



MAYOR'S OFFICE
Kelli Linville, Mayor
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June 20, 2012

David H. Rogers
Director of Real Estate Development
Costco Wholesale
999 Lake Drive
Issaquah, WA 98027

Dear David:

Thank you for working with me and City staff in discussing the development of your proposed store near the Bakerview and Pacific highway as a replacement for your existing store on the Guide Meridian. Per recently held discussions, the City of Bellingham is proposing the following to assist in your relocation:

- The City has an agreement, in principle, with adjacent property owners to implement a Regional Wetland Site that would be available for mitigation by Costco. This site will serve not only Costco, but other potential tenants in the area as well as meet the needs of City growth in the long-term. This project will significantly reduce Costco's \$750,000 costs in wetland mitigation measures that you estimate are required for the Bakerview site.
- Depending on the condition of the land, the City is also pursuing the development of a Regional Stormwater Facility. Like the above Regional Wetland Site, a Regional Stormwater Facility would meet the needs of long-term growth in the area. Costco would only pay a percentage share to meet your site needs. This project, as opposed to the costly underground vault option, could potentially provide Costco with significant savings, likely in the millions.

Again, these two projects are dependent upon the condition of the identified site. However, we believe the proposed site is a solution for both the Regional Wetland Site and Regional Stormwater Facility. In both cases, the City will fund, facilitate the permitting process, coordinate with other property owners, and manage state and federal requirements for the sites. Knowing that these projects are time intensive, the City intends to appoint a project manager with technical expertise in working with State and Federal agencies, to oversee planning, design and implementation.

- The City will take the lead on the construction of Dover Street. Costco would pay the minimum share associated with Costco's driveway needs and not for the costs of a full standard arterial.

We understand Costco needs to ensure the Bakerview site is a good long-term investment. The City is currently planning and seeking funding to extend Horton Road, which we anticipate will result in some relief at Bakerview/I-5 interchange. In addition, the City will commit to building the Division Street connector within the next 5 to 10 years. This connection will provide direct access from Dover to Pacific Highway just north of the Bakerview site. We expect this important connection will provide Costco customers with a convenient route to the Slater/1-5 interchange.

Staff engineers believe that the cost is close to the \$500,000 for Dover Street and exceeding \$1 million for the development of Horton Road and Division Road.

- The City is willing to propose modifications to its municipal code to provide a Transportation Impact Fee (TIF) credit for fees paid as a result of Costco's move to the new location. The City believes it could model an ordinance within the structure you had outlined to us. City staff have reviewed ordinances from other cities, including your recommendation to review the City of Covington's, and feel that a sales tax credit can reimburse Costco a minimum of 50% of the TIF.

The reimbursement of TIF for Costco at a 50% credit is estimated to be approximately \$600,000.

As you know, I am committed to having Costco remain as part of the Bellingham business community. Based on our proposal and the estimated costs received by you last week, we estimate nearly \$3 million in overall savings for this project, and potentially millions more if the Regional Stormwater Facility is built.

In addition to these items, the City is prepared to offer Costco the project management expertise of our Planning and Public Works staff in addressing the site specific questions and concerns that might arise from State and Federal agencies.

My office and staff look forward to discussing this proposal with you. As you know, any agreement is subject to Council approval and legal review.

Thank you for your consideration. We look forward to continuing our work together.

Sincerely,



Mayor Kelli Linville

CC: Peter Ruffato, City Attorney
Ted Carlson, Public Works Director
Tara Sundin, Special Projects Manager
Janice Keller, Communications Manager
Brian Heinrich, Executive Coordinator
John Carter, Finance Director