

To: County Council
From: Jacob Sesker, Principal
Harpwell Strategies, LLC
Re.: White Flint CIP issues
Date: February 8, 2022

Thank you for this opportunity to provide testimony on the County Executive's Recommended FY23-28 CIP, on behalf of my clients: BF Saul; Federal Realty Investment Trust; Gables Residential; Guardian Realty; LCOR; Lerner Enterprises; ProMark Partners; and Willco.

In summary, we ask that the Council:

- (1) Fully fund the White Flint Metro 2nd Entrance in the 6-year CIP and support options that include a pedestrian underpass;
- (2) Support the CE's recommended shift of the Redevelopment Program to the operating budget, which aligns the White Flint Redevelopment Program with other redevelopment programs, all of which are funded using County general funds; and
- (3) Schedule a briefing on implementation and administration challenges in the special taxing district.

Fully Fund the Metro 2nd Entrance

The 2nd Entrance to the (current) White Flint Metro station, with pedestrian underpass, is a high priority for White Flint property owners. The entrance and underpass will improve access to amenities for pedestrians on the east side of Rockville Pike, and access to Metro and employment for those on the west side of Rockville Pike. Importantly, the project will result in a substantial improvement to pedestrian and transit-user safety, reducing the likelihood of pedestrian-auto conflict as well as reducing transit-platform evacuation/egress times.

Overall, the County Executive proposed *an increase of approximately \$370 million* in capital funding for mass transit in FY23-28 (versus FY21-26), and *yet he recommended a reduction* in funding for this needed project. We humbly request that the Council fully fund the Metro 2nd entrance in the 6-year CIP. Furthermore, we urge the Council to engage with stakeholders to develop options, including

options that involve a pedestrian underpass, that will result in improved safety at the intersection of Old Georgetown Road and Rockville Pike.

Who would benefit from this project?

There are hundreds of new and refurbished units in the vicinity of Old Georgetown Road and Rockville, including the following: 11870 Grand Park Avenue – 272 units; 11550 Old Georgetown Rd. – 319 units; 900 PerSei Place – 174 units; 5901 Montrose – 432 renovated units; 5401 McGrath – 341 units; 5410 McGrath – 294 units; and 5411 McGrath – 312 units. The residents of these units need a safe below-grade passage for crossing the Pike, and a safer and more accessible Metro station.

The pipeline of additional residential development in the immediate vicinity is substantial. For example: additional capacity at Pike & Rose – 734 units; Willco – 638 units; Gables Residential – approximately 400 units; Grand Park – approximately 1,000 units; WMATA site – up to 1,475 units.

Residents of apartments within ½ mile of the White Flint Metro which were built since 2010 pay an average rent of \$2.44/square foot. This is below the rents paid by residents of newer apartments near other Metro stations (\$2.50 per square foot). Furthermore, residents of the White Flint area are very diverse – for example:

- 64% of White Flint households are renter households, compared to 35% for Montgomery County;
- Only 54% of White Flint area residents identify as White, non-Hispanic;
- 20% of White Flint renters are age 65+, compared to only 15% of renters in Montgomery County; and
- 23% of White Flint renter households have incomes of \$35,000 or less.

Furthermore, over the past decade and a half, more than 1 million square feet of commercial space has been added at two locations near the Metro – Federal Realty Investment Trust’s Pike & Rose and LCOR’s additions to the WMATA property. An additional 560,000 square feet is under construction at Pike & Rose, while the County Executive himself has prioritized attracting additional economic drivers to the remainder of the WMATA property via a joint development solicitation.

What is the state of the pedestrian environment for residents and workers?

Most of the area in the immediate vicinity of the Metro station has a pedestrian environment that is categorized as either uncomfortable or undesirable (official categories in the County's pedestrian plan). The area is widely known to be an inhospitable pedestrian environment by any standard, and most crossings and many blocks of Rockville Pike feel dangerous to most people who experience them at ground level.



Furthermore, the single entrance to the station presents safety problems for those on the platform as well. A WMATA engineering study indicates that a second entrance would reduce evacuation times for the platform by approximately 70% compared to the status quo/no-build scenario.

What sources of funding could be identified to pay for the Metro 2nd Entrance?

The County Executive recommended increasing funding for mass transit capital projects in the 6-year CIP by approximately \$370 million compared to just two years ago. And while it seems that the County has not asked for State or Federal funds for the Metro 2nd Entrance, there are both state and federal transportation and infrastructure funding programs that could augment any local funding. Local funding, such as that associated with recordation tax revenues, or simply using some of the \$40 million in general fund tax increment generated by recent White

Flint developments, could also be used to fund this project that remains a key part of the County's commitment to supporting redevelopment in White Flint.

Would a Metro 2nd entrance increase Metro ridership?

The Metro 2nd entrance itself is likely to increase 2040 station boarding numbers by 7.4% to 11.5% (per WMATA's own forecasts of station-level boardings). As such, funding the improvement is likely to advance the County's progress towards meeting its transportation and climate policy goals. That said, obviously the ridership will also be affected by other factors such as Metro operational and safety challenges, the existence of a low- or no-fare County funded BRT system parallel to the Red Line, and whether office occupancy levels return to pre-pandemic levels (currently, office occupancy in the D.C. region is estimated to be at approximately 23% of pre-pandemic levels, down from a COVID era high of 35% late in 2021).

What effect would full funding of this project have on property values?

Federal Realty's two commercial development projects at Pike & Rose will add 560,000 square feet of general and bio-med office space. As such, there is an opportunity to capture value through higher commercial rents before all leases are executed. Ultimately, doing so would result in increased rents, increased property values, and increased County property tax revenue and White Flint Special Taxing District revenue.

Furthermore, a completed Metro 2nd entrance would offer value to residential tenants as well, thereby enabling property owners to achieve higher rents (and therefore higher property values) as well.

What do the Sector Plan and other relevant policy documents, say about this project?

Below are some key passages from relevant policy documents:

- Sector Plan: *Of primary importance is managing traffic congestion, which can be accomplished by building the proposed street grid and improving and **enhancing access to transit**...Second is ensuring that **proposed civic uses**,*

*intended to create vitality within the urban core, are built and **constructed early in the life of the Plan.***

- **CIP Project Description Form: Access is currently limited to the southern end of the platform. Metro has conducted a feasibility study of providing additional access at the northern end of the platform, including potential pedestrian underpass connections of MD 355 (Rockville Pike). **Construction of northern access to the station will reduce walk times to the Metro Platform. If included, the pedestrian underpasses will reduce conflicts with motor vehicle traffic at the intersection of Old Georgetown Road and MD 355.****
- **Grand Bargain 1.0:¹ From November 23 Council Staff memo: *The Executive recommended that the County take responsibility for two projects that he originally listed as District responsibilities. These projects are: Second Metro entrance \$35,000,000; Nebel Street Bike Lane \$9,200,000.***

What discussions have the property owners' representatives and County officials had regarding this project?

- Representatives for the property owners and County officials did meet with representatives of various state agencies to discuss funding options. Some of those options – such as using tax increment financing – have tortured histories in Montgomery County, and the County seemed generally uninterested in initiating further engagement.
- In our discussions, County officials seemed generally unaware of the fact that the project was one that was officially in “the County’s bucket.” This was apparent, for example, when discussing the County Executive’s hope that a future developer of the WMATA site would fund a portion of the project.

¹ In negotiating over the first Grand Bargain, developers sought to achieve several objectives that were not reflected in the final agreement: for example, no responsibility for cost overruns, and a dedicated source of County revenue to fund infrastructure improvements. Each side in the negotiation made concessions – a concession by the County was assuming responsibility for the second entrance.

- One objection raised by County officials was that the project did not technically need to be done in Stage 1 of the master planned growth and development. While this is true, neither did many millions of dollars of completed or fully programmed district funded projects that were programmed by the County and which were either funded with District current revenues, or for which the County advance-funded the projects and is now requesting repayment from the District.

Support Recommended Shift of White Flint Redevelopment Program to the Operating Budget

White Flint property owners support shifting the White Flint Redevelopment Program, which mostly funded staff time, to the operating budget. This would make it more like other current and past redevelopment programs and projects – Long Branch, Silver Spring, Wheaton, and White Oak – all of which were funded with County general fund dollars.

Three additional, related observations:

- During the Planning Board’s consideration of the plan, one option that was much discussed was the creation of a redevelopment authority. It may again be worth considering this option.
- To the extent that advance land dedication for rights of way remains a stumbling block, further consideration of options to increase those dedications may be warranted, including (but not limited to) increasing the zoning bonus density for advance land dedications.
- Some additional consideration should be given to the responsibilities of the White Flint Development Coordinator, a position or function which was required by law, vis-à-vis tracking and coordinating development activities in White Flint. For example, it is worth considering whether assigned County government functions should involve: tracking development approvals; developer in-kind contributions and “developer bucket” improvements; recommending policy changes when existing policy tools appear to be insufficient; advising the County budget officials on the terms of the grand bargain between developers, the District, and the County; etc.

Schedule a briefing on implementation and administrative challenges associated with the White Flint Special Taxing District

While not specifically a FY23-28 CIP issue, administration of the District is an ongoing concern. For example, per the “grand bargain” a portion of the Western Workaround was supposed to be partially funded by both the District and the County. However, the County has charged 100% of that cost to the District (see attachment). Unless rectified, this would mean that the County has overcharged the District millions of dollars, and that could conceivably occur again on other projects that involve complex implementation (such as the improvements to Rockville Pike).

This specific concern was raised with County staff in June of 2021, with no additional effort by the County to address the challenge. The County’s September response to those questions and more are attached to this testimony. This is the sort of issue that would need to be resolved as part of a second “grand bargain.”

These administrative challenges will become particularly relevant if the County Executive pursues his current agenda of significantly expanding the use of special taxing districts in commercial corridors to fund his bus rapid transit system. It would be essential that the Council and Executive better understand the challenges that the Executive has encountered in White Flint before deciding to move forward with significant new capital initiatives that would be funded using not only special taxing district revenue but also revenue from other sources, such as the mass transit and general fund property taxes, or improvements in which both district-funded CIP projects and other CIP projects are occurring within the same geographic boundary (such as the Rockville Pike improvements and MD 355 BRT).

Given the recent lack of engagement from County staff on this issue, we believe that the issues associated with the administration of the District might be best addressed through legislative oversight, and we are concerned that if the issues are not addressed, future projects such as the Rockville Pike and MD 355 South BRT projects could encounter similar difficulties.

Questions from Jacob Sesker (County responses in red)

Old Georgetown Rd Hoya/Towne to Rockville Pike was estimated for purposes of the resolution to cost \$1.789M but the current cost estimate is \$18.908M. It appears that most of that 10x difference is that the project came to include several million (is it \$7.7M?) that had previously been thought to be part of the B-15 master plan road improvement.

Please provide an itemized breakdown of the major factors that led to the 10x cost increase in this project and \$ amounts. **The resolution did not include a cost for the major relocation of the intersection of Executive Boulevard and Old Georgetown Road. The resolution cost estimates also did not consider the complexity of re-building a road network and all the associated underground utilities while keeping all the utilities and traffic operational during the construction. The cost increase for the intersection relocation has been included in this portion of the overall White Flint West Workaround scope. The major cost increases are due to the following high-cost items. (Note these items are not broken down by specific road sections)**

Storm drain relocation = \$9.4M

Underground of power = \$8.0 M

Underground Verizon = \$9.5M

Underground of telecom = \$0.8M

Maintenance of Traffic = \$0.5M

Glenn's notes from the bucket list spreadsheets indicate that the \$1.789M, which is the amount identified in the resolution, is 25% of the cost (see cell I-13 in Glenn's district bucket spreadsheet). However, I do not see any other source of funding or County CIP project that contains the remainder, so I am assuming that the district was charged for all of this cost. Is that correct? **Yes.** How much did 100% of this improvement end up costing and was that full amount charged to the District? **All cost for the White Flint West Workaround (CIP No. 501506) are charged to the special tax district. See the answer above for major cost items.**