



# Strategic Plan for the National Historic Tome School

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Located at the Former U.S. Naval Training Center (USNTC) Bainbridge  
Town of Port Deposit, Maryland

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## 1. EXECUTIVE SUMMARY

### 1.1 INTRODUCTION

Situated on a bluff overlooking the magnificent Susquehanna River Valley near the top of the Chesapeake Bay in the historic Town of Port Deposit, Cecil County, Maryland, the Historic Tome School campus embodies great national and regional historic significance and development potential. The campus encompasses approximately 50 acres located within a larger parcel of land known as the former U.S. Naval Training Center (USNTC) Bainbridge. The current landowner, the Bainbridge Development Corporation (BDC), was created in 1999 by the State of Maryland to plan and oversee the activities necessary to convert the 1,185-acre Bainbridge site, including the Historic Tome School, into re-use opportunities which would maximize the economic contribution from the redevelopment. Since that time, the BDC has collaborated extensively with numerous local, county, state, and federal agencies and stakeholders, as well as private sector resources, in efforts to accomplish their mission, goals, and objectives for the project.

The Bainbridge project has experienced several setbacks and delays since the State of Maryland received title to the property from the U.S. Navy in 2000. The primary issue that has affected timely redevelopment of the property is the presence of residual environmental contamination related to former USNTC Bainbridge operations, which has not only negatively impacted any serious developer interest, but has also impeded the installation of site infrastructure to support development interest. In 2013, the BDC entered into a new Development Agreement (DA) with MTPM, LLC (MTPM) to master plan, market, and redevelop the Bainbridge property into a mixed-use development. Since then, alternative conceptual development plans have been prepared by BDC and MTPM, and marketing efforts are ongoing to attract tenants for various land uses that would be compatible with the overall plan and objective of mixed-use development. Under the 2013 DA, the BDC retained the development rights for the 50-acre Historic Tome School land parcel, plus an additional 100 acres of land. The combined 50-acre Historic Tome School parcel and adjacent 100-acre parcels, hereinafter referred to as the Tome School property but at times addressed separately, must be developed in a manner that is compatible with MTPM's redevelopment plan for the remainder of the Bainbridge property.

Given the current situations affecting the Bainbridge redevelopment project, development of the Tome School property is co-dependent on the broader, complex challenges affecting the entire Bainbridge property. These issues include widespread residual environmental contamination that has been studied by the U.S. Navy and is currently undergoing legal challenges by the BDC, unresolved site infrastructure (potable water and wastewater) solutions, and regulatory/community concerns over potential future land uses. There is still uncertainty regarding the timing and outcome of these issues and how they will affect the ability for the Tome School property to be developed. The manner in which these issues are resolved will also affect BDC's ability to plan and develop a successful adaptive reuse of the Historic Tome School property, as is BDC's and the Town of Port Deposit's desire. These broadly interrelated site, infrastructure, and regulatory issues, as well as other development constraints associated with the Historic Tome School property itself, must be considered in great detail to ensure the following:

- Proper planning for appropriate preservation and re-use of the Historic Tome School site,
- To enable synergistic connectivity to the Town of Port Deposit and the adjacent 100-acre development parcels, and

- To maximize new development opportunities within the Tome School property, as well as the larger Bainbridge project, in a manner that is feasible, market-driven, and attractive for private investment.



## 1.2 PROJECT PURPOSE

In order to determine the best use/uses for developing the Tome School property, the current demands of the market and any constraints or issues affecting development of the property must be understood. Therefore, to support future planning and decision-making for the Tome School property, the BDC retained professional services for the preparation of this forward-looking Strategic Plan. The purpose of this Strategic Plan is to:

- Evaluate potential development opportunities for the property in conjunction with the analysis of existing geographic, economic, real estate, physical, and environmental conditions,
- Determine if a viable, reasonable, and realistic development strategy exists; one that can be advanced based on current conditions, and that allows for maximum flexibility in re-use options, and
- Provide BDC with a clear plan and path forward that can be utilized to acquire and leverage State of Maryland or other sources of investments in the Historic Tome School.

The work performed and documented within this Strategic Plan was authorized and funded, in part, through the U.S. Department of Agriculture (USDA) Rural Business Enterprise Grant (RBEG) program.

## 1.3 KEY FINDINGS AND CONCLUSIONS

The following tasks were completed to research, analyze, and develop a comprehensive Strategic Plan for redevelopment of the Historic Tome School property:

- Task 1 – Market Opportunity Analysis
- Task 2 – Site Constraints and Infrastructure Analysis
- Task 3 – Economic Feasibility Study and Highest and Best Use Analysis
- Task 4 – Forward-Looking Strategic Plan

The findings indicate that the Tome School property is challenged with numerous constraints and development issues as summarized below.

### 1.3.1 Site / Infrastructure

- Site environmental contamination from former U.S. Navy operations, and misalignment with the U.S. Navy and other stakeholders regarding site contamination remediation approaches and timing, leading to increased costs and a major detriment to any development of the property.
- Insufficient and incomplete solutions for potable water and wastewater utility service for the Tome School property and adjoining Bainbridge property.
- Historical preservation aspects associated with National Park Service (NPS) and Maryland Historic Trust (MHT) historic structures and historic easement on the property, leading to new development constraints and substantial added cost.
- Unsecured site access/control, inadequate site stabilization measures, and impacts from vandalism that have accelerated building deterioration; this also produces negative aesthetics and perceptions that could impede project marketing and timely site redevelopment.
- Site development/density considerations involving Maryland Department of the Environment (MDE) storm water management regulations, Chesapeake Bay Critical Area (CBCA) setbacks on portions of the property, and terrain/slope challenges will impact development density and site preparation and development costs.
- Several abandoned, non-historic structures and former roads/parking areas need to be demolished in conjunction with site development.

### 1.3.2 Market Conditions / Economic Feasibility

- There are a significant number of competing large development parcels in the region, many of which are intended for residential and/or agricultural use. Available mixed-use and commercial development parcels are generally located in higher traffic locations in closer proximity to established retail areas and higher volume transportation corridors.
- There are significant available spaces in the office and industrial markets in Cecil, Harford and New Castle Counties. Almost five million square feet of available office space was identified in the three-county region, and more than eight million square feet of available industrial space was identified. In mid-2015, the vacancy rate for Class A office space was estimated to be 40%. Vacancy rates for industrial properties at that time were estimated to be 18% in Cecil County and 9% in Harford County.

- While the Bainbridge Mixed-Use Development District within the Port Deposit Zoning Ordinance offers significant flexibility in terms of the number and types of uses which are supported at the Tome School site, it is not clear whether the Town would support a high density redevelopment at the site which could substantially increase the Town's population.
- As the number of single family building permits has fallen over the past several years, the number of multi-family permits has increased. However, the potential number of units that could be developed on the most suitable 100 acres of developable land on the Tome School property is significant. The Tome School developable land could support as many as 300 to 400 units of multi-family housing, while the three-county region has permitted an average of less than 1,000 units annually over the past four years. Higher development density, beyond the 300 to 400 units permitted in the zoning ordinance, could result in a higher sale price for this land, but developers are likely to look for assurances of density as part of any sales agreement.
- Historic preservation cost requirements coupled with limited demand in the region for the Tome School buildings makes redevelopment of the historic buildings financially infeasible at this time. Even when the maximum available tax credits are assumed for each building, the revenue potential from redevelopment is not expected to be sufficient to amortize the costs of redevelopment. Developing new units on the primary 50-acre site in addition to units created through the redevelopment of the Tome School buildings could offer additional operating income to support the project. However, the development of additional units would require additional debt and equity, and would not contribute significant additional funding to support debt service on the renovation of the Tome School buildings.
- The development of new multi-family housing units on the 100-acre development parcel is estimated to offer significantly better financial performance as compared to the renovation of the existing Tome School buildings for multi-family uses. However, the development of new units still does not generate sufficient operating income to service debt on the project. In order to enhance profitability and therefore the ability of the project to attract developers and investors, a primary focus on controlling development costs will be necessary. Increasing density provides improved cash flows and profitability, but financial returns are still below what multi-family developers would consider attractive when compared to other available opportunities.

#### 1.4 KEY ELEMENTS OF STRATEGIC PLAN

As a result of the market, site, and economic feasibility analyses performed during the study, the following key elements of the Strategic Plan were identified:

- Key projects stakeholders must be aligned to the overall goal and timing of the Strategic Plan.
- The site environmental remediation cost burden to the eventual Tome School property developer(s) must be "zero".
- Water, wastewater, and other site infrastructure service connectivity (and capacity) must be readily available at the Tome School property development boundary.
- A plan to leverage and maximize historic tax credits and other aspects of economic and political value must be considered and developed.
- Targeted marketing to select end-users/developers of the Historic Tome School parcel should be explored in conjunction with the creation of an overall, more defined Conceptual Development

Plan for the Tome School and adjacent 100-acre parcel. These efforts will help to determine the path forward with respect to development viability and options for the Tome School buildings combined with, or separated from, the remaining 100 acres under BDC's control.

Details of the Strategic Plan are presented in Section 5 of this report.

## 1.5 NEXT STEPS

The recommended next steps and timing for BDC to consider in regards to the viability of future development options for the Tome School property are as follows:

- Stakeholder Engagement – Activity is ongoing. Within the next 30 to 60 days, update all key stakeholders on the findings of this study and seek consensus on next steps and path forward.
- Resolution of Site Environmental Remediation Responsibilities/Costs – Activity is ongoing. Engage political support to expedite resolution with U.S. Navy in the shortest timeframe possible.
- Infrastructure Service – Activity is ongoing. Continue to coordinate with Cecil County DPW, Artesian, and MTPM to confirm commitments and capital budgeting/expenditures related to water and wastewater service.
- Tome School Historic Easement/Historic Preservation/Tax Credits – Understanding of critical NPS/MHT issues and expectations for property accomplished through this study. Engage prospective tenants/developers/end-users in understanding of issues, costs, and tax credit benefits in conjunction with next phase of marketing/planning.
- Targeted Marketing/Conceptual Development Plan – Within the appropriate time, engage national marketing firms with expertise in historic properties to recommend services/next steps for targeted marketing of Historic Tome School to prospective specialized end-users/developers.

## 2. TASK 1: MARKET OPPORTUNITY ANALYSIS

The redevelopment of the Tome School property will be affected by regional factors, including economic issues, market issues, demographic issues and physical issues. This section provides an overview of some of the factors which will affect whether and to what extent the existing buildings on the property can be redeveloped, versus constructing new facilities on the adjacent 100 acres of the site.

This section includes data on a variety of topics. From a demographic perspective, information on population, income and home ownership rates are evaluated. From a real estate perspective, building permit data for single- and multi-family housing units is presented, in addition to median pricing information for single family products and sales activity levels. From an economic perspective, the analysis includes information on total employment levels and unemployment rate trends, as well as a review of changes in employment and establishments between 2009 and 2014.

Where readily available, information is presented for Cecil and Harford counties in Maryland and New Castle County in Delaware. However, real estate sales data is limited to Maryland counties.

### 2.1 POPULATION

Across the three county region, the total population is estimated to be just over 910,000. New Castle County has the largest population, with an estimated 558,000 in 2016. Harford County is the next largest, with an estimated population of 251,535, while Cecil County is the smallest of the three counties, with a 2016 population estimated to be 102,843.

In terms of growth, Cecil County saw the largest growth rate between the 2000 and 2010 Decennial Census. Between 2000 and 2010, Cecil County experienced population growth of more than 17.6%, making it the fastest growing of the three counties between 2000 and 2010. Harford County experienced population growth of 12%, while New Castle County grew by just 7.6% between 2000 and 2010.

Description	Cecil County, MD	Harford County, MD	New Castle County, DE
<b>Population</b>			
2021 Projection	105,278	258,626	579,107
2016 Estimate	102,843	251,535	557,961
2010 Census	101,108	244,826	538,479
2000 Census	85,950	218,592	500,265
Growth 2016 - 2021	2.37%	2.82%	3.79%
Growth 2010 - 2016	1.72%	2.74%	3.62%
Growth 2000 - 2010	17.64%	12.00%	7.64%

Source: Nielsen

However, despite population growth of more than 17% between 2000 and 2010, Cecil County has seen only limited growth between 2010 and 2016. According to Nielsen, the County's population has only grown by 1.7% since 2010. This is much slower than Harford County (estimated growth of 2.7%) and New Castle County (3.6%), which grew more than twice as fast as Cecil County between 2010 and 2016.

Five-year growth estimates from Nielsen, through 2021, anticipate faster population growth rates for all three counties. Cecil County is forecast to grow slower than either Harford or New Castle counties, at

approximately 2.4%. Harford County is expected to increase its population by 2.8%, while New Castle County is forecast to grow by 3.8%. Between 2016 and 2021, Cecil County is expected to add just over 2,400 people, while Harford County is expected to increase by just over 7,100 and New Castle County is forecast to add more than 21,000 people over the same period.

Given the interest in the potential for developing one of more retirement communities on the Tome School property, changes in the number of residents aged 55 and older is an important consideration. The Table below provides summary information for individuals at key threshold ages (55+, 65+, 75+ and 85+) for the 2010 Decennial Census as compared to the 2016 estimates created by Nielsen.

As shown in the table below, Harford County has the highest concentration of individuals aged 55+ among the three counties, with 29.3% of resident in this age category, Cecil County experienced the highest growth in population aged 55 and over between 2010 and 2016, experiencing growth of 4.4%, as compared to 4.3% for Harford County and just 3.5% for New Castle County. Across the three county region, 28.1% of residents are estimated to be aged 55 and up.

Description	Cecil County MD		Harford County		New Castle County		Three County Region	
	Total	%	Total	%	Total	%	Total	%
<b>Total Population - 2010</b>	101,108		244,826		538,479		884,413	
Over 55	24,636	24.4%	61,149	25.0%	128,615	23.9%	214,400	24.2%
Over 65	11,875	11.7%	30,564	12.5%	66,222	12.3%	108,661	12.3%
Over 75	4,986	4.9%	13,168	5.4%	30,727	5.7%	48,881	5.5%
Over 85	1,343	1.3%	3,572	1.5%	9,196	1.7%	14,111	1.6%
<b>Total Population - 2016</b>	102,843		251,535		557,961		912,339	
Over 55	29,610	28.8%	73,708	29.3%	152,844	27.4%	256,162	28.1%
Over 65	15,035	14.6%	38,261	15.2%	80,015	14.3%	133,311	14.6%
Over 75	5,673	5.5%	15,215	6.0%	33,683	6.0%	54,571	6.0%
Over 85	1,523	1.5%	4,303	1.7%	10,341	1.9%	16,167	1.8%
<b>Total Population - Change 2010 to 2016</b>	1,735		6,709		19,482		27,926	
Over 55	4,974	4.4%	12,559	4.3%	24,229	3.5%	41,762	3.8%
Over 65	3,160	2.9%	7,697	2.7%	13,793	2.0%	24,650	2.3%
Over 75	687	0.6%	2,047	0.7%	2,956	0.3%	5,690	0.5%
Over 85	180	0.2%	731	0.3%	1,145	0.1%	2,056	0.2%

Source: Nielsen

The table provides an understanding of the aging of the population in the region. Between 2010 and 2016, the total population of the three county region increased by 27,926. Over the same period, the number of residents aged 55 and up increased by 41,762, increasing as a percentage of the total population from 24.2% in 2010 to 28.1% in 2016. In general, this is a national trend, as remnants of the Baby Boom generation move into retirement age.

## 2.2 INCOME STRATIFICATION

In terms of income levels, Harford County has the highest estimated median household income in 2016, at \$80,673. The median household income in Cecil County is approximately 14% lower than the Harford County median, at an estimated \$69,430. New Castle County's estimated median income in 2016 is the lowest of the three counties, at \$67,468, more than 16% lower than the Harford County median.

Description	Cecil County MD (County)		Harford County (County)		New Castle County, DE (County)	
	Total	%	Total	%	Total	%
<b>2016 Est. Households by HH Income</b>	<b>37,633</b>		<b>93,256</b>		<b>209,177</b>	
Income < \$15,000	2,832	7.53%	6,334	6.79%	18,710	8.94%
Income \$15,000 - \$24,999	3,256	8.65%	5,264	5.64%	16,291	7.79%
Income \$25,000 - \$34,999	3,021	8.03%	6,078	6.52%	17,923	8.57%
Income \$35,000 - \$49,999	4,561	12.12%	8,523	9.14%	25,054	11.98%
Income \$50,000 - \$74,999	6,622	17.60%	17,236	18.48%	38,084	18.21%
Income \$75,000 - \$99,999	5,261	13.98%	14,072	15.09%	27,165	12.99%
Income \$100,000 - \$124,999	4,250	11.29%	11,032	11.83%	20,005	9.56%
Income \$125,000 - \$149,999	2,689	7.15%	8,573	9.19%	14,198	6.79%
Income \$150,000 - \$199,999	2,615	6.95%	8,682	9.31%	15,682	7.50%
Income \$200,000 - \$249,999	1,024	2.72%	3,143	3.37%	6,446	3.08%
Income \$250,000 - \$499,999	1,129	3.00%	3,370	3.61%	7,050	3.37%
Income \$500,000+	373	0.99%	949	1.02%	2,569	1.23%
<b>2016 Est. Average Household Income</b>	<b>\$88,923</b>		<b>\$99,163</b>		<b>\$90,150</b>	
<b>2016 Est. Median Household Income</b>	<b>\$69,430</b>		<b>\$80,673</b>		<b>\$67,468</b>	

Source: Nielsen

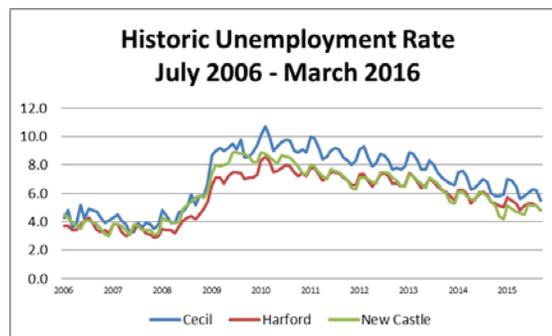
In terms of the income levels, New Castle County has the highest concentration of households at the low end of the income spectrum. Approximately 37.3% of New Castle County households have income below \$50,000. This compares with 36.3% in Cecil County households and 28.1% of Harford County households.

At the upper end of the income spectrum, Harford County has the highest concentration of households with incomes in excess of \$100,000, at 38.3%. In Cecil County, 32.1% of household earn in excess of \$100,000, compared to 31.5% in New Castle County. At the highest end of the income spectrum, both New Castle County and Harford County have 4.6% of households earning \$250,000 or more, compared to 4.0% for Cecil County.

### 2.3 UNEMPLOYMENT

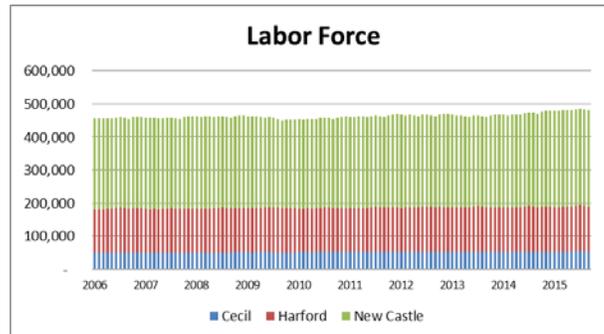
In March of 2016, the unemployment rate in Cecil County was 5.6%. This was higher than Harford County (4.6%) and New Castle County (4.2%). This is consistent with unemployment statistics over the past five plus years, where the unemployment rate in Cecil County has been consistently higher than the rates in either Harford or New Castle counties.

In 2006, unemployment rates were close to 4% in all three counties. Unemployment rates remained in that range until 2008, when the effects of the Great Recession began to increase unemployment rates. By mid-2010, unemployment rates had essentially doubled, with Cecil County’s rate exceeding 10%. Since that time, unemployment rates have recovered slowly.



Source: Bureau of Labor Statistics

In March of 2016, Cecil County had 3,018 unemployed members of the labor force, compared to 6,265 in Harford County and 12,623 in New Castle County. While labor force fluctuates from year to year, over the long term, labor force has increased in all three counties.

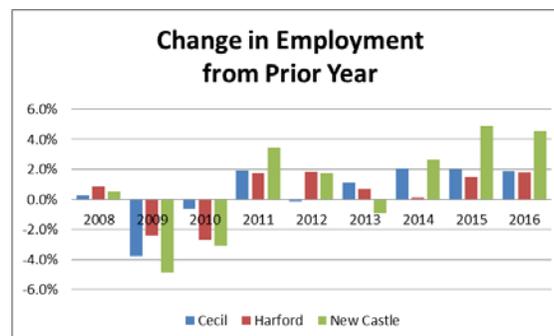


Source: Bureau of Labor Statistics

Between July 2006 and March 2016, the total labor force in Cecil County grew by 5.8%. This is a higher rate of growth than either Harford County (4.5%) or New Castle County (5.4%). Over this time period, total labor force for the three county region increased from just over 456,000 to almost 480,000.

## 2.4 EMPLOYMENT LEVELS

Total employment in the three counties was just under 442,000 in March of 2007. By March of 2013, employment had fallen to just under 439,000, a total loss of just under 3,000 jobs. Since that time, the three counties have recovered all of the jobs lost, and in March of 2016, total employment was more than 447,300.



Source: Bureau of Labor Statistics

A closer look at the figures reveals that all three counties lost jobs in 2009 and 2010. Since that time, Cecil County experienced a small job loss in 2012 and New Castle County saw an employment decline of almost 1% in 2013.

New Castle County has seen annual employment growth of more than 2% in each of the last three years, with job growth exceeding 4% in both 2015 and 2016. Between March of 2013 and March of 2016, annual employment growth in Cecil County averaged 1.8%, substantially higher than Harford County's 1.0% growth rate.

## 2.5 HOUSING OCCUPANCY AND TENURE

In terms of housing occupancy, Harford County has the highest percentage of owner occupied housing units, at 79.5%. Cecil County has 73.3% owner occupied housing units, while the rate in New Castle County is just under 70%, according to estimates from Nielsen.

New Castle County has the longest average tenure for owner occupied under, at an average of 17.8 years, while Cecil County has the longest average tenure for renter occupied housing units at 8.1 years.

Description	Cecil County MD (County)		Harford County (County)		New Castle County, DE (County)	
	Total	%	Total	%	Total	%
<b>2016 Est. Occupied Housing Units by Tenure</b>	<b>37,633</b>		<b>93,256</b>		<b>209,177</b>	
Owner Occupied	27,572	73.27%	74,149	79.51%	145,707	69.66%
Renter Occupied	10,061	26.73%	19,107	20.49%	63,470	30.34%
<b>2016 Owner Occ. HUs: Avg. Length of Residence</b>	<b>17.1</b>		<b>16.7</b>		<b>17.8</b>	
<b>2016 Renter Occ. HUs: Avg. Length of Residence</b>	<b>8.1</b>		<b>7.9</b>		<b>7.5</b>	

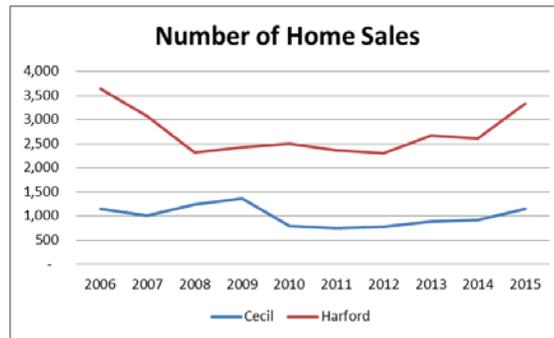
Source: Nielsen

According to Nielsen, Cecil County has an average household size of 2.7, which is higher than either Harford County (2.67) or New Castle County (2.58).

The development of the available 100 acres at the Tome School for higher density residential uses could create a significant number of housing units for Cecil County. Assuming an average density of 3 to 4 units per acre as defined in the Town's zoning ordinance, between 300 and 400 housing units could be created. This could represent an increase in the number of housing units in Cecil County of between 0.8% and 1.2%. At an average household size of 2.7, these housing units could add 810 to 1,080 to the County's population base.

## 2.6 HOME SALES ACTIVITY

The housing market in Cecil County has a much lower level of activity as compared to Harford County. This is consistent with Cecil County's smaller size, and lower number of housing units. In 2015, the number of sales in Harford County was almost triple the number of sales in Cecil County. Sales in Cecil County peaked in 2009, when 1,371 sales were recorded. The following year, sales activity fell by more than 40% to 801 sales. In 2011, the number of sales hit its low point (756 transactions). Since 2012, transactions have increased steadily, and in 2015, the number of transactions was approximately equal to the 2006 volume.

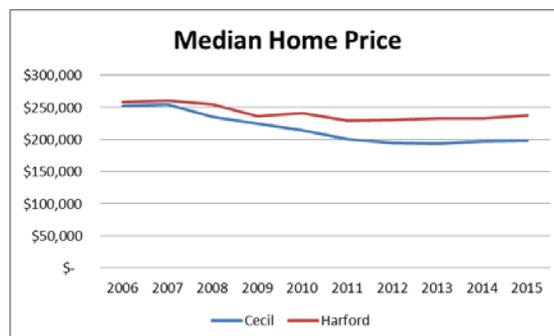


Source: Maryland Multiple Listing Service

Sales levels in Harford County declined sooner than those in Cecil County. Between 2006 and 2008, transactions fell from 3,646 to 2,321, a decline of more than 46%, while Cecil County actually experienced an increase in the number of sales between 2006 and 2009. Sales levels in Harford County were more or less flat between 2008 and 2012, when they bottomed out at 2,301 sales. Since 2012, sales activity has increased, but were still more than 8% below their 2006 level in 2015. Cecil County sales levels fell between 2009 and 2011, but have been increasing since that time.

## 2.7 MEDIAN HOME PRICES

In 2006, the median home price in Cecil and Harford counties were almost equal. At that time, the median home price in Cecil County was \$252,000, while the Harford County median was \$258,000 – a difference of just 2.3%. By 2007, the difference was less than 2%. However, as the Great Recession began to impact home sales, the decline in median price in Cecil County was much more pronounced than the decline in Harford County.



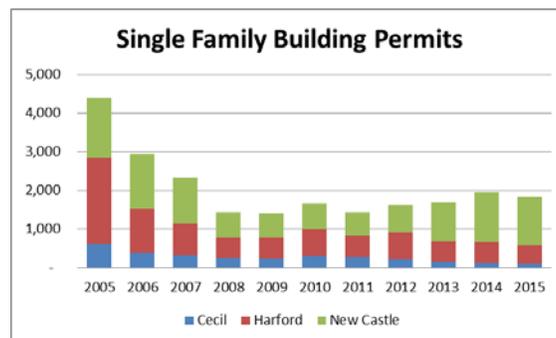
Source: Maryland Multiple Listing Service

Prices bottomed out in the 2012/2013 timeframe. By that time, the decline in median home value in Cecil County was almost 25% from the 2007 peak. In Harford County, the decline was much less severe, with a decline from the 2007 peak median sales value of less than 12%. In 2015, the median sales value in Cecil County was almost 17% below the Harford County median.

## 2.8 SINGLE FAMILY BUILDING PERMIT ACTIVITY

Building permit activity provides an indication of the health of a real estate market. Markets which are constructing and absorbing new housing units generally experience population growth, as well as the associated increases in tax base.

The graphic below provides a summary of single family building permit activity for the three counties from 2005 through 2015. As shown in the graphic, total single family building permits exceeded 4,400 in 2005. By 2009, total single family building permits had fallen by more than two-thirds, to just over 1,400.



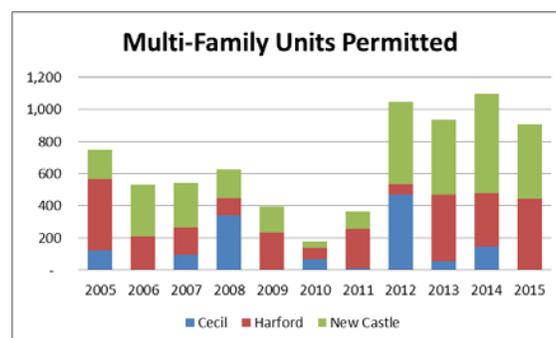
Source: U.S. Census

While there has been some recovery since 2009, the number of units permitted is substantially lower than the 2005 peak. Over the past four years, the average number of units permitted in the three counties has been 1,773 per year, with the most recent peak being 1,948 units in 2014.

The number of single family units permitted in Cecil County fell from a peak of 619 units in 2005 to 109 units in 2015. Permits in Cecil County have fallen steadily since 2010 (296 units) to 2015 (109 units). These numbers are significant in the context of the Tome School’s 100 developable acres, which could support as many as 300 to 400 single and multi-family units.

## 2.9 MULTI-FAMILY BUILDING PERMIT ACTIVITY

Permit activity for multi-family units is much more sporadic. As the number of foreclosures increased as a result of the Great Recession in the 2008 to 2010 time period, demand for multi-family rental units increased. As shown in the graphic below, the number of multi-family units permitted in the three county region fell from almost 800 in 2005 to fewer than 200 in 2010.



Source: U.S. Census

However, as demand for multi-family units increased, the number of permits issued increased significantly. Between 2012 and 2015, an average of 997 multi-family units were permitted annually in the three county region. Cecil County permitted 468 multi-family units in 2012, and 144 units in 2014. However, no multi-family units were permitted in Cecil County in 2015. Activity in Harford County and New Castle County has been both higher and more consistent. Between 2012 and 2015, Cecil County permitted an average of 166 multi-family units annually, as compared to 315 units annually in Harford County and 516 units annually in New Castle County.

## **2.10 COMPETITIVE LAND PARCELS**

In order to understand the range of value for the 100 developable acres at the Tome School site, a variety of available land listings for developable sites in competing locations were reviewed in Cecil, Harford and New Castle counties. The primary source for listing information was Loopnet.com. The Loopnet information was augmented by additional property-specific information from Realtors, marketing brochures, and real estate agency websites. Several available parcels were visited to understand locational context of the sites.

From a size perspective, properties in the range of 50 to 150 acres were the primary focus. This is considered a reasonable range of acreage consistent with the 100 acres available at the Tome School. To the extent possible, the evaluation of competing sites focused on properties with similar use potential and similar locational characteristics to the Tome School property. As a result, several potentially comparable properties were eliminated from consideration, primarily due to locational considerations. In particular, higher value sites located in retail/commercial corridors and/or established industrial parks were eliminated.

In addition to available development sites, data for several property sales of larger parcels (50+ acres) was provided by a regional Realtor. These properties were generally agricultural uses, with a limited number of structures. All are located on existing roadways.

The available development parcels ranged from a low of \$4,000 per acre to a high of \$31,000 per acre. The smallest of the sites reviewed was 62 acres, while the largest was 149 acres. These sites are predominantly zoned for residential development, similar to what could be supported at the Tome School site, though they had much lower density than the potential density at the Tome School site. In general, the competing listings had fewer geographic challenges/constraints as compared to the Tome School's more hilly terrain. All had similar access to I-95. The property with the highest value had some initial investment in place, such that 75 of its homes could be built with limited additional investment in grading, utilities and roadways.

Regional Land for Sale					
Location	Town	Acres	Price	Price/AC	Comments
South Stepney	Aberdeen, MD	61.8	\$ 1,000,000	\$ 16,186	Development site with available public water and sewer. Zoned for single family, condos and townhomes. Heavily wooded site which backs up to I-95, approximately 3 miles to the on-ramp. Limited access, no on-site roads.
Marley Road	Elkton, MD	148.9	\$ 600,000	\$ 4,030	Originally identified for 148 single family home sites, re-zoned for multi-family in 2011. Four miles to I-95. Wooded site, less than 0.5 miles to Highway 40. Utilities available in proximity to the site.
Red Pump Road	Rising Sun, MD	126.0	\$ 1,250,000	\$ 9,921	Permitted for 200 single family homes, annexed into Town, currently being farmed, contiguous to sewer plant, frontage on Route 1, 8 miles to I-95, gently rolling, generally rectangular
11924 Middle Neck Road	Middletown, DE	116.0	\$ 3,625,000	\$ 31,250	Permitted for 88 single family homes and 76 townhouses, 75 of which are ready to build, with water, sewer, rough grading and partially paved roads. Small lots, 0.11 to 0.19 acres. Three miles to I-95. River/bay frontage/views to the southeast, and significant wetlands.
Regional Land Sales					
Location	Town	Acres	Price	Price/AC	Comments
Chrome Road	North East, MD	90.0	\$ 475,000	\$ 5,278	Sold June 2014, Simmers Farm, included one home, which had a life estate for the prior owners
Theodore Road	Port Deposit	112.0	\$ 780,000	\$ 6,964	Sold May 2014, Tyson Farm. Included two homes and a large barn.
Spring Hill Road	Rising Sun, MD	80.0	\$ 480,000	\$ 6,000	Sold December 2012, Farm with no improvements
Biggs Highway	Rising Sun, MD	78.0	\$ 550,000	\$ 7,051	Sold November 2014, Armor Farm, 1/4 mile horse track, large tack building

Sources: Loopnet.com, regional real estate brokers

The comparable sales identified through local Realtors are all located in Cecil County, and sold in 2012 and 2014. These parcels ranged from 78 to 112 acres, and are primarily agricultural properties. Per acre sales values were in a relatively tight range of \$5,300 to \$7,100 per acre. One of the sales was the Tyson Farm in Port Deposit, which sold for almost \$7,000 per acre. At a value range of \$5,000 to \$8,000 per acre, the developable land at the Tome School site could generate \$500,000 to \$800,000 in sales revenue.

The developable land at the Tome School site could benefit from the potential density of the site. As discussed elsewhere in this report, the development of 100 acres at the Tome School could support 300 to 400 housing units, according to the Town's zoning ordinance. From a "value per planned unit" perspective, the competing available properties range in value from \$4,000 to \$10,000 per planned unit.<sup>1</sup>

However, the Town of Port Deposit's zoning for the Tome School site has not been "tested" in terms of a large scale development project, and it remains to be seen whether the Town would support a residential project which could double the Town's population. In addition to the permitting risk, the Tome School property faces significant potential investments in infrastructure systems. The subject property also faces some limitations due to the environmental constraints on the property. These issues and constraints are likely to drive pricing below the low end of the range of values for competing properties, possibly as low as \$1,000 to \$3,000 per planned unit. Assuming 400 units at the site, the value of the 100 developable acres could be in the range of \$400,000 to \$1.2 million. However, any agreement to acquire the property for high density residential development is likely to include some form of permitting contingency, such that execution of a sales agreement would be contingent upon approval by the Town of Port Deposit for development of a minimum number of units at the site.

<sup>1</sup> The Middletown site is excluded due to the level of investment which has already occurred, increasing value and decreasing risk.

## 2.11 OFFICE VACANCIES AND PRICING

In order to understand the magnitude of available office space available in the region, Loopnet.com listings for office space in Cecil, Harford and New Castle counties were reviewed. All available listings for Cecil and Harford counties were reviewed. Due to the number of listings in New Castle County, a sample (33%) of New Castle County listings was extrapolated to estimate the totals for the County.

New Castle County has more available properties than Cecil and Harford counties combined. New Castle County has an estimated 2.7 million square feet of space available, and has the highest average pricing among the three counties, at an average asking lease rate of \$17.40 per square foot annually. The smallest available office listing was 558 square feet, while the largest available listing was more than 125,000 square feet.

	Cecil County	Harford County	New Castle County
<b>Available Properties</b>	<b>12</b>	<b>96</b>	<b>259</b>
<b>Available SF</b>	<b>69,753</b>	<b>1,082,784</b>	<b>2,745,689</b>
<b>Average SF</b>	<b>5,813</b>	<b>11,279</b>	<b>10,601</b>
<b>Average Price</b>	<b>\$ 14.22</b>	<b>\$ 17.04</b>	<b>\$ 17.40</b>

Source: Loopnet

Cecil County has the fewest number of available properties, with just under 70,000 square feet available in twelve properties. The average size of available space in Cecil County is just over 5,800 square feet. The smallest available office listing was 865 square feet, while the largest was just under 13,000 square feet. Cecil County also has the lowest average listing price, at just \$14.22 per square foot annually. It should be noted that not all of the listings posted on Loopnet have a published asking price. The average listing price shown in the Table above reflects only those properties with a published asking price. No vacancy statistics were available from published sources for Cecil County.

The Harford County office sector has 96 listings totaling almost 1.1 million square feet of space. The average asking price equates to \$17.04 per year. Harford County also has the largest average available space, at almost 11,300 square feet. The smallest available office listing was just 300 square feet, while the largest available listing was more than 125,000 square feet. According to the 2015 Baltimore Metropolitan Region Year End Office/Industrial Report<sup>2</sup>, Class A office vacancy was estimated to be approximately 38%, while the Class B vacancy rate was estimated to be 12%. Less than 100,000 square feet of net absorption was estimated to have occurred during 2015.

## 2.12 INDUSTRIAL VACANCIES AND PRICING

In order to understand the magnitude of available industrial space available in the region, Loopnet.com listings for industrial space in Cecil, Harford and New Castle counties were reviewed. All available listings for Cecil and Harford counties were reviewed. Due to the number of listings in New Castle County, a sample (50%) of New Castle County listings was extrapolated to estimate the totals for the County.

<sup>2</sup> NAI KLN, Baltimore, Maryland

Harford County has more available properties than Cecil and New Castle counties combined. Harford County has an estimated 5.1 million square feet of industrial space available. However, four large buildings account for more than 3.2 million square feet of available space, including two buildings with more than one million square feet of available space each. The smallest available property was 1,500 square feet, while the largest was almost 1.3 million square feet. The average asking price for industrial space in Harford County is \$5.72 per square foot, and the average size of available properties is more than 100,000 square feet. According to published data from NAI KLN, Harford County has more than 23.1 million square feet of industrial space, with less than two million square feet available, which equates to a vacancy rate of less than 10%. The difference between the NIA estimates and the Loopnet data may be the very large buildings, or could possibly be reflected in some build-to-suit properties.

New Castle County has the highest average pricing among the three counties, at an average rate of \$7.56 per square foot annually. The County has an estimated 3.16 million square feet of space available in 149 facilities, with an average availability of more than 21,000 square feet per facility. The smallest available property was just 1,000 square feet, while the largest was 175,000 square feet.

	Cecil County	Harford County	New Castle County
<b>Available Properties</b>	7	50	149
<b>Available SF</b>	322,207	5,147,266	3,156,118
<b>Average SF</b>	46,030	102,945	21,182
<b>Average Price</b>	\$ 4.00	\$ 5.72	\$ 7.56

Source: Loopnet

Cecil County has the smallest amount of industrial space available, at less than 325,000 square feet, according to Loopnet. The average size of available properties is just over 46,000 square feet, more than double the average square footage of available properties in New Castle County. The smallest industrial listing in Cecil County was 9,000 square feet, while the largest was just under 130,000 square feet. According to published information from NAI KLN, Cecil County includes a total of just under 5.5 million square feet of industrial space, with more than 550,000 square feet vacant, or a vacancy rate of approximately 11%.

It should also be noted that Cecil County has almost five million square feet of build-to-suit industrial space available at the Principio Parkway development. The average asking price in Cecil County is the lowest among the three counties, at \$4.00 per square foot. However, only one-quarter of Cecil County listings included an asking price.

### 2.13 MULTI-FAMILY VACANCY AND PRICING

Pricing and vacancy in the multi-family markets are more difficult to “localize” in smaller markets. There are published reports for the Wilmington and Baltimore metropolitan areas, but they do not offer data for specific counties. As such, general information for the two metropolitan areas is used as an indicator for the Cecil/Harford/New Castle region.

In the Baltimore metropolitan area, vacancy rates have been less than 5% since 2012, ending 2015 with an estimated vacancy rate of 4.4%<sup>3</sup>. Effective rents increased by approximately 2% in 2015, consistent with the previous two years. Average rent levels for 2015 were reported to be \$1,240 per month across all units. Projections for 2016 indicate potential rent increases of more than 3%. More than 3,600 new units are expected to be delivered in 2016, an increase from the 2,900 units delivered in 2015. These new deliveries are expected to result in a slight increase in vacancy, though the rate is expected to remain below 5%.

Among the more than 41,000 multi-family units surveyed by Integra Realty Resources for their 2016 Wilmington Multi-family Market Report, the vacancy rate for Class A suburban units was estimated to be 5.0%, slightly higher than the vacancy rate in the Baltimore metro area. The estimated vacancy rate for Class B properties was higher at 7%. Asking rents for suburban Class A properties was \$1,225, slightly less than the average price in Baltimore, while the average price for Class B suburban properties was reported to be \$1,000 per month.

These figures point to an overall strong market for good quality multi-family residential properties in the Wilmington-Baltimore corridor, with vacancy rates of 5%, and pricing in the range of \$1,000 to \$1,250 per unit per month.

It should be noted that these pricing estimates do not consider the size of the apartment in terms of square footage. Elsewhere in this report, an average monthly rent of \$1.00 to \$1.35 per square foot was identified. This data was developed through an evaluation of published lease rates and unit sizes (square footage) for Cecil County. Utilizing the price per square foot is considered to provide a more accurate estimate of potential lease revenue at the Tome School site.

## 2.14 JOB GROWTH

In order to understand how employment has changed in two-digit NAICS<sup>4</sup> sectors, data from the U.S. Census Bureau's County Business Patterns for 2009 and 2014 was reviewed. This information provides context to the employment, establishments and payroll in the three county region. All data presented represents the net change between 2009 and 2014. It is important to note that some data is restricted due to privacy concerns. Those data points that are restricted by the Census Bureau have been left blank in the Table below.

Overall, the region saw a loss of 340 establishments between 2009 and 2014. However, over the same period, the total number of employees increased by almost 16,000, and total annual wages increased by more than \$3.8 billion. From the perspective of Cecil County, approximately 250 jobs were created between 2009 and 2014, or an average of approximately 50 net new jobs annually.

Several sectors saw significant losses in the number of establishments, including construction (-233), transportation and warehousing (-67), finance and insurance (-264), and management of companies (-527). Among the sectors which saw declines in employment are construction (-2,578), wholesale trade (-2,291), finance and insurance (-968), administrative and support and waste management (-1,854), and educational services (-758).

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<sup>3</sup> Marcus & Millichap Baltimore Multi-family Market Overview

<sup>4</sup> North American Industrial Classification System

Among the sectors that saw the greatest increases in employment levels are retail trade (+5,251), transportation and warehousing (+2,164), real estate (+547), professional, technical and scientific services (+8,209), healthcare and social assistance (+5,688), arts, entertainment and recreation (+2,058), and accommodation and food services (+3,480).

Geographic area name	2012 NAICS code	Meaning of 2012 NAICS code	Year	Number of establishments	Paid employees for pay period including March 12 (number)	First-quarter payroll (\$1,000)	Annual payroll (\$1,000)
Three County Region	00	Total for all sectors		(340)	15,935	1,066,624	3,818,032
Three County Region	11	Agriculture, forestry, fishing and hunting		8			3,724
Three County Region	21	Mining, quarrying, and oil and gas extrac		3			
Three County Region	22	Utilities		6			
Three County Region	23	Construction		(233)	(2,578)	(19,528)	(19,189)
Three County Region	31-33	Manufacturing		(34)			
Three County Region	42	Wholesale trade		12	(2,291)	19,580	83,722
Three County Region	44-45	Retail trade		(67)	5,251	37,851	165,351
Three County Region	48-49	Transportation and warehousing		4	2,164	42,008	183,599
Three County Region	51	Information		59		(13,219)	(43,300)
Three County Region	52	Finance and insurance		(264)	(968)	324,382	680,024
Three County Region	53	Real estate and rental and leasing		6	547	13,088	65,156
Three County Region	54	Professional, scientific, and technical se		327	8,209	375,823	1,377,078
Three County Region	55	Management of companies and enterpris		(527)			
Three County Region	56	Administrative and support and waste ma		42	(1,854)	(15,878)	(76,329)
Three County Region	61	Educational services		45	(758)	8,998	24,319
Three County Region	62	Health care and social assistance		146	5,688	141,164	674,842
Three County Region	71	Arts, entertainment, and recreation		13	2,058	42,902	141,771
Three County Region	72	Accommodation and food services		64	3,480	21,528	97,762
Three County Region	81	Other services (except public administrat		54	7	12,068	56,987
Three County Region	99	Industries not classified		(4)			

Source: U.S. Census, County Business Patterns 2009 and 2014

From a real estate perspective, the loss of jobs frequently means that real estate has become available or is under-utilized. In contrast, job creation typically means increased demand for real estate. For example, manufacturing uses generally require 750 to 1,000 square feet per employee, while office uses require 200 to 400 square feet per employee. As such, the 8,209 jobs created in the professional services sector in the three county region between 2009 and 2014 would generate real estate requirements of 2.46 million square feet at an average of 300 square feet per employee. A hospital use requires almost 400 square feet per employee, while a medical/dental office requires just over 200 square feet per employee, according to the Institute for Traffic Engineers (ITE).

### **3. TASK 2: SITE CONSTRAINTS AND INFRASTRUCTURE ANALYSIS**

#### **3.1 SITE INFRASTRUCTURE**

Readily available information on the Tome School's existing infrastructure facilities was reviewed in order to evaluate their size, location, condition, capacity, and other factors relative to opportunities or constraints regarding potential redevelopment. Data on buildings and infrastructure was obtained from BDC and from previous studies performed at the site.

Aside from some key water and sewer mains, the existing site infrastructure is unusable due to age and lack of maintenance, and will require total replacement.

Redevelopment of the site is contingent upon the required utilities (water, wastewater, electric, etc.) being completed up to and available for hookup at the property. Cecil County Department of Public Works (DPW) continues to strategize to resolve wastewater solutions in a manner that supports development projects in a timely manner. In addition, electric connectivity is potentially available near Tome School to support redevelopment.

Additionally, Artesian Water Maryland, Inc. (Artesian), has the capacity to provide a potable water allocation of 245,300 GPD to the site. Artesian can provide potable water service to the site from the existing Route 276 booster station within 60 days of notice, and has offered to work collectively with BDC and MTPM to provide potable water service throughout the site to planned development locations.

#### **3.2 LAND PARCEL INVENTORY**

Land parcels that comprise the Tome School project as defined in this study all are located within the 1,185-acre Bainbridge property. The parcels include:

- Historic Tome School parcel: 51 acres
- Land parcel(s) adjacent to Historic Tome School parcel: 100 acres

#### **3.3 HISTORIC EASEMENT AND BUILDING CONDITION ASSESSMENTS**

##### **3.3.1 Easement Origins, Status, and Enforcement**

The historic easement with the MHT for the Tome School originated from the Section 106 consultation for disposition of the USNTC Bainbridge. The consultation resulted in an agreement to establish the easement between the U.S. Navy and MHT. There is no option to re-negotiate the easement as it was part of the Section 106 review/compliance by the Navy to transfer the property to the BDC.

The easement has never been officially recorded. It will be recorded once the property is transferred to a developer. The existing enforcement or compliance path for BDC with regard to the property has been identified in meetings as a State Section 106 process. BDC is not held responsible for deterioration of the buildings.

The Easement will get recorded when a developer purchases the property or parcel(s) of the property. Once the property is transferred to a developer, the developer will be responsible for deterioration of the buildings starting at the time of transfer.

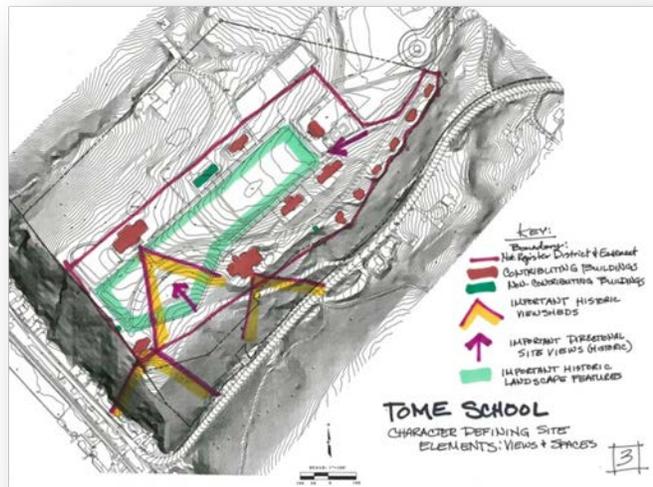
### 3.3.2 Building Conditions

The attached **Table 1** summarizes existing historic building condition observations made May 11, 2016 in conjunction with this study, and in comparison to prior assessments from 2012 and 2014. An additional assessment was made of Memorial Hall after the 2014 fire, by Keast & Hood Structural Engineers, dated January 5, 2015. Their report did not lend itself to the tabular, building-by-building format used for the other reports. Keast & Hood determined that there was still structural stability to most of Memorial Hall, and that some finishes even remained in the interior at lower levels. However, the fire resulted in loss of the roof which leaves the entire building subject to the elements and leaves the upper walls and chimneys without the lateral bracing that the roof system provided. Recommendations were made to protect the tops of the exposed walls, provide some kind of weatherproofing, and brace the unsupported walls and chimneys. They also recommended re-establishing window coverings to prevent unauthorized entry. These are all typical stabilization measures after this type of event. Funding requests from BDC to the State have not been supported to implement any of the structural stabilization recommendations.

There are reportedly below ground “tunnels” providing connectivity between buildings on the Tome School property. These tunnels have not been inspected or assessed and could potentially be in varied conditions of need for repair/restoration or other similar action.

### 3.4 HISTORIC PRESERVATION

During this study, Weston Team member KANN Partners facilitated an understanding and compliance with the constraints imposed by the NPS and MHT Historic Easement on the property, and the U.S. Secretary of the Interiors’ (SOI) Standards for Rehabilitation of Historic Properties. By their very nature, the historic buildings and landscape context of this property present both very real opportunities and very real constraints for redevelopment of the Historic Tome School property. As a result of multiple meetings with MHT as part of this study, and taking a broad overview of the opportunities and constraints imposed by the Historic Easement, potential new development opportunities do exist that can be compatible with the historic context and the Historic Easement on the site.



Two meetings with MHT were held to understand and verify critical issues regarding future development at Tome School, with regard to the historic buildings and the Easement requirements. MHT emphasized that it is critical to keep the campus feeling of the site while pursuing new development. In MHT’s opinion, around 50% of the character defining features of the buildings have been lost to date

(BDC states this is a conservative estimate). This makes any remaining features more important to retain. Where features remain, repair will be required. Where features are lost, replacement is not necessary.

When asked for additional clarification on treatment of specific types of elements and/or buildings that might be significantly deteriorated, MHT provided some parameters for making judgements. MHT stated that a building will be considered “too far gone” when it will basically need all new construction to bring it back. While MHT will not allow total gutting of buildings, where the interior/structure is already gone, there is more flexibility. In buildings where the interior/structure is already gone, the interior plan arrangement can be altered. In buildings where the interior/structure is salvageable, the interior plan should remain as is and the new use should accommodate that plan, rather than the plan being significantly altered to accommodate the new use (SOI Standard #1). MHT will not consider demolition of buildings or portions of buildings for redevelopment unless the buildings or portions of the buildings meet “gone” as defined above. For example, in Memorial Hall, there are some remaining balustrades that could be replicated. However, since the tower is gone, it is not required to be replaced. MHT concedes that some of the cottages may be too far gone to be kept. MHT has suggested National Park Seminary as an example of the type of project which could be done here.

Use of historic tax credits to provide some financial support for the rehabilitation of the historic buildings was conceptually addressed in conjunction with the economic strategy, as presented in Section 5 of this study.

### **3.5 SITE AND ENVIRONMENTAL CONSTRAINTS**

#### **3.5.1 Polycyclic Aromatic Hydrocarbons (PAHs) in Soil**

The May 2016 Limited Base-wide RI conducted for the USNTC Bainbridge concluded that PAHs are present in surface soil throughout the property at concentrations posing potential unacceptable risks to human health. The extent of PAHs posing potential unacceptable risks in subsurface soil appears localized relative to the spatial distribution of PAHs in surface soil.

The development plan for the subject property should consider the need for site remediation where PAHs are present at concentrations that pose potential unacceptable risks to human health. Remediation will likely be based on site-specific risk-based standards and implementation of institutional and engineering controls, where possible, to minimize the amount of PAH-impacted soils requiring off-site disposal.

#### **3.5.2 Areas of Concern (AOCs)**

The seventeen (17) AOCs within and adjacent to the subject Tome School property and surrounding 100-acre parcel are listed and briefly described in **Table 2**. This list of AOCs was developed from Table 2-5 and other information in the “Final Environmental Baseline Survey (EBS) for the Naval Training Center – Bainbridge” (EA Engineering, Science, and Technology; November 1999). These AOCs should be evaluated and additional investigation may be warranted based on previously collected data. The outcome may require remediation to meet current regulatory requirements for various future land uses.

There are other AOCs located throughout the USNTC Bainbridge property that were not evaluated further as part of this Tome School project as they are outside the limits of the study area.

### 3.5.3 Environmental Radius Map Report Summary

The Radius Map Report obtained for the site from Environmental Data Resources, Inc., on May 31, 2016, identified 18 mapped sites within a one-mile radius of the perimeter of the subject property; however, all of the sites are located down gradient to cross gradient from the subject property, and are not anticipated to impact the subject property.

### 3.5.4 Streams/Wetlands and Chesapeake Bay Critical Area Setbacks

Approximately 20 acres of the southwest portion of the subject property is within the Chesapeake Bay Critical Area (CBCA) buffer (see **Figure 1**). Because this portion of the property is located at the top of the bluff overlooking the Susquehanna River, and has the prime scenic view of the water, obtaining a variance to allow development within this area may be required and is key to optimizing the value of the development. It should be noted that two existing site buildings are located within the buffer, as well as land that is maintained as lawn. The services of a specialized consultant are required to develop a buffer plan variance to optimize the scenic value of the development while providing added value to the functioning of the buffer zone.

## 3.6 LAND DEVELOPMENT

**Figure 1** Illustrates the primary physical/infrastructure and environmental site constraints which may affect site development opportunities.



**Table 1**  
**Historic Tome School for Boys**  
**Port Deposit, Maryland**  
**Summary of Building Conditions**

Building	Relative Contribution to Significance of Historic District / Easement: per NR Forms	Comments / Observations	Condition - 2012 KANN Partners			Condition - 2014 Frederick Ward & Associates			Current Condition - 2016		
			Exterior Condition	Interior Condition	Comments / Observations	Exterior Condition	Interior Condition	Comments / Observations	Exterior Condition	Interior Condition	Comments / Observations
Memorial Hall	Very High	Contributing Building, Campus, Axial Plan, Circulation, Site Views, Viewsheds	Good	Fair	Vandalism - Unauthorized entry; removal of copper from Tower and copper flashings from roof, significant interiors intact but deteriorating	Good	Poor	Tower in Poor Condition, missing flashing	Poor	Very Poor	Significant fire damage but deemed structurally stable; no roof
The Inn	Very High	Contributing Building, Campus, Axial Plan, Circulation, Viewsheds	Good		Did not access interior	Good	Fair		Fair	Fair	Missing roof and floor of dining rooms
Headmaster House	High	Contributing Building, Campus, Circulation, Viewsheds	Good	Fair		Good	Fair		Poor	Poor	Significantly deteriorated
Monroe	High	Contributing Building, Campus, Axial Plan, Circulation, Site Views	Good		Did not access interior	Good	Poor		Fair	Poor	Missing side 'wings'
Madison Hall	High	Contributing Building, Campus, Circulation	Good		Did not access interior	Good	Fair		Good	Fair	Slate roof in decent condition
Harrison Hall	High	Contributing Building, Campus, Circulation	Good	Fair	Vandalism of roof/copper Flashing	Good	Poor	Danger of collapse	Poor	Very Poor	Significantly deteriorated
Jackson Hall	High	Contributing Building, Campus, Circulation	Fair	Poor	Extensive Fire Damage	Good	Poor	Extensive Fire Damage	Very Poor	Very Poor	Deemed structurally unstable, due to past fire.
Cottage B	Medium	Contributing Building, Circulation	Poor		Did not access interior			Cottages Not Addressed in Report	Very Poor	Very Poor	Significantly deteriorated
Cottage C	Medium	Contributing Building, Circulation	Fair		Did not access interior			Cottages Not Addressed in Report	Poor	Fair	Appears to be in best condition of all cottages
Cottage D	Medium	Contributing Building, Circulation	Fair		Did not access interior			Cottages Not Addressed in Report	Very Poor	Very Poor	Significantly deteriorated
Cottage E	Medium	Contributing Building, Circulation	Fair		Did not access interior			Cottages Not Addressed in Report	Very Poor	Very Poor	Significantly deteriorated
Cottage F	Medium	Contributing Building, Circulation	Fair		Did not access interior			Cottages Not Addressed in Report	Very Poor	Very Poor	Significantly deteriorated
Cottage L	Medium	Contributing Building, Circulation	Fair		Did not access interior			Cottages Not Addressed in Report	Very Poor	Very Poor	Significantly deteriorated

For Condition Identification, an element is evaluated as Good when: the element is intact, structurally sound and performing its intended purpose, there are few or no cosmetic imperfections, the element needs no repair and only minor or routine maintenance. An element is evaluated as Fair when: there are early signs of wear, failure, or deterioration, though the element is generally structurally sound and performing its intended purpose; there is failure of a subcomponent of the element, and/or replacement of up to 25 percent of the element or replacement of a defective subcomponent is required. An element is evaluated as Poor when: the element is no longer performing its intended purpose, the element is missing, deterioration or damage affects more than 25 percent of the element and cannot be adjusted or repaired, the element shows signs of imminent failure or breakdown, the element requires major repair or replacement.

Definitions from: United States Department of the Interior. National Park Service. National Historic Landmarks Assistance. Building Condition Assessment Program Field Operations Manual. By Center for Architectural Conservation, Georgia Institute of Technology. Vol. 1. 1985. Pages 8-9.

<b>Table 2</b> <b>Historic Tome School for Boys</b> <b>Port Deposit, Maryland</b> <b>Area of Concern Summary (for AOCs within vicinity of Tome School as shown on Figure 1)</b>		
<b>AOC No. / Name</b>	<b>Navy Observation/Investigation/Action</b>	<b>Remaining Issues</b>
1B: Lead Based Paint Areas (Officer Housing Quarters C - Tome Institute)	EA Tables 2-4/-5: "Task 2 field investigation conducted (pre-final report July 1999); Navy will disclose the presence of lead in soil to potential future property owners." EA classified AOC as Category 1 (no further action required).	Lead in soil. Lead to be disclosed, not planned to be remediated.
5: Old Base Landfill - ACM (see 9)	After 1975 Base Closure, served as near-surface disposal area for building demo rubble including ACM. Asbestos fibers >10 um were not detected via TEM in down gradient surface water, sediment, or groundwater samples.	NFA proposed
8: Background Sampling	Background Sampling & Analysis performed during EBS Task 2 field effort detected PAHs (10/14>Res, 3/14>NR) and metals. 14/14 had arsenic>Res/NR, 9/14 had Cr (total)>Res (0>NR). 1999 EBS says elevated lead was detected.	PAHs >Res Stds in soil. Also lead and total Cr >Res.
9: Old Base Landfill – Monitoring Wells (see AOC 5)	In groundwater collected down gradient of PBL in 3/1997 and 7/1998, 9 VOCs and 1 SVOC were detected. Human health and ecological risk assessment completed 5/1999.	None
10: Rubble Landfill	Landfill closed in 1996. 3/1997 groundwater samples had no metals above "screening values" and no detected VOCs.	None
15: Building J-J	Removed AST in basement. EA classified AOC as Category 1.	None
16: Building 526	Abandoned AST in woods behind building removed 1996-1999. EA classified AOC as Category 1.	None
17: Former Heating Oil Storage Facility (Bldg. 529)	"Additional work under Task 2 was found unnecessary; Recent investigation found no environmental concerns." EA classified AOC as Category 1. TABLE 2-1 SUMMARY OF TASK 1 INSPECTIONS: Bldg. 529 (Fuel Oil Pump House) had no evidence of petroleum contamination." Table 2-2: two oxygen cylinders, one empty unlabeled 5-gal bucket were removed.	None
19: Building 505A	Floor staining (addressed as a housekeeping issue), no stressed vegetation. Removed: One empty 1-gal jug labeled as sodium hypochlorite. EA classified AOC as Category 1.	None
20: Building 502B	No staining, no stressed vegetation. Removed: two unlabeled 1-gal buckets, one unlabeled 5-gal bucket, two unlabeled 1-gal jugs. EA classified AOC as Category 1.	None
21: Building 506A	Stained/cracked floor and stained soil (addressed as a housekeeping issue), no stressed vegetation. Removed: several unlabeled 1-5-gal cans, possible paint containers. EA classified AOC as Category 1.	None
22: Building 631	Floor staining (addressed as a housekeeping issue), no stressed	None

	vegetation. Removed: several unlabeled 1-gal and 5-gal cans, possible paint containers. EA classified AOC as Category 1.	
24: Building 35	No staining, no stressed vegetation. Removed: one partially-filled, unlabeled 55-gal plastic drum. EA classified AOC as Category 1.	None
27: Building 102	No staining, no stressed vegetation. Removed: One unlabeled 35-gal drum, one 5-gal bucket of floor sealer, one automotive battery, one empty 55-gal drum. EA classified AOC as Category 1.	None
32: Building 88	Removed: One empty 55-gal drum. EA classified AOC as Category 1.	None
35: International Crane (Bldgs. 102 & 627)	Removed: ASTs, abandoned vehicles, abandoned trailers, 55-gal drums on Drill Field. Stained surfaces addressed as a housekeeping issue. EA classified AOC as Category 1.	None
43: Building 7	An aboveground storage tank containing bituminous tar was removed during the cleanup work that followed the 1999 Environmental Baseline Survey. EA classified AOC as Category 1.	None

## **4. TASK 3: DEVELOP ECONOMIC FEASIBILITY STUDY AND HIGHEST AND BEST USE ANALYSIS**

### **4.1 INTRODUCTION**

Based on the results of Task 1 – Market Opportunity Analysis and Task 2 – Site Constraints and Infrastructure Analysis, an economic feasibility analysis and highest and best use analysis can be prepared for the Tome School buildings and the 100 acres of developable land which the BDC has under its control. The development of a feasibility analysis and highest and best use evaluation can provide the BDC with concept level information regarding how specific development approaches may be used to market the Tome School buildings and developable acreage. For purposes of this analysis, the 100-acre developable land is evaluated separately from the existing Tome School campus, which includes approximately 170,000 square feet of buildings and approximately 50 acres of land. The reason for evaluating each opportunity separately is to provide an independent evaluation of each “project”, unconstrained by the impacts of the other. This is considered particularly important given the physical condition of the Tome School buildings, and the anticipated costs associated with renovating these structures.

### **4.2 EVALUATION PROCESS**

The process for developing an economic analysis and highest and best use evaluation considers the data gathered in prior tasks. In particular, it considers the potential revenue level which could be generated after renovation of the Tome School buildings, and the potential revenue which could accrue to the BDC as a result of the sale and development of the developable land at the site. This information is used to develop a proforma for the property from the perspective of a developer/owner/operator of a facility, where applicable.

As part of evaluating each site, a highest and best use analysis is presented. Typically, a highest and best use analysis considers three specific factors: what is physically possible; what is legally permissible; and what is maximally productive. These three factors are explored for both the Tome School buildings and for the 100 acre developable land parcel.

### **4.3 HIGHEST AND BEST USE – TOME SCHOOL BUILDINGS**

As discussed above, the highest and best use analysis considers what is physically possible, legally permissible and maximally productive. Each of these issues is discussed separately.

Given the 50-acre size of the Tome School site, a broad range of uses could be supported, from housing to retail to office to industrial uses. At an average development density of 7,000 square feet per acre, a 50 acre site could support as much as 350,000 square feet of development. However, the ability to develop the Tome School parcel is heavily impacted by the presence of a number of existing buildings, as well as the historic preservation easement for the buildings and the site. There are seven main buildings which comprise the core of the Tome



School campus. These buildings contain a total of approximately 170,000 square feet of floor space. There are also six residential homes, formerly used as housing for instructors at the Tome School.

Historically, these buildings were used as dormitories, classrooms, the headmaster's house, an inn, a gymnasium, and support buildings. In addition, there is a large central quad or common, which previously supported gardens for the campus. The Tome School buildings have been unoccupied for decades, and are in generally poor condition. However, there is a historic preservation easement for the property which limits the ability to demolish existing buildings, and which requires certain key features be maintained to the extent practicable.

The presence of these buildings, and the limitations associated with the historic preservation easement, limits what is "physically possible" at the site. The site could support limited additional development behind the existing buildings, but any new development would be affected by the presence of the existing buildings, and would have to be designed to be "architecturally consistent" with and respective of the existing buildings. In addition, the poor quality of the existing building would likely inhibit efforts to develop new units at the site.

Given the restrictions on demolition, physically possible uses must assume reuse of the existing buildings. The largest of the seven main buildings is Memorial Hall, which has 53,900 square feet of floor space. Memorial Hall was severely damaged in a fire in 2014, and much of the existing historic character which made the facility a focal point for the Tome School has been destroyed.



The roof was destroyed during the fire, such that the remaining walls and architectural features of the building are exposed to the elements, and are deteriorating significantly. The photo above (top right) is actually an interior view of Memorial Hall, showing the lack of a roof and the main stairway being exposed to the elements. The smallest of the seven main buildings at the campus is the Headmaster's House, which has just over 10,000 square feet of floor space. Overall, the Tome School buildings, which generally have narrow corridors, rotting floors and leaking roofs, will be difficult and expensive to redevelop.

From a practical perspective, the physically possible uses are those which are physically able to use the existing structures, assuming the structures are renovated. Physically possible uses include those uses which can be supported in one- to three-story buildings ranging from 10,000 to 54,000 square feet. Single- and multi-family housing, single- and multi-tenant office, agriculture, restaurants, hotels, retail operations, manufacturing, warehousing, senior housing, recreational facilities, public/institutional facilities, commercial services, and motor vehicle sales/service facilities could use the facilities.

From a “legally permissible” perspective, the Bainbridge Mixed Use District allows virtually every use either as Permitted, Permitted with Conditions, Special Exception with Conditions or as a Special Exception from the Board of Adjustment. A review of Section 175 (Table of Permissible Uses) of the Town of Port Deposit May 2016 Zoning Ordinance indicates that the following uses are not allowed:

- Manufactured homes;
- Commercial apartment (mixed use commercial and residential);
- Post office; and
- Marina-related uses.

Given the breadth of uses which can be physically supported and which are legally permissible on the site, the primary determining factor is the use or uses which are maximally productive. This normally means the use that generates the highest financial return. However, in some economic development or community development contexts, maximally productive could be viewed as the project that creates the most jobs or adds the most to the community’s tax base. For purposes of this highest and best use analysis, the alternative which has the strongest financial return (or the lowest net loss) will be considered as maximally productive.

The redevelopment of the Tome School buildings will require a significant investment. Based on an evaluation of other historic renovation projects in Maryland for buildings in similar condition, a budget range of \$350 to \$425 per square foot has been established to renovate the buildings. The attached **Table 4** summarizes construction costs, without inclusion of soft costs to a developer and without tenant-specific fit-out costs, along with square footages, uses, and in some cases Qualified Rehabilitation Expenditures (QREs) for several similar projects. All the example projects are located in a more urban environment than the Tome School, but they do provide comparable construction costs. From these examples, allowing for the addition of soft costs, the Weston Team developed and utilized a cost range for rehabilitation of \$350 to \$425 per square foot for this analysis.

Based on the market analysis of various uses in the area, industrial uses are considered infeasible due to generally low rent levels, which are on the order of \$4.00 to \$7.00 per square foot. In addition, industrial vacancy in the three county region includes almost eight million square feet of space, much of which is more modern and has higher functionality than the potential renovation of the Tome School buildings.

In terms of office spaces, lease rates are much higher than industrial rents, in the range of \$14.00 to \$20.00 per square foot. However, renovation of the buildings at the Tome School for office uses would face significant competition from established office locations across the three county region. More than five million square feet of office space is reported to be available in the three county region. In addition, the functionality of renovated space, as well as the energy efficiency, is likely to be lower than newly constructed buildings in the region.

The Tome School buildings are also considered less than optimal for retail and restaurant uses, due to their multi-story nature, insufficient parking, limited access/visibility and the limited population base within a thirty minute drive time.

Two market sectors show some potential, including multi-family housing and healthcare (specifically continuing care retirement communities, or CCRCs). Demand for multi-family housing has increased in the region since the housing crisis of 2007/2008 forced so many people to relocate from their homes to apartments. This is evidenced by the decline in single family building permits in the three county region of the Tome School and the increase in multi-family building permits. Over the past four years, New Castle, Harford and Cecil Counties combined have permitted an average of almost 1,000 multi-family units annually, though Cecil County has seen limited activity.

Demographic shifts support potential development of age-restricted housing and CCRCs in the region. Though the State of Maryland reports 36 CCRCs in the state, none appear to be located in either Cecil or Harford counties. New Castle County has a number of CCRCs, including an estimated fifteen in Wilmington and five in other areas of the County.

Cecil and Harford Counties are expected to be among the State's counties to see the largest growth in 60+ population between 2015 and 2030. Cecil County is projected to see its 60+ population grow by more than 63% through 2030, while Harford County's 60+ population is projected to grow by more than 45%, according to the *2017 – 2020 State Plan on Aging*.

From a revenue perspective, it is difficult to estimate the potential revenue for a CCRC. Operators have dramatically different financial models, which often include buy-in fees which can range from as low as \$30,000 to as high as \$1 million. In addition, operational strategies can include a range of services, including comprehensive meal service/activities plans to pay-as-you-go programs. Medical staff and staff for support operations are considered an important component of the labor force, together with accessibility and amenities. From a practical perspective, renovating the existing buildings at the Tome School could prove difficult for a CCRC, given the handicapped accessibility requirements and the potential difficulty in standardizing units. In addition, the ability to heat and cool the units consistently could be a concern.

Renovating the Tome School buildings for multi-family residential uses is expected to produce the higher financial return, due to more rapid leasing, lower vacancy rates and proximity to the Interstate highway. A review of two-bedroom lease rates in Cecil County indicates rents in the range of \$1.00 per square foot per month to as much as \$1.35 per month for newer complexes with extensive amenities. This data was developed based on an Internet search of available two bedroom apartments in Cecil County. Eleven different two bedroom apartment models at a variety of different complexes were sampled. The sizes ranged from a low of 800 square feet to a high of 1,327 square feet. The lowest monthly rent was \$809, and the highest monthly rent was \$1,510. On a rent-per-square-foot basis, the lowest rent was \$1.01 per square foot per month, and the highest rent was \$1.36 per square foot per month.

At an average rate of \$1.20 per month, multi-family residential uses would generate \$14.40 per leasable square foot annually. However, common areas within buildings, generating no lease revenue, could account for as much as 20% of the building space, making the effective rate closer to \$11.50 per square foot.

These potential revenues must be weighed against the potential renovation costs for buildings at the Tome School. Estimated renovation costs are expected to be \$350 to \$425 per square foot. After Federal and State of Maryland tax credits for historic preservation totaling 40% of renovation costs, the net cost would be \$200 to \$255 per square foot. Under the most aggressive assumptions of no operating expenses, no vacancy and no debt service, the \$11.50 per square foot net revenue would equate to a return of 4.5% to 5.7% on the \$200 to \$255 per square foot investment in renovations.

#### 4.4 HIGHEST AND BEST USE – 100-ACRE DEVELOPMENT SITE

As discussed above, the highest and best use analysis considers what is physically possible, legally permissible and maximally productive. Each of these issues is discussed separately.

Given the 100-acre size of the site, a broad range of uses could be supported, from housing to retail to office to industrial uses. At an average development density of 7,000 square feet per acre, a 100-acre site could support as much as 700,000 square feet of development.

From a practical perspective, the physically possible uses are those which are physically able to be built on a 100-acre parcel of vacant land. Physically possible uses include single- and multi-family housing, single- and multi-tenant office, agriculture, restaurants, hotels, retail operations, manufacturing, warehousing, senior housing, recreational facilities, public/institutional facilities, commercial services, and motor vehicle sales/service facilities.

From a “legally permissible” perspective, the Bainbridge Mixed Use District allows virtually every use either as Permitted, Permitted with Conditions, Special Exception with Conditions or as a Special Exception from the Board of Adjustment. A review of Section 175 (Table of Permissible Uses) of the Town of Port Deposit May 2016 Zoning Ordinance indicates that the following uses are not allowed:

- Manufactured homes;
- Commercial apartment (mixed use commercial and residential);
- Post office; and
- Marina-related uses.

The zoning ordinance does offer some restrictions in terms of density. For example, residential uses are targeted for a minimum of three units per acre and a maximum of four units per acre. There are also some limited potential density bonuses for inclusion of affordable housing and conservation land in any residential development.

The zoning ordinance also regulates how much of an individual lot may be covered by impervious surfaces, such as buildings, driveways, walkways, etc. According to the zoning ordinance, a maximum of 60% of the lot may be covered. The zoning ordinance has a complex set of development standards, design requirements, and other requirements which makes defining permissible uses difficult. The Bainbridge floating district regulations were developed to support redevelopment of the Bainbridge/Tome School property based on a redevelopment plan developed in the early 2000s. Discussions with the Town indicate a willingness to revise and update the zoning for the subject property, based on new and updated redevelopment plans for the property. This could result in higher densities for the property, if the Town was willing to accept more intense development at the site.

Given the breadth of uses which can be physically supported and which are legally permissible on the site, the primary determining factor is the uses or uses which are maximally productive. This normally means the use that generates the highest financial return. However, in some economic development or community development contexts, maximally productive could be viewed as the project that creates the most jobs or adds the most to the community’s tax base. For purposes of this highest and best use analysis, the alternative which has the strongest financial return will be considered as maximally productive.

Based on the market analysis of various uses in the area, industrial uses are considered infeasible due to generally low rent levels, which are on the order of \$4.00 to \$7.00 per square foot. In addition, industrial vacancy in the three county region includes almost eight million square feet of space, much of which is more modern and has superior locational attributes to the subject property.

In terms of office spaces, lease rates are much higher than industrial rents, in the range of \$14.00 to \$20.00 per square foot. However, development costs for new office properties can range from \$150 to \$250 per square foot, making the development of new space at the subject site financially difficult from the perspective of a potential financial return. In addition, more than five million square feet of office space is reported to be available in the three county region. This is likely to extend absorption timelines and put pressure on financial returns.

The locational aspects of the subject 100 acres are also considered less than optimal for retail and restaurant uses. The site is remote from other developed areas in the community, has limited population in proximity, lacks visibility from major roadways and is several miles from the Interstate.

As is the case with the Tome School buildings, two market sectors show some potential, including multi-family residential and healthcare (specifically CCRCs). Demand for multi-family residential housing has increased in the region since the housing crisis of 2007/2008 forced so many people to relocate from their homes to apartments. This is evidenced by the decline in single family building permits in the three county region and the increase in multi-family building permits. Over the past four years, New Castle, Harford and Cecil counties have permitted an average of almost 1,000 multi-family units annually, though Cecil County has seen limited activity.

Demographic shifts support potential development of age-restricted housing and CCRCs in the region. Though the State of Maryland reports 36 CCRCs in the state, none appear to be located in either Cecil or Harford Counties. New Castle County has a number of CCRCs, including an estimated fifteen in Wilmington and five in other areas of the County.

Cecil and Harford Counties are expected to be among the State's counties to see the largest growth in 60+ population between 2015 and 2030. Cecil County is projected to see its 60+ population grow by more than 63% through 2030, while Harford County's 60+ population is projected to grow by more than 45%, according to the 2017 – 2020 State Plan on Aging.

From a revenue perspective, it is difficult to estimate the revenue for a CCRC. Operators have dramatically different financial models, which often include buy-in fees which can range from as low as \$30,000 to as high as \$1 million. In addition, operational strategies can range from comprehensive meal service/activities plans to pay-as-you-go programs. Medical staff and staff for support operations are considered an important component of the labor force, together with accessibility and amenities. Development of a CCRC on the subject property could be readily accomplished from a construction perspective. Access to qualified labor may hinder marketing efforts to attract a CCRC developer to the site. However, the lack of competing facilities in the region could be sufficient to increase market support for the concept.

Development of multi-family housing on the subject 100 acres is expected to produce a similar financial return as compared to development of a CCRC. The pool of potential "customers" is larger (and therefore leasing should be completed more quickly), but total revenues are likely lower for a multi-family complex as compared to a CCRC. As discussed earlier, a review of two-bedroom lease rates in Cecil County indicates rents in the range of \$1.00 per square foot per month to as much as \$1.35 per month for newer complexes with extensive amenities. Since this project will be newly constructed, and presumably include significant amenities, it is anticipated that rent levels averaging \$1.35 per square foot per month will be achievable. At an average rate of \$1.35 per month, multi-family residential uses would generate \$16.20 per leasable square foot annually. Common areas, which will generate no lease revenue, are likely to be lower in a newly constructed facility as compared to renovated facilities at the Tome School, but could still account for as much as 12% of the space, making the effective rate closer to \$14.25 per square foot.

These potential revenues must be weighed against the potential development costs for new multi-family units in the region. Marshall & Swift, a nationally recognized cost estimating service, indicates an average cost for

development of new multi-family units in northern Maryland of \$131 to \$140 per square foot for multi-family apartments, \$133 to \$143 for assisted living facilities and \$155 to \$165 for retirement communities. In addition, land acquisition costs, soft costs, and site-specific costs must be evaluated. In general, the potential returns for multi-family and CCRC uses are expected to be similar, due to the similar level of development (assumed to be 400 units on 100 acres) and the potential development and absorption periods.

A concept level proforma for development of multi-family housing on the subject property is presented below. Due to the more specialized nature of a CCRC, and the variety of revenue and expense streams, it is considered beyond the scope of this assignment to develop a project proforma for a CCRC. However, some key factors are typical of CCRC facilities. A CCRC has a significant employment impact, depending on the type and level of services provided. For example, an 84-unit assisted living and memory care facility that was recently constructed by a client employs 54 full-time personnel. In addition to the real estate revenues for a facility of this type, there is also a significant revenue stream associated with the provision of medical services. In the case study referenced above, revenue from services was projected to equate to almost 70% of the real estate revenues. In addition, CCRCs typically have larger common areas, such that project costs are somewhat higher than a more traditional “residential community”.

#### 4.5 PROJECT PROFORMA – TOME SCHOOL BUILDINGS

This section presents a concept level proforma for the renovation of the existing Tome School buildings for use as multi-family housing. The analysis relies on a number of key assumptions. Key assumptions include:

- Total renovation costs of \$400 per gross square foot;
- Tax credits equal to 40% of renovation costs;
- Average two bedroom unit size of 1,000 square feet;
- Site costs of \$100,000 per acre;
- Open space costs for the central green of \$100,000 per acre;
- Average net revenue of \$11.52 per square foot per year; and
- Operating costs equal to \$6.72 per square foot per year.

Combining these assumptions into a proforma requires consideration of both the total costs for the project and a potential lease-up/absorption period. For purposes of this analysis, it is assumed that the project will require two years to lease up. Assuming 136 total units can be developed in the existing Tome School buildings, this translates to annual absorption of 68 unit, or almost six units per month.

Development Costs - The renovation of the Tome School buildings is budgeted at \$400 per square foot. This is significantly higher than the cost of new construction, and reflects the need to complete interior demolition; to stabilize buildings prior to construction; to renovate buildings in a manner identified in the historic preservation easement for the property; and the need to match unique features such as unusual sizes for door and window replacements. Total renovation costs for the 170,000 square feet of buildings are estimated to be as much as \$68 million.

Offsetting a portion of these development costs are tax credits for historic preservation from the Federal government and the State of Maryland. The Federal tax credits are assumed to be 20% with no cap, while the State program is capped at \$3 million in credits per project. In order to maximize these credits, it is assumed that the individual buildings will be subdivided, allowing each building to be considered a separate project, and therefore eligible to receive a maximum of \$3 million in credits from the State. Total tax credits are estimated to be \$26.2 million, bringing the net cost of renovations down to \$41.8 million.

In addition, budgets have been established for site development costs and open space renovations. Since the buildings have already been built, site costs are expected to primarily focus on updating water, sewer and storm drainage services, as well as upgrading roadways and dry utility services. A budget of \$100,000 per acre is assumed for the acreage supporting the buildings, approximately 15 acres.

In addition, a budget of \$100,000 per acre has been established for common green space, principally the central green in front of the buildings. An allowance of \$500,000 has been budgeted for the open space cost, assumed to include five acres.

Finally, an allowance of \$100,000 has been included for the demolition of the residential cottages on the Tome School site. There are six cottages, each reported to include 2,000 square feet.

As shown in the Table below, the total project costs are expected to be \$43.9 million.

Category	Comments	Cost
Renovation Costs	170,000 SF @ \$400/SF	\$ 68,000,000
Less Tax Credits	40% Federal and State	\$ 26,168,800
<b>Net Cost of Renovations</b>		<b>\$ 41,831,200</b>
Cost of Land Acquisition		\$ 1
Demolition of Cottages	12,000 SF	\$ 100,000
Site Development Costs	15 acres @ \$100,000	\$ 1,500,000
Open Space Costs	5 acres @ \$100,000	\$ 500,000
<b>Total Net Project Costs</b>		<b>\$ 43,931,201</b>

In order to estimate operating costs, a published study from the National Apartment Association's (NAA) *2014 Survey of Income and Operating Expenses in Rental Apartment Communities* was used to provide order-of-magnitude cost data, based on the average operating costs per square foot for master-metered properties. NAA indicates that total operating costs for apartment complexes average \$6.72 per square foot. Salaries, taxes and utilities are the largest expenses, accounting for almost \$4.00 per square foot in expenses.

Revenues	Per SF	Year 1	Year 2
Units Occupied		68	136
Average Revenue/Unit		\$ 14,400	\$ 14,400
<b>Gross Revenue</b>		<b>\$ 979,200</b>	<b>\$ 1,958,400</b>
<b>Operating Costs</b>			
Salaries and Personnel	\$ 1.54	\$ 130,900	\$ 261,800
Insurance	\$ 0.28	\$ 23,800	\$ 47,600
Taxes	\$ 1.33	\$ 113,050	\$ 226,100
Utilities	\$ 1.12	\$ 95,200	\$ 190,400
Management Fees	\$ 0.54	\$ 45,900	\$ 91,800
Administrative	\$ 0.49	\$ 41,650	\$ 83,300
Marketing	\$ 0.19	\$ 16,150	\$ 32,300
Contracted Services	\$ 0.50	\$ 42,500	\$ 85,000
Repairs and Maintenance	\$ 0.73	\$ 62,050	\$ 124,100
<b>Total Expenses</b>	<b>\$ 6.72</b>	<b>\$ 571,200</b>	<b>\$ 1,142,400</b>
<b>Operating Income</b>		<b>\$ 408,000</b>	<b>\$ 816,000</b>

At an average revenue of \$1.20 per square foot per month, a 1,000 square foot two-bedroom unit would generate \$14,400 in rent revenue annually. Assuming a two year absorption period, full year revenues at stabilized occupancy would be \$1.96 million. Assuming \$6.72 per square foot in annual operating costs, total annual operating costs would equal \$1.14 million, leaving \$816,000 in operating income.

This level of operating income is insufficient to support required debt service on the funding for renovation of the buildings. An operating profit of \$816,000 equates to a return on total project costs (\$43.9 million) of less than 2%. Assuming an equity investment of 30%, the return on equity would be 6.2% before debt service. However, debt service on the 70% project financing would be \$1.97 million annually, indicating a net loss after debt service of more than \$1.1 million annually.

From a sensitivity analysis perspective, lowering estimated renovation costs from \$400 per square foot to \$350 per square foot reduces debt service to \$1.7 million annually, reducing the estimated loss from \$1.1 million to \$900,000 annually. Renovation costs would have to be reduced to approximately \$200 per square foot, and equity would have to be increased to approximately 45% of project costs in order for the project to have sufficient operating income to service project debt.

It may be possible to develop some additional units within the Tome School site, particularly in the areas behind Memorial Hall and other buildings around the quad. The additional developable land not associated with or required for the existing buildings is estimated to comprise approximately 20 acres. Based on the Town's zoning, this land could support up to 80 additional housing units. These units could increase the overall project cost by approximately \$21 million, but could potentially double the operating income for the project. However, given the need to service debt on these new units, there would be very limited cash flow available to support debt service on the renovation of the existing buildings.

#### **4.6 PROJECT PROFORMA – 100-ACRE DEVELOPMENT SITE**

The creation of a proforma for the development of 400 multi-family housing units on the 100 acres of development land of the Tome School project follows a similar approach to the analysis of the renovation of the existing buildings at the Tome School. Assuming 400 units of 1,000 square feet, an estimated 457,000 square feet must be built to accommodate hallways, lobbies and maintenance spaces. Using data from the Marshall Valuation Service, an average construction cost of \$140 per square foot was identified for better quality multi-family complexes in northern Maryland. Total construction cost for the buildings is estimated to be \$64 million.

An allowance of 5% (\$3.2 million) is included for amenities, such as a pool, media room, conference rooms and/or community rooms. In addition to construction costs, Weston estimates a cost of \$200,000 per developed acre for internal sewers (storm/sanitary), water supply, communication conduits, roadways, surface parking and curbing. This cost is applied to the portion of the site (40 acres) that is expected to support development of housing units. Ten of the remaining 60 acres are expected to be used for open space purposes, including green spaces, trails and/or conservation areas, and has been budgeted at \$100,000 per acre, or \$1 million. The remaining 50 acres of the 100 acre site are expected to remain as wooded. In addition, an allowance of \$100,000 has been included to demolish and dispose of scattered small buildings across the 100-acre property. This brings the total hard costs to \$76.3 million. It should be noted that cost estimates from the Marshall Valuation Service include average architects and engineering fees, which are often considered as soft costs.

Category	Comments	Cost
Development Costs - Buildings	457,143 SF	\$ 64,000,000
Development Costs - Amenities		\$ 3,200,000
Site Development Costs	40 acres @ \$200,000	\$ 8,000,000
Open Space Costs	10 acres @ \$100,000	\$ 1,000,000
Demolition of Scattered Buildings		\$ 100,000
<b>Total Hard Costs</b>		<b>\$ 76,300,000</b>
Soft Costs	10% of hard costs	\$ 7,630,000
Land Acquisition		\$ 750,000
<b>Total Project Costs</b>		<b>\$ 84,680,000</b>

Soft costs, which include legal, accounting, insurance, marketing and permit fees, among others, are included at 10% of construction costs, or \$7.6 million. Based on information developed in the market analysis section, it is anticipated that a developer would pay as much as \$750,000 for the 100-acre parcel. This brings the total project budget to almost \$85 million for the 400-unit project, an average of almost \$212,000 per unit.

Given that any multi-family complex developed on the subject property would be new construction, both absorption and annual rental rates are expected to be higher. Absorption is assumed to be 100 units annually, or just over 8 units per month, resulting in a four year absorption period for the project. Rent revenue is assumed to be at the high end of the range of existing rents at \$1.35 per square foot per month, or monthly rent of \$1,350 for a 1,000 square foot two-bedroom unit. Total rent revenue is estimated to be \$1.6 million annually at 25% occupancy, and almost \$6.5 million at full occupancy.

Operating expense estimates are based on the information from the National Apartment Association's *2014 Survey of Income and Operating Expenses in Rental Apartment Communities*. As discussed above, total average operating costs for master-metered buildings are estimated to be \$6.72 per square foot, with taxes, utilities and salaries representing almost \$4.00 per square foot.

Revenues	Per SF	Year 1	Year 2	Year 3	Year 4
Units Occupied		100	200	300	400
Average Revenue/Unit		\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200
<b>Gross Revenue</b>		<b>\$ 1,620,000</b>	<b>\$ 3,240,000</b>	<b>\$ 4,860,000</b>	<b>\$ 6,480,000</b>
<b>Operating Costs</b>					
Salaries and Personnel	\$ 1.54	\$ 176,000	\$ 352,000	\$ 528,000	\$ 704,000
Insurance	\$ 0.28	\$ 32,000	\$ 64,000	\$ 96,000	\$ 128,000
Taxes	\$ 1.33	\$ 152,000	\$ 304,000	\$ 456,000	\$ 608,000
Utilities	\$ 1.12	\$ 128,000	\$ 256,000	\$ 384,000	\$ 512,000
Management Fees	\$ 0.54	\$ 61,714	\$ 123,429	\$ 185,143	\$ 246,857
Administrative	\$ 0.49	\$ 56,000	\$ 112,000	\$ 168,000	\$ 224,000
Marketing	\$ 0.19	\$ 21,714	\$ 43,429	\$ 65,143	\$ 86,857
Contracted Services	\$ 0.50	\$ 57,143	\$ 114,286	\$ 171,429	\$ 228,572
Repairs and Maintenance	\$ 0.73	\$ 83,429	\$ 166,857	\$ 250,286	\$ 333,714
<b>Total Expenses</b>	<b>\$ 6.72</b>	<b>\$ 768,000</b>	<b>\$ 1,536,000</b>	<b>\$ 2,304,001</b>	<b>\$ 3,072,001</b>
<b>Operating Income</b>		<b>\$ 852,000</b>	<b>\$ 1,704,000</b>	<b>\$ 2,555,999</b>	<b>\$ 3,407,999</b>

Total annual expenses are projected to increase from \$768,000 at 25% occupancy to almost \$3.1 million at full occupancy. At full occupancy, operating income (before debt service, depreciation or amortization) is estimated to exceed \$3.4 million annually, based on the assumptions described above. Based on project costs

of \$84.7 million, this represents a return on project costs of 4.0%. Assuming 30% equity (\$25.4 million), the return on equity (prior to debt service) would be 13.4%.

Much like the renovation of the Tome School buildings, the development of new facilities does not generate sufficient cash flow to cover debt service, though the loss is much less severe. Annual debt service payments of \$3.79 million are almost \$400,000 higher than the projected operating income for the project. Returns could be improved and risk mitigated through aggressive cost controls, to reduce the overall cost of the project.

#### **4.7 CONCLUSIONS – TOME SCHOOL BUILDINGS**

The redevelopment of the Tome School buildings is expected to be financially infeasible, even after assuming 40% of capital improvement costs are offset by historic preservation tax credits. Renovation costs are expected to cost between \$350 and \$425 per square foot before tax credits, and \$210 to \$255 per square foot after tax credits. Rent levels for the project after redevelopment for multi-family housing are expected to average approximately \$11.50 per square foot, after inclusion of common areas.

The project is expected to generate positive operating income, but this operating income is not expected to be sufficient to service debt necessary to redevelop the buildings. Assuming an equity investment of 30% (\$13.2 million), annual debt service payments would be almost \$2 million, well above the estimated operating income of \$816,000.

In order for the multi-family units developed through renovation of the Tome School buildings to break even, the equity would have to be increased to 45%, and renovation costs would have to be reduced to \$200 per square foot. This is not considered realistic, in light of the very poor condition of the buildings.

Developing new units on the primary 50-acre site in addition to units created through the redevelopment of the Tome School buildings could offer additional operating income to support the project. Based on order-of-magnitude estimates from the proforma for development of multi-family uses on the 100-acre development site, the development of 80 additional units, presumably behind Memorial Hall, Madison Hall, and Monroe, could generate an additional \$850,000 in annual operating income. However, the development of additional units would require additional debt and equity, and would not contribute significant additional funding to support debt service on the renovation of the Tome School buildings.

#### **4.8 CONCLUSIONS – 100-ACRE DEVELOPMENT SITE**

The development of new multi-family housing units on the 100-acre development parcel is estimated to offer significantly better financial performance as compared to the renovation of the existing Tome School buildings for multi-family uses. However, the development of new units still does not generate sufficient operating income to service debt on the project, assuming 30% equity investment. Development of new units offers more efficient layouts, modern materials, increased energy efficiency and the opportunity to integrate amenities into the project design.

Financial performance benefits from higher rent levels associated with newer high quality apartment communities, and substantially lower development costs as compared to the renovation of units at the Tome School. With a project budget of \$43.9 million (net of tax credits) to develop 136 apartment units in the renovated Tome School units, the average development cost is more than \$323,000 per unit. This compares to the development of 400 units on the 100-acre development parcel for a budget of \$84.7 million, or approximately \$212,000 per unit.

Despite the improved financial performance, the development of 400 units of multi-family housing on the 100-acre site still does not generate sufficient operating income to service the debt funding needed to construct the units. With 30% equity (\$25.4 million) the project's net operating income of \$3.4 million at stabilization is almost \$400,000 below the anticipated debt service of \$3.8 million. This level of financial performance is unlikely to attract the interest of developers or investors.

In order to enhance profitability and therefore the ability of the project to attract developers and investors, a primary focus on controlling development costs will be necessary. This approach will reduce project costs, and therefore the level of both debt and equity that the project must support. In addition, it will be important to aggressively manage operating costs, to enhance operating income.

#### 4.9 SENSITIVITY ANALYSIS – INCREASED DENSITY

This section provides an overview of the impacts of increased density of multi-family housing on the 100-acre development site. Increasing density has some direct impacts on financial returns. In general, the development cost per unit falls as the number of units increases. This means that the amount of debt for the project, and therefore the level of debt service, is also reduced in relation to total debt service and debt service per unit.

The Table below provides a summary of key metrics for the project at a variety of densities, including the original 400 units compared against densities ranging from 1,000 units to 1,750 units. The assumption used in these baseline evaluations are consistent, including:

- Development costs of \$140 per square foot;
- A 12.5% common area factor;
- Debt and equity of 65% and 35% respectively;
- Revenue of \$16,200 per unit;
- Operating expenses of \$6.72 per square foot; and
- Debt service at 4% for 25 years.

	Units				
	400	1,000	1,250	1,500	1,750
<b>Total Project Costs</b>	\$ 80,984,000	\$ 199,175,000	\$ 245,875,000	\$ 292,575,000	\$ 339,275,000
<b>Total Cost per Unit</b>	\$ 202,460	\$ 199,175	\$ 196,700	\$ 195,050	\$ 193,871
<b>Equity @ 35%</b>	\$ 28,344,400	\$ 69,711,250	\$ 86,056,250	\$ 102,401,250	\$ 118,746,250
<b>Debt @ 65%</b>	\$ 52,639,600	\$ 129,463,750	\$ 159,818,750	\$ 190,173,750	\$ 220,528,750
<b>Revenues</b>	\$ 6,480,000	\$ 16,200,000	\$ 20,250,000	\$ 24,300,000	\$ 28,350,000
<b>Expenses</b>	\$ 2,912,001	\$ 7,680,000	\$ 9,600,000	\$ 11,520,000	\$ 13,440,000
<b>Operating Income</b>	\$ 3,567,999	\$ 8,520,000	\$ 10,650,000	\$ 12,780,000	\$ 14,910,000
<b>Debt Service</b>	\$ 3,369,564	\$ 8,287,229	\$ 10,230,312	\$ 12,173,395	\$ 14,116,478
<b>Profit after Debt Service</b>	\$ 198,435	\$ 232,771	\$ 419,688	\$ 606,605	\$ 793,522

As shown in the Table above, profit after debt service increases steadily as the number of units increases. However, even with density increased to 1,750 units, the profit after debt service is less than \$800,000. This is due, in part, to the design of the model, which calculates expenses on a straight line basis using a dollars-per-square-foot multiplier.

In practice, the increases in density could generate both development cost savings and operational cost savings as a result of the economies of scale associated with the project. In addition, a larger complex, with some percentage of the units that could enjoy views of the river due to higher elevations on upper floors, could generate higher average revenues. As such, a revised evaluation of the projects was developed to illustrate the impacts of changes in the assumptions within the financial model. Key changes to assumptions include:

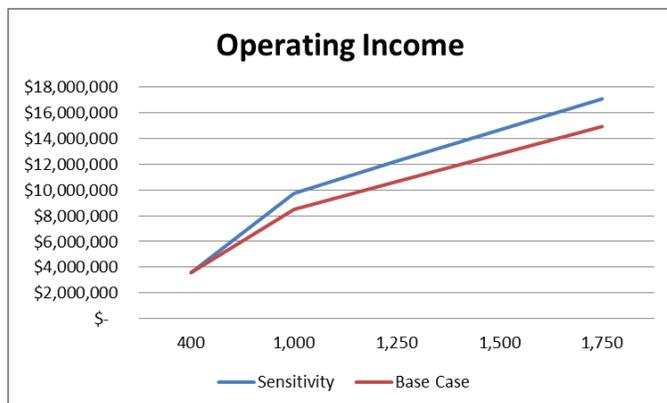
- A reduction in construction costs of 5%;
- A reduction in site costs of 10%;
- A 5% increase in average revenue;
- A 10% reduction in salaries;
- A 5% reduction in management fees;
- A 20% reduction in contracted services; and
- A 10% reduction in repairs and maintenance.

These changes result in an approximate 5% reduction in overall operating costs, from an average of \$6.72 per square foot to \$6.37 per square foot. Overall development costs fall, resulting in reduced equity and debt requirements.

	Units				
	400	1,000	1,250	1,500	1,750
<b>Total Project Costs</b>	\$ 80,984,000	\$ 188,725,000	\$ 234,325,000	\$ 278,715,000	\$ 321,895,000
<b>Total Cost per Unit</b>	\$ 202,460	\$ 188,725	\$ 187,460	\$ 185,810	\$ 183,940
<b>Equity @ 35%</b>	\$ 28,344,400	\$ 66,053,750	\$ 82,013,750	\$ 97,550,250	\$ 112,663,250
<b>Debt @ 65%</b>	\$ 52,639,600	\$ 122,671,250	\$ 152,311,250	\$ 181,164,750	\$ 209,231,750
<b>Revenues</b>	\$ 6,480,000	\$ 17,040,000	\$ 21,300,000	\$ 25,560,000	\$ 29,820,000
<b>Expenses</b>	\$ 2,912,001	\$ 7,275,429	\$ 9,094,286	\$ 10,913,143	\$ 12,732,000
<b>Operating Income</b>	\$ 3,567,999	\$ 9,764,571	\$ 12,205,714	\$ 14,646,857	\$ 17,088,000
<b>Debt Service</b>	\$ 3,369,564	\$ 7,852,427	\$ 9,749,742	\$ 11,596,711	\$ 13,393,335
<b>Profit after Debt Service</b>	\$ 198,435	\$ 1,912,144	\$ 2,455,972	\$ 3,050,146	\$ 3,694,665

These changes result in significant improvements in operating income as well as profits after debt service. The net result is \$1.2 million in additional operating income for the 1,000 unit scenario, increasing to almost \$2.2 million in additional operating income for the 1,750 unit scenario as a result of the changes evaluated in the sensitivity analysis.

Profits after debt service increase substantially as a result of the changes evaluated as part of the sensitivity analysis. The increase is on the order of 400% to 500% for each scenario.



#### 4.10 ADDITIONAL CONSIDERATIONS

A variety of other issues which could affect the BDC, potential developers and/or the Town of Port Deposit should be considered when determining whether zoning changes should be pursued for the 100 acre development site. Potential changes to zoning could include density (units per acre), height restrictions, lot coverage requirements and open space requirements. These issues could affect a potential developer of the site through additional impact fees. In addition, some of these issues could make identifying a developer for the property more (or less) achievable for the BDC. Finally, the Town of Port Deposit could be impacted to the extent that increases in population could require increases in municipal and educational services, which may or may not be adequately funded through property taxes paid on the new development. Among the issues which could be affected by increased density are:

- The size/capacity of necessary infrastructure systems, including water, sewer and roadways;
- Significant population increases could drive the need for new facilities, particularly education facilities;
- Any increases in maximum height would have to consider the capacity/capability of the fire department;
- Increased population is likely to increase the need for public safety/police services;
- Decisions on roadway ownership and maintenance will determine whether and to what extent the Town's Department of Public Works is impacted;
- Potential impacts on other public facilities, such as athletic fields, the library, cemeteries, etc. should also be considered.

**Table 4**  
**Historic Tome School for Boys**  
**Port Deposit, Maryland**  
**Comparative Cost Information from other Tax Credit Projects**

Building	City	Rehabilitated Use	Date Completed	Area (Sq. Ft.)	Total Construction Cost	Sq. Ft. Construction Cost (Rounded)	QRE	Notes
Hebrew Orphan Asylum	Baltimore, MD	Medical Offices	Continues. September 2015 Construction Cost	26,053	\$ 9,202,000	\$ 354	\$ 10,184,283	QRE for State Program Only. Building in poorest condition: 80% replacement of structure, new interiors, full façade restoration, new roof, new windows.
207 E. Redwood Street	Baltimore, MD	130 Room Hotel	2015	50,000	\$ 15,000,000	\$ 300		Minimal exterior work. New roof. Most interior new construction.
Algonquin	Baltimore, MD	56 Apartments	2014	86,000	\$ 8,900,000	\$ 104	\$ 9,997,000	Slightly deteriorated, higher end rehab with much retention of historic interiors. Full exterior rehab, new windows. Lobby restoration.
Brenton	Baltimore, MD	31 Room Hotel	2010	14,161	\$ 2,000,000	\$ 142		Included new egress stair. Difficult building. New windows, custom elevator, hazmat remediation.
Professional Arts	Baltimore, MD	96 Apartments	2009	110,000	\$ 14,000,000	\$ 128	\$ 18,875,044	Corridors and lobby rehabilitated. All new interiors behind corridor walls.
Holiday Inn at Oldtown Bank	Baltimore, MD	70 Room Hotel	2009	50,000	\$ 6,200,000	\$ 124		Minimal exterior work. 2-story lobby rehabilitated.
Bagby	Baltimore, MD	First Floor Retail only	2009	16,000	\$ 2,100,000	\$ 132		No tax credit. Changed floor level; moving First Floor to ground.
307 W. Baltimore	Baltimore, MD	Office Space	2007	32,000	\$ 3,000,000	\$ 94		Structure in fair condition. Two iron facades rehabilitated. Core and shell, office fit-outs separate.
Centerpoint D	Baltimore, MD	103 Apartments	2006	49,000	\$ 14,600,000	\$ 298		About 1/2 new construction, 1/4 new construction in historic shell, rest repairs.
Centerpoint B	Baltimore, MD	70 Apartments	2004	115,000	\$ 8,500,000	\$ 74		Little new construction, partial replacement of 4 floors of structure, minor exterior repointing, new windows.

## 5. TASK 4: FORWARD-LOOKING STRATEGIC PLAN

### 5.1 EXPECTATIONS AND KEY DRIVERS

The ultimate goal that BDC maintains for the Historic Tome School property is to ensure that an economically feasible, environmentally safe, and sustainable development actually occurs. The primary purpose of this Strategic Plan is to lay out a comprehensive implementation strategy that will provide the BDC with a guide for the ensuing months and years leading to actual property redevelopment. It is important that the Strategic Plan reflects the long-term values and goals of the BDC and the local community, not those of the U.S. Navy or their consultants, nor any other outside parties not vested in the community.

Weston has identified numerous drivers that will substantially influence the viability for successful development of the Tome School project site, including the following:

- **Historical** – An important asset in the development of the property is its historical appeal, as well as the tax credits available. These assets are offset by the increased costs of development for a historical property.
- **High Motivation** – The Town of Port Deposit, Cecil County, MDE, MHT, MTPM, and other stakeholders are motivated to help BDC develop the property, which is currently in poor condition and continues to decay.
- **Location** – The property has an appealing location, with a beautiful scenic view from a tall granite bluff overlooking the Susquehanna River, approximately 4 miles upstream of where it flows into the Chesapeake Bay. The property is an approximate half-mile drive from the historic and scenic Town of Port Deposit, which was placed on the National Historic Register in 1978. The property is easily accessed via major highways, and is a short 3-mile drive from I-95. The centers of Baltimore, MD, and Wilmington, DE, are approximately 40 mile drives from the site via I-95.
- **Infrastructure** – Commitments have been obtained to have sewer and potable water utilities made available at or near the property boundary by Cecil County and Artesian Water, respectively, thereby eliminating a common impediment and perhaps creating an enabling attribute for development.
- **Environmental Impact** – The property has been impacted by a variety of contaminants from past practices of the U.S. Navy at the property. The impact is widespread and has been a major hindrance to any development at the property, resulting in continued deterioration of building structures and infrastructure and increased costs of maintaining the property. It is imperative that the U.S. Navy's responsibility be quantified and resolved to ensure funds are available to address the environmental impact.

## 5.2 CONSTRAINTS AND DEVELOPMENT ISSUES

The findings indicate that the Tome School property is challenged with numerous constraints and development issues as summarized below.

### 5.2.1 Site / Infrastructure

- Site environmental contamination from former U.S. Navy operations, and misalignment with the U.S. Navy and other stakeholders regarding site contamination remediation approaches and timing, leading to increased costs and a major detriment to any development of the property.
- Insufficient and incomplete solutions for potable water and wastewater utility service for the Tome School property and adjoining Bainbridge property.
- Historical preservation aspects associated with National Park Service (NPS) and Maryland Historic Trust (MHT) historic structures and historic easement on the property, leading to new development constraints and substantial added cost.
- Unsecured site access/control, inadequate site stabilization measures, and impacts from vandalism that have accelerated building deterioration; this also produces negative aesthetics and perceptions that could impede project marketing and timely site redevelopment.
- Site development/density considerations involving Maryland Department of the Environment (MDE) storm water management regulations, Chesapeake Bay Critical Area (CBCA) setbacks on portions of the property, and terrain/slope challenges will impact development density and site preparation and development costs.
- Several abandoned, non-historic structures and former roads/parking areas need to be demolished in conjunction with site development.

### 5.2.2 Market Conditions / Economic Feasibility

- There are a significant number of competing large development parcels in the region, many of which are intended for residential and/or agricultural use. Available mixed-use and commercial development parcels are generally located in higher traffic locations in closer proximity to established retail areas and higher volume transportation corridors.
- There are significant available spaces in the office and industrial markets in Cecil, Harford and New Castle Counties. Almost five million square feet of available office space was identified in the three-county region, and more than eight million square feet of available industrial space was identified. Office vacancy rates are reported to be much higher than industrial vacancy rates.
- While the Bainbridge Mixed-Use Development District within the Port Deposit Zoning Ordinance offers significant flexibility in terms of the number and types of uses which are supported at the Tome School site, it is not clear whether the Town would support a high density redevelopment at the site which could double the Town's population.
- As the number of single family building permits has fallen over the past several years, the number of multi-family permits has increased. However, the potential number of units that could be developed on the most suitable 100 acres of developable land on the Tome School property is significant. The Tome School developable land could support as many as 300 to 400 units of multi-family housing, while the three-county region has permitted an average of less than 1,000

units annually over the past four years. Higher development density, beyond the 300 to 400 units permitted in the zoning ordinance, could result in a higher sale price for this land, but developers are likely to look for assurances of density as part of any sales agreement.

- Historic preservation cost requirements coupled with limited demand in the region for the Tome School buildings makes redevelopment of the historic buildings financially infeasible at this time. Even when the maximum available tax credits are assumed for each building, the revenue potential from redevelopment is not expected to be sufficient to amortize the costs of redevelopment. Developing new units on the primary 50-acre site in addition to units created through the redevelopment of the Tome School buildings could offer additional operating income to support the project. However, the development of additional units would require additional debt and equity, and would not contribute significant additional funding to support debt service on the renovation of the Tome School buildings.
- The development of new multi-family housing units on the 100-acre development parcel is estimated to offer significantly better financial performance as compared to the renovation of the existing Tome School buildings for multi-family uses. However, the development of new units still does not generate sufficient operating income to service debt on the project. In order to enhance profitability and therefore the ability of the project to attract developers and investors, a primary focus on controlling development costs will be necessary.

### 5.3 FOUNDATIONS FOR FORWARD-LOOKING PLAN

As a result of the market, site, and economic feasibility analyses performed during this study, the following key elements of the Strategic Plan were identified:

- **Key project stakeholders must be aligned to the overall goal and timing of the Strategic Plan:** This is the most critical component of the strategic plan, given the large number of stakeholders on the project, with potentially compatible yet varied objectives and drivers that can create impediments and conflicts. Noteworthy are the following current stakeholders who have been attempting to balance a variety of regulatory requirements, economic and social drivers, cultural attributes, and political inclinations:
  - BDC
  - Town of Port Deposit
  - Cecil County
  - MHT
  - MDE
  - State of Maryland Office of the Attorney General (OAG)
  - Governor's Office & other Elected Officials (local/state/federal)
  - MTPM
  - U.S. Navy/NAVFAC

Future stakeholders in the process who will have significant influence and impact include:

- Tenant/user, developer(s), investors
- Funding/financing entities (bankers/lenders, equity partners, grant sources, historical tax credit entities, e.g., NPS, etc.)

- **The site environmental remediation cost burden to the eventual Tome School property developer(s) must be “zero”:** The U.S. Navy is responsible for remediating the site for unrestricted use based on the Quit Claim Deed, and it is incumbent upon the interested stakeholders (BDC, MTPM, Maryland AGO, MDE, Town of Port Deposit, and others) to assure that the Navy provides full funding in a timeframe aligned with the development such that the net cost to the development is zero.
- **Water, wastewater, and other site infrastructure service connectivity (and capacity) must be readily available at the Tome School property development boundary:** It is noteworthy that the BDC and Cecil County have worked cooperatively to ensure that necessary infrastructure (accessibility, size/capacity, timing, etc.) will be available near the Tome School and adjacent 100-acre parcel(s). This is a critical element for enabling developers/users/investors to be interested in developing the property or any portions of it.
- **A plan to leverage and maximize historic tax credits and other aspects of economic and political value must be considered and developed:** The historic attributes and location of the property present certain advantages and constraints (e.g. construction/restoration costs). It is imperative that development planning maximize the use of historic tax credits to the property along with other potential grants and/or low-interest financing.
- **Targeted marketing to select end-users/developers of the Historic Tome School parcel should be explored in conjunction with the creation of an overall Conceptual Development Plan for the Tome School and 100-acre parcels:** The complexity of drivers for the property and the resulting financial requirements require an intense and targeted marketing and site planning effort for selected and, potentially, specialized end-uses/developers and investors. A marketing plan must be developed and implemented by BDC along with the creation of a Conceptual Development Plan in a disciplined manner with other stakeholders to ensure success. These efforts will help to determine the path forward with respect to development viability and options for the Tome School buildings combined with, or separated from, the remaining 100 acres under BDC’s control.

### 5.3.1 Key Project Stakeholder Alignment to the Overall Goal and Timing of the Strategic Plan

The complex amalgamation of drivers for the property for development (e.g. historic attributes, environmental impacts, location and size, etc.) present a challenge to making predictable and substantive progress toward a common objective. Although the key stakeholders share the common desire to develop not only the Tome School plus 100-acre property, along with the rest of the 1,185-acre site, the expectations and drivers are diverse and potentially conflicting/challenging.

Two examples that demonstrate the nature of significant conflict and significant challenge from a stakeholder perspective are discussed below:

- MHT has demonstrated that it is committed to enabling BDC to redevelop the property and has been cooperative in forward planning to date. However, the historic requirements that MHT must enforce create significant economic and planning **challenges** for redevelopment of the property.
- On the other hand, the U.S. Navy presents a significant **conflict** to achieving closure on environmental remediation responsibility and costs. This has been a significant hindrance to any

development at the site and potentially requires firm legal action by BDC, MTPM, and the State of Maryland against the Navy. The uncertainty created by this conflict has been a **deterrent and distractor** to the development at significant added cost.

It is imperative that the key stakeholders, including the BDC, MTPM, Maryland AGO, and MDE stay aligned and dedicated to achieving the necessary outcomes from the U.S. Navy on its responsibility to fully fund the remediation and in a timeframe to enable redevelopment.

On a parallel path, it is also imperative that the Town of Port Deposit, MHT, BDC, Cecil County, MDE, and MTPM stay engaged and aligned on development attributes for the Tome School plus 100 acres. It is also important that the Stakeholders remain aligned on the larger remaining portion of the 1,185-acre property.

This alignment and engagement on a development plan and path forward are critical to executing not only a successful development project at the Tome School (plus 100-acre property) but also are a necessary and sufficient requirement for the rest of the 1,185-acre Bainbridge property.

### **5.3.2 Integrated Site Remediation / Site Development: Site Environmental Remediation Cost Burden to Eventual Developer(s) Must be “Zero”**

As mentioned earlier, the necessary conditions for development to occur are as follows:

- The U.S. Navy must fund all the remediation at the property.
- The funds must be available to support the timeframe of development.

A developer would typically enter a Voluntary Cleanup Program (VCP) program, for an impacted site, with MDE to procure future protections and enable a more streamlined and timely implementation of environmental actions for a property. In addition, it is currently recognized that the remediation is primarily expected to require capping and cover as the remedy, with follow up long term monitoring and maintenance. As such, remediation (most, if not all) will occur as part of the site development and construction activities.

As such, the following elements are essential for an effective strategic path forward:

- Define and implement a site-wide/property-wide investigation with MDE’s concurrence for potential use as a multi-family residential property (and/or Continuing Care Retirement Community (CCRC) and/or commercial) such that the site data gathered can be used by a developer to enter into the VCP program for any parcel and satisfy the investigation requirements of MDE.
- Develop a site-wide/property-wide Remedial Action Plan (RAP) with MDE that can be readily adapted or directly adopted by a developer for any parcel, as an approved plan.
- Ensure that the developer and contractor integrate environmental remediation with redevelopment/construction to ensure efficiency, community safety, and cost-effectiveness.

### **5.3.3 Infrastructure Improvement and Planning: Water, Wastewater, and Other Site Infrastructure Service Connectivity (and Capacity) must be Readily Available at Development Boundary**

Potable water, sewer, power, communication, roadways and other relevant infrastructure attributes are key to enabling redevelopment at the Tome School property and adjacent 100-acre property. Water and sewer represent the critical infrastructure elements for this property development.

The phased planning and implementation of a plan to provide water, sewer and wastewater treatment capacity for development near (or at) the property will eliminate a potential impediment (and perhaps even serve as an enabler) for redevelopment of the property. It is imperative that the phased wastewater service plan developed by Cecil County and BDC be implemented with deliberate flexibility to revise and update the plan to meet the requirements and demands of new development opportunities and/or changes occurring to existing development opportunities.

### **5.3.4 Leverage and Maximize Historic Tax Credits and Other Aspects of Economic and Political Value**

There are historic/rehabilitation tax credit programs available at both the State and Federal levels. A project may use both credits together. The State program is administered by MHT, the Federal program is administered by the National Park Service (NPS). For both Federal and State Programs there are three parts to the tax credit Certification Process. Reference to a historic district below includes a National Register district or a NPS certified local historic district for the Federal credit and National Register or local historic districts for the State credit.

Owners of a building within a historic district must complete Part 1 of the Historic Preservation Certification Application - Evaluation of Significance. The application is reviewed by MHT for the State and MHT as the SHPO and NPS for the Federal Program who determine if it contributes to the historic district. If so, the building then becomes a “certified historic structure.” Buildings individually listed in the National Register are already certified historic structures and owners need not complete a Part 1 application, except for the cover page to indicate the individual listing.

Owners seeking certification of rehabilitation work must complete Part 2 of the application - Description of Rehabilitation. MHT for the State and MHT as the SHPO and NPS review the entire project including related demolition and new construction, and the building is certified, or approved, only if the overall rehabilitation projects meets the 10 “Secretary of the Interior’s Standards for Rehabilitation.”

Once the rehabilitation work is completed, the owner submits Part 3 Application - Request for Certification of Completed Work. The application is submitted to MHT for the State and MHT as the SHPO who forwards the request to NPS for evaluation. The NPS evaluates the completed project against proposed work in the Part 2 Application. Only complete projects that comply with the Standards for Rehabilitation are approved for purposes of the 20% rehabilitation tax credit. The owner must hold the building and maintain it in compliance with the Secretary’s Standards for a full five years after the completion of the rehabilitation, or pay back the credit.

Maryland “Sustainable Communities Tax Credit” (through State Fiscal Year 2017): The State Credit is 20% of Qualified Rehabilitation Expenditures (QRE) limited to \$3,000,000 for each rehabilitation project. If the rehabilitation is for a high performing building, the rate of the credit is 25%, but is still limited to the \$3,000,000. During the 2016 Legislative Session, the program was extended for the period fiscal year 2018 through 2022, under the name “Heritage Structure Rehabilitation Tax Credit” (SB759). The

legislation indicates that most of the parameters will remain the same for the new program, but the regulations have not yet been written for it.

Federal “Preservation Tax Incentives”: The Federal credit is 20% of the QRE for each rehabilitation project. It is not capped at a particular ceiling.

Use of historic tax credit programs requires an understanding of Qualified Rehabilitation Expenditures (QRE). “Qualified rehabilitation expenditures include costs of the work on the historic building, as well as architectural and engineering fees, site survey fees, legal expenses, development fees, and other construction-related costs, if such costs are added to the property basis and are reasonable and related to the services performed. They do not include acquisition or furnishing costs, new additions that expand the building, new building construction, or parking lots, sidewalks, landscaping, or other related facilities.” In short, QREs can be explained as any construction costs within the footprint of the historic building which are for elements permanently attached to the building, plus soft costs. These fundamental parameters apply to both the Federal and State programs.

Site work is not QRE, whether demolition or new work, or restoration of landscape. Site features such as say, a flag pole, or landscaped terracing restoration, wouldn’t count towards QRE. However, removing a contributing landscape, or otherwise making it no longer contributing, can cost a project a tax credit, despite not getting any tax credit value for the site work. Again, same rules apply to the State and Federal Credit.

Contemporary materials used in a rehabilitation should qualify as part of the QRE if they are within the historic structure, i.e. if the plaster has fallen off of a wall, gypsum board can be installed in its place and that would be a QRE. If the material is outside of the building footprint (an addition or new building) then it would not qualify.

The QRE discussed here is for a tax credit scenario, the easement requirements for interior rehab will differ building to building as far as allowance of modern materials and demolition, and could be a bit more restrictive, although MHT has asserted in our meetings that the same level of review will be provided for both programs, so as to make the redeveloper’s requirements simpler. Generally speaking, if a material or finish is gone or must be replaced due to lack of structural integrity (like the floor in Monroe), it can be replaced with a modern material that looks similar, or replicates an element that is considered contributing (like a molding or baseboard that needs to be replaced because of lead paint – that would need to be replicated).

To maximize the use of State and Federal Tax Credits for the buildings at Tome School, a subdivision strategy was discussed. When the property is subdivided, each developer purchaser would be able to apply for the tax credit for their historic building. This gives the property a chance to have multiple tax credit projects, each on their own development schedule. If the property is kept as a single campus project, it would be considered a single project by both the State and Federal programs, getting a single credit for the entire project (with the State program capped at a \$3,000,000 total credit).

The NPS Tax Credit Reviewer for Maryland, was asked to clarify the Subdivision requirements to be sure they will work for the Federal Credit. The subdivisions, in order to all qualify for separate Tax Credits, must be owned by completely separate entities. There can be no potential linkages between the ownership entities, for instance: some individual cannot have even a small percentage of ownership in multiple LLC’s. The other properties that Katherine was citing were ones where the existing structures had once been one building – one of the buildings which had been subdivided off into a separate property was historically an addition to the building applying for the Tax Credits. Even though the buildings had been since separated by a firewall of sufficient rating to allow the City to subdivide the properties, NPS went by the fact that they were historically one building, so the other property Owner had to sign an agreement

that they would not make any changes to THEIR building that did not comply with the Secretary of the Interiors' Standards to preserve the applicant's tax credit eligibility.

MHT has confirmed that the Tome school could be subdivided by BDC without the Easement being recorded. Once the Subdivision plat is complete, when a developer purchases a parcel, the Easement would be recorded. BDC, holding the remainder of the property, would continue to be subject to State Section 106 requirements. The developer purchaser of a parcel(s) would have the Easement for the entire property conveyed with each parcel, but the easement would only be enforced for that developer entity for their parcel(s). Each developer purchaser would be treated the same way.

### **5.3.5 Effective Targeted Marketing to Select End-users/Developers in Conjunction with Overall Conceptual Development Plan Creation for the Tome School and 100-acre Parcels**

The Historic Tome School is truly a unique and exceptional piece of property with significant marketing potential for several reasons, including:

- The property's rich historic significance in education and the military, both locally and nationally.
- The unique property setting with its sweeping views of the Susquehanna River valley and Chesapeake Bay.
- The growth that is occurring in the region as a result of BRAC and new missions now present at Aberdeen Proving Ground, MD.

#### **Target Marketing**

Target marketing to prospective, market-based tenants for the property must be synergistic, not redundant or competitive, to the tenants and end-uses envisioned for the broader Bainbridge project. Marketing and tenaning efforts must also be conducted in a manner consistent with other established regional economic development and strategic plans such as those of Cecil County and the Town of Port Deposit. Marketing efforts should leverage national brokerage firms that also have a very knowledgeable understanding of local and regional markets, and that without a doubt specialize in the marketing of nationally historic properties such as Tome School. Naval/military-focused marketing could also be explored e.g., JT at USNMTF.

Based on the socio-economic analysis, estimates of market potential, and previous work undertaken by regional economic development organizations and the State, appropriate business uses need to be identified. This should be accomplished through the use of the North American Industrial Classification System (NAICS) using various commercial databases, in conjunction with existing targeting strategies in place at the State level.

An analysis of these various industrial groups should then be prepared in order to evaluate the market potential for key businesses and industries. The marketing of the Historic Tome School property cannot be done in a vacuum: the potential for attracting high-quality employers/uses is directly tied to economic and fiscal conditions at the State and national level as well as to the coordinated State and local efforts to attract prospective companies and individuals and to support the growth of existing businesses, both large and small. As has been the experience at other major economic development initiatives throughout Maryland, the State's role has been to get prospective decision-makers to consider the region as a

possible alternative. Once made, then local efforts to facilitate a decision to come/stay can be successfully focused.

In addition, BDC should host an Industry Forum for Tome School targeted at inviting all interested parties from a redevelopment perspective – not just master developers – to tour, discuss, review, and dialogue in an open forum to assess development potential. BDC should engage local and regional organizations including ADC, AIA, ULI, IEDC, NAIOP, etc. and share with them summary information from the results of the marketability analysis and advertise on hosting the event by creating press releases and other marketing materials. Development interests, potential uses, and market conditions identified as a result of the Industry Day should be used to further define the path forward for marketing and redeveloping the Tome School property.

Such target marketing efforts will provide a context for evaluating the market viability of the Tome School property for adaptive reuse and redevelopment, combined with the creation of new complimentary development and on the site and the adjacent 100-acre parcels.

### Conceptual Development Planning

The creation of a detailed, pragmatic, and credible Conceptual Development Plan for the Historic Tome School property is not feasible at this time given the broader Bainbridge development issues cited previously. However, in conjunction with future planning efforts and the targeted marketing approach summarized above, a detailed Conceptual Development Plan for the Historic Tome School property should be developed in close collaboration and partnership between the BDC, the Town of Port Deposit, MTPM, and other stakeholders to ensure that all stakeholders’ interests, objectives, and concerns are fully understood and addressed through a detailed plan that represents a shared common vision. A flexible plan, but one that appropriately preserves the rich historic fabric of the site, maximizes benefits and connectivity to the Town of Port Deposit, and enables compatible uses of adjacent land parcels under BDC’s control is of utmost importance.



The plan must be consistent and comply with applicable State and local planning guidelines and economic development plans such as MDE storm water management regulations and Plan Maryland. Finally, development constraints associated with the Tome School property itself must be considered in great detail in order to ensure proper and compatible use of the site in a manner that is feasible and market-driven, and will yield sufficient value to attract private investment. The efforts put forth in such a conceptual planning exercise will enhance BDC's ability to visualize and communicate their future goals for the property in conjunction with the above-noted integrated targeted marketing and site planning.

The primary constraints that we believe will likely affect site reuse and the creation of a Conceptual Development Plan were summarized above. Despite these numerous constraints and challenges to creating a detailed Conceptual Development Plan, the very unique setting and incredible features of the Historic Tome School campus offer several development opportunities that could allow for acceptable, market-based uses or specialized end-users such as institutional or CCRC developers/tenants.

#### **5.4 NEXT STEPS AND TIMING**

The recommended next steps and timing for BDC to consider in regards to the viability of future development options for the Tome School property are as follows:

##### **Short-Term:**

- Stakeholder Engagement – Activity is ongoing. Within the next 30 to 60 days, update all key stakeholders on the findings of this study and seek consensus on next steps and path forward.
- Resolution of Site Environmental Remediation Responsibilities/Costs – Activity is ongoing. Engage political support to expedite resolution with U.S. Navy in the shortest timeframe possible.
- Infrastructure Service – Activity is ongoing. Continue to coordinate with Cecil County DPW, Artesian, and MTPM to confirm commitments and capital budgeting/expenditures related to water and wastewater service.

##### **Long-Term:**

- Tome School Historic Easement/Historic Preservation/Tax Credits – Understanding of critical NPS/MHT issues and expectations for property accomplished through this study. Engage prospective tenants/developers/end-users in understanding of issues, costs, and tax credit benefits in conjunction with next phase of marketing/planning.
- Targeted Marketing/Conceptual Development Plan – Engage national marketing firms with expertise in historic properties to recommend services/next steps for targeted marketing of Historic Tome School to prospective specialized end-users/developers.