

MEMORANDUM

January 31, 2023

TO: Government Operations & Fiscal Policy (GO) Committee

FROM: Naeem M. Mia, Legislative Analyst

SUBJECT: **Approval of Executive Order 211-22 - Declaration of No Further Need – Disposition via Transfer of certain properties in the White Flint area, located in North Bethesda, Maryland, to Stonebridge**

PURPOSE: Vote on recommendations for the Council’s consideration

Expected Attendees:

- Greg Ossont, Deputy Director, Department of General Services (DGS)
- Ronnie Warner, Chief, Office of Planning and Development, DGS

Overview

This item was introduced at Council on November 15, 2022 with a public hearing on November 29, 2022 (there were no speakers).¹ On December 13, 2022, the Council approved a resolution extending the time to act on this disposition to February 28, 2023.

At this session, the GO Committee will review and make recommendations to the full Council on the County Executive’s proposed disposition of approximately 1.27 acres of County-owned property (“subject properties”) located in the White Flint area of the County to the developer Stonebridge. The transfer will be via a sale of the properties at fair market value.

The properties include:

- a portion of County right-of-way located on Executive Boulevard, which was abandoned in 2015 under Section 49-62 of the County Code and as approved by the Council under Resolution 18-21 (see circles **1-3**); and
- a portion of the Bethesda North Marriott and Conference Center (“Conference Center”) parking lot property.

¹ As of the date of this memo, no written testimony has been received for this disposition.

The Conference Center property, including a portion of the parking lot subject to this issue, is currently owned in fee simple by the Montgomery County Revenue Authority (MCRA) and under lease to the County. Under the lease agreement, the County may require that the Conference Center property be deeded back to the County upon repayment of the bonds, expected in April 2023.

It is expected that the County will request the Conference Center property be deeded to the County immediately upon repayment of the bonds and, in any event, by no later than April 2023. At that time, the portion of the Parking Lot at issue will no longer be needed for public use, as a structured parking garage was built at the Conference Center in 2019 to replace a significant amount of the surface parking. The specific portion of the Parking Lot included in this disposition has not been used for parking for some years, as it was used for staging during the parking garage construction.

Summary of the Property Disposition Process

The proposed transfer of the two properties is subject to the Property Disposition process as the subject properties are either owned in fee simple (i.e., the abandoned portion of Executive Boulevard) or will be owned (i.e., the Conference Center parking lot) in the near future by the County in fee simple.

The County Executive has *substantially* complied with the requirements of the Property Disposition process as established under *County Code 11B-45.01 Disposition of Real Property*, including:

- The Executive transmitted to the Council the material terms on October 13, 2022, initiating a 30-day comment period from the Council.
- On October 20, 2022 Executive Order 211-22 was published in the County Register to give notice of the County's intent to proceed with disposition to Stonebridge and that there was no further need for public use.
- The Executive transmitted to the Council Executive Order 211-22, containing a Declaration of No Further Need on November 8, 2022.

In its material terms or request for Council approval of the Declaration for No Further Need, the Executive branch did not submit an appraisal or other information to establish what the fair market value (FMV) of the subject properties are.

As of the date of this memo, the FMV has not been established or estimated. An appraisal could not be completed due to a lack of comparable sales data. A land valuation study, using alternative methods of assessing the fair market value, is underway by the County's real estate consultant, JLL; the study is expected to be complete by mid-February.

Background and Current Development Plans

The 2010 White Flint Sector Plan establishes a framework to create a mixed-use and sustainable downtown in North Bethesda, which is complemented by a new street network, parks and open spaces, and public facilities. Creating an urban boulevard for Rockville Pike (MD 355) is a major goal of the Sector Plan as well as providing new bikeways and increasing the non-auto driver mode share (NADMS). The Sector Plan also identifies private development (predominately residential based on then-existing market demands) on several key land parcels, including on the subject properties.

Beginning in 2013, Gables began filing development applications with the Planning Board for the entire 5.14 development site, including the subject properties owned by the County which it had not yet purchased. Gables had planned to use the entire site (totaling 5.14 acres) to develop mixed-use residential properties with approximately 450-475 residential units across three separate buildings, 31,000 square feet of retail, and a 900-space parking garage, including 400 spaces reserved for the County to serve the adjacent Wall Park and Kennedy Shriver Aquatic Center (KSAC).² The development would also include privately-built roads for public use, including various internal roads directly servicing the residential and garage buildings. At the time, it was anticipated that the realignment of the intersection would be completed “within a few years” (the realignment was substantially completed and opened for public use in 2022).

In FY18, the County Council approved a supplemental appropriation of \$6.5 million for the Wall Park Garage and Park Improvements CIP (P721801) project to allocate funding for its share of the construction of the parking garage³; it was estimated, at the time, that a private-public partnership for the garage would result in 30 percent lower costs than if the County had constructed the garage on its own. The completion of the garage and its pedestrian links would result in the current surface parking lot at Wall Park/KSAC to be eventually replaced for additional park/recreational uses.⁴

As recently as May 2020, Gables, through its subsidiary, LG Georgetown, LLC, filed a request with the Planning Board to extend the Plan Validity period by two years and Adequate Public Facilities (APF) Validity period by three years, for 490,000 square feet of unbuilt residential development and 31,000 square feet of unbuilt commercial development.⁵ This request was filed due to the ongoing (in 2020) construction of the realignment. The image below shows the complete development site, including adjacent roads and County facilities (Wall Park, Conference Center):

² <https://tortigallas.com/portfolio/gables-at-white-flint>

³ The County and Gables had planned to share in the cost of the construction of the garage, as well as post-construction maintenance services (utilities, janitorial, security, etc.); the County would own the parking spaces outright through a condominium arrangement.

⁴ <https://www.montgomerycountymd.gov/OMB/Resources/Files/omb/pdfs/fy24/ciprec/P721801.pdf>

⁵ <https://montgomeryplanningboard.org/wp-content/uploads/2020/07/12015001A-Gables-White-Flint-FINAL.pdf>



Source: Letter dated April 10, 2020 from developer’s counsel to the Planning Board

Sometime in 2022, the Bethesda-based developer Stonebridge acquired Gables’ interests LG Georgetown, LLC and took control of the development rights on the entire site. Stonebridge now plans to develop approximately 675,000 square feet in three commercial buildings, plus a parking garage. More specifically, Washington Business Journal (WBJ) reported on March 10, 2022⁶:

The larger EvolutionLabs site, which will consist of three buildings totaling 550,000 square feet, will go up in North Bethesda on a present-day parking lot, about a quarter-mile west of the Red Line’s White Flint Metro station, starting in 2024.

Stonebridge has that Bethesda site under contract from LG Georgetown LLC, an affiliate of property management company Gables Residential. Gables had at one time planned residential development on the property but scrapped that project after several years of delays.

Ben Wu, president and CEO of the Montgomery County Economic Development Corp., described EvolutionLabs as part of a larger arc of development necessary to meet the industry’s growing demand for lab space in the county — particularly as the current health crisis places a higher premium on drug and vaccine research and development.

Similar to the agreements made with Gables, the parking garage will include spaces reserved for public use to serve Wall Park/KSAC. The exact number of parking spaces has not been determined yet and will be negotiated through the General Developer Agreement (GDA). A concept drawing for Stonebridge’s plans is found on circle 9. An application for a new Site Plan under the name “Evolution Labs North Bethesda Phase 1” has been submitted to the Planning Department (application #82015001B) as of the date of this memorandum.

6 Brendel, Dan. (2022 March 10). “Scores of coveted new lab space to come online in Montgomery County.” *Washington Business Journal*. Retrieved: <https://www.bizjournals.com/washington/news/2022/03/10/stonebridge-evolutionlabs-lab-space-montgomery.html>

Future Impacts for Wall Park

Funding for the project has been deferred since FY18 as the larger Gables project has been delayed; the currently approved CIP (see circles 4-5) assumes the project will start in FY25 and be completed in FY26; the total cost estimate of \$6.6M has not been updated in several CIP cycles. It is likely that the County's share of construction costs has increased since FY18.

The currently approved CIP also does not include funding for various improvements on the site of Wall Park itself, including costs associated with replacing the surface parking lot with other improvements. In 2016, community groups such as the Friends of White Flint, have advocated for creating a "Great Lawn", a plaza, a splash park, and other new features.⁷

Depending on Stonebridge's development schedule (as noted above in the WBJ article, Stonebridge intends to "start in 2024"), it is anticipated that the County will update its cost, schedule, and scope for this project in a future CIP.

Fair Market Value of Properties

As noted above, the Executive branch contracted with JLL to conduct a land valuation study, which may consider current and future values of the parcels (depending on current and anticipated uses) to develop the fair market value for the subject properties. DGS staff can provide an update on the study, including any preliminary findings and anticipated completion date.

Although establishing the FMV prior to a Committee recommendation or full Council action is important as a key term of the disposition, Council staff notes that regardless of whether FMV has been established or not (at the time of final Council action), the Executive is required to dispose the properties at the FMV unless Council *expressly* waives the requirement to do so.

The Executive wishes to dispose of the properties to Stonebridge soon after the repayment of bonds on the Conference Center parking lot and transfer of the deed to the County from the Revenue Authority, both expected in April 2023. As a result of this timing, the full Council may be able to extend its time to act beyond the current February 28, 2023 deadline.

Key Issues for the Committee to Consider:

1. Does the Committee agree with the future use of this development site for life sciences/commercial activities instead of mixed-use residential?

Council staff comments: The site had long-been contemplated as a mixed-use retail/housing development with provisions for both private (retail/residential) and public parking serving the adjacent park and advancing the larger policy goals of the White Flint Sector Plan. Due to factors largely outside of Gables' control, including a lengthy right-of-way acquisition and

⁷ Kraut, Aaron. (2016 January 20). "Friends of White Flint Group Wants Garage For Wall Park in Montgomery County's Capital Budget." *Bethesda Beat*. Retrieved: <https://bethesdamagazine.com/2016/01/20/white-flint-group-wants-garage-for-wall-park-in-montgomery-countys-capital-budget/>

design process for the realignment of the intersection, its development plans were extensively delayed.

Stonebridge's current development plans, while a change, does advance the County's development priorities in other ways, such as supporting the promotion of the White Flint area as a life sciences hub and leveraging its proximity to NIH and FDA. In any event, with the full completion of the intersection realignment and other ongoing County projects in the area, this development site is ready to finally proceed.

2. Does the Committee recommendation to the full Council until the Executive branch establishes fair market value for the subject properties?

Council staff comments: Given the anticipated completion date of the JLL study in mid-February, the Committee may defer its recommendation at this time or recommend an action to the full Council until after the study is complete. DGS staff can provide comments as to how much time to defer Council action may be feasible.

This packet contains:

	<u>Circle Page #</u>
1. Resolution 18-21 - Abandonment of Executive Boulevard	1-3
2. Wall Park Garage and Park Improvements (P721801) – Approved CIP	4-5
3. Washington Business Journal article – March 10, 2022	6-8
4. Concept Drawing for EvolutionLabs and Garage	9

Resolution No.: 18-21
Introduced: January 13, 2015
Adopted: January 13, 2015

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By County Council

SUBJECT: DOT Docket No. AB739
Abandonment Portion of Executive Boulevard
White Flint District, North Bethesda

Background

1. By memorandum dated May 27, 2013 from the Director of the Montgomery County Department of Transportation, the Applicant, a request was made for the County to abandon a portion of Executive Boulevard in the White Flint District of North Bethesda. The portion of the right-of-way for which abandonment is sought is owned in fee by the County. Pursuant to the 2010 White Flint Sector Plan this abandonment and associated realignment are recommended.
2. A Public Hearing to consider the abandonment proposal was held on September 18, 2013 by the designee of the County Executive.
3. Verizon indicated that it would require easements and a written statement that the County will pay all costs associated with relocating its facilities.
4. Washington Suburban Sanitary Commission conditioned its approval upon being granted a right-of-way 20 feet wide.
5. Washington Gas did not respond within 60 days and therefore, concurrence is presumed.
6. PEPCO did not respond within 60 days and therefore, concurrence is presumed.
7. The Montgomery County Police Department did not respond within 60 days and therefore, concurrence is presumed.
8. The Montgomery County Planning Board did not respond within 60 days and therefore, concurrence is presumed.
9. The Department of Fire and Rescue Services conditioned its approval provided that the new alignment is in service prior to the closure of the right-of-way.
10. The County Executive recommends approval of the proposed abandonment.

Action

The County Council for Montgomery County, Maryland, finds that a portion of Executive Boulevard in the White Flint District of North Bethesda as shown on the attached drawing is no longer necessary for public use, pursuant to Section 49-63 of the Montgomery County Code, and approves the abandonment subject to the following conditions which must be satisfied at Applicant's sole cost and expense prior to the abandonment becoming effective:

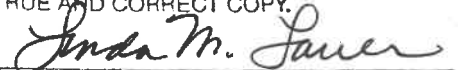
1. The Applicant must grant easements and provide a written statement to Verizon concerning the Applicant's paying all costs associated with relocating Verizon's facilities;
2. The Applicant must grant Washington Suburban Sanitary Commission a right-of-way twenty feet wide;
3. The County Attorney must record among the Land Records of Montgomery County, Maryland, a copy of this Resolution approving the abandonment of the subject area; and
4. Any person aggrieved by the action of the Council for abandonment may appeal to the Circuit Court within 30 days after the date such action is taken by Council.

This is a correct copy of Council Action.



Linda M. Lauer, Clerk of the Council

I HEREBY CERTIFY THAT THE FOREGOING
IS A TRUE AND CORRECT COPY.



CLERK OF THE COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND



Wall Park Garage and Park Improvements (P721801)

Category	Culture and Recreation	Date Last Modified	01/12/22
SubCategory	Recreation	Administering Agency	General Services
Planning Area	North Bethesda-Garrett Park	Status	Final Design Stage

EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
Other	6,612	-	1,106	5,506	-	-	4,400	1,106	-	-	-
TOTAL EXPENDITURES	6,612	-	1,106	5,506	-	-	4,400	1,106	-	-	-

FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
G.O. Bonds	6,612	-	1,106	5,506	-	-	4,400	1,106	-	-	-
TOTAL FUNDING SOURCES	6,612	-	1,106	5,506	-	-	4,400	1,106	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 23 Request	-	Year First Appropriation	FY18
Appropriation FY 24 Request	-	Last FY's Cost Estimate	6,612
Cumulative Appropriation	6,612		
Expenditure / Encumbrances	-		
Unencumbered Balance	6,612		

PROJECT DESCRIPTION

This project relocates surface parking from the Wall Park and the Kennedy Shriver Aquatic Center (KSAC) to an adjacent parking garage on private property, as suggested in the White Flint Sector Plan. The adjacent property owner, Gables Development, has an approved site plan and is going forward with a larger residential project. As part of their site plan approval, Gables Development is required to reserve space for up to 400 parking spaces to be built and used by the County to serve both KSAC and a possible future expansion for a Regional Recreation Center. As part of the residential project, the developer is building an 850 space garage, with 250 of those spaces owned by the County through a condominium regime. The parking garage will be linked to KSAC through a public drive and pedestrian paths. Space is being reserved for a possible addition of County spaces to the garage if they are needed in the future for an expanded Recreation Center. This space will be reserved for 10 years from the date of Gables' site plan approval. The garage project will allow for the removal of most of the current surface parking in Wall Park and the creation of an interim park with large green spaces and loop trails, with plans for a future urban park with varied amenities.

LOCATION

The project will be located on the Gables residential site which is immediately adjacent to the Kennedy Shriver Aquatic Center

(KSAC) at 5900 Executive Boulevard, North Bethesda, MD and will be accessed from KSAC's current entrance on Executive Boulevard.

ESTIMATED SCHEDULE

Assumes developer implementation delays until FY25.

PROJECT JUSTIFICATION

The White Flint Sector Plan was approved by Council in 2010. This plan allows for significantly higher density than the existing development. Based upon the market, the majority of development planned for the first phase has been multi-family residential. Along with providing a more walkable area through new programmed capital roads, streetscape, and biking facilities projects, there is a great need for open space that can be easily accessed by both the urban dwellers moving into this dense redevelopment area and by the local community. Wall Park could provide that open space now and will eventually provide an urban park with varied amenities, but only if the surface parking is removed. The roads adjacent to this site are currently being reconfigured and facilitation of this project will allow the County to obtain dedicated right of way needed for use in the ongoing White Flint West Workaround road project. As part of the Gables Residential project, there is an opportunity to have the surface parking replaced by a much larger garage. This will take advantage of the economies of scale by providing the development of parking at a lower cost than if the County had to build its own garage and will result in the County ownership of 30% of the garage spaces under a condominium regime.

FISCAL NOTE

FY18 supplemental for Wall Park Garage and Park Improvements approved \$6,582,000 in FY18 appropriation.

COORDINATION

Department of General Services, Department of Transportation, Permitting Services, Department of Recreation and Maryland-National Capital Park and Planning Commission.

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From the Washington Business Journal:

<https://www.bizjournals.com/washington/news/2022/03/10/stonebridge-evolutionlabs-lab-space-montgomery.html>

SUBSCRIBER CONTENT:

Scores of coveted new lab space to come online in Montgomery County

Mar 10, 2022, 2:20pm EST



Stonebridge

Developers plan a future EvolutionLabs site in Gaithersburg, as part of a multisite endeavor to add to Montgomery County's overall lab inventory.

Developers announced plans Thursday to build a pair of big laboratory facilities, totaling 800,000 square feet, in Montgomery

County, reflecting that municipality's ongoing efforts to remain a magnet for the life sciences and biohealth industries.

The lab sites are collectively branded EvolutionLabs, with their primary driver being Bethesda-based developer Stonebridge. The smaller of the two projects, but the first to get underway, will comprise two buildings, together weighing in at 250,000 square feet. The first building, six stories and 150,000 square feet, is anticipated to break ground this fall, with tenant construction to follow next winter. The second building, at 100,000 square feet, will break ground in 2024.

This first iteration of EvolutionLabs will sit upon vacant land in Gaithersburg that's adjacent to 9711 Washingtonian Blvd., where an office building is occupied by OpenText, a software company, and a parking garage sits. For this portion of the project, Stonebridge has partnered with Principal Real Estate Investors, the site's owner and a commercial real estate company that falls under the umbrella of Iowa-based Principal Global Investors, in turn a member of Principal Financial Group (NASDAQ: PFG).

Because a tenant hasn't been secured yet, the Washingtonian phase of EvolutionLabs won't be able to take advantage of an expedited zoning approval process the county established last month, Stonebridge Principal Keith Marquis told the Washington Business Journal, adding that the firm hopes to partake of that option with future phases. The county council approved the zoning change in order to incentivize the development of biohealth campuses and further boost its treasured biotech industry.

The larger EvolutionLabs site, which will consist of three buildings totaling 550,000 square feet, will go up in North Bethesda on a present-day parking lot, about a quarter-mile west of the Red Line's White Flint Metro station, starting in 2024.

Stonebridge has that Bethesda site under contract from LG Georgetown LLC, an affiliate of property management company Gables Residential. Gables had at one time planned residential development on the property but scrapped that project after several years of delays.

Ben Wu, president and CEO of the Montgomery County Economic Development Corp., described EvolutionLabs as part of a larger arc of development necessary to meet the industry's growing demand

for lab space in the county — particularly as the current health crisis places a higher premium on drug and vaccine research and development.

Wu cited his organization's 2021 Connecting the Dots report, which calls for the county to add 2 million square feet of lab space to its existing stock of roughly 10.6 million square feet. Major providers of lab space currently include Alexandria Real Estate Equities Inc. (NYSE: ARE), a Pasadena, California, company that counts roughly 3.7 million square feet of existing or developing lab space along Montgomery's I-270 corridor, while Boston Properties (NYSE: BXP) is building its Shady Grove Bio+Tech Campus in place of an aging office campus in Rockville.

"We clearly knew that we needed to add more," Wu said, adding that EvolutionLabs "will certainly help hit that mark."



Dan Brendel

Staff Reporter - *Washington Business Journal*

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