

The Community's City Center Plan Hagerstown, MD



Prepared by:

URBAN PARTNERS

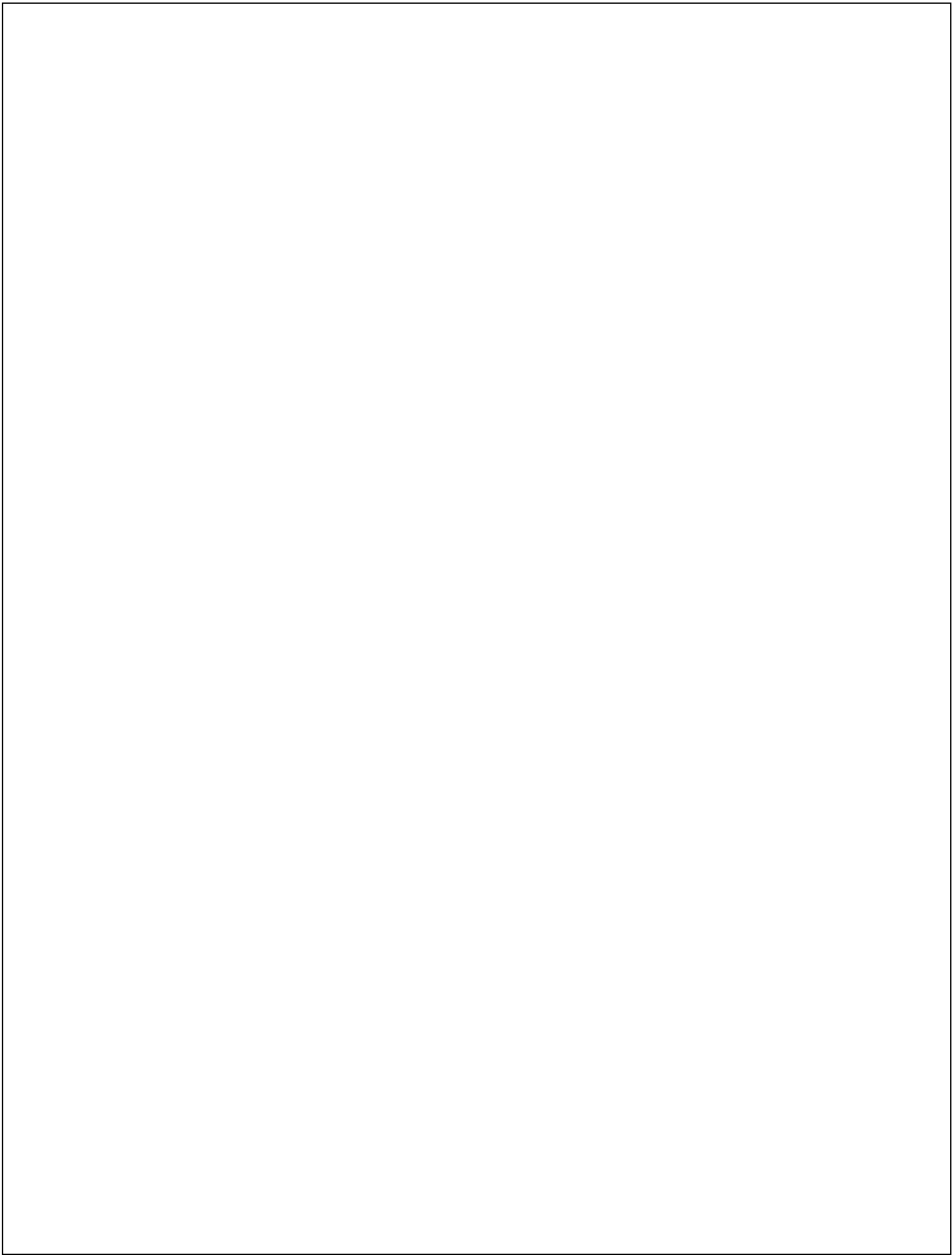
2014-2024

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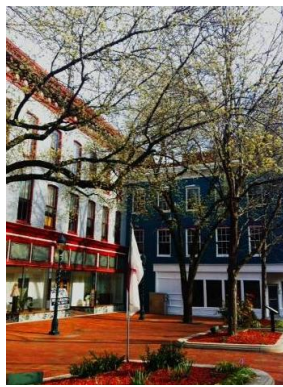


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The Community's City Center Plan Hagerstown, MD Executive Summary



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Background & Process

The City of Hagerstown documented a strong foundation for Downtown revitalization in its 2012 Sustainable Community Plan (SCP), which envisions Downtown as the commercial, institutional, and cultural center of the region. To assist with implementing the SCP, the City retained Urban Partners to undertake an economic analysis of the Downtown and to identify eight catalyst projects to generate momentum and investment. These eight initiatives add to on-going City efforts to implement other important elements of the SCP. The identification and fine-tuning of these initiatives came as the result of broad community engagement with the Urban Partners team spending more than 130 hours collecting input and feedback through a variety of focus groups, interviews, and community workshops. These catalyst projects constitute **The Community's City Center Plan**.

Completed & On-Going Initiatives

The Community's City Center Plan was undertaken within the context of on-going and, in some cases, already completed efforts by the City to implement key elements of the SCP. Since adoption of the SCP by the State of Maryland, the City has implemented several initiatives and projects including new wayfinding signage and lighting; improved pedestrian connections; new parks; various zoning changes to facilitate Downtown development; and the acquisition of several Downtown properties, some of which have been or are being rehabilitated for new uses. The City recognizes and continues to support partners who are taking on projects to enhance the City Center. As these eight proposed projects are catalytic in design, the City believes downtown businesses and organizations will realize the positive impacts this plan is intended to create. The new Washington County Free Library, Barbara Ingram School for the Arts, University System of Maryland, the Washington County Arts Council, the Washington County Museum of Fine Arts, and countless others are all our downtown neighbors and catalysts. The City is working to strengthen our partnerships and to create new synergies through this project.

Catalyst Projects--Summary

The Community's City Center Plan outlines the eight Catalyst Projects--each project stems from improvements and issues identified in the SCP. The projects are organized into two categories - new development initiatives and expansions/modifications of current programs or activities:

New Development Initiatives

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

Expansion of Programs Currently Underway

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

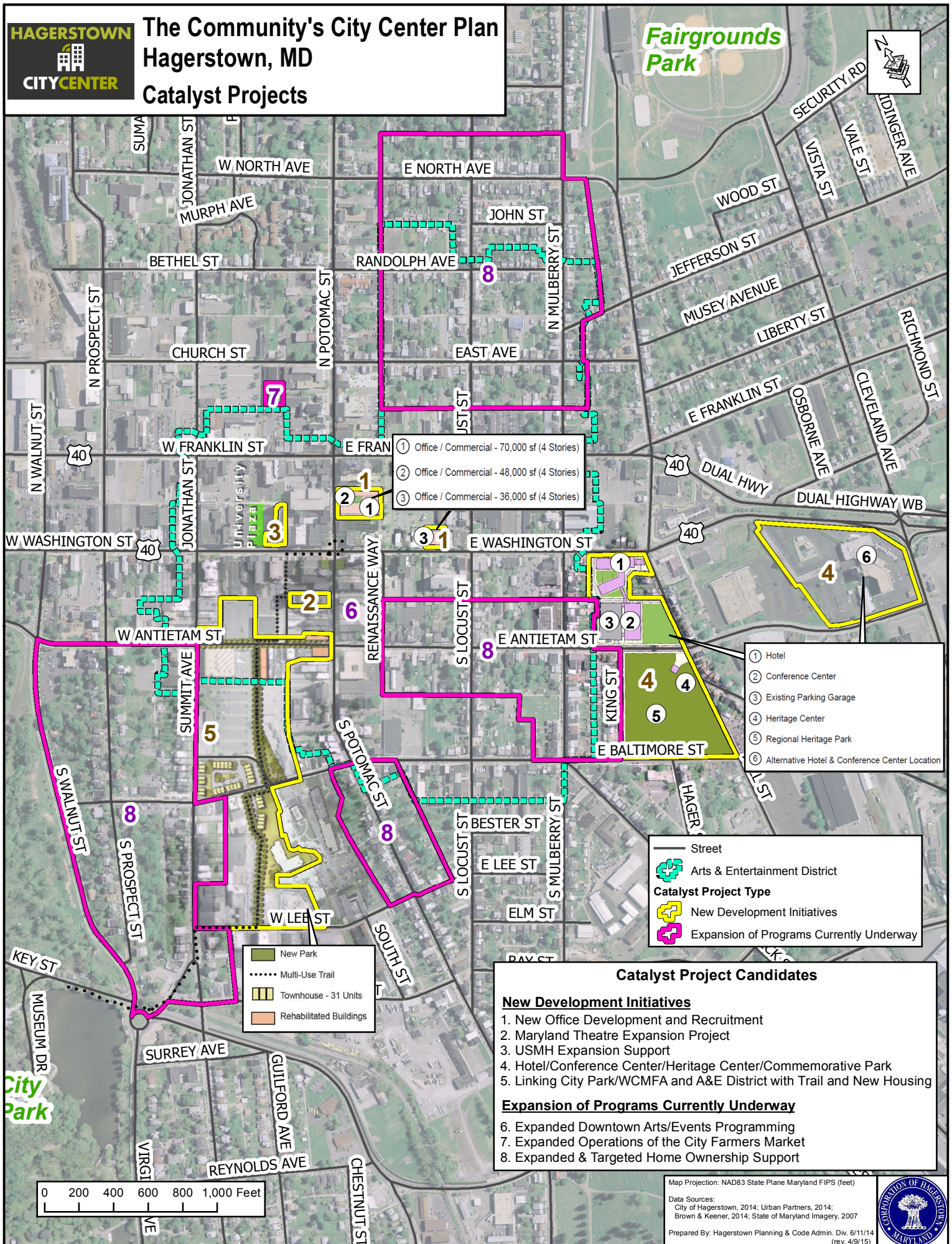
These eight Catalyst Projects provide a ten-year roadmap for public and private investment totaling nearly \$125 million and producing 875 new jobs. Three-quarters of these funds will be private investment. Other investment will be derived from already in-place City of Hagerstown development, housing, programming, and infrastructure activities. Private philanthropy will provide other funds, notably for the Maryland Theatre, event programming, and cultural heritage activities. These activities set an agenda for the City's pursuit of supportive funding from County, State, and federal governments, including consistent use of Maryland Community Legacy funding. Key activities seeking this assistance include the Maryland Theatre, Conference Center facility, and Heritage Center/Commemorative Park investments. These "wishlist" items total a bit more than \$13 million.

Economic Impact Summary

All Eight Catalyst Projects

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

Within ten years, these eight initiatives together are projected to result in 463,000 SF of development; Downtown audiences will increase by 60,000 annually; 875 new full-time equivalent jobs will be created; 178 new or rehabilitated housing units will appear; and the annual tax increment for the City and County governments will increase by more than \$1.8 million (after the expiration of temporary incentives).



Eight Catalyst Projects

Catalyst Project 1: Office Development & Recruitment

This strategy positions the Downtown to compete for new office development using portions of the Central Lot. The City will form a partnership with an experienced developer selected through a competitive process. That selected developer will market potential office sites, recruit tenants, and be ready to develop immediately upon receiving a commitment from a prospective office user.



During the first ten years, this strategy would yield an estimated 154,000 SF in new office development across three buildings, resulting from \$30.8 million in new private investment and yielding 600 new jobs and \$564,000 in new local tax revenues after expiration of incentives. Current parking accommodates the first 70,000 SF of new offices; additional office development will require a new parking deck.

Several available economic incentives can support the effort:

- City of Hagerstown First Third Grant Program
- City and County Enterprise Zone Real Estate Tax Abatements
- Partners in Economic Progress Program
- Washington County New Job Tax Credit
- Maryland's One Maryland Tax Credit Program

Catalyst Project 2: Maryland Theatre Expansion Project

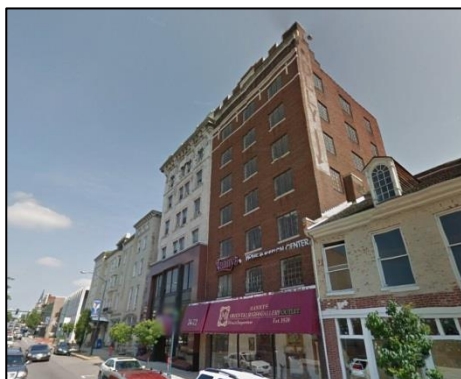
This strategy aims at expanding the draw of downtown's largest entertainment attraction, helping the Maryland Theatre grow from 150 to 225 performance days per year. This effort will continue necessary improvements to Theatre seating and "back of house" facilities, as well as create a new entrance, offices and performance space. It will also strengthen the Theatre's organizational infrastructure so that events activity can grow by as much as 50% over the next ten years. We should note that Washington County Public Schools is currently exploring an expansion program for their downtown campus, which would strongly complement this expansion of activity at the Maryland Theatre.

During the first ten years of the implementation period, this initiative will result in 14,000 SF of new development, \$8.25 million in investment, and a 60,000 increase in annual audience at the Theatre.



Catalyst Project 3: USMH Expansion Support

University System of Maryland at Hagerstown (USMH) plans to grow its enrollment of 500 by up to 750 students, or 50%. This initiative supports USMH's effort to add training in the culinary, hospitality, and tourism industries by leasing 5,000-10,000 SF of nearby space for these programs and other labs and offices. This strategy also adds housing to accommodate students increasingly coming from other parts of the state. Such housing encourages reuse of vacant upper floors close to USMH, especially



on the unit blocks of W. Washington and N. Potomac. This strategy supports three upper-floor renovations over ten years providing 12 units for 24 students. Each model project, undertaken by an existing owner with vacant or convertible space, will provide four two-bedroom, two-bath units shared by at least two students.

Under this initiative, USMH will master lease the first two rehabilitation efforts; a local government or foundation will support 50% of any USMH losses. Model analysis suggests development costs per effort will be \$660,000, financed by private debt and equity, Maryland Community Legacy Funds at \$150,000 per building, and City of Hagerstown First Third Grant funds. The overall program invests \$2.5 million, resulting in reuse of 20,000 SF of vacant space, adding 12 student housing units, and providing \$41,000 in annual local tax revenue after incentives expire.

Catalyst Project 4: Hotel / Conference Center & Heritage Center / Commemorative Park



Adding a successful hotel in Downtown is tied closely to its development with a room-night generator such as a large conference center. The new hotel must also compete in quality with the best in the market or, ideally, establish a new higher standard. Two sites are being considered for this hotel/conference center: the portion of the vacant Meritus/Washington County Hospital site between Antietam and Washington and the current site of the Best Western Grand Venice Hotel/Conference Center farther south along Dual Highway. The hotel development program includes a 200-room “Upper Upscale” hotel (i.e. Sheraton, Wyndham, Hilton) and an

adjacent 20,000 SF conference center. Preliminary feasibility analysis suggests that a \$34.4 million investment is feasible with net operating income supporting \$24.4 million in debt and \$6+ million in equity. Other funding includes City of Hagerstown First Third Grant funds and a \$3.6 million New Markets Tax Credit investment. However, the estimated \$6.15 million capital cost for the conference center must be met from public and/or civic funding with no debt repayment.

A 7.7 acre parcel of the former hospital is an important Civil War site where a Civil War Heritage Center and Commemorative Park could be created. Features will include a small visitor center, interpretive signage, walking trails, cannon emplacements, and landscaping. A preliminary capital estimate is \$3.3 million to be financed through public and civic grants. A critical issue is the cost of on-going operations; effective use of this resource requires significant staff support for the visitors’ center, interpretive programming, encampments & re-enactments, and other programming to assure a popular tourism experience. A cadre of enthusiastic volunteers promotes this effort and USMH’s proposal to add a tourism specialization might yield internships and co-op placements. However, before proceeding with capital investment, the City must be assured of an engaged and sustainable volunteer/civic staffing commitment.

This initiative will result in 127,000 SF of development; \$43.8 million in investment; 225 new full-time equivalent jobs; and an annual tax increment for the City and County governments of \$934,000 (after the expiration of temporary incentives).

Catalyst Project 5: Linking City Park/WCMFA and A&E District with Trail and New Housing

The SCP strongly supports housing diversity, improving the quality of the Downtown housing stock, and increasing market-rate housing. Market Analysis reveals that the Southwest City Center area, situated between two of Downtown’s main attractions – City Park/Washington County Museum of Fine Arts and the Arts & Entertainment District, has a healthy housing market. The area presents an opportunity for constructing a multi-use trail linking City Park with the Public Square and, adjacent to that trail amenity, adding 31 new townhomes in the first ten years (more later) and rehabilitating the Dagmar Hotel and three other W. Antietam buildings as 85 quality loft apartments.



This initiative will result in a new multi-use trail and 148,000 SF of development; \$19.2 million in investment; 116 new housing units; and a tax increment for the City and County governments of \$186,000 (after the expiration of temporary incentives).

Catalyst Project 6: Expanded Downtown Arts/Events Programming



The SCP suggests expanding programming to build upon the positive atmosphere created by events and to increase visitation to Hagerstown's Arts & Entertainment District. Currently the City hosts events in the District year-round—at least 65 days of activity. Beyond these public outdoor events, various arts and entertainment venues, including theaters, galleries, and museums, host individual events. The Maryland Theatre alone has activity 150 days per year. Investing additional resources, including available Main Street funds, will expand events programming. For maximum impact, these expanded events will coordinate with the extensive schedule of the Maryland Theatre and a consolidated events calendar will be established.

Catalyst Project 7: Expanded Operations of the City Farmers Market

Specialty food stores in the Hagerstown area capture only 35% of \$20 million in demand, leaving a \$13 million gap which could support new specialty food stores Downtown, including expanded activity at the City Farmers Market. The Market's 30 vendors sell produce, baked goods, and handmade crafts, and operate three breakfast/lunch counters, but only operate seven hours per week—Saturdays from 5:00 am to noon. Expanded operations will increase weekly hours from the current 7 to at least 35 and increase the number of vendors. A private management model would provide the structure for operating the market on a three or four day, 35 hour basis.

Implementing this approach requires careful consultation with existing tenants, recruitment of private management, attracting needed new vendors, strategic investment in capital equipment and accessibility improvements, and re-branding and promoting this new model.



Catalyst Project 8: Expanded & Targeted Home Ownership Support

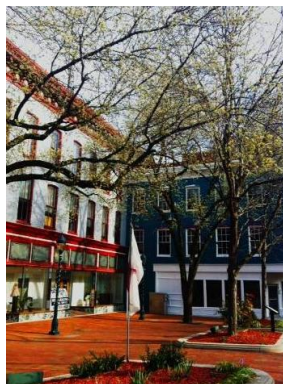
Hagerstown already uses an array of incentives to encourage Downtown housing choice. This support strategy builds on, focuses, and, in some cases, supplements current efforts. Critically, implementation of these strategies will be highly targeted: a variety of programs and incentives will reinforce the homeownership experience in compact—even block-specific—areas. This initiative includes six key elements:



1. Aggressively marketing the City's down payment assistance program;
2. Targeting Neighborhoods 1st supportive programs ("paint-ups," block parties, neighborhood clean-ups, etc.);
3. Targeting Neighborhoods 1st infrastructure and amenity work;
4. Continuing acquisition, rehab, and resale program to assure that properties in need of modernization remain attractive to owner-occupants and do not decline into problem rental properties;
5. Establishing rental licensing inspections on a regular basis; and
6. Continuing excessive nuisance enforcement programs.

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Fact Sheets



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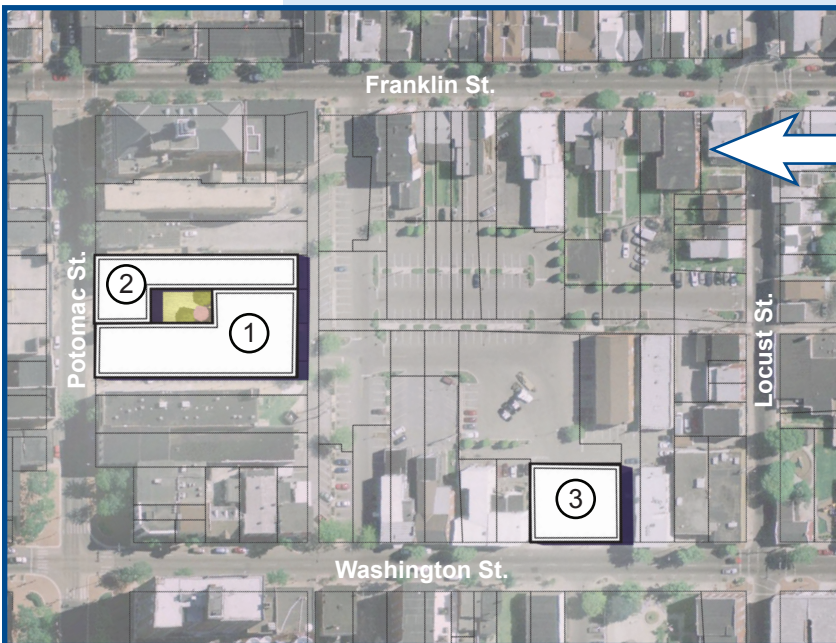




DEVELOPMENT FACT SHEET

Catalyst Project 1

OFFICE DEVELOPMENT & RECRUITMENT



DEVELOPMENT PROGRAM

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

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

Office development and recruitment goes beyond the specific site to create a process whereby the City is continuously competitive for large office users through active marketing and nimble responsiveness to opportunities as they emerge. This will require pre-planning for contingent parking resources so that the City's developer-partner can aggressively and confidently compete within the larger regional marketplace.

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

PRELIMINARY IMPLEMENTATION OUTLINE KEY TASKS

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

OFFICE DEVELOPMENT & RECRUITMENT

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

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

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

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

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

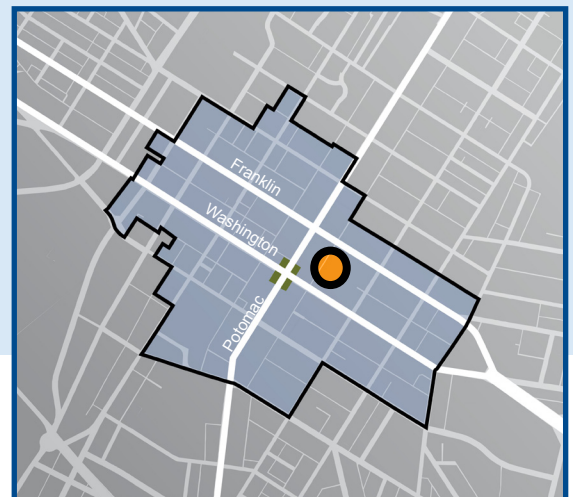


BFM
BUSHEY FEIGHT MORIN ARCHITECTS

Economic Impact Summary Office Development & Recruitment

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

*in 2014 Dollars; After Expiration of Incentives





DEVELOPMENT FACT SHEET

Catalyst Project 2

MARYLAND THEATRE EXPANSION



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

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

PRELIMINARY IMPLEMENTATION OUTLINE - KEY TASKS

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

MARYLAND THEATRE EXPANSION

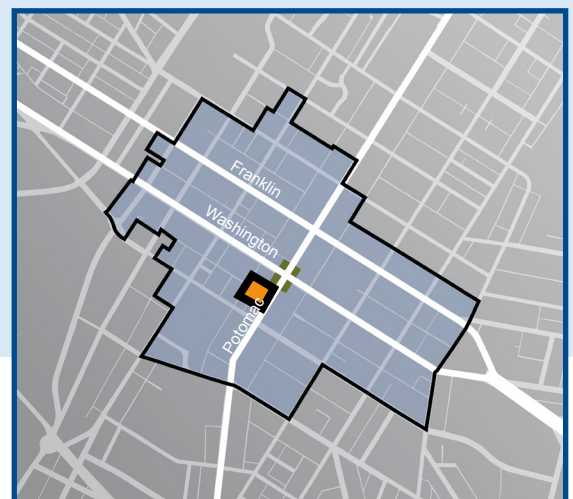


Economic Impact Summary Maryland Theatre Expansion Project

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

*Due to Increased Dining and Shopping

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





DEVELOPMENT FACT SHEET

Catalyst Project 3

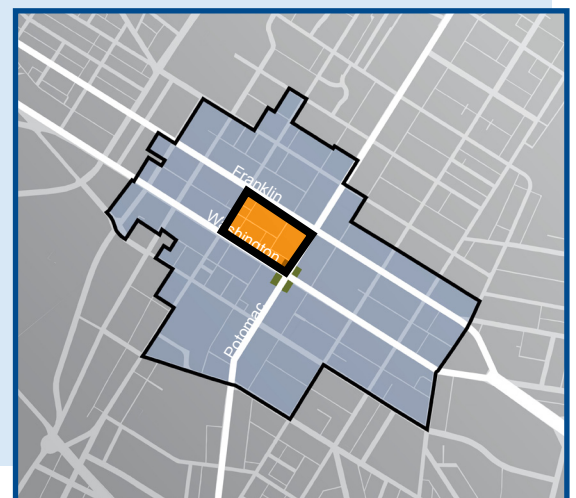
USMH EXPANSION SUPPORT

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

As programs gain a positive reputation, students from other parts of the state are increasingly becoming interested in USMH--the nursing program being a good example. As a result, more in-residence students are attracted to USMH, requiring nearby housing to accommodate these students. New student housing could encourage the reuse of currently vacant upper floors in the City Center physically close to the USMH facility. The many vacant and underutilized upper floors of Downtown commercial buildings could provide abundant opportunities for conversion to student-oriented housing. This student housing should be targeted to blocks adjacent to the education complex, especially the unit blocks of W. Washington Street and N. Potomac Street.

PRELIMINARY IMPLEMENTATION OUTLINE KEY TASKS

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



USMH EXPANSION SUPPORT

A typical student housing example involves the currently vacant or underutilized upper two floors of a three-story building with 2,000 usable square feet per floor, assuming generally deteriorated conditions in these upper floors with only partially functional electrical and plumbing systems. To rehabilitate four 1,000 SF apartments, we foresee development costs of \$660,000.

Financing would include a bank loan of \$230,000, Maryland Community Legacy Grant of \$150,000, City of Hagerstown First Third Grant of \$220,000, and \$60,000 in equity contributions by the developer. Gross rent potential is \$37,440 based on \$780 rents.

USMH Student Housing Typical Example Income & Expense Pro Forma			
Owner's Economics			
Income			
Lease to USMH (@96% Occupancy)			\$35,942
Expenses			
Taxes		\$3,950	
Management (4%)		\$1,438	
Maintenance & Operation--\$1400 Per Unit		\$5,600	
Licensing, Common Area Expenses		\$2,000	
Total Expenses		\$12,988	
Net Operating Income		\$22,955	
Bank Debt Service (\$230,000/5.5%/25 Year)		\$17,146	
Cash Flow Before Adjustments		\$5,808	
PEP Real Estate Tax Grant-Back		\$2,061	
Cash Flow		\$7,869	
USMH Economics			
	Units	Rent	Total
Gross Rent Potential	4	\$780	\$37,440
	(50% Vacancy)	Base	(4% Vacancy)
Anticipated Revenue			
Ten-Month Rent @ 10% Vacancy		\$28,080	
Summer Rent @ 50%		\$1,560	
Total Anticipated Rents	\$18,720	\$29,640	\$35,942
Payment to Landlord	\$35,942	\$35,942	\$35,942
Cash Flow	-\$17,222	-\$6,302	\$0
Participation by Local Government or Foundation	\$8,611	\$3,151	\$0
Cost to USMH	-\$8,611	-\$3,151	\$0

Economic Impact Summary USMH Expansion	
Vacant Space Rehabilitation	20,000 SF
Investment	\$2,500,000
Permanent Employment	10
New Housing Units	12
New Downtown Residents	24
Annual Tax Increment*	\$41,000
City Real Estate Tax	\$20,000
County Real Estate Tax	\$19,000
City Personal Property Tax	\$1,000
County Personal Property Tax	\$1,000
*in 2014 Dollars; After Expiration of Incentives	

USMH Student Housing Typical Example Development Budget		
Development Budget		
Construction		
Demolition/Clean-Up	4,500 SF @ \$5	\$22,500
HVAC	4,500 SF @ \$16	\$72,000
Kitchens	4 @ \$12,500	\$50,000
Bathrooms	8 @ \$9,000	\$72,000
Washers/Dryers (Installed)	4 @ \$1,250	\$5,000
Kitchen Appliances	4 @ \$2000	\$8,000
Other Interior Finishes	3,500 SF @ \$27	\$94,500
Plumbing/Electrical Systems	4,500 SF @ \$25	\$112,500
Sprinkler System	7,500 SF @ \$11	\$82,500
Exterior Improvements		\$40,000
Contingency (8%)		\$45,000
Total Construction		\$604,000
Project Soft Costs		
Architecture/Engineering		\$30,000
Legal		\$5,000
Accounting/Audit		\$3,000
Construction Interest		\$5,000
Financing Fees (1%)		\$4,000
Project Management		\$9,000
Total Soft Costs		\$56,000
Total Development Costs		\$660,000
Sources of Financing		
First Mortgage--Bank		\$230,000
Maryland Community Legacy Grant		\$150,000
City of Hagerstown First Third Program		\$220,000
Owners Equity		\$60,000
Portion of Contingency		\$13,000
Architecture/Engineering		\$30,000
Project Management		\$9,000
Legal		\$5,000
Accounting		\$3,000
Total Financing		\$660,000

The analysis examines three scenarios with regard to the USMH lease: (1) a minimum occupancy scenario with only 50% utilization of these apartments by students; (2) a base case that assumes 90% occupancy during the ten-month period and 50% occupancy during the two summer months; and (3) a maximum case with overall 96% occupancy. Under the Minimum, student rents do not cover the amount of the USMH master lease payment and USMH suffers a net loss. Under the Base scenario, student rents limit the master lease loss by USMH and the participating local government or foundation. Under the maximum scenario, collected student rents fully cover the master lease payment.

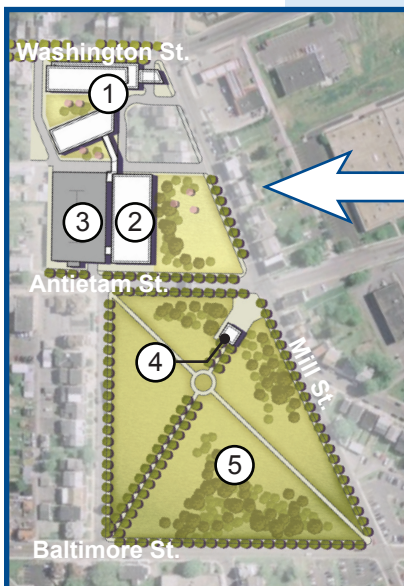
The overall development program for this initiative is \$2.5 million, including \$2.0 million in private investment in student housing infrastructure.



DEVELOPMENT FACT SHEET

Catalyst Project 4

HOTEL / CONFERENCE CENTER & HERITAGE CENTER / COMMEMORATIVE PARK



DEVELOPMENT PROGRAM

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

PRELIMINARY IMPLEMENTATION OUTLINE KEY TASKS - HOTEL / CONFERENCE CENTER

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

PRELIMINARY IMPLEMENTATION OUTLINE KEY TASKS - HERITAGE CENTER / COMMEMORATIVE PARK

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

The potential for adding a successful hotel property in Downtown Hagerstown is likely tied closely to its development in association with the parallel development of a hotel room-night generator such as a large conference center. It would also be critical that the new Downtown hotel be at least competitive in quality with the best in the market or, ideally, establish a new higher market standard in the "Upper Upscale" class. Two sites are being considered for this hotel/conference center development: (1) the portion of the Meritus Health/former Washington County Hospital site between Antietam and Washington, and (2) the current site of the Best Western Grand Venice Hotel & Conference Center. Specifically, the development program could involve an upscale hotel and a conference center with all-weather connection to the hotel.

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

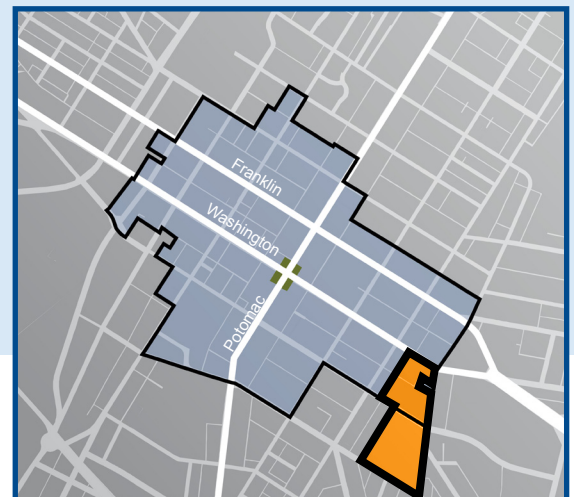
HOTEL / CONFERENCE CENTER & HERITAGE CENTER / COMMEMORATIVE PARK

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

A net operating income of \$2.56 million is sufficient to support debt service on \$24.4 million in debt and provide a substantial return on \$6.12 million in equity. The \$34.4 million in development costs can be met through the supported debt and equity with the additional contribution of \$250,000 in City of Hagerstown First Third Grant funds and a \$3.6 million New Markets Tax Credit investment (NMTC). This maximum First Third Grant of \$250,000 would apply only to the Meritus site; the Best Western location is eligible for only \$50,000.

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

Hotel/Conference Center Development Budget	
Hotel Development Budget	
Acquisition, Demolition, Sitework, Parking Repairs/Upgrades	\$6,000,000
Hotel Construction (105,000 SF @ \$175)	\$18,375,000
Furnishings/Equipment	\$2,900,000
Contingency (7%)	\$1,700,000
Total Construction	\$28,975,000
Project Soft Costs	
Architecture/Engineering	\$1,450,000
Legal	\$250,000
Accounting/Audit	\$150,000
Construction Interest	\$875,000
Financing Fees (1.5%)	\$370,000
Pre-Opening Expenses	\$600,000
Project Management	\$1,700,000
Total Soft Costs	\$5,395,000
Total Development Costs	\$34,370,000
Hotel Sources of Financing	
First Mortgage--Bank	\$24,400,000
New Markets Tax Credit (NMTC) Net Proceeds	\$3,600,000
City of Hagerstown First Third Grant Program	\$250,000
Owners Equity	\$6,120,000
Total Financing	\$34,370,000
Conference Center Development Budget	
Acquisition, Sitework	\$1,100,000
Conference Center Construction (20,000 SF @ \$175)	\$3,500,000
Furnishings/Equipment	\$400,000
Contingency (7%)	\$300,000
Total Construction	\$5,300,000
Project Soft Costs	
Architecture/Engineering	\$325,000
Legal	\$60,000
Accounting/Audit/Other Professionals	\$40,000
Construction Interest/Financing Costs	\$125,000
Project Management	\$300,000
Total Soft Costs	\$850,000
Total Development Costs	\$6,150,000



HOTEL / CONFERENCE CENTER & HERITAGE CENTER / COMMEMORATIVE PARK

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

The hotel/conference center will add \$10.9 million in annual economic activity to Downtown Hagerstown and support about 180 full-time equivalent on-site jobs. There could also be off-site expenditures of \$1.2 million for dining and \$400,000 in shopping in the Downtown area due to the visits by these hotel/conference center users. Similarly, the Heritage tourism facility may bring 40,000 additional visitors to the Downtown area who would be expected to generate about \$900,000 in additional dining and \$300,000 in added shopping expenditures.

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





DEVELOPMENT FACT SHEET

Catalyst Project 5

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

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

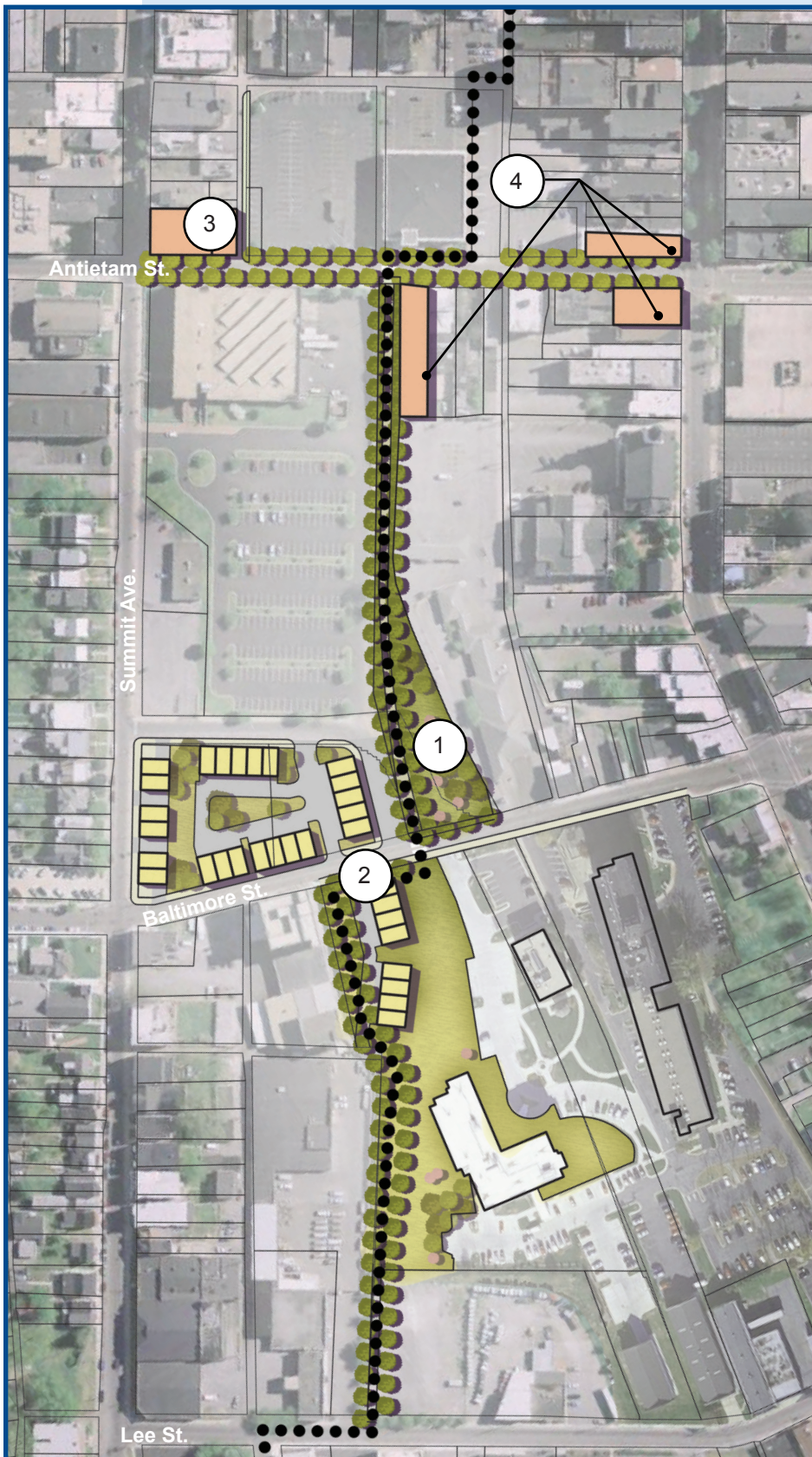
Southwest City Center is situated between two of Downtown Hagerstown's main attractions – City Park/Washington County Museum of Fine Arts and the key venues of the Arts & Entertainment District on S. Potomac Street. The area presents an opportunity for targeted and phased housing development to capture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

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

PRELIMINARY IMPLEMENTATION OUTLINE - KEY TASKS

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

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



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

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

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

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

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

W. Antietam Loft Rehabilitation: A model analysis suggests the rehabilitation of 11,000 SF of gross building area for 10 loft apartments of 1,000 SF. The three identified buildings for this effort include a total of 50,000 SF of space that might be appropriate for such conversion. At most this space is likely to yield about 45 apartments or condominiums in several increments of development. The hard costs of rehabilitation for ten 1,000 SF apartments would be nearly \$1.2 million.

Model W. Antietam Loft Rehabilitation Development Budget			
Development Budget			
Construction			
Demolition/Clean-Up	11,000 SF @ \$5		\$55,000
HVAC	11,000 SF @ \$16		\$176,000
Kitchens	10 @ \$12,500		\$125,000
Bathrooms	10 @ \$9,000		\$90,000
Washers/Dryers (Installed)	10 @ \$1,250		\$12,500
Kitchen Appliances	10 @ \$2,000		\$20,000
Other Interior Finishes	9,000 SF @ \$24		\$216,000
Sprinkler System	11,000 SF @ \$9		\$99,000
Plumbing/Electrical Systems	11,000 SF @ \$25		\$275,000
Exterior Improvements			\$70,000
Contingency (5%)			\$56,500
Total Construction			\$1,195,000
Project Soft Costs			
Architecture/Engineering			\$43,000
Legal			\$5,000
Accounting/Audit			\$3,000
Construction Interest			\$8,000
Financing Fees (1%)			\$6,000
Project Management			\$30,000
Total Soft Costs			\$95,000
Total Development Costs			\$1,290,000
Sources of Financing			
First Mortgage--Bank			\$565,000
Maryland Community Legacy Grant			\$150,000
Federal Historic Tax Credit--Based Equity			\$230,000
Maryland Historic Tax Credit--Based Equity			\$230,000
Owners Economic Equity			\$115,000
Total Financing			\$1,290,000



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

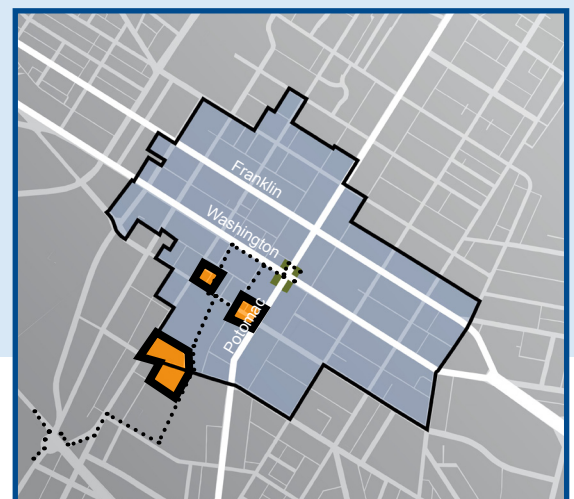
Dagmar Hotel Loft Rehabilitation: The property will be acquired, vacated, and held until market conditions improve 20% to justify \$900 rents for two-bedroom, one-bath units of 1,000 SF. The Dagmar Hotel consists of two attached buildings—one eight-stories; one four-stories—with a total of 48,500 gross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

Economic Impact Summary Linking City Park/Washington County Museum of Fine Arts and A&E District with Trail and New Housing	
Loft Rehabilitation	98,000 SF
New Housing Construction	50,000 SF
Investment	\$19,200,000
New Housing Units	116
New Downtown Residents	200
Annual Tax Increment*	\$186,000
City Real Estate Tax	\$97,000
County Real Estate Tax	\$89,000

* In 2014 Dollars; After Expiration of Incentives

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

Dagmar Rental Loft Rehabilitation Development Budget			
Development Budget			
Acquisition			\$1,325,000
Construction			
Demolition/Clean-Up	48,500 SF @ \$5	\$242,500	
HVAC	48,500 SF @ \$16	\$776,000	
Kitchens	40 @ \$12,500	\$500,000	
Bathrooms	40 @ \$9,000	\$360,000	
Washers/Dryers (Installed)	40 @ \$1,250	\$50,000	
Kitchen Appliances	40 @ \$2,000	\$80,000	
Other Interior Finishes	40,000 SF @ \$24	\$960,000	
Sprinkler System	48,500 SF @ \$4	\$194,000	
Plumbing/Electrical Systems	48,500 SF @ \$25	\$1,212,500	
Elevators		\$800,000	
Exterior Improvements		\$100,000	
Contingency (5%)		\$265,000	
Total Construction			\$5,540,000
Project Soft Costs			
Architecture/Engineering		\$195,000	
Legal		\$10,000	
Accounting/Audit		\$5,000	
Construction Interest		\$70,000	
Financing Fees (1%)		\$30,000	
Project Management		\$100,000	
Total Soft Costs			\$410,000
Total Development Costs			\$7,275,000
Sources of Financing			
First Mortgage--Bank		\$2,850,000	
Original Purchaser "Purchase Money" Mortgage		\$1,325,000	
Federal Historic Tax Credit--Based Equity		\$1,075,000	
Maryland Historic Tax Credit--Based Equity		\$1,075,000	
Maryland Community Legacy Grant		\$150,000	
Owners Economic Equity		\$800,000	
Total Financing			\$7,275,000





DEVELOPMENT FACT SHEET

Catalyst Project 6

EXPANDED DOWNTOWN ARTS/EVENTS PROGRAMMING



The Sustainable Community Action Plan suggests expanding Downtown events programming to enhance Hagerstown's Arts & Entertainment District by increasing visitation to the Downtown. Currently the City hosts a variety of events in the District year-round—a total of at least 65 days of activity. In addition to these public outdoor events, various arts and entertainment venues in the Downtown, including the theaters, galleries, and museums, host their own individual events. The Maryland Theatre alone has activity 150 days per year.

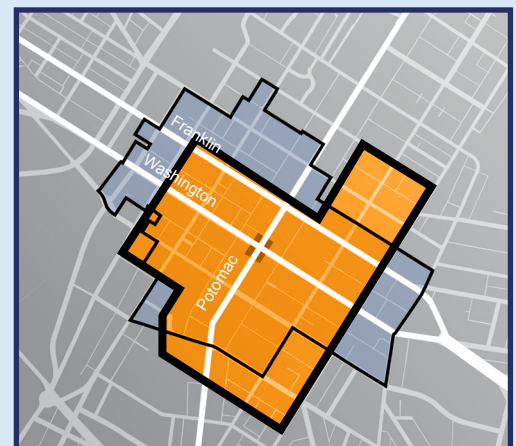
To build off the positive atmosphere created by events in Downtown Hagerstown and attract even more people to the Downtown, additional resources should be invested in expanded events programming. While the City's annual events attract thousands of people, more regularly programmed activities - weekly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

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

PRELIMINARY IMPLEMENTATION OUTLINE KEY TASKS

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

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





DEVELOPMENT FACT SHEET

Catalyst Project 7

EXPANDED OPERATIONS OF THE CITY FARMERS MARKET



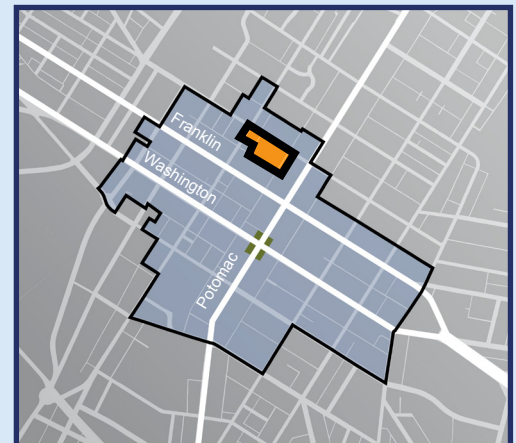
The Sustainable Community Plan identifies the need to support efforts that bring people Downtown to patronize businesses. The Downtown Hagerstown Market Analysis identified that specialty food stores in the Hagerstown area retail market are only capturing 35% of the \$20 million in demand Countywide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

Currently the City Farmers Market has approximately 30 vendors who sell C produce, baked goods, handmade crafts, and a variety of other items. The Market also has three breakfast and lunch counters. While open year-round, the Market currently only operates seven hours per week--Saturdays from 5:00 am to noon. Support for an expanded City Farmers Market in terms of hours and vendors is strong among community stakeholders and the public.

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

PRELIMINARY IMPLEMENTATION OUTLINE KEY TASKS

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

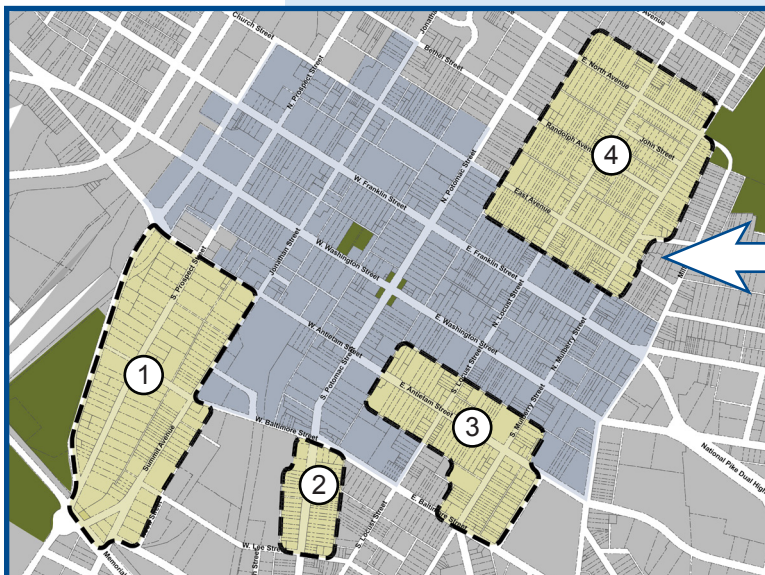




DEVELOPMENT FACT SHEET

Catalyst Project 8

EXPANDED & TARGETED HOME OWNERSHIP



SUGGESTED FOCUS AREAS

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

PRELIMINARY IMPLEMENTATION OUTLINE KEY TASKS

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

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

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

EXPANDED & TARGETED HOME OWNERSHIP



S. Prospect Street

Key elements of the program include:

1. Aggressively market the City's down payment assistance program.
2. Target Neighborhoods 1st supportive programs to these areas including such activities as block parties, neighborhood clean-ups, and group crime prevention efforts.
3. Similarly, target Neighborhoods 1st infrastructure and amenities improvements to even more tightly defined blocks to create "beachheads" of dense and sustainable homeownership.
4. Continue acquisition, rehab, and resale program and focus efforts in targeted areas to assure that properties in need of modernization remain attractive to owner-occupants and do not decline into problem rental properties.
5. Continue rental licensing inspections on a regular basis.
6. Continue excessive nuisance enforcement programs.

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

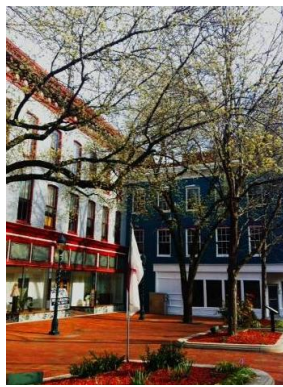
1. Acquiring, rehabilitating, and reselling to homeowners two properties each year within the target areas.
2. Attracting at least three new homeowners annually with the down payment assistance program to purchase available quality homes in the target areas.
3. Conducting annual rental licensing inspections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



S. Mulberry Street

The Community's City Center Plan Hagerstown, MD

City Center Plan



Prepared by:

URBAN PARTNERS

2014-2024

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



Implementation Plan Process

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

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

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

Completed & On-Going Initiatives

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

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

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

Catalyst Projects

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

New Development Initiatives

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

Expansion of Programs Currently Underway

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

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

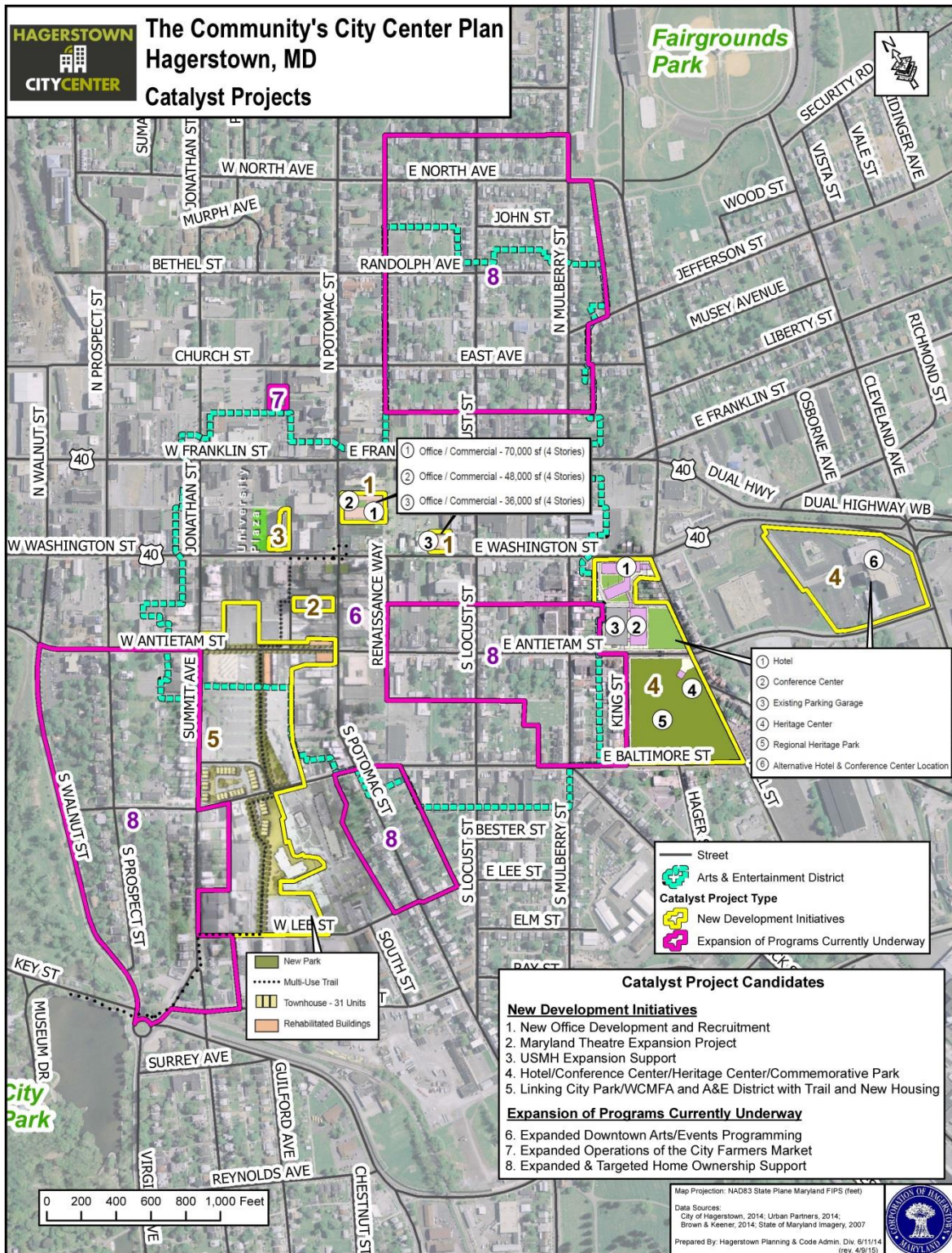
Certain priority activities appear to set the agenda for the City's pursuit of supportive funding from County, State, and federal sources. These activities include the several needs of the Maryland Theatre, the Conference Center facility to support the new hotel, and possible Heritage Center / Commemorative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

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

Economic Impact Summary (2014-2024) All

Eight Catalyst Initiatives

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



1. New Office Development & Recruitment

Description of Initiative

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

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

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



Office Development Concept

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

Preliminary Implementation Outline—Key Tasks

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

Economic/Development Assumptions

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



Buildings 1 & 2—Potomac St. Façade

Potential Economic Incentives

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

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

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

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

Rent Rate Impact of Economic Incentives

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

Supportive Parking Requirements

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

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

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

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

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

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

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

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

Development Impacts

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

Economic Impact Summary

Office Development & Recruitment

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

*in 2014 Dollars; After Expiration of Incentives

Overall Development Program

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

2. Maryland Theatre Expansion Project

Description of Initiative

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

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

Preliminary Implementation Outline—Key Tasks

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

Development Impacts

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

Economic Impact Summary

Maryland Theatre Expansion Project

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

*Due to Increased Dining and Shopping

Overall Development Program

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

3. USMH Expansion Support

Description of Initiative

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

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

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

Preliminary Implementation Outline—Key Tasks

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

Economic/Development Assumptions

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

Economic Analysis

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

USMH Student Housing Typical Example

Development Budget

June, 2014

Development Budget

Construction

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

Total Construction \$604,000

Project Soft Costs

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

Total Soft Costs \$56,000

Total Development Costs \$660,000

Sources of Financing

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

Total Financing \$660,000

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

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

USMH Student Housing Typical Example

Income & Expense Pro Forma

June, 2014

Owner's Economics

Income

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

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

USMH Economics

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

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

Development Impacts

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

Economic Impact Summary

USMH Expansion

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

*in 2014 Dollars; After Expiration of Incentives

Overall Development Program

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

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

Description of Initiative

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

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

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

Preliminary Implementation Outline—Key Tasks

Hotel

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

Heritage Center/Commemorative Park

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



Hotel/Conference Center & Heritage Center/Commemorative Park Concept

Comparative Site Factors for Hotel / Conference Center

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

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

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

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

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

Economic/Development Assumptions

Hotel

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

Heritage Center / Commemorative Park

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

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

Economic Analysis

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

Hotel/Conference Center

Development Budget

June, 2014

Development Budget--Hotel

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

Sources of Financing--Hotel

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

Development Budget--Conference Center

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

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

Hotel/Conference Center

Income & Expense Pro Forma--Stable Year 3

June, 2014

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

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

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

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



Typical “Upper Upscale” Conference Hotel

Development Impacts

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

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

Economic Impact Summary

Hotel/Conference Center/Heritage Center/Park

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

*Including Off-Site Dining and Shopping

** After Expiration of Incentives

Overall Development Program

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

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

Description of Initiative

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

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

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

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

Preliminary Implementation Outline—Key Tasks

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

Economic/Development Assumptions

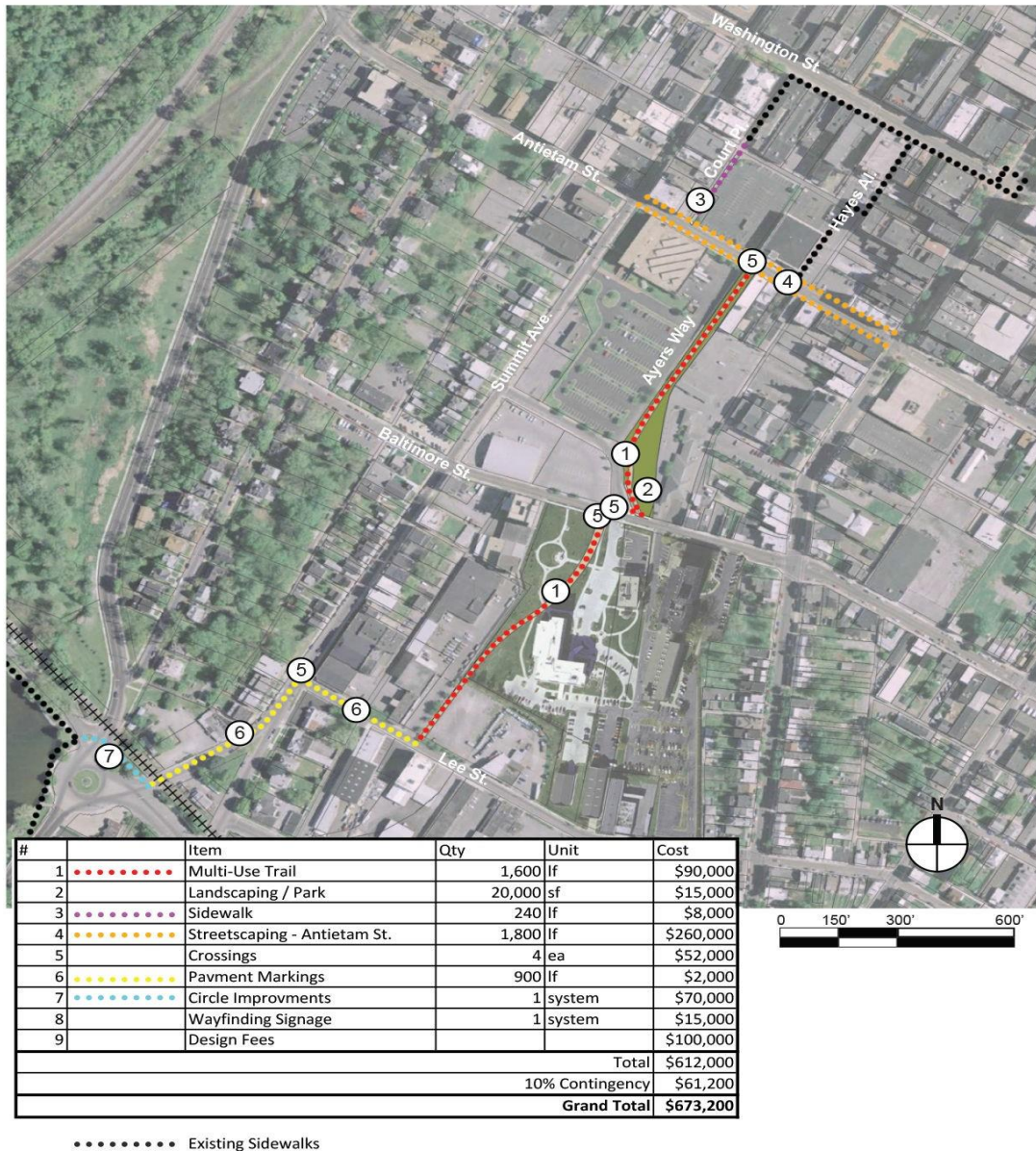
1. The trail improvements will be completed and maintained as a public amenity. Access through the few private properties involved can be secured through easements or fee simple ownership at an estimated cost of \$25,000.
2. New townhome construction will typically be three-bedroom units with a one-car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

Economic Analysis

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

Trail

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



Proposed Trail Location and Physical Improvements

New Townhomes

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



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

W. Antietam Loft Rehabilitation

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

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

Model W. Antietam Loft Rehabilitation

Development Budget

June, 2014

Development Budget

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

Sources of Financing

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

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

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

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

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

Dagmar Hotel Loft Rehabilitation

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

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

Dagmar Rental Loft Rehabilitation

Development Budget

June, 2014

Development Budget

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

Sources of Financing

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

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

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

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

Development Impacts

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

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

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

* In 2014 Dollars; After Expiration of Incentives

Overall Development Program

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



Rendering of Proposed New Housing and Trail

6. Expanded Downtown Arts/Events Programming

Description of Initiative

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

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

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

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

Preliminary Implementation Outline—Key Tasks

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

7. Expanded Operations of the City Farmers Market

Description of Initiative

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

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

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

Preliminary Implementation Outline—Key Tasks

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

8.Expanded & Targeted Home Ownership Support

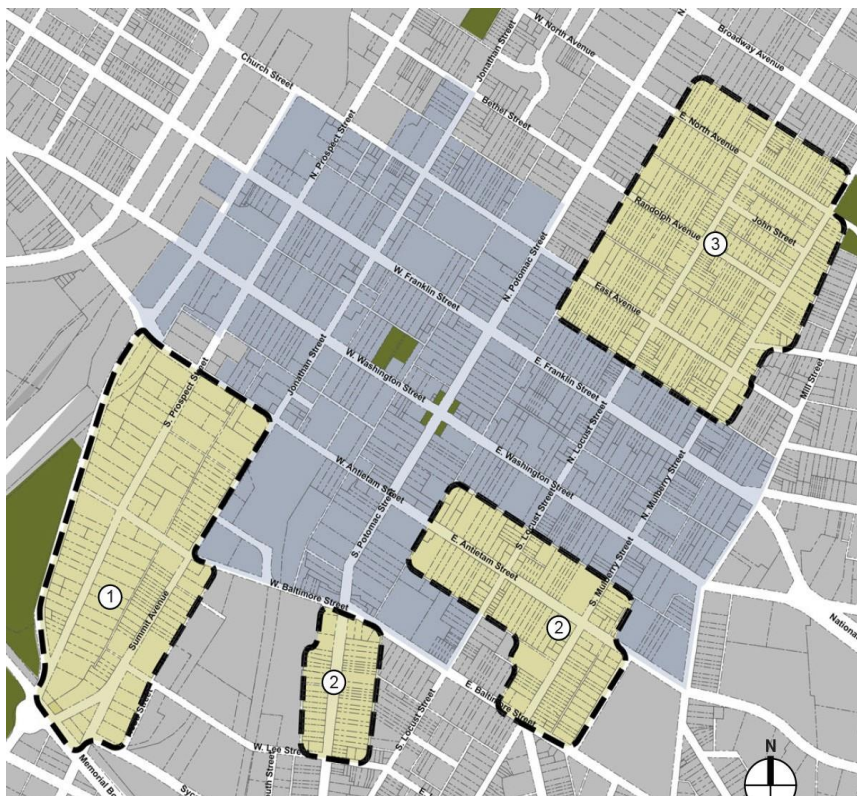
Description of Initiative

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

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

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

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



Proposed Location of Expanded and Targeted Home Ownership Support

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

This initiative includes six key elements:

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

Preliminary Implementation Outline—Key Tasks

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

Annual Objectives

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

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

Aggregate Impacts

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

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

Downtown Hagerstown Catalyst Initiatives Summary Funding Requirements

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

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

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

Economic Impact Summary

All Eight Catalyst Initiatives

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

Implementation

Year 1 implementation activities should focus on:

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

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

Downtown Hagerstown

Catalyst Initiatives

Summary Year 1 Funding Requirements

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

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

Key new efforts will include:

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

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

Downtown Hagerstown

Catalyst Initiatives

Summary Year 2 Funding Requirements

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

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

Key development activities anticipated for Year 3 include:

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

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

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

Downtown Hagerstown

Catalyst Initiatives

Summary Year 3 Funding Requirements

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

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

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

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

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

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

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

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

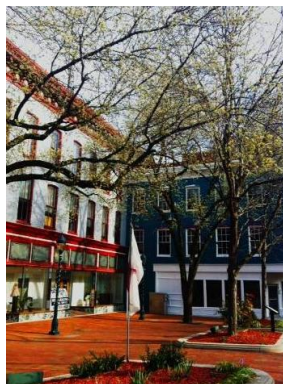
<u>Catalyst Initiative</u>	<u>Total Investment</u>	<u>Private Capital</u>	<u>NMTC</u>	<u>Private/Corporate Philanthropy</u>	<u>City Infrastructure</u>	<u>City Programming</u>	<u>City Housing Programs</u>	<u>Maryland Community Legacy</u>	<u>First 3rd Program</u>	<u>County/State/Federal Funds</u>
New Office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

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

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

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

The Community's City Center Plan Hagerstown, MD Physical Analysis



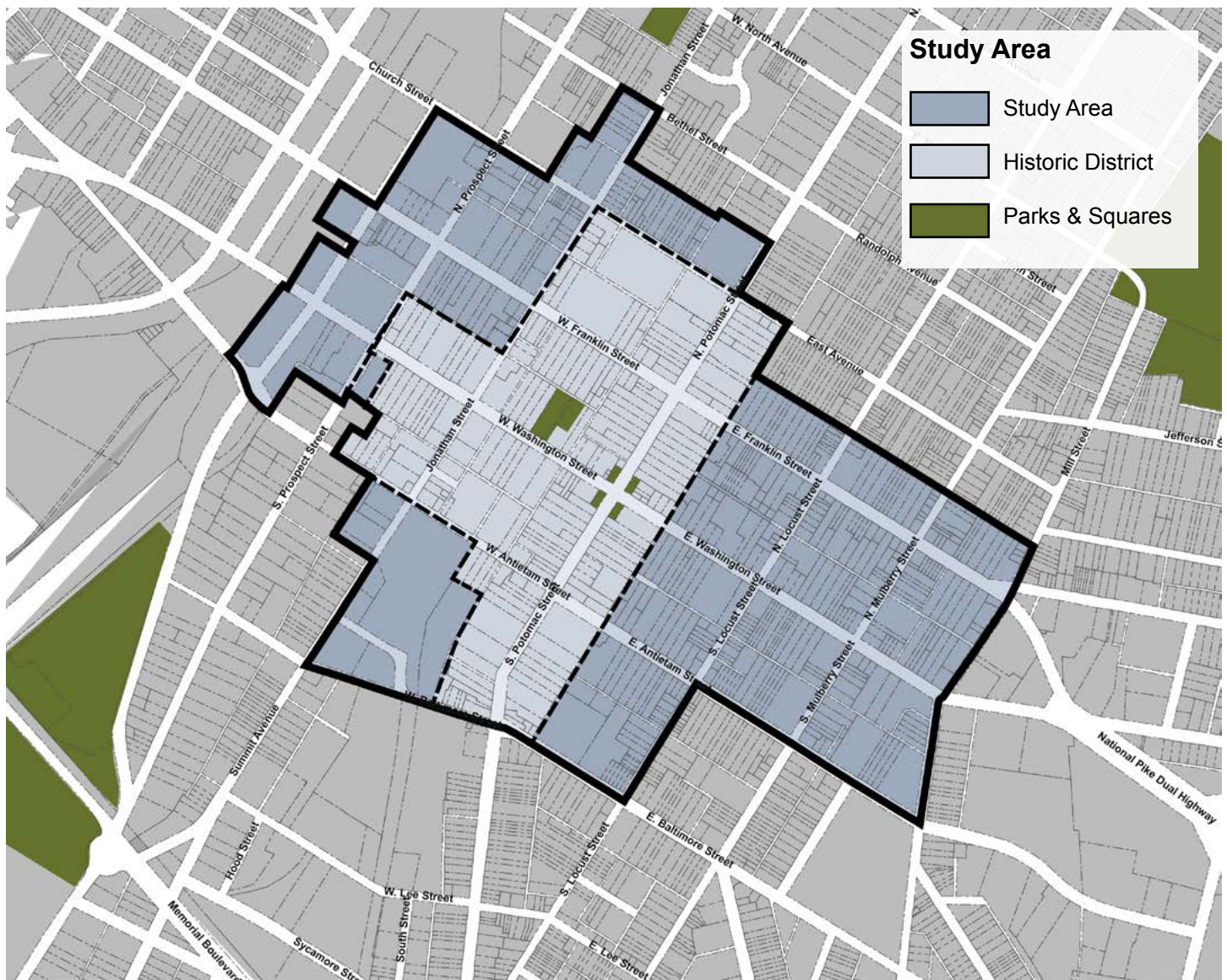
Prepared by:

URBAN PARTNERS

2014-2024

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





Project Summary

The existing physical conditions of Hagerstown will influence and inform the Sustainable Community Plan. This document presents both a narrative and a graphic record of the physical conditions of the study area as well as assumptions and conclusions that may be used in moving the project forward.

The Report is divided into the following sections:

- Project Summary - A Summary of the report and project area
- Assets & Opportunities - A description of the physical infrastructure including buildings and vacant and marginally used parcels
- Parks & Civic Space - An analysis of the park spaces throughout the city and locations in the city that may be underserved
- Connections - A study of the surrounding residential neighborhoods and how people enter the center of town
- Zoning - A brief analysis of the existing zoning code

All mapping information was taken from City documentation including the 2008 Comprehensive Plan. Some information presented in the maps may be out of date.

Project Area Description

The project area is located in the center of Hagerstown. In the map above, the study area is the area marked in blue, including the Historic District marked by the lighter blue shade. The study area can be broken into three distinct areas; The Historic District, the area west of the Historic District and the area east of the Historic District. Each area is unified by its own distinct development pattern; as described below.

Historic District

The Historic District is the tallest and most dense area of the city. In this area, it is common for buildings to front against the sidewalk and to each of the side property lines so that one building touches another. Building height in the area may be as low as two to three stories, but some buildings are seven or more stories tall. As the name implies, the most significant feature about the buildings within this area is the historic charm and character to this district.

Besides the buildings within this zone, the public spaces are also important to mention. Many of the sidewalks within the Historic District are wider than other section of the study area and the rest of town. The sidewalks in the Historic District are also lined with trees. All of the parks and civic spaces that are located in the study area are located in the Historic District.

West of the Historic District

This area of the city is much less dense than the Historic District. Here there are many surface parking lots serving the scattered industrial and commercial single use properties. While there are a few scattered residential buildings in this area, residential development is the exception rather than the rule. Because of the varied development type and density, it feels much less like a coherent neighborhood than the Historic District.

East of the Historic District

East of the Historic District is a primarily residential neighborhood. The most common building type are townhouses where at least one side of the house shares a wall with its neighbor. The houses are typically two to three stories tall with no setback along the front and stoops that extend into the sidewalk. The buildings within this area are of various conditions. Some are well kept, while others are in need of repair.



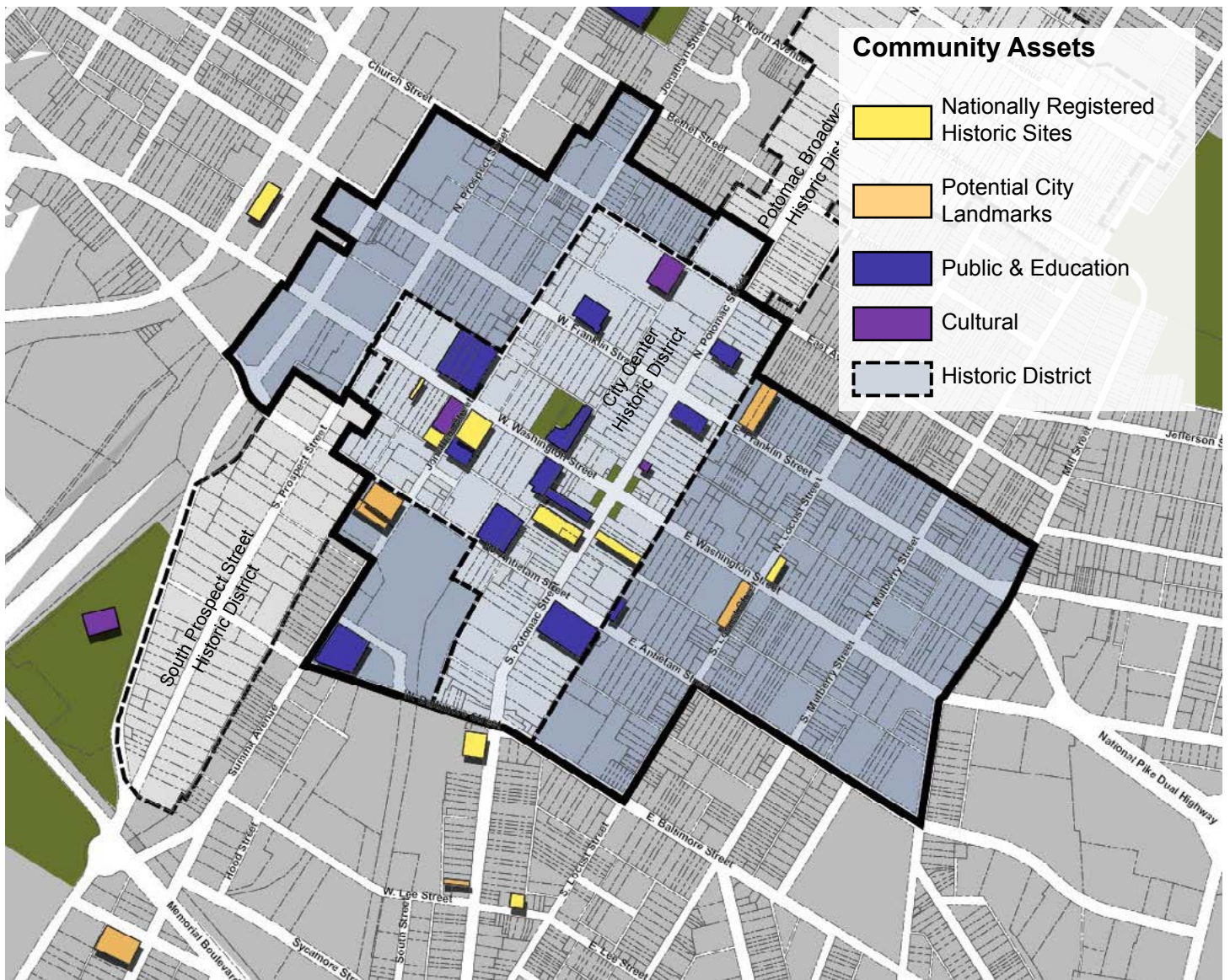
Historic District



West Side of Study Area



East Washington St.



Assets & Opportunities

The study area has many assets including public, cultural and historic buildings as well as many vacancies that while currently may be a blighting influence may be thought of as future opportunity.

The map above illustrates the current assets in the study area. These assets include the Nationally Registered Historic Sites, potential city landmarks as described from the Comprehensive Plan, public buildings including schools, libraries and government buildings and cultural buildings including theaters, the Discovery Center, the visitors center and the farmers market. While it is not surprising that the Historic District would contain many of these assets, it is noteworthy that it contains nearly all of these assets and that the East and West side of the study area contain so few. Parks should also be considered assets and will be discussed in more detail in the following section.

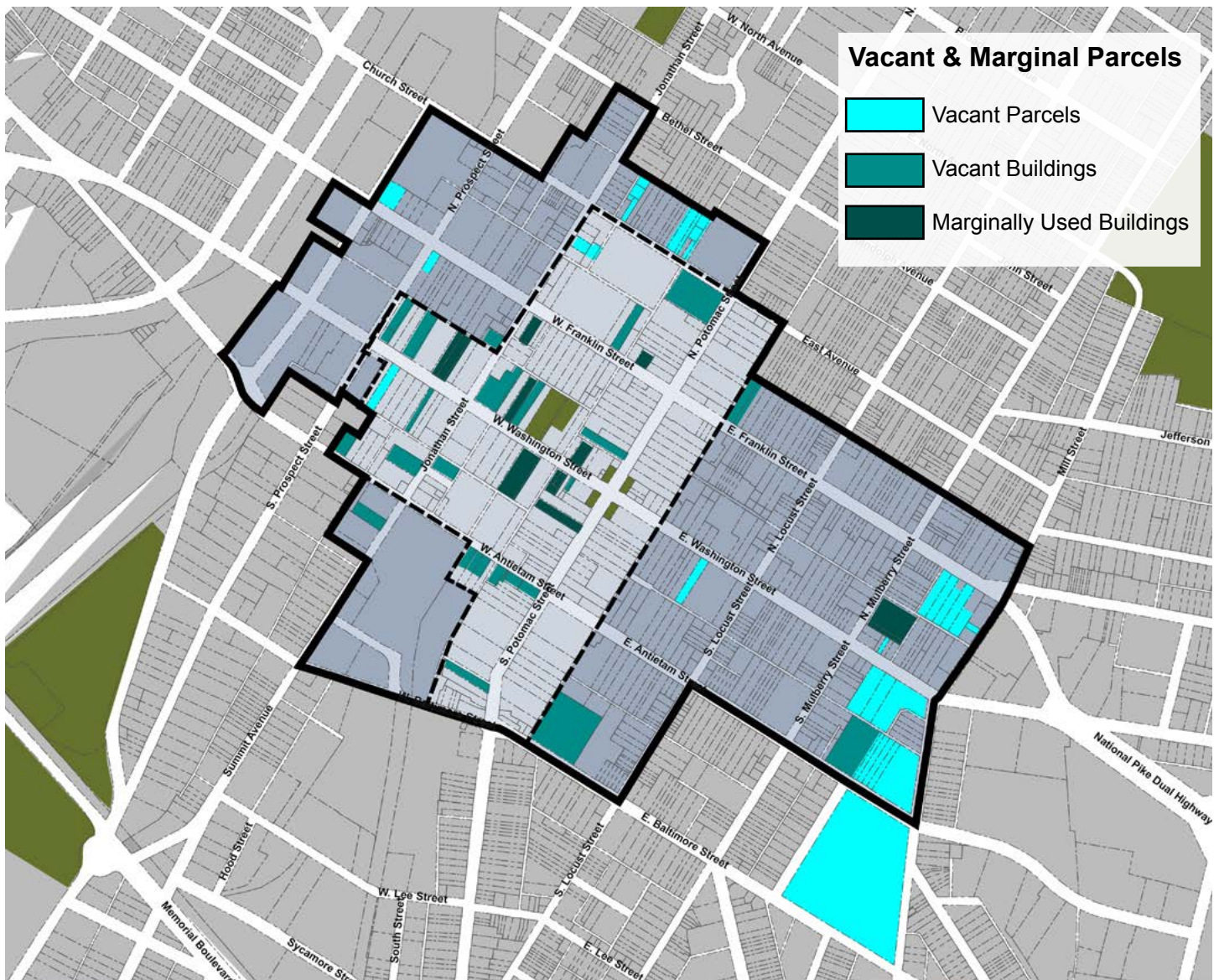
On the other hand, vacant and marginally used properties can detract from the vitality of Hagerstown. These parcels may feel unsafe, look unpleasant and do not contribute to creating a sustainable community.



Colonial Theater



City Hall



While vacant and marginally used properties may have these drawbacks, they can also be seen as opportunities for future development. Vacant and marginally utilized buildings can be renovated and repurposed, supporting the goals of the economic plan, and vacant lots can be transformed into new development or park space.

Similar to the assets, most of the vacant and marginally utilized parcels fall within the Historic District. This is indicative of the fact that many small cities have had similar problems retaining full usage within their core when people and commercial activity moved to surrounding suburbs.

The former Washington County Hospital site is a large vacant site located on the southeast corner of the study area. The Hospital has been demolished, leaving a large vacant lot. The vacant building marked in this location is the parking garage, which a structural analysis may show can be re-used to support a fairly dense development or can be taken down entirely. While the Hospital's departure may have left a hole in the city, it can be re-framed as an opportunity.



Aerial Downtown Historic District

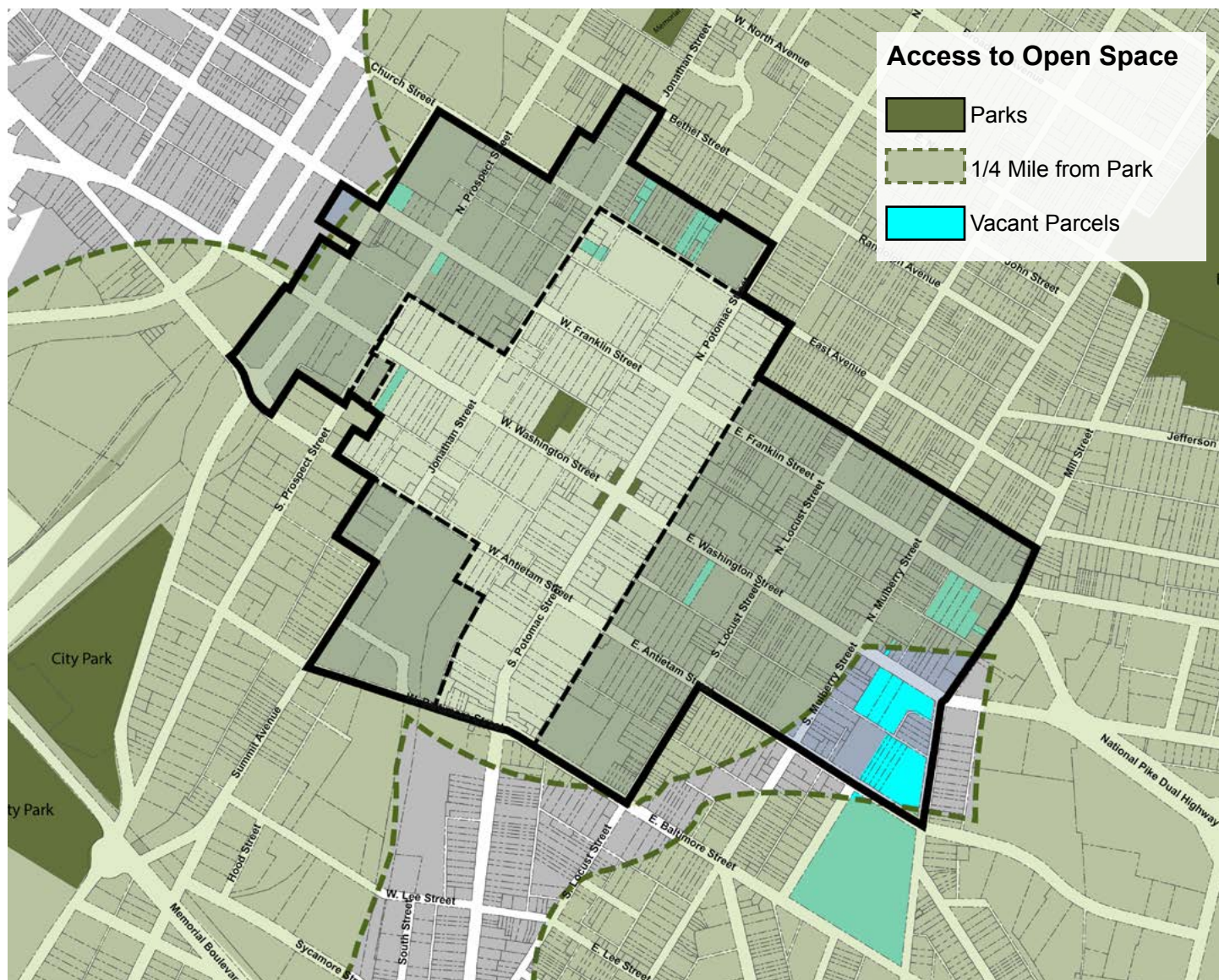


Former Hospital

Assets & Opportunities Continued

While technically not a vacant lot or a marginally used building, surface parking lots can also be seen as potential development opportunities. These surface parking lots should be viewed as pad ready sites for new development which allow for flexible design and construction but do not require removal of elements that contribute to the historic character which makes the downtown unique. If surface parking can be acquired, it can often support new and denser development. Because the west side of the study area has abundant surface parking, there may be opportunity for new development in this location of the study area. Ultimately, successful new development may improve the market so that historic buildings become more viable to re-purpose.

Parks & Civic Space



Hagerstown is fortunate in that it has some wonderful and well placed park space throughout the entire city. Within the study area is the Public Square that provides beautiful sunlight and landscaping at the center of town. The Public Square is also a place that can accommodate outdoor seating for cafes and restaurants, providing a place to sit for people passing by and the display of art. The Square appears to be well maintained and is still a striking asset.

While the Public Square is beautiful, it is small and affected by heavy vehicular traffic. University Plaza found just west of the Public Square along Washington Street is a larger and programmable open space. Just outside of the study area are a couple of other important parks. City Park, located to the southwest of the study area is rated one of the most beautiful parks in America and is home to the Washington County Museum of Fine Arts. Fairground Park to the northeast is a large open space that supports sport related activity and other civic events such as the Fourth of July fireworks.

Even with these parks and public spaces, some areas of Hagerstown may be underserved by park space. In the above diagram, a line has been drawn $\frac{1}{4}$ of a mile away from every park in Hagerstown; $\frac{1}{4}$ of a mile corresponds to the approximate distance an average person can walk in five minutes. The marked green zone around the parks then represents the areas of the city that are less than a five minute walk from a park. Most of the study area is within a five minute walk of a park, with the exception of a portion on the southeast corner. However, this area is also the same area of the city that has an abundance of vacant land left behind from the hospital. If additional park space is desired, some of this land can become park space that could support the local community as well as enhance the opportunity for new development on the remainder of the vacant parcels.



Public Square



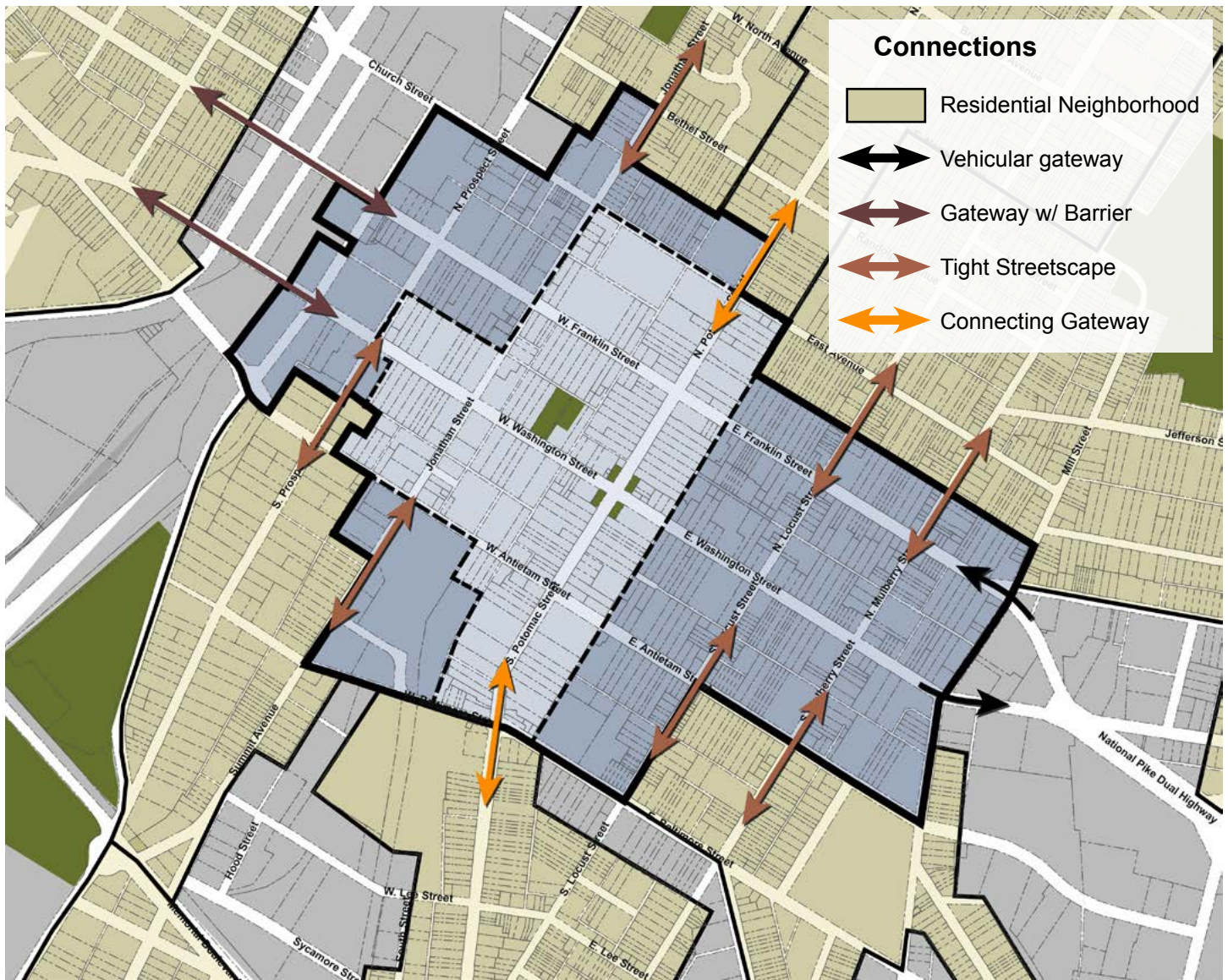
University Plaza



City Park



Fairground Park



Connections

A community like the center of Hagerstown can thrive if there are enough people to support the commercial and cultural activity, and there are several strategies to attain this critical mass. One strategy is to support mixed use development that has an active ground floor with residential or offices above. The people who live and work about the ground floor will support the retail activity below. Another strategy is to encourage people to come into the center of town from the surrounding neighborhoods or from further locations. The map above begins to show the connections between the study area and the surrounding neighborhoods and evaluates their potential for bringing people into the center of Hagerstown.

People entering the center of Hagerstown come through one of four kinds of “gateways”. The first are the gateways that are vehicular only. National Pike, southeast of the study area, becomes Franklin Street at it comes into the center of town. This gateway is rather non-descript and Dual Highway is not suitable to pedestrians. Since traffic is one-way, Franklin St. is the gateway while Washington St. is the exit.

The northwest edge of the study area is bordered by industry, the rail road, and a strip mall. While it is easier to walk from the neighborhoods from the west than it is from the east, these uses still present an extended barrier to bringing people into the center of Hagerstown. Making these types of gateways more appealing is difficult, but strategies such as public art and lighting under the rail bridge and encouraging denser mixed use development around the edges may help improve the connections from this side of the study area.

The northeast and southwest edges of the study area are directly bordered by residential neighborhoods and present the best opportunity to bring people in from the immediate community. These streets that run across the study area in this direction could allow for people to walk or drive into the center of Hagerstown. However, on many streets the sidewalks are narrow, and the entry stoops that protrude out into the sidewalk make them even narrower. Without sufficient room between a moving vehicle and a pedestrian, the walk along these sidewalks can feel uncomfortable. Furthermore, many of the homes that line these connections have “No Trespassing” or other defensive signs that make these gateways even more uncomfortable. Façade improvements and restrictions on signage may help these connections, but full streetscape improvements, including widening the sidewalk, would go a long way to making these neighborhood connections and gateways feel more comfortable.

Potomac Street is the exception to the rule for the north/south gateways. Potomac Street is wider than most of the other streets including the sidewalks which is much more welcoming. There are often street trees along Potomac Street and parts have a beautiful brick paving. While a streetscape plan that formalizes tree pit design, street furniture and paving could increase the attractiveness of Potomac Street, it is by far the most important and interesting connection between the center of Hagerstown and the surrounding residential neighborhoods.

It is also important to consider how people who live and work within the study area connect to amenities outside the study area. As described in the previous section, City Park and Fairground Park are important open spaces for the City, and City Park contains the significant regional cultural asset of the Washington County Museum of Fine Arts. These assets are important open spaces for the City and should be accessible from within the study area. The connections from the study area to these parks would be through the same streets that connect surrounding neighborhoods to the study area. While these parks are not far from the study area, the streets that connect them often have very constrained sidewalks and defensive signage that discourages walking to these amenities.



East Franklin St.



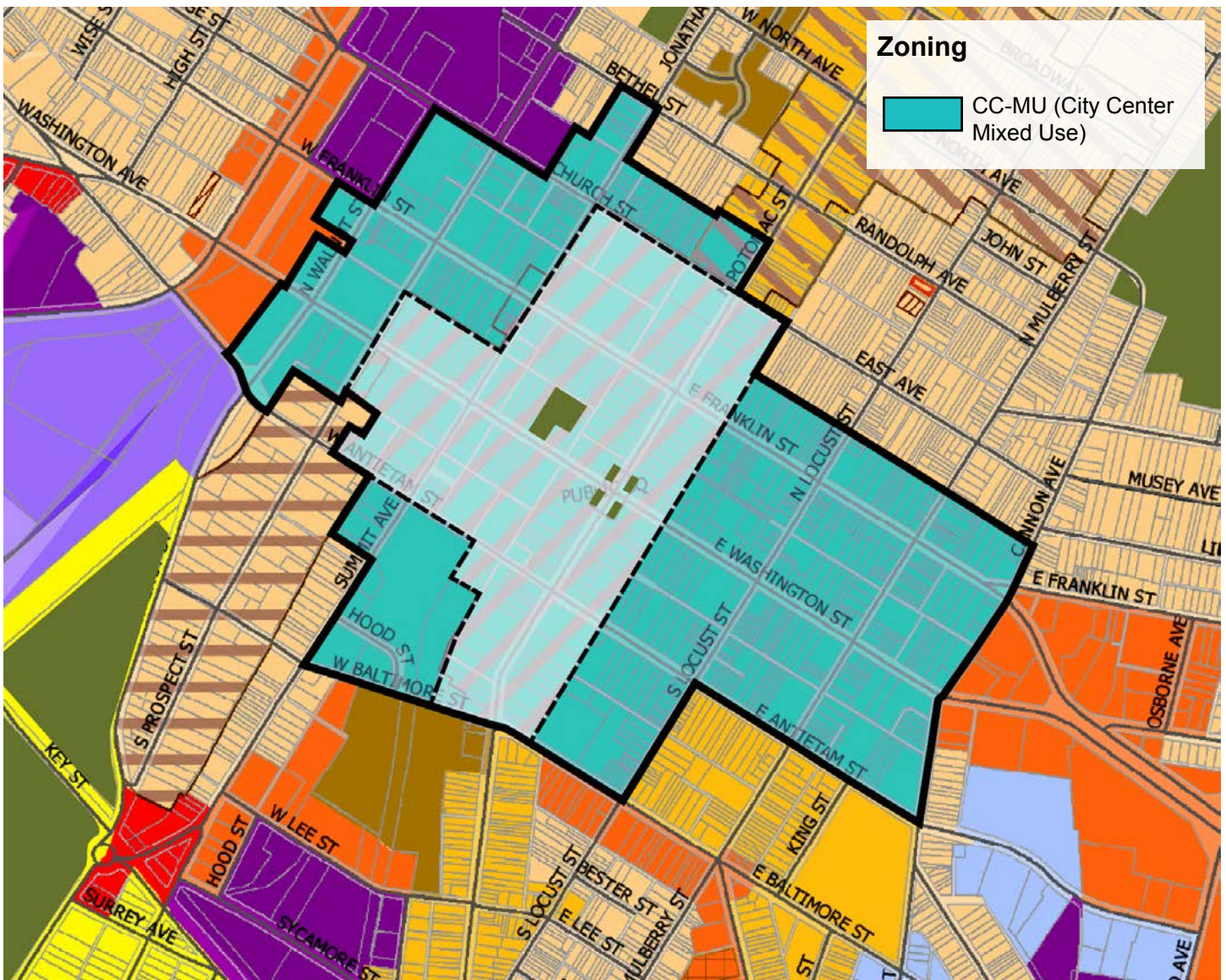
Locust St approaching East Franklin St.



South Potomac Street



Washington County Museum of Fine Arts



Zoning

The entire study area is in the City Center Mixed use (CC-MU) district, with an overlay for the Historic District. As an overview, this district does allow for dense mixed use development. The code has a maximum height of seven stories, but twelve stories are allowed with a special expectation. Setbacks are not required in this zoning district, which further helps to increase density and walkability.

It should be noted that the special exception for height will likely be need to obtain development of over five stories. This is because the building code sets limitations on the height of wood frame construction; yet wood frame construction is cheaper than alternative construction methods such as steel and concrete. Often it does not make fiscal sense to build a six or seven story building because the increase in revenue over a five story building is not offset by the extra construction costs associated with the requirement to build in steel or concrete. Building taller than six or seven stories will further increase revenue by increasing the amount of sale-able or leas-able space. At a certain threshold, this increase in revenue from a taller building will more than offset the rise in construction costs.

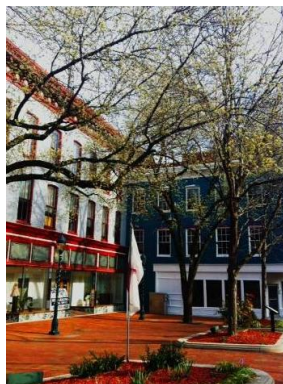
The zoning code also provides design standards that help set the stage for the kind of development desired. These design standards could be expanded, clarified and made more explicit if the City desires more control. More explicit design standards could be incorporated into the zoning code, in which case all development would need to follow the standards or the City could choose to have more explicit design standards incorporated into RFP's for development it initiates. An RFP for a development project can require design standards over and above those set out in the zoning code. In this case, both the standards in the zoning code and those more specific to the RFP would need to be followed.

Determining the proper design standards for the study area is beyond an existing conditions analysis. However, an example of what a more explicit design standard would look like is as follows. Currently the zoning code simply says that building facades should be modulated. Alternatively, the code could be more specific and say that new buildings with walls over "x" feet long should be modulated by "y" feet. It can also be required that the internal program be reflected in this articulation, so that the modulation is not random but creates a coherent building. Similarly, base height, cornice height, amount of glazing on the facade, requirements for front doors on the street and other criteria can specifically and numerically be included into the code or RFP's. Furthermore, graphic diagrams are often included with design standards which clarify the intent of the standards so that they are more easily understood and implemented.

Parking requirements may be the most problematic part of the zoning code in supporting mixed-use development. The number of parking spaces required tends to be relatively high, but not extraordinarily so. Furthermore, there is a requirement for RV parking once a development reaches a certain size. The code itself seems to recognize the parking requirements are too strict for this district as it allows for up to a 50% reduction in the required parking with a study by a traffic engineer supporting this reduction. Parking and economic goals may be more easily met if parking requirements within this district are specified independently and shared parking allocations are explicitly embedded into the code. In this alternative approach, the appropriate amount of parking will be understood upfront without the need for a traffic and parking study or special exceptions. If the code required the right amount of parking for this area as of right, it would be less of a barrier for people who wanted to invest in the center of town. Further review would need to be conducted to determine what the appropriate amount of parking and effective shared parking ratios are for the study area.

The Community's City Center Plan Hagerstown, MD

Market Analysis



Prepared by:

URBAN PARTNERS

2014-2024

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



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Key Market Findings

The Downtown Hagerstown Market Analysis for the Economic Analysis and Implementation Plan examines the residential, retail, cultural arts/entertainment/education, office, and hotel markets to evaluate potential projects identified in the City's Sustainable Community Action Plan. Following are key market findings of the analysis:

Residential Market: Sales Housing

There appears to be demand for Downtown market-rate housing for sale with significant price points, based on results of the Hagerstown City Center Housing Survey. Respondents interested in living Downtown indicated a preference for older historic and renovated properties, including rowhouses, upper floors of buildings, and warehouse/loft arrangements. The results also identified significant interest in new housing product for purchase, most likely in the form of townhomes. About half indicated a willingness to pay more than \$150,000 for a Downtown home. Based on these survey results, it appears that there is opportunity for local developers to pursue both types of product. It also appears that both the southwestern and northeastern sectors of Downtown Hagerstown are the areas where the highest price points are currently being commanded, and therefore, the areas that likely have the most potential for creating additional market-rate housing momentum.

Residential Market: Rental Housing

Results of the Hagerstown City Center Housing Survey revealed demand for downtown market-rate rental housing, both historic and new construction. A significant number of renters indicated a willingness to pay more than \$800 per month. Therefore, it appears that there's a potential market for an attractive move-in-ready Downtown rental product, but less demand than housing for purchase. However, like sales housing, this demand could be a potential opportunity for the local development community.

Retail Market

Considering the potential sources of retail demand for Hagerstown City Center, there are several opportunities for expanded retailing in Downtown Hagerstown:

- The existing eating and drinking establishments in Hagerstown City Center provide the basis for an expanded dining and entertainment concentration capturing a significant portion of the \$19 million in unmet demand from Washington County. There appears to be sufficient unmet demand to support up to 30,000 SF of new eating and drinking establishments.
- The area's current specialty food stores, coupled with the existing City Farmers Market, could provide the basis for a specialty foods district capturing a significant portion of the \$13 million in currently unmet demand Countywide for specialty food items. There appears to be sufficient unmet demand to support adding 15,000 SF to 20,000 SF of new specialty foods stores, including expanded activity at the City Farmers Market.
- The current arts and culture anchors could provide the basis for a more active arts and culture retail district. This district would build from the current group of antique stores/art dealers and gift shops to include dance apparel, musical instruments, and other arts-related retailing. There appears to be sufficient unmet demand to support up to 10,000 SF of additional arts and cultural-related retailing.

- The City Center area could also seek to capture other specialty goods niches similar to the current concentration of floor coverings stores. Expanding the current strength in specialty sporting goods could be one such opportunity. There appears to be sufficient unmet demand to support up to 10,000 SF of such new specialty stores.

Many of these retail opportunities will need to be captured incrementally over time and some of these opportunities will need to be positioned to create compact districts that benefit for other arts, cultural, entertainment, and promotional facilities and activities.

Cultural Arts/Education/Entertainment Market

Strong organizational interest appears to exist in expanding all aspects of the cultural arts/education/entertainment market Downtown. However, expansion of these facilities and programming will require significant civic and governmental leadership and financing. Continued civic and public investments in these arts-related sectors will be necessary to support the growth of many other Downtown markets, including residential, retail, and lodging, as well as additional visitation.

Office Market

It appears that the supply of smaller office space floorplates is more than adequate for its demand. However, there are currently limited opportunities for a business in need of a floorplate larger than 6,000 square feet, or a total building size of more than 30,000 square feet in a move-in ready condition. This scale of office development would require a committed user. To attract this larger committed tenant, the Downtown needs to offer a well-situated site that could accommodate a building of this magnitude. The site then needs to be heavily marketed to prospective companies potentially seeking new Class A build-to-suit space.

Hotel Market

An incremental increase in room-night demand has been occurring since 2009. If we assume that this demand continues for several years and that the current 62% is a healthy average occupancy rate, then we can conclude that the Hagerstown area can absorb 90-100 new hotel rooms every two years, beginning in 2016.

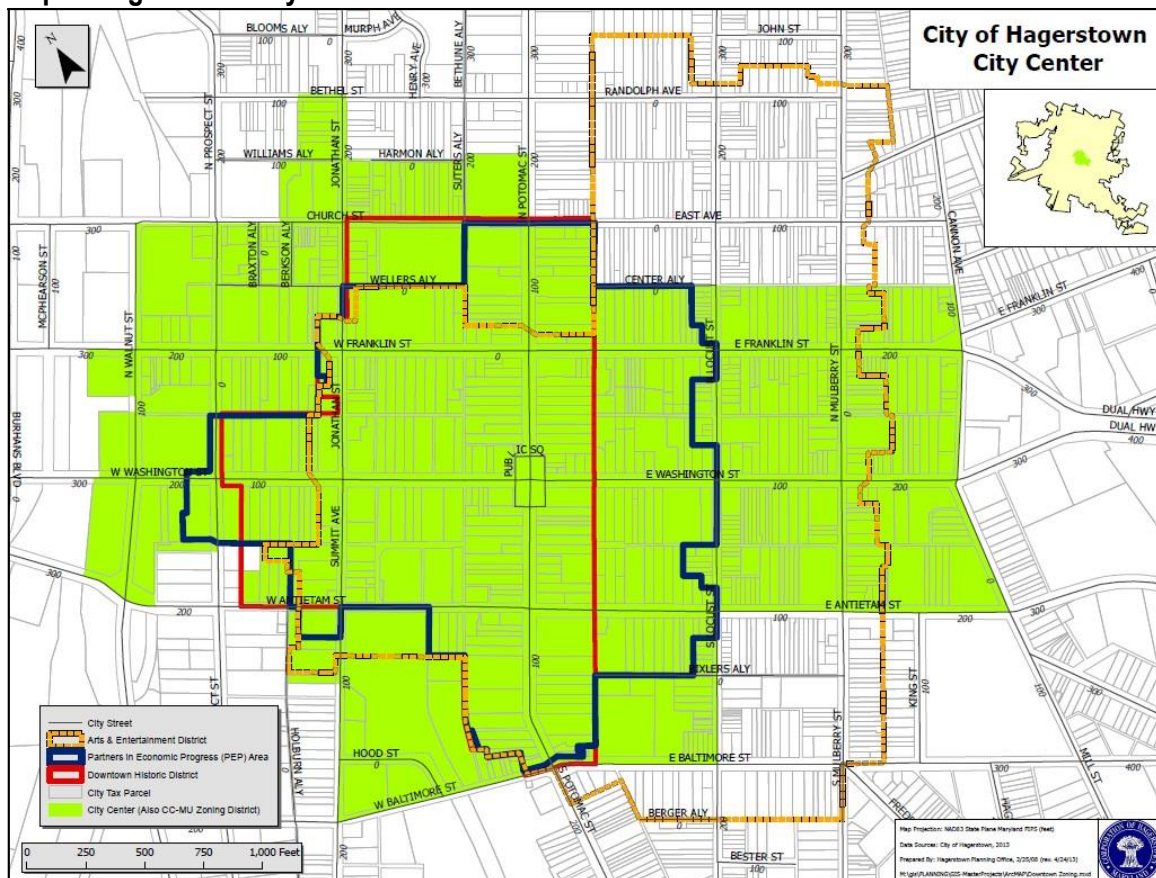
Given the circumstances of existing hotels in the region, the potential for adding a successful hotel property in Downtown Hagerstown is likely tied closely to its development in association with the parallel development of a hotel room-night generator such as a large conference center or major University expansion. It would also be critical that the new Downtown hotel be at least competitive in quality with the best in the market or, ideally, establish a new higher market standard in the "Upper Upscale" class. If a new Downtown hotel were constructed in association with a major conference center, this would establish new competition for the two existing hotel-based meeting facilities.

Introduction

Urban Partners has been retained by the City of Hagerstown to prepare a market analysis as an initial step of the Downtown Hagerstown Economic Analysis and Implementation Plan that will evaluate potential projects identified in the City's Sustainable Community Action Plan from 2012. Using that plan as a guide, we have examined specific markets potentially impacted by the City's suggested array of downtown development objectives contained within. These markets include retail, sales housing, rental housing, office, hotel, and arts/culture/entertainment.

The market analysis study area is mostly contiguous with the City's defined City Center area (see **Map 1**). Generally, this area is bound by Church Street, Bethel Street, Harmon Alley, and Center Alley on the north, by North and South Cannon Avenue on the east, East and West Baltimore Street and East Antietam Street on the south, and North and South Walnut Street on the west. This area is also CC-MU (City Center-Mixed Use) Zoning District. In some instances, we have examined market conditions for an area that extends slightly beyond this designated area as noted in the sections below.

Map 1. Hagerstown City Center

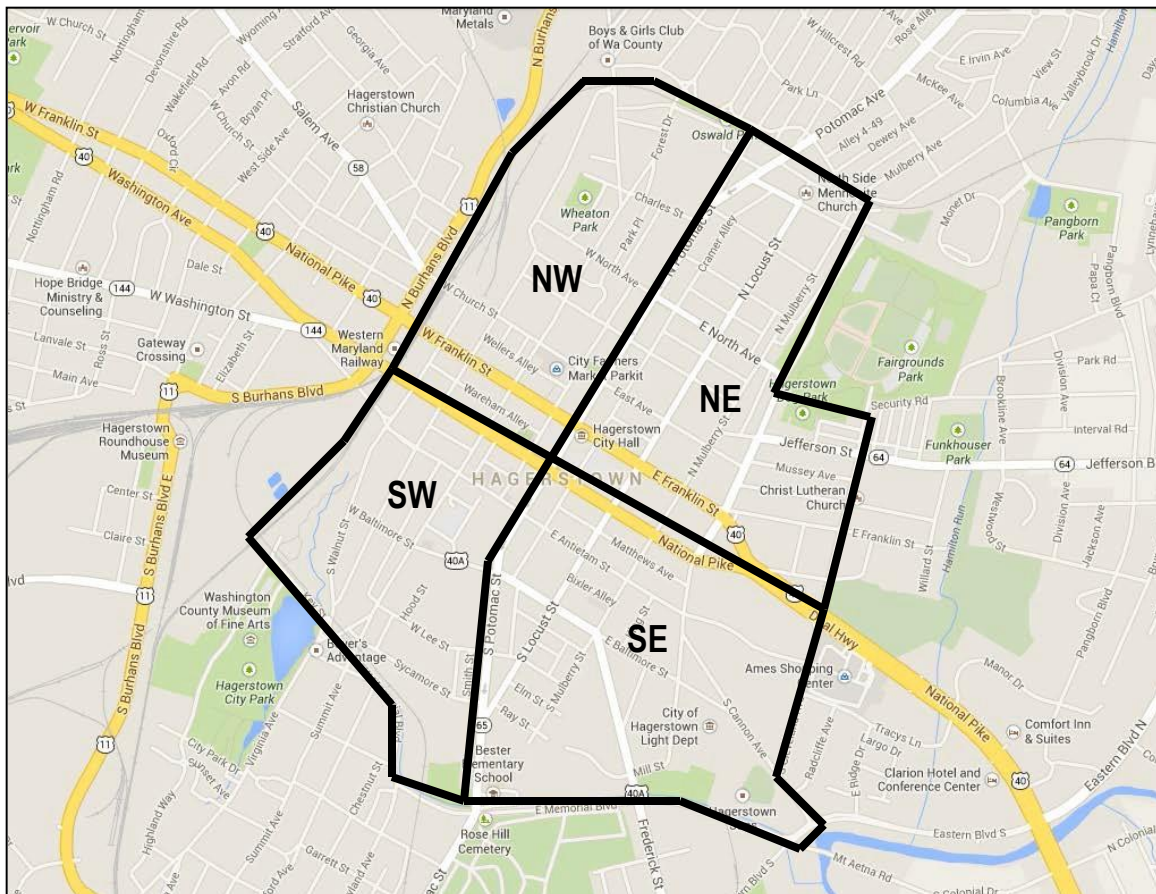


Source: City of Hagerstown

Residential Market: Sales Housing

A major emphasis of the Sustainable Community Action Plan is supporting housing diversity, improving the quality of the Downtown housing stock, and increasing market-rate housing. Urban Partners examined the Downtown Hagerstown sales housing market for 2012-2013 as well as new homes currently for sale in the City to identify trends in residential real estate and determine the potential for new residential development in the Downtown area. The resale housing market was examined for the greater Hagerstown City Center area, located within the larger Sustainable Community Area. For the purposes of this housing market analysis, we have divided the greater City Center area into four segments, including portions of one or more Census Tracts (see **Map 2**).

Map 2. Area of City Center Hagerstown Examined for Housing Market



Source: Google

Northwest City Center is defined as Census Tract 4 north of W. Washington Street. Northeast City Center is defined as the portion of Census Tract 5 south of the rail line below Manila Avenue and west of the Fairgrounds. In addition, this section contains a small portion of Tract 6.01 west of Cleveland Avenue. Southeast City Center is defined as the area of Census Tract 7 north of Memorial Boulevard, as well as a portion of Tract 6.02 north of Memorial Boulevard and west of Cleveland Avenue. Finally, Southwest City Center is the portion of Census Tract 4 south of W. Washington Street, as well as the portion of Tract 8 north of Memorial Boulevard. For this analysis, we collected data for single-family residences, townhomes/row houses, and condominiums.

Resale Sales Trends

As reported in Win2Data, a database of real estate transactions, there were 62 total sales of single-family owner-occupied homes from January 2012 through December 2013 in the area defined above (see **Table 1**). Just 3 of those sales, or 5%, occurred in Northwest City Center during that time, compared to 44% of the sales taking place in Northeast City Center, and 32% in Southeast City Center.

Table 1. Total Single-Family Housing Sales

Location	Total Sales 1/12 - 12/13	% of Total Sales 1/12	Median Sales \$ 1/12 - 12/13
Northwest City Center	3	5%	\$90,000
Northeast City Center	27	44%	\$85,000
Southeast City Center	20	32%	\$46,500
Southwest City Center	12	19%	\$81,250
Total	62	100%	\$80,450

Win2 Data

As the table indicates, median sales prices differ by location in Downtown Hagerstown, though three of the four areas have similar median sales prices. The highest median sales prices were found in Northwest City Center, where just three sales transactions took place in two years, so that figure is not likely the best indication of the sales market in that location. However, among the 27 sales in Northeast City Center, the median sales price was \$85,000, the second highest in the study area. A slightly lower median sales price was found in Southwest City Center at \$81,500, while the lowest - \$46,500 - occurred in Southeast City Center. Of all 62 sales transactions, just 16% of the homes sold for greater than \$125,000.

The highest priced home sales transaction - \$198,900 - in the two-year period examined occurred in 2012 in the Southwest section of the City Center on the 200 block of S. Potomac Street. The highest sales price in the City Center in 2013 occurred on S. Prospect Street, also in the Southwest Section, for \$180,000.

Despite the fact that highest sales prices from 2012 to 2013 occurred in 2012, sales housing trends in terms of numbers of sales and average sale prices per square foot throughout the City Center increased over the two year period examined (see **Tables 2 and 3**).

Table 2. Changes in Number of Sales, 1/12-12/13

Location	1/12 - 12/12	1/13 - 12/13	Change	% Change
Northwest City Center	0	3	3	--
Northeast City Center	10	17	7	70.0%
Southeast City Center	7	13	6	85.7%
Southwest City Center	6	6	0	0.0%
Total	23	39	16	69.6%

Win2 Data

As the table shows, the number of sales of single-family homes in the City Center increased by almost 70% from 2012 to 2013. While the Southeast section had the lowest median sales price during the period, it had the largest increase in number of sales, followed by the Northeast section. Southwest City Center experienced the same number of sales in both 2012 and 2013.

Table 3. Changes in Sale Price per Square Foot, 1/12-12/13

Location	1/12 - 12/12	1/13 - 12/13	Change	% Change
Northwest City Center	\$0.00	\$37.22	\$37.22	--
Northeast City Center	\$53.17	\$64.50	\$11.33	21.3%
Southeast City Center	\$41.75	\$46.72	\$4.97	11.9%
Southwest City Center	\$47.26	\$57.35	\$10.09	21.3%
Total	\$48.33	\$55.33	\$7.00	14.5%

Win2 Data

Table 3 shows that sale prices per square foot increased between 2012 and 2013 in each of the sections of City Center that experienced sales. Prices per SF increased the most in both the Northeast and Southwest sections by more than 21%, with an overall increase of almost 15% in the entire City Center. Also apparent is the relatively low price per SF of the three homes sold in 2013 in Northwest City Center compared to homes sold in the other sections. All of these trends support the notion that the strongest City Center markets for single-family sales housing appear to be the Northeast and Southwest sections.

New Sales Trends

All of the sales transactions examined above were for resale homes. We also examined new construction homes currently for sale to identify prices for comparison. While significant new construction is taking place in the Hagerstown area, a limited amount is occurring in the City of Hagerstown, and the only new housing currently available for sale in the City Center are condominiums in the Southwest section. These new condominiums are located in a recently-refurbished historic mansion



at 37 S. Prospect Street, called the Mount Prospect Building. Two units are currently for sale: a one-bedroom, one-bath 800 SF unit is offered at \$129,000 (\$162.38/SF); and a 930 SF unit with two bedrooms and one bath also offered at \$129,900 (\$139.68/SF). Both units offer hardwood floors, deluxe kitchens and baths, storage, and gated off-street parking. While the prices per SF for these condos are significantly higher than the average price per SF commanded in the City Center in 2013, one 735 SF unit recently sold in November 2013 for \$108,100, or \$147.07/SF, which is on-par for the two units currently on the market.

Other new construction in the City of Hagerstown is taking place outside of the City Center. The most comparable examples of new construction that could eventually be offered downtown are new townhomes. An example is Hagers Crossing, located adjacent to the Centre at Hagerstown shopping center. Examples of units for sale range from a 1,685 SF end unit three-bedroom townhouse with two and a half baths for \$190,450 (\$113.03/SF) to a similar 1,685 SF middle unit for \$185,550 (\$110.12/SF).

Another new development in the City is Collegiate Acres located off Salem Avenue just west of Interstate 81. Townhomes currently for sale in this location range from a 2,300 SF end unit with garage, three bedrooms, and two and a half baths for \$199,800 (\$86.87/SF) to a 1,344 SF unit with garage, three bedrooms, and two and a half baths for \$149,900 (\$111.53/SF).

Hagerstown City Center Housing Survey

In a further effort to assess the market for housing in City Center Hagerstown, an online survey was conducted through the City's Facebook page, as well as an e-mail blast to Downtown employees. The survey was publicized in the Herald Mail and posted in late January 2014. Respondents were asked whether they would be interested in living in Downtown Hagerstown if attractive, affordable housing and/or financial incentives were made available and to indicate what type of housing they would prefer. Respondents were also asked to indicate their age, household size, current rent or mortgage obligations, and income. The survey instrument is attached in **Appendix 1**.

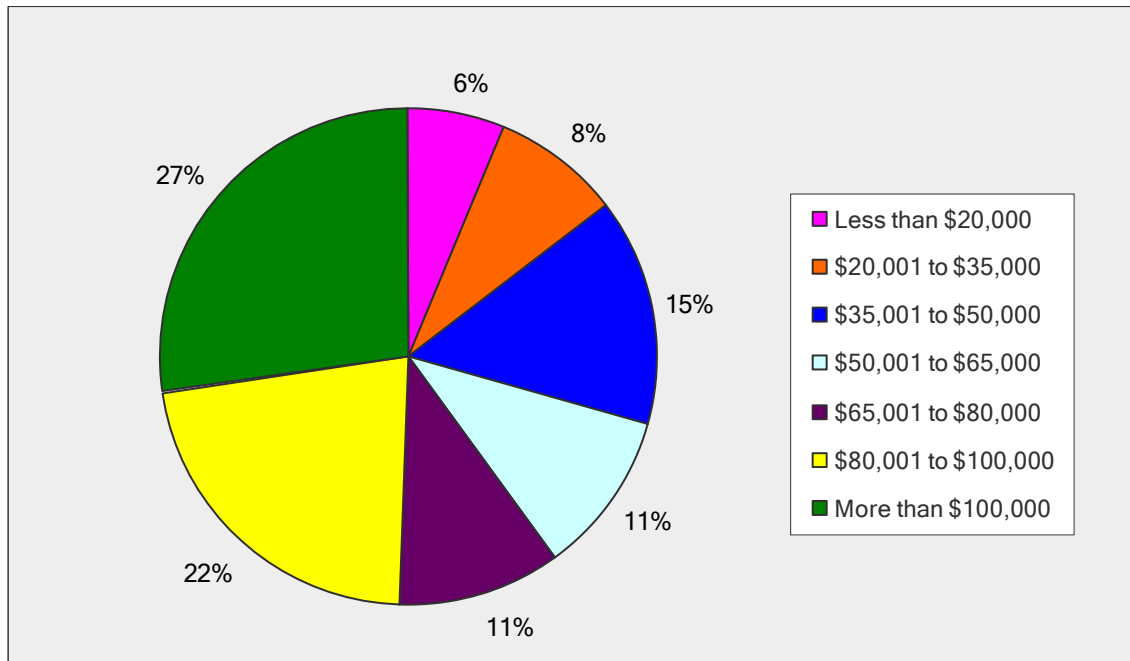
A total of 395 people completed the survey, however not all respondents answered every question. Of the respondents, 48.3% are male, and 51.7% female. The vast majority - 64.7% - are two-adult households, while another 17.5% live alone. Almost half of the respondents - 49.4% - are between 36 and 55 years old. Downtown workers are 42.9% of the respondents. The most popular home zip code of respondents is 21740, where 39.1% live, followed by 21742 at 35.6%. Pennsylvania residents make up 6% of respondents, and just 0.3% live in West Virginia.

Interest in Living Downtown

Of the total respondents, 100, or 25%, indicated that they would be interested in living in Downtown Hagerstown if attractive, affordable housing were available. It is important to note that this level of response falls below a statistically significant finding; therefore, we will use this information as an indication of potential housing market interest.

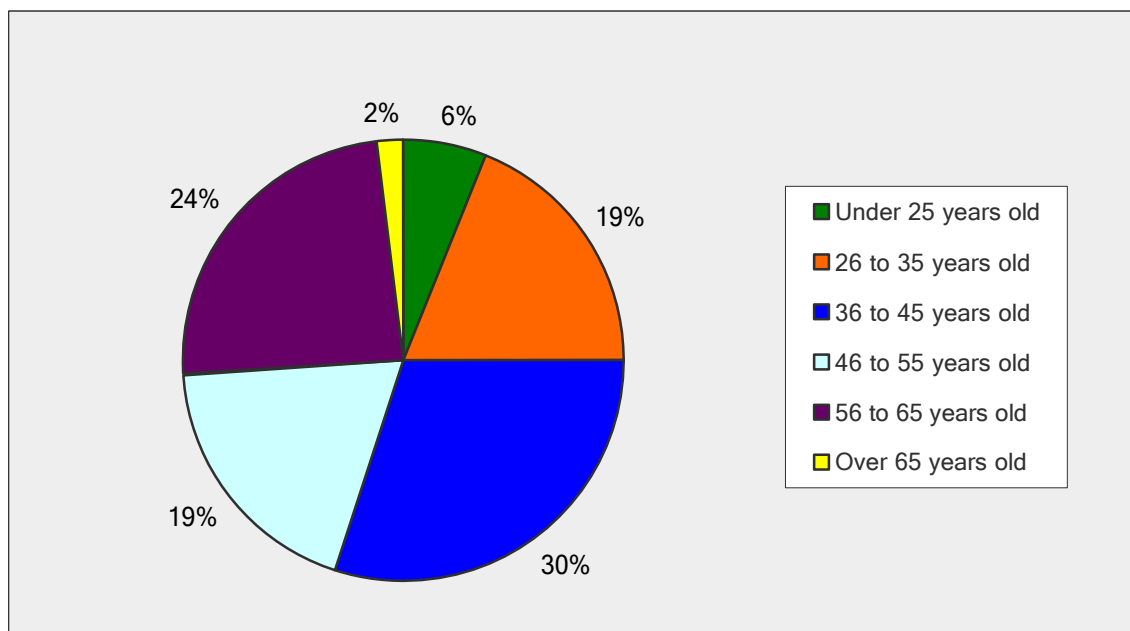
Respondents who expressed interest living Downtown appear to come from higher-income households (see **Figure 1**). Of the respondents interested in living downtown, 71% have incomes above \$50,001; 27% have incomes over \$100,000, 22% earn between \$80,001 and \$100,000, and 11% have incomes between \$65,001 and \$80,000. The median household income of respondents positive about Downtown living is nearly \$79,000.

Figure 1. Annual Household Incomes of Respondents Interested in Living Downtown



Respondents positive toward Downtown living typically cluster within younger age cohorts. However, in the case of Hagerstown (see **Figure 2**), interest in Downtown living was spread almost evenly throughout the adult working age population with 92% of those showing interest being in the 26 to 65 age brackets. Within this group, the cohort of respondents aged 36-45 showed the greatest interest in living Downtown (30%).

Figure 2. Current Age Cohorts of Respondents Interested in Living Downtown



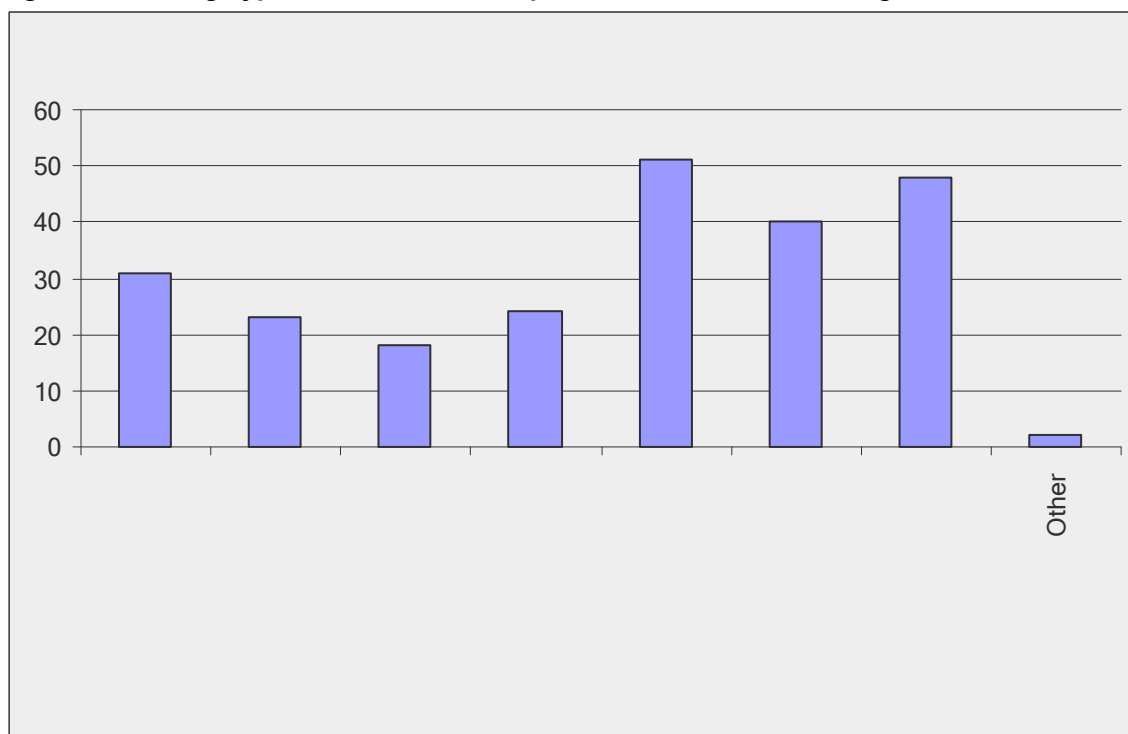
Two-person households show the most positive response to living Downtown with 60% indicating interest, followed by 25% of households with one person and 15% of households with 3 or more adults.

Of respondents interested in living Downtown, 64% currently own their homes and 36% rent. Of the current renters, 34% say they would prefer to own a home in Downtown Hagerstown, indicating the possibility of attracting some first-time home buyers, while the remaining 66% of current renters would prefer to continue renting. Overall, of all positive respondents, 71% indicated that they would prefer to own a home Downtown.

Among respondents interested in living Downtown, 57% live in single-family detached homes, compared to 71% of all survey respondents who currently live in single-family homes. Of those single-family home dwellers, 21% expressed interest in living Downtown. The remaining respondents live in apartments, condos, townhouses, and warehouse lofts. 34% of those dwellers expressed interest in Downtown living.

Residents who had positive responses to living Downtown were asked to identify all housing types in which they would consider living (see **Figure 3**). These respondents had a wide range of housing preferences. The most favored type of housing among positive respondents is a renovated/historic building, agreeable to 51 respondents, followed by warehouse loft/conversion, converted upper floor of an existing building, and single-family detached homes. This pattern indicates an overall preference for reusing and rehabilitating Hagerstown existing building stock for living versus new housing construction.

Figure 3. Housing Type Preferences of Respondents Interested in Living Downtown

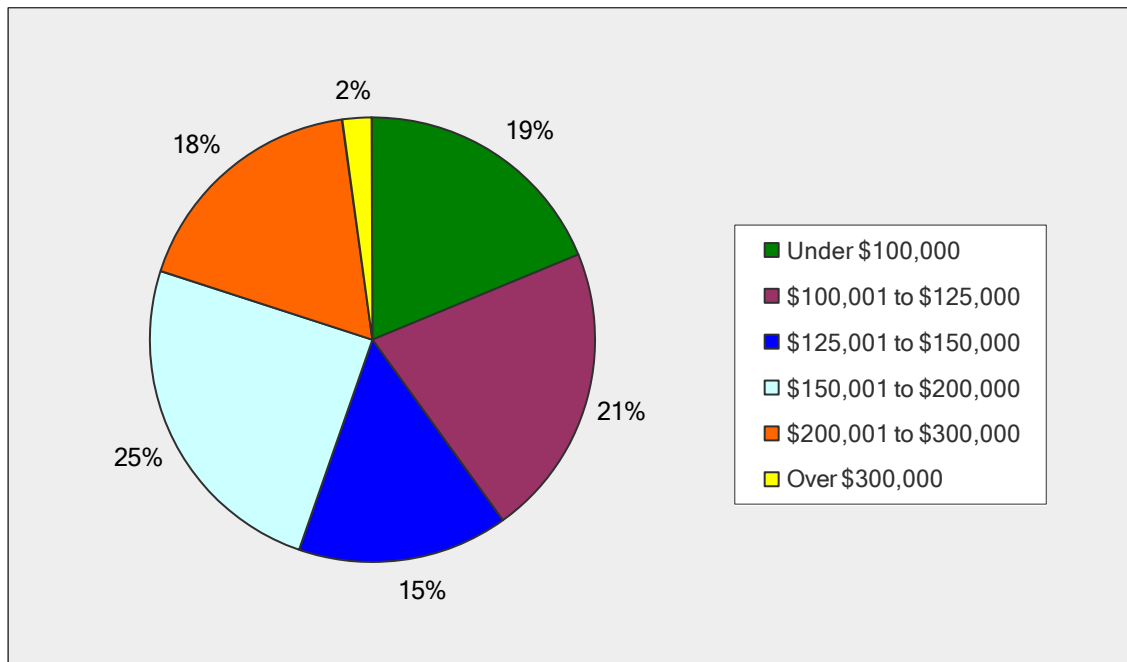


Respondents interested in living Downtown were also asked to identify the amenities that are important in their housing decisions. When asked to identify the amenities that are 'very important' in deciding where to live, central air conditioning was the most important factor (voted 'very important' by 77% of respondents); followed by having on-site parking (72%); having nearby shopping, restaurants, arts/culture (71%); security (65%); new kitchen/baths (59%); storage (52%); and a porch/balcony and historic architecture (tied at 46%). At the low end of importance, amenities deemed 'very important' by the fewest respondents included a swimming pool (2%), exercise room/jacuzzi (4%), and fireplace (12%).

The most common range of current rent or mortgage is \$601 - \$800 per month, paid by 28% of respondents interested in living Downtown. 16% of potential Downtown residents currently pay between \$801 and \$1,000 per month, while 40% currently pay more than \$1,001 per month, while 42% of those pay more than \$1,500 per month. At the low end, just 7% pay less than \$400 per month.

Of the respondents interested in owning a home Downtown, only 19% indicated that they would only be willing to pay less than \$100,000 for a home (see **Figure 4**), while 21% said they would pay between \$101,000 and \$125,000. 60% of potential Downtown home purchasers indicated a willingness to pay more than \$125,000 for that home, with 20% indicating capacity to pay more than \$200,000.

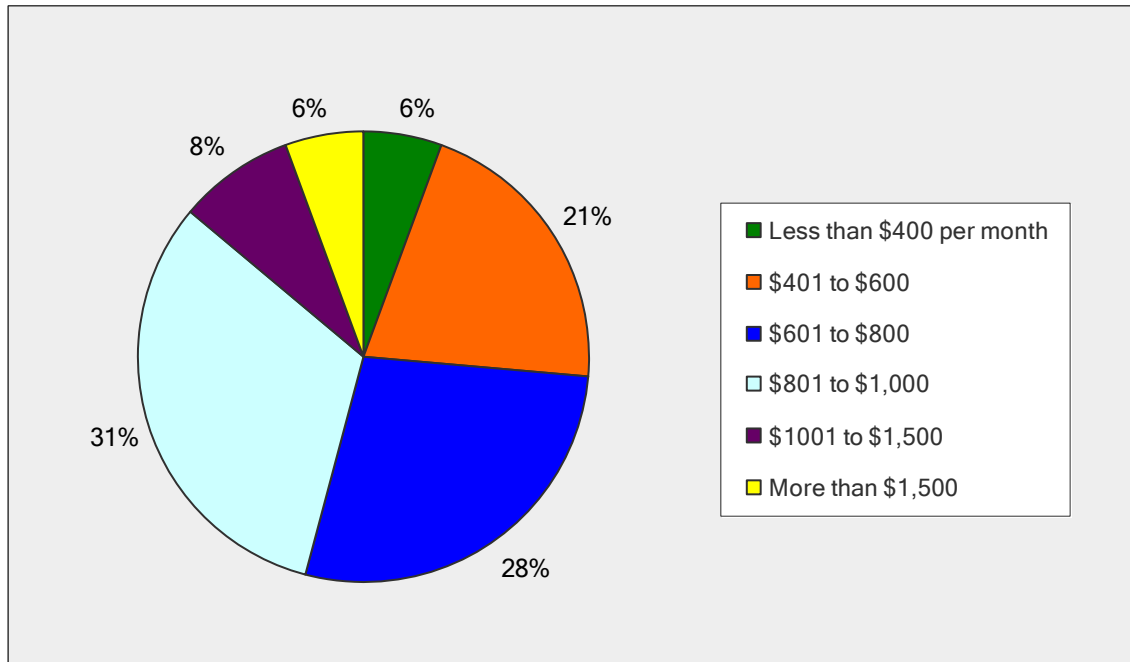
Figure 4. Home Price Levels Affordable to Respondents Interested in Living Downtown



Potential Downtown renters, on the other hand, were seeking greater affordability. 55% were seeking rents below \$800 per month, including 27% seeking rents below \$600 (see **Figure 5**). These potential Downtown renters, however, were not seeking bargains compared to their current rent levels—reported data indicates that prospective Downtown residents are willing to pay at least the same amount per month that they currently pay elsewhere. We should note, however, that

there is a group of potential renters (45% of those interested in Downtown rentals) that indicated that they would pay between \$801 or more per month, including 14% willing to pay above \$1,000.

Figure 5. Rent Levels Affordable to Respondents Interested in Living Downtown



Considering the above analysis of the Downtown Housing Survey results, all of the respondents interested in living Downtown (100) fall into one of five clusters:

- **Prospective Owners who Prefer a Historic Rowhouse:** 39 respondents or 39% of total positive respondents
- **Prospective Owners who Prefer an Older Building but not a Historic Rowhouse:** 19 respondents or 19% of total positive respondents
- **Prospective Owners who Do Not Want an Older Building:** 12 respondents or 12% of total positive respondents
- **Prospective Renters who Prefer an Older Building:** 17 respondents or 17% of total positive respondents
- **Prospective Renters who Do Not Want an Older Building:** 13 respondents or 13% of positive respondents

Below is a description of the three clusters of prospective Downtown owners. A description of the prospective renters can be found in the next section, which addresses the rental housing market.

Prospective Owners who Prefer a Renovated/Historic Rowhouse

This cluster of 39 respondents is the largest, and defined as individuals who are interested in purchasing a renovated/historic rowhome in Downtown Hagerstown, but would consider purchasing other housing types. Of this cluster,

- 17 would consider a converted upper floor of an existing building,

- 21 would consider a warehouse/loft/other historic renovation,
- 34 of the respondents in this group are two or more adult households - just five households have one adult.

The median household annual income for this cluster ranges between \$80,001 to \$100,000, and the median age cohort is 36 to 45 years old. Of these respondents,

- 32 currently own their home, so they are interested in continuing home ownership Downtown,
- Households in this group overwhelmingly occupy single-family detached homes currently (25), most of which have three or four bedrooms,
- Only 9 would consider replicating that type of house Downtown,
- Just 4 currently live in a renovated/historic rowhome,
- 33 respondents in this cluster desire at least a two-bedroom home, and 24 desire two or more bathrooms.

The group expressed interest in a range of price points;

- 2 are hoping to find a home for under \$100,000,
- 11 are willing to pay between \$100,001 and \$125,000,
- 8 are willing to pay between \$125,001 and \$150,000,
- 13 are willing to pay \$150,001 to \$200,000,
- 3 would pay \$200,001 to \$300,000, and
- 2 would pay more than \$300,000 to live Downtown in a renovated/historic rowhouse.

Prospective Owners who Prefer an Older Building but not a Historic Rowhouse

A cluster of 19 respondents is the second largest, and defined as individuals who are interested in purchasing a housing unit in an older building in Downtown Hagerstown, but not a renovated/historic rowhome, and would consider purchasing other housing types. Of this cluster,

- 13 would consider a converted upper floor of an existing building and
- 14 would consider a warehouse/loft/other historic renovation.
- Four of the respondents in this group are one-adult households, while 10 consist of two adults.

Like the first cluster, the median household annual income for this cluster ranges from \$80,001 to \$100,000. The median age cohort is 46 to 55 years old. Of these respondents,

- 16 currently own their home, so they are interested in continuing home ownership Downtown.
- Households in this group overwhelmingly occupy single-family detached homes currently (14), most of which have three or four bedrooms.
- Only 4 would consider replicating that type of house Downtown, however.
- 8 of respondents in this cluster desire fewer bedrooms than they currently have, so it appears this cluster is looking to downsize.

The group also expressed interest in a range of price points;

- 2 are hoping to find a home for under \$100,000,
- 3 are willing to pay between \$100,001 and \$125,000,
- 4 are willing to pay between \$125,001 and \$150,000,
- 4 are willing to pay \$150,001 to \$200,000, and
- 6 would pay \$200,001 to \$300,000 to live Downtown in an older building.

- None of the respondents would pay more than \$300,000 for this type of housing Downtown.

Prospective Owners who do Not Want an Older Building

A third cluster of 12 respondents is defined as individuals who are interested in purchasing a home in Downtown Hagerstown, but not a renovated/historic rowhome, a converted upper floor of an existing building, or a warehouse/loft/other historic renovation. Of this cluster,

- half would consider a single-family detached home,
- 5 would consider a new townhouse, and
- 3 a high-rise condo.
- 10 of the respondents in this group are two-adult households or less.

The median household annual income for this cluster ranges between \$65,001 and \$80,000, lower than the other two clusters of prospective Downtown home purchasers. The median age cohort is 36 to 45 years old. Of these respondents,

- 10 currently own their home, so they are also interested in continuing home ownership Downtown.
- Half of the households in this group currently occupy single-family detached homes, 4 of which have three or four bedrooms.
- The remainder of the respondents currently live in newer townhomes.
- 7 of respondents in this cluster desire at least as many bedrooms as they currently have.

The group also expressed interest in a range of price points;

- 2 are hoping to find a home for under \$100,000,
- none suggested a sales price between \$100,001 and \$125,000,
- 3 are willing to pay between \$125,001 and \$150,000,
- 4 are willing to pay \$150,001 to \$200,000, and
- 3 would pay \$200,001 to \$300,000 to live Downtown.
- None of the respondents would pay more than \$300,000 for this type of housing Downtown.

Respondents Not Interested in Living Downtown

While more than 25% of respondents to the Downtown Housing Survey (100) indicated an interest in potentially living in the City Center, as described above, the remaining 75% of the respondents (295) said they would not live Downtown. When asked specifically why, respondents listed a number of reasons, the most common of which include:

- There is too much crime; drugs and gangs are a problem and there's not enough police presence
- There is too much Section 8 and low-income housing
- There are too many homeless and transient people on the streets
- There are too many social service agencies
- It's too dirty and not kept up enough
- Too many buildings are vacant and in disrepair
- The homes are not large enough
- There is not enough green space and trees
- There are not enough businesses and services to serve residents

- Parking is a problem
- A more rural lifestyle is preferred

The most common complaint was the impression that crime is too high in the City Center to live there comfortably, especially for families with children. This sentiment was often coupled with the more specific comments about low-income housing, homelessness, and social service agencies.

Sales Housing Market Potential for the City Center

It appears from the City Center Hagerstown Housing Survey results that there is a substantial pool of residents who now own homes and would be interested in living Downtown in older historic and renovated properties, including rowhouses, upper floors of buildings, or warehouse/loft arrangements. This pool appears poised to pay significant price points for these desired housing types; about half indicated a willingness to pay more than \$150,000 for a Downtown home. At the same time, there has been a notable amount of property sales in City Center Hagerstown over the past two years. However, there doesn't appear to be any significant level of rehabilitation activity of area historic properties by developers. As historic resale product becomes available, it is often in an unknown state and not always in move-in condition. Therefore, the capacity for which this renovation activity could occur by the local development community to capture the market of these potentially interested buyers should be examined further.

There's also a smaller but still significant interest in new housing product for purchase, most likely in the form of townhomes. Based on the survey results, there would be reason for local developers to pursue that type of product as well. It is also reasonable to conclude that both the southwest and northeast sectors seem to be the areas where healthy price points are currently being commanded. Therefore it is these areas that likely have the most potential for creating additional market-rate housing momentum through both new and rehab development activity.

Residential Market: Rental Housing

Urban Partners also examined the downtown Hagerstown rental housing market to determine the potential for new for-rent residential development in the Downtown area. The same geographic area of the City Center examined for sales housing was used for identifying the characteristics of apartments currently available for rent.

According to the Department of Community and Economic Development's 2013 *State of the Downtown Report*, 74% of the approximately 1,250 occupied units in the three Census tracts that contain the downtown are rental units. The report also states that the average median rent in those same three Census tracts is \$669 per month. While this area is different than our defined area for the market analysis, these figures provide a valuable snapshot of the downtown rental housing situation.

Rental housing in Hagerstown's City Center can be categorized into two distinct segments - subsidized rental housing, and market-rate housing.

Subsidized Rental Housing

According to the 2013 *State of the Downtown Report*, 43% of occupied units in the downtown area are subsidized for low-income residents. These properties mostly include large multi-story buildings targeted to seniors and residents with disabilities, with the remaining properties being scattered sites or units occupied by Section 8 tenants. Buildings in the City Center containing subsidized housing for seniors and special needs populations include the following:

Northwest CC (Census Tract 4)

- Walnut Towers - 150 units

Northeast CC and Beyond (Census Tract 7)

- Elizabeth Court - 111 units
- Alexander House - 94 units
- Holly Place (assisted living) - 15 units

Southwest CC (Census Tract 8)

- Potomac Towers - 326 units
- C.W. Brooks - 60 units

Buildings in the City Center containing subsidized housing for non-senior individuals and families include the following:

Northwest CC (Census Tract 4)

- Bethel Gardens - 94 units
- Douglass Court - 30 units
- Parkside - 39 units

Map 2. Downtown Census Tracts



Northeast CC and Beyond (Census Tract 7)

- Frederick Manor - 125 units



In addition, the City Center area contains many scattered sites and units housing recipients of Section 8 vouchers. In Census Tract 4, there are 10 scattered sites and 79 vouchers. For the remaining Census Tracts containing portions of the City Center, some of the scattered sites and vouchers may be located outside of the downtown. However, it is clear from the City's inventory that the downtown contains a disproportionate amount of subsidized housing:

- Census Tract 5 contains 192 vouchers,
- Tract 6.01 contains 29 vouchers and 8 scattered sites,
- Tract 6.02 contains 26 vouchers,
- Tract 7 contains 124 vouchers, and
- Tract 8 contains 90 vouchers.

Section 8 vouchers are not tied to the address, so recipients are able to move and live anywhere vouchers are accepted.

Market-Rate Rental Housing

Market-rate rental housing in the greater City Center area tends to be located in renovated older and historic townhouses, rowhouses, and doubles. **Map 3** on the next page shows the locations of various available rental housing units as of late January 2014, and **Table 4** shows a sample listing of some of those available properties in greater detail.

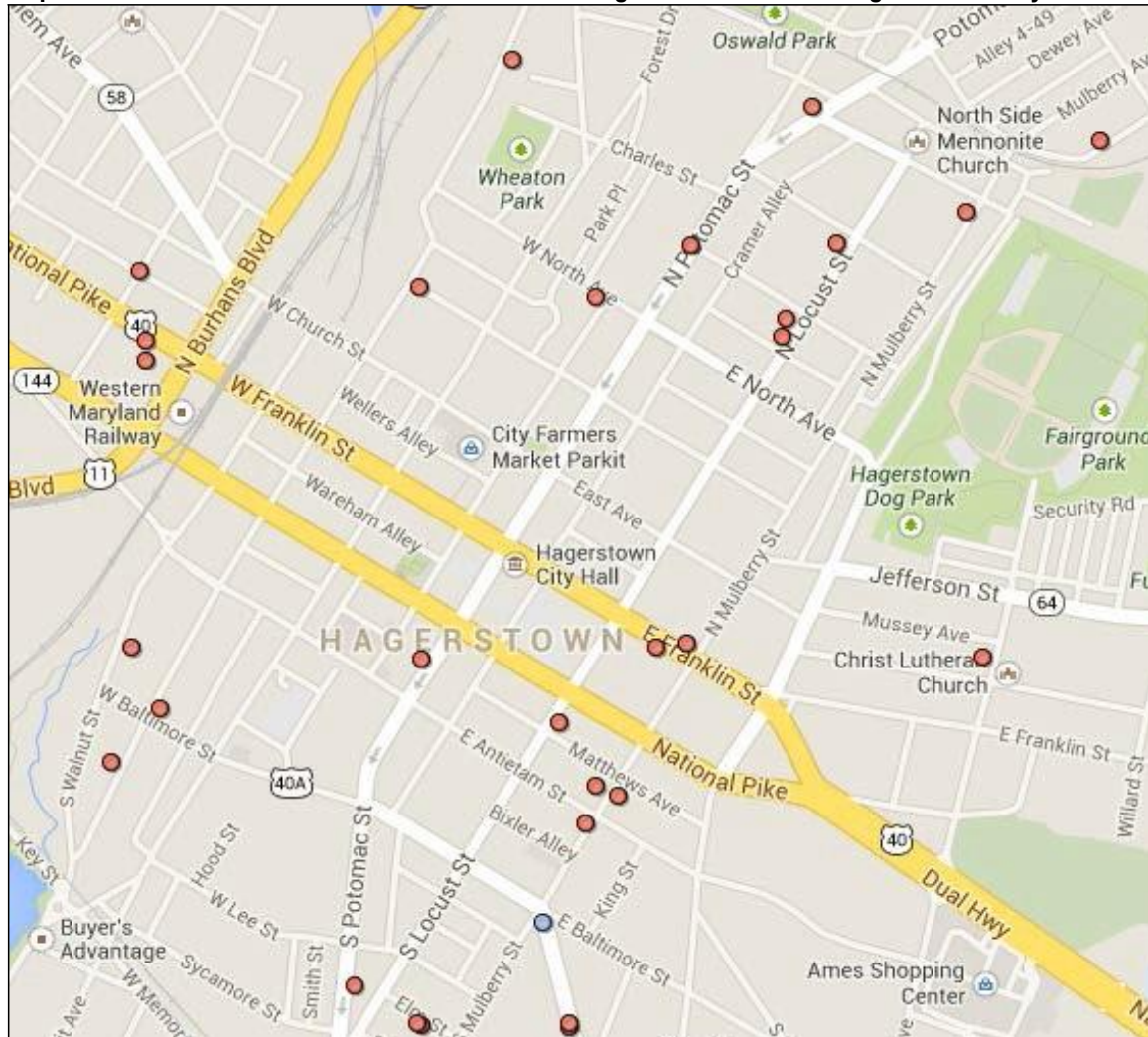
As the table indicates, there are a variety of market-rate rental options in Hagerstown's City Center in terms of price, size, and amenities as of late January 2014. Monthly rents range from \$500 for a one-bedroom unit to almost double that - \$975 - for a three-bedroom, with other variations in between. Amenities are fairly typical of units in older homes, with renovated kitchens and baths,



Sample market-rate units available for rent in Downtown Hagerstown

hardwood floors, porches, fireplaces, and some outdoor space. Many of the available units have on-site laundry and off-street parking. For listings that included apartment size, we were able to calculate rent per square foot to further compare availability. Rents for these listings range from \$.48 per square foot to \$1.04 per month.

Map 3. Location of Various Market-Rate Rental Housing Units Available in Hagerstown's City Center



Source: mapliv.com

Table 4. Sample Listings for Market-Rate Rental Housing Available in Hagerstown's City Center

Address	Rent	SF	Rent/SF	BR	BA	Utilities	Description
178 S. Prospect Street	\$650	650	\$1.00	0	1	+ Electric	Large studio, 12-foot ceilings, large windows, hardwood floors, on-site laundry, off-street parking.
107 S. Mulberry Street	\$500			1	1	+ Electric	Newly renovated, hardwood floors, pets allowed.
140 E. Franklin Street	\$550			1	1	+ Electric	On-site laundry, wireless included.
34 S. Mulberry Street	\$550			1	1	+ Electric	2nd floor unit, updated kitchen, hardwood floors, carpet, AC.

Table 4 cont. Sample Listings for Market-Rate Rental Housing Available in Hagerstown's City Center

Address	Rent	SF	Rent/SF	BR	BA	Utilities	Description
541 N. Potomac Street	\$595			1	1	+ Utilities	Large bedroom, big closets, off-street parking.
113 E. Franklin Street	\$600			1	1	+ Utilities	Large unit, new carpet and paint, fenced rear yard, pets considered.
213 N. Cleveland Avenue	\$625	600	\$1.04	1	1	+ Utilities	Newly painted, new flooring, private fenced-in yard, storage, washer hook up, large covered porch.
429 N. Locust Street	\$675			1	1	+ Electric	Large unit, hardwood floors.
138 E. Antietam Street	\$695	690	\$1.01	1	1	+ Utilities	Condo at The Darby, gated parking, central AC, security, high-end appliances including washer/dryer.
162 S. Walnut Street	\$700			1	1	+ Utilities	Partially-furnished house, large yard, off-street parking, across from park.
322 S. Potomac Street	\$750	1,100	\$0.68	1	1	+ Electric	Quiet building, on-site laundry, detached garage.
144 W. Bethel Street	\$600			2	1	+ Utilities	Unique duplex, eat-in kitchen, small patio.
63 Broadway	\$700			2	1	+ Utilities	Hardwood floors, off-street parking, security system, pets allowed.
127 E. Franklin Street	\$700			2	1	+ Electric	Newly renovated, eat-in kitchen.
127 Elm Street	\$750			2	1	+ Utilities	Duplex, washer/dryer hook up, large kitchen with outdoor access, backyard with deck, garage, storage.
124 Wayside Avenue	\$900			2	1	+ Utilities	Updated full house, modern kitchen, fireplace, 3 off-street parking spaces, large rear yard.
233 S. Prospect Street	\$950	2,000	\$0.48	2	1	+ Electric	Hardwood floors, high ceilings, 3 fireplaces, gourmet kitchen, storage, private porch, back yard.
18 S. Locust Street	\$800			3	1	+ Utilities	Large historic duplex, washer/dryer hook up.
266 Frederick Street	\$975			3	1	+ Utilities	Spacious home, newly renovated, new flooring, large front porch, large back yard, off-street parking.

mapliv.com

Hagerstown City Center Housing Survey

As noted above, the Hagerstown City Center Housing Survey identified two clusters of respondents who expressed interest in renting Downtown.

Prospective Renters who Prefer an Older Building

The first cluster of 17 respondents is defined as individuals who indicated an interest in renting an apartment in an older building in Downtown Hagerstown, but are willing to consider a newer unit as well. Of this cluster,

- 13 would consider a warehouse/loft/other historic renovation,
- 12 would consider a renovated/historic rowhouse, and
- 10 would consider a converted upper floor of an existing building. In addition,
- 7 would consider a low-rise or garden apartment,

- 6 a single-family detached home, and
- 4 would consider both a high-rise apartment and new townhouse.
- 8 of the respondents in this group are one-adult households.

The median household annual income for this cluster is \$35,001 to \$50,000, significantly lower than that of households with respondents interested in purchasing a home. The median age cohort is 46 to 55 years old. Of these respondents, 7 currently own their home, so they are interested in ending their commitment of home ownership as part of a move Downtown.

Households in this group currently occupy a variety of home types:

- 9 live in single-family detached homes,
- 4 live in historic rowhomes, and
- 4 live in low-rise or garden apartments.
- 11 have three or more bedrooms in their existing home, 5 of whom desire fewer bedrooms than they currently have.

The group also expressed willingness to pay a range of rents;

- one respondent hopes to pay less than \$400,
- 3 are hoping to rents of \$401 to \$600 per month,
- 5 are willing to pay between \$601 and \$800,
- 6 are willing to pay between \$801 and \$1,000,
- 1 is willing to pay \$1,001 to \$1,500, and
- 1 would pay more than \$1,500.

Prospective Renters who Do Not Want an Older Building

A second cluster of 13 respondents is defined as individuals who expressed interest in renting in Downtown Hagerstown, but not in an older building such as a renovated/historic townhouse, the upper floor of an existing building, or warehouse/loft/other historic renovation. Of this cluster,

- 7 would consider a high-rise apartment,
- 6 would consider a low-rise or garden apartment, and
- 4 would consider both a new townhouse and a single-family detached home.
- 7 of the respondents in this group are one-adult households, while
- 4 contain two adults.

The median household annual income for this cluster is \$20,001 to \$35,000, even less than that of households with respondents interested in renting an older building. Like most of the other clusters, the median age cohort is 46 to 55 years old. All of the respondents in this cluster currently rent.

Households in this group overwhelmingly occupy apartments currently:

- 5 live in low-rise or garden apartments and
- 2 live in high-rise apartments, while
- 2 live in single-family detached homes.
- 10 respondents in this cluster currently have two or fewer bedrooms, and
- 5 wish to increase that number.

The respondents in this group hope to pay the least rent among clusters examined;

- 3 hope to pay less than \$400 per month,
- 7 are hoping to rents of \$401 to \$600 per month,
- 1 is willing to pay between \$601 and \$800, and
- 2 are willing to pay between \$801 and \$1,000.
- No respondents in this cluster would pay more than \$1,500 per month.

Rental Housing Market Potential for the City Center

Based on the analysis of the Downtown rental housing market, it appears that 1-bedroom units are commanding the highest rents per square foot among those currently available. The highest priced units appear to be located in or closest to Northeastern City Center. The available 2-bedroom units are similarly priced as the 1-bedroom units, resulting in lower rents per square foot. These units are scattered about the City Center. The few 3-bedroom units available are modestly priced compared to the other advertised units, indicating a potential issue with quality and/or location. Both are in the Southeastern City Center section.

Results of the Hagerstown City Center Housing Survey revealed that 25% of respondents indicated a potential interest in renting Downtown. The results identified two types of potential renters – those clearly seeking an older type of housing, whether historic rowhouse or warehouse loft style, and those seeking new construction. Of the former, this cluster of potential renters is also split between those able to afford rents less than \$800 per month and those willing to pay more than \$800. For the latter group, there is very little higher-end rental product currently available in Downtown Hagerstown to accommodate that demand, particularly with central air, parking, and storage that they require. Therefore, it appears that there's a potential market for an attractive move-in-ready Downtown rental product, but less demand than housing for purchase. However, like sales housing, this demand could be a potential opportunity for the local development community.

Retail Market

Downtown Retail Supply

The Sustainable Community Action Plan outlines several recommendations that could potentially support an expansion of Downtown retailing. To identify and characterize retail development opportunities available within Downtown Hagerstown, Urban Partners updated an inventory of Downtown retail business establishments prepared by the City of Hagerstown's Department of Community and Economic Development in July, 2012. That inventory found 80 businesses providing retail goods, dining, and personal services within the defined City Center.

For that inventory and for this analysis, we are focused chiefly on retail stores engaged in selling merchandise for personal and/or household consumption and on establishments that render services incidental to the sale of these goods. Selected service establishments are also included, especially those businesses primarily providing personal services to individuals and households, such as hair and nail salons and laundry and dry cleaning establishments. All retail establishments in the area were classified by type of business according to the principal lines of merchandise sold and the usual trade designation. In general, this classification follows the numeric system established for both government and industry practice – the NAICS.

The term “retail store sales” in this analysis includes sales by establishments that are normally found in pedestrian-oriented retail shopping areas. This definition excludes the sales of automobile dealerships and repair facilities, service stations, fuel oil dealers, and non-store retailing. Banks and other financial establishments are also excluded from this assessment because banking activities – deposits, loans, etc. – cannot be added to sales volume data for other types of retail establishments. Unlike many secondary data sources, such as the Bureau of the Census, however and as noted above, this definition does include the sales of service establishments such as barber shops, hair and nail salons, and dry cleaners.

Table 5 describes the current range of stores available within City Center Hagerstown in July 2012 and in our January 2014 update (see **Appendix 2** for a complete listing). As of July 2012, City Center Hagerstown included 80 operating retail businesses; by January 2014, this total had declined to 75. This net decline of 5 stores, however, masks a much more extensive set of changes. During this 18 month period, 22 of the 80 stores found in July 2012 left the area and 17 new stores arrived. In addition, two other businesses relocated within the area.

More than 30% of these establishments (23) are full- and limited-service restaurants and bars serving a broad range of market segments including nearby residents, employees, event-goers, and the overall Washington County market. Another 17 stores (23%) are hair salons and laundries/dry cleaners. The other 35 stores are scattered among 15 broad categories of retailing, serving both nearby and more distant markets. The area includes three or more stores in these six categories:

- three floor covering stores
- four specialty food stores
- three clothing and accessories stores

- four gift shops
- four antique stores and art dealers, and
- three used merchandise stores.

Table 5. Downtown Hagerstown Retail Supply

Retail Category	# Stores 7/2012	# Stores 1/2014	Stores Left 2012-14	Stores Opened 2012-14	2014 % of County Supply
Antiques & Art Dealers	5	4	1		44.4%
Auto Parts	0	0			0.0%
Bars and Lounges	4	3	1		9.7%
Books; Other Specialty	0	0			0.0%
Camera & Photographic Equipment	0	0			N/A
Clothing, Jewelry & Shoes	4	3	1		2.4%
Computer & Software	0	0			0.0%
Convenience Stores	2	2	1	1	4.2%
Cosmetics, Beauty Supply	1	2		1	22.2%
Dollar Stores/Other General Merchandise	1	0	1		0.0%
Drug Store/Pharmacy	2	2	1	1	8.7%
Electronics	0	0			0.0%
Floor Coverings	3	3			27.3%
Florist	1	0	1		0.0%
Full-Service Restaurants	16	14	7	5	15.4%
Furniture	0	0			0.0%
Gifts	5	4	1		21.1%
Grocery Store, Supermarket	1	1			3.8%
Hair Salon	15	14	3	2	24.6%
Hardware Stores	0	0			0.0%
Home & Garden Centers; Other Building Materials	0	0			0.0%
Laundries; Dry Cleaning	3	3			6.8%
Limited-Service Restaurants	1	6		5	4.7%
Liquor and Beer Distributors	2	2			6.1%
Musical Instruments	0	0			0.0%
Office Supply	0	0			0.0%
Optical Goods	0	0			0.0%
Other Health/Personal Care	1	1			7.7%
Other Home Furnishings	0	0			0.0%
Other Miscellaneous Retail Stores	1	1			7.1%
Other Used Merchandise	6	3	3		37.5%
Paint & Wallpaper	0	0			0.0%
Sewing	0	0			0.0%
Specialty Food	3	4	1	2	36.4%
Sporting Goods	2	2			18.2%
Toy & Hobby	1	1			14.3%
Total	80	75	22	17	8.3%

City of Hagerstown, 7/2012 and Urban Partners, 1/2014

On Table 5, we also note for each category the share of all Washington County stores that can be found in the City Center. The most recent detailed and systematic data base of retail establishments in Washington County is the 2007 U. S. Economic Census; the 2012 Economic

Census will be published later this year. Based on the data from that 2007 Census, Washington County includes about 900 businesses in the retail/service categories included in this analysis. Hence, the City Center's 75 retailers represent overall 8.3% of all Washington County retailers.

However, the City Center does include a much more significant share of the retail supply in several specific categories:

- first, City Center's 14 full-service restaurants are a significant concentration of all full-service dining in the County—more than 15% of such restaurants—and represent a major strength of City Center;
- second, in certain non-apparel specialty goods categories, the two to four City Center stores represent 18% to 44% of all stores in the County. These categories include specialty sporting goods, antiques and art dealers, gift shops, cosmetics/beauty supply, and floor coverings;
- third, City Center includes almost 25% of all hair salons in the County; and
- fourth, City Center includes more than 33% of freestanding specialty foods retailers in the County as well as being the home of the City Farmers Market (not included in this inventory).

Survey of Retail Businesses

Urban Partners conducted in-store interviews with the owners or managers of nine Downtown Hagerstown retailers to gather qualitative information about the nature of their businesses, recent trends, and observations about the retail environment. The interviewees were distributed throughout the Downtown area and across different retail category types. The following data and analysis is limited exclusively to the interviewed businesses.

Business Longevity

Surveyed businesses include those that have been in operation for more than 40 years and newer businesses that had only been in operation for just a few months. The businesses that were surveyed have been in operation in the Downtown for an average of 24 years. About 56% of them have been in business for more than 20 years, which indicates that there are still a stable group of businesses in Downtown Hagerstown. But it is also attracting new businesses, as two of the nine surveyed have been open for less than a year, and two others have taken over ownership of an older business within the last year.

General Business Characteristics

The nine businesses interviewed are independently owned and operated. Interviewed businesses include a consignment shop, specialty sporting goods store, jewelry accessory store, beauty supply store, bar/tavern, antique store, full-service restaurant, limited-service restaurant, and a bakery. The interviewed businesses employ generally a small number of employees, both full- and part-time, with a total number of employees typically ranging from one to five. The bar and restaurants, however, employ between 10 and 20 workers. Of the retailers who were surveyed, 1/3 said they own their properties and 2/3 lease their retail space. One merchant reported that he's in the process of purchasing his current retail space.

Hours of Operation

Just two of the nine businesses surveyed - both serving breakfast-related food items - open their doors before 10 am most days, and both open at 7 am. One opens at 9, three open at 10, and the remaining open at 11. The latest-opening businesses are sit-down restaurants that do not serve breakfast, but are open for lunch and dinner. While the majority of interviewed businesses close between 5 and 6 pm, the restaurants all stay open later. Those serving liquor tend to stay open the latest. One is open until 2 am. None of the interviewed retail businesses are open every day. All businesses except one are open Sundays, though they tend to be closed another day of the week like Monday or Tuesday. When asked about their busiest times of operation, business owners overwhelmingly responded the lunch hour, or between 11 am and 2 pm, or evenings just before closing. The busiest time of year by far appears to be the holidays from Thanksgiving through New Years.

Recent Sales Trends and Space Needs

Sales trends have been varied among the interviewed retailers; four (44%) reported that sales had increased over the previous year, three (1/3) reported a decline in sales, and the remaining two reported sales figures remaining about the same. Those two are the newest of the businesses interviewed, both having opened in 2013. Of the four businesses with increased sales, two expressed an interest in expansion, either into a new location with larger space or into an upper level of the existing location. A third business indicated that expansion would be considered once the future of downtown retailing is more solidified. Another business, with slightly declining sales, wishes to expand on-line sales through its website.

Opportunities and Challenges in the Business District

When asked about opportunities and challenges in Downtown Hagerstown, several businesses cited examples of each. One reported that the University System of Maryland at Hagerstown facility has helped bring business to the store, and that Downtown events are good for bringing in new customers. Another merchant said that the Downtown offers a great location and faithful customers. On the other hand, several businesses reported that Downtown needs additional businesses (and new residents) to generate foot traffic. Some retailers mentioned a concern over the many social service entities Downtown as well as loitering that can drive customers away. Regarding parking, generally the merchants did not express concern over cost or availability to their customers.

Customer Base and Components of Retail Demand

Interviewed retailers were asked to assess the various market segments that make up their customer bases. Downtown workers are an extremely important customer segment for all Downtown retailers, but especially for frequent-purchase/daily-needs stores such as community-serving businesses and limited-service restaurants. For these businesses, Downtown workers are seen as half or more of the customer base, and in some cases up to 80%. The specialty retailers and full-service restaurants tend to get the majority of their customers - up to 80% - from other areas of Hagerstown, Washington County, and adjacent portions of West Virginia, Pennsylvania, and Maryland (particularly Frederick), as they are more of a destination. However, no business interviewed felt that more than 20% of their customer base is from residents in or near the Downtown or that more than 60% of their customers are from the City of Hagerstown.

Regional Retail Market Conditions

Retailing within Hagerstown's City Center functions within the larger Washington County and Hagerstown-Martinsburg MSA regional marketplace. On **Table 6**, we detail current retailing demand and supply conditions for Washington County as reported by one of the national data services—The Nielsen Company—typically utilized by retail store location and real estate professionals. We have modified and extended this data somewhat to estimate overall demand from the MSA region.

As noted on this table, current Washington County retail supply is estimated to generate \$2.4 billion in sales, exceeding Washington County's \$1.9 billion in demand by more than 25%. This indicates (1) that Washington County retailers are operating as the retail "hub" of the Hagerstown-Martinsburg region and (2) that certain categories of retailers are drawing customers from even more distant locations.

Regarding the first factor—Washington County's role as the retail "hub" of the region—we note that while the County includes 54.5% of overall regional population (149,000 of 274,000 people), the 2007 Census of Retail Trade reported that the County generated 71% of all regional retail sales in these categories. For 2013, the estimated total retail demand in the Hagerstown-Martinsburg MSA is \$3.5 billion. Capture percentages on Table Y indicate that Washington County retailers are particularly strong in capturing these regional sales in apparel and other specialty goods categories.

Regarding the second factor—extra-regional draw—the Hagerstown Premium Outlets center is clearly attracting more distant shoppers for apparel and some specialty goods. This extra-regional capture could potentially be extended to nearby locations. The large volume of "pass-through" traffic along Interstates 81 and 70 also adds some increment to retail sales.

For this analysis, we are concerned with several aspects of these regional retail market conditions:

1. Are there gaps in the regional supply of retail and goods and services that could be met appropriately and competitively in Hagerstown City Center?
2. Are there strengths of the overall regional market—areas where more distant customers are being attracted—that could be extended to the City Center area?
3. Are there specific strengths of City Center that can be utilized to capture additional customers from the County, the region, and beyond?

With regard to retail supply gaps, Table 6 indicates the following:

- There is no camera and photographic supply store in the County. The estimated demand of \$1.1 million is sufficient to support a profitable store of about 3,000 SF to 4,000 SF.
- Specialty food stores are only capturing 35% of the \$20 million in demand Countywide for such specialty items. This gap in supply could support 25,000 SF to 35,000 SF of such stores providing a variety of products.

- There is a gap of over \$19 million in the supply of eating and drinking establishments Countywide. This could support 45,000 SF to 50,000 SF of additional eating and drinking establishments.

**Table 6. Selected Retail Market Conditions for Washington County & Hagerstown-Martinsburg MSA
- Supply and Demand Estimates, 2013**

	Washington Co. 2013 Supply (Retail Sales)	2013 Demand (Washington Co. Consumer Expenditures)	Washington Co. Capture As % of Washington Co. Demand	2013 Demand (Hagerstown- Martinsburg MSA Consumer Expenditures)	Washington Co. Capture As % of Hagerstown- Martinsburg MSA Demand
Total Retail Sales--Selected Categories	\$2,411,619,245	\$1,925,305,996	125.26%	\$3,532,671,552	68.27%
Motor Vehicle and Parts Dealers-441	\$518,264,077	\$522,885,898	99.12%	\$959,423,666	54.02%
Furniture and Home Furnishings Stores-442	\$104,479,989	\$46,957,431	222.50%	\$86,160,424	121.26%
Electronics and Appliance Stores-443	\$71,404,125	\$42,080,265	169.69%	\$77,211,495	92.48%
Appliances, TVs, Electronics Stores-44311	\$56,744,725	\$31,679,469	179.12%	\$58,127,466	97.62%
Computer and Software Stores-44312	\$14,659,400	\$9,284,551	157.89%	\$17,035,873	86.05%
Camera and Photographic Equipment Stores-44313	\$0	\$1,116,245	0.00%	\$2,048,156	0.00%
Building Material, Garden Equip Stores -444	\$220,145,246	\$220,134,465	100.00%	\$403,916,450	54.50%
Food and Beverage Stores-445	\$379,133,974	\$283,615,126	133.68%	\$520,394,727	72.86%
Grocery Stores-4451	\$328,436,152	\$247,592,358	132.65%	\$454,297,905	72.30%
Supermarkets, Grocery Stores-44511	\$328,436,152	\$234,731,983	139.92%	\$430,700,886	76.26%
Specialty Food Stores-4452	\$7,077,146	\$20,215,301	35.01%	\$37,092,295	19.08%
Beer, Wine and Liquor Stores-4453	\$43,620,676	\$15,807,467	275.95%	\$29,004,527	150.39%
Health and Personal Care Stores-446	\$154,565,634	\$145,669,946	106.11%	\$267,284,305	57.83%
Pharmacies and Drug Stores-44611	\$114,389,843	\$115,774,832	98.80%	\$212,430,884	53.85%
Cosmetics, Beauty Supplies, Perfume Stores-44612	\$11,646,416	\$10,395,918	112.03%	\$19,075,079	61.06%
Optical Goods Stores-44613	\$12,746,818	\$6,453,216	197.53%	\$11,840,763	107.65%
Other Health and Personal Care Stores-44619	\$15,782,557	\$13,045,980	120.98%	\$23,937,578	65.93%
Clothing and Clothing Accessories Stores-448	\$282,009,517	\$106,084,697	265.83%	\$194,650,820	144.88%
Sporting Goods, Hobby, Book, Music Stores-451	\$107,219,258	\$40,128,949	267.19%	\$73,631,099	145.62%
General Merchandise Stores-452	\$379,807,138	\$292,839,941	129.70%	\$537,320,993	70.69%
Department Stores Excl Leased Depts-4521	\$194,042,838	\$118,887,154	163.22%	\$218,141,567	88.95%
Other General Merchandise Stores-4529	\$185,764,300	\$173,952,787	106.79%	\$319,179,426	58.20%
Miscellaneous Store Retailers-453	\$71,901,191	\$65,489,576	109.79%	\$120,164,360	59.84%
Florists-4531	\$4,273,795	\$2,781,987	153.62%	\$5,104,563	83.72%
Office Supplies, Stationery, Gift Stores-4532	\$28,914,338	\$19,277,033	149.99%	\$35,370,703	81.75%
Office Supplies and Stationery Stores-45321	\$14,517,836	\$10,810,384	134.30%	\$19,835,567	73.19%
Gift, Novelty and Souvenir Stores-45322	\$14,396,502	\$8,466,649	170.04%	\$15,535,136	92.67%
Used Merchandise Stores-4533	\$5,954,354	\$5,720,330	104.09%	\$10,496,018	56.73%
Other Miscellaneous Store Retailers-4539	\$32,758,704	\$37,710,226	86.87%	\$69,193,075	47.34%
Foodservice and Drinking Places-722	\$194,590,287	\$224,909,278	86.52%	\$412,677,574	47.15%
Full-Service Restaurants-7221	\$106,273,406	\$103,308,749	102.87%	\$189,557,338	56.06%
Limited-Service Eating Places-7222	\$77,851,044	\$93,615,177	83.16%	\$171,770,967	45.32%
Special Foodservices-7223	\$7,071,241	\$18,072,344	39.13%	\$33,160,264	21.32%
Drinking Places -Alcoholic Beverages-7224	\$3,394,596	\$9,913,008	34.24%	\$18,189,006	18.66%

Sources: The Nielsen Company; Urban Partners

Concerning the potential for Hagerstown City Center to capture more distant customers, this poses a more complex circumstance. To the extent that these out-of-area customers are being currently drawn to the Outlet Center and related facilities for apparel and specialty goods purchases, the relationship to City Center would be at best indirect, perhaps by promoting a dining concentration frequented by these customers as an add-on to a destination trip for bargain apparel purchases. Similarly, for out-of-area customers simply passing through Hagerstown along the interstate highway system, well-promoted dining and entertainment options could capture some business.

Concerning City Center strengths in attracting a more geographically dispersed customer base, the strongest potential appears to lie with arts, entertainment, and event promotion. The Maryland Theater and other affiliated activities, as well as programmed Downtown events, could potentially be exploited more substantially. Once again, though, the largest likely retail spillover will be to eating and drinking establishments.

Downtown Employee Retail Base

Total office, retail, and restaurant employment in the City Center area is estimated at 3,300 for early 2014. Retail purchasing patterns by area workers vary substantially among industries. Office workers, for instance, purchase substantial amounts of retail goods and services near their workplaces; the largest of these purchases is lunch, but they also make significant purchases of convenience and shopping goods items and expend substantial sums on after-work eating and drinking. The purchasing patterns of retail are diverse, but at lower expenditure levels due to lower earnings. Finally, restaurant employees typically spend substantially less on near-work retailing due to the availability of prepared food at their worksites and because they often work shifts when fewer retail establishments are open.

On **Table 7**, we estimate the retail purchases of the 3,300 Downtown employees in these employment categories based on these diverse consumption patterns. These estimates suggest that the City Center employee base spends (or could spend, if appropriate retail stores were available in the City Center) approximately \$11.5 million on retail goods annually, of which:

- \$4.9 million is spent at eating and drinking establishments,
- \$3.9 million is spent on other community-serving goods and services,
- \$0.6 million on apparel,
- \$0.8 million on home furnishings and improvement, and
- \$0.6 million on other specialty goods.

Table 7. Hagerstown City Center Employee Retail Purchases (\$000) - January, 2014

	Office	Retail Non-Restaurant	Restaurant	Total
Number of Employees	2,935	165	200	3,300
TOTAL	\$10,914	\$459	\$105	\$11,478
COMMUNITY-SERVING GOODS & SERVICES	\$6,936	\$333	\$79	\$7,349
Bars and Lounges	\$472	\$27	\$0	\$498
Convenience Stores	\$1,361	\$70	\$15	\$1,446
Cosmetics, Beauty Supplies, & Perfume	\$13	\$1	\$0	\$14
Dollar Stores & Other General Merchandise Stores	\$88	\$2	\$1	\$91
Drug Stores/Pharmacies	\$400	\$17	\$14	\$430
Florists	\$107	\$2	\$1	\$110
Gift, Novelty, Souvenir Stores	\$213	\$4	\$2	\$219
Hair Salons	\$41	\$2	\$3	\$46
Hardware Stores	\$57	\$1	\$1	\$58
Health Food Supplements	\$0	\$0	\$0	\$0
Jewelry Stores	\$197	\$3	\$2	\$202
Laundries; Dry Cleaning	\$37	\$2	\$3	\$41
Limited-Service Restaurants	\$2,716	\$151	\$3	\$2,871
Liquor & Beer Distributors	\$67	\$3	\$2	\$72
Optical Stores	\$30	\$2	\$2	\$34
Specialty Foods	\$74	\$3	\$2	\$78
Supermarkets, Grocery Stores	\$1,064	\$45	\$29	\$1,138
FULL SERVICE RESTAURANTS	\$1,483	\$83		\$1,566
DEPARTMENT STORES	\$552	\$11	\$7	\$570
Discount Department Stores	\$229	\$5	\$3	\$237
Full-Service Department Stores	\$192	\$3	\$2	\$198
Warehouse Clubs	\$131	\$3	\$2	\$136
APPAREL	\$570	\$10	\$6	\$585
Children's Clothing	\$23	\$0	\$0	\$23
Clothing Accesories	\$11	\$0	\$0	\$11
Family Clothing	\$219	\$4	\$2	\$225
Men's Clothing	\$48	\$1	\$0	\$50
Other Clothing	\$35	\$1	\$0	\$36
Shoe Stores	\$101	\$2	\$1	\$103
Women's Clothing	\$133	\$2	\$1	\$137
HOME FURNISHINGS & IMPROVEMENT	\$762	\$11	\$7	\$780
Antique Stores	\$8	\$0	\$0	\$8
Floor Coverings	\$28	\$0	\$0	\$28
Furniture	\$70	\$1	\$1	\$72
Home Centers	\$215	\$1	\$0	\$215
Household Appliances	\$17	\$0	\$0	\$18
Nursery & Garden Centers	\$22	\$0	\$0	\$23
Other Home Furnishings	\$51	\$0	\$0	\$51
Paint & Wallpaper Stores	\$33	\$1	\$1	\$34
Radio/TV/Electronics	\$143	\$4	\$2	\$149
Retail Lumber Yards	\$174	\$3	\$2	\$179
Window Treatments	\$1	\$0	\$0	\$2
OTHER SPECIALTY GOODS	\$611	\$10	\$6	\$627
Art Dealers	\$20	\$0	\$0	\$20
Book Stores	\$103	\$2	\$1	\$106
Camera, Photo Supply	\$5	\$0	\$0	\$5
Collectors' Items & Supplies	\$14	\$0	\$0	\$14
Computer & Software Stores	\$53	\$1	\$1	\$55
General-Line Sporting Goods	\$51	\$1	\$1	\$52
Luggage & Leatherwork	\$8	\$0	\$0	\$8
Music Stores	\$21	\$0	\$0	\$22
Office Supply/Stationers	\$94	\$2	\$1	\$97
Record/CD/Tape/Video Stores	\$44	\$1	\$0	\$45
Sewing, Needlework	\$18	\$0	\$0	\$18
Specialty Sporting Goods	\$80	\$1	\$1	\$82
Toys & Hobbies	\$100	\$2	\$1	\$103

Source: Urban Partners, 1/2014

Retail Market Potential for the City Center

Demand for retail goods and services in the City Center derives from at least five distinct markets—(1) nearby residents; (2) Downtown employees and students; (3) residents of other Hagerstown neighborhoods and Washington County communities; (4) attendees at the many Downtown cultural and sporting events; and (5) a broader MSA-wide (or larger) regional customer base. In general, consumer shopping patterns vary depending on the types of goods being purchased. For convenience goods purchased frequently, such as groceries, drugs, and prepared foods, shoppers typically make purchases at stores close to their home or place of work. For larger-ticket, rarely purchased items – such as automobiles, electronics and large appliances – shoppers may travel anywhere within the metropolitan area or beyond to obtain the right item at the right price. For apparel, household furnishings, and other shopping goods, consumers generally establish shopping patterns between these two extremes, trading at a number of shopping areas within a 30 minute commute of their homes.

In analyzing the retail market demand within a portion of a larger metropolitan area, these behavioral observations translate into a series of analytical rules-of-thumb:

- Shopping for community-serving goods and services is generally confined to the primary trade area.
- Expenditures made at full-service restaurants will occur chiefly within the primary trade area, but some restaurant expenditures made by the primary trade area population will be lost to established restaurants located outside the primary trade area. Similarly, some restaurant sales in the primary trade area will be attracted from residents who live elsewhere in the region.
- Expenditures made by primary trade area residents for shopping good items (department stores, apparel, most specialty goods) will more likely occur within the area, but a substantial proportion of these sales will occur outside the area. Similarly, significant sales will be attracted from residents outside the primary trade area to any large, well-known stores located within the trade area.
- Specific high-quality stores within the primary trade area may attract significant clientele from well beyond the primary trade area for highly-targeted, single destination trips for specialized purchases.

Aggregating all these potential sources of retail demand for Hagerstown City Center, we reach the following observations:

- the 23 eating and drinking establishments in Hagerstown City Center provide the basis for an expanded **dining and entertainment concentration** capturing a significant portion of the \$19.4 million in unmet eating and drinking demand from Washington County. This potential is reinforced by the fact that at least ten of the full-service restaurants are already located within a compact two square block area;

- the area's current four specialty food stores, coupled with the existing City Farmers Market, could provide the basis for a **specialty foods district** capturing a significant portion of the \$13 million in currently unmet demand Countywide for specialty food items;
- the current arts and culture anchors (Maryland Theater, Barbara Ingram School, etc.) could provide the basis for a more active **arts and culture retail district**. This district would build from the current group of four antique stores/art dealers and four gift shops to include dance apparel, musical instruments, and other arts-related retailing. The current lack Countywide of a specialty camera/photographic supply shop might be one additional component of this concentration;
- the City Center area could also seek to capture **other specialty goods niches** similar to the current concentration of floor coverings stores. Expanding the current strength in specialty sporting goods could be one such opportunity.

Pursuing these four opportunities, **there appears to be sufficient unmet demand to support adding as much as 70,000 SF of new occupied store space**. These store categories include:

- up to 30,000 SF of new eating and drinking establishments;
- adding 15,000 SF to 20,000 SF of new specialty foods stores, including expanded activity at the City Farmers Market;
- up to 10,000 SF of additional arts and cultural-related retailing; and
- up to 10,000 SF of new specialty stores.

Many of these retail opportunities will need to be captured incrementally over time and some of these opportunities will need to be positioned to create compact districts that benefit other arts, cultural, entertainment, and promotional facilities and activities.

Cultural Arts/Education/Entertainment Market

Hagerstown's Arts and Entertainment District is a portion of City Center Hagerstown designated by the State of Maryland to help stimulate the City's economy and improve its quality of life. With an officially designated district, the City can offer tax incentives and grants to artists who wish to work and/or live within the district's boundaries. The Washington County Arts Council provides a variety of programming, technical assistance, and support to local arts organizations and 75 individual artists. While the Arts and Entertainment District encompasses an area of several square blocks in the City Center (see Map 1 above), the greatest concentration of arts activities is currently along South Potomac Street, between the Public Square and Antietam Street.

The Sustainable Community Action Plan cites a variety of suggested initiatives to enhance Hagerstown's Downtown Arts & Entertainment District by expanding the draw of regional patrons to the Downtown. These range from supporting and improving existing cultural arts facilities, such as the Maryland Theatre and the Barbara Ingram School for the Arts, to pursuing new attractions and events. Urban Partners examined several elements of the Downtown arts and entertainment market to identify the potential for each.

Cultural Arts

Performing Arts

Hagerstown's City Center is home to multiple live-performing venues including the Maryland Theatre, the Academy Theater, and the Washington County Playhouse. The Academy is home to the Hagerstown Children's Theater, and the Washington County Playhouse is a dinner theater that hosts Broadway musical classics, among other shows.

The Maryland Theatre is the region's premier venue for live theatrical, music, and dance performances, and is considered to be the anchor of Hagerstown's Arts and Entertainment District. Originally opened in 1915, the Maryland Theatre had a rich history of performances until the 1970s when a fire destroyed the front of the theater in 1974. It continued to fall into disrepair and was purchased in 1976 just months before being demolished. The theater reopened in 1978, led by efforts of a local businessman and dedicated community members. The facility had a grand reopening and has been open since.



The Maryland Theatre Interior

Today the 1,300-seat theater hosts Broadway shows, musicals, plays, ballet performances, comedy acts, orchestra concerts, popular music concerts, and educational programming. In addition, the theater is home to Maryland Symphony Orchestra, hosting five or six orchestra concerts each year. On average, four to five ticketed events take place at the theater each month. The Maryland Theatre draws visitors from all over the tri-state region for its unique programming. The venue is also rented for weddings, fundraisers, holiday parties,

business meetings, and lectures. The Maryland Theatre hosts approximately 120,000 patrons each year. Significant investments will be made in the theater in the near future; upcoming improvements include new seats, a new heating and cooling system, and plaster repair.

Visual Arts

The Arts and Entertainment District is also home to visual arts venues, namely galleries, including a few privately-owned galleries with art for sale as well as the Gallery Shop at the Washington County Arts Council. The Gallery Shop also hosts exhibit openings, parties, and other events. Just outside the Downtown are the Washington County Museum of Fine Arts (WCMFA) and Mansion House Art Gallery, located in Hagerstown City Park. WCMFA contributes to lifelong learning and visual literacy through its collection of over 7,000 paintings, prints, sculpture, and other works of art, travelling exhibits, and special programs. The City is also renovating space in 2014 at 36 N. Potomac Street for a cooperative art gallery.



The Gallery Shop at the Washington Co. Arts Council

While Downtown Hagerstown has several gallery venues, it does not have an arts center or incubator that could act as a hub for local artists and compliment other arts venues like the Maryland Theater. A study entitled *Developing an Arts, Entertainment, and Education Cluster in Washington County, Maryland*, completed in 2012, suggested creating an arts incubator Downtown. The study suggests that the City take the lead in establishing an incubator that would be housed in a building with subsidized office supplies, artist studio

space, and technical assistance, as well as low-cost apartments for artists. Two locations were identified for such a center - 59 West Washington Street (the Susquehanna Building), and 13-17 S. Potomac Street (the building located between the Barbara Ingram School for the Arts and the Maryland Theatre). This facility would be in addition to the artist lofts recently completed at 36-40 N. Potomac Street.

Museums and Heritage Tourism

The tourism industry is strong in Washington County. According to the Convention and Visitors Bureau, Washington County was the State leader in 2012 and the first half of 2013 for increases in local tourist attraction visitation as well as increases in hotel occupancy. Visitor spending grew as well. In addition, the number of tourism jobs in the County in 2012 exceeded manufacturing jobs for the first time in the County's history. Supporting this industry are the cultural attractions in Hagerstown. A variety of museums are located in and around Hagerstown's City Center, adding to the significant supply of cultural venues Downtown. These include the following:

- Discovery Station at Hagerstown - 101 W. Washington Street
- Hagerstown Roundhouse Museum - 296 Burhans Boulevard
- Jonathan Hager House - 110 Key Street

- Miller House - 135 W. Washington Street
- Train Room - 360 S. Burhans Boulevard
- Washington County Historical Society - 135 W. Washington Street
- Washington County Museum of Fine Arts (WCMFA) - 401 Museum Drive



The Washington County Fine Arts Museum

These museums celebrate a variety of segments of Hagerstown's heritage, from art to railroads to its founding father. WCMFA is one of the finest regional art museums in the country. The Discovery Station is a museum and hands-on science center dedicated to children. In addition to these museums in the City, the historically significant Antietam National Battlefield is located just south of Hagerstown near Sharpsburg. Also nearby is the C&O Canal National Historical Park along the Potomac River.

Museum expansion efforts have been occurring recently in Downtown Hagerstown. The Doleman Black Heritage Museum collection is currently housed in the Doleman family home on N. Locust Street. Plans are being discussed to move the museum to a more permanent location that is suitable to accommodate the museum's collection of artifacts. The First Hose Fire Museum, located on S. Potomac Street in the Arts and Entertainment District, has completed its renovation and is working to set up its collection. There is also an effort to explore the creation of a Civil War History Museum in Downtown Hagerstown. A 2011 study prepared for the City entitled *Cultural Resource Development in Hagerstown City Center* suggested that establishing a start-up museum for a major regional attraction is difficult to achieve and keep sustainable, and that a satellite facility of an existing major venue headquartered elsewhere is a more viable model. Therefore, the City is exploring the opportunity to partner with an existing Civil War museum to establish a satellite location in Hagerstown. The study also suggests that a substantial national memorial, such as an urban park with commemorative statues and interpretive material, could be an even more affordable model for a Downtown cultural attraction with far less capital and overhead involved than a museum.

Education

Education has become a centerpiece of the Arts and Entertainment District as well, anchored by the Barbara Ingram School for the Arts (BISFA). Located next to the Maryland Theatre, BISFA is a magnet school for gifted art students that opened in 2009, and offers eight different arts-related majors, including visual arts, performing arts, dance, and music. As part of Washington County Public Schools (WCPS), enrollment is open



The Barbara Ingram School for the Arts

to Washington County students. However, students from nearby areas of Pennsylvania and West Virginia may apply as well. Enrollment in 2013 was 255 students. Currently the WCPS is considering an expansion to the educational footprint Downtown for special programs.



Another key educational facility in Downtown Hagerstown is the University System of Maryland at Hagerstown (USMH). USMH is a regional higher education center that offers 15 upper-level undergraduate and 22 graduate academic programs from five universities within the University System of Maryland. USMH works with local community colleges, businesses, and civic leaders to develop innovative partnerships for enhanced student learning. Opened in 2005, the USMH facility is a combination of the restored historic Baldwin House and an

adjacent new state-of-the-art addition, totaling 77,000 square feet. The school enrolled nearly 500 students in 2013.

The newly renovated and expanded Alice Virginia and David W. Fletcher branch of the Washington County Free Library bookends the educational resources of S. Potomac Street. The state-of-the-art 80,000 square foot facility recently opened in the fall of 2013 and includes exhibition space for historic collections, expanded computer training labs, and expanded patron parking. Downtown Hagerstown contains other smaller educational facilities as well, including St. Mary Catholic School (pre-kindergarten through 8th grade) and the Award Beauty School, in operation since 1954.

Multi-Use Sports and Events Center

Over the course of 2012 and 2013, the City commissioned studies by Ripken Design to examine the feasibility for a new \$37 million, 4,000-seat Downtown Multi-Use Sports and Events Center (MUSEC) as well as site alternatives. This new home for the Hagerstown Suns would replace the existing Municipal Stadium. Ripken Design prepared studies of various locations, including the former Meritus Washington County Hospital site, the existing stadium site, and a Downtown site at W. Baltimore and S. Summit Streets. The Ripken report for the Downtown facility concluded the following:

1. New revenues generated by the project will pay for costs
2. The market analysis supports increased attendance projections
3. The project will result in a positive economic impact for the community
4. Taking no action creates a harmful threat to the local economy in terms of loss in spending, tax revenue, and jobs



5. The project is consistent with existing development plans
6. Renovation of the existing Municipal Stadium is not a feasible option due to costs

Subsequent to the release of the study, and while the City was examining the feasibility of the MUSEC, the Suns decided to pursue an offer to relocate to Fredericksburg, VA. The City is fielding inquiries from other baseball opportunities at this time.

Cultural Arts/Education/Entertainment Market Potential for the City Center

Our analysis has revealed that strong organizational interest exists in expanding all aspects of the cultural arts/education/entertainment market Downtown. While spillover from these activities can provide strong economic value, the actual activities and initiatives themselves are ones that require dedicated on-going public subsidies. Expansion of these facilities and programming to promote this economic spillover will require significant civic and governmental leadership and financing. In many cases, the organizational infrastructure is in place; it's now a matter of increasing the commitment of civic and public funds. Continued investments in these arts-related sectors will undoubtedly support the growth of many other Downtown markets, including residential, retail, and lodging, as well as additional visitation.

Office Market

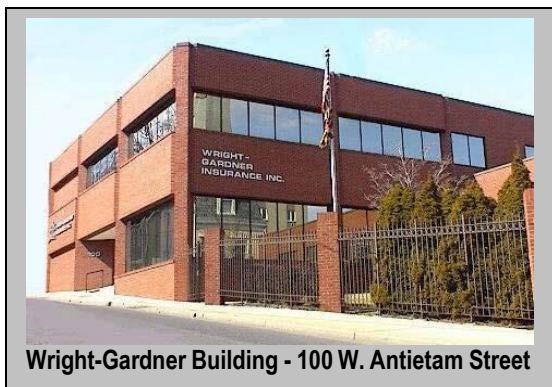
The Sustainable Community Action Plan emphasizes the need for drawing new businesses to Downtown Hagerstown, as well as facilitating the relocation of government offices Downtown. To evaluate the potential for new commercial development in Hagerstown's City Center, Urban Partners assessed current market conditions of existing office space. The downtown has a significant number of smaller office buildings of various sizes and levels of quality (see **Table 8** on next page). According to the 2013 *State of the Downtown* report, the downtown area employs almost 3,300 workers. As the seat for County government and hub for City offices, as well as home for various State and Federal offices, the City Center houses a significant share of the region's governmental offices and related services, such as law offices and other consulting firms. The report states that in 2012, three of the top four employers in the downtown were the State of Maryland, Washington County, and the City of Hagerstown.

According to Loop Net, just two examples of Class A space were available downtown as of late January 2014. This label may be considered subjective since their advertised rents are lower than most of the Class B listings. Nonetheless, the two adjacent listings at the historic 111-113 S. Potomac Street, known as Potomac Hall, are asking for \$8 and \$10 (modified gross lease) per SF respectively. Amenities for 111 S. Potomac, a former judge's chamber, include partial furnishings, fireplace, and kitchenette. For 113 S. Potomac, amenities include fully-furnished private suites, a conference area, and security.



Potomac Hall - 111-113 S. Potomac Street

By comparison, new Class A office space, located in the North End, is commanding the highest Class A office rents in the region. Lyles Center II, a new two-story office complex located at 12920 Conamar Drive, has 1,855 SF of Class A space available for \$19 per SF triple net. This is a partially-finished space that includes a reception area, five offices, conference room, kitchenette, and storage area. Similarly, 18,000 SF of newer Class A space is also available for \$19 per SF triple net at the Trilogy Professional Center at 1165 Imperial Drive in the East End. This complex has high visibility and ample parking.



Wright-Gardner Building - 100 W. Antietam Street

Class B space is much more commonly available in the City Center. According to Loop Net, available Class B properties include 449 N. Potomac Street, offering the highest-priced Class B rent of \$20 per SF (full service) for space in a large historic house including off-street parking. A more traditional office building is 100 W. Antietam Street, the Wright-Gardner Building, offering 9,200 SF of its 12,000 SF for \$15 per SF. This building includes private offices, a break and conference room, and elevator access.

Table 8. Sample Office Listings in Hagerstown's City Center, 1/2014

Address	Class	Building Size (SF)	# Floors	Total Available SF	Rent/SF/Year	Lease Type	Amenities
111 S. Potomac Street	A	15,570	3	2,500	\$8.00	N/A	Historic building across from new library, partially furnished, former judge chamber, antique lighting, fireplace, two bathrooms, kitchenette, open areas.
113 S. Potomac Street	A	14,589	3	5,960	\$10.00	Mod. Gross	Historic building, fully-furnished suites, reception area, conference area, security system, private suites and workstations.
22 Mulberry Street	B	75,000	3	35,000	\$7.00	Full Service	Historic renovated loft building, new lobby, passenger and freight elevators, adjacent parking lot, garden, more than 600 windows, unique space configurations.
324 W. Antietam Street	B	47,187	1	5,177	\$14.00	N/A	Medical office space with exam rooms, lobby, bathrooms, reception area, private offices, and storage. Non-medical office suite has 5 offices, breakroom, reception area, and storage.
138 W. Washington Street	B	20,000	4	17,000	\$11.00	NNN	Historic building completely updated with new mechanicals, common area bathrooms and kitchenettes on each floor, adjacent parking deck with spaces reserved for building.
100 W. Antietam Street	B	12,600	2	9,203	\$15.00	N/A	Private offices, break room, conference room, open space for cubicles, file room, elevator access.
265 Mill Street	B	12,000	1	1,890	\$12.00	Ind. Gross	End suite, 6 office, reception office, lobby area, bathroom, large parking lot, \$7/SF rent for first year.
152 W. Washington Street	B	9,000	4	1,750	\$13.71	Full Service	Historic building, off-street private parking lot with 4 spaces, courtyard, bathroom, kitchenette.
700 Frederick Street	B	7,500	2	1,000	\$14.00	Full Service	Newly renovated, bright, divided into three rooms with own heat and AC, off-street parking, shared lobby and bathrooms.
449 N. Potomac Street	B	4,590	3	1,860	\$20.00	Full Service	Large historic house building, free off-street parking, upstairs and downstairs offices available.
51 E. Antietam Street	B	2,500	2	1,250	\$5.00	NNN	Large historic house building, free off-street parking, upstairs residential units.
111 W. Washington Street	B	2,470	2	2,470	\$8.00	NNN	Historic building, 5 off-street parking spaces, convenient location.

Source: loopnet.com

Another traditional Class B space is at 138 W. Washington Street, with a rent of \$11 per SF triple net. This historic building has been completely renovated, with kitchenettes on each floor and an adjacent parking deck with reserved spaces.

The lowest-priced space is at the newly renovated Mulberry Lofts at 22 N. Mulberry Street. This unique 75,000 SF building offers remodeled office lofts and suites with an industrial vibe. The building has high ceilings, elevators, an open air central atrium, and gated off-street parking. Rents start at \$7 per SF for a full service lease. Currently, about 35,000 SF of space is available for rent.



Mulberry Lofts - 22 N. Mulberry Street

A 2013 City inventory of downtown commercial and mixed-use building occupancy revealed that 14% of the buildings were entirely vacant, 11% were entirely vacant on the ground-floor only, and 6% were entirely vacant on the upper floors. By comparison, the examined listings of available office space are contained in buildings totaling approximately 148,000 SF. Of that space, 85,000 SF, or 38%, is currently vacant and for lease. Combined, the two Class A buildings are 28% vacant and the Class B buildings are 35% vacant. Among the specific properties examined with the highest vacancies, 111 W. Washington Street is entirely vacant, the 20,000-SF 138 W. Washington Street is 85% vacant, and 100 W. Antietam Street (the Wright-Gardner Building) is 73% vacant.

Office Market Potential for the City Center

Based on the analysis of the Downtown Hagerstown office market, it appears that the supply of smaller office space floorplates is more than adequate for its demand. Mulberry Lofts captures the market for incubator-type space promoting entrepreneurship. There's also a variety of product available for smaller office users – up to 5,000 square feet – in a variety of prices and office settings, including larger historic/renovated commercial buildings as well as former homes-turned-office buildings.

On the other hand, there are currently limited opportunities for a business in need of a floorplate larger than 6,000 square feet that's move-in ready, or a total building size of more than 30,000 square feet to accommodate a large company or agency that's move-in ready. Furthermore, no space that size is of Class A or higher-quality. This scale of office development would require a committed user. To attract this larger committed tenant, the Downtown needs to offer a well-situated site that could accommodate a building of this magnitude. The site then needs to be heavily marketed to prospective companies potentially seeking new Class A build-to-suit space.

Hotel Market

A suggested initiative identified by the City in the Sustainable Community Action Plan is a new downtown hotel with conference center or significant meeting space. The hotel market analysis area for a potential Downtown Hagerstown hotel focuses on an area that extends approximately four miles from Downtown. There are currently no hotels in City Center Hagerstown, but there are 17 properties located between 0.5 and 3.5 miles of Downtown. Four of these properties are considered “Economy” and were excluded from the analysis. The remaining 13 hotels are predominantly considered “Upper Midscale” (Holiday Inn Express, Hampton Inn, Comfort Inn & Suites, etc.), but three are considered “Upscale” (Courtyard, Springhill Suites, Homewood Suites) and two are considered “Midscale” (Best Western, Sleep Inn). Most of these hotels are located either at exits of Interstate 81 or along U.S. 40 as it approaches Downtown Hagerstown from the east from Interstate 70.

The newest hotel is the 96-room Courtyard by Marriott, which entered the market in August, 2010. Between April, 2005, and November, 2007, three suites hotels came on line: the Country Inn & Suites (85 rooms); the Springhill Suites (104 rooms) and the Homewood Suites (102 rooms). Five properties with 491 rooms date from the 1996 to 2001 period. The remaining four hotels are much older (1952 to 1985), but were all substantially updated in the past decade. At the current time, this pool of properties includes 1,339 rooms.

Using Smith Travel Research as the source, we obtained data on these 13 hotel properties. In total, hotel room demand in this Downtown Hagerstown area grew from 246,013 room-nights in 2007 to 287,868 in 2013, a total growth of 17% in the last six years (see **Table 9**). Room supply grew as well during this period from 456,676 room-nights in 2007 to 488,735 in 2013, a total growth of 7%. As noted above, the growth in supply during this period involved two properties opening in November, 2007, and in August, 2010. This analysis period includes a period of severe economic contraction (2007 to 2010), when overall occupancy dropped from 53.9% to as low at 49.9%, as well as a period of modest recovery when occupancy grew to 59.2% (2012) and 58.9% (2013). During this period, room rates have stayed largely stagnant—rising from \$77.40 in 2007 to \$83.32 in 2008, but then growing only modestly to \$84.99 in 2013. Rate increases in 2008 and 2010 probably were partially influenced by the introduction of newer hotel product.

Table 9. Downtown Hagerstown Area Hotel Performance

Year	Supply (Room Nights)	Demand (Room Nights)	% Occupancy	Average Room Rate
2007	456,676	246,013	53.9%	\$77.40
2008	470,485	234,586	49.9%	\$83.32
2009	470,485	241,133	51.3%	\$81.94
2010	484,959	250,947	51.7%	\$83.73
2011	497,004	268,594	54.0%	\$82.47
2012	496,985	294,076	59.2%	\$84.73
2013	488,735	287,868	58.9%	\$84.99

Source: STR Global, Urban Partners

Room demand is generally even during the Monday through Saturday period, with Sundays significantly weaker. Demand is seasonal: occupancy during May through August, 2013, averaged 69.0%, versus 48.1% for November through February.

Hotel Market Potential for the City Center

Since 2009, the annual growth in demand has been 11,700 room-nights per year. The additional supply from the introduction of the higher quality Courtyard by Marriott in 2010 was fully absorbed within two years, suggesting that improved quality of supply triggered at least some positive incremental demand response.

If we assume that this recent 11,700 annual average room-night increment in demand continues for several years and that 62% is a healthy average occupancy rate (given that 27% of the current room supply was constructed more than 30 years ago and will likely have lower average utilization), then we can conclude that the ***Hagerstown area can absorb 90-100 new hotel rooms every two years, beginning in 2016.***

In considering whether one or more of these new hotels could be located in Downtown Hagerstown, we note several issues:

- all recent hotel construction has occurred near exits of I-81, where hotel occupancy benefits from “pass-through” business and the Premium Outlets attraction;
- Downtown Hagerstown does not currently offer any major room-night generator such as a corporate headquarters, regional hospital, convention center, or large university to form the basis for hotel utilization;
- the highest quality hotel facilities in the area are classified as “Upscale”; there is no “Upper Upscale” hotel (Marriott, Hilton, Sheraton, Wyndham) located within 30 miles of Hagerstown.

Given these circumstances, the potential for adding a successful hotel property in Downtown Hagerstown is likely tied closely to its development in association with the parallel development of



Windham Gateway Gettysburg

a hotel room-night generator such as a large conference center or major University expansion. It would also be critical that the new Downtown hotel be at least competitive in quality with the best in the market (Courtyard) or, ideally, establish a new higher market standard in the “Upper Upscale” class.

A nearby potential model facility is the Wyndham Gateway Gettysburg—a 248-room Upper Upscale hotel with a 25,000 SF conference center and the capacity to handle banquets for up to 1,700 people. The Hyatt Regency New Brunswick (NJ) is a similarly-sized, but somewhat more upscale, downtown facility with 288 rooms and 33,000 gross SF of function space.

Another recently-opened Downtown facility of this type is the 200-room Sheraton Erie Bayfront Hotel adjoining the new 90,000 SF Erie Convention Center with capacity to handle banquets for up to 2,000.

We also note that if a new Downtown hotel were constructed in association with a major conference center, this would establish new competition for the two existing hotel-based meeting facilities located along Dual Highway near Downtown: the Best Western Grand Venice Hotel & Conference Center and the Hager Hall Conference & Event Center (Clarion Hotel). Both facilities have free parking.



Economic Base

The economic base of Hagerstown and Washington County can be examined to determine the position of the Hagerstown market in a more global economy. Economic base is largely determined by the concentration of its workforce by industry type. This concentration can be measured by comparing workforce characteristics of a local economy to those of a reference economy such as the state and nation using the location quotient technique (LQ). LQs can be calculated for each workforce industry category to determine whether or not the local economy has a greater share of each industry than the reference economy.

When a local industry employs the same percentage locally as it does for the reference economy, the industry is considered to be self-sufficient and the area neither imports nor exports goods or services of that industry. The LQ value is 1.0. When the LQ of an industry is less than 1.0, the local economy must import a portion of goods and services of that industry. If the LQ for an industry is 0.0, all of the consumed product or service must be imported. If the local economy's share is greater than the reference economy's for a certain industry, the industry has an LQ value greater than 1.0, and the goods and services produced are assumed to be exported from the region. This sale of goods and services to other areas generates income for the local economy. For this exercise, we compared the employment industry categories for both the City of Hagerstown and Washington County to the State of Maryland as well as the United States.

The LQ for the City of Hagerstown compared to the State of Maryland in 2011 indicates that several of the City's top employment categories - specifically Public Administration, Health Care and Social Assistance, and Retail Trade - were its largest exporters of goods and services in 2011 (see **Table 10**). It should be noted, however, that Retail Trade in the City of Hagerstown experienced a loss in employment between 2006 and 2011, as did Manufacturing.

Table 10. Concentration of the City of Hagerstown Industries Compared to the State, 2011

NAICS Industry Sector	Hagerstown		Maryland		Location Quotient
	Employment	% of Total	Employment	% of Total	
Public Administration	9,899	29.0%	212,494	8.7%	3.35
Health Care and Social Assistance	5,890	17.3%	338,846	13.8%	1.25
Manufacturing	1,707	5.0%	116,333	4.7%	1.06
Retail Trade	3,945	11.6%	280,410	11.4%	1.01
Accommodation and Food Services	2,373	7.0%	193,428	7.9%	0.88
Information	558	1.6%	50,082	2.0%	0.80
Finance and Insurance	1,058	3.1%	97,629	4.0%	0.78
Educational Services	2,748	8.1%	274,481	11.2%	0.72
Administrative and Support and Waste Management	1,406	4.1%	145,996	5.9%	0.69
Arts, Entertainment, and Recreation	338	1.0%	35,803	1.5%	0.68
Transportation and Warehousing	585	1.7%	75,129	3.1%	0.56
Other Services (excluding Public Admin.)	659	1.9%	89,951	3.7%	0.53
Wholesale Trade	642	1.9%	88,253	3.6%	0.52
Construction	746	2.2%	136,986	5.6%	0.39
Real Estate and Rental and Leasing	229	0.7%	42,735	1.7%	0.39
Professional, Scientific, and Technical Services	1,199	3.5%	236,987	9.7%	0.36
Utilities	41	0.1%	10,137	0.4%	0.29
Management of Companies and Enterprises	59	0.2%	21,385	0.9%	0.20
Agriculture, Forestry, Fishing/Hunting	5	0.0%	5,395	0.2%	0.07
Mining, Quarrying, Oil/Gas Extraction	0	0.0%	1,595	0.1%	0.00

US Census Bureau - OnTheMap, County Business Patterns

Compared to the United States, the City of Hagerstown had a similar LQ pattern as it did to the State of Maryland in 2011 (see **Table 11**). However, in this case, all four industries with LQs greater than 1.0 were the City's top industries by employment.

Table 11. Concentration of the City of Hagerstown Industries Compared to the Nation, 2011

NAICS Industry Sector	Hagerstown		United States		Location Quotient
	Employment	% of Total	Employment	% of Total	
Educational Services	2,748	8.1%	3,386,047	2.5%	3.20
Public Administration	9,899	29.0%	21,201,694	15.8%	1.84
Health Care and Social Assistance	5,890	17.3%	18,059,112	13.4%	1.29
Retail Trade	3,945	11.6%	14,698,563	10.9%	1.06
Accommodation and Food Services	2,373	7.0%	11,556,285	8.6%	0.81
Finance and Insurance	1,058	3.1%	5,886,602	4.4%	0.71
Information	558	1.6%	3,121,317	2.3%	0.71
Arts, Entertainment, and Recreation	338	1.0%	2,003,129	1.5%	0.67
Manufacturing	1,707	5.0%	10,984,361	8.2%	0.61
Professional, Scientific, and Technical Services	1,199	3.5%	7,929,910	5.9%	0.60
Administrative and Support and Waste Management	1,406	4.1%	9,389,950	7.0%	0.59
Construction	746	2.2%	5,190,921	3.9%	0.57
Transportation and Warehousing	585	1.7%	4,106,359	3.1%	0.56
Other Services (excluding Public Admin.)	659	1.9%	5,181,801	3.8%	0.50
Real Estate and Rental and Leasing	229	0.7%	1,917,640	1.4%	0.47
Wholesale Trade	642	1.9%	5,626,328	4.2%	0.45
Utilities	41	0.1%	639,795	0.5%	0.25
Agriculture, Forestry, Fishing/Hunting	5	0.0%	156,520	0.1%	0.13
Management of Companies and Enterprises	59	0.2%	2,921,669	2.2%	0.08
Mining, Quarrying, Oil/Gas Extraction	0	0.0%	651,204	0.5%	0.00

US Census Bureau - OnTheMap, County Business Patterns

The Location Quotient of Washington County industries was identified as well (see **Table 12**).

Table 12. Concentration of Washington County Industries Compared to the State, 2011

NAICS Industry Sector	Washington County		Maryland		Location Quotient
	Employment	% of Total	Employment	% of Total	
Finance and Insurance	5,743	8.1%	97,629	4.0%	2.02
Manufacturing	6,162	8.6%	116,333	4.7%	1.82
Public Administration	11,197	15.7%	212,494	8.7%	1.81
Transportation and Warehousing	3,818	5.4%	75,129	3.1%	1.75
Mining, Quarrying, Oil/Gas Extraction	63	0.1%	1,595	0.1%	1.36
Retail Trade	9,820	13.8%	280,410	11.4%	1.20
Health Care and Social Assistance	9,845	13.8%	338,846	13.8%	1.00
Utilities	293	0.4%	10,137	0.4%	0.99
Accommodation and Food Services	5,156	7.2%	193,428	7.9%	0.92
Wholesale Trade	2,123	3.0%	88,253	3.6%	0.83
Arts, Entertainment, and Recreation	801	1.1%	35,803	1.5%	0.77
Construction	2,870	4.0%	136,986	5.6%	0.72
Information	980	1.4%	50,082	2.0%	0.67
Educational Services	5,351	7.5%	274,481	11.2%	0.67
Other Services (excluding Public Admin.)	1,637	2.3%	89,951	3.7%	0.63
Management of Companies and Enterprises	357	0.5%	21,385	0.9%	0.57
Administrative and Support and Waste Management	2,309	3.2%	145,996	5.9%	0.54
Real Estate and Rental and Leasing	529	0.7%	42,735	1.7%	0.43
Agriculture, Forestry, Fishing/Hunting	60	0.1%	5,395	0.2%	0.38
Professional, Scientific, and Technical Services	2,219	3.1%	236,987	9.7%	0.32

US Census Bureau - OnTheMap, County Business Patterns

In this comparison, there were seven industries with LQs above 1.0 in 2011. These include the County's largest employers - Public Administration, Retail Trade, Manufacturing, Finance and Insurance, and Health Care and Social Assistance. Each of these industries grew in Washington County between 2006 and 2011 except for Manufacturing. Finance and Insurance, with the highest LQ, experienced the largest increase in number of jobs.

Finally, the County was compared to the United States to identify the LQs of its industries (see **Table 13**). This comparison yields eight industries with LQs equal to or greater than 1.0. Six of the eight industries were the County's largest employers in 2011. Each experienced an increase in number of jobs from 2006 to 2011 except for Construction and Manufacturing.

Table 13. Concentration of Washington County Industries Compared to the Nation, 2011

NAICS Industry Sector	Washington County		United States		Location Quotient
	Employment	% of Total	Employment	% of Total	
Educational Services	5,351	7.5%	3,386,047	2.5%	2.98
Finance and Insurance	5,743	8.1%	5,886,602	4.4%	1.84
Transportation and Warehousing	3,818	5.4%	4,106,359	3.1%	1.75
Retail Trade	9,820	13.8%	14,698,563	10.9%	1.26
Manufacturing	6,162	8.6%	10,984,361	8.2%	1.06
Construction	2,870	4.0%	5,190,921	3.9%	1.04
Health Care and Social Assistance	9,845	13.8%	18,059,112	13.4%	1.03
Public Administration	11,197	15.7%	21,201,694	15.8%	1.00
Utilities	293	0.4%	639,795	0.5%	0.86
Accommodation and Food Services	5,156	7.2%	11,556,285	8.6%	0.84
Arts, Entertainment, and Recreation	801	1.1%	2,003,129	1.5%	0.75
Agriculture, Forestry, Fishing/Hunting	60	0.1%	156,520	0.1%	0.72
Wholesale Trade	2,123	3.0%	5,626,328	4.2%	0.71
Other Services (excluding Public Admin.)	1,637	2.3%	5,181,801	3.8%	0.60
Information	980	1.4%	3,121,317	2.3%	0.59
Professional, Scientific, and Technical Services	2,219	3.1%	7,929,910	5.9%	0.53
Real Estate and Rental and Leasing	529	0.7%	1,917,640	1.4%	0.52
Administrative and Support and Waste Management	2,309	3.2%	9,389,950	7.0%	0.46
Management of Companies and Enterprises	357	0.5%	2,921,669	2.2%	0.23
Mining, Quarrying, Oil/Gas Extraction	63	0.1%	651,204	0.5%	0.18

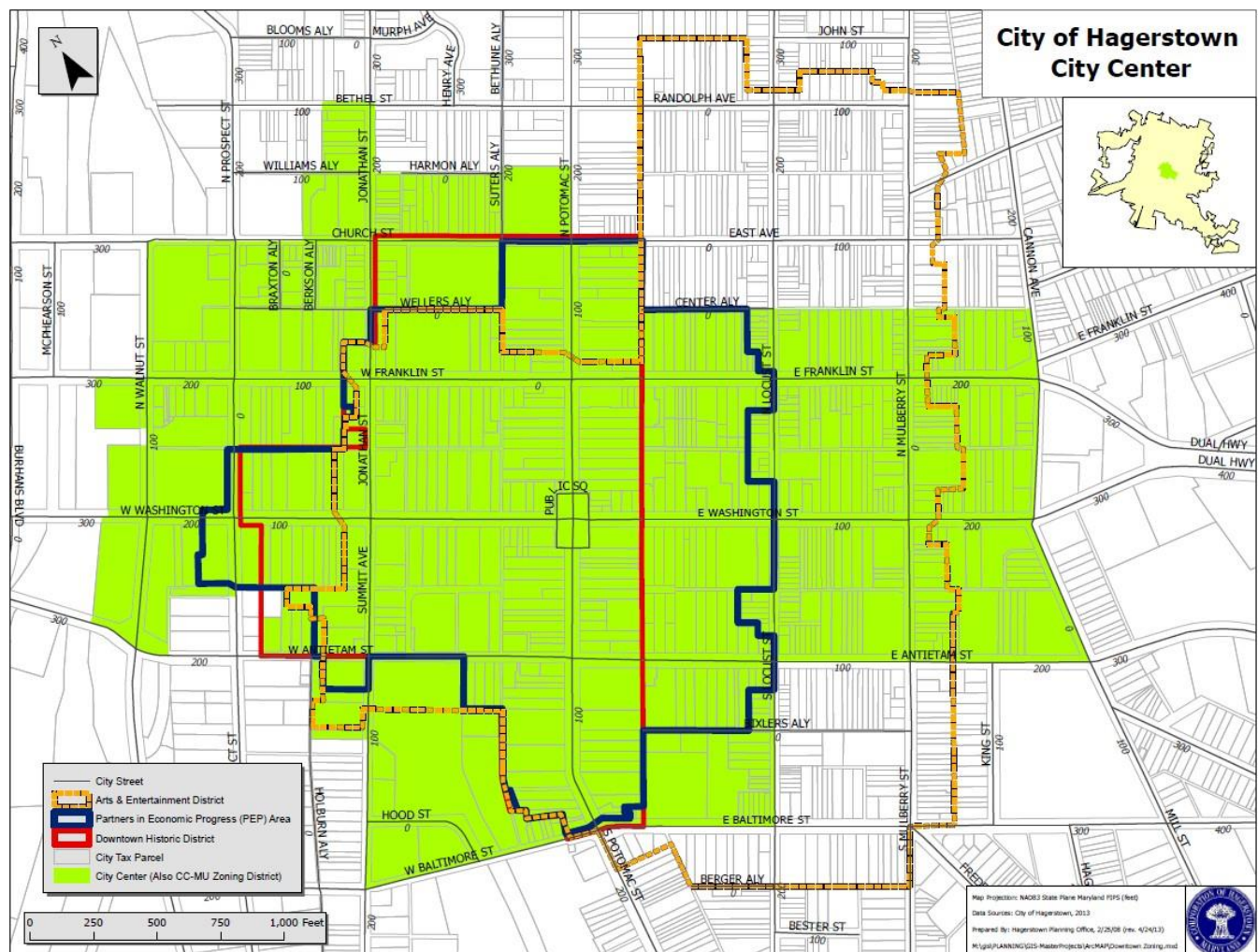
US Census Bureau - OnTheMap, County Business Patterns

Appendix 1 -

Hagerstown City Center Housing Survey Instrument

HAGERSTOWN CITY CENTER HOUSING SURVEY

The City of Hagerstown is conducting an economic analysis and implementation plan for the downtown area. As part of this process, the City is evaluating the possibilities for additional new or rehabilitated housing in the City Center. This survey is intended to determine the potential interest of downtown workers and the greater Hagerstown community in living downtown. Please take a few minutes to complete all of the questions. For the purposes of this survey, Hagerstown's City Center is defined by the area shaded green on the map below. The survey results described in the report are from responses collected between 1/29/14 and 2/11/14.



1. Please describe yourself:

Gender: Male _____ Female _____

Age: Under 25 _____ 25-35 _____ 36-45 _____
 46-55 _____ 56-65 _____ Over 65 _____

2. Please describe your household:

____ Number of adults (include yourself)
 ____ Number of children

In what zip code do you live? _____

3. Do you work downtown? _____

If not, where do you work? _____

4. What type of housing do you live in now?

- ☐ Single-family detached home
- ☐ Low-rise or garden apartment
- ☐ High-rise apartment
- ☐ New townhouse
- ☐ Renovated/historic rowhouse
- ☐ Converted upper floor of existing building
- ☐ Warehouse/loft/other historic conversion
- ☐ Other (please describe: _____)

5. How many bedrooms do you currently have?

☐ Studio ☐ 1 ☐ 2 ☐ 3 ☐ 4 or more

6. Do you currently own or rent?

Own ☐ Rent ☐

7. What is your current mortgage or rent?

- ☐ Less than \$400 per month
- ☐ \$400-\$600 per month
- ☐ \$601-\$800 per month
- ☐ \$801-\$1000 per month
- ☐ \$1000-\$1500 per month
- ☐ More than \$1500 per month

8. What is your annual household income?

- ☐ Less than \$20,000
- ☐ \$20,000-\$35,000
- ☐ \$35,001-\$50,000
- ☐ \$50,001-\$65,000
- ☐ \$65,001-\$80,000
- ☐ \$80,001-\$100,000
- ☐ Over \$100,000

9. If attractive, affordable housing were available, would you be interested in living in downtown Hagerstown?

Yes ☐ No ☐

If no, briefly explain why: _____

Would you be interested if there were financial incentives available? Yes ☐ No ☐

If yes, would you rather own or rent? Own ☐ Rent ☐

10. If you were interested in living in downtown Hagerstown, in what type(s) of housing would you prefer to live? (Please check all that apply and circle the housing type that would be your first preference.)

- ☐ Single-family detached home
- ☐ Low-rise or garden apartment or condo
- ☐ High-rise apartment or condo
- ☐ New townhouse
- ☐ Renovated/historic rowhouse
- ☐ Converted upper floor of existing building
- ☐ Warehouse/loft/other historic conversion
- ☐ Other (please describe: _____)

11. If you would prefer to own, what purchase price level would you be willing to pay?

- ☐ Under \$100,000
☐ \$100,001-\$125,000
☐ \$125,001-\$150,000
☐ \$150,001-\$200,000
☐ \$200,001-\$300,000
☐ Over \$300,000

If you would prefer to rent, what monthly rent would you be willing to pay?

- ☐ Less than \$400 per month
☐ \$400-\$600 per month
☐ \$601-\$800 per month
☐ \$801-\$1000 per month
☐ \$1000-\$1500 per month
☐ More than \$1500 per month

What size dwelling would you prefer?

- Number of bedrooms: ☐ 1 ☐ 2 ☐ 3 ☐ 4 or more
Number of bathrooms: ☐ 1 ☐ 1.5 ☐ 2 or more

12. Where in downtown Hagerstown would you most like to live? (Building, intersection, block, etc.)

13. Indicate how important each amenity is to you in deciding where to live (circle one):

	<i>not important</i>	<i>somewhat important</i>	<i>very important</i>
New kitchen/bathrooms	☐	☐	☐
Central A/C	☐	☐	☐
Fireplace	☐	☐	☐
Interior finishes (e.g., <i>hardwood floors</i>)	☐	☐	☐
Architecture/historic charm	☐	☐	☐
Porch/balcony	☐	☐	☐
Storage	☐	☐	☐
On-site parking	☐	☐	☐
Security watch/system	☐	☐	☐
Exercise room/jacuzzi/spa	☐	☐	☐
Swimming pool	☐	☐	☐
Outdoor sitting area/green space	☐	☐	☐
Nearby shopping, restaurants, arts/culture	☐	☐	☐

Thank you for your feedback!

Appendix 2 -

Hagerstown City Center Retail Inventory, 1/2014

Address	Business Name	Type of Business
17 E. Franklin	Spickler's Market	Supermarket, Grocery Store
200 W. Franklin	7-Star Mini Market	Convenience Store
100 N. Potomac	K&D Convenience Store	Convenience Store
28 W. Baltimore	Snook's Poultry	Meat Store
67 E. Franklin	Potomac Seafood	Fish Store
4 E. Franklin	Yumminess Bakery	Bakeries
47-49 E. Franklin	La Bodega International Market	Other Specialty Foods
54-56 W. Church	Market Lot Liquors	Liquor and Beer Distributors
31-33 E. Franklin	Universal Liquors	Liquor and Beer Distributors
29 N. Cannon	Express Pharmacy	Drug Store/Pharmacy
51 S. Walnut	Magnolia Square Pharmacy	Drug Store/Pharmacy
45-47 W. Franklin	Busy Bee's Beauty Supply	Cosmetics, Beauty Supply
25-27 W. Washington	Beatitudes Beauty Supply	Cosmetics, Beauty Supply
39 N. Potomac	Senior Notes	Other Health/Personal Care
204 E. Franklin	El Palenque Cantina	Full-Service Restaurants
28 W. Franklin	The Broad Axe Tavern	Full-Service Restaurants
101-105 W. Franklin	Franklin Street Café & Grill	Full-Service Restaurants
114-116 W. Franklin	Juwane & JR's Café	Full-Service Restaurants
36-40 N. Potomac	Thai Zap	Full-Service Restaurants
41-45 N. Potomac	Gourmet Goat	Full-Service Restaurants
43-45 S. Potomac	Flying Pie	Full-Service Restaurants
28 S. Potomac	28 South	Full-Service Restaurants
38 S. Potomac	Bulls & Bears	Full-Service Restaurants
43 S. Potomac	Murphy's Pub	Full-Service Restaurants
56-58 S. Potomac	Schmankerl Stube	Full-Service Restaurants
12-16 Public Square	Rhubarb House	Full-Service Restaurants
6 Rochester Place	The Plum	Full-Service Restaurants
10-12 E. Washington	El Paso Cantina	Full-Service Restaurants
40 E. Washington	Panama Canal	Full-Service Restaurants
66 E. Franklin	Vince's Pizza	Limited-Service Restaurants
21-23 N. Locust	Burkett's Deli	Limited-Service Restaurants
141 N. Prospect	Dominos	Limited-Service Restaurants
2 W. Washington	Greens 'N Grains	Limited-Service Restaurants
15 W. Washington	Fat Cats Deli	Limited-Service Restaurants
223 W. Franklin	Sportsman's Den	Bars and Lounges
231 W. Franklin	Friendly Pub	Bars and Lounges
55-57 W. Franklin	Stix & Phrases	Family Clothing
43-53 W. Washington	Potomac Bead	Clothing Accessories
107 N. Potomac	Tututoes & Co.	Other Clothing

Address	Business Name	Type of Business
138-140 N. Potomac	Sam Tooma Rugs	Floor Coverings
36-40 N. Jonathan	Azad Oriental Rug Emporium	Floor Coverings
72-74 W. Washington	Manny's	Floor Coverings
1-3 N. Potomac	Bikle's Ski & Outdoor Shop	Specialty Sporting Goods
35 N. Prospect	Hub City Cycle	Specialty Sporting Goods
86 W. Washington	Atomic Comics	Toy & Hobby Stores
63 E. Franklin	By Grace	Gift, Novelty, Souvenir Store
20-22 W. Franklin	World Treasures	Gift, Novelty, Souvenir Store
41 S. Potomac	SOMA	Gift, Novelty, Souvenir Store
55-57 S. Potomac	Inner BeYouTy	Gift, Novelty, Souvenir Store
158.5-160 S. Potomac	Copper Kettle	Antique Stores
58 E. Antietam	Bargain Mart	Other Used Merchandise
71 W. Franklin	J&E Buy Sell Trade	Other Used Merchandise
47 E. Washington	Washington Street Pawnbrokers	Other Used Merchandise
4 W. Franklin	Contemporary Art Gallery and School	Art Dealers
36 S. Potomac	Washington County Arts Council Gallery	Art Dealers
38-42 Summit	Just Lookin' Gallery	Art Dealers
36 W. Church	Variety Shop	Other Miscellaneous Retail Stores
49 E. Franklin	Julie's Hair Salon III	Hair Salon
61 E. Franklin	In the Cuts	Hair Salon
7-11 W. Franklin	T's Un-B-Weavable	Hair Salon
19 W. Franklin	Cecil's Coiffures	Hair Salon
107-109 W. Franklin	Still Cuttin'	Hair Salon
110-112 W. Franklin	Caribbean Dreams Salon & Barber	Hair Salon
206-208 N. Jonathan	Just Us Hair Styles	Hair Salon
35 N. Potomac	Kerry's Hair Day Spa	Hair Salon
105-107 N. Potomac	Sisters with Style	Hair Salon
32-36 Summit	Zodiac Expressions Hair Studio	Hair Salon
14-16 E. Washington	Charlene's Hair Gallery	Hair Salon
29-33 E. Washington	Elohim Salon	Hair Salon
38 E. Washington	Baker's Barber Shop	Hair Salon
200 E. Washington	New Beginnings Salon	Hair Salon
31 E. Franklin	Universal Laundry	Laundries; Dry Cleaning
140 Summit	D&P Coin-Op	Laundries; Dry Cleaning
18-22 E. Washington	Pro-Wash	Laundries; Dry Cleaning

Urban Partners, 1/2014

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[illegible]



CITY OF HAGERSTOWN

Community & Economic Development

Advancing the Economy, Image and Quality of Life

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