

MEMORANDUM

TO: City Council

FROM: Alfred D. Lott, ICMA-CM, CPM
City Manager

SUBJECT: *Status Report*

DATE: May 30, 2019

Status Report

1. **Bowie Retail Space Update May 2019**

Bowie's retail properties are doing well.

- There is approximately 3,201,574 square feet of retail property in the City; this includes both our shopping centers and the many free standing retail buildings we have.
- There is 219,467 vacant (that includes the 131,536 square feet of the Sears building) for an overall vacancy rate of 6.9%.
- A vacancy rate below 10% usually indicates a healthy area for commercial real estate.

The detailed data for our existing shopping centers and the retail districts of 'Old Town Bowie' and 'West Bowie Village' are:

Retail	Total Space (sq.ft.)	Vacant Space (sq.ft.)	Rate	Vacancy Year Built/Rebuilt
Bowie Crossing	121,744	0	0.0%	1997
Bowie Gateway	602,394	0	0.0%	1996
Bowie Marketplace	134,000	7,487	5.6%	2016
Bowie Plaza	102,904	5,620	5.5%	1966
Bowie Town Center	755,000	2,349*	0.3%	2001
Collington Plaza	121,955	8,582	7.0%	1996
Free State Shopping Center	264,000	18,846	7.1%	1976
Hilltop Plaza	185,029	7,023	3.8%	1969
Mount Oak Plaza	8,200	0	0.0%	1986
Old Town Bowie	53,000	8,287	15.6%	1870
Pointer Ridge Plaza	71,705	14,946	20.8%	1969
Shoppes at Bowie	106,930	0	0.0%	2004
Shoppes at Highbridge	60,000	1,600	2.7%	2006
West Bowie Village	84,000	5,400	6.4%	1975
TOTALS	2,670,861	80,140	3.1%	

MAYOR G. Frederick Robinson

MAYOR PRO TEM Henri Gardner

COUNCIL Michael P. Esteve ♦ James L. Marcos ♦ Darian Senn-Carter ♦ Isaac C. Truth ♦ Dufour Woolfley CITY MANAGER Alfred D. Lott

NOTES: Information is provided by the property owner or manager. Not all properties provided updates. Prepared by the City of Bowie Economic Development Office. *Not including Sears vacancy of 131,536 sq.ft.

Bowie Town Center – There is a new tenant deal in progress on each of the vacant spaces. Some of those deals are closer to tenant occupancy than others. The owner of the Sears space is actively preparing a redevelopment plan which will take several years to come from idea to reality.

Pointer Ridge Plaza – The owner reports some tenant interest from recent leasing events. The property is ‘for sale’.

Old Town Bowie – Properties are not competitive in today’s market. Many properties show visible signs of lower investment in maintenance.

2. South Lake (Karington) TIF Bond

On Thursday May 30, 2019 a thirty-three million dollar (\$33,000,000) Prince George’s County Special Obligation Bond was issued for the South Lake project. The interest rate is 6.00%. These are term bonds with mandatory sinking fund payments beginning on July 1, 2023, and the bonds mature on July 1, 2048. At closing a first draw of \$4,715,000 was made with that money to be used for improvements and bond issue administrative expenses. The details about the Prince George’s County Special Obligation South Lake Project Bond May 2019 are viewable here: <https://www.cityofbowie.org/2306/South-Lake-formerly-Karington>.

3. Free State Shopping Center Sold To New Owner

New Market Properties LLC from Atlanta GA has purchased Free State Shopping Center. The transaction has been pending since earlier this year. Staff has reached out to the new owners. The purchase price was \$72 million. News reports are attached.

4. Stakeholders Meeting – Detailed Site Plans for the Melford Mansions and Infrastructure for Wrap Multi-Family Building

A Stakeholders Meeting for the above referenced Detailed Site Plans (DSPs) was held on Tuesday, May 28th. Nine residents attended the meeting, as did City Councilman Michael Esteve. After brief opening remarks by City staff, Mr. Robert Antonetti, attorney for the developer/applicant, St. John Properties, Inc. (SJP), provided a short history of the applicant’s projects in Melford, as well as other project that are either existing (U.S. Census building, IDA building), or in various stages (Courtyard by Marriott, Thrive Assisted Living Facility). Mr. Antonetti reviewed the approved square footages of the SJP buildings and the Design Guidelines that have been adopted for Melford Town Center. He then referred to a PowerPoint show that contained slides of the approved Melford Concept Plan and Illustrative Site Plan. With respect to the DSP for Infrastructure for the residential wrap building, Mr. Antonetti noted that that site is adjacent to the Melford Mansions site, and for economy of scale purposes, it makes sense to grade both locations at the same time. The wrap building will contain approximately

475 dwellings, while the nine buildings within the Mansions project will have 435 residential units.

Mr. Faik Tugberk, project architect with Architects Collaborative, Inc., continued with the presentation, noting that a village concept has been designed, with: a green, pastoral plaza on the east side of Curie Drive; small and manageable elevator buildings; a community center, exercise room, bathhouse and outdoor pool in the center of the site; and a variety of parking types (surface, garage, carport). Mr. Tugberk noted that several historic houses in the area, including the Belair Mansion and the Melford House, have been used as inspirations in the design of the Mansions buildings by incorporating the use of brick, dormers, metal roofs, different entrances, bay windows, balconies and columns. A variety of building materials and colors is proposed for the buildings so that no building is identical to another.

Questions by Stakeholders included:

- Will the construction of these buildings move forward prior to the decision from the court case being issued? (RESPONSE: The project is moving forward. SJP feels confident that the decision will sustain the underlying previous approvals.)
- Is there an opportunity to invest in this project? (RESPONSE: The multi-family dwelling units and the approved retail spaces are for rent; the future townhouses in another section of Melford Town Center will be fee simple ownership. There are no investment opportunities in this portion of the project.)
- What are the plans to deal with the traffic from this development? (RESPONSE: Traffic issues were addressed in the 2017 approved plan. SJP has performed road improvements in several locations in the U.S. Route 301/MD Route 3 corridor, but not all of the traffic issues have been fixed. Each application has to mitigate its impacts. The Maryland State Highway Administration has long range plans to upgrade U.S. Route 301/MD Route 3, but the project has not been funded.)
- Are there plans to readdress the traffic circle at Melford Boulevard and Science Drive? (RESPONSE: That intersection will ultimately be addressed. The traffic warrants will be reviewed, and the intersection will be signalized when a signal is warranted.)
- Will there be a new separate entrance/exit at Melford? (RESPONSE: This matter has been studied in the past, and there is no ability to add a second access point. The former Trumpet Interchange was removed from the Master Plan of Transportation. If need be, traffic can be re-routed to one side of the median within Melford. This concept has been approved by the County Fire

Marshall. With a mix of uses, rather than an all-office development, there is a better of balance of trips approved for this project.)

At the conclusion of the meeting, Stakeholders were reminded of the two upcoming City public hearings on these Detailed Site Plans: Bowie Advisory Planning Board on Tuesday, June 11th at 7:00 PM, and City Council on Monday, July 1st at 8:00 PM.

5. Multifamily Housing in Bowie

Staff recently completed an annual look at multifamily and senior housing in Bowie.

Apartments (available to all) -- There are currently 1,436 apartment units in Bowie; 60 of those units are vacant for a vacancy rate of 4.18%.

Apartments (senior/age-restricted) – There are currently 405 senior or age-restricted apartment units in Bowie; 9 of those are vacant for a vacancy rate of 2.22%.

Condominiums (senior/age-restricted) – There are currently 96 senior or age-restricted condominium units in Bowie; all are occupied for a ZERO percent vacancy rate.

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From the Baltimore Business Journal:

<https://www.bizjournals.com/baltimore/news/2019/05/29/bowie-shoppingcenter-sells-to-atlanta-company.html>

Bowie shopping center sells to Atlanta company making first D.C.-area buy

May 29, 2019, 9:36am EDT

A Giant Food-anchored shopping center in Bowie has sold to a subsidiary of Atlanta-based Preferred Apartment Communities Inc.

The all-cash acquisition of the 264,152-square-foot Free State marks the first buy in Greater Washington for New Market Properties LLC, a Preferred Apartment company that focuses on grocery anchored shopping centers. The seller appears to be Rockville-based Federal Realty Investment Trust (NYSE: FRT), which listed Free State among its assets in its most recent quarterly earnings report. Maryland records list the owner as FLV Free State LTD Partnership.



COURTESY GOOGLE STREETVIEW
Free State in Bowie has sold.

Terms were not disclosed. The property last sold in 2007 for \$64 million, and has an assessed value currently of about \$35 million.

Free State, located at 15500 Annapolis Road, covers 29 acres and counts among its tenants TJ Maxx, Ross Dress for Less and Office Depot. The Giant stands at 73,000 square feet.

The purchase bulks up New Market's portfolio to 47 shopping centers across nine states, largely in the suburban Sunbelt and Mid-Atlantic. Per a release, New Market's "strategy is to prudently grow and operate its existing portfolio throughout the Mid-Atlantic, Southeast and Texas."

Preferred Apartment Communities (NYSE: APTS), meanwhile, primarily owns and operates multifamily and student housing properties.

Michael Neibauer

Associate Editor

Washington Business Journal



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Preferred Apartment Communities, Inc. Announces Acquisition of a Grocery-Anchored Shopping Center Through its Wholly-Owned Indirect Subsidiary, New Market Properties, LLC



NEWS PROVIDED BY

Preferred Apartment Communities, Inc. →

May 28, 2019, 16:20 ET

ATLANTA, May 28, 2019 /PRNewswire/ -- Preferred Apartment Communities, Inc. (NYSE: APTS) ("PAC" or the "Company") today announced its acquisition of Free State, a 264,152 square foot shopping center located in the Washington, DC MSA and anchored by a Giant Food grocery store. Free State is located in Bowie, Maryland, approximately 15 miles east of Washington, DC and 20 miles south of Baltimore, Maryland.

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PAC acquired this asset through its wholly-owned indirect subsidiary New Market Properties, LLC. Joel T. Murphy, President and Chief Executive Officer of New Market Properties, LLC said, "This acquisition increases the size of our portfolio to 47 grocery-anchored shopping centers across nine states, consistent with our strategy to acquire well-positioned grocery-anchored shopping centers in suburban Sunbelt and Mid-Atlantic markets with strong demographics that are anchored by market leading grocers." Michael Aide, Senior Vice President, Director of Investments of New Market Properties, LLC added, "Free State marks our entry into the Washington, DC MSA as we continue to expand our Sunbelt and Mid-Atlantic portfolio. In addition to Giant Food, the #1 market share traditional grocer in the market, the tenant portfolio also includes high performing retailers such as TJ Maxx, Ross and Tuesday Morning. Free State has very attractive demographics with a three-mile population of 52,000 residents and average household incomes exceeding \$135,000." Free State was purchased all cash.

About New Market Properties, LLC

New Market Properties, LLC is a wholly-owned indirect subsidiary of Preferred Apartment Communities, Inc. and is focused on the grocery anchored shopping center sector. New Market currently owns and operates a portfolio of grocery anchored shopping centers in nine states. New Market's strategy is to prudently grow and operate its existing portfolio throughout the Mid-Atlantic, Southeast and Texas. New Market targets high quality suburban markets with dominant grocers such as Publix, Kroger, Harris Teeter, Tom Thumb, HEB and Giant Food.

About Preferred Apartment Communities, Inc.

Preferred Apartment Communities, Inc. is a Maryland corporation formed primarily to own and operate multifamily properties and, to a lesser extent, own and operate student housing properties, grocery anchored shopping centers and strategically located, well-leased class A office buildings, all in select targeted markets throughout the United States. As part of our business strategy, we may enter into forward purchase contracts or purchase options for to-be-built multifamily communities and we may make real estate related loans, provide deposit arrangements, or provide performance assurances, as may be necessary or appropriate, in connection with the development of multifamily communities. As a secondary strategy, we may acquire or originate senior mortgage loans, subordinate loans or real estate loans secured by interests in multifamily properties, membership or partnership interests in multifamily properties and other multifamily related assets and invest a lesser portion of our assets in other real estate related investments, including other income-producing property types, senior mortgage loans, subordinate loans or real estate loans secured by interests in other income-producing property types, membership or partnership interests in other income-producing property types as determined by our manager as appropriate for us. At March 31, 2019, the Company was the approximate 97.9% owner of Preferred Apartment Communities Operating Partnership, L.P., the Company's operating partnership. Preferred Apartment Communities, Inc. has elected to be taxed as a real estate investment trust under the Internal Revenue Code of 1986, as amended, commencing with its tax year ended December 31, 2011. Learn more at www.pacapt.com.

Forward-Looking Statements

This press release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements may be identified by the use of forward-looking terminology such as "may", "trend", "will", "expects", "plans", "estimates", "anticipates", "projects", "intends", "believes", "goals", "objectives", "outlook" and similar expressions. Because such statements include risks, uncertainties and

contingencies, actual results may differ materially from the expectations, intentions, beliefs, plans or predictions of the future expressed or implied by such forward-looking statements. These risks, uncertainties and contingencies include, but are not limited to, those disclosed in PAC's filings with the Securities and Exchange Commission. PAC undertakes no obligation to update these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as may be required by law.

Policy

Additional Information

The SEC has declared effective the registration statement (including prospectus) filed by the Company for each of the offerings to which this communication may relate. Before you invest, you should read the final prospectus, and any prospectus supplements, forming a part of the registration statement and other documents the Company has filed with the SEC for more complete information about the Company and the offering to which this communication may relate. In particular, you should carefully read the risk factors described in the final prospectus and in any related prospectus supplement and in the documents incorporated by reference in the final prospectus and any related prospectus supplement to which this communication may relate. You may obtain these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, the Company or its dealer manager, Preferred Capital Securities, LLC, with respect to PAC's mShares Redeemable Preferred Stock Offering and Series A Redeemable Preferred Stock and Warrant Unit Offering, will arrange to send you a prospectus if you request it by calling Leonard A. Silverstein at (770) 818-4100, 3284 Northside Parkway NW, Suite 150, Atlanta, Georgia 30327.

The mShares Redeemable Preferred Stock Offering prospectus, dated January 19, 2017, can be accessed through the following link:

<https://www.sec.gov/Archives/edgar/data/1481832/000148183217000008/a424prospectus-mshares1.htm>

The Series A Redeemable Preferred Stock and Warrant Unit Offering prospectus, dated March 16, 2017, can be accessed through the following link:

<https://www.sec.gov/Archives/edgar/data/1481832/000148183217000061/a424prospectus15bseriesa.htm>

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MAY 29, 2019 | GEORGE CERNY

Atlanta REIT Makes First Foray Into Washington With Purchase of Bowie Shopping Center

PAC Subsidiary Pays \$72 Million for Free State Center Anchored by Giant Food



Free State Shopping Center in Bowie, Maryland. Photo: CoStar

Preferred Apartment Communities is jumping into the Washington retail market with the purchase of a shopping center in Bowie, Maryland, as the Atlanta-based real estate investment trust looks to expand its holdings across the Sunbelt and Mid-Atlantic regions.

New Market Properties, a wholly-owned indirect subsidiary of PAC, paid about \$72 million to add [Free State](#) to its portfolio. The 264,152-square-foot, grocery-anchored community shopping center is nearly fully leased, according to CoStar information, with TJ Maxx, Ross, Tuesday Morning and Giant Food - the #1 market share traditional grocer in the Washington market - serving as its lead tenants.

A dominant grocer in a strong suburban market is the acquisition blueprint for New Market, which now owns 47 grocery-anchored centers in nine states in suburban markets across the Sunbelt and Mid-Atlantic, with the majority of properties located in suburban Atlanta.

The company finalized the all-cash deal with Rockville, Maryland's Federal Realty Investment Trust, which acquired Free State outright in 2016 when it bought out its longtime joint venture partner, a fund advised by ING Clarion Partners, in six shopping centers for \$154 million. New Market paid nearly \$273 per square foot for the center.

"Free State marks our entry into the Washington, D.C., metropolitan statistical area as we continue to expand our Sunbelt and Mid-Atlantic portfolio," said Michael Aide, senior vice president and director of investments for New Market, in a statement. "[The center also] has very attractive demographics with a three-mile population of 52,000 residents and average household incomes exceeding \$135,000."

Free State was constructed in 1970 about 15 miles east of Washington and 20 miles south of Baltimore in Bowie, a former rail stop town that has grown to a city of nearly 60,000 people and was recently named by rankings site HomeSnacks as the best place to live in Maryland. The center is situated along Annapolis Road roughly 3.5 miles south of the Bowie State University campus, and just across from White Marsh Park.

For the record:

Please see CoStar COMP #4773677 for additional information on the transaction.