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January 12, 2012

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City of Gaithersburg Mayor and Council
31 South Summit Avenue
Gaithersburg, MD 20877

Dear Mayor Katz and Councilmembers:

On behalf of our client, Sears, Roebuck and Co. (“Sears”), owner of The Great Indoors Property, located at 16331 Shady Grove Road (“Property”), enclosed please find a Petition for Annexation and supporting materials seeking annexation of the Property into the corporate boundaries of the City of Gaithersburg (“City”). The Property is identified as property number 18 in the approved and adopted 2009 amendment to the City’s Land Use Plan, and is recommended therein for annexation into the City.

The Property is currently developed with The Great Indoors, a home-improvement showcase center, an appliance repair center, and associated parking, all of which were developed on or around 1966. The Property is serviced by two points of access from Shady Grove Road, is relatively flat, with no significant environmental features, and is currently adequately served by all public utilities.

In 2006, Montgomery County comprehensively rezoned the Property to Research and Development (“R&D”), which does not permit retail uses. With The Great Indoors use being grandfathered as part of the comprehensive rezoning, Sears did not participate in the County’s Master Plan process to the extent it should have to ensure greater flexibility in the use of the Property until alternative uses envisioned by the County’s master plan for the area are viable. The lack of demand for R&D space in the area, currently and for the foreseeable future, renders the R&D zone very problematic for the Property. Through the proposed annexation, Sears hopes to achieve more flexible and realistic zoning for the Property and, to that end, is requesting MXD zoning from the City, consistent with the recommendation of the City’s Land Use Plan. Such a zone will allow for viable uses within the existing improvements on the Property until the market will support redevelopment of the Property. We believe, therefore, that the proposed annexation benefits both Sears and the City, with the City being ensured of future tax revenue from the Property and Sears being given the flexibility it needs to keep the Property productive.

Mayor and City Council
X-184
Exhibit #1

City of Gaithersburg Mayor and Council

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Thank you for your attention to this request. If you have any questions, or require any additional information, please feel free to contact us.

Very truly yours,

LINOWES AND BLOCHER LLP



C. Robert Dalrymple



Erin E. Girard

cc: Mr. Tony Tomasello
Lynn Board, Esq.
Mr. James Terrell
Marianne Simonini, Esq.

ANNEXATION APPLICATION

Application No.	_____
Date Filed	_____
Legal Ad: PC	_____
M&C	_____
PC Hearing	_____
PC Recommendation	_____
M&C Hearing	_____
M&C Decision	_____
Decision Date	_____
Effective Date	_____

This application must be typewritten or printed clearly and submitted to the Planning and Code Administration for filing. All items must be completed and all required documents shown on the checklist must accompany this application.*

PROPERTY KNOWN AS The Great Indoors Property

Location 16331 Shady Grove Road, Gaithersburg, MD 20877

Size (acres/sq.ft.) 13.66 acres / 595,029 square feet

Tax Sheet G513 Parcel(s)/Lot/Block N606

Tax Account Number(s) 00 768845

Present County Zoning (incl. TDR, if applicable) R&D Requested Zoning MXD

Requested Density (if applicable) _____

Proposed use after annexation Retail and office

PROPERTY OWNER(S) Sears, Roebuck and Co. Phone _____

Address 3333 Beverly Road BC 102B-A, Hoffman Estates, IL 60179

Applicant's Representative James Terrell Phone 847-286-3918

Address 3333 Beverly Road BC 102B-A, Hoffman Estates, IL 60179

Contract Purchaser _____ Phone _____

Address _____

Contact Person Erin Girard Phone 301-961-5153

Signature of Property Owner/Representative Erin E Girard Date 1/12/12

* This annexation application is not a substitute for the annexation petition, submission of which is required by State Law.

ANNEXATION APPLICATION CHECKLIST

An informal meeting with the Planning and Code Administration Director or designated staff person shall precede the submission of this application.

Submit application (on reverse side) and the following information:

- 1. Notarized **Petition for Annexation** (see directions below)
- 2. Complete **list of owners** with respective addresses and ownership parcel numbers
- 3. **Metes and Bounds description** of property
- 4. **Boundary Survey** prepared by a registered land surveyor
- 5. **Vicinity Map** showing location of subject property
- 6. **Names and addresses** of adjacent property owners within 200 feet
- 7. **General information** on property, including but not limited to the following:
County Master Plan and zoning; site characteristics; utilities; existing land use(s); and description, condition and age, if known, of all structures on-site
- 8. **Conceptual Site Plan** (optional)
- 9. **Tree Stand Delineation** (only if number 8 is provided)

THE PETITION FOR ANNEXATION

Sample petitions have been attached. The petition should incorporate the following:

- 1. Name of petitioner(s)
- 2. Verification that petitioner is owner of not less than 25% of property to be annexed
- 3. Names and addresses of registered voters in residence at property
- 4. Location of property
- 5. Size of property
- 6. Legal description of property(s)
- 7. Statement formally requesting annexation into the City of Gaithersburg
- 8. Statement that request is "pursuant to Article 23A, Section 19 of the Annotated Code of Maryland"
- 9. Statement that "subject property is contiguous to and adjoining the existing corporate boundaries of the City of Gaithersburg"
- 10. Request for reclassification of zoning
- 11. Notary attestation

MAYOR AND COUNCIL OF THE CITY OF GAITHERSBURG

PETITION FOR ANNEXATION

SEARS, ROEBUCK AND CO., a New York corporation (“Sears”), hereby petitions the Mayor and Council of the City of Gaithersburg, pursuant to Article 23A, Section 19 of the Annotated Code of Maryland, to annex certain property into the corporate boundaries of the City of Gaithersburg (“City”). In support of this Petition, Sears states as follows:

1. The property that is the subject of this Annexation Petition consists of approximately 27.89 acres, including an approximately 13.66 acre property located on the south side of Shady Grove Road, between Maryland Route 355 and Oakmont Avenue, and identified as Lot N606 on Plat No. 7952 (“Sears Property”), an approximately 11.84 acre portion of the I-370 right-of-way (“I-370 Parcel”), and an approximately 2.39 acre portion of the right-of-way for Shady Grove Road (“Shady Grove Parcel”) (collectively, the “Property”). The Property is shown on the Boundary Survey and Annexation Plat attached hereto and made a part hereof as Exhibit “A” and is more particularly described on Exhibit “B” attached hereto and made a part hereof.

2. The Sears Property is owned solely and entirely by Sears, and no persons registered as voters in Montgomery County (“County”) reside on the Sears Property. The deed showing ownership of the Sears Property is recorded in the Land Records of Montgomery County in Liber 18628 at Folio 354, a copy of which is attached hereto and made a part hereof as Exhibit “D”. Accordingly, no additional consent other than Sears’ is necessary for annexation of the Sears Property.

3. The I-370 Parcel is owned solely and entirely by the State of Maryland State Highway Administration (“SHA”) and is used as the right-of-way for Interstate 370. No persons

registered as voters in the County reside on the I-370 Parcel. The I-370 Parcel is shown on State Highway Administration Plats 48474 and 48475, attached hereto and made a part hereof as Exhibit “E-1” and Exhibit “E-2”, respectively. The documents showing the ownership of the I-370 parcel are deeds recorded among the Land Records of Montgomery County, Maryland in Liber 8440 at folio 243, Liber 9043 at folio 646, and a Writ of Possession issued April 4, 1985, attached hereto and made a part hereof as Exhibit “E-3”, Exhibit E-4” and Exhibit “E-5”, respectively. Accordingly, no additional consent other than SHA’s is necessary for annexation of the I-370 Parcel.

4. The Shady Grove Parcel is primarily owned by Montgomery County, Maryland, with a small portion owned by Sears, and is used as the right-of-way for Shady Grove Road. No persons registered as voters in the County reside on the Shady Grove Parcel. The plat showing partial ownership of a portion of the Shady Grove Parcel by Sears is recorded as Plat No. 7952, attached hereto and made a part hereof as Exhibit “F-1”. The deeds showing the ownership of the Shady Grove Parcel by Montgomery County, Maryland are recorded among the aforementioned Land Record in Liber 4470 at folio 73 and Liber 4480 at folio 162 and are attached hereto and made a part hereof as Exhibit “F-2” and Exhibit “F-3”, respectively.

5. Sears is the owner of at least 25 percent (25%) of the assessed value of the Property, and therefore has the authority pursuant to Md. Ann. Code Art. 23A, §19(c) to file this Petition.

6. The Property is contiguous to and adjoining the existing corporate boundaries of the City.

7. Annexation of the Property will not create any unincorporated area which is bounded on all sides by real property presently within the corporate limits of the City, real

property proposed to be within the City as a result of the proposed annexation, or any combination of any such properties.

8. The Property is within the maximum expansion limit of the City, as evidenced by the City of Gaithersburg Municipal Growth Element of the 2003 Master Plan, adopted April 6, 2009.

9. The Sears Property is currently classified in the R&D (Research and Development) Zone in the County, as shown on the certified copy of the official zoning map attached hereto and made a part hereof as Exhibit “G”. The R&D zoning classification is consistent with the current and duly adopted March 2006 Shady Grove Sector Plan (the “Sector Plan”), portions of which are attached hereto and made a part hereof as Exhibit “H”. The Master Plan recommends redevelopment of the Sears Property to provide technology, research and development, and office uses to create a technology corridor. Sears requests that the Sears Property be classified in the MXD (Mixed Use Development) Zone in the City to give Sears the flexibility to retain and expand existing uses on the Sears Property. Sears requests that this zoning reclassification occur concurrently with the City’s adoption of the resolution approving the annexation of the Sears Property into the City.

10. The City’s 2009 Draft Land Use Plan (the “Land Use Plan”), adopted by the Mayor and Council on December 19, 2011, and portions of which are attached hereto and made a part hereof as Exhibit “I”, recommends that the Sears Property be annexed into the City and rezoned to the MXD Zone.

11. Sears intends to retain the existing improvements shown on the plan attached hereto and made a part hereof as Exhibit “J”, and expand the existing retail uses to include additional retail and office components, as permitted in the MXD Zone. As part of this

annexation process, Sears will seek an Annexation Agreement with the City to accommodate the proposed development of the Sears Property.

12. As part of the annexation, Sears is requesting that the City agree to rebate municipal taxes payable from the Sears Property for a period of five (5) years.

13. In support of this Petition, Sears submits the following exhibits:

Exhibit "A": Boundary Survey and Annexation Plat of the Property;

Exhibit "B": Metes and Bounds Description of the Property;

Exhibit "C": List of names and addresses of persons with ownership interests in the Property and list of adjacent property owners within 200 feet of the Property;

Exhibit "D": Deed for the Sears Property;

Exhibit "E-1": SHA Right of Way Plat No. 48474;

Exhibit "E-2": SHA Right of Way Plat No. 48475;

Exhibit "E-3"; Deed for the SHA Parcel (Liber 8440 at folio 243- former Casey property);

Exhibit "E-4"; Deed for the SHA Parcel (Liber 9043 at folio 646- former Teunis property)

Exhibit "E-5"; Writ of Possession for the Peters Property issued April 4, 1985;

Exhibit "F-1"; Plat 7952 showing Sears' ownership of portion of the Shady Grove Parcel;

Exhibit "F-2"; Deed showing Montgomery County ownership of the Shady Grove Parcel (Liber 4470 at folio 73- former Casey property);

Exhibit "F-3"; Deed showing Montgomery County ownership of the Shady Grove Parcel (Liber 4480 at folio 162- former Peters property);

Exhibit “G”: Certified copy of the official zoning map for Montgomery County indicating the current R&D zoning classification of the Sears Property;

Exhibit “H”: Copy of excerpts of the March 2006 Shady Grove Master Plan recommending technology, research and development, and office uses on the Sears Property;

Exhibit “I”: Copy of portions of the City of Gaithersburg’s 2009 Land Use Plan, indicating the relationship of the Sears Property to the surrounding area and recommendation for annexation and MXD zoning for the Sears Property;

Exhibit “J”: Existing Conditions Plan;

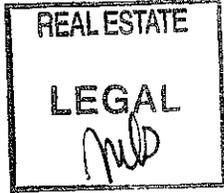
Exhibit “L”: Vicinity map showing the location of the Property in relation to its surroundings;

Exhibit “M”: Copy of Ordinance No. 0-11-88, amending Chapter 24 of the City Zoning Ordinance to create the MXD Zone, adopted by the City Council of Gaithersburg on November 7, 1988; and

Exhibit “N”: Mayor and Council Resolution No. R-88-11, adopting the 2009 Land Use Element Amendment to the General Plan for the City of Gaithersburg Master Plan.

WHEREFORE, Sears respectfully requests that the Mayor and the Council of the City of Gaithersburg initiate all steps necessary for final enactment of a Resolution annexing the Property into the corporate boundaries of the City and concurrently classifying the Sears Property in the City’s MXD Zone.

SEARS, ROEBUCK AND CO.,
a New York corporation



By: [Signature]
Name: J. Kal Gibron
Title: V.P. Real Estate

Subscribed and sworn to before me, a Notary Public ~~is~~ _____, this 9th day of January, 2012

Toni Di Giacomo My

Commission Expires:

May 14, 2013

[SEAL]

