

3 Bethesda Metro Center, Suite 800 | Bethesda, MD 20814 | T 301.654.7800 | F 301.656.3978
Holland & Knight LLP | www.hklaw.com

Robert R. Harris
301.215.6607 Phone
robert.harris@hklaw.com

Patricia A. Harris
301.215.6613 Phone
patricia.harris@hklaw.com

April 20, 2011

VIA ELECTRONIC MAIL

The Honorable Phyllis R. Marcuccio
Mayor, City of Rockville
111 Maryland Avenue
Rockville, MD 20850-2364

Re: Silverwood Investments -- Reed Brothers' Dodge Site (the "Property")

Dear Mayor Marcuccio and City Council Members:

It has been more than nine months since we first met with you back in July 2010, to discuss the proposed residential development on the Reed Brother's Dodge Site, located at the entrance to the Shady Grove Metro Station (the "Project"). We were pleased then that the Mayor and Council received the Project so favorably, and, since that time, we have been working very diligently to make this important Project a reality. Fortunately, we will soon be at the point in the process that several of the various approvals associated with the Project will be considered formally by the Mayor and Council and, for this reason, we wanted to briefly reiterate the merits of the Project and provide you with an update of our progress over the past several months.

Background and Merits of Project

As you will recall, the Project involves 420 residential units, including 15 percent MPDUs and 5 percent Workforce Housing Units, to be located adjacent to the Shady Grove Metro Station. Initially, the Project consisted of a variety of one and two bedroom units. However, in response to comments by the Mayor and Council, we have added three-bedroom units, which will be distributed throughout the Project. The Property, which is currently located within Montgomery County, is within the City's Maximum Expansion Limits and the proposed residential use is consistent with both the King Farm and the City's contemplated land use for the Property in the case of annexation.

The Project has been well received by the surrounding community. We have had three meetings with the King Farm residents, including one which included all of the residents within 1,200 feet of the Project. We discussed with the King Farm residents how we can work

collaboratively with them, and in particular, how to ensure that the residents of the Project can conveniently shop at the Village Center. Similarly, we have had three meetings with the Shady Grove Master Plan Advisory Committee which recognizes the merits of the Project and fully supports it.

With rising gas prices, we are reminded once again of the importance of locating housing in transit station areas. The ability to rely upon public transportation is even more important to those in affordable housing and the Project, with its convenient location to the Metro Station and its affordable housing component, combines these two very important public policies. In addition, separate and apart from rising gas prices, the transit-oriented nature of the Project, which will result in up to 50 percent of its residents commuting by public transportation, is an important priority not only for the City, but the Washington Region as a whole. Notably, the Traffic Report prepared in connection with the Project indicates that there is more than sufficient road capacity to accommodate those residents who chose to drive to work, instead of taking public transportation to work.

Immediate Next Steps

The Project requires the approval of the Annexation, a modification to the Adequate Public Facilities Standards ("APFS") and a Site Plan. We are in the process of preparing the formal Site Plan application for the Project, which we expect to file within the next week. The required Annexation Petition was filed back in October, 2010 and is scheduled for the May 9th Mayor and Council's agenda for Introduction of the Map Amendment and Establishment of the Public Hearing Schedule for the Annexation. The proposed modification to the APFS is expected to be brought up for initial discussion at the Mayor & Council's upcoming April 25th meeting. The proposed APFS modification is intended to address the issue of school capacity in annexation cases, such as the Project. The Applicant has worked closely with Staff on this effort and submitted proposed language to Staff in early April which addresses circumstances such as in the case of the Project, where the schools are located outside the City of Rockville and have available capacity, and where less than 10 percent of the schools' students reside within the City limits. In such cases, it is proposed that the City base its determination of adequacy with respect to schools on an evaluation by the jurisdiction from which a property is being annexed. The obvious basis for the modification is that ultimately the schools will be accommodated to the maximum capacity permitted under the County test, irrespective of whether the County or City test is applied, given that 90 percent or more of the student population is from outside the City. For cases such as the Project, if the site were to remain in the County, school capacity would be determined adequate and the Project would be permitted to go forward. Thus, the affect on the subject schools remains the same, irrespective of the jurisdictional location of the Property.

We look forward to discussing the Annexation and the APFS Resolution with you in more detail in the upcoming weeks and months as the Project works its way through the process. We appreciate your continued support of this important Project.

Sincerely,

HOLLAND & KNIGHT LLP



Robert R. Harris



Patricia A. Harris

cc: Mr. Jim Wasilak
Mr. Jeremy Hurlbutt
Mr. Mark Silverwood
Mr. Rick Lundregan

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