



Memorandum

To: Montgomery County Planning Department

From: HR&A Advisors, Inc.

Date: 9/12/24

Re: COMSAT Financial Feasibility Study

The Montgomery County Planning Department engaged HR&A Advisors to assess the financial feasibility of different development scenarios at the former COMSAT building site (the Site) adjacent to Interstate 270 in Clarksburg. The primary goal of this analysis was to evaluate whether adaptive reuse of the historically significant existing structure was feasible under current market conditions and the extent to which new development at the site could generate additional value to subsidize historic preservation/adaptive reuse.

This analysis assesses the feasibility of several adaptive reuse and new development scenarios and provides key financial metrics to help inform future decision making as part of Clarksburg Gateway Sector Plan implementation. The analysis first estimates the costs to develop each private development scenario and then considers the overall feasibility of the development by determining the residual land value (RLV) of the property, calculated by subtracting total costs from the value of the project. This report is separated into three sections:

- 1) **Development Scenarios:** *overview of development scenarios evaluated and program considerations*
- 2) **Financial Feasibility Analysis:** *detailed analysis of scenario feasibility and key assumptions*
- 3) **Recommendations:** *potential approaches to improving development feasibility*

An appendix is also provided, which includes additional site information, existing development incentives, and an alternate retail scenario requested by Montgomery County Planning.

For the COMSAT building site, HR&A analyzed adaptive reuse and three new development scenarios:

- **Scenario 1** – low-density buildout of site with mix of apartments and townhomes
- **Scenario 2** – medium-density buildout of site with mix of apartments and townhomes
- **Scenario 3** – low-density buildout of site with townhomes only

Key takeaways are provided on the next page and followed by the full report.

Key Takeaways

- **There is a feasibility gap of \$28 million for adaptive reuse of the COMSAT building.** Historic tax credits are insufficient to fully offset development costs, and parking and infrastructure requirements widen the feasibility gap (Figure 1).

Figure 1 | Adaptive Reuse Residual Land Value

	<i>Adaptive Reuse</i>
	COMSAT Adaptive Reuse
Total Value of Private Development	-\$23.0M
Historic Tax Credit Benefit	\$14.4M
Less: Parking Cost	-\$14.6M
Less: Roads and Open Space Costs	-\$4.7M
A. Total Residual Land Value of Adaptive Reuse <i>(negative value indicates feasibility gap)</i>	-\$28.0M

- **Under current market conditions, there is also a feasibility gap for new development,** with the exception of for-sale, townhouse-only construction (Figure 2).

Figure 2 | New Development Residual Land Value (excluding Adaptive Reuse)

	<i>New Development</i>		
	Low Density	Medium Density	Townhouse Only
Total Value of Private Development	\$22.1M	-\$39.2M	\$114.4M
Less: Parking Cost	-\$31.2M	-\$84.2M	-
Less: Roads and Open Space Costs	-\$30.9M	-\$30.9M	-\$30.9M
B. Total Residual Land Value of New Development <i>(negative value indicates feasibility gap)</i>	-\$40.1M	-\$154.3M	\$83.4M

- **While new development in the low- and medium-density scenarios both contribute to the feasibility gap, the high value created by townhouse development may be sufficient to cross-subsidize adaptive reuse (Figure 3).** It is estimated that a townhouse program of approximately 400 units is required to offset this feasibility gap (Figure 15).

Figure 3 | Total Site Residual Land Value (A + B)

	Development Scenarios (Adaptive Reuse and New Development)		
	Low Density	Medium Density	Townhouse Only
A. Total Residual Land Value of Adaptive Reuse	-\$28.0M	-\$28.0M	-\$28.0M
B. Total Residual Land Value of New Development	-\$40.1M	-\$154.3M	\$83.4M
A+B Total Site Residual Land Value <i>(negative value indicates feasibility gap)</i>	-\$68.1M	-\$182.4M	\$55.4M

- **Internal roads, open space, and parking are major cost drivers that hinder feasibility.** However, feasibility may be improved if certain components are led by the county as part of Sector Plan implementation and future transit improvements reduce parking need.
- **Current market conditions pose challenges for multifamily development.** High construction costs and interest rates diminish the feasibility of a multifamily program that could have been viable pre-pandemic. Multifamily development may be prioritized in the medium- to long-term, when market conditions improve and other investments are made at the site.
- **The COMSAT site is strongly positioned for development in the longer term.** Despite short-term development challenges, the site benefits from adjacency to major transportation routes such as I-270 and MD-355, and is well-positioned to benefit from enhanced transit connectivity through the 355 Flash Bus Rapid Transit (BRT) service and a planned Corridor Connector enhanced bus service between Germantown and Clarksburg.
- **A mix of property tax abatements, development incentives, infrastructure subsidies, parking reductions, and strategic tenant placements should be considered** to improve project feasibility and long-term success. Figure 4 consolidates the impacts of various policy tools with improved market conditions and demonstrates the potential future feasibility of a low-density scenario. Additional detail on the impact of improved market conditions, developer incentives, and policy changes on financial feasibility are included in Section 3 of this report.

Figure 4 | Potential Impact of Development Support and Improved Market Conditions

	Low Density	Medium Density
Initial Baseline RLV	-\$68.1M	-\$182.4M
Potential Benefits		
Abatement Benefit	\$7.4M	\$7.4M
Parking Reconfiguration Development Cost Savings	\$40.8M	\$59.3M
Cap Rate Reduction*	\$23.2M	\$38.8M
RLV with Potential Benefits by Scenario	\$3.3M	-\$76.8M
Viewshed Development	\$9.4M	\$9.4M
Total Site Residual Land Value with Potential Benefits and Viewshed Buildout	\$12.7M	-\$67.4M

1. Development Scenarios

Overview

Montgomery Planning engaged the architecture and urban design firm Fu Wilmers to determine the development capacity of the site for future new development and adaptive reuse of the historic COMSAT building. The Fu Wilmers design concept that forms the basis for the HR&A economic analysis recognizes COMSAT as a unique asset that can serve the Clarksburg region as a hub providing retail, restaurant, civic, recreational facilities, community gathering and social spaces with a mix of housing types in a high-quality urban environment. The organizing principle for each of the Fu Wilmers new development scenarios on the Comsat property is a series of residential blocks, street-fronting retail and multifamily development along a central north-south main street, with active and passive parks and open spaces distributed throughout. The Floor Area Ratio (FAR) for development scenarios ranges from 0.35 to 0.51, consistent with a low-density suburban setting. Additional detail on FAR is included in the Appendix C.

Development Scenarios

HR&A used program details from the Fu Wilmers concepts to develop 3 development scenarios.

The **Low-Density Scenario** locates 3- to 5-story multifamily residential buildings (either above street retail or on their own) along a narrow corridor of the main spine street, with 3-story townhouses and small apartments and detached cluster homes located on development blocks away from the main street.

The **Medium-Density Scenario** increases the extent of 3- to 5-story multifamily buildings to additional and larger areas of the low-density development blocks.

The **Townhouse-Only Scenario** assumes that all new residential development on the COMSAT property, other than the 112 multifamily units located within the COMSAT building, is constructed as attached residential townhouses.

The development scenarios summarized below and subsequent feasibility analysis are illustrative and intended only to serve as “test-fits” to determine the buildable capacity of these sites. They are not intended to suggest a final development configuration for the site, and it is expected that a private developer would consider these among other possible configurations.

HR&A assessed the feasibility of adaptive reuse and new development as separate components to determine the independent feasibility of each under current market conditions and to understand a breakeven point where new development returns could fully subsidize the rehabilitation of the former COMSAT building. HR&A also evaluated several different new development scenarios reflecting multiple uses and varying levels of density.

Figure 5 | Overview of Development Components

	COMSAT Adaptive Reuse	New Development		
		Low Density	Medium Density	Townhouse Only
Total Multifamily Units	112	818	1,471	0
Total Townhouse Units	0	722	972	1,188
Retail GSF*	61k	136k	136k	0
Office GSF*	23k	0	0	0

*Gross square feet, equal to the total area of the building inclusive of common areas, mechanical rooms, stairwells, and other non-usable spaces.

HR&A’s analysis only considers property currently owned by Lantian Development and excludes parcels to the south owned by Linthicum Properties. Additionally, portions of the COMSAT property were excluded from

projected development, including a viewshed zone of the COMSAT building from I-270 (approximately 23 acres), a 200-foot setback 'no development' buffer from I-270 (approximately 16 acres), and other sensitive environmental features, such as existing mature forest, steep slopes, and stream buffer areas (approximately 41 acres).

This report considers the potential for additional development within the Comsat building viewshed zone as a possible enhancement to its overall financial feasibility (see Section 3). However, adding residential development within this viewshed zone would diminish the visibility of the Comsat building from I-270 and, therefore, its historic setting and ability to otherwise receive historic tax credits. Figure 6 below identifies development scenario locations and areas excluded from analysis. All development scenarios also include required levels of affordability to support Montgomery County mixed-income housing priorities.

Figure 6 | Development Components and Excluded Areas



Adaptive Reuse

For the adaptive reuse analysis, HR&A evaluated the redevelopment potential of the former COMSAT building, analyzing three separate building sections based on architectural significance, ease of conversion, and use. This approach provided the flexibility to evaluate individual portions of the building to inform future decisions that balance the financial feasibility of each section with its relative historical significance. Figure 7 below illustrates the three different components of the building that were evaluated. Section 1 and Section 3 are part of the original structure of the building, while Section 2 is a newer addition.

Figure 7 | COMSAT Building Components



Building Chronology

Note: The areas shaded in gray are not believed to be historically significant and represent utilitarian additions that are not original to the building. These areas are not likely to be preserved.

- **Section 1: Historic Bays.** This section is the most defining component of the original structure and, and it holds the most architectural and historical significance due to the unique exterior treatments and visually striking layout. The 2-story historic bays are the primary building area visible from 270 and the structure’s most identifiable component. This portion of the building has the greatest potential to be maintained for preservation purposes, and its preservation is likely a condition to receive preservation-related incentives.
- **Section 2: Office Addition.** This building component was added in 1981 and replicates the notable design elements of the historic bays. The addition is 4 stories and the tallest section of the building. Its larger size offers more concentrated redevelopment potential, although the large floorplate requires larger residential unit sizes. Preservation of the office addition is not required to qualify for historic preservation incentives.
- **Section 3: Commercial/East-of-Spine Section.** Most of this section is part of the original building, although it is recessed and lacks the distinguishing features of the historic bays. As such, this section has historical significance and must largely be preserved to ensure eligibility for historic tax credits.

Figure 8 | Summary of Adaptive Reuse Program Components

	Historic Bays	Office Addition	Commercial East	Total
Uses				
Multifamily GSF	89,951	65,157	-	155,108
Office GSF	-	-	22,670	22,670
Retail GSF	-	-	61,244	61,244
Total GSF	89,951	65,157	83,914	239,022
Building Efficiency*				
Building Efficiency*	77%	86%	72%	78%
Average Apartment (NSF**)	962 NSF	1,406 NSF	-	1,120 NSF
Total Multifamily Units	72 Units	40 Units	-	112 Units
Total Residential Units	72 Units	40 Units	-	112 Units
Parking				
Multifamily Parking Ratio (spaces per unit)	1.0/unit	1.0/unit	1.0/unit	1.0/unit
Office Parking Ratio (spaces per 1,000 SF)	1.0/1000 sf	1.0/1000 sf	1.0/1000 sf	1.0/1000 sf
Retail Parking Ratio (spaces per 1,000 SF)	5.0/1000 sf	5.0/1000 sf	5.0/1000 sf	5.0/1000 sf
Total Surface Parking Spaces	0	0	0	0
Total Structured Spaces	72	40	239	351
Total Parking Spaces	72	40	239	351

*Weighted average building efficiency across uses, equal to the ratio of net square feet to gross square feet in the program.,

**Net square feet, equal to the usable area within a building, excluding spaces like corridors, lobbies, restrooms, and other non-usable areas.

New Development

HR&A also evaluated the feasibility of new apartment and townhouse development on undeveloped land adjacent to the former COMSAT building. The largely undeveloped 210-acre site has the potential to accommodate significant ancillary residential development that could help catalyze additional development in the surrounding areas and support increased density and ridership around the planned BRT corridor.

New development scenarios were informed by the Clarksburg Gateway Sector Plan, which envisions increased residential density to support I-270 corridor activation. Development scenarios prioritize residential development over other uses due to continued regional demand and the current market environment. The proposed new development programs include a mix of both rental and for-sale units.

HR&A evaluated two different density scenarios for new development based on conceptual site capacity plans from the design team. The low-density scenario provides a baseline level of buildout comparable to what has recently been developed in Clarksburg. The medium-density scenario increases development intensity to reflect 3- to 5-story buildings, which are more common regionally in transit-accessible nodes and represents a more aggressive buildout. The low-density scenario provides 1,540 dwelling units, while the medium-density scenario provides 2,443.

In addition to the development programs created by the design team, HR&A also evaluated a third new development scenario consisting of only for-sale townhomes. This scenario was added to reflect current market conditions that favor townhouse development. Additional program details are included in Figure 9.

Figure 9 | New Development Program

	Low Density	Medium Density	Townhouse Only
Uses			
Multifamily GSF	981,600	1,765,200	-
Townhouse GSF	1,732,800	2,332,800	2,851,200
Retail GSF	136,376	136,376	-
Total GSF	2,850,776	4,234,376	2,851,200
Building Efficiency (Rental Uses)			
Building Efficiency (Rental Uses)	80.0%	80.0%	N/A
Average Apartment (NSF)	960 NSF	960 NSF	-
Average Townhouse Size (NSF)	2,400 NSF	2,400 NSF	2,400 NSF
Total Multifamily Units	818 Units	1,471 Units	-
Total Townhouse Units	722 Units	972 Units	1,188 Units
Total Residential Units	1,540 Units	2,443 Units	1,188 Units
Parking			
Multifamily Parking Ratio (spaces per unit)	1.0/unit	1.0/unit	1.0/unit
Retail Parking Ratio (spaces per 1,000 SF)	5.0/1000 sf	5.0/1000 sf	5.0/1000 sf
Townhouse Parking Ratio (spaces per unit*)	2.0/unit	2.0/unit	2.0/unit
Total Surface Parking Spaces	682	0	0
Total Structured Spaces	682	2,017	0
Total Parking Spaces (Rental Uses)	1,037	1,690	0*

*Townhomes include a 2-car garage, which is not reflected in total parking spaces

2. Financial Feasibility Analysis

HR&A tested the financial feasibility of development scenarios described in the previous section using a residual land value (RLV) analysis.

Residual Land Value Overview

Calculating residual land value is a widely accepted method for estimating the value of property or development rights that are attached to a property. RLV is equal to the total value of a given development program minus hard and soft development costs, financing costs, and the developer's required profit (Figure 10).

Figure 10 | Residual Land Value Overview



$$\text{Residual land value} = \text{project value} - (\text{development cost} + \text{financing costs} + \text{developer fee})$$

A residual value greater than \$0 indicates market feasibility, while a negative value indicates that additional support is required to reach feasibility. Higher RLVs also indicate a development concept's potential ability to support public benefits, such as affordable housing, community facilities, and public realm improvements. In the case of Clarksburg, a positive RLV could be used to subsidize adaptive reuse. RLV is dependent on the development planned for a site. The more valuable a given development program, the greater the amount the developer can afford to spend on the land and therefore the greater the RLV.

HR&A performed financial feasibility testing on the scenarios detailed previously to understand the scale of new development that would be required to support adaptive reuse of the COMSAT building. The purpose of evaluating multiple scenarios of varying densities is to identify the development program that optimizes residual land value (i.e., the potential subsidy for adaptive reuse) while balancing Montgomery County planning priorities and Clarksburg Gateway Sector plan objectives.

Key Assumptions

HR&A evaluated the financial feasibility of different scenarios based on program assumptions provided by the Fu Wilmers design team, inclusive of roads and open space. In addition to this, HR&A assumed that historic tax credits available at the county, state and federal level would be used to enhance the financial feasibility of the adaptive reuse program. These tools are both widely used for adaptive reuse projects and less competitive than other potential incentives. In addition to this, utilizing historic preservation incentives helps to ensure that the key architectural features of the site are preserved and rehabilitated.

HR&A reviewed existing market conditions in the Clarksburg market and used key metrics to inform analysis assumptions related to rents, vacancies, and operating expenses for proposed uses. Detailed assumptions reflecting HR&A's market scan and local development projects are provided below. HR&A also engaged Preservation Maryland and Montgomery Planning Historic Preservation staff to understand development barriers

for adaptive reuse projects and inform other factors that influence feasibility. HR&A cross-referenced these assumptions internally across different projects in the region. All figures are represented in 2024 dollars.

Figure 11 | Residential Unit Mix and Affordability Assumptions

	Adaptive Reuse	Low Density	Medium Density
Multifamily			
One-Bedroom	38	-	-
Two-Bedroom	43	715*	1287*
Three-Bedroom	15	-	-
Affordable Share	12.50%	12.50%	12.50%
Affordability Level (% of AMI**)	65%	65%	65%
Townhouse			
Affordable Share	12.50%	12.50%	12.50%
Affordability Level	Based on DHCA Pricing Standards***		

*New development scenarios are based on an average unit size, and it is expected that units would comprise a mix of sizes

**Area median income

***Per Montgomery County website for-sale MPDU development [guidance](#)

Figure 12 | Operating Assumptions

	Multifamily (Market-Rate)	Multifamily (Affordable)	Office	Retail
Rent	\$2.30/SF/Month*	\$1.93/SF/Month*	\$35.00/SF/Year	\$30.00/SF/Year
Vacancy	5%	5%	5%	5%
Operating Expenses	35% of EGI**	35% of EGI	NNN Lease***	NNN Lease

* Rent is weighted to reflect unit mix in the adaptive reuse program

** Effective gross income, equal to gross potential rent and other income less vacancy costs

***Triple net (NNN) lease, where operating expenses are paid by tenant rather than landlord

Figure 13 | Cost and Financing Assumptions

Construction Cost Assumptions	Multifamily	Townhouse	Office	Retail
Hard Cost (\$/GSF)	\$187-\$220	\$165	\$220	\$198-\$220
Soft Cost (\$/GSF)	\$42-\$48	\$40	\$48	\$44-\$48
Financing Cost (\$/GSF)	\$19-\$22	\$25	\$22	\$20-\$22
Total Cost	\$247-\$290	\$230	\$290	\$262-\$290
Parking Cost Assumptions (\$/space)				
Surface		\$4,000		
Structured		\$42,000		
Financing Assumptions				
Loan to Cost Ratio		65%		
Interest Rate		7.50%		
Term (construction)		24 months		
Fees		1.50%		

Note: Construction Cost category figures above do not include parking or additional infrastructure costs. Range reflects cost differences between scenarios.

Figure 14 | Total Private Development Cost

	Adaptive Reuse	Low Density	Medium Density	Townhouse Only
Hard Costs	\$72.9M	\$554.6M	\$883.9M	\$494.9M
Soft Costs	\$15.M	\$112.8M	\$178.M	\$103.3M
Financing Costs	\$7.1M	\$51.7M	\$82.5M	\$43.7M
Total Development Cost	\$94.9M	\$719.1M	\$1144.4M	\$642.M

Financial Analysis Overview

Total residual land value for all conceptual scenarios is negative, except for the townhouse-only program.

The feasibility of initiating development at the COMSAT site is dependent on development value being greater than the associated costs of development. HR&A calculated the RLV based on the difference between the gross project value and the costs associated with development and sale. The remaining value represents the total potential value that a private developer would be willing to offer in return for the right to develop. Residual land value analysis is agnostic of site ownership and intentionally does not account for the \$11.5 million previously paid by Lantian in 2015 for the property.

A detailed summary of project value is provided in Figure 15 below. The last row in the table estimates the number of townhomes required (in addition to those included in each scenario, if applicable) by each scenario to fill the gap and make the project feasible.

Figure 15 | Net Operating Income and Total Value of Adaptive Reuse and New Development Components

	Adaptive Reuse	Low Density	Medium Density	Townhouse Only
Total Net Operating Income	\$3.9M	\$16.6M	\$27.5M	-
÷ Blended Cap Rate*	6.01%	5.58%	5.55%	-
Total Project Value (rental uses)	\$65.6M	\$298.0M	\$495.8M	-
Townhouse Sales	-	\$550.8M	\$741.8M	\$906.7M
Total Project Value (all uses)	\$65.6M	\$848.8M	\$1,237.6M	\$906.7M
Total Project Costs	-\$108.1M	-\$888.9M	-\$1,391.9M	-\$823.3M
Historic Tax Credit	\$14.4M	-	-	-
Total Residual Land Value (gap)	-\$28.0M	-\$40.1M	-\$154.3M	\$83.4M
Net Value per Townhouse		\$70,200		
Additional Townhomes Needed to Subsidize Gap <i>(RLV ÷ Value per Townhouse)</i>	400	571	2,198	-

*Blended cap rate is weighted to the uses included in the planned development

** Development fee is assumed to be 15% of total development cost

Prior to the pandemic, high residential demand combined with relatively low construction costs and interest rates supported significant new multifamily and townhouse development in Clarksburg and across the county. Recent increases in construction costs and interest rates have negatively impacted multifamily development feasibility and pose challenges to apartment programs at the site. However, multifamily remains the highest performing commercial use currently, and continued demand for housing is evidenced by significant new multifamily and townhouse development on the periphery of the site, reflecting the historical feasibility of low- to mid-density residential construction in the region.

Adaptive Reuse Value

Under current market conditions, there is a feasibility gap for adaptive reuse that requires a subsidy of \$28 million. However, more than half of the funding gap is driven by the commercial building component located east of the building spine. Current market cap rates for office and retail are significantly higher than for multifamily, which yields a lower value per square foot of commercial uses relative to multifamily. If the development team were to prioritize redevelopment of the historic bays and office addition, the total gap would shrink to roughly \$11 million. Additionally, structured parking is required to support the development program envisioned for the COMSAT building, and accounts for nearly \$15 million in additional cost. If the Commercial East portion were instead converted to surface parking in the short term, the funding gap for adaptive reuse of the historic bays and office addition would shrink to roughly \$6 million. Additional detail on the impact of parking adjustments is included in Section 3 of this report.

Figure 16 | Net Operating Income and Total Value of Adaptive Reuse Scenarios

	Historic Bays	Office Addition	Commercial East	Total Adaptive Reuse
Net Annual Residential Income	\$1.2M	\$1.0M	-	\$2.2M
Net Annual Office Income	-	-	\$0.5M	\$0.5M
Net Annual Retail Income	-	-	\$1.2M	\$1.2M
Total Net Operating Income	\$1.2M	\$1.0M	\$1.8M	\$3.9M
÷ Blended Cap Rate*	5.50%	5.50%	6.81%	6.01%
Total Project Value	\$22.2M	\$17.6M	\$25.7M	\$65.6M
Less: Total Development Cost	-\$26.0M	-\$18.9M	-\$30.6M	-\$75.6M
Less: Parking Cost	-\$3.0M	-\$1.7M	-\$10.0M	-\$14.6M
Less: Roads and Open Space Cost	-\$1.5M	-\$1.4M	-\$1.6M	-\$4.7M
Less: Developer Fee**	-\$3.3M	-\$2.6M	-\$3.9M	-\$9.8M
Less: Cost of Sale	-\$1.1M	-\$0.9M	-\$1.3M	-\$3.3M
Historic Tax Credit	\$6.7M	\$2.9M	\$4.6M	\$14.4M
Total Residual Land Value (gap)	-\$6.1M	-\$5.1M	-\$16.9M	-\$28.0M

*Blended cap rate is weighted to the uses included in the planned development

** Development fee is assumed to be 15% of total development cost

New Development Value

Under current market conditions, there is a feasibility gap for both the low-density scenario and the medium-density scenario due to multifamily components that offset the positive value created by townhomes. Market conditions in Montgomery County and nationally pose significant challenges for commercial development. Rising interest rates and construction costs have made apartment projects that would have been feasible in 2020 infeasible today. However, for-sale residential projects offer significant value potential due to strong regional demand and comparably lower construction costs. With that being said, the feasibility of all development scenarios is expected to improve if the market recovers to prepandemic levels. Additionally, this analysis does not account for additional accommodations or incentives that could further improve project viability.

Based on the low-density site capacity potential, HR&A modeled a townhouse-only scenario that eliminates rental uses. While this scenario is not aligned with the site vision, it is financially feasible and demonstrates the market preference toward for-sale products. This scenario also indicates the number of townhouses required to cross-subsidize adaptive reuse of the former COMSAT building, detailed in Figure 15.

Given the intensity of development, approximately six miles of internal roads are required at full buildout to support access across the site. Additionally, nearly 500,000 square feet of open space is envisioned across the site to support corridor vibrancy and residential appeal. Based on high-level cost estimates, roads and open space infrastructure are expected to account for more than \$30 million in costs and nearly 90% of the feasibility gap in the low-density scenario. Public funding support for primary roads that could serve a future BRT route would help increase feasibility and advance the underlying goals of the sector plan.

In addition to site infrastructure, parking also represents a large cost, especially under the medium-density scenario, which requires a significant amount of structured parking for rental uses. Considering planned BRT and other transit improvements in Clarksburg, future development may require lower parking ratios, which could help improve feasibility. Additional detail on the impact of parking adjustments is included in Section 3 of this report.

Figure 17 | Net Operating Income and Total Value of New Development Scenarios

	Low Density	Medium Density	Townhouse Only
Net Annual Residential Income	\$13.6M	\$24.5M	-
Net Annual Retail Income	\$3.0M	\$3.0M	-
Total Net Operating Income	\$16.6M	\$27.5M	-
÷ Blended Cap Rate*	5.6%	5.6%	0.0%
Total Project Value (rental)	\$298.0M	\$495.8M	-
Townhouse Sales	\$550.8M	\$741.8M	\$906.7M
Total Project Value (all uses)	\$848.8M	\$1,237.6M	\$906.7M
Less: Total Development Cost	-\$657.0M	-\$1,029.2M	-\$611.0M
Less: Parking Cost	-\$31.2M	-\$84.2M	-
Less: Roads and Open Space Cost	-\$30.9M	-\$30.9M	-\$30.9M
Less: Developer Fee**	-\$127.3M	-\$185.6M	-\$136.0M
Less: Cost of Sale	-\$42.4M	-\$61.9M	-\$45.3M
Total Residual Land Value (gap)	-\$40.1M	-\$154.3M	\$83.4M

Note: totals may not sum due to rounding

*Blended cap rate is weighted to the uses included in the planned development

** Development fee requirement is assumed to be 15% of total development cost

Sensitivity Analysis

While RLV provides a reasonable estimate based on current market conditions, it is particularly sensitive to three significant factors: capitalization rate, construction cost, and rental rate/condo price. Therefore, small changes in these variables can greatly affect the total value and, therefore, the feasibility of development.

Capitalization (“Cap”) Rate

RLV is highly sensitive to changes in the cap rate, as shown in Figure 18 The cap rate is a market-determined real estate metric that indicates the value of a property per dollar of net operating income (NOI) it generates. For example, if cap rates are 5% and a property generates \$100 in NOI, then an investor would be willing to pay $\$100/5\% = \$2,000$ for the asset. Cap rates can fluctuate significantly over time and are determined by market conditions, including interest rates, local supply and demand, and other factors. Between 2021 and 2024, suburban multifamily cap rates in Montgomery County have increased more than 1%. This change equates to a nearly 16% decrease in value between 2021 and 2024 for a given multifamily property.

If market conditions improve in the next several years, it is likely that cap rates will decrease toward 2021 levels. In the adaptive reuse scenario, a 0.5% decrease in cap rate would generate nearly \$5 million in additional value, nearly 25% of the existing feasibility gap of \$21.7M.

Construction Cost

Changes in construction costs and rent also play a large role in RLV and project feasibility. HR&A's rehabilitation cost estimate represents a conservative estimate based on cost information from Lantian as well as comparable projects in the region. In the context of Clarksburg, this sensitivity demonstrates that continued investment and a market recovery could dramatically increase the feasibility of development in the medium- to long-term as Clarksburg is built out and becomes a more attractive place to live.. Similarly, if updated cost estimates for building rehabilitation are lower than those modeled, feasibility would also be improved. Construction costs have increased nearly 20% since 2021¹ but are beginning to stabilize after several years of high growth.

A change in hard costs would have a large impact on the feasibility of new development for both the low-density and high-density scenarios. If hard costs for both multifamily and townhouse development were to increase by \$10 per gross square foot, the feasibility gap for low- and high-density development would increase by \$37.8 million and \$57.2 million, respectively.

Rental Rates and Townhouse Pricing

In addition to development costs, development revenues are an essential component of program feasibility and inform the availability of surplus profit that might be allocated to adaptive reuse or other sector plan goals. While rental and for-sale pricing is lower in the Clarksburg market compared to transit-accessible employment nodes elsewhere in the county, strong growth has defined both residential product types since 2020 and helped to offset rising construction costs.

Transit, roadway, open space, and other area improvements envisioned as part of the Clarksburg Gateway Sector Plan will help to create value and support continued revenue growth that will increase feasibility in the medium- to long-term. Townhouse and rental rates modeled are for top-of-market product. A \$10 change in sale price per square foot for townhomes would improve low- and medium-density scenario feasibility but would be insufficient to offset multifamily costs. A 10-cent increase per square foot in monthly multifamily rents would also benefit all programs; however, it would be insufficient to materially improve feasibility under current conditions.

Figure 18 | Sensitivity Analysis Summary

	Adaptive Reuse	Low Density	Medium Density	Townhouse Only
Baseline Private RLV	-\$28.0M	-\$40.1M	-\$154.3M	\$83.4M
0.5% Increase to Cap Rate	-\$4.0M	-\$19.6M	-\$32.8M	NA
0.5% Decrease to Cap Rate	\$4.8M	\$23.5M	\$39.3M	NA
Δ\$10 Hard Costs/GSF - Multifamily	+/- \$1.9M	+/- \$13.7M	+/- \$24.6M	NA
Δ\$10 Hard Costs/GSF - Townhouse	NA	+/- \$24.1M	+/- \$32.5M	+/- \$39.7M
Δ10¢ Rent/RSF - Multifamily	+/- \$1.2M	+/- \$7.7M	+/- \$13.8M	NA
Δ\$10 Sale Price/SF - Townhouse	NA	+/- \$12.1M	+/- \$16.3M	+/- \$19.9M

Figure 19 below provides an example of how compounding effects can dramatically increase or decrease development feasibility. Each row and column represent a 5% change from a base multifamily assumption of the low-density scenario (hard construction costs of \$170 and monthly market-rate rent of \$2.23/sf). Therefore, if rent were to increase by 15% (approximately 30 cents per square foot) and development costs were to decrease by 10% (approximately \$20 per square foot), residual land value would be positive and indicate project feasibility.

¹ Turner Building Cost Index, Q2 2024

Figure 19 Example: Low Density Scenario Rent and Construction Cost Sensitivity

		Construction Hard Cost / SF							
		-15%	-10%	-5%	0%	+5%	+10%	+15%	
Rent	Δ%		\$145	\$153	\$162	\$170	\$179	\$187	\$196
	-15%	\$1.90	-\$30.93M	-\$42.53M	-\$54.14M	-\$65.75M	-\$77.36M	-\$88.96M	-\$100.57M
	-10%	\$2.01	-\$22.37M	-\$33.98M	-\$45.59M	-\$57.19M	-\$68.80M	-\$80.41M	-\$92.01M
	-5%	\$2.12	-\$13.82M	-\$25.42M	-\$37.03M	-\$48.64M	-\$60.24M	-\$71.85M	-\$83.46M
	0%	\$2.23	-\$5.26M	-\$16.87M	-\$28.47M	-\$40.08M	-\$51.69M	-\$63.30M	-\$74.90M
	+5%	\$2.34	\$3.30M	-\$8.31M	-\$19.92M	-\$31.53M	-\$43.13M	-\$54.74M	-\$66.35M
	+10%	\$2.45	\$11.85M	\$0.24M	-\$11.36M	-\$22.97M	-\$34.58M	-\$46.18M	-\$57.79M
	+15%	\$2.56	\$20.41M	\$8.80M	-\$2.81M	-\$14.41M	-\$26.02M	-\$37.63M	-\$49.24M

While this is a simplified example, it demonstrates the impact of several small changes on a project and provides a helpful starting point for policy decisions that support community goals, county objectives, and housing needs.

3. Recommendations

As noted in Section 2 above, current market conditions are drastically different today than they were prior to the pandemic, which poses significant challenges for development. HR&A's analysis reflects the current real estate market, and scenario feasibility will improve if market conditions recover to historical levels. Lower interest rates projected over the next several years combined with stabilized construction costs will reduce cap rates and drive value, which will likely improve the feasibility of multifamily and other commercial uses.

HR&A modeled state, county, and federal historic tax credit incentives for the adaptive reuse scenario, which enhance the financial viability of a project by increasing the equity available to a developer. While historic tax credits alone do not provide sufficient value to offset project costs and make the project feasible, they can be combined with other tools and incentives to further close the gap. Several alternative tools and approaches to improve development feasibility are provided below. Together, these measures have the potential to create a conducive environment for sustainable growth and profitability.

- **Property Tax Abatement and Development Incentives:** *reduce initial costs and attract investment*
- **Parking Reconfiguration:** *reduce minimum parking requirement or explore surface alternatives*
- **Development in a Preserved Viewshed Area:** *increase development potential and potential subsidy*
- **Public Infrastructure Subsidy:** *support essential services and connectivity*
- **Large Anchor Tenant Identification:** *enhance property value and residential*
- **Stacked Townhouse Typology:** *support "Missing Middle" housing goals*

A snapshot of the potential benefit of a combination of tools and a market recovery to prepandemic levels is included in Figure 20 below. This table is provided solely to demonstrate how feasibility may be improved by a combination of market and policy decisions and is not intended to be a guarantee of future outcomes. The data presented is for illustrative purposes only and should not be relied upon as a forecast or assurance of results.

Figure 20 consolidates the impacts of various policy tools with improved market conditions and demonstrates the potential feasibility of a low-density scenario with adaptive reuse. The property tax abatement, parking alternative, and viewshed development line items are explained in further detail below. Additional information on market conditions and cap rate impacts can be found in the Sensitivity Analysis section of this report.

Figure 20 | Potential Impact of Development Support and Improved Market Conditions

	Adaptive Reuse	Low Density	Medium Density
Initial Baseline RLV	-\$28.0M	-\$40.1M	-\$154.3M
Potential Benefits			
Abatement Benefit	\$7.4M	-	-
Parking Reconfiguration	\$13.8M	\$27.0M	\$45.5M
Development Cost Savings			
Cap Rate Reduction*	\$3.6M	\$19.6M	\$35.2M
RLV with Potential Benefits by Component	-\$3.2M	\$6.5M	-\$73.6M
New Development Scenario RLV with Adaptive Reuse Component			
Viewshed Development	-	\$9.4M	\$9.4M
Total RLV with Potential Benefits and Viewshed Buildout		\$12.7M	-\$67.4M

*Assumes a multifamily cap rate reduction from 5.5% to 5%, consistent with historical market averages

Property Tax Abatement and Development Incentives

Tax abatements are commonly used to support development feasibility by reducing expenses (thereby increasing NOI), thus increasing project value. HR&A modeled the impact of a 15-year, 100% tax abatement (aligned with Montgomery County’s WMATA PILOT program) on the adaptive reuse scenario to determine the positive benefit to RLV. A tax abatement would contribute roughly \$7.4 million to the adaptive reuse scenario, closing the gap by more than 30% (Figure 21). While this tax abatement is not currently available to the project, it is a valuable tool that could be established for Clarksburg and other adaptive reuse projects aligned with Montgomery County goals.

Figure 21 | Adaptive Reuse Tax Abatement Impact

	Historic Bays	Office Addition	Commercial East	Total Adaptive Reuse
Base Value	-\$12.8M	-\$8.0M	-\$21.6M	-\$42.4M
Historic Tax Credit	\$6.7M	\$2.9M	\$4.6M	\$14.4M
Residual Land Value without Tax Abatement	-\$6.1M	-\$5.1M	-\$16.9M	-\$28.0M
Tax Abatement	\$2.5M	\$2.0M	\$2.9M	\$7.4M
Residual Land Value with Tax Abatement	-\$3.6M	-\$3.1M	-\$14.0M	-\$20.6M

Additional tools and incentives that are currently available to support development are summarized in Appendix D and should be considered as potential funding sources.

Parking Reconfiguration

Parking accounts for a large share of costs due to both the high cost of structured parking development and the total number of required spaces under current zoning. Given the large size of the site, it may be feasible to transition a portion of structured parking spaces to surface parking, which is substantially less expensive to construct than a garage. Additionally, lower parking ratios may be justified in the future as the area evolves into a transit-accessible suburban district. Based on the size of the site and anticipated district profile, HR&A developed a parking alternative with surface parking for the adaptive reuse and low-density components and with a 50/50 split of surface and structured parking for the medium-density component. The alternative also reduced the retail parking requirement from 5 spaces to 2 spaces per 1,000 square feet to account for accessibility improvements and local-serving retail that would serve residents and workers who may not require parking.

Figure 22 demonstrates the cost savings potential of an increased share of surface parking and a reduction in retail parking minimums. While the cost savings of the parking alternative alone are not sufficient to drive feasibility, it does provide a meaningful shift toward positive value and could be combined with other policy development tools and initiatives to enhance viability and align with broader planning objectives.

Figure 22 | Alternate Parking Scenario

	Adaptive Reuse	Low Density	Medium Density
A. Baseline Scenario			
Share of Surface Spaces	0%	50%	0%
Share of Structured Spaces	100%	50%	100%
Retail Parking Ratio	5.0/1000 sf	5.0/1000 sf	5.0/1000 sf
Surface Parking Spaces	0	682	0
Structured Parking Spaces	351	682	2,017
Total Parking Spaces	351	1,364	2,017
Parking Costs	-\$14.6M	-\$31.2M	-\$84.2M
<i>Average cost per space</i>	\$41,700	\$22,900	\$41,700
Other Development Costs	-\$13.4M	-\$8.9M	-\$70.1M
A. Residual Land Value	-\$28.0M	-\$40.1M	-\$154.3M
B. Reduced Parking with Surface Transition Scenario			
Share of Surface Spaces	100%	100%	50%
Share of Structured Spaces	0%	0%	50%
Retail Parking Ratio	2.0/1000 sf	2.0/1000 sf	2.0/1000 sf
Surface Parking Spaces	218	1,037	845
Structured Parking Spaces	0	0	845
Total Parking Spaces	218	1,037	1,690
Parking Costs	-\$0.9M	-\$4.1M	-\$38.6M
<i>Average cost per space</i>	-\$4,000	-\$4,000	-\$22,867
Other Development Costs	-\$13.4M	-\$8.9M	-\$70.1M
B. Residual Land Value	-\$14.3M	-\$13.0M	-\$108.8M
Number of Structured Parking Spaces Transitioned to Surface	218	355	845
Retail Spaces Removed	133	327	327
Total Cost Savings (B-A)	\$13.8M	\$27.0M	\$45.5M

Viewshed Development

Initial development concepts created by the design team preserved views of the COMSAT building from I-270 as a means of showcasing the historic structure and retaining original conditions. However, development in this viewshed should be considered if it would guarantee preservation of the historic structure. To that end, HR&A estimated the buildout potential of the viewshed area (Figure 6) for townhomes based on density assumptions from the design team. Total units in the table below reflect 14 townhomes per acre and an estimated 8 acres of developable space, which maintains the required 200' setback from I-270.

Townhouse development within the I-270 viewshed is estimated to produce a positive RLV of \$9.4 million, approximately 40% of the gap required to fund the adaptive reuse scenario.

Figure 23 | I-270 Viewshed Estimated Buildout and Value

Viewshed Development	
Townhouse GSF	268,800
Townhouse Units	112
Project Value	\$85.5M
Project Cost	-\$76.1M
Residual Land Value	\$9.4M

Public Infrastructure Subsidy

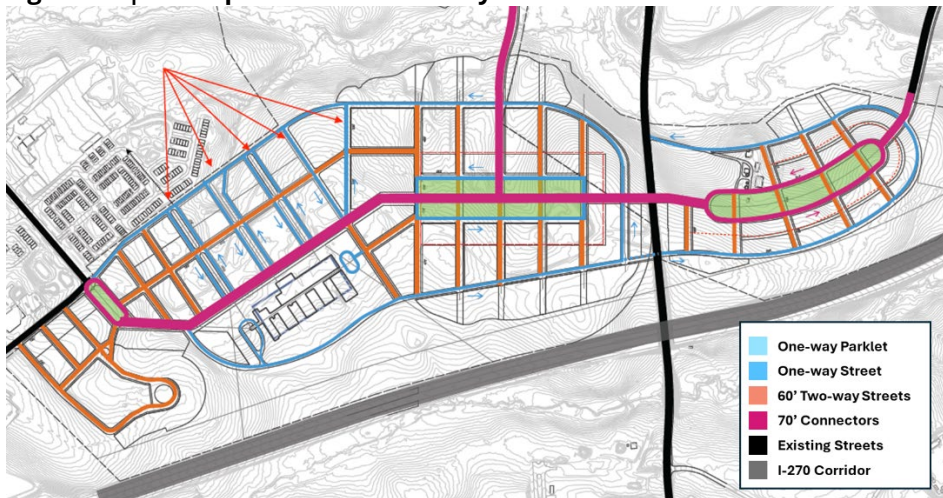
All scenarios assume developer-led road and open space infrastructure, which drives significant cost and hinders feasibility. Financial analysis reflects conceptual plan infrastructure estimates, including six miles of roads (1.7 million square feet) and 490,000 square feet of open space across full buildout (Figure 25 excludes Linthicum property). HR&A's analysis allocated these costs based on share of gross square feet and applied a high-level cost estimate to each to determine a rough order of magnitude cost for all site infrastructure.

Figure 24 distills the scale of anticipated infrastructure costs by scenario and demonstrates the impact of road and open space components on project feasibility. In the case of the low-density scenario, roads and open space costs account for 85% of the feasibility gap. Some level of support for a portion of roads and open space, especially those that will serve the adaptive reuse project or be operated and maintained by the county, could help improve feasibility and should be considered in the next Capital Improvements Program or budget cycle.

Figure 24 | Public Infrastructure Impact on RLV

	Adaptive Reuse	Low Density	Medium Density	Townhouse Only
Residual Land Value (no infrastructure)	-\$23.3M	-\$9.1M	-\$123.4M	\$114.4M
Roads and Open Space	-\$4.7M	-\$30.9M	-\$30.9M	-\$30.9M
Total Residual Land Value	-\$28.0M	-\$40.1M	-\$154.3M	\$83.4M

Figure 25 | Conceptual Road Hierarchy



Large Anchor Tenant or Amenity Identification

Retail and amenity uses can significantly enhance the value of real estate developments by creating vibrant, attractive environments that draw both residents and businesses. The development team should look to leverage a strong anchor tenant to complement residential development and drive value across adaptive reuse and new development uses.

Current market conditions make most office and retail development infeasible, largely due to the high cost of development combined with high cap rates that favor multifamily development over other rental uses. However, commercial uses like retail, recreation, and entertainment contribute significantly to placemaking and generate positive value both to real estate assets and quality of life. Identification and recruitment of a large, commercial anchor tenant has the potential to improve feasibility both directly through long-term leases at above-market rents and indirectly through value generation to the future residential community and by reduced developer risk. Conversely, development uses that are misaligned with site vision (e.g., self-storage, warehouse, etc.) may negatively impact demand, value, and overall feasibility.

HR&A interviewed a local developer specializing in large-scale, high-quality recreation spaces to better understand the potential of the adaptive reuse scenario to accommodate a regional-serving, alternative use. The developer underscored the strong market in Montgomery County, the appeal of adjacency with a large residential community, and the added value of future transportation connectivity envisioned in the sector plan. To the extent that the county or another third party could facilitate engagement and recruitment of a large anchor user—or perhaps a public use—adaptive reuse feasibility would likely be improved.

Stacked Townhouse Typology (“2-Over-2”)

A 2-over-2 housing product offers a compelling alternative or complement to traditional townhouses at the site. The housing typology consists of vertically stacked townhomes, typically featuring two levels per unit with one unit above the other, and it offers higher density and cost-efficiency compared to traditional townhouses while maintaining a similar footprint. Although not included in the Fu Wilmers design, this stacked townhouse model aligns with the long-term goals of the Clarksburg Sector Plan and the Montgomery County Attainable Housing Strategies (AHS) Initiative, which prioritizes increasing “Missing Middle” housing types—such as townhouses, duplexes, and small multifamily options—that fit into existing neighborhoods and offer more affordable market-rate choices.

While preliminary analysis was limited to townhouse and multifamily configurations, a 2-over-2 typology could combine the feasibility benefits of owner-occupied townhouses with the density benefits of multifamily homes. This approach could support higher density development at a lower net cost per square foot than traditional townhouses. In addition to net positive development value compared to townhouse-only new development, this approach aligns with AHS goals to diversity and enhance attainable housing options, while complementing other planned development and transportation improvements at the site.

Appendix A – Site Details

Site Context

Location

The COMSAT building, situated at 22300 Comsat Drive in northern Montgomery County, occupies a largely undeveloped parcel within the Clarksburg Sector Plan. This 200-acre site is part of the Clarksburg Gateway Plan and is adjacent to I-270, providing easy access and visibility from the highway. While the site is currently only accessible by car, it is proximate to a planned MD355 BRT route. In addition to the MD355 BRT Route, the site would also be well connected to the planned Corridor Connectors, which is a planned bus route that would connect the COMSAT site to the planned MD 355 BRT corridor and other nearby activity centers.

Figure 26 | Site Map



Source: Montgomery Planning Corridor Forward: The I-270 Transit Plan, Spring 2022.

The site remains largely vacant. However, a portion of it is currently being leased out to a landscaping company, and the roads within the property have been used for autonomous driving testing. Aside from these smaller-scale uses, the site remains vacant.

Historical Use

Completed in 1969, the COMSAT building was constructed as a research facility and headquarters for the Communications Satellite Corporation (COMSAT). The building was designed by the world-renowned architect Cesar Pelli, famous for designing the Petronas Towers in Kuala Lumpur and the World Financial Center in New York City. COMSAT Laboratories is an early and iconic example of the High Technology design that became common in research technology corridors in Montgomery County and across the nation.

COMSAT Laboratories hosted the Research & Development branch function of COMSAT. Throughout the time that COMSAT owned and occupied the building, major scientific breakthroughs took place in it, including the invention of real-time international phone communication, and live television broadcast. COMSAT owned and occupied the building entirely until 1997, when it sold the property. Despite the sale, COMSAT continued leasing space in the building until it became completely vacant shortly thereafter. In 2015, Lantian Development purchased the 204-acre COMSAT Campus and has since continued to own and perform routine maintenance on the building.

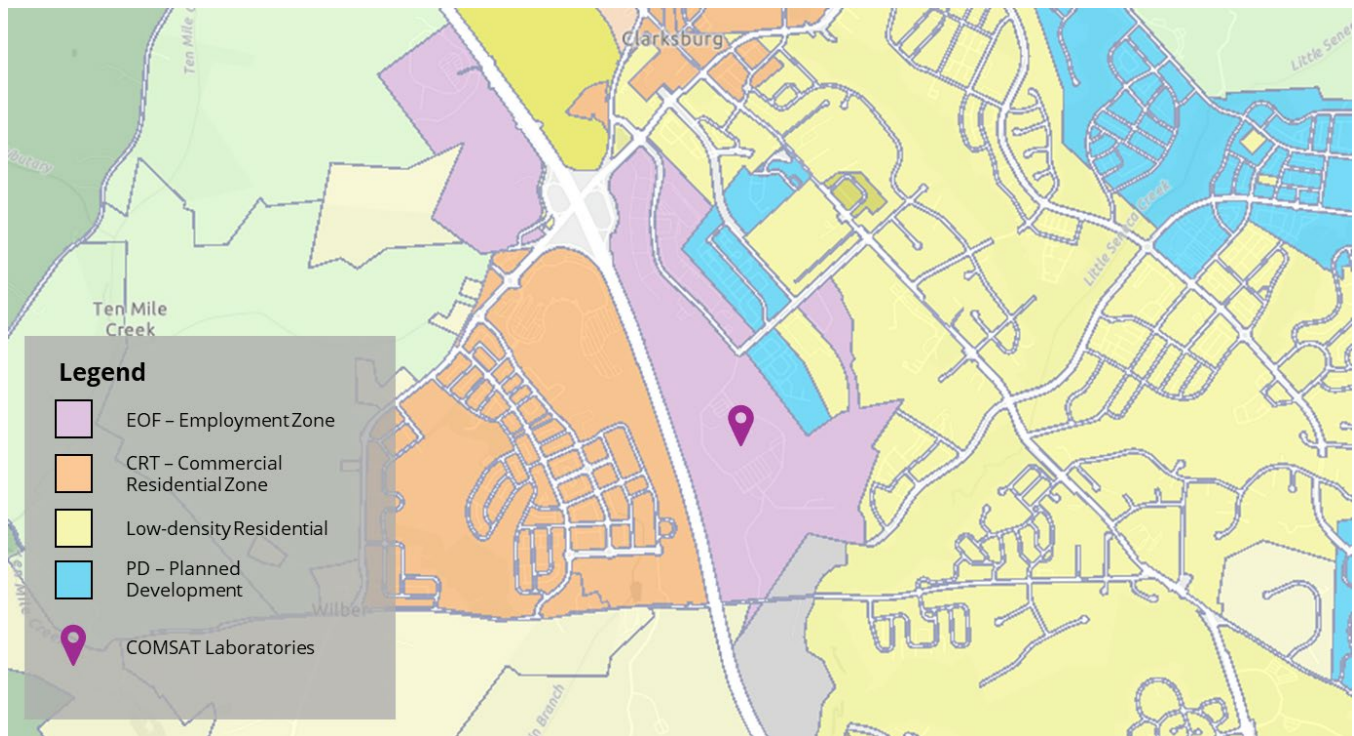
Since 1969, the COMSAT laboratories stands as an icon of avant-garde local research and the harbinger of the “high technology corridor” that came to define upper Montgomery County. This building’s architectural and historical significance make it one of the purest “high technology” statements in Maryland.

Planning and Land Use

The COMSAT Laboratories building is identified in the Clarksburg Gateway Sector Plan as an opportunity for historic preservation in the county. The Plan assesses trends and conditions within the plan area and formulates strategies to align its vision, recommendations, and overall staging requirements with the county’s adopted plans, policies, and priorities. COMSAT is located in an “EOF” zoned area, which comprises the majority of the area within the Sector Plan Area as illustrated in Figure 27. The EOF zone is intended for office and employment activity, with flexibility in building, circulation, and parking lot layout and only limited residential and neighborhood commercial uses. Specifically, the site is zoned as EOF-0.75 H-100 T, which indicates a FAR of 0.75, and a maximum building height of 100 feet. Additionally, the site has a “T” special designation, which allows for additional density and building height for workforce housing development.

The COMSAT building is surrounded by low density residential areas on the east side of the site, and commercial residential zones on the western side of the site, across from I-270. The PD designated areas shaded in blue correspond to “Planned Development” which has been developed into townhome communities.

Figure 27 | Zoning Map



Appendix B – Alternate Retail Scenario

In addition to the development scenarios included in Section 2 of this report, HR&A also separately evaluated the feasibility of a 120,000 square foot shopping center, which would be located at the southern edge of the site adjacent to West Old Baltimore Road. While the scenario demonstrates feasibility based on the input assumptions used, current demand for a standalone retail center may be limited due to several big-box (Walmart, Target) and grocery store (ALDI, Wegmans, Giant, Harris Teeter) offerings within 2 miles of the site, which likely meet local need. However, a retail center or large-format store may perform better in the medium- to long-term when the site is fully built out with new housing.

A summary of HR&A's key assumptions and residual land value for a successful retail center are included in Figure 28 below. Based on initial estimates, a shopping center has the potential to generate a positive residual land value of \$3.6 million.

Figure 28 | Shopping Center Development Scenario

	Shopping Center Development
Retail Center RSF	100,000
Rent/RSF/Year	\$25.00
Net Operating Income	\$2.3M
Retail Cap Rate	6.00%
Total Development Cost/GSF	\$226
Program Value	\$38.4M
Project Cost	-\$34.8M
Residual Land Value	\$3.6M

Appendix C – FAR Calculations

Figure 29 | FAR Calculations for Development Scenarios

	Low Density	Medium Density	Townhouse Only
Multifamily	0.13	0.22	0.02
Townhouse	0.20	0.27	0.32
Office	0.00	0.00	0.00
Retail	0.02	0.02	0.01
Total FAR	0.35	0.51	0.35
<i>Commercial</i>	<i>0.03</i>	<i>0.03</i>	<i>0.01</i>
<i>Residential</i>	<i>0.33</i>	<i>0.48</i>	<i>0.34</i>

Appendix D – Existing Development Incentives

County Incentives

Montgomery County Historic Preservation Tax Credit

Montgomery County provides for a tax credit against County Real Property Taxes based upon the amount expended by a taxpayer for restoration and preservation of any historic resource. The amount of the tax credit is ten percent (10%) of the amount expended by the taxpayer for restoration and/or preservation of any structure or building located on property classified as an historic site or an historic resource located within an historic district as defined in this regulation.

Payment In Lieu of Taxes (PILOT)

The County is permitted to structure lowered local property taxes, including special area taxes, that would otherwise be levied on a qualifying development. PILOTs are generally geared toward supporting the development of affordable housing and are structured for a tax reduction period of ten years.

Tax Abatements and Tax Credits

The County's Department of Finance administers tax credit programs to encourage businesses to invest in targeted geographic areas or industries, and to support overall business growth in the County. Tax credit programs that may be relevant include:

- **Rent Reduction Tax Credit** – The Rent Reduction Tax Credit combines affordable housing and economic development incentives by granting credits to landlords who provide reduced rent to elderly (65 or over) or disabled tenants who meet certain income- and asset-based eligibility requirements.
- **Energy and Environmental Design Property Tax Credit** – Introduced as the “Green Building” tax credit, this tax credit may be granted based upon a building achieving one of ten qualified ratings for energy efficient buildings.

Grants and Loans

The Montgomery County Economic Development Corporation administers a variety of grant and loan programs, designed to provide financial assistance to private employers to retain and/or create jobs in the County, with a priority for companies in the high technology and manufacturing sectors, as well as companies that locate in urban revitalization areas.

Relevant MCEDC grant and loan programs include:

- **Green credits and exemptions:** On-site solar installations provide businesses with exemption from the County's fuel energy tax. Businesses can also claim rebates for installing rain gardens, planting trees and other green stormwater management controls.
- **Small Business Revolving Loan Program (SBRLP):** The SBRLP is a revolving loan program structured to provide support to small businesses. The program primarily targets small businesses with annual gross revenue below \$5 M and fewer than 75 employees.
- **Small Business Plus!:** Small Business Plus! is a collaboration between the County and community banks headquartered within Montgomery County. The County invests \$50 million in participating community banks, with a total of \$100 million lent to local small businesses to encourage job growth.

Montgomery Housing Initiative Fund (MHIF):

The MHIF serves as Montgomery County's housing trust fund and provides loans to the Housing Opportunities Commission (HOC), developers, and experienced rental property owners. The fund is used to build new housing

units, renovate deteriorated multi-family housing developments, preserve existing affordable housing, and provide special needs rental housing. The fund currently receives about \$40 million in funding annually.

Montgomery County Historic Preservation Tax Credits

Owners of property listed in the Montgomery County Master Plan for Historic Preservation are eligible to receive a 25% tax credit for documented expenses for exterior maintenance, restoration or preservation work.

State Sources

Catalytic Revitalization Tax Credit

The Maryland Department of Housing and Community Development administers the Catalytic Revitalization Tax Credit (up to \$15 million) to be used for the rehabilitation of properties formerly owned by the State or federal governments, for the purposes of driving economic and community development. An eligible project must be a formerly State or federally-owned college or university, K-12 school, hospital, mental health facility, or military facility or installation, and may no longer be in service. The rehabilitation of the property must help to support economic, housing and community development in the community where it's located.

HOME Investment Partnerships Program

HOME is the largest federal block grant to state and local governments aimed to create affordable housing for low-income households. This program provides grants to states and localities that communities may use to fund building, buying, and/or rehabilitating affordable housing for rent or homeownership.

National Capital Strategic Economic Development Fund

Provides competitive funds in support of commercial and residential activities in areas targeted for revitalization, focusing on areas where modest investment and coordinated strategy will have an appreciable neighborhood impact. Projects must be located in designated areas within Prince George's or Montgomery Counties. Eligible residential and commercial projects include: down payment assistance for homebuyers to purchase and rehabilitate homes, programs to acquire or rehabilitate vacant or blighted properties, programs to improve existing residential and business properties, programs to achieve energy efficiency through weatherization and energy retrofits, development of affordable housing, development of mixed-use projects that combine housing, retail, and office space, development or enhancement of community open space or public infrastructure, and strategic demolition.

Advantage Maryland (MEDAAF)

Advantage Maryland (also known as MEDAAF) funds conditional grants, loans and investments to assist economic development initiatives. Uses include business attraction and retention, infrastructure support, brownfield redevelopment, arts and entertainment districts, daycare, revolving loan funds and local strategic planning.

Jane E. Lawton Conservation Loan Program

The Maryland Energy Administration ("MEA") offers Fiscal Year 2024 Jane E. Lawton Conservation Loan Program ("FY24 Lawton Program") to Maryland Nonprofit Organizations, Local Governments, Maryland Businesses, and State Agencies for the implementation of cost-effective energy efficiency and conservation improvements for existing or to-be-constructed facilities.

Maryland Energy Administration - Residential

MEA administers grant and loan programs to encourage clean energy technologies in all sectors of Maryland's economy: residential, commercial, agricultural, and transportation.

Maryland Department of Housing and Community Development (DHCD)

The Maryland Department of Housing and Community Development (DHCD) works with partners to finance housing opportunities and revitalize great places for Maryland citizens to live, work and prosper. DHCD has programs for homeowners and renters, businesses and business owners, communities, and investors.

Community Legacy Program

The Community Legacy program provides local governments and community development organizations with funding for essential projects aimed at strengthening communities through activities such as business retention and attraction, encouraging homeownership and commercial revitalization.

Maryland Historical Trust (MHT)

The Community Legacy program provides local governments and community development organizations with funding for essential projects aimed at strengthening communities through activities such as business retention and attraction, encouraging homeownership and commercial revitalization.

Maryland Historic Revitalization Tax Credit Program

Owners of income-producing properties have the opportunity to earn a state income tax credit (capped at \$5 million) that is equal to 20 percent of eligible rehabilitation expenses for substantial rehabilitation projects.

MEDCO Tax Exempt Bond Financing

MEDCO's bond financed projects encourage business activities, retain businesses, relieve unemployment, promote the welfare of State residents, and generally promote economic development in the State.

Federal Sources

Historic Tax Credits

The [Federal Historic Preservation Tax Incentives](#) program encourages private sector investment in the rehabilitation and re-use of historic buildings. Owners and developers may potentially receive a 20% federal income tax credit.

RAISE Grants

RAISE grants are awarded on a competitive basis. Eligible projects include surface transportation capital projects (highway, bridge, and other roads; public transportation; passenger and freight rail; intermodal projects; culvert/stormwater runoff projects; any other surface transportation infra. project the secretary deems necessary, including public road and non-motorized projects, TOD projects, and mobility on demand projects), and planning projects.

Congressionally Directed Spending Requests

Multiple historic preservation projects have submitted requests for congressionally-directed spending requests (earmarks). Congress may be able to approve grants to support projects that promote the adaptive reuse of historic assets and help to promote economic vitality and revitalization. A few projects that applied for funding in 2023 include: Baltimore's historic Uptown Mansion, the Baltimore Pumphouse, and the Historic Belair Mansion.

General and Limiting Conditions

- In preparing this Report, HR&A has used its independent professional judgment and skills in good faith, subject to the limitations, disclosures and disclaimers herein.
- This Report is based on estimates, assumptions and other information developed by HR&A based upon data provided by other parties. Every reasonable effort has been made to ensure that the data contained in this Report are accurate as of the date of this Report; however, factors exist that are outside the control of HR&A and that may affect the estimates and/or projections noted herein.
- HR&A reviewed the information and projections provided by third parties using its independent professional judgment and skills in good faith, but assumes no liability resulting from errors, omissions or any other inaccuracies with respect to the information provided by such third parties referenced in this Report.
- In addition to relying on data, information, projections and forecasts of others as referred to above, HR&A has included in this Report estimates and assumptions made by HR&A that HR&A believes are appropriate, but HR&A makes no representation that there will be no variances between actual outcomes and such estimates and assumptions.
- No opinion is intended to be expressed and no responsibility is assumed for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate and economic development consultant.
- This Report is qualified in its entirety by, and should be considered in light of these General and Limiting Conditions. By use of this Report each party that uses this Report agrees to be bound by all of the General and Limiting Conditions stated herein.