Final Report

Medical Mall Planning Study

Feasibility of Four Different Medical Malls In Prince George's County

HUNTER INTERESTS

Urban Economics • Finance • Real Estate Development

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Feasibility of Four Different Medical Malls In Prince George's County

Prepared for:

The Maryland-National Capital Park and Planning Commission
Prince George's County Government

Prepared by:

Hunter Interests Inc.
Annapolis, MD ● New York City ● Clearwater, FL

In Association with:

Market-Economics
Annapolis, MD

December 2007

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INCORPORATED

December 14, 2007

Ms. Jacqueline Philson, Planning Supervisor
The Maryland-National Capital Park and Planning Commission
Prince George's County Planning Department
14741 Governor Oden Bowie Drive
Upper Marlboro, MD 20772

Dear Ms. Philson:

This is to transmit our final report on the Medical Mall Planning Study. The report includes an Executive Summary that was written for separate publication and dissemination to those who do not need the detail in the final report document itself.

Much of the work included in the final report was previously transmitted to you and your staff during the past 18 months in numerous Technical Memoranda and interim technical reports. You and your staff carefully reviewed and approved that work as it was submitted. You also reviewed and approved our draft final report which was submitted on November 7, 2007. Thank you for your careful and thorough participation in this important work process.

We look forward to presentations of our work to the M-NCPPC Planning Board, County Council and the County Executive. We are delighted that individual Councilpersons had a strong hand in launching this study, and have followed it through to completion. The fact that this study has received this type of attention at the highest levels in County government bodes well for the prospects of implementing one or more medical malls in Prince George's County in the future.

I look forward to staying personally involved in the medical mall development process in Prince George's County in the future. My staff and I have learned a lot about the advent of this exciting new development type throughout the United States. Converting older and underperforming shopping centers into medical malls makes sense from the standpoint of necessary changes in land use, as well as bringing modern medical services closer to the populations that need them.

We will all be hearing a lot more about medical malls in the future. Prince George's County is on the leading edge of this exciting new development trend throughout America, and can assume a national leadership position by following the recommendations in this report and implementing up to four medical malls during the next few years. I want to assure County government that we will assist in this important and exciting endeavor in any way possible.

Thanks again to you and your staff for your assistance throughout this work process. Best wishes for the holidays.

Sincerely,

HUNTER INTERESTS INC.

Donald E. Hunter
President

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I. Executive Summary

- The Maryland-National Capital Park and Planning Commission (M-NCPPC) retained Hunter Interests Inc. (HII) in June 2006 through a competitive request for Proposals (RFP) process. HII is a 21-year old economic consulting firm headquartered in Annapolis, MD, with offices in Florida and New York City. The firm has recently conducted several health care and medical facility feasibility studies in communities throughout the United States.

- The goals of the study are twofold: to encourage the redevelopment and/or revitalization of one of the many older and underutilized shopping centers in the County, and to establish a comprehensive, multi-disciplinary health care complex that targets the medical needs of County residents. Achievement of both goals was an integral part of the work program for this study.

- Medical malls first came into being in the United States in the late 1980s. An important trend in the health care business is to bring medical services closer to residential neighborhoods rather than requiring people to travel greater distances to a hospital complex. Early medical malls like the Jackson Medical Mall in Jackson, Mississippi, have taken over large shopping centers in neighborhoods of low socio-economic residents, increasing employment opportunities and tax base while bringing an array of important medical services closer to a needy residential population.

- There are presently over 50 medical malls scattered throughout the United States. Many were initiated by hospitals and groups of physicians, with recent trends including local governmental participation in public/private ventures. Professionals familiar with the medical mall concept believe this new development type will expand rapidly in the years ahead since it accomplishes numerous local objectives.

- A needs analysis and market study of the need for medical malls in Prince George's County was first conducted. Demographic and health care statistics from many sources were analyzed along with interviews with health care providers. This study indicated the greatest need for additional health care services is in the older residential areas of Prince George's County, inside or near the Capitol Beltway. The location of hospitals and existing medical service nodes was also studied to determine the adequacy of existing medical services, and their location.

- More than 100 existing shopping centers in Prince George's County were also identified and analyzed from the standpoint of appropriateness for a medical mall. The search was narrowed to six candidate shopping centers, and eventually three centers were selected for detailed feasibility analysis. These centers are Forestville Plaza, Landover Crossing and the former Landover Mall site.

- Midway through the study it was decided to add a fourth shopping center, Iverson Mall, to the mix. All four of these shopping centers present different situations in terms of the current configuration and utilization of the real estate. They also present different medical mall opportunities due to real estate characteristics, location in relation to needy population, and other factors.

- The majority of the work conducted on this study was concept development and feasibility analysis for four different medical malls on these four different shopping center sites. The mix of medical services recommended for each of the four medical malls differs based on population needs, the proximity of similar medical services, and shopping center characteristics. The result is a feasibility test for four very different medical malls on four very different underperforming shopping center properties.

- Technical analysis work also included an economic impact analysis of each of the four medical mall proposals. For this work the County's Economic Impact Analysis Model was used. Estimates of fiscal and employment benefits associated with each of the four medical malls were calculated.

- Iverson Mall is located in one of the most densely populated areas of Prince George's County. The retail mix has declined in recent years, and the mall contains a large amount of available office space and considerable parking availability.

- The medical mall concept proposed for Iverson Mall is a diagnostic and referral center. Services such as diagnostic testing facilities, laboratory facilities, medical and dental offices, a consumer health education center, small diagnostic clinics, offices of major hospitals and clinics in the County, a nursing home and extended care referral service, a pharmacy, social service offices and similar medical outreach services could easily be retrofitted into large blocks of available office space in Iverson Mall.

- After interviewing the mall ownership/management team, certain assumptions were made regarding leasing approximately 75,000 square feet of existing space for the medical mall. A pro forma and 10-year cash flow analysis showed the need for approximately $6 million in non-return capital to get the Iverson Medical Mall launched, plus the need for approximately $250,000 per year to cover annual operating losses. An additional "break even" analysis was conducted to calculate the rent levels necessary for the medical mall to break even on operations each year.

- The economic impact analysis of the proposed Iverson Medical Mall shows a net fiscal benefit of approximately $158,000 per year. The medical mall would also create approximately 375 new jobs, with total direct wages and salaries estimated to be approximately $11.9 million. Construction employment for conversion of the space to medical mall facilities would also create an additional 52 full-time equivalent construction jobs.

- For the former Landover Shopping Center site, it is assumed that a mixed-use, town center-type development will eventually occur on this important property. This study proposes a comprehensive treatment center of at least 250,000 square feet be newly constructed as a major element in the town center complex. This would be a major new construction medical mall which would serve a large segment of the County's population, and would help draw retail and service customers to town center facilities.

- The array of medical services that could be included in the Landover Medical Mall include ambulatory surgery facilities, specialty clinics, doctors' and dental offices, wellness and holistic health centers, sports medicine and physical therapy facilities, a 24-hour walk-in clinic, lab facilities, a rehab clinic, medical supply rentals and a prosthetic shop, optical and hearing aid stores, health food store, social services offices, senior day care center, consumer health education center, private nurse placement office, and similar facilities in a comprehensive service format.

- The financial feasibility analysis shows development costs for this project to be approximately $62.5 million. A capital financing gap, or capital subsidy requirement, of approximately $15 million was calculated. The balance of required capital investment would be profit-motivated private investment(s), showing a leverage ratio of 4.22 for every public dollar invested in this project. The cash flow analysis shows this public/private venture to have a net operating income that varies between $2.6 million and $5.8 million per year.

- The economic impact analysis for the proposed Landover Medical Mall shows a net annual fiscal benefit for the County of approximately $464,000. The project would create 1,250 new jobs, and construction employment for 368 workers. The construction payroll would be approximately $14.7 million, and the operating mall would generate approximately $39.6 million in total direct wages and salaries each year.

- The Forestville Plaza Shopping Center presents a completely different medical mall opportunity. Forestville Plaza is a community strip center with approximately 218,000 square feet under roof on an 18.2-acre site. Retail tenancy has declined to only a few tenants who are considered marginal operators, without long-term tenure.

- The medical mall concept proposed for this property is a preventative health care and wellness center. This would be a destination complex of health care services available to a large majority of County residents. Facilities could include a large day spa, health club, health food store, gym and recreation center, orthopedic/sports medicine clinic, physical therapy, skin care and laser treatment, plastic surgery, acupuncture and massage therapy, meditation/relaxation institute, holistic health care center, healthy cooking school, women's health services, a health food restaurant, as well as medical and dental offices, and perhaps a few specialty clinics.

- This medical mall can be undertaken as a completely private sector enterprise, without the need for public subsidies. Existing facilities could be converted for a 210,000 square foot medical mall for slightly more than $15 million. The financial analysis shows net cash flow able to support approximately $5.6 million in cash equity at a 17% return, and approximately $27 million in debt at commercial rates. This produces a residual land value in excess of $17 million which could be used for property acquisition and additional returns to investors.

- The economic impact analysis for the Forestville Medical Mall shows a net fiscal benefit to the County of approximately $389,000 per year. The project would produce approximately 1,050 permanent jobs, and construction employment of 368 jobs. Total direct wages and salaries would be in excess of $33 million per year.

- The retail mix in the Landover Crossing Shopping Center has declined in recent years, but still has several viable retail tenants along with a considerable amount of vacant space. The center's location and available space are perfect for a 24-hour walk-in clinic, or emergency medical services facility. Many ventures of this type have been undertaken recently by groups of physicians that normally work in hospital emergency rooms and emergency surgery clinics.

- We propose a relatively small emergency services operation of only 5,000 square feet for this center. The venture would be undertaken by sponsoring doctors who would gross lease necessary space and renovate it. A capital requirement of only $1.4 million is necessary to create a small "doc in a box" facility on this site.

- The financial analysis for the proposed Landover Crossing Medical Mall shows this venture to be marginally feasible, with a very small net operating income. It nevertheless provides an independent business venture and non-hospital employment for a small group of qualified physicians. Because this venture is quite small, its economic impacts are also small but nevertheless positive.

- In summary, the four proposed medical malls would accomplish the goals of this study. Two would be public/private ventures requiring public sector financial participation, yet producing sizeable fiscal and economic benefits, as well as important new medical services at strategic locations in the County. The other two could be undertaken as private ventures without the need for public subsidies. All four would provide an array of different new health care services for Prince George's County residents.

- The recommended implementation strategy for this program includes a flow chart of 30 pre-development tasks necessary to properly complete and follow up this study. The recommended process includes a countywide public forum to get the word out on medical malls in general, and the proposals of this study specifically.

- Policy clarification at the County Executive and County Council level is necessary to clearly define the role the County government will play in the future in the provision of health care services in general, and medical malls specifically. Options available to the County include proceeding with one or more of the proposed medical malls immediately.

II. Background and Introduction

The prospects for establishing one or more medical malls in Prince George's County have been discussed for several years. Several County Council persons, particularly Councilperson Tony Knotts, took the leadership in establishing a study of the feasibility of one or more medical malls in the County. This document reports the results of that study.

Hunter Interests Inc. (HII) was retained by The Maryland-National Capital Park and Planning Commission (M-NCPPC) in June 2006 through a competitive Request for Proposals (RFP) process. HII is a 21-year old economic consulting firm headquartered in Annapolis, with offices in Florida and New York City. The firm has recently conducted several health care and medical facility feasibility studies throughout the United States.

Initial work focused on the need for improved and geographically disbursed medical facilities in Prince George's County, paralleling national trends to "bring medical services to the people rather than requiring people to travel to a hospital complex." National trends toward disbursed clinics, outpatient services and surgery, insurance company and HMO trends, and government increasing its presence in the provision of health care services all fit the concept of smaller clusters of medical services like medical malls.

HII's initial work also focused on underused and underperforming shopping centers which could be converted into medical malls of several sizes and several types. The evolution of shopping center properties, coupled with national trends in retailing and consumerism, has resulted in older and poorly conceived shopping centers that are performing at less than optimum conditions. In many cases older centers occupy large tracts of otherwise valuable real estate. The combination of increasing demand for geographically disbursed medical services and the availability of underperforming shopping center properties fit the medical mall concept.

When a number of underperforming shopping centers were identified throughout Prince George's County, it was decided to expand the study and conduct feasibility and impact analyses for four different medical malls that would be located close to the County population with the greatest need for more and better medical services. Four very different shopping center properties were selected, and four very different medical mall concepts were identified for these properties. As a result, this study demonstrates an excellent cross section of four different types of medical malls that could be established as completely private business ventures, or as public/private ventures when the feasibility showed the need for public sector financial assistance. In all four cases the County would also benefit by establishing a higher and better use for the four underperforming shopping center properties that were selected. The revitalization of these centers would significantly increase tax flows to the County as well as adding hundreds of new jobs available to Prince George's County residents.

After reporting on the need for improved medical services and the analysis of market support for medical malls, the bulk of our study was the financial feasibility analysis of the four proposed medical malls, and an economic impact analysis of all four using the County's adopted fiscal and economic impact analysis model. Conclusions are drawn from these analyses, and recommendations are made on how to proceed with each of the four recommended medical malls.

During the course of this study 11 Technical Memoranda and four technical reports were delivered to M-NCPPC staff and approved. This final report includes material from those documents as well as new material on implementation recommendations.

This report is organized into 11 sections. Following the Executive Summary and this introduction is a section describing national trends in medical malls. Sections IV and V summarize our needs analysis for a medical mall, including supply and demand factors. Section VI summarizes work done to analyze potential medical mall sites (shopping center properties) throughout the County, and the four selected sites. Sections VII through X describe the medical mall concept selected for each of the four properties, along with the feasibility and impact analysis conducted for each. Section XI describes the recommended implementation strategy for the County in inducing the development of its first medical mall(s).

III. Medical Malls: National Trends

This section of the report describes the medical mall concept, and recent trends in medical mall development. Key factors in examining the demand for an independent medical mall include looking at current supply and demand for medical services and their geographic locations. The appeal of a medical mall is that it creates a one-stop shop for outpatient visits, dental services, primary care, pharmacy, physical therapy, government services, and other health care needs.

A. National Trends in Supply of Medical Malls

The concept of a medical mall has been around since the late 1980s. However, they did not come into vogue until health care became more consumer driven in the face of rising health insurance premiums and rising health care costs. Pressure by health insurers on health care reimbursements was one of the major forces that led hospitals to offer outpatient services. The other force was hospitals seeking new opportunities to capture health care dollars.

Medical malls offer the convenience of being close to where patients live, and they provide an alternative to inpatient care at a major hospital. Older central city hospitals whose patients generally reside within the city or in the older, close-in suburbs saw the medical mall as a place to provide one stop shopping for medical service for ambulatory care. Hospitals saw the opportunity to reach out to the growing number of households in the newer and more distant suburbs.

In a few instances, central city hospitals took over abandoned mall centers, as in the case of Jackson Medical Mall in the City of Jackson, Mississippi. The 850,000-square foot mall is surrounded by a low-income, African-American community largely dependent upon public transportation. All of the University of Mississippi Medical Center's specialty clinics are in the mall. Medical services at the mall also include a primary care center where patients may come without a referral, where they may be cared for or referred to one of the specialty clinics. This medical mall provides easy access and delivers much needed health services to an underserved population. In addition to healthcare providers, the tenant mix includes grocers, community development organizations, restaurants, beauty salons, shoe stores, social service agencies, a credit union and education providers.

A similar example is Erlanger Medical Center in Chattanooga, Tennessee, which established a medical mall adjacent to the existing hospital to focus on ambulatory care. Other examples include Vassar Brothers Medical Center in Poughkeepsie, New York, which established Fishkill Medical Mall adjacent to an older, nearly vacant suburban shopping center, Dutchess Mall.

In other cases, well established central city hospitals that wanted to capture the ambulatory service of the suburbs established a medical mall. Dublin Medical Mall which is 18 miles outside of Columbus, Ohio, is an area where the median household income in 2000 was $115,904. The medical mall offers urgent care, physical therapy, lab and imaging services. Caritas Medical Mall is a part of an existing mall, Dixie Manor Shopping Center, in Louisville, Kentucky. The medical mall is an extension of the Jewish Hospital and St. Mary's Health Care System and is located in a high income suburb of Louisville. Caritas Medical Mall reflects the one-stop shop concept of medical services including pediatrics, family practice and primary care, cardiology, ear, nose, and throat specialists, diagnostic and laboratory specialists, hearing aid shop, and fitness center.

B. National Trends in Demand for Medical Malls

There are five primary reasons for a hospital to establish a medical mall. They are:

- To modernize the site with new equipment and structure to provide additional space for clinics and new equipment without expensive and disruptive remodeling of the hospital.

- To offer ambulatory care and diagnostics at one site.
- To offer health care outreach to growing or under served populations.
- To provide office space for physicians and health-related services.
- To increase profitability.

Some medical malls have been established by physicians and/or by private investors. For physicians, the creation of a medical mall offers combined services with office space in close proximity to major hospitals. The physician/investor-initiated medical malls tend to be smaller in size than hospital-affiliated malls and to be located near retail corridors. The advantages for the owners of a physician/investor-initiated medical mall are:

- Limited overhead
- Easy access for patients and physicians
- Complete care in one location
- Increased patient referral base
- Quick return on investment
- Increased control through ownership

Patients First Health Care is one such example. A group of 30 doctors who leased space at St. John's Mercy Medical Center in Creve Coeur have built a new 85,000-square-foot facility on Highway 47 in Washington, Missouri. Part of their incentive is the ability to offer a combination of services to patients and larger offices to physicians who previously worked in the crowded St. John's Mercy Medical Center.

National trends support the likelihood that medical malls will continue to be established and grow more rapidly with the increasing need for centers that combine ambulatory services and diagnostics. The aging of the Baby Boom generation and their demand for state-of-the-art medical care will likely increase demand for creation of medical malls.

Combining some retailing in the medical mall such as a bank, health food restaurant, and some personal services, could be attractive as a convenience. There is less evidence that the medical mall fits within the framework of a more general retail mall.

C. Location Characteristics of Medical Malls

There are over 50 medical malls scattered throughout the United States. They have been in existence on average for 13.5 years and the majority of the medical malls were started by hospitals. Major medical hospitals were the first to realize that the creation of medical malls facilitated expansion plans and cost containment, and these facilities were initially termed hospital malls. Later, physicians were attracted to the concept due to rising insurance premiums and the benefits of group practice. The average age of the medical malls started by physicians is 12.1 years versus 14.3 years for those started by hospitals.

Frequently a single hospital may initiate plans for construction of a medical mall even if surrounded by other hospitals. This is often a competitive strategy by the hospital to gain greater access to more patients.

The medical mall is on average five miles away from its founding hospital. In more rural locations, the distance is farther, but no greater than 15 miles. Among physician/investor-initiated medical malls, the distance between the medical mall and a major hospital averages four miles. This suggests that a primary reason for the location of physician/investor-initiated medical malls is physicians wanting office space close to the hospital, as well as nearby facilities attractive for other services.

Medical malls are more frequently located in smaller metropolitan areas and in the close-in suburbs. They are a one-stop shop for medical services, but usually do not provide other services. In the example of the Erlanger Medical Mall, opened in 1982, it has only recently begun to bring in small retail stores including a Chick-Fil-A, a Starbucks, and a local bank. The Fishkill Medical Mall is adjacent to the Dutchess Mall in mid-state New York, which is an older under-utilized retail mall.

Jackson Medical Mall, in Jackson, Mississippi, provides an example of a successful medical mall. It was begun in 1969, and has a total of 191,000 square feet of space, previously a large department store, devoted to its medical clinics. All of the University of Mississippi Medical Center's specialty clinics are in the mall. Services at the mall also include a primary care center where patients may come without a referral, where they may be cared for or referred to one of the specialty clinics. The infusion of state funding and creation of a foundation that runs the retail leasing program have led to the inclusion of a host of retail establishments. The Jackson medical hospital took an under-performing central city shopping center adjacent to its hospital and with state and local economic development funding created a medical mall. The project was a combined effort of community leaders, hospital administrators, and economic developers.

Another example is the Biltmore Medical Mall, associated with St. Luke's Hospital in Phoenix, Arizona. It has 152,600 square feet of space, as well as an 806-space parking garage. The facility includes an ambulatory surgical and recovery care center, an institute for bone and joint disorder, a diagnostic imaging center, and an aging center.

The Marion County Medical Center in Marion, South Carolina, describes itself as "one of the first medical malls in South Carolina." The facility was newly constructed in 1997 as a multi-service complex including a nursing center, wellness center, child development facilities, a pharmacy, and two outpatient clinics.

Table 1
Sample of Major Medical Malls in the United States

Medical Mall	City	State	Founded by	Yrs. In Operation	Miles to Major Hosp.	Major Hospital
Huntsville Hospital Medical Mall	Huntsville	AL	Hospital	23	1	Huntsville Hospital
Medical Mall Pharmacy	Long Beach	CA	Hospital	23	0	St. Mary's Hospital
Metro Medical Mall	Los Angeles	CA	Physician	17	1.3	St. Vincent's Medical Center Temple Community Hosp. CA Hosp. Medical Center Orthopedic Hospital Pacific Alliance Med. Center Queen of Angels Hollywood Med Ctr. Hollywood Community Hosp. USC University Hospital
Mira Mesa Medical Mall	San Diego	CA	Physician	12	5	Scripps Memorial Hospital
Yacoob Mall A Medical Corp.	Oxnard	CA	Physician	2	3	St. Johns Pleasant Valley Hospital
Alexian Medical Mall	Schaumburg	IL	Hospital	3	5	Alexian Hospital
Mall Medical Center	El Dorado/Chicago	IL	Physician	23	2.5	Holy Cross
CCMH Medical Mall Center	Springs	MO	Hospital	10	3	Cedar County Memorial
Jackson Medical Mall	Jackson	MS	Hospital	19	1	Jackson
UMC Medical Mall Pediatric	Jackson	MS	Hospital	23	1	Jackson
South Rowan Medical Mall	China Grove	NC	Hospital	4	10	Rowan Memorial
Brick Medical Mall	Brick	NJ	Hospital	20	0	Brick Medical Center
Medical Mall Pharmacy	Toms River	NJ	Hospital	23	0	Community Medical Center
Summit Healthplex	Niagara Falls	NY	Hospital	2	5.5	Niagara Falls Memorial Medical Ctr.
Westmall Medical Park	Oak Ridge	TN	Hospital	17	0.5	Methodist Med. Ctr. at Oak Ridge
Lubbock Medical Mall LLC	Lubbock	TX	Physician	2	2-4.2	South Park Hospital & Medical St. Mary of Plans Hosp & Rehab Methodist Hospital Lubbock University Medical Center Highland Medical Center

Table 1, continued
Sample of Major Medical Malls in the United States

Medical Mall	City	State	Founded by	Yrs. In Operation	Miles to Major Hosp.	Major Hospital
Medical Mall Surgery	Abilene	TX	Physician	23	6.8	Hendrick Medical Center
Medical Mall Pharmacy	Salt Lake City	UT	Hospital	16	9.3	LDS Hospital Inc.
KGH Medical Mall	Kennewick	WA	Hospital	5	5	Kennewick General Hospital
Erlanger Medical Mall	Chattanooga	TN	Hospital	23	0	Erlanger Medical Center
Caritas Medical Mall	Louisville	KY	Hospital	19	2.6	Southwest Hospital
Herkimer Medical Mall	Herkimer	NY	Hospital	8		Little Falls Hospital
Biltmore Medical Mall	Phoenix	AZ	Physician	8	1.8	Phoenix Regional Medical Center
Dublin Medical Mall	Powell	OH	Physician	2	8.9	Grady Mem. Hosp. Medical City Shoals Hellen Keller Memorial Hospital
Muscle Shoals Medical Mall	Tuscumbia	AL	Physician	7	1.3-6.3	Florence Hospital Legacy Good Samaritan Hospital Legacy Emmanuel Hospital
Tigard Medical Mall	Tigard	OR	Physician	25	7.2	Tualty Community Hospital
Fishkill Medical Mall	Fishkill	NY	Hospital	5	11.6	Vassar Brothers Medical Center Carondelet Health Network St. Mary's Hosp. St. Joseph's Hosp.
Carondelet Medical Mall	Green Valley	AZ	Hospital	3	23	Holy Cross Hospital
Johnston Memorial Medical Mall	Smithfield	NC	Hospital	3	0	Johnston Memorial Hospital
Westside Medical Mall	Bay City	MI	Hospital	0.1	3	Bay Regional Medical Center

Source: Hunter Interests Inc.

IV. Need and Demand for a Medical Mall

This Section summarizes an analysis of demand for a medical mall in Prince George's County, Maryland. It is part of the study conducted by Hunter Interests Inc. to determine if a medical mall is needed, and if so, an appropriate project concept, location, and initial feasibility.

A. Demographic Analysis

To determine the demand for a medical mall a variety of available data were collected on the Prince George's County population, indicators of the general health of this population, current expenditures for health care of the population in various sub areas of the County, the location of physician's offices, the location of hospitals and the trends in acute care at existing hospital facilities, and other factors. Interviews were conducted to supplement data collection from a variety of different sources.

It should be noted that certain data that is desirable for this type of analysis are unavailable. Aspects of patient confidentiality and limitations on data collection in centrally located and readily available data banks compound the difficulties. Nevertheless, a general understanding of population trends, current health care practices and needs, along with a look into the future has been possible and is summarized herein.

The population of Prince George's County, according to the 2005 Census estimates, is 828,834 people. Prince George's residents constitute 18% of the Washington region's 4.5 million people. Between 2000 and 2030, Prince George's County's population is anticipated to grow by 185,000 people, an increase of 23%, while the region is expected to grow by more than two million people, or 45%. The population in Prince George's County that is under 18 years old comprises 27.3% of the total population. This represents a higher proportion of children compared to the regional average of 25%. The median age of Prince George's County residents is 34.5 years, slightly younger than the median age in the Washington region (34.9 years), and the United States (36.4 years.). The County has an estimated 69,124 seniors age 65 and older who account for 8.3% of the population. This percentage is slightly less than the regional average of 9%. Average household size in the county is 2.79, slightly smaller than the nation and region, and exhibited a downward trend between 1960 and 2000. Prince George's County had a per capita income of $33,461 in 2004. The per capita income for the Washington region was $45,012.

1. Population

Population in the county grew by 3.4% between 2000 and 2005, according to the U.S. Census Bureau. The household population grew by 5.6%, in line with the estimates of the Metropolitan Washington Council of Governments (MWCOG). The most recent population growth suggests, on an annualized basis, a more moderate growth rate than was experienced in the period of 1990 to 2000, 0.7% versus 0.9%. This trend reflects the earlier S-curve trend of rapid growth during the three decades of the 1940s, 1950s, and 1960s, followed by slower growth in the 1970s, 1990s, and through to 2000. A return to stronger growth is expected in the second half of the decade of 2000, as population is expected to increase by 5.0%.

2. Households

In the period between 2000 and 2005, Prince George's County households grew by 5.7%, according to the U.S. Census Bureau. This reported growth is consistent with the MWCOG forecast. This was an annualized rate of growth of 0.7% compared with the period of 1990 to 2000 of 1.1%. The MWCOG forecast is for household growth in Prince George's County to slow in the second half of the decade of 2000, to a growth of 4.3 %.

3. Income

Median household income in Prince George's County in 1999 dollars, as reported in the 2000 U.S. Census, was $55,256, and by 2004 had risen to an estimated $59,846. A more recent estimate suggests the median household income is $61,088. In 2003, the U.S. Census reported that 8.2% of the population was below the poverty level. This compared to 7.7% of the population that was below the poverty level in the 2000 Census. Per capita income in 2004 was $33,461, up by 6.5% from 2003, restoring stronger growth since 2000.

4. Race

Change in the diversity of the Prince George's County population continues. Whites comprised 21.6% of the population in 2005, down from 27.0% in 2000. The County continues to lose White population with an estimated loss of 37,480 persons between 2000 and 2005, a decline of 17.5%. In contrast, the Hispanic population rose by 58.4% between 2000 and 2005, adding 33,308 persons. Hispanics represented 10.5% of the population in Prince George's County in 2005. Growth in the Black/African American population continues, with an increase of 8.0% between 2000 and 2005. The Black/African American population constituted 65.4% of the population in 2005.

5. Population 65 Years and Older

Persons 65 years and older accounted for 8.3% of the population in the County in 2005, slightly up from the 7.5% in 2000. Prince George's County has a slightly lower proportion of persons 65 years and older than the region and the nation, due to the large segment of its population that consists of young families with children. The number of new births is countering the aging population.

6. Analysis

Prince George's County represents the push factors of suburban expansion from the District of Columbia. The initial push of suburban expansion came as White flight in the 1960s from the District of Columbia with integration of public schools. These neighborhoods were found inside the ring of the newly created Capital Beltway. Subsequent waves of migration from the District of Columbia replaced White flight with the Black/African American middle-income households who sought opportunity of suburban homeownership. These first waves came after the opening of the suburbs to Black/African American homeowners in the late 1960s as result of Fair Housing Laws and prohibitions of discrimination in federal housing financing programs.

Subsequent waves of Black/African American middle income and upper income households continued to push farther into the County as migration patterns ringed the Beltway and expanded farther outward in concentric circles. The older middle-income neighborhoods within the Beltway gave way to lower income Black/African American households who were migrating from the District of Columbia in the face of higher rents. These older suburban neighborhoods underwent major infill of multifamily dwelling units in the mid 1970s to early 1980s. Increased densities continued within the boundaries of the Beltway as households doubled up in order to take advantage of suburban housing opportunities.

White flight continued in Prince George's County as Whites moved farther out to its boarders with Anne Arundel, Charles, and Howard Counties. A few White enclaves remain in Prince George's County, one existing just outside the City of Bowie bordering on Crofton in Anne Arundel County, and another in North West Laurel bordering Howard County.

Hispanic migration followed in the older suburban communities in the Langley Park area and portions of Riverdale because of affordable rental housing. Hispanic migration has been concentrated inside the Beltway to gain transportation access to jobs within the Metropolitan region. These neighborhoods have major highway access to jobs in the region.

Asian migration in Prince George's County has come with a strong presence of the Filipino Asian and Asian Indian residents, which comprised 52% of the Asian population in the County in 2000. The Vietnamese Asian population, the largest growing population of Asians, was only 7.8% of the Asian population. The Korean Asian population represented only 12.5% of the Asian population in 2000, but has since declined in numbers in the County. Their concentration tends to be adjacent to the Beltway in Greenbelt and north of College Park.

Table 2
Prince George's County Population and Households

	Total	White	African American	Hispanic	Asian
Population					
2005	846,123	178,889	542,583	90,365	31,436
2000	801,515	216,729	502,550	57,057	31,032
1990	729,268	314,616	369,791	29,983	28,255
1980	665,071	393,550	247,888	14,767	16,211
% Change 00-05	3.40%	-17.50%	8.00%	58.40%	1.30%
% Change 90-00	9.90%	-31.10%	35.90%	90.30%	9.80%
% Change 80-90	9.70%	-20.10%	49.20%	103.00%	74.30%
Households					
2005	296,960	71,556	195,878	22,040	9,007
2000	286,610	85,145	179,709	13,502	8,814
1990	258,011	119,337	126,976	7,513	7,446
1980	224,789	138,812	79,555	3,900	4,571
% Change 00-05	3.60%	-16.00%	9.00%	63.20%	2.20%
% Change 90-00	11.10%	-28.70%	41.50%	79.70%	18.40%
% Change 80-90	14.80%	-14.00%	59.60%	92.60%	62.90%
Average HH Size					
2005	2.79	2.5	2.77	4.1	3.49
2000	2.8	2.55	2.8	4.23	3.52
1990	2.83	2.64	2.91	3.99	3.79
1980	2.96	2.84	3.12	3.79	3.55
65+					
2005	69,124	31,459*	28,205*	1,988*	2,407*
2000	61,951	32,676	25,496	1,512	2,226
1990	50,343	36,182	12,518	365	1,250
% 65+					
2005	8.30%	18.8%*	7.1%*	4.5%*	10.2%*
2000	7.50%	15.10%	5.10%	2.60%	7.20%
1990	6.90%	11.50%	3.40%	2.30%	4.40%

Source: U.S. Census; Hunter Interests Inc.

B. Health Indicators

An important indicator of the health of the resident population, and its need for medical care, are census disability statistics. Since the source of these data are individual and household responses to census questions, the data show the extent to which people claim partial or total disability, which in itself defines a need for medical care. Other indicators are data on medical insurance coverage, and household expenditures for health care. This section also includes information on the location of physician offices, trends in emergency visits to County hospitals, trends in acute care and maps showing the location of Prince George's hospitals, and the portions of the County that are within a five- and ten-mile radius of existing hospitals.

1. Disability

In 2000, the number of disabled persons in Prince George's County was 30.0% of the total civilian population five years and older. This compared with the Washington metropolitan area disability rate of 15.4% and a national rate of 19.3%. The U.S. Census report of disability is derived from self-disclosure. Detailed questions are asked of individuals regarding long-lasting impairments involving vision or hearing sensory disability and certain physical limitations, such as difficulty walking or climbing stairs. Additional questions are asked regarding the individual's difficulty in performing certain activities due to a physical, mental, or emotional condition.

In Prince George's County, disability ranged from 6.4% for children under 16 years old to 30.5% for persons 16 to 64 years old, to 79.4% for persons 65 years old and over. Disability was high across racial groups with little variation. Among Whites, it was 30.6% and for Blacks, 28.9%. For Asians, the disability rate was 29.8%, and for persons of Hispanic origin, it was 30.5%.

Drawing parallels from the 2000 Census of persons with disabilities found that people between the ages of 16 and 64 were less likely to be employed if they were disabled. Among working age men who were disabled only 60.1% worked, while 79.9% of the men without disability worked. There is a higher portion of people aged five and older with disabilities who are poor—17.6% versus 10.6% without disabilities.

Census disability data for Prince George's County is summarized in Table 3. Additional county disability data breakdowns are shown in Appendix A.

Table 3
Disabilities of Total Civilian Population 5 Years and Older

Prince George's Co., Maryland	2000	Percent
Total Civilian Population 5 years and older	**731,792**	
Total disabilities tallied:	219,806	30.00%
Total Civilian Population 5 to 15 years	**135,029**	
Total disabilities tallied for people 5 to 15 years:	8,655	6.40%
Sensory disability	989	0.70%
Physical disability	1,124	0.80%
Mental disability	5,469	4.10%
Self-care disability	1,073	0.80%
Total Civilian Population 16 to 64 years	**537,152**	
Total disabilities tallied for people 16 to 64 years:	163,844	30.50%
Sensory disability	9,302	1.70%
Physical disability	26,694	5.00%
Mental disability	13,955	2.60%
Self-care disability	7,506	1.40%
Go-outside-home disability	39,534	7.40%
Employment disability	66,853	12.40%
Total Civilian Population 65 years and over	**59,611**	
Total disabilities tallied for people 65 years and over:	47,307	79.40%
Sensory disability	6,685	11.20%
Physical disability	16,294	27.30%
Mental disability	6,207	10.40%
Self-care disability	5,716	9.60%
Go-outside-home disability	12,405	20.80%

Source: U.S. Census; Hunter Interests Inc.

2. Medical Insurance Coverage

In 2002, analysis of adults with medical/hospital insurance found 50.0% of the population had some form of medical/hospital insurance. By 2003, the percentage of adults with medical/hospital insurance declined to 47.9%. Map 1 provides the location by Census tract of the concentration of adults with medical hospital insurance.

Map 1
Adults with Medical/Hospital Insurance
2003

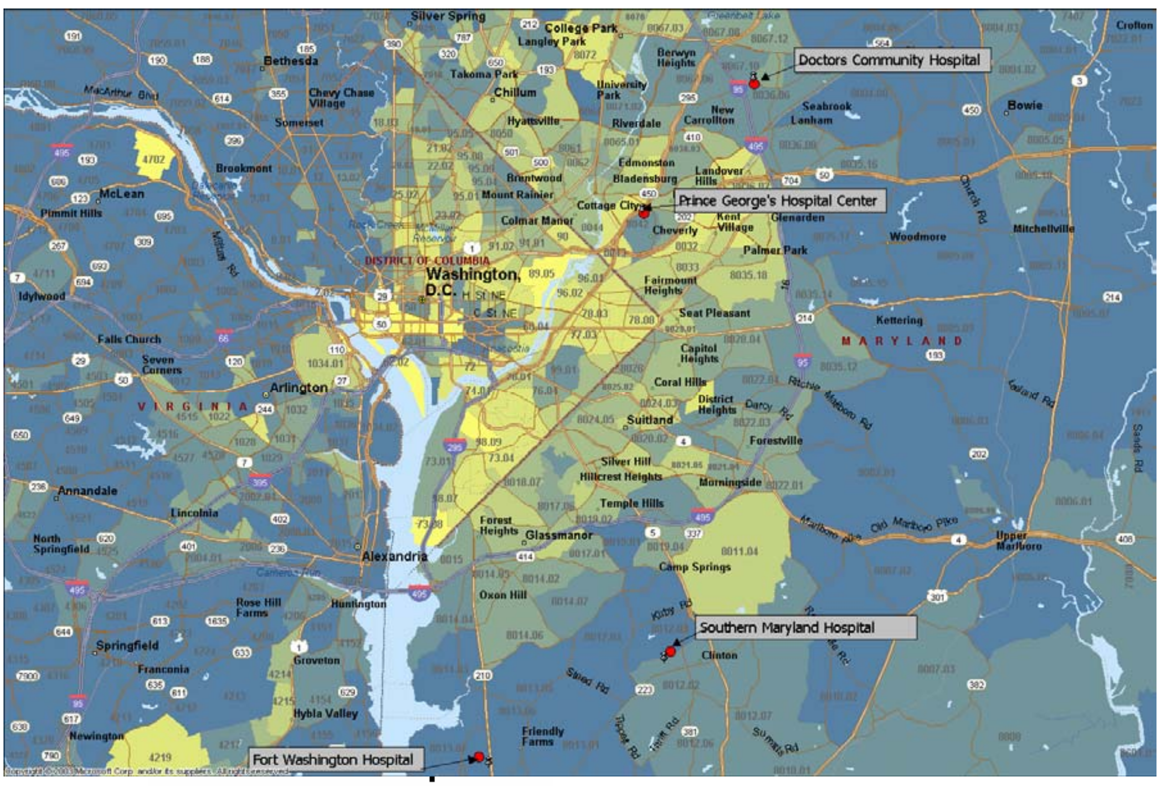
Pushpins Are Hospital Locations
Adults with Medical/Hospital Insurance

- 80 to 100%
- 60 to 80%
- 40 to 60%
- 20 to 60%
- Less than 20%

3. Average Household Expenditures for Health Care

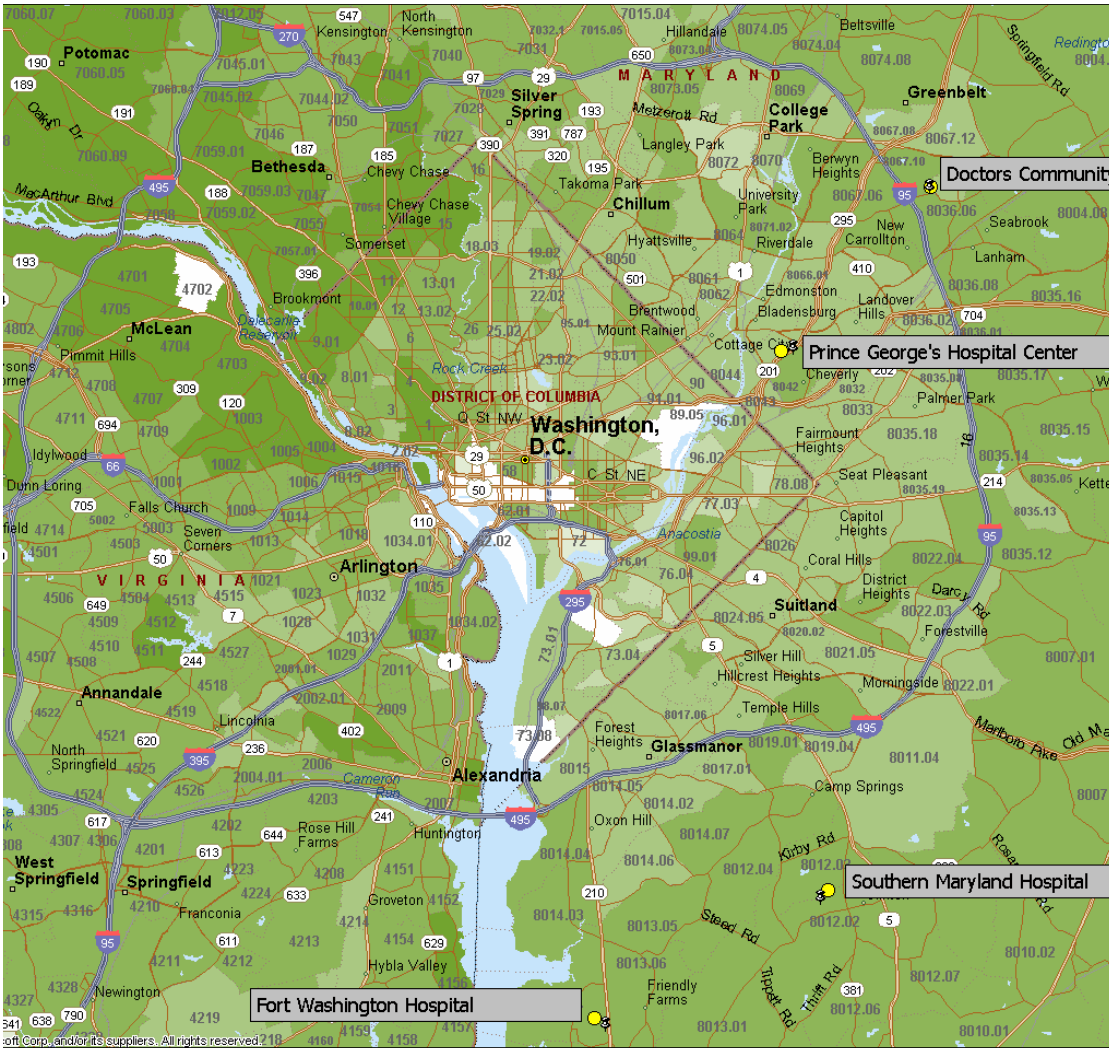
Average household expenditure for health care in Prince George's County was $3,157 in 2002. This compared with the Washington metropolitan area's average of $3,696 and the national average of $2,842. Prince George's County households whose expenditures were 50% below the average tended to reside inside the Beltway, as shown in Map 2 and Map 3. The key hospitals, Washington Adventist, Doctors Community, and Prince George's Health Center, have services that include those households that have below average expenditures for health care.

Map 2
Average Household Expenditures for Health Care, 2002



- $3,647.18 to $10,191.58
- $3,090.30 to $3,647.18
- $2,770.55 to $3,090.30
- $2,538.08 to $2,770.55
- $2,342.70 to $2,538.08
- $100.72 to $2,342.70
- $0.00 to $100.71

Map 3
Average Household Expenditures for Health Care 2002
Inside the Beltway



- $9,430.00 to $11,000.00
- $5,500.01 to $9,429.00
- $3,157.01 to $5,500.00
- $2,001.00 to $3,157.00
- $1,500.01 to $2,000.00
- $1.01 to $1,500.00
- $0.00 to $1.00

C. Estimating Demand for a Medical Mall in Prince George's County

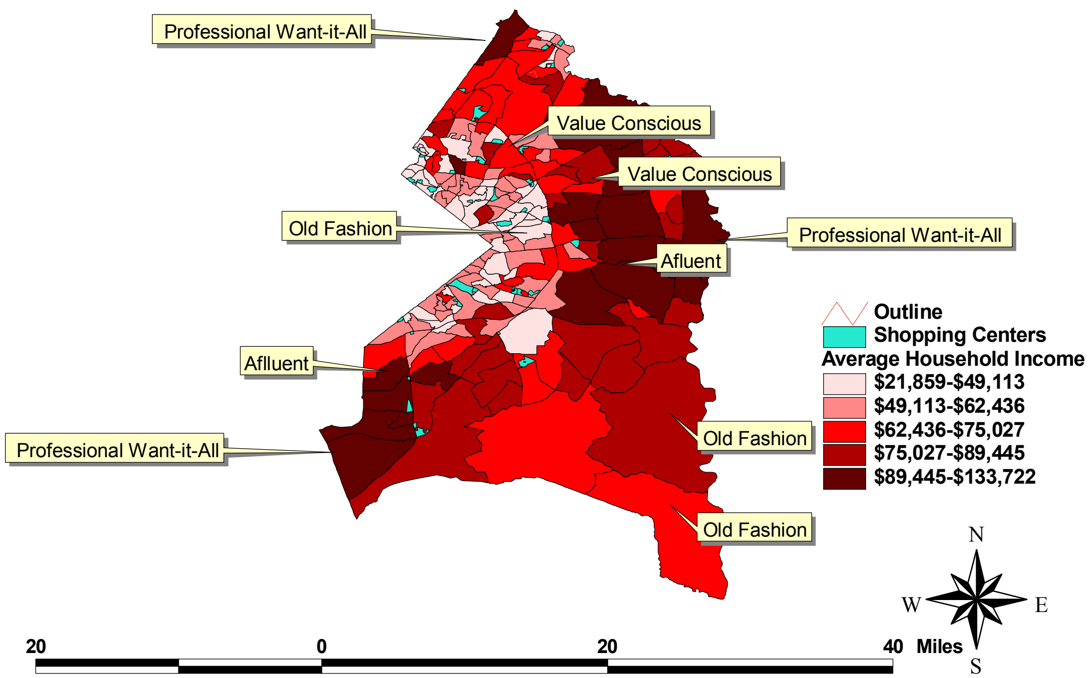
Consumption of medical services is a clear function of household income. In Prince George's County, there is a strong correlation between household income and average household expenditures for health care. Higher income households tend to spend more on health care, whether as a preventive measure or as acute health care services. Lower income households tend to spend their limited health care dollars for acute care, using an emergency room as their source of primary health care. The average household expenditure for health care in Prince George's County was $3,133 in 2002, with a range from $1,627 to $4,293 by Census tract.

Studies of consumer choice in medical facilities find that the decision about what facility to use is based on the perception of quality of care, as well as location. One can classify consumer choice regarding location of health care from the standpoint of major demographics into four groups: value conscious, affluent, old-fashioned, and professional want-it-alls. The first group, the *value conscious*, are seeking to rein in costs, choosing more self-administered options, and taking more medical responsibility. These consumers are frequently enrolled in HMOs and tend to be upwardly mobile and younger populations. A second group, termed the *affluent,* tends to make health care choices based on the choices of their peers. A third group, the *old-fashioned consumers*, select health services based on what health care their parents chose, whether it was the emergency service or primary care physicians. The *professional want-it-alls* can be defined as those seeking the state-of-the-art in health care services. This group shops for health services as if shopping for home entertainment, with unlimited consumption until reaching an income threshold. All four groups are present in Prince George's County.

Map 4 (p. 30) illustrates the demographic profile of health consumers in the County. It is key in selecting a location for a medical mall that focuses on a type of "one stop service" to the County's most needy population.

Map 4

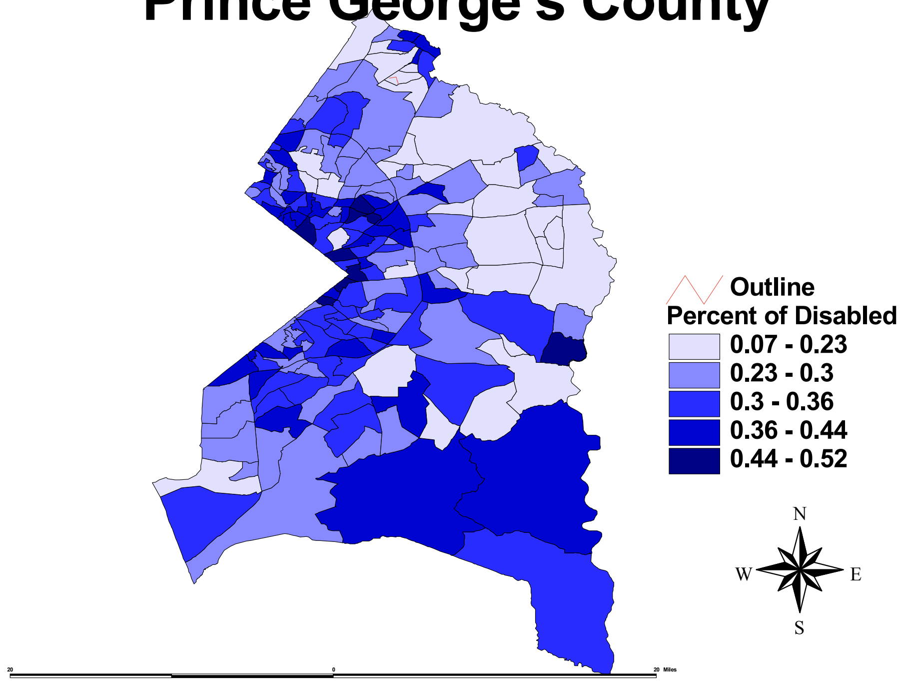
Demographic Profile of Health Consumers Prince George's County



Further efforts to examine the demand for a medical mall include looking at the overall group of persons with disabilities. Prince George's County population includes 30.5% with some form of disability. As previously reported, a higher portion of low-income households experience some form of a disability. Mapping the location of persons with a disability reinforces the locational choices for proximity to the Beltway in providing access to both low and upper income households within the county as shown in the accompanying map.

Map 5

Percentage of Disabled Persons
Prince George's County



D. Conclusion

Demographic trends within Prince George’s County suggest a growing demand for health care services. The projected population growth through 2010, including the expanding new communities of Konterra and The National Harbor, will provide additional demand for health care services and spark a need for further health service expansion. The aging baby boom generation will place a higher demand for a variety of health care services. Rising fuel costs for automotive transportation will also encourage one-stop shopping for medical care. As individuals make multiple stops in their travel from home to work, access to health care along major arteries becomes attractive to working households.

Prince George's County has a physician to population ratio of 722 per 100,000, slightly higher than the Washington metropolitan area of 718 per 100,000, suggesting that the current supply of health care providers in Prince George's County is sufficient. With the presence of six major hospitals in the County, access to decentralized health care services presents an increasingly attractive alternative for the special needs population. For other individuals, new wellness centers may provide attractive options, and could also be located in a medical mall.

This analysis shows the population with the greatest need for health care services to be generally within the beltway. These are the older Prince George's County neighborhoods where the majority of the county population with the lower socio-economic characteristics resides.

V. Supply Analysis for a Medical Mall

Although there are currently a variety of independent medical and dental offices, as well as outpatient clinics in the County, there is virtually no form of a medical mall. Fort Washington Hospital has considered taking advantage of an existing mall directly across from its location to expand. There has been no mention by any other hospital of such a move in their plans for expansion.

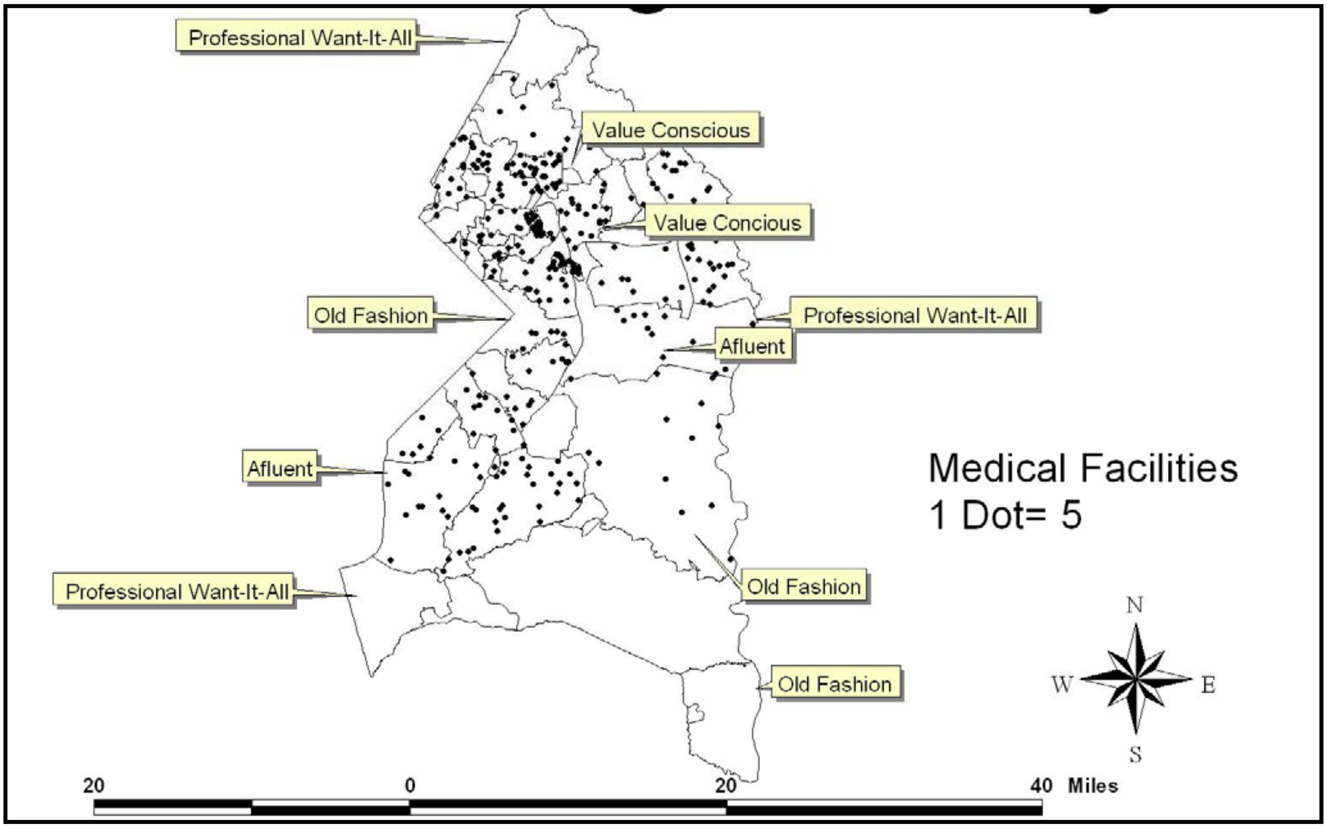
From the stand point of supply, there are 520 physician's offices in the County and 273 dental offices, with 13 outpatient centers providing some form of health care service, along with five free-standing ambulatory and surgery centers. This points to a supply of health care providers that makes the potential of a medical mall attractive. The combining of health services in a mall begins to make even more sense when one analyzes the travel requirements to access existing services.

Table 4
Prince George's County Helath Care Providers

Type of Health Care Providers	No.	Percent	Type of Health Care Providers	No.	Percent
Physician	520	36.3%	Outpatient mental health & substance abuse	11	0.8%
Dentist	273	19.1%	General medical & surgical hospitals	9	0.6%
Child day care services	159	11.1%	Offices of all other misc. health providers	9	0.6%
Other individual & family services	37	2.6%	Offices of physicians, mental health special	8	0.6%
Offices of chiropractors	36	2.5%	Medical laboratories	8	0.6%
Residential mental retardation facilities	34	2.4%	Continuing care retirement communities	7	0.5%
Off. of physical, occupational, speech	28	2.0%	Residential mental health & substance abuse	6	0.4%
Offices of optometrists	25	1.7%	Free ambulatory services & surgery	5	0.3%
Vocational rehabilitation services	24	1.7%	Community food services	5	0.3%
Offices of podiatrists	22	1.5%	All other miscellaneous ambulatory health care	4	0.3%
Kidney dialysis centers	21	1.5%	Temporary shelters	4	0.3%
Home health care services	21	1.5%	Other community housing services	3	0.2%
Homes for the elderly	21	1.5%	HMO Center	2	0.1%
Child & youth services	20	1.4%	Ambulance services	2	0.1%
Nursing care facilities	18	1.3%	Blood and organ banks	1	0.1%
All other outpatient care centers	17	1.2%	Emergency & other relief services	1	0.1%
Diagnostic imaging centers	17	1.2%	All other outpatient	1	0.1%
Services for elderly & disabled	15	1.0%	Homes for elderly	1	0.1%
Outpatient centers	13	0.9%	Other individual and family	1	0.1%
Other residential care facilities	12	0.8%	Other community housing	1	0.1%
Offices of mental health practictioners	11	0.8%	Psychiatric & substance abuse hospitals	0	0.0%

Source: Hunter Interests Inc.

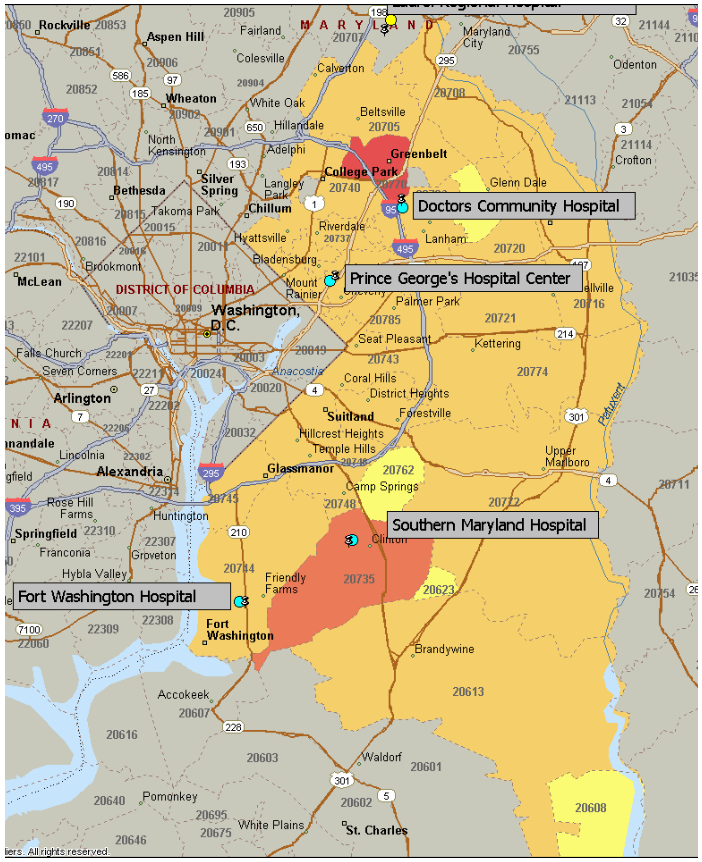
Map 6
Medical Facilities in Prince George's County



A. Physician Offices per 1,000 Population

The location of physician offices shows the highest concentration around the major hospitals in Prince George's County, as shown in Map 7 (p. 35). Physicians tend to locate their practices in close proximity to a major hospital center to provide ease of access and transferability. In an effort to examine the concentration of physician offices in the population, we calculated physician offices per thousand of population. The illustration (Map 8, p. 36) reinforces the fact that physician office locations are a function of proximity to major hospital facilities as well as the population.

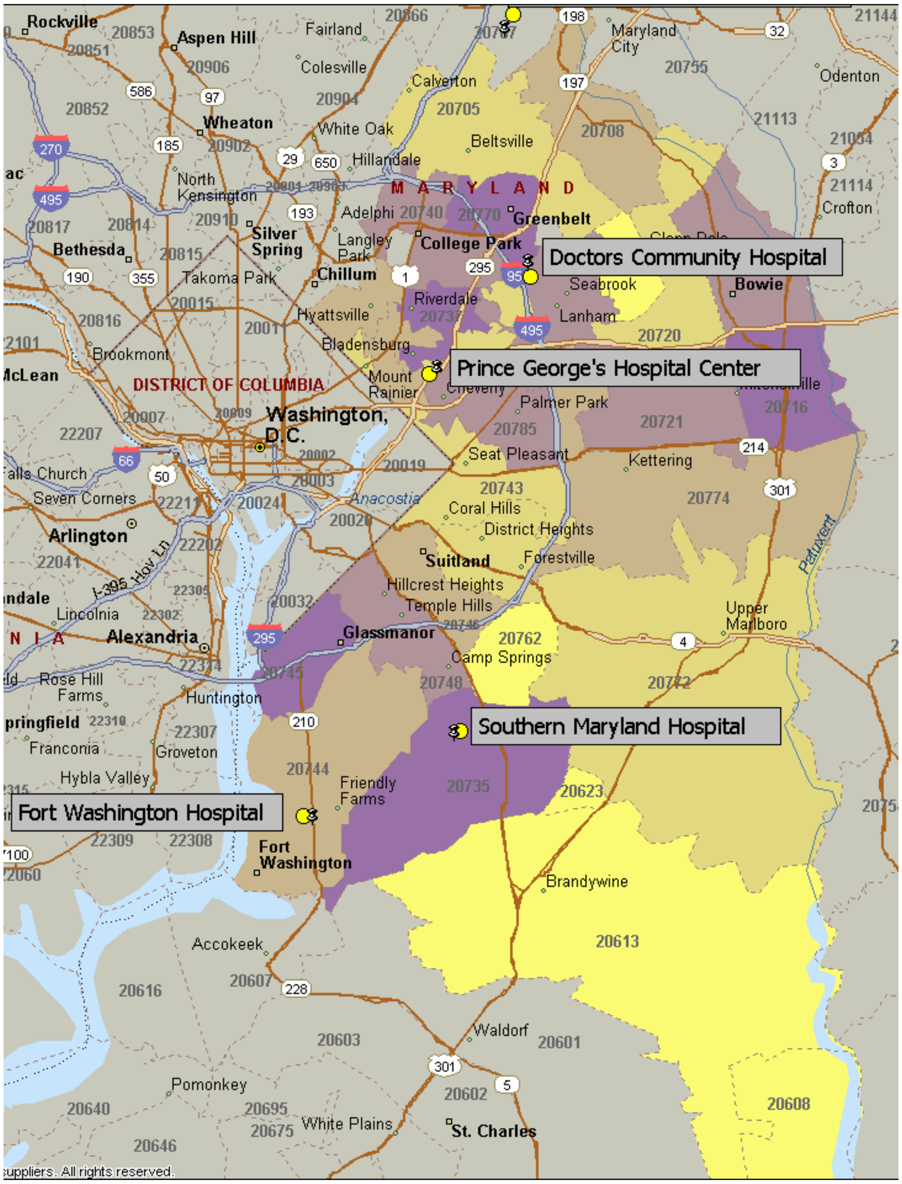
Map 7
Physician Offices



Physician by ZIP Code

- 80 to 100
- 60 to 79
- 40 to 59
- 20 to 39
- Less than 20

Map 8
Physician Offices per 1,000 Population



Physican per 1,000 by ZIP Code
- 1.00 to 4.44
- 0.52 to 0.99
- 0.35 to 0.51
- 0.0006 to 0.34
- 0.00 to 0.0005

A number of interviews were conducted during the course of our early task work. We had a number of conversations with the Maryland Office of Health Care Quality and the Maryland Health Care Commission—these interviews were most helpful in collecting some of the data shown in Technical Memorandum #4. As an example of the type of useful information received in our interviews, the Hospital Administrator for Ft. Washington Hospital indicated that the Prince George's County Economic Development Office encouraged his facility to consider expansion in an adjacent strip mall, and apparently the hospital has placed an application for expansion before the Office of Health Care Quality. We intend to work further with them to determine if this expansion could fulfill many of the desires associated with establishing a medical mall in Prince George's County.

B. Trends in Emergency Department Visits

Emergency department visits in Prince George's County hospitals are increasing, reflecting a national trend as declines continue in medical health insurance coverage for the general population. The emergency departments of hospitals are often the primary care providers for acute health care. This is further exacerbated among lower income households who often must make choices between food and health.

Over the two-year period from 2000 to 2002, emergency department visits rose by 11.4% at an average annual increase of 5.5 % per year. In the period of 2000 to 2002, Doctors Community Hospital had the largest increase in emergency visits, up by 20.4%. The average annual increase in visits was 9.5%. Southern Maryland Hospital followed with the second largest increase in emergency visits, up by 19.8% over the period of 2000 to 2002, or an average annual increase of 9.5%. The large increases in Doctors Community and Southern Maryland Hospitals reflect the proximity of a large percentage of low income households that are part of their service areas.

Table 5
Trends in Emergency Department Visits, Prince George's Co. Hospitals
Fiscal Years 2000 through 2002

Hospital Name	2000	2001	2002	2000 - 2001		2001-2002		*2000-2002*	
Prince George's Hospital Center	60,578	57,690	58,312	-2,888	-4.80%	622	1.10%	-2,226	-3.70%
Doctors Community	40,187	44,483	48,374	4,296	10.70%	3,891	8.70%	8,187	20.40%
Laurel Regional	34,768	36,834	38,554	2,066	5.90%	1,720	4.70%	3,786	10.90%
Fort Washington	N/A	N/A	N/A						
So. Maryland	43,997	48,469	52,693	4,472	10.20%	4,224	8.70%	8,696	19.80%
Washington Adventist	36,937	38,280	42,581	1,343	3.60%	4,301	11.20%	5,644	15.30%
Holy Cross	52,635	57,050	59,256	4,415	8.40%	2,206	3.90%	6,621	12.60%
Total	269,102	282,806	299,770	13,704	5.1%	16,964	6.0%	30,668	11.4%

Sources: DHS's Role in Local Healthcare System, MD Health Care Commission Analysis; Hunter Interests Inc.

C. Trends in Acute Care

In Prince George's County Hospitals, acute care has risen by an annual average of 4.1% over the period from 2000 to 2002. During this period acute care rose by 8.4%. A dramatic increase in acute care occurred in Fort Washington Hospital, up by 22.0% between 2000 and 2002. Southern Maryland Hospital followed with an increase of 21.7%. Part of the rise in acute care at both hospitals reflected their geographic location in the southern portion of Prince George's County where their service areas draw from outside of the Prince George's County into Charles County.

Table 6
Trends in Acute Care Prince George's County Hospitals
Calendar Years 2000–2002

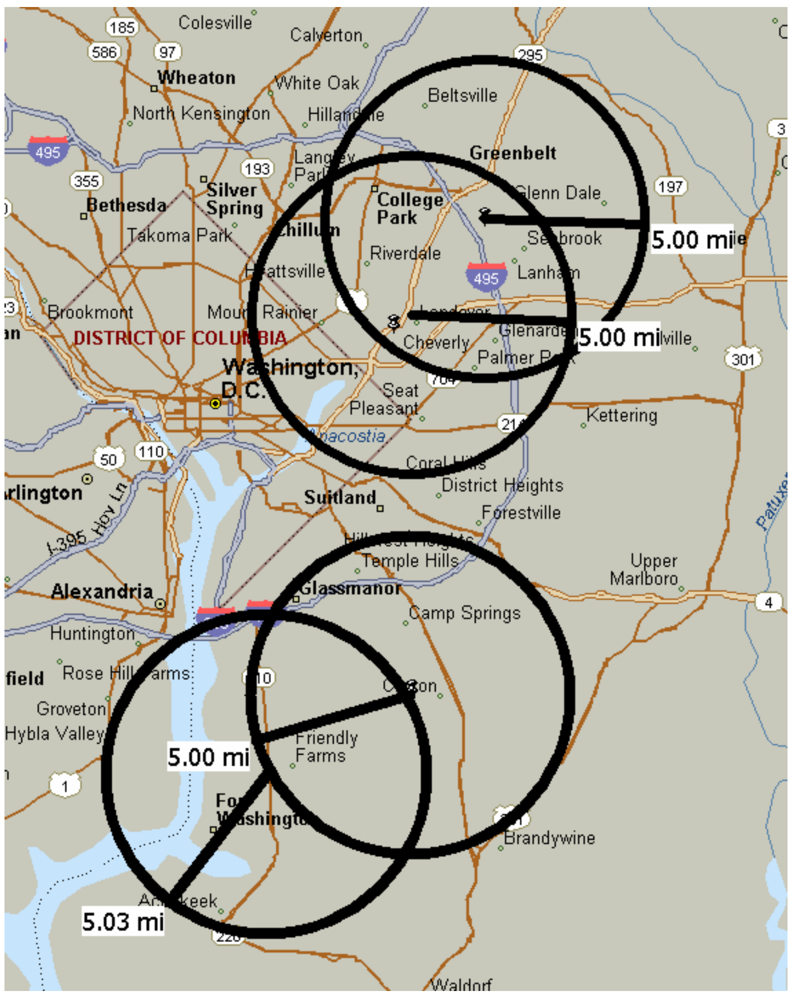
Hospital Name	2000	2001	2002	2000-2001		2001-2002		*2000-2002*	
Prince George's Hospital Center	14,664	15,018	15,000	354	-4.80%	-18	-0.10%	336	2.30%
Doctors Community	9,500	9,886	10,912	386	4.10%	1,026	10.40%	1,412	14.90%
Laurel Regional	6,306	6,302	6,694	-4	-0.10%	392	6.20%	388	6.20%
Fort Washington	2,173	2,331	2,652	158	7.30%	321	13.80%	479	22,0%
Southern Maryland	12,778	14,238	15,549	1,460	11.40%	1,311	9.20%	2,771	21.70%
Washington Adventist	15,262	15,764	16,849	502	3.30%	1,085	6.90%	1,587	10.40%
Holy Cross	23,002	22,786	23,045	-216	-0.90%	259	1.10%	43	0.20%
Total	83,685	86,325	90,701	2,640	3.20%	4,376	5.10%	7,016	8.40%

Source: DHS's Role in Local Healthcare System, MD Health Care Commission (MHCC) Analysis; Hunter Interests Inc.

D. 10-mile and 5-mile Radius of Prince George's Co. Hospitals

To further illustrate the service areas of Prince George's County hospitals, 10-mile and 5-mile radii were drawn from the four hospitals. We selected 10-mile and 5-mile radii to reflect the mostly likely maximum travel distance for hospital care.

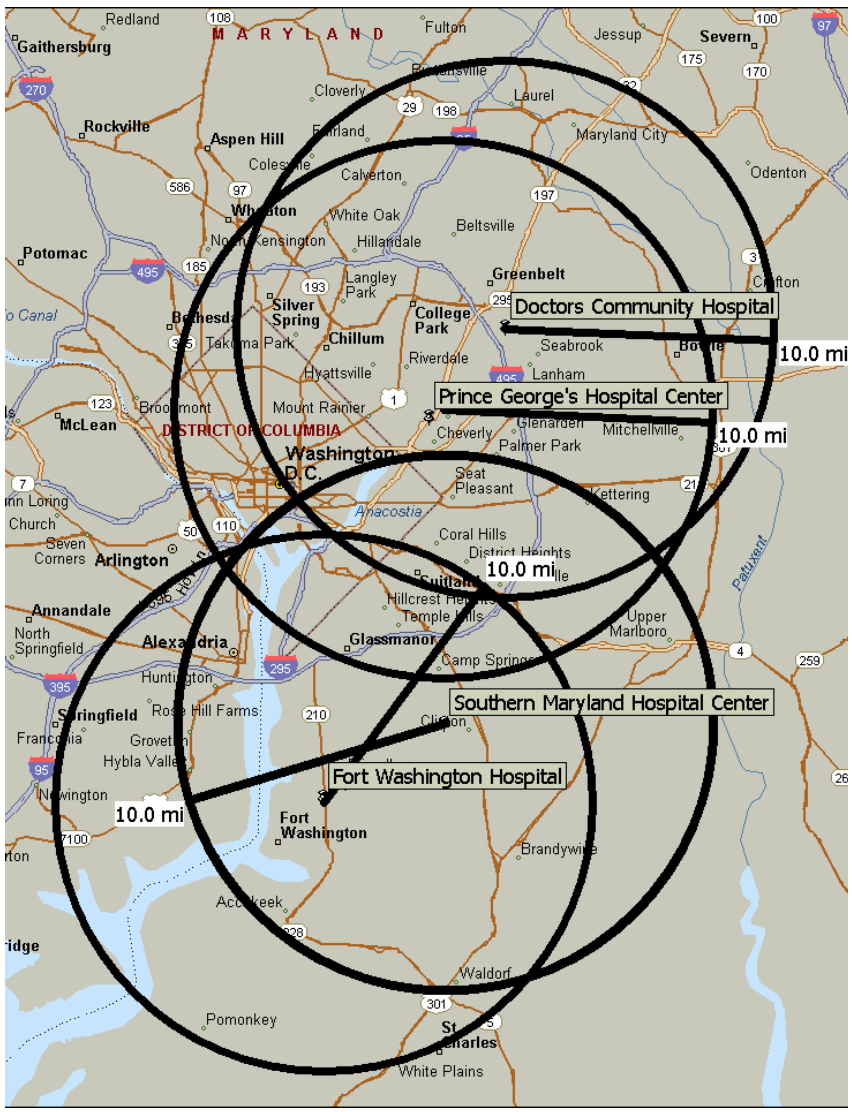
Map 9
5-Mile Radius from Major Hospitals



Source: Hunter Interests Inc.

The hospitals in the northern portion of the County tend to draw from the same service area. Holy Cross, Washington Adventist, and Laurel Regional Hospital also draw from populations in the adjacent counties of Montgomery and Howard. The southern-most hospitals, Fort Washington and Southern Maryland, overlap and draw patients from the adjacent Charles County.

Map 10
10-Mile Radius from Major Hospitals



Source: Hunter Interests Inc.

E. Conclusion

The location of medical service facilities in Prince George's County generally parallels population densities, with a vast majority of facilities located inside the Beltway and adjacent to it. The ratio of doctors' offices to population is similar to metropolitan area characteristics, and the geographic location also correlates fairly highly with population densities. Major hospitals and medical centers cover the County fairly well when considering the 5- and 10-mile radius around these facilities, and the transportation network that serves them.

Analysis of trends and interviews with health care providers indicates many future clinics and doctor's offices likely to be established in the County may be in outer areas where population growth is occurring. With the expanding outer population health care providers sense the need for additional facilities in the outer areas. Considering trends in insurance and reimbursement for health care services, many medical service providers also prefer outer areas as the location for the more affluent County population.

These trends reinforce the need for governmental intervention in the provision of additional health care services in the western portions of the County, where the needier population resides, and where there is less propensity on the part of health care providers to locate new facilities. These trends are not dissimilar to those witnessed in other communities when public investment in a medical mall facility was viewed as justified.

VI. Potential Medical Mall Sites

This section describes the work accomplished by HII during the summer and fall of 2006 to identify potential medical mall sites throughout Prince George's County.

A. The Analysis Process

From the outset of this study the intention was always to consider locating one or more medical malls on abandoned and/or underperforming shopping center sites. As in most of the nation's older urban counties, a number of strip shopping centers, community centers, and even regional malls became obsolete and/or underutilized during the 1980s and 1990s due to many factors. When these properties were first developed, land costs were low, only surface parking was considered, and large sites were acquired for shopping centers along existing and future major thoroughfares. As the out migration of people and economic activity continued, many of the older sites lost tenants to newer shopping centers farther out. Others failed to respond adequately to the changing demographics of the surrounding area population, and still others had ownership and management difficulties that resulted in the decline of business volumes and profitability.

To identify potential sites Hunter Interests completed the following tasks:

- Reviewed the recently completed (2005) Shopping Center Directory provided by The Maryland-National Capital Park and Planning Commission (M-NCPPC).
- Attended kick-off meeting with the M-NCPPC staff.
- Reviewed the Co-Star Retail Data Base for over 150 shopping centers in the County that included their age, condition, anchors, tenant mix, vacancies, and ownership.

- Conducted field surveys and site visits to a majority of County shopping centers to confirm information provided by Co-Star and to identify potential candidates for the medical mall.
- Interviewed commercial brokers active in and knowledgeable of the Prince George's County real estate market.

Six candidate sites were described in detail in a technical report delivered to M-NCPPC in the fall of 2006. The other 98 shopping center sites that were analyzed are included in Appendix B of this report.

The criteria used to identify potential candidate sites for the medical mall included:

- Contains at least five acres.
- Has one or more vacant anchor stores or significant vacancy in anchor or in-line store space.
- Has a weak anchor store and/or a low-paying, unstable tenant base.

Through this process, we identified six potential sites that correspond to the above criteria. We note that we excluded County shopping centers that are successful in terms of strength and mix of tenants, low vacancies and overall good physical condition. Some excluded centers, such as Glenridge, Old Forte Village, Addison Plaza, and Mitchellville Plaza, have already attracted medical tenants to supplement a high occupancy of retail tenants. A list of approximately 100 sites evaluated but not selected for consideration as candidate sites is contained in Appendix B.

The six selected sites were divided into two groups based upon their size, vacancy, and their ability to accommodate a range of medical mall services.

The larger sites are:

- Andrews Manor in Camp Springs
- Forestville Plaza in Forestville
- Iverson Mall in Temple Hills
- Landover Mall on the Beltway

The smaller sites are:

- Oxon Hill Shopping Center in Oxon Hill
- Landover Crossing in Landover

B. Candidate Sites

1. Andrews Manor

Andrews Manor Shopping Center is located on Allentown Road just north of the main gate to Andrews Air Force Base and abutting the Capital Beltway. Approximately two and one half miles from the Capital Beltway, the center, built in 1960 and renovated in 1995, encompasses 12.4 acres and contains 290,000 square feet of rentable space in four major buildings served by 1,842 surface parking spaces.

The area surrounding Andrews Manor contains a Ramada Inn, the Church of the Great Commission, a Holiday Inn Express, and other older commercial properties. There is an older garden apartment complex located to the immediate north of the center. Andrews Air Force Base is located to the immediate south.

The four buildings contained within the Center include a one-story office building at the front of the parcel, which houses a Coldwell Banker office, an appraiser, and a one-hour photo store; a large strip retail building that contains most of the vacant rentable space available at the Center; a smaller, vacant building located at the far eastern portion of the property; and an anchor building housing the Furniture Oasis. There are also two pad sites occupied by a Checker's Restaurant and by a bar-b-que restaurant which is undergoing renovation.

The approximately 30,000 square feet of vacant space available for lease is concentrated in a strip center building (19,550 square feet) priced at $9.00 per square foot, triple net, and in the 8,350-square-foot building located at the easternmost portion of the site and priced at $15.00 per square foot, triple net. Andrews Manor was last purchased in 2003 for $11.9 million or at $41 per square foot of GLA.

The majority of tenants are small, lower quality users. Besides the Furniture Oasis Value Village, Family Dollar, Jesus Bookstore, Long and Foster Realtors, and Wonder Hostess Bakery outlet are the largest occupants of the Center. Other tenants include a beauty supply store, a video store, a hair salon, a pawn shop, a liquor store, and a Chinese carryout.

Andrews Manor Shopping Center was designated as a high potential candidate because of its access, vacant space, variety of buildings, and readiness for reuse.

2. Forestville Plaza

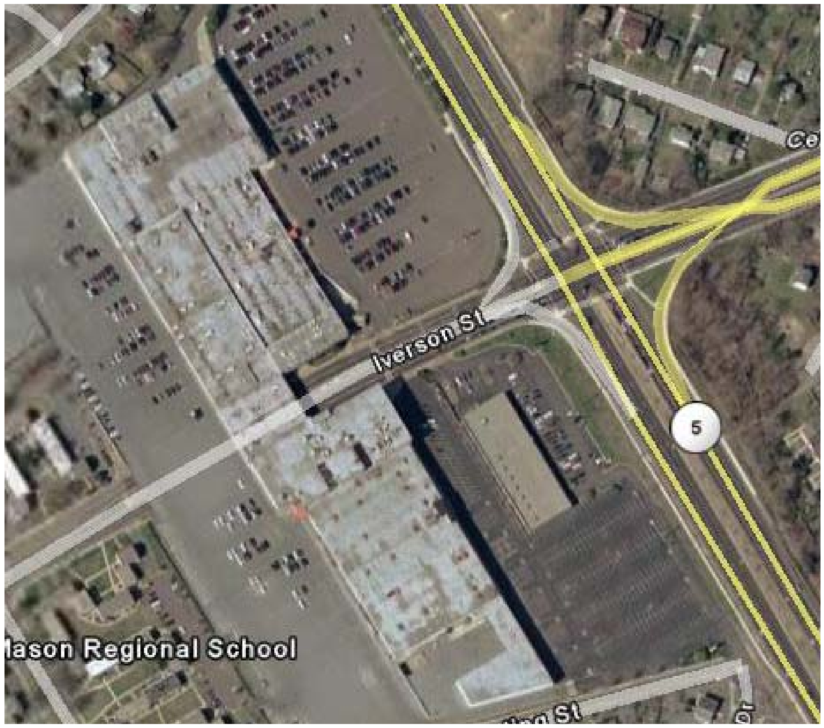
Constructed in 1974, Forestville Plaza is a community strip center located at the intersection of Marlboro Pike and Forestville Road, a quarter mile from Pennsylvania Avenue and less than a mile from the Capital Beltway. The 218,300-square foot shopping center is located on an 18.2-acre site and contains 85,000 square feet of vacant space (40% vacancy) and 1,075 parking spaces. Much of the vacant space formerly housed an Ames Department store, and is priced at $7.53 per square foot, triple net.

Forestville Plaza is comprised of two buildings of roughly equal size. A Mattress Discounters store is located on an out parcel and an adjacent former bank building has been converted to a church. Across Marlboro Pike is another vacant building (a restaurant/nightclub) that could be incorporated with any re-use of the shopping center. Other older commercial properties are situated along Forestville Road.

The majority of existing tenants could be considered temporary users. They include three churches, two event halls, one nail salon, and a discount furniture store.

Forestville Plaza was designated a high potential candidate because of its access, central location in the County, the poor condition of the buildings, the amount of vacant space, and the transient nature of the tenants.

3. Iverson Mall



Constructed in 1967, Iverson Mall is one of the oldest regional malls in the Washington Metropolitan Area. It contains 526,700 square feet of leasable space on an 18.5-acre site bisected by Iverson Street. Located at the intersection of Branch Avenue (Route 5) and Silver Hill Road/Iverson Street, the Mall is less than a mile from the Suitland Metro Station, one and one quarter miles from the District of Columbia, and approximately four miles from the Capital Beltway. Nearby uses include older garden and single-family residential units and other retail properties along Branch Avenue.

The regional mall is primarily composed of two major buildings divided by Iverson Street but connected over the roadway by a second story retail/pedestrian arcade. The northern building is primarily two stories except for a small attached three-story office building adjacent to Iverson Street. Similarly, the southern building is primarily two stories but also has a two-story office portion fronting the street. A Bojangles is situated on the northern portion of the site and a one-level smaller strip building is located on the southern side. The smaller strip building is fully occupied by a Locker Room, Kemp Mill Records, and Up Against the Wall. There are 3,000 parking spaces provided in surface parking lots on both sides of the Mall and in a two-story parking garage.

Anchored by Value City Department Store (136,000 square feet), Forman Mills (66,528 square feet), and Furniture Gallery (42,800 square feet), Iverson Mall contains an additional 50 tenants, the majority of which are apparel and accessory stores. Many of the stores are discount or value-priced chains. There may be as much as 35,000 square feet of vacant space distributed throughout the Mall. Lease rates are negotiable.

Iverson Mall was designated a candidate because of its location and access, the condition of the buildings, and the availability of vacant space integrated within an operational shopping mall.

4. Landover Mall

Prior to the recent demolition of the buildings, the majority of the retail space in Landover Mall was vacant and deteriorating

Built in 1972, Landover Mall is the second oldest regional mall in the Washington metropolitan area and, with 1.3 million square feet of leasable space on 88 acres, is one of its largest malls. The original anchors of the mall were Garfinkels, Sears, Hechts, Woodward and Lothrop, and a six-screen movie theater. The sharp decline of the mall began in the mid 1980s when many of its anchor stores closed due to decreasing sales, a perception of crime in the adjacent neighborhoods and within the mall, and other factors.

The movie theaters closed in 1988, Garfinkels filed for bankruptcy and went out of business in 1990, and Woodward and Lothrop went out of business in 1995. In the late 1990s, JC Penney moved into the former Woodward and Lothrop location but Hecht's closed in response to the opening of its new store at the Bowie Towne Center. Three years subsequent to moving into the Mall, JC Penney closed. Finally, in May of 2002, the entire mall was vacated and boarded up except for the Sears Store and the Sears Auto Center, both owned by their parent company. The demolition of the Mall began in January 2006. In fact, to date, most of the space has been demolished. Sears is expected to vacate the site when its new store is opened at the Richie Station Marketplace site.

Located on Landover Road at the Capital Beltway and in the central portion of the County, the Landover site has excellent visibility and accessibility. It is also approximately two miles from the Landover Metro Station. The area near the mall, previously known for its poverty and crime, is being rejuvenated. New developments such as FedEx Center, the Boulevard at Capital Center, and the proposed Woodmore Town Center are major improvements. In addition, many of the deteriorated, crime-riddled garden apartments have been torn down and replaced or renovated and small pockets of affordable for-sale housing have been constructed.

Landover Mall was designated as a candidate site because of its size, location, the reuse potential of the two Sears buildings, and the transitional nature of the immediate area surrounding the site.

5. Oxon Hill Shopping Center

Built in 1966, Oxon Hill Shopping Center encompasses 113,975 square feet of leasable space on 7.3 acres of land. The Center is located at the intersection of Livingston Road and Oxon Hill Road, approximately one-half mile from the Capital Beltway. Nearby uses include newer shopping centers such as Oxon Hill Plaza, which is anchored by a Shopper's Food Warehouse, and the 384,000-square-foot Rivertown Commons power center.

Oxon Hill Shopping Center is currently undergoing a transition. Unfortunately, the small strip center, which is composed of five buildings, has multiple owners. The northern two buildings are in the best condition, one is occupied by a Save-A-Lot and the other has been gutted and is being renovated to house an Albi grocery store by the end of 2006. The southwestern-most building is occupied by Enterprise Rental Car. The middle two buildings contain approximately 87,000 square feet of vacant space and except for a gourmet bakery, have low quality tenants including a beauty supply store in a former 50,000 square foot grocery store, a liquor store, a Chinese Restaurant, a dry cleaners, and a beauty salon.

Although almost totally occupied, Oxon Hill Shopping Center was designated a candidate site because of its access, the synergy with other nearby shopping centers, its potential for re-tenanting, and its suitability for a small medical mall model.

6. Landover Crossing

Built in 1974, Landover Crossing Shopping Center contains 178,900 square feet of leasable space on 19.6 acres. It is located on a hill directly across Landover Road from the Landover Mall site within view of the Capital Beltway and FedEx Field. The shopping center contains two buildings; a stand-alone former Circuit City store that is now a Home Evolution (home improvement store), and a strip center building that once housed Sam's Club and now has only a half dozen or so tenants, the largest being a beauty supply store and a day care center. Overall, over 119,000 square feet of space is vacant and available for lease, or about 67% of the center. The vacant space is priced at $14.00 per square foot, triple net.

Landover Crossing enjoys the same accessibility and visibility as Landover Mall. It was also chosen as a candidate site because of the high vacancy, the relatively good condition of the buildings, and the possible linkage to further development of Landover Mall as a medical mall or for some other use.

7. Summary

The occupancy characteristics of the six sites are summarized in the table below.

Table 7
Occupancy Characteristics

Name	Yr. Built	Acreage	GLA	Vacancy	Rate
Andrews Manor	1960	12.4	290,000	29,390	10%
Forestville Plaza	1974	18.2	218,000	85,000	39%
Iverson Mall	1967	18.5	526,700	35,000	6%
Landover Mall	1972	88.8	N/A	N/A	N/A
Oxon Hill	1966	7.3	113,975	8,000	7%
Landover Crossings	1974	19.6	178,900	119,000	66%

Source: Hunter Interests Inc.

C. Conclusions

The analysis of more than 100 potential medical mall sites was first presented to M-NCCPC staff in a Technical Memorandum, and then represented for decision in a technical report in February 2007. In a subsequent meeting with the client it was decided to pursue three different medical mall concepts on three different sites. The sites selected were Forestville Plaza, Landover Mall, and Landover Crossing.

In a later meeting involving Councilperson Knotts it was decided to add a fourth potential medical mall site, Iverson Mall. Our conclusion was that these four properties together present four completely different real estate situations, each of which could be significantly improved with the addition of a medical mall. The four sites also present opportunities for analyzing four completely different medical mall concepts. The geographic spread of the four properties also fits specific need of the nearby population in terms of the type of medical services most necessary in that area. For example, the Iverson Mall property is relatively close to fairly dense neighborhoods of lower socio-economic families with greater needs of diagnostic and referral services. The existing available and vacant office space in Iverson Mall could easily be adapted to an array of medical services in diagnostic and referral categories. The other three medical mall sites presented similar opportunities for the introduction of additional medical services most needed in those areas.

It should be noted that proximity to the highest population density and the neediest population, while being an important locational factor, may not be the most important factor. Site availability and cost factors are likely to be more important determinants in fine-tuning the location for the County's first medical mall. Simply stated, the majority of the candidate sites have reasonably good accessibility, from major roadways and public transportation. Obviously, sites close to the Beltway, with the availability of public transportation, and that are readily available through under use and/or weak market demand for the real estate would be the favored sites. If no site were available at the "ideal" location from the standpoint of demand and need, would the County take on the additional cost, complexity and potential political concerns associated with condemning properties at that location to make them available? We think not.

A concern that was discussed extensively during the course of this work was the impact of medical mall proposals on the relatively soft office market in several corridors where medical malls could be located. In some of these corridors the current office vacancy rate is as high as 20% to 25%. The concern is that some new medical service uses could go into this vacant office space rather than being directed toward renovated retail space in a medical mall project. Our conclusion from these discussions is that most of the medical mall services would be new in that they are attracted to these locations by these new medical mall projects. If those services were in the market now they could easily go into some of the vacant office space. However, that does not appear to be happening. A parallel concern is that existing medical service uses in office space in these corridors might relocate to the medical malls, further increasing the already high office vacancy rates. While this could happen, analysis of the existing array of medical services in these corridors indicates that any relocations of this type would be relatively minor, if at all. In summary, while there might be some minor impacts on the existing office space situation, these impacts are not considered to be great enough to alter the notion that bringing medical malls into these corridors will improve conditions across the board in local real estate markets.

Regarding the location desires of medical service providers, two themes emerged from our interviews. First, hospitals and multi-service providers with large fixed investments in real estate would obviously like a new medical mall to be adjacent to or in close proximity to their existing facilities. Secondly, if it were impractical to locate close to them, the providers interviewed had no particular location desire. In other words, if the medical mall could not be located so as to be adjunct facilities to the hospital, there appears to be no particular locational preference. However, it is obvious that medical service professionals in the County clearly feel that the medical mall is a good idea, and that it is much needed regardless of its location.

Patient demand is driven by health care as a consumption item. Particularly, communities of aging, high income residents offer potential demand for ambulatory medical services. It is expected that from 2005 to 2015, per person inpatient resource use will increase by 7.6% because of aging, or 0.74% per year[1]. It is estimated that 80% of the elderly suffer from chronic disease conditions requiring frequent and/or continuous medical care. These conditions result in an average of five physician visits per year for the elderly compared with three visits per year for persons under age 65. Higher income patients consume slightly more medical services than lower income patients. Demand for medical services is also a function of distance; the closer patients are to medical facilities the greater the usage.

[1] Bradley C. Strunk, *The effect of population aging on future hospital demand*. HEALTH CARE INDUSTRY Medical Benefits. July 30, 2006

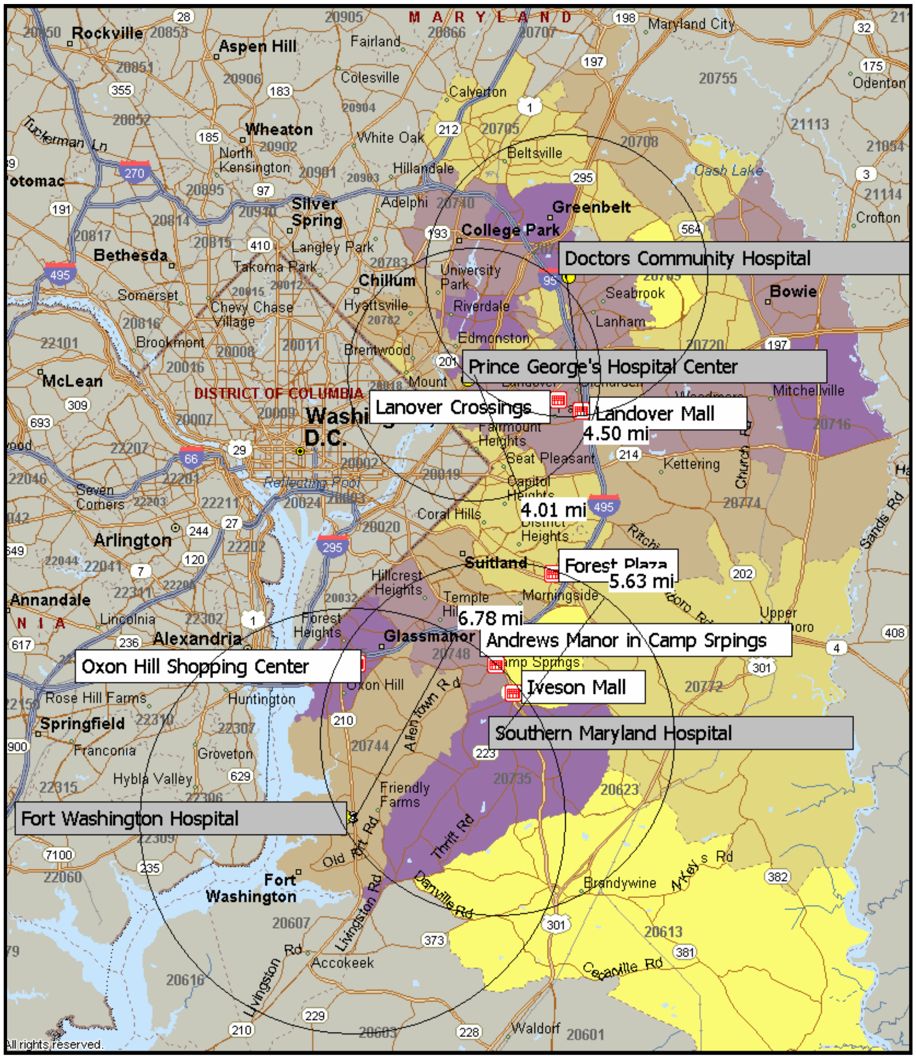
When the locational demand for medical facilities is superimposed on available sites for a Medical Mall, we can assess the potential of each site. A rule of thumb for the size of a facility for a medical practice is 1,200 to 1,500 square feet for the first physician and 1,000 to 1,200 square feet for each additional physician up to four or five.[2] Therefore, the minimum space requirement for a five-physician ambulatory practice is between 5,200 and 6,300 square feet of space. For a small medical mall that contains only physicians' offices and no ancillary health-related offerings, the estimated requirement would range between 26,000 and 31,500 square feet for five, five-physician practices.

Map 11 (p. 59) identifies the six selected potential medical mall sites in Prince George's County and overlays them with the service areas of the five major hospitals in the County. The preferred site should offer the potential for growth of ambulatory services associated with a hospital. The area that could most likely meet potential demand would be a medical mall with access to the central-most eastern areas of Prince George's County where growth is expected to continue, especially in and around the Davidsonville area. Locations convenient to the Beltway would also be favored.

The Landover Mall site near the Beltway and Landover Crossing would offer direct access for ambulatory health care to the eastern portions of Prince George's County. Route 214 provides convenient access from the Beltway to the eastern portions of the County. The Landover Mall site is five miles from Doctors Community Hospital, four miles from Prince George's Hospital Center, and nine miles from Southern Maryland Hospital.

[2] Oliva K. Maresh, *Choosing a Practice Facility* in American Academy of Family Physicians News & Publications, September 2002.

Map 11


Doctors Community Hospital
Prince George's Hospital Center
Lanover Crossings
Landover Mall
4.50 mi
4.01 mi
Forest Plaza
5.63 mi
6.78 mi
Andrews Manor in Camp Srpings
Oxon Hill Shopping Center
Iveson Mall
Southern Maryland Hospital
Fort Washington Hospital
MARYLAND
DISTRICT OF COLUMBIA
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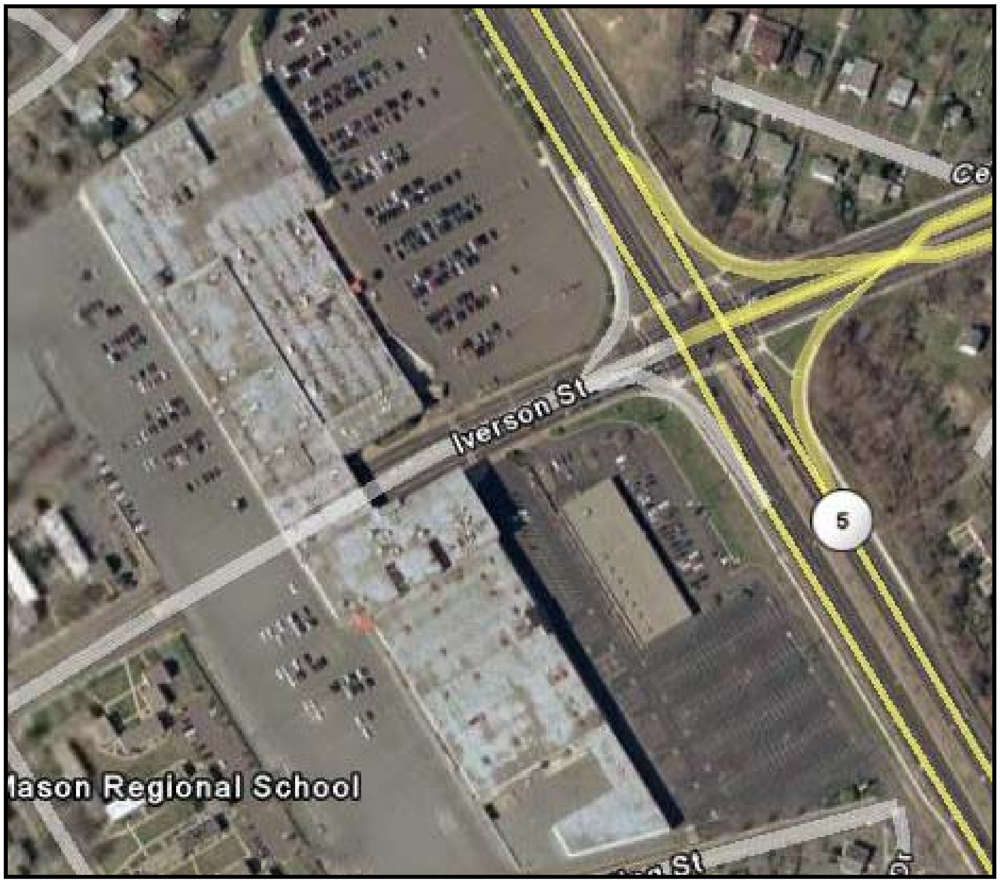
VII. Iverson Medical Mall: Diagnostic and Referral Center

This section describes the medical mall proposal for Iverson Mall in Prince George's County. HII's original contract with the M-NCPPC was for three existing and underperforming shopping centers in the County. Iverson Mall, the fourth shopping center, was added and the contract was expanded to include it during the second quarter of 2007. The research on the property and feasibility analysis described herein was therefore conducted on an accelerated basis between March and July 2007.

A. The Concept

The Iverson Mall property is located in one of the most densely populated areas of Prince George's County. As such, this location could serve a large number of County residents as a medical mall specializing in diagnostic and referral services in conjunction with hospitals and other medical facilities throughout the County. Much of the available space in Iverson Mall is office-type space which is appropriate for this type of use.

Iverson Mall is one of the oldest regional malls in the Washington metropolitan area. Constructed in 1967, it contains approximately 527,000 square feet of leasable space on an 18.5-acre site. The site is actually on two blocks, bisected by Iverson Street. It is located at the intersection of Branch Avenue and Silver Hill Road, less than a mile from the Suitland Metro Station.



Iverson Mall spans two blocks, with surface parking along the Branch Avenue frontage and a three-level parking structure to the rear.

The mall is primarily composed of two large buildings which are connected over Iverson Street by second level retail space and the second and third levels of a three-level parking structure. The northern building is primarily two stories except for a large three-story building with office space. The southern building is mostly one and two stories of retail space, but also has a three-level office portion fronting on the street and the parking lot. In total, there are over 3,000 parking spaces, only a small portion of which are in use for existing retail tenants.

Tenancy has declined at Iverson Mall over the years. The more prosperous Marlow Heights Shopping Center is adjacent, and is anchored by Macy's and a number of higher quality stores. Most Iverson Mall tenants are off-price stores that provide the "value alternative" to Marlow Heights stores.

Retail uses in Iverson Mall have declined over the years. There is presently a considerable amount of vacant retail space. Office space is on the right.

Due to the mall's location and history, there is likely to be continuing demand for the retail space in the mall, albeit for off-price and lower quality tenants than in the past. Nevertheless, retail is an important continuing use in this portion of the Branch Avenue corridor, and the mall with its adjacent more prosperous shopping center are an established retail destination.

Large office portions of Iverson Mall are in the center of the mall, at the north end of the south block and the south end of the north block.

The office space in the mall is another thing. Vacant space is available. Rents are relatively low. Several tenants are of a transitional nature. And, the office portions of the mall present themselves visually as a clearly different use than the retail space. This is particularly true from the top level of the parking deck to the rear—these parking spaces function primarily as a parking facility for office tenants rather than retail users, and a medical mall could have a “front door” at this location, completely separate from the retail uses on lower levels that front on Branch Avenue.

Available office space could be quickly converted to diagnostic-oriented medical mall uses.

Office blocks in the center of the mall are connected over Iverson Street by retail space and the three-level parking deck to the rear.

As seen from the top of the parking deck, office space in the mall could be easily converted to medical mall uses with its own "front door" and parking that does not conflict with retail uses.

The Iverson Mall parking structure has been poorly maintained and abuts a residential neighborhood. New uses could help improve property maintenance.

This medical mall concept could also be undertaken fairly quickly. Blocks of office space could be pre-leased, or pre-committed at the termination of existing leases, resulting in an office space assemblage that could work well for a diagnostically oriented medical mall. Facilities that could be included are as follows:

- Diagnostic testing facilities (MRI, CT scan, X-Ray)
- Laboratory facilities
- Consumer health education center
- Health-related associations
- Nursing home and extended care referrals
- Offices of major hospitals and clinics in the County
- Small diagnostic clinics
- Medical and dental offices
- Pharmacy
- Social service offices
- Offices of County boards and organizations related to health care
- Private nurse placement office
- Other related referral facilities

This venture might be undertaken with a public initiative to establish the concept, assemble a block of sub-leasable space, and initiate approvals and licenses for the occupancy of key facilities such as laboratory and diagnostic imaging facilities. The venture could be spun off to a non-profit corporation which would, in turn, sublease space to the providers of other facilities and services described above. Launching the venture could also be accompanied by a management and marketing program which may run, say, three to six years while the venture is being spun off to the non-profit or a profit motivated venture, perhaps undertaken by physicians and institutions that are users.

This medical mall concept could also have an impact that stretches well beyond its geographic service area to the majority of County residents. It would be particularly attractive as a diagnostic center for County residents inside the Beltway, where the medical service needs are the greatest. It could also be managed and marketed in a manner that reduces much of the apprehension and confusion associated with discovering an illness or the need for medical services, particularly in the County's lower socio-economic groups.

B. Assumptions

A properly prepared financial feasibility analysis requires a series of assumptions regarding costs, revenues, and numerous other factors. This section describes the assumptions that were made for the Iverson Mall feasibility analysis. The assumptions are based on research into the Prince George's County real estate market, several visits to Iverson Mall and analysis of physical characteristics of the property, interviews with the Iverson Mall owners and property managers, analysis of comparable facilities in the area and comparable medical facilities similar to those that would become tenants in the Iverson Medical Mall, and other similar factors.

Our analysis also includes several assumptions regarding leasing existing vacant space in Iverson Mall. These assumptions weigh heavily on our interviews with the owner and property manager, but they also include assumptions related to the possible outcome of negotiations to lease available space. Principals involved in this analysis have considerable experience in leasing large blocks of space in different markets and different property situations. Considering the circumstances relating to existing available space in Iverson Mall, we made certain assumptions about the likely outcome of lease negotiations for a block of vacant office space which now exists in the Mall.

At the time of this analysis, available space in the mall included two office floors of approximately 25,000 square feet each in the office building (formerly occupied by GSA); the former Montgomery Wards building of about 25,000 square feet; 10,000 square feet of retail space that can be expanded to 20,000 square feet; plus another 40,000 to 50,000 square feet that can be made available.

All assumptions that were an input to our financial feasibility analysis are summarized in Table 8. In order to have a diagnostic and referral center with a critical mass of services that is necessary to put this medical mall "on the map" as a destination complex, it was determined that a minimum of approximately 75,000 square feet of gross leased space would be necessary. This space would be required in order to "go to market" with a mix of medical service facilities that total in excess of 50,000 square feet net. The medical mall would likely lease the two 25,000 square foot floors with direct access from the upper level of the parking deck (front door), plus the Montgomery Wards building, plus a small amount of lower level retail space to welcome and direct retail customers.

Table 8
Iverson Medical Mall Diagnostic and Referral Center
Development and Operating Assumptions

Development Costs		**Revenues**	
Land Acquisition	$0	Leasing Efficiency Factor	80%
Building Area, Square Feet	75,000	Rent per sf Yrs 1–5	$16
Gross Building Rent per sf		Rent per sf Yrs 6–10	$19
Yrs 1 – 5	$10	Expense Pass-through	$2
Yrs. 6 – 10	$12	Common Area Maintenance	$1
Grace Period		Occupancy	
Year 1	100%	Year 1	50%
Year 2	50%	Year 2	65%
Building Renovation		Year 3	80%
Hard Costs per sf	$50	Year 4	90%
Soft Costs per sf	$15		
Hard Costs	$3,750,000	**Expenses**	
Soft Costs	$1,125,000	Operating Expenses Yr 1–5 per sf	$6
Parking	$0	Operating Expenses Yr 6–10 per sf	$7
Total Renovation Costs	$4,875,000	Maintenance Reserve per sf.	$1

Source: Hunter Interests Inc.

As shown in Table 8, we assume no property acquisition from the mall owners. We also assume that leasing 75,000 square feet of space, in the current situation with current market conditions, could be accomplished if a 10-year lease is executed. We assume gross rent of $10 per square-foot for the first five years and $12 per square-foot for the second five-year term. We also assumed the lease could include a 100% grace period, or no rent paid during the first year of occupancy while outfitting and construction is being done at no cost to the property owner. Similarly, we assume a 50% grace period during operating year two while tenants are moving into the renovated space. Rental income to the leasing venture would just be beginning then, and in essence, the mall owner would be sharing some of that cash flow risk by foregoing major portions of gross rental income during the first two years of the lease. The mall owner's risk during this period will be minimized by the venture's capital investment in improvements to his buildings at a renovation cost of almost $5 million. The owner's risk would further be lessened by a sizeable good-faith deposit made by the venture, in escrow, with certain provisions that would pass part or all of these monies to the mall owners in a default situation.

Based on internal inspection of available office space in three different locations within the mall, and based on certain assumptions regarding the nature of space renovation that would be undertaken by the leasehold venture (i.e., the medical mall venture) we estimate the cost for building renovation at approximately $50 per square-foot. Soft costs, without an interim interest factor, are estimated to be approximately $15 per square-foot. The level of completion of interior renovation would be to deliver to subtenants occupiable space that could easily be finished for use as medical offices, outpatient clinics, waiting and examination rooms, storage and mechanical equipment, and normal spaces likely to be required for the subtenant uses described in the previous section. Extremely costly outfitting for special diagnostic facilities such as lead-lined X-ray and MRI imaging rooms, wet and dry laboratory space, etc., would be costs borne by the subtenants who are subleasing and using those spaces.

Based on these assumptions, hard cost capital requirements would be approximately $3.75 million, with soft costs estimated at $1.125 million, for a total renovation cost estimate of $4,875,000.

Based on our analysis of existing available space, and on the efficiency of similar space in other existing facilities, we assume a leasing efficiency factor of 80%. That is, approximately 20% of gross leased space would be lost to entrances, corridors, mechanical equipment, venture storage/maintenance space, and other space that could not be leased to subtenants. This efficiency factor could be reduced somewhat depending upon which spaces were actually leased within the mall, and actual internal space use designs based on specific subtenant lease negotiations.

We also assume that a prime objective of this venture is to deliver the diagnostic and referral services to the general public as quickly as possible. Therefore, subtenant rents were determined to be competitive and somewhat generous, but certainly not onerous for this type of facility, in this location. We assume renovated medical mall spaces would be leased to subtenants for $16 per square-foot for a five year term, and attempts would be made to secure 10-year leases with the rent increasing to $19 per square-foot during the second five years of occupancy. This rent would not be described as either a gross or net rent, but rather as an occupancy rent, without the subtenant required to pay most additional costs associated with triple net occupancy. For example, real property taxes on the space would not be passed to subtenants, but they would be required to pay an additional $2 per square foot for a portion of the medical mall's operating costs, plus an additional $1 per square foot for medical mall common area maintenance. This assumes certain smaller diagnostic services subtenants would be sharing spaces like waiting rooms with others.

We assume an aggressive marketing and pre-leasing program at these rates could result in 50% occupancy during the medical mall venture's first operating year. Occupancy would increase to 65% in year two, 80% in year three, and would stabilize at 90% occupancy during year four. We feel these occupancy levels are achievable given the competitive situation in this location which favors this medical mall venture, and the fact that the subleasing rates and terms are not considered to be aggressive.

We also assume the medical mall venture would be incurring operating expenses of approximately $6 per square foot during the first five years, increasing to $7 per square foot during years six through 10. Additional actual operating expenses would be borne by the mall. In addition, we assume the venture would establish a maintenance reserve fund which would receive $1 per square foot per year from subtenants.

These assumptions were tested with several individuals who are familiar with the Prince George's County real estate market, and with the Iverson Mall property. They were also checked against existing buildings which have tenants similar to those which would be expected to be subtenants in the Iverson Medical Mall. Based on that testing, we feel these assumptions are realistic for the 2007–2009 period.

C. Financial Feasibility

A pro forma and 10-year cash flow analysis was prepared for the Iverson Medical Mall, and is summarized in Table 9. The purpose of this analysis is to determine the likely net operating income for the medical mall venture as described herein, and to determine its ability to pay the gross rent likely to be required to secure the necessary space in the mall.

As shown in Table 9, the 80% efficiency factor is applied to the 75,000 square feet of gross leased space. This produces a net rentable area of approximately 60,000 square feet. When our occupancy assumptions are applied to the renovated space, the venture would have approximately 30,000 square feet occupied during the first operating year (subtenants who are further outfitting the space and moving in). Occupied space would increase to 39,000 square feet in year two, 48,000 square feet in year three, and would stabilize at a 90% occupancy rate with 54,000 square feet leased in year four.

When the rent rate is applied to the occupied space, along with pass-through expenses and common area maintenance, leased space would produce approximately $570,000 in gross revenue during the first operating year, increasing to approximately $1,026,000 in year four, and year five. With the rent increased to $19 per square foot in year six, gross revenue would increase to $1,188,000 in year six and stabilize at this number through the balance of the first 10-year period.

Operating expense estimates are extended for the first 10 operating years in Table 9, along with the maintenance reserve requirement. As shown, these expenses are estimated to be approximately $525,000 for the first five years, increasing to approximately $600,000 per year for years six through 10.

Table 9
Iverson Medical Mall – Diagnostic Referral Center
Cash Flow Pro Forma

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues										
Gross Building Area, sf	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Leasing Efficiency Factor	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Net Rentable Area, sf	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Average Occupancy	50%	65%	80%	90%	90%	90%	90%	90%	90%	90%
Occupied Space, sf	30,000.0	39,000.0	48,000.0	54,000.0	54,000.0	54,000.0	54,000.0	54,000.0	54,000.0	54,000.0
Rental Rate	$16	$16	$16	$16	$16	$19	$19	$19	$19	$19
Pass-through Expenses	$2	$2	$2	$2	$2	$2	$2	$2	$2	$2
Common Area Maintenance	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1
Total Annual Revenue	$570,000	$741,000	$912,000	$1,026,000	$1,026,000	$1,188,000	$1,188,000	$1,188,000	$1,188,000	$1,188,000
Expenses										
Operating Expenses per sf	$6	$6	$6	$6	$6	$7	$7	$7	$7	$7
Operating Expenses	$450,000	$450,000	$450,000	$450,000	$450,000	$525,000	$525,000	$525,000	$525,000	$525,000
Maintenance Reserve per sf	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1
Maintenance Reserve	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000
Total Annual Expenses	$525,000	$525,000	$525,000	$525,000	$525,000	$600,000	$600,000	$600,000	$600,000	$600,000
Operating Income	$45,000	$216,000	$387,000	$501,000	$501,000	$588,000	$588,000	$588,000	$588,000	$588,000
Gross Building Rent	$0	$375,000	$750,000	$750,000	$750,000	$900,000	$900,000	$900,000	$900,000	$900,000
NET OPERATING INCOME	$45,000	-$159,000	-$363,000	-$249,000	-$249,000	-$312,000	-$312,000	-$312,000	-$312,000	-$312,000

Source: Hunter Interests Inc.

The medical mall venture would net only $45,000 in operating income during the first year with only 30,000 square feet leased and an operating expense burden of the entire 75,000 square feet which is taken down at the outset of the lease. We experimented with an extended take-down schedule but rejected that approach since the objective is to move quickly to provide all diagnostic and referral services rather than spread out the lease-up period. Similarly, our renovation cost assumptions require constructing all interior partitions and improvements at one time under a single construction contract. Spreading these costs out with a retarded space take-down schedule increases the unit construction costs in a manner that is less efficient.

Operating income increases to $216,000 in year two, but the first annual rent payment of 50% of contract rent to the mall owners also kicks in, resulting in a net operating loss of $159,000 in year two. This operating loss increases to $363,000 in year three when the full gross rent is paid, but drops down to $249,000 in years four and five with the increase in operating revenues.

If gross rent increases from $10 per square foot to $12 per square foot in year six, as we assume, then operating income drops to -$312,000 in year six, and continues at this level through year 10.

D. Capital Requirements

As previously mentioned, we assume lease negotiations with Iverson Mall owners would require a sizeable good-faith deposit at lease signing, as a risk sharing device, and to secure the rental rates and grace periods described herein. The at-risk deposit will be particularly necessary if grace periods on rent payments are achieved for the first two operating years. The deposit would be held in escrow with agreed upon terms and conditions that would allow release of part or all of these monies to the Iverson Mall owners if certain performance targets are not met by the medical mall venture during the first few operating years. As shown in Table 10, we assume a good-faith deposit of one year's rent, or $750,000.

Table 10
Iverson Medical Mall
Diagnostic and Referral Center
Capital Requirements

Front End Capital Costs	
Good Faith Deposit	$750,000
Building Renovation	$4,875,000
Working Capital	$100,000
	$5,725,000
Operating Subsidy (10 yrs.)	$2,535,000
Average Annual Subsidy Requirement	$255,000

Source: Hunter Interests Inc.

We also assume the medical mall venture would require working capital of approximately $100,000. The venture would likely be a publicly initiated non-profit corporation with the single purpose of causing the Iverson Medical Mall to happen. The non-profit would continue to operate the medical mall as the Iverson Mall tenant, and as the landlord of the subtenants in the medical mall. While the venture would be making maximum utilization of loaned County staff services and personnel, as well as volunteer assistance, it will have certain working capital needs, particularly during predevelopment and the first operating year, before rental income kicks in.

When these two factors are coupled with building renovation costs, a front end capital requirement of $5,725,000 is necessary to launch this venture and put the medical mall into business in 75,000 square feet of leased space within Iverson Mall. This total is shown in Table 10.

Assuming the rent schedule shown in Table 9 is met, the venture would need a continuous operating subsidy. As shown in Table 10, the average annual subsidy requirement is approximately $255,000. The total cumulative operating subsidy for the first 10 years of operation would be approximately $2,535,000.

In summary, if the assumptions made in this analysis hold, this venture requires approximately $6 million in non-return capital in order to get launched and into business, plus approximately $250,000 per year to cover annual operating losses. While this operating loss of a quarter million dollars per year seems like a large number, one should remember that at 75,000 square feet of space, this medical mall is indeed a very large and extremely important venture. In essence, operating losses are only $3.40 per square foot—not a large subsidy when one considers the important services that are provided.

E. Break-Even Analysis

To further explore the circumstances that would be necessary to have this important non-profit venture break even on operations, an additional analysis was conducted. As shown in Table 11, we calculated the rent that this venture can afford to pay for the 75,000 square feet of space that it needs.

Table 11
Iverson Medical Mall
Diagnostic and Referral Center
Gross Rent Payment to Break Even on Operations

	Year 1	Year 2	Year 3	Year 4&5	Year 6–10
Rent Payment	$45,000	$216,000	$387,000	$501,000	$588,000
Per Square Foot	$0.60	$2.88	$5.16	$6.68	$7.84
Cumulative Rent plus Good Faith Deposit	$795,000	$1,011,000	$1,398,000	$2,400,000	$4,905,000
Average Annual Yield per sf					$6.54

Source: Hunter Interests Inc.

As shown in Table 11, the medical mall venture could theoretically afford to pay $45,000 in rent during its first operating year, while its first medical service tenants are moving in and outfitting their space. The rent to the mall owners could increase to $216,000 in the second operating year, and further increase to $387,000 in year three. During the fourth and fifth operating years it would pay more than one-half million dollars each year, and during the second five years of tenancy it would pay the mall owners $588,000 per year in gross rents. These annual gross rents are also shown on a per-square-foot basis, in a "break-even mode" in Table 11.

From a cash flow and risk analysis standpoint, considering rent payments plus the good-faith deposit, a break-even operation would produce $795,000 in monies "at risk" and potentially available to the Iverson Mall owners in the first operating year. As shown in Table 11, the break-even operation would produce almost $5 million in cash flow to the mall owners during the 10-year term of the lease. This calculates to an average annual yield per square foot of space at $6.54 per square foot.

In other words, if the mall owners agreed to a proposition such as this, with risk shared, they could expect to make $5 million off of this existing vacant space in the mall during the next 10 years. That would be the equivalent of renting the entire 75,000 square feet for $6.54 per square foot now, for the next 10 years. They would need to compare that with the likely yield from that vacant space during the next 10 years if the medical mall venture did not go forward. Much of their vacant office space has been vacant for some time, and considering the nature of the space and conditions in the office space market in that area, that space could remain largely vacant and nonproductive during the next 10 years unless a new venture, like this medical mall, comes along.

Another factor is the impact of the medical mall on Iverson Mall retail tenants. In essence, the medical mall would be an “activity generator.” It would produce medical mall traffic which should be considered potential retail customer traffic. With this venture in the mall, mall owners may be able to command higher rents during this 10-year period and beyond from their retail tenants. All such positive impacts on the Iverson Mall property should be considered at the time of lease negotiations.

F. Financial Feasibility Conclusions

The feasibility analysis for the Iverson Medical Mall can be looked at two ways. As an independent, profit-motivated real estate venture, it is obviously infeasible. This is no doubt why knowledgeable real estate investors and developers have not come forward for a proposal of this type. It is also no doubt why the very capable Iverson Mall owners have not proposed or undertaken a venture of this type.

On the other hand, this study was not initiated to produce a feasible, profit-motivated real estate development venture. It was undertaken to provide a service to Prince George’s County residents by bringing much needed medical services to this location in the County. We have determined that a sizeable diagnostic and referral medical mall can likely be brought into this location in the County for a front-end capital cost of approximately $6 million. Furthermore, with concessions and risk-sharing assistance from Iverson Mall owners, that $6 million may be the only funds necessary to launch and sustain this venture for the first 10 years of operation. Even if an additional annual operating subsidy of approximately $250,000 per year, or $3.40 per square foot is required, the provision of these important medical services at this key location, which positively impacts some of the lower socio-economic neighborhoods in Prince George’s County, would seem to significantly outweigh these relatively minor costs.

In the final analysis a clear understanding of this project's concept, its costs and benefits, is necessary for both Prince George's County leadership and the owners of Iverson Mall.

G. Fiscal and Economic Impacts

A fiscal and economic impact analysis was conducted using Prince George's County Fiscal and Economic Impact Model. The purpose was to determine the contribution to Prince George's County of a proposed 75,000 square foot medical mall renovation in available office space at Iverson Mall.

As an input to the impact analysis model, it was necessary to estimate the value increase associated with renovation of existing vacant office space in the mall. The proposed 75,000 square foot diagnostic and referral medical mall would fit into available office space and former retail space, all of which is presently vacant and underperforming. There is no question that the value of all shopping centers declines significantly when large blocks of space become vacant for long periods of time, and when the mix of retail and office tenants declines permanently. Consequently, many shopping centers in this condition successfully appeal property assessments to reduce ad valorem property taxes. Conversely, when vacant space again becomes permanently occupied by viable long-term tenants who make substantial property improvements, values increase significantly. We estimate the value increase associated with the renovation and outfitting of this space as a medical mall to be approximately 50% of the value if it were new construction. Similar assumptions were made for value increases in other medical mall proposals.

It should be noted that the actual property value increase associated with adding a medical mall could be higher or lower than the 50% assumed herein. Either way, the change in the bottom line fiscal benefit to the County would likely be relatively minor. When each of the four medical mall proposals in this report is refined during the next stage of the feasibility analysis process, each specific property value situation can be analyzed within the context of recent changes in assessed value, up or down, and the actual impact of the specific medical mall proposal. Since this item is of concern to the client staff, we recommend further analysis of each medical mall's likely fiscal impact during the next stage of the feasibility analysis process. The actual increase in the assessment for any individual property could vary significantly based on market conditions, recent transfers, assessment appeals, and similar factors.

As shown in Table 12, a net value increase of $5,250,000 is assumed. When the model is run with this value, real property and other taxes are calculated, as shown in Table 12. As shown, the property tax increase would be approximately $50,505, and the total taxes from other sources would be approximately $177,175.

Table 12
Iverson Medical Mall
Fiscal Revenues Analysis

Impact Analysis	
Total Value	**$10,500,000**
Net Value Increase, Renovation	**$5,250,000**
Recurring Annual Revenues	
Total County Property Tax	$101,010
Total Property Taxes	**$101,010**
Net County Property Tax	$50,505
Net Property Taxes	**$50,505**
Income Surtax-Residential	$0
Income Surtax-Commercial	$89,941
Business Property Tax	$62,625
Energy Tax-Residential	$0
Energy Tax-Commercial	$13,359
Admissions & Amusements Tax	$0
Hotel/Motel Tax	$0
Cable Franchise Tax	$0
Telecom Tax-Residential	$0
Telecom Tax-Commercial	$11,250
Total Other Taxes	**$177,175**
Non-Recurring Revenues	
Transfer Tax (Residential)	$0
Recordation Tax (Residential)	$0
Impact Fees	
Total Non-Recurring Revenues	**$0**

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

The fiscal cost estimate is of the cost to the County for the provision of general services and public school education associated with new development and the consequent addition of new residents and employees. General services include the ongoing administration and operation of general government, the criminal/civil justice system, public safety, public works and environmental resources, human services, and non-departmental functions. The results in Table 13 show that the Iverson Medical Mall would require an additional $69,563 per year in these various cost categories.

Table 13
Iverson Medical Mall
Fiscal Costs Analysis

Impact Analysis	
Net Value Increase	**$5,250,000**
Annual Fiscal Costs	
Residential, General	
Single Family Detached	$0
Townhouse/Condo	$0
Apartment	$0
Board of Education	$0
Senior Housing	$0
Student Housing	$0
Commercial, General	$69,563
Project-Specific Debt Service	
Total Annual Fiscal Costs	**$69,563**

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

The difference between projected fiscal revenues and fiscal costs results in a net benefit or cost to the County. As shown in Table 14, the net benefit outweighs the cost by a total of an estimated $158,118.

Table 14
Iverson Medical Mall
Fiscal Impact Analysis

Impact Analysis	
Net New Property Taxes	$50,505
Total Other Taxes	$177,175
Annual Fiscal Costs	$69,563
Annual Fiscal Revenue/Cost	$158,118
Annual Incentive Program Cost	
Total Net New Benefit/Cost	**$158,118**
Total Non-Recurring Revenues	$0
One-Time Incentive Cost	
Total Non-Recurring Benefit/Cost	**$0**

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

Another major component of the model is providing an economic analysis of a proposed project in terms of the construction and permanent jobs and wages created through development. The model makes estimates of indirect employment and other social impacts to dimension fully the long-term beneficial effect of the proposed project. Table 15 shows the number of construction jobs and wages associated with proposed development.

Table 15
Iverson Medical Mall
Regional Direct Construction Jobs and Wages

Impact Analysis	
Direct Construction Jobs	
Total Construction Costs	$4,875,000
Cost per Construction Job	$95,000
Total FTE Construction Jobs	51
Direct Construction Wages	
Total FTE Construction Jobs	51
Average Annual Job Wage	$40,000
Total Construction Wages	**$2,052,632**

Sources: The National Council for Urban Economic Development; Statistical Abstract of the United States; Prince George's Co. Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

A significant measure of the economic impact of employment earnings associated with the medical mall is shown in Table 16. The economic impact model quantifies the projected number of full time equivalent jobs associated with certain proposed uses, and the attendant wages and salaries. Wages and salaries paid to workers are re-spent throughout the economy, with most being spent on typical living expenditures such as housing, food, transportation, clothing, etc., which in turn provide wages for workers in those industries.

As shown in Table 16, the medical mall would produce an estimated 375 new jobs, and would stimulate another 450 jobs indirectly in the local economy. Direct wages are expected to be approximately $11,887,500, with an additional $19,020,000 in indirect earnings stimulated in the local economy, for a total earnings of an estimated $30,907,500.

Table 16
Iverson Medical Mall
Local Employment and Earnings Impact

Impact Analysis	
Direct FTE Jobs	375
Indirect/Direct Relationship*	1.2:1
Indirect Jobs	450
Direct Wages and Salaries	$11,887,500
Earning Mulitplier*	2.6
Total Additional Earnings	$30,907,500
Total Indirect Earnings	$19,020,000

* Based on RIMS II model.

Sources: U.S. Chamber of Commerce; Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

Table 17 provides the fiscal and economic impact summary that illustrates the local and regional fiscal and economic impacts of the proposed Iverson Medical Mall. It provides a cumulative effect of the project's impact on the County. Note that the economic impact model does not measure the long-term effect of improved medical services on the quality of life of County residents. Nor does it measure the reduction of disabling health injuries that reduce lifetime earnings of its work force. Those impacts could be estimated once the final mix of facilities for the Iverson Medical Mall is determined.

Table 17
Iverson Medical Mall
Project Fiscal and Economic Impact Summary

Fiscal Impacts	
Property Value Increase	$5,250,000
Annual Revenues	$227,680
Annual Costs	$69,563
Annual Fiscal Benefit/Cost	$158,118
Non-Recurring Revenue	$0
Employment	
FTE Jobs	375
Total Direct Wages and Salaries	$11,887,500
Construction	
FTE Jobs	52
Average Annual Wage	$40,000
Total Construction Wages	$2,052,632

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

In summary, the economic and fiscal impact of the Iverson Medical Mall would be substantial. In addition to the health care benefits, putting this vacant space back into a productive use will have positive economic and fiscal impacts on Prince George's County.

H. Physical Impact

With a new development proposal such as the Iverson Medical Mall, it is important to consider physical impacts on the surrounding area, as well as the fiscal and economic impacts. Consequently, an analysis of the impact on the adjacent residential neighborhoods, on traffic generation, and environmental considerations was undertaken.

Since the space in question is existing space that was previously used for both office and retail functions, it was determined that there would likely be no net additional physical impacts beyond those which have been experienced in the past when the office and retail space was occupied and in use. Since that space has become vacant, there have likely been reductions in traffic generated by this space. Replacing the space with medical mall uses will generate traffic associated with both employees at peak hours, and by customers throughout the normal business day and early evening hours. However, we do not envision a situation in which that increased traffic would be greater than the traffic that previously existed when this space was in its previous use.

Our conclusion is that the medical mall would not produce a significant additional impact that would be a concern. Any such concern along these lines would almost certainly be offset by the additional benefits associated with the medical mall's services.

I. Impact on Existing Medical Facilities

Known medical facilities within a one- and three-mile radius of Iverson Mall were analyzed to determine any possible negative impacts associated with the development of the proposed medical mall. The conclusion of this analysis is that the few medical facilities that exist within these radii would positively benefit from the diagnostic and referral services provided in the Iverson Medical Mall. No competitive overlap was noted. Patients may be referred to existing facilities from the Iverson Medical Mall. A possibly harmonious working relationship between the medical mall and existing facilities throughout the County to which referrals would be made would be a positive impact of the medical mall's existence.

VIII. Landover Medical Mall: Town Center Comprehensive Treatment Destination

This section describes the medical mall proposal for the former Landover Mall site. The County's comprehensive planning program for this property, The Landover Gateway Sector Plan, envisions a mixed-use, town center-type development. This development could include a major governmental presence, perhaps even a County governmental center.

Based on our needs study and the current situation with several major medical facilities in Prince George's County, this feasibility analysis tests the financial feasibility of a comprehensive treatment facility that would be a destination medical complex. That is, the size of the medical mall and the mix of facilities would make the Landover Medical Mall a contemporary cluster of medical services and treatment facilities in a town center environment. As indicated in our needs analysis, the trend in the medical services business is away from inpatient hospitals, and more toward clustered outpatient services. In that regard, the medical mall envisioned for the Landover Mall site could be viewed as similar to a hospital in the collection of services rendered, without the hospital dormitory function.

The Landover Mall property and future development of a town center also presents the opportunity for a new construction medical mall, rather than adapting existing space in an existing, underperforming shopping center. We felt it important to test the new construction concept, as well as other concepts which rely on existing space that is renovated.

Landover Mall site prior to demolition.

A. The Concept

The concept for the Landover Medical Mall is a more ambitious endeavor than the proposal for Iverson Mall. The concept here is for a large-scale diversified medical mall that would offer a comprehensive array of treatment facilities, and would in itself become a medical services destination similar in some respects to a hospital. This medical mall would likely be sponsored by a hospital or other major medical organization along with County government. The concept assumes the former Landover Mall site will be developed as a mixed-use town center, perhaps with a large complex of County and/or other government offices.

The opportunity here is to plan, from scratch, a medical mall facility that would be constructed with the new town center and possible government center. The service area population would be a major portion of the County; medical facilities and services would include a broad mix and cross section of necessary services; sponsorship could be a major public/private partnership in conjunction with a large hospital company already operating in the area or coming in anew; the medical mall could complement and "fit" other business, retail and governmental services in a major new county destination center.

In recent years a number of different studies have been undertaken of the future of this important and strategically located property. Conversations have also been held with the property ownership group. The site is approximately 88 acres with adjacent expansion possibilities. The previous use was a 1.3 million square foot regional mall with four anchors and a cinema complex—one of the largest malls in the metropolitan area at the time of construction. Building demolition and some site preparation work has been undertaken. A general consensus appears to exist that it is an excellent site for a mixed-use town center, perhaps with new government center facilities for Prince George's County government.

A medical mall could be designed into this reuse concept, generating additional customer traffic to the benefit of businesses and retail stores in the new town center. Other large scale developments have shown the wisdom of properly mixing uses in large scale developments of this type, to the benefit of each individual use.

Facilities that could be included in this large scale medical mall are:

- Specialty clinics
- Doctors' offices
- Dental offices
- Ambulatory surgery facilities

- Lab facilities
- Diagnostic testing facilities
- Diagnostic imaging center
- Dental urgent care center
- 24-hour walk-in clinic
- Wellness center
- Holistic health center
- Women's health services
- Laser treatments
- Sports medicine
- Physical therapy
- Rehab clinic
- Medical supply rentals
- Prosthetics shop
- Wholesale medical supplies
- Optical shop
- Hearing aid store
- Specialty shoe store
- Health food store
- Social services offices
- Private nurse placement office
- Consumer health education center
- Child care facility for employees
- Senior day care center
- County and other hospital contact offices

The mix of facilities at other large, comprehensive medical centers could be used as a guide. For example, the Jackson Medical Mall Thad Cochran Center in Jackson, Mississippi, occupies major portions of a 900,000-square-foot former regional mall on a 53-acre site. This facility and other comprehensive multi-disciplinary health care complexes have different mixes of facilities based on a number of different factors, including the desires of sponsors. The concept here is a large, diversified destination medical complex that would be built into a mixed-use town center, thereby offering several generative functions on the same site that reinforce each other, and together provide more critical mass and a larger destination complex.

First steps in pursuing this concept, on this site, are to secure support from site owners and the County government, followed by exploratory discussions with large medical institutions and corporations that could operate the facility and/or be partners in a major public/private venture.

B. Assumptions

If the owners of the Landover Mall property pursue a mixed-use town center development, it will be a land development project that, in the simplest sense, sells or leases land or space to independent profit centers or to other co-developers and users. The price of that land and space will likely be fair market value, with the project itself establishing its own market. That is, businesses and individuals seeking occupancy in the town center will purchase or lease land and space from the master developer venture that undertakes the entire town center. This master developer would likely be the site's primary property owner, Lerner Enterprises.

Since the value and cost to the user of land and space in that hypothetical future venture is unknown, our financial analysis is structured to calculate the "residual land value." That is, we make certain assumptions regarding the medical mall itself, and structure a financial analysis model to "solve" for the value of the site for that venture. In essence, the analysis model calculates the amount of money that the medical mall business venture can afford to pay for its land within the town center.

Our approach to the Landover Medical Mall is to first view it as a profit-motivated business venture. If the project does not work as a business venture, the approach is to next explore various forms of public/private partnership to develop the medical mall. Viewing it as a publicly financed facility would only be the "court of last resort."

The residual land value approach requires assumptions related to the development and construction of the building(s) that would comprise the medical mall. It also requires an input assumption about the return on investment that a profit-motivated investor/developer would require in order to undertake the venture and handle the risk associated with it. Our assumptions also include rent rates, occupancy characteristics and other factors that are based on our research in Prince George's real estate markets and our experience with other large scale, mixed-use developments.

Key input assumptions for the financial analysis model are shown in Table 18. We did not input a land acquisition cost since the model is solving for this number, the amount that the venture can afford to pay for its land. If the venture is financially viable, the model will calculate the front end cash that it can throw off for land purchase. If the venture is not viable, the model will show a negative number which is, in essence, the front end cash subsidy necessary to make construction and operations of the medical mall a break-even (or non-profit) business.

Table 18
Landover Medical Mall
Town Center Comprehensive Treatment Destination
Development & Operating Assumptions

Development Costs		**Revenues**	
Land Acquisition	$0	Leasing Efficiency Factor	90%
Building Area, Square Feet	250,000	Rent per sf net[3] ,Yrs 1–5	$28
Construction Costs		Rent per sf net[3] ,Yrs 6–10	$31
Hard Costs per sf	$90	Occupancy	
Soft Costs	23%	Year 1	60%
Basic Building Total	$27,675,000	Year 2	75%
Outfitting		Year 3	80%
Finishings & Furnishing per sf	$27	Year 4	95%
Special Equipment	$10,000,000		
FF&E Total	$16,750,000	**Expenses**	
Parking		Property Management & Marketing	$250,000
Required Dedicated Spaces	750	Unleased Space, Year 1	$400,000
Cost per Space	$15,000	Unleased Space, Year 2	$250,000
Parking Total	$11,250,000	Unleased Space, Year 3	$150,000
		Unleased Space, Years 4–10	$50,000
Total Development Costs	$55,675,000	Security Contract	$300,000
		Maintenance Reserve	$150,000

Source: Hunter Interests Inc.

In order to be a destination treatment complex that offers a comprehensive array of facilities and services, the minimum size for this type of medical mall was determined to be approximately 250,000 square feet. Certain economies of scale could be gained with a larger facility, so prudent planning would allow subsequent development phases to grow the medical mall after its initial success. For the purpose of our analysis, we used a minimum size 250,000-square-foot medical mall.

Our construction cost estimates assume the medical mall venture would construct basic building(s) and accomplish a level of finishes suitable for medical service subtenants to lease and occupy. Some of these tenants would be private practitioners such as doctors and dentists. Others would be private medical service providers such as laboratories and clinics. Still others would be hospitals providing adjunct services, government agencies and quasi-public or non-profit service providers. All would be considered tenants for space in the medical mall.

Construction costs are also estimated in Table 18. Basic shell building with HVAC but not partitioned for tenants could be provided for approximately $90 per square foot hard costs. We assume a standard commercial medical facility finishes and furnishings budget, without equipment, of approximately $27 per square foot. We have also added a special equipment budget of $10 million. These monies would not be used for medical service equipment—that equipment would be provided by subtenants in their subleased space. The $10 million special equipment budget is for special spaces such as HVAC override equipment for special dust and germ control, specialty lighting and habitability features in higher rent for premium space, specialty wiring and circuits for high-load diagnostic equipment, etc.

In a new construction project it will also be necessary for a venture of this type to provide most of its own required parking. We assume a minimum dedicated parking load of three spaces per 1,000 gross square feet. This could be in the mix of two employee spaces and one visitor space, or a similar mix. Additional parking may be required and available "on the street" or in other public parking garages provided by the town center developer. We assume structured parking at a cost of $15,000 per space, exclusive of land.

By designing medical mall building(s) from scratch, a relatively high 90% leasing efficiency factor should be achievable. Rent levels for office, retail and other commercial space in the town center will need to be at or near the top of the market range in order to be financially feasible. We assume that medical service providers will pay some form of premium in order to be in this type of destination medical mall, rather than in non-clustered leased space elsewhere in the County. In today's market the medical mall would command and achieve an average rent of $28 per square foot on a triple net basis. In constant dollars we also assume the second five years of a 10-year lease could achieve a rent escalation to $31 per square foot.

Fairly standard occupancy assumptions are made for the first four operating years in Table 18. We believe the occupancy build-up is realistic considering the medical mall concept, and its unique town center context.

Table 18 also includes estimates for the annual cost of property management and marketing, the cost of carrying unleased space, a level of security appropriate to the town center concept in this location, and a reserve account for maintenance and refurbishing.

C. Financial Feasibility

The initial cash flow analysis for the Landover Medical Mall is shown in Table 19. The efficiency and occupancy factors are included along with the projected rent stream. Total annual revenue is then calculated for the first 10 years, as shown.

The medical mall's operating expenses are also shown. Keep in mind that medical mall space is subleased to medical tenants on a triple net basis, with most operating expenses passed through to the tenants. The venture's likely total operating expenses are then extended for the first 10 operating years.

Finally, net operating income is calculated for each of the first 10 operating years at the bottom of Table 19. The NOI calculation is solely for operating the space, and does not include the capital requirement to construct and deliver the space.

A financial analysis model next calculates annual cash flow, as shown at the top of Table 20. Using the stabilized Year 4 NOI as the money that would be available for debt service, and assuming a debt coverage ration of 1.4, the money available for annual debt service is calculated. With this cash available for debt service, and based on certain other financing assumptions discussed later, we assume a conventional 25-year loan could be secured at an 8% coupon rate. At these terms the supportable debt would be $40,373,231.

The model then calculates supportable equity using the 17% return on investment factor, discounting the residual cash flow to its present value. As shown in Table 20, supportable equity is $7,365,468.

Total supportable debt and equity under this analysis is then $47,738,698.

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Table 19
Landover Medical Mall – Town Center Comprehensive Treatment Destination
Cash Flow Pro Forma

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues										
Gross Building Area, sf	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Leasing Efficiency Factor	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Net Rentable Area, sf	225,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000
Average Occupancy	60%	75%	85%	95%	95%	95%	95%	95%	95%	95%
Occupied Space, sf	135,000	168,750	191,250	213,750	213,750	213,750	213,750	213,750	213,750	213,750
Rental Rate, sf, net[3]	$28	$28	$28	$28	$28	$31	$31	$31	$31	$31
Total Annual Revenue	$3,780,000	$4,725,000	$5,355,000	$5,985,000	$5,985,000	$6,626,250	$6,626,250	$6,626,250	$6,626,250	$6,626,250
Expenses										
Property Mgmt. & Marketing	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000
Vacant Space Carry	$400,000	$250,000	$150,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000
Security	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
Maintenance Reserve	$150,000	$150,000	$150,000	$150,000	$150,000	$150,000	$150,000	$150,000	$150,000	$150,000
Total Annual Expenses	$1,100,000	$950,000	$850,000	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000
Operating Income										
Revenues	$3,780,000	$4,725,000	$5,355,000	$5,985,000	$5,985,000	$6,626,250	$6,626,250	$6,626,250	$6,626,250	$6,626,250
Expenses	$1,100,000	$950,000	$850,000	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000
NET OPERATING INCOME	$2,680,000	$3,775,000	$4,505,000	$5,235,000	$5,235,000	$5,876,250	$5,876,250	$5,876,250	$5,876,250	$5,876,250

Source: Hunter Interests Inc.

Table 20
Landover Medical Mall Town Center Comprehensive Treatment Destination
Project Cash Flow, Supportable Debt/Equity

Project Cash Flow		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Net Operating Income		$2,680,000	$3,775,000	$4,505,000	$5,235,000	$5,235,000	$5,876,250	$5,876,250	$5,876,250	$5,876,250	$5,876,250
Annual Debt Service		$3,739,286	$3,739,286	$3,739,286	$3,739,286	$3,739,286	$3,739,286	$3,739,286	$3,739,286	$3,739,286	$3,739,286
Annual Cash Flow		-$1,059,286	$35,714	$765,714	$1,495,714	$1,495,714	$2,136,964	$2,136,964	$2,136,964	$2,136,964	$2,136,964
Supportable Funds											
Supportable Equity:											
Required Developer Return	17%										
Supportable Equity	$7,365,468										
Supportable Debt:											
NOI Year 4	$5,235,000										
Debt Coverage Ratio	1.4										
Debt Service	$3,739,286										
Interest Rate	8%										
Loan Term	25										
Supportable Debt	$40,373,231										
Total Supportable Funds											
Minimum Equity[1]	$7,365,468										
Supportable Debt[2]	$40,373,231										
Total Supportable Funds	$47,738,698										

[1] The financial model employed in this table solves for a minimum equity requirement based on cash flow after supportable debt service. The actual financing package will likely include significantly greater developer equity which may be structured in the form of loaned capital equal to as much as 30% of the debt required.

[2] The financial model employed in this table uses conventional debt financing. The actual financing package would likely use a combination of short term construction loans, low-interest industrial or economic development loans, and debt that could be structured at more favorable terms within the 30-year span.

Source: Hunter Interests Inc.

D. Residual Land Value

The residual land value calculation is shown in Table 21, along with total project costs. As shown, the residual land value is -$14,806,302. Because this is a negative number, the analysis shows that this venture cannot afford to pay anything for its land, and furthermore, the venture has a financing gap of $14,806,302. In other words, a form of subsidy of non-return capital in the amount of $14,806,302 is necessary in order to establish financial feasibility of this $62,545,000 medical mall.

Table 21
Landover Medical Mall
Town Center Comprehensive Treatment Destination
Residual Land Value Analysis

Development Costs		**Supportable Funds**	
Construction Costs	$27,675,000	Minimum Equity	$7,365,468
Outfitting	$16,750,000	Conventional Debt	$40,373,231
Parking	$11,250,000	Total Supportable Funds	$47,738,698
Total Development Costs	$55,675,000		
Working Capital	$1,000,000	Project Costs	$62,545,000
Debt Service Reserve	$5,870,000		
Total Project Costs	$62,545,000	**Residual Land Value**	-$14,806,302

Source: Hunter Interests Inc.

It is not unusual for a venture of this type to show a negative residual land value in an initial analysis. Assumptions which we made regarding the provision of parking, the return on investment, the need for a $10 million special equipment budget, and other factors would normally come into play as the financial analysis is adjusted and various characteristics of the project are altered in order to achieve feasibility. Virtually all complex real estate development ventures go through this process of reconfiguration and analysis many times before the final development program is secured.

In this instance, the capital gap could be funded a number of different ways. For example, if the parking for the medical mall is provided by others, more than $11 million can be removed from the front end capital costs of the project. Cutting the special equipment budget in half could remove another $5 million. If this venture is undertaken by a non-profit corporation instead of a profit-motivated investment/development group, the 17% return figure would theoretically be reduced to zero. Much more favorable financing may also be possible from public sector sources (e.g., tax exempt revenue bonds) if the venture is a non-profit. Other adjustments in the project's size, quality of finishes, lease terms and other factors would normally be tested in subsequent sensitivity runs of the model, in order to reduce or eliminate the capital gap, and produce a positive residual land value.

Table 21 also includes a working capital budget of $1 million for the venture's initial management and marketing, and a debt service reserve of $5,870,000. This debt service reserve will likely be required in order to achieve the loan terms described in Table 20. It is calculated to carry the venture nearly through its third operating year with the cash flow assumptions shown herein. The existence of this reserve will take significant risk out of the loan from the standpoint of the lender, and will give all venture participants additional comfort should the initial performance of the venture be less favorable than assumed herein.

E. Financial Feasibility Conclusion

This initial analysis demonstrates the need for a public/private partnership to undertake the Landover Medical Mall. Capital gap financing of one type or another from public sector sources is necessary for less than one quarter of total project costs. As previously described, the financing gap and the need for this public participation can be reduced a number of different ways by massaging the project assumptions, size and costs.

Stated another way, a public investment of less than $15 million leverages a new medical mall with a project cost basis of over $62.5 million. Every dollar of public money invested in this worthwhile public/private medical mall causes the total investment of $4.22 in the County, while providing much needed medical services.

Our conclusion from this initial analysis is that a major destination medical mall on the Landover Mall site, as part of a mixed-use town center, can be made to be feasible as either a profit-motivated or non-profit venture. The medical mall would provide an important service to Prince George's County residents at a location that is familiar, within a town center project that, in itself, will become one of the most important product and service destinations in the County.

We recommend that strong consideration be given to including a comprehensive treatment medical mall similar to the one described herein in the redevelopment program for the former Landover Mall site.

F. Fiscal and Economic Impacts

The Prince George's County Fiscal and Economic Impact Analysis Model was again used to estimate the impact of the proposed Landover Medical Mall. This mall would be new construction rather than renovated space, as in the case of the Iverson Medical Mall. Appropriate inputs to the model were made based on our cost analysis, some rounding, and the programmed inputs of the model for new construction.

As shown in Table 22, the assessed value of the 250,000 square foot Landover Medical Mall will be approximately $35 million. On the tax rolls, this property would generate approximately $336,700 in new property tax revenue to the County. Other taxes are estimated by the model to be approximately $590,584, as shown in Table 22.

Table 22
Landover Medical Mall
Fiscal Revenues Analysis

Impact Analysis

Total Value	**$35,000,000**
Net Value Increase, Renovation	**$35,000,000**
Recurring Annual Revenues	
Total County Property Tax	$336,700
Total Property Taxes	**$336,700**
Net County Property Tax	$336,700
Net Property Taxes	**$336,700**
Income Surtax-Residential	$0
Income Surtax-Commercial	$299,803
Business Property Tax	$208,750
Energy Tax-Residential	$0
Energy Tax-Commercial	$44,531
Admissions & Amusements Tax	$0
Hotel/Motel Tax	$0
Cable Franchise Tax	$0
Telecom Tax-Residential	$0
Telecom Tax-Commercial	$37,500
Total Other Taxes	**$590,584**
Non-Recurring Revenues	
Transfer Tax (Residential)	$0
Recordation Tax (Residential)	$0
Impact Fees	
Total Non-Recurring Revenues	**$0**

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

Table 23 shows the estimated costs to the County for additional services with construction of the medical mall. As shown, the estimated cost is $463,750.

Table 23 Landover Medical Mall Fiscal Costs Analysis	
Impact Analysis	
Net Value Increase	**$35,000,000**
Annual Fiscal Costs	
Residential, General	
Single Family Detached	$0
Townhouse/Condo	$0
Apartment	$0
Board of Education	$0
Senior Housing	$0
Student Housing	$0
Commercial, General	$463,750
Project-Specific Debt Service	
Total Annual Fiscal Costs	**$463,750**

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

Table 24 calculates the net fiscal benefits to the County. As shown, the proposed Landover Medical Mall would produce a fiscal benefit of approximately $463,534.

Table 24 Landover Medical Mall Fiscal Impact Analysis	
Impact Analysis	
Net New Property Taxes	$336,700
Total Other Taxes	$590,584
Annual Fiscal Costs	$463,750
Annual Fiscal Revenue/Cost	$463,534
Annual Incentive Program Cost	
Total Net New Benefit/Cost	**$463,534**
Total Non-Recurring Revenues	$0
One-Time Incentive Cost	
Total Non-Recurring Benefit/Cost	**$0**

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

An estimate of construction jobs and wages is shown in Table 25. The $35 million Landover Medical Mall would produce a full time equivalent of 368 construction jobs, with construction wages estimated at approximately $14,736,842.

Table 25
Landover Medical Mall
Regional Direct Construction Jobs and Wages

Impact Analysis	
Direct Construction Jobs	
Total Construction Costs	$35,000,000
Cost per Construction Job	$95,000
Total FTE Construction Jobs	368
Direct Construction Wages	
Total FTE Construction Jobs	368
Average Annual Job Wage	$40,000
Total Construction Wages	**$14,736,842**

Sources: The National Council for Urban Economic Development; Statistical Abstract of the United States; Prince George's Co. Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

The impact analysis model also estimates jobs generated by the medical mall at 1,250, with an additional 1,500 permanent jobs generated in the local economy through secondary and tertiary impacts. As shown in Table 26, the estimate of direct wages and salaries is approximately $39,625,000, and indirect earnings are estimated at approximately $63,400,000. In total, the proposed Landover Medical Mall would generate approximately $103,025,000 in new earnings.

Table 26
Landover Medical Mall
Local Employment and Earnings Impact

Impact Analysis	
Direct FTE Jobs	1,250
Indirect/Direct Relationship*	1.2:1
Indirect Jobs	1,500
Direct Wages and Salaries	$39,625,000
Earning Mulitplier*	2.6
Total Additional Earnings	$103,025,000
Total Indirect Earnings	$63,400,000

* Based on RIMS II model.

Sources: U.S. Chamber of Commerce; Prince George's Co. Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

A summary of the net fiscal and economic benefits is shown in Table 27. As shown, the fiscal and economic impact of the proposed Landover Medical Mall would be substantial.

Table 27
Landover Medical Mall
Project Fiscal and Economic Impact Summary

Fiscal Impacts	
Property Value Increase	$35,000,000
Annual Revenues	$927,284
Annual Costs	$463,750
Annual Fiscal Benefit/Cost	$463,534
Non-Recurring Revenue	$0
Employment	
FTE Jobs	1,250
Total Direct Wages and Salaries	$39,625,000
Construction	
FTE Jobs	368
Average Annual Wage	$40,000
Total Construction Wages	$14,736,842

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

G. Physical Impact

The proposal for the Landover Medical Mall, as a comprehensive treatment complex, and a medical destination in itself, assumes the medical mall would be part of a large, mixed-use town center constructed on the former Landover Mall site. At the time the town center development proposal is being evaluated, a physical impact analysis would be conducted for all components, including a possible medical mall similar to the one proposed herein.

Considering the physical impact of the medical mall alone, that impact would be significantly less than the former use on this site, the Landover Mall Shopping Center. The shopping center was considerably larger than the proposed medical mall, and its physical impacts on adjacent neighborhoods were relatively minor due to the direct access from the Beltway interchange. Physical impact of a medical mall alone would certainly be significantly less than those previously experienced by Landover Mall. Traffic generation would be less; environmental impacts would logically be less due to more stringent environmental controls associated with new construction these days; and the impact on adjacent neighborhoods is expected to be positive with the addition of comprehensive treatment services that do not exist in these neighborhoods at the present time.

Our conclusion is that the medical mall would not produce a significant additional impact that would be a concern. Any such concern along these lines would almost certainly be offset by the additional benefits associated with the medical mall's services.

H. Impact on Existing Medical Facilities

The proposed Landover Medical Mall would likely have two sets of impacts on existing medical service facilities. One set of impacts might be on major hospital facilities in the County, such as the existing Prince George's Hospital Center. The second set of impacts would be on smaller medical service facilities scattered throughout the County, but most particularly, within a five-mile radius of the Landover Mall site.

Regarding the Prince George's Hospital Center, this facility has financial difficulties and is presently losing a considerable amount of money each year due to the necessity of providing uncompensated health care services to Prince George's County residents. There may be other internal and management difficulties that contribute to these operating losses. At the present time, the long term future of this facility is unclear. While it is difficult to conceive of the circumstances under which this hospital would be abandoned and/or replaced by a new facility, a more modern 250,000-square-foot medical mall on the Landover site could be viewed as supplementing existing services at the hospital, and removing some pressure from its provision of services to County residents without insurance, who have difficulty paying their bills.

On the other hand, some services that could be included in the Landover Medical Mall might be considered redundant with services being offered at the Hospital Center. In such case there could be the negative impact of removing certain customers from the hospital center to the Landover Medical Mall. While there may be certain business reductions associated with that move, there could also be benefits to the County Hospital Center by redirecting patients without insurance, and those that cannot afford to pay for their needed health care services.

The future of the Prince George's Hospital Center is likely to be clarified during the next 12 to 18 months. Its continued existence, at least for the medium term, should then be known. If the Landover Medical Mall moves forward toward development during that period, the actual medical services to be included in the medical mall would be determined through intensive discussions with County government, the hospital Board and top management, and others. At some time a more precise estimate of the medical mall's impact, both positive and negative, could be conducted. Until such time, when the future of the Prince George's Hospital Center and the future of the proposed Landover Medical Mall are clearer, it is impossible and purely hypothetical to attempt to estimate these impacts.

Regarding the impacts of the development of the Landover Medical Mall on other medical service facilities within a five-mile radius of the Landover Shopping Center site, an analysis was conducted which shows a wide variety of smaller medical services, clinics and treatment facilities of several different types. Again, until the precise mix of medical services and facilities to be included in the Landover Medical Mall is clearer, it is virtually impossible to determine impacts on these existing facilities. We would expect several existing doctors' offices, outpatient clinics and medical service functions to relocate into the medical mall, to be part of the new and more modern medical services cluster which the Landover Medical Mall will provide. Similarly, changes in existing medical service facilities within the five-mile radius occur each year for numerous reasons that have nothing to do with a proposed new medical mall. Based on our discussions with medical service personnel throughout the course of this study, we conclude that the proposed Landover Medical Mall cannot only fill gaps that exist in the present array of medical services within this five-mile radius, the impact would also be positive in providing a more accessible destination cluster of complementary medical facilities and services in a single destination location. That fact in itself would be a benefit to Prince George's County residents.

IX. Forestville Medical Mall: Preventative Health Care and Wellness Center

The Forestville Plaza Shopping Center was selected as one of the underperforming shopping centers to be analyzed for conversion into a medical mall. The property is significantly different than the first two malls described herein. It is in a much less urban area of the County, near Andrews and Bolling Air Force Bases, with excellent access from Suitland Parkway and other main arteries in the County.

This property is also in the worst condition, with the lowest occupancy of any of the four malls studied in this project. The nature of the property, in size and the configuration of space under roof, lends itself to a complete renovation for a more upscale health and wellness center. Interviews with the property owners indicated a somewhat unrealistic view of current rent potential. Our approach to this property is to view it as a total property acquisition for renovation into a commercially viable medical mall that offers the more upscale preventative and wellness services that are very much in demand today.

A. The Concept

The concept for this mall, with a different market service orientation, is a wellness and preventative care complex that could serve a significant portion of the County population, as well as the needs of surrounding neighborhoods. Due to its location, access characteristics and the nature of the property, Forestville Plaza would lend itself well to this conceptual approach.

Forestville Plaza is a community strip center with approximately 218,000 square feet under roof on an 18.2-acre site. The buildings have housed several different stores including an Ames Department Store, Mattress Discounters, and currently the largest space user is Uncle Jack's Discount Furniture Store, using only a small area in one building. The site and buildings exhibit considerable deferred maintenance and disrepair, and virtually all tenants might be considered to be of a transient nature. This property is a candidate for purchase, complete leasing, or a lease purchase arrangement with the current owner.

Most of the stores in Forestville Plaza are vacant. The parking lot has not been properly maintained.

An off price furniture store uses part of a larger floor plate store. They are not considered to be a long term tenant.

Store modules of different sizes could be adapted easily to medical mall tenants.

A new use is necessary for this deteriorating property—one that helps the surrounding neighborhoods.

The market service area for a use of this type could be considerably larger than for other medical mall concepts. Customers seeking wellness and preventative care services are generally willing to travel greater distances for such services, and exhibit strong repeat business characteristics. Residents of surrounding neighborhoods could benefit from such services, and the jobs this medical mall would provide, as well as being served by a small complement of clinics and traditional medical services that are included in the complex.

The mix of facilities that could be provided in this medical mall development includes the following:

- A large, comprehensive day spa
- Health club
- Health food store

- Gym and recreation center
- Holistic health care center
- Orthopedic/Sports medicine clinic and offices
- Healthy food restaurant(s)
- Physical therapy clinic and offices
- OB/GYN/Women's health services
- Acupuncture
- Massage therapy
- Meditation/Relaxation Institute
- Healthy cooking school
- Dental offices and laboratory
- Specialty clinics

This medical mall might be undertaken as a majority or completely privately financed venture, with little or no public investment component. Its existence could be viewed as supportive to Andrews Air Force Base and other government installations nearby, as well as to the emerging corporate technical complex planned for this area. Over the long run it may also assist revitalizing and upgrading adjacent and nearby residential neighborhoods.

B. Assumptions

With a view toward acquiring the entire Forestville Plaza property, we are using a residual land value model again to determine if the project could be a profit-motivated, privately financed business venture. By using this model we will calculate this type of venture's ability to pay for acquisition of the property. Consequently, our land acquisition input assumption, as shown in Table 28, is zero since the model will calculate the venture's affordable land costs.

Table 28
Forestville Medical Mall
Preventative Health and Wellness Center
Development and Operating Assumptions

Development Costs		**Revenues**	
Land Acquisition	$0	Leasing Efficiency Factor	95%
Building Area, sf	210,000	Rent per sf net^3 ,Yrs 1–5	$19
Construction Costs		Rent per sf net^3 ,Yrs 6–10	$22
Hard Costs per sf	$35	Occupancy	
Soft Costs, sf	$7	Year 1	60%
Hard Costs	$7,000,000	Year 2	80%
Soft Costs	$1,400,000	Year 3	95%
Parking	$880,000		
		Expenses	
		Property Management & Marketing	$250,000
Total Renovation Costs	$9,280,000	Real Estate Commissions, yrs 1–3	$190,000
		Tenant Improvements, yrs 1–3	$560,000
		Security	$300,000
		Maintenance & Reserve	$200,000

Source: Hunter Interests Inc.

Different sources indicate the total square footage under roof to be either 207,000, 218,000 or approximately 210,000 square feet. For analysis purposes we assume the existing building area is approximately 210,000 square feet.

After inspecting various portions of existing buildings on the site, it was determined that existing space could be renovated and taken to market for wellness and preventative care subtenants at a relatively low renovation cost. The current owner has recently invested $225,000 in HVAC improvements, and visual inspection of the sizeable roof areas indicates no need for a complete new roof over the approximately five acres of space under roof.

The current configuration of building spaces also shows a variety of both large and small spaces, several easily subdividable, with considerable frontage for customer visibility. In summary, we feel a hard cost renovation budget of approximately $35 per square foot will make existing buildings presentable and leasable if certain exterior improvements (e.g., repaving and landscaping the parking lot) are included.

As shown in Table 28, both hard and soft cost budgets are included, along with topping, landscaping and striping the portion of the parking lot adjacent to the front of both existing buildings. In total, a renovation cost budget of just under $10 million should be adequate.

We also assume a fairly efficient leasing factor since the building modules lend themselves to leasing the entire space under roof to subtenants. A 95% leasing efficiency factor should be achievable.

With exterior renovations and beautification, and an aggressive marketing and management program, the concept of a health, fitness and wellness center received almost unanimous approval from the real estate and health care professionals with whom it was tested. Other similar tenants in a less clustered and less themed environment are paying $15 to $30 per square foot for space, plus services. Consequently, we assumed a triple net lease rate of $19 per square foot can be achieved for the first five-year rent increment, followed by an increase to $22 per square foot for the next five years. While these lease rates may seem high given the current condition of the mall and comparable commercial rents in the Forestville area, one needs to consider that the tenants that will be sought will be of a more upscale nature, attracted by the concept of a relatively large project with a prevention and wellness orientation. They will view the mall itself and the other wellness tenants as attracting potential customers to their facility. The subtenants anticipated in this project are the type of businesses that are more used to paying competitive commercial rents above $20 per square foot for quality space in the right type of development.

We also assume relatively standard occupancy buildup for the first three operating years as shown in Table 28. It should be possible to stabilize occupancy at the 95% level in the third or fourth year of operation.

Table 28 also includes expense estimates for property management and budgeting, real estate leasing commissions that may be required during the first three operating years, a liberal budget for 24/7 security, and a maintenance and reserve account of $200,000 per year.

We also included in the venture's operating expenses a budget of $1,680,000 for tenant improvements. We assume that the venture would "go to market" with partitioned, rough finished space after the expenditure of approximately $42 per square foot for hard and soft cost renovation. Some tenants will not require any tenant improvement compensation at the rent levels projected for this project. Others will require a "sweetener" of some form of tenant improvement expenditure by the landlord. We feel a budget of almost $1.7 million should be adequate for this purpose.

C. Financial Feasibility

In the residual land value analysis model, our assumptions have been input as shown in Table 29. The venture would have approximately 200,000 square feet of net leasable area, and would build from 60% occupancy in the first operating year to 95% in year three.

In addition to the $19 per square foot initial lease rate, we assume the triple net leases could include a relatively minor common area maintenance charge of approximately $2.50 per square foot. We also assume that three restaurant pads could be leased along the two main road frontages of the project site. When this medical mall is established as a significantly more upscale use than the current Forestville Mall, frontage sites may be very attractive for health-oriented restaurants. We assume three restaurant pads could be leased at an annual lease rate of $100,000 in years three, four and five of the medical mall's operations.

Our capital budget also includes $880,000 for parking lot improvements on the half of the existing parking lot that is adjacent to the front of the two existing buildings. The other half of the parking lot would be used for overflow parking and the three restaurant pads.

With operating expenses also added in Table 29 and extended for the first 10 operating years, the model was able to calculate operating revenues and expenses, as well as a net operating income for each of the first 10 operating years.

Table 29
Forestville Medical Mall Preventative Health and Wellness Center
Cash Flow Pro Forma

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues										
Gross Building Area, sf	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000
Leasing Efficiency Factor	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Net Rentable Area, sf	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Average Occupancy	60%	80%	95%	95%	95%	95%	95%	95%	95%	95%
Occupied Space, sf	120,000	160,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000
Rental Rate, sf, net[3]	$19	$19	$19	$19	$19	$22	$22	$22	$22	$22
Common Area Maintenance	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50
Restaurant Pad Lease	—	—	$100,000	$200,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
Total Annual Revenue	$2,580,000	$3,440,000	$4,185,000	$4,285,000	$4,385,000	$4,955,000	$4,955,000	$4,955,000	$4,955,000	$4,955,000
Expenses										
Property Mgmt. & Marketing	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000
Commissions	$190,000	$190,000	$190,000	$0	$0	$0	$0	$0	$0	$0
Tenant Improvements	$560,000	$560,000	$560,000	$0	$0	$0	$0	$0	$0	$0
Security	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
Maintenance & Reserve	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000
Total Annual Expenses	$1,500,000	$1,500,000	$1,500,000	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000
Operating Income										
Revenues	$2,580,000	$3,440,000	$4,185,000	$4,285,000	$4,385,000	$4,955,000	$4,955,000	$4,955,000	$4,955,000	$4,955,000
Expenses	$1,500,000	$1,500,000	$1,500,000	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000	$750,000
NET OPERATING INCOME	$1,080,000	$1,940,000	$2,685,000	$3,535,000	$3,635,000	$4,205,000	$4,205,000	$4,205,000	$4,205,000	$4,205,000

Source: Hunter Interests Inc.

D. Supportable Debt and Equity

Conventional financing assumptions for Forestville Medical Mall are similar to those used for the Landover Medical Mall in the previous section. In the current market this venture should be able to secure a conventional loan at approximately 8% interest for a 25-year term, perhaps with a prepayment balloon or call in years seven through 10. Due to the risky nature of this venture, a debt service reserve account would likely be required, as discussed later. As shown in Table 30, our fourth year NOI allows a fairly aggressive financing approach. With more than $3.5 million available for debt service, a loan in excess of $27 million is theoretically possible. However, as the balance of this analysis shows, in actual practice, the venture would probably borrow considerably less than that amount if renovation and acquisition costs can be kept to reasonable levels.

The model also calculates supportable equity of approximately $5.6 million. This calculation uses a discounted cash flow approach for the first 10 years estimated net cash flow.

The bottom line in Table 30 is that more than $32.8 million in debt and equity is theoretically supportable by the net operating income of this venture. As noted in the footnotes to Table 30, the actual debt and equity ratio would likely involve a larger percentage of cash equity and a lower loan amount.

Table 30
Forestville Medical Mall Preventative Health and Wellness Center
Project Cash Flow, Supportable Debt/Equity

Project Cash Flow		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Net Operating Income		$1,080,000	$1,940,000	$2,685,000	$3,535,000	$3,635,000	$4,205,000	$4,205,000	$4,205,000	$4,205,000	$4,205,000
Annual Debt Service		$2,525,000	$2,525,000	$2,525,000	$2,525,000	$2,525,000	$2,525,000	$2,525,000	$2,525,000	$2,525,000	$2,525,000
Annual Cash Flow		-$1,445,000	-$585,000	$160,000	$1,010,000	$1,110,000	$1,680,000	$1,680,000	$1,680,000	$1,680,000	$1,680,000
Supportable Funds											
Supportable Equity:											
Required Developer Return	17%										
Supportable Equity	$5,600,556										
Supportable Debt:											
NOI Year 4	$3,535,000										
Debt Coverage Ratio	1.4										
Debt Service	$2,525,000										
Interest Rate	8%										
Loan Term	25										
Supportable Debt	$27,262,535										
Total Supportable Funds											
Minimum Equity[1]	$5,600,556										
Supportable Debt[2]	$27,262,535										
Total Supportable Funds	$32,863,091										

[1] The financial model employed in this table solves for a minimum equity requirement based on cash flow after supportable debt service. The actual financing package will likely include significantly greater developer equity which may be structured in the form of loaned capital equal to as much as 30% of the debt required.

[2] The financial model employed in this table uses conventional debt financing. The actual financing package would likely use a combination of short term construction loans, low-interest industrial or economic development loans, and debt that could be structured at more favorable terms within the 30-year span.

Source: Hunter Interests Inc.

E. Residual Land Value

In Table 31 we have included working capital and debt service reserve line items in order to complete this analysis in a realistic manner. If the medical mall venture were to pursue debt capital near the maximum amount supportable, a prudent lender or bond underwriter would require a sizeable debt service reserve to cover any cash flow shortfall during the first two operating years. In order to support a large loan which would also be used for property acquisition, we have included a debt service reserve of $5,050,000, or two years debt service requirement. The $1 million working capital budget is also fairly liberal, giving this venture a considerable amount of financial "elbow room" in the event of higher capital costs, larger commission requirements, and/or an even more elaborate marketing program. The bottom line is total project costs of $15,330,000, as shown in Table 31.

Table 31
Forestville Medical Mall
Preventive Health and Wellness Center
Residual Land Value Analysis

Development Costs		**Supportable Funds**	
Construction Costs	$8,400,000	Minimum Equity	$5,600,556
Parking	$880,000	Conventional Debt	$27,262,535
Total Development Costs	$9,280,000	Total Supportable Funds	$32,863,091
Working Capital	$1,000,000	Project Costs	$15,330,000
Debt Service Reserve	$5,050,000		
Total Project Costs	$15,330,000	**Residual Land Value**	$17,533,091

Source: Hunter Interests Inc.

With total supportable funds in excess of $32.8 million due to the relatively high net operating income, and total project costs of only slightly more than $15 million, Table 31 shows a residual land value of more than $17.5 million. In other words, this renovation and financing approach to the property could conceivably produce more than $17 million for property acquisition and unanticipated expenses.

This residual land value is extremely favorable for a project of this type. In actuality, considerably less debt and equity would likely be used by the venture and we would anticipate that the existing Forestville Plaza property could be acquired for significantly less than the residual land value shown in this analysis. In such instance, the Forestville Medical Mall could be a very profitable business venture.

F. Financial Feasibility Conclusions

This initial feasibility analysis of the Forestville Medical Mall is extremely favorable. It shows a completely private, profit-motivated business venture that requires no public subsidy to be successful. However, one should be aware that the renovation of more than 200,000 square feet of existing shopping center space, with deferred maintenance, could produce presently unforeseen renovation costs significantly higher than anticipated herein. These buildings are relatively simple, yet they are large. Relatively small unit cost increases could produce significantly larger renovation cost requirements that will need to be funded. Similarly, market acceptance of the concept at this location could be slower than we anticipate. If that is the case, the very favorable revenue stream shown herein could be reduced. Should such reductions occur during the first few operating years, the impact on project feasibility could be significant.

All of that said, we view this medical mall project as extremely favorable due to the lack of a public investment requirement. The market service area for this project could be considerably larger than one would expect when viewing the current situation at Forestville Plaza. There is no similar prevention/wellness complex of health facilities in the County. Consequently, this medical mall would be unique, and its customers would likely travel greater distances than one would expect for the services it would provide.

Our conclusion is that the Forestville Medical Mall is indeed financially feasible, and should be pursued immediately.

G. Fiscal and Economic Impact

The Forestville Shopping Center is largely vacant at present. The Forestville Medical Mall proposal is for private acquisition of the property for renovation and conversion into a preventative health care and wellness center. The feasibility analysis shows this project to be feasible and financible as a private, profit motivated real estate venture. Little or no public financial participation would be necessary if this project is properly undertaken as recommended.

As in the case of the Iverson Medical Mall, all spaces that would be used for medical mall purposes are presently in existence, with the vast majority being vacant and underused. Physical inspection of Forestville Mall indicates considerable deferred maintenance. The existing condition was taken into account when renovation costs were estimated.

For the purpose of this impact analysis, we assume that the 210,000 square feet under roof at the Forestville Mall would be completely renovated. We estimate the assessed value of the completed project at approximately $29,400,000. As in the case of the Iverson Mall, we also estimate the value increase associated with the renovation at approximately half of the completed assessed value, or approximately $14,700,000.

As previously mentioned, the property value increase associated with renovation into a medical mall will vary from project to project. The analysis process in this report assumes a 50% value increase of the renovated space because it is presently vacant and under utilized. In the case of Forestville Plaza, the current assessed value is in excess of $12 million, with a phase-in assessment value for 2008 of over $16 million. Considering these numbers, our estimate of the value increase associated with the Forestville medical mall, as shown in Table 32, seems realistic. That value increase estimate is approximately $14.7 million.

As shown in Table 32, the Prince George's County Fiscal and Economic Impact Model calculates the likely property tax revenue increase from the renovation. This figure is $282,828. The model also calculates other taxes that would likely accrue to the County from the renovation, as shown in Table 32. The additional tax flow increase to the County from the renovation is calculated to be $496,091.

Table 32
Forestville Medical Mall
Fiscal Revenues Analysis

Impact Analysis	
Total Value	**$29,400,000**
Net Value Increase, Renovation	**$14,700,000**
Recurring Annual Revenues	
Total County Property Tax	$282,828
Total Property Taxes	**$282,828**
Net County Property Tax	$282,828
Net Property Taxes	**$282,828**
Income Surtax-Residential	$0
Income Surtax-Commercial	$251,834
Business Property Tax	$175,350
Energy Tax-Residential	$0
Energy Tax-Commercial	$37,406
Admissions & Amusements Tax	$0
Hotel/Motel Tax	$0
Cable Franchise Tax	$0
Telecom Tax-Residential	$0
Telecom Tax-Commercial	$31,500
Total Other Taxes	**$496,091**
Non-Recurring Revenues	
Transfer Tax (Residential)	$0
Recordation Tax (Residential)	$0
Impact Fees	
Total Non-Recurring Revenues	**$0**

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

Governmental cost increases associated with putting the space back into productive use are also calculated by the model in Table 33. As shown, the value increase associated with the renovation is likely to produce operating cost increases totaling $389,550 that would be borne by the County in various line and staff departments of the County government.

Table 33
Forestville Medical Mall
Fiscal Costs Analysis

Impact Analysis	
Net Value Increase	**$14,700,000**
Annual Fiscal Costs	
Residential, General	
Single Family Detached	$0
Townhouse/Condo	$0
Apartment	$0
Board of Education	$0
Senior Housing	$0
Student Housing	$0
Commercial, General	$389,550
Project-Specific Debt Service	
Total Annual Fiscal Costs	**$389,550**

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

The net benefit to the County associated with the renovation of Forestville Mall and conversion of the property into the medical mall, as proposed, is shown in Table 34. The net fiscal benefit this project is likely to produce for the County each year is $389, 369.

Table 34
Forestville Medical Mall
Fiscal Impact Analysis

Impact Analysis	
Net New Property Taxes	$282,828
Total Other Taxes	$496,091
Annual Fiscal Costs	$389,550
Annual Fiscal Revenue/Cost	$389,369
Annual Incentive Program Cost	
Total Net New Benefit/Cost	**$389,369**
Total Non-Recurring Revenues	$0
One-Time Incentive Cost	
Total Non-Recurring Benefit/Cost	**$0**

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

In Table 35 we have included the estimated total construction cost for the renovation. That figure is $9,280,000 for hard and soft costs, including approximately $880,000 in parking lot improvements. These figures were estimated in the feasibility analysis portion of this work.

As shown in Table 35, the model calculates approximately 98 full-time equivalent construction jobs from this renovation, and full construction wages of approximately $3,907,368.

Table 35
Forestville Medical Mall
Regional Direct Construction Jobs and Wages

Impact Analysis	
Direct Construction Jobs	
Total Construction Costs	$9,280,000
Cost per Construction Job	$95,000
Total FTE Construction Jobs	98
Direct Construction Wages	
Total FTE Construction Jobs	98
Average Annual Job Wage	$40,000
Total Construction Wages	**$3,907,368**

Sources: The National Council for Urban Economic Development; Statistical Abstract of the United States; Prince George's Co. Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

Direct and indirect employment increases associated with converting the property into a medical mall are shown in Table 36. The medical mall would generate approximately 1,050 full time equivalent jobs, with direct wages and salaries calculated at $33,285,000. Using the RIMS II Input/Output Model for calculation of the secondary and tertiary employment impacts, indirect earnings of approximately $53,256,000 are likely to be generated. In total, the project would add approximately $86,541,000 in direct and indirect earnings to the local economy.

Table 36
Forestville Medical Mall
Local Employment and Earnings Impact

Impact Analysis	
Direct FTE Jobs	1,050
Indirect/Direct Relationship*	1.2:1
Indirect Jobs	1,260
Direct Wages and Salaries	$33,285,000
Earning Mulitplier*	2.6
Total Additional Earnings	$86,541,000
Total Indirect Earnings	$53,256,000

* Based on RIMS II model.

Sources: U.S. Chamber of Commerce; Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

A summary of the Forestville Medical Mall's fiscal and economic impact is shown in Table 37. Considering the net fiscal benefits to the County, plus the construction and permanent employment generated by the project, the total economic impact of the project is substantial. There would also likely be additional impacts associated with stimulating redevelopment and revitalization on adjacent properties, because at present the Forestville Shopping Center has a negative impact as a largely vacant and seemingly abandoned property.

Table 37
Forestville Medical Mall
Project Fiscal and Economic Impact Summary

Fiscal Impacts	
Property Value Increase	$14,700,000
Annual Revenues	$778,919
Annual Costs	$389,550
Annual Fiscal Benefit/Cost	$389,369
Non-Recurring Revenue	$0
Employment	
FTE Jobs	1,050
Total Direct Wages and Salaries	$33,285,000
Construction	
FTE Jobs	368
Average Annual Wage	$40,000
Total Construction Wages	$3,907,368

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

H. Physical Impact

The physical impact of converting the Forestville Shopping Center into the proposed medical mall is considered to be positive. First, from a traffic generation standpoint, when the mall was nearly fully occupied the traffic generated by the shopping center was not reported to cause congestion on adjacent roadways that posed a problem. With frontage on two major arteries, both with relatively low peak hour and average daily traffic counts, the traffic generated by the medical mall, its employees and customers, will likely be similar to the traffic levels that were previously generated when the shopping center was heavily tenanted.

Secondly, from the standpoint of environmental impact, the currently largely vacant buildings can be considered more of a fire hazard and breeding ground for vermin than would the renovated and occupied medical mall property. Interviews with merchants in the area indicate that the abandoned and poorly maintained parking lot has been a favorite location for drug dealers and prostitutes in the area. A well lit parking lot for upscale use, with 24/7 security, would likely result in reductions of this type of undesired activity.

Finally, bringing a more upscale use of this size, with a critical mass of daytime activity, would likely have a positive impact on adjacent properties. There are other commercial properties in the area that show considerable deferred maintenance and have relatively low rent paying tenants. The proposed medical mall would bring a different clientele to this area, with the likely result that nearby commercial property owners would respond with property renovations and tenant upgrades, to take advantage of a new wave of customers.

Our conclusion is that the medical mall would have a series of positive physical impacts on the area around the Forestville Shopping Center.

I. Impact on Existing Medical Facilities

Some of the services that would logically be offered in the proposed Forestville Medical Mall are offered on scattered sites throughout Prince George's County. However, a windshield survey of the surrounding area indicated that very few such services are presently located in the vicinity of the Forestville Shopping Center. Negative impacts from increased competition if the Forestville Medical Mall is developed as proposed are likely to be minimal to nonexistent.

On the other hand, the development of this project, with an aggressive predevelopment marketing and leasing program, will provide a more favorable locational alternative for health, fitness and nutrition establishments in this portion of Prince George's County. In the feasibility analysis for this project the tenant rent level is viewed as competitive for a renovated project of this type. Due to the clustering effect in the medical mall and the mall's total project marketing program, existing establishments in these businesses may be willing to pay a premium for space in the medical mall. Consequently, we view the project's impact on existing medical facilities in the area as also being positive.

X. Landover Crossing Medical Mall: Emergency Medical Services

The Landover Crossing Shopping Center was selected early in this study due to its strategic location on a Beltway interchange, the condition of the shopping center, the availability of a significant amount of space at relatively low rental rates, and the fact that the concept for a medical mall in the nearby Landover Mall property may be a number of years in coming, if at all. Our needs study indicated a strong need for emergency medical services at this location. The Beltway interchange also expands the market service area for an EMS facility at this site.

A. The Concept

The medical mall concept recommended for Landover Crossing would be anchored by a 24-hour walk-in clinic that would provide emergency services to the surrounding area population, as well as for facilities like Fed Ex Field, nearby retail and employment centers, and patients who access this site from the Landover Beltway interchange. The daytime and resident populations in this area are quite dense with a strong need for emergency medical services.

The Landover Crossing Mall is 33 years old, approximately 179,000 square feet on almost 20 acres. The mall was previously anchored by a Circuit City store and Sam's Club, both of which left the center some time ago. The Circuit City free-standing store is now occupied by Home Evolution (a home improvement store) and portions of the Sam's Club space is occupied by a C-Mart store. A few other smaller service and retail tenants occupy space, but the mall has approximately 120,000 square feet of vacant space.

The C-Mart anchors one end of the larger building in Landover Crossing Shopping Center

Existing vacant space could be quickly converted to medical mall usage with relatively little reinvestment other than tenant outfitting.

Existing retail tenants could remain and benefit from customer traffic generated by medical mall facilities.

The free standing Home Evolution store could remain as is, or be converted to medical mall usage.

The mix of facilities that could be included in a medical mall in leased space in this center is as follows:

- A 24-hour walk in clinic (known in the medical service business as a commercial emergency room or "doc in a box")
- Two to four outpatient clinics (possibly dental, eye, services like dialysis, or other surgical or specialty clinics affiliated with medical groups or hospitals)
- Full-service pharmacy (possibly with convenience store facilities such as CVS, Walgreen's, Eckert's)
- Doctors' offices (for doctors affiliated with emergency clinic services)

The concept is to quickly take advantage of available leasable space in a visible and highly accessible location for a medical mall oriented toward emergency services. Advantages include the ability to "get into business" quickly with proper sponsorship and backing, and possibly undertake the initial venture as a completely privately financed business venture. These facilities could also be moved at a later date, to a larger medical mall on the former Landover Shopping Center site across the road.

Initial size requirements might be 10,000 square feet or less, with considerable potential to grow in this location. Expansion potential includes the possibility of leasing additional available space or building additional structures on this 20-acre site. The medical mall could also expand on adjacent available real estate to the west of the shopping center. Ample parking is presently available and would not be a project cost.

Benefits include providing much needed emergency medical services immediately; putting former retail space that has been vacant for some time back into productive use; assisting existing and possible future retail tenants with the medical mall's traffic generation; and providing an opportunity to immediately test the medical mall concept in Prince George's County.

B. Assumptions

Following our interview with the Landover Crossing property manager, a number of assumptions were made about an appropriate EMS approach for a medical mall in this center. For a number of reasons it was decided to start small, with a venture that could quickly fit existing vacant space in the mall, and provide a much needed 24/7 emergency service facility at a critical location along the Washington Beltway. While a considerable amount of vacant space exists in the mall, with expansion potential on adjacent property, our research indicated a concept for a venture owned and launched by one or more doctors to be appropriate for this property at this time.

In the medical services business, small emergency service facilities are becoming increasingly popular. They present an opportunity for an individual doctor or a small group of internists or emergency services doctors to establish their own business venture. Relatively small EMS facilities are proving both profitable and professionally satisfying for experienced physicians who are seeking alternatives to hospital staff assignments.

In order to conduct the feasibility analysis for an emergency service facility in the Landover Crossing Mall, it was necessary to conduct additional research into these business ventures, from the standpoint of capital and operating costs. Simply stated, the space requirements of these ventures are relatively small (usually 3,000 to 10,000 square feet) yet the equipment and management needs are quite complex. These ventures are a relatively small business in many respects, yet a very complex business with expensive equipment needs. Consequently, we structured this venture in a manner that goes beyond simply the real estate aspects, and into the necessary outfitting of the physical facility in order to function as a licensed emergency medical service facility.

In conjunction with physicians experienced in this type of venture, it was determined that a module of leased space as small as 5,000 square feet could be designed and constructed to function as an emergency service facility capable of operating 24 hours a day, and seven days per week. The facility would include three emergency rooms that are outfitted in a manner capable of performing life-saving and life support services similar to a hospital emergency room. The facility would also contain three to five treatment and holding beds, as well as a diagnostic area, waiting room and administrative facilities, storage and other necessary spaces.

As shown in Table 38, we assume gross leasing of an initial 5,000 square feet from the Landover Crossing Mall. An available space of this size with adequate frontage and "front door" is presently available at a quoted rate of approximately $10 per square foot. The quality of this space is relatively good and interior partitions and floor plan construction can be accomplished for approximately $55 per square foot hard costs or less.

Table 38 also includes an appropriate soft cost budget. No cost is necessary for either property acquisition or parking. Ample unused parking exists directly opposite the space that would be leased, since the Landover Crossing Mall is presently underutilized.

Our assumptions in Table 38 also include a section on necessary outfitting of the renovated space in order to function as an emergency medical services facility. We have prepared cost estimates for finishes and furnishings, three emergency room basic equipment packages, a budget for office equipment and supplies, cost estimates for soft goods and an initial inventory of consumables, and other necessary outfitting. We have also included a very liberal special equipment budget of $500,000. This budget would be used by the doctor(s) undertaking this venture for additional diagnostic and treatment equipment deemed necessary for this facility.

Table 38
Landover Crossing Medical Mall
Emergency Medical Services
Development & Operating Assumptions

Development & Outfitting Costs			
Land Acquisition	$0	Emergency Room Outfitting	
Building Area, sf	5,000	Finishes & Furnishings	$115,000
Gross Bldg. Rent per sf		ER Basic Equip. Package (3)	$265,000
Yrs. 1–5	$10	Linen, Uniforms, Soft Goods	$32,000
Yrs. 6–10	$12	Consumables Inventory	$20,000
Building Renovation		Special Equipment Budget	$500,000
Hard Costs per sf	$55	Office Equip. & Supplies	$23,000
Soft Costs per sf	$10	Contingency & Other	$120,000
Hard Costs	$275,000	Total Outfitting	$1,075,000
Soft Costs	$50,000		
Parking	$0		
Total Renovation	$325,000		
Revenues		**Expenses**	
Leasing Efficiency Factor	100%	Gross Rent	$50,000
Rent per sf net[3] ,Yrs 1–5	$39	Real Estate Loan: 8%, 25 year term,	
Rent per sf net[3] ,Yrs 6–10	$45	5-year call, secured	
		Equipment Loan: 10%, 10 year term, guaranteed	

Source: Hunter Interests Inc.

Lease efficiency and occupancy characteristics would be at 100% since the emergency services venture would be the only tenant in the real estate venture envisioned for this project. In essence, the doctor(s) undertaking the emergency services venture would establish a real estate venture which leases the space from the Landover Crossing Mall and outfits the space for use. A second venture, the emergency services business venture, would then sublease the space after renovation and outfitting from the doctor(s)'s real estate venture. There are a number of different reasons to structure this venture in this manner.

In order to understand how the real estate and emergency services business ventures would work, we continued our research into a likely floor plan, necessary staffing, and financing options. We assumed the sponsoring doctor(s) would borrow the maximum amount possible in a real estate loan (e.g., renovation and certain outfitting costs) and would take out a second loan for the majority of the necessary medical equipment. We have assumed terms for both of these loans in current markets in Table 38. We also assumed it would be necessary for the sponsoring doctor(s) to guarantee the equipment loan in order to achieve a 10-year amortizing term at a 10% coupon rate.

Based on these assumptions, we are confident that a sponsoring doctor, or group of doctors, could be located relatively easily in Prince George's County to undertake a venture of this type.

C. Capital Requirements

Based on our estimates of building renovation costs, and emergency room outfitting costs, we estimate this venture would have a total capital requirement of approximately $1.4 million. As shown in Table 39, approximately $325,000 would be required for building renovation hard and soft costs. Another $310,000 would be necessary for FF&E, and certain initial soft outfitting costs that may be able to be lumped into a real estate loan. Basic equipment that would have a shorter economic life would total approximately $765,000, and would be the subject of a separate equipment loan or an equipment leasing deal.

Table 39
Landover Crossing Medical Mall
Emergency Medical Services
Capital Requirements

Building Renovation	$325,000
Outfitting	$310,000
Special Equipment	$765,000
Total Capital Requirement	$1,400,000

Source: Hunter Interests Inc.

When considering the nature of this venture, and the opportunities presented for candidate doctor sponsors, the $1.4 million capital requirement is considered to be both reasonable and tolerable. Some similar facilities have been undertaken on smaller budgets, and later grew using business cash flow to retire initial debt and fund expansion.

D. Financing

The challenge in putting together a financing package for this venture is to include as many items as possible in the real estate loan that funds the space renovation and outfitting. As shown in Table 40, we assume that building renovation and outfitting costs totaling $635,000 can be lumped into a real estate loan that would be secured by this venture and other real estate equity of the sponsor(s). If this can be accomplished, as shown in Table 40, an equipment loan of $500,000 would be a second debt obligation of the venture. With these two loans in place, the venture principals would need to provide approximately $265,000 of investment capital as a cash equity contribution to launch and properly fund the venture.

Table 40
Landover Crossing Medical Mall
Emergency Medical Services
Venture Financing

Real Estate Loan	$635,000
Equipment Loan	$500,000
Cash Equity	$265,000
Total Capital Requirement	$1,400,000

Source: Hunter Interests Inc.

We assume that the equipment loan would require a personal guarantee of one or more substantial principals in the venture. The equipment could also be financed by others and leased by either the real estate venture or the emergency services business venture. Both lenders would take comfort from the substantial cash equity contribution of the principals, as well as their collateral and guarantees.

E. Financial Feasibility

If this medical mall is structured as recommended herein, the real estate venture would function as a pass-through and financing conduit for the sponsoring doctor(s). As shown in Table 41, the expenses of the real estate venture would be a gross rent paid to the mall, and the debt service on both loans. Rents paid to the real estate venture are, in part, calculated to zero out this operation. That is, the real estate venture would have a small amount of positive cash flow, its primary purpose being to provide the space and carry the debt load.

As shown in Table 41, with the increased spread during the second five years of occupancy, the real estate venture would net approximately $141,200 during the first ten years of operation. When this return is contrasted with the front end cash requirement of $265,000, the investors' cash account at the end of 10 years would have a balance of approximately $123,800.

Stated another way, this two-entity venture structure would return most of the initial cash investment during the first 10 years of operation. It would also provide a turnkey emergency services facility, ready to go into business on day one. The sponsoring doctor(s) would have the primary obligation of less than $200,000 in rent per year, plus the front end cash equity requirement.

Table 41
Landover Crossing Medical Mall Emergency Medical Services
Cash Flow Pro Forma

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues										
Gross Building Area, sf	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Leasing Efficiency Factor	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Net Rentable Area, sf	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Occupancy	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Occupied Space, sf	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Rental Rate, sf, net[3]	$39	$39	$39	$39	$39	$45	$45	$45	$45	$45
Total Annual Revenue	$195,000	$195,000	$195,000	$195,000	$195,000	$225,000	$225,000	$225,000	$225,000	$225,000
Expenses										
Debt Service, Real Estate Loan	$59,500	$59,500	$59,500	$59,500	$59,500	$59,500	$59,500	$59,500	$59,500	$59,500
Debt Service, Equipment Loan	$81,380	$81,380	$81,380	$81,380	$81,380	$81,380	$81,380	$81,380	$81,380	$81,380
Gross Rent	$50,000	$50,000	$50,000	$50,000	$50,000	$60,000	$60,000	$60,000	$60,000	$60,000
Total Annual Expenses	$190,880	$190,880	$190,880	$190,880	$190,880	$200,880	$200,880	$200,880	$200,880	$200,880
Net Venture Income										
Revenues	$195,000	$195,000	$195,000	$195,000	$195,000	$225,000	$225,000	$225,000	$225,000	$225,000
Expenses	$190,880	$190,880	$190,880	$190,880	$190,880	$200,880	$200,880	$200,880	$200,880	$200,880
NET OPERATING INCOME	$4,120	$4,120	$4,120	$4,120	$4,120	$24,120	$24,120	$24,120	$24,120	$24,120

Source: Hunter Interests Inc.

F. Financial Feasibility Conclusions

This analysis demonstrates a feasible manner to provide an emergency services medical mall as quickly as possible at a key location in Prince George's County. The space necessary for this venture is available now at the rent quoted herein. A sponsoring physician or group of physicians could undertake the venture immediately.

If a more ambitious approach to this medical mall were desired by a potential sponsor, a much larger block of space could be leased, and a venture structure similar to the one recommended herein could be adapted to that approach. Other financial structures have also been utilized by physicians who have successfully undertaken ventures of this type.

Landover Crossing Mall is particularly appropriate since it is in relatively good condition, and presents itself to the market in a desirable manner. Even though the mall's performance is not as successful as in the past, the current owners and operators have maintained the mall in relatively good condition considering the tenancy situation.

We recommend that this project be pursued by seeking potential sponsors to undertake it.

G. Fiscal and Economic Impacts

The small emergency services project recommended for the Landover Crossing Medical Mall was analyzed in a manner similar to the Iverson and Forestville Medical Malls, since all three of these projects involve renovation of existing vacant space for medical mall purposes. In this case, assumptions similar to the other two projects were used to estimate the value increase associated with renovation of the real estate.

As shown in Table 42, we estimate the value increase of renovation of 5,000 square feet in the Landover Crossing Mall at approximately $350,000, or approximately half of the likely assessed value of that space. The Prince George's County Fiscal and Economic Impact Model was also used for calculation of the likely property tax flow increase to the County, as well as tax flows from other existing taxes on commercial establishments. As shown in Table 43, the net annual property tax increase is estimated to be $6,734, and the tax flow increase from other taxes is estimated to be $11,812.

Table 42 Landover Crossing Medical Mall Fiscal Revenues Analysis	
Impact Analysis	
Total Value	**$700,000**
Net Value Increase, Renovation	**$350,000**
Recurring Annual Revenues	
Total County Property Tax	$6,734
Total Property Taxes	**$6,734**
Net County Property Tax	$6,734
Net Property Taxes	**$6,734**
Income Surtax-Residential	$0
Income Surtax-Commercial	$5,996
Business Property Tax	$4,175
Energy Tax-Residential	$0
Energy Tax-Commercial	$891
Admissions & Amusements Tax	$0
Hotel/Motel Tax	$0
Cable Franchise Tax	$0
Telecom Tax-Residential	$0
Telecom Tax-Commercial	$750
Total Other Taxes	**$11,812**
Non-Recurring Revenues	
Transfer Tax (Residential)	$0
Recordation Tax (Residential)	$0
Impact Fees	
Total Non-Recurring Revenues	**$0**

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

The impact analysis model also calculates the likely cost increase to the County for governmental services of all types. As shown in Table 43, this cost increase is estimated to be $9,275.

Table 43
Landover Crossing Medical Mall
Fiscal Costs Analysis

Impact Analysis	
Net Value Increase	**$350,000**
Annual Fiscal Costs	
Residential, General	
Single Family Detached	$0
Townhouse/Condo	$0
Apartment	$0
Board of Education	$0
Senior Housing	$0
Student Housing	$0
Commercial, General	$9,275
Project-Specific Debt Service	
Total Annual Fiscal Costs	**$9,275**

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

The net fiscal impact is shown in Table 44. If the cost increase is subtracted from all tax flow increases, a net fiscal benefit of approximately $9,271 per year is calculated by the model. While these numbers are relatively small, they nevertheless demonstrate a net fiscal benefit to the County of a project that is even this small.

Table 44
Landover Crossing Medical Mall
Fiscal Impact Analysis

Impact Analysis	
Net New Property Taxes	$6,734
Total Other Taxes	$11,812
Annual Fiscal Costs	$9,275
Annual Fiscal Revenue/Cost	$9,271
Annual Incentive Program Cost	
Total Net New Benefit/Cost	**$9,271**
Total Non-Recurring Revenues	$0
One-Time Incentive Cost	
Total Non-Recurring Benefit/Cost	**$0**

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

Actual construction costs that were estimated for the renovation in the feasibility analysis are input to the model in Table 45. The $325,000 is the estimate of building renovation hard and soft costs from the feasibility analysis. The model calculates approximately three full time equivalent construction jobs for the renovation, and total construction wages of approximately $136,842, as shown in Table 45.

Table 45
Landover Crossing Medical Mall
Regional Direct Construction Jobs and Wages

Impact Analysis	
Direct Construction Jobs	
Total Construction Costs	$325,000
Cost per Construction Job	$95,000
Total FTE Construction Jobs	3
Direct Construction Wages	
Total FTE Construction Jobs	3
Average Annual Job Wage	$40,000
Total Construction Wages	**$136,842**

Sources: The National Council for Urban Economic Development; Statistical Abstract of the United States; Prince George's Co. Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

Permanent jobs generated by the project are shown in Table 46. In our feasibility analysis for this project we estimated the likely employment in various job categories for this business venture. The total employment estimated in that exercise was 22 persons. It is interesting to note that the County's impact model is on target with its estimate of 25 full time equivalent jobs, as shown in Table 46.

The model also estimates 30 additional jobs indirectly generated by the project, and total earnings, direct and indirect, of $2,060,500. Our payroll estimates for this venture are slightly higher than the estimates prepared by the model because of the relatively high pay scales for the four or five physicians that would be on this venture's payroll. Nevertheless, this check on the impact model's accuracy is useful, and gives us confidence that the calculations conducted by the model are reasonable and very close to the situation that will occur if the project goes forward.

Table 46
Landover Crossing Medical Mall
Local Employment and Earnings Impact

Impact Analysis	
Direct FTE Jobs	25
Indirect/Direct Relationship*	1.2:1
Indirect Jobs	30
Direct Wages and Salaries	$792,500
Earning Mulitplier*	2.6
Total Additional Earnings	$2,060,500
Total Indirect Earnings	$1,268,000

* Based on RIMS II model.

Sources: U.S. Chamber of Commerce; Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

A summary of the fiscal and economic impacts of the proposed Landover Crossing Medical Mall is shown in Table 47. As shown, there are significant employment and fiscal impacts from even a project that is this small. Additional benefits associated with providing a service to the surrounding neighborhoods, and generating more customer traffic for retailers in the Landover Crossing Mall would also be realized.

Table 47
Landover Crossing Medical Mall
Project Fiscal and Economic Impact Summary

Fiscal Impacts	
Property Value Increase	$350,000
Annual Revenues	$18,546
Annual Costs	$9,275
Annual Fiscal Benefit/Cost	$9,271
Non-Recurring Revenue	$0
Employment	
FTE Jobs	25
Total Direct Wages and Salaries	$792,500
Construction	
FTE Jobs	368
Average Annual Wage	$40,000
Total Construction Wages	$136,842

Sources: Prince George's County Fiscal Impact Model; Market-Economics, Inc.; Hunter Interests Inc.

H. Physical Impact

Physical impacts associated with traffic generation, environmental matters and other physical impacts are likely to be negligible from a project this small. When the Landover Crossing Shopping Center had more stores and higher retail tenancy, considerably more traffic was generated and handled by adjacent roadways than is likely from this project. In fact, the mall's proximity to the Landover interchange on the Beltway is one of the benefits since it expands the market service area for the emergency medical services that would be offered in this medical mall.

I. Impact on Existing Medical Facilities

The nearest emergency medical services that we were able to identify are at the Prince George's Hospital Center in Cheverly. That facility, with a larger and more comprehensive emergency room, would likely be viewed as more favorable than the Landover Crossing Medical Mall, especially for major injuries and trauma patients. We view the emergency services proposed in this project as an adjunct and additional benefit, particularly for minor injuries that often result in long waiting periods for treatment in a larger hospital emergency room.

Consequently, we view negative impacts on existing medical services to be negligible. From the standpoint of the County hospital, we believe this facility would be welcomed as relieving the hospital emergency room of burdens associated with minor injuries that could be treated rapidly and expeditiously in the medical mall. The venture also presents an opportunity to attract or retain skilled physicians and nurses in an independent business venture, which may offer positive alternatives in comparison to hospital staff positions.

IX. Implementation Strategy

This section summarizes our recommendations for implementing a medical mall in Prince George's County. It includes policy considerations, partnership models, and immediate next steps to launch the implementation process.

A. Policy Considerations

Prior to deciding whether or not to proceed with a medical mall in Prince George's County, the County government should clarify and confirm its intended role in the provision of health care services to Prince George's County residents in the future. There have been numerous discussions on appropriate roles for County government in the health care business during the past few years. Certain actions which the County has taken, and actions which it has chosen to not take, begin to define an implicit role in health care. However, the context for proceeding with a medical mall requires a clear definition of the role which the County government intends to play in the future regarding the provision of health care services to County citizens.

For example, discussions and proposals related to the future of the Prince George's Hospital Center describe a situation where the County seeks to continue the availability of services from this facility, yet the precise governmental role in relation to other facility owners and operators has not been clearly defined as a precursor to County action. A consensus on a general role, with defined examples such as the future of Prince George's Hospital Center and whether or not the County feels an aggressive role in launching and partnering in medical malls is appropriate, would together clarify the policy context for proceeding with this project.

Before proceeding, there needs to be a consensus on whether or not an aggressive role in establishing medical malls in the County is appropriate. On one hand, the County could choose a more passive role as catalyst and facilitator, choosing not to be financially involved in the facilities and operations of a medical mall. On the other had, since many believe medical malls are an important aspect of the future of health care services, the County could choose a more aggressive role, including capital investment and a measure of control over the operations of one or more medical malls. Of course, a third option is also available—that of not participating at all, and leaving the future of medical malls in Prince George's County entirely in the hands of the private sector.

B. Partnership Models

Existing medical malls demonstrate several models for public/private partnerships to conceive of, finance, develop and operate medical malls. Our research on this project, including discussions with those involved in other medical malls, indicates there is no single "most appropriate" or preferred partnership model for a successful medical mall. The most sensible way to determine the appropriate partnership model is to first determine the specific medical mall to be undertaken (is it one of the four recommended in this study?) and secondly, to determine the desired level of participation by local government. These two situations in themselves will begin to describe the appropriate partnership model for the County's first medical mall.

If the County decides to proceed, and if it chooses a fairly aggressive role in causing the development of medical malls, we recommend the County create a single-purpose development corporation which would be charged with representing the public interest in establishing medical malls. While certain existing administrative units in County government could be charged with the role of facilitating and overseeing medical malls in a less aggressive approach, none seem particularly suited to carry out the responsibilities implicit in determining the first mall, securing the site and/or property interest, identifying partners and project participants, determining the medical services that the mall will provide, securing necessary capital and operating funds, and establishing the appropriate entity to operate the first medical mall. All such important functions could best be undertaken by a new development corporation established solely for the purpose of causing to be developed the County's first medical mall.

Even if the County chooses a more passive approach, that of catalyst and facilitator, County government may wish to establish a new administrative entity for that purpose. Again, decisions on where the responsibility for medical mall development should lie within County government will be largely a function of how aggressive a role County government chooses to play in future medical malls in Prince George's County.

Based on our research it seems obvious that the lead entity for establishing the County's first medical mall will likely reside within County government. Private parties in the County in the health care business have researched and discussed medical malls, and even begun the process of creating one. However, our conclusion is that no private sector medical malls in Prince George's County are imminent. Simply stated, while discussions have occurred, no medical malls appear to be "on the drawing board" with serious financial support from private health care parties.

In summary, a public initiative seems likely to launch the process that could bring into being Prince George's County's first medical mall.

Regarding prospective partners for the County's first medical mall, we recommend a public forum on medical malls be held in the immediate future to get the word out on this study, and also to help identify prospective partners for one or more medical malls. The interest of existing health care providers in the County may increase significantly when knowledge of this study is received. If County government's response is positive, and if an active role by County government as a public partner in a medical mall seems possible, many existing health care companies and individual groups of physicians may come forward in response to the four medical mall projects proposed herein, and possibly others.

At the present time, no obvious partner for one of the four medical malls described herein could be found. However, the four opportunities described herein have not yet been presented to prospective partners in a systematic fashion. The purpose of the public forum would be to fairly launch that process with a level playing field for all. A survey which would follow the public forum would present additional opportunities for prospective partners to identify themselves, and come forward with their interest and ideas.

C. Implementation Steps

To assist the County in understanding appropriate next steps to proceed with establishment of a medical mall, we have prepared a flow chart which completes this study process and describes a 30-step pre-development process for the County's first medical mall. Different processes could be used for any number of different reasons. However, with our knowledge of County government operations, roles and relationship between County government and M-NCPPC, we have recommended a somewhat generic process described in the flow chart. Each step in the process has a number which correlates to the description of that step below.

HUNTER INTERESTS
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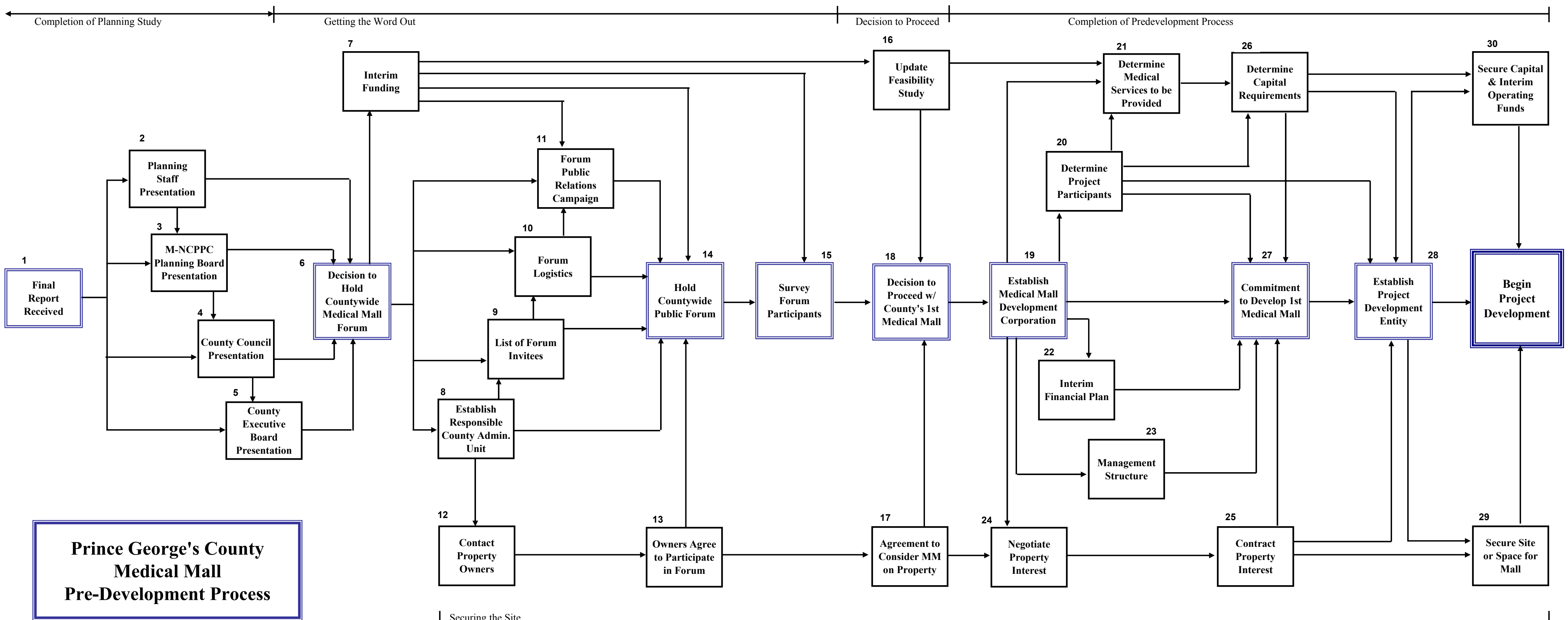

Source: Hunter Interests Inc.

Pre-Development Process Steps

1. **Final Report Received** — The final report document of this study can be distributed in two forms. The Executive Summary can be separately bound for wide dissemination. The report itself can be made available for those with an interest in details. The PowerPoint presentation used in the four final presentations can also be disseminated.

2. **Planning Staff Presentation** — Hunter Interests will prepare a PowerPoint presentation for use in summarizing this project for M-NCPPC staff.

3. **M-NCPPC Planning Board Presentation** — With staff input and approval, the PowerPoint presentation will be used for our meeting with M-NCPPC Planning Board.

4. **County Council Presentation** — The report and PowerPoint presentation will be available for the meeting with County Council.

5. **County Executive Board Presentation** — A final presentation will be held with the County Executive, key County leaders and invited guests.

6. **Decision to Hold Countywide Medical Mall Forum** — As a device to get the word out to the business leadership and the health care community, a day-long public forum on medical malls in general, and this study specifically would be held. In agreeing to the public forum County government would be committing to the first part of the pre-development process described herein.

7. **Interim Funding** — Certain funds will be necessary for the public forum, re-establishing continuous contacts with property owners, keeping feasibility work current, and a survey of public forum participants. A budget in the range of $200,000 to $300,000 will likely be necessary.

8. **Establish Responsible County Administrative Unit** — Interim management responsibility for the first portion of the pre-development process should be established in an existing County government or M-NCPPC agency.

9. **List of Forum Invitees** — A comprehensive list of health care providers, business and governmental leaders, community organizations, stakeholders and others would be established for the public forum.

10. **Forum Logistics** — An appropriate time, place, organization and support for the public forum would be established.

11. **Forum Public Relations Campaign** — A modest public relations campaign would be mounted to publicize the forum, including brochures, media contact and face-to-face discussions.

12. **Contact Property Owners** — In parallel with steps 8 through 11 above, contact would be made with the four property owners, and perhaps others, to alert them to the forum and make available the results of this study which involve their property.

13. **Agreement to Participate in Forum** — Individual property owners would be requested to participate in the public forum. Those wishing to eliminate their property from consideration for a medical mall would have the opportunity to do so at this point.

14. **Hold Countywide Public Forum** — The public forum would be held in a manner similar to those which the County has conducted in the past, for economic development purposes, and other topics. The purpose is to provide a general education format on medical malls in general, and specific opportunities for Prince George's County.

15. **Survey Forum Participants** — Follow up to the public forum would include several survey and information collection techniques, including face-to-face interviews with key health care providers, particularly those who are prospective partners or participants in a medical mall; a mail-out survey to community organizations and interested parties; two or three focus groups with parties who may have a particular interest in a medical mall or in the future of County health care services.

16. **Update Feasibility Study** — During the work described above the feasibility and impact analyses for the four candidate medical mall sites would be expanded, updated and kept current.

17. **Property Owner Agreement** — Continuous discussions with prospective medical mall property owners would seek to conclude in preliminary agreement for at least one medical mall on one of the candidate sites.

18. **Decision to Proceed with County's First Medical Mall** — The results of all tasks described above, and others, would be presented to the County executive and County Council for consideration and decision to proceed with Prince George's County's first medical mall. The decision would include funding for the balance of the pre-development period.

19. **Establish Medical Mall Development Corporation** — Assuming the County's decision is to proceed with a medical mall that involves an active County government role as a financial partner in the mall, the County would establish a single purpose development corporation which is charged with the task of establishing the County's first medical mall. The board of directors of the corporation would include prominent government and business leaders,

health care service professionals, and county citizens. The corporation would be appropriately staffed with staff members secunded from government and health care providers, as well as new hires.

20. **Determine Project Participants** — The corporation would determine the corporations, institutions and individuals that would be partners and/or participants in the first medical mall.

21. **Determine Medical Services to be Provided** — The corporation and its partners/participants would determine the specific medical services to be provided by the mall.

22. **Interim Financial Plan** — The corporation would establish an interim financing plan for the first medical mall, and perhaps for others, depending upon its responsibilities and authority.

23. **Management Structure** — The corporation would determine the appropriate operational and management structure for the first medical mall.

24. **Negotiate Property Interest** — Immediately after its establishment and staffing, the corporation would undertake negotiations with the owner of the property for the first medical mall. These negotiations could involve property acquisition, a joint venture or partnership arrangement, or simply a long-term lease arrangement for existing space in an existing shopping center.

25. **Contract Property Interest** — Negotiations for the appropriate real property interest would be culminated in a binding contract for future delivery of the site, property interest or space.

26. **Determine Capital Requirements** — A final determination of project capital requirements would be made, including the need for interim operating funds.

27. **Commitment to Develop First Medical Mall** — With satisfactory completion of the previous steps, the development corporation would make the commitment to develop Prince George's County's first medical mall. Appropriate approvals from County government, within the context of the corporation's charge and responsibilities, would be sought.

28. **Establish Project Development Entity** — Assuming that each medical mall would be a separate development entity or subsidiary corporation of the medical mall development corporation, the first project entity would be established and put into business. Appropriate staff, funding, materials and responsibilities would be transferred.

29. **Secure Site or Space for Mall** — The project development entity would take down the site or space for the first medical mall.

30. **Secure Capital and Interim Operating Funds** — Additional funding from outside sources for mall development and operations would be secured by the project development entity.

Additional pre-development and initial development tasks would be defined as the implementation process described above is executed. At this juncture, it is difficult to determine precisely what steps may be necessary other than those described herein. The purpose of this flow chart is to generally describe the process that would be necessary in order to move the County's first medical mall from idea into the reality of actual on-site development.

D. Existing Policy Impacts

An initial analysis of existing County and State policies in the health care and development fields was undertaken to determine any existing policies that could be in conflict with, or otherwise impede the development of a medical mall as envisioned herein. While this analysis was not as thorough and detailed as could be accomplished by County Council and/or County Executive staff, it nevertheless uncovered no existing policies which would appear to conflict or impede the development of a medical mall. As previously mentioned, if embarking on this project it is desirable that, at the County level, there be policy clarification regarding the appropriate role for County government in the provision of health care services in general, and medical malls specifically. At the State level such clarification is not necessary unless the County were to seek specific state funding for a medical mall which could be interpreted as precedent for State financial participation in other such medical malls, in other jurisdictions. However, it is beyond the scope of this study to go further into both local and State policies regarding governmental participation in health care services, and medical malls specifically.

Appendix A

Ethnic/Racial Breakdown of Prince George's County Population with Reported Disabilities

Table 1
White Alone Disabilities of Total Civilian Population 5 years and Older
Prince George's County 2000

White Alone Prince George's Co., Maryland	Number	Percent
Total Civilian Population 5 years and older	205,937	
Total disabilities tallied:	62,918	30.60%
Total Civilian Population 5 to 15 years	22,905	11.10%
Total disabilities tallied for people 5 to 15 years:	1,661	7.30%
Sensory disability	167	10.10%
Physical disability	155	9.30%
Mental disability	1,109	66.80%
Self-care disability	230	13.80%
Total Civilian Population 16 to 64 years	150,270	73.00%
Total disabilities tallied for people 16 to 64 years:	38,005	60.40%
Sensory disability	3,273	8.60%
Physical disability	7,603	20.00%
Mental disability	4,541	11.90%
Self-care disability	1,992	5.20%
Go-outside-home disability	7,177	18.90%
Employment disability	13,419	35.30%
Total Civilian Population 65 years and over	32762	15.90%
Total disabilities tallied for people 65 years and over	23,252	37.00%
Sensory disability	3,750	16.10%
Physical disability	8,168	35.10%
Mental disability	2,873	12.40%
Self-care disability	2,679	11.50%
Go-outside-home disability	5,782	24.90%

Source: U.S. Census 2000, Hunter Interests Inc.

Table 2
Black Alone Disabilities of Total Civilian Population 5 years and Older
Prince George's County 2000

Black Alone Prince George's County, Maryland	Number	Percentage
Total Civilian Population 5 years and older	462,328	
Total disabilities tallied:	133,686	28.90%
Total Civilian Population 5 to 15 years	88,687	19.20%
Total disabilities tallied for people 5 to 15 years	6,109	6.90%
Sensory disability	649	10.60%
Physical disability	857	14.00%
Mental disability	3,844	62.90%
Self-care disability	759	12.40%
Total Civilian Population 16 to 64 years	348,302	75.30%
Total disabilities tallied for people 16 to 64 years	106,935	80.00%
Sensory disability	5,218	4.90%
Physical disability	16,900	15.80%
Mental disability	8,207	7.70%
Self-care disability	4,779	4.50%
Go-outside-home disability	26,691	25.00%
Employment disability	45,140	42.20%
Total Civilian Population 65 years and over	25,339	5.50%
Total disabilities tallied for people 65 years and over	20,642	15.40%
Sensory disability	2,438	1.80%
Physical disability	7,043	5.30%
Mental disability	2,790	2.10%
Self-care disability	2,658	2.00%
Go-outside-home disability	5,713	4.30%

Source: U.S. Census 2000, Hunter Interests Inc.

Table 3
Asian Alone Disabilities of Total Civilian Population 5 years and Older
Prince George's County 2000

Asian Alone Prince George's County, Maryland	Number	Percentage
Total Civilian Population 5 years and older	28,741	
Total disabilities tallied:	8,568	29.80%
Total Civilian Population 5 to 15 years	3,444	12.00%
Total disabilities tallied for people 5 to 15 years	62	1.80%
Sensory disability	7	11.30%
Physical disability	9	14.50%
Mental disability	22	35.50%
Self-care disability	24	38.70%
Total Civilian Population 16 to 64 years	23,115	80.40%
Total disabilities tallied for people 16 to 64 years	6,474	75.60%
Sensory disability	216	3.30%
Physical disability	613	9.50%
Mental disability	327	5.10%
Self-care disability	182	2.80%
Go-outside-home disability	2,213	34.20%
Employment disability	2,923	45.10%
Total Civilian Population 65 years and over	2182	7.60%
Total disabilities tallied for people 65 years and over	2,032	23.70%
Sensory disability	280	3.30%
Physical disability	605	7.10%
Mental disability	370	4.30%
Self-care disability	213	2.50%
Go-outside-home disability	564	6.60%

Source: U.S. Census; Hunter Interests Inc.

Table 4
Hispanic Alone Disabilities of Total Civilian Population 5 years and Older
Prince George's County 2000

Hispanic Prince George's County, Maryland	Number	Percentage
Total Civilian Population 5 years and older	50,515	
Total disabilities tallied:	15,421	30.50%
Total Civilian Population 5 to 15 years	9,551	18.90%
Total disabilities tallied for people 5 to 15 years	564	5.90%
Sensory disability	149	26.40%
Physical disability	39	6.90%
Mental disability	302	53.50%
Self-care disability	74	13.10%
Total Civilian Population 16 to 64 years	39,691	78.60%
Total disabilities tallied for people 16 to 64 years	13,716	88.90%
Sensory disability	517	3.80%
Physical disability	1,071	7.80%
Mental disability	694	5.10%
Self-care disability	466	3.40%
Go-outside-home disability	4,300	31.40%
Employment disability	6,668	48.60%
Total Civilian Population 65 years and over	1273	2.50%
Total disabilities tallied for people 65 years and over	1,141	7.40%
Sensory disability	130	11.40%
Physical disability	332	29.10%
Mental disability	191	16.70%
Self-care disability	112	9.80%
Go-outside-home disability	376	33.00%

Source: US. Census; Hunter Interests Inc.

Appendix B

Other Sites Considered for Medical Malls

1. **Kent Village Center** — located on Route 202 near Landover Mall, the center features a Family Dollar store on a six-acre site with no significant vacancy.
2. **Dodge Plaza** — located in Landover, this 100,000 square foot neighborhood center is anchored by a Food Rite and a Multi-Cultural Worship Center, with no significant vacancy.
3. **King Shopping Center** — Landover, MLK Highway, mostly occupied, fairly new, anchored by Safeway and a CVS.
4. **Addison Plaza** — located in Seat Pleasant across from Metro rail station, large facility, all leased, anchored by Safeway, CVS, Renal Care and Central Avenue Pain Clinic.
5. **Kettering/Largo Plaza** — new shopping center still under construction, anchored by Giant, Ross, Target, Staples, Lowe's, and PetSmart.
6. **Kettering Crossing** — in Kettering neighborhood, no vacancy.
7. **Watkins Park** — Safeway is the anchor, center in good condition with full occupancy in Kettering.
8. **Mitchellville Plaza** — Anchored by Food Lion. Jamaican bakery, Cignet Health Center, very little vacancy.
9. **Largo Town Center** — new lifestyle center with little vacancy.
10. **Vista Gardens** — located in Bowie, entirely new with Target, Shopper's Food and Home Depot.
11. **DuVall Village** — located in Bowie with Super Fresh store as anchor, completely leased center.
12. **Fairway Green** — this Bowie shopping center is under construction.

13. **Seabrook Station** — Lanham location with CVS, little vacancy, secondary location.

14. **Eastgate/Glendale** — anchored by Giant Food center, still under construction.

15. **Aerospace Plaza —** located in Lanham on Route 93, small center, no vacancy.

16. **Cipriano Square —** in Greenbelt, anchored by Big K- Mart with no vacancy.

17. **Carrollton** — Foodway, CVS, occupied.

18. **Shoppes at New Carrolton** — Shopper's Food, Lowe's, new, almost fully occupied.

19. **Plaza 30** — occupied, anchored by Value City Furniture and National Wholesale Liquidators in New Carrollton.

20. **Glenridge Shopping Center** — Lanham – Giant, Dress Barn, some vacancy.

21. **Capital Plaza** — under renovation as Wal-Mart.

22. **Port Towns Shopping Center** — totally occupied.

23. **Riverdale Plaza** – Riverdale — Giant Food and CVS, fully occupied.

24. **East Pines Shopping Center** — Riverdale, small site, all occupied.

25. **Eastover Shopping Center** — Oxon Hill, anchored by Giant and CVS.

26. **Oxon Hill Plaza** — anchored by Shopper's Food Warehouse and Taco Bell- little vacancy.

27. **Rivertowne Commons** — Oxon Hill, Big K-Mart, Old Navy, Staples, cinemas.

28. **Padget's Crossing** — Camp Springs, anchored by CVS and Giant, no vacancy.

29. **Woodbury Square** — Camp Springs, Auto Zone, Family Dollar, occupied.

30. **Branch Avenue Plaza** — Marlow Heights, too small, mostly occupied.

31. **Allentown Plaza Shopping Center** — occupied, too small.

32. **Clinton Park Shopping Center** — Sears, Giant, Toys ‘R’ Us.

33. **Woodyard Crossing** — Clinton, Staples, Lowe’s, Wal-Mart.

34. **PenMar Shopping Center** — Forestville, occupied, Burlington Coat, Shopper’s Food and Staples.

35. **Center at Forestville** — JC Penney, Target.

36. **Great Eastern Plaza** — District Heights, Giant, Big Lots, Capital Sports Complex.

37. **Parkland Stop and Shop** — small site, occupied.

38. **Capital Heights Shopping Center** — demolished.

39. **County Road Shopping Center** — too small.

40. **Silver Hill Shopping Center** — Temple Hills, occupied and too small.

41. **Silver Hill Plaza** – District Heights – CVS and Shopper’s Food.

42. **Penn Station Shopping Center** — District Heights, Save-a-Lot, National Wholesale Liquidators, occupied.

43. **Marlow Towers** — Hillcrest Heights, being converted to Mosque

44. **Sunrise Plaza** — Beltsville, occupied, too small.

45. **Mall at Prince George’s County** — Hyattsville, good anchors and occupied.

46. **Cherry Hill Shopping Center** — occupied with Family Dollar as anchor

47. **Capital Corner** — Landover Hills, Foot Locker and Dollar Tree.

48. **Boulevard at Capital Center —** Largo, new urban lifestyle center, fully occupied.

49. **Park Central** — Capital Heights, too small, occupied.

50. **Free State Mall —** Bowie, anchored by Giant, Blockbuster's, Total Crafts.

51. **Chestnut Hills Shopping Center** — Beltsville, anchored by Rite Aid and Petco, little vacancy.

52. **Beltsville Plaza** — convenience center with no vacancies.

53. **Calverton Shopping Center** — Beltsville, Giant and CVS.

54. **Pointer Ridge** — Bowie, anchored by Giant, CVS, very little vacancy.

55. **Collington Plaza** — Bowie, anchored by Giant, Blockbuster's and Wal-Mart.

56. **Bowie Town Center** — Macy's, Bed, Bath & Beyond, Barnes & Noble, no vacancy.

57. **Shoppers at Bowie Town Center** — Bowie, new center anchored by AC Moore Arts/Crafts and Factory Card and Party Outlet, little vacancy.

58. **Garret Cove** — Beltsville, anchored by 7-11, small convenience center.

59. **Lake Arbor Village Center** — anchored by Lake Arbor Early Learning Center and other professional services.

60. **Bowie Plaza** — anchored by CVS, Dollar Store and Giant, no vacancy.

61. **Bowie Gateway Center** — power center with no vacancy. Staples, Borders, Target, Sports Authority.

62. **Hilltop Plaza** — Bowie, Jo-Ann Fabrics, Advance Auto Parts, T.J. Maxx and Magruders. Little vacancy.

63. **Market Place** — Bowie, Eckard Drug, Safeway. Little vacancy.

64. **Marlow Heights Shopping Center** — Macy's, Giant, Maxway, Sports Zone. Mostly occupied.

65. **Coventry Plaza —** Camp Springs, Shopper's Food Warehouse. Occupied.

66. **Hillcrest Heights** — Safeway, little vacancy.

67. **Clinton Square** — Very small, mostly occupied.

68. **Clinton Village Mart Shopping Center** — Auto Zone and Dollar General, little vacancy.

69. **Beltway Plaza —** Greenbelt, AMC Theaters, Value City, Target on 44 acres with less than 10% vacant.

70. **Accokeek Village** — Food Lion, fully leased.

71. **Bladen Plaza** — Bladensburg, Save-a-Lot, fully leased.

72. **Cherry Hill Shopping Center** — Landover, Family Dollar. Fully occupied.

73. **Greenway Center** — Greenbelt, power center, no vacancy.

74. **Langley Park Plaza** — Toys 'R' Us, Atlantic Supermarket, CVS. Fully leased.

75. **Queen's Chillum Shopping Center** — Hyattsville, little vacancy, Dollar House, Giant, CVS.

76. **Potomac Village** — 98% leased, World Gym.

77. **Town Center Shopping Center** — Laurel, CVS, PepBoys. Less than 5% vacant.

78. **Marlow Home Center** — Laurel, no vacancy.

79. **Old Forte Village** — Fort Washington, Southern Maryland Hospital (4,500 square foot), small tenants, little space.

80. **Takoma Park Center** — no vacancies, Shoppers and Dollar Store.

81. **Riggs Plaza** — Chillum, Giant and Safeway. No vacancies.

82. **University Plaza —** Langley Park, little vacancy, Auto Zone, National Wholesale Liquidators.

83. **Marlboro Crossroads** — Upper Marlboro, Giant, 100% leased.

84. **Marlboro Square** — Upper Marlboro, fully leased, Food Lion.

85. **Marlboro Village** — Upper Marlboro, mostly leased.

86. **Marlton Plaza** — Upper Marlboro, Rite Aid, Food Lion, Thriftway, fully leased.

87. **Babies 'R' Us Plaza** — Laurel, occupied.

88. **Bladensburg Shopping Center** — low quality tenants but site too small.

89. **Parkway Center** — West Lanham, small site, no visibility, low quality tenants.

90. **Laurel Plaza** — Ft. Meade Road, Bargain Outlet, Village Thrift.

91. **Hollywood Shopping Center** — Rhode Island Avenue, College Park. REI anchor, no vacancies.

92. **Laurel Shopping Center** — retail community center anchored by Marshall's, Giant Food, 56,000 square foot vacancy.

93. **Laurel Mall** — enclosed mall, Burlington Coat, International Furniture. 99% occupied

94. **Kingdom Square** — near Capital Beltway in Capital Heights. Anchor stores: Home Depot and Staples. Staples may be replaced by new store across Beltway in Kettering Plaza, center almost completely occupied.

95. **Enterprise Shopping Center —** Lanham. The site contains recently vacated Shoppers Food Warehouse. Anchors are Dollar Tree, U.S. Discounters, and Advance Auto Parts.

96. **Lanham Crossing Shopping Center** — Small neighborhood center with visibility from Capital Beltway, variety of uses from light industrial to Red Wing Shoes and Red Lobster. Constrained, awkward small site.

97. **Livingston Square** — Oxon Hill neighborhood shopping center anchored by Giant with interior mall area that is largely vacant. Giant owns property and intends to renovate.

98. **Southern Marketplace** — small, constrained site, mostly occupied, two closed up fast food pads, not centrally located vis-à-vis County population.

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