



Maryland Department of Transportation
The Secretary's Office

Martin O'Malley
Governor

Anthony G. Brown
Lt. Governor

Beverley K. Swaim-Staley
Secretary

Darrell B. Mobley
Deputy Secretary

May 1, 2012

The Honorable Edward J. Kasemeyer
Chair, Budget and Taxation Committee
Maryland General Assembly
5205 East Drive, Suite H
Arbutus MD 21227

The Honorable Norman H. Conway
Chair, House Appropriations Committee
Maryland General Assembly
1312 Whittier Drive
Salisbury MD 21801-32141

RE: MMC#11-1060 - Former Levin, et al Property: Modal Property ID #62085
Related to White Flint Transit Oriented Development

Dear Chairmen:

As set forth in the 2008 Agreement between the Department of Legislative Services (DLS) and the Maryland Department of Transportation (MDOT), I am writing to provide you with supplemental information concerning a property disposition from MDOT to Montgomery County and the White Flint Transit Oriented Development (TOD). This item/transfer of property is scheduled to go before the Board of Public Works on June 6. Department of Legislative Services staff has a complete copy of the BPW package. As referenced in our February 29, 2012 correspondence, MDOT is committed to providing the committees with an opportunity to review and comment on transactions related to TODs.

The improvements associated with the current MDOT property may be the first project to move forward under a broader, locally-led TOD initiative - the White Flint Sector Plan. The MDOT and Montgomery County recently designated the White Flint area as a TOD, under Transportation Article §7-101 (m). The White Flint Sector Plan provides an excellent model for the redevelopment of transit proximate areas. This plan calls for redeveloping auto-oriented properties such as strip malls into more urbanized, pedestrian friendly places. This plan is also the result of collaboration among local planning staff, civic representatives, developers and government officials.

The plan includes strategies to increase the percentage of non-auto trips in the area (transit, bike, walk, rideshare) from 26 percent to 50 percent over three phases of the build-out of the sector plan. Part of the compensation from the proposed MDOT real estate transaction is directed to infrastructure investments that support the regional White Flint TOD.

Through the disposition of this excess State property, MDOT intends to meet the following objectives: receive adequate compensation for the State, leverage property in support of TOD and economic development, and ensure that the Maryland's role would be part of a partnership effort with the local government and private sector.

Relevant details of the proposed sale structure are as follows:

- The State will benefit from \$23.3 million in infrastructure investments and cash (greater than the State Highway Administration (SHA) approved appraisal for \$21.1 million). Additionally, the developer will purchase Rights-of-Way (ROW) and dedicate a portion back to the SHA at no cost (\$930,000 value). This protects ROW for future transportation improvements and enhances the purchase price, while providing density bonuses to the developer.
- The State's 3.8 acre property will be incorporated into a 24 acre, walkable, mixed-use development, known as the "Pike & Rose" project, under development by Federal Realty Investment Trust. This multi-phase project will include 1,500 residential units and 1.7 million square feet of commercial and retail space. A covenant will be placed on the property, requiring that it be used for TOD.
- To promote economic development, this project would place the State property onto tax rolls and help create jobs. Phase 1 of the Pike & Rose project will create 550 permanent Full Time Equivalent (FTE) jobs, 138 FTE temporary construction jobs, and \$1.1 billion in new tax revenue over 30 years (\$202 million Net Present Value). The developer intends to break ground this summer. The White Flint Sector Plan allows for 17.6 million square feet of development, which would generate \$6.9 billion in tax revenues over 30 years.
- Under this transaction, the State would contribute to a broader partnership effort to realize TOD. Under the approved local infrastructure plan, Montgomery County has funded \$99 million in projects and plans to appropriate \$285 million more. The developer and other area property owners are paying an additional property tax to provide financing for the improvements. Existing commercial property owners are subject to a special tax of \$.107 per \$100 of assessed value. Any commercial or multifamily properties built after the adoption of the sector plan will also be subject to the special tax. The special tax revenues will fund \$182 million in infrastructure improvements, including \$87 million to State highways. The County also required property owners to dedicate and/or reserve ROW for future improvements to State highways.

The Honorable Edward J. Kasemeyer
The Honorable Norman H. Conway
Page Three

The proposed transaction provides for a simultaneous closing – MDOT will sell to Montgomery County, which will sell to Federal Realty Investment Trust (FRIT). As required in Transportation Article §7-101 (m), the use is for a transportation purpose (TOD). Montgomery County will purchase the property under Transportation Article §8-309 (g), for \$2.2 million which is the statutorily required amount – SHA’s original purchase price plus simple interest. Montgomery County will immediately sell to Federal Realty Investment Trust for \$23.3 million. FRIT will dedicate ROW at no cost to the SHA. A covenant will be recorded with the deed, requiring the property to be used for TOD.

As part of the proposed transaction, \$21.1 million in proceeds from the sale of the State property would be directed to the construction of a parking garage at the North Bethesda Conference Center, which is necessary to construct a new road grid system in the White Flint area. This would create a pedestrian environment and relieve traffic congestion on MD 355. The \$21.1 million in net proceeds (the funds exceeding cost plus) will be placed in an escrow account with the stipulation that the funds must be programmed within five years for the garage or revert to MDOT. There is, however, an additional provision that would allow the State and County to agree in writing to another transportation use that supports the White Flint TOD plan if there is a problem with the garage.

The State’s interest in the garage at the conference center is associated with the State’s participation in the original development of the conference center through the Maryland Stadium Authority. Construction of Executive Boulevard extended will impact the timeline for the garage. The extension will traverse the surface parking lot, requiring that parking spaces be replaced. The road project is currently under design and is funded by the County for construction that will be undertaken between July 1, 2014 and June 30, 2016. Completion of the project is required before the sector plan can advance to Phase 2. The County would construct, operate and maintain the garage.

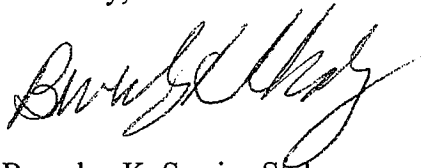
The entire transaction described in this letter will be implemented through two agreements: (1) an agreement between MDOT, FRIT and Montgomery County which establishes the simultaneous closing and requires the developer to record the TOD covenant and dedicate back ROW; and (2) an agreement between MDOT and Montgomery County that establishes how the funds will be utilized.

As indicated above, the agreement allows MDOT and the County to mutually agree on an extension or alternative uses for the funds that are consistent with the TOD development plan and serve a public purpose. MDOT will continue to update the budget committees on the use of these funds in our regular reports and will notify the budget committees if the funds are to be used for any infrastructure other than the planned conference center garage.

The Honorable Edward J. Kasemeyer
The Honorable Norman H. Conway
Page Four

Thank you for your consideration of this matter. Please contact Mr. Andrew J. Scott, Director, Office of Real Estate Director with any questions concerning this agreement at 410-865-1236 or by email to ascott@mdot.state.md.us. Of course, you should never hesitate to contact me directly.

Sincerely,



Beverley K. Swaim-Staley
Secretary

cc: Members, Legislative District 16
Mr. Warren Deschenaux, Director, Office of Policy Analysis, Department of
Legislative Services
Mr. Kevin Large, Governor's Board of Public Works Liaison, State of Maryland
Executive Department
Mr. Andrew J. Scott, Director, Office of Real Estate, Maryland Department
of Transportation