

Mayor and City Council
X-9510-2023
Exhibit #22

Statement in Support of Annexation
Walnut Hill Shopping Center and 8939 and 8941 North Westland Drive
June 14, 2023

I. Introduction and Background

Walnut Hill Propco, LLC, the owner of the Walnut Hill Shopping Center located at 16531 North Frederick Road and King Fisher Associates, LLC, the owner of 8939 North Westland Drive (both related affiliates of Standard Properties) seek the annexation of their respective properties and the property located at 8941 North Westland Drive from Montgomery County into the City of Gaithersburg. The Annexation is sought through Walnut Hill Propco’s joint venture partner, Granite Partners (the “Applicant”).

Granite Partners initially approached the City to explore the annexation of the Walnut Hill Shopping Center. Several factors drove Granite Partner’s desire to pursue the annexation. The Shopping Center is located within Gaithersburg’s Maximum Expansion Limits and all of the surrounding commercial properties are located within Gaithersburg. More importantly, the function and operation of the Shopping Center are more oriented toward Gaithersburg. As a small city, Gaithersburg is responsive and efficient in ways that are difficult for a larger municipality, such as Montgomery County. From a land use perspective, the Shopping Center is the “missing tooth” in terms of providing a logical municipal boundary. We are aware that the City has previously pursued the annexation of the Shopping Center into the City.

In order to upgrade the Shopping Center, the Applicant’s primary objective has been to secure a grocery store anchor tenant. For a number of reasons, including the competition in the market place and the location, condition and size of the Shopping Center, this has proved to be a challenge. After months of effort, the Applicant has successfully leveraged the development of the retail pad site in the southwest corner of the Shopping Center, such that they are able to make important improvements to the Shopping Center which allowed them to secure lease with Aldi, a nationally known grocer for the site. The combination of the new retail pad, the façade, landscaping and lighting improvements and the establishment of the grocery store will significantly raise the profile and competitive market position of the Shopping Center and provide an overall benefit to the neighborhood.

Upon broaching the annexation of the Shopping Center with City officials, the officials suggested that Standard Properties’ site at 8939 North Westland Drive also be included in the annexation effort. Subsequently, the officials urged the Applicant to also include the adjacent parcel – 8941 North Westland Drive. At the City’s direction, the Applicant has included the 8941 North Westland Drive site as part of the annexation petition, although the Applicant has had no discussion with the owners of 8941 North Westland Drive about the proposed annexation. In addition, North Westland Drive rights-of-way along the frontage of the Shopping Center not currently located within the Gaithersburg City limits are also included in the annexation petition.

II. Description of Property and Surrounding Area

A. Property Description

The proposed property to be annexed comprises three parcels, as follows:

- Block A, Parcel B, “Walnut Hill Section One” subdivision recorded in the Land Records of Montgomery County, Maryland at Plat 4267 situated in the northeast quadrant of the intersection of MD Route 355 and South Westland Drive, consisting of 360,477 square feet or 8.28 acres with a property address of 16531 South Frederick Avenue, Gaithersburg, Maryland.
- Block G, “Parcel B, Walnut Hill” subdivision recorded in the Land Records of Montgomery County, Maryland at Plat No. 24052 situated in the northeast quadrant of MD Route 355 and North Westland Drive, consisting of 20,886 square feet with a property address of 8939 North Westland Drive, Gaithersburg, Maryland.
- Block G, “Parcel A-2, Walnut Hill” subdivision recorded in the Land Records of Montgomery County, Maryland at Plat No. 8290 situated in the northeast quadrant of MD Route 355 and North Westland Drive, consisting of 10,784 square feet with a property address of 8941 North Westland Drive, Gaithersburg, Maryland.
- The North Westland Drive right-of-way consisting of 17,551 square feet located along the frontages of the 16531 South Frederick Avenue property.
- A148 square foot portion of the abandoned 355 right-of-way.

(collectively “the Property”).

The remaining portion of the abandoned 355 right-of-way is located within the Gaithersburg city limits and is zoned R-A. This R-A zoning will remain unchanged.

B. Surrounding Land Uses

The land uses and zoning surrounding the Shopping Center are as follows:

North – 623 South Frederick Road located at the corner of South Frederick Road and North Westland Drive, improved with two commercial buildings zoned C-D, located within Gaithersburg. To the east of 623 South Frederick Road is 617 North Frederick Road improved with three commercial buildings, zoned C-D and located within Gaithersburg. The 617 North Frederick Road site is “T” shaped with frontage on North Westland Drive and North Frederick Road. To the east of 617 North Frederick Avenue are the two other sites that are the subject of the Annexation Petition, 8939 and 8941 North Westland Drive.

South – 16425 Frederick Road located at the corner of South Frederick Avenue and South Westland Drive improved with a gas station located on two parcels zoned C-D. To the east of the gas station are two vacant parcels owned by affiliates of Standard Properties zoned C-2, both located within Gaithersburg.

East – A single family residential neighborhood zoned R-60 located within Montgomery County. An eight foot (approximately) high fence is located along the Shopping Center’s eastern property line and separates the Shopping Center from ten single family residences.

West – On the west side of South Frederick Avenue are two churches, located in the R-A zone located within Gaithersburg.

The land uses and zoning surrounding 8939 and 8941 North Westland Drive are as follows:

North – 617 North Frederick Road (identified above).

South – Walnut Hill Shopping Center, one of the parcels subject to the Annexation Petition.

East – 8929 North Westland Drive, vacant, zoned R-90 and located within Gaithersburg.

West – 617 South Frederick Road (identified above).

C. Existing Zoning

The Property is zoned Commercial Residential Town - CRT – 2.25, C 1.5, R 0.75, H 45. The zoning permits a maximum density of 2.25 floor area ratio (“FAR”) of which the maximum commercial density is 1.5 FAR and the maximum residential density is .75 FAR. In order to maximize the allowable density, a mixed use development would be required, although a development exclusively residential or exclusively commercial up to the designated densities is permitted in the zone. The maximum height allowed is 45 feet. The CRT Zone (as well as the CR and CRN zones) permits a mix of residential and nonresidential uses.

Prior to Montgomery County’s comprehensive rezoning in 2014, the Property was zoned C-2, general commercial. In an effort to accommodate potential future mixed-use redevelopment, the majority of shopping centers and commercially zoned properties in the County were rezoned to one of the CR zones – CR, CRT or CRN. The County recognized that many of these shopping centers would continue for quite some time to function exclusively as commercial centers, but did not want to preclude the opportunity for potentially introducing a residential component in the future.

III. Master Plans

A. County Master Plan

The Property is located within the June 2010 Approved and Adopted Great Seneca Science Corridor Master Plan (the “Master Plan”) area. In terms of the subject annexation, one of the most important components of the Master Plan is the recognition that annexations into the City of Gaithersburg may occur and “that annexing properties surrounded by municipalities would help create coherent boundaries.” The Master Plan continues that boundaries between the County and the municipalities should be logical and well-defined, following roads and certain natural features. The Master Plan strongly opposes annexation of any portion of the Life Sciences Center, of which the Property is not a part (pages 13 and 14). The Master Plan specifically provides that Walnut Hill, as one of the Master Plan’s five enclaves, could be considered for annexation (page 66). Importantly, the South Frederick Road corridor, from the 370 interchange north to the northern boundary of Gaithersburg is located within Gaithersburg, except for the Walnut Hill Shopping Center. This certainly makes the annexation of the Property a logical action in order to create the coherent boundaries called for in the Master Plan.

The Master Plan identifies the Property’s existing zoning and land uses as retail and commercial and there are no specific future recommendations for the Property. However, it is important to emphasize that subsequent to the 2010 Master Plan, the Property was rezoned to the CRT zone, with a zoning designation permitting the residential development of the Property.¹

In support of the potential redevelopment of 8939 North Westland Drive with housing uses, the Master Plan calls for a range of housing to help achieve the County’s housing goals. The addition of residential units on this conveniently located parcel is in keeping with locating housing in proximity to existing or future planned infrastructure (i.e. the bus rapid transit to be constructed along South Frederick Road).

B. City Land Use Plan

The City of Gaithersburg’s 2009 Land Use Plan, Master Plan element identifies the Property as within the City’s Maximum Expansion Limits and notes that it could be annexed without creating an enclave. The Land Use Plan notes that if annexed, the Shopping Center should be incorporated into the Frederick Avenue Corridor Plan and subject to its design elements. The Land Use Plan further provides that the land use designation should be commercial-office-residential and recommends C-D zoning. Given the intended continuation of the commercial use (with no residential uses contemplated) for the Shopping Center, C-2 zoning is proposed for the Shopping Center, while C-D zoning is proposed for the 8939 and 8941 North Westland Drive parcels.

¹ Based on the existing zoning of CRT 2.25, C 1.5, R 0.75, the maximum density of 2.25 FAR may only be maximized if the Property were developed with both commercial and residential development, thereby suggesting that the County would be supportive of residential development on the 8939 North Westland Drive parcel.

The 2001 Special Study Area Frederick Avenue Corridor Land Use Plan, Master Plan Element recognizes the continued commercial use of the Shopping Center and recommends C-D zoning with a commercial-office-residential land use designation. The Special Study Area Plan recommends “infill retail liner buildings along the street edge of South Frederick Avenue, within the existing parking lot” and recommends a range of 20,000 to 30,000 square feet of additional retail space. There are no recommendations for the 8939 and 8941 North Westland Drive parcels.

IV. Proposed Development and Proposed Zoning

The Applicant intends to continue the use of the Shopping Center as a retail center but proposes a number of revisions to promote the viability of this use. These changes include the following:

- Establishment of a 57,851 square foot retail pad in the southwest corner of the Shopping Center to accommodate a 4,959 square foot retail convenience store with an accessory use to include 12 fueling positions.
- Establishment of pedestrian connections leading from South Frederick Avenue through the Shopping Center
- Renovation of the existing in-line structure to accommodate a grocery store
- Elimination of the center driveway along South Westland Drive
- Demolition of the one story vacant brick building in the southeast corner of the site
- Dedication of the Shopping Center frontage (variable width of between 13 and 19 feet) to accommodate the future BRT.
- Various landscaping, lighting and elevation improvements

Subsequent to the annexation, the Applicant plans to pursue the Planning Commission’s approval of a Preliminary/Final Site Plan to accommodate these changes.

Given the intent to continue the current use of the Shopping Center for commercial retail uses only, the Applicant proposes the C-2, General Commercial Zone for the Shopping Center, which is consistent with the recommendation of the Special Study Area Frederick Avenue Corridor Land Use Plan, Master Plan Element, to continue the retail use.

Based on the market position of the Shopping Center and the surrounding multi-family landscape, the Applicant does not anticipate that residential uses will be considered for the Shopping Center site for at least another 15 to 20 years. While the Applicant expects that future Gaithersburg Master Plan Amendments and any corresponding future rezoning will take this into account so as not to foreclose the potential residential development on the Shopping Center at some point in the future, any accommodation for residential uses on the Shopping Center at this time would be premature. Thus, the requested C-2 zoning for the Shopping Center is the appropriate zoning.

With respect to the 8939 North Westland Drive parcel, the current intent is to develop this site with residential townhouses or two-over-two residential units, but the opportunity for commercial or retail uses should be preserved. For this reason the C-D zoning is appropriate for this site.

With respect to the 8941 North Westland Drive parcel, the Applicant understands based on discussion with City officials that it is the owner's intent to continue the current commercial use of the site. Zoning the site C-D would preserve the opportunity to redevelop the site with residential uses and would also not preclude the continued commercial use.

V. Adequacy of Public Benefits

In terms of the public benefits, there are adequate public facilities, including public water and sewer, electricity, and police and fire safety to accommodate the annexation. With respect to the Shopping Center, the Applicant has conducted a Transportation Impact Statement ("TIS") and has concluded that there is adequate traffic capacity on the surrounding road network to accommodate the proposed development on this site. More specifically, the TIS concluded that all of the study intersections meet the City of Gaithersburg's and MDOT SHA's Guidelines of Critical Lane Volumes of less than 1,450 in all conditions.

VI. Civic Outreach

Since December of 2021, the Applicant has had extensive outreach with the surrounding and nearby interested civic associations including Gateway Commons, Walnut Hill, Rosemont Citizens Association and East Gaithersburg United, and shared with them the intended plans for the Shopping Center and the Applicant's progress. This outreach has included nine virtual or in-person meetings and numerous phone conversations. Walnut Hill, the civic association closest to the Shopping Center (which is located in the County) has expressed that their primary interest is the securing of a grocery store for the Shopping Center. Additional comments expressed by Walnut Hill and other civic associations to which the Applicant has responded included a desire for improved outdoor gathering space and an overall upgrade to the look and feel of the Shopping Center so that it would be considered an asset to the neighborhood. The leadership of Walnut Hill has verbally expressed their support for the Applicant's plans.

VII. Conclusion

The Applicant is excited to pursue the annexation of the Property into Gaithersburg and believes the time is right to do so. From a land use and zoning perspective, the annexation will remedy what is currently an illogical municipal boundary. The proposed improvements to the Shopping Center provide the opportunity to upgrade an underutilized, depreciated retail center and convert it to an up-to-date, attractive gateway retail center for the City of Gaithersburg that provides a real benefit to both the surrounding community and the City as a whole.

The Applicant looks forward to working with the City in this pursuit.