

MEMORANDUM

May 8, 2018

TO: County Council

FROM: Gene Smith, Legislative Analyst *JS*
Vivian Yao, Legislative Analyst *VY*

SUBJECT: FY19-24 Capital Improvements Program (CIP): KID Museum

PURPOSE: Initial adoption of subject project

Those expected for this worksession:

David Dise, Director, Department of General Services (DGS)

Mary Beck, Capital Budget Manager, Office of Management and Budget (OMB)

I. Summary of Transaction

The Executive recommended this new project for the FY19-24 CIP to purchase a 51,000-square foot building near the Twinbrook Metro Station as a permanent location for the KID Museum (see ©1-3). In a separate recommendation, the Executive revised the project to include \$5.0 million for renovation funding in addition to the acquisition funding (see ©4-7).

Planning, Housing, and Economic Development (PHED) Committee recommendation (see ©21-22 for amended project)

- 1) Recommend approval of funding for acquisition, assumes the City will contribute \$3.92 million.
- 2) Recommend approval of \$1.00 million appropriation for design in FY19.
- 3) Recommend programming but not appropriating \$1.50 million in FY19 and \$2.50 million in FY20 for renovation. (continued page 2)

- 4) Amend the project description form (PDF) to state that “the Council should not appropriate funds for renovation until design is complete and should be provided as a match to funds from other sources raised by the KID Museum.”
- 5) Amend the PDF to condition expending design funds, apart from closing costs, on a requirement that DGS provide a copy to the Council of the finalized agreement between the County and the City for co-ownership of the building and a finalized memorandum of understanding (MOU) between the County and the KID Museum for use of the space.

The PHED Committee considered Council staff’s recommendation to program renovation funds after design is complete and the KID Museum raises matching funds, but the committee chose to program but not appropriate construction funds to signal the County’s support for the project. Programmed but not appropriated funds still reduce the available resources for the CIP.

Summary of Opportunities and Challenges

Opportunities

- Purchase a 51,000-square foot building near the Twinbrook Metro Station.
- Secure a permanent location for the KID Museum whose goal is to serve 250,000 visitors annually.
- Enrich the education of children in Montgomery County Public Schools with hands-on learning in the science, technology, engineering, and math (“STEM”) fields.

Challenges and Unknowns

- The County and the City of Rockville (the “City”) are still finalizing the agreement to co-own the property and its use.
- The County and KID Museum are still finalizing the agreement for renovation and the use of the building.
- KID Museum must raise approximately \$5.00 million for renovation and approximately \$2.50 million annually for ongoing operations once the building is complete.

Background

KID Museum is a learning space that provides hands-on learning that incorporates STEM, art, and culture with skills like creativity and critical thinking. The museum first opened in 2014 at the County’s Davis Library branch. It serves 55,000 visitors annually through school group visits, after school programs, and weekend workshops. The County provides operational support through community grants and in-kind support through the organization’s use at the Davis Library (see ©17). KID Museum’s long-term vision is to expand to a larger, permanent space that would serve 250,000 visitors annually. See KID Museum’s business plan for this proposal on ©8-16.

II. Proposed PDF

The Executive recommends adding the KID Museum project to the FY19-24 CIP to facilitate the acquisition and renovation of a permanent home for the museum. See the Executive’s proposed PDF on

©5-6. The proposed funding source is General Obligation (G.O.) bonds but due to the unique nature of this opportunity a different funding source may be used.

Land Acquisition

The property identified is a four-story 51,000 square foot office building near the Twinbrook Metro Station. The current structure was built in 1960 and had a major renovation project in early-2000. **The property was acquired by Thompson Twinbrook, LLC in November 2016 for \$4.9 million.** Since this acquisition, the owner has not made any significant investments into the property. The property is currently vacant.

KID Museum has entered into a purchase agreement with the seller but intends to transfer its purchase rights to the County. **The seller's asking price is \$9.65 million.** DGS states this price is lower than the purchase agreement contemplates since the County is tax exempt. Below is a comparison of nearby properties with recent sales. DGS anticipates a July 2019 closing date, subject to the Council's approval and appropriation.

Recent Property Sales near Subject Property

Address	Sale Date	Sale Price	Year Built	Building Area (Square Feet)	Price per Square Foot
12300 Twinbrook Pkwy.	Mar. 2016	\$15,500,000	1985	78,682	\$197.00
1700 Rockville Pike	Jul. 2016	\$33,000,000	1983	102,708	\$321.30
801 Thompson Ave. (Subject property)	Jul. 2019	\$9,560,000	1960	51,337	\$186.22

Source: Maryland State Department of Assessments and Taxation and DGS for subject property sale date and sale price.

The Executive intends that the County and the City will co-own the property. **The Executive has programed \$5.93 million in FY19 to acquire the building.** The County's portion of the total sale price will be 60% and the City's will be 40%, excluding closing costs. **Many of the details about the agreement between the County and the City are still to be determined.** Executive staff provide answers to Council staff's questions about the acquisition and construction on ©17-20.

In brief, the County and the City will co-own the building, and the County will execute a separate agreement with the KID Museum for that organization's use of the building. Ideally, the Council would benefit from a review of a draft agreement to understand the implications, particularly the projected expenditures, before approving an appropriation for this purpose. The PHED Committee addresses this issue in the next section. **The PHED Committee recommends approval of \$5.93 million in FY19 for the acquisition of the building, assuming the City will provide the required \$3.92 million for its portion of the acquisition costs.**

Renovation

The Executive proposes that the Council include \$5.0 million for renovation costs, \$2.5 million in FY19 and \$2.5 million in FY20. The building is currently designed for general office use; therefore, the work to transform it into a museum will be extensive. KID Museum estimates that the total cost for

renovating the space will be approximately \$10.7 million submitted by an architect hired by the organization for the subject property. The Executive's recommendation is 52.5% of the estimated design and hard costs for renovation (see ©10).

DGS contemplates that the County will execute a MOU with the KID Museum to stipulate the process for renovation and for the organization's use of the building. Like the County and City agreement, many of the details are still to be determined.

The PHED Committee considered the following items about the renovation expenditures for this project:

- Actual Costs and Phases. An accurate expenditure schedule cannot be determined until DGS completes the design process. Completing the design process will provide a better understanding about the costs and whether the project should include phases for renovation based on KID Museum meeting expected fundraising goals.
- Timing. The design process is anticipated to take at least a year to complete. DGS anticipates that design will be completed during the summer of 2019; this is a conservative estimate. DGS estimates that design will cost \$1.0 million.
- Fundraising. The KID Museum is only beginning the fundraising process. The organization has a capital campaign gift plan and estimates that it can raise at least 50% of the required capital expenditures from its current donor pool.
- CIP Capacity. The FY19-24 CIP does not have a lot of capacity in the early years of the program, and it is better to program the renovation expenditures once an accurate timeline and the organization's fundraising progress are better understood.

The PHED Committee recommended several modifications to the PDF based on the above items.

- 1) Recommend approval of \$1.00 million appropriation for design in FY19.
- 2) Recommend programming \$1.50 million in FY19 and \$2.50 million in FY20 for construction without appropriating those funds. Note that programmed but not appropriated funds still reduce capacity for other projects in the CIP.
- 3) Amend the project description form (PDF) to state that "the Council should not appropriate funds for renovation until design is complete and should be provided as a match to funds from other sources raised by the KID Museum."
- 4) Amend the PDF to condition expending design funds, apart from closing costs, on a requirement that DGS provide a copy to the Council of the finalized agreement between the County and the City for co-ownership of the building and a finalized MOU between the County and the KID Museum for use of the space.

III. Operational Support

Council staff believes that the KID Museum's ongoing operations is an important item for the Council's review of this project, though ongoing operational support is not a decision point for the PHED Committee today. See the KID Museum's estimated operating budget once the new center is opened on ©15. A major driving force for this expansion is the organization's agreement with MCPS. This

agreement is renewable and will provide a solid financial foundation for the KID Museum to expand its operations and programming.

Per the projected budget, the organization anticipates that it will need approximately \$2.5 million in ongoing private and public contributions to operate the center beyond the expected revenues from visitors and programs, including MCPS. The organization estimates that a third of this total will be from individuals, a third from corporations and foundations, and a third from public grants at all levels of the government. There has been no Council discussion of providing significant operational support for the organization. Currently, the KID Museum leverages every \$1 provided by the County with \$2 dollar from other sources. The organization believes that it can continue this type of leverage moving forward.

This packet contains:

	<u>Circle #</u>
Executive recommendation, re: acquisition	1
Executive recommendation, re: acquisition and construction	4
KID Museum Business Plan	8
Executive staff responses to Council staff's questions	17
Recommended amended PDF	21

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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

April 13, 2018

TO: Hans Riemer, Council President

FROM: Isiah Leggett, County Executive 

SUBJECT: KID Museum Property Acquisition in the Recommended Capital Budget and FY19-24 Capital Improvements Program (CIP)

In my March CIP amendments, I indicated we were pursuing an opportunity to help the KID Museum relocate to a larger, permanent location. I am pleased to report that an agreement has been negotiated for the County and the City of Rockville to jointly purchase a four-story, 51,000 square foot building near the Twinbrook Metro Station as a permanent location for the KID Museum. The County will pay 60 percent and the City of Rockville has agreed to pay 40 percent of the purchase price for the building. With this investment, we can empower youth from diverse backgrounds to become the innovators and change makers of the future.

The KID Museum currently occupies 7,500 square feet of space at the Davis Library in North Bethesda and serves 55,000 patrons annually. The KID Museum has formed a district-wide partnership with Montgomery County Public Schools for hands-on student learning in STEM-related fields. The current location of the KID Museum does not provide sufficient space for the growing demands of their services. This capital project will expand substantially the space available for instructional activities and inter-generational programs with annual visits expected to increase to approximately 250,000 patrons a year. The new Museum's close proximity to METRO also makes it accessible to a wider range of patrons than the current location.

I know many Councilmembers have expressed an interest in supporting this project. I look forward to working with you and your colleagues to provide a larger, more accessible space for the KID Museum's important work.

IL:jah

c: Marlene Michaelson, Executive Director, Office of the County Council
Michael A. Durso, President, Montgomery County Public Schools
Dr. Jack R. Smith, Superintendent, Montgomery County Public Schools



KID Museum (P721903)

Category	Culture and Recreation	Date Last Modified	04/12/18
SubCategory	Recreation	Administering Agency	General Services
Planning Area	Rockville	Status	Planning Stage

Total	Thru FY17	Est FY18	Total 6 Years	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	Beyond 6 Years
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EXPENDITURE SCHEDULE (\$000s)

Planning, Design and Supervision	50	-	-	50	50	-	-	-	-	-
Land	9,800	-	-	9,800	9,800	-	-	-	-	-
TOTAL EXPENDITURES	9,850	-	-	9,850	9,850	-	-	-	-	-

FUNDING SCHEDULE (\$000s)

G.O. Bonds	5,930	-	-	5,930	5,930	-	-	-	-	-
Intergovernmental	3,920	-	-	3,920	3,920	-	-	-	-	-
TOTAL FUNDING SOURCES	9,850	-	-	9,850	9,850	-	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 19 Request	9,850	Year First Appropriation	
Appropriation FY 20 Request	-	Last FY's Cost Estimate	
Cumulative Appropriation	-		
Expenditure / Encumbrances	-		
Unencumbered Balance	-		

PROJECT DESCRIPTION

The Project involves the acquisition of a four-story vacant commercial office building to establish a permanent home for a world-class experiential STEM and cultural learning center for children and families in the region. The building is approximately 51,000 square feet in size, and is in good condition. This project does not include costs to renovate the space. Due to weak office market conditions, it has not attracted tenants in recent years since a federal agency terminated its lease. Upon acquisition, the building will be redeveloped under a public-private partnership for occupancy by KID Museum, a non-profit organization serving families and elementary/middle school students.

The interior improvements will be designed and constructed by KID Museum pursuant to a Memorandum of Understanding (MOU) with the County. Funding for these improvements will be raised from private and public sources. The improvements include demolition of existing office partitions, construction of additional bathrooms and access enhancements, and construction of maker spaces, exhibition spaces, assembly spaces, and administrative spaces.

LOCATION

Twinbrook area of Rockville.

ESTIMATED SCHEDULE

Purchase of the building is anticipated in FY19.

PROJECT JUSTIFICATION

The County intends to acquire this building to facilitate growth of STEM and 21st century educational opportunities offered by KID Museum. It reflects the County's leadership role in enabling the growth of cultural facilities (e.g. Music Center at Strathmore, Imagination Stage), which provide broad and essential educational opportunities to diverse student populations. KID Museum has formed a successful, district-wide partnership with MCPS for hands-on student learning in STEM-related fields, and is unable to fulfill growing demands for services in 7,500 square feet of leased space at Davis Library in North Bethesda. This capital project will expand substantially the space available for instructional activities and inter-generational programs. Its close proximity to METRO makes it accessible to a wider range of patrons than the current location which is not METRO accessible.

KID Museum is a Maryland corporation and is exempt from taxation under federal law. It currently serves approximately 55,000 patrons annually. It projects visits by approximately 250,000 patrons once its operations relocate to the new location. As a dynamic hub for informal learning and unique community gathering space for people from all walks-of-life, KID Museum will become a new kind of cultural anchor for Montgomery County that empowers youth from diverse backgrounds to become the innovators and change makers of the future. In so doing, the Project reflects Montgomery County's deep commitment to education, innovation and diversity and will create a regional attraction that reinforces and elevates these core values.

FISCAL NOTE

The City of Rockville will contribute 40% toward the purchase of the building.

COORDINATION

KID Museum, Department of General Services, Department of Permitting Services, City of Rockville.




OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

April 23, 2018

TO: Hans Riemer, Council President

FROM: Isiah Leggett, County Executive 

SUBJECT: Renovation Funds for the KID Museum and White Oak Science Gateway
Redevelopment Project Schedule Adjustments in the Recommended Capital
Budget and FY19-24 Capital Improvements Program (CIP)

KID Museum programs have grown exponentially since they launched their first Maker Faire Silver Spring event drawing over 12,000 visitors in its first year. After moving into 7,500 square feet at the Davis Library in 2014, KID Museum has expanded their programs to serve approximately 55,000 patrons a year. I am recommending increasing County support for the project to \$10,930,000 to help fund the purchase and renovation of a larger permanent home for the KID Museum. As part of my recommended CIP, building purchase costs will be split between the County (\$5,930,000) and the City of Rockville (\$3,920,000). I believe an additional \$5 million County contribution will help the KID Museum jump start their fundraising efforts to cover the remaining renovation costs (\$5 million estimate). This level of County support will help the Museum achieve its goal of serving 250,000 patrons a year more quickly.

Based on implementation to date, the White Oak Science Gateway Redevelopment project schedule adjustments will provide the fiscal capacity needed in the early years of the CIP to help support the KID Museum renovations.

I know many Councilmembers have expressed an interest in supporting this project. I look forward to working with you and your colleagues to provide a larger, more accessible space for the KID Museum's important work.

IL:jah

c: Marlene Michaelson, Executive Director, Office of the County Council
Glenn Orlin, Deputy Director, Office of the County Council



KID Museum (P721903)

Category	Culture and Recreation	Date Last Modified	04/23/18
SubCategory	Recreation	Administering Agency	General Services
Planning Area	Rockville	Status	Planning Stage

Total	Thru FY17	Est FY18	Total 6 Years	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	Beyond 6 Years
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EXPENDITURE SCHEDULE (\$000s)

Planning, Design and Supervision	50	-	-	50	50	-	-	-	-	-
Land	9,800	-	-	9,800	9,800	-	-	-	-	-
Construction	5,000	-	-	5,000	2,500	2,500	-	-	-	-
TOTAL EXPENDITURES	14,850	-	-	14,850	12,350	2,500	-	-	-	-

FUNDING SCHEDULE (\$000s)

G.O. Bonds	10,930	-	-	10,930	8,430	2,500	-	-	-	-
Intergovernmental	3,920	-	-	3,920	3,920	-	-	-	-	-
TOTAL FUNDING SOURCES	14,850	-	-	14,850	12,350	2,500	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 19 Request	14,850	Year First Appropriation	
Appropriation FY 20 Request	-	Last FY's Cost Estimate	
Cumulative Appropriation	-		
Expenditure / Encumbrances	-		
Unencumbered Balance	-		

PROJECT DESCRIPTION

The Project involves the acquisition and renovation of a four-story vacant commercial office building to establish a permanent home for a world-class experiential STEM and cultural learning center for children and families in the region. The building is approximately 51,000 square feet in size, and is in good condition. Due to weak office market conditions, it has not attracted tenants in recent years since a federal agency terminated its lease. Upon acquisition, the building will be redeveloped under a public-private partnership for occupancy by KID Museum, a non-profit organization serving families and elementary/middle school students.

The interior improvements will be designed and constructed by KID Museum pursuant to a Memorandum of Understanding (MOU) with the County. Funding for these improvements will be raised from private and public sources. The improvements include demolition of existing office partitions, construction of additional bathrooms and access enhancements, and construction of maker spaces, exhibition spaces, assembly spaces, and administrative spaces.

LOCATION

Twinbrook area of Rockville.

ESTIMATED SCHEDULE

Purchase of the building is anticipated in FY19 with renovation work to follow.

PROJECT JUSTIFICATION

The County intends to acquire this building to facilitate growth of STEM and 21st century educational opportunities offered by KID Museum. It reflects the County's leadership role in enabling the growth of cultural facilities (e.g. Music Center at Strathmore, Imagination Stage), which provide broad and essential educational opportunities to diverse student populations. KID Museum has formed a successful, district-wide partnership with MCPS for hands-on student learning in STEM-related fields, and is unable to fulfill growing demands for services in 7,500 square feet of leased space at Davis Library in North Bethesda. This capital project will expand substantially the space available for instructional activities and inter-generational programs. Its close proximity to METRO makes it accessible to a wider range of patrons than the current location which is not METRO accessible.

KID Museum is a Maryland corporation and is exempt from taxation under federal law. It currently serves approximately 55,000 patrons annually. It projects visits by approximately 250,000 patrons once its operations relocate to the new location. As a dynamic hub for informal learning and unique community gathering space for people from all walks-of-life, KID Museum will become a new kind of cultural anchor for Montgomery County that empowers youth from diverse backgrounds to become the innovators and change makers of the future. In so doing, the Project reflects Montgomery County's deep commitment to education, innovation and diversity and will create a regional attraction that reinforces and elevates these core values.

FISCAL NOTE

The City of Rockville will contribute 40% toward the purchase of the building. The County will contribute \$5,000,000 toward the renovation of the building. The remaining funding for renovation will be raised by the Kid Museum. These additional renovation costs are estimated to be \$5,000,000.

COORDINATION

KID Museum, Department of General Services, Department of Permitting Services, City of Rockville.



White Oak Science Gateway Redevelopment Project (P361701)

Category	General Government	Date Last Modified	04/18/18
SubCategory	Economic Development	Administering Agency	General Services
Planning Area	Colesville-White Oak and Vicinity	Status	Ongoing

	Total	Thru FY17	Est FY18	Total 6 Years	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	Beyond 6 Years
EXPENDITURE SCHEDULE (\$000s)											
Planning, Design and Supervision	1,200	221	179	800	200	200	200	200	-	-	-
Site Improvements and Utilities	7,100	5	2,095	5,000	5,000	-	-	-	-	-	-
Construction	40,000	-	-	40,000	5,000	10,000	15,000	10,000	-	-	-
Other	740	9	411	320	160	160	-	-	-	-	-
TOTAL EXPENDITURES	49,040	235	2,685	46,120	10,360	10,360	15,200	10,200	-	-	-

FUNDING SCHEDULE (\$000s)											
G.O. Bonds	48,400	235	2,365	45,800	10,200	10,200	15,200	10,200	-	-	-
Current Revenue: General	640	-	320	320	160	160	-	-	-	-	-
TOTAL FUNDING SOURCES	49,040	235	2,685	46,120	10,360	10,360	15,200	10,200	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)			
Appropriation FY 19 Request	360	Year First Appropriation	FY17
Appropriation FY 20 Request	360	Last FY's Cost Estimate	48,040
Cumulative Appropriation	47,920		
Expenditure / Encumbrances	238		
Unencumbered Balance	47,682		

PROJECT DESCRIPTION

This program provides for the planning and development coordination activities by the County necessary to implement the redevelopment of the 110-acre County-owned parcel on Industrial Parkway in White Oak (Site II). The site will be redeveloped in conjunction with the adjacent 170-acre parcel in a public-private partnership as one, comprehensive and coordinated 280-acre bioscience-focused mixed-use community per the approved White Oak Science Gateway (WOSG) Master Plan. The project includes \$40 million to assist with the funding needed to construct master-planned roads A-106, B-5 and improvements to FDA Boulevard. Additionally, funds for demolition of existing structures and site clearing activities, as well as costs for County staff to coordinate multiple activities, are included in the project.

LOCATION

Silver Spring, Maryland

ESTIMATED SCHEDULE

The County's development partner has commenced development entitlements for the entire 280-acre project.

PROJECT JUSTIFICATION

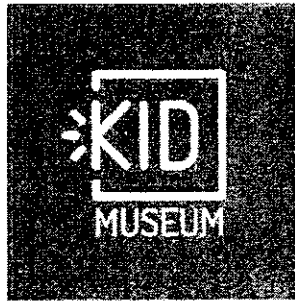
In 2014, the Montgomery County Council approved the new White Oak Science Gateway Master Plan. The Plan establishes a vision for transforming what has been an industrial area into a denser, mixed-use commercial and residential center in which people can walk to work, shops, and transit. The County's initiative includes using both County-owned property (Site II) and privately-owned property as a public-private partnership and leveraging existing relationships with the adjacent Food and Drug Administration (FDA) campus to advance development activities in the Master Plan. Specialized services are required for the complex land assemblage and disposition actions associated with implementation of Stage I development requirements. Staff time and services are required to manage and coordinate efforts to develop detailed staging plans, manage demolition and clean-up activities, design infrastructure, and to negotiate transactions with development partners. The proposed 280-acre development is large-scale, long-term and transformational. It will be a catalyst for desired revitalization and redevelopment in the White Oak sector area and elsewhere in the Eastern portion of Montgomery County. The project will create job opportunities throughout White Oak and the Eastern portion of Montgomery County and will expand the tax base.

FISCAL NOTE

In FY17, a supplemental appropriation for \$47.2M in G.O. Bonds was approved for this project.

COORDINATION

Department of Transportation, Department of Finance, Office of Management and Budget, Department of Housing and Community Affairs, Department of Permitting Services, Maryland Department of the Environment, M-NCPPC



KID Museum Business Plan for Future Home

April 27, 2018

Background

A home-grown nonprofit created in Montgomery County, KID Museum is a unique, experiential learning space with a mission to cultivate creativity, curiosity and compassion to empower youth to become creative problem-solvers and innovators of the future. Since its founding in 2012, KID Museum has been on a rapid growth trajectory, with significant impact in the community. Now serving 55,000 people annually, the museum has been recognized by the Catalogue for Philanthropy as one of the best nonprofits in the DC region and has won recognition from the White House, Google, and others. A recent study conducted in partnership with Harvard's PEAR Institute found that KID Museum's programs help youth to develop interest in STEM fields and build 21st century skills at rates far exceeding other programs nationally.

KID Museum's hands-on, experiential programs integrate STEM with an exploration of art, culture and global citizenship -- inspiring youth to explore the world and invent the future. KID Museum is deeply committed to serving children and families from across the socioeconomic spectrum and engaging populations underrepresented in STEM fields (e.g., Latino, African-American youth and girls). Today more than 30% of visitors are from low-income neighborhoods, and the majority of school groups served are from Title I/ high FARMS rate schools.

The museum currently operates out of a 7,500-square foot space in the Davis Library. Open seven days a week, the museum offers a mix of programs including school field trips, after-school workshops, weekend programs, camps, cultural events, professional development for teachers and special events.

Demand for KID Museum's programs has now outstripped capacity at its current site. In 2017, KID Museum entered into a district-wide partnership with MCPS to offer a deep, multi-session learning experience for all students at the elementary and middle school

level, along with extensive professional development for MCPS teachers to support integration of hands-on, experiential learning in the classroom. In the current location, KID Museum can only deliver a fraction of the programming envisioned under this partnership. At the same time, KID Museum's weekend workshops, camps and after-school programs are now consistently at capacity, and there are long waits to schedule school field trips and group programs. As KID Museum brings its programs to scale, it expects to serve 250,000 visitors annually, employing more than 80 FTEs and generating more than \$3 million annually in spending in the local economy.

New Site Opportunity

KID Museum has identified a 51,000-square foot, four-story vacant commercial office building in the Twinbrook area to establish a permanent home for a world-class experiential STEM and cultural learning center for children and families in the region. The building is well-located and is in good condition. Due to weak office market conditions, it has not attracted tenants in recent years since a federal agency terminated its lease. KID Museum is currently pursuing a public-private partnership to acquire the building and renovate the space to create its permanent home. Improvements include demolition of existing office partitions, construction of additional bathrooms and access enhancements, and construction of maker spaces, exhibition spaces, assembly spaces, and administrative spaces.

With support from the locally based and internationally renowned museum design firm, Gallagher & Associates, KID Museum has developed an initial space plan based on our program needs:

- First floor: Reconfigure as primary entrance to museum, with grand stairway connecting first and second floors, bringing visitors directly into museum experience and program space. Small café, museum store and assembly space. Portion of first floor that is subgrade to be reserved for administrative offices, exhibit fabrication space and storage.
- Second floor: Elementary maker programs, including open makerspace and workshop space, and assembly space. Create "urban patio/ garden" off the second-floor entrance for additional assembly space and outdoor programming.
- Third floor: Middle school maker programs, including open makerspace and workshop space, and assembly space.
- Fourth floor: Dedicated space for cultural exhibits and programs, professional development, weekday drop-in programs, event rentals and special events.

KID Museum estimates the renovation and build-out of the space will require an investment of \$10.7 million, raised through a mix of public and private sources. An overview of the capital build-out budget is provided below:

Build-out & Renovation Budget Summary	Value
Design and professional fees	\$1,211,000
Interior Construction	\$6,764,400
Exterior Construction	\$1,541,600
Specialty Costs (signage, move, etc.)	\$90,000
Furnishings & Equipment	\$820,000
Audio/ Visual Technology	\$250,000
Total	\$10,676,000

Montgomery County and the City Rockville have proposed a joint acquisition of the building, with a 60/40 split of the \$9.65 million purchase price. In addition, the County Executive has proposed contributing \$5 million toward the project renovation costs. KID Museum expects to raise the balance of funds from private sources (individuals, corporations, foundations), as well as contributions from City and State governments.

Renovation and build-out is expected to occur over a 18-24-month period, according to the following schedule:

- July 2018: Acquire building and begin active design and planning
- September 2019: "Soft open" of a portion of the space for school visits
- June 2020: Grand opening of the full space

Operating Budget

KID Museum's search for a new site has been driven by detailed analysis of the museum's expected program growth. Based on the experience at the museum's prototype space at Davis Library and an independent analysis of the local market, KID Museum projects a rapid phase-in of operations in the new building. See Attachment 1 for projected attendance, revenue and expenses in the first five years in the museum's future home.

By Year 5, KID Museum projects more than 270,000 visits per year and a total operating budget of \$9 million. More than two-thirds of KID Museum's operating budget (70%) will be derived from earned income sources, with less than one-third (30%) in contributed income from grants and individual/ corporate donations to support general operations and access for low-income populations.

In the initial years in the new building, KID Museum expects contributed income will account for a greater share of its total budget as it ramps up operations. In the first year, KID Museum projects just over half of its total budget will derive from contributed sources, with \$2.5 million in contributed income out of a \$5 million total budget. By

Years 4 and 5, KID Museum projects \$2.75 million in contributed income, accounting for just 30-35% of total revenue.

As part of the capital campaign planned for the new site, KID Museum also will establish an operating reserve to ensure the organization's ongoing financial viability. In order to maintain a 6-month operating reserve, the museum plans to raise \$2.5 million to establish the reserve and an additional \$500,000 per year to keep pace with projected operational growth.

Sources of Income

Two types of decision-makers drive KID Museum's earned income: schools and parents. "Schools" as a category includes individual schools, school districts, PTAs, parent advocates and individual teachers. Similarly, "parents" as a category includes individual parents, parent groups, as well as children as advocates for how they spend their out-of-school time. Generally speaking, parents drive revenue for KID Museum's weekend, after-school and camp programs, while schools are the primary driver for KID Museum's programs during the school day.

KID Museum defines its key sources of earned income to include the following:

- School programs
 - MCPS (sponsored & self-pay)
 - Other area public school systems (DC, VA, surrounding region)
 - Private schools
 - Professional development
- After school programs
- Camps
- Weekend
 - Drop-in/ open explore (including cultural programs)
 - Family and one-time workshops
 - Maker Studio/ workshop series
 - Scout groups
 - Birthday parties
- Weekday
 - Drop-in/ open explore (including cultural programs)
 - Homeschool, scout groups
 - Preschool programs
 - School day out programs
- Events
 - Event rentals
 - Special events (e.g., film screenings, community conversations)
- Retail
 - Museum café, store

School Programs & Professional Development. With expanded space, KID Museum projects that school programs will become the leading source of earned income in the new facility. KID Museum provides school programs 5 days a week, offering 2-3 school visits per day, but there is considerably greater demand than capacity to deliver these programs currently, and the museum already has long waitlists for school field trips.

A new partnership with MCPS is a major driver of the museum's expected program growth. In 2017, KID Museum was awarded a multi-year, competitive bid contract to deliver an intensive, hands-on STEM learning experience for MCPS middle school students. Building on a highly successful pilot, MCPS and KID Museum are expanding on this model to ensure that all students at the elementary and middle school levels are exposed to a sequence of high-impact, hands-on learning experiences that promote interest in STEM. The experiences include a series of visits to KID Museum (3-5 visits per student) as well as professional development for teachers to promote greater integration of effective approaches to STEM learning in the classroom.

The vision is for all MCPS students to participate in the program, one time in the elementary grades and another time in middle school. This means that approximately 12,000 students per year will participate in the program annually, with multiple visits to the museum for each student. In addition, MCPS expects that a team of teachers from every elementary and middle school in the County will participate in KID Museum's professional development program to support ongoing integration in the curriculum. MCPS plans to cover the cost of participation for Title I and high FARMS rate schools through its contract with KID Museum, and other MCPS schools will support participation through parent contributions.

In the new facility, KID Museum will be able to meet these program goals, while expanding access for other school programs as well. KID Museum already has a strong following of schools (public and private) that book field trips from year to year, and with increased capacity, KID Museum plans to market these offerings more aggressively in the future. The museum also plans to reach out to surrounding school districts in DC, northern VA and Maryland to establish district-level programs similar to the MCPS partnership. In a Metro-accessible location, KID Museum expects to significantly increase attendance from DCPS schools, which generally rely on Metro for field trip transportation.

Professional development offerings for teachers are another important source of income in KID Museum's projections for the future. KID Museum has piloted a series of professional development programs in its current space, and cannot meet demand for these offerings in its current location. In 2018, KID Museum plans to roll out a year-long fellowship program for teachers to deepen their practice in STEM education. Teachers will be eligible to earn Maryland State Department of Education continuing education credits through the program, which is expected to further increase demand for these offerings. In addition, KID Museum expects to build demand for professional development through school partnerships such as the MCPS partnership described above.

Parent-driven programs. Alongside the expected growth in school programs and professional development, KID Museum projects significant growth in its out-of-school-time programs that are driven primarily by parents and their children. Increased visibility through schools will help to build community awareness about the museum, but KID Museum also plans greater investment in direct marketing to parents to promote the museum's weekend programs, after-school workshops and camps. In the new, more central location, the museum expects to increase its reach considerably and the expanded space will allow the museum to accommodate more groups (e.g., scout groups, church groups, homeschool groups, etc.) and birthday parties than it can serve currently.

Another important driver of increased attendance in the new home is the plan for a significantly expanded cultural program. One of the foundational concepts of the museum is to offer immersive, hands-on experiences that promote cultural awareness and build an appreciation of diversity. KID Museum currently offers cultural programs once a month, turning over the entire program space at Davis Library to a collection of activities that focus on exploring a particular culture through performances, traditional arts, food, and hands-on experiences. KID Museum's cultural programs have become very popular and are among the museum's busiest days. With dedicated space for cultural programs, KID Museum will be able to expand these programs so they can be offered concurrently with the maker-based programs throughout the year.

The new building also will allow the museum to have dedicated space for programs geared toward pre-school aged children, allowing the museum to expand the populations served during the week and on the weekends. In addition, the new space will allow the museum to have specified areas open for weekday drop-in/ open explore sessions to accommodate families who are able to visit the museum during the week, including the large homeschool community in the DC region. Currently, the museum does not have capacity to offer drop-in during school visit hours.

In the after-school hours, KID Museum will be able to expand its popular after-school programs, camps and school-day-out programs. KID Museum has strong demand for these programs at its current location; in a new, more central location and with increased marketing to parents, the museum projects continued growth of these offerings. In addition, the museum plans to continue offering out-of-school time programs offsite through programs such as Excel Beyond the Bell and other partnerships that reach students from low-income families. These programs are an important source of income for the museum and help to ensure a diverse population has access to high-quality out-of-school-time programming.

The new facility also will enable the museum to host community events (e.g., film screenings, educational speakers/ panels) and offer event rentals (e.g., corporate events, bar mitzvahs, etc.), which will provide a new source of revenue. The museum plans a modest retail store and café for families to pick up a quick snack while at the

museum, but expects to keep in-house food and retail offerings to a minimum to encourage use of surrounding restaurants and retail shops.

Contributed income. As a mission-driven organization committed to serving the community, contributed income will be an important ongoing source of income. Contributed income will be derived from a mix of individual and corporate donations, as well as foundation and government grants. These contributions enable the museum to keep admission prices low and ensure that children from low-income families have access to the museum at no cost. KID Museum's major funders in its initial years of operations have included Montgomery County, City of Rockville, the Jim and Carol Trawick Foundation, the Institute for Museum and Library Services, the Mead Family Foundation, the Rales Family Foundation, the Philip Graham Fund, and corporate funders such as Google, Inter-American Development Bank, Best Buy, Pepco and Emergent BioSolutions. See Attachment 2 for a comprehensive list of corporate and foundations supporting KID Museum to date.

As KID Museum continues to expand its reach and impact, it expects to build on these relationships and further diversify its funding base to support its work in the community. Currently, Montgomery County supports the museum with a combination of in-kind and grant-based support, providing rent and utilities as in-kind contributions and grants to support the museum's general operations and programs for low-income youth. For every \$1 Montgomery County currently invests in KID Museum, the museum raises \$2 from other sources. As the museum grows, KID Museum hopes the County will continue to be one of its most important partners to ensure the community has access to this critical resource for STEM learning and cultural exploration – reflecting Montgomery County's deep commitment to education, innovation and empowering youth from diverse backgrounds to become the innovators and change makers of the future.

Attachment 1: Operating Projections in Future Home

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Total Visitors	- 115,967	- 146,132	- 204,115	- 237,858	- 270,794
Earned Income	-	-	-	-	-
Camps	\$340,800	\$525,600	\$696,000	\$850,000	\$1,080,000
School programs	\$816,000	\$924,000	\$1,328,000	\$1,450,000	\$1,894,000
After-school	\$493,300	\$772,750	\$1,019,400	\$1,350,000	\$1,561,520
Weekends	\$726,026	\$872,146	\$1,235,158	\$1,440,000	\$1,656,695
Store	\$10,000	\$12,000	\$14,000	\$16,000	\$17,500
Events	\$100,000	\$125,000	\$150,000	\$175,000	\$200,000
Total	\$2,486,126	\$3,231,496	\$4,442,558	\$5,281,000	\$6,409,715
Contributed Income	\$2,500,000	\$2,500,000	\$2,500,000	\$2,750,000	\$2,750,000
% of total income	50%	44%	36%	34%	30%
Total Income	\$4,986,126	\$5,731,496	\$6,942,558	\$8,031,000	\$9,159,715
Expenses					
Salary, wages & benefits	\$3,379,350	\$4,055,220	\$4,928,040	\$5,913,648	\$6,948,536
Program Materials & Tech	\$575,000	\$600,000	\$745,000	\$775,000	\$800,000
Administration	\$250,000	\$275,000	\$330,000	\$359,000	\$395,000
Marketing	\$150,000	\$165,000	\$198,000	\$223,000	\$247,000
Utilities	\$153,600	\$156,672	\$159,805	\$163,002	\$166,262
Insurance	\$40,000	\$42,000	\$45,000	\$47,000	\$50,000
Facility management	\$150,000	\$153,000	\$157,000	\$162,000	\$167,000
Repairs & Maintenance	\$60,000	\$62,000	\$67,000	\$70,000	\$74,000
Professional Fees	\$50,000	\$51,000	\$52,020	\$53,060	\$54,122
Rent	\$-	\$-	\$-	\$-	\$-
Development/Fundraising	\$50,000	\$52,500	\$55,000	\$58,000	\$60,000
Contingency	\$48,630	\$55,904	\$65,537	\$76,669	\$83,101
Total Operating Expenses	\$4,906,580	\$5,668,296	\$6,802,403	\$7,900,379	\$9,045,020
Excess/(Loss)	\$79,546	\$63,200	\$140,156	\$130,621	\$114,694
Operating Reserve	\$2,500,000	\$3,000,000	\$3,500,000	\$4,000,000	\$4,500,000

Attachment 2: KID Museum Corporate and Foundation Donors

AnthroTronix	Google
Arnold & Porter Kaye Scholer	The Hess Foundation
Best Buy Foundation	Innovation First International, Inc
Bozzuto	The JBG Companies
Capital One	Samuel & Sylvia Kaplan Family Foundation
Chinese Culture & Community Service Center	Johns Hopkins University
Arthur C. Clarke Foundation	Lockheed Martin Corporation
Code to Learn Foundation	Thai McGreivy, M.D. Memorial Fund
Comcast	Mead Family Foundation
The Community Foundation for Montgomery County	MedImmune, LLC
The Community Foundation for the National Capital Region	Montgomery College
Digital Infuzion	Pepco
Discovery Communications	Norman and Ruth Rales Foundation
Eagle Bank	Ropes & Gray LLP
Edelman Financial Services	SunTrust
Emergent Biosolutions	Tower Companies
Engineering World Health	Jim and Carol Trawick Foundation, Inc.
George Mason University	United Therapeutics
Glenstone Foundation	Vex Robotics, Inc.
LA and LK Greenberg Charitable Trust	Washington Gas
	George Wasserman Family Foundation
	White Family Foundation
	WSSC

Operational Funding

How much funding does the County currently provide for the KID Museum for its operation, including any funding that is through MCPS (in FY18 approved and FY19 recommended budget)?

In-kind utilities and maintenance support are provided to the KID Museum at Davis Library. The estimated pro rata share of utility and maintenance costs for KID Museum are currently not available.

The amount of funding provided through MCPS is \$60K from a competitively bid contract. In this contract, KID Museum provides a STEM middle school program that is being delivered in 20 high-need schools across the County.

Community grants for KID Museum are:

FY18 budget – County Council \$52,500 (STEM program); and County Executive \$40,000 (operating support). Plus Arts and Humanities FY18 grant \$34,035, Office of Community Partnerships, \$9,999.

FY19 CE Recommended budget – County Executive \$60,000 (operating support).

In addition, Libraries paid \$1,236.30 in FY18 to KID Museum to provide programming at the Davis Library for library customers. Recreation also has the following non-competitive contracts with the KID Museum: FY18 budget – \$25,000 (interactive STEAM experiences for elementary and middle school-aged children); and \$25,000 (Coding Corps training). Plus Coding Programs for low-income youth, \$50,000; Maker Fund programming for low-income youth, \$64,500; proposed additional coding program funds for FY18: \$48,000

FY19 CE Recommended budget -- \$89,500 (interactive STEAM experiences for elementary and middle school-aged children); and \$25,000 (Coding Corps training).

Does the Executive expect that the County will provide ongoing operational funding for the KID Museum, excluding any possible discounted costs through lease/licensing agreement and subject to appropriation?

The County's intent is to have a breakeven situation where the KID Museum reimburses the County's operating costs for the Museum. The County's support for the purchase and renovation of the building is not intended to preclude the KID Museum from pursuing County grant and contractual support.

Subject Property

Who currently owns the building? Thompson Twinbrook LLC c/o Nellis Corp.

Did DGS or a third-party perform an appraisal/assessment/valuation to compare with the asking price for the property? If so, please provide the appraisal/assessment/valuation documentation. If not, how did the DGS determine the sale price it would offer?

DGS consultants prepared a valuation or broker statement of value. Based on the information provided and accompanying comps, the sellers asking price of \$9.65MM was determined to be reasonable. In fact, the purchase agreement contemplates a higher price if purchaser is not tax exempt.

Has the current owner performed any major renovation/improvement work in the last year or two?

Not in the last year or two but a major renovation was completed in 2001

What is the anticipated closing date for the sale?

July 9th

Ownership structure

How will the ownership structure operate with the City? If possible, please provide a draft of likely material terms for the agreement. In addition, please provide the following if not included in the draft material terms:

Which name will be on the deed?

Montgomery County and the City of Rockville

Will the County/City split emergency maintenance costs (e.g., roof, elevators, etc.) of the building 60/40? If not, how will these costs be assigned?

Yes.

Will the use of space be assigned for use by each government be 60/40? If so, does the City plan to use its space for the KID Museum or some other purpose? If the City plans to provide space to the KID Museum, please include the City in questions below about operational support and construction costs.

The space is not intended to be divided on basis of ownership interest. The details of space use will be negotiated in an agreement between the City and County.

How many years will the County/City agree to the terms?

The agreement will be for a long term.

What will happen to the property after the agreement expires?

As with any publicly owned property, there is no anticipated expiration.

Will the County or City have an option to buy out the other entities portion of the property before the agreement expires?

Yes. Details to be negotiated.

MOU

How will the County lease/license space to the KID Museum? If possible, please provide a draft of likely material terms for the agreement. In addition, please provide the following if not included in the draft material terms:

How much will the KID Museum pay to lease/license the space?

To be negotiated.

How many years will the County lease/license the space to the KID Museum?

To be negotiated.

What will the County's responsibilities be for the building/space during the term of the lease/license?
The County and City will be responsible to maintain the building. The cost of which will be shared on a 60/40 basis. Details to be negotiated.

What will the KID Museum's responsibilities be for the building/space during the term of the lease/license?

KID will be responsible to pay a Common Area Maintenance (CAM) fee to cover the utility and routine operating costs of the building. Details to be negotiated.

What remedies, if any, will the lease/license include should the KID Museum fail to perform as expected?

Lease terms will dictate the remedies but the terms can also be incorporated into the County contract for services with KID.

Construction

Does the County have an estimate on the renovation/improvement cost to prepare the space as a museum?

Will the County provide any funds for the renovation/improvement? If so, is there a limit (% or \$ value) that the Executive intends to impose if the construction costs increase unexpectedly?

The Executive proposes to fund \$5 million of the estimated \$10 million in renovation costs.

If the Executive intends to provide funding for these costs, will the agreement/MOU be a part of the lease/license agreement above or will it be a separate document?

Would likely make sense to address all as one document.

If the County isn't providing 100% of the funding for renovation/improvement, will the County's funding be earmarked but not disbursed until the KID Museum raises the remainder of the costs (like the Noyes Library)?

To be negotiated. The intent is that DGS will coordinate design and scheduling of the work based on KID Museum raising all necessary funds above the County's \$5 million. KID Museum needs to raise the matching funds so that work, once begun, is not stopped or interrupted due to a funding shortfall.

Is there a plan to phase-in build out (i.e., one floor at a time)?

Will be designed to anticipate this but dependent on funding by KID.

How was \$10 million estimated for build out? Does this estimate include the whole building, and if not, how much of the building?

The build-out estimate was based on an initial test fit developed by KID Museum's architect, Gallagher & Associates, and was refined through analysis by JLL construction management team. The estimate includes exterior work, interior renovations for 51,000 SF (full building), design and planning, and FFE.

Based on similar structures, how long will design take to determine a more accurate cost and schedule?

12 months

Can DGS provide an estimated cost for design?

\$1 million, 10% of total.



KID Museum (P721903)

Category	Culture and Recreation	Date Last Modified	05/07/18
SubCategory	Recreation	Administering Agency	General Services
Planning Area	Rockville	Status	Planning Stage

Total	Thru FY17	Est FY18	Total 6 Years	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	Beyond 6 Years
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EXPENDITURE SCHEDULE (\$000s)

Planning, Design and Supervision	1,050	-	-	1,050	1,050	-	-	-	-	-
Land	9,800	-	-	9,800	9,800	-	-	-	-	-
Construction	4,000	-	-	4,000	1,500	2,500	-	-	-	-
TOTAL EXPENDITURES	14,850	-	-	14,850	12,350	2,500	-	-	-	-

FUNDING SCHEDULE (\$000s)

G.O. Bonds	10,930	-	-	10,930	8,430	2,500	-	-	-	-
Intergovernmental	3,920	-	-	3,920	3,920	-	-	-	-	-
TOTAL FUNDING SOURCES	14,850	-	-	14,850	12,350	2,500	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 19 Request	10,850	Year First Appropriation	FY19
Appropriation FY 20 Request	-	Last FY's Cost Estimate	
Cumulative Appropriation	-		
Expenditure / Encumbrances	-		
Unencumbered Balance	-		

PROJECT DESCRIPTION

The Project involves the acquisition and renovation of a four-story vacant commercial office building to establish a permanent home for a world-class experiential STEM and cultural learning center for children and families in the region. The building is approximately 51,000 square feet in size, and is in good condition. Due to weak office market conditions, it has not attracted tenants in recent years since a federal agency terminated its lease. Upon acquisition, the building will be redeveloped under a public-private partnership for occupancy by KID Museum, a non-profit organization serving families and elementary/middle school students.

The interior improvements will be designed and constructed by KID Museum pursuant to a Memorandum of Understanding (MOU) with the County. Funding for these improvements will be raised from private and public sources. The improvements include demolition of existing office partitions, construction of additional bathrooms and access enhancements, and construction of maker spaces, exhibition spaces, assembly spaces, and administrative spaces.

LOCATION

Twinbrook area of Rockville.

ESTIMATED SCHEDULE

Purchase of the building is anticipated in FY19 with renovation work to follow.

PROJECT JUSTIFICATION

The County intends to acquire this building to facilitate growth of STEM and 21st century educational opportunities offered by KID Museum. It reflects the County's leadership role in enabling the growth of cultural facilities (e.g. Music Center at Strathmore, Imagination Stage), which provide broad and essential educational opportunities to diverse student populations. KID Museum has formed a successful, district-wide partnership with MCPS for hands-on student learning in STEM-related fields, and is unable to fulfill growing demands for services in 7,500 square feet of leased space at Davis Library in North Bethesda. This capital project will expand substantially the space available for instructional activities and inter-generational programs. Its close proximity to METRO makes it accessible to a wider range of patrons than the current location which is not METRO accessible.

KID Museum is a Maryland corporation and is exempt from taxation under federal law. It currently serves approximately 55,000 patrons annually. It projects visits by approximately 250,000 patrons once its operations relocate to the new location. As a dynamic hub for informal learning and unique community gathering space for people from all walks-of-life, KID Museum will become a new kind of cultural anchor for Montgomery County that empowers youth from diverse backgrounds to become the innovators and change makers of the future. In so doing, the Project reflects Montgomery County's deep commitment to education, innovation and diversity and will create a regional attraction that reinforces and elevates these core values.

FISCAL NOTE

The City of Rockville will contribute 40% toward the purchase of the building. The County will contribute \$5,000,000 toward the design and renovation of the building. The remaining funding for renovation will be raised by the Kid Museum. These additional renovation costs are estimated to be \$5,000,000.

The Council should not appropriate funds for renovation until design is complete and should be provided as a match to funds from other sources raised by the KID Museum.

Apart from closing costs, no design funds may be spent until a copy of the finalized agreement between the County and the City of Rockville for co-ownership of the building and a finalized MOU between the County and KID Museum for use of the space is provided to the Council.

COORDINATION

KID Museum, Department of General Services, Department of Permitting Services, City of Rockville.