

## Downtown Silver Spring

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Silver Spring, Maryland

Project Type:  
Mixed-Use/Multi-Use

Case No:  
C035021

Year:  
2005



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### SUMMARY

Downtown Silver Spring is an urban, mixed-use infill and historic rehabilitation project anchored by restaurants, retail space, offices, and cinemas in Silver Spring, Maryland, an inner-ring suburb of Washington, D.C., that had experienced decades of flight and changing demographics. After two unsuccessful attempts to redevelop the area, a public/private development partnership came together to create a gathering place for this urban community that features a traditional street format punctuated by two plazas and integrates existing structures with new construction. The project has been a catalyst for further redevelopment in the area. Future phases will include a town square, a civic building, and a residential component.

### FEATURES

- Public/Private Partnership
  - Infill Development
  - Open-Air Shopping, Dining, and Entertainment Destination
  - Pedestrian-Friendly Design
  - Main Street Design
  - Public Plazas
  - Adaptive Use
  - Wireless Fidelity (Wi-Fi) Network
  - Town Center
  - Historic Preservation
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### LOCATION

Inner Suburban

### SITE SIZE

22 acres/8.9 hectares

### LAND USES

Mixed-Use—Three Uses or More, Main Street Retail, Office Building, Hotel, Cinema

### KEYWORDS/SPECIAL FEATURES

- Public/Private Partnership
- Infill Development
- Open-Air Shopping, Dining, and Entertainment Destination
- Pedestrian-Friendly Design
- Main Street Design
- Public Plazas
- Adaptive Use
- Wireless Fidelity (Wi-Fi) Network
- Town Center
- Historic Preservation

### WEB SITE

[www.downtownsilverspring.com](http://www.downtownsilverspring.com)

### DEVELOPER

PFA Silver Spring, LC, a partnership among:

The Peterson Companies  
12500 Fair Lakes Circle, Suite 400  
Fairfax, Virginia 22033  
703-227-2000  
Fax: 703-631-6481  
[www.petersoncos.com](http://www.petersoncos.com)

Foulger-Pratt  
9600 Blackwell Road, Suite 200  
Rockville, Maryland 20850-3648  
240-499-9600  
Fax: 240-499-9601

[www.foulger-pratt.com](http://www.foulger-pratt.com)

Argo Investment Company  
9600 Blackwell Road, Suite 200  
Rockville, Maryland 20850-3648  
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Fax: 240-499-9686

[www.argoinvestment.com](http://www.argoinvestment.com)

#### ARCHITECT

BCT Architects  
Tide Point, Cascade Building  
1030 Hull Street, Suite 301  
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[www.bctarchitects.com](http://www.bctarchitects.com)

#### PLANNER

RTKL  
1250 Connecticut Avenue, NW, Suite 400  
Washington, D.C. 20036  
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## GENERAL DESCRIPTION

Downtown Silver Spring (DSS) is an urban, mixed-use infill and rehabilitation project anchored by restaurants, stores, offices, public spaces, and cinemas in Silver Spring, Maryland, an inner-ring suburb of Washington, D.C., that had experienced decades of flight and changing demographics. After several unsuccessful attempts to redevelop the Silver Triangle Urban Renewal Area in downtown Silver Spring, a public/private development partnership came together to create a gathering place for this urban community, a place that eventually will become a live/work/play environment featuring a traditional urban street format that integrates existing structures and new construction. The project, which has been a catalyst for further redevelopment in the area, features approximately 440,000 square feet (40,876 square meters) of retail space, 185,000 square feet (17,187 square meters) of offices, a 179-room hotel, more than 3,800 parking spaces, public plazas and other open space, and 23 movie screens in two facilities. Today, the area draws visitors from Montgomery County and Washington, D.C., who come to Downtown Silver Spring to shop, dine, see a movie or play, relax with friends, and attend community events. Future phases will include a town square, a civic building, and a residential component.

Downtown Silver Spring has been developed by a public/private partnership governed by a development agreement between Montgomery County, Maryland, and the private sector developer, PFA Silver Spring, LC—a partnership among the Peterson Companies, Foulger-Pratt, and Argo Investment Company, all Washington, D.C., metropolitan area-based firms with broad experience in developing office, retail, residential, and mixed-use projects. The agreement called for \$189 million of private investment for the retail, office, residential, and hotel components. The county initially agreed to provide \$132 million for land acquisition and the demolition of existing structures, two public parking garages, streetscaping, the restoration of the historic 1938 Silver Theatre and the facade of the Silver Spring Shopping Center, a live performance theater, and a civic building.

## THE SITE

Downtown Silver Spring is located inside the Washington, D.C., beltway along Georgia Avenue (a major artery running from downtown Washington to the area's outer suburbs), between Colesville Road and Wayne Avenue. It lies directly across Georgia Avenue from the 600,000-square-foot (55,740-square-meter) Discovery Communications world headquarters building, which opened in February 2003 and was a direct result of the public/private investment in Downtown Silver Spring. The site is easily accessible by several forms of transit, including Metrorail and MARC trains, Metrobus and Ride-On buses, and the "VanGo" shuttle, which offers free circulator service on weekdays.

After Montgomery County designated the four-block site as the Silver Triangle Urban Renewal Area in the 1980s, and condemned and assembled the land, several attempts to redevelop the site—including a planned "American Dream" megamall—failed. The area is adjacent to City Place, a struggling multilevel urban mall that is itself a renovation of a suburban department store. Further, the area was littered with several underutilized structures that had fallen into disrepair, including the historic 1938 art deco-style Silver Theatre and Silver Spring Shopping Center complex, a landmark of early 20th-century commercial architecture and one of the nation's first automobile-oriented shopping centers.

Because Silver Spring is one of three county-designated urban districts, it benefits from extra county services and facilities. Montgomery County promotes and programs public-interest activities that benefit the district's residential and commercial interests, and provides services to enhance safety in public areas.

## PLANNING AND DESIGN

Montgomery County wanted a catalyst project that would revitalize its core and spur further redevelopment. Active in the county for years, developer Foulger-Pratt had already built 1.3 million square feet (120,770 square meters) in Silver Spring, and had the trust of local elected officials. Foulger-Pratt and Argo Investment Companies approached the Peterson Companies, which had a regional reputation for retail development and a growing reputation for developing mixed-use projects, and proposed that they explore the possibility of working with Montgomery County to redevelop the Silver Triangle site.

The firms' combined body of experience appealed to Montgomery County Executive Douglas M. Duncan. In May 1997, Duncan entered into an exclusive agreement with PFA Silver Spring, LC, to negotiate a joint development plan for a mixed-use project on the urban renewal area site. The agreement, which did not specify a time frame or an end date for the conception of a plan or development of the site, did require the development team to remain intact throughout the process. "The team members' individual track records for developing retail projects, coupled with their local presence and commitment to this community, were two overriding factors in my decision" to select them, said Duncan at the time.

The following month, the development team began meeting with the 31-member Silver Spring Redevelopment Steering Committee—a group of stakeholders representing civic, business, and community groups who were appointed by Duncan to address issues related to the redevelopment and revitalization of downtown Silver Spring—to discuss concept plans, a massing scheme, and tenant mix issues. The steering committee's limited assignment was to

determine whether the ultimate plan for the site would “revitalize downtown Silver Spring.” This mission did not include reviewing potential tenants, leases, architecture, or other project elements.

In April 1998, Duncan and PFA signed a general development agreement that specified the conditions under which the county and PFA would work together to develop a mixed-use urban entertainment and retail center incorporating existing historic structures and featuring a traditional street format punctuated by urban plazas. The agreement mandated the restoration of the Silver Theatre and the Silver Spring Shopping Center facade and parking lot, and outlined the responsibilities of the development team and the county.

Shortly thereafter, the county and the American Film Institute (AFI) signed a formal agreement to move the national arts organization’s East Coast exhibition program from the Kennedy Center for the Performing Arts to DSS, where it would occupy and operate the historic Silver Theatre. The county agreed to spend up to \$7.8 million to restore the 400-seat theater and develop an adjacent facility that would include a 200-seat theater and a 75-seat theater, as well as state-of-the-art audiovisual equipment, offices, a conference room/library, and concession and retail space.

The entire project was designed to be compatible with the existing art deco architecture and considerate of the scale of the neighborhood. The restored facade of the Silver Spring Shopping Center serves as a focal point of the new mixed-use complex. The center’s limestone and granite facade has been returned to a close approximation of its original appearance; where signage for a People’s Drug store once spelled out “DRUGS” in chrome art deco letters above the entrance, similar lettering now spells out “BREAD” above the Panera Bread restaurant/bakery, and on the opposite corner a “RADIO” sign has been replaced by “MY EYE DR.” (The new signs were conceived—and paid for—by the retail tenants.) The facade also features a re-created clock with art deco numbering. A second-floor addition was set back from the original structure to minimize its visual impact, and a multicolored, illuminated “Downtown Silver Spring” sign is located between the two halves of the upper addition. In front of the center and its small parking area—which, as the area’s first free, storefront parking lot, is as historically significant as the shopping center itself—sits an elliptical landscaped park faced by a five-foot-high (1.5-meter-high) stone wall featuring metal letters that spell “Silver Spring.” A sheet of water falls across the face of the wall, behind the letters, presenting a visual and aural reminder of the community’s namesake. Walkways connect the historic shopping center with new development and public gathering places.

The second focal point of DSS is the new Silver Plaza, an internal public courtyard featuring a fountain, a neon sculpture, seating areas, and additional lighting for performances and other public events. During warm weather, the fountain transforms the center of the courtyard into an array of water plumes emanating from a colorful 26-foot-diameter (7.9-meter-diameter) mosaic of glass tiles. The same tiles and designs appear on an adjacent stairway that leads to the upper level of the plaza, where several restaurants and a Gymboree facility are located. The 35-foot-high (10.7-meter-high) neon sculpture wraps around the elevator tower behind the fountain. Designed to draw people into the project, the plaza opens onto and includes Ellsworth Drive, which runs through the center of DSS and can be closed to automobile traffic, creating a pedestrian mall between Georgia Avenue and Fenton Street.

The project was able to utilize much of the existing road grid, minimizing the need for new infrastructure. Large tracts along the edges of the site were used for county parking structures. The importance of the public parking component cannot be understated; the county parking structures are fully integrated into the development, linking visitors directly to retail, entertainment, office, hotel, and civic buildings via breezeways, walkways, bridges, and other connections. With more than 3,800 spaces, they provide ample, convenient, and inexpensive or free parking for project users. (Parking costs 50 cents an hour on weekdays and—as a result of PFA’s agreement to pay the county \$125,000 per year for ten years—is free on weekends and evenings.)

Developers Jim Todd and Tom Maskey, president and senior vice president, retail, of the Peterson Companies, respectively, also note the importance of the county’s leasing Ellsworth Drive—which, as mentioned earlier, runs through the heart of the project—over to PFA, thus giving it the ability to close the street to automobile traffic as needed. “Initially, we never dreamed we’d be closing the street every weekend,” notes Todd, “but the project has become such a popular gathering place that Ellsworth is now a pedestrian mall every Friday through Sunday evening. We couldn’t do that if it were still a public street.”

DSS has breathed new life into the adjacent City Place multilevel urban mall. Although not part of DSS, City Place falls within the project footprint and, particularly at the street level, no clear boundaries exist between City Place and DSS. PFA relocated the City Place loading dock to create continuous retail space along Ellsworth Drive.

## APPROVALS

The developers initially faced a hostile community environment. Citizens were concerned about the demolition of existing properties, including the Maryland National Guard Armory, and community leaders and preservationists had fought for years to save the Silver Theatre and Silver Spring Shopping Center. The public/private development team used a proactive approach, working with the community before fully developing a plan that put local residents’ fears to rest.

From April through December 1997, PFA representatives attended an extended series of meetings with members of the community that ranged from four- and five-person gatherings in local living rooms to an open house at the armory attended by hundreds. The goal of these meetings was to explain the redevelopment and get the community’s input, most of which was very positive, notes Todd. “We compiled a ‘wish list’ of uses that community members told

us they wanted—some of which also appeared in the county's list of required uses—and then were able to tell them that we could do 90 percent of what they asked for." The fact that the project was geared primarily to the local community, rather than toward attracting a broader regional clientele—and thus was, in many ways, the opposite of earlier, failed proposals for the site—struck a chord with neighbors, says Maskey.

A variety of county advisory boards and committees provided input throughout the planning and development process, including the Silver Spring Redevelopment Steering Committee; the Silver Spring Citizens Advisory Board, which represents citizens and businesspersons and advises elected officials and the Silver Spring Regional Services Center on matters of community and regional importance; and the Silver Spring Urban District Advisory Committee, which provides information and advice to the Silver Spring Regional Services Center regarding promotions, maintenance, service levels, and budgetary guidance for the urban district. The Silver Spring Regional Services Center proved to be an effective liaison for the project's public and private sector partners. The partnership also established regular communications with local nongovernmental organizations, including the Silver Spring Historical Society and the Art Deco Society of Washington as well as civic associations, which helped generate support for the project from existing neighborhoods and local businesses.

An objective third party with significant knowledge about entertainment retail projects, Annapolis, Maryland-based marketing analyst and development consultant Donald Zuchelli of ZHA, Inc., also was brought in to review the project pro forma from both financial and use standpoints. Zuchelli's assurance that the project would work and that it was a fair deal for Montgomery County made the county and its citizens even more comfortable with the plan.

## FINANCING

Financing for DSS came from both the private and public sectors, whose participation was governed by a complex development agreement between PFA and the county. PFA furnished more than \$189 million in private investment, through a combination of partner equity, tenants' equity, and construction debt provided by two national banks and guaranteed by the PFA partners. Montgomery County contributed \$96 million and the state of Maryland provided \$35.4 million. Historic preservation tax credits were used to restore and redevelop the AFI Silver Theatre facilities and the Silver Spring Shopping Center.

Montgomery County conveyed the land to PFA via a series of \$1-per-year, 99-year ground leases. The property is divided into four blocks (A, B, C, and D), which roughly correspond to seven land parcels or sections. Block A includes Section A and the planned town square and civic structure; Section C consists of all of Block C except the Silver Theatre; and Block B—the largest—is broken into Section O (the office building), Section H (the hotel), the Wayne Avenue garage, and Section B (the rest of the block). Block D comprises the Town Square garage and Section D. Each parcel has its own ground lease and ownership entity. The county required each section to be 60 percent preleased before PFA could execute the lease for that section. For Sections O and H, PFA paid the county the appraised value for the office and hotel space; the retail portions of these parcels were conveyed with a deed restriction similar to the ground leases in the rest of the project. (The developer also will pay the appraised value for the residential section.) This ground lease structure allowed PFA to survive an economic downturn in the cinema business, enabling it to build the right things at the right times, rather than simply what would make financial sense in the short term.

The development agreement also contains incentives to keep PFA involved in DSS. Lease and deed restrictions in effect for the project's first ten years allow PFA to finance 100 percent of the cost of the project or sell it at cost, but if the developer finances or sells any project for more than cost, the county will reap 50 percent of the profit. After ten years, the properties will be deeded over to the respective ownership entities.

The project is located in the state-designated Silver Spring Enterprise Zone, allowing the state to issue property tax credits on any new expansions, renovations, or capital improvements to properties. DSS also lies inside a county-designated "green tape zone," which gives projects within the zone special priority in reviews and inspections, and within the county's Arts and Entertainment District, which reduces the taxes paid by the theaters.

Both the public and private partners say that they are pleased with the development and their economic returns.

## DEVELOPMENT PROCESS

Downtown Silver Spring was developed in several phases. Construction of the first phase, Section A, began in April 1999. This block consists of a new neighborhood retail center, featuring a Strosniders Hardware store—the project's first store to open, in August 2000—plus a Fresh Fields grocery store (now Whole Foods Market), a video store, a wine shop, a dry cleaners, an interior design shop, a blinds store, a photo shop, and a small restaurant, as well as a surface parking lot. This center, which brought much-needed neighborhood services back to downtown, drew local residents to the project.

PFA originally planned to commence construction on Section B, which was to include a multiplex movie theater, in fall 2001. But attracting a mainstream cinema chain to anchor the entertainment portion of DSS proved an elusive goal. A fully negotiated lease with Edwards Cinema failed when the company went bankrupt in mid-2000. Many other theater chains started scaling back their expansion plans in early 2001, and another signed lease—this time with Muvico—fell through after the company was unable to secure financing. In mid-2001, the development team decided to rearrange its phasing schedule, speeding up plans for a restaurant/retail portion of the project dubbed "restaurant row" in Section C. Although the cinema complex initially was seen as necessary to attract restaurant tenants, PFA was able to

negotiate contracts with five restaurants and three specialty retailers by August 2001, thanks in part to the imminent arrival of the Discovery Communications headquarters and its 1,500 expected employees.

In September 2002, construction began on Section C, which contains approximately 76,000 square feet (7,069 square meters) of retail and restaurant space, plus 63,000 square feet (5,853 square meters) of entertainment space in the AFI and Round House theaters, and includes the rehabilitation of the historic shopping center at the corner of Georgia Avenue and Colesville Road. Renamed Gateway Plaza, the restored center once again features its original colors of silver, sunshine yellow, mint green, coral pink, and sky blue. The restored Silver Theatre also lies within this block.

The former owners of the Silver Theatre, which opened in 1938 and closed in 1984, had demolished its art deco-style chimney and marquee tower in the early 1980s in an unsuccessful effort to block the building from being designated as a historic structure. In 1996, Montgomery County acquired the theater; two years later, the county signed an agreement with AFI to restore the theater and subsidize its operations. The cost of the restoration, originally estimated to run between \$4 million and \$5 million, eventually grew to nearly \$24 million. Renamed the American Film Institute Silver Theatre and Cultural Center (AFI Silver), it reopened in April 2003, the culmination of a nearly 20-year effort. The county leases the restored theater and related new facilities to AFI for the nominal sum of \$10 per year for a ten-year period. Either party may terminate the initial lease at any time after the fifth year with one year's written notice. The agreement includes a provision for nine ten-year renewals.

The development team's longstanding desire to attract a mainstream multiplex cinema finally was realized when it signed an agreement with Consolidated Theatres in April 2002. Ground was broken for a 20-screen, state-of-the-art movie complex on the southwest corner of Ellsworth Drive and Fenton Street in Section B in September 2002. The Majestic Cinema 20, with its marquee, ground-floor lobby, and second-story cinemas, opened in May 2004, and has consistently been one of the chain's highest-grossing outlets. The presence of the Majestic, along with AFI and the Round House Theatre, has transformed DSS into a regional arts and entertainment destination. Section B also contains more retail space—200,000 square feet (18,580 square meters), including a Borders bookstore and an Ulta Salon—than any other part of the project.

PFA, on behalf of Montgomery County, built the seven-level Wayne Avenue garage, which is located within Block B. The garage opened in May 2004, providing more than 1,700 new parking spaces. The well-lit, safe, state-of-the-art garage features a "Pay on Foot" parking system that allows patrons to pay at automated stations before returning to their cars. Signage throughout the garage instructs users how to use the system, which encourages diners and shoppers to linger, and attendants are available at kiosks to answer questions and provide assistance. Additional signage on each ramp informs drivers of the number of empty spaces available on the next level as well as on upper levels. A covered promenade connects the garage to the Silver Plaza public space. The garage structure also houses the 7,000-square-foot (650-square-meter) Round House Theatre School in ground-floor space that will be converted to office or retail space when the school relocates to the as-yet-unbuilt civic building.

PFA built a second garage for the county at the corner of Ellsworth Drive and Fenton Street. The Town Square garage opened with an additional 1,300 spaces in August 2004. This structure also contains 13,000 square feet (1,208 square meters) of ground-floor service retail and eateries. An outdated parking garage across Ellsworth was demolished in phases, beginning in late 2002 and ending in early 2005, on the site of what is planned to become a civic building and Veterans Square. To keep the site attractive and usable during the summer and fall of 2005, Montgomery County installed a temporary "plastic village green," a synthetic polypropylene surface that proved popular with the community.

Construction of Section O, the office building at 8515 Georgia Avenue, started in July 2003 and was completed in August 2004. The lead tenant, the American Nurses Association (ANA), made an equity investment in the building, which contains 150,000 square feet (13,935 square meters) of Class A office space on six floors as well as 30,000 square feet (2,787 square meters) of ground-floor retail space and 180 parking spaces above the retail space on the building's second and third floors. Construction of Section H, the 179-room Courtyard by Marriott hotel, began in June 2003. The hotel opened in August 2005, was fully booked for its first two weekends, and has an average occupancy of 80 percent. A Washington Sports Club located on the ground floor of the hotel building opened on November 1.

As of August 2005, DSS offers free public wireless Internet access via the Silver Spring Wireless Fidelity (SS Wi-Fi) network. A collaboration between Montgomery County and Atlantech Online, Inc., SS Wi-Fi provides outdoor street-level Internet access throughout DSS.

Future components include a civic building and Veterans Plaza, plus a multifamily residential development. In May 2004, a nine-member jury chose the Boston-based firm of Machado and Silvetti Associates, Inc., to design the civic building and Veterans Plaza, which will be located at the corner of Fenton Street and Ellsworth Drive. This marks the first time Montgomery County has held a design competition for a public building project. The 40,000-square-foot (3,716-square-meter) civic building will host special events, exhibitions, festivals, and other cultural activities and will provide meeting space for commuters and businesses. It also will house the Silver Spring Regional Services Center and the Round House Theatre School. Veterans Plaza, which will cover about an acre in front of the edifice, will contain a memorial to Silver Spring veterans as well as a pavilion for outdoor events. PFA plans to begin constructing 200 residential condominium units in 2007.



## TENANTS, MARKETING, AND MANAGEMENT

Early in the planning process, development team members collaboratively selected the types of businesses they thought would make DSS an economic catalyst and spur further redevelopment, including a grocery store, a hardware store, a bookstore, movie theaters, and restaurants. For the first section of the project to open, they focused on attracting neighborhood retail tenants. Among the first retail tenants to open were Strosniders Hardware, Fresh Fields (now Whole Foods Market), Next Day Blinds, Hollywood Video, and Baja Fresh. Other restaurant tenants include a mix of national chains such as Romano's Macaroni Grill, Panera Bread, Redrock Canyon Grill, and Red Lobster; regional chains such as Austin Grill, Potbelly Sandwich Works, and Lebanese Taverna; and local outlets such as Ceviche, Thai at Silver Spring, and Adega Wine Cellars & Café.

Attracting retail tenants to an unproven downtown location was a challenge. As Maskey comments, "Retailers in general are not tremendous risk takers; they look for developers to cover their risk." The hardware store, in particular, initially was not eager to come in, and it took a lease at 40 percent of market rate to bring it into the project. Early in the planning process, Peterson approached retail tenants in the company's other projects and asked what it would take to bring them to Silver Spring. What retail tenants wanted, says Todd, was "a level playing field with suburban locations." This meant providing free parking—at the developer's expense—on evenings and weekends.

The ANA was the first office tenant to sign a lease at DSS, doing so in April 2003. It became the project's lead office tenant when the building opened in late summer 2004. The office tenants are the global headquarters of WorldSpace Incorporated, an international satellite services provider, and the Association of Public Health Laboratories. The office building is 100 percent leased.

As of late November 2005, the retail space was 92 percent leased and the office space was fully leased. Both rents and the developer's return on cost are well above pro forma estimates. The leasing success enabled PFA to close on permanent financing on the retail and office components in December 2004, even before construction was complete.

Downtown Silver Spring is the setting for a wide range of public- and merchant-sponsored performances, festivals, and other community events. DSS hosts annual events such as the Summer Concert Series, held on Saturday evenings from June through August on Silver Plaza, and Halloween Spooktacular, which invites children to trick or treat throughout the project's stores. Holiday Fest, held in December, is a free event that welcomes shoppers and diners to kick off the holiday season with refreshments, strolling entertainment, in-store samplings, and more. Other events sponsored by DSS and its tenants include book signings at the Borders bookstore, as well as live music, food tastings, and informational presentations at other merchants.

The Silver Spring Urban District presents a free outdoor summer concert series known as "Silver Spring Swings." Other on-site events hosted by the district include the Magical Montgomery Cultural Fair, the Silver Spring Under the Stars outdoor film festival, and an annual Thanksgiving parade. A farmers market also is held on Fenton Street on Saturday mornings, June through October. DSS benefits from a continuing Montgomery County/Greater Silver Spring Chamber of Commerce marketing campaign designed to deliver the message that Silver Spring has "sprung" and is now the place to come for entertainment, dining, shopping, working, and living. The campaign has placed large red "U's" throughout DSS and the rest of the downtown area, on light pole banners, signs, buses, posters, and buttons worn by county staff and business and community representatives. Funded by a partnership between the county and the chamber of commerce at a total cost of \$165,000, it also uses advertising and other means to spread the word about what is available in Silver Spring.

On September 10, 2005, a crowd of more than 20,000 people attended the second annual Silver Spring Jazz Festival in Downtown Silver Spring, which was headlined by Grammy-winning trumpeter Wynton Marsalis. The success of this free, daylong event, which raised more than \$22,000 for a hurricane relief drive, bears witness to the area's transformation from a bleak and deserted landscape to a community gathering place.

## EXPERIENCE GAINED

- Keeping the community involved throughout the development process gives neighbors a stake in the project and can convert opponents to collaborators. Community members continue to provide comments and suggestions to DSS's owners and managers.
- Successful urban redevelopment generally is dependent on both the public and private sectors having a financial stake in the deal. Both must buy into a common vision for the project, and both must take risks as well as benefit from subsequent rewards. When another county government in the region asked the Peterson Companies if they could duplicate DSS in its county, the developer responded, "Yes, but only if you can participate as Montgomery County did—by assembling the land, putting together a ground lease structure, building and operating public parking garages, and so forth."
- Historic preservation/restoration and the development of trendsetting entertainment retail facilities are not necessarily conflicting goals. As a sign describing the project's history notes, "Silver Spring's new downtown center reflects a strong public/private effort to preserve the past as a gift to the future, by once again setting the trend in how Americans experience entertainment and shopping."
- Coming into a site after other developers have failed can be an advantage. Being "the third guy in" was important for PFA, says Todd, because it gave the developer the freedom to "recommend a process rather



than a specific project."

| PROJECT DATA   |  |  |
|--|--|--|
| LAND USE INFORMATION   |  |  |
| Site area (acres/hectares): 22/8.9                                   |  |  |
| LAND USE PLAN  |  |  |
| Use  | Acres/Hectares                                 | Percentage of Site                                       |
| Buildings  | 15.4/6.2                                       | 70   |
| Streets/surface parking  | 4.4/1.8  | 20   |
| Landscaping/open space   | 2.2/0.9  | 10   |
| Total  | 22/8.9   | 100  |
| GROSS BUILDING AREA  |  |  |
| Use  | Existing (Gross Square Feet/<br>Square Meters) | Future (Gross Square Feet/<br>Square Meters)             |
| Office   | 185,000/17,187                                 |  |
| Retail   | 440,000/40,876                                 |  |
| Hotel (179 rooms)  | 103,174/9,585                                  |  |
| Public/cultural facilities   | 67,000/6,224                                   |  |
| Residential (200 units)  |  | 225,000/20,903   |
| Civic building   |  | 40,000/3,716   |
| Total GBA  | 1,002,000/93,086                               |  |
| Parking: 3,858 spaces  |  |  |
| Floor/area ratio (FAR): 1.05   |  |  |
| OFFICE INFORMATION   |  |  |
| Percentage of NRA occupied: 100                                      |  |  |
| Number of tenants: 3 offices, 4 retail (ground floor)                |  |  |
| Average tenant size (square feet/square meters): 26,000/2,415        |  |  |
| Average annual rent (per square foot/square meter): \$32.00/\$344.46 |  |  |
| Average length of lease: 5–15 years                                  |  |  |
| RETAIL TENANT INFORMATION  |  |  |
| Tenant Classification  | Number of Stores                               | Total Gross Leasable Area<br>(Square Feet/Square Meters) |
| General merchandise  | 1  | 10,002/929   |
| Food service   | 19   | 110,502/10,266   |
| Clothing and accessories   | 2  | 10,606/985   |
| Home furnishings   | 5  | 24,165/2,245   |
| Home appliances/music  | 1  | 5,028/467  |
| Hobby/special interest   | 2  | 12,086/1,113   |
| Gift/specialty   | 2  | 35,058/3,257   |
| Personal services  | 4  | 9,423/875  |
| Recreation/community   | 4  | 125,719/11,679   |
| Financial  | 1  | 4,317/401  |
| Other  | 1  | 36,603/3,400   |
| Total  | 42   | 383,509/35,628   |
| MAJOR TENANTS  |  |  |
| Tenant Name  | Space Occupied (Square Feet/Square Meters)     |  |
| Whole Foods Market   | 36,000/3,344                                   |  |
| Strosniders Hardware   | 10,000/929                                     |  |
| Ulta   | 10,000/929                                     |  |
| Borders  | 25,000/2,323                                   |  |
| Pier 1   | 10,500/976                                     |  |
| Office Depot   | 10,800/1,003                                   |  |
| Washington Sports Clubs  | 25,000/2,323                                   |  |
| Courtyard by Marriott  | 103,200/9,587                                  |  |
| Majestic 20 Theatre  | 97,729/9,079                                   |  |

Percentage of GLA occupied: 92  
Average length of lease: 5–20 years  
Annual rents (per square foot/square meter): Approximately \$12–\$45/\$129–\$484

#### DEVELOPMENT COST INFORMATION

Site Acquisition Cost: \$9,700,000 (office and hotel FAR only)

Construction Costs: \$82,000,000 (office and retail, by PFA)

Soft Costs: \$27,300,000

Architecture/engineering: \$8,500,000

Construction interest and fees: \$4,400,000

Other (marketing, legal, overhead): \$14,400,000

Total PFA Development Costs: \$120,000,000

Hotel costs: \$18,000,000 (funded by hotel owner)

Tenant-funded improvement costs (estimated): \$20,000,000

Future residential development costs (estimated): \$70,000,000

#### DEVELOPMENT SCHEDULE

General development agreement signed: April 1998

Planning started: April 1998

Sales/leasing started: April 1998

First ground lease signed: May 1999

Construction started: May 1999

Phase I completed: June 2000

Project substantially completed: August 2005

#### DRIVING DIRECTIONS

*From Baltimore-Washington International Thurgood Marshall Airport (BWI):* Take I-195 West to I-95 South (exit 4B) toward Washington, D.C. Go about 20 miles (32.2 kilometers), then take exit 27 to I-495 West (Washington Beltway). Take exit 31B South (Georgia Avenue/MD-97 South) toward Silver Spring. Proceed south on Georgia Avenue for approximately 1.5 miles (2.4 kilometers). Downtown Silver Spring is on the left between Colesville Road (MD-29) and Wayne Avenue.

*Driving time:* Approximately 35 minutes in nonpeak traffic.

*From Ronald Reagan Washington National Airport (DCA):* Take the George Washington Parkway north just a little less than a mile (1.6 kilometers) to I-395 North. Merge onto I-395 North toward Washington, D.C. Take the Massachusetts Avenue exit; bear left at Second Street, NW, then turn right onto Massachusetts. Turn left at North Capitol Street, NE, and go about 3.5 miles (5.6 kilometers). Bear left at Hawaii Avenue, NE, then right at North Capitol. Continue on what is now Blair Road, NW, and go about two miles (3.2 kilometers). Turn right onto Georgia Avenue (MD-97). Proceed north on Georgia Avenue for approximately three-quarters of a mile (one kilometer). Downtown Silver Spring is on the right between Colesville Road and Wayne Avenue.

*Driving time:* Approximately 30 minutes in nonpeak traffic.

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This Development Case Study is intended as a resource for subscribers in improving the quality of future projects. Data contained herein were made available by the project's development team and constitute a report on, not an endorsement of, the project by ULI—the Urban Land Institute.

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Anchored by restaurants, stores, offices, public spaces, and cinemas, Downtown Silver Spring (DSS) is an urban, mixed-use infill and rehabilitation project in Silver Spring, Maryland, an inner-ring suburb of Washington, D.C., that had experienced decades of flight and changing demographics.



Downtown Silver Spring was developed by a public/private partnership governed by a development agreement between Montgomery County, Maryland, and private sector developer pFA Silver Spring, LC—a partnership among the Peterson Companies, Foulger-prattt, and Argo Investment Company, all of which are based in the D.C. area.



The public/private partnership called for \$189 million in private investment for the retail, office, and hotel components and \$132 million from the county for land acquisition, the demolition of existing structures, two public parking garages, streetscaping, the restoration of the historic 1938 Silver Theatre and the facade of the Silver Spring Shopping Center, a live performance theater, and a civic building.



The development team worked closely with neighborhood leaders, gearing DSS toward the local community, rather than attracting a broader regional clientele. As a result, among the shops in the project are a Strosnider's Hardware Store, a Whole Foods Market, a video store, a wine shop, a dry cleaners, an interior design shop, a blinds store, and a photo shop.





Photo by author

One of the project's focal points is the restored Silver Spring Shopping Center, a landmark of early 20th-century commercial architecture and one of the nation's first automobile-oriented shopping centers.



Courtesy of the Peterson Companies

Another one of the project's focal points is the Silver plaza, an internal courtyard featuring a fountain, a neon sculpture, seating areas, and additional lighting for performances and other public events.



Ellsworth Drive—which runs through the heart of the Silver plaza—is leased to pFA by the county, thus giving pFA the ability to close the street to automobile traffic.



Photo by author

Opened in summer 2004, the office component of the project, located at 8515 Georgia Avenue, is home to the American Nurses Association, the Association of public Health Laboratories, and WorldSpace Incorporated, an international satellite services provider.



Owned and restored by the county, the 1938 Silver Theatre is now home to the American Film Institute Silver Theatre and Cultural Center (AFI Silver).





Downtown Silver Spring site plan.