

Council Worksession

MEMORANDUM

May 1, 2009

TO: County Council

FROM: Justina J. Ferber, Legislative Analyst

SUBJECT: **Cost Sharing – PDF No. 720601 - Adventist HealthCare Project – \$1,400,000  
FY09-14 Capital Budget & Capital Improvements Program - Amendment**

**Amended Project**

The Executive's March 19 Budget Adjustments included an amendment to the Adventist HealthCare project in the Cost Sharing PDF. This amended project provides Economic Development Fund (EDF) incentive funding in the form of a \$1,400,000 conditional grant. The grant is to be disbursed in FY11 to Adventist HealthCare (AHC) to assist with the construction of a medical clinic project on the Columbia Union College campus in Takoma Park. The original project provided EDF incentive funding in the form of a \$2,100,000 conditional grant to AHC for a medical office building project in Long Branch.

As amended in the PDF the Adventist HealthCare project provides incentive funding to assist with the rehabilitation and reuse of Columbia Union College's defunct sport facility building, near the Washington Adventist Hospital (WAH), into a primary care clinic that will be approximately 5,180 square feet. Columbia Union College and AHC have entered into an agreement to expand the college's education and training programs in Health Sciences, which include nursing. As part of these plans, Columbia Union College and AHC plan to initiate a Faculty Clinical Practice Primary Care Clinic on the college campus. As mentioned above, funds for the renovation are needed to convert the existing building into a primary care clinic.

The PDF stipulates that "EDF funds will not be expended until there is an agreement between Adventist HealthCare, Columbia Union College, and the County specifying the project scope, timeline, cost and the specific performance requirements including fiscal analysis and job generation."

The PDF also states "With no definite timeline on when legal proceedings will conclude, and the concern of delivering the necessary bank financing to construct the original project in the current market conditions, the WAH has identified an alternative option of rehabilitating an existing facility to expedite the delivery of the clinic."

AHC will require a total \$1,400,000 to complete the project. The Executive's Budget Adjustment shifts \$1,400,000 in funding for the AHC project to 2011. By proposing the Budget Adjustment and shifting the funds to FY11, the County Executive has reduced current revenue in the FY10 Capital Budget by \$1,400,000 so those funds are no longer available for FY10.

### **Original Project**

The original project proposed in the FY07 CIP provided EDF incentive funding in the form of a \$2,100,000 conditional grant to be disbursed over the course of three years to AHC for its Long Branch medical office building project. The funding was to assist with the construction of a 52,000 square foot medical office building at 8702 Flower Avenue in the Long Branch community. The property is currently a parking lot zoned C-1 in the Takoma Park-East Silver Spring Commercial Revitalization Overlay Zone.

The original PDF stipulated that "EDF funds cannot be expended unless there is an agreement between AHC, the property owner, and the County Executive to include specific performance requirements. The requirements should address such issues as the length and terms of the lease; public use of the garage, the use of the building for medical-oriented businesses, and other traditional EDF requirements including fiscal analysis and job generation. DED, the property owner and AHC will keep the Council informed of modifications to the project and the status of any litigation."

When the Council approved the original EDF offer and appropriated \$700,000 in FY07, Councilmembers felt the proposed office space and clinic were a good idea because the hospital could not expand on its current site. The project would make health care services available in an area of need and stimulate revitalization in Long Branch. The project would also bring over 100 jobs to Long Branch and attract the mix of commercial and residential development called for in the Urban Land Institute study.

In FY09 CIP budget deliberations, the Council encouraged AHC to take the opportunity to reevaluate the medical building project. The Council wanted AHC to work with the community to develop a strategic plan to respond to the need for health care services in the Long Branch area in light of the relocation of WAH. The previously programmed \$1,400,000 was shifted to FY10 with the remaining \$700,000 to be programmed in later years. EDF projects must meet performance criteria; therefore, the initial \$1,400,000 in the CIP has not been allocated to AHC.

### **PHED Discussion April 15**

The PHED Committee discussed the amended AHC project on April 15. Councilmembers were not aware the scope and location of the project had changed. There were no representatives of AHC present to respond to questions. It was agreed the change in scope and location required discussion by the full Council. It was also agreed the PHED Chair and the HHS Chair, who was present for the PHED committee discussion, would confer on this issue with the Council President. Staff was asked to invite representatives of AHC to participate in the Council discussion.

**Staff Discussion and Recommendation**

The scope and location of the original medical building project have been dramatically altered. The project no longer addresses revitalization issues in Long Branch. Can this project continue to be considered an economic development effort?

	<b>FY09-14 Approved CIP</b>	<b>Executive’s proposed amendment</b>
<b>Project Description</b>	Medical office building and garage to be built by AHC	Rehabilitation of a college sport facility building, near Washington Adventist Hospital, into a primary care clinic
<b>Square Footage</b>	56,000 s.f.	5,180 s.f.
<b>Jobs Created</b>	100+	10+ (staff assumption)
<b>Location</b>	Flower Avenue in Long Branch	Takoma Park Campus of Columbia Union College

In advance of the Council meeting staff asked for a more detailed description of the clinic project, including costs, financing and timelines. These materials were not received in time for the packet deadline.

There are several alternatives for action on the EDF funding of \$1,400,000 for the AHC project –

- Approve the budget amendment as submitted which shifts the funding of \$1,400,000 to FY11 and revises the AHC project from a medical building in Long Branch to a clinic on the Columbia Union College campus.
- Approve the shifting of funds to FY11, but leave the medical building description in the PDF as originally described in the FY09 approved CIP.
- Delete the project and shift some or all of the \$1,400,000 in funds to the PDF for the Long Branch Town Center Redevelopment project. The Executive included \$300,000 in FY13 for planning for the Long Branch Town Center Redevelopment project in the CIP and funds could be shifted from the cost sharing/AHC project PDF to the Redevelopment Project PDF for construction in FY 14 or 15.
- Delete the project because it is no longer an economic development project for the revitalization of Long Branch.

**Staff Recommendation**

- Delete the project because it is no longer an economic development project for the revitalization of Long Branch.

Attachments: Amended Cost Sharing PDF – Adventist HealthCare Project PDF ©1  
Original Cost Sharing PDF – Adventist HealthCare Project PDF ©3

# Cost Sharing: MCG -- No. 720601

Category **Culture and Recreation**  
 Subcategory **Recreation**  
 Administering Agency **Recreation**  
 Planning Area **Countywide**

Date Last Modified  
 Required Adequate Public Facility  
 Relocation Impact  
 Status

March 18, 2009  
 No  
 None.  
 On-going

## EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY08	Rem. FY08	Total 6 Years	FY09	FY10	FY11	FY12	FY13	FY14	Beyond 6 Years
Planning, Design, and Supervision	1,022	1,022	0	0	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	4	4	0	0	0	0	0	0	0	0	0
Construction	950	950	0	0	0	0	0	0	0	0	0
Other	7,729	0	454	7,275	5,475	400	1,400	0	0	0	0
<b>Total</b>	<b>9,705</b>	<b>1,976</b>	<b>454</b>	<b>7,275</b>	<b>5,475</b>	<b>400</b>	<b>1,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## FUNDING SCHEDULE (\$000)

Current Revenue: General	4,315	1,976	14	2,325	1,925	400	0	0	0	0	0
Economic Development Fund	1,400	0	0	1,400	0	0	1,400	0	0	0	0
G.O. Bonds	140	0	140	0	0	0	0	0	0	0	0
Long-Term Financing	3,850	0	300	3,550	3,550	0	0	0	0	0	0
<b>Total</b>	<b>9,705</b>	<b>1,976</b>	<b>454</b>	<b>7,275</b>	<b>5,475</b>	<b>400</b>	<b>1,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### DESCRIPTION

This project provides funds for the development of non-government projects in conjunction with public agencies or the private sector. County participation leverages private and other public funds for these facilities. Prior to disbursing funds, the relevant County department or agency and the private organization will develop a Memorandum of Understanding which specifies the requirements and responsibilities of each.

### COST CHANGE

Increase represents the County's contribution to Aunt Hattie's Place, CASA de Maryland, Inc., Jewish Council for the Aging of Greater Washington, Inc., and the Warren Historical Site Committee, Inc.

### JUSTIFICATION

The County has entered into or considered many public-private partnerships, which contribute to the excellence and diversity of facilities serving County residents.

### OTHER

\$3,550,000 was programmed in FY09 for the music venue in Silver Spring. \$150,000 was expended out of the Economic Development Fund in FY07 for a feasibility study for a music venue, and \$300,000 was programmed in FY08, bringing the total County match to the State to \$4,000,000. The remaining funds will not be expended until an agreement is reached between the development partners and the County, which includes Council review and approval of the general business terms. The County will own the facility and will fund its contribution with short-term financing proceeds consistent with the terms of the lease agreement with the operator of the music venue.

For FY10, County participation is anticipated for the following projects in these amounts:

Aunt Hattie's Place: \$100,000  
 CASA de Maryland, Inc: \$100,000  
 Jewish Council for the Aging of Greater Washington, Inc: \$50,000, and  
 Warren Historical Site Committee, Inc: \$150,000.

For FY11, County participation is anticipated for the following projects in these amounts:

Adventist HealthCare: \$1,400,000

The Adventist HealthCare Project provides incentive funding to assist with the rehabilitation and reuse of Columbia Union College's defunct sport facility building, in close proximity to the Washington Adventist Hospital, into a primary care clinic that will be approximately 5,180 square feet. The original project entailed construction of a medical office building at 8702 Flower Avenue in the Long Branch community, for which the County initially committed to fund the project with \$700,000 for each of the three years from FY07-FY09 for a total of \$2,100,000. During FY08, the project was substantially delayed due to legal proceedings. The previously programmed \$1,400,000 had been deferred to FY10 and the additional \$700,000 was to be programmed in later years. With no definite timeline on when the legal proceedings will conclude, and the concern of delivering the necessary bank financing to construct the original project in the current market conditions, the Washington Adventist Hospital has identified an alternative option of rehabilitating an existing facility to expedite the delivery of the clinic. Continued support of this clinic project underscores the County's commitment to place much needed health care facility in the Long Branch area. Based on the current project scope and time line, Adventist HealthCare Project will require a total of \$1.4 million from the County in FY11 to complete the clinic.

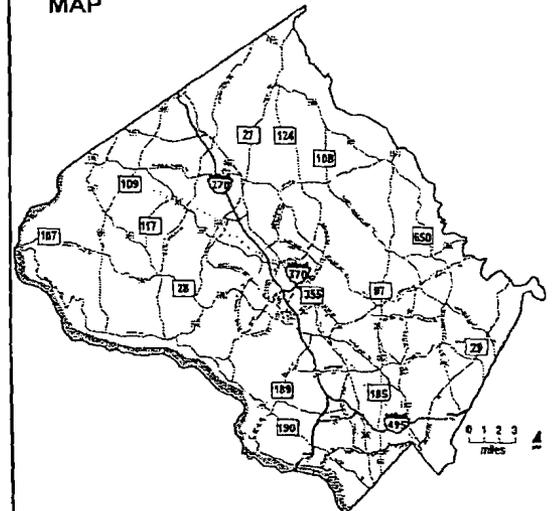
### APPROPRIATION AND EXPENDITURE DATA

Date First Appropriation	FY06	(\$000)
First Cost Estimate	FY10	9,705
Current Scope		
Last FY's Cost Estimate		9,305
Appropriation Request	FY10	400
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		7,765
Expenditures / Encumbrances		3,907
Unencumbered Balance		3,858
Partial Closeout Thru	FY07	0
New Partial Closeout	FY08	0
Total Partial Closeout		0

### COORDINATION

Private organizations  
 State of Maryland  
 Municipalities  
 Montgomery County Public Schools  
 Community Use of Public Facilities  
 Department of General Services  
 Department of Economic Development

### MAP



(11)

(1)

## Cost Sharing: MCG -- No. 720601 (continued)

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EDF funds will not be expended until there is an agreement between Adventist HealthCare, the Columbia Union College, and the County specifying the project scope, timeline, cost, and the specific performance requirements including fiscal analysis and job generation.

The Old Blair Auditorium Project (a private, non-profit organization) received State bond bill funding of \$600,000 for the renovation of the Old Blair High School Auditorium. The County is providing \$190,000 as a partial match for the State funds with \$50,000 in current revenue in FY06-FY07 for DPWT to develop a Program of Requirements and cost estimate for the project, and a programmed FY06-FY07 bond funded expenditure of \$140,000 to pay for part of the construction. The Council will consider appropriating the \$140,000 after: a) facility planning is complete and the full cost of the renovation is known; b) the County, MCPS, and the Old Blair Auditorium Project resolve issues about management of the renovation project, operation of the facility, and parking for the facility; and c) the Old Blair High School Auditorium project raises the remaining \$410,000 required to match the State funding. MCPS has included funds for a feasibility study for the auditorium in its Facility Planning project (No. 966553). During the study, MCPS will work with the community to develop a new program of requirements for the auditorium.

### OTHER DISCLOSURES

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

## Cost Sharing: MCG -- No. 720601

Category Culture and Recreation  
 Subcategory Recreation  
 Administering Agency Recreation  
 Planning Area Countywide

Date Last Modified June 04, 2008  
 Required Adequate Public Facility No  
 Relocation Impact None.  
 Status On-going

### EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY07	Est. FY08	Total 6 Years	FY09	FY10	FY11	FY12	FY13	FY14	Beyond 6 Years
Planning, Design, and Supervision	882	582	300	0	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	4	4	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	8,419	0	1,544	6,875	5,475	1,400	0	0	0	0	0
<b>Total</b>	<b>9,305</b>	<b>586</b>	<b>1,844</b>	<b>6,875</b>	<b>5,475</b>	<b>1,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### FUNDING SCHEDULE (\$000)

Current Revenue: General	3,915	586	1,404	1,925	1,925	0	0	0	0	0	0
G.O. Bonds	140	0	140	0	0	0	0	0	0	0	0
Economic Development Fund	1,400	0	0	1,400	0	1,400	0	0	0	0	0
Long-Term Financing	3,850	0	300	3,550	3,550	0	0	0	0	0	0
<b>Total</b>	<b>9,305</b>	<b>586</b>	<b>1,844</b>	<b>6,875</b>	<b>5,475</b>	<b>1,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### DESCRIPTION

This project provides funds for the development of non-government projects in conjunction with public agencies or the private sector. County participation leverages private and other public funds for these facilities. Prior to disbursing funds, the relevant County department or agency and the private organization will develop a Memorandum of Understanding which specifies the requirements and responsibilities of each.

#### COST CHANGE

Increase represents County's contribution to match the State's funding for the music venue in Silver Spring and the County's participation in CASA of Maryland, CHI Centers, Jewish Council for the Aging, Montgomery General Hospital, YMCA of Metropolitan Washington - Youth and Family Services Branch, Boys and Girls Club of Greater Washington, Institute for Family Development - Centro Familia, Nonprofit Village, Inc., and Aunt Hattie's Place.

#### JUSTIFICATION

The County has entered into or considered many public-private partnerships, which contribute to the excellence and diversity of facilities serving County residents.

#### OTHER

For FY09, County participation is anticipated for the following projects in these amounts:

CASA of Maryland, Inc: \$150,000

CHI Centers: \$50,000

Jewish Council for the Aging: \$250,000

Montgomery General Hospital: \$500,000

YMCA of Metropolitan Washington and Youth and Family Services Branch: \$200,000

Boys and Girls Club of Greater Washington: \$250,000

Institute for Family Development Inc., doing business as Centro Familia: \$75,000. The organization must demonstrate to the County's satisfaction that it has commitments for the entire funding needed to construct the project before the \$75,000 in County funds can be spent.

Nonprofit Village, Inc.: \$200,000

Aunt Hattie's Place: \$250,000. FY09 funds for this item must only be spent on construction. Also, the organization must demonstrate to the County's satisfaction that it has commitments for the entire funding needed to construct the project before the \$250,000 in County funds can be spent. Disbursement of FY09 County funds is conditioned on the owner of the property giving the County an appropriate covenant restricting the use of the leased property to a foster home for boys for a period of ten years from the time the facility commences to operate as a foster home.

Music venue in Silver Spring: \$3,550,000 (\$150,000 was expended out of the Economic Development Fund in FY07 for a feasibility study for a music venue, and \$300,000 will be expended in FY08, bringing the total County match to the State to \$4,000,000)

APPROPRIATION AND EXPENDITURE DATA	COORDINATION	MAP
Date First Appropriation FY06 (\$000)	Private organizations	
First Cost Estimate FY08 6,280	State of Maryland	
Current Scope FY08 6,280	Municipalities	
Last FY's Cost Estimate 6,280	Montgomery County Public Schools	
Appropriation Request FY09 2,325	Community Use of Public Facilities	
Appropriation Request Est. FY10 1,400	Department of General Services	
Supplemental Appropriation Request 0	Department of Economic Development	
Transfer 0		
Cumulative Appropriation 5,440		
Expenditures / Encumbrances 1,882		
Unencumbered Balance 3,558		
Partial Closeout Thru FY06 0		
New Partial Closeout FY07 0		
Total Partial Closeout 0		

## Cost Sharing: MCG -- No. 720601 (continued)

For FY10, County participation is anticipated for the following projects in these amounts:  
Adventist HealthCare: \$1,400,000

Funds for the music venue in Silver Spring will not be expended until an agreement is reached between the development partners and the County, which includes Council review and approval of the general business terms. The County will own the facility and will fund its contribution with short-term financing proceeds consistent with the terms of the lease agreement with the operator of the music venue.

The Adventist HealthCare Project provides incentive funding to assist with the construction of a medical office building at 8702 Flower Avenue in the Long Branch community. With the announced departure of Washington Adventist Hospital from Takoma Park, construction of this site underscores the County's commitment to access to health care in the Long Branch area. The County initially committed to fund the project with \$700,000 for each of the three years from FY07-FY09 for a total of \$2,100,000. During FY08, the project was substantially delayed due to legal proceedings. The previously programmed \$1,400,000 has been deferred to FY10 and the additional \$700,000 will be programmed in later years. Based on the current project time line, the County's funding schedule will not have any material impact on the project. EDF funds will not be expended until there is an agreement between Adventist HealthCare, the property owner, and the County Executive which includes specific performance requirements. The requirements should address the length and terms of the lease; public use of the garage, the use of the building for medical-oriented businesses, and other EDF requirements including fiscal analysis and job generation. DED, the property owner, and Adventist HealthCare will keep the Council informed of modifications to the project and the status of litigation.

The Old Blair Auditorium Project (a private, non-profit organization) received State bond bill funding of \$600,000 for the renovation of the Old Blair High School Auditorium. The County is providing \$190,000 as a partial match for the State funds with \$50,000 in current revenue in FY06-FY07 for DPWT to develop a Program of Requirements and cost estimate for the project, and a programmed FY06-FY07 bond funded expenditure of \$140,000 to pay for part of the construction. The Council will consider appropriating the \$140,000 after: a) facility planning is complete and the full cost of the renovation is known; b) the County, MCPS, and the Old Blair Auditorium Project resolve issues about management of the renovation project, operation of the facility, and parking for the facility; and c) the Old Blair High School Auditorium project raises the remaining \$410,000 required to match the State funding. MCPS has included funds for a feasibility study for the auditorium in its Facility Planning project (No. 966553). During the study, MCPS will work with the community to develop a new program of requirements for the auditorium.

### OTHER DISCLOSURES

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