

The Community's City Center Plan Hagerstown, MD

City Center Plan



Prepared by:

URBAN PARTNERS

2014-2024

**BROWN &
KEENER**
a division of **RBA**



Implementation Plan Process

The City of Hagerstown has a strong foundation for Downtown revitalization that has been documented in its 2012 Sustainable Community Plan (SCP). The SCP identifies a comprehensive series of objectives and strategies intended to improve the Downtown. The plan reinforces the City's vision of Downtown as the commercial, institutional, and cultural center of the region.

To assist with further implementing the SCP, the City retained Urban Partners to undertake an economic analysis of the Downtown and identify additional achievable projects that will generate momentum and investment. This effort involved reviewing market conditions affecting the Downtown and conducting a public outreach effort to gather additional feedback and garner community support.

The next step was assisting the City with determining the economic feasibility of eight potential catalyst projects. Urban Partners presented a proposed list of the eight catalyst projects to City staff, City Council, and the Mayor in April 2014, which received general concurrence. Subsequent to that endorsement, Urban Partners has formulated in-depth feasibility and implementation details for each catalyst project, and presents them in the following document for consideration by the Mayor and City Council.

Completed & On-Going Initiatives

Urban Partners analysis and implementation plan development is being undertaken within the context of on-going and, in some cases, already completed efforts by the City to implement key elements of the SCP. Since the adoption of the SCP by the State of Maryland, the City has implemented several recommended projects and initiatives, including:

- new wayfinding signage;
- improved lighting;
- expanded police auxiliary hours;
- improved pedestrian connections;
- various zoning changes to facilitate Downtown development;
- a performance stage at University Plaza;
- a new pocket park and dog park;
- expanding wireless connections;
- the acquisition and rehabilitation of 36-40 N. Potomac Street into artist lofts;
- the acquisition and rehabilitation of 60 W. Washington Street for the University System of Maryland at Hagerstown (USMH) and business incubator,
- the acquisition and partial demolition of 170 W. Washington Street; and
- the acquisition of 43-53 W. Washington Street.

The City recognizes and continues to support partners who are taking on projects to enhance the City Center. As these eight proposed projects are catalytic in design, the City believes downtown businesses and organizations will realize the positive impacts this plan is intended to create. The new Washington County Free Library, Barbara Ingram School for the Arts, University System of Maryland, the Washington County Arts Council, the Washington County Museum of Fine Arts, and countless others are all our downtown neighbors and catalysts. The City is working to strengthen our partnerships and to create new synergies through this project.

Catalyst Projects

The Community's City Center Plan outlines the eight Catalyst Projects recommended by Urban Partners for Downtown Hagerstown. Each of the projects stems from prior efforts by the City to identify Downtown improvements as part of the SCP. Furthermore, the projects are supported by the various stakeholders interviewed and community feedback gathered through the public outreach effort. The projects are organized into two categories - new development initiatives and expansions/ modifications of programs or activities currently being carried out by the City and other partners. The eight catalyst project candidates include:

New Development Initiatives

1. **New Office Development & Recruitment**
2. **Maryland Theatre Expansion Project**
3. **USMH Expansion Support**
4. **Hotel / Conference Center & Heritage Center / Commemorative Park**
5. **Linking City Park/Washington County Museum of Fine Arts (WCMFA) and A&E District with Trail and New Housing**

Expansion of Programs Currently Underway

6. **Expanded Downtown Arts/Events Programming**
7. **Expanded Operations of the City Farmers Market**
8. **Expanded & Targeted Home Ownership Support**

The overall development program detailed in the eight Catalyst Initiatives has an estimated budget of nearly \$125 million. Over \$85 million of those funds we anticipate being generated from private investment, in many cases induced by federal and state tax credit incentives. Other investment will be derived from targeted expenditure of already in-place City of Hagerstown development, housing, programming, and infrastructure activities. Other funds are anticipated from private philanthropy, notably for the Maryland Theatre, event programming, and cultural heritage activities. Finally, we anticipate consistent use of Maryland Community Legacy funding and other local, state, and federal assistance.

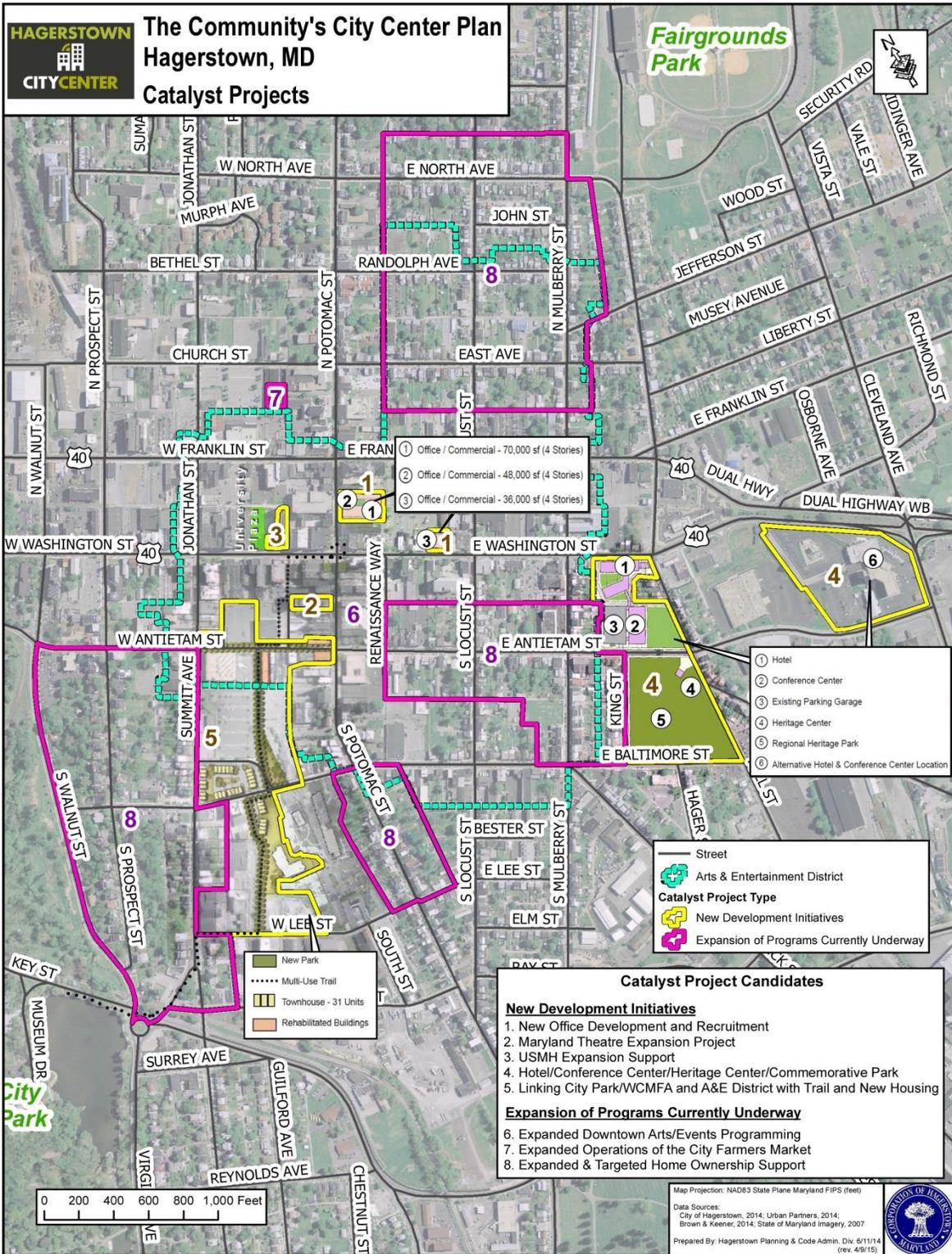
Certain priority activities appear to set the agenda for the City's pursuit of supportive funding from County, State, and federal sources. These activities include the several needs of the Maryland Theatre, the Conference Center facility to support the new hotel, and possible Heritage Center / Commemorative Park capital investments. These "wishlist" items total a bit more than \$13 million.

Taken together, these eight initiatives within 10 years will result in 463,000 SF of new or rehabilitated development involving an investment of nearly \$125 million. Downtown audiences will increase by 60,000 annually. At least 875 new full-time equivalent jobs will be created, 178 new or rehabilitated housing units will appear, and annual taxes increment for the City and County governments will increase by more than \$1.8 million (after the expiration of temporary incentives).

Economic Impact Summary (2014-2024) All

Eight Catalyst Initiatives

New & Rehabilitated Development	463,000 SF
Investment	\$124,800,000
Increased Audience--Annual	60,000
Full-Time Equivalent Employment Growth	875
New & Rehabilitated Housing Units	178
Annual Tax Increment--City & County	\$1,845,000



1. New Office Development & Recruitment

Description of Initiative

Attracting Downtown office users involves identifying potential build-to-suit sites in the Downtown appropriate for larger users and forming a partnership with a developer to market the sites, recruit tenants, and be ready to develop immediately upon receiving a commitment from a prospective office user. This effort would allow Downtown to compete with sites outside the City Center. The Central Lot is potentially an ideal site since the City owns the land, it is already vacant aside from parking, and it is centrally located in the City Center.

While the Central Lot offers one potential, controlled resource for attracting and retaining larger office users, this initiative goes beyond the specific site to create a process whereby the City is continuously competitive for large office users through active marketing and nimble responsiveness to opportunities as they emerge. This will require pre-planning for contingent parking resources so that the City's developer-partner can aggressively and confidently compete within the larger regional marketplace.

This Initiative is likely to benefit currently vacant office properties in the Downtown area as aggressive recruitment will also identify smaller, more price-sensitive office users that could be housed in these currently vacant spaces. Restaurants and retailers will also strongly benefit from new purchases made by the expanding office worker base.



Office Development Concept

This initiative should involve building relationships with state and federal government agencies as well. Other elements would include a marketing program (print materials and website) as well as identification and promotion of local and state financial incentives potentially available for users locating in Downtown Hagerstown.

Preliminary Implementation Outline—Key Tasks

1. Undertake RFQ for developer-partner. Select developer-partner.
2. Developer-partner undertakes marketing effort.
3. Recruit users for first building. Finance, construct and tenant first building.
4. Identify funding mechanism for additional parking garage.
5. Recruit users for second building. Finance, construct and tenant second building.
6. In parallel, construct 500 car parking garage (SW quadrant—see analysis below).
7. Recruit users for third building. Finance, construct and tenant third building.

Economic/Development Assumptions

1. The cost of land to the developer or office user at this Central Lot location will be equal to or less than the cost of land at competing non-Downtown locations.
2. The pricing of public off-street parking to users will be comparable to the total annual cost of constructing and maintaining on-site parking at a competing non-Downtown location (see analysis below).
3. When an office user meets state priorities for business recruitment or retention, supportive state resources, such as the One Maryland Tax Credit Program, will be available to this Downtown site in amounts equivalent to the levels that would be provided for other competing non-Downtown locations.
4. Office development under this initiative will occur incrementally over a period of years. For analysis purposes, we assume three office buildings in sequence: the first at 70,000 SF; the second at 48,000 SF; and the third at 36,000 SF.
5. Available economic development incentives will enable the developer partner to recruit tenants at rent levels discounted by at least \$2 per square foot for the first ten years of leases.



Buildings 1 & 2—Potomac St. Façade

Potential Economic Incentives

Available economic incentives can provide significant benefit to the developer and to tenants in these new office developments. Key incentives likely to be applicable to these office buildings include:

- The City of Hagerstown First Third Grant Program could provide \$250,000 toward building development. For a 70,000 SF building, this incentive would effectively reduce rent by \$.27 per square foot.
- City and County Enterprise Zone Real Estate Tax Abatements of 80% on change in assessed value in Years 1 through 5; 70% in Year 6; 60% in Year 7; 50% in Year 8; 40% in Year 9; and 30% in Year 10.
- Partners in Economic Progress Program real estate tax grant-back applicable to Years 1 through 5. This grant-back would supplement the Enterprise Zone Tax Abatement by rebating City taxes each year equal based on 100% of prior assessment and 20% of change in assessment.

- Maryland New Job Income Tax Credit of \$1,000 per employee would effectively provide office tenants with an income tax credit equivalent to \$4 per square foot in Year 1.
- Washington County New Job Tax Credit would abate the remaining 20% of County real estate taxes in Years 1 through 5 and 26% of those taxes in Year 6.

The total impact of these incentives in terms of effective rent reduction for the first ten years of occupancy are:

Rent Rate Impact of Economic Incentives

	Year 1	Years 2-5	Year 6	Year 7	Year 8	Year 9	Year 10
City of Hagerstown First 3rd Program	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27
Enterprise Zone Real Estate Tax Abatement--City	\$1.07	\$1.07	\$0.94	\$0.80	\$0.67	\$0.54	\$0.40
Enterprise Zone Real Estate Tax Abatement--County	\$0.98	\$0.98	\$0.86	\$0.74	\$0.61	\$0.49	\$0.37
PEP Real Estate Tax Grant-Back--City	\$0.27	\$0.27					
State New Job Income Tax Credit for Tenants	\$4.00						
Washington County New Job Tax Credit	\$0.25	\$0.25	\$0.31				
Total Impact Per Square Foot	\$6.60	\$2.60	\$2.07	\$1.81	\$1.55	\$1.30	\$1.04

Supportive Parking Requirements

To effectively recruit and retain office users, Downtown Hagerstown must provide an adequate supply of appropriately priced parking. Based on the above assumption of 154,000 SF of new office use in three phases, we consider the following conditions:

Current Conditions: The 2012 Downtown Parking Master Plan reported that 735 off-street public parking spaces are available in the blocks immediately adjacent to the proposed office recruitment site. These include 295 spaces at the Central Lot and 440 in the University District Deck. Average peak utilization of the University District Deck was identified as 187 spaces; however, for this analysis we will use the peak from the 90% most active day which is about 230 spaces. That leaves 210 surplus spaces available in the garage for use in attracting an office user. Similarly, the Central Lot's peak use is 53% or 155 spaces, leaving 140 available for use in office user recruitment.

Phase 1: 70,000 SF Building: This development will eliminate 50 parking spaces in the Central Lot. The remaining excess capacity of 300 spaces (210 in the University District Deck; 90 in the Central Lot) would support marketing this site for office development with available parking at 4 spaces per 1,000 SF. Therefore, the existing parking surplus should be sufficient to attract this desired 70,000 SF first new office building with 280 of the 300 available spaces.

Phases 2 & 3: 48,000 SF & 36,000 SF Buildings: These additional developments require construction of a new garage, especially since other residential project initiatives will also be increasing parking demand during this period. Based on identified shortages in the 2012 Parking Master Plan, the most appropriate place for construction of this new garage will be along Antietam between the District Court Building and the Dagmar Hotel property. A garage in this location would (1) shift demand away from the N. Potomac Street Garage and the Central Lot, freeing up spaces for these new office users; (2) deal directly with the current 117 space deficit in this block 13; (3) provide perhaps 120 spaces to support the W. Antietam loft apartments; and (4) replace the 113 surface parking spaces currently at this location. The 2012 parking study modeled a 500 car garage to serve future demand in the SW and SE quadrants of downtown, which we assume would be constructed here.

The 2012 parking analysis suggested that the cost of this 500-car garage would be about \$12,670,000 (hard and soft costs). Escalating to 2014 pricing, this yields a total current cost of \$13,100,000.

In addition, the pricing of monthly public parking spaces needs to be competitive with the cost of developing and maintaining parking in suburban locations. Current monthly parking rates in the Downtown garages are \$60 per month. Assuming 4 parking spaces per 1,000 SF, this is a cost of \$240 per month or \$2,880 annually per 1,000 SF of office space—effectively raising rents by \$2.88 per square foot. We should note, however, that volume discounts are available for off-street parking, at least partially ameliorating this cost increment.

Can the Downtown office developer offset this increased cost to the user by lowering office rents by an equivalent \$2.88 per SF? Possibly. First, the Downtown office developer avoids the cost of acquiring land for parking and constructing the surface lot parking facilities—a cost estimated at \$3,000 per space or \$12,000 per 1,000 SF of office space. Amortizing this \$12,000 cost would yield an annual cost of about \$1,080, or \$1.08 per SF of office space. Second, the developer avoids several annual operating costs faced by his/her suburban counterpart: insurance on the parking lot, cleaning, snow removal, landscaping, real estate taxes, and managing all these operational items. These items add up to a fairly significant annual cost, but perhaps not enough to overcome the \$1.80/SF remaining increased cost of parking to the office user.

Close analysis of these costs will be necessary by the City in conjunction with the developer/partner. Some adjustment in land or parking pricing or some other financial incentive may be necessary to create an overall office pricing structure that is fully competitive with suburban sites.

Development Impacts

During the first ten years of the implementation period, this initiative is expected to result in the development of at least three new office buildings with a total of 154,000 SF of new office space.

Economic Impact Summary

Office Development & Recruitment

New Development	154,000 SF
Investment	\$30,800,000
Permanent Employment	600
Annual Tax Increment*	\$564,000
City Real Estate Tax	\$277,000
County Real Estate Tax	\$253,000
City Personal Property Tax	\$17,000
County Personal Property Tax	\$17,000

*in 2014 Dollars; After Expiration of Incentives

Overall Development Program

Based on these assumptions, the overall development program for this initiative is \$43.9 million--\$30.8 million in private investment and \$13.1 million in public infrastructure for the 500 car garage.

2. Maryland Theatre Expansion Project

Description of Initiative

In addition to its currently funded improvements involving the HVAC system and plaster repair, the Maryland Theatre is looking to (1) meet several near and mid-term capital improvements requirements; (2) strengthen its organizational infrastructure so that its level of events activity can grow by as much as 50% over the next ten years from the current level of 150 show days annually; and (3) expand its footprint to create a more effective presence on S. Potomac, improve audience reception and circulation, and provide an additional space to host other performances that do not require the full capacity of the existing auditorium.

We should note that Washington County Public Schools is currently exploring an expansion program for their downtown campus, which would strongly complement this expansion of activity at the Maryland Theatre.

Preliminary Implementation Outline—Key Tasks

1. Achieve funding for seat replacement project. Complete that improvement.
2. Secure three-years funding to expand outreach and booking of show days.
3. Increase activity by 25 shows in three years.
4. Identify and design improvements to “rear of house” facilities: extend stage, re-rig stage, relocate loading area, reuse boiler room, create more attractive artists’ entrance.
5. Fund and implement these improvements.
6. Continue expansion of show activity by adding another 25 shows in years 4 to 6.
7. Design entrance/expansion improvements: new façade/foyer; upstairs offices; third floor balcony access and smaller venue.
8. Fund and implement entrance/expansion improvements.
9. Continue expansion of show activity by adding another 25 shows in years 7 to 10.

Development Impacts

During the first ten years of the implementation period, this initiative is expected to result in a 50% expansion in activity at the Maryland Theatre, increasing activity from 150 shows annually to 225.

Economic Impact Summary

Maryland Theatre Expansion Project

New Development	14,000 SF
Investment In Renovations	\$2,500,000
Investment In Expansion	\$5,600,000
Increased Audience--Annual	60,000
Increased Economic Activity at Theatre--Annual	\$1,900,000
Increased Dining Expenditures	\$1,800,000
Increased Shopping Expenditures	\$600,000
Increased Real Estate Tax Base*	\$1,440,000
Increased Personal Property Tax Base*	\$500,000
Full-Time Equivalent Employment Growth	50
Annual Tax Increment	\$49,000
City Real Estate Tax	\$13,000
County Real Estate Tax	\$12,000
City Personal Property Tax	\$12,000
County Personal Property Tax	\$12,000

*Due to Increased Dining and Shopping

Overall Development Program

Based on these assumptions, the overall development program for this initiative is \$8.25 million--\$8.1 million in capital improvements and \$150,000 to support expanded marketing and organizational infrastructure.

3. USMH Expansion Support

Description of Initiative

Currently, University System of Maryland at Hagerstown (USMH) is considering plans to expand its enrollment of 500 by as much as 50% to 750. The growth of existing programs will require USMH to recapture space it currently provides to BISFA as well as to add space in nearby buildings. In addition, USMH is attempting to make the campus more of a strength within the USM system. A particular short-term strategic focus is on creating a program providing training in the culinary, hospitality, and tourism industries. As programs gain a positive reputation, students from other parts of the state are increasingly becoming interested in USMH—the nursing program being a good example. As a result, more in-residence students are attracted to USMH, requiring nearby housing to accommodate these students.

For this analysis, we assume that facilities expansion will largely involve leasing space in nearby buildings for these proposed culinary and hospitality training programs, for certain other compatible wet lab teaching spaces, and possibly for offices and other non-teaching functions. This will be important for utilization of existing office buildings Downtown, but will probably not involve more than 5,000 to 10,000 SF of space. It is likely that USMH will invest or support through leases investment of at least \$500,000 in the next five years from University or private funds.

New student housing, on the other hand, could encourage the reuse of currently vacant upper floors in the City Center physically close to the USMH facility. The many vacant and underutilized upper floors of Downtown commercial buildings could provide abundant opportunities for conversion to student-oriented housing. Ideally, this student housing would be targeted to blocks adjacent to the education complex, especially the unit blocks of W. Washington Street and N. Potomac Street.

Preliminary Implementation Outline—Key Tasks

1. Provide technical support, if necessary, to USMH in leasing available office/lab/service space.
2. Identify a first USMH student housing prototype—potentially four units.
3. Provide financing, technical, and perhaps parking support to this first prototype. Engage USMH in facilitating this first student housing renovation.
4. Finance, rehabilitate and tenant first building.
5. Identify a second upper floor opportunity. Finance, construct and tenant second building.
6. Identify a third upper floor opportunity. Finance, construct and tenant third building.

Economic/Development Assumptions

1. This effort will attempt to support the rehabilitation of upper floor areas in three different buildings as student housing within a ten-year period.
2. Although the actual size and unit mix may vary from these assumptions, for economic modeling purposes we will assume that all units are 1,000 SF two-bedroom, two-bath units shared by a minimum of two students. We also assume that these efforts are being undertaken by existing owners with long-term vacant, under-utilized, or readily convertible space.
3. USMH will provide a master lease for the first two efforts to stimulate owners to undertake this rehabilitation. A local government or foundation will commit to support 50% of any losses endured by USMH under these master leases.
4. A package of financing can be secured to support rehabilitation including first mortgage debt from a bank, Maryland Community Legacy Funds at \$150,000 per building (4 units), and City of Hagerstown First Third Grant funding.
6. These apartments can be largely rented for \$390 per month per student (\$780 per unit), with the lease cost shared by two (or more) students.

Economic Analysis

This analysis considers a typical example involving the currently vacant or underutilized upper two floors of a three-story building with 2,000 usable square feet per floor. Assuming generally deteriorated conditions in these upper floors with only partially functional electrical and plumbing systems, we estimate the hard costs of rehabilitation for four 1,000 SF apartments to be about \$604,000 (see **Development Budget** below).

USMH Student Housing Typical Example

Development Budget

June, 2014

Development Budget

Construction

Demolition/Clean-Up	4,500 SF @ \$5	\$22,500
HVAC	4,500 SF @ \$16	\$72,000
Kitchens	4 @ \$12,500	\$50,000
Bathrooms	8 @ \$9,000	\$72,000
Washers/Dryers (Installed)	4 @ \$1,250	\$5,000
Kitchen Appliances	4 @ \$2000	\$8,000
Other Interior Finishes	3,500 SF @ \$27	\$94,500
Plumbing/Electrical Systems	4,500 SF @ \$25	\$112,500
Sprinkler System	7,500 SF @ \$11	\$82,500
Exterior Improvements		\$40,000
Contingency (8%)		\$45,000

Total Construction \$604,000

Project Soft Costs

Architecture/Engineering	\$30,000
Legal	\$5,000
Accounting/Audit	\$3,000
Construction Interest	\$5,000
Financing Fees (1%)	\$4,000
Project Management	\$9,000

Total Soft Costs \$56,000

Total Development Costs \$660,000

Sources of Financing

First Mortgage--Bank	\$230,000
Maryland Community Legacy Grant	\$150,000
City of Hagerstown First Third Program	\$220,000
Owners Equity	\$60,000
Portion of Contingency	\$13,000
Architecture/Engineering	\$30,000
Project Management	\$9,000
Legal	\$5,000
Accounting	\$3,000

Total Financing \$660,000

Under these assumptions, development costs total \$660,000. Financing would include a bank loan of \$230,000, Maryland Community Legacy Grant of \$150,000, City of Hagerstown First Third Grant of \$220,000, and \$60,000 in equity contributions by the developer for professional fees and contingency. This development would involve rehabilitation of a mixed use building with the installation of sprinklers throughout, including the first floor commercial space.

In terms of annual income and expense, gross rent potential is \$37,440 based on \$780 rents. The pro forma (see below) shows USMH master leasing the four apartments for 96% of the full occupancy rent, or \$35,942. The property owner/developer would utilize these funds to meet operating expenses and pay debt service to the bank for the first mortgage loan. The owner/developer would also benefit for five years from the grant-back of City taxes under the PEP program. The developer's return on newly invested equity would exceed 13% during the first five years with the PEP incentives and be about 10% thereafter. This rate of return would be attractive under the assumption that the owner/developer is not receiving any current return from the vacant or under-utilized upper floor space.

**USMH Student Housing Typical Example
Income & Expense Pro Forma
June, 2014**

Owner's Economics

Income

Lease to USMH (@96% Occupancy) \$35,942

Expenses

Taxes	\$3,950
Management (4%)	\$1,438
Maintenance & Operation--\$1400 Per Unit	\$5,600
Licensing, Common Area Expenses	\$2,000
Total Expenses	\$12,988
Net Operating Income	\$22,955
Bank Debt Service (\$230,000/5.5%/25 Year)	\$17,146
Cash Flow Before Adjustments	\$5,808
PEP Real Estate Tax Grant-Back	\$2,061
Cash Flow	\$7,869

USMH Economics

	Units	Rent	Total
Gross Rent Potential	4	\$780	\$37,440
	Minimum (50% Vacancy)	Base	Maximum (4% Vacancy)
Anticipated Revenue			
Ten-Month Rent @ 10% Vacancy		\$28,080	
Summer Rent @ 50%		\$1,560	
Total Anticipated Rents	\$18,720	\$29,640	\$35,942
Payment to Landlord	\$35,942	\$35,942	\$35,942
Cash Flow	(\$17,222)	(\$6,302)	\$0
Participation by Local Government or Foundation	\$8,611	\$3,151	\$0
Cost to USMH	(\$8,611)	(\$3,151)	\$0

The analysis examines three scenarios with regard to the USMH lease: (1) a minimum occupancy scenario with only 50% utilization of these apartments by students; (2) a base case that assumes 90% occupancy during the ten-month period and 50% occupancy during the two summer months; and (3) a maximum case with overall 96% occupancy. Under the Minimum, student rents do not cover the amount of the USMH master lease payment and USMH suffers a net loss of \$17,222. Through the 50% local government or foundation participation, USMH's loss is limited to \$8,611, with the local government or foundation also covering \$8,611 of the loss. Under the Base scenario, student rents total \$29,640, limiting the master lease loss to \$6,302--\$3,151 by USMH and \$3,151 by the participating local government or foundation. Under the Maximum scenario, collected student rents total \$35,942, fully covering the master lease payment.

Development Impacts

During the first ten years of the implementation period, this initiative is expected to result in the expansion of employment at USMH by about 10 full-time equivalent positions and to add 12 housing units with about 24 residents.

Economic Impact Summary

USMH Expansion

Vacant Space Rehabilitation		20,000 SF
Investment		\$2,500,000
Permanent Employment		10
New Housing Units		12
New Downtown Residents		24
Annual Tax Increment*		\$41,000
City Real Estate Tax	\$20,000	
County Real Estate Tax	\$19,000	
City Personal Property Tax	\$1,000	
County Personal Property Tax	\$1,000	

*in 2014 Dollars; After Expiration of Incentives

Overall Development Program

Based on these assumptions, the overall development program for this initiative is \$2.5 million, including \$2.0 million in private investment in student housing.

4. Hotel / Conference Center & Heritage Center / Commemorative Park

Description of Initiative

The potential for adding a successful hotel property in Downtown Hagerstown is likely tied closely to its development in association with the parallel development of a hotel room-night generator such as a large conference center. It would also be critical that the new Downtown hotel be at least competitive in quality with the best in the market or, ideally, establish a new higher market standard in the “Upper Upscale” class. For analysis purposes, two sites are being considered for this hotel/conference center development: the portion of the Meritus Health/former Washington County Hospital site between Antietam and Washington and the current site of the Best Western Grand Venice Hotel & Conference Center located somewhat further south along Dual Highway. Specifically, the development program could involve an upscale hotel and a conference center with all-weather connection to the hotel.

If this hotel/conference center facility were located at the former hospital site, it would create a new attractive gateway into Downtown on Dual Highway that's both convenient to Downtown as well as to highways and other attractions to the east and south. S. Cannon Avenue would provide access to the site from Franklin and the hotel/ conference center would benefit from the existing former hospital parking garage. If the facility were located at the Best Western site, it would be highly prominent for traffic in both directions along Dual Highway.

In addition, the largest parcel (7.7 acres) within the former hospital complex has been identified as an important Civil War site and provides the opportunity for creating a Civil War heritage center and park. We should note that these two activities--hotel/conference center; Civil War heritage center/park--will be reinforcing, but will be developed and operated independently.

Preliminary Implementation Outline—Key Tasks

Hotel

1. Secure agreement from both property owners to seek hotel developer/operator. Issue RFQ for developer and select developer/operator.
2. Identified developer selects preferred site and negotiates purchase option.
3. Design for the hotel and conference center facilities is undertaken.
4. Identify financing source for conference center; secure funding.
5. Complete contract for operation of conference center by hotel operator.
6. Complete financing for conference center and hotel.
7. Construct facilities.

Heritage Center/Commemorative Park

1. Identify participants in operation of the center/park.
2. Develop management model among participants that assures sustainable operation.
3. Develop programming model that is consistent with anticipated benefits of the facility and sustainable.
4. Complete arrangements for transfer of land from Meritus to City of Hagerstown.
5. Design facilities.
6. Identify capital funding and secure such funding.
7. Complete property transfer and facilities construction.



Hotel/Conference Center & Heritage Center/Commemorative Park Concept

Comparative Site Factors for Hotel / Conference Center

Two sites have been identified as candidates for this hotel conference facility—(1) the block of the vacant Meritus site bounded by Washington, Cannon, and Antietam and (2) the current Best Western Hotel site. As noted below in Economic/Development Assumptions, we assume for both sites that the hotel and conference center—to achieve the desired image and operational character—will involve new construction at either location.

The advantages of the Meritus site include use of the existing garage, a location within a two to three block walk of the restaurants near Public Square, adjacency to the proposed Civil War heritage center and commemorative park, location within the Enterprise Zone, location within a high priority census tract for New Markets Tax Credits (see below), direct access along Cannon Street from both directions of traffic flow along Route 40, eligibility for the maximum \$250,000 First Third Grant Program, and a currently cleared site. Disadvantages include unknown subsurface construction conditions and unknown levels of improvement needed for the garage facility.

The advantages of the Best Western site include a location along the Dual Highway with easy access and visibility from Route 40 traffic in both directions, a large site capable of accommodating surface parking, location within the Enterprise Zone, and location within an eligible census tract for New Markets Tax Credits (see below). Disadvantages include the need to compensate the current Best Western owner for closing an operational business, a location beyond reasonable walking distance to Public Square, eligibility for only \$50,000 under the First Third Grant Program and the need to demolish the existing facilities to prepare the site.

We should note that most of these comparative factors impact the economic feasibility of the hotel/conference center development at each site. In that case, evaluation of these comparative factors is really a question of economic analysis by the ultimate developer. Two factors, however, have some public policy impacts: whether a specific location would result in greater utilization of Downtown arts, entertainment, and restaurant facilities; and whether adjacency to the Heritage Center/Commemorative Park would increase heritage tourism activity.

At this point, we feel that the private economic feasibility factors are more critical and therefore we recommend that both sites remain under consideration until a selected developer/operator can more precisely assess the comparative economic circumstances. Should the underlying economics of development be similar for both sites, the public policy benefits of the Meritus site would suggest that location as preferable.

Economic/Development Assumptions

Hotel

1. We assume, lacking more precise analysis, that site acquisition, demolition, parking development, and site preparation costs will be \$6,000,000 total for each site. As noted above, the actual costs of these items are likely to have a major impact in determining which site is ultimately utilized for this facility.
2. We assume development of a 200-room hotel in the "Upper Upscale" class with a 20,000 SF conference center.
3. We assume that the hotel operator will have the contract to operate the conference center facility and that, at least in the early years of operation, the terms of that contract will include the operator assuming all operational costs and paying only a nominal rent for use of the facility.
4. We assume that a \$20 million New Markets Tax Credits (NMTC) allocation will be available for either site and that the net proceeds to the development after all NMTC costs and interim financing will be \$3.6 million at time of hotel opening.
5. We assume that the Conference Center will be constructed with public and/or civic funding and that the operation of the facility will not be required to retire any debt from operating income.
6. We assume that the average collected room rate for hotel rooms (in 2014 dollars) will be \$145 in Year 1 growing modestly thereafter. This average collected rate is assumed to be \$30 above the current average collected rate for the best quality rooms currently available in the marketplace.

Heritage Center / Commemorative Park

1. The proposed development program for the Heritage Center / Commemorative Park includes a modest visitor center (perhaps 1,600 SF), substantial interpretive signage, walking trails, cannon emplacements, and landscaping. A preliminary estimate of the cost of property acquisition and construction of the improvements is \$3.3 million. This capital program is proposed to be financed through public and civic grants.
2. A more critical economic issue is the cost of on-going operations of the facility and park. The City of Hagerstown could provide routine exterior maintenance such as trash collection and mowing; however, effective utilization of this resource will require significant staff support for the visitors' center, interpretive programming, organizing encampments and re-enactments, and other programming

necessary to contribute to a popular tourism experience. There appears to be a cadre of enthusiastic volunteers interested in organizing this effort and the proposal of USMH to add a tourism specialization could result in useful internships and co-op placements. However, before proceeding with the needed capital investment, it would be **prudent for the City to be assured of a very active, engaged, and sustainable volunteer/civic effort to provide this needed programming and staffing.**

Economic Analysis

The hotel development budget is anticipated to be \$34.4 million, including \$6 million for acquisition, parking, and site preparation; \$24.9 million for construction (hard and soft costs); \$2.9 million in furniture and equipment; and \$600,000 in re-opening expenses (see **Development Budget** below). The 20,000 SF Conference Center is anticipated to cost \$6.15 million.

Hotel/Conference Center

Development Budget

June, 2014

Development Budget--Hotel

Hotel		
Acquisition, Demolition, Sitework, Parking Repairs/Upgrades		\$6,000,000
Hotel Construction	105,000 SF @ \$175	\$18,375,000
Furnishings/Equipment		\$2,900,000
Contingency (7%)		\$1,700,000
Total Construction		\$28,975,000
Project Soft Costs		
Architecture/Engineering		\$1,450,000
Legal		\$250,000
Accounting/Audit		\$150,000
Construction Interest		\$875,000
Financing Fees (1.5%)		\$370,000
Pre-Opening Expenses		\$600,000
Project Management		\$1,700,000
Total Soft Costs		\$5,395,000
Total Development Costs		\$34,370,000

Sources of Financing--Hotel

First Mortgage--Bank	\$24,400,000
New Markets Tax Credit (NMTTC) Net Proceeds	\$3,600,000
City of Hagerstown First Third Grant Program	\$250,000
Owners Equity	\$6,120,000
Total Financing	\$34,370,000

Development Budget--Conference Center

Conference Center		
Acquisition, Sitework		\$1,100,000
Conference Center Construction	20,000 SF @ \$175	\$3,500,000
Furnishings/Equipment		\$400,000
Contingency (7%)		\$300,000
Total Construction		\$5,300,000
Project Soft Costs		
Architecture/Engineering		\$325,000
Legal		\$60,000
Accounting/Audit/Other Professionals		\$40,000
Construction Interest/Financing Costs		\$125,000
Project Management		\$300,000
Total Soft Costs		\$850,000
Total Development Costs		\$6,150,000

In terms of annual income and expense, we consider a stable operating Year 3, with average collected room rate at \$154 (up from \$145 in Year 1) and 64% occupancy. Total revenues from rooms, food & beverage, and rentals is estimated at \$10.9 million versus pre-tax operating expenses of \$8.275 million. We have assumed application of the various Enterprise Zone, PEP, and Washington County New Jobs Tax incentives, which fully abate or grant-back real estate tax payments in the first five years of operation. Based on those program supports, net operating income is \$2.555 million in Year 3, sufficient to support debt service on \$24.4 million in debt and provide a substantial return on \$6.12 million in equity. We anticipate that pre-tax net operating income will increase sufficiently to support full real estate tax payments in Year 11.

Hotel/Conference Center
Income & Expense Pro Forma--Stable Year 3
June, 2014

Number of Rooms	200
Average Occupancy	64%
Average Collected Room Rate	\$154.00
<u>Revenue</u>	
Rooms	\$7,195,000
Food & Beverage	\$3,050,000
Rentals & Other	\$655,000
Total	\$10,900,000
<u>Expenses</u>	
Departmental	
Rooms	\$1,800,000
Food & Beverage	\$2,290,000
Rentals & Other	\$425,000
Total	\$4,515,000
Net Departmental Income	\$6,385,000
Other Operated & Fixed Expenses	\$3,760,000
Real Estate Taxes (Abated & Rebated)	\$0
Personal Property Taxes	\$70,000
Net Operating Income	\$2,555,000
<u>Debt Service</u>	
First Mortgage Debt Service	\$1,800,000
NMTC Debt Service/Fee	\$50,000
Cash Flow	\$705,000
Return on \$6,120,000 Equity	11.52%

As shown above, the \$34.4 million in development costs can be met through the supported debt (\$24.4 million) and equity (\$6.12 million) with the additional contribution of \$250,000 in City of Hagerstown First Third Grant funds and a \$3.6 million New Markets Tax Credit investment. This maximum First Third Grant of \$250,000 would apply only to the Meritus site; the Best Western location is eligible for only \$50,000.

In theory, this facility could attract a NMTC investment of as much as \$10 million—sufficient to support the cost of the Conference Center. However, that would require the attraction of a very substantial allocation of NMTC credit authority (\$40 million) and the participation of a comparatively civic minded investor. More prudently, we estimate that a maximum NMTC credit authority allocation of \$20 million is likely; hence our use of the more conservative \$3.6 million net investment estimate. We should also note that the Meritus site is significantly more attractive for NMTC investment than the Best Western site—due to the income characteristics of the two sites' census tracts (Cannon Street is the boundary); however, based on input

from an NMTC specialist, we believe that the “aura” of need from the adjacent census tract might be sufficient to also attract an NMTC allocation to the Best Western site.



Typical “Upper Upscale” Conference Hotel

Development Impacts

The pro forma analysis above indicates that the hotel/conference center will add \$10.9 million in annual economic activity to Downtown Hagerstown by the third year of operation. This will support about 180 full-time equivalent on-site jobs. In addition, we expect some substantial off-site expenditures on dining and shopping in the Downtown area due to the visits by these hotel/conference center users. We estimate these expenditures at \$1.2 million for dining and \$400,000 in shopping.

Similarly, the Heritage tourism facility may bring 40,000 additional visitors to the Downtown area who would be expected to generate about \$900,000 in additional dining and \$300,000 in added shopping expenditures.

Economic Impact Summary

Hotel/Conference Center/Heritage Center/Park

New Development		127,000 SF
Investment		\$43,800,000
Hotel/Conference Center Expenditures		\$10,900,000
Room Revenues		\$7,195,000
Increased Off-Site Dining Expenditures		\$2,100,000
Increased Off-Site Shopping Expenditures		\$700,000
Increased Real Estate Tax Base*		\$23,470,000
Increased Personal Property Tax Base*		\$2,030,000
Full-Time Equivalent Employment Growth		225
Annual Tax Increment**		\$934,000
Hotel/Motel Tax	\$432,000	
City Real Estate Tax	\$211,000	
County Real Estate Tax	\$193,000	
City Personal Property Tax	\$50,000	
County Personal Property Tax	\$48,000	

*Including Off-Site Dining and Shopping

** After Expiration of Incentives

Overall Development Program

Based on these assumptions, the overall development program for this initiative is \$43.8 million, including \$34.4 million in private investment in the hotel facility.

5. Linking City Park/Washington County Museum of Fine Arts (WCMFA) and A&E District with Trail and New Housing

Description of Initiative

A major emphasis of the Sustainable Community Plan is supporting housing diversity, improving the quality of the Downtown housing stock, and increasing market-rate housing. The Downtown Hagerstown Market Analysis revealed that the Southwest City Center area has a relatively healthy housing market, commanding some of the highest resale prices in all of Downtown. The Market Analysis also identified a diverse interest in Downtown home ownership in the form of rehabbed historic properties and lofts as well as in newly-constructed homes.

Southwest City Center is situated between two of Downtown Hagerstown's main attractions – City Park/WCMFA and the key venues of the Arts & Entertainment District on S. Potomac Street. The area presents an opportunity for targeted and phased housing development to capture two potential market niches: (1) quality upper floor condominium and rental lofts and (2) new owner-occupied townhomes. This housing development zone could further enhance the market strength of the Southwest area and provide a trail connection between two recreation/cultural centers enlivened by adjacent residences.

The area suggested for targeted new and rehabilitated housing is generally bound by W. Antietam Street on the north, S. Potomac Street on the east, Lee Street on the south, and Summit Avenue on the west. A key early activity would be the development of a pedestrian/bicycle trail connecting the Arts District and Public Square to City Park and the WCMFA.

The area has multiple locations for new or rehabilitated housing: early-phase rehabilitated lofts along Antietam (Dagmar Hotel; certain historic commercial buildings along Antietam at and west of Potomac) as well as opportunities for new townhome construction. Housing development will likely be phased: in planning for this first ten-year implementation period, we anticipate about 85 units of rehabilitated lofts along Antietam and 31 new townhomes on publicly-owned properties. Other privately-owned parcels, buildings between Baltimore and Lee, and the lots created by demolition of heavily-deteriorated W. Antietam loft buildings could provide sites for later development of another 100 to 200 loft and townhome units.

Preliminary Implementation Outline—Key Tasks

1. Design trail improvements.
2. Secure any required rights-of-way for the trail.
3. Acquire Dagmar Hotel property.
4. Demolish any buildings on the south side of the unit block of W. Antietam deemed incapable of rehabilitation.
5. Complete trail improvements.
6. Support rehabilitation of one loft building of approximately 10 units.
7. Identify developer (or developers) for townhomes on publicly-owned properties.
8. Compete and market first package of townhomes (perhaps 8 units).
9. Compete and market second package of townhomes.
10. Support rehabilitation of second loft building of approximately 15 to 20 units.
11. Compete and market third package of townhomes.
12. Identify re-developer for the Dagmar Hotel property and begin rehabilitation and marketing.
13. Complete and market final package of townhomes.
14. Support rehabilitation of third loft building of approximately 15 to 20 units.
15. Complete redevelopment of the Dagmar Hotel property.

Economic/Development Assumptions

1. The trail improvements will be completed and maintained as a public amenity. Access through the few private properties involved can be secured through easements or fee simple ownership at an estimated cost of \$25,000.
2. New townhome construction will typically be three-bedroom units with a one-car garage priced in the \$150,000 to \$175,000 range to compete with similar non-Downtown developments. We assume that developers can achieve this price point at market rate conditions, if cleared, developable land is provided at a modest or no cost to the developer.
3. It is imperative that the Dagmar Hotel property be acquired, vacated, and held for three to five years until the strengthening of the housing market on W. Antietam can support the costs of historic loft apartment rehabilitation in this property. We estimate that apartment rents will need to increase 20% above current levels to economically support full rehabilitation of this property.
4. In addition to the Dagmar Hotel, as many as three additional older buildings may be rehabilitated for apartments or condominiums. These buildings include: the front portion of the 101-103 S. Potomac building; the Colonial Hotel Building at 55 S. Potomac; and the Antietam Paper Building at 37 W. Antietam. Rehabilitation of each building would yield 10 to 20 apartments or condominiums averaging 1,000 SF. We also assume that these efforts are being undertaken by existing owners with long-term vacant space or space they are interested in converting to this use.
5. Although the actual size and unit mix may vary from these assumptions, for economic modeling purposes we will assume that all rehabilitated units in the Dagmar Hotel property and the other three buildings will be 1,000 SF two-bedroom, one-bath units.
6. We further assume that all four properties will qualify for both 20% federal and 20% Maryland historic tax credits. For economic modeling purposes, we will evaluate the available funds from investors at a 10% discount (that is, each tax credit program will induce direct investment equal to 18% of qualified costs).
7. In addition to tax credit induced equity investment, we assume that a package of financing can be secured to support this rehabilitation including first mortgage debt from a bank, Maryland Community Legacy Funds at \$150,000 per property, and limited owner's equity based on the economic return from the property.
8. For the three smaller properties (not the Dagmar Hotel), rents for these apartments will vary, depending on the unit size and amenities, but for modeling purposes we assume rents of \$750 per month for a two-bedroom unit of approximately 1,000 SF.
9. After rent levels have appreciated sufficiently, the Dagmar Hotel property will be marketed to a private developer for rehabilitation as approximately 40 market rate loft apartments. The original purchaser will provide a purchase money mortgage to the developer with repayment tied to the performance of the property.

Economic Analysis

This analysis considers four key components: (1) the Trail; (2) "Phase 1" townhome development (31 units); (3) the Dagmar Hotel property reuse; and (4) the three potential loft conversion buildings along W. Antietam.

Trail

A preliminary cost estimate for the Trail and related improvements is shown on the attached plan. The total cost is estimated at \$673,200 including construction (\$512,000), design (\$100,000), and construction contingency (\$61,200). Adding an allowance for acquisition of easements we get a total estimated cost of \$700,000.



#	Item	Qty	Unit	Cost
1	Multi-Use Trail	1,600	lf	\$90,000
2	Landscaping / Park	20,000	sf	\$15,000
3	Sidewalk	240	lf	\$8,000
4	Streetscaping - Antietam St.	1,800	lf	\$260,000
5	Crossings	4	ea	\$52,000
6	Pavement Markings	900	lf	\$2,000
7	Circle Improvments	1	system	\$70,000
8	Wayfinding Signage	1	system	\$15,000
9	Design Fees			\$100,000
Total				\$612,000
10% Contingency				\$61,200
Grand Total				\$673,200

..... Existing Sidewalks

Proposed Trail Location and Physical Improvements

New Townhomes

This analysis assumes that a developer for this first phase of townhomes (31 units) will be secured through a competitive process in which both public parcels (Washington County and Hagerstown Housing Authority) are offered together. For this analysis, we assume that the cost of home construction and marketing can be covered through private investment and, ultimately, the purchase prices of the townhomes. The competitive selection process for the developer should help determine whether the developer can contribute any funds toward land acquisition and the clearance of the existing structures. Some or all of these site preparation costs may fall on public sources.



Linking City Park/WCMFA and A&E District with Trail and New Housing (Phase 1)

W. Antietam Loft Rehabilitation

A model analysis is detailed below for rehabilitation of 11,000 SF of gross building area for 10 loft apartments. This analysis can be adjusted for different building sizes and unit configurations. The three identified buildings for this effort include a total of 50,000 SF of space that might be appropriate for such conversion. At most this space is likely to yield about 45 apartments or condominiums in several increments of development. The specific finances of rehabilitation may vary somewhat from the model detailed below depending on the individual circumstances of each building, the number and sizes of units produced, and the targeted tenure (rental or sales).

This model analysis (see **Development Budget** below) assumes full rehabilitation of the property with new HVAC, sprinkler system, kitchens, bathrooms, and appliances. We estimate the hard costs of rehabilitation for ten 1,000 SF apartments to be nearly \$1.2 million.

Model W. Antietam Loft Rehabilitation

Development Budget

June, 2014

Development Budget

Construction		
Demolition/Clean-Up	11,000 SF @ \$5	\$55,000
HVAC	11,000 SF @ \$16	\$176,000
Kitchens	10 @ \$12,500	\$125,000
Bathrooms	10 @ \$9,000	\$90,000
Washers/Dryers (Installed)	10 @ \$1,250	\$12,500
Kitchen Appliances	10 @ \$2,000	\$20,000
Other Interior Finishes	9,000 SF @ \$24	\$216,000
Sprinkler System	11,000 SF @ \$9	\$99,000
Plumbing/Electrical Systems	11,000 SF @ \$25	\$275,000
Exterior Improvements		\$70,000
Contingency (5%)		\$56,500
Total Construction		\$1,195,000
Project Soft Costs		
Architecture/Engineering		\$43,000
Legal		\$5,000
Accounting/Audit		\$3,000
Construction Interest		\$8,000
Financing Fees (1%)		\$6,000
Project Management		\$30,000
Total Soft Costs		\$95,000
Total Development Costs		\$1,290,000

Sources of Financing

First Mortgage--Bank	\$565,000
Maryland Community Legacy Grant	\$150,000
Federal Historic Tax Credit--Based Equity	\$230,000
Maryland Historic Tax Credit--Based Equity	\$230,000
Owners Economic Equity	\$115,000
Total Financing	\$1,290,000

Under these assumptions, development costs total \$1,290,000. Financing would include a bank loan of \$565,000, Maryland Community Legacy Grant of \$150,000, \$230,000 of equity induced through the 20% federal historic tax credit, an additional \$230,000 of equity induced through the 20% Maryland historic tax credit, and \$115,000 in equity contributions by the developer for professional fees and a portion of the contingency.

In terms of annual income and expense, gross rent potential is \$90,000 based on \$750 rents. The pro forma (see below) anticipates a bit more than \$56,000 in net operating income, sufficient to support \$565,000 in conventional debt and provide more than a 10% return on the economic equity invested by the developer/property owner.

Model W. Antietam Loft Rehabilitation
Income & Expense Pro Forma
June, 2014

	Units	Rent	Income
Gross Rent Potential	10	\$750	\$90,000
			(5% Vacancy)
Total Anticipated Rents			\$85,500
Real Estate Taxes			\$9,700
Management (4%)			\$3,420
Maintenance & Operation--\$1400 Per Unit			\$14,000
Licensing, Common Areas			\$2,000
Anticipated Net Operating Income			\$56,380
Bank Debt Service (\$565,000/5.5%/25 Year)			\$42,120
Maryland Community Legacy Debt Service (50% of Cash Flow Over \$11,500)			\$1,380
Cash Flow			\$12,880

Dagmar Hotel Loft Rehabilitation

For the Dagmar Hotel property, we assume that the property will be acquired, vacated, and held until market conditions improve 20% to justify \$900 rents for two-bedroom, one-bath units of 1,000 SF. The Dagmar Hotel consists of two attached buildings—one eight-stories; one four-stories—with a total of 48,500 gross square feet of space. The development budget for this property (see below) assumes full rehabilitation of the property with new HVAC, sprinkler system, kitchens, bathrooms, and appliances. We estimate the hard costs of rehabilitation for 40 apartments of 1,000 SF each to be over \$5.5 million.

Under these assumptions, development costs total \$7,275,000, including repayment of the City's cost of acquisition. Financing would include a bank loan of \$2,850,000, a purchase money mortgage for the acquisition cost provided by the City on flexible repayment terms, Maryland Community Legacy Grant of \$150,000, \$1.075 million of equity induced through the 20% federal historic tax credit, an additional \$1.075 million of equity induced through the 20% Maryland historic tax credit, and \$800,000 in economic equity invested by the developer.

Dagmar Rental Loft Rehabilitation

Development Budget

June, 2014

Development Budget

Acquisition		\$1,325,000
Construction		
Demolition/Clean-Up	48,500 SF @ \$5	\$242,500
HVAC	48,500 SF @ \$16	\$776,000
Kitchens	40 @ \$12,500	\$500,000
Bathrooms	40 @ \$9,000	\$360,000
Washers/Dryers (Installed)	40 @ \$1,250	\$50,000
Kitchen Appliances	40 @ \$2,000	\$80,000
Other Interior Finishes	40,000 SF @ \$24	\$960,000
Sprinkler System	48,500 SF @ \$4	\$194,000
Plumbing/Electrical Systems	48,500 SF @ \$25	\$1,212,500
Elevators		\$800,000
Exterior Improvements		\$100,000
Contingency (5%)		\$265,000
Total Construction		\$5,540,000
Project Soft Costs		
Architecture/Engineering		\$195,000
Legal		\$10,000
Accounting/Audit		\$5,000
Construction Interest		\$70,000
Financing Fees (1%)		\$30,000
Project Management		\$100,000
Total Soft Costs		\$410,000
Total Development Costs		\$7,275,000

Sources of Financing

First Mortgage--Bank	\$2,850,000
Original Purchaser "Purchase Money" Mortgage	\$1,325,000
Federal Historic Tax Credit--Based Equity	\$1,075,000
Maryland Historic Tax Credit--Based Equity	\$1,075,000
Maryland Community Legacy Grant	\$150,000
Owners Economic Equity	\$800,000
Total Financing	\$7,275,000

In terms of annual income and expense, gross rent potential is \$432,000 based on \$900 rents. The pro forma (see below) anticipates a bit more than \$282,000 in net operating income, sufficient to support the \$2.85 million in conventional debt and provide a 8.7% return on the economic equity invested by the developer owner. Under the model shown here, the City would begin to receive repayment on its purchase money mortgage when cash flow to the developer exceeded \$80,000.

**Dagmar Rental Loft Rehabilitation
Income & Expense Pro Forma
June, 2014**

	Units	Rent	Income
Gross Rent Potential	40	\$900	\$432,000
			(5% Vacancy)
Total Anticipated Rents			\$410,400
Real Estate Taxes			\$48,600
Management (4%)			\$16,416
Maintenance & Operation--\$1400 Per Unit			\$56,000
Licensing, Common Areas			\$7,000
Anticipated Net Operating Income			\$282,384
Bank Debt Service (\$2,850,000/5.5%/25 Year)			\$212,466
City of Hagerstown Purchase Money Mortgage (25% of Cash Flow over \$80,000)			\$0
Cash Flow			\$69,918

Development Impacts

Total development will rehabilitate 98,000 SF of loft space and construct 31 new townhomes producing 116 new housing units over a 10 year period.

Economic Impact Summary

Linking City Park/Washington County Museum of Fine Arts and A&E District with Trail and New Housing

Loft Rehabilitation		98,000 SF
New Housing Construction		50,000 SF
Investment		\$19,200,000
New Housing Units		116
New Downtown Residents		200
Annual Tax Increment*		\$186,000
City Real Estate Tax	\$97,000	
County Real Estate Tax	\$89,000	

* In 2014 Dollars; After Expiration of Incentives

Overall Development Program

Based on these assumptions, the overall development program for this initiative is \$19.2 million, including \$16.7 million in private investment in new housing.



Rendering of Proposed New Housing and Trail

6. Expanded Downtown Arts/Events Programming

Description of Initiative

The Sustainable Community Action Plan suggests expanding Downtown events programming to enhance Hagerstown's Arts & Entertainment District by increasing visitation to the Downtown. Currently the City hosts a variety of events in the District year-round, including Taste of the Arts, the Western Maryland Blues Fest, Market Faire, Tour of Washington County Bike Race, Wind Down Fridays, Bike Night, Augustoberfest, Thunder in the Square, City Center Ghost Tours, Greater Hagerstown Gallery & Arts Tour, Mummers Parade, Holiday Tree Lighting, Hollyfest, and Donut Drop—a total of at least 65 days of activity. In addition to these public outdoor events, various arts and entertainment venues in the Downtown, including the theaters, galleries, libraries, schools, and museums, host their own individual events. The Maryland Theatre alone has activity 150 days per year.

The stakeholder and focus group interviews and the broader public engagement elements of our process have all highlighted the importance of arts programming and events in establishing a positive impression of Downtown Hagerstown in the broader Washington County community, as well as in providing a strong asset to support demand for market-rate Downtown housing.

To build off the positive atmosphere created by events in Downtown Hagerstown and attract even more people to the Downtown, additional resources should be invested in expanded events programming. While the City's annual events attract thousands of people, more regularly programmed activities - weekly and monthly - would supplement those annual events and give people a reason to visit Downtown more often. Weekly and monthly events would likely take place within art venues and business establishments, or outside in the warmer months. Such events could include restaurant promotions, musical performances, gallery exhibitions, and movie showings.

An important feature of this initiative is its potential for early implementation which would enhance the potential success of other, longer-term initiatives.

Preliminary Implementation Outline—Key Tasks

1. Develop and widely distribute a consolidated calendar of events for planning and promoting purposes.
2. Coordinate with expanded marketing and activity at the Maryland Theatre.
3. Expand the public/private partnership in planning and executing events through the Main Street program.
4. Identify potential target markets not currently being attracted by the existing event calendar and develop events oriented to those under-served groups.
5. Execute priority expansion of events programming utilizing current planned resources or through new resources.
6. Continue to seek out additional funding sources for identified incremental events.

7. Expanded Operations of the City Farmers Market

Description of Initiative

The Sustainable Community Plan identifies the need to support efforts that bring people Downtown to patronize businesses. The Downtown Hagerstown Market Analysis identified that specialty food stores in the Hagerstown area retail market are only capturing 35% of the \$20 million in demand Countywide for such specialty items. This gap in supply could support 15,000 SF to 20,000 SF of new specialty foods stores in the Downtown, including expanded activity at the City Farmers Market, and could provide the basis for a specialty foods district capturing a significant portion of the \$13 million in unmet demand Countywide for specialty food items.

Currently the City Farmers Market has approximately 30 vendors who sell produce, baked goods, handmade crafts, and a variety of other items. The Market also has three breakfast and lunch counters. While open year-round, the Market currently only operates seven hours per week--Saturdays from 5:00 am to noon. Support for an expanded City Farmers Market in terms of hours and vendors is strong among community stakeholders and the public, particularly as a means for supporting local farmers and as a way to provide basic services for Downtown residents. The community also views expanded operations as a way to increase opportunities for healthier eating, and as a way of supplying area restaurants with locally-produced items.

An effort to expand operations of the City Farmers Market involves increasing hours of operation from the current seven hours per week to at least 35 hours per week, as well as increasing the number of vendors selling goods at the Market.

Preliminary Implementation Outline—Key Tasks

1. Develop a new private sector-led model for managing and operating the market on a three or four day- per-week, 35 hour-per-week basis. Consult with area private market managers in developing this model.
2. After refining the desired model, solicit proposals from private managers to direct the market.
3. Consult with existing tenants. Determine those interested in expanded operations versus those that will only operate during the current limited Saturday hours.
4. Develop space program to accommodate extended operation and to provide broad range of products. Identify locations for those current tenants only active on Saturday.
5. Determine additional capital equipment needs (refrigeration; cold rooms; etc.); determine responsibilities for acquiring and owning such equipment; develop financing program for this equipment.
6. Assess quality of signage, pedestrian and vehicular access, and visibility of the market. Undertake limited capital improvements to improve visibility and access.
7. Develop rebranding/marketing campaign to project the vibrancy of the “new” City Market once adjustments and enhancements have been completed.

8.Expanded & Targeted Home Ownership Support

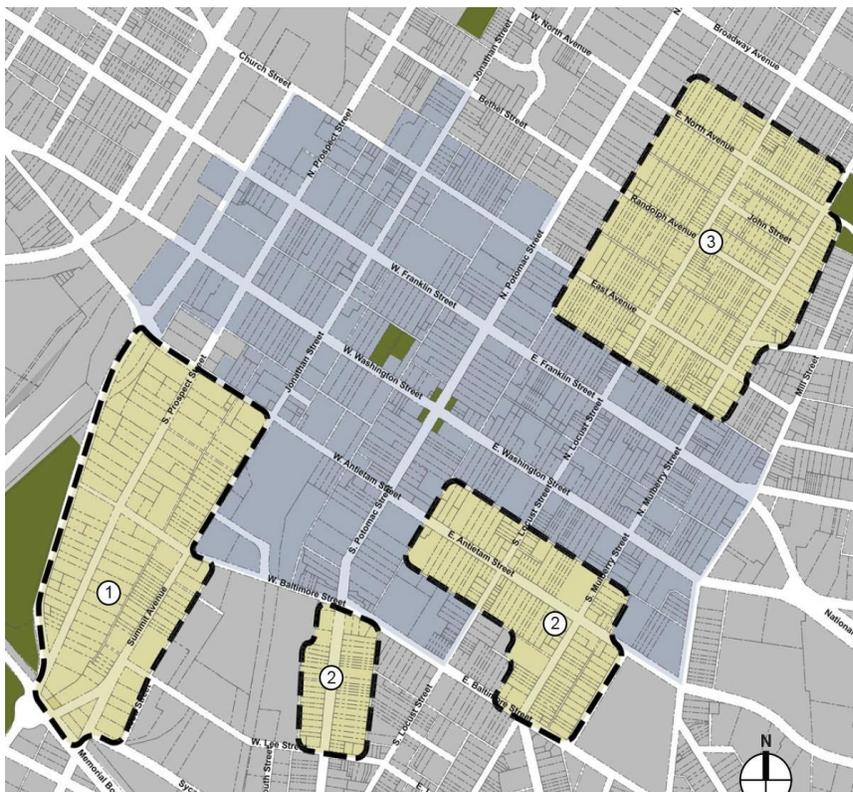
Description of Initiative

The Sustainable Community Action Plan recommends improving blighted housing and increasing market-rate housing as part of an overall housing improvement effort for the Downtown. The Market Analysis identified a diverse interest in Downtown home ownership in the form of rehabbed historic properties and lofts as well as in newly-constructed homes. The stakeholder and focus group interviews and the broader public engagement elements of our process have all identified negative homeownership experiences caused by the introduction of problem rental properties onto blocks where homebuyers have been attempting to build strong community nodes. Poor tenant management and property maintenance by these problem landlords have brought down values around them and discouraged expansion of market-rate homeownership.

Hagerstown is already utilizing an array of incentives to encourage Downtown housing choice. These proposed expanded supports would build on, focus, and, in some cases, supplement current efforts. Most importantly, implementation of these initiatives would be highly targeted: a variety of programs and incentives would be utilized in a way that reinforces the homeownership experience in compact—even block-specific—areas.

An examination throughout the greater Downtown area of homeownership patterns and of recent pricing for homes being purchased by owner-occupants finds several compact areas for focus of this effort:

- in the Southwest portion of Downtown, the 100 and 200 blocks of S. Prospect and Summit (Area 1);
- in the South Central/Southeast portion, the 200 block of S. Potomac; the unit, 100, and 200 blocks of E. Antietam; the 100 block of S. Mulberry; and King St. (Area 2); and
- in the Northeast portion, the area bounded by Cramer Alley, N. Mulberry, and East (Area 3).



Proposed Location of Expanded and Targeted Home Ownership Support

Efforts to increase home ownership should involve a combination of concentrated code enforcement techniques along with existing and new incentives to encourage the purchase and rehabilitation of homes for owner-occupancy in these targeted areas. Rehabilitation incentives need to be designed to both encourage contractors/developers to purchase homes to renovate and resell, as well as to attract potential owner-occupants seeking to make their own improvements. Even within the tightly drawn areas detailed above, these tactics should be targeted to very compact areas and specific blocks to create a noticeable positive impact that can expand to adjacent blocks.

This initiative includes six key elements:

1. Aggressively market the City's downpayment assistance program in these target areas to strongly encourage owner-occupied housing and new homebuyers.
2. Target Neighborhoods 1st supportive programs to these areas including such activities as Day of Caring "paint-ups," block parties, neighborhood clean-ups, and group crime prevention efforts.
3. Similarly, target Neighborhoods 1st infrastructure and amenities improvements to even more tightly defined blocks to create "beachheads" of dense and sustainable homeownership. These targeted improvements might include play equipment, murals, street repaving, traffic calming devices, additional lighting, tree plantings, and other streetscape improvements.
4. Continue acquisition, rehab, and resale program and focus efforts in targeted areas to assure that properties in need of modernization remain attractive to owner-occupants and do not decline into problem rental properties. Seek additional funding for these efforts through the Maryland Community Legacy Program.
5. Establish rental licensing inspections on a regular basis to assure that poorly-maintained rental properties do not negatively impact nearby owner-occupied and quality rental properties.
6. Continue excessive nuisance enforcement programs.

Preliminary Implementation Outline—Key Tasks

1. Continue and expand marketing of down payment assistance and Neighborhoods 1st programs in the defined targeted neighborhoods.
2. Establish annual rental licensing inspections and increase inspection fees to support adequate staffing.
3. Continue excessive nuisance enforcement activities.
4. Provide modest, but routine funding to assure that small infrastructure/amenity improvements can be continually implemented in these target areas.
5. Continue a program to support acquisition of problem properties for rehab and resale.

Annual Objectives

These program activities will need to be continuously implemented to have the desired impact within ten years. Annual objectives should include:

1. Acquiring, rehabilitating, and reselling to homeowners two properties each year within the target areas.
2. Attracting at least three new homeowners annually with the down payment assistance program to purchase available quality homes in the target areas.
3. Conducting annual rental licensing inspections of all rental properties in the target area.
4. Completing three small amenity enhancement improvements annually in the target areas.

Aggregate Impacts

The overall development program detailed in the eight Catalyst Initiatives above has an estimated budget of nearly \$125 million. Over \$85 million of those funds we anticipate being generated from private investment, in many cases induced by federal and state tax credit incentives. Other investment will be derived from targeted expenditure of already in-place City of Hagerstown development, housing, programming, and infrastructure activities. Other funds are anticipated from private philanthropy, notably for the Maryland Theatre, event programming, and cultural heritage activities. Finally, we anticipate consistent use of Maryland Community Legacy funding.

Activities that may ultimately require significant new City expenditures include the critical acquisition of the Dagmar Hotel property to jump start the Linking Trail/New Housing development initiative and the construction of the new parking garage near the Courts; however, this garage will only be required once significant office development has absorbed current capacity.

Downtown Hagerstown Catalyst Initiatives Summary Funding Requirements

<u>Catalyst Initiative</u>	<u>Total Investment</u>	<u>Private Capital</u>	<u>NMTC</u>	<u>Private/Corporate Philanthropy</u>	<u>City Infrastructure</u>	<u>City Programming</u>	<u>City Housing Programs</u>	<u>Maryland Community Legacy</u>	<u>First 3rd Program</u>	<u>County/State/Federal Funds</u>
New Office Development/Recruitment										
Office Development	\$30,800,000	\$30,050,000							\$750,000	
Parking Garage	\$13,100,000				\$13,100,000					
Maryland Theatre Expansion Project										
Seating Replacement	\$500,000			\$200,000						\$300,000
Expanded Marketing	\$150,000					\$150,000				
"Back of House" Renovations	\$2,000,000			\$800,000						\$1,200,000
New Facade/Office/Performance Expansio	\$5,600,000			\$2,200,000						\$3,400,000
USMH Expansion										
Academic/Office Expansion	\$500,000									\$500,000
Student Housing	\$1,980,000	\$870,000						\$450,000	\$660,000	
Hotel/Conference Center/Heritage										
Hotel	\$34,370,000	\$30,520,000	\$3,600,000						\$250,000	
Conference Center	\$6,150,000									\$6,150,000
Heritage Center/Park	\$3,300,000			\$1,000,000						\$2,300,000
Arts & Entertainment--City Park/WCMFA Trail & Housing										
Trail Improvements	\$950,000				\$950,000					
Phase 1 Townhomes (31)	\$5,425,000	\$5,425,000								
Dagmar Hotel Acquisition	\$1,325,000						\$1,325,000			
Dagmar Hotel Rehabilitation	\$5,950,000	\$5,800,000						\$150,000		
Other W. Antietam Rehabilitation	\$5,800,000	\$5,350,000						\$450,000		
Events Expansion	\$650,000			\$500,000		\$150,000				
Farmers' Market Expansion	\$200,000				\$200,000					
Target Housing Areas										
Homebuyer Support	\$2,400,000	\$2,100,000					\$300,000			
Acquisition, Rehab, Sale	\$2,200,000	\$1,400,000					\$200,000	\$600,000		
Supportive Programming	\$200,000					\$200,000				
Streetscape/Amenities Enhancements	\$1,500,000				\$1,500,000					
Supportive Enforcement										
Total	\$125,050,000	\$81,515,000	\$3,600,000	\$4,700,000	\$15,750,000	\$500,000	\$1,825,000	\$1,650,000	\$1,660,000	\$13,850,000

Finally, certain priority activities appear to set the agenda for the City's pursuit of supportive funding from County, State, and federal sources. These activities include the several needs of the Maryland Theatre, the Conference Center facility to support the new hotel, and possible Heritage Center / Commemorative Park capital investments. These "wishlist" items total a bit more than \$13 million. We should note that the largest of these—the Conference Center at over \$6 million—is associated with a hotel that is estimated to generate over \$400,000 annually in new hotel/motel tax revenue.

Taken together, these eight initiatives within 10 years will result in 463,000 SF of new or rehabilitated development involving an investment of nearly \$125 million. Downtown audiences will increase by 60,000 annually. At least 875 new full-time equivalent jobs will be created, 178 new or rehabilitated housing units will appear, and annual taxes increment for the City and County governments will increase by more than \$1.8 million (after the expiration of temporary incentives).

Economic Impact Summary
All Eight Catalyst Initiatives

New & Rehabilitated Development	463,000 SF
Investment	\$124,800,000
Increased Audience--Annual	60,000
Full-Time Equivalent Employment Growth	875
New & Rehabilitated Housing Units	178
Annual Tax Increment--City & County	\$1,845,000

Implementation

Year 1 implementation activities should focus on:

- (1) early implementation of immediate opportunities such as expanded event programming, expanded marketing of the Maryland Theatre, the conversion of the City Farmers' Market to 35 hour per week activities, the academic expansion of USMH, the completion of the seating replacement project at the Maryland Theatre, and undertaking the first of the USMH housing developments;
- (2) continuing and targeting the full range of housing support activities in the targeted homeownership areas including the initiation of the program of acquisition, rehab, and resale;
- (3) taking the first crucial steps on more complex initiatives such as recruiting and selecting the developer partner for the new office development effort, securing easements and completing design of the trail, and acquiring the Dagmar Hotel property.

These Year 1 efforts will be critical to establishing the validity of the Catalyst Initiatives program; however, total expenditure requirements are likely to be modest.

Downtown Hagerstown Catalyst Initiatives Summary Year 1 Funding Requirements

<u>Catalyst Initiative</u>	<u>Total Investment</u>	<u>Private Capital</u>	<u>NMTC</u>	<u>Private/Corporate Philanthropy</u>	<u>City Infrastructure</u>	<u>City Programming</u>	<u>City Housing Programs</u>	<u>Maryland Community Legacy</u>	<u>First 3rd Program</u>	<u>County/State/Federal Funds</u>
New Office Development/Recruitment Office Development	Staff Only									
Maryland Theatre Expansion Project Seating Replacement	\$500,000			\$200,000						\$300,000
Expanded Marketing	\$50,000					\$50,000				
USMH Expansion Academic/Office Expansion	\$500,000									\$500,000
Student Housing	\$660,000	\$290,000						\$150,000	\$220,000	
Arts & Entertainment--City Park/WCMFA Trail & Housing Trail Improvements	\$950,000				\$950,000					
Dagmar Hotel Acquisition	\$1,325,000						\$1,325,000			
Events Expansion	\$65,000			\$50,000		\$15,000				
Farmers' Market Expansion	\$100,000				\$100,000					
Target Housing Areas Homebuyer Support	\$240,000	\$210,000					\$30,000			
Acquisition, Rehab, Sale	\$220,000	\$140,000					\$20,000	\$60,000		
Supportive Programming	\$20,000					\$20,000				
Streetscape/Amenities Enhancements	\$50,000				\$50,000					
Supportive Enforcement										
Total	\$4,680,000	\$640,000		\$250,000	\$1,100,000	\$85,000	\$1,375,000	\$210,000	\$220,000	\$800,000

Similarly, Year 2 implementation activities will likely continue efforts begun in Year 1 including expanded event programming, expanded marketing of the Maryland Theatre, and completing the conversion of the City Farmers' Market to 35 hour per week activities. The full range of activities begun in the targeted housing areas will be continued.

Key new efforts will include:

- (1) With the selection of the developer partner, aggressive marketing for new office development will be initiated.
- (2) Similarly, in Year 2, a hotel developer will be recruited and initial activities involving site control and design will be expected to begin for the hotel and conference center.
- (3) Intensive efforts will be undertaken in Year 2 to determine if a sustainable operational model can be developed for the Heritage Center / Commemorative Park.
- (4) Finally, in Year 2, with design and right-of-way acquisition complete in Year 1, construction can be undertaken on the trail improvements. We would also expect that one property owner would proceed with rehabilitation of a W. Antietam Loft Building.

Also, during Year 2, the selection of the developer for the new townhomes along the trail should be completed, so that developer can begin construction and marketing in Year 3.

Downtown Hagerstown

Catalyst Initiatives

Summary Year 2 Funding Requirements

<u>Catalyst Initiative</u>	<u>Total Investment</u>	<u>Private Capital</u>	<u>NMTC</u>	<u>Private/Corporate Philanthropy</u>	<u>City Infrastructure</u>	<u>City Programming</u>	<u>City Housing Programs</u>	<u>Maryland Community Legacy</u>	<u>First 3rd Program</u>	<u>County/State/Federal Funds</u>
New Office Development/Recruitment Office Development	Staff Only									
Maryland Theatre Expansion Project Expanded Marketing	\$50,000					\$50,000				
Hotel/Conference Center/Heritage Hotel	\$500,000	\$500,000								
Conference Center	\$150,000									\$150,000
Heritage Center/Park	Staff Only									
Arts & Entertainment--City Park/WCMFA Trail & Housing Other W. Antietam Rehabilitation	\$1,290,000	\$1,140,000						\$150,000		
Events Expansion	\$65,000			\$50,000		\$15,000				
Farmers' Market Expansion	\$100,000				\$100,000					
Target Housing Areas Homebuyer Support	\$240,000	\$210,000					\$30,000			
Acquisition, Rehab, Sale	\$220,000	\$140,000					\$20,000	\$60,000		
Supportive Programming	\$20,000					\$20,000				
Streetscape/Amenities Enhancements	\$50,000				\$50,000					
Supportive Enforcement										
Total	\$2,685,000	\$1,990,000		\$50,000	\$150,000	\$85,000	\$50,000	\$210,000	\$0	\$150,000

Forecasting precise activities for Year 3 becomes somewhat more speculative; however, we would hope that the intensive processes during Years 1 and 2 of developer selection, office tenant recruitment, and due diligence regarding the hotel/conference center development would yield substantial “on-the-ground” results with significant private investment.

Key development activities anticipated for Year 3 include:

- (1) Construction and occupancy of the first office building of 70,000 SF;
- (2) The beginning of construction of the hotel / conference center complex; and
- (3) Construction and marketing of the first package of new townhomes.

In Year 3 on-going implementation activities will also continue including expanded event programming, expanded marketing of the Maryland Theatre, and the full range of targeted housing area activities. We would also expect further improvements to the Maryland Theatre and the completion of a second USMH student housing development.

We should note that in order for the Hotel / Conference Center facility to begin construction, funding for the Conference Center will have been identified.

Downtown Hagerstown

Catalyst Initiatives

Summary Year 3 Funding Requirements

<u>Catalyst Initiative</u>	<u>Total Investment</u>	<u>Private Capital</u>	<u>NMTC</u>	<u>Private/Corporate Philanthropy</u>	<u>City Infrastructure</u>	<u>City Programming</u>	<u>City Housing Programs</u>	<u>Maryland Community Legacy</u>	<u>First 3rd Program</u>	<u>County/State/Federal Funds</u>
New Office Development/Recruitment Office Development	\$14,000,000	\$13,750,000							\$250,000	
Maryland Theatre Expansion Project Expanded Marketing "Back of House" Renovations	\$50,000 \$500,000			\$200,000		\$50,000				\$300,000
USMH Expansion Student Housing	\$660,000	\$290,000						\$150,000	\$220,000	
Hotel/Conference Center/Heritage Hotel Conference Center Heritage Center/Park	\$7,700,000 \$1,800,000	\$7,700,000								\$1,800,000
Arts & Entertainment--City Park/WCMFA Trail & Housing Phase 1 Townhomes (8) Dagmar Hotel Rehabilitation	\$1,400,000	\$1,400,000								
Events Expansion	\$65,000			\$50,000		\$15,000				
Target Housing Areas Homebuyer Support Acquisition, Rehab, Sale Supportive Programming Streetscape/Amenities Enhancements Supportive Enforcement	\$240,000 \$220,000 \$20,000 \$150,000	\$210,000 \$140,000			\$150,000	\$20,000	\$30,000 \$20,000	\$60,000		
Total	\$26,805,000	\$23,490,000		\$250,000	\$150,000	\$85,000	\$50,000	\$210,000	\$470,000	\$2,100,000

For Years 4 and 5, we expect the completion of the hotel / conference center facility, continued development and marketing of townhomes along the trail, and a resolution to the issue of sustainability of the Heritage Center / Commemorative Park. Assuming a positive determination, the investment in that facility should occur during this period.

Also in Years 4 and 5, on-going implementation activities will continue including expanded event programming and the full range of targeted housing area activities. The level of activity at the Maryland Theatre should have increased to the point that expanded marketing can be self-sustaining. We would also expect substantial further improvements to the Maryland Theatre "back of house" and the completion of a third USMH student housing development.

Finally, during this period we would expect that plans for the new construction façade/office/performance space for the Maryland Theatre will have been finalized and fundraising begun.

**Downtown Hagerstown
Catalyst Initiatives
Summary Year 3 Funding Requirements**

<u>Catalyst Initiative</u>	<u>Total Investment</u>	<u>Private Capital</u>	<u>NMTC</u>	<u>Private/Corporate Philanthropy</u>	<u>City Infrastructure</u>	<u>City Programming</u>	<u>City Housing Programs</u>	<u>Maryland Community Legacy</u>	<u>First 3rd Program</u>	<u>County/State/Federal Funds</u>
New Office Development/Recruitment Office Development	\$14,000,000	\$13,750,000							\$250,000	
Maryland Theatre Expansion Project Expanded Marketing	\$50,000					\$50,000				
"Back of House" Renovations	\$500,000			\$200,000						\$300,000
USMH Expansion Student Housing	\$660,000	\$290,000						\$150,000	\$220,000	
Hotel/Conference Center/Heritage Hotel	\$7,700,000	\$7,700,000								
Conference Center	\$1,800,000									\$1,800,000
Heritage Center/Park										
Arts & Entertainment--City Park/WCMFA Trail & Housing Phase 1 Townhomes (8)	\$1,400,000	\$1,400,000								
Dagmar Hotel Rehabilitation										
Events Expansion	\$65,000			\$50,000		\$15,000				
Target Housing Areas Homebuyer Support	\$240,000	\$210,000					\$30,000			
Acquisition, Rehab, Sale	\$220,000	\$140,000					\$20,000	\$60,000		
Supportive Programming	\$20,000					\$20,000				
Streetscape/Amenities Enhancements	\$150,000				\$150,000					
Supportive Enforcement										
Total	\$26,805,000	\$23,490,000		\$250,000	\$150,000	\$85,000	\$50,000	\$210,000	\$470,000	\$2,100,000

By Year 6, we expect a second office development opportunity to be identified. This will necessitate the completion of the 500 car garage, requiring a significant City capital investment. This increased parking capacity will trigger a second office investment and will also be supportive of an anticipated second W. Antietam Loft Rehabilitation and the construction of the new façade and expansion for the Maryland Theatre.

**Downtown Hagerstown
Catalyst Initiatives
Summary Funding Years 6-7 Requirements**

<u>Catalyst Initiative</u>	<u>Total Investment</u>	<u>Private Capital</u>	<u>NMTC</u>	<u>Private/Corporate Philanthropy</u>	<u>City Infrastructure</u>	<u>City Programming</u>	<u>City Housing Programs</u>	<u>Maryland Community Legacy</u>	<u>First 3rd Program</u>	<u>County/State/Federal Funds</u>
New Office Development/Recruitment										
Office Development	\$9,600,000	\$9,350,000							\$250,000	
Parking Garage	\$13,100,000				\$13,100,000					
Maryland Theatre Expansion Project										
New Facade/Office/Performance Expansio	\$5,600,000			\$2,200,000						\$3,400,000
Arts & Entertainment--City Park/WCMFA Trail & Housing										
Phase 1 Townhomes (8)	\$1,400,000	\$1,400,000								
Other W. Antietam Rehabilitation	\$2,200,000	\$2,050,000						\$150,000		
Events Expansion	\$130,000			\$100,000		\$30,000				
Target Housing Areas										
Homebuyer Support	\$480,000	\$420,000					\$60,000			
Acquisition, Rehab, Sale	\$440,000	\$280,000					\$40,000	\$120,000		
Supportive Programming	\$40,000					\$40,000				
Streetscape/Amenities Enhancements	\$300,000				\$300,000					
Supportive Enforcement										
Total	\$33,290,000	\$13,500,000		\$2,300,000	\$13,400,000	\$70,000	\$100,000	\$270,000	\$250,000	\$3,400,000

During the final Years 8, 9, and 10 of implementation, we expect a third office development, the completion of the first phase of development of 31 new townhomes, and a third W. Antietam loft rehabilitation. We also anticipate that market conditions and rent levels will have improved to the point that the Dagmar Hotel property can be economically rehabilitated for market rate loft apartments.

**Downtown Hagerstown
Catalyst Initiatives
Summary Funding Years 8-10 Requirements**

<u>Catalyst Initiative</u>	<u>Total Investment</u>	<u>Private Capital</u>	<u>NMTC</u>	<u>Private/Corporate Philanthropy</u>	<u>City Infrastructure</u>	<u>City Programming</u>	<u>City Housing Programs</u>	<u>Maryland Community Legacy</u>	<u>First 3rd Program</u>	<u>County/State/Federal Funds</u>
New Office Development/Recruitment										
Office Development	\$7,200,000	\$6,950,000							\$250,000	
Arts & Entertainment--City Park/WCMFA Trail & Housing										
Phase 1 Townhomes (8)	\$1,400,000	\$1,400,000								
Dagmar Hotel Rehabilitation	\$5,950,000	\$5,800,000						\$150,000		
Other W. Antietam Rehabilitation	\$2,310,000	\$2,160,000						\$150,000		
Events Expansion	\$195,000			\$150,000		\$45,000				
Target Housing Areas										
Homebuyer Support	\$720,000	\$630,000					\$90,000			
Acquisition, Rehab, Sale	\$660,000	\$420,000					\$60,000	\$180,000		
Supportive Programming	\$60,000					\$60,000				
Streetscape/Amenities Enhancements	\$450,000				\$450,000					
Supportive Enforcement										
Total	\$18,945,000	\$17,360,000		\$150,000	\$450,000	\$105,000	\$150,000	\$480,000	\$250,000	