



Committee: PHED
Committee Review: See below
Staff: Gene Smith, Legislative Analyst
Purpose: Review – straw vote expected
Keywords: CIP, Economic Development

AGENDA ITEM #4
 April 23, 2020
Worksession

SUBJECT

FY21-26 Capital Improvements Program: General Government – Economic Development

EXPECTED ATTENDEES

Tina Benjamin, Office of the County Executive
 Mary Beck, Office of Management and Budget (OMB)
 Pofen Sale, OMB

PROJECTS SUMMARY

	Six-Year Total	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Beyond 6-Years
FY19-24 Amended	187,480	75,490	58,567	17,115	16,236	14,536	5,536			
FY21-26 CE Rec	59,822			13,051	8,555	8,479	10,479	6,479	12,779	
change from amended (\$,%)	(127,658) -68.1%			(4,064)	(7,681)	(6,057)	4,943			-
Committee Rec	59,822			13,051	8,555	8,479	10,479	6,479	12,779	
change from amended (\$,%)	(127,658) -68.1%			(4,064)	(7,681)	(6,057)	4,943			-
change from CE Rec (\$,%)	- 0.0%			-	-	-	-	-	-	-

COMMITTEE RECOMMENDATIONS (BY PROJECT)

Below is a summary of the review status for these projects.

- Reviewed and recommended for approval by the Planning, Housing, and Economic Development (PHED) Committee
 - Marriott International Headquarters and Hotel Project
 - White Flint Redevelopment Program
- Amended by the Executive on March 16, 2020, not reviewed by the PHED Committee
 - White Oak Redevelopment Program
 - Life Sciences and Technology Centers
- Not reviewed by committees
 - Wheaton Redevelopment Program

OTHER ISSUES

- The Wheaton Redevelopment Program included an accounting issue related to the disposition of 8787 Georgia Ave. The accounting issue does not impact total costs or the project's timeline.
 - Most of the GO/PHED committee members indicated the preference to transfer \$4.25 million to the Housing Initiative Fund, as required by §11B-45(f) of the County Code.

- This action would reduce land sale resources in the project by \$4.25 million and increase G.O. bond resources by \$4.25 million.

This report contains:

Staff Report	Pages 1-6
Recommended FY21-26 CIP for economic development	© #1-12
PHED memo to the Executive, re: White Oak project	© #13
Council staff report, re: Wheaton Redevelopment Program	© #14-16

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MEMORANDUM

April 20, 2020

TO: County Council

FROM: Gene Smith, Legislative Analyst

SUBJECT: Recommended FY21-26 Capital Improvements Program (CIP) for General Government
– Economic Development Projects

PURPOSE: Review committee and Executive's recommendation

See the Executive's recommended FY21-26 CIP for General Government – Economic Development projects on ©1-12. Below is a summary of the review status for these projects.

- 1) Reviewed and recommended for approval by the Planning, Housing, and Economic Development (PHED) Committee
 - Marriott International Headquarters and Hotel Project
 - White Flint Redevelopment Program
- 2) Amended by the Executive on March 16, 2020, not reviewed by the PHED Committee
 - White Oak Redevelopment Program
 - Life Sciences and Technology Centers
- 3) Not reviewed by committees
 - Wheaton Redevelopment Program

I. Reviewed and Recommended for Approval by PHED Committee

A. Marriott International Headquarters and Hotel Project

This project administers the grant for the retention of Marriott International, Inc.'s new headquarters in the County. See ©4 for the recommended project description form (PDF) for the FY21-26 CIP. The construction project is managed by Marriott; substantial completion is anticipated in 2022.

The recommended PDF maintains the same funding as the approved FY19-24 CIP, \$5.5 million in FY21 and FY22. The funding source for FY21 and FY22 is the Economic Development Fund (EDF). The Council must appropriate funding in the EDF to implement this project in FY21 and FY22.

B. White Flint Redevelopment Program

This program provides for the plans, studies, analysis, and development coordination activities by the County necessary to implement redevelopment in the White Flint Sector Plan Area. See ©5 for the recommended PDF for the FY21-26 CIP.

Below is the recommended FY21-26 CIP expenditure schedule for this project. The recommended PDF reduces the six-year funding by approximately \$2.3 million compared to the approved FY19-24 CIP. The funding source for this project is revenue from the White Flint Special Taxing District; therefore, the recommended reductions will free resources from the special taxing district revenues to issue future bonds in the area (i.e., more capital projects are possible).

Recommended FY21-26 Expenditure Schedule (\$000s)

Cost Elements	Total 6 Years	FY21	FY22	FY23	FY24	FY25	FY26
Planning, Design and Supervision	1,159	342	229	147	147	147	147
Total	1,159	342	229	147	147	147	147

This project's expenditures include a mixture of personnel costs and operating expenses. See a breakdown of these expenditures in the table below. The recommendation reduces the amount of personnel and operating expenditures from the project to reflect better the staff time and expenditures required to manage the special taxing district. The District Coordinator will be the only position that remains, and the full-time equivalent (FTE) is split time between White Flint and White Oak.

Planning, Design, and Supervision Breakdown FY21-26 (\$000s)

Expenditure item	Total 6 Years	FY21	FY22	FY23	FY24	FY25	FY26
Finance staff (0.25 FTE)	102	50	52	0	0	0	0
Financial Advisors	180	150	30	0	0	0	0
District Coordinator (0.5 FTE)	877	142	147	147	147	147	147
Total	1,159	342	229	147	147	147	147

II. Amended by the Executive on March 16, 2020

A. White Oak Redevelopment Program

This project provides for the planning and development coordination activities by the County necessary to implement redevelopment of the 110-acre County-owned parcel on Industrial Parkway ("Site II").

The PHED Committee reviewed this project and requested that the Executive reduce personnel expenditures for the coordinator position (see ©X). See ©6-7 for the Executive's recommended amendment to the PDF for this project in the FY21-26 CIP.

Below is the FY21-26 CIP expenditure schedule for this project. The amended PDF reduces total funding by approximately \$1.2 million compared to the recommended PDF in January 2020. The reductions are \$0.4 million in accrued savings from the demolition and about \$0.8 million in shifting the coordinator position from the CIP to the operating budget. The remaining funding source for this project includes \$40.8 million in General Obligation (G.O.) Bonds.

Amended FY21-26 Expenditure Schedule (\$000s)

Cost Elements	Total 6 Years	FY21	FY22	FY23	FY24	FY25	FY26
Planning, Design and Supervision	800	200	200	200	200	0	0
Construction	40,000	800	2,500	8,000	10,000	6,200	12,500
Total	40,800	1,000	2,700	8,200	10,200	6,200	12,500

Below are the descriptions and highlights for each of these cost elements for this project.

Planning, Design and Supervision. The recommended FY21-26 CIP increases these expenditures by \$400,000 by adding expenditures in FY23 and FY24. These expenditures previously were the personnel costs and operating expenses associated with the demolition and site cleanup. For the FY21-26 CIP, these expenditures will provide ongoing support for the County's efforts as it relates to the General Development Agreement (GDA) with Global LifeSci Development Corporation (GLDC).

Construction. The recommended FY21-26 CIP shifts the funding for this cost element when compared to the approved FY19-24 CIP, but it retains the full \$40,000,000 required by the GDA with GLDC for the master plan roads in the six-year CIP.

Council staff recommends approval of the amended PDF by the Executive.

B. Life Sciences and Technology Centers

This project originally provided funds for the development and land use plans for the Germantown Life Sciences Park and the Site II development, also referred to as LifeSci Village. The project's first appropriation was in FY90, and during the years, the scope was changed to include the County's Business Innovation Network. In December 2016, the Council approved the current version of the project to utilize the remaining funds to renovate the Silver Spring Innovation Center (SSIC). The SSIC project is complete, and the center reopened in February 2020.

This project was labeled pending closeout, therefore, the PHED Committee did not review it. The Executive recommended an amendment to the project on March 16, 2020. See ©8-9 for the amended PDF of this project.

Below is the amended FY21-26 CIP expenditure schedule for this project. The amended PDF increases total funding by \$0.6 million. The recommended expenditures are to convert office space to wet lab space at the Germantown Innovation Center (GIC). **The funding source for this conversion is recordation premium tax.**

Amended FY21-26 Expenditure Schedule (\$000s)

Cost Elements	Total 6 Years	FY21	FY22	FY23	FY24	FY25	FY26
Planning, Design and Supervision	100	100	0	0	0	0	0
Construction	500	500	0	0	0	0	0
Total	600	600	0	0	0	0	0

Executive staff identified an underutilization of office space compared to wet lab space at the GIC. The proposed project will convert 1,664 square feet of office space to wet lab space. This conversion will reduce total available office space by about 20% and increase wet lab space by about 21%. Office vacancy is currently 13%, but Executive staff note it will be about 52% once a large tenant graduates from the GIC. The cost of conversion is \$360 per square foot based on the recommended expenditures and square footage.

Council staff recommends approval but subject to reconciliation. With possible changes to the CIP revenues for FY21-26 due to the health crisis, this project should compete with the many projects that use current revenue funding or the like if revenues decrease.

III. Projects Not Reviewed by the Committees

Wheaton Redevelopment Program

See the Executive's recommended FY21-26 CIP for the Wheaton Redevelopment Program on ©10-12. This project provides for the planning, studies, design, and construction of an office building, public parking garage, and a town square in Wheaton. The new office building will be owned by the Maryland-National Capital Park and Planning Commission (M-NCPPC) and will also include several County departments and divisions.

The construction project is more than 90% complete and is on schedule. Below are bullet points provided by Executive staff in February noting the remaining items for this project.

- Building commissioning is underway, includes all major building systems.
- Interior build-out is well underway and will meet the substantial completion date of May 31, 2020.
- Finishes on lower floors (i.e., carpet) and paint are wrapping up.
- The first systems furniture delivery is February 2, 2020, and all systems furniture expected to be installed by May 31, 2020.
- Project closeout is expected to commence immediately, following substantial completion.
- Tenant move-in is currently scheduled between June 15, 2020 and September 15, 2020.
- Some move-in expenses will occur in FY21; the project still includes \$500,000 for relocating County offices to Wheaton.

Accounting Issue

The Government Operations and Fiscal Policy (GO) and PHED Committees were scheduled to review the Executive's recommended PDF for this project on February 27, 2020. At Council staff's recommendation, the review was postponed due to an accounting issue that was not reported by OMB

staff prior to the release of the staff report for that meeting. **The accounting issue does not impact the total cost or timetable of project delivery.** The committee's meeting was scheduled in March but was subsequently cancelled due to the health crisis.

Council staff sent the report planned for the March meeting to the GO and PHED Committees to provide an explanation of the accounting issue and possible solutions (see ©14-16). Below is a summary from that report.

Accounting Issue. The Project currently does not transfer \$4.25 million from land sale proceeds to the Housing Initiative Fund (HIF) as required by §11B-45(f) of the County Code which states, *“Notwithstanding any law to the contrary but subject to any applicable bond covenants, 25 percent of the proceeds from the sale of real property owned by the County must be transferred to the Montgomery Housing Initiative Fund to promote a broad range of housing opportunities in the County.”* Executive staff suggested that the Council could waive this requirement within the budget resolution when it adopts the Capital Budget in June based on prior case law.

Council staff does not believe the Council should waive this requirement in the adoption of a budget resolution. Council staff believes waiving the requirement in a budget resolution is less clear and transparent to the public. In addition, the Council did not indicate during the disposition process that it wanted to waive this requirement. Below are two solutions to address this accounting issue.

Possible Solutions.

- 1) **Choose not to waive the HIF transfer requirement by reducing \$4.25 million from the land sale proceeds in the Project.** If preferred, the Council must replace these resources with \$4.25 million in G.O. bonds in the Project. This action would add \$4.25 million in resources to the HIF and decrease the unprogrammed G.O. bond pool by \$4.25 million.
- 2) **Choose to waive the HIF transfer requirement for this Project by amending the County Code with targeted language allowing the Council to do this in a separate resolution.** This would require introduction and adoption of a bill before June, but it would not require any change to the Project. This action would not add resources to the HIF but maintain the unprogrammed G.O. bond pool for other projects.

All committee members individually indicated support for Option #1 to Council staff to include in this report. Council and Executive staff will update the PDF if the Council recommends approval of that action today.

IV. Projects Scheduled for Closeout

The projects listed below are not included with the FY21-26 CIP and are all scheduled for closeout in FY20. PDFs exist to report expenditures in FY20 and beyond, if necessary, but the Council will not include a new PDF with its approval of the FY21-26 CIP.

A. Conference Center Garage

This project provides for the design and construction of a structured parking garage to accommodate the current and future parking needs of the North Bethesda Conference Center. This project is labeled pending closeout in FY20 with \$1.4 million in unencumbered funds; there are no funds programed in the FY21-26 CIP for this project.

Construction of the garage was completed in 2017, and it officially opened in December 2017. In February 2018, a pedestrian walkway was the only outstanding item that remained for the project. The walkway was completed December 2019. Executive staff anticipates that the contractor will complete all punch list items by February 2020. Upon completion, this project will be closed.

B. Long Branch Town Center Redevelopment

This project originally was created to provide for planning needed to support redevelopment in the Long Branch Sector Plan area. As the Purple Line project progressed, the project was amended.¹ The approved FY19-24 CIP assumed this project would close out in FY20. The recommended FY21-26 CIP assumes this project will close out in FY20 or FY21².

This packet contains:

	<u>Circle #</u>
Recommended FY21-26 CIP for economic development	1
PHED memo to the Executive, re: White Oak project	13
Council staff report, re: Wheaton Redevelopment Program	14

¹ The Council staff report on May 1, 2018 has a more complete history of the project and recent revisions considered and approved by the Council -

https://montgomerycountymd.granicus.com/Viewer.php?view_id=169&clip_id=14979&meta_id=155698.

² See PHED Committee report for an update about this project -

https://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2020/20200224/20200224_PHED3.pdf.



Economic Development

PROGRAM DESCRIPTION AND OBJECTIVES

The objectives of this program are to:

- Develop the necessary infrastructure and amenities to facilitate expansion of the County's technology and other business sectors with high growth potential;
- Develop business incubators to foster the growth of start-up technology companies in the County; and
- Facilitate public-private partnerships to maintain and attract major County employers and to revitalize targeted central business districts and other strategic locations in the County.

HIGHLIGHTS

- Complete renovation of the Silver Spring Innovation Center by January 2020 to foster private sector involvement and support the growth of entrepreneurs and start-up companies in the County.
- Complete construction of the pedestrian walkway connecting the County's Conference Center and its parking garage by December 2019 to provide a well-functioning facility to meet the needs of County businesses and residents.
- Complete implementation of training, marketing, technical assistance and signage funded in the Long Branch Town Center Redevelopment project by the end of 2020 to help businesses adversely impacted by construction of the Purple Line in the Long Branch and Bonifant Street, Silver Spring area.
- Maintain the approved funding for construction of the Wheaton Redevelopment project. The project remains on schedule for substantial completion by May 2020. Relocation of the M-NCPPC Headquarters and relevant County agencies is expected to be completed by fall 2020.
- Continue funding to leverage State resources for the retention and expansion of the global headquarters of Marriott International Inc. in Montgomery County.
- Continue funding for planning, design and public infrastructure associated with the redevelopment of the White Oak Science Gateway Master Plan.
- Continue funding for plans, studies, analysis, and development coordination activities by the County necessary to implement redevelopment in the White Flint Sector Plan Area.

WHEATON REDEVELOPMENT

The Wheaton Redevelopment Program capital investment objectives are to aid in the redevelopment and revitalization of the downtown Central Business District by providing, in partnership with private development interests: infrastructure improvements designed to support private development; strategic acquisition of local properties to provide better linkages; public amenities and facilities at redevelopment sites; green space/public activity and/or entertainment space; public parking to support increased development activity; infrastructure improvements, such as unified public streetscape; and facade and other enhancements to deteriorating building structures.

Program Contacts

Contact Jose Thommana of the Department of Transportation at 240.777.8732 or Pofen Salem of the Office of Management and Budget at 240.777.2773 for more information regarding this capital budget project.

CAPITAL PROGRAM REVIEW

One ongoing project recommended for FY21-26 is the Wheaton Redevelopment Program, which provides funding to support public/private development projects, including private commercial development, a new headquarters for the Maryland-National Capital Park and Planning Commission (M-NCPPC), offices for the Wheaton Regional Services Center and other County agencies, a town square, and public parking. The building will have a geothermal heating and cooling system which is likely to result in LEED Platinum certification for the office building. The FY21-26 total cost of funding for the Wheaton Redevelopment Program remains at \$179.32 million.

Construction started in June 2017. The project is on-schedule and expects a substantial completion date of May 2020. This project is critical to the County's economic development goals and the long-term economic vitality of Wheaton.

WHITE FLINT REDEVELOPMENT

In 2010, the Montgomery County Council approved the new White Flint Sector Plan. The Plan establishes a vision for transforming what has been an auto-oriented suburban development pattern into a denser, mixed-use "urban" center in which people can walk to work, shops, and transit. The Plan also calls for a financing mechanism that would generate significant revenues from properties and developments within the Sector Plan Area. The County Council further defined this financing mechanism in Bill 50-10, which establishes a White Flint Special Taxing District.

In addition to the financing implementation, specialized services are required for the complex land assemblage and disposition actions associated with the implementation of Stage I. Staff time and services are required to manage and coordinate efforts to develop detailed staging plans, to assess opportunities to maximize property dedications, and to negotiate property dedications to avoid or minimize acquisition costs.

Program Contacts

Contact Pete Fosselman of the Office of the County Executive at 240.777.8416, or Alison Dollar of the Office of Management and Budget at 240.777.2769 for more information regarding this capital budget project.

Capital Program Review

One ongoing project recommended for FY21-26 is the White Flint Redevelopment Program, which provides for the plans, studies, analysis, and development coordination activities by the County necessary to implement redevelopment in the White Flint Sector Plan Area. The total FY21-26 funding for this project is \$1.16 million.

Related and complementary projects, White Flint District East: Transportation, White Flint District West: Transportation, and White Flint West Workaround, are described in the Transportation section.

WHITE OAK SCIENCE GATEWAY REDEVELOPMENT

In 2014, the Montgomery County Council approved the new White Oak Science Gateway Master Plan. The Plan establishes a vision for transforming what has been an industrial area into a denser, mixed-use commercial and residential center in which people can walk to work, shops, and transit. The County's initiative includes using both County-owned property (Site II) and privately-owned property as a public-private partnership, and leveraging existing relationships with the adjacent Food and Drug Administration (FDA) campus to advance development activities in the Master Plan.

Specialized services are required for the complex land assemblage and disposition actions associated with implementation of development requirements. Staff time and services are required to manage and coordinate efforts to develop detailed plans, manage demolition and clean-up activities, design infrastructure, and to negotiate transactions with the development partner. This project includes funds to assist with the construction of master-planned roads (A-105, B-5, and improvements to FDA Boulevard), the demolition of existing structures and site clearing activities, and the staff time to coordinate all these activities.

Program Contacts

Contact Pete Fosselman of the Office of County Executive at 240.777.8416, Greg Ossont of the Department of General Services at 240.777.6192, or Alison Dollar of the Office of Management and Budget at 240.777.2769, for more information regarding this capital budget project.

CAPITAL PROGRAM REVIEW

One ongoing project recommended for FY21-26 is the White Oak Science Gateway Redevelopment Project, which provides for public infrastructure as well as the plans, studies, analysis, and development coordination activities by the County necessary to implement redevelopment in the White Oak Science Gateway Master Plan Area. The FY21-26 total cost of funding for this project is \$41.6 million.

A related and complementary ongoing project, the White Oak Local Area Transportation Improvement Program is described in the Transportation section on the Office of Management and Budget's website <https://apps.montgomerycountymd.gov/BASISCAPITAL/Common/Project.aspx?ID=P501540&CID=3&SCID=9>

BUSINESS DEVELOPMENT

The Business Development Capital Program is administered by the Office of the County Executive. The objectives of this program are to:

- Provide attractive, well-coordinated improvements for key industry sectors; and
- Expand the educational and research resources available for Montgomery County residents, employers, and workforce.

Program Contacts

Contact Tina Benjamin of the Office of the County Executive at 240.777.2006 or Pofen Salem of the Office of Management and Budget at 240.777.2773 for more information regarding this capital budget project.

Capital Program Review

One ongoing project recommended for FY21-26 is the Marriott International Headquarters and Hotel Project, which provides funding for the retention of Marriott International, Inc.'s new \$500 million headquarters facility in Montgomery County. The County's commitment leverages State funding to retain and expand the global headquarters of Marriott International, Inc. in the County to construct a new 700,000 square feet Class A office building and a new hotel in the downtown Bethesda area. The County's investment will not only be recouped directly from the incremental real and personal property tax generated from the project, but also above and beyond direct and indirect economic impacts that Marriott International, Inc. creates in the State of Maryland.

In FY21, a \$5.5 million payment will be disbursed to continue support local business growth.



Marriott International Headquarters and Hotel Project (P361703)

Category
SubCategory
Planning Area

General Government
Economic Development
Bethesda-Chevy Chase and Vicinity

Date Last Modified
Administering Agency
Status

01/07/20
County Executive
Planning Stage

Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
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EXPENDITURE SCHEDULE (\$000s)

Other	22,000	5,500	5,500	11,000	5,500	5,500	-	-	-	-
TOTAL EXPENDITURES	22,000	5,500	5,500	11,000	5,500	5,500	-	-	-	-

FUNDING SCHEDULE (\$000s)

Current Revenue: Economic Development Fund	11,000	-	-	11,000	5,500	5,500	-	-	-	-
Recordation Tax Premium (MCG)	11,000	5,500	5,500	-	-	-	-	-	-	-
TOTAL FUNDING SOURCES	22,000	5,500	5,500	11,000	5,500	5,500	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 21 Request	5,500	Year First Appropriation	
Appropriation FY 22 Request	5,500	Last FY's Cost Estimate	22,000
Cumulative Appropriation	11,000		
Expenditure / Encumbrances	5,500		
Unencumbered Balance	5,500		

PROJECT DESCRIPTION

This grant provides for the retention of Marriott International, Inc.'s new \$500 million headquarters facility in Montgomery County. The facility will be approximately 700,000 square feet in size and include an adjacent Marriott brand hotel. The headquarters building will house upwards of 3,250 permanent full-time employees and equivalent contract workers, as well as 250 part-time workers and equivalent contract workers.

LOCATION

7730 Wisconsin Avenue, Bethesda, Maryland

ESTIMATED SCHEDULE

Facility to be delivered in late 2022.

PROJECT JUSTIFICATION

The County and the State have a unique economic development opportunity to retain the global headquarters of Marriott International, Inc. (currently ranked 221 on the Fortune 500 Company list) and its 3,500 employees in the County, and to also induce approximately \$500 million in capital investment from the project to construct a new 700,000 square feet Class A office building and a new hotel in the downtown Bethesda area. The grant made to Marriott International, Inc., will be recouped directly from the incremental real and personal property tax generated from the project in less than seven years, above and beyond the \$1.2 billion in direct and indirect economic impacts that Marriott International, Inc. creates in the State of Maryland.

FISCAL NOTE

The State of Maryland will contribute \$22 million towards this project. The State's contribution will be made directly to Marriott International, Inc. The terms of the Marriott agreement required appropriation of \$11 million in FY17. Annual payments began in FY19. Currently, the funding sources are assumed to be Recordation Tax Premium and the Economic Development Fund. The source of funds may be revised in the future.

COORDINATION

Department of Transportation, Department of Permitting Services, Department of Finance, Maryland Department of Commerce, and Maryland State Highway Administration



White Flint Redevelopment Program (P151200)

Category	General Government	Date Last Modified	01/07/20
SubCategory	Economic Development	Administering Agency	County Executive
Planning Area	North Bethesda-Garrett Park	Status	Planning Stage

Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
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EXPENDITURE SCHEDULE (\$000s)

Planning, Design and Supervision	4,376	2,767	450	1,159	342	229	147	147	147	147	-
Land	204	204	-	-	-	-	-	-	-	-	-
Other	78	78	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	4,658	3,049	450	1,159	342	229	147	147	147	147	-

FUNDING SCHEDULE (\$000s)

White Flint Special Tax District	4,658	3,049	450	1,159	342	229	147	147	147	147	-
TOTAL FUNDING SOURCES	4,658	3,049	450	1,159	342	229	147	147	147	147	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 21 Request	(474)	Year First Appropriation	FY09
Appropriation FY 22 Request	229	Last FY's Cost Estimate	6,459
Cumulative Appropriation	4,315		
Expenditure / Encumbrances	3,075		
Unencumbered Balance	1,240		

PROJECT DESCRIPTION

This program provides for the plans, studies, analysis, and development coordination activities by the County necessary to implement redevelopment in the White Flint Sector Plan Area. Specialized services as detailed in the "Project Justification" section below are required to implement the extensive public infrastructure requirements called for in the Sector Plan, and for the implementation of the specified public financing mechanism and related requirements for infrastructure funding. This program also provides for certain land acquisitions necessary to support Transit-Oriented Development (TOD) activities in the White Flint Sector Plan Area.

COST CHANGE

Cost change reflects updated staff charges and the addition of FY25 and FY26 to this project.

PROJECT JUSTIFICATION

In the spring of 2010, the Montgomery County Council approved the new White Flint Sector Plan, which covers a 430 acre area. The Plan establishes a vision for transforming what has long been an auto-oriented suburban development pattern into a denser, mixed-used 'urban' center in which people can walk to work, shops and transit. An expanded street grid and other infrastructure improvements will create walkable blocks containing residences, retail, offices and local services. The Plan also calls for a financing mechanism that would generate significant revenues from properties and developments within the Sector Plan Area. The County Council further defined this financing mechanism in Bill 50-10, which established a White Flint Special Taxing District, authorized the levy of a property tax and the issuance of bonds to finance transportation infrastructure improvements, and stated conditions for the loaning or advancing of County funds to the District. In Resolution No. 16-1570, the Council adopted an implementation strategy which required the Executive to carry out a feasibility or other study to assess whether debt repayment will require a district tax rate that exceeds certain policy goals, and called for the forward funding or advance funding of specified items in order to promptly implement the Sector Plan. In addition to the financing implementation, specialized services are required related to the complex land assemblage and disposition actions necessary to implement the new street grid and for the reconfiguration of Executive Boulevard/Old Georgetown Road associated with implementation of Stage 1. Staff time and services are required to manage and coordinate efforts to develop detailed staging plans, to assess opportunities to maximize property dedications, and to negotiate property dedications to avoid or minimize acquisition costs. Necessary services will include appraisals, legal services, title services and consultants versed in land assemblage. The County is also currently implementing roadway improvements through the Conference Center site, which is a County asset. Special requirements related to the Conference Center include negotiations with the private hotel owner as well as the Hotel and Conference Center management firm, and the provision of interim and permanent parking related to the impacts of road rights of way that traverse the site and will reduce the number of parking spaces available to patrons.

FISCAL NOTE

The funding source for this project is White Flint Special Taxing District tax revenues.

COORDINATION

Office of the County Executive, Department of Finance, Department of Transportation, Revenue Authority, Maryland Department of Transportation (MDOT), Maryland State Highway Administration (SHA), and Developers



White Oak Science Gateway Redevelopment Project

(P361701)

Category	General Government	Date Last Modified	03/06/20
SubCategory	Economic Development	Administering Agency	General Services
Planning Area	Colesville-White Oak and Vicinity	Status	Ongoing

EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Planning, Design and Supervision	1,921	921	200	800	200	200	200	200	-	-	-
Site Improvements and Utilities	5,779	3,089	2,690	-	-	-	-	-	-	-	-
Construction	40,000	-	-	40,000	800	2,500	8,000	10,000	6,200	12,500	-
Other	260	12	248	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	47,960	4,022	3,138	40,800	1,000	2,700	8,200	10,200	6,200	12,500	-

FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Current Revenue: General	160	-	160	-	-	-	-	-	-	-	-
G.O. Bonds	44,610	832	2,978	40,800	1,000	2,700	8,200	10,200	6,200	12,500	-
PAYGO	3,190	3,190	-	-	-	-	-	-	-	-	-
TOTAL FUNDING SOURCES	47,960	4,022	3,138	40,800	1,000	2,700	8,200	10,200	6,200	12,500	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 21 Approp. Request	(600)	Year First Appropriation	FY17
Appropriation FY 22 Approp. Request	-	Last FY's Cost Estimate	48,960
Cumulative Appropriation	48,560		
Expenditure / Encumbrances	5,429		
Unencumbered Balance	43,131		

PROJECT DESCRIPTION

This program provides for the planning and development coordination activities by the County necessary to implement the redevelopment of the 110-acre previously County-owned parcel on Industrial Parkway in White Oak (Site II). The site will be redeveloped in conjunction with the adjacent 170-acre parcel in a public-private partnership as one, comprehensive and coordinated 280-acre bioscience-focused mixed-use community per the approved White Oak Science Gateway (WOSG) Master Plan. The project includes \$40 million to assist with the funding needed to construct master-planned roads A-106, B-5 and improvements to FDA Boulevard. Additionally, funds for demolition of existing structures and site clearing activities, as well as costs for County staff to coordinate multiple activities, are included in the project.

LOCATION

Silver Spring, Maryland

ESTIMATED SCHEDULE

The County completed demolition of the existing structures and site clearing activities. The County's development partner presented a development schedule to Council in July 2019.

COST CHANGE

Cost decrease due the transfer of County staff costs for coordination activities to the operating budget and demolition cost savings.

PROJECT JUSTIFICATION

In 2014, the Montgomery County Council approved the new White Oak Science Gateway Master Plan. The Plan establishes a vision for transforming what has been an industrial area into a denser, mixed-use commercial and residential center in which people can walk to work, shops, and transit. The County's initiative includes using both previously County-owned property (Site II) and privately-owned property as a public-private partnership and leveraging existing relationships with the adjacent Food and Drug Administration (FDA) campus to advance development activities in the Master Plan. Specialized services are required for the complex land assemblage and disposition actions associated with implementation of Stage I development requirements. Staff time and services are required to manage and coordinate efforts to develop detailed staging plans, manage demolition and clean-up activities, design infrastructure, and to negotiate transactions with development partners. The proposed 280-acre development is large-scale, long-term and transformational. It will be a catalyst for desired revitalization and redevelopment in the White Oak sector area and elsewhere in the Eastern portion of Montgomery County. The project will create job opportunities throughout White Oak and the Eastern portion of Montgomery County and will expand the tax base.

FISCAL NOTE

In FY17, a supplemental appropriation for \$47.2M in G.O. Bonds was approved for this project. Project schedule has been adjusted to reflect implementation schedule.

COORDINATION

Department of Transportation, Department of Finance, Office of Management and Budget, Department of Housing and Community Affairs, Department of Permitting Services, Maryland Department of the Environment, and M-NCPPC



Life Sciences and Technology Centers

(P789057)

Category	General Government	Date Last Modified	03/10/20
SubCategory	Economic Development	Administering Agency	General Services
Planning Area	Countywide	Status	Ongoing

EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Planning, Design and Supervision	1,821	1,721	-	100	100	-	-	-	-	-	-
Land	39	39	-	-	-	-	-	-	-	-	-
Site Improvements and Utilities	73	73	-	-	-	-	-	-	-	-	-
Construction	909	175	234	500	500	-	-	-	-	-	-
Other	28	12	16	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	2,870	2,020	250	600	600	-	-	-	-	-	-

FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Current Revenue: General	1,600	1,556	44	-	-	-	-	-	-	-	-
G.O. Bonds	616	410	206	-	-	-	-	-	-	-	-
PAYGO	54	54	-	-	-	-	-	-	-	-	-
Recordation Tax Premium (MCG)	600	-	-	600	600	-	-	-	-	-	-
TOTAL FUNDING SOURCES	2,870	2,020	250	600	600	-	-	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 21 Approp. Request	600	Year First Appropriation	FY90
Appropriation FY 22 Approp. Request	-	Last FY's Cost Estimate	2,270
Cumulative Appropriation	2,270		
Expenditure / Encumbrances	2,270		
Unencumbered Balance	-		

PROJECT DESCRIPTION

This project has supported a myriad of enhancements related to the County's life sciences and entrepreneurial climate. This project originally provided funds to design and construct the public amenities at the Shady Grove Life Sciences Center. The project has supported the development and land use plans for the Germantown Life Sciences Park (GLSP) and the Site II development. Additionally, the project has supported the development of the Germantown and Rockville business incubators and upgrades to the Silver Spring incubator. Specific tasks included feasibility studies, due diligence, refining Programs of Requirements (PORs), design and construction. Additions to the original project scope included: revised development and subdivision plans to increase site density (FY00); sub-division plans for prospective Life Sciences and Technology Centers (FY03); planning for the Rockville incubator (FY07);

and the pursuit of all needed steps for Site II to be accepted into the Maryland Voluntary Clean-Up Program (FY11). This project may also be used for incubator renovations, the preliminary development of other incubators, tech parks, or other economic development capital projects should future new opportunities become available. In FY21, this project will provide funds for the conversion of excess office space into wet labs in the lab corridor of the Germantown Innovation Center.

ESTIMATED SCHEDULE

The project will be completed by June 30, 2021, including formal cost estimates, design, construction and all tasks necessary to renovate the Germantown Innovation Center through the creation of additional wet lab space.

COST CHANGE

The project costs are adjusted to fund additional wet lab space in the Germantown Innovation Center.

PROJECT JUSTIFICATION

For the past two years the Germantown Innovation Center has had excess office space and insufficient lab space to meet the demand of small life science companies. The labs are routinely at 100% occupancy while the office space is routinely 28-44% vacant. Generally each lab company also occupies office space. By increasing the number of available wet labs the incubator can serve more emerging life science companies by providing both lab and office space, thereby reducing the current office space vacancy.

OTHER

The original component of the CIP project, the construction of all required amenities and improvements to meet M-NCPPC's subdivision requirement for the SGLSC property, is complete. The Rockville Innovation Center and the Germantown Innovation Center have been open for business. Site II was accepted into the Maryland Voluntary Clean-Up Program and has been conveyed to Percontee. The Silver Spring Innovation Center has been renovated.

COORDINATION

State of Maryland, TEDCO, Maryland Department of Public Works and Transportation - Division of Capital Development, the Maryland-National Capital Park and Planning Commission, and tenants of the Germantown Innovation Center. Facility Planning: Montgomery County Government, Montgomery College, the Washington Suburban Sanitary Commission (WSSC), and private developers.



Wheaton Redevelopment Program

(P150401)

Category	General Government	Date Last Modified	01/07/20
SubCategory	Economic Development	Administering Agency	Transportation
Planning Area	Kensington-Wheaton	Status	Under Construction

EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Planning, Design and Supervision	33,665	21,819	8,759	3,087	3,087	-	-	-	-	-	-
Land	1,011	1,011	-	-	-	-	-	-	-	-	-
Site Improvements and Utilities	1,477	1,477	-	-	-	-	-	-	-	-	-
Construction	134,888	74,278	57,610	3,000	3,000	-	-	-	-	-	-
Other	8,287	519	7,768	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	179,328	99,104	74,137	6,087	6,087	-	-	-	-	-	-

FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY19	Est FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Contributions	862	-	862	-	-	-	-	-	-	-	-
Current Revenue: General	1,212	750	462	-	-	-	-	-	-	-	-
Current Revenue: Permitting Services	20,991	20,991	-	-	-	-	-	-	-	-	-
Current Revenue: Solid Waste Disposal	8,876	8,287	589	-	-	-	-	-	-	-	-
Federal Aid	418	417	1	-	-	-	-	-	-	-	-
G.O. Bonds	74,413	52,821	20,895	697	697	-	-	-	-	-	-
Land Sale	16,900	-	15,000	1,900	1,900	-	-	-	-	-	-
Long-Term Financing	39,818	-	36,328	3,490	3,490	-	-	-	-	-	-
PAYGO	15,088	15,088	-	-	-	-	-	-	-	-	-
State Aid	750	750	-	-	-	-	-	-	-	-	-
TOTAL FUNDING SOURCES	179,328	99,104	74,137	6,087	6,087	-	-	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 21 Request	-	Year First Appropriation	FY04
Appropriation FY 22 Request	-	Last FY's Cost Estimate	179,328
Cumulative Appropriation	179,328		
Expenditure / Encumbrances	170,186		
Unencumbered Balance	9,142		

PROJECT DESCRIPTION

This project provides for the planning, studies, design, and construction of an office building, public parking garage, and a town square on the site of Parking Lot 13 and the Mid-County Regional Services Center (RSC) in Wheaton. The project components include 1) an approximately 308,100 square feet (s.f.) office building to be owned by the Maryland-National Capital Park and Planning Commission (M-NCPPC); 2) an approximately 400 space underground public parking garage to be delivered to the Wheaton Parking Lot District (PLD); and 3) a town square located on Lot 13 and the current RSC site. The new headquarters for M-NCPPC will occupy approximately 132,000 s.f. of the building, including space for a child care facility. The remainder of the building space will be used by the County for office and retail under a long-term lease agreement. The County intends to use its space for nearly 12,000 s.f. of street front retail space and move offices of the RSC, Wheaton Urban District, Department of Environmental Protection (DEP), Department of Permitting Services (DPS), Department of Recreation, the Community Use of Public Facilities (CUPF), and Environmental Health Regulatory Services in the Department of Health and Human Services (DHHS) to this building. The building will have a geothermal heating and cooling system which is likely to result in LEED Platinum certification for the office building. After the building is delivered to M-NCPPC, the Commission will transfer the ownership of the parcels at 8787 Georgia Avenue in Silver Spring and 11200 Amherst Avenue in Wheaton to the County. The County will then transfer 8787 Georgia Avenue to the developer who will develop a privately financed mixed-use project on the site. The delivery will include air rights above the land over the parking garage for the space comprising the office building and over that portion of the land located between the building and Reddie Drive. The Town Square will be maintained and programmed by the RSC for community benefit. Publicly available WiFi will be among those community benefits. The obligations and relationship between County Government and M-NCPPC for the project are reflected in a Memorandum of Understanding dated May 31, 2013 and will be explicitly set forth in the Binding Agreements between the parties. This PDF also includes \$650,000 for consulting services to provide 1) a comprehensive parking study to identify potential redevelopment disruptions to the public parking supply and any related impacts of existing businesses and to identify potential mitigation options; 2) planning studies to review potential models and approaches to creating local jobs and job training opportunities prior to and during redevelopment, including relevant case examples in Montgomery County as well as innovative models from other local and national jurisdictions; and 3) a business assessment study to determine the number of businesses and the magnitude of the impact. The business assessment study is needed to support Council Bill 6-12 for the establishment of service provision and technical assistance to those small businesses adversely impacted by a County redevelopment project.

LOCATION

Montgomery County Public Parking Lot 13, between Grandview Avenue and Triangle Lane; the RSC site on Reddie Drive, Wheaton; 8787 Georgia Avenue, Silver Spring, Maryland; and Veterans Urban Park at 11200 Amherst Avenue, Wheaton, Maryland

ESTIMATED SCHEDULE

The project design started in July 2014 and construction began in June 2017. Demolition of the RSC site began in February 2018. The Town Square and the substantial completion of the office building are scheduled to be completed by late Spring 2020. Close-out activities are expected to be implemented in the beginning of FY21.

PROJECT JUSTIFICATION

The Wheaton Redevelopment Program was established in 2000 with the goal of encouraging private reinvestment through targeted, complementary public investment. The complementary public investment that Wheaton most needs is investment in creating a centrally located public space and a daytime population that together will contribute to an 18-hour economy in downtown Wheaton. It is expected that this public investment will leverage private investment, some of which is already occurring in Wheaton. Plans & Studies: Wheaton CBD and Vicinity Sector Plan (2011), State of Maryland designation as a Smart Growth and TOD site (2010), Urban Land Institute Technical Assistance Panel (2009), the International Downtown Association Advisory report (2008), Wheaton's

Public Safety Audit (2004), the Wheaton Redevelopment Advisory Committee visioning process for the Wheaton core; National Mainstreet Center Planning Study (2000), and WRAC activities since established in 2000.

FISCAL NOTE

Minor project funding includes: 1) \$418,000 FY09 Federal grant, funded through the SAFETEA-LU transportation act; 2) A developer contribution of \$861,940 from M-NCPPC Public Use Space and Amenity Fund (November 5, 2010 Planning Board Resolution, 10-149, Site Plan 820110010); and 3) \$350,000 FY14 and FY15 State aid to support facade improvements and a pilot solar-powered trash compactor program. State aid reflects actual spending and reimbursements. Non-tax supported long-term financing and PAYGO will be used to finance the costs for DEP, DPS and CUPF facility space. All land sale proceeds after taxes from the sale of the M-NCPPC Headquarters property in Silver Spring must be used to finance the project costs. Total project costs include \$8,930,000 for streetscape and facade work funded through FY12. The residential development on Lot 13 will not be funded in this PDF. Expenditure and funding schedules are adjusted to align with construction of the office building and to reflect updated space allocations. The original terms of the development agreement with the private development partner assumed the private developer would build a residential development in Lot 13. The developer subsequently notified the County that they do not intend to move forward with the Lot 13 project.

DISCLOSURES

A pedestrian impact analysis has been completed for this project. The County Executive asserts that this project conforms to the requirement of relevant local plans, as required by the Maryland Economic Growth, Resource Protection and Planning Act.



MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

April 19, 2020

TO: Marc Elrich, County Executive

FROM: Planning, Housing, and Economic Development (PHED) Committee
Hans Riemer, Chair
Andrew Friedson, Councilmember
Will Jawando, Councilmember

SUBJECT: FY21-26 Capital Improvements Program (CIP) – White Oak Redevelopment Program,
White Oak Coordinator


The PHED Committee requests that you consider shifting expenditures out of the White Oak Redevelopment Program CIP project (the “Project”) to the appropriate budget in the FY21 Operating Budget. The Project focuses on the development of the former industrial site in White Oak (Site II). The coordinator’s 0.5 FTE focus in White Oak does not focus on Site II’s redevelopment; rather, the position’s efforts are broader.

The current funding source is Current Revenue – General Fund, so this shift will not require additional resources. The committee, however, believes that funding this position in the operating budget will better align the position with the County’s overall efforts in White Oak and is more appropriate in the operating budget. We defer to your administration the best location for this 0.5 FTE in the operating budget.

The PHED Committee urges you to consider our request as you review and recommend the FY21 Operating Budget. We thank you for your attention to this important matter.

April 16, 2020

TO: Government Operations and Fiscal Policy (GO) Committee
Planning, Housing, and Economic Development (PHED) Committee

FROM: Gene Smith, Legislative Analyst 

SUBJECT: Wheaton Redevelopment Program and Affordable Housing Contribution

The GO and PHED Committees were scheduled to review the Executive's recommended Project Description Form (PDF) for the Wheaton Redevelopment Program (the "Project") on February 27, 2020. At Council staff's recommendation, the review was postponed due to an accounting issue that was not reported by Office of Management and Budget staff prior to the release of the staff report for that meeting. **The accounting issue does not impact the total cost or timetable of project delivery.**

The accounting issue and possible solutions are detailed below. Since one option requires that the Council consider an amendment to the County Code, Council staff is providing this information prior to the Council worksession for the committees' review. Should the committees indicate a preferred direction, the Council staff report for the Council will specify the committees' recommendation for the Project.

I. Summary of Accounting Issue and Solutions

Accounting Issue. The Project currently does not transfer \$4.25 million from land sale proceeds to the Housing Initiative Fund (HIF) as required by §11B-45(f) of the County Code which states, "*Notwithstanding any law to the contrary but subject to any applicable bond covenants, 25 percent of the proceeds from the sale of real property owned by the County must be transferred to the Montgomery Housing Initiative Fund to promote a broad range of housing opportunities in the County.*" Executive staff suggested that the Council could waive this requirement within the budget resolution when it adopts the Capital Budget in June based on prior case law.

Council staff does not believe the Council should waive this requirement in the adoption of a budget resolution. Council staff believes waiving the requirement in a budget resolution is less clear and transparent to the public. In addition, the Council did not indicate during the disposition process that it wanted to waive this requirement. Below are two solutions to address this accounting issue.

Possible Solutions.

- 1) **Choose not to waive the HIF transfer requirement by reducing \$4.25 million from the land sale proceeds in the Project.** If preferred, the Council must replace these resources with \$4.25 million in General Obligation (G.O.) bonds in the Project. This action would add \$4.25 million in resources to the HIF and decrease the unprogrammed G.O. bond pool by \$4.25 million. There is approximately \$10.5 million in unprogrammed G.O. bonds for FY21.
- 2) **Choose to waive the HIF transfer requirement for this Project by amending the County Code with targeted language allowing the Council to do this in a separate resolution.**

This would require introduction and adoption of a bill before June, but it would not require any change to the Project. This action would not add resources to the HIF but maintain the unprogrammed G.O. bond pool for other projects.

II. Background on the Accounting Issue

The Project provides for the planning, studies, design, and construction of an office building, public parking garage, and a town square in Wheaton. The new office building will be owned by the Maryland-National Capital Park and Planning Commission (M-NCPPC) and will also include several County departments and divisions.

One source of funding for the Project is the land sale proceeds from 8787 Georgia Avenue, the soon-to-be-former site of the M-NCPPC headquarters in Silver Spring (the “Site”). Through the negotiations with the County, developer, and M-NCPPC, the County assumed control of the Site to hold until a turnkey office building was completed and delivered by the developer in Wheaton. Upon meeting this condition, the County would sell the Site to the developer for \$17.0 million.

Section 11B-45 of the County Code stipulates when and how County-owned land may be disposed below fair market value. Included in this section of the County Code is a requirement that 25% of all land sale proceeds from County-owned land must be transferred to the HIF. There are two conditions that exclude this requirement: 1) any real property in an area designated as an Urban Renewal Area¹; or 2) the Executive may waive this requirement from any proceeds that the County uses for a related purchase of real property. **The Site does not meet either of these requirements because: 1) it is not in an Urban Renewal Area; and 2) the County is not purchasing real property in Wheaton.**

The Site is owned by the County; therefore, the County must dispose of it as required by §11B-45. Accordingly, the Council approved the disposition of the Site on July 22, 2014.² **There is no record of the Council considering or waiving the requirement in §11B-45(f) from the disposition discussion and action.** One reason for the Council’s silence is likely because the original project included construction of affordable housing adjacent to new building in Wheaton. This additional development is no longer planned; therefore, the Council should consider and determine whether it wants to meet the HIF transfer requirements or not for the disposition of the Site.

III. Solutions to Address the Accounting Issue

A. Choose Not to Waive the HIF Transfer by Amending the Project

The Council may prefer not to waive the HIF transfer, but it must reduce the resources available to the project from land sale proceeds by the 25% requirement. This totals \$4.25 million (25% of \$17.0 million). **This action meets the Council requirements in §11B-45(f) by adding \$4.25 million to the HIF.**

¹ The County has not designated areas using this definition for many years.

² https://apps.montgomerycountymd.gov/cellims/DownloadFilePage?FileName=7657_1_5908_Resolution_17-1173_Adopted_20140722.pdf.

The project is near completion; therefore, there is limited opportunity for savings currently. **If the Council chooses to amend the Project by reducing the land sale proceed resources, it must replace the \$4.25 million from another source.** The only available source for this Project is G.O. bonds.

Each fiscal year in the Capital Improvements Program has a set aside for G.O. bonds. This set aside is used to address gaps in fiscal years when cost overruns occur or to allow the Council to program additional funding for emergencies. The current G.O. bond set aside for FY21 is \$10.5 million. **The Council decision to amend the PDF would reduce this set aside by about 40%.** Like all major projects, there is a possibility that some savings may be accrued following the Project's completion. The entire \$4.25 million may not be required, but the County will not be able to determine that until late-FY21.

B. Choose to Waive the HIF Transfer for this Project by Amending the County Code

The Council may prefer to waive the HIF transfer for this specific disposition. If so, Council staff recommends a targeted amendment to the real property disposition law that allows the Council an option to waive the transfer to the HIF by resolution under certain conditions. **This would retain \$4.25 million of land sale proceed resources in the Project, but it would not add any additional resources to the HIF.** This would also retain \$4.25 million in G.O. bond set aside for other projects. The proposed amendment is below.

Section 11B-45(f) is amended as follows:

- (1) Notwithstanding any law to the contrary but subject to any applicable bond covenants, 25 percent of the proceeds from the sale of real property owned by the County must be transferred to the Montgomery Housing Initiative Fund to promote a broad range of housing opportunities in the County.
- (2) This subsection does not apply to real property in an area designated under Chapter 56 as an urban renewal area.
- (3) In this subsection:
 - (A) "Proceeds" means the sale price of the real property, minus expenses the County incurs from the sale.
 - (B) "Real property" includes the right to develop the space above real property ("air rights").
- (4) The County Executive may waive this subsection for the portion of any proceeds from a sale that the County uses for a related purchase of real property.
- (5) The Council may waive this subsection by resolution. Any resolution adopted must specify the alternative use for the funds that would have been transferred to the Montgomery Housing Initiative Fund under paragraph (1).

If the Council chooses this option, an expedited bill must be introduced, considered, and adopted prior to approval of the budget in June so a resolution may also be introduced and adopted with the budget.