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## 110 Compromise Q&A

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Questions and Answers about the proposed acquisition of 110 Compromise Street.

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## 110 Compromise Street Q&A

Many of you have questions regarding Resolution 32-14, which proposes that the City purchase the 110 Compromise Street property that used to be Fawcett's downtown location. Last Tuesday's Ward One Residents Association meeting included a Q&A on the subject that I will attempt to summarize here. We didn't record the meeting, so my apologies in advance for paraphrasing your questions.

Interested readers should also see the article that Alderman Arnett and I wrote in *The Capital* newspaper on October 5. It is available online [here](#).

Regards,  
Joe Budge

## Introduction

The owners of 110 Compromise have agreed to sell their property to the City for \$4.5 Million. \$1 Million of that is due at the close of the sale. The owners will carry a 5-year note, at 5% interest, for the balance.

The city has obtained a verbal commitment from the Maryland Department of Natural Resources (DNR) for a \$1.2 Million grant of Land and Water Conservation Funds, a program that DNR administers for the National Park Service. The Park Service is presently reviewing the grant application. The transaction is contingent upon approval of this grant.



These transactions would not involve either of the City parking lots that are to the sides of the 110 Compromise property.

A public hearing on this proposal is scheduled for 7pm Monday evening in the City Council chambers. We hope to hear your thoughts.

### **Why are you proposing this?**

We believe the acquisition and subsequent reconfiguration of the lot achieves four important objectives for the City:

- **Pedestrian space:** The CDMP established high quality, walkable public open spaces as a major goal. The 55-foot stretch along the water will provide that kind of space and can be dressed with street furniture to give it the personal scale that is effective at the head of Ego Alley and in Hopkins Plaza.
- **Boat Shows:** 110 Compromise hosts significant exhibitor tents during boat shows, an important element in Annapolis's maritime economy and national branding. The present owners are under no obligation for future tenants or purchasers to make the property available for boat shows.
- **Economic Activity:** The building on the property has been vacant since January 2010. We believe the property should be returned to economic activity that benefits downtown.
- **Viewshed:** The proposal would have the effect of moving the building out of the viewshed as one looks towards the water from lower Main St.

Only the "Economic Activity" objective could be achieved if the property remains in private hands.

### **Is \$4.5 Million a fair price?**

The State Assessor valued the two parcels making up the property at \$3.3 million. We are proposing the City buy the property for \$1.2 million above that. Why? Because that is the price at which the owners are willing to sell their property.

The present owners have a \$5.4 million appraisal from a reputable appraiser. That's the seller's appraiser, of course. In written testimony to the City Council last year, Mr. Hartman suggested the City's acquisition of the property at \$5 million would be "a no brainer." We take both of these with a few grains of salt.

In truth, putting a hard value on public space is impossible. Appraisals are based on calculated economic value – how much will the property generate in rents and other income over the years netted against costs. This methodology doesn't apply to public space. What is the value to residents and the local economies of a Central Park in NYC or the National Mall in DC? The value cannot be determined through traditional appraisals. This isn't New York or DC, of course. But the point is the same.

At the hearing we hope to hear from the public what you think about the value of public space to you.

### **Have you considered acquiring the property through Eminent Domain?**

Eminent Domain was mentioned during last year's discussions of City Dock as well. At the outset of this year's negotiations we informally surveyed our colleagues on the Council. We concluded that this Council would not support Eminent Domain so we did not explore the option further.

### **Can you be more specific about other bills that will be needed?**

If the Council decides to move ahead with the purchase of 110 Compromise, a number of ordinances and resolutions will be introduced to complete the steps we've described. These are:

- An ordinance to modify the Capital Budget and a resolution to modify the Capital Improvement Program to allocate funds. The purchase will be contingent on council approval of these bills, so expect them to be introduced immediately if the purchase is approved.
- An ordinance to modify the zoning map, putting the Compromise Street parcel in the C2 zone.
- An ordinance to sell the Compromise Street parcel to a suitable buyer, who the City will have identified through an RFP or other public process. All sales of City real estate must be done by ordinance.
- An ordinance to refinance whatever portion of the acquisition cost has not been covered by grants and the sale of the Compromise Street parcel.

The first (allocation) and last (financing) are mandatory if we proceed with the acquisition. The ordinances for zoning and reselling the parcel are both optional. The City and Council could decide to forego either or both. The consequence would likely be a higher amount to

finance. There is more on this below.

### **Why subdivide?**

While we value the benefits that acquiring the property can bring to the City, Alderman Arnett and I are also aware of the City's financial position. By subdividing the property and reselling a portion, we can realize important benefits for the city while lowering the overall cost.

### **Why rezone?**

There are several reasons for rezoning. First, the WMC bulk regulations would require 25 percent of the lot width to provide unobstructed views of the water from the street. The lot configuration would already provide unobstructed views of the water across the City's parking lots adjacent to both sides of the building. The CDMP calls for a 20-foot setback from Newman Street. Our proposal would result in an 80-foot setback. We believe an additional setback from the side lot lines would not achieve any public purpose.

Secondly, the property has been vacant for over 4.5 years. We wish to return it to economic vitality. Towards this end, the CDMP says "In order to attract investment, the Plan envisions that the areas of the opportunity sites are rezoned to be compatible with the nearby commercial properties and to allow uses currently provided for in the C2 District."

Third, we believe that at the end of the project, rezoning will result in a lower cost to the taxpayer.

### **Won't property owners in other Maritime Zones want rezoning as well?**

It is now established in Maryland law that zoning changes must be consistent with the locality's Comprehensive Plan. Since the Council adopted the CDMP as an amendment to the Comprehensive Plan, our proposal for 110 Compromise would be consistent with the Plan. There are no similar changes to maritime zones covered anywhere else in the Comprehensive Plan. Therefore the other maritime zones must retain their existing footprints.

### **Will DNR have an ownership interest in the property?**

Grants from the Federal and State governments almost always come with strings attached. In this case, the National Park Service requires that any property acquired

through a Land and Water Conservation grant remain as recreation space. Neither the National Park Service nor DNR would have any ownership interest in the property, however.

### **Could the City get grants to keep the whole property open space?**

We are aware of two potential sources of funding: the Land and Water Conservation grants that the City has requested for this acquisition, and the State's Project Open Space. Both require a 50% match from the city. Potentially, the City could acquire the entire property for \$2.25 million after grants.

Land and Water Conservation grants require the property be used for recreation. That would preclude its use as a parking lot as was described in one of last year's proposals. Project Open Space funds would preclude use of the property by boat shows.

### **What happens if the City doesn't resell the Compromise Street lot?**

The City will have to determine what to do with the lot: It could become park space or the City could relocate the Harbormaster there. There are probably other options as well. The Historic District Design Guidelines would make it problematic to convert the current building footprint to surface parking.

In addition the City, and ultimately the taxpayer, would have to finance the portion of the acquisition that was not covered by grants.

### **What is the taxpayer liability?**

The City must obtain long-term financing to pay for whatever portion of acquisition price, transaction costs, and subdivision costs are not covered by grants and resale of the Compromise Street parcel.

The City will receive a \$1 million-plus grant at the outset, or the process won't start. We believe the amount will be \$1.2 million. Since matching grants are likely available for the rest of the property, it's unlikely the city would sell the Compromise parcel for less than \$1 million. Why would we sell it for less than what a granting agency would pay us for it? This puts the outer bound on the taxpayer liability as \$2.5 million.

That liability will be reduced by any amount that the City can sell the property for above \$1 million. We've heard various estimates from reputable bankers, commercial real estate brokers, and development consultants that range from "you can't give it away" to "you're

going to be wildly profitable”. Our own expectation is that the City will ultimately finance \$1 million. But in truth, no one will really know until the City markets the property.

### **How long will this take?**

Considering the number of ordinances involved and the timing of Planning Commission deliberation and the RFP process, we expect it will be eighteen months to two years before we can call the acquisition, reconfiguration, and parcel sale finished.

### **Did you develop this proposal in open meetings?**

The owners of 110 Compromise asked us to sign non-disclosure agreements before they would negotiate with us. The negotiations were conducted behind closed doors.

State law is clear that discussions of real estate acquisition are exempt from both the Open Meetings Act and from the Public Information Act. In addition the City Attorney is of the opinion that Alderman Arnett and I do not constitute a ‘public body’ that would be subject to the Open Meetings Act.

### **What will be the effect of building codes that have changed due to sea level rise?**

One does not need to live in Annapolis long to realize that 110 Compromise sits within a flood plain. Ground level at the site is four to five feet below the Flood Protection Level (FPL) required by FEMA and the City Building Code. New construction must either be elevated above the FPL or must take measures to waterproof any electrical and mechanical elements below that level. In addition the building must be reinforced to withstand seawater pressure up to the FPL. These constraints add cost to any new construction on the site, but are not insurmountable.

### **Is this part of the strategy for the seawall mentioned in the CDMP?**

The flood control seawall described in the CDMP is receding in our collective rear-view mirror. There were several issues with the seawall, but most critically it depended on an anchor at the Naval Academy end. USNA plans aren’t final yet, but it appears they don’t plan to build a flood control seawall. Instead, after Hurricane Isabel the Academy spent \$93 million moving their entire critical infrastructure above the flood line. Annapolis is now working with a number of agencies, including the Army Corps of Engineers, to develop alternative flood mitigation strategies.

### **Have you checked the integrity of the bulkhead and the cost to replace it if needed?**

The property owners replaced the bulkhead below the boardwalk ten years ago. The owners assert it remains robust. While it may not meet the standards that the City would use in a new Public Works project, it should have many years of useful life remaining. When it eventually does need replacement, we expect grant funding would be available to cover half the cost.

### **Are you going to change the height limit on buildings in the area?**

The Historic District includes a maximum building height map, which is mandatory by City law. At 110 Compromise the maximum building height is 22 feet at the cornice, 32 feet at the roof ridgeline. We have no intention to change the height map as part of this proposal.

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