



Bethesda Downtown Plan

Minor Master Plan Amendment

PUBLIC HEARING DRAFT OCTOBER 2024

Abstract

The Bethesda Downtown Plan Minor Master Plan Amendment (MMPA) recommends technical updates to the 2017 Bethesda Downtown Plan to improve implementation of recommendations related to new parks, transportation infrastructure, a new recreation center, affordable housing, and more within a Plan Area of roughly 450 acres.

The MMPA amends the 2017 Bethesda Downtown Plan and *Thrive Montgomery 2050*, as amended.

Source of Copies

The Maryland-National Capital Park and Planning Commission 2425 Reedie Drive, Wheaton, MD 20902. Online at <https://montgomeryplanning.org/planning/communities/downcounty/bethesda-downtown-plan/bethesda-downtown-plan-minor-master-plan-amendment-2024/>.

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1. PLAN AREA

As approved by the Planning Board in May 2024, this Minor Master Plan Amendment (MMPA) covers the same Plan Area as the approved and adopted 2017 *Bethesda Downtown Plan*, shown below.



Figure 1. MMPA Plan Area

2. INTRODUCTION

What began as a crossroads village in 1871 is today a thriving urban center, an essential economic engine for the county, and one of its most desirable communities. With excellent public transit access, numerous restaurants, shops, art galleries and entertainment choices, including performing arts, live music and movies, downtown Bethesda is an arts and entertainment destination and an economic hub in southern Montgomery County. It is home to more than 17,000 residents, over 33,000 jobs including the two largest employers in the county, Marriott and the National Institutes of Health, and a diversity of housing types.

Bethesda's most recent success was made possible by the innovative 2017 [Bethesda Downtown Sector Plan](#). Following years of community collaboration, the Plan defined a 20-year vision for a truly sustainable urban community by balancing additional building height and density with creative implementation tools, such as a new Park Impact Payment (PIP) to help address the high cost of park development in the downtown.

Downtown Bethesda is urbanizing and evolving, attracting new residents and jobs and contributing significantly to the economic health of the downtown and the county. Since the adoption of the Plan, downtown Bethesda has added almost 2,500 new residents and over 4,200 jobs. New development is expected to generate approximately \$39 million in annual net new revenues for Montgomery County, based on an analysis by Partners for Economic Solutions, an urban economics consulting firm. The annual cost of providing services to these new residents, including public education, is estimated at approximately \$22 million. This results in an annual net fiscal impact of \$17 million. These benefits extend beyond downtown Bethesda to the county as a whole, with almost half of the taxes paid by downtown Bethesda developments and their residents and tenants going to the General Fund to support the cost of providing services to other parts of the county.

In recent years, however, the pace of development has slowed significantly from the pre-pandemic peak. Rising construction and financing costs continue to make development more challenging, with fewer development applications and fewer recently approved projects beginning construction: eight of the 11 Site Plans approved between 2017 and 2019 have been built or are under construction, compared with three of the 14 approved between 2019 and 2024. This slow-down has also meant more fitful implementation of the 2017 Plan vision, with fewer PIPs and slower progress toward Plan-recommended improvements and amenities.

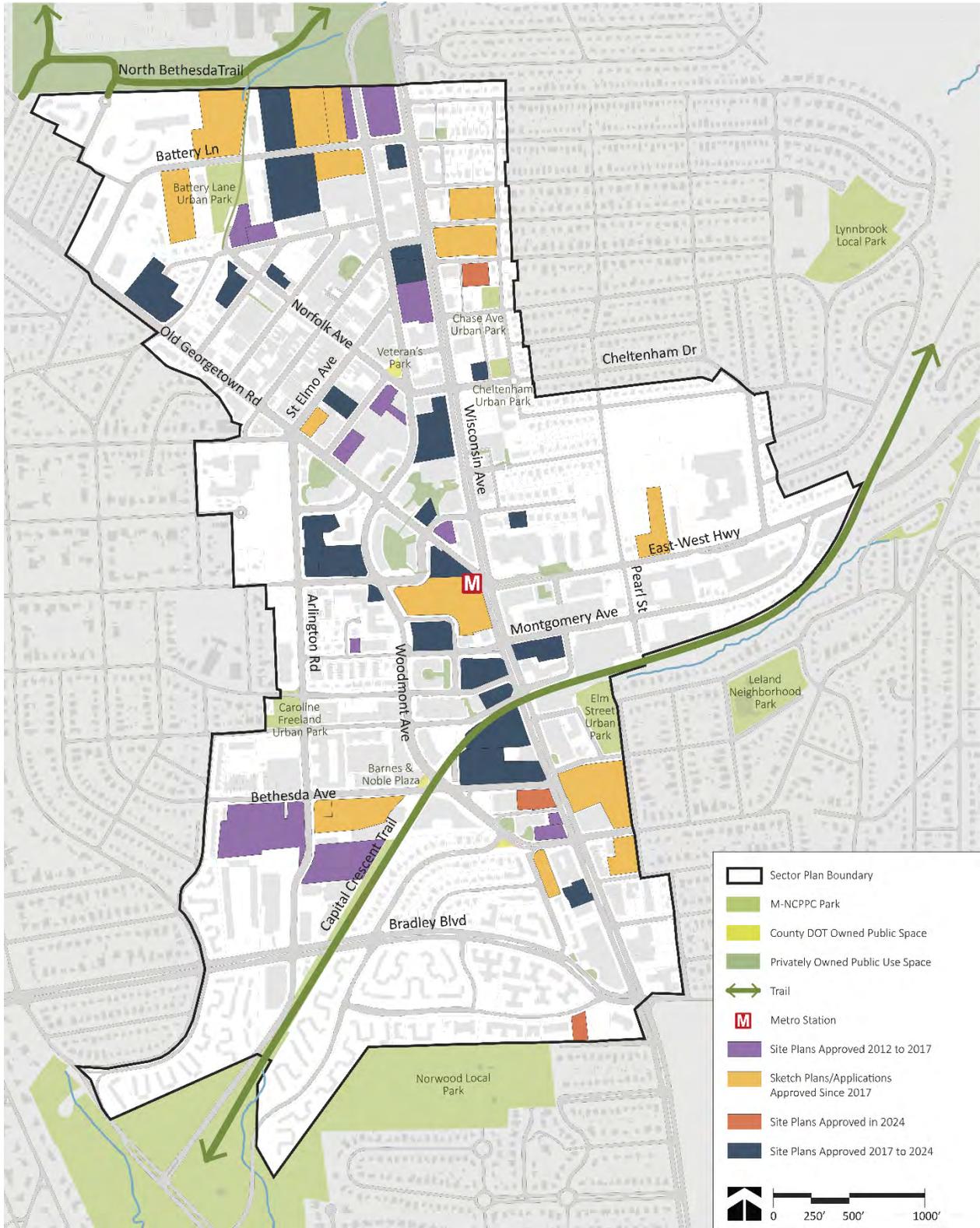


Figure 2. Approved Development Since 2017

1.1 The Minor Master Plan Amendment

All master plans demonstrate that the transportation network can support recommended new development. In 2016, when the Plan was being developed, the methodology to make such a demonstration was based on anticipated vehicle delay at specific intersections inside and near the master plan area about 30 years in the future. This analysis determined that, in order to meet the delay standard, no more than 32.4 million square feet of total development would be allowed. Since then, the County Council has replaced this approach with an expanded set of metrics, discussed in greater detail below, that assess development's potential impacts more broadly, focusing also on transit and bicycles and access to jobs and more.

The 2017 Plan recommended that once total development approached the density limit, Montgomery Planning and the Planning Board should check in with the County Council to see if additional recommendations are needed to help implement public amenity and infrastructure recommendations like new parks and transportation-related improvements to support development. Downtown Bethesda reached this threshold in fall 2023, and after public engagement and comment, Planning staff and the Planning Board recommended that the County Council authorize the development of a Minor Master Plan Amendment (MMPA). The MMPA does not revisit the entire 2017 Plan. The existing recommendations addresses zoning, parks, transportation, housing, urban design, community facilities, the environment and other topics remain unchanged.

Based on months of conversations and input from the resident and developer communities, the Bethesda Downtown Plan Implementation Advisory Committee (IAC), and County agencies, **the MMPA recommends:**

- **updating the overlay zone to remove a specific development level,**
- **to continue to require transportation-related improvements and PIPs on a project-by-project basis and monitor progress and the need for public investment in transportation and school infrastructure on an annual and biannual basis through the schools assessment, capital budget, and capital improvement program, and**
- **to incentivize investment in community support networks like affordable housing, parks, and a new recreation center.**

These recommendations help implement public amenity and infrastructure recommendations like new parks and transportation-related improvements by using the tools that have made the 2017 Plan a success. Private development will continue to construct or pay for these improvements and more through PIPs, dedication of new recommended parks, transportation-related frontage improvements, and school and transportation impact taxes, on top of significant contributions to the county tax base. The public Capital Improvement Program will continue to use these revenues to design and construct bus rapid transit, the Purple Line, the Capital Crescent Trail, new bike lanes, and more.

1.2 Demographic shifts in downtown Bethesda since 2017

As downtown Bethesda continues to urbanize under the 2017 Plan, its population is growing, and growing more diverse, but housing costs remain high.

- The downtown population is estimated to have increased by about 2,500 residents since 2017, to over 17,000 people.
- Since 2017, downtown Bethesda added over 1,700 housing units, about 70% of which are in larger multi-family apartment buildings. About two-thirds of residents are renters, the inverse for the county as a whole.
- The three largest age groups in 2022 were 18-34 (30%), 45-64 (23%), and 65 and over (17%), growing by 13%, 20%, and 41% respectively since 2017.
- Downtown Bethesda has less racial diversity than the county as a whole, but since 2017 the proportion of non-white residents has increased from 27% to 33%. Asians are the largest group among people of color, with Black, Asian, and Latino populations growing 31%, 54%, and 18% respectively.
- Average income increased 27% to almost \$185,000, as compared with the county average \$173,000.
- Average house value increased 23%.
- Average monthly rent increased 23%, with about 46% of renters spending more than 30% of their income on rent, a 30% increase.

1.3 Consideration of Racial Equity and Social Justice

The County's Racial Equity and Social Justice (RESJ) Act requires the Planning Board to consider racial equity and social justice impacts in master plans. Approved before the RESJ Act, the 2017 *Bethesda Downtown Plan* set a 20-year vision of sustainability, accessibility, equity, and innovation, for affordable housing near jobs, shopping, and recreation; safe tree-lined sidewalks, bikeways, and streets; and new parks and open spaces.

The recommendations promoted racial equity and social justice by enhancing access to the many opportunities the growing downtown has to offer. They enhanced access not only through ever-expanding transit options like Metro, bus, and forthcoming Purple Line and bus rapid transit, in addition to an excellent pedestrian and bicycle network. They also included new housing, including more affordable housing, new jobs, and new parks and amenities and innovative tools like the PIP to help them happen.

The MMPA continues progress toward that vision of enhanced access to opportunity, with more housing and jobs near transit, parks, and amenities; more PIPs to build the recommended parks; incentives for a new recreation center; and extending existing incentives to build more affordable housing in downtown Bethesda to developments providing much-needed affordable units for families and people with need for deeper affordability.

3. COMMUNITY OUTREACH AND ENGAGEMENT

In addition to ongoing monthly meetings with the IAC on issues relating to implementation of the 2017 Plan, since 2023 staff has been engaging with numerous Bethesda stakeholders on the subject of development levels as development began to approach the 2017 limit.

Beginning in May 2024, to help introduce the MMPA to the larger community and invite public participation, staff attended the Bethesda Farmers Market and hosted two in-person community meetings.

Over the summer 2024, staff held a series of three informational workshops to share the tools available to implement master plan visions and hear from residents. These workshops highlighted that just as private and public stakeholders collaborate to create the Plan vision, private and public stakeholders share in the implementation of that vision. The presentation discussed how master plans are tested for adequacy of potential land use and transportation impact, the indirect tools (e.g., taxes) and direct tools (e.g., development-provided infrastructure and amenities as well as public investment) that are available. The presentations, including a recording of the virtual session, are on the Plan website.

In September, staff held three public meetings, both in-person and virtual, to share the staff Preliminary Recommendations for the MMPA. The presentation was also posted on the Plan website.

Staff also has been meeting with community, business, and development groups, including the East Bethesda Citizens Association, the Bethesda Chamber of Commerce, NAIOP, and developers represented by Selzer Gurvich and Lerch Early and Brewer, and others.



Image 1. Community Meeting at Chevy Chase Town Hall

Staff has also collaborated on these recommendations with partner county agencies, including the Department of Transportation, the Department for Housing and Community Affairs, the Department of Permitting Services, and the Department of General Services.

Throughout, staff has maintained an updated MMPA website to keep stakeholders up-to-date on the Plan efforts, materials, and events and keeps an eLetter mailing list with over 1,300 subscribers, who have signed up between the 2017 Plan process and today.

What We Heard

Top-Priority Improvements

From the IAC and residents, the top-priority improvements were:

- new parks
- new recreation center
- improvements to existing pedestrian network
- preserving naturally occurring affordable housing
- expanding tree canopy.

The MMPA addresses these priorities primarily through facilitating new development. Development will directly fund new parks through PIPs, a new recreation center potentially through a Public-Private Partnership development, pedestrian improvements through frontage or Local Transportation Review upgrades, housing through the MPDU program, and tree canopy through frontage streetscape improvements or through park construction and dedication. Indirectly, through Impact Taxes and other tax revenue to the County General Fund and Capital Improvement Program, development helps fund public investment in parks, a recreation center, larger transportation improvement projects, implementation of the MPDU and other county housing programs and initiatives, and expanded tree canopy from park development.

Resident Community Comments

Through public meetings and the IAC, staff connected with residents living both inside and adjacent to the Plan Area. From these interactions, staff heard that:

- Bethesda is a growing urban center, but some are concerned development has been coming too fast.
- The development cap should be tied to achieving public infrastructure and amenities.
- Religious and non-profit properties should be exempt from any development cap for modest improvements.
- Bethesda needs more affordable housing at all income levels.
- Construction-related interruptions to the pedestrian network need to be better managed.
- Loading and delivery management remains an issue.
- Driving in Bethesda can be a challenge.

The pace of development (and the resulting improvements and amenities) is dictated by the market. As mentioned earlier, the pace of development has slowed substantially in recent years and the MMPA recommendations are intended in part to increase developer flexibility to meet the fluctuating needs of the market when it rebounds. By removing a specific density level from the BOZ and other recommendations described below, the MMPA helps to ensure that future development will continue to provide infrastructure improvements and amenities recommended in the Plan. The MMPA incentivizes additional affordable housing, particularly for family-sized units and units with deeper levels of affordability. The MMPA supports ongoing County efforts to address construction-related sidewalk closures, as well as studies to better manage curb and loading areas. The MMPA acknowledges that driving a car in downtown Bethesda can be a challenge (though we did also hear that traffic speeds in downtown Bethesda are high enough to discourage cycling), but highlights the ongoing improvement of alternatives: walking, biking, and transit.

Developer Community Comments

Staff heard from property owners and developers of larger and smaller properties. Their comments included:

- New development brings many benefits to Bethesda.
- Real estate market not expected to pick up in near future and the current development cap creates even more significant uncertainty.
- The requirement to pay the PIP at building permit is a financing challenge.
- Implementation of new Civic Greens delayed not by lack of park funding but by Purple Line construction, multi-party contract negotiations, and property owners uninterested in selling.

The MMPA recommendations offer greater flexibility and incentives for developers to build their part of the Plan vision, but also make sure that improvements and contributions are at the right levels.

4. RECOMMENDATIONS

The MMPA recommendations below supersede portions of Chapter 4 of the 2017 Plan, on implementation. Sections not updated below remain in effect. Many of the recommendations below address modifications to the Bethesda Overlay Zone (BOZ) which was written to implement the 2017 Plan.

4.1. Development Level

Since 2017, only seven years into the 20-year vision of the Plan, development in downtown Bethesda has brought to life many of the envisioned assets and improvements to the Plan Area, including new housing, including much-needed affordable housing, and new jobs, benefitting the community and the county. Private development and public investment have created new bike lanes and improved sidewalks and begun the work of realizing the Capital Crescent Civic Green, the Farm Women's Market Civic Green, the multi-block Eastern Greenway parks, the Montgomery Avenue parks, bus rapid transit on Wisconsin Avenue, and the Capital Crescent Trail tunnel under Wisconsin Avenue. Without private

development and the public investment it funds, the Plan vision of affordable housing near jobs and community amenities will not be realized. The MMPA recommends updating the BOZ to remove a specific development level and, as discussed further below, continue to use Local Area Transportation Review, PIPs, MPDU requirements, and other tools – with some enhancements – to build the vision of the 2017 Plan.

Master Plan Adequacy Metrics

All master plans are required to include an assessment of potential future development against five transportation-related metrics:

- **Auto and Transit Accessibility:** The average number of jobs that can be reached within a 45-minute travel time by automobile or walk access transit.
- **Auto and Transit Travel Times:** The average time per trip, considering all trip purposes.
- **Vehicle Miles Traveled per Capita:** Daily miles traveled per “service population,” where “service population” is the sum of population and total employment for a particular TAZ.
- **Non-Auto Driver Model Share:** The percentage of non-auto driver trips (i.e., HOV, transit and nonmotorized trips) for work trips.
- **Low-Stress Bicycle Accessibility:** The Countywide Connectivity metric documented in the 2018 *Montgomery County Bicycle Master Plan*.

These metrics are intended to provide a high-level understanding of transportation outcomes in potential future development scenarios. They are not intended to evaluate specific locations, such as intersection delay and queuing. Specific assessments of actual proposed development on identified sites in downtown Bethesda are undertaken by Planning, County Department of Transportation, County Department of Permitting Services, and State Highway Administration staff with each proposed development, and the Planning Board must find, based on these specific assessments, that public facilities (including roads, schools, utilities, and more) are adequate to serve the development. Projects that meet the threshold criteria are responsible for mitigating its own impacts to the transportation network, as described in the Growth and Infrastructure Policy, as a condition of the Planning Board’s approval, and each development pays Impact Taxes to fund transportation improvements. As part of the annual capital budget and biennial CIP processes, county agencies, including Parks, Schools, Transportation, among numerous others, make their own determinations as to where to invest public dollars for improvements and operations.

Testing Scenarios

Typically, Master Plan Adequacy is tested based on the maximum potential density mapped to all the properties in the Plan Area. This is a very conservative theoretical estimate which in reality is never achieved: over the 20-year life of a master plan, all properties in a Plan Area do not redevelop, let alone to the maximum level.

In downtown Bethesda, the BOZ allows projects to purchase “BOZ density” above the mapped zoning, so determining the theoretical “maximum” density requires a different approach. Staff developed

three different theoretical scenarios – Scenario 1 being the lowest and Scenario 3 the highest – based on the density approved by the Planning Board for Site Plans between 2017 and 2024, projected out to the “horizon years” of the 2017 Plan: when the *Bethesda Downtown Plan* could reasonably be expected to be comprehensively updated. The scenarios distribute density between residential and commercial uses based on recent and projected trends. The models for the metrics forecast results to 2045.

The analyses showed sometimes-significant improvements or no change in most metrics, with modest increases (around two minutes) for travel times from projected increases in job creation in the downtown. These results, described in detail in Table 1, demonstrate general overall improvement and high performance from the tested theoretical scenarios, and show a resilient multi-modal transportation network improving from additional residents and jobs in the downtown. The MMPA recommends removal of a specific development level in the BOZ in favor of project-specific mitigation of impacts and improvements. The MMPA also recommends that future transportation-related functional plans continue to look at ways to improve these metrics.

Projected Schools Impact

Staff evaluated the scenarios for potential student generation using MCPS student generation rates. For all three scenarios, student generation projections at the elementary and middle schools levels were under MCPS's FY25 CIP projections for the Bethesda-Chevy Chase cluster seat surplus for the 2029-2030 school year. At the high school level, scenarios 1 and 2 were under the projected seat surplus, while scenario 3 was over by 12 seats (10%). Middle school and high school projections are subject to change once the Woodward/Northwood HS boundary study is approved.

Carbon Analysis

Beginning in 2022, county law requires the Planning Board to conduct climate assessments of proposed master plans. This approach allows planners to develop master plan recommendations to support implementation of the county's Climate Action Plan and *Thrive Montgomery 2050*. Policies and strategies in both plans support eliminating greenhouse gas emissions and making land use and infrastructure more resilient and sustainable.

Staff evaluated the three scenarios using the methodology approved by the Planning Board in 2022. The analysis showed that each potential additional development scenario would result in increased carbon emissions overall, but with reduced emissions per capita in all studied categories, including a 10% reduction for energy emissions.

Table 1. Master Plan Adequacy Metrics Results

Metric	Result
Auto and Transit Accessibility	With the increased employment in the Plan Area in the 2045 master plan scenarios compared to the 2045 baseline, both <u>auto and transit accessibility</u> (the average number of jobs accessible within 45 minutes) increase for all three master plan scenarios in the Bethesda CBD policy area. The increases in auto and transit accessibility to jobs are highest in Scenario 3 and lowest in Scenario 1.
Auto and Transit Travel Times	As the forecast growth in jobs exceeds the growth in population, <u>auto and transit travel times</u> increase in all three master plan scenarios in the Bethesda CBD policy area, largely because more people are traveling to work in the policy area. The increases in auto and transit travel times are greatest in Scenario 3 and lowest in Scenario 1.
Vehicle Miles Traveled per capita	Both total population and employment are projected to increase in the Plan Area, and employment growing faster than population. As a result, <u>VMT per capita</u> increases in the Bethesda CBD policy area in Scenario 1 and 2, mostly because more people are traveling from other places to work in Plan Area. However, in Scenario 3, the total population and employment in the Bethesda CBD policy area reaches a point where VMT per capita decreases, because more people choose not to drive due to longer travel time. But Countywide, VMT either stays constant (Scenario 1) or is reduced (Scenario 2 and 3) compared to the 2045 baseline.
Non-Auto-Driver Mode Share	NADMS remains high, at about 60%, exceeding the Bethesda CBD Policy Area goal of 55% blended for Scenario 1, 2 and 3. The model shows a decrease in transit trips, which is partially offset by an increase in walking and bicycling trips. Countywide, NADMS for work trips increases, largely due to increases in transit trips.
Low-Stress Bicycle Accessibility	The growth in households and jobs in downtown Bethesda leads to a sizeable increase in low-stress bicycling to, from and within the plan area. However, since an increased share of that travel is to or from locations in downtown Bethesda that are not connected to the low-stress bicycling network, the low-stress bicycling network decreases in the policy area by between 2.4% (Scenario 2 and 3) and 2.7% (Scenario 1). Nevertheless the master-planned low-stress connectivity will remain very high, ranging from around 76% to 79%. Expanding the low-stress bicycling network in or connecting to downtown Bethesda will increase access to the low-stress network.

4.2. Transportation and Adequate Public Facilities

The 2017 Plan proposed that transportation network improvements for downtown Bethesda be implemented through a Unified Mobility Program (BUMP). Under the BUMP, MCDOT would develop a unit cost for the Plan-recommended transportation improvements, and developers of new projects would be required to contribute payments proportional to the project's scale. However, the initial rate of development approvals in the Plan Area outpaced MCDOT's ability to implement the approach, leading the County Executive to abandon the effort in 2022 in favor of alternative funding approaches. Consequently, transportation-related improvements since the Plan's approval have been implemented as public Capital Improvement Program (CIP) projects and by private developers as frontage improvements and Local Area Transportation Review (LATR) mitigation improvements.

To date significant progress has been made on the Plan-recommended CIP projects:

- Capital Crescent Trail (CCT): Phase 1 of the surface trail, from around Woodmont Avenue to 47th Street, was completed in 2022. For Phase 2, along 47th Street, final design is in late 2024, with construction expected to be completed in Fall 2025. Design of the tunnel beneath Wisconsin Avenue and Elm Street is in the final phase.
- Woodmont Avenue Cycletrack: Phase 1, from Miller Avenue to Montgomery Lane, was completed in 2022. Phase 2, Wisconsin Avenue to Miller Avenue and Montgomery Lane to Norfolk Avenue, is at 70% design, with construction anticipated to begin in 2025.
- Montgomery Lane Cycletrack completed in 2022.
- MCDOT completed the study to reconfigure East-West Highway, Montgomery Lane, Old Georgetown Road and Woodmont Avenue for two-way operation in 2023.
- Construction of the Purple Line station, including the south Metro Station entrance is ongoing, with service expected to begin in late 2027.
- The Bus Rapid Transit (BRT) on Wisconsin Avenue to the Purple Line Station is at the 35% design phase. A Request for Proposals (RFP) for the Central Phase of the project (a 9-mile portion between Montgomery College-Rockville Campus and the Montgomery College-Germantown Campus) was issued in August 2024. The Bethesda portion will be implemented in a future phase.
- The shell for the full-service bicycle storage facility located adjacent to the CCT tunnel routes has been constructed, with final design for fit-out underway.

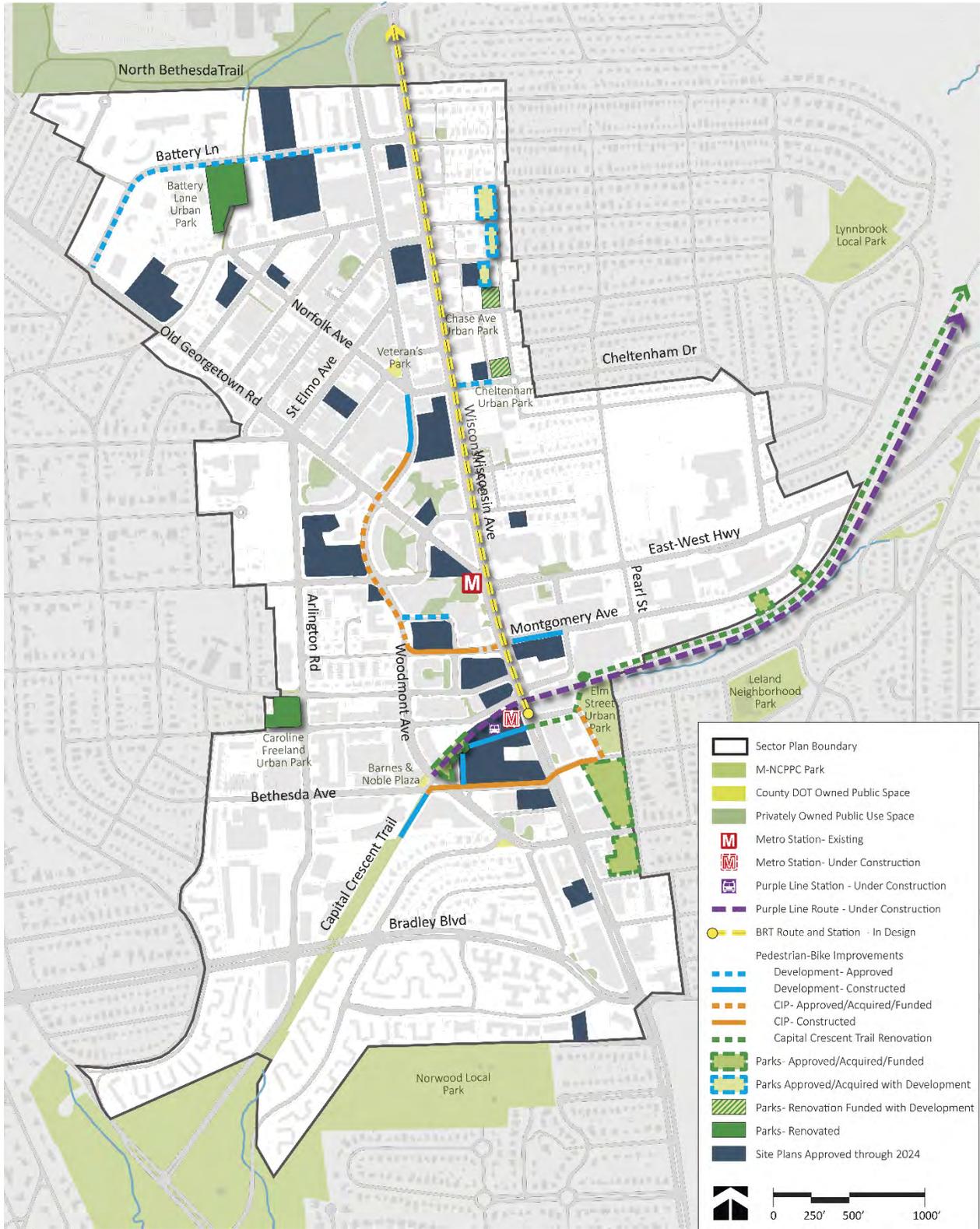


Figure 3. Transportation and Park Improvements Since 2017

The MMPA recommends:

- Continue LATR per the Growth and Infrastructure Policy (GIP) to improve pedestrian, bike, and transit-related alternatives to driving;
- Support implementation of Loading Management Districts recommended in the 2023 *Urban Loading and Delivery Management Study*;
- Support recommendations of forthcoming Planning/MCDOT joint Curbside Management Study;
- Support MCDPS/MCDOT management of construction-related sidewalk closures; and
- Support MCDOT study and implementation of enhanced transit service connecting downtown Bethesda to nearby residential neighborhoods and regional activity centers.

4.3. Implementation of 2017 Plan Park Recommendations

Following the approval of the *Bethesda Downtown Plan* in 2017, Montgomery Parks has been steadily working to implement the Plan's park recommendations, which include new civic gathering spaces and neighborhood parks, linkages to major trail systems, and improvements to existing parks. The MMPA recommends that Montgomery Parks refine implementation strategies as necessary to adapt to changing conditions such as the Purple Line construction status and schedule, development opportunities and challenges, and lessons learned since 2017.

One refinement the Plan recommends regards the Veteran's Park Civic Green. The Plan and associated Design Guidelines identified several potential locations and configurations for the expansion of one of downtown Bethesda's key public spaces. To better guide implementation of the Veteran's Park recommendation and to provide clarity regarding potential redevelopment of sites near Veteran's Park, the MMPA recommends that the expansion of the park take place on the west side of Woodmont Avenue rather than between Woodmont Avenue and Wisconsin Avenue.

The MMPA also recommends that Montgomery Parks continue to seek advice from the IAC. For additional information on the status of all park and open space recommendations in the 2017 Plan, please see the Bethesda Downtown Plan Monitoring webpage.

4.4. Park Impact Payment (PIP)

The PIP is an innovative planning tool created by the BOZ. Based on the amount of BOZ density approved for a new project, developers make a PIP to Montgomery Parks at the time of building permit. Montgomery Parks uses these funds to acquire land for new parks or construct new parks within the BOZ. The BOZ initially set the PIP rate at \$10 per square foot of BOZ Density, with adjustments every odd-numbered year for inflation. In 2023, the Planning Board approved the current rate at \$12.49 per square foot.

Recent Methodology Adjustments

In January 2024, the County Council approved ZTA 23-07 modifying the methodology for inflationary adjustment from an average of the previous two years' inflationary increases to their sum, or cumulative increase. The change aligned with the change in methodology approved for calculating the biennial adjustments to the Transportation Impact Taxes. As described in the November 22, 2023, Planning Board memo to Council supporting the ZTA, the "average" method led to "a substantial under-calculation of the real rate of change in construction prices." Planning staff prepared the following analysis of the PIP rate inflationary adjustments using the two methodologies.

Table 2: Comparison of PIP Rate Adjustment Methodologies

Park Impact Payment Methodology	2017	2018	2019	2020	2021	2022	2023
Average Annual	\$10	n.a.	\$11.08	n.a.	\$11.41	n.a.	\$12.49
Cumulative	\$10	n.a.	\$12.27	n.a.	\$13.01	n.a.	\$15.57

The new methodology will be used for the 2025 adjustment, with a maximum of a 20% increase.

To date, Montgomery Parks has collected over \$15 million in PIPs out of a total of approximately \$24.5 million conditioned by the Planning Board with Site Plan approvals. In 2020 the Planning Board approved the expenditure of roughly \$9.75 million in PIP funds for the acquisition of the properties at 7800 and 7810 Wisconsin Avenue, at the intersection of Wisconsin Avenue and Norfolk Avenue. This total includes associated real estate and acquisition cost for this and other properties. While this purchase was intended for park improvements at the Veterans Park Civic Green, the multi-party development that would have included this property did not move forward and Montgomery Parks retains ownership of the property. Parks will seek to dispose of the property in a timely and profitable manner in accordance with the refined focus on meeting the existing recommendations for this park west of Woodmont Avenue. An additional \$2.5 million in PIP funds have been approved for use, but not spent, on the future park at Parking Lots 10 and 24 that will extend the southern portion of the Eastern Greenway south from Elm Street Urban Park.

Reconsidering the PIP

Park and Planning staff and the Planning Board have heard from the Bethesda resident community that the PIP rate needs to be raised to provide additional funds to implement new parks in the Plan Area. Conversely, the Bethesda development community has said that an increased PIP rate would make new projects even more difficult, and points out that for the Plan-recommended Civic Greens (i.e., Veterans Park, Capital Crescent Civic Green, and the Farm Women's Market) have been delayed not by a lack of PIP funds, but rather property owners unwilling to sell, delayed Purple Line Construction, and complex multi-party contract negotiations. Fewer development projects mean fewer PIPs and less money overall for new parks in downtown Bethesda.

To explore the potential impact of an increased PIP rate on new development staff contracted an economic consultant, Partners for Economic Solutions (PES). PES analyzed whether new development projects can absorb the additional cost or whether a higher fee might prove to be an obstruction. PES prepared four pro forma analyses for different project types – residential apartments, residential condominiums, office and hotel – to examine the financial feasibility of development in downtown Bethesda.

PES's analysis determined that in the current real estate market it is difficult for development projects to move forward. This is largely due to the escalation in construction costs outpacing escalation in rents, making it difficult for developers to put together a profitable project. While the PIP in each pro forma represents 1% or less of the total development costs (construction costs are more than 50%), projects are not typically generating profits at levels that could easily absorb an increase to the PIP rate.

Staff also heard from the development community that the requirement to make the PIP in a lump sum at first building permit can present a financing challenge. PIPs vary by project since they are determined by the amount of requested BOZ density, and approved PIPs have ranged from around \$200,000 for smaller projects to closer to \$2 million for larger projects (the smallest being just over \$60,000 and the largest being just over \$5 million). The County Department of Permitting Services administers the permit program, and coordinates with Montgomery Planning throughout the permitting process to ensure all Planning Board conditions of approval are met. The final permit review, typically the use-and-occupancy permit, is the last permit process deadline where Montgomery Planning has a measure of control.

The MMPA recommends that the PIP rate be adjusted to correct for the 2019 and 2021 rate adjustment calculations that used the annual average instead of cumulative inflationary increases. This would result in setting the PIP rate at \$15.57 per square foot of BOZ density requested. This would be a nearly 25% raise in the PIP rate but would result in less than a 0.2% increase in the development costs for each pro forma. Accurately reflecting the changing costs of construction in the region is important to maintaining a PIP rate that provides impactful additional funds for parks while not creating an obstruction to development.

In acknowledgement of the potential financing burden posed by making a full PIP at the first building permit the MMPA further recommends that the PIP be made in two equal payments – the first half at the first building permit and the second half at the first use and occupancy permit. Together these recommended changes to the PIP aim to continue to support both new parks and encourage new development in the Plan Area.

4.5. [Recreation Center](#)

The 2017 Plan recommends the “study and implementation” of a new recreation center but does not otherwise incentivize it. A new recreation center could be built in one of three ways: entirely by the County, by a private developer and dedicated to the County, or through a public-private partnership. No matter the process, creation of a new recreation center would be coordinated through the Department of General Services and the Department of Recreation. Space requirements for a recreation center limit

the number of potential sites within downtown Bethesda, and the high cost of land acquisition and construction, as well as ongoing operational costs, impact a new recreation center as they do a new building or a new park.

To incentivize the realization of a new recreation center in downtown Bethesda, the MMPA recommends:

- Allowing the Planning Board to reduce a PIP for land dedicated to a new recreation center, similar to the existing provision allowing the Planning Board to reduce a PIP for land dedicated for parks;
- Updating the priority Public Benefits identified in the Plan to include a new recreation center as a “Major Public Facility”;
- Credit the area of the recreation center toward any required public open space; and
- Allowing the Planning Board to approve up to two additional stories above the mapped building height for a site that includes a new recreation center, as it determines necessary to accommodate the recreation center use.

4.6. Affordable Housing

Affordable housing is a key priority of the 2017 Plan vision. The Plan and BOZ require a minimum of 15% Moderately Priced Dwelling Units (MPDUs) to be provided in new Optional Method development projects, compared with the minimum statutory requirement of 12.5%. The BOZ also provides significant incentives for MPDUs:

- In a designated Height Incentive Area, projects providing more than 17.5% MPDUs may exceed the height limit of the applicable zone to the extent required to provide MPDUs.
- Gross floor area for MPDUs is deducted from BOZ density when calculating the required PIP.
- Outside the designated Height Incentive Area, projects providing more than 17.5% MPDUs may further deduct from the required PIP the gross floor area of MPDUs above 15%.
- Projects providing 25% MPDUs or more are exempt from a PIP required for any residential gross floor area.
- The Planning Board may grant MPDU Public Benefit points for developments providing more than 15% MPDUs.
- Projects providing more than 15% MPDUs are required to satisfy one fewer public benefit point category.
- For a project providing at least 20% MPDUs, only the Exceptional Design, and in the High-Performance Area Energy Conservation and Generation are required.

Promoting Family-Sized and Deeply Affordable MPDUs

The BOZ MPDU requirements and incentives have built over 400 MPDUs in downtown Bethesda, with more approved for future construction: a significant contribution to realizing the vision of the 2017

Plan. What these incentives do not specifically address, however, are the pressing need for family-size MPDUs with three or more bedrooms and more deeply affordable MPDUs for residents with lower incomes. These units can be challenging to build due to the combination of higher per-unit construction costs and reduced rental income.

The MMPA recommends updating the BOZ to allow the Planning Board, in coordination with the County Department of Housing and Community Affairs (DHCA) – which implements the MPDU program – to approve the above credits also for developments with only 15% MPDUs but with family-sized MPDUs that exceed the minimum number required under 25A and/or deeply affordable MPDUs (as defined by DHCA).

Redevelopment of Sites with Naturally Occurring Affordable Housing

“Naturally occurring affordable housing” (NOAH) is a term used to describe typically older, garden-style apartment buildings with lower-than-market rents due to various factors and that are not covered by the MPDU program. Recent master plans like the 2019 *Veirs Mill Corridor Master Plan*, the 2022 *Silver Spring Downtown and Adjacent Communities Plan*, and the 2024 *Takoma Park Minor Master Plan Amendment* all included recommendations to strive for “no net loss” of existing NOAH when those sites redevelop.

As sites with NOAH begin to redevelop in downtown Bethesda, Planning and DHCA staff have been working with developers to ensure that the redevelopment is consistent with the Plan priority of promoting affordable housing. The MMPA recommends that redevelopment of NOAH sites in downtown Bethesda also strive for no net loss of the NOAH units within the larger redevelopment, particularly in conjunction with the recommendation above regarding family-sized and deeply affordable units. The MMPA also supports the codification of standards for redevelopment of sites with NOAH, as there are for MPDUs and Workforce Housing today. The Master Plan recommends that DHCA coordinate a workgroup to determine how to define NOAH, how to demonstrate the existence of NOAH affordability, and what could be done when such units are demolished.

4.7. Additional BOZ Updates

The BOZ has been very effective in ensuring progress toward implementation of the Plan vision. Many elements and priorities of the 2017 Plan are implemented through the zoning code language of the BOZ: BOZ density; the Development Level; PIPs; MPDUs; Public Benefit points; Public Open Space; and the “use-or-lose” provisions attached to the use of BOZ density. While the MMPA recommendations for several of these have been discussed above, the MMPA also recommends addressing BOZ density, Public Benefit points, and the “use-or-lose” provisions.

Requirements to Purchase BOZ Density

The BOZ now requires that projects must use “all” mapped density before they can request BOZ density. Mapped CR zones set total maximum density and the maximum proportion of commercial uses and residential uses. For example, a property zoned CR-5.0 C-4.0 R-4.75 H-175 has a total allowable mapped density of 5.0 FAR, which can be made up of no more than 4 FAR of commercial uses

and 4.75 FAR of residential uses (with a maximum building height of 175 feet). If this sample project is a multifamily development, in order to use up “all” its mapped density and thus be able to request BOZ density (and make a corresponding PIP), 0.25 of commercial FAR would have to be provided in addition to the maximum 4.75 FAR. Given market conditions, the additional commercial FAR may be unwanted and difficult to lease.

To address this unnecessary hurdle in the development process and promote flexibility for developers to meet market conditions, the MMPA recommends updating the BOZ to allow purchase of BOZ density for projects using all mapped commercial **or** residential FAR.

Public Benefit Points

The CR zone requires specific categories of Public Benefits to be provided with new Optional Method of Development projects. To focus Public Benefits toward the Master Plan vision, Plans set priorities among the available Public Benefits. The BOZ has specific requirements for Public Benefit points, including modifying the number of points required and available for projects to provide.

Energy

To promote sustainability and energy efficiency in new construction, the BOZ requires that buildings within a designated “High-Performance Area” achieve 15 public benefit points from Energy Conservation and Generation. To achieve this, the Zoning Ordinance requires that buildings exceed the energy-efficiency standards for the building type by 17.5% for new buildings or 10% for existing buildings.

Since the Plan was approved in 2017, the County has been working to adopt ever-more-efficient building and energy codes, making the BOZ “stretch goal” a requirement. These important advances have made exceeding these higher energy-efficiency standards by 17.5% significantly more difficult. In recognition of the County’s higher efficiency standards and to remove an unintended obstacle to development, the MMPA recommends updating the BOZ to remove the requirement to achieve 15 points in the Energy Conservation and Generation Public Benefit category.

Incentive Zoning Update

Montgomery Planning is currently undertaking a project called the “Incentive Zoning Update” (IZU) to update the Public Benefits Point System for the CR zones. While this effort will not rezone any parcels or alter existing development, the effort will update the system used to evaluate new development and determine to what extent a development must provide corresponding public amenities. This update will also better align the point system with countywide priorities as envisioned in initiatives like *Thrive Montgomery 2050*, the Climate Action Plan, and implementation of the county’s Racial Equity and Social Justice law.

Over the summer, the Planning Board approved the draft IZU for transmittal to County Council this fall for review and approval. One of the key recommendations approved by the Planning Board was to enable Sector Plans to customize the menu of public benefits in a way that would achieve county wide priorities and provide local infrastructure and amenities. The 2017 Plan and the BOZ provisions have

been very successful in guiding and producing Optional Method of Development projects that provide Public Benefits envisioned in the Plan such as affordable housing, sustainable development, and parks funding. Therefore, the MMPA recommends that any Zoning Text Amendment resulting from the IZU to modify the Zoning Ordinance Public Benefit section acknowledges this success when determining if and how the BOZ should transition to utilizing the new Incentive Zoning framework.

BOZ Density “Use-or-Lose” Provision

The BOZ requires projects using BOZ density to apply for a building permit within two years of Site Plan approval and to “pull” that permit within an additional two years, or the Site Plan approval is revoked. In practice, particularly in the context of the recent and anticipated uncertainty of the real estate development market, this provision reduces the ability of potential development projects to be ready to respond to market conditions. With the MMPA recommendation to remove a specific development level from the BOZ, this requirement is no longer required. The Subdivision Ordinance Adequate Public Facilities finding, which the Planning Board must make for each application, requires projects to get a building permit in 5 years. To promote flexibility to meet market conditions, the MMPA recommends updating the BOZ to remove the “use-or-lose” provision.

4.8. Public Amenities and Benefits

The 2017 Plan identifies projects in the Plan Districts that would qualify for a fee-in-lieu payment under Section 6.3.6.C.2 of the County Zoning Ordinance. The MMPA recommends adding to this list the following projects, but on a Plan-Area-wide basis:

- New recreation center and/other civic buildings or spaces, including related studies.

4.9. Public Benefits in the CR Zone

The 2017 Plan lists five top-priority Public Benefits for Optional Method projects. As discussed above, the MMPA recommends adding a sixth:

- Major Public Facility: New Recreation Center

To incentivize the recommendation for a much-needed new public recreation center, the MMPA recognizes as a Major Public Facility a new recreation center for downtown Bethesda.

Acknowledgements

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