



## Rockville Town Square

Rockville, Maryland

Project Type: **Mixed Use—Three Uses or More**

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### PROJECT TYPE



A six-block urban mixed-use infill project anchored by restaurants, shops, for-sale and rental multifamily housing, parking, and two public buildings (a regional library and a business innovation and arts center), Rockville Town Square is the first phase in the development of a 60-acre (24-ha) town center master plan. Located in an inner-ring, outside-the-Beltway suburb of Washington, D.C., on the Red Line of the city's Metrorail mass transit system, the pedestrian-oriented project features the two public buildings and four mid-rise residential structures atop ground-floor retail space, all surrounding a town square. The result of a public/private partnership among local developers, the city of Rockville, and Montgomery County, Rockville Town Square has created an urban live/work/play environment in an established suburban community.

### LOCATION

Inner Suburban

### SITE SIZE

12.5 acres/5.1 hectares

### LAND USES

Main Street Retail, Multifamily For-Sale and Rental Housing, Library, Arts Center, Open Space, Structured Parking



### KEYWORDS/SPECIAL FEATURES

- Public/Private Partnership
- Pedestrian Friendly
- Urban Infill



- Revitalization
- Town Center
- Transit-Oriented Development

#### **WEB SITE**

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



#### **OWNERS/DEVELOPERS**

Ross Development & Investment  
Bethesda, Maryland  
301-657-8899

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

The DANAC Corporation  
Bethesda, Maryland  
301-657-2800

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#### **PUBLIC PARTNERS**

City of Rockville  
Rockville, Maryland  
240-314-5000

[www.rockvillemd.gov](http://www.rockvillemd.gov)

Montgomery County  
Rockville, Maryland  
240-777-2500

[www.montgomerycountymd.gov](http://www.montgomerycountymd.gov)

#### **RETAIL DEVELOPMENT PARTNER**

Federal Realty Investment Trust  
Rockville, Maryland  
301-998-8100

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#### **ARCHITECT**

WDG Architects  
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#### **GENERAL CONTRACTOR**

Whiting-Turner Contracting Company  
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## GENERAL DESCRIPTION

Rockville Town Square (RTS) is an urban mixed-use infill project anchored by restaurants, shops, public buildings and open spaces, and residences. It provides a new focal point for Rockville, Maryland, an inner-ring suburb of Washington, D.C., and the county seat of Montgomery County, the state's largest county with almost 1 million residents. The project, which has been a catalyst for further redevelopment in the area, features four new mid-rise (five- and six-story) buildings containing more than 180,000 square feet (16,722 sq m) of shops and restaurants—many of which offer outdoor dining along tree-lined streets with wide sidewalks—644 for-sale and rental residences, ranging from 553-square-foot (51-sq-m) studios to 2,225-square-foot (207-sq-m), three-bedroom units, including 94 affordable units; a 100,000-square-foot (9,290-sq-m) public library; a 40,000-square-foot (3,716-sq-m) arts and business innovation center; and almost 2,000 parking spaces in three garages, on several surface lots, and at short-term meters. The area attracts a diverse group of Rockville residents, as well as visitors from other parts of Montgomery County, who come to RTS to shop, dine, relax with friends, and attend community events.

At the center of RTS is a 28,000-square-foot (2,601-sq-m) landscaped plaza (roughly the size of a football field) featuring a variety of paved areas, green space, trees, a pavilion and interactive fountain, sculptures, a seasonal ice-skating rink, and a rock garden and play area. The plaza, which is set directly across from RTS's six-story clock tower, serves as a downtown park and gathering space as well as a setting for community events and concerts. Wide sidewalks with plantings, benches, and restaurant seating border the plaza. The design is based on the classic Italian piazza.

Rockville Town Square was developed by a public/private partnership among retail partner Federal Realty Investment Trust (FRIT), the city of Rockville, and Montgomery County and private sector owner/developer RD Rockville, LLC—a partnership of Ross Development & Investment (which specializes in residential development and management and is led by founder and president Scott J. Ross) and the DANAC Corporation (which specializes in commercial development and is led by president John F. Jaeger), both Bethesda, Maryland-based firms with broad development and property management experience. The county constructed the three-story, flagship Rockville Library, while the city built the adjacent five-story Rockville Arts and Innovation Center (now known as the VisArts Building), which is home to the Metropolitan Center for the Visual Arts at Rockville and the Rockville Innovation Center, a business incubator facility. The public buildings, both of which include some ground-floor retail/restaurant space, are set on the public plaza.

## THE SITE

Rockville Town Square is located one mile (1.6 km) east of Interstate 270 and five miles (8 km) north of the Capital Beltway (I-495) in the city of Rockville, which has a population of almost 59,000. The site is easily accessible by several forms of transit via the combined Rockville Metrorail and Amtrak station, located one block to the southwest, which also services MARC commuter trains. An existing framework of streets connects the site to Rockville's city hall as well as several other municipal, county, and state government buildings. The project is surrounded by existing strip retail, offices, and public buildings, and by several historic landmarks. A 13-screen cinema is located approximately a block away.

The site is bordered by Beall Avenue on the north, East Middle Lane on the south, North Washington Street on the west, and Maryland Route 355 (Hungerford Drive/Rockville Pike) on the east. Within that area, a triangular plot at the intersection of East Middle Lane and 355 known as Rockville Metro Plaza is not part of the RTS site, but is being redeveloped separately as a three-building, 620,000-square-foot (57,598-sq-m) office complex by another local developer. Two new streets (Gibbs Street and an extension of Maryland Avenue) were developed as part of RTS, running north-south through the project, to connect Beall Avenue and East Middle Lane. Both of these streets can be blocked off for special events to create a large car-free, pedestrian-friendly area. While the parking garages

can be entered from these two “interior” streets, all of the garages also have entrances and exits on the exterior streets, enabling drivers to enter and exit the garages when the interior streets are closed to vehicular traffic.

Aggregating the land so that it could be developed in a single phase required the efforts of many public agencies and individuals. Prior to its redevelopment, the site housed an aging but still operating 100,000-square-foot (9,290-sq-m) strip shopping center on its western side, as well as a gas station, and some townhouse-style offices on the northern and eastern sides. The city, which already owned approximately 4.5 acres (1.8 ha) at the center of the site, was able to assemble the entire site—including the 6.5-acre (2.6-ha) western portion, which was owned by FRIT and two other small, privately owned properties on the northern and eastern sides—by moving to condemn the properties and reaching settlement agreements with each property owner. The city also provided significant assistance to the businesses affected by the condemnation proceedings, spending between \$7 million and \$8 million to help all of them relocate elsewhere. Several of these businesses eventually reopened in RTS.

## PLANNING

Rockville Town Square grew out of a community-based planning process that began soon after the city demolished the failed Rockville Mall in 1995 and evolved from informal, unofficial discussions and action teams as well as a city-sponsored visioning process. In 2000, the city began working with several consultants and stakeholders in what became an 18-month-long process involving the creation of three committees, interviews with additional stakeholders, surveys, public meetings, and a public open house that resulted in the creation of the Rockville Town Center Master Plan. The plan aimed to “create a daytime, evening, and weekend activity center that is easily identifiable, pedestrian-oriented, and incorporates a mix of uses and activities.”

In October 2001, Rockville’s mayor and council adopted this plan. At the same time, the city began working to obtain financial commitments from Montgomery County, the state, and the federal government for a redevelopment project in a core area of the downtown on the site that eventually became Rockville Town Square. The city also entered into a “friendly condemnation” agreement with FRIT, which owned and operated the existing strip retail center. By June 2002, when the city and FRIT hosted a competition to identify a private development partner, a preliminary development plan already was in place that delineated what elements were to be developed in which locations. Approximately half a dozen national development companies entered the competition. In January 2003, the city and FRIT selected RD Rockville as the private development partner in what was to become RTS.

RD Rockville’s principals began attending weekly meetings with representatives of the city and FRIT to develop a general development agreement (GDA) that would guide the development of RTS. After more than eight months of negotiations, on September 9, 2003, four partners (the city of Rockville, Montgomery County, RD Rockville, and FRIT) signed a GDA that set the foundation for construction of the first phase of the master plan, RTS, to begin in early 2004. At that time, County Executive Douglas M. Duncan pledged to seek \$12 million in county funding over six years to support the development of this phase, and the county later signed a separate memorandum of understanding (MOU).

The development team viewed the GDA as a development roadmap specifying costs and responsibilities that all parties could refer to throughout the development process. The next phase of documents—the contract documents and condominium plats—became an operating roadmap for the completed project. These documents were an important element in bringing all of the partners together; ironically, the extensive negotiations required to create the documents actually increased the level of trust among the partners.

## DESIGN

Planners recognized early on that the lack of a street grid was a major structural impediment to the site’s redevelopment, and proposed extending Maryland Avenue several blocks north to create a new “Main Street” for the city. Consequently, the plan for Rockville Town Square extended Maryland Avenue and added a new parallel roadway—Gibbs Street—to continue the existing street system and create a town square. The plan has created a strong urban edge by placing all buildings within 15 feet (4.6 m) of streets. Active street-level retail with tall, detailed storefronts set against wide, tree-lined sidewalks with benches and inlaid paving patterns add character

and provide human scale. Double-globe light fixtures mounted on decorative poles and bases line the streets; illuminated metal bollards mark the sidewalk edges of vehicular paths around the plaza.

Signage and other wayfinding features are crucial elements in any large-scale mixed-use development (MXD). At RTS, large canopies and bright wall sconces mark the main entrances to each residential building; there also are decorative address plates. Monumental pillars are located at prominent entrances to RTS, and signage throughout the project directs drivers to available public and private parking spaces, the majority of which are located in three structures wrapped around the project.

The architectural framework for Rockville Town Square was reviewed by community members during the planning phase and thoroughly documented in design guidelines, which continue to be used as a basis for the ongoing development of the surrounding neighborhood. By varying massing, design, and materials across block-long elevations, WDG Architecture designers created an illusion of incremental growth over time as well as the appearance of dozens of individual buildings. Thirty-eight different facades were employed, using an array of architectural expressions and a palette of design treatments and materials—including brick, stone, cast stone, synthetic stucco, metal panels, and siding—that echo nearby historic civic and residential structures. The diverse yet cohesive architecture includes a wide variety of rooflines, fenestration, and facades.

Design priorities were determined as they related to a hierarchy of experiences, ranging from pedestrian (primary) through vehicular (secondary) and “behind-the-scenes” (tertiary). Higher levels of architectural details—including turrets, detailed brickwork, and intricate fenestration—were incorporated at significant corners and bays. Civic buildings, parking structures, and access points all were placed in locations that enhance the pedestrian experience. Pedestrian and vehicular access points, including gateways and vias (walkways), are prominently marked, making it easier for visitors to navigate the site both by car and on foot.

In addition to the range of facades, two other major design elements help define Rockville Town Square’s character: varying rooflines and towers. The towers, which punctuate significant corners, act as beacons that establish a sense of arrival, defining and enhancing the perimeter of the neighborhood; the central clock tower facing the plaza marks a crucial pivot point where the densest vehicular and pedestrian traffic converges. Rooflines facing the plaza are the most detailed and varied, while those that frame the edges of the neighborhood are simpler.

All four residential buildings feature secured main and secondary lobby entrances; the main entrances contain mailrooms and seating areas. Each building also has its own club room, fitness center, and landscaped terrace. In addition, two of the buildings include swimming pools set above parking decks and terraces that are shared by the community.

Rockville Town Square’s 644 residential units range in size and style from 553-square-foot (51-sq-m) studios to 2,225-square-foot (207-sq-m) three-bedroom units with dens. Open floor plans include features such as bay windows; separate dens; ceilings that range in height from nine feet (2.7 m) in standard units to more than 20 feet (6.1 m) in penthouses; oversized, insulated, double-pane windows; individually controlled HVAC units; hardwood flooring and upgraded carpet; stainless-steel appliances; in-unit washers and dryers; walk-in closets; wiring for cable television and high-speed Internet access; maple cabinetry; granite countertops; oversized wood molding; and decorative lighting and plumbing fixture packages. Approximately 40 percent of the units feature balconies or terraces.

Rockville’s Moderately Priced Dwelling Unit Program requires that between 12.5 and 15 percent of homes in new projects with 20 or more units be moderately priced dwelling units (MPDUs), which must be affordable to households earning under 60 percent of the area median income. Consequently, 15 percent (94) of RTS’s units were designated MPDUs. Economies of scale made it more cost-effective for the development team to finish these units to almost the same level as the standard luxury units, rather than with the “bare bones” finishes more commonly used for MPDUs. Although RTS’s MPDUs do not have granite countertops, stainless-steel appliances, or hardwood flooring, all other finishes are identical to those found in the standard units.

The retail finishes are as different as the residential ones are similar. FRIT, which paid a fixed price for the cold, dark retail shells provided by RD Rockville, worked with retail tenants to design unique spaces for each. FRIT's standard operating procedure for street retail projects is to encourage its tenants to build out their own storefronts, within a set of design guidelines, to create their own identities, resulting in an eclectic design mix at the street level. FRIT worked with tenants on their designs—which then went through an internal approval process—and, in some cases, designed space for tenants. This process was intended to add to the illusion that the project grew incrementally over time.

The two public buildings along the plaza were designed by different architects, and offer a more modern presence. The library's design, by Grimm + Parker Architects, commemorates the mapping of the humane genome. One of the structure's exterior walls undulates along the curve of Maryland Avenue in a subtle reference to one half of a double helix, while the landscaping along the Maryland Avenue facade completes the other side of the double helix. A glass-roofed canopy extends out to the plaza, inviting entry, while a tall portico creates a grand entrance that is visible from beyond the plaza. In addition to serving as the flagship of the county library system, the building contains space for other county offices. The Rockville Arts and Innovation Center, designed by D'Agostino Izzo Quirk Architects, features two levels of floor-to-ceiling windows. The second and third floors house the Metropolitan Center for the Visual Arts and include artists' studios, classrooms, and galleries, as well as a 2,500-square-foot (232-sq-m) event room. The fourth and fifth floors are home to the Rockville Innovation Center, a county-run business incubator that provides space and support services to technology and life science startup firms for up to three years. A rooftop garden and gathering space sits atop the building.

## APPROVALS AND FINANCING

In the two years between June 2002 and 2004, the city and the development team held more than 40 public meetings to inform stakeholders and other interested citizens about the proposed development project. This persistent effort to educate the community—as well as strong support from the mayor and city council—created public support for the project, which many citizens originally opposed.

The project benefited from approximately \$100 million in public financing. The city provided about \$60 million, including more than \$40 million for streets, sidewalks, and public parking garages. The county provided approximately \$27.5 million to build the library; it also contributed another \$12 million to help with the cost of the project's infrastructure, in funds that were paid to the city of Rockville over time. In addition, the project received several million dollars in state funding—both from the governor's capital budget and from bond bills—including a \$1 million grant to the city to help pay for one of the public parking structures. The city also received some federal funds for pedestrian improvements.

Debt was easy to come by in the years when RTS was being planned. RD Rockville principals Ross and Jaeger easily found lenders, and then went to the marketplace to seek out an equity partner. They found a large institution that was excited about the project and interested in participating, but after more than six months of negotiations were unable to finalize the documents. The prospective partner—a firm that was oriented toward multifamily rental residential development—wanted more control than RD Rockville's principals were willing to give up.

In return for the control it demanded, the prospective equity partner had been prepared to take on substantial risk, including being willing to close on the deal long before RD Rockville had full approvals for the project. In the meantime, while the prospective partners were negotiating, many of those benchmarks came and went; Ross and Jaeger continued at their own risk, meeting the benchmarks (including closing on some of the property) with their own money. The two eventually told their prospective equity partner that the deal was off; their letter of intent had expired, no agreement had ever been signed, and no money had changed hands. Instead of relying on an equity partner, they lined up all-debt financing through a mezzanine loan with (now-defunct) Lehman Brothers. A month later, Ross and Jaeger each received letters informing them that the prospective equity partner was suing them—and the city of Rockville—for \$100 million. By this time, the project was already under construction. The city and RD Rockville countersued and won in a quick summary judgment.

The ultimate financing structure involved pure debt—consisting of two first mortgages (because the deal was so large) and a mezzanine loan—with equity from Ross and Jaeger, each of whom put in 5 percent of the equity as cash upfront. The partners obtained a \$34 million high-interest-rate mezzanine loan (essentially a second mortgage) from Lehman Brothers that was subordinate to the two first-mortgage bank loans. Corus Bank provided a \$103.2 million loan for Blocks 1/2 and 3B and the now-defunct Fremont Investment & Loan provided a \$73.6 million loan for Blocks 4 and 5. (Construction and design contracts also were split in two, to match the financing deal structure.) In hindsight, the all-debt financing structure was ideal for RD Rockville; it enabled the development team to remain flexible and to react quickly to the changing residential market. Because no outside equity partner was involved, Ross and Jaeger own the remaining inventory of Block 5, the Palladian Condominiums.

## DEVELOPMENT PROCESS

Numerous on-site structures had to be razed before construction could begin. The gas station site had to be deemed “clean” before construction on that portion of the site started. The project also required the redirection of an existing creek bed, a process that had to be orchestrated with the U.S. Army Corps of Engineers. Hundreds of thousands of cubic yards of soil had to be removed from the site and then returned to it as backfill. Old utility lines were removed and relocated, and new lines were run into the site as the new buildings and streets were constructed.

The city initially wanted to have one entity erect the garages, another to construct the retail, and yet another to build the residential space. RD Rockville convinced city representatives that hiring a single contractor to construct the entire project, from foundation to rooftop, would make the process much more efficient and easier to manage. In retrospect, all of the partners agree that having a single general contractor construct the entire project—including all of the infrastructure as well as most of the buildings—was essential to completing this large, single-phase project in a timely manner. The choice of contractor also was important, since the skills required to build out a mixed-use project site of this size and complexity are quite different from those required for a standard commercial or residential project. Whiting-Turner Contracting Company had demonstrated expertise in complex mixed-use development projects, and thus was selected to complete RTS. The contractor handled all construction on site, except for the library (which was built by another contractor) and the fitout of the retail space and the arts and innovation center.

Although working with a single contractor made the project go much more smoothly for the development team, from Whiting-Turner’s perspective working for multiple clients (the city and RD Rockville), as well as with multiple designers, made the project much more challenging. While having complete control of the site throughout the construction process was a major benefit for the contractor, working for multiple clients with multiple contracts (including two separate contracts for the residential space, to reflect the financing structure, and separate contracts for the public and private parking) created challenges and made the project financially more difficult—and more risky—since the contractor was not able to move funds around among different elements of the project. As the primary contractor, Whiting-Turner also had to coordinate the work schedules and staging of construction materials for the contractors building the library and those doing tenant fitouts on the retail space and the arts and innovation center.

Collectively renting office space for the entire development team helped keep the development process on track. RD Rockville’s construction team and construction managers shared office space with Whiting-Turner, the city’s accounting representatives, and, ultimately, FRIT representatives. That made addressing the many issues that arose during the process much easier; the individuals involved were able to resolve issues simply by walking across the hall to talk to each other. DANAC’s vice president of construction represented RD Rockville on site every day.

Use of a metal stud and Hambro steel truss structural system above ground-floor poured-in-place concrete shortened the total construction schedule and enabled the project to meet building codes for mid-rise buildings of more than four stories. A 20-inch-thick (50.8-cm-thick) slab separates the ground-floor retail space from the first residential floor. This slab made possible a column-free platform from which builders could frame the residential units. Metal stud wall panels were premanufactured off site to further expedite the construction schedule. Walls between residential units—and between units and corridors—were built with 5.5-inch (14-cm) heavy gauge metal

studs, ganged together every four feet (1.2 m) on center as bearing points for the open-web steel Hambro bar joists. All mechanical, electrical, and plumbing systems were run through the open-web, joist area, thereby making possible the standard nine-foot (2.7-m) ceilings with no bulkheads or drop soffits. This process also made the units quieter. Drywall ceilings hung one-quarter inch (0.75 cm) below the steel truss created a physical break between materials and resulted in very limited vertical sound transmission. Attaching horizontal rigid channels to the metal stud walls between units and the corridor—and fully insulating the cavity created—decreased horizontal sound transmission as well.

Overall, the construction process took approximately two and a half years.

## TENANTS, MARKETING, AND MANAGEMENT

Each building has its own master condominium agreement, which spells out the ownership of each element (including both public and private garage, retail, and residential spaces). The residential element also includes a residential condominium association—a condo within a condo. Each master condominium makes contributions to a town square management district, which funds extra police patrols, landscaping, city-sponsored events, and so forth.

**Residences.** The target market for Rockville Town Square's residences consisted of young professionals and empty nesters seeking the benefits of a condominium lifestyle in secured buildings with high-end finishes, combined with the convenience of dozens of on-site retailers and easy access to the entire Washington, D.C., metro area via Metrorail.

The number and type of residential units to be included changed over time, as the project rode the residential market cycle. Although the project originally was to include all rental apartments, that later evolved to an approximately 50/50 split between rental and for-sale units. The September 2003 GDA called for 665 to 775 units, including 350 to 400 rental apartments and 315 to 375 one- and two-bedroom condominiums. When the condo market heated up in 2004, the developers saw an opportunity to match rapidly escalating construction costs with rapidly rising condo sales prices, and the city approved their plans to make all of the residential units condos. By the time RTS broke ground in mid-2004, the condo market was on fire. Before RD Rockville opened its sales trailer in June 2005, the firm had a list of 4,000 prospective buyers who had inquired about the property. Initial sales were quite brisk; about 160 units were sold during the first two months—30 of them on the first day of sales.

By April 2006, however, the region's condo market suddenly evaporated; the pace of sales slowed dramatically. Realizing that they would be unable to sell all of the residences in a timely manner, the RD Rockville team reexamined its strategy. In the state of Maryland, as soon as settlement takes place on a single condominium, the developer must establish a condo regime and pay all condo fees on the entire inventory. RD Rockville therefore began to consider selling some of the condominium units to be converted to rental apartments. The developer originally considered selling just one building (Block 1/2), but discovered that equity teams were sitting on so much money at the time that they were interested only in a larger deal. The developer therefore decided to retain one building (Block 5) with 152 units (now known as the Palladian Condominiums) as condos and to sell the remaining units in Blocks 1/2, 3B, and 4 to a multifamily owner, CIM, to operate as rental apartments, which are now known as the Fenestra Apartments. A number of contracts for sales of units in those buildings—none of which had closed—were cancelled, either by moving the buyers to the Palladian or returning their deposits. RD Rockville sold and settled 81 (more than 50 percent) of the Palladian units by June 2007 and placed the remainder in a "rent-to-own" program that has filled the rest of the building. By December 2008, all but five of the condominium units were occupied, as were more than 370 (more than 75 percent) of the 492 rental apartments. (Although they are owned by CIM, the rental apartments are leased and managed by Realty Management Services, Inc., a Ross subsidiary.) The rent-to-own units are being sold at fixed prices, which have not been lowered even as the market has declined.

**Parking.** A \$1.5 million parking guidance system—which was not part of the city's original plans—is one of the first applications of this technology outside an airport setting. The system has been quite useful in helping visitors determine where to park, since automated signs announce the number of available spaces in each of RTS's three garages. Once drivers enter a garage, additional signage directs them to vacant spaces. A convenient kiosk



payment system allows visitors to pay for (and add time to) their parking space from both within and outside the garages; library patrons may park free for several hours. Parking for residents is secured and completely separate from the public parking; gates to residents' garage levels are accessed via keyfobs. Today, the city of Rockville owns roughly half of the parking spaces; RD Rockville owns the other half.

**Retail.** On the retail side, FRIT began its leasing effort two to three years before the project was completed. FRIT was unable to attract large, national retailers, in part because of the site's location between two large Montgomery County malls and in part because of the stigma remaining from the failed Rockville Mall. As a result, RTS has more of an entertainment/service base than many town center MXDs, with more than 17 restaurants plus banks, beauty and nail salons, a gym, and several boutiques. Some shop and restaurant owners from the strip center previously located on the site were able to return to the location after it was redeveloped. RTS's size, with 181,893 square feet (16,898 sq m) of retail space, puts it near the lower end of a feasible town center MXD. The project creates a core of mixed uses, but probably will not fully mature until the area immediately surrounding it is built out with more office and retail space.

The project's first retail tenant, Starbucks, opened in February 2007, followed soon after by more than 40 other restaurants and shops. Filling the grocery space has been more difficult. After discussions with upscale grocer Harris-Teeter fell through, regional grocery chain Super Fresh signed a lease for the project's 32,663-square-foot (3,034-sq-m) grocery store in March 2007. Although the grocery originally was expected to open in November 2007—and Super Fresh began paying rent on the space then—the store's buildout and opening have been delayed. The store is now expected to open by January 2010. Rockville Mayor Susan Hoffmann was quoted in local newspapers as saying that FRIT rejected Super Fresh's initial design plans because they were not reflective of a "high-end grocery store."

**Programming.** The city of Rockville and FRIT's asset management team coordinate programming for the public plaza, and RTS's other public and private partners also are working on programs to keep RTS an active, vibrant place. The programming—including a seasonal weekly farmers market and lunchtime concert series, a holiday tree-decorating challenge, a "First Fridays" deck party atop the arts and innovation center, and Hometown Holidays, a weekend-long event culminating in a Memorial Day parade—has gone a long way toward creating a new heart for the city of Rockville. The public/private partnership that planned, designed, and developed RTS is continuing its close dialogue, and its strategies to keep RTS a thriving, lively place continue to evolve.

## EXPERIENCE GAINED

- Trust and cooperation are important elements in any complex development project. The RD Rockville joint venture has worked well in part because its principals, Scott Ross and John Jaeger, have known each other for more than 30 years and value each other's expertise. Ross had worked with FRIT on an earlier project, so trust already existed among those private partners. Likewise, there was a great deal of trust and cooperation between the public and private partners. The mayor of Rockville viewed the private partners as a team that was implementing the city's plan, rather than as opponents. Both the public and private partners took significant risks—including spending more than \$3 million even before the development agreement was signed—and made significant contributions to the project.
- Being local is a big plus. All three private firms (Ross, DANAC, and FRIT) already had significant track records in the area, and the principals of each firm were available on short notice to attend meetings throughout the planning, design, and development process. While competing developers proposed "air dropping" projects that they had developed elsewhere, it was clear to municipal officials that RD Rockville's principals understood the city's goals for the site and were prepared to put forth the effort needed to create a unique project that met the needs of the community.
- The commitment and continuity of elected officials also can have a substantial positive impact on a public/private project like RTS. Larry Giammo served as a member of the Rockville Planning Commission from 1996 through 2001 and led the city's Town Center Land Use Advisory Committee before he was elected mayor in November 2001. Giammo, who served three terms as mayor before announcing in March 2007 that he intended to return to the private sector rather than seek a fourth term, was involved with the

project on a daily basis. This continuity of leadership helped the project move forward as smoothly as possible.

- The plaza’s location at the center of the site—rather than along an arterial road—has made it a hidden jewel, one that is unseen by anyone simply driving past the project. But once people discover the plaza—after moving into a condo or an apartment, coming to visit the library or VisArts Building, or shopping or dining at RTS—they view it as a safe, welcoming, and appealing public space. Ironically, it took a summer 2008 water main break that forced the closure of most of Montgomery County’s restaurants—except those in Rockville, which has its own water system—to put RTS on the map for many county residents. The project’s restaurants were “discovered” that weekend, and people continue to return to them on a regular basis.
- Public financing is critical to the success of town center projects. Without the city-financed public streets, garages, and arts and innovation center—and the county-financed library—RTS would not have been economically viable, because the private improvements could not bear all of the extraneous costs.
- Because public/private town square projects like RTS typically have very long timelines, their developers have a limited amount of control over the environment into which the project is delivered. RTS has succeeded despite the fact that its residential component delivered into an extremely difficult market, due in large part to the developers’ flexibility and determination to sell three-fourths of the units to a multifamily owner rather than dropping condo prices.
- Although RTS evolved in a rapidly deteriorating financial and real estate market, the project has blossomed into a lively town center. Converting most of the units to rental apartments saved the project—and made the remaining condos even more appealing to prospective buyers, as the only ownership opportunity available at RTS.
- While they did not make the windfall profits they had at one time anticipated, RTS’s developers say they are extremely satisfied with the return on their investment. The ultimate value of such a project, they believe, is in the final product—which has been embraced by residents as well as the city of Rockville—and in the relationships that have evolved from it. In these senses, John Jaeger and Scott Ross view RTS as the most rewarding project they’ve ever built.
- A project like RTS also has a significant impact on the surrounding community and municipalities. The area’s property, sales, and income taxes all have risen since RTS was completed. As a result, the project’s public sector costs will be pretty much recouped within a decade.

PROJECT DATA	
LAND USE INFORMATION	
Site area (acres/hectares): 12.5/5.1	
GROSS BUILDING AREA	
Use	Gross Area (Square Feet/Square Meters)
Retail	181,893/16,898
Parking*	682,500/63,404
Residential**	729,412/67,762
Library	100,000/9,290
Arts and Innovation Center	40,000/3,716
Total GBA	1,733,805/161,070
* 1,950 spaces in three garages	

\*\* 644 units

Floor/area ratio: 3.3

**LAND USE PLAN**

Use	Area (Square Feet/Square Meters)	Percentage of Site
Buildings	415,333/38,584	75
Streets/surface parking	55,600/5,165	10
Open space (including sidewalks)	85,450/7,938	15
Total	556,383/51,687	100

**RESIDENTIAL INFORMATION**

**The Palladian Condominiums at Rockville Town Square (152 units)**

Unit Type: Market-Rate Units	Number	Area (Square Feet/Square Meters)	Percentage Sold	Sales Price	Monthly Rent
One-bedroom	44	793/74		\$386,589	\$1,670
One-bedroom/den	27	984/91		\$463,300	\$1,970
Two-bedroom	39	1,117/104		\$525,559	\$2,300
Two-bedroom/den	10	1,303/121		\$648,786	\$2,700
Two-bedroom/loft	2	1,341/125			
Two-bedroom/den/loft	2	1,457/135			
Three-bedroom	4	1,644/153		\$843,233	\$3,000
Three-bedroom/den	1	2,225/207			
<b>Total market-rate condos</b>	<b>129</b>		<b>96</b>		

Unit Type: Moderately Priced Dwelling Units	Number	Area (Square Feet/Square Meters)	Percentage Sold	Sales Price	Monthly Rent
One-bedroom	20	787/73	100	\$182,000	N/A
Two-bedroom	3	1,161/108	100	\$191,000	N/A
<b>Total MPDU condos</b>	<b>23</b>		<b>100</b>		
<b>Total Palladian condos</b>	<b>152</b>		<b>97</b>		

**The Fenestra Apartments (492 units)**

Unit Type: Market-Rate Units	Number	Area (Square Feet/Square Meters)	Percentage Sold	Monthly Rent
Studio	9	553-560/51-52	100	\$1,376
One-bedroom	169	783/73	88	\$1,818
One-bedroom/den	47	956/89	58	\$2,322
One-bedroom/loft	2	1,057/98	100	\$2,572
Two-bedroom	154	1,159/108	57	\$2,800
Two-bedroom/den	30	1,455/135	43	\$3,644
Two-bedroom/loft	2	1,557-1,670/145-155	0	\$4,026
Three-bedroom	8	1,650/153	50	\$3,993
<b>Total market-rate apartments</b>	<b>421</b>		<b>71</b>	

<b>Unit Type: Moderately Priced Dwelling Units</b>	<b>Number</b>	<b>Area (Square Feet/Square Meters)</b>	<b>Percentage Sold</b>	<b>Monthly Rent</b>
Studio	15	635/59	100	\$866
One-bedroom	43	761/71	100	\$990
One-bedroom/den	7	636/59	100	\$1,052
Two-bedroom	6	726/67	100	\$1,113
<b>Total MPDU apartments</b>	<b>71</b>		100	
<b>Total apartments</b>	<b>492</b>		<b>75</b>	

#### RETAIL TENANT INFORMATION

<b>Tenant Classification</b>	<b>Number of Stores</b>	<b>Total Gross Leasable Area (Square Feet/Square Meters)</b>	<b>Percentage of Total</b>
Cards/gifts	5	9,256/860	5.09
Grocery*	1	32,663/3,034	17.96
Health and beauty	3	5,558/516	3.06
Home	2	3,270/304	1.80
Jewelry	1	1,087/101	0.60
Restaurants	17	63,019/5,855	34.65
Special services	9	37,610/3,494	20.68
Specialty	1	3,070/285	1.69
Specialty packaged food	5	9,389/872	5.16
Unisex apparel	1	1,759/163	0.97
Miscellaneous	1	12,823/1,191	7.05
Subtotal	46	179,504/16,676	98.69
Total	48	181,893/16,898	100.00

\* Paying rent, but not occupied as of spring 2009.

#### MAJOR TENANTS

<b>Tenant Name</b>	<b>Space Occupied (Square Feet/Square Meters)</b>
Super Fresh*	32,663/3,034
Gold's Gym	20,095/1,867
CVS Pharmacy	12,823/1,191
Gordon Biersch Brewery Restaurant	9,110/846
Austin Grill	6,525/606
Greystone Grill	5,924/550
HSBC Bank	5,351/497
La Tasca Spanish Tapas	4,500/418
Oro Pomodoro	3,950/367
Spice X-ing	3,918/364
Thai Pavilion	3,654/340
First Watch	3,400/316
Cosi	3,363/312
Chevy Chase Bank	3,200/297
Taste of Saigon	3,120/290
Toy Kingdom	3,070/285

\* Paying rent, but not occupied as of spring 2009.

Percentage of GLA occupied as of spring 2009: 80 (excludes grocery store)

Average length of lease: 5–10 years

#### PRIVATE DEVELOPMENT COST INFORMATION

Includes only the cost of private improvements (residential development and the construction of cold, dark retail space); excludes approximately \$40 million in retail buildout costs, public buildings (library and arts and innovation center), and streetscape. Does not include approximately \$100 million in public funding.

**Land:** \$20,300,000

**Hard costs:** \$144,300,000

**Soft costs:** \$56,200,000

**Total private cost:** \$220,800,000

**Total project cost:** \$320,000,000

#### DEVELOPMENT SCHEDULE

City of Rockville hosted competition to identify private development partner: June 2002

City selected private development partner: January 2003

General development agreement signed: September 2003

Demolition permits issued: January 2004

Demolition of existing shopping center/formal ground-breaking ceremony: February 2004

Ground broken for Block 5: June 2004 (followed by Blocks 3B, 1/2, and 4)

Residential sales office opened: June 2005

Public library and first public parking garage opened: November 2006

Blocks 5 and 3B completed: February 2007

First condominium residents settle/retail soft opening: March 2007

Blocks 1/2 completed: April 2007

Block 4 completed: May 2007

Grand opening/project completed: May 28, 2007

Arts and Innovation Center formally opened: June 12, 2007

Public dedication ceremony and retail grand opening: July 17, 2007

## DRIVING DIRECTIONS

*From Ronald Reagan Washington National Airport:* Take the George Washington Memorial Parkway north to the I-495 ramp toward Maryland. Continue on the I-270 spur north toward Rockville/Frederick. Take exit 5 (MD-189) to Falls Road North/Rockville/Town Center. Bear right onto Maryland Avenue and continue approximately 1 mile (1.6 km) to Rockville Town Square.

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

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This Development Case Study is intended to serve 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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Comprising six blocks of residences, restaurants, shops, a library, and a town square, Rockville Town Square (RTS) is the result of a public/private partnership among local developers, Montgomery County, and the city of Rockville, Maryland.



Courtesy of Stewart Brothers Photography

RTS includes four mid-rise (five- and six-story) residential structures that sit atop more than 180,000 square feet (16,722 sq m) of ground-floor retail space.



Courtesy of Hirshorn Zuckerman Design Group, Inc.

Hidden behind the project's facade is a 2,000-space parking garage that uses a \$1.5 million parking guidance system to communicate to drivers the number of available spaces and where those spaces are located.



Courtesy of Stewart Brothers Photography

Anchoring RTS is Montgomery County's 100,000-square-foot (9,290-sq-m) flagship library. The project's other public building is the Rockville Arts and Innovation Center, a 40,000-square-foot (3,716-sq-m) structure that contains a business incubator, artists' studios, and classrooms.



Courtesy of Stewart Brothers

Ranging in size from 553-square-foot (51-sq-m) studios to 2,225-square-foot (207-sq-m) three-bedroom units, the 644 residences include both condominiums and apartments. Ninety-four of the dwellings are reserved for households earning around 60 percent of the area median income.





Courtesy of Ross Development & Investment

Rockville Town Square site plan.