Population: Elsewhere in County based on ratio of persons per households from FY12 County Budget and the number of net new jobs in the County which are County residents		2.67
34	Additional Schoolchildren for new households OFF SITE - based on ratio of MCPS enrollment to households from FY12 County Budget and the number of new households both on site and elsewhere in County		0.40
	Additional Schoolchildren for new households ON SITE (residential units) - based on ratio of MCPS enrollment to households from FY12 County Budget and the number of new households both on site and elsewhere in County, adjusted proportionally to take into account lower household size for residential units on site		0.19
35	Additional College Students for new households OFF SITE - based on ratio of Montgomery College enrollment to households from FY12 County Budget and the number of new households both on site and elsewhere in County		0.07
35	Additional College Students for new households ON SITE - based on ratio of Montgomery College enrollment to households from FY12 County Budget and the number of new households both on site and elsewhere in County, adjusted proportionally to take into account lower household size for residential units on site		0.03
38	% of Total Jobs new to the County - average based on new MNCPPC + County jobs as well as new jobs from Other Tenants		
39	MNCPPC + County Jobs - assumed that 5% of MNCPPC and County jobs are net new to the County	5.00%	
40	Other Tenants - percentage of total jobs (excluding MNCPPC and County jobs) which net new to the County	60%	
42	% of New Jobs which are also new County Residents - average of new jobs for MNCPPC, County and Other Tenants		
43	MNCPPC + County Jobs - percentage of new MNCPPC and County jobs which will be new County residents.	80%	
44	Other Tenants - percentage of new Other Tenant jobs will be new County residents	60%	
46	Net New Jobs in the County - total jobs multiplied by the % of Total Jobs new to the County		
47	Net New Jobs in the County which are County Residents - Net New Jobs in the County multiplied by % of Jobs which are County Residents (average)		
52	Property Tax Revenues from New Commercial Development - property taxes collected by Montgomery County only for Private owned and leased Office, Retail, Hotel		
53	Property Tax Revenues from New Residential Development - property taxes collected by Montgomery County only for Residential component owned by B.F. Saul		
56	Business Personal Property Tax - based on tax rate above and estimated value of business personal property		
58	Income Tax Revenues		
59	Commercial Development - income tax for individuals residents of the County which represent the net new jobs in the Office, Retail, and Hotel. Income based on averages per use type in #22 above.		
60	Residential Development - income tax for net new households which are part of the development project		
59,60	Average Household Income - based on U.S. Census median household income for Wheaton-Glenmont	\$75,000	
62	Energy & Telephone Taxes - based on Per Capita revenue from FY12 County Budget	\$206.79	
64	Hotel / Motel Tax (per room per year) - based on ADR of \$158, occupancy of 68% and occupancy tax rate of 7%	\$2,745.09	
66	Other Population Related Revenues - based on Per Capita revenue from FY12 County Budget	\$212.74	
73	Population related costs - based on Per Capita costs from FY12 County Budget	\$1,021.48	
73, 130	Population related costs - State funding	\$165.46	
74	Job related costs - based on Per Capita costs from FY12 County Budget	\$600.47	
74, 131	Job related costs - State funding	\$67.28	
75	Schoolchildren costs - based on Per Capita costs from FY12 County Budget	\$13,303.28	
75, 132	Schoolchildren costs - State funding	\$2,155.13	
75, 132	Schoolchildren costs - State funding	\$8,324.72	
76, 133	College student costs - based on Per Capita costs from FY12 County Budget	\$1,349.25	
100	Total Investment Required	\$71,278,672	
101	Platform and Infrastructure: Bus Bay Site	\$39,400,000	
102	Town Square	\$2,500,000	
N/A	Replacement Parking: Lot 13	\$18,071,326	
N/A	Ennalls Avenue Connection	\$11,307,346	

Jacot 22

February 7, 2012

Montgomery County Council
President Roger Berliner
100 Maryland Avenue
Rockville, MD 20850

Testimony: Luis Bonilla
Choice Electronics

Good evening. My name is Luis Bonilla, co-owner of Choice Electronics on Georgia Avenue in Wheaton. I have been doing business for the past 12 years and I have been a Montgomery County resident for more than 20 years. I support the Coalition for the Fair Redevelopment of Wheaton and I am here today to ask you to pass the County Executive's proposed public subsidy for the Wheaton redevelopment project with strings attached including protections in writing for small businesses.

We sell electronics and offer services such as a notary public, income tax preparation and computer repairs. I decided to start my business in Wheaton because of the large Latino community and I wanted to ensure a long-lasting job for myself. I also wanted to help the community. My clients are local and come from many different countries. We have built a big clientele through reasonable prices, good service and word of mouth. My customers leave happy and bring their friends and family to my store.

There are opportunities and challenges with this redevelopment. Wheaton will look nicer, and there will be more people to serve which is a good thing. But I want to make sure our customers stay through and after construction. I am also concerned that the redevelopment will likely raise rents in Wheaton. I have a lease renewal coming up in 2019, and I want to stay in Wheaton.

I understand that the County Executive wants to allocate \$40 million of public money to this redevelopment. I feel as a community stakeholder and a taxpayer that I have a say in how this money is used and I understand the value of what it represents. In return for this public subsidy, I ask the Council to call upon BF Saul and Montgomery County to provide support to help the existing community benefit, including small businesses.

I feel like I am a part of a great community - this is home. I want to stay in Wheaton because my clients are here, and I would not want to leave and start from scratch. My son tells me that I am like a local celebrity because when I walk down the street people say hi and know me. Wheaton's diversity and small businesses are what makes Wheaton special.

Thank you.



February 7, 2012

Montgomery County Council
President Roger Berliner
100 Maryland Avenue
Rockville, MD 20850

Testimony: Filippo Leo
Marchone's Italian Deli

Good evening. My name is Filippo Leo, and I am the owner of Marchone's Italian Deli on Triangle Lane in Wheaton. I have been a Montgomery County Resident for 30 years and have lived for 28 years in Wheaton. I support the Coalition for the Fair Redevelopment of Wheaton and I am here today to ask you to pass the County Executive's proposed public subsidy for the Wheaton redevelopment project with strings attached to protect small businesses in Wheaton.

Marchone's has served Wheaton ever since my uncle opened it in 1955. We draw customers from Bowie, Rockville, Silver Spring, and DC to Wheaton. We are one of the area's beloved Mom-and-Pop stores. My wife and I employ six people whose families depend on us, not just because of the salary we pay, but also because of the health insurance benefits we provide. All of our employees support families by working at Marchone's.

While I support the redevelopment of Wheaton, I am concerned about the negative impacts of construction and lost parking during the proposed redevelopment of parking lot 13. I would lose at least 50% of customers during the construction phase of the project. My regular customers will not be able to reach my store easily and potential new customers will not realize that we are open or that we even exist. I also have three private parking spaces for Marchone's that I risk losing.

To address these concerns, I believe the Council should pass the proposed public subsidy with strings attached to protect small businesses. After all, I pay real estate taxes on the property, collect sales taxes and pay federal and state taxes. These protections should include an impact assistance fund, signage and a replacement parking plan to help customers find our business, and a marketing campaign to let people know that Wheaton is open for business during the construction period.

Wheaton's economy is built on the back of the small businesses like mine and we should be given similar benefits that large corporations have received in the past. The redevelopment of Wheaton could potentially be a good opportunity for the small business community. Small businesses like ours have been the cornerstones of the community and the local economy for decades, and I want to stay in Wheaton and know that my fellow small business owners have their livelihoods protected.

Thank you very much for the opportunity to share my experiences with you.

February 28, 2012

Written testimony only

Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850
Re: Bill 6-12 Economic Development - Small Business Assistance

Testimony: Bob Schilke
The Little Bitts Shop

Good Evening. My name is Robert Schilke and my wife and I own the Little Bitts Shop on Triangle Lane in Wheaton. I am here tonight as a member of the Coalition for the Fair Redevelopment of Wheaton to express my support for Bill 6-12 as an encouraging step to help small businesses benefit from the proposed redevelopment of Wheaton.

Our shop sells cake decorating and candy making supplies. We have been in business at this location since 1976 – 36 years. We are the only business like this in Montgomery County. Many people consider us a destination business for Wheaton, and we are very proud of this since the small business community is such an important part of what Wheaton is all about.

I have talked to many of the small business owners in the Wheaton Triangle Area. Our greatest concern is the construction proposed for Parking Lot 13 and the partial loss of parking that will take place during the construction of the bus bays area. There are approximately 55 small businesses in this area that will be adversely affected by these phases of the redevelopment, and our livelihoods are at stake. All we want to do is to continue to operate our businesses as we have been doing for many years and be part of a revitalized Wheaton.

Given these concerns, I am encouraged by the introduction of Bill 6-12 that creates a new Small Business Assistance Program. We know how many small businesses struggled and went out of business in Silver Spring, and we know the County Executive has said that adequate resources were not invested to help small businesses survive redevelopment. If adequately funded and accessible, this new program could play an important role in helping small business owners tackle the challenging transition of redevelopment. We want to thank Council Vice President Nancy Navarro for introducing this bill and Council members Ervin, Floreen, Leventhal, and Council President Berliner for co-sponsoring this bill. We applaud you.

I would like to invite you to come to Wheaton to see what this small business community means to Montgomery County. The residential and business communities are important and essential to the make-up of the County, and we hope to continue working with this Council to make sure small businesses have adequate protections during the proposed redevelopment of Wheaton.

Thank you.

February 28, 2012

Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850
Re: Bill 6-12 Economic Development - Small Business Assistance

Testimony: Manuel Ochoa
Latino Economic Development Corporation (LEDC)

Good evening. My name is Manuel Ochoa, regional director of Homeownership for the Latino Economic Development Corporation and a member of the Wheaton Redevelopment Advisory Committee. LEDC equips Latinos and other DC-area residents with the skills and financial tools to create a better future for their families and communities. Participants in our programs learn how to buy and stay in their homes, take control of the decisions affecting their apartment buildings, and start or expand small businesses. I am here tonight to express LEDC's support for Bill 6-12 as an important protection for small businesses impacted by redevelopment.

In 2006, Montgomery County asked LEDC to come to Wheaton to help prevent the displacement of Latino small businesses due to redevelopment. LEDC has supported small businesses with microloans, technical assistance, and training. Today, we are more active than ever! From July to December 2011 we have assisted 131 business owners with 234 sessions of technical assistance related to record keeping, marketing, personal finance, and business planning. In the Central Business District and in neighboring Census tracts, we have closed 21 loans to help small business owners expand and strengthen their businesses.

Unfortunately, the very potential we see in small businesses is put to the ultimate test during redevelopment. For a small business owner, the prospect of years of construction, partial and/or complete loss of parking, and a drop in sales can create confusion and anxiety. Small business owners know they will need adequate financial and technical assistance to cope with the challenging transition to ultimately position themselves for the changing markets and opportunities that come with redevelopment.

For this reason, we strongly support Bill 6-12 given it recognizes the County's responsibility in helping small businesses to weather the transition phase of publicly subsidized redevelopment projects. Small businesses need security and concrete protections in place to benefit from redevelopment in areas like Wheaton and beyond. By removing the \$20,000 cap and allowing small businesses to apply for this assistance well in advance of redevelopment, this bill improves upon the County's existing programs and represents one important piece of a comprehensive approach to help small businesses benefit from redevelopment.

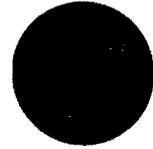
We implore this Council to support this legislation and ensure that related regulations allow for broad participation of businesses that will make wise use of County funds. We are ready and willing to be the County's partner in the challenging times ahead, and we want to do everything we can to help realize the County's goals of retaining and creating new opportunities for small businesses within our revitalized communities.

Thank you for the opportunity.

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ECON DEV



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WHEATON REDEVELOPMENT ADVISORY COMMITTEE

February 23, 2012

Hon. Roger Berliner, President
Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

RECEIVED
MONTGOMERY COUNTY
COUNCIL

2012 FEB 28 PM 4: 21

Dear Council President Berliner:

The Wheaton Redevelopment Advisory Committee (WRAC) greatly appreciates the County Council's long-term support for Wheaton's livability and economic viability. The Council has funded the Redevelopment Program involving streetscaping and façade improvements, the Urban District involving Clean and Safe programs, the Patriot Safeway project, Costco, and provided the zoning needed to redevelop. These programs, and others, have all helped to make Wheaton more attractive and vibrant. Yet, Wheaton must continue to move forward to ensure it meets its potential and does not lose ground to Silver Spring and other locations in Montgomery County. For this reason, I write in support of the County Executive's critical proposal to fund a platform over the bus bays, interim bus operations, relocation of the bus bays under the platform, and construction of a new Town Square.

In the late 1980s during Metro station planning, the Wheaton community was anxious about redevelopment. Consistent with this sentiment, the 1990 Sector Plan included a Retail Overlay Zone, thus prohibiting optional method development in most of the urban core, effectively assuring no redevelopment. Since then, the successful transformations of downtown Silver Spring and Rockville Town Center, community sentiment shifted to "When is it our turn?!" In 2000, the Wheaton median housing value was 26% below the county median; by 2010, it improved only slightly to 23% below the county median. During that same period, Silver Spring median housing value jumped from 16% below the county median to nearly on par with the county median housing value (just 2% below the county median). Between 2000 and 2010, Wheaton median household income declined 12% compared to an increase of 3% in Silver Spring. Reflecting the direct return to the County, from 2000 to 2007, Silver Spring assessed real estate value skyrocketed from approximately \$1.2 billion to \$2.2 billion. Clearly, Silver Spring redevelopment has prospered while Wheaton has been left behind.

Beyond the economic numbers, street vitality differences are even more obvious. Many of us can recall Silver Spring as an evening ghost town, with high crime rates. With many new businesses in the revitalized Silver Spring core, a Town Square, a new Civic building, the American Film Institute, the Round House Theater, and now the Fillmore, Silver Spring is a robust urban center.

Department of General Services

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15

It is attractive to the creative workforce so critical to the County's future growth and security; thousands of pedestrians now frequent Silver Spring streets even on winter nights, attesting to its safety. Although both Wheaton and Silver Spring have seen reductions in crime, the decline in Silver Spring is nearly twice that of Wheaton, 42% versus 24%.

Today with hundreds of new residents attracted to its Red Line Metro station, eclectic restaurants and retail, Wheaton's expectations have shifted. Residents once comfortable with a 1950s suburban core, generally see a decline in the vitality of its downtown. The Wheaton community wants a high-density, viable urban core with office workers and quality of life amenities that will continue to attract young professional families. In addition, the Wheaton community seeks to retain much of its existing eclectic commercial businesses and to protect its adjacent communities. We strongly believe that the best strategy for revitalizing the Wheaton core and realizing the area's economic and livability potential while retaining its unique character is to make Wheaton a professional center.

The "Wheaton's New Downtown" project, which includes a million square feet of office development, is that strategy. Wheaton has nearly a hundred restaurants in easy walking distance of the Metro. There are more than a dozen ethnic markets and many specialty shops. However, despite its pedestrian potential, Wheaton does not yet have an inviting, walkable environment like Silver Spring and Bethesda. Residential development alone cannot provide that. Commercial office space contributes significantly to the daytime foot traffic that Wheaton's small businesses need to thrive, rather than just survive.

Urban cores with a range of amenities that support multiple uses throughout the day and night are attractive for residents as well as businesses. New General Service Administration guidelines steer new government offices to areas with Metro and high amenity levels. With increasing energy costs and traffic congestion, businesses are looking to transit advantages offered by such urban cores. Yet, office pioneering requires government support. A "Class A" office market in Wheaton cannot start other than at the Metro, and the most cost-effective and efficient means to accomplish this is by creating a platform over the Wheaton bus bay area. The WRAC urges the County Council to support the County Executive's proposal to fund a platform over the bus bays, interim bus operations, relocation of the bus bays under the platform and a new Town Square.

Sincerely yours,



Jonathan Fink
Chair, Wheaton Redevelopment Advisory Committee

CC: Isiah Leggett, County Executive
File

Department of General Services

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