

# The Community's City Center Plan Hagerstown, MD

## Fact Sheets



Prepared by:

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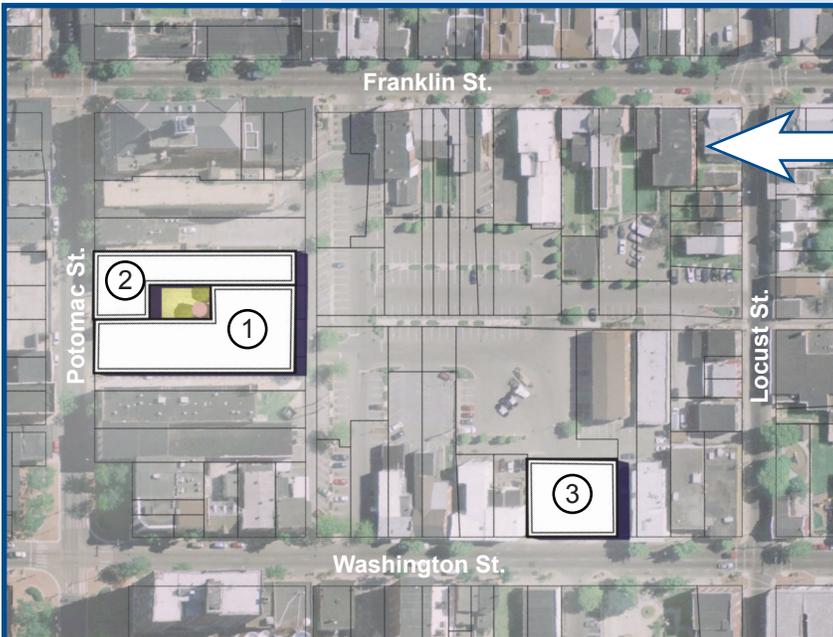




**DEVELOPMENT FACT SHEET**

**Catalyst Project 1**

**OFFICE DEVELOPMENT & RECRUITMENT**



**DEVELOPMENT PROGRAM**

- 1) Office / Commercial 70,000 sf (4 Stories)
- 2) Office / Commercial 48,000 sf (4 Stories)
- 3) Office / Commercial 36,000 sf (4 Stories)

This strategy 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. 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.

Office development and recruitment 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.

The strategy should involve building relationships with state and federal government agencies as well. Other elements would include a marketing strategy (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).
- 7 Recruit users for third building. Finance, construct and tenant third building.

## OFFICE DEVELOPMENT & RECRUITMENT

Available economic incentives can provide significant benefit to the developer and to tenants in these new office developments, particularly in terms of effective rent reduction for the first ten years of occupancy.

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				
<b>Total Impact Per Square Foot</b>	<b>\$6.60</b>	<b>\$2.60</b>	<b>\$2.07</b>	<b>\$1.81</b>	<b>\$1.55</b>	<b>\$1.30</b>	<b>\$1.04</b>

To effectively recruit and retain office users, Downtown Hagerstown must provide an adequate supply of appropriately priced parking. In addition, the pricing of monthly public parking spaces needs to be competitive with the cost of developing and maintaining parking in suburban locations.

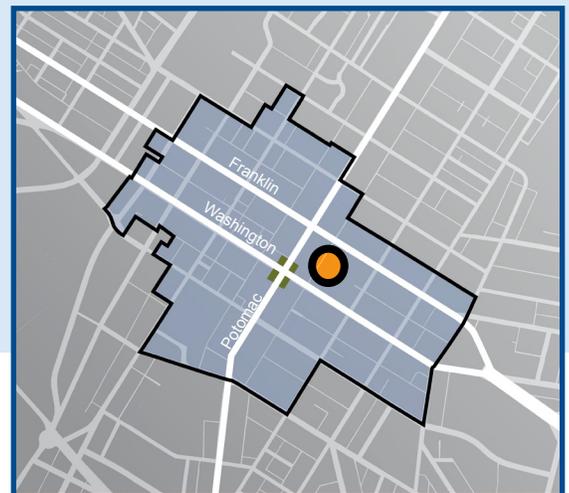
During the first ten years of the implementation period, this initiative is expected to result in the development of at least three new office buildings with a total of 154,000 SF of new office space.

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.



Economic Impact Summary Office Development & Recruitment	
New Development	154,000 SF
Investment	\$30,800,000
Permanent Employment	600
<b>Annual Tax Increment*</b>	<b>\$564,000</b>
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





**DEVELOPMENT FACT SHEET**

# Catalyst Project 2

## MARYLAND THEATRE EXPANSION



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.

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.

## MARYLAND THEATRE EXPANSION

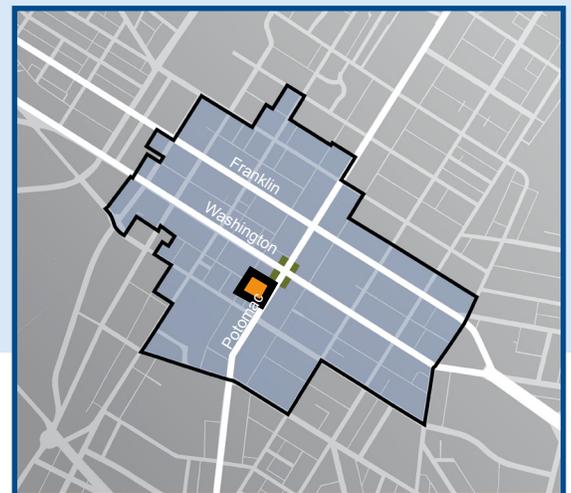


### Economic Impact Summary Maryland Theatre Expansion Project

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
<b>Annual Tax Increment</b>	<b>\$49,000</b>
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

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.





## DEVELOPMENT FACT SHEET

# Catalyst Project 3

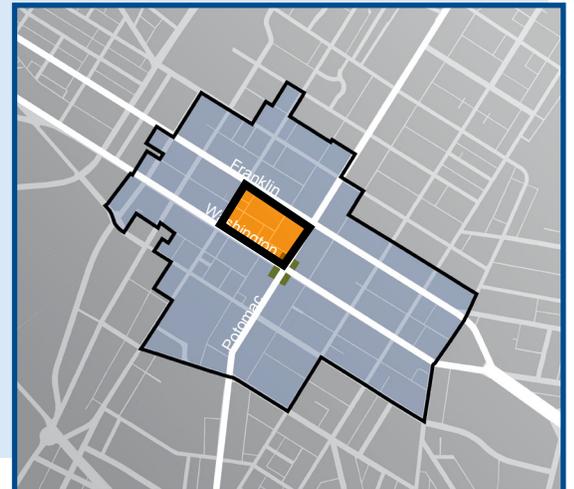
### USMH EXPANSION SUPPORT

University System of Maryland at Hagerstown (USMH) plans to expand its enrollment of 500 by as much as 50% to 750. A particular short-term strategic focus is on creating a program providing training in the culinary, hospitality, and tourism industries. Facilities expansion will largely involve leasing 5,000 to 10,000 SF of space in nearby buildings for these programs, for certain other compatible wet lab teaching spaces, and offices and other non-teaching functions.

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. New student housing 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. This student housing should 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.



## USMH EXPANSION SUPPORT

A typical student housing example involves 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. To rehabilitate four 1,000 SF apartments, we foresee development costs of \$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. Gross rent potential is \$37,440 based on \$780 rents.

USMH Student Housing Typical Example Income & Expense Pro Forma			
<b>Owner's Economics</b>			
<b>Income</b>			
Lease to USMH (@96% Occupancy)			\$35,942
<b>Expenses</b>			
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	
<b>USMH Economics</b>			
	Units	Rent	Total
Gross Rent Potential	4	\$780	\$37,440
	(50% Vacancy)	Base	(4% Vacancy)
<b>Anticipated Revenue</b>			
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

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
<b>Annual Tax Increment*</b>	<b>\$41,000</b>
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

USMH Student Housing Typical Example Development Budget		
<b>Development Budget</b>		
<b>Construction</b>		
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
<b>Total Construction</b>		<b>\$604,000</b>
<b>Project Soft Costs</b>		
Architecture/Engineering		\$30,000
Legal		\$5,000
Accounting/Audit		\$3,000
Construction Interest		\$5,000
Financing Fees (1%)		\$4,000
Project Management		\$9,000
<b>Total Soft Costs</b>		<b>\$56,000</b>
<b>Total Development Costs</b>		<b>\$660,000</b>
<b>Sources of Financing</b>		
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
<b>Total Financing</b>		<b>\$660,000</b>

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. Under the Base scenario, student rents limit the master lease loss by USMH and the participating local government or foundation. Under the maximum scenario, collected student rents fully cover the master lease payment.

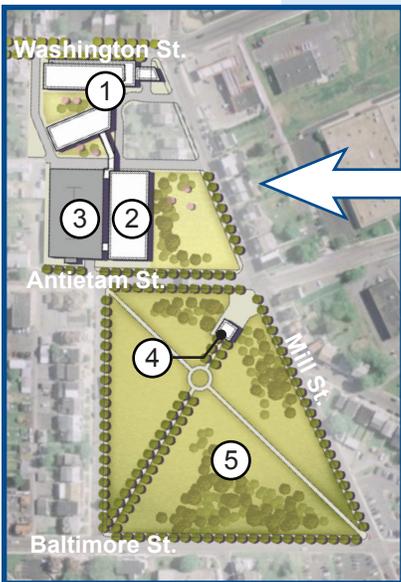
The overall development program for this initiative is \$2.5 million, including \$2.0 million in private investment in student housing infrastructure.



**DEVELOPMENT FACT SHEET**

**Catalyst Project 4**

**HOTEL / CONFERENCE CENTER & HERITAGE CENTER / COMMEMORATIVE PARK**



DEVELOPMENT PROGRAM	
1) Hotel	200 Rooms
2) Conference Center	20,000 sf
3) Existing Parking Garage	
4) Heritage Center	1,600 sf
5) Regional Heritage Park	6.5 Acres

PRELIMINARY IMPLEMENTATION OUTLINE KEY TASKS - HOTEL / CONFERENCE CENTER	
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.

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. Two sites are being considered for this hotel/conference center development: (1) the portion of the Meritus Health/former Washington County Hospital site between Antietam and Washington, and (2) the current site of the Best Western Grand Venice Hotel & Conference Center. Specifically, the development program could involve an upscale hotel and a conference center with all-weather connection to the hotel.

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 - 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.

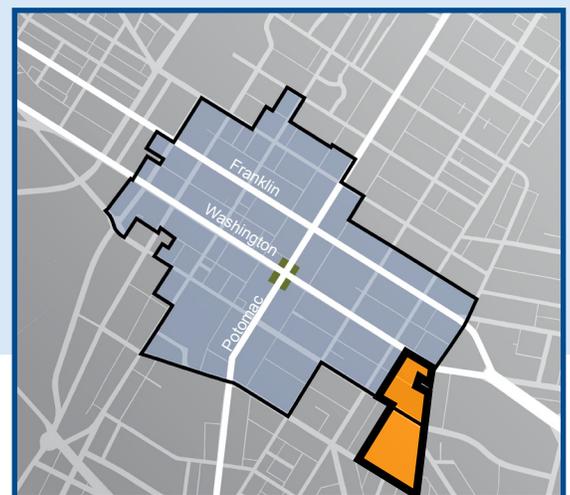
## HOTEL / CONFERENCE CENTER & HERITAGE CENTER / COMMEMORATIVE PARK

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. The 20,000 SF Conference Center is anticipated to cost \$6.15 million.

A net operating income of \$2.56 million is sufficient to support debt service on \$24.4 million in debt and provide a substantial return on \$6.12 million in equity. The \$34.4 million in development costs can be met through the supported debt and equity 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 (NMTC). 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.

Hotel/Conference Center Income & Expense Pro Forma--Stable Year 3	
Number of Rooms	200
Average Occupancy	64%
Average Collected Room Rate	\$154.00
<b>Revenue</b>	
Rooms	\$7,195,000
Food & Beverage	\$3,050,000
Rentals & Other	\$655,000
<b>Total</b>	<b>\$10,900,000</b>
<b>Expenses</b>	
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
<b>Net Operating Income</b>	<b>\$2,555,000</b>
<b>Debt Service</b>	
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%

Hotel/Conference Center Development Budget	
<b>Hotel Development Budget</b>	
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
<b>Total Construction</b>	<b>\$28,975,000</b>
<b>Project Soft Costs</b>	
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
<b>Total Soft Costs</b>	<b>\$5,395,000</b>
<b>Total Development Costs</b>	<b>\$34,370,000</b>
<b>Hotel Sources of Financing</b>	
First Mortgage--Bank	\$24,400,000
New Markets Tax Credit (NMTC) Net Proceeds	\$3,600,000
City of Hagerstown First Third Grant Program	\$250,000
Owners Equity	\$6,120,000
<b>Total Financing</b>	<b>\$34,370,000</b>
<b>Conference Center Development Budget</b>	
Acquisition, Sitework	\$1,100,000
Conference Center Construction (20,000 SF @ \$175)	\$3,500,000
Furnishings/Equipment	\$400,000
Contingency (7%)	\$300,000
<b>Total Construction</b>	<b>\$5,300,000</b>
<b>Project Soft Costs</b>	
Architecture/Engineering	\$325,000
Legal	\$60,000
Accounting/Audit/Other Professionals	\$40,000
Construction Interest/Financing Costs	\$125,000
Project Management	\$300,000
<b>Total Soft Costs</b>	<b>\$850,000</b>
<b>Total Development Costs</b>	<b>\$6,150,000</b>



## HOTEL / CONFERENCE CENTER & HERITAGE CENTER / COMMEMORATIVE PARK

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
<b>Annual Tax Increment**</b>	<b>\$934,000</b>
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	

The hotel/conference center will add \$10.9 million in annual economic activity to Downtown Hagerstown and support about 180 full-time equivalent on-site jobs. There could also be off-site expenditures of \$1.2 million for dining and \$400,000 in shopping in the Downtown area due to the visits by these hotel/conference center users. 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.

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





**DEVELOPMENT FACT SHEET**

# Catalyst Project 5

## LINKING CITY PARK/WASHINGTON COUNTY MUSEUM OF FINE ARTS AND A&E DISTRICT WITH TRAIL AND NEW HOUSING

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. It 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.

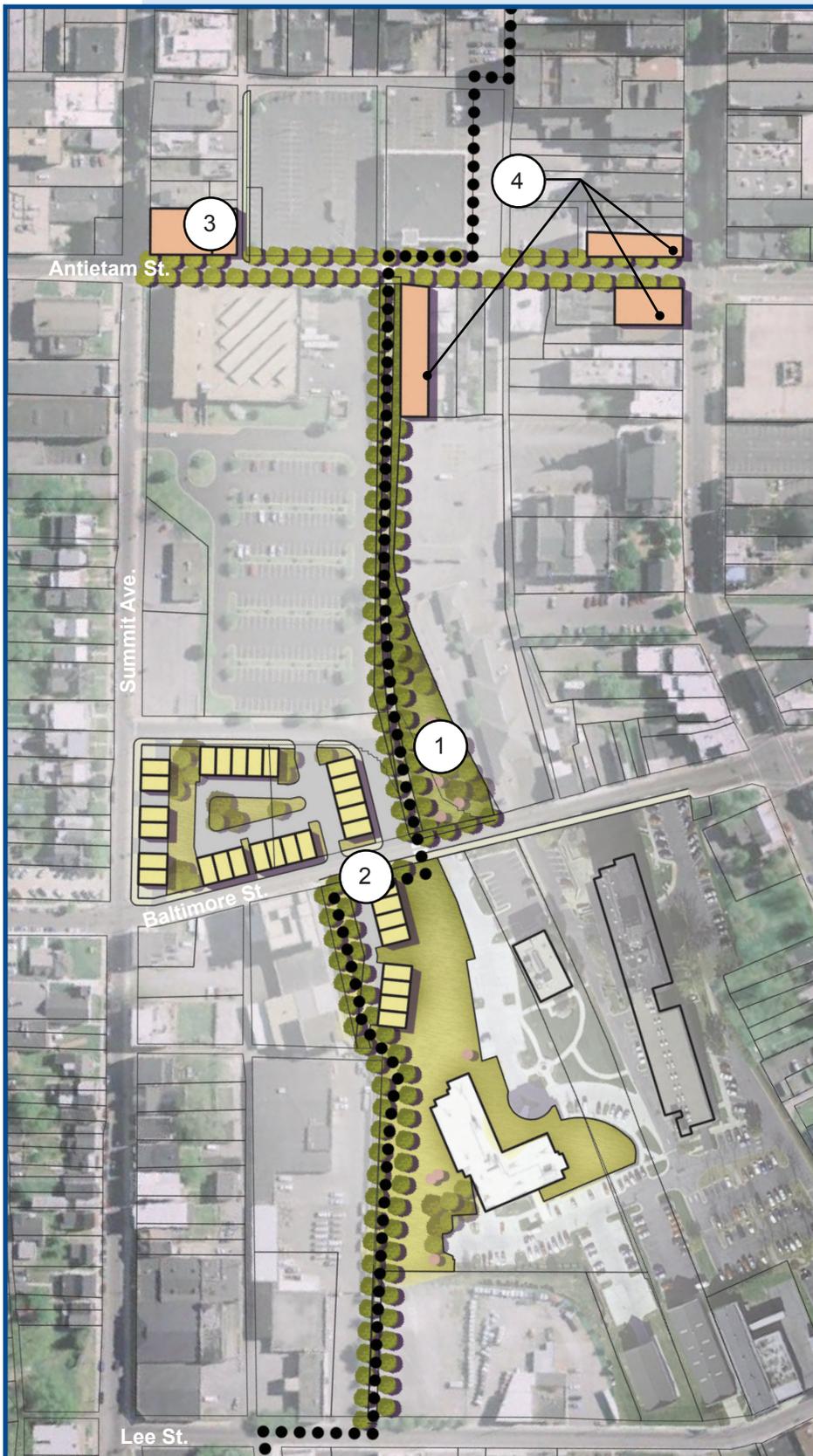
Southwest City Center is situated between two of Downtown Hagerstown’s main attractions – City Park/Washington County Museum of Fine Arts and the key venues of the Arts & Entertainment District on S. Potomac Street. The area presents an opportunity for targeted and phased housing development to capture 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 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 be phased: 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	Complete and market first package of townhomes (perhaps 8 units).
9	Complete and market second package of townhomes.
10	Support rehabilitation of second loft building of approximately 15 to 20 units.
11	Complete 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.

## LINKING CITY PARK/WASHINGTON COUNTY MUSEUM OF FINE ARTS AND A&E DISTRICT WITH TRAIL AND NEW HOUSING



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.

**T**rail: The total cost of the trail is estimated at \$673,200 including construction (\$512,000), design (\$100,000), and construction contingency (\$61,200). Adding an allowance for acquisition of easements results in a total estimated cost of \$700,000.

**N**ew Townhomes: A developer for this first phase of townhomes (31 units) will be secured through a competitive process in which both public parcels are offered together. The cost of home construction and marketing will be covered through private investment and the purchase prices of the townhomes. Some or all of these site preparation costs may fall on public sources.

# LINKING CITY PARK/WASHINGTON COUNTY MUSEUM OF FINE ARTS AND A&E DISTRICT WITH TRAIL AND NEW HOUSING

Model W. Antietam Loft Rehabilitation Income & Expense Pro Forma			
	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
<b>Anticipated Net Operating Income</b>			<b>\$56,380</b>
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
<b>Cash Flow</b>			<b>\$12,880</b>

**W**. Antietam Loft Rehabilitation: A model analysis suggests the rehabilitation of 11,000 SF of gross building area for 10 loft apartments of 1,000 SF. 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 hard costs of rehabilitation for ten 1,000 SF apartments would be nearly \$1.2 million.

Model W. Antietam Loft Rehabilitation Development Budget			
<b>Development Budget</b>			
<b>Construction</b>			
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
<b>Total Construction</b>			<b>\$1,195,000</b>
<b>Project Soft Costs</b>			
Architecture/Engineering			\$43,000
Legal			\$5,000
Accounting/Audit			\$3,000
Construction Interest			\$8,000
Financing Fees (1%)			\$6,000
Project Management			\$30,000
<b>Total Soft Costs</b>			<b>\$95,000</b>
<b>Total Development Costs</b>			<b>\$1,290,000</b>
<b>Sources of Financing</b>			
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
<b>Total Financing</b>			<b>\$1,290,000</b>



Dagmar Rental Loft Rehabilitation Income & Expense Pro Forma			
	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
<b>Anticipated Net Operating Income</b>			<b>\$282,384</b>
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
<b>Cash Flow</b>			<b>\$69,918</b>

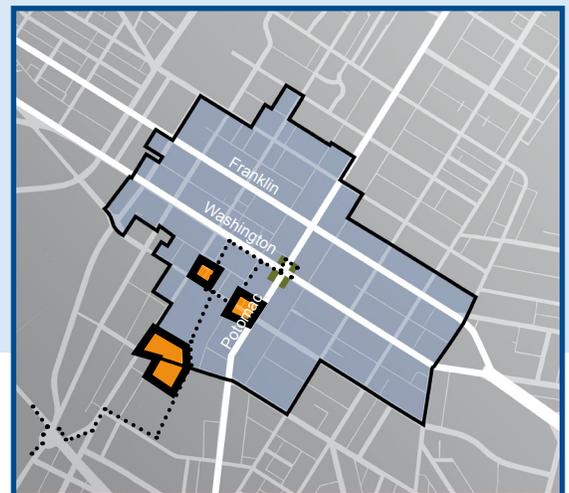
**D**agmar Hotel Loft Rehabilitation: The property will be acquired, vacated, and held until market conditions improve 20% to justify \$900 rents for two-bedroom, one-bath units of 1,000 SF. The Dagmar Hotel consists of two attached buildings—one eight-stories; one four-stories—with a total of 48,500 gross square feet of space. Hard costs of rehabilitation for 40 apartments of 1,000 SF each are anticipated to be over \$5.5 million, with soft costs of \$410,000. Total development costs would be \$7,275,000.

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
<b>Annual Tax Increment*</b>	<b>\$186,000</b>
City Real Estate Tax	\$97,000
County Real Estate Tax	\$89,000

\* In 2014 Dollars; After Expiration of Incentives

**T**he overall development program for this initiative is \$19.2 million, including \$16.7 million in private investment in new housing.

Dagmar Rental Loft Rehabilitation Development Budget			
<b>Development Budget</b>			
<b>Acquisition</b>			<b>\$1,325,000</b>
<b>Construction</b>			
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	
<b>Total Construction</b>			<b>\$5,540,000</b>
<b>Project Soft Costs</b>			
Architecture/Engineering		\$195,000	
Legal		\$10,000	
Accounting/Audit		\$5,000	
Construction Interest		\$70,000	
Financing Fees (1%)		\$30,000	
Project Management		\$100,000	
<b>Total Soft Costs</b>			<b>\$410,000</b>
<b>Total Development Costs</b>			<b>\$7,275,000</b>
<b>Sources of Financing</b>			
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	
<b>Total Financing</b>			<b>\$7,275,000</b>





## DEVELOPMENT FACT SHEET

# Catalyst Project 6

### EXPANDED DOWNTOWN ARTS/EVENTS PROGRAMMING



The Sustainable Community Action Plan suggests expanding Downtown Arts & Entertainment District by increasing visitation to the Downtown. Currently the City hosts a variety of events in the District year-round—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, and museums, host their own individual events. The Maryland Theatre alone has activity 150 days per year.

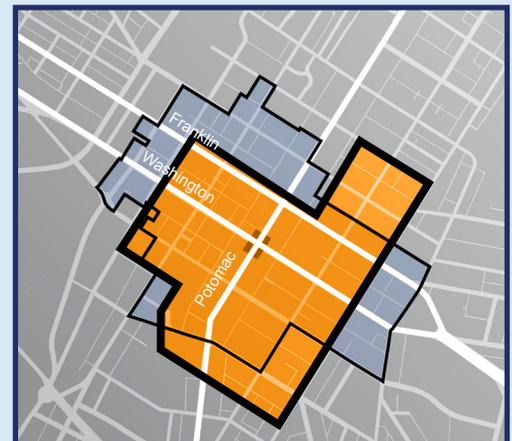
To build off the positive atmosphere created by events in Downtown Hagerstown and attract even more people to the Downtown, additional resources should be invested in expanded events programming. While the City’s annual events attract thousands of people, more regularly programmed activities - weekly 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, gallery exhibitions, and movie showings.

An important feature of this strategy 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.

City Center show in blue; Arts and Entertainment District shown in orange.





**DEVELOPMENT FACT SHEET**

# Catalyst Project 7

## EXPANDED OPERATIONS OF THE CITY FARMERS MARKET



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.

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

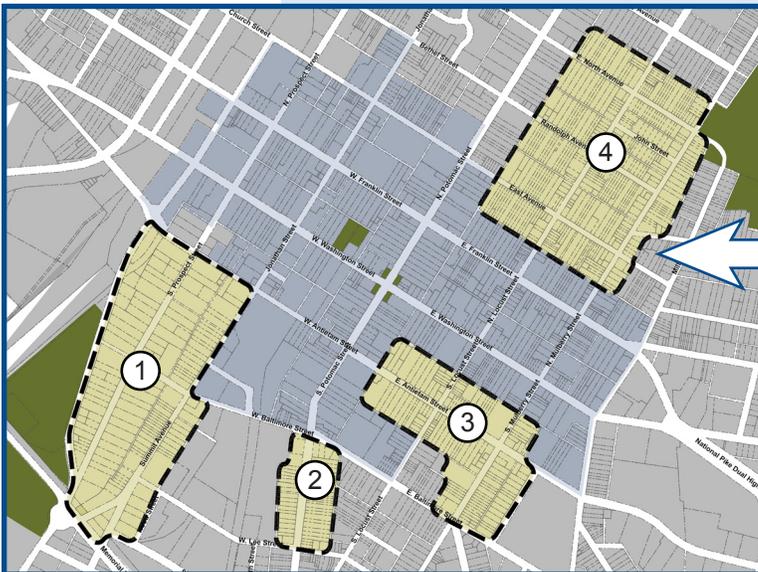
- 1 Develop a new private sector-led model for managing and operating the market on a three or four day-per-week, 35 hour-per-week basis. Consult with area private market managers in developing this model.
- 2 After refining the desired model, solicit proposals from private managers to direct the market.
- 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.



**DEVELOPMENT FACT SHEET**

# Catalyst Project 8

## EXPANDED & TARGETED HOME OWNERSHIP



### SUGGESTED FOCUS AREAS

- 1) 100 and 200 blocks of S. Prospect & S. Summit
- 2) 200 Block of S. Potomac
- 3) 100 & 200 blocks of E. Antietam & the 100 block of S. Mulberry & King
- 4) Area bounded by Cramer Alley, North, Mulberry & East Streets

### PRELIMINARY IMPLEMENTATION OUTLINE KEY TASKS

- 1 Continue and expand marketing of downpayment 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 Establish a program to support acquisition of problem properties for rehab and resale.

The Sustainable Community Action Plan recommends improving blighted housing and increasing market-rate housing as part of an overall housing improvement strategy 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 community has 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. This proposed expanded support would build on, focus, and, in some cases, supplement current efforts. Implementation of these strategies 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.

## EXPANDED & TARGETED HOME OWNERSHIP



S. Prospect Street

Key elements of the program include:

1. Aggressively market the City's down payment assistance program.
2. Target Neighborhoods 1st supportive programs to these areas including such activities as 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.
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.
5. Continue rental licensing inspections on a regular basis.
6. Continue excessive nuisance enforcement programs.

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.



S. Mulberry Street