

## **JUSTIFICATION STATEMENT**

**FG Office Group, LLC  
Parcel 37, Grassland ETC Subdivision  
Fallsgrove Planned Development  
Comprehensive Planned Development Concept Plan Application CPD99-0004**

### **PROJECT PLAN AMENDMENT APPLICATION**

**JANUARY 10, 2020**

On behalf of FG Office Group, LLC (a Lerner Enterprises affiliate) (the “Applicant”) the attached application proposes to amend the current Comprehensive Planned Development Concept Plan Application CPD99-0004 (“CPD”) (Resolution No. 1-00) pursuant to a Project Plan Amendment, for the property known as Parcel 37, Grassland ETC Subdivision, at the southwest corner of West Gude Drive and Research Boulevard (with no designated address) (the “Property”). The Project Plan Amendment seeks approval to develop the Property to accommodate up to 350 residential units (the “Project”). As part of this application, the Applicant requests that the current commercial office designation be retained, in the remote chance that there is a future resurgence of the commercial office market.

#### **I. PROPERTY DESCRIPTION, ZONING AND BACKGROUND**

The Property consists of 6.53 acres (284,779 square feet) and is part of the 254 acre Fallsgrove development that involved the comprehensive redevelopment of the Thomas Farm. The Property is zoned PD-FG (planned development, Fallsgrove) and was designated for 210,981 square feet of office development, pursuant to an amendment to the CPD (Resolution No. 21-05). As discussed in greater detail below, the Applicant has determined that the commercial real estate office market cannot support an office building at this location and thus has decided to pursue approval to accommodate residential development on the Property. The Property’s assigned “equivalent zoning” is MXE (mixed use employment). Pursuant to Zoning Ordinance Section 25.14.07, Project Plan Amendment approval by the Mayor and Council is required in order to amend the Fallsgrove Planned Development Governing Documents to accommodate the requested residential development on the Property. As discussed below, the proposed residential development is consistent with the development standards of the MXE Zone.

The Property is located immediately to the east of the City owned forested open space, to the north of the Westat office complex, to the west across Research Boulevard from various

office buildings and to the south across West Gude Drive from City owned open space.

## **II. PROPOSED PLAN**

### **A. Architecture**

The Applicant is proposing the development of a multi-family building with up to 350 units (365,000 gross square feet). The building will be five stories provided over podium parking with a maximum height of 120 feet. Approximately 525 parking spaces will be provide with approximately 309 garage spaces and approximately 141 surface parking spaces. Two substantial amenity spaces will be provided within the courtyards of the building. The open space facing west will include a pool and the courtyard facing east will be improved with a patio, picnic area, passive recreational spaces and green space. The Project will provide moderately priced dwelling units in accordance with the Zoning Ordinance requirements.

The building footprint is made up of a series of bars organized around two distinct outdoor courtyards, with primary frontage along Research Boulevard. Proposed façade materials will include a combination of brick veneer, metal panel, cementitious panel, and glass. The building's design frames the street in an effective manner, without concentrating all of the density along the Research Boulevard frontage of the building. In this way, the building delineates the open space provided along the frontage of the Property, including the shared use path, while maintaining an open feeling.

The building architecture seeks to be human-scaled, contextual, walkable, and integrated with the landscape, both within and surrounding the site. Multiple building entry points promote walkability throughout the site and connection to the adjacent trail network. The architectural style mediates between the highly glazed and contemporary office buildings in the immediate context of Research Boulevard and the Neo-Traditional design principals of Falls Grove. The architecture employs many of the strategies of traditional design, such as special attention to the detailing and materiality of the building base, a clear delineation between the base and top, and a strong rhythm of window organization and patterning.

### **B. Parking and Access**

The main entrance to the building will be along the northern façade so that visitors may easily be dropped off, with an adjacent surface parking area for visitor and future resident parking. The two vehicular access points to the Property will be located to align with the existing curb-cuts on the opposite side of Research Boulevard. A driveway loop connecting the two vehicular entry points and wrapping behind the building will be provided which provides for required fire access. This driveway is lined with parking spaces that will be concealed from the

public street, given the building location and the forested City-owned open space to the west of the Property. The operational components of the building (*i.e.*, the loading docks, utility services, transformers and trash areas) will be located along the south and west-sides of the building, and screened from view.

To further promote the use of public transportation, the Applicant will install a standardized city bus shelter in place of the bus stop located along the Research Boulevard frontage of the Property.

### **C. Public Open Space**

In accordance with the Zoning Ordinance requirements, a minimum of 20 percent of the Property will be open space, of which 5 percent will be public open space. More specifically, the Project will provide 142,668 square feet of open space (46.6 percent) and 59,540.5 square feet of public open space (19 percent). The public open space will be located in the northern portion of the Property where an approximate 19,000 square foot pocket park improved with pathways and pedestrian-scale plantings is located. In addition, public open space will also be located along a portion of the Property's Research Boulevard frontage, where the shared use path is located partially on the property and partially within the right of way.

## **III. JUSTIFICATION FOR EXCLUSIVELY RESIDENTIAL USE**

Fallsgrove is a thriving, integrated mixed-use community and comprised of approximately 1,500 residences, approximately 275,000 square feet of office, almost 600,000 square feet of retail and a hotel. These integrated uses are all located within the land area bounded by Shady Grove Road to the west, Montgomery Avenue to the north and east and Darnestown Road to the south. Outside of this area there are three "satellite" sites – the Property and two sites north of Gude Drive and east of West Montgomery Avenue, all of which are designated for office/research and development and remain vacant. Given the existing mixed use nature of Fallsgrove, the request for a Project Plan Amendment to accommodate residential on the Property, in no way compromises the overall mixed use environment.

The Applicant's request for the residential designation is to allow for a viable use to be developed on the Property. Ideally, if there were a sustainable office market, the Applicant would develop the Property for an office use. It is for this reason, that, in the remote event the office market were to rebound, the Applicant requests the preservation of the office designation. However, the Applicant's unsuccessful efforts to market the Property for office use for more than a decade due to the lack of market interest, coupled with the challenges the Applicant has had in leasing their two office buildings in Fallsgrove proper, are the driving forces behind the subject Project Plan Amendment. More specifically, the relatively new (completed in 2014)

Fallsgrove office building along Shady Grove Road (14995 Shady Grove Road) has a 63 percent vacancy rate while the office building located at 14955, that was constructed in 2002, has a vacancy rate of 28 percent. Notably, the Applicant has actively tried to lease the space in these two buildings since before the buildings were even completed.

In connection with the Project Plan Amendment, the Applicant consulted with Avison Young, a commercial real estate firm, to assess the viability of the office market in the vicinity of the Property. The Avison Young reports confirmed that the office market overall in Montgomery County is not strong; Avison Young's Montgomery County Office Overview for December 31, 2018 showed a 15% vacancy rate, while the Montgomery County Office Overview for September 30, 2019 shows a 14.6% vacancy rate with a negative net absorption, meaning that the market is essentially flat. The office market for the I-270 Corridor was comparable to the County's with the I-270 Corridor Office Overview for December 31, 2018 indicating a vacancy rate of 15.8% and for September 30, 2019, a vacancy rate of 15.2%. Avison Young noted that the statistics substantiate that the office market is flat and that landlords along the I-270 are having to upgrade their buildings to retain any existing tenants. While the vacancy rates for the County and the I-270 corridor were somewhat anemic, what was most striking for the Applicant was the vacancy rates in close proximity to the Property. For the period ending June 2019, the overall vacancy rate for commercial buildings along Research Boulevard, Shady Grove Road and King Farm is 32.47 percent.

It would be one thing if the vacancy rates cited above were an aberration from the historical trends, but unfortunately, they are reflective of the state of the office market for over the past decade outside major urban areas and the central business districts. Given this decade long historical trend and the fact that there is nothing to indicate a change in market, the Applicant determined that the only fiscally prudent option available was to pursue the Project Plan Amendment that will accommodate residential development on the Property.

#### **IV. COMPLIANCE WITH COMPREHENSIVE PLAN**

##### **A. City of Rockville November 12, 2002 Comprehensive Master Plan**

The November 12, 2002 Approved and Adopted City of Rockville Comprehensive Master Plan (the "Master Plan") locates the Property within Planning Area 15, Research/Piccard/King Farm/Fallsgrove Neighborhood. The Master Plan recognizes the overall mixed use nature of Fallsgrove and at the same time notes that the Fallsgrove Concept Plan designated the Property for office development.

The Master Plan provides that the Fallsgrove development is intended to reduce automobile traffic by providing a mixture of complementary land uses within walking distance

of each other. The Master Plan further provides that access to transit will be necessary to reduce vehicular trips. The Project will be the *only* residential project within a reasonable walking distance of the more than 3 million square feet of office development located along Research Boulevard. Development of a residential building at this location helps to create a mixed use corridor in this area. In regard to access to transit, the Property is conveniently served by three Ride-on bus lines: the 54 (Rockville Station to Lakeforest Transit Station); 63 (Rockville Station and Shady Grove Station); and 66 (Shady Grove Station and Traville Transit Center), thus promoting the Master Plan recommendation of developing in areas with easy access to transit.

The Project will further a number of the Master Plan's overall goals and objectives, including the following:

- Encourage multi-family housing in mixed-use areas of development (page 10-1)
- Create a balance between different housing types (page 10-1)
- Promote policies and practices that are non-discriminatory in the rental housing stock and that preserve neighborhoods, recognize historical significance, encourage affordable and accessible housing and consider the impact of land use (page 10-1)
- Continue to support the MPDU program (page 10-9)
- Minimize the impact on the natural environment (page 4-32)
- Implement Rockville's Bicycle Master Plan to provide recreational and commuter opportunities (11-1)

## **B. Draft 2040 Comprehensive Plan**

The 2040 Comprehensive Plan (Vision 2040) is still in draft form, with the Elements volume (i.e. Part 1) having been made available to the public for comment. The recommendations for the individual Planning Areas has not, as of the date of submission of this Project Plan Amendment, been made available to the public. Although the Vision 2040 Plan is a draft not yet adopted by the City, we nonetheless address it herein. Perhaps most importantly, is the Vision 2040s recognition that the population of Rockville alone is expected to grow by almost 20,000 people between 2020 and 2040. To this end, the Vision 2040 Plan recommends allowing more diversification in the land use pattern to meet the increasing need for residences in Rockville.

The Vision 2040 Plan's Land Use Policy Map designates the Property as ORRM, Office Residential Retail Mix. As the Vision 2040 Plan provides, the mixed use categories are intended to be "inclusive and flexible." The ORRM designation is described as "the most flexible category allowing property owners a wide choice in mixing office, retail and residential uses." The draft Plan provides that retail frontage may be required where mapped. The draft Land Use

Policy Map designates portions of the West Gude Drive and Research Boulevard frontages as retail. The Applicant is very concerned about this designation for the following reasons:

1. As the Project Plan Amendment indicates, a 50 foot wide easement to accommodate the Transcontinental Gas pipeline runs across the northern portion of the Property, precluding any development over the pipeline easement. As a result, it is not possible to provide retail uses (let alone any other type of use) along the West Gude Drive frontage.

2. Even in the best locations (e.g. Rockville Pike or downtown Bethesda) accommodating viable sustainable retail uses has become increasingly difficult in the age of internet retail. This challenge is only exacerbated in “one off” areas such as the Property that lack a critical mass of other retail and, have limited foot traffic. Where retail is viable, developers will most always opt to provide it. However, in questionable locations, the requirement to provide retail often results in vacant ground floor space, which is detrimental to the Project as well as the surrounding area.

It is the Applicant’s intent to further explain to the Planning Commission in connection with its review of the Planning Areas and to the Mayor and Council during its review of the overall Vision 2040 Plan why requiring retail uses in this location is not appropriate. Importantly, the ORRM designation does not mandate mixed use, but instead provides for the ability to provide a mix of uses.

**V. COMPLIANCE WITH MXE DEVELOPMENT STANDARDS**

The project complies with the development standards set forth in Section 25.13.05, as described below.

**A. Subsection 25.13.05b(1)**

The Project complies with the applicable development standards for the MXE Zone set forth in Section 25.13.05.b:

	<b>Required/Permitted</b>	<b>Proposed</b>
Maximum Height (in feet)	120'	100'
Total Open Area Required	20%	20%
Public Use Space Required w/in Open Area	5%	5%

	<b>Required/Permitted</b>	<b>Proposed</b>
Minimum width at frontline	10'	10'
Setbacks Abutting Public Right-of-Way	None, 10' min. if provided	25' from Research Blvd.* 350' from W. Gude Drive *
Side Setback Abutting Residential	25' or 1/2 height of building, whichever is greater	N/A
Side Setback Abutting Non-Residential Land	None; 10' min. if provided	199' on south side *
Rear Setback Abutting Residential	25' or 1/2 height of building, whichever is greater	N/A
Rear Setback Abutting Non-Residential Land	None; 10' min. if provided	37' *

\* Subject to change at Site Plan

**B. Subsection 25.13.05c – Other Standards and Requirements for New Development**

<b>Summary of Applicable Requirements</b>	<b>Proposed</b>
MPDUs – Residential development must comply with MPDU requirements	Project will comply with the MPDU requirement of City Code Section 13.5
Public Use Space – must be provided consistent with Section 25.17.01	Public Use Space consistent with Section 25.17.01 will be provided.

**C. Subsection 25.13.06 - Additional Design Guidelines**

1. Architectural and Visual Character for all Zones

The Project's design provides visual interest. The building concept includes three east-west oriented residential bars, each anchored by a corner element. The east-west bars are tied together by the residential "connectors" running north-south. The result is a diffusion of the building mass, with generous courtyards in both the front and back of the building. The majority of each façade is glass with other building materials including brick veneer and metal and

cementitious panels, consistent with the design guidelines. The entry way of the building along its northern façade will be improved with a porte cochère.

All mechanical equipment will be screened and there will be no prohibited items facing the street.

2. Site Design and Relationship to Surrounding Community Façade and exterior walls.

Access to the Property will be provided from two driveways on Research Boulevard that are aligned with the entrances across the street. The entrance locations will provide for convenient access to both the structured and surface parking. Generous landscaping will be provided around the surface parking area to screen the parking from Research Boulevard.

The Project includes the construction of a shared use path along the Research Boulevard frontage of the Property that ties into the Carl Henn Millennial Trail along the West Gude Drive frontage of the Property and a sidewalk to the south.

**D. Subsection 25.13.07.c – Special Design Regulations for MXE Zone**

1. Building location – The Comprehensive Plan does not recommend a building location. The building is located 25 feet from the front Property line along Research Boulevard.

2. Uses by Floor – The building is devoted exclusively to residential use. The ground floor will contain a lobby, and residential amenities.

3. Façade – The building is 70'-85' feet tall along the front line. The first floor as it meets the grade is composed of durable brick masonry in a variety of colors to add interest and scale for the pedestrian. The footprint of the building also varies to break up the massing and reinforce the architectural tower elements facing the street. Brick coursing details will also be added for an additional layer of human scaled detail.

4. Sidewalks – The sidewalk/shared use path will comply with Section 25.17.05 and will provide a seven-foot wide planting area, a ten-foot wide shared use path and a one-foot wide amenity/safety area.

5. Parking – Parking will be provide in accordance with Article 16 of the Zoning Ordinance and will be relocated along the side or rear. The majority of the parking will be located in structured parking.

## **VI. ADEQUATE PUBLIC FACILITIES**

The Applicant's analysis indicates that there are adequate public facilities with respect to transportation, schools, fire and rescue, and water and sewer to accommodate the proposed Project.

The Project is located in the Richard Montgomery High School cluster and the Julius West Middle School and Ritchie Park Elementary School districts. Based on 350 residential units, the Project is projected to generate 10 High School students, 8 middle school students and 18 elementary school students. In accordance with the FY20 Annual Schools Test, as well as the preliminary FY21 Annual School Test, there is sufficient school capacity to accommodate the Project.

In terms of transportation the previously approved development for general office was projected to generate 227 AM trips and 234 PM trips. The proposed residential will generate significantly less trips, with 117 AM trips and 147 PM trips. An on-site transportation analysis is submitted as part of the Site Plan application.

The traffic mitigation improvements required by in CPD99-0004 were constructed many years ago in connection with the Fallsgrove buildout.

## **VII. COMMUNITY OUTREACH**

The Applicant held a Pre-Application Meeting ("PAM") on July 29, 2019. Only one couple attended the meeting. Details of the meeting were submitted in connection with the PAM application.

## **VIII. PDP/PROJECT PLAN STANDARDS**

In accordance with Zoning Ordinance Section 25.14.07.d.4.e.2, any amendments to a Planned Development Governing Documents requires the approval of a Project Plan Amendment.

The Project satisfies the required findings for Project Plans set forth in Section 25.07.01, as follows:

The Project will not:

- (a) *Adversely affect the health or safety of persons residing or working in the neighborhood of the proposed use.*

The Project will introduce a residential building into an area that is almost exclusively developed with office buildings, introducing the concept of “live where you work” to this area of Rockville. The building will not adversely affect the employees in the neighborhood of the Project.

*(b) Be in conflict with the Plan.*

As discussed in Section IV the Project complies with the approved City Comprehensive Plan.

*(c) Overburden existing and programmed public facilities as set forth in Article 20 of this Chapter and as provided in the adopted Adequate Public Facilities Standards.*

As found in the original PDP, water and sewer service are available and sufficient. In addition, there is school capacity to accommodate the anticipated number of students that the Project will generate. As noted above, the proposed residential use generates significantly less traffic than the previously approved office use on the Property.

*(d) Constitute a violation of any provision of this Code or other applicable law.*

The Project will comply with all applicable provisions of the Zoning Ordinance and all other applicable laws.

*(e) Adversely affect the natural resources or environment of the City or surrounding areas.*

The Project will in no way adversely affect the natural resources or environment. The Project will be providing on-site stormwater management including micro bio-retention areas and planters. The overall forest conservation requirements for Falls Grove, and hence the forest conservation requirements for the Property, have been met and include 5,762.8 square feet of forest conservation easement located in the southern portion of the Property.

## **IX. CONCLUSION**

The Project Plan Amendment provides the opportunity to develop the longstanding vacant parcel into viable and desirable residential uses that address the growing population in Rockville. The residential uses in this location help to create a mixed use corridor along that portion of Research Boulevard between West Montgomery Avenue to the south and West Gude Drive to the north. As discussed herein, the Project meets the requirements of the Project Plan Amendment, and we respectfully request that the Mayor and Council approve this application.