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Commercial Real Estate

Timing of Lakeforest Mall redevelopment hinges on key Gaithersburg City Council vote



A rendering of massive mixed-use redevelopment envisioned for the vacant Lakeforest Mall at 701 Russell Ave., Gaithersburg.
GENSLER



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Gaithersburg city lawmakers are set to consider legislation that, if passed, could help speed the planned massive redevelopment of the **shuttered Lakeforest Mall**.

The city council will soon vote on a measure that would clear the way for a potential deal to **lock in development rights** for the project earlier than usual – a move that would open the door for other developers to negotiate a greater degree of project certainty earlier in the entitlement process.

Local legislators' forthcoming decision will influence whether South Carolina-based WRS Inc., the mall's owner, proceeds with demolition as early as next spring or puts it off until gaining final site plan approval. A delay would mean a longer period during which the mall's more than 1 million square feet of retail space and sea of surface parking would remain vacant, before being razed and redeveloped with some 3.6 million square

feet of mixed uses – a sizable economic development undertaking with a total price tag of around \$1.24 billion.

Gaithersburg's city council held a public hearing Oct. 16 on a proposed ordinance that would, if ultimately adopted, authorize it to negotiate early-vesting deals, called Development Rights and Responsibilities Agreements, or DRRAs. The matter is scheduled for a final vote Dec. 4. Adoption would neither constitute nor guarantee a deal with WRS, but it'd be a necessary first step under state law to allow the city council to enter into such deals moving forward.

Such vesting for Lakeforest would represent a first in Gaithersburg, though Rockville and Frederick have enacted their own enabling legislation. If Gaithersburg and WRS do ultimately hammer out a deal, Mayor Jud Ashman said in an email it'd represent a "win-win," with the developer getting "a pretty ironclad agreement" to present to its financiers and the city winning the right to require the developer to provide additional public amenities. Those amenities haven't been negotiated yet but could include things like a park, amphitheater and/or public art.

If local lawmakers approve the DRRA legislation, Ashman said he expects "we'll be happy to consider such agreements in the future beyond the Lakeforest development."

It seems unlikely the city council would revoke its current approvals for Lakeforest Mall, given that in 2021 it approved a master plan that envisions this sort of mixed-use redevelopment. Still, the lack of knowing is a risk. Without a DRRA to mitigate that risk, the redevelopment timeline could be pushed back a year or more while WRS waits to secure site plan approval before beginning demolition, WRS principal Kevin Rogers said in an email.

If WRS gets its early vesting, it plans to begin demolishing the 1970s-era mall in the spring or summer of 2024, Rogers said. That would begin clearing the way for up to 1,600 new residential units, 750,000 square feet of new commercial space, including for the life science industry and light manufacturing, and 470,000 square feet of new retail.

Those uses would concentrate especially on the site's northern portion, forming what one application document calls the new community's "downtown." Retail and commercial space, where a movie theatre might go, plus open space between buildings that could serve as either surface parking or event space, would front an existing stormwater retention pond, turning it into a placemaking water feature.

Parts of the mall site to the north and west would become home to bulk of the development's multifamily housing and commercial buildings, including spaces for two big retailers looking to take 100,000 square feet or more. For commercial portions throughout the site, WRS is at various stages of negotiating with prospective tenants but isn't yet ready to disclose specifically who they are.

The central and western parts of the site would include an additional residential building, perhaps for a senior living community; a boutique hotel; more commercial space; some 30,000 square feet for a "civic" use, such as perhaps a recreation center; and potentially a bus transit facility WRS is considering in partnership with Montgomery County.

Pulte Homes has the southern part of the Lakeforest Mall site under contract, where it'll build townhomes and flats. Rogers said he anticipates that sale will be executed next spring or summer.