

DEVCO, INC.

April 4, 2012

City of Covington
16720 SE 271st Street, Suite 100
Covington, WA 98042

attn.: Mr. Richard Hart
Community Development Director

RECEIVED
APR 05 2012
CITY OF COVINGTON

Dear Mr. Hart:

Re: Covington Downtown Element

DevCo, Inc. owns, manages and has developed 3,000 multi-family units throughout Puget Sound. As you may remember, we were interested in developing an apartment project in the Covington Town Center. We very much admire what the City has accomplished to date in the Town Center, and remain very interested in developing an apartment property in Covington. However, we were unable to make that particular project work because the applicable road dedications left us with a net site area too small for our typical project density and cost structure.

Ashton Development Company, LLC has made us aware that the City Planning Commission is considering an amendment to policy DTP 2.4 to delete language allowing stand alone multi-family in the Town Center. Such a change would render a project in the Town Center financially unfeasible for us.

We do have some experience with mixed use development. We own the 332 unit Seasons property on Lea Hill. The King County zoning of that site required that no more than 85% of the floor space be residential. As a result, we had to build 40,000 square feet of retail space. That space was intended to include a 25,000 square foot grocery store and 15,000 square feet of small shops. When we closed that loan, we had a lease with a grocer at \$17 per square foot per year. That grocer went bankrupt. We entered into a new lease with a second grocer at \$11 per square foot after building the project. His sales were so disappointing that he said if we didn't make a further concession, he would exercise an escape clause. That space now earns us \$7 per square foot. Half of the small shop space is empty. This retail space overall costs us \$50,000 per month.

We are not retail experts. However, we believe that retail follows demand for retail, which in turn flows from consumer demand – particularly pedestrian consumer demand. We believe the City may well be best served in its intent to attract retail to the Town Center by encouraging multi-family housing in the Town Center. It is our opinion that the contemplated change to policy DTP 2.4 would make it much less likely that there will be new housing in the Town Center.

Thank you.

DEVCO, INC.

Yours truly,

DevCo, Inc.

Per: 
Evan J. Hunden
President



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Mr. Richard Hart
City of Covington
16720 SE 271st Street, Suite 100
Covington, WA 98042

RE: Covington Town Center Zoning

Dear Mr. Hart,

First Western Properties, Inc., is a full service commercial real estate brokerage company established in 1979. We currently have 30 agents and specialize solely in commercial leasing and sales with a primary focus on retail properties. From our offices in Kirkland and Tacoma, we are able to serve the greater Puget Sound area. First Western has a vast knowledge and experience in Covington on both the retailer and developer side representing Emerald Bay Equities in the leasing of Skagen Plaza, representing Ashton Capital in the leasing of the Covington Esplanade and representing several national retailers like Petco, Dollar Tree, The Rock Pizza, McDonald's, Starbucks, Cutter's Point Coffee, T-Mobile, Jamba Juice and The UPS Store. We are currently marketing two properties for sale and four commercial properties for lease in the Covington city limits.

Ashton Development Company has made us aware that the City Planning Commission is considering an amendment to policy DTP 2.4 to delete language allowing stand alone multi-family in the Town Center. This change in the Town Center zoning lowers the marketability and value substantially.

In our experience in representing several national retailers mixed use projects in bedroom & suburban communities simply do not work. Retailers who spend millions of dollars in research and development know what their customers like and do not like and the brokers are on the front line to receive this feedback when marketing a property for sale or lease. They have vast teams of analysts who assist in real estate site selection and the specific criteria to make a site worthy of their investment drives most of their decisions. Some of the key feedback we receive from retailers are:

- They need for ample surface parking oriented as close to their entrance as possible.
- Excellent visibility to a primary fronting road that includes daily vehicle traffic over 25,000 per day
- Quality access from the road and to the core parking field. Parking behind buildings do not work and retail sales suffer in these scenarios.

- Ample signage to include building signs, pylon and monument as some have indicated that over 40% of their business is derived by a consumer seeing their sign and becoming aware of the brand.

In our assessment forcing first floor retail in mixed use projects within the Town Center Zoning while ideal will not succeed. We recommend re-considering this aspect of the Town Center zoning.

Best Regards,

A handwritten signature in black ink that reads "Josh Parnell". The signature is written in a cursive, flowing style.

Josh Parnell
First Western Properties – Tacoma, Inc.
6402 Tacoma Mall Blvd.
Tacoma WA, 98409
(253) 472-0404
www.fwp-inc.com

Jim Wene

From: mpinkis@windermere.com
Sent: Tuesday, April 03, 2012 9:55 AM
To: Jim Wene
Subject: Covington Town Centre

April 3, 2012

Jim Wene
Ashton Capital Corporation
1201 Monster Rd. SW Suite 350
Renton, WA 98057

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CITY OF COVINGTON

Dear Jim:

Mark Carpenter suggested that, as his realtor regarding Covington Town Centre, I forward his position as a potential buyer for the property.

Pertaining to your property, Covington Town Centre, I appreciated the opportunity to meet with you to discuss my interest in purchasing the site.

Unfortunately, I have to pass, for several reasons. Requiring a retail component detracts from my role as strictly an apartment developer. That requirement involves more risk and makes financing difficult. Freddie Mac and Fanny Mae will not finance projects with retail components. It would be much more complicated than the projects I have always done as exclusively apartments. There are many apartment sites that are available that do not require retail.

The impact fees seem onerous and disturbing to a project's economics. Then, there is uncertainty as to what would be required for perimeter roads.

I have no doubt that apartment development is the property's best use, but the above problems are hindrances I can't overcome.

Thanks again.

Marv Pinkis, Windermere Real Estate, for Mark Carpenter.

4/5/2012