

STUDY PURPOSE

1. To analyze the feasibility of redeveloping the Glenmont Shopping center as envisioned in the Glenmont Sector Plan Vision.
2. To develop an implementation strategy that is realistic from a market and economic perspective.

STUDY PROCESS

W-ZHA estimated the cost to develop the Glenmont Town Center applying industry standards for the Washington, DC region. W-ZHA identified and analyzed existing residential and commercial projects in Glenmont and nearby areas to understand current market rents. Assumptions were made on supportable rents in the Glenmont Town Center given its competitive position in the marketplace. An investment yield analysis was conducted to determine development feasibility. The level of subsidy necessary to make the project feasible from the private investor’s perspective is presented as well as a description of various land assembly approaches.

DRAFT VISION FOR GLENMONT SHOPPING CENTER

The Glenmont Shopping Center is envisioned as Glenmont Town Center, a mixed-use, pedestrian-oriented hub. New transit-oriented development is envisioned that establishes a new image and identity for Glenmont. The Town Center will include retail, commercial and residential land uses. The preliminary development program has been defined by Montgomery County and is summarized in the table below.

Development Program Glenmont Town Center

	Sq Ft	Units	Parking	Spaces
Residential	1,121,190	1,108	1.05 / Unit	1,163
Retail	254,900		4.0 /1,000 sf	1,020
Office	169,900		1.1 /1,000 sf	184
Total Buildings	1,545,990			2,367

Town Square 1.25 Acres

Floor Area Ratio (Net of Town Square) 1.95

Source: Montgomery County

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The Vision includes three to five story buildings, some of which are single purpose (residential or office) and others that are mixed-use with retail on the ground floor and either office or residential above. The Town Center concept includes structured parking. A central “Town-Square” is an important feature of the Vision.

Glenmont Town Center Illustrative



GLENMONT SHOPPING CENTER EXISTING CONDITIONS

The Glenmont Shopping Center is a 196,381 square foot shopping center that occupies 19.45 acres of land. The Center includes a commercial strip portion that is approximately 112,220 square feet. Most of this portion of the shopping center was developed in the early 1960’s. There are out parcels that contain a Shopper’s Food Warehouse store (60,000 square feet), Country Boys (6,000 square feet), a McDonalds (3,400 square feet), a bank (2,880 square feet), and other uses. Most of the occupied out-parcel buildings were developed much later than the original strip center.

Glenmont Shopping Center consists of fifteen land parcels with twelve separate property owners¹. A significant challenge facing Glenmont Shopping Center’s redevelopment is its fragmented ownership.

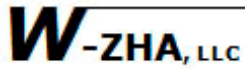
¹ “Georgia Avenue 12301 LLC” land is now owned by the State of Maryland.

Property Ownership Strip Center and Properties West



Property Ownership "Triangle Area"





According to County tax records, the assessed value of Glenmont Shopping Center is \$37.9 million or approximately \$2 million per acre.

REDEVELOPMENT FEASIBILITY

Redevelopment occurs when there is a higher and better use for a property. The private sector engages in redevelopment when projected net operating income from redevelopment is sufficient to pay for land acquisition and development and generates a sufficient investment return. W-ZHA tested the financial feasibility of the Glenmont Town Center Vision.

Development Cost

The following table summarizes development cost assumptions for the Vision's buildings and parking. The buildings assume stick-built construction. The parking is assumed to be above ground, structured parking.

Development Cost Assumptions: Buildings and Parking						
Glenmont Town Center						
Demolition	196,381	Sq Ft	*	\$4.00	Cost /Sq Ft	\$785,524
Residential	1,121,190	Sq Ft	*	\$155	Cost /Sq Ft =	\$173,784,524
Office	169,900	Sq Ft	*	\$120	Cost /Sq Ft =	\$20,388,000
Retail (cold & dark)	254,900	Sq Ft	*	\$100	Cost /Sq Ft =	\$25,490,000
Development Cost					=	\$219,662,524
Office/Retail Tenant Improvements	424,800	Sq Ft	*	\$40	Cost /Sq Ft =	\$16,992,000
Total Demo, Building, TI						\$237,440,048
Structured Parking	2,367	Spaces	*	\$20,000	Cost /Space =	\$47,340,000
Development Cost (Net of Land)						\$284,780,048

Source: RS Means; REIS; Developer Interviews; W-ZHA

f:\8000s, misc\80087 Glenmont\[Copy of numbers.xlsx]dev cost net town sq

The Vision calls for a central, "Town Square" of approximately 1.25 acres. There is no design for this space. For purposes of this analysis, a \$90 per land square foot development cost has been allocated for the Town Square space. This amounts to \$4.9 million



**Development Cost Assumptions: Town Square
Glenmont Town Center**

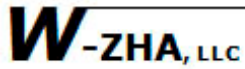
Town Square Land Area	54,450	Sq Ft	*	\$90	Cost /Sq Ft =	\$4,900,500
Development Cost (Buildings and Parking)						\$284,780,048
Total Cost (Net of Land)						\$289,680,548

Source: RS Means; REIS; Developer Interviews; W-ZHA
f:\8000s, misc\80087 Glenmont\[Copy of numbers.xlsx]town square

The estimated total cost to develop the Vision Plan is approximately \$290 million. This cost does not include the cost to acquire the property.

Residential Lease Rates

Current asking rents among apartment communities near Glenmont are summarized below. It is important to note that these apartment projects are not new and parking is free.



**Current Asking Rents
Glenmont Area Apartment Communities**

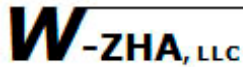
	Efficiency			
	Square Feet	Rent	Rent Per Sq Ft	Rent for ~ 850 SF
The Glen	na - na	na - na	na - na	na - na
Winexburg Manor	473 - 473	\$1,080 - \$1,155	\$2.28 - \$2.44	na - na
Oakfield Apartments	na - na	na - na	na - na	na - na
Glenmont Forest	368 - 368	1,019 - 1,109	\$2.77 - \$3.01	na - na
Privacy World ^{/1}	na - na	na - na	na - na	na - na
1-Bedroom				
	Square Feet	Rent	Rent Per Sq Ft	
The Glen	na - na	na - na	na - na	na - na
Winexburg Manor	630 - 949	\$1,216 - \$1,505	\$1.48 - \$2.13	\$1.57 - \$1.72
Oakfield Apartments	696 - 789	\$1,079 - \$1,115	\$1.37 - \$1.60	na - na
Glenmont Forest	542 - 708	\$1,168 - \$1,285	\$1.74 - \$2.25	na - na
Privacy World ^{/1}	741 - 859	\$1,335 - \$1,430	\$1.66 - \$1.90	\$1.66 -
2-Bedroom				
	Square Feet	Rent	Rent Per Sq Ft	
The Glen	1,115 - 1,144	\$1,816 - \$1,960	\$1.59 - \$1.74	na - na
Winexburg Manor	926 - 1,230	\$1,414 - \$1,850	\$1.27 - \$1.74	na - na
Oakfield Apartments	854 - 960	\$1,251 - \$1,326	\$1.30 - \$1.55	\$1.46 - \$1.55
Glenmont Forest	728 - 915	\$1,329 - \$1,533	\$1.62 - \$1.99	\$1.62 - \$1.76
Privacy World ^{/1}	938 - 1,053	\$1,490 - \$1,610	\$1.53 - \$1.59	na - na
3-Bedroom				
	Square Feet	Rent	Rent Per Sq Ft	
The Glen	1,128 - 1,308	\$1,863 - \$2,020	\$1.47 - \$1.73	na - na
Winexburg Manor	na - na	na - na	na - na	na - na
Oakfield Apartments	960 - 1,077	\$1,485 - \$1,517	\$1.38 - \$1.41	na - na
Glenmont Forest	960 - 1,085	\$1,644 - \$1,769	\$1.56 - \$1.84	na - na
Privacy World ^{/1}	na - na	\$1,950 - \$1,970	na - na	na - na

1. Unit square feet not quoted, but estimated given floorplans.

Source: W-ZHA

f:\8000s, misc\80087 Glenmont\[Copy of numbers.xlsx]existing glenmont

The two projects closest to the Glenmont Metro Station command the highest residential rents in Glenmont. Rent for an 850 square foot apartment ranged from \$1.46 to \$1.72 per square foot.



The following table summarizes the asking lease rates among new stick-built apartment projects in neighboring communities. Gaithersburg properties offer the first parking space free, the projects in Rockville (Twinbrook) and Wheaton charge for parking.

Current Asking Rents								
Stick-Built Apartment Complexes in Surrounding Communities								
		Efficiency						
Property	Location	Square Feet		Rent		Rent Per Sq Ft		
The Alaire ^{/1}	Twinbrook Station	na	- na	na	- na	na	- na	
Metro Pointe ^{/2}	Wheaton Station	560	586	\$1,275	\$1,300	\$2.22	\$2.28	
Archstone Wheaton ^{/3}	Wheaton	na	- na	na	- na	na	- na	
Archstone Gaithersburg ^{/4}	Gaithersburg Station	na	- na	na	- na	na	- na	
Highland Square ^{/5}	Gaithersburg	na	- na	na	- na	na	- na	
1-Bedroom								
Property	Location	Square Feet		Rent		Rent Per Sq Ft		Rent ~ 850 SF
The Alaire ^{/1}	Twinbrook Station	640	- 1,059	\$1,500	- \$2,035	\$1.82	- \$2.26	\$2.09
Metro Pointe ^{/2}	Wheaton Station	705	- 1121	\$1,350	- \$1,838	\$1.57	- \$2.34	\$1.95
Archstone Wheaton ^{/3}	Wheaton	693	1265	\$1,455	\$2,044	\$1.63	\$2.31	\$2.13
Archstone Gaithersburg ^{/4}	Gaithersburg Station	809	- 1,038	\$1,605	\$2,029	\$1.95	- \$2.14	\$1.97
Highland Square ^{/5}	Gaithersburg	677	- 1,087	\$1,395	\$1,965	\$1.78	- \$2.15	\$1.90
2-Bedroom								
Property	Location	Square Feet		Rent		Rent Per Sq Ft		
The Alaire ^{/1}	Twinbrook Station	1,031	- 1,245	\$1,935	- \$2,525	\$1.85	- \$2.12	
Metro Pointe ^{/2}	Wheaton Station	927	- 1,118	\$1,835	- \$1,985	\$1.72	- \$2.01	
Archstone Wheaton ^{/3}	Wheaton	911	2,511	\$1,933	\$2,415	\$1.76	\$1.91	
Archstone Gaithersburg ^{/4}	Gaithersburg Station	956	1,425	\$1,960	\$2,448	\$1.57	- \$1.89	
Highland Square ^{/5}	Gaithersburg	1,067	1,562	\$1,890	\$2,590	\$1.66	- \$1.82	
3-Bedroom								
Property	Location	Square Feet		Rent		Rent Per Sq Ft		
The Alaire ^{/1}	Twinbrook Station	1,128	- 1,308	\$1,658	- \$2,237	\$1.47	- \$1.71	
Metro Pointe ^{/2}	Wheaton Station	1,411	- 1,411	2,500	- 2,500	\$1.77	- \$1.77	
Archstone Wheaton ^{/3}	Wheaton	na	- na	na	- na	na	- na	
Archstone Gaithersburg ^{/4}	Gaithersburg Station	na	- na	na	- na	na	- na	
Highland Square ^{/5}	Gaithersburg	na	- na	na	- na	na	- na	

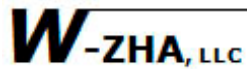
1. Parking costs \$50 per month in private parking below building and \$25 per month in adjacent public parking garage.
2. Parking costs \$85 per month per space. Structured parking.
3. Parking costs \$70 per month for first space and \$85 per month for second space. Structured parking.
4. 1st parking space is free, second parking space is \$25 per month, third parking space \$85 per month. Surface parking.
5. 1st parking space is free and \$50 per month for each additional space. Structured parking.

Source: W-ZHA

f:\8000s, misc\80087 Glenmont\Copy of numbers.xlsx\new stick

Rent for an 850 square foot apartment in these newer projects ranges from \$1.90 to \$2.13 per square foot.

Glenmont is most comparable to Wheaton because of location. However, the asking rents for new product in Glenmont will likely be less than in Wheaton given that Glenmont is farther out and is not an employment or retail center. It is assumed that new residential product in Glenmont can achieve an average rent of \$1.85 per square foot or an average of \$1,570 per month.



A 12.5 percent Moderately Priced Dwelling Unit (MPDU) allocation has been assumed. The average MPDU rent is \$1,095 per month. This assumes that the MPDU units are designed for households of one to two people.

We have reviewed asking rents for office space on Georgia Avenue in Wheaton. Current Class B space leases for \$17.50 to \$24.50 psf. Given that Glenmont has no track record as an office market, is not an employment center, and is farther out we conclude that new space in a redeveloped Glenmont will lease for \$22.00 psf.

Listings for retail space in the Wheaton, Kensington, and Silver Spring have been reviewed. Retail rents range from \$21 to \$35 per square foot. Retail space in The Veridan, a new high-rise apartment building in Silver Spring is asking \$22.00 per square foot for retail space. We estimate that retail space in Glenmont will rent for \$22.00 per square foot full service.

Required Yield

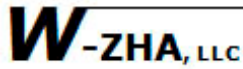
In our experience, when evaluating investment opportunities investors typically require a yield at least 1.5 to 2 percentage points above the overall capitalization rate for the the given land use. As of 1st quarter 2012, the overall capitalization rate for rental apartments ranged from 4.0 to 7.5 in the Mid-Atlantic market. The Washington, DC Region is at the low end of the capitalization rate scale, because of its relatively stable economy.

The overall capitalization rate for office in the in the Washington, DC Region ranged from 4.5 to 8 percent in the 1st Quarter of 2012. Nationally, strip retail's overall capitalization rate was 5.5 to 9.5 percent during this same time period. Once again, the Washington, DC Region is likely at the low end of the capitalization rate scale, because of its relatively stable economy.

The redevelopment program is dominated by residential uses. *Assuming the land can be assembled in an efficient manner*, an investment yield of 7.5 percent is sufficient to attract a private investor to the Glenmont redevelopment project. Project yield, in the case of income-generating uses, is simply the net operating income divided into the development cost. Note, every investor has their own yield threshold.

Conclusion

Given these assumptions, the project yield is 6.67 percent which is below the 7.5 percent threshold. The project is not feasible from a private investor's perspective even without the cost of land acquisition. Therefore, even if all property owners agree to cooperate and sell, there would be no private investment interest. Market rents are not high enough to cover land acquisition, development costs, structured parking cost and an adequate investor return.



Glenmont Town Center Development Economics
Stick Built with Structured Parking

Units			1,108
Market Rate	87.5%	970	
MPDU	12.5%	138	
Net Sq Ft /Unit		850	
Gross Sq Ft/ Unit		1,012	
Rentable Area		941,800	
Building Area		1,121,190	

Development Cost				
	GSF		Cost/GSF	
Demolition	196,381		\$4	\$785,524
Residential	1,121,190	*	\$155 =	\$173,784,524
Office	169,900	*	\$120 =	\$20,388,000
Office Tenant Improvements	169,900	*	\$40 =	\$6,796,000
Retail (cold & dark)	254,900	*	\$100 =	\$25,490,000
Retail Tenant Improvements	254,900	*	\$40 =	\$10,196,000
Total	1,545,990			\$237,440,048

Structured Parking				
	Spaces		Cost /Sp	
	2,367	*	\$18,000 =	\$42,606,000

Town Square				
	Sq Ft		Cost /Sq Ft	
	54,450	*	\$90 =	\$4,900,500

Total Development Cost (Net of Land Cost)	\$284,946,548
Assessed Value of Property	\$37,868,300
Total Cost	\$322,814,848

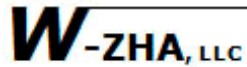
Net Operating Income				
	/Month		/Sq Ft /Mo	
<u>Apartments</u>				
Rent	\$1,573		\$1.85	\$18,303,900
MPDU Rent	\$1,095.00		\$1.29	\$1,813,320
Vacancy	Market --->	5% MPDU ---->	3%	(\$969,595)
Net Rent				\$19,147,625
Parking Income	\$50.00 /mo		1,163 Spaces	\$697,800
Other Income			10%	\$1,914,763
Total Income				\$21,760,188
Operating Cost /Unit			\$6,500	(\$7,202,000)
Net Operating Income				\$14,558,188

<u>Office</u>	SF/Year			
Rent	\$22.00			\$3,476,154
Vacancy			7%	(\$243,331)
Net Rental Income				\$3,232,823
Parking Income	\$50.00 /mo		184 Spaces	\$110,400
Operating Cost /psf	\$8.50			(\$1,444,150)
Net Operating Income				\$1,899,073

<u>Retail</u>	SF/Year			
Rent nnn	\$22.00			\$5,607,800
Vacancy			7%	(\$392,546)
Net Rent				\$5,215,254
Other Income			0%	\$0
Total Income				\$5,215,254
Operating Cost /psf			3%	(\$156,458)
Net Operating Income				\$5,058,796
Total Net Operating Income				\$21,516,058

Private Investment Prospects **Yield = 6.67%**

Source: W-ZHA
f:\8000s_misc\80087 Glenmont\[\numbers2.xlsx]Glenmont mixed use



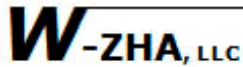
CONSIDERATION: ALLOW HIGH-RISE DEVELOPMENT ON THE SITE TO INCREASE DENSITY AND DRIVE MORE VALUE TO THE LAND

It has been suggested that one way to enhance private investor interest is to allow for higher density residential development at Glenmont Town Center. Rather than 3- to 5-story buildings, the plan should allow for 8- to 10-story buildings. The idea is that with more density, the land will become more valuable.

There are two reasons that allowing high-rise development on the Site will not resolve feasibility issues. The first is a cost issue and the second is a market issue. High-rise construction costs are approximately 20 percent higher than stick-built construction costs.

A yield analysis was performed to test the rent required to support the cost of high-rise assuming the same unit mix, but double the number of units. To support the increase in cost associated with taller buildings and the cost of parking and land, an average rental rate of \$1,930 per month, or \$2.27 per square foot per month must be achieved. This rent is 23 percent higher than what we consider to be supportable in Glenmont.

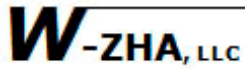
A monthly rent of \$1,930 per month is higher than the highest one-bedroom rent at Metro Pointe and well above the average rent per square foot for an 850 square foot apartment among new projects in Wheaton, Twinbrook and Gaithersburg.



Glenmont Town Center Development Economics High-Rise Building with Structured Parking				
Units				2,216
Market Rate	87.5%		1939	
MPDU	12.5%		277	
Net Sq Ft /Unit			850	
Gross Sq Ft/ Unit			1,012	
Rentable Area			1,883,600	
Building Area			2,242,381	
Development Cost				
	GSF		Cost/GSF	
Demolition	196,381		\$4	\$785,524
Residential	2,242,381	*	\$186	= \$417,082,857
Office	169,900	*	\$120	= \$20,388,000
Office Tenant Improvements	169,900	*	\$40	= \$6,796,000
Retail (cold & dark)	254,900	*	\$100	= \$25,490,000
Retail Tenant Improvements	254,900	*	\$40	= \$10,196,000
Total	2,667,181			\$480,738,381
Structured Parking	Spaces		Cost /Sp	
	3,530	*	\$18,000	= \$63,540,000
Town Square	Sq Ft		Cost /Sq Ft	
	54,450	*	\$90	= \$4,900,500
Total Development Cost (Net of Land Cost)				\$549,178,881
Assessed Value of Property				\$37,868,300
Total Cost				\$587,047,181
Net Operating Income				
	/Month		/Sq Ft /Mo	
Apartments				
Required Rent	\$1,930		\$2.27	\$44,895,606
MPDU Rent	\$1,095.00		\$1.29	\$3,639,780
Vacancy	Market --->	5% MPDU ---->	3%	(\$2,353,974)
Net Rent				\$46,181,412
Parking Income	\$50.00 /mo		1,163 Spaces	\$697,800
Other Income			10%	\$4,618,141
Total Income				\$51,497,354
Operating Cost /Unit			\$6,500	(\$14,404,000)
Net Operating Income				\$37,093,354
Office	SF/Year			
Rent	\$22.00			\$3,476,154
Vacancy			7%	(\$243,331)
Net Rental Income				\$3,232,823
Parking Income	\$50.00 /mo		184 Spaces	\$110,400
Operating Cost /psf	\$8.50			(\$1,444,150)
Net Operating Income				\$1,899,073
Retail	SF/Year			
Rent	\$22.00			\$5,607,800
Vacancy			7%	(\$392,546)
Net Rent				\$5,215,254
Other Income			0%	\$0
Total Income				\$5,215,254
Operating Cost /psf			3%	(\$156,458)
Net Operating Income				\$5,058,796
Total Net Operating Income				\$44,051,223
Private Investment Prospects			Yield =	7.50%

Source: W-ZHA

f:\8000s, misc\80087 Glenmont\{numbers2.xlsx}Glenmont mixed use



The level of rent required to make the project feasible is comparable to rents achieved in the high rise products nearby, which are in Silver Spring.

**Current Asking Rents
New High-Rise Apartment Projects**

Efficiency						
Property	Location	Square Feet		Rent		Rent Per Sq Ft
Solaire Metro Apts ^{/1}	Silver Spring	536	- 642	\$1,549	- \$2,000	\$2.49 - \$2.89
The Cameron ^{/2}	Silver Spring	475	475	\$1,450	\$1,450	\$3.05 \$3.05
The Portico ^{/3}	Silver Spring	576	- 576	\$1,605	- \$1,605	\$2.79 - \$2.79

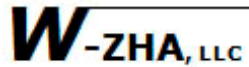
1-Bedroom							
Property	Location	Square Feet		Rent		Rent Per Sq Ft	Rent ~850 SF
Solaire Metro Apts ^{/1}	Silver Spring	632	- 868	\$1,749	- \$2,413	\$2.36 - \$3.57	\$2.59
The Cameron ^{/2}	Silver Spring	693	- 1,049	\$1,820	- \$2,440	\$2.33 - \$2.70	\$2.15
Portico ^{/3}	Silver Spring	767	767	\$1,940	\$1,960	\$2.53 \$2.56	na

2-Bedroom							
Property	Location	Square Feet		Rent		Rent Per Sq Ft	
Solaire Metro Apts ^{/1}	Silver Spring	1,000	- 1,500	\$2,605	- \$3,940	\$2.29	- \$2.62
The Cameron ^{/2}	Silver Spring	964	- 1,453	\$2,253	- \$2,564	\$2.05	- \$2.70
Portico ^{/3}	Silver Spring	1,121	1,137	\$2,600	\$2,670	\$2.32	\$2.35

1. Parking costs \$125 per month in underground garage.
2. Parking costs \$125 per month in underground garage.
3. Parking costs \$150 per month.

Source: W-ZHA
f:\8000s, misc\80087 Glenmont\[Copy of numbers.xlsx]Sheet9

Silver Spring is a cultural, employment, and retail center. As such, it commands higher rents than Glenmont.

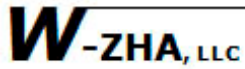


CONSIDERATION: SUBSIDIZE PUBLIC PARKING INFRASTRUCTURE TO MAKE THE PROJECT FEASIBLE FROM A PRIVATE INVESTOR'S PERSPECTIVE.

Structured parking is in the best interest of the community as it contributes to “place-making” by reducing the need for surface parking lots. Structured parking, however, adds cost to the project and, in turn, absorbs resources that could be used by the private sector for land acquisition.

In this scenario, it is assumed that all parking and a portion of the land beneath the parking are paid for by the public sector. A subsidy of approximately \$46.6 million or 14 percent of the project's development cost is necessary to provide an adequate private investment yield.

While financially feasible, the project is still severely hampered by the complexity of land acquisition.



**Development Economics: Incentive No Structured Parking Cost
Stick Built with Structured Parking**

Units			1,108
Market Rate	87.5%	970	
MPDU	12.5%	138	
Net Sq Ft /Unit		850	
Gross Sq Ft/ Unit		1,012	
Rentable Area		941,800	
Building Area		1,121,190	

Development Cost				
	GSF	Cost/GSF		
Demolition	196,381	\$4	=	\$785,524
Residential	1,121,190	* \$155	=	\$173,784,524
Office	169,900	* \$120	=	\$20,388,000
Office Tenant Improvements	169,900	* \$40	=	\$6,796,000
Retail (cold & dark)	254,900	* \$100	=	\$25,490,000
Retail Tenant Improvements	254,900	* \$40	=	\$10,196,000
Total	1,545,990			\$237,440,048

Structured Parking				
	Spaces	Cost /Sp		
	2,367	* \$0	=	\$0

Town Square				
	Sq Ft	Cost /Sq Ft		
	54,450	* \$90	=	\$4,900,500

Total Development Cost (Net of Land Cost)	\$242,340,548
Assessed Value of Property	\$33,868,300
Total Cost	\$276,208,848

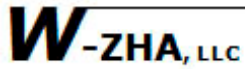
Net Operating Income				
	/Month	/Sq Ft /Mo		
<u>Apartments</u>				
Rent	\$1,573	\$1.85		\$18,303,900
MPDU Rent	\$1,095.00	\$1.29		\$1,813,320
Vacancy	Market --->	5% MPDU ---->	3%	(\$969,595)
Net Rent				\$19,147,625
Parking Income	\$0.00 /mo	1,163 Spaces		\$0
Other Income			10%	\$1,914,763
Total Income				\$21,062,388
Operating Cost /Unit		\$6,500		(\$7,202,000)
Net Operating Income				\$13,860,388

<u>Office</u>	SF/Year			
Rent	\$22.00			\$3,476,154
Vacancy			7%	(\$243,331)
Net Rental Income				\$3,232,823
Parking Income	\$0.00 /mo	184 Spaces		\$0
Operating Cost /psf	\$8.50			(\$1,444,150)
Net Operating Income				\$1,788,673

<u>Retail</u>	SF/Year			
Rent	\$22.00			\$5,607,800
Vacancy			7%	(\$392,546)
Net Rent				\$5,215,254
Other Income			0%	\$0
Total Income				\$5,215,254
Operating Cost /psf			3%	(\$156,458)
Net Operating Income				\$5,058,796
Total Net Operating Income				\$20,707,858

Private Investment Prospects **Yield = 7.50%**

Source: W-ZHA
f:\8000s_misc\80087 Glenmont\{numbers2.xlsx}Glenmont mixed use



CONSIDERATION: IMPLEMENT THE PROJECT IN PHASES IN ORDER TO MAKE THE PROJECT MORE MARKETABLE, REDUCE THE NUMBER OF LANDOWNERS, AND REDUCE THE LEVEL OF SUBSIDY REQUIRED TO MAKE THE PROJECT FEASIBLE.

The assemblage of the seven properties that represent the strip shopping center plus the Country Boy Market property total 11.4 acres (see map below).

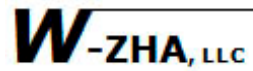
Phase I Properties



Not only are these properties old and obsolete, they represent the core of the project. This land area is of sufficient size to develop a mixed-use town center project. Seven interests own this property and its assessed value is \$21.8 million.

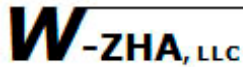
The first phase of the Town Center project could be developed on these 11.4 acres while the Shopper’s Food Warehouse, McDonalds, and other land uses in the “triangle” remain. Over time, as development economics improve, these out-parcels can redevelop.

Using the same floor area ratio as proposed in the Vision (1.95 net of Town Square land), the strip shopping center and Country Boy Market properties could support 954,700 square feet of new mixed-use development as well as a Town Square. A development program consisting of 720 dwelling units and 140,000 square feet of retail has been assumed.



For purposes of this analysis, this smaller development program is assumed to consist of residential and retail only, no office space. In the near- to mid-term, it is likely that the residential and retail markets will be stronger than the office market.

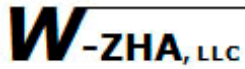
The project's net operating income is not sufficient to provide the investor a reasonable investment yield and cover the land, structured parking and development costs.



Phase I Development Economics Stick Built with Structured Parking				
Units				720
Market Rate	87.5%		630	
MPDU	12.5%		90	
Net Sq Ft /Unit	850			
Gross Sq Ft/ Unit	1,012			
Rentable Area	612,000			
Building Area	728,790			
Development Cost				
	GSF		Cost/GSF	
Demolition	124,469		\$4	= \$497,876
Residential	728,790	*	\$155	= \$112,962,476
Office	0	*	\$120	= \$0
Office TI	0	*	\$40	= \$0
Retail (cold & dark)	140,000	*	\$100	= \$14,000,000
Retail TI	140,000	*	\$40	= \$5,600,000
Total	868,790			= \$133,060,352
Structured Parking				
Residential	720		756	
Office psf	0		0	
Retail psf	140,000		560	
	Spaces		Cost /Sp	
	1,316	*	\$18,000	= \$23,688,000
Town Square				
	Sq Ft		Cost /Sp	
	54,450	*	\$90	= \$4,900,500
Total Development Cost (Net of Land Cost)				\$161,648,852
Assessed Value of Property				\$21,830,900
Total Cost				\$183,479,752
Net Operating Income				
Apartments	/Month		/Sq Ft /Mo	
Rent	\$1,572.50		\$1.85	\$11,888,100
MPDU Rent	\$1,095.00		\$1.29	\$1,182,600
Vacancy	Market --->	5% MPDU ---->	3%	(\$629,883)
Net Rent				\$12,440,817
Parking Income	\$50.00 /mo		756 Spaces	\$453,600
Other Income			10%	\$1,244,082
Total Income				\$14,138,499
Operating Cost /Unit			\$6,500	(\$4,680,000)
Net Operating Income				\$9,458,499
Retail				
	SF/Year			
Rent nnn	\$22.00			\$3,080,000
Vacancy			7%	(\$215,600)
Net Rent				\$2,864,400
Other Income			0%	\$0
Total Income				\$2,864,400
Operating Cost /psf			3%	(\$85,932)
Net Operating Income				\$2,778,468
Total Net Operating Income				\$12,236,967

Private Investment Prospects **Yield = 6.67%**

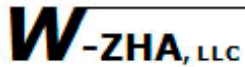
Source: W-ZHA
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A subsidy of \$25.5 million would be required to develop the Phase I program. The subsidy represents 9 percent of the land, development, and parking cost for this phase of development.

Phase I Development Economics: Parking Subsidy					
Stick Built with Structured Parking					
Units					720
Market Rate	87.5%		630		
MPDU	12.5%		90		
Net Sq Ft /Unit	850				
Gross Sq Ft/ Unit	1,012				
Rentable Area	612,000				
Building Area	728,790				
Development Cost					
	GSF		Cost/GSF		
Demolition	124,469		\$4	=	\$497,876
Residential	728,790	*	\$155	=	\$112,962,476
Office	0	*	\$120	=	\$0
Office TI	0	*	\$40	=	\$0
Retail (cold & dark)	140,000	*	\$100	=	\$14,000,000
Retail TI	140,000	*	\$40	=	\$5,600,000
Total	868,790			=	\$133,060,352
Structured Parking					
Residential	720		756		
Office psf	0		0		
Retail psf	140,000		560		
	Spaces		Cost /Sp		
	1,316	*	\$0	=	\$0
Town Square					
	Sq Ft		Cost /Sp		
	54,450	*	\$90	=	\$4,900,500
Total Development Cost (Net of Land Cost)					\$137,960,852
Assessed Value of Property					\$19,230,900
Total Cost					\$157,191,752
Net Operating Income					
	/Month		/Sq Ft /Mo		
Apartment Rent	\$1,572.50		\$1.85		\$11,888,100
MPDU Rent	\$1,095.00		\$1.29		\$1,182,600
Vacancy	Market --->	5% MPDU ---->	3%		(\$629,883)
Net Rent					\$12,440,817
Parking Income	\$0.00 /mo		756 Spaces		\$0
Other Income			10%		\$1,244,082
Total Income					\$13,684,899
Operating Cost /Unit			\$6,500		(\$4,680,000)
Net Operating Income					\$9,004,899
Retail					
	SF/Year				
Rent nnn	\$22.00				\$3,080,000
Vacancy			7%		(\$215,600)
Net Rent					\$2,864,400
Other Income			0%		\$0
Total Income					\$2,864,400
Operating Cost /psf			3%		(\$85,932)
Net Operating Income					\$2,778,468
Total Net Operating Income					\$11,783,367
Private Investment Prospects			Yield =		7.50%

Source: W-ZHA
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LAND ASSEMBLY APPROACHES AND IMPLEMENTATION

Land assembly occurs when there is a higher and better use for the land than what exists today. Before considering land assembly, an incentive package must be developed that makes the redevelopment of the Glenmont Shopping Center an attractive investment. The following alternatives assume that redevelopment makes investment sense.

Market-Driven

This is how most land assembly occurs in the United States. A private investor independently purchases and/or options property to allow for redevelopment.

Advantages

- Minimizes County expense and time.

Disadvantages

- Redevelopment timing is driven by the market, which may result in an extended timeframe.
- A single land owner who is unwilling to sell can make the project infeasible.
- Other than land use regulations, the County and community have little influence on the character of development.

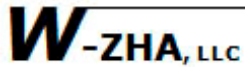
Eminent Domain

Eminent domain has been used as a means to acquire land in redevelopment areas across the country. Under eminent domain, the jurisdiction seizes private land for a public purpose. Eminent domain is typically used when public use assets such as roads, utilities, parking garages, etc. need land for their development.

Eminent domain for economic development purposes typically requires that the properties in question be blighted. At an assessed value of \$2 million per acre, it would be difficult to consider Glenmont Shopping Center a blighted property. Eminent domain for economic development purposes is controversial and can result in litigation (see *Kelso vs. City of New London*).

Advantages

- An independent appraisal determines value.
- If eminent domain employed the County controls the land.



Disadvantages

- Eminent domain for economic development purposes can be controversial and result in litigation.
- Condemnation can be time consuming.

Private Land Pooling

The private property owners could form a development company to undertake site redevelopment. The owners would transfer their property (land and improvements) to the development company in exchange for a percent interest in the company. The percentage would likely be based on their share of assessed value and/or the land area. The entity could be a joint venture, corporation or a limited liability corporation. Either a property owner could take the lead in development or a Developer could be retained by the development company.

The New Town at Capital City Market in Washington, DC has adopted this approach. This project has yet to be implemented.

Advantages

- Provides unified ownership of the Site.
- Landowners take the lead in redevelopment.

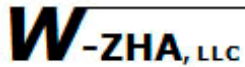
Disadvantages

- The risk of the hold-out property owner remains.
- It is unlikely that the landowners will recoup their land value upon redevelopment, which may deter their motivation to align.
- The type of development that may be feasible in the near term (surface parked retail) is not what the community envisions.
- It is unlikely that the communities' Vision for the Site will be realized under this approach, given market and economic realities.

Public/Private Venture

This approach is similar to the Private Land Pooling approach except the County (or a legal entity thereof) would form a development corporation. The development corporation would be the Managing Member of a Limited Liability Corporation (LLC). The County would provide financial incentives (tax abatement, grants, etc) to make the project economically feasible.

In exchange, the property owners would contribute their property in exchange for a limited partner interest. The Managing Member would solicit developers and enter into a development



agreement. The development agreement would ensure 1) that the property owners' interests are satisfied and 2) that redevelopment is consistent with the community's Vision.

The Skyland Shopping Center redevelopment in Washington, DC is an example of this approach. The National Capital Revitalization Corporation is managing that project.

Advantages

- County would initiate the process;
- The County could provide a methodology for determining equitable property value;
- Potential for condemnation may exist;
- Allows for the use of government incentives to make the project feasible;
- Ensures that the community's Vision is realized

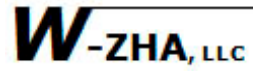
Disadvantages

- Significant County financial incentives will be necessary to attract a private investor;
- This approach will require significant resources to work with the property owners, structure an equitable business arrangement, solicit and select a developer, and negotiate a development agreement;
- There is still the risk that a property owner will not participate. Compulsory purchase is controversial and can result in litigation.

Recommended Approach

The Public/Private Venture Approach is the only feasible alternative because subsidy is necessary. The County must be involved because public/private financing is necessary to make the Vision a reality. The following steps are recommended to implement the Glenmont Town Center Plan:

1. Develop a Phase I Site Plan that achieves the Vision and, at the same time, strives to reduce the costs of development (particularly structured parking). Phase I would only include the strip shopping center properties and the Country Boys Market property;
2. Identify potential sources of subsidy to make the project an attractive private investment opportunity;
3. Conduct a Developer Roundtable to present public/private development approach and receive feedback;



4. Present to property owners their options with regard to future value of land and how the County subsidy commitment is a unique, short term opportunity that should incentivize them to participate.
5. Develop Limited Liability Corporation with business terms that clearly spell out the County incentive package and existing property owner obligations and rights;
6. Solicit private developers;
7. Enter into a Non-Profit/Private Development Agreement.