

# **Frederick Avenue Corridor & Vicinity Development Capacity Study**

## **Summary**

The demographics of the Frederick Avenue Corridor in Gaithersburg are shifting rapidly. In general, average levels of educational attainment are falling, minority population share is rising and income growth has been slow relative to citywide averages. Also, commercial investment in the Corridor has stagnated to a meaningful degree over the past decade. Growth in the value of taxable properties in the Corridor has been significantly slower compared to the City overall.

Traffic represents a frequent source of complaint, but the study team's traffic counts indicate that there is still capacity along the Corridor to support new investment. This is an important finding since many stakeholders agree that the Corridor is now characterized by a pattern of slow and steady decline as newer commercial districts, some of which are transit-oriented, attract greater levels of private investment.

There are many constraints on the Corridor, including a relative dearth of available developable land, height/APFO restrictions, lack of high-end appeal, competition with other emerging commercial centers in and out of Gaithersburg and Montgomery County, and falling median household incomes. A market study of the Corridor stands for the proposition that the Corridor will significantly lag the balance of the city and the county in terms of investment momentum. Existing office and retail space will continue to age while new commercial investment will be in relatively short supply despite ongoing employment growth in and around Gaithersburg.

Further, the data indicate a lack of new retail opportunities in the Corridor when in fact there are many. However, much of the excess demand to be served presently is not associated with the existing Corridor residential base.

The study team has focused on realistic outcomes and expectations. Progress is most likely to be sequenced as follows. Higher quality residential development will be attracted first. All the while, the City will be making investments to improve the functioning, look, and feel of the Corridor, which will increase its appeal to all forms of users. The recommendations fall into five major categories:

1. Adopt an Owner Occupancy Only Policy within the Corridor
2. Beautify the Corridor Now!
3. Upscale the Corridor's Commercial/Retail Offerings
4. Create an Environment Suitable for a Signature Office Building to be attracted to the Corridor
5. Sequence Corridor Capital Investment in the Most Logical Manner Possible

The primary financing option the study team recommends is the establishment of a special taxing district. The proposed special taxing district would raise more than \$660k per annum, allowing for upfront debt issuance of approximately \$13 million. This would finance approximately 26 percent of the Corridor's need for investment.