



THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

MCPB
September 25, 2003
Item #3

September 22, 2003

MEMORANDUM

TO: Montgomery County Planning Board

FROM: Headquarters Consolidation Project Team
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SUBJECT: Consolidated MRO/Parkside Headquarters Study:

A New Idea for a Public-Private Partnership providing Mixed-Use Development, Affordable Housing, an Urban Park, and a new Headquarters for Park and Planning in the Heart of Silver Spring

RECOMMENDATION: Discussion and Transmittal to the County Council

BACKGROUND

During the past eighteen months, staff has worked to:

- (a) confirm the *critical need* for a consolidated headquarters building;
- (b) identify a *preferred location* in the county—concluding with the Commission owned site in Silver Spring recommended as the preferred location;
- (c) develop a *space program* of approximately 120,000 square feet of public and staff spaces to greatly improve operational efficiency, customer service, safety, and community benefit;

- (d) identify two preferred Design Options to guide future planning, design, and development of the entire Commission owned site; and
- (e) craft *Guiding Principles* to provide a framework for excellence in planning, site design and public service that recognizes the importance of *green building technology*.

Throughout the study process, staff had discussion regarding the unique attributes and justification for this project that involved civic and business representatives, in a variety of public meetings. In addition, specialized focus groups were convened to better understand community and staff needs. The community response to site and design options is included in the Technical Appendix.

PROJECT RECOMMENDATIONS

Recommendation #1. Designate the Commission-Owned Site in Silver Spring (8787 Georgia Avenue) as the Preferred Location and Site for Headquarters Consolidation

- A. The 3.25-acre, Commission-owned, Silver Spring site ranks comparatively higher than alternate countywide location and site options. (**Attachment #1: Summary of the Countywide Evaluation Matrix, Site Rationale, and Guiding Principles for Development**) The complete analysis of location and sites is included in the Technical Appendix.

The site represents a vital contribution to the on-going revitalization of Silver Spring. It is consistent with master plan recommendations. It minimizes transportation impact, given its proximity to Metro and the Silver Spring Transportation Hub. It gives further definition to Smart Growth in Montgomery County.

Financial analysis confirms that lease options for both the Wheaton site and alternate lease options in Silver Spring do not compare favorably to development at the Commission-owned site. Leasing, overall, is more expensive. It is less expensive in the early years of occupancy, but the cost of leasing very quickly surpasses all owned alternatives.

The ability of the Commission to determine and control facility planning, design, and cost parameters of the project is best achieved with development of its current owned site asset.

- B. The Commission-owned site offers significant opportunity to consolidate headquarter activities into a single location¹ and flexibility to accommodate the much needed departmental space program of 120,000 sq. ft. (**Attachment #2: Summary of Space Requirements**).

The proposed space program will provide more efficiently designed staff space and a broad spectrum of public spaces that will greatly expand public benefit to the civic and business communities throughout Montgomery County and in Silver Spring.

Auditorium capacity will be doubled to accommodate the ever-increasing press of issues that come before the Planning Board. More civic functions and community meetings will be accommodated. A new, easily accessible “Public Information and Technology Center” will dramatically improve access to public information and development data. State-of-the-art technology will connect the facility to the larger community. Additional public meeting spaces and staff workshop areas will be provided to alleviate the intense pressure on scheduling. Park Permitting operations will be consolidated and expanded to make the permitting process more accessible to our growing and increasingly diverse population.

Recommendation #2. Use Concept Options to Provide Guidance for Future Mixed-Use Development and the Preparation of Request for Proposals for Project Development and Design Approaches

- A. WDG Architecture, in conjunction with staff, prepared six Concept Options to explore various development alternatives. Concept Options 1B and 2B² are preferred by staff (**Attachment #3: Summary of Preferred Concept Options**). In addition, the Technical Appendix contains detailed findings for the range of options examined throughout the study.

*Preferred Concept Options 1B and 2B present a new idea for a public-private partnership providing mixed-use development, affordable housing, an urban park, and a new Headquarters for Park and Planning in the heart of Silver Spring. Attached directly to this Staff Report is a feature presentation, **SilverPlace**, that illustrates the potential and parameters of mixed-use development on the Commission-owned site.*

Preferred Concept Options 1B and 2B best accommodate the needed 120,000 sq. ft. program and offer the broadest mixed-use development potential, including an urban park and public open space network, a model

¹. Currently headquarter activities are dispersed in three separate locations: MRO, Parkside, and leased space on Spring Street

² Concept Option 1B: Headquarters Facility is located at Georgia Avenue.
Concept Option 2B: Headquarters Facility is located at Spring Street.

urban street, an array of amenities that expand public benefits to the community, and significant affordable housing opportunities not available with other options.

Preferred Concept Options 1B and 2B present possible site design alternatives for the preparation of the Request for Proposals (RFP) for project development and design approaches. They illustrate general concepts only and should not preclude the creativity of the private sector in its response to the RFP.

The residential units associated with Concept Options 1B and 2B range from 125 to 265; with a preferred goal of 30% of them as affordable housing units.

Option 1B: 125 – 150 units

Option 2B: 240 – 265 units

Both Concept Options use the privately developed residential component to partially offset public costs and expand public benefit.

Both Concept Options suggest that the 6.2-acre, R-60 zoned Parkside facility be surplus by the County and proceed through the formal disposition process. Alternative uses for Parkside will be explored concurrent with the consideration of design alternatives for the proposed Headquarters site.

Both Concept Options envision: a) on-site structured parking for the residential component; b) 48,000 square feet of on-site, underground parking for the Headquarters facility; and c) use of the adjacent County Garage #2 to address a portion of the Headquarters parking requirement.

Recommendation #3. Approve the Proposed Project Planning, Design and Development Strategy

- A. The proposed five-phased project planning, design, and development process is structured to promote design creativity, cost efficient evaluation of multiple design and development options, and timely delivery of both the Headquarters and Residential projects.

Given current market conditions and the construction cost savings associated with expedited development, an aggressive 4-year project schedule is proposed (**Attachment #4: Proposed Project Schedule and Estimated Funding Allocations**).

The net capital cost for the Headquarters facility is projected at \$28 to \$34 million, inclusive of the cost for limited structured parking, the urban park, other site amenities, and the cost of relocation during construction, if a relocation option is chosen.

Key aspects of the proposed development process:

- Retention of a Project Development Advisor (PDA) to provide in-house development management expertise, assistance, and resources to the staff team for the duration of the project.
- Expedited public approvals, construction bidding fast tracking, and parallel project tasking.
- Use of a Request for Expressions of Interest (REOI) and/or Request for Proposals (RFP) selection process to encourage the receipt of innovative proposals and selection of an exemplary and cost efficient single development solution.
- Use of the proposed REOI and/or RFP process to solicit design, development, and cost alternatives for the Headquarters and residential projects.
- Involvement of the Silver Spring civic and business communities within the process and review of the recommended Final Development Concept and Program with the adjacent communities.

- B. The project phases include: Pre-Facility Planning; Final Concept and Space Program Development; Facility Planning; Final Design; and Bidding and Construction Services.

Phase 1: Pre-Facility Planning

Timeframe: September 2003 through December 2004; 4 months

Cost: \$150,000

Phase 1 includes four elements: (a) RFP preparation and advertisement for selection of the PDA, (b) selection of qualified PDA candidates for interviews, (c) selection of PDA and contract negotiation, and (d) initiation of PDA services.

The PDA will assist the Department with the development management of the project through to its completion. The PDA will be retained on a fee for services basis.

The PDA will provide development management assistance and guidance regarding: a) preparation of the process to solicit qualifications and alternative design and development proposals for the Commission-owned site and the Parkside facility, including identification of requirements for the submittals, b) development of the space program and required overall project budgeting, c) determining the feasibility of a *design competition*, d) development of a Transportation Management Plan a Parking Plan, e) preparation of a project critical path schedule, and f) development of final Guiding Principles for Design, Programming, and Development.

Phase 2: Final Concept and Program Development

Timeframe: January 2004 through June 2004; 6 months

Cost: \$200,000

Phase 2 includes three elements: a) use of REOI's and or RFP's to solicit qualifications and concept proposals from interested developers and consultants: explore the use of a design competition in the RFP process; b) selection of participants who best meet project requirements for detailed design, development and cost; c) prepare the Final Concept and Program.

Phase 2 concludes with: a) completion of the Recommended Final Concept and Program for the Headquarters and the residential project, as well as a strategy for the possible disposition of the Parkside facility and redevelopment of the site; b) completion of the site development plan for the Headquarters project, including a design vision for one unified development plan; and c) initiation of schematic design for both projects and further refinement to project costs.

Phase 3: Facility Planning

Timeframe: July 2004 through August 2005; 1 Year 2 Months

Cost: \$1,342,000

Phase 3 includes six elements: a) review and approval of the recommended Final Concept and Program with community stakeholders, the Planning Board, and County Council; b) continue planning and design of the Headquarters and residential projects; c) Mandatory Referral (Headquarters) and Optional Method (residential) approvals; d) completion of schematic design and design development; e) completion of Facility Planning through one-third of contract documents; and f) preparation of detailed Project Cost Estimates and PDFs for Council approval of

expenditures for Phase 4, Final Design and Phase 5, Bidding and Construction.

Phase 3 concludes with: a) completion of schematic design, design development, and 1/3 of contract documents for the Headquarters facility and with the residential project proceeding in the same development sequence; b) a final Site Development Plan; c) final cost estimates, including costs associated with the extension of Planning Place, the Urban Park, and other site improvements.

Phase 4: Final Design

Timeframe: September 2005 through December 2005; 4 months

Phase 4 concludes with the completion of the remaining two-thirds of the contract documents. Construction of both the Headquarters and residential projects will be underway before completion of this phase.

Phase 5: Bidding and Construction Services

Timeframe: January 2006 through June 2007; 1 Year 6 Months

Phase 5 concludes with occupancy of the Headquarters facility in the summer or fall of 2007.

Indirect costs for Phases 4 and 5 are estimated at \$2,176,000.

Recommendation #4. Review Proposed Financing Strategy and Economic Benefits of the Proposed Mixed-Use Development for the Montgomery County Economy and Downtown Silver Spring

The Secretary-Treasurer of the Commission prepared a Public Financing Strategy (**Attachment #5**). The Strategy consists of three financial issues that relate to the proposed Consolidated Headquarters project: 1) projected cost analyses, prepared by Concord Partners; 2) funding sources; and 3) available debt capacity to finance the project based upon projected costs. The Strategy also references possible alternative funding and grant sources for such projects as- green technology, affordable housing, model urban streets, and urban parks. This material is included in the Technical Appendix.

Bay Area Economics, (BAE) was asked to assess the economic and fiscal benefits of the proposed mixed-use project for the County's economy and downtown Silver Spring (**Attachment #6**). In addition, Concord Partners prepared a broad range of cost projections; including a comparison of

“stay where we are” and new construction costs, to further broaden our understanding of operating cost implications (**Attachment #7**).

SUMMARY OF FINDINGS

Public Financing Strategy (Secretary-Treasurer of the Commission)

Based on the cost projections prepared by Concord partners, the Secretary-Treasurer recommends the following funding sources for the project:

- FY 04 - \$ 350,000 prior year fund balance for pre-facility planning
- FY 05 - \$1,342,000 interim financing for facility planning
- FY 06 - \$30 - \$34 million permanent financing

The funding sources noted above are net of land sale proceeds and may be partially offset by grants that may be available by incorporating green technologies and environmentally responsive design. For permanent financing, the Secretary-Treasurer recommends that the Commission issue certificates of participation in a conditional purchase agreement. An analysis of projected debt capacity for the commission was prepared and indicates that the Commission has the capacity to issue the debt.

Economic and Fiscal Benefits (BAE, Bay Area Economics)

Mixed-use development, as envisioned in the Concept Options, will generate a broad range of economic and fiscal benefits for Downtown Silver Spring and Montgomery County, such as \$552,000 in annual property and income taxes and \$1.4 million in incremental new retail spending in the CBD.

This study not only identified economic and fiscal benefits, but it highlighted important, but less quantitative, enhancements to the Downtown setting and community, as well as significant operational efficiencies that will directly benefit the civic and business community, Commission staff, and overall customer service.

Cost Projections (Concord Partners)

Concord Partners prepared cost projections for five new construction options and two “stay where we are” options. The “stay where we are” options assumed that both MRO and Parkside would be renovated and that space needs would be met by either renting additional space or constructing a limited amount of additional space at the MRO site. Leasing

options were also considered, but were projected to cost significantly more than the other options over the 25-year period.

The net cost of the new construction options were projected to range between \$28 and \$34 million, inclusive of the costs for structured parking, the urban park, other site amenities, and possible relocation costs. The costs for the “stay where we are” scenarios were projected to range between \$18 and \$25 million.

ATTACHMENTS

- Attachment 1: Summary of Site Rationale and Guiding Principles for Development
- Attachment 2: Summary of Space Requirements
- Attachment 3: Summary of Preferred Concept Options
- Attachment 4: Proposed Project Schedule and Estimated Funding Allocations
- Attachment 5: Public Financing and Affordability Strategy
- Attachment 6: Economic Benefit of Proposed Development on the Montgomery County Economy and Downtown Silver Spring
- Attachment 7: Summary Cost Comparison of “Stay Where We Are” (Status Quo) Option and a New Headquarters Facility

TECHNICAL APPENDIX

- Appendix A: MRO Location Assessment and Space Study, August 2000
- Appendix B: History of Facilities Studies
- Appendix C: Summary and Detailed Findings of Site Options
- Appendix D: Citizen Response to Site and Design Options
- Appendix E: Potential Alternative Funding Sources