

# **ATTACHMENT 5**

**Public Financing and Affordability Statement**

### **Recommended Funding Sources:**

Below are the recommended funding sources for the project:

FY 04 - \$350,000 prior year fund balance for pre-facility planning and final concept and program.

FY 05 - \$1,342,000 interim financing for facility planning

FY 06 - \$30 to \$34 million for permanent financing of facility planning and construction

(Note: The above sources are net of land sale proceeds and may be offset by potential grants related to green technologies.)

A number of alternative financing methods were considered. Commission Park Acquisition and Development Bonds cannot be used for an office building project. Utilizing a conduit issuer like the Montgomery County Revenue Authority or the Maryland Economic Development Corporation would involve additional fees. I am therefore recommending that the Commission use certificates of participation in a conditional purchasing agreement for the permanent financing of the project. This type of financing has been successfully used to finance two other Commission owned buildings. This type of debt is not a general obligation of the Commission or the County and is secured by a deed of trust.

### **Debt Capacity:**

As a separate entity created by the State, the Commission issues its own bonds and other non-general obligation debt. The County provides the Commission with a spending affordability guideline related to the issuance of bonds during each budget process, but has not focused on debt capacity for the Commission. The County's debt capacity model limits their debt service expenditures to 10% of their general fund expenditures. Attached is a similar debt capacity model for the Commission assuming issuance of future Park Bonds based on past experience and the 6-year Capital Improvement Plan and including the issuance of debt for this project. At the end of fiscal year 2003, the Commission had \$37.9 million of debt outstanding. The debt service budget for fiscal year 2004 is \$5.6 million and the debt ratio is 7.3%. Assuming additional debt service of \$3 million per year, per Concord's projections, results in a projected debt ratio of approximately 9.7% in fiscal year 2006, indicating that the Commission has the capacity to issue debt to finance the project.

I discussed the proposed financing method utilizing COPs and the debt capacity model with County Finance Director, Timothy Firestine. He agreed with the Commission's proposed financing approach and the results of the Commission debt capacity analysis.

**Summary:**

Based on the cost projections prepared by Concord Partners, I recommend proposing the above funding plan for the headquarters project. Although the debt capacity model projects that the Commission will have the capacity to issue between \$30 - \$34 million in debt for the project, it will limit the debt capacity for Commission projects that are not currently reflected in the Capital Improvement Plan.

MNCPPC - Montgomery County  
Projected Debt Ratios

	Budget FY 04	Projected FY 05	Projected FY 06	Projected FY 07	Projected FY 08	Projected FY 09
Projected General Fund Expenditures (excluding debt service):						
Administration	20,833,600	21,666,944	22,533,622	23,434,967	24,372,365	25,347,260
Park	52,176,100	54,263,144	56,433,670	58,691,017	61,038,657	63,480,204
Total Projected General Fund Expenditures (excluding debt service)	73,009,700	75,930,088	78,967,292	82,125,983	85,411,023	88,827,463
Projected Bonded Debt Service	3,636,141	3,426,532	3,648,118	3,778,527	4,016,762	4,125,759
Projected General Fund Expenditures (including debt service)	76,645,841	79,356,620	82,615,410	85,904,510	89,427,785	92,953,222
Additional Projected Debt Service for Project	0	0	3,000,000	3,000,000	3,000,000	3,000,000
Total Projected General Fund Expenditures	76,645,841	79,356,620	85,615,410	88,904,510	92,427,785	95,953,222
Debt Service -						
Existing Park Bonds	3,636,141	3,316,532	3,308,118	3,265,127	3,149,962	3,096,359
Future Park Bonds	0	110,000	340,000	513,400	866,800	1,029,400
Existing Equipment Notes	1,817,086	1,349,843	957,590	565,449	557,018	0
Executive Office Building - Kenilworth Ave.	117,378	112,043	113,142	113,976	112,045	112,483
Future Equipment Notes	0	150,157	542,410	934,551	942,982	1,500,000
Total Debt Service	5,570,605	5,038,575	5,261,260	5,392,503	5,628,807	5,738,242

Debt Service/Total Oper. Exp

7.27% 6.35% 6.37% 6.28% 6.29% 6.17%

Debt Service/Total Oper Exp  
including Building Financing

7.27% 6.35% 9.65% 9.44% 9.34% 9.11%

a) Note FY 04 Budget increased to reflect full costs before transfer in from 115 Trust for Retiree Medical and Group Insurance Reserve.

b) Expenditure growth assumption 4%. Below average of last 5 years which was 4.72% and below estimate in long-term plan.

c) Hold capital equipment note to a maximum of \$1.5 million debt service per year.

d) Future debt estimated using 5.5% for \$4.0 million FY 05, 6% for \$6.0 million FY 07 and 6% for \$6 million FY 09. One half year's interest in year of issuance and 3/4 principal payment first 5 years.

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# **ATTACHMENT 6**

**Economic Impact of Proposed Development  
on the Montgomery County Economy  
and Downtown Silver Spring**



**An Assessment of the  
Economic Impacts  
of the Proposed  
M-NCPPC Consolidated Headquarters  
and Adjacent Residential Development  
on the  
Montgomery County Economy and  
Downtown Silver Spring**

**Prepared for:  
Maryland-National Capital Park and Planning Commission**

**June 26, 2003**

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## Table of Contents

<b>Conclusions</b>	<b>1</b>
<b>Project Description</b>	<b>2</b>
Current and Future Activity Levels	2
<b>Economic and Fiscal Impacts</b>	<b>6</b>
Construction Period	6
During Operation	6
Fiscal Impacts	9
<b>Operational Efficiencies</b>	<b>11</b>
Departmental Operations	11
Customer Service	11



## Conclusions

The Maryland-National Capital Park and Planning Commission (M-NCPPC) owns and occupies an office building and parking lot in Downtown Silver Spring. The Montgomery Regional Office (MRO), is severely overcrowded with roughly one-third of the staff located off site. The option currently being considered for the MRO is to demolish the existing structure, build a new consolidated headquarters building and sell a portion of the site for residential development.

This analysis measures the fiscal and economic impacts of this scenario, focusing on jobs created during construction, economic activity and vitality generated for downtown Silver Spring, and the improved efficiency of MRO operations.

The proposed new development on the M-NCPPC site will generate the following economic and fiscal benefits for Downtown Silver Spring and Montgomery County:

- 630 full-time equivalent construction jobs and 230 spin-off jobs elsewhere in the county economy during the 17- to 18-month construction;
- \$910,000 in downtown retail sales during the construction period;
- 195 new residential units<sup>1</sup>, including 39 new units of affordable housing<sup>2</sup>;
- 185 new households with a total of 287 new residents;
- 17,400 additional downtown visitors per year;
- \$1.4 million in incremental new annual retail spending in the CBD;
- \$552,000 in annual real property and income taxes;
- seven new housing operations jobs; and
- \$4.1 million in land sales revenues to help offset the cost of new M-NCPPC facilities.

Also important, though less quantitative, are enhancements to the downtown setting:

- improved gateway features and neighborhood pedestrian linkages;
- increased pedestrian activity and public safety; and
- new opportunities for civic organizations to meet in the building.

Finally, the project will have significant operational efficiency benefits for M-NCPPC staff and customers:

- consolidation of M-NCPPC employees and operations in a single location accessible from the Silver Spring Metro Station and Silver Spring Transit Center;
- improved operational efficiencies within the M-NCPPC;
- enhanced employee retention and attraction opportunities; and
- better conditions and services to M-NCPPC customers.

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<sup>1</sup> The proposed residential development ranges in size from 125 to 265 units.

<sup>2</sup> The staff report identifies 30 percent, or 59 units, as the desirable goal for moderately priced dwelling units.





## Project Description

M-NCPPC owns and occupies a 49,075 square-foot office building. The MRO building sits on a 3.24-acre site at the corner of Georgia Avenue and Spring Street on the northern edge of the Silver Spring Central Business District (CBD). The MRO functions have outgrown that facility, leading to severe overcrowding. Current operations are separated among that building, the Parkside facility and leased space on Spring Street in Downtown Silver Spring. Parkside is a small former school located off Sligo Creek Parkway roughly one mile north of the CBD.

The option currently being considered for the MRO is to demolish the existing structure, build a new 120,000 square-foot building and sell a portion of the site for residential development. The new office building would allow the MRO staff to consolidate into a single location that is more accessible to users and employees than is the Parkside location. The new facility would include a 300-seat auditorium, additional conference rooms, an expanded center for issuing permits and providing information to the public. Parking would be provided in a 125-space underground garage and in 210 spaces rented by M-NCPPC in the existing County Parking Garage #2 adjacent to the MRO site. The net capital cost of the headquarters project is currently estimated in a range of \$28 to \$33 million. This analysis is based on a total development cost of \$31.6 million, including \$27.5 million in "hard" (bricks and mortar) costs, "soft" costs (fees and permits), and contingencies.

The current parking lot would be redeveloped for roughly 195 units of housing, either apartments or condominiums. Twelve to thirty percent of those new housing units would be reserved for moderately priced dwelling units (MPDUs). This analysis assumes that 20 percent will be reserved for MPDUs for lower-income residents with a household income averaging \$35,000. For this analysis, these units are assumed to include 137 one-bedroom units, 39 two-bedroom units and 19 three-bedroom units. Construction of these units will likely average \$98 per square foot, totaling \$18.1 million in hard costs. The estimated \$4.1 million in net proceeds from that land sale (\$22,000 per unit less cost of sales) would then be available to help offset the construction cost of the new MRO building.

The preliminary timeline calls for pre-development and design of the office building in early 2005 with construction from August 2005 through December 2006 and occupancy in January 2007. The residential property is scheduled to be sold in January 2005. New residential units could be completed for occupancy as soon as January 2007.

### Current and Future Activity Levels

**Employees.** Currently, M-NCPPC has 207 employees working in the MRO facility and 22 working in leased space elsewhere in the CBD. An additional 77 employees work at Parkside. The reference number for space programming is 338 employees, which includes Fiscal Year 2003 budgeted positions. This number is projected to reach 357 employees by 2010. The facility is designed to accommodate a 16-percent growth to 392 employees.

**Visitors.** The MRO already attracts numerous citizens and business persons to the Silver Spring CBD. During a typical year, 9,000 people walk in to the MRO and find their way up to the second floor to use MRO resources. At Parkside, 7,000 residents come to apply for park permits



and/or to pick up or return keys, 25 to 30 per day during peak periods. This activity often leaves people standing in long lines, blocking Parkside's front entrance and extending outside due to lack of waiting room space inside.

At nights and on weekends, the MRO auditorium is used for 91 commission and 125 non-commission events – 69 percent of all available dates. Typically, these events draw an average of 75 participants with 15 events drawing more than the auditorium's 150-seat capacity with average attendance estimated at 200 persons. During the day, 91 weekly Planning Board and Commission-related events use the auditorium. An additional 95 daytime meetings are held in the auditorium by outside groups with a total of 7,900 participants.

In addition, an estimated 50 people come to the MRO building for individual appointments and smaller meetings with staff on a typical day.

Taken together, these represent 54,500 annual visitors, as summarized in Table 1. Of that total, an estimated 40 percent come from beyond the Silver Spring CBD and the neighborhoods that immediately surround it. This distinction is important because these visitors would not otherwise be expected to visit and possibly spend money in the downtown.

The new facility will have more space for the information center, accommodating electronic kiosks and a better array of planning information resources. Coupled with increased population and development activity in the county, these are projected to result in 10 percent more walk-in visitors. Park permit traffic is not likely to increase significantly given the shift to greater use of Internet-based bookings, though with better facilities, the office could expand its on-site registration to include recreation classes such as ice skating lessons.

More and better meeting rooms will allow staff to conduct more frequent and more productive plan review sessions with developers, architects and engineers and meetings with residents and other groups. The number of persons coming to the facility each day for meetings with staff is projected to increase 40 percent from 50 to 70 persons per day.

With a larger auditorium, the new facility will be able to accommodate larger groups. The 15 overflow events are projected to grow from an estimated 200 to 250 participants with the larger facility. This analysis assumes the same number of non-Commission evening events as are held currently with five events attracting 250 participants and the remaining events continuing to average 75 participants. During weekdays, Planning Board and Commission-related usage is assumed to remain constant. Use by outside groups may decline by an estimated 40 percent as smaller groups shift to using other more appropriately-sized and flexible meeting rooms elsewhere in the new facility. Those new meeting rooms are projected to attract both the 40-percent shift from the auditorium as well as an additional 100 group meetings with an average of 35 participants.



**Table 1: Current and Future Visitation to MRO Building**

Event/Visitor Type	Current Visitation			Future Visitation		
	Number of Events	Visitors per Event	Annual Number of Visitors	Number of Events	Visitors per Event	Annual Number of Visitors
MRO Front Counter			9,000			9,900
Park Permits and Keys			7,000			7,000
Individual Meetings with Staff		50 per day	12,500		70 per day	17,500
<b>Auditorium Use</b>						
Evenings and Weekends Commission Events	91	96	8,700	91	104	9,500
Non-Commission Events	125	75	9,400	125	82	10,300
<b>Daytime Use</b>						
Weekly Planning Board	46	100	4,600	46	125	5,800
Commission-Related	45	30	1,400	45	30	1,400
Outside Groups	95	20	1,900	57	100	5,700
<b>New Conference Room Use</b>						
Outside Groups			-	138	35	4,800
<b>Total Visitation</b>	<b>402</b>		<b>54,500</b>	<b>502</b>		<b>71,900</b>

Sources: Maryland-National Capital Park and Planning Commission; BAE, 2003.



**Residents.** The 195 proposed residential units will likely enjoy annual occupancy averaging 95 percent, accommodating 185 households. Based on the anticipated size mix of units, those households will include an estimated 287 residents. Twenty percent of the new households will have an average income of \$35,000. The remaining residents will rent at market rates. Based on 2002 information for the incomes of existing CBD residents prepared by Claritas, a national demographic data provider, they will have an estimated average household income of \$75,000.

**Table 2: New Households and Population**

	Number of Bedrooms			Total Units
	One	Two	Three	
<b>New Housing Units</b>	137	39	19	195
<b>Affordable Units (20 percent)</b>	27	8	4	39
<b>Occupancy Rate</b>	95%	95%	95%	95%
<b>New Households</b>	130	37	18	185
<b>Average Household Size</b>	1.1	2.2	3.5	1.6
<b>New Population</b>	143	81	63	287

Source: BAE, 2003.



## **Economic and Fiscal Impacts**

### **Construction Period**

Construction of the replacement MRO will create an estimated 550 one-year construction jobs or the equivalent of 390 full-time construction jobs over the 17-month construction period. The residential construction will employ an additional 240 construction workers (full-time equivalent jobs) during the estimated 18-month construction period.

The dollars spent on construction will generate additional economic activity as they are spent and re-spent in the area economy. For example, the purchase of construction materials will allow the drywall supplier to support material handlers, truck drivers, sales people and clerical workers directly. Indirectly, the supplier's income from M-NCPPC construction will support his bank, his landlord, and his materials and fuel suppliers. The construction workers will spend their wages on food, housing, transportation, clothing and other necessities, thereby supporting retailers, landlords, gas stations and a myriad of other businesses. The U.S. Bureau of Economic Analysis (BEA) measures this spin-off income and employment using economic multipliers. These multipliers, derived from a detailed input-output model of the Maryland economy, relate increases in demand to increases in income and jobs in the state economy. BEA estimates that \$1 spent on construction in Maryland generates an additional \$1.12 in spin-off income in the Maryland economy. Construction expenditures support indirectly 1.05 other Maryland jobs for every direct construction job. The office construction will support 410 spin-off jobs (full-time equivalents) per year in Maryland, while the residential construction will support 250 spin-off jobs. Clearly, not all of those jobs will be created in Montgomery County; some may be created in Prince George's County and in other parts of the state. Perhaps 35 percent or 230 of those annual spin-off jobs will be created in Montgomery County.

The on-site construction workers will spend money on food and drink in Downtown Silver Spring, estimated at \$4 per day for a total of \$910,000 in one-time retail spending during the construction period.

### **During Operation**

When M-NCPPC reaches the higher anticipated employment levels the MRO facility is designed to accommodate, its most important economic contribution will be the boost that additional office workers and residents will give to the CBD. Downtown's renaissance is well underway in response to the County's substantial investment in the Downtown Silver Spring redevelopment project and the attraction of Discovery Communications, Inc. and the American Film Institute. The MRO project offers the opportunity to reinforce those investments and help solidify the gains already achieved in Silver Spring's redevelopment.

The MRO facility represents a significant anchor for the northern Georgia Avenue portion of the CBD. As noted earlier, the MRO is a center of activity, including

- residents and businesses seeking park permits and development approvals,
- architects, engineers, attorneys and developers meeting with M-NCPPC staff,



- residents seeking development information,
- Planning Commission meetings and public hearings,
- civic organizations using the auditorium and other meeting rooms, and
- employees eating out and shopping downtown at lunch and after work.

This concentrated activity has the following benefits:

- increased spending in downtown restaurants and retail shops;
- downtown residential development momentum;
- an enhanced gateway to the CBD;
- improved linkages from Woodside and other adjacent neighborhoods into the CBD,
- increased pedestrian activity; and
- housing operations jobs.

**Retail Spending.** Upon completion, more M-NCPPC employees will be likely to eat out in Downtown Silver Spring given their relocation from the Parkside facility. *Office Worker Spending*, prepared by the International Council of Shopping Centers and the Urban Land Institute, documented lunchtime and after-work spending by office workers. Based on extensive surveys, the study estimated that office workers in downtowns with ample retail opportunities spent an average of \$5.28 per day eating out and \$4.38 per day on other retail goods while at work (expressed in 2003 dollars). In downtowns with more limited retail opportunities, office worker spending is lower – \$4.15 per day eating out and \$2.97 per day on other retail goods. Silver Spring’s retail offerings are somewhere between “limited” and “ample”.

While many employees “brown bag”, the building will have no employee cafeteria, so employees will be encouraged to sample the wares of Silver Spring restaurants and other food outlets. Given the prevalence of night meetings, M-NCPPC employees may be more likely to eat dinner out in the CBD than would other area workers. Currently, employees are estimated to spend \$275,300 in downtown restaurants and food outlets. With 128 new and relocated employees, that food and beverage spending is projected to increase to \$429,200 by 2010 (measured in constant 2003 dollars).

Though the visitors’ main objective in coming to the MRO facility is to attend a meeting or work session, secure a park permit or obtain development information, they may also take the opportunity to have lunch or a drink in Downtown Silver Spring. Of the 71,900 daily visitors anticipated once the building is completed and fully occupied, an estimated 30 percent would not otherwise be in or near the downtown and 5 percent of those visitors could be expected to eat out while in the downtown, spending an average of \$5.00 per person. These visitors would spend an estimated \$5,400 in downtown restaurants and food outlets.

New resident households are estimated to spend an average of \$957,000 per year eating out, reflecting the mix of units between affordable and market-rate units. Downtown restaurants and food outlets can expect to capture one-third of those dollars or \$316,000, excluding lunches at work and eating out on vacation.

Downtown Silver Spring’s non-food retail offerings are somewhat more limited; that supply limitation will constrain the retail spending impact of the MRO project. We have focused on the



store types currently located or committed to locate in Downtown Silver Spring – groceries, drugstore items, apparel, hardware, furniture and furnishings, video rentals, books and music. The new residents are likely to spend an average of \$10,400 annually for these goods, though not all in Downtown Silver Spring. This analysis assumes that downtown retailers are able to capture 90 percent of their grocery and drugstore expenditures, 20 percent of their apparel expenditures, 2 percent of their furniture expenditures and 25 percent of their other retail expenditures for a total of \$858,000. Office workers spend an estimated \$3.67 per day for retail goods while at work, 75 percent or \$245,900 of which are estimated to be available in Downtown Silver Spring. Though some visitors to the MRO facility may take the opportunity to shop in downtown, this analysis does not include those expenditures.

**Table 3: Potential Retail Spending by Employees, Visitors and New Residents**

	Average Daily Expenditure	Annual Expenditures		
		Current	Future	Net New
<b>Eating and Drinking</b>				
M-NCPPC Employees	\$4.81	\$275,300	\$429,200	\$153,900
MRO Visitors (a)	\$0.08	\$4,100	\$5,400	\$1,300
New Residents (b)	\$5,790	\$0	\$316,000	\$316,000
Total Eating and Drinking		\$279,400	\$750,600	\$471,200
<b>Other Retail</b>				
M-NCPPC Employees (c)	\$3.67	\$157,700	\$245,900	\$88,200
New Residents (d)	\$10,440	\$0	\$858,000	\$858,000
Total Other Retail		\$157,700	\$1,103,900	\$946,200
<b>Total Expenditures</b>		<b>\$437,100</b>	<b>\$1,854,500</b>	<b>\$1,417,400</b>

Note: Expenditures in constant 2003 dollars.

(a) Assumes 30 percent of visitors would not otherwise be in Downtown Silver Spring and 5 percent of those spend an average of \$5.00 to eat or drink in Downtown during their visits to the MRO facility.

(b) Average annual expenditures, reflecting 20-percent affordable units rented to households with an average income of \$35,000 and 80-percent market-rate units rented to households with an average income of \$75,000. Downtown restaurants capture one-third of their eating and drinking expenditures.

(c) Seventy-five percent of office workers' retail expenditures at work.

(d) Average annual expenditures, assuming that downtown retailers capture 90 percent of grocery and drugstore expenditures, 20 percent of apparel expenditures, 2 percent of furniture expenditures, and 25 percent of other retail expenditures.

Sources: International Council of Shopping Centers; Urban Land Institute; BAE, 2003.



**Residential Development Momentum.** Of the six themes around which the Silver Spring CBD Sector Plan is organized, one is a residential downtown. “The CBD Sector Plan seeks to create a mix of housing choices, including low-rise, high-density apartments and townhouses.” The proposed housing will help to achieve that goal. The M-NCPPC parking lot is one of only four potential CBD housing sites that are currently in public ownership and 12 other privately owned sites potentially available for housing development.

With an additional 195 housing units, more M-NCPPC employees may be drawn to “live near their work,” eliminating their commutes. The 39 units of affordable housing will provide housing for several of the employees that are critical to the operation of downtown’s retail and service businesses.

**Gateway and Neighborhood Linkages.** As currently designed, the new development on the MRO site will enhance downtown’s northern gateway significantly with new open space and superior design. The project is well designed to serve the role defined for the downtown’s northern area in the CBD Sector Plan – marking the entrance to the CBD and buffering surrounding residential neighborhoods.

The improved pedestrian linkages between adjacent neighborhoods and downtown will encourage area residents to walk to downtown restaurants and businesses and to the Metro.

**Pedestrian Activity and Public Safety.** New residents, more employees, more visitors and more neighbors walking through the site will contribute to better public safety, especially at night. Pedestrian activity provides the most effective public safety protection with more “eyes and ears” on the street and in the parking garage.

**Housing Operations Jobs.** The new housing development will require the equivalent of seven workers to manage and maintain the 195 units.

### **Fiscal Impacts**

The County’s major revenue sources include real property and income taxes. The County does not benefit from retail sales taxes, which are reserved to the State of Maryland.

**Real Property Taxes.** The new residential development will carry an estimated \$32 million property valuation, estimated at \$165,000 per unit. Based on the County’s current real property tax rate of \$0.754 per \$100 of assessed value, this development will generate \$241,300 in annual real property taxes.

**Income Taxes.** The 185 households in the new residential units will include 37 households with lower incomes, estimated at \$35,000. The average income of the remaining 148 households is estimated at \$75,000. The County levies a 2.95-percent tax on resident households’ adjusted gross income. Personal exemptions and typical deductions reduce gross income to a taxable income roughly equal to 85 percent of gross income. The new residents attracted to Silver Spring by the new development will pay an estimated \$311,000 in annual income taxes to Montgomery County.





**Parking Fees and Taxes.** The new MRO facility will allocate the majority of the staff parking requirement to Garage No. 2. A Project Transportation Management Plan (TMP) will be developed for both the office and residential projects. For the MRO facility, this may involve treating at least a portion of the staff parking cost within the overall employee benefit package; however, these determinations will be made as part of the project TMP at the time of detailed project studies.

M-NCPPC currently plans to lease approximately 210 parking spaces in the adjoining County garage for employee parking. Based on projected parking rates of \$100 per month, the fees generated on those 210 spaces will total \$252,000 per year. Shifting of demand into the existing garage will improve occupancy and utilization rates for this public facility.

**Total Tax Revenues.** The proposed MRO redevelopment will generate an estimated \$552,000 in annual tax revenues for the County.



## Operational Efficiencies

The primary advantages of the new MRO building relate to the improved efficiency of MRO operations and service to the agency's customers – the residents and businesses of Montgomery County.

Numerous studies over the last decade have documented the severe overcrowding in the MRO facility. The August 1, 2000 **MRO Location Assessment and Space Study, Montgomery Regional Office**, prepared by the Strategic Planning and Community Based Planning Divisions, reported that the "existing MRO facility includes at least 35% or 114 square feet less space per person than any of the other planning departments included in our survey. The existing MRO facility includes approximately 25% or 69 square feet less space per person than the Montgomery County agencies surveyed."

## Departmental Operations

The overcrowding affects departmental operations in the following ways:

- Administrative fragmentation between three locations limits effective management. Human resources staff is separated from most of the staff.
- The building's antiquated heating, ventilation and air conditioning (HVAC) system is extremely overtaxed, resulting in temperature differentials of 6 to 10 degrees and poor air circulation. Such temperature extremes and poor air quality impact staff efficiency and morale.
- The building must shut down one day per week to prepare for Thursday Planning Board meetings because there is not enough production and layout space to accommodate the production of papers to support those meetings. During those times, no copying is possible except the Board packets.
- The lack of pin-up space and board storage constrains the staff's ability to properly review and process development proposals and permits.
- The limited number of conference rooms and conflicting use of the existing conference rooms (e.g., computer terminals) inhibits the staff's ability to collaborate on planning projects.
- The facility's telecommunications systems do not meet modern standards (e.g., conference calls).
- Lack of adequate space for GIS/CAD equipment and library resources impacts operations.

Most organizations find that severe overcrowding and HVAC inadequacies impact staff morale and retention as well as employee attraction. Loss of experienced and talented staff or failure to recruit the best-qualified employees can create a major drag on operational efficiency and the quality of the agency's work.

## Customer Service

The MRO building does not have a defined main entrance that clearly directs customers and visitors to the proper areas. Wayfinding is poor or non-existent. The failure to separate staff and public circulation undermines building security.



The public spaces at both the MRO building and Parkside are inadequate for good customer service. Persons waiting for park permits are often forced to stand in line outside, even in bad weather. The MRO front counter lacks the space to accommodate the electronic kiosks that many other planning agencies use to allow residents to research planning resources on their own.

The small size of the auditorium leaves people out in the lobby without seats at about 15 meetings per year. Many community groups are unable to meet in the building due to lack of available meeting room space.

Parkside is not accessible from the Metro system, creating hardships for residents seeking to reserve park and community center facilities. This is particularly important for low-income residents who do not have access to the Internet or to private automobiles.

**ATTACHMENT 7**  
**Summary Comparison of**  
**“Stay Where We Are” (Status Quo Option)**  
**and a New Headquarters Facility**

# MEMORANDUM

CONCORD PARTNERS, LLC

**To:** Project Staff Team – M-NCPPC

**CC:** Andy Smith – Weihe Design  
Chris Reutershan – Concord Partners

**From:** Lisa Wiersma, Concord Partners

**Date:** August 18, 2003

**Re:** Stay Where We Are Options: Minimal Necessary Improvements to Remain in Existing Facilities.

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## **I. Summary and Conclusions: Expected Cost Comparison Between the Stay Where We Are Options and That of Investing in a New Facility**

### **◆ Development Cost**

The SWWA options have the lowest Construction Costs (\$11.4 and \$16.9 million for SWWA 2 and 3 respectively vs. \$22.5 to \$26.9 million for New/Owned Facilities), Gross development Costs (\$18.2 and \$26.1 million for SWWA vs. \$32.9 to \$39.5 million for New/Owned Facilities), and Net Costs (Gross development costs less interest income and land sales proceeds) (\$17.8 and \$25.4 million for SWWA vs. \$28 to \$34.5 million for New/Owned Facilities) because these models project construction of fewer s.f., assume no parking garage is built, and assume no land is sold as compared to the New/Owned Facility Options. On a per s.f. basis, SWWA2 is less expensive than the New/Owned Facility Options, while SWWA3 is more expensive than all other options (\$157 per s.f. for SWWA2, \$175 to \$205 for New/Owned Facilities, and \$224 for SWWA3).

### **◆ Year 1 Operating Costs**

The Year 1 Total Operating Costs for the SWWA options are less costly than for the New/Owned Facility options. (\$3.6 and \$3.3 million for SWWA vs. \$4 to \$4.5 million for New/Owned Facilities)

### **◆ Net Project Costs (over 25 years)**

Over the long term, SWWA 2, which includes leasing some space, is more expensive than any of the New/Owned Facility Options. SWWA 3 is less expensive than the New/Owned Facility options (\$42.5 for SWWA 3, \$52.6 to \$61.2 million for New/Owned Facilities, and \$77 for SWWA 2).

The “Stay Where We Are” options are intended to estimate the cost of the minimum amount of work necessary to upgrade the building and meet the current and anticipated space needs. The “Stay Where We Are” options are less expensive in the short term

# MEMORANDUM

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because they assume renovating and using fewer s.f. than in the New/Owned Facility options (about 113,500 for the SWWA options versus 120,000 for the New/Owned Facility options) and they do not include construction of an underground parking structure for M-NCPPC. However, the SWWA options do not achieve the goal of nor do they provide the operational benefits of a consolidated headquarters facility.

## II. Background

On July 3, 2003, Concord Partners presented an analysis to the M-NCPPC's Planning Board which compared the actual operating expenses of the current M-NCPPC MRO, Spring Street, and Parkside facilities to the projected operating costs of a new, 120,000 s.f. consolidated headquarters building with underground parking. This analysis showed that overall operating and capital expenses would increase by about \$70,000 per year (6%) when the new building opened (although costs would decrease on a per square foot basis) and that the debt service would increase noticeably (by about \$2.8 million per year). The purpose of this analysis was to help M-NCPPC understand the impact of the new building on their current annual operating budget.

At that meeting, M-NCPPC requested that Concord Partners prepare additional model scenarios showing the minimum improvements necessary to be made to the existing facilities so that M-NCPPC can remain in their current facilities and have an updated facility that meets their space needs (called the "Stay Where We Are" scenarios, or SWWA, in this analysis). Concord has prepared similar scenarios in the past. Option 1A, in the current group of scenarios, is in some ways an SWWA scenario, since it assumes that MNCPPC renovates 25,000 s.f. of the existing building, and then builds a new 95,000 addition. Another SWWA option, Option 1 in previous analyses, assumed renovating the entire 50,217 s.f. existing building and building a 40,000 s.f. addition. Option 1 was removed from the analysis early on as not being the preferred approach. The scenarios presented here, SWWA 2 and SWWA 3, are further variations on Option 1A in the current analysis and Option 1 from previous analyses.

## III. Basic Assumptions

The basic assumptions are as follows:

### SWWA2

- ◆ M-NCPPC continues operations in both Parkside and MRO.
- ◆ The MRO Building is completely renovated.
- ◆ Parkside is completely renovated.
- ◆ No MRO parking structure will be built.
- ◆ Approximately 40,000 additional square feet of rental space will be leased somewhere in Silver Spring to relieve overcrowding in the Parkside and MRO facilities.

# MEMORANDUM

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- ◆ Both MRO and Parkside will need to relocate to temporary space during the renovations.
- ◆ The current Parkside and MRO bonds will not need to be paid off. They will continue to be paid on their current schedule.
- ◆ New bonds will be sold to finance the MRO and Parkside renovation costs. Project costs that cannot be paid for with bond proceeds, such as tenant improvements at the leased space, will be covered by current receipts.
- ◆ MNCPPC does NOT sell the rear portion of the lot for development.

## SWWA3

- ◆ M-NCPPC continues operations in both Parkside and MRO.
- ◆ The MRO Building is completely renovated and a 40,000 s.f. addition is added to relieve overcrowding at both Parkside and MRO facilities.
- ◆ No MRO parking structure will be built.
- ◆ Parkside is completely renovated.
- ◆ Both MRO and Parkside will need to relocate to temporary space during the renovations and construction.
- ◆ The current Parkside and MRO bonds will not need to be paid off. They will continue to be paid on their current schedule.
- ◆ New bonds will be sold to finance the MRO renovations, MRO addition and Parkside renovations. Project costs that cannot be paid for with bond proceeds will be covered by current receipts.
- ◆ MNCPPC does NOT sell the rear portion of the lot for development.

## Differences compared to the owned options:

- ◆ The SWWA options do not result in consolidated facilities. SWWA2 assumes operations are spread over 3 separate locations (MRO, Parkside, and other leased space) while SWWA3 assumes operations in 2 locations (MRO and Parkside). All owned options result in a consolidated headquarters facility.
- ◆ The SWWA scenarios are a combination of ownership and leasing. SWWA2 assumes leasing 40,000 s.f. somewhere in Silver Spring, MD and continuing to lease Parkside (although M-NCPPC does not currently pay rent at Parkside). SWWA3 assumes the Parkside lease continues.
- ◆ The total s.f. (between renovated, new and leased space) for the SWWA options is about 113,500 s.f. which is lower than the 120,000 s.f. for the new building scenarios.
- ◆ The SWWA scenarios assume a parking structure is not built.
- ◆ The SWWA scenarios assume that MNCPPC does NOT sell the rear portion of the lot for development.

## **IV. Supporting Documentation**

Please see the attached spreadsheets.

## Maryland - National Capital Park and Planning Commission

### **SUMMARY FINDINGS - "Stay Where We Are" Options**

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*August 18, 2003*

- "Stay Where We Are" (SWWA) Option 2 assumes that MNCPPC completely renovates the MRO and Parkside facilities, and leases 40,000 additional s.f. somewhere in Silver Spring.
  
- "Stay Where We Are" (SWWA) Option 3 assumes that MNCPPC completely renovates the MRO and Parkside facilities, and constructs a 40,000 s.f. addition to the MRO building.
  
- Renovation costs-Both scenarios assume a \$ per GSF renovation cost applied to the gross square footage of each facility. Renovations are assumed to be comprehensive in scope, meaning that the building will be vacated, interior will be stripped to the superstructure, windows replaced, complete new HVAC system, complete new interiors (toilet rooms, common areas, office areas) and new voice and data systems.
  
- Both SWWA options assume that MNCPPC does NOT sell the rear portion of the lot for residential development.
  
- SWWA 2 has a lower initial project cost because less construction is being done. Over time, however, the lease expenses add up and this scenario is the most expensive option over 25 years.
  
- The project and operating costs of option SWWA 3 are lower than the new consolidated facilities costs. However, MNCPPC and it's constituents do not enjoy the benefits of a consolidated facility.



# Maryland - National Capital Park and Planning Commission

## Summary of Development Options

August 18, 2003

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### Option 1A

Assumes:

- M-NCPPC consolidates operations on current MRO headquarters site.
- Complete renovation of 25,000 s.f. of the existing MRO facility plus construction of a new 95,000 s.f. addition for a total of 120,000 s.f.
- Parkside bonds will need to be paid off, MRO bonds can remain outstanding.
- New bonds are sold to finance MRO renovations and addition. Assume bonds cover difference between development cost and land sale proceeds.
- Land on rear portion of site is sold for residential development at the start of renovation and construction of the addition.
- MRO Building occupants will relocate during renovation and construction.
- Parkside occupants will move to new building upon its completion.

### Option 1B

Assumes:

- M-NCPPC consolidates operations on current MRO Headquarters site.
- Demolition of existing MRO Building and construction of a new 120,000 s.f. building in same location as previous building.
- MRO Building occupants will relocate during construction.
- Parkside bonds will need to be paid off, MRO bonds can remain outstanding.
- New bonds are sold to finance new MRO Building. Assume bonds cover difference between development cost and land sale proceeds
- Land on rear portion of site is sold for residential development at the start of construction of the new building.
- MRO Building occupants will relocate during construction.
- Parkside occupants will move to new building upon its completion.

# Maryland - National Capital Park and Planning Commission

## Summary of Development Options

August 18, 2003

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### Option 1C

Assumes:

- M-NCPPC consolidates operations on current MRO headquarters site.
- Demolition of existing MRO Building and construction of a new 180,000 s.f. mixed-use building in same location as previous building. New building includes 120,000 s.f. of office space for new MRO headquarters plus 60,000 s.f. of affordable housing above the MRO office space.
- Parkside bonds will need to be paid off, MRO bonds can remain outstanding.
- New bonds are sold to finance new MRO Building. Assume bonds cover difference between development cost and land sale proceeds
- Land on rear portion of site is sold for residential development at the start of construction of the new building.
- MRO Building occupants will relocate during construction.
- Parkside occupants will move to new building upon its completion

### Option 2A

Assumes:

- M-NCPPC consolidates operations on current MRO headquarters site.
- Demolition of existing MRO Building (on front of site) and construction of a new 120,000 s.f. building on rear of site.
- MRO Building occupants will not need to relocate during construction. They will move to new building upon its completion.
- Parkside occupants will move to new building upon its completion.
- Both MRO and Parkside bonds will need to be paid off.
- New bonds are sold to finance new MRO Building. Assume bonds cover entire development cost until land is sold at end of development.
- Land on front portion of site is sold for commercial development after construction is completed on rear portion of site.

### Option 2B

Assumes:

- M-NCPPC consolidates operations on current MRO headquarters site.
- Demolition of existing MRO Building (on front of site) and construction of a new 120,000 s.f. building on rear of site.
- MRO Building occupants will not need to relocate during construction. They will move to new building upon its completion.
- Parkside occupants will move to new building upon its completion.
- Both MRO and Parkside bonds will need to be paid off.
- New bonds are sold to finance new MRO Building. Assume bonds cover entire development cost until land is sold at end of development.
- Land on front portion of site is sold for residential development after construction is completed on rear portion of site.

# Maryland - National Capital Park and Planning Commission

## Summary of Development Options

August 18, 2003

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### Option SWWA2

("Stay Where We Are")

Assumes:

- M-NCPPC continues operations in both Parkside and MRO.
- Complete renovation of MRO.
- Complete renovation of Parkside.
- Total space used/leased is approximately 113,500 s.f.
- Lease approximately 40,000 s.f. somewhere in Silver Spring to relieve overcrowding.
- Relocation is needed during both MRO and Parkside renovation.
- Parkside and MRO bonds do not need to be paid off.
- New bonds are sold to finance MRO and Parkside renovations. Project costs that cannot be paid for with bond proceeds are covered by current receipts.
- MNCPPC does NOT sell the rear portion of the lot for development.

### Option SWWA3

("Stay Where We Are")

Assumes:

- M-NCPPC continues operations in both Parkside and MRO.
- Complete renovation of MRO plus a 40,000 s.f. addition to relieve overcrowding.
- Complete renovation of Parkside.
- Total space used/leased is approximately 113,500 s.f.
- Relocation is needed during both MRO and Parkside renovation.
- Parkside and MRO bonds do not need to be paid off.
- New bonds are sold to finance MRO renovations, MRO addition and Parkside renovations. Project costs that cannot be paid for with bond proceeds are covered by current receipts.
- MNCPPC does NOT sell the rear portion of the lot for development.