



MONTGOMERY COUNTY DEPARTMENT OF PARKS
THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

MCPB Date: 07/05/2007
Agenda Item # 10

DATE: June 22, 2007

TO: Montgomery County Planning Board

FROM: Michael F. Riley, Acting Deputy Director of Parks

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SUBJECT: Amendment to the FY 07-12 Capital Improvements Program and Supplemental Appropriation to the FY 08 Capital Budget for the SilverPlace Project, PDF No. 048701

FY 08 Supplemental Appropriation to Transfer \$1,020,000 from the Administration Fund and \$5,380,000 from the Park Fund to the Capital Improvements Fund

A) STAFF RECOMMENDATION

Approval to transmit budget amendments and supplemental appropriation request to County Council and County Executive.

B) EXECUTIVE SUMMARY

SilverPlace is a public/private partnership through which the Commission seeks to replace its outdated and overcrowded headquarters building while facilitating several public policy objectives including provision of affordable housing, smart growth, and green building. In response to a Request for Proposals seeking exemplary mixed-use development of the Montgomery Regional Office site at 8787 Georgia Avenue, development teams responded with various design concepts and financial proposals. On January 18, 2007, the Planning Board approved the ranking of proposals from three finalists. Staff has negotiated a Memorandum of Understanding (Attachment 1) with the top ranked firm, SilverPlace, LLC that sets the mutual understandings of the parties towards the advancement of the project. The SilverPlace, LLC development entity is the Bozzuto Development Company, Spaulding & Slye Investments, a member of the Jones Lang LaSalle Group, and Harrison Development. The supplemental appropriation to the capital budget funds the design of the project from its current conceptual stage through the design development (40% design) stage.

C) PROJECT BACKGROUND AND JUSTIFICATION

In 1998, the Commission acquired the surface parking lot adjacent to the Montgomery Regional Office (MRO) from the County in a land swap for the former Silver Spring Armory site in order to facilitate the redevelopment of the Silver Spring Central Business District. Various planning studies commenced shortly thereafter looking at potential for mixed-use development of the site. In 2003, the Commission finalized the “Consolidated Headquarters Study” which was reviewed by the Council. This study:

- validated the need for a new Park & Planning headquarters;
- looked at several locations in the County for the headquarters and recommended Silver Spring as the preferred location;
- produced several conceptual design options to locate the headquarters with mixed-use development at the MRO site, thereby leveraging the value of the Commission land to offset public costs of the headquarters;
- established a 30% affordable housing requirement for the residential component; and
- determined that a public / private partnership was the best method to meet the multiple objectives of the project.

The SilverPlace project received an initial CIP appropriation in FY 04 of \$250,000, which was augmented in FY 05 with an additional \$600,000 to carry the project through program of requirements, developer selection, and conceptual design.

A Request for Qualifications (RFQ) for SilverPlace was issued in October 2005 that was widely advertised and distributed. A multi-agency evaluation committee determined that three of seven development teams that responded to the RFQ were superior. A Request for Proposals (RFP) was issued to three finalist teams in August 2006.

In January 2007, the Planning Board approved the recommendations of a multi-agency evaluation committee and the Executive Director to commence negotiations with the top ranked team; SilverPlace, LLC. A Memorandum of Understanding between the Commission and SilverPlace, LLC has been finalized that sets the mutual understandings of the parties towards the advancement of the project.

D) PROJECT DESCRIPTION

The Project will include Public Improvements consisting of the Headquarters Facility, public open space, and related infrastructure, and the Private Improvements consisting of rental apartments, condominiums, retail space, and open space. Highlights of the proposal from SilverPlace, LLC appear on Exhibit C of the attached MOU. Graphical representations of the conceptual design appear on Exhibits A and D of the MOU.

E) THE FUNDING REQUEST

The Commission intends to seek Council approval of the public funding for the project in two steps; a design appropriation to take the project through the design development phase (40% design); and a second appropriation upon completion of design development to fund the remaining design and construction. The first (design) appropriation is the subject of this request. The second (construction) appropriation is presently scheduled for September 2008, after the project scope and cost is refined well beyond its current conceptual level.

The funding request of \$9.3 million consists of two components, the funding of \$6.4 million to fund the design of the public portion of the project through the design development stage, and an additional \$2.9 million for a provision of the MOU for "Developer's Cost Recovery", which is explained in the following section.

The basis of the \$6.4 million design estimate appears in the attached estimate of total project costs. See Attachment 2.

The Developer's Cost Recovery

Following authorization to commence negotiations with SilverPlace, LLC, staff negotiated a provision that will permit the Commission to fund portions of the project that are ineligible for tax-exempt Certificate of Participation (COP) financing without seeking an additional funding source. Under this provision, SilverPlace, LLC will advance the project schedule so that the Commission will receive the first installment of the proceeds from the sale of the land under the Private Improvements at the same time construction begins on the Public Improvements. These funds will be used to pay for the Commission's portion of infrastructure to be shared by the Public and Private Improvements e.g., utilities, portions of the open space, and storm water management systems.

In order to have money available to pay the first installment of the sales proceeds, SilverPlace, LLC must secure financing for the Private Improvements eight months earlier than anticipated in the schedule submitted as part of its proposal. Since the developer's lender will require entitlements to be in place as a condition of providing financing, SilverPlace, LLC must pursue entitlements for the Private Improvements before the construction appropriation occurs, currently scheduled for September 2008.

The developer has agreed to bear the cost of seeking entitlements for the Private Improvements realizing that if funding for the Public Improvements is appropriated, these costs will become ordinary project costs funded privately by a combination of debt and equity, but if Public Improvement funds are not appropriated, the Project will not go forward and, without any source of remedy, SilverPlace, LLC will have lost its investment through no fault of its own. The developer contends, and staff agrees, that the provision that places the Commission in the highly advantageous position of having funds available to pay for costs ineligible for COP financing, compels the developer to

put money at risk in a manner unforeseen by either party at the time the developer responded to the RFP.

The cost recovery provision is intended to bridge the gap between reasonable developer “at-risk” expenditures and those expenditures necessary to meet the Commission schedule objectives prior to reaching construction appropriation for the public project. In a private transaction, the developer would have contractual remedies to force the property owner to convey the property so that the pre-construction expenditures are not at risk. In this transaction, the Commission’s obligation to sell the property for the residential portion of the project is subject to the Council’s appropriation of funding for construction.

The cost recovery provision states that only in the event that construction appropriation is not approved, the developer will be reimbursed for eligible third-party expenses actually incurred to advance the private portion of the project. A list of eligible expenses for cost recovery appears as Exhibit E of the MOU. The MOU includes a cap figure of \$2.9 million for cost recovery based on the Commission’s review and negotiation of estimated and allowable expenditures.

If construction appropriation is approved, then the excess \$2.9 million appropriation can be applied to the final design of the project.

Funding Sources for the Design Appropriation

The funding sources for the \$9.3 million FY08 Capital Budget appropriation are recommended as follows:

Administration Fund	\$1,020,000
Park Fund	\$5,380,000
County Current Revenue	\$2,900,000

F) RELATED ISSUES

Headquarters Program of Requirements

The adopted PDF for SilverPlace cites a headquarters space need of 120,000 gross square feet (GSF) based on preliminary programming work performed between 2000 and 2003. In January 2007, the Commission retained the architectural firm of RTKL to prepare a detailed Program of Requirements (POR) including a detailed space program. Based on the detailed program, our space need has been calculated as 170,000 GSF, which includes provisions for growth beyond occupancy.

The new headquarters is planned to house staff presently working at 6 locations:

- 1) The Montgomery Regional Office at 8787 Georgia Avenue, Silver Spring
- 2) Parkside Headquarters at 9500 Brunett Avenue, Silver Spring

- 3) Leased space at the “Spring Street Annex” at 1109 Spring Street, Silver Spring
- 4) Leased space at the “Dedrick Annex” at 1400 Spring Street, Silver Spring
- 5) The Needwood Mansion at 6700 Needwood Road, Rockville, Maryland
- 6) The Wheaton Regional Park Office, 2000 Shorefield Road, Wheaton, Maryland

The combined space in these facilities is approximately 100,000 GSF.

A total of 399 staff is projected to occupy the headquarters at occupancy in 2011. All Planning Department staff will work in the new headquarters, along with selected professional, managerial, and administrative staff from the Department of Parks.

The POR emphasizes customer service for the general public and stakeholders that interact with the Planning Board, Planning Department, and Parks Department. The Planning Board hearing room, public information counters, and visitor reception areas will be planned and designed with customer service as the priority. The POR also provides adequately sized and optimally configured employee workspaces.

Parking Lot District Land – Lot 2 and Garage 2

The RFP for SilverPlace allowed respondents to consider the County Parking Lot District’s (PLD) Garage 2 site in combination with the Commission’s MRO site as the project limits. This was done with the concurrence of the County Executive at the time the RFP was released. The RFP included specific provisions for use of the PLD land, including compensation to the PLD for land and air rights at fair market value, and maintaining the PLD in revenue and parking supply neutral position. None of the proposals received deemed it economically feasible to demolish the garage for incorporation into the mixed-use development, but two of the three, including SilverPlace, LLC, utilized the surface land (Lot 2) under PLD control adjacent to the garage. The Commission is currently negotiating an agreement with the County that refines the conditions upon which the PLD will make the land available to the project.

Community Outreach

Community outreach was a significant component of the Consolidated Headquarters Study conducted in 2002-2003 that formed the goals for the SilverPlace project. Staff has met with adjacent residents in the Woodside Community on two occasions since the proposals were ranked, and will continue public participation through several methods. A “SilverPlace Bulletin” will be periodically mailed to residents and stakeholders with information on the status and next steps in the process. A project website has been developed @ silverplace.org that will include similar information. Additionally, the project team will host periodic public meetings throughout the design and construction of the project.

The project approval process will include public hearings by the Planning Board during review of the project plan and site plan, and by the County Council for budget actions.

Project Schedule

The project schedule in the form of a GANTT chart appears as Exhibit F of the attached MOU. The major milestones in the project schedule are as follows:

- July 2007 - obtain CIP amendment / supplemental appropriation for design
- October 2007 - execute development agreements / begin development approval process
- September 2008 – obtain appropriation for construction of headquarters
- August 2009 - begin construction of headquarters and Part 1 of private development
- February 2011 - headquarters occupancy / Begin construction of Part 2 private development
- June 2012 – complete Part 2 of private development

G) CONCLUSION

Staff recommends that the Planning Board approve the transmission of budget amendments and supplemental appropriations for the SilverPlace project to County Council and County Executive.

Attachment 1 – Memorandum of Understanding
Attachment 2 – Preliminary Cost Estimate



SUPPLEMENTAL OR SPECIAL APPROPRIATION REQUEST SUMMARY

1. Please fill in the following table:

Agency	M-NCPPC
Department	Department of Parks
Fund (County Government only)	
Fiscal year	FY08
Supplemental or Special	Special

2. What is the amount and source of funding?

Source of funding (Please list sources)	Amount
Current Revenue: Park & Planning	\$6,400,000
Current Revenue: General	\$2,900,000
Total request	\$9,300,000

3. Please explain why you did not request this during the annual budget process.

In January 2007, the Planning Board approved the recommendations of a multi-agency evaluation committee and the Executive Director to commence negotiations with the top ranked team; SilverPlace, LLC. In the intervening months, a Memorandum of Understanding between the Commission and SilverPlace, LLC was finalized that sets the mutual understandings of the parties towards the advancement of the project. The project is now ready to move into the design development stage.

Resolution No: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

SUBJECT: Amendment to the FY07-12 Capital Improvements Program, and Special Appropriation to the FY08 Capital Budget for The Maryland-National Capital Park and Planning Commission (M-NCPPC), for SilverPlace/MRO Headquarters Mixed-Use Project, PDF #048701

Background

1. Article 28, Section 2-118 (a) (6) of the Annotated Code of Maryland permits the Montgomery County Council to amend the budget of the M-NCPPC by resolution on the Council's initiative, or at the request of the Commission, after receipt of a recommendation from the County Executive, and after public hearing upon reasonable notice to the public.
2. Section 308 of the Montgomery County Charter provides that a special appropriation: (a) may be made at any time after public notice by news release; (b) must state that the special appropriation is necessary to meet an unforeseen disaster or other emergency or to act without delay in the public interest; (c) must specify the revenues necessary to finance it; and (d) must be approved by no fewer than six members of the Council.
3. The Maryland-National Capital Park and Planning Commission requests the following Amendment and FY08 Special Appropriation:

Project Name	Project No.	Cost Element	Amount	Source of Funds
SilverPlace/MRO HQ Mixed-Use Project	048701	Design	\$6,400,000	Current Revenue: Park & Planning
SilverPlace/MRO HQ Mixed-Use Project	048701	Design	\$2,900,000	Current Revenue: General
TOTAL			\$9,300,000	

4. M-NCPPC requests that the County Council approve this special appropriation that will fund the design of the public portion of the SilverPlace/MRO Mixed Use Project from its current conceptual stage through the design development (40% design) stage.

5. M-NCPPC requests that the County Council approve this special appropriation so that the project will continue to move through the design/development process and produce accurate construction cost estimates.
6. The County Council recommends an amendment to the FY07-12 CIP, and special appropriation to the FY08 Capital Budget of M-NCPPC in the amount of \$9,300,000. The source of funds will be \$6,400,000 Current Revenue: Park & Planning, and \$2,900,000 Current Revenue: General.
7. The public was notified by a news release, and a public hearing was held.

Action

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

1. A special appropriation to the FY08 Capital Budget of the Maryland-National Capital Park and Planning Commission to fund the design of the public portion of the SilverPlace/MRO Mixed Use Project, from its current conceptual stage through the design development (40% design) stage, is approved as follows:

Project Name	Project No.	Cost Element	Amount	Source of Funds
SilverPlace/MRO HQ Mixed-Use Project	048701	Design	\$6,400,000	Current Revenue: Park & Planning
SilverPlace/MRO HQ Mixed-Use Project	048701	Design	\$2,900,000	Current Revenue: General
TOTAL			\$9,300,000	

2. County Council declares that this action is necessary to act without delay in the public interest.

This is a correct copy of Council action.

Linda M. Lauer
Clerk of the Council

Resolution No.: _____

Introduced: _____

Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: County Council

SUBJECT: Special Appropriation for the Maryland-National Capital Park and Planning Commission (M-NCPPC) FY08 Operating Budget to increase the general fund transfer to the Capital Budget
\$6,400,000

Background

1. Article 28, section 2-118(a)(6) of the Annotated Code of Maryland permits the County Council to amend the budget of the M-NCPPC by resolution on the Council's initiative, or at the request of the Commission, after receipt of a recommendation from the County Executive, and after public hearing upon reasonable notice to the public.
2. Section 308 of the Montgomery County Charter provides that a special appropriation: (a) may be made at any time after public notice by news release; (b) must state that the special appropriation is necessary to meet an unforeseen disaster or other emergency or to act without delay in the public interest; (c) must specify the revenues necessary to finance it; and (d) must be approved by six members of the Council.
3. A special appropriation for the FY08 Operating Budget to increase the general fund transfer to the Capital Budget is requested as follows:

To	Total	Source of funds
SilverPlace project	\$1,020,000	Administration Fund uncommitted fund balance
SilverPlace project	\$5,380,000	Park Fund uncommitted fund balance

4. This special appropriation is needed in order to ensure M-NCPPC has sufficient resources to move forward with the SilverPlace headquarters project.
5. This special appropriation will cover the Commission's share of design development costs.
6. Notice of public hearing was given and a public hearing was held.

Action

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

1. A special appropriation for the FY08 Operating Budget to increase the general fund transfer to the Capital Budget is requested as follows:

To	Total	Source of funds
SilverPlace project	\$1,020,000	Administration Fund uncommitted fund balance
SilverPlace project	\$5,380,000	Park Fund uncommitted fund balance

2. The County Council declares that this action is necessary to act without delay in the public interest.

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council

SilverPlace/MRO Headquarters Mixed-Use Project -- No. 048701

Category M-NCPPC
 Agency M-NCPPC
 Planning Area Silver Spring
 Relocation Impact None.

Date Last Modified
 Previous PDF Page Number
 Required Adequate Public Facility

May 10, 2006
 NONE
 NO

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY05	Est. FY06	Total 6 Years	FY07	FY08	FY09	FY10	FY11	FY12	Beyond 6 Years
Planning, Design and Supervision	850	110	300	440	440	0	0	0	0	0	0
Land											
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Total	850	110	300	440	440	0	0	0	0	0	0

FUNDING SCHEDULE (\$000)

Certificates of Participation	600	0	160	440	440	0	0	0	0	0	0
Current Revenue: Park and Planning	250	110	140	0	0	0	0	0	0	0	0

ANNUAL OPERATING BUDGET IMPACT (\$000)

DESCRIPTION

The Montgomery County Planning Board proposes to select a development firm to construct a new Park and Planning Department Headquarters building at 8787 Georgia Avenue, Silver Spring. The development firm will design and construct market and non-market rate housing with a preferred goal of 30 percent non-market rate housing. A competitive solicitation process will identify the recommended development firm for the project. M-NCPPC may lease or sell a portion of the MRO site for the housing project. An alternate concept, if selected as advantageous to the Commission, would be locating the headquarters at a site in downtown Silver Spring other than the MRO site. The Headquarters project will include a public open space network, a model urban street, and an array of public amenities. The new Montgomery Regional Office (MRO) will consolidate headquarters functions currently located at three separate sites: leased space on Spring Street, a leased former school building on Brunett Avenue (Parkside), and 8787 Georgia Avenue (MRO). The current MRO headquarters building on Georgia Avenue was constructed in 1957 and expanded in 1978.

FY04, FY05, and FY06: Pre-Facility Planning Retain a development advisor and determine requirements for solicitation of private sector development and design proposals; solicit and select a recommended development firm.

FY07: Complete Pre-Formation Agreement, negotiate a General Development Agreement, and prepare schematic design. The Commission intends to seek a supplemental appropriation for design and construction of the public share of the project in FY07, prior to entering into a general development agreement with the selected development firm.

JUSTIFICATION

"MRO Location Assessment Study," completed in 2000. "MRO and Parkside: Consolidated Headquarters Study/ Space Requirements and Site Selection," completed in September 2003. Analyses of MRO HVAC, Electrical Systems, 2001.

Plans and Studies

The Montgomery County Council approved the Silver Spring Central Business District and Vicinity Sector Plan in February 2000 and the M-NCPPC adopted it in March 2000. A review of impacts to pedestrians, bicycles and ADA (Americans with Disabilities Act 1991) will be performed and addressed by this project. Traffic signals, streetlights, crosswalks, bus stops, ADA ramps, bikeways, and other pertinent issues will be considered in the design of the project to ensure pedestrian safety.

Housing Montgomery: Housing the People Who Make Montgomery County Work, approved by the Planning Board and County Council in 2003.

STATUS

Planning.

FISCAL NOTE

The debt associated with this project will be recorded in a new Internal Service Fund (ISF) to account for the new building (MRO Building ISF). The Administration

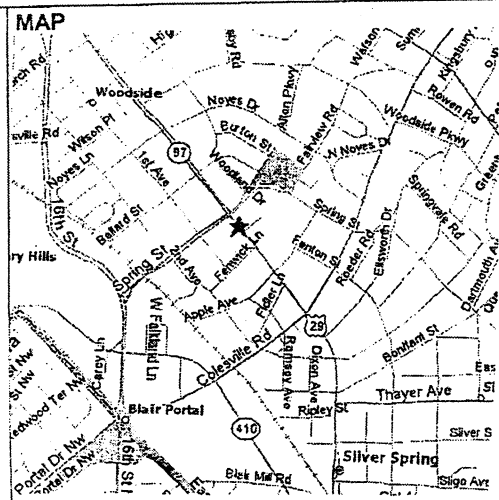
APPROPRIATION AND EXPENDITURE DATA

Date First Appropriation	FY05	(\$000)
Initial Cost Estimate		1,692
First Cost Estimate		
Current Scope	FY05	1,692
Last FY's Cost Estimate		850
Present Cost Estimate		850
Appropriation Request	FY07	0
Appropriation Req. Est.	FY08	0
Supplemental Appropriation Request	FY06	0
Transfer		0
Cumulative Appropriation		850
Expenditures/Encumbrances		126
Unencumbered Balance		724
Partial Closeout Thru	FY04	0
New Partial Closeout	FY05	0
Total Partial Closeout		0

COORDINATION

Montgomery Regional Office Renovation PDF 931750

MAP



PROPOSED**SilverPlace/MRO Headquarters Mixed-Use Project -- No. 048701**

Category
Agency
Planning Area
Relocation Impact

M-NCPPC
M-NCPPC
Silver Spring
None.

Date Last Modified
Previous PDF Page Number
Required Adequate Public Facility

June 27, 2007
NONE
NO

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY05	Est. FY06	Total 6 Years	FY07	FY08	FY09	FY10	FY11	FY12	Beyond 6 Years
Planning, Design and Supervision	10,150	110	300	9,740	440	4,800	4,500	0	0	0	0
Land											
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Total	10,150	110	300	9,740	440	4,800	4,500	0	0	0	0

FUNDING SCHEDULE (\$000)

Certificates of Participation	600	0	160	440	440	0	0	0	0	0	0
Current Revenue: Park and Planning	6,650	110	140	6,400	0	4,800	1,600	0	0	0	0
Current Revenue: General	2,900	0	0	2,900	0	0	2,900	0	0	0	0

ANNUAL OPERATING BUDGET IMPACT (\$000)**DESCRIPTION**

SilverPlace is a public/private partnership through which M-NCPPC seeks to replace its outdated and overcrowded headquarters building while facilitating several public policy objectives including provision of affordable housing, smart growth, and green building. SilverPlace is a mixed-use development of the Montgomery Regional Office (MRO) site in Silver Spring. The project will include public improvements consisting of consolidated headquarters facility, public open space, and related infrastructure, and private improvements consisting rental apartments, condominiums, retail space, and open space.

Through FY07 - Pre-facility planning, selection of a development advisor, completion of program of requirements, developer solicitation and selection, and conceptual design. FY08-FY09 - Design development phase (40% design).

JUSTIFICATION

"MRO Location Assessment Study," completed in 2000. "MRO and Parkside: Consolidated Headquarters Study/ Space Requirements and Site Selection," completed in September 2003. Analyses of MRO HVAC, Electrical Systems, 2001.

Plans and Studies

The Montgomery County Council approved the Silver Spring Central Business District and Vicinity Sector Plan in February 2000 and the M-NCPPC adopted it in March 2000. A review of impacts to pedestrians, bicycles and ADA (Americans with Disabilities Act 1991) will be performed and addressed by this project. Traffic signals, streetlights, crosswalks, bus stops, ADA ramps, bikeways, and other pertinent issues will be considered in the design of the project to ensure pedestrian safety.

Housing Montgomery: Housing the People Who Make Montgomery County Work, approved by the Planning Board and County Council in 2003.

STATUS

Design

FISCAL NOTE

The debt associated with this project will be recorded in a new Internal Service Fund (ISF) to account for the new building (MRO Building ISF). The Administration Fund and the Park Fund will budget ISF service charges in amounts sufficient to cover the debt service on the building. The MRO Building ISF will budget those same charges as revenues and also budget the debt service on the note/Certificates of Participation (COPs). The allocation to the Administration Fund and the Park Fund will be based on the space to be utilized by the planning and parks functions. This process assures that each fund is paying a reasonable portion of the cost of the building. In FY08 a special appropriation of \$9,300,000 to reach 40% design development stage, was approved. P&P Current Revenue consists of \$1,020,000 Admin. Fund and \$5,380,000 Park Fund.

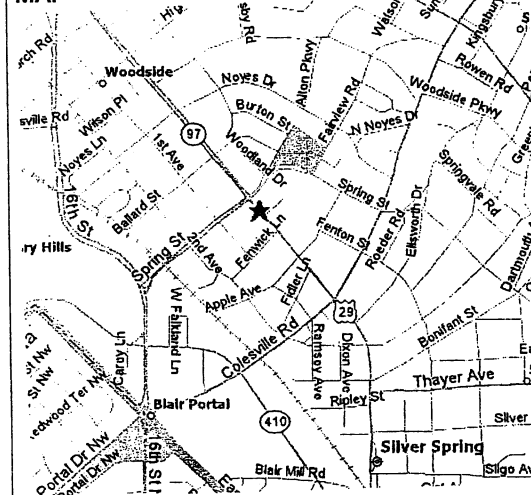
**APPROPRIATION AND
EXPENDITURE DATA**

Date First Appropriation	FY05	(\$000)
Initial Cost Estimate		1,692
First Cost Estimate		
Current Scope	FY05	1,692
Last FY's Cost Estimate		850
Present Cost Estimate		10,150

Appropriation Request	FY07	0
Appropriation Req. Est.	FY08	0
Supplemental Appropriation Request	FY06 <i>03</i>	9,300
Transfer		0

Cumulative Appropriation		850
Expenditures/ Encumbrances		126
Unencumbered Balance		724

Partial Closeout Thru	FY04	0
New Partial Closeout	FY05	0
Total Partial Closeout		0

COORDINATION**MAP**

MEMORANDUM OF UNDERSTANDING AND EXHIBITS

PLEASE NOTE THAT THE MEMORANDUM OF UNDERSTANDING (MOU)

AND THE EXHIBITS MAY BE REFERENCED FROM THE MOU ITEM