

# *PenMar Development Corporation*



## *Annual Activities Report & Audited Annual Financials*

*Fiscal Year Ending:  
June 30, 2013*

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*Dori J. Nipps*

*Executive Director*

# ***Board of Directors***

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**Sharon Disque-Vice Chairperson**

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**John Van Der Cruyssen**

## **Ex-Officio Board Members**

**Dominick Murray**

**Robert C. Brennan**

This report for Fiscal Year 2013 is submitted herewith, along with audited Financial Statements of the PenMar Development Corporation (PMDC) as required by Chapter 306, Acts of 2008, Code Economic Development, Article, sec. 11-520 of the *Annotated Code of the Public General Laws of Maryland*.

## ***Purpose***

The PenMar Development Corporation was established as a public instrumentality of the State in May 1997 (Chapter 737, Acts of 1997). Its purpose is to oversee the development for civilian uses of Fort Ritchie, a U.S. Army base which closed in 1998.

## ***Corporation Overview***

PenMar has five full-time and two part-time staff. Three full-time and two part-time staff are responsible for the maintenance of the buildings, roads, water plant and electric and water/sewer distribution systems. PenMar utilizes state prison inmates to assist with landscaping and maintenance of Fort Ritchie. One full-time staff acts as residential housing manager. The Executive Director oversees all operations. PenMar has David Rawle of the AG's Office for legal counsel.

In conjunction with Washington County government, an application was submitted to have the Fort Ritchie property and the rural village of Cascade designated as a Sustainable Community. In addition, various departments of state government are working with PenMar: DNR, MHT, DHCD, and DBED.

This past year has been one of cleaning up the property and making plans in preparation for redevelopment. We continue to be a hub for community activities such as bass fishing tournaments, heritage festivals, BBQ competitions, bicycle races, triathlon & duathlon races, Boy Scout camporees, an 8-week summer day camp, radio-controlled boat races on the lakes, American Legion activities, local church picnics, car shows, a Polar Plunge on New Year's Day, and a location for filming movies. We hope to schedule an outdoor music festival this summer and a wine festival in the near future.

The property is open to the public and we welcome people who want to walk their dogs, jog or sit by the lakes to enjoy the outdoors.



## *History*

Fort Ritchie began in 1926 as a brigade training area for the Maryland National Guard. Named to honor Governor Albert C. Ritchie, Camp Ritchie was activated in June 1942 as a Military Intelligence Training Center of the U.S. War Department. From 1945 to 1948, the post again was used as a training station for the Maryland National Guard. To support the Alternate Joint Communications Center in Pennsylvania, the U.S. Army acquired the Fort in 1948. Later, headquarters for the Communications Command Continental United States of the U.S. Army transferred from Alexandria, Virginia, to Fort Ritchie in 1971. The Fort ceased operating as a military installation on September 30, 1998.

In 1997, state legislation was passed creating PenMar Development Corporation (PMDC) to act as the Local Redevelopment Authority (LRA) for Fort Ritchie. Instead of redeveloping the property, PMDC sold the property to Corporate Office Properties Trust (COPT) in phases with the last phase transferring in 2007. During the time COPT was in possession of the property, there was a lawsuit against COPT, PMDC and the US Army. In November of 2009 the federal courts issued a stop work order on the project, therefore not allowing any development to occur. The lawsuit is no longer active with the withdrawal of COPT.

In April 2011, COPT took a \$28M impairment loss on the Fort Ritchie project. In October 2011, COPT stated they had lost interest in developing the property. COPT then told PMDC they planned on shuttering the property, putting a fence around the property and closing out all leases for the 200 plus people living on the property and the commercial leases by the fall of 2012. COPT did offer an alternative, and asked if PMDC would be interested in taking back the property. The PenMar Board of Directors believed they still had an obligation to create jobs and generate tax revenues and PMDC began negotiations with COPT. On January 10, 2012, a letter of intent was signed by both parties and the purchase and sales agreement was signed on February 13, 2012. After a 90-day due diligence period, PenMar, after consultation with Washington County government officials, the State of Maryland and U.S. elected officials, resumed ownership of the property on July 24, 2012.

The community has tired of the delays in redevelopment and appears to welcome PMDC once again as the owners of Fort Ritchie in the hope that something good is in store for the property and the community.

# ***Property Assets***

## **Fort Ritchie Community Center (FRCC)**

A 20,000 sq. ft. community center was constructed by COPT and PenMar which opened in September of 2008. It currently has 1,400 members and serves the community with various programs including an eight-week summer camp for children. The building is leased to FRCC, Inc., a non-profit organization.

## **Infrastructure**

- Property consists of 600 acres, 300 acres wooded and the other 300 in developable open land with buildings, 28 acres of parade ground and 20+ acres of lakes. COPT demolished 600,000 square feet of WWII buildings during their ownership.
- New \$5 million electric substation owned by Potomac Edison. Current capacity is 34.5-12.47 KV 21/28/35 MVA LTC transformer, with transmission coming from two separate grids. Expandable to four 34.5-12.47 KV. Redundant capabilities-currently not being utilized.
- State-licensed water plant with a potential average output of 270,000 gallons of potable water per day. Two reservoirs, one 300,000 gallons and the other 1,000,000 gallons. Water supplied by wells. Water is treated at the Fort Ritchie plant, which has a capability of treating 300,000 gallons per day. Fort Ritchie supplies water to Site C, a federal communication site, and provides water and sewer service to the Maryland National Guard building on Ritchie Road and Camp Louise, a camp located adjacent to Fort Ritchie.
- Waste water treatment is done by the adjacent Winebrenner Treatment Plant owned by Washington County. It is currently scheduled by the county for upgrades. Current EDUs are more than sufficient to treat water expected in the 2006 redevelopment plan by COPT.
- Rail access is adjacent to the property.
- Cell tower on the property is owned by PMDC and leased to Liberty Towers.
- All roadways are private. PMDC receives some snow removal assistance by Washington County.

## **Commercial-Buildings**

- Building 517-PX-30,000 sq. ft.
- Building 518-Commissary-41,000 sq. ft. (partially leased)
- Warehouse Building 837-28,000 sq. ft.
- Warehouse Building 839-5,200 sq. ft.

- SCIF (sensitive compartmented information facility) Office Buildings 607-9,800 sq. ft. and Building 152-26,000 sq. ft.
- Classroom Building 304-3,000 sq. ft.
- Storage Building 401-5,600 sq. ft.
- Event and Banquet Venue, Lakeside Hall-17,000 sq. ft.
- Chapel-5,000 sq. ft.-Leased in April 2013-New roof installed in January 2013.
- Office Building 504-Leased in April 2013
- Other buildings of varying sizes available for fit-out. Some of them gutted. Two of the buildings received new roofs in January 2013.

### **Residential Housing**

- 92% of the 96 duplex or townhome units available are leased.
- Approximately 200 people live at Fort Ritchie.



# ***Counselors of Real Estate Consulting Corps (CRE)***

PenMar engaged CRE to provide the following scope of work. A team of six real estate professionals began their work in August 2013 with a final report issued on October 16, 2013. The team hails from Colorado, Washington, DC, Florida, Tennessee, and Texas.

## **Project Scope**

In the wake of COPT's surrender of the property and abandonment of the development venture, PenMar Development Corporation's leadership realized a fresh look at the property was needed. CRE was asked to:

- assess whether PenMar's current organizational structure facilitates or hinders efforts to redevelop the property in light of current circumstances and challenges as well as its statutory mandate;
- clarify realistic and attainable economic development goals and objectives including the potential for a public-private partnership;
- delineate credible reuse options based on an assessment of the property's strengths, weaknesses, opportunities and threats (SWOT) to establish a new direction for the property;
- develop an attainable vision for the property together with plausible strategic options for its adaptive reuse and redevelopment;
- focus Pen Mar's efforts and resources in pursuit of the vision including assessment of the pros and cons of engaging a master developer; self-managing the development process in accordance with a master plan; or merely selling the property with covenants;
- prepare a Strategic Plan of Action to attain the vision including a road map outlining the sequence of appropriate action steps to successfully implement the strategic plan;
- develop clear criteria with which to screen, evaluate and prioritize promising opportunities as well as readily eliminate impracticable options including (if determined to be the appropriate course of action) the selection of a broker to market the property and the appropriate venue within which to conduct the property's sale.

Members of the CRE team continue to advise PenMar during the implementation of CRE's recommendations.

## ***Environmental Issues***

- The Army continues to monitor the contamination under the motor pool, with reports every 5 years on the progress of the sodium permanganate to reduce the degreaser which leached into the ground in the mechanic's pit.
- Unexploded ordnances have been cleared to four feet in open areas and to one foot in forested areas.
- The Army has a continuing obligation to investigate any areas not already cleared when buildings are demolished.