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May 30, 2003

Carol Mitten, Chair
District of Columbia Zoning Commission
441 4th Street, NW
Suite 220
Washington, DC 20001

RE: ZC Case No. 02-38 (Waterside Mall - PUD & Map Amendment)
Waterside Associates, LLC (the "Applicant"); 401M Street, SW,
Square 499, Lot 60 and Square 542, Lot 88

Dear Chair Mitten and Members of the Commission:

We had hoped that the Zoning Commission's concerns, expressed in its deliberations on May 12, 2003, would prompt the Applicant and the Office of Planning and Office of Economic Development to revisit the PUD design and make an effort to include a full-service grocery store in it. We contacted both the Office of Planning and the Applicant to discuss the possibility further. Despite the fact that the City has an express policy of encouraging supermarket development and has been described as "working in partnership" with the Applicant in this PUD, the Office of Planning expressly stated that it would not involve itself in any discussions about the supermarket-- that it would leave it to the private parties to work out. The Applicant responded that it was only willing to consider its plan, one that Safeway had already determined to be unworkable operationally. The Applicant's written response to the Zoning Commission's concerns filed on May 23, 2003 further demonstrates no willingness on the Applicant's part to provide a full service supermarket in this project.

Its written statement shows that the Applicant is clearly unwilling to give the community more than it already has. In fact, the community could end up with less after the Safeway lease terminates. The new condition regarding supermarkets is qualified significantly in two ways. First, it will provide a space for a 30,000 s.f. grocery store only if there is not another grocery store within 1.5 miles. It should be noted that the 1.5 mile radius includes an area north of I-395 in the Capitol Hill neighborhood. Second, the Applicant will only use "reasonable" efforts to lease the space for grocery store use.

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Exhibit 114

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District of Columbia
CASE NO.02-38
EXHIBIT NO.114

There are substantial design and economic challenges in putting together a mixed-use grocery/office project. Both parties could be perfectly "reasonable" from their individual points of view in considering their own needs and the deal not get made. In fact, the dearth of mixed-use projects including grocery stores would indicate that it is more likely than not that it won't get done. For instance, grocery store rents are typically much lower than office rents and many other kinds of retail. Moreover, the visibility, parking, access, layout and delivery needs are special because of the convenience nature of the business and the volume of products offered and delivered to the store. What is needed (and what has been lacking thus far) is a mechanism to provide economic and other incentives to make it attractive to the office developer to overcome the challenges and make the grocery deal.

Safeway has also made an effort to obtain the Office of Planning's and Department of Transportation's assistance to get additional access to 4th Street from the customer parking lot for the interim period-- before the end of the Safeway lease. Our experience as a supermarket operator in this City and across the country is that you need easy ingress and egress to the parking areas. As proposed, Safeway runs the risk that its customers will find the access to the store inconvenient and shop elsewhere, including outside the District of Columbia. So far, the City has refused to accommodate this need.

Thus, if this PUD is approved, the community will lose the current opportunity for a larger, full-service supermarket. The Applicant's revised condition also raises the possibility that the community may not have even a 30,000 s.f. supermarket in this project in the future. In addition, the failure to accommodate Safeway's access needs during the remaining life of its lease could jeopardize our successful operation in the interim period.

In general, this project is not a true Town Center with retail, residential and office uses all making important contributions to the whole. It is an office development and the Applicant's proposed order is replete with conditions that indicate that all parts of the project must accommodate the office development first and foremost. The residential and retail components run a distant second. Even a small compromise to satisfy the needs of a supermarket to provide additional access to 4th Street is rejected.

Office development has its benefits but it does not meet all of the needs of this community. The Zoning Commission should reject this plan and encourage the City and the Applicant to develop a plan, which will serve all the needs of the community and truly implement the City's policy to encourage supermarket development.

Thank you for the opportunity to share our concerns with the Commission.

Very truly yours,

Avis E. Black
Area Real Estate Manager

cc: Eric Price, Deputy Mayor Planning and Economic Development
Andrew Altman, Director, Office of Planning
Jerry Moore, III, Esquire
ANC 6D
The Honorable Sharon Ambrose
Gretchen Dudney, Kaempfer Company
Cynthia Giordano, Esquire
Simone Goring