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Steve Friddle
Community Planning Manager
Community Planning and Development
City of Olympia, Washington
PO Box 1967
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DATE: September 12, 2013
RE: Briggs Village Master Plan Amendment

Dear Steve;

I appreciate the opportunity to share some of my views about the current market conditions within Thurston County. As a part of describing these conditions, I will try to identify key factors in the retail/office markets that are influencing tenants in their relocation/expansion plans as well as affecting landlords in their proposed developments.

As a commercial real estate broker with Kidder Mathews in Olympia, I have had the opportunity to work with the development team at Briggs Village for quite a few years. I strongly encourage the approval of the Briggs Village master plan amendment that is being considered for a variety of reasons as outlined below.

- Within the Thurston County market there is currently 800,000+ square feet of vacant office space. With further layoffs scheduled by the State of WA, we do not anticipate any major changes and actually see a diminishing absorption rate possible.
  - New office products built in Hawks Prairie are 50-75% occupied and in most cases are not expansions but relocations to allow for better access and/or better facilities.
  - The amended master plan for Briggs Village provides two benefits based on this data;
    - A reduction in overall office square footage from 113,850 to 31,000 square feet that limits the vacancy factor either in this location or in others due to relocation of tenants.
    - A reduction of size in building footprint allows variety of end users, New building footprints ranging from 5,000-5,500 square feet allows for not only multi-tenant leases but also affords owner/users an opportunity to purchase through SBA and Conventional financing programs.
- Previous Mixed Use projects within the county and specifically Olympia have been scraped by developers due to financial feasibility.
  - K-mart site in Olympia - previous plans to create multifamily surrounded by retail. Now sold to speculative real estate investment trust for future big box retail.
  - 3 acres behind Michaels next to Target – 8 story multi-family project. Developer still owns the property and is waiting the next turn in the market to discuss options.
  - 6.31 acres behind Chevron at Auto Mall exit – Whole Foods project with multifamily component. The owner has redrawn multifamily/mini-storage designs and still has not constructed anything due to underlining debt restructure options.

- Former proposed Winco site, numerous site plans that included housing – none of which were deemed financially feasible due to holding timelines to fill the retail sector without anchors in place.
- Nine-story building known as "mistake on the lake" – multifamily/mixed use design. Unable to obtain financing for mixed use of this magnitude. Current owner has considered hotel concepts along with retail/residential condos.
- In Lacey on 6th Avenue next to Paulson's – still no retail under the multifamily and was foreclosed on just after construction.

The amended master plan for Briggs Village reduces the footprints of these mixed use buildings from 19,000, 36,000 and 52,000 square feet to more manageable building sizes of around 5,000 square feet. As mentioned previously, this will allow for owner/users as well as speculative development to finance and complete construction without delay.

Each of these projects has its own set of unique circumstances, but in all cases, it boils down to financial feasibility and construction costs when not completed. The only project that was completed that was full mixed use was foreclosed upon because of the inability to fill the retail spaces on the bottom floor.

- Recently we've seen some activity in West Olympia with retailers opening up stores –
  - Big Lots – relocated from around the corner.
  - TJ Maxx – took over the vacated space by Borders in Capital Mall Promenade.
  - Habitat for Humanity – relocated from downtown and filled former Dollar Store space

Arguably, many will say this is progress, but robbing from one location to fill another is not absorption. The current vacancies in the retail market are noticeable in every center you drive by and in some cases quite unsettling –

- In West Olympia – Cooper Point Pavilion has had a bankruptcy with Linens and Things, lost tenants to the mall for more traffic and currently has two tenants (Staples and World Market) who are trying to negotiate for smaller square footages. This property also was purchased by a Real Estate Investment Trust (same one who bought Kmart) to redevelop the property and re-purpose the project.
- Due to online sales the standard brick and mortar designs are being re-developed by almost all retailers. As leases come up for expiration there are a multitude of users requesting smaller footprints than previously used, including grocery stores, bookstores, office supplies, furniture and soft good sales.

Briggs Village itself is a concept developed over time; things have dramatically changed since the initial drawings, especially our economic outlook in Thurston County. The concept originally identified an urban village allowing residents a work/live/play environment. With the amended master plan this goal is still possible and even more likely because these tenants will have the ability to buy/lease due to the flexibility with financing, as well as taking into account the overall demising options throughout the village due to reduced building footprints. Current businesses that have expressed interest in the development include chiropractors, orthodontists (2500-3000 SF), sandwich shops, hair salons, nail salons (1200-1800 SF) and a few restaurants that would range in size from 4,800-5,400 square feet.

As a part of my duties to the developer, I meet with national real estate executives/directors for national retail stores and propose sites to them on a regular basis. If Briggs Village is required to maintain the

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square footage originally anticipated in the plans from 1995, the project will not be completed because we simply will not be able to fill the project quick enough for it to make financial sense to build. The timing on speculative building leasing is currently 2-3 years and in the case of office spaces may be as much as 5-7 years due to the required absorption increase.

In this particular case, we are lucky enough to have a developer who has held onto the project through one of the worst real estate markets ever encountered and is still proposing to move forward with minor modifications. These adjustments not only make the project financially feasible, but provide overall concepts and terms in alignment with the zoning codes and urban design standards.

If there are any further questions or details needed regarding the projects listed above, I am more than happy to provide more information.

Sincerely,

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