
CITY OF COVINGTON DOWNTOWN FORM BASED CODE AND INFILL EXEMPTION: MARKET STUDY

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1 INTRODUCTION

Project Background

Covington is preparing a Form-Based Code and Infill Exemption Environmental Impact Statement (EIS) per a grant with the Washington Department of Commerce. The form-based code is intended to implement the community's vision, respond to changes in the regional economy, and provide a catalyst for high-quality mixed use and residential construction in the heart of Covington. The infill exemption would allow for a more streamlined environmental review process for development consistent with the vision and form-based code.

To support the city's efforts, this market study addresses:

- Downtown's draw within Covington and relationship to other centers and the surrounding areas
- Current and future mix of employers, retail, and housing
- Potential for redevelopment and opportunity sites
- Comparison to communities in the region to contextualize the data

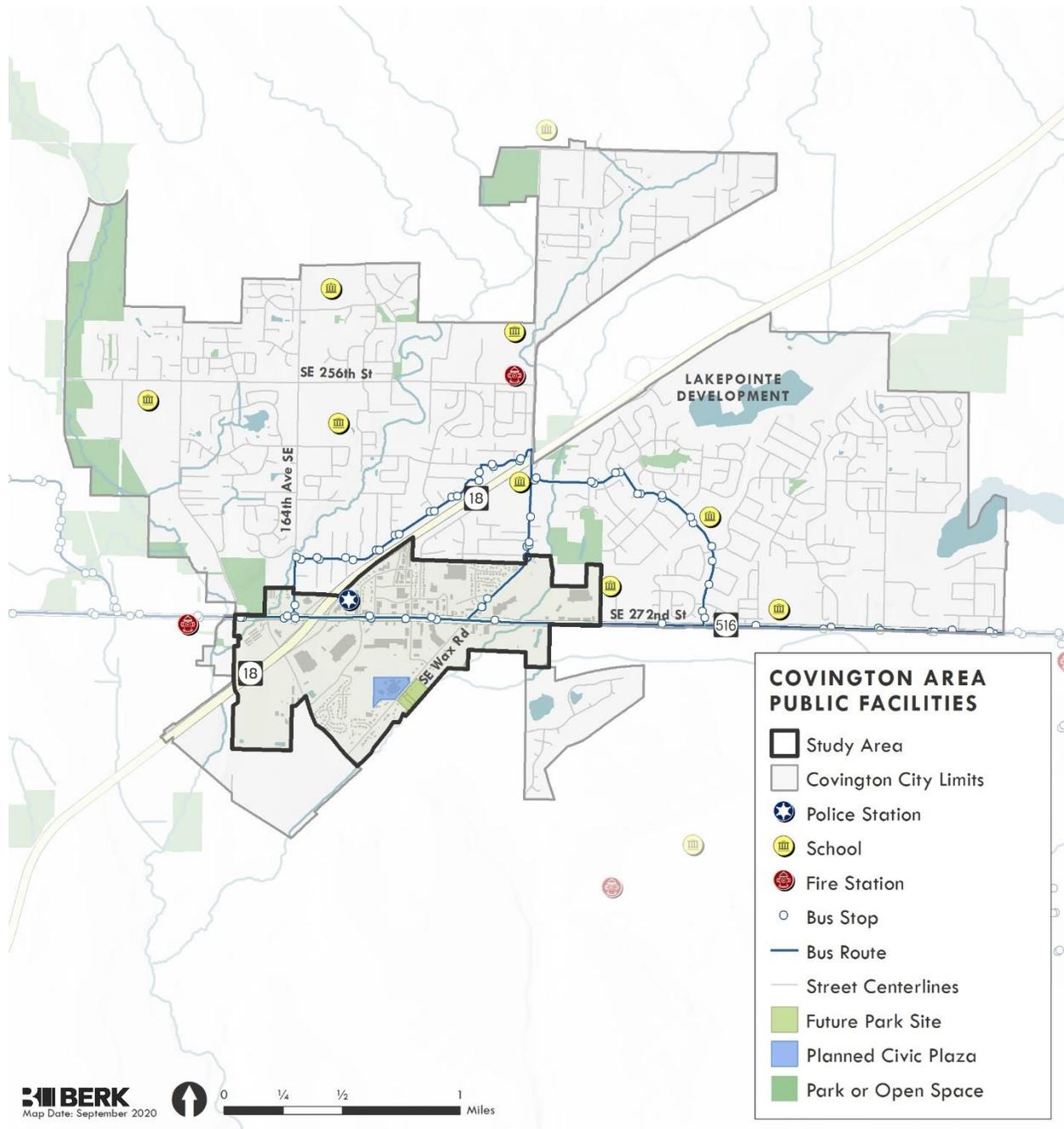
The study is structured as follows:

1. **Introduction:** Background, Study Area Context, Methods and Approach
2. **Existing Conditions and Trends:** Land Use, Population and Employment, Real Estate Market and Trends, Regulatory Environment, Comparison to Communities
3. **Opportunity Sites:** Multifamily and Mixed Use Opportunities in Downtown and Future of City Owned Site
4. **Case Studies:** Other Communities with New Mixed Uses and Walkable Areas

Study Area Context

Covington is a city of 20,530 people located in southeast King County per the State of Washington Office of Financial Management. (State of Washington Office of Financial Management (OFM), 2020) Highway 18 and SR-516 run through the city center and connect Covington to the region north-south and east-west, respectively. The Study Area is Covington's downtown, where commercial activity is concentrated. The Lakepointe Urban Village Subarea to the northeast along Highway 18 is currently planned for redevelopment as a second mixed-use center for Covington. With this second center incorporating future commercial activity and substantial dwelling units, the City seeks to examine and articulate a distinct identity and vision for the role of Downtown as the heart of Covington. See Exhibit 1.

Exhibit 1: City of Covington and Study Area Map.



Source: BERK, 2020.

Methods and Approach

The market study is intended to update the City's understanding of market and economic conditions in Downtown Covington,

The following represent the key data sources and methods for the market study.

- **Population and household data.** Citywide population counts were obtained from the Washington State Office of Financial Management (OFM), with city population projections obtained from the Puget Sound Regional Council (PSRC) and the City of Covington 2015-2035 Comprehensive Plan. Where demographic data from the US Census or American Community Survey are used, population and household data from those sources is also reported.
- **Employment data.** Information on employment for the Study Area and the City of Covington were obtained from the PSRC. Aggregations of sector-based employment counts were conducted where data suppression permitted.
- **Real estate market data.** Real estate market data, including information on rents, vacancies, age, locations, and development trends were obtained from CoStar, a commercial real estate database and research platform. (CoStar, 2020)
- **Property data.** Information on current development, land use, and assessed property values was derived from King County Assessor data, acquired in May 2020.
- **GIS data.** GIS data sets for parcel boundaries, building footprints, and other base data were obtained from King County GIS. Additional data on zoning, land capacity, and other base features were obtained from the City of Covington and King County who provides GIS services to the City.
- **Additional literature sources.** Research from sources in the available literature, as well as from past and current plans and policies, and project and program websites. These sources are referenced with footnotes in the text as applicable. Some local market-based studies were reviewed such as for Downtown in 2009 and for the Northern Gateway Study in 2012. (Property Counselors, 2009)

Glossary

Following are terms used in this study.

Industry

A group of establishments that produce similar products or provide similar services. For example, all establishments that manufacture automobiles are in the same industry. The North American Industry Classification System (NAICS) groups similar establishments into industries. (US Bureau of Labor Statistics, 2020)

Sectors

Refers to a subset of the domestic economy. NAICS divides the economy into 20 sectors. Industries within these sectors are grouped according to production criterion. (US Office of Management and Budget (OMB), 2017) Sectors include:

- Sector 11--Agriculture, Forestry, Fishing and Hunting
- Sector 21. Mining, Quarrying, and Oil and Gas Extraction
- Sector 22. Utilities
- Sector 23. Construction
- Sector 31-33. Manufacturing
- Sector 42. Wholesale Trade
- Sector 44-45. Retail Trade
- Sector 48-49. Transportation and Warehousing
- Sector 51. Information
- Sector 52. Finance and Insurance
- Sector 53. Real Estate and Rental and Leasing
- Sector 54. Professional, Scientific, and Technical Services
- Sector 55. Management of Companies and Enterprises
- Sector 56. Administrative and Support and Waste Management and Remediation Services
- Sector 61. Educational Services
- Sector 62. Health Care and Social Assistance
- Sector 71. Arts, Entertainment, and Recreation
- Sector 72. Accommodation and Food Services
- Sector 81. Other Services (except Public Administration)
- Sector 92. Public Administration

The Bureau of Labor Statistics has further aggregated NAICS sectors into groupings called "Supersectors" under the umbrella of goods-producing industries (natural resources and

mining, construction, and manufacturing) and service-producing industries (trade, transportation, and utilities, information, financial activities, professional and business services, education and health services, leisure and hospitality, other, and government)

The Puget Sound Regional Council (PSRC) often groups NAICS into major sectors: (Puget Sound Regional Council (PSRC), 2020)

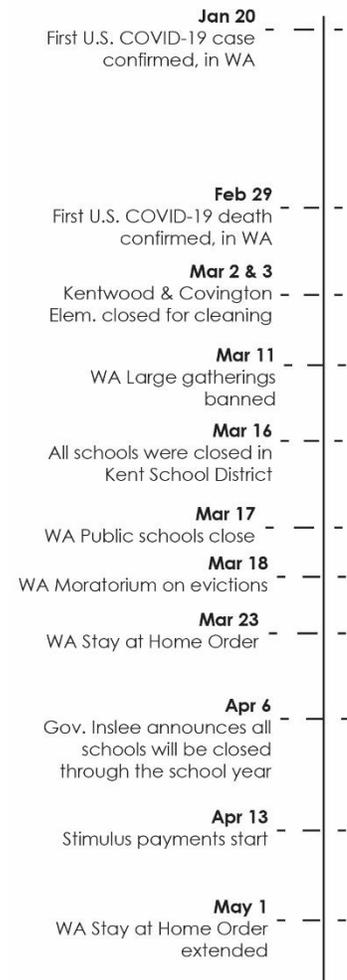
- Construction and Resources (Const/Res): 11, 21, 23
- Finance, Insurance and Real Estate (FIRE): 52, 53
- Manufacturing: 31-33
- Retail: 44, 45
- Services: 51, 54-56, 61 (private-sector portion), 62, 71, 72, 81
- Wholesale Trade, Transportation, and Utilities (WTU): 22, 42, 48, 49
- Government: Public-sector employment, excluding education
- Education: 61 (public-sector portion)

COVID-19 Impacts

Nationally, unemployment is at 15%, its highest rate since the Great Depression.¹ Social distancing guidelines and important public health precautions have halted many sectors of the economy, affecting both rural and urban communities nationwide.

Trends in Washington State

- **As of May 10, 2020, 15% of the state population has filed for unemployment benefits.** This represents an increase from less than 65,000 beneficiaries in the first 9 weeks of 2020 to over one million in the second 9 weeks. See Exhibit 2. Roughly one in five of residents filed initial unemployment insurance (UI) claims with the WA State Employment Security Department between March 1 and May 2, 2020, totaling 273,500 claims.
- Consumer spending decreased 26.7% and job postings declined 40.4% between early January and late April.²
- Sectors with most dramatic job losses: leisure and hospitality (e.g. accommodation and food services, arts and entertainment), financial activities (finance, insurance, real estate), and manufacturing.³



¹ [Bureau of Labor Statistics](#), May 8, 2020

² [Opportunity Insights](#), April 19, 2020.

³ [Washington Employment Security Department](#), April 15, 2020

Exhibit 2: Washington State Weekly Unemployment Claims, January 5 to May 10, 2020.



Sources: Washington ESD, May 20, 2020; BERK, 2020

How is this affecting the regional and local economy?

- Efforts to limit the spread of COVID-19, including the closure of non-essential businesses on March 15, 2020, resulted in a dramatic increase in the number of people unemployed in King County. The unemployment rate ⁴for King County was 5.3% for July 2020. There were 1,287,284 workers in the labor force in King County in July 2020. This is lower than the statewide
- Between March 8 to May 18, the accommodation and food service industry had both the greatest number of claims (10.9%). Trends also show the highest rate of claims per capita (35% of accommodation and food service workers). In comparison, claims per capita was 15% among healthcare and social assistance workers, and 20% among manufacturing and retail workers.
- The Services sector accounts for 46% of jobs within the Study Area; examples of service jobs include finance, insurance, real estate, food services, accommodations, information, education, government, etc. Each of the top five sectors with highest rates of employees filing for unemployment benefits in King County are classified under the Services sector, as shown in Exhibit 3. It is likely that many Study Area businesses and employees are struggling economically during this outbreak.
- The Study Area incorporates a high concentration of retail. Some retail enterprises have served as essential businesses⁵ and remained open with social-distancing measures. However, on the whole, stand-alone retail businesses (e.g. single retail stores

⁴ The unemployment rate measures the share of workers in the labor force who do not currently have a job but are actively looking for work. People who have not looked for work in the past four weeks are not included in this measure.

⁵ Such as groceries, pharmacies, and other retail that sells food and beverage products. See: Essential business, Washington State Coronavirus Response (COVID-19): <https://coronavirus.wa.gov/what-you-need-know/essential-business>. Accessed: September 8, 2020.

not in malls or unified shopping centers) have been struggling economically for many years, and this downturn could accelerate and intensify these trends a lead to lasting industry change. Mixed-use developments typically perform better than stand-alone retail businesses.

- While the future is uncertain, the Study Area will need to adapt to an evolving commercial office and retail landscape. Form Based Code (FBC) and Infill Exemption efforts may contribute to a refreshed and stabilized landscape of commercial activity in Covington.

Exhibit 3: Top Five Sectors Applying for Unemployment in King County, March 8 – May 18, 2020.

Industry (3-digit NAICS)	% Total Unemployment Claims in King County
Food services & drinking places	10.9%
Ambulatory health care services (serve ambulatory patients; not providing inpatient services)	5.4%
Professional and technical services (e.g. legal, accounting, architectural, computer, consulting, advertising, translation, veterinary, etc.	4.7%
Educational services (e.g. schools, colleges, training centers)	4.6%
Administrative and support services (e.g., general management, personnel administration, clerical activities, cleaning activities)	4.3%

Sources: Washington ESD, May 21, 2020; BERK, 2020.

Key Takeaways

- **The Study Area is the commercial hub of Covington.** The market reach of its retail offerings and medical services extend beyond its borders and to southeast King County. This established presence can be leveraged as the City rethinks the Downtown identity, incorporating more mixed-use developments, walkability, and density.

- **Land use in the Study Area is heavily weighted toward commercial activity.** Stimulating mixed use development in the Town Center with a greater density of residential properties and mix of non-single-family properties for rent or ownership and public amenities, such as open space/parks and other civic uses, would enhance the district’s balance of services and offerings. As well, there is a prevalence of corporate chain type commercial activity – with very limited locally-owned independent businesses. There is opportunity with shifting trends to add smaller and local businesses (see below).

- **Covington residential property values are higher than many local workers can afford, and multifamily opportunities are limited** (see page 33). The City’s housing stock is dominated by single family homes. Options for affordable home ownership or multifamily rental housing are limited. Housing types, well designed and located, styles that are affordable for workers who earn a moderate wage would help diversify the housing stock and promote livability in downtown.

- **Rental rates in the Study Area are competitive with county-wide averages, with room for growth in multifamily residential.** Study Area properties perform well in terms of vacancy across use types. Rental rates are not particularly high, however, when compared with King County averages, especially for multifamily residential. This may be attributed to the limited amount of new, market rate multifamily housing, auto-oriented built form, and Covington’s distance from higher rent submarkets such as the central business districts of Seattle and Bellevue that skew the countywide average. Market indicators, such as household income, show promise for raising the profile of residential and commercial offerings.

- **The real estate market is shifting.** Commercial real estate, including retail and office, was already shifting in the face of multiple trends. The Covid-19 pandemic is likely to accelerate and intensify these trends leading many to innovate or change their operating models. Overall, consumer demand is shifting away from products to experiences, and to the mixing or convergence of many uses. Lifestyle centers, which add housing above retail, and office space nearby, are more popular than single-use retail shopping centers. Retail space is becoming more adaptive, and adding civic uses such as libraries, in addition to residential, or even flex or warehouse space.

TYPICAL ANNUAL SALARIES

Typical annual salaries for many professions with workers who serve the community like personal care and service occupations, healthcare support occupations workers, and community and social service occupations range from \$30K to \$50 K. Using the 30% standard for the share of income spent on housing, housing costs in the range of \$750- 1,250 would be considered affordable to these households.

Note: based on estimates for King

Placemaking will play a large role in shaping experiences in these evolving formats, both for shoppers and for workers. Local businesses and social places like pubs and similar places could fit the trend towards entertainment.

- **Covington should explore opportunities to retool development regulations to give the market flexibility to respond to shifting trends provided the development creates a compact, pedestrian-friendly environment that is key to long-term economic success.** Development regulations should be tailored to desired development styles for new buildings, as the market may otherwise continue with existing patterns. Local government tools such as market incentives, design standards, and amenity investments can contribute to achieving the desired walkable, mixed-use form for the Study Area's future growth.

2 CONDITIONS AND TRENDS

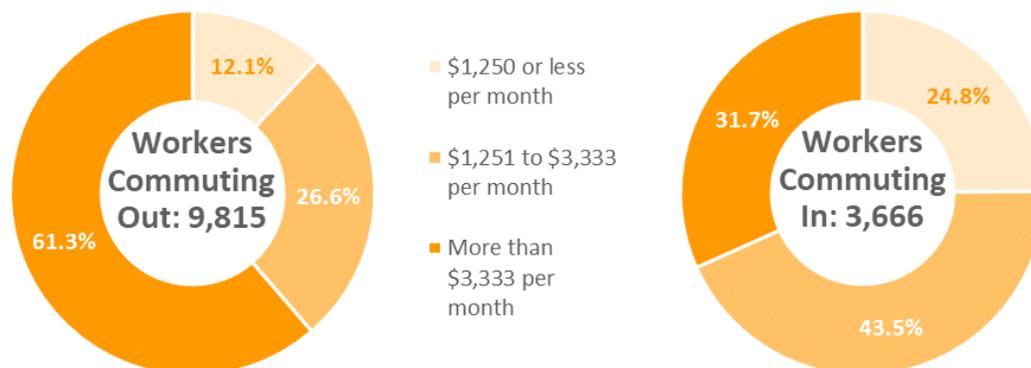
Covington is strategically located near regional employment centers such as the Green River Valley with the cities of Kent, Tukwila, and Renton, and provides housing for this workforce. Covington also draws a workforce to retail and service jobs within its downtown.

Reflecting this regional role, most Covington residents and employees are commuters. Mobility is an important consideration for Covington, as most residents commute outside of city limits. Covington employees are overwhelmingly commuting in from other areas such as Kent, Auburn, Renton, or Maple Valley, with fewer than 200 residents both living and working within the city limits.⁶ Residents who live in Covington but work elsewhere tend to have higher paying positions than those who commute into Covington city limits for employment, as shown in Exhibit 4.



Covington is strategically located close to regional growth centers and manufacturing industrial centers. Source for base map: PSRC, 2020.

Exhibit 4: Inflow and Outflow of Workers To/From Covington, by Monthly Earnings, 2017.



Sources: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment, 2017; BERK, 2020

The Study Area captures the highest density of residents who both live and work in Covington. Additional residential options near the downtown employment hub may further benefit Covington workers and reduce the quantity of employees who need to commute from longer distances. Moderate-wage workers⁷ of Covington employers may struggle to afford housing options locally or seek housing types that are not available in Covington.

Though currently auto oriented in character, the Study Area has many features that complement a walkable community.

The City of Covington is categorized by “walkscore.com” as “car-dependent”, with an average WalkScore of 21 out of 100.⁸ This indicates that most or all errands require the use of a car.⁹ The Study Area is a unique pocket of the city where current WalkScores are higher within the 50-69 age range: “somewhat walkable”. Additional pedestrian and bicycle infrastructure can further enhance Downtown as an amenity-rich urban center, accessible by multiple means of transportation. Public realm investments tie in with economic

⁶ U.S. Census Bureau, OnTheMap and LEHD Origin-Destination Employment, 2017

⁷ Per WAC 365-196, moderate-income refers to a household whose income is between fifty percent and eighty percent of the median income where the housing unit is located. For a household of 1 person this is \$3,230 to \$5,070 per month according to [King County 2019 Income Limits](#). Only about 32% of workers commuting into Covington earn that amount, compared to about 62% who commute out of Covington.

⁸ See: www.walkscore.com. The score is 21 out of 100, illustrating a car-dependent area. The scale is: 0-24 Car-Dependent: Almost all errands require a car. 25-49 Car-Dependent: Most errands require a car. 50-69 Somewhat Walkable: Some errands can be accomplished on foot. 70-89 Very Walkable: Most errands can be accomplished on foot. 90-100 Walker’s Paradise: Daily errands do not require a car.

⁹ The WalkScore findings are similar to the 2018 American Community Survey 5-year estimate that 83% drive a car/truck/van alone to work (9,291 of 11,226 workers 16 years and over).

development, boosting the desirability of a neighborhood such as Downtown Covington for residents and employees alike.

Unlike the Lakepointe Urban Village Subarea community to the northeast, which is undeveloped to date, the Downtown Study Area has existing retail and commercial tenants and a residential population. Further investment in the Downtown with a focus on the Town Center zoning district benefits existing community businesses and offers a mixed-income community in the heart of town. Existing activity can fuel momentum for a thriving town center in the Study Area.

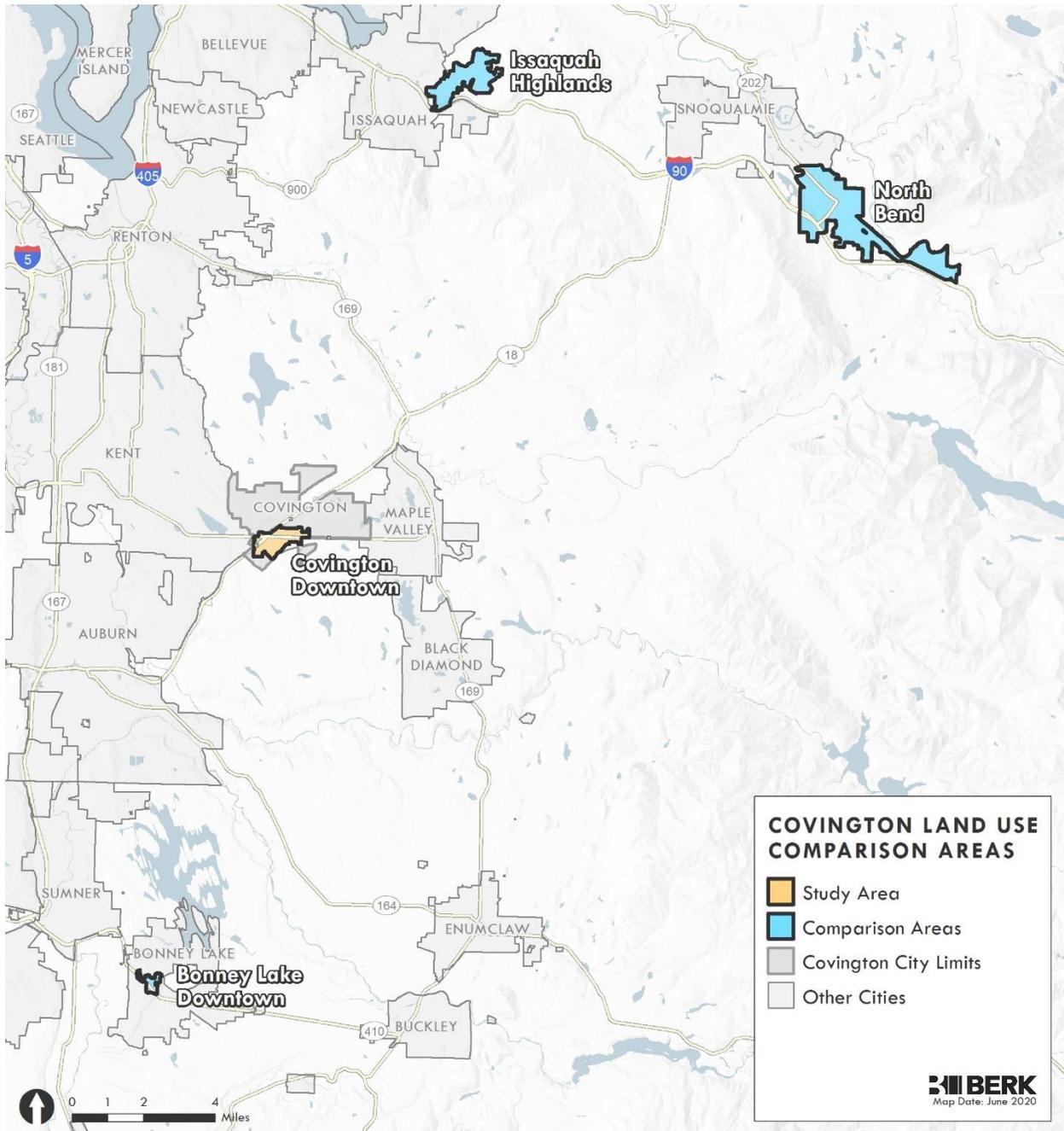
Regional context- Comparison areas

Covington is strategically located near regional employment centers such as Renton, Tukwila, and Kent in the Green River Valley and near educational centers like the Green River Community College. Covington's amenities and key assets include parks, the popular Covington Aquatic Center indoor pool, access to services, and good schools, as well as easy transportation connections via two state highways, . These assets and growing regional demand for housing have led to strong growth in Covington.

To provide context, information is pulled for mixed use areas in North Bend, Bonney Lake Downtown, and Issaquah Highlands. See Exhibit 5. These areas allow for the comparison of the data presented here and include differing models for mixed-use development, reflecting their relative strengths and similarities to Covington's Study Area.

- **The City of North Bend** is located northeast of Covington, along I-90. Like Covington, it is a smaller town that has seen rapid growth in recent years. (Area mapped equals 1,464 parcel acres.)
- **Bonney Lake Downtown** is bisected by SR 410 and located south of Covington. It is also a rapidly growing community on the edge of an urban area with a state route and big box commercial areas. However, its downtown district offers a denser model of retail properties mixed with residential and other commercial land uses. (Parcel acres compared are about 100.)
- **Issaquah Highlands** is northeast of Covington accessed off I-90, and is a planned community developed as a mixed-use and walkable neighborhood. The Highlands development has a strong residential focus, making it a valuable site for comparison when considering features Covington's Downtown might integrate for attracting additional residential uses. (Parcel acres compared are 653.)

Exhibit 5: Study Area and Comparison Geographies.



Source: BERK 2020.

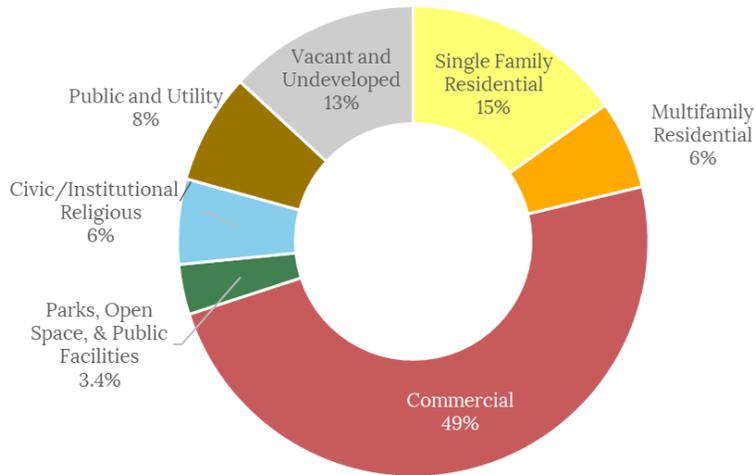
Land Use

Land use in the Study Area is predominantly commercial at 49% of total acreage. See Exhibit 6 and Exhibit 8. This includes a mix of office, retail, and medical service providers with retail being the primary use. Large retailers include Costco, Fred Meyer, Safeway, Home Depot, and Walmart. Residential properties comprise 21% of the Study Area acreage, with single family residential being the majority use type. Civic uses include the City Hall and the MultiCare Medical Center. Only about 3% of the land is in parks, open space, or public facilities use.

As the Downtown redevelops as a thriving mixed-use urban center, the Study Area may increase its proportion of land use dedicated to parks and multifamily residential housing. Residents create vibrancy outside of business hours and encourage greater diversity in commercial offerings. Attracting residents may require the integration of public amenities and open space for enhanced livability.

Two comparison areas (Bonney Lake downtown and Issaquah Highlands) are shown in Exhibit 7 for reference. These comparison areas have a varying balance of land use when compared to Covington's Downtown. Both comparison areas incorporate proportionally more residential land use, summing single family and multifamily properties. Bonney Lake, notably, has 22% of its Downtown land in multifamily use compared to only 7% in the Study Area. Bonney Lake also has more vacant or undeveloped land than the Study Area, which involves a forested frontage of General Commercial Zoned Land; in Covington some of the vacant and undeveloped land is constrained by critical areas. The Issaquah Highlands has strong focus on open space and parkland. These elements can foster greater walkability and livability. The Study Area has a much higher proportion of commercial land use (particularly retail and office) than the other areas, and a higher proportion of civic/institutional/religious uses (e.g. medical, churches, etc.).

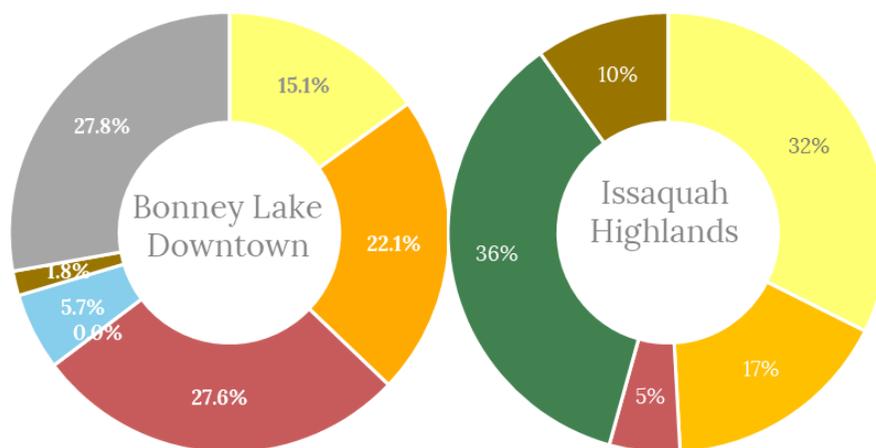
Exhibit 6: Land Uses in Downtown Covington, by Acreage (% of Total).



Sources: King County Assessor, 2020; BERK, 2020. Vacant land excluded.

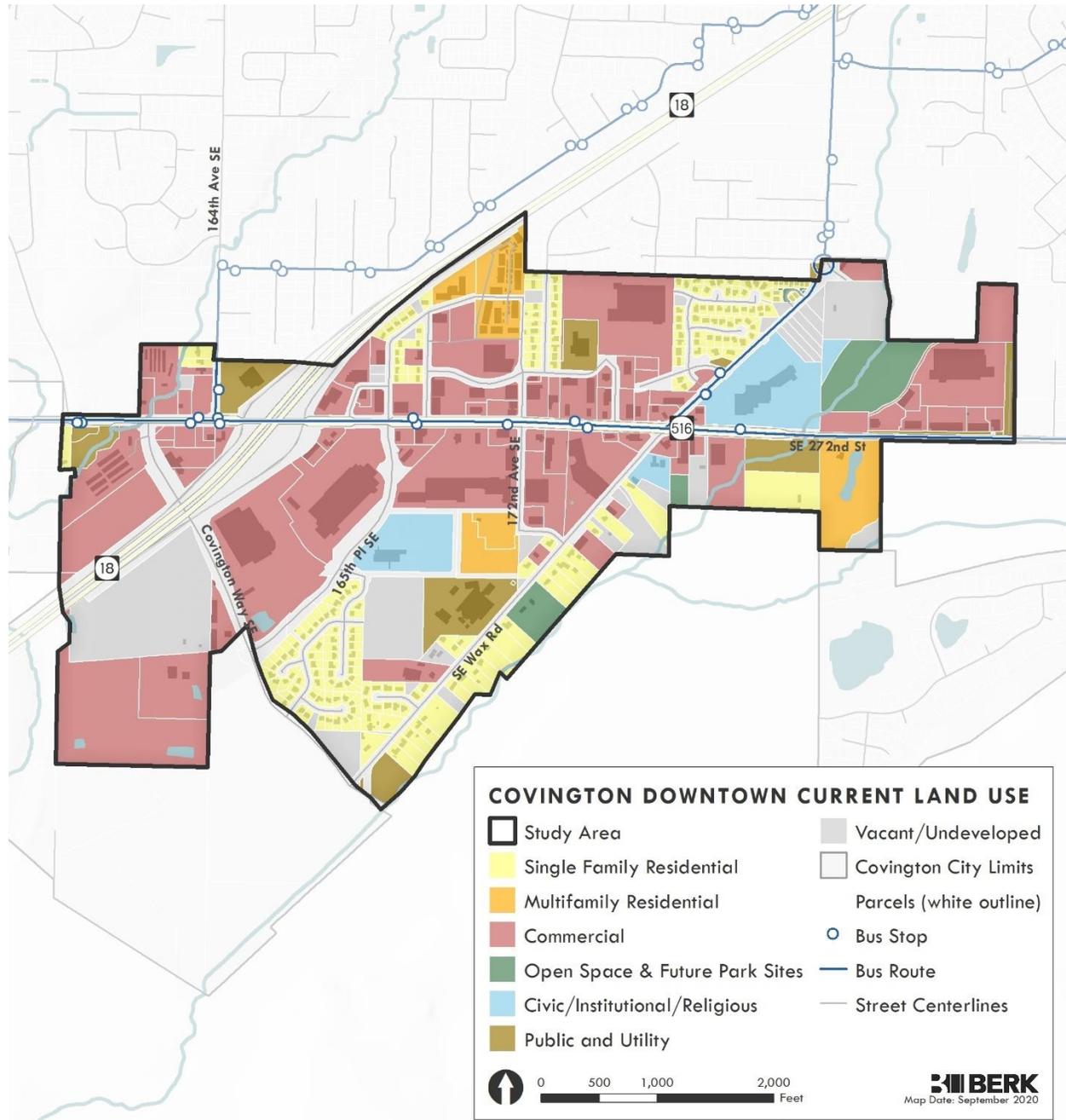
Exhibit 7: Land Uses in Comparison Areas, by Acreage (% of Total).

- Single Family Residential
- Commercial
- Civic/Institutional/Religious
- Vacant
- Multifamily Residential
- Parks, Open Space, & Public Facilities
- Public and Utility



Sources: King County Assessor, 2020; Pierce County Assessor, 2020; BERK, 2020. Vacant land and unknown uses excluded.

Exhibit 8: Current Land Uses, Study Area.



Sources: King County Assessor, 2020; BERK, 2020.

Population and Employment

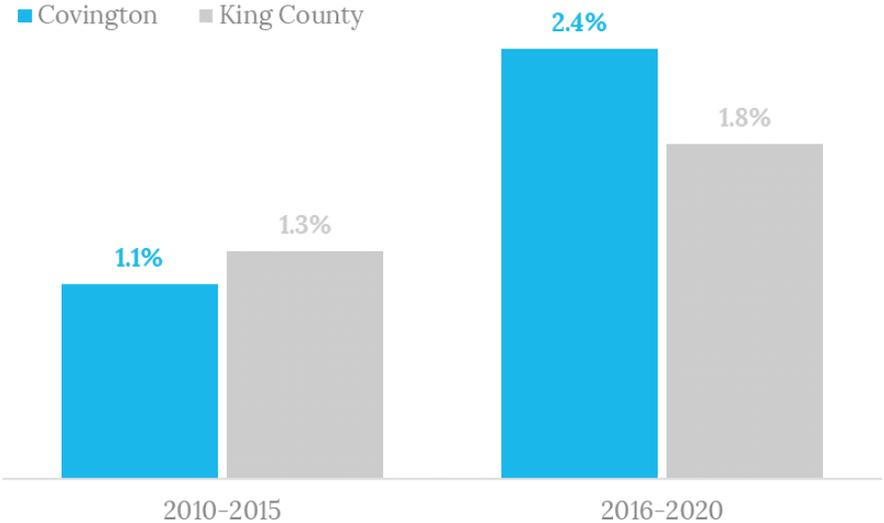
King County experienced a 17% increase in population 2010-2020, and projections expect continued growth over a 20-year horizon. In particular, the region expects growth in its proportion of older adults (65+) and a decline in its proportion of working age adults (20-64). See Exhibit 10.

Covington’s population is growing, aging, and becoming more racially diverse.

Population growth rates in Covington reflect the County trend with an overall 17% increase over the 2010-2020 period. Annual average growth rates are slightly higher for Covington than for King County overall from 2016-2020 See Exhibit 9.

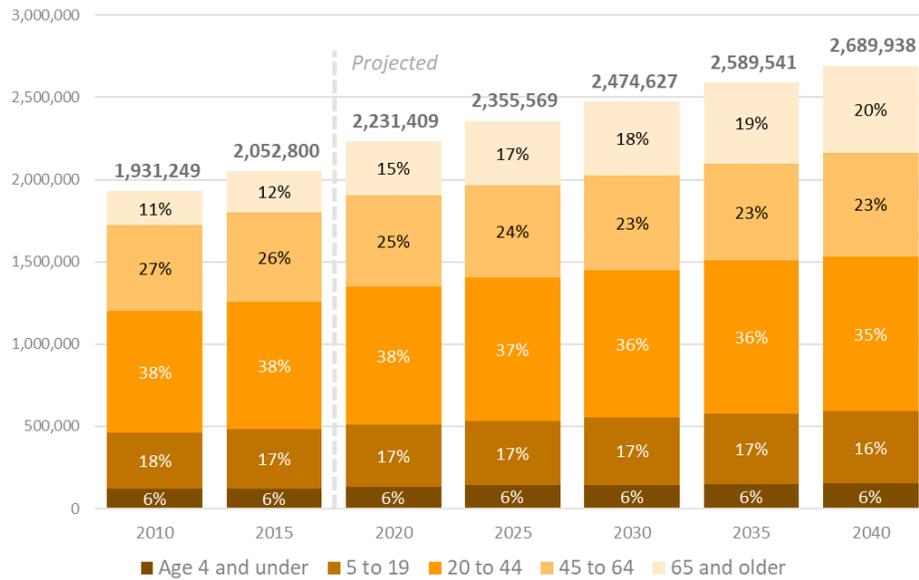
If population growth continues to mimic county-wide trends, an increasing proportion of Covington’s population will be aged 65 and older while the working age population, 20-64, decreases in total percentage. See Exhibit 10.

Exhibit 9: Average Annual Growth Rate, Covington, and King County 2010-2020



Sources: Washington State Office of Financial Management, 2019; BERK Consulting, 2020.

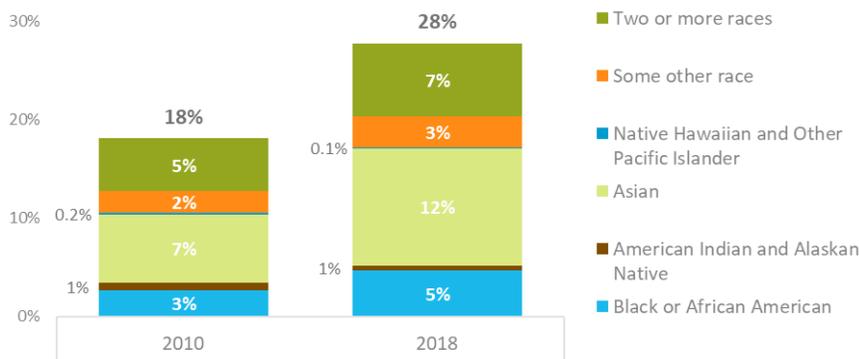
Exhibit 10: Population by Age Cohort, King County, 2000-2040 (projected).



Sources: WA OFM, 2020; BERK, 2020

As Covington grows, it is also becoming more racially diverse. Since the 2010 Decennial Census, the proportions of Covington residents that identify as white only, has decreased; ACS data shows the non-White Alone population have increased to represent over a quarter of the population in 2018, with 12% of the population identifying as Asian, 7% with two or more racial identities, and 5% as Black or African American. See Exhibit 11.

Exhibit 11: Race in Covington, Non-White Alone Population, 2010 & 2018.

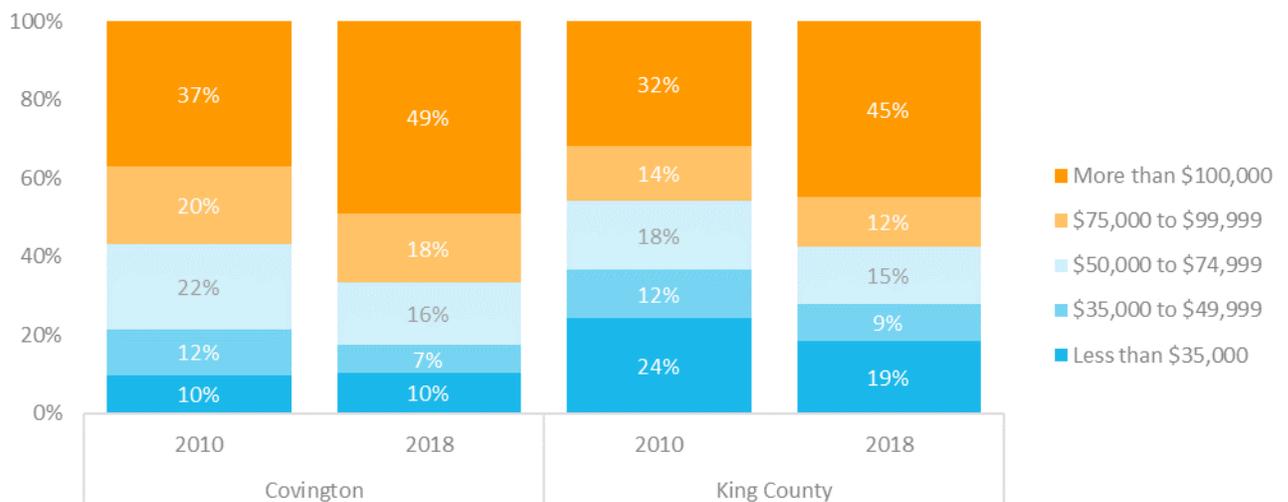


Sources: American Community Survey B02001 5-Yr Estimates, 2010 & 2018; BERK Consulting, 2020.

Covington households have higher annual incomes than the County overall. There are both higher proportions of households earning more than \$100,000 annually (49% versus 45%) and lower proportions of households earning less than \$50,000 annually (17% versus 28%). See Exhibit 12. This has implications for both the retail mix the city can support and the housing types that are needed. While Covington’s current retail mix includes grocery stores and similar essential services, the higher incomes and associated spending power of its households suggests that there is likely an opportunity to capture spending through the addition of discretionary retail categories like unique services and experiences.

In terms of housing, the larger proportion of residents with higher incomes influences the potential rental rates and housing prices that can be expected to be affordable to Covington residents. The presence of unique bundles of amenities, including but not limited to discretionary retail categories, can support the development of housing attractive to moderate to higher income households. The presence of relatively smaller but still significant proportion of households in the lower income brackets indicate that incentives or subsidies may be needed to ensure housing affordable to these households who compete for housing alongside higher income households.

Exhibit 12: Household Income Brackets, Covington, and King County, 2018.



Sources: PSRC, 2017; BERK, 2020.

Most Covington jobs are located within the Study Area.

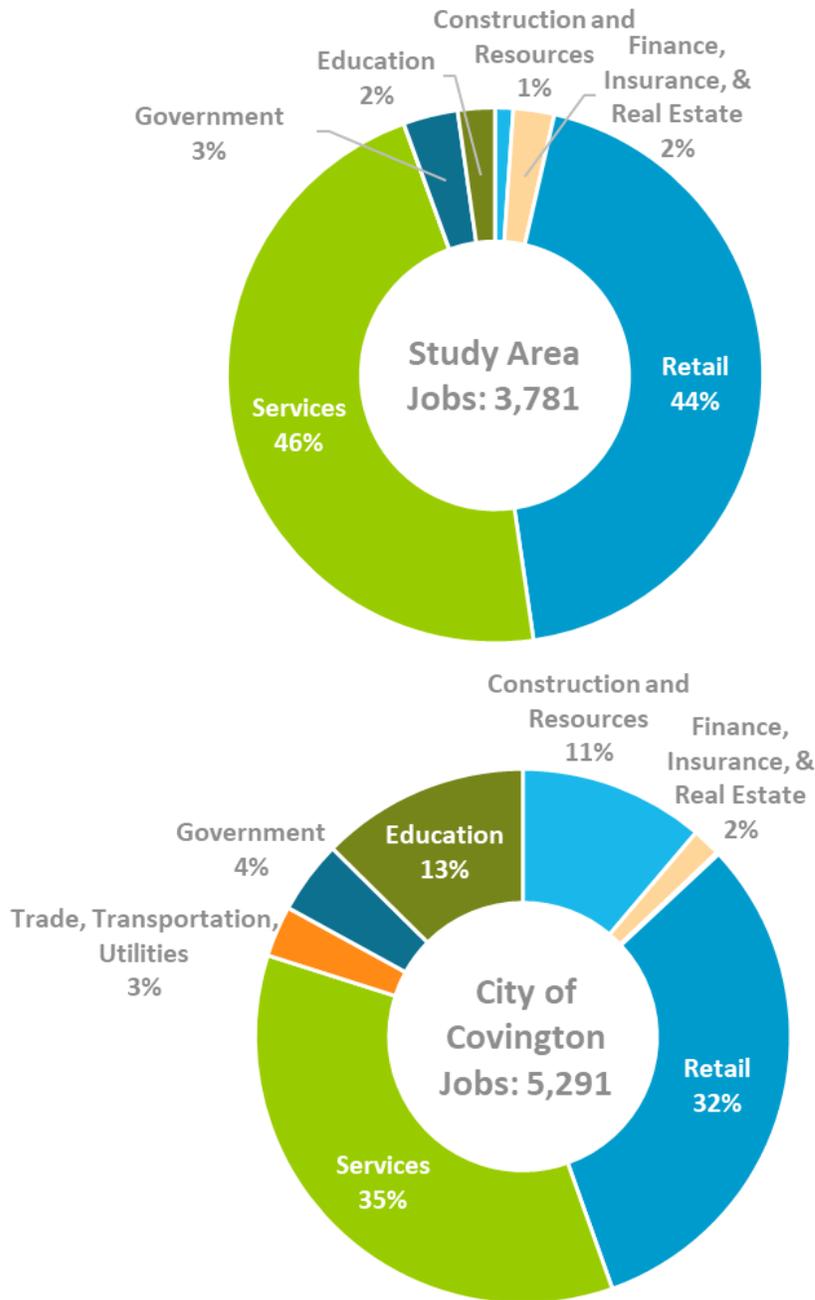
As of 2018, data developed by the State Employment Security Department (ESD) and maintained by the PSRC indicates that the Study Area accounts for 3,781 jobs, which is 71% of total Covington jobs estimated at 5,291.¹⁰ These jobs are heavily focused on the Services (46%) and Retail (44%) sectors. Service sector jobs include categories such as Information, Professional and Technical Services (e.g. legal, tax, accounting, architectural), Company Management, and Health Care. The MultiCare Covington Medical Center is a regional draw for southeast King County and is one of the Study Area's major employers, contributing to the higher percentage of Services employment. Compared to the City overall, the Study Area has considerably fewer jobs in the sectors of Construction and Resources; Education;¹¹ and Finance, Insurance, and Real Estate. See Exhibit 13 for details.

MultiCare Covington Medical Center includes a 74,000 square foot hospital tower with a total of 58 patient rooms, three surgical suites, and a 10-bed family birth center.

¹⁰ 2018 city data is presented in text and charts as PSRC has tailored job estimates for the study area as of 2018. The citywide job estimate increased slightly by 2019 to 5,551 per PSRC.

¹¹ The 2018 employment data would reflect Covington Elementary employment (~84 jobs per PSRC/ESD); as of 2020 the school relocated outside of Downtown and the existing school site is anticipated to be a civic campus.

Exhibit 13: Covered Employment by Sector, Study Area and Covington, 2018.



Sources: PSRC, 2019; BERK, 2020.

Notes: Study Area employment per PSRC estimates for exact boundary. The 2018 employment data would reflect Covington Elementary employment (~84 jobs per PSRC/ESD); as of 2020 the school relocated outside of Downtown and the existing school site is anticipated to be a civic campus.

Real Estate Market and Trends

The Study Area is the commercial hub of activity within Covington, as shown in Exhibit 14, attracting shoppers and employees from the greater southeast King County region.¹² It is predominantly a retail district (60% of commercial property use by rentable building area) with an increasing presence of multifamily residential.¹³ See Exhibit 15. Development patterns trend toward large, low-rise buildings with expansive parking lots. Ninety percent of building space in Downtown has been developed within the past 40 years. See Exhibit 16.

As Lakepointe Urban Village Subarea redevelopment is commencing on the edge of Covington, the Study Area has the potential and is planned to be a distinct, walkable, district in Covington. The City is examining Downtown's existing vision, and plans to build upon the Study Area's identify as Covington's business district with easy regional access at the intersection of two state highways SR 18 and SR 516, and leverage recent development that has made Downtown a regional medical hub. The Form Based Code effort will identify methods and code amendments to ensure Covington's Downtown becomes a distinct walkable area with a mixed-use development throughout but focused on the Town Center. Market elements which supports having such a district includes low vacancy rates across residential and commercial property types, a balanced mix of uses, and strong rental rates across property types.

COVID-19 IMPACTS

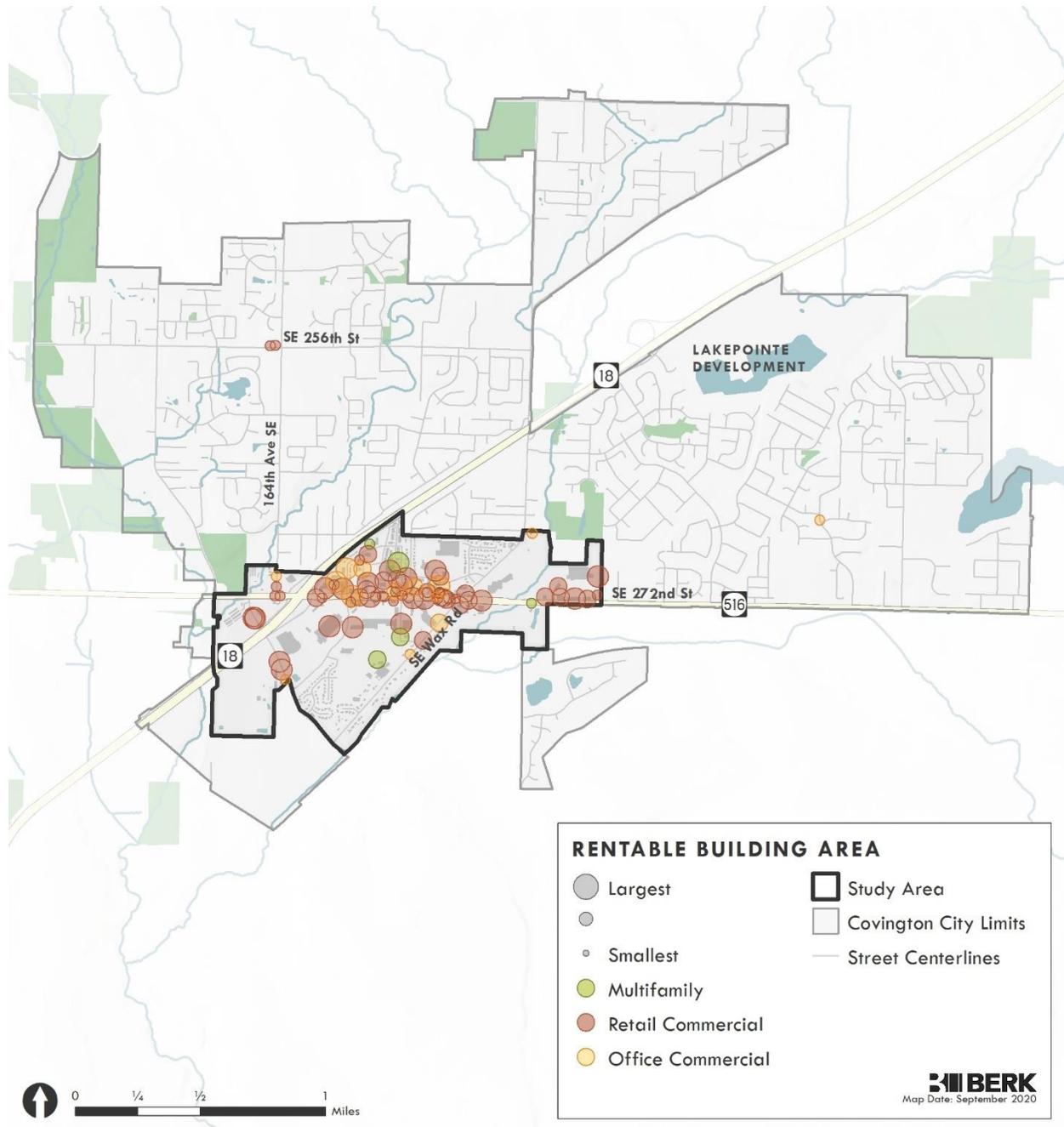
With an ongoing pandemic and anticipated economic recession, there is much uncertainty about changing market conditions in communities across the globe. Cities will continue to respond and adapt as new information and public health guidance is provided.

While long-term impacts cannot be perfectly forecasted, investments in the public realm remain an important priority for promoting long-term growth, economic vitality, and community health. Walkability, transit access, diverse housing options, and zoning flexibility will continue to serve those who live, work, and visit in Covington.

¹² City of Covington and Northern Gateway Area Study: Buildable Lands Capacity and Build-Out Analysis and Market Analysis. Market Area explored on page 18, Exhibit 16.

¹³ Commercial property includes multifamily properties but not single family or owner-occupied townhome residential housing.

Exhibit 14: Commercial Real Estate in Covington, by Type.

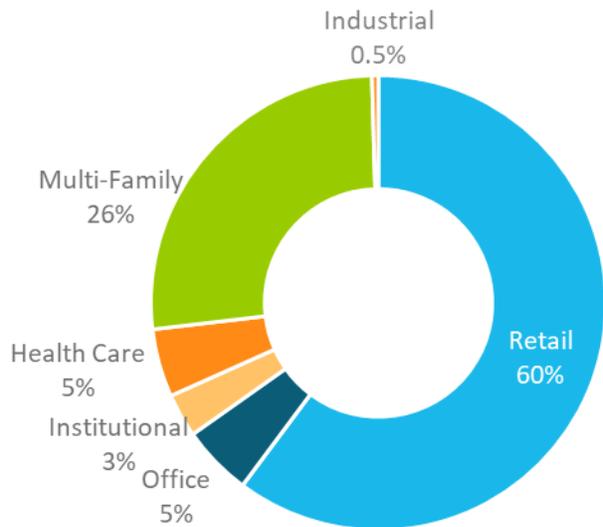


Sources: Costar, 2020. BERK, 2020.

Per CoStar data for 2020, rental rates in the Study Area are competitive with county-wide averages, with room for growth in multifamily residential. Overall, vacancy rates in the Study Area are low across property types. Increasing the proportion of office and residential uses in this area would help foster the diversity of uses typical to walkable downtown. Daytime employees become shoppers for smaller retailers and service providers. Increasing mixed-use development with high quality site and building design will increase residential activity, which adds to activity on sidewalks during the day and at night, including evening “eyes on the streets” creating a neighborhood ambiance rather than a sterile commercial landscape with vacant parking lots at night.

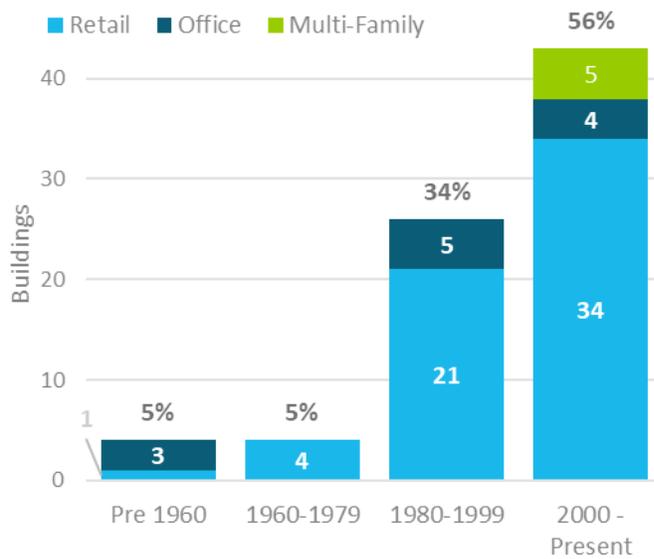
Areas such as the Town Center (bounded by 165th Place SE and Covington Firs subdivision(MHO zone) on the west, SR 516 (aka SE 272nd Street) on the north, SE Wax Road on the east and Covington Way SE on the south, combined with future roadway improvements and redevelopment along Wax Road corridor may serve as the catalyst for development of the Town Center as the mixed-use hub of downtown. This area is home to much of the existing residential development in the district. Smaller parcel sizes and single-family development on the east side of the road may lend themselves to smaller scale, denser residential development with ground-related units within the constraints of shoreline and critical area buffers. The area on the west side may also support denser residential development given it has a level of separation from the busier traffic corridor of 272nd St and the expansive parking lots found more directly east of highway 18. Overall, the proximity of this area to a wide variety of retail uses, and the natural features of Jenkins Creek give it potential as a location for housing. The addition of housing may also create the critical mass of customers that can help diversify the existing selection of retail.

Exhibit 15: Commercial and Multifamily Property in the Study Area, by Rentable Building Area, 2020.



Sources: CoStar, 2020; BERK, 2020.

Exhibit 16: Age of Commercial Buildings in Study Area.



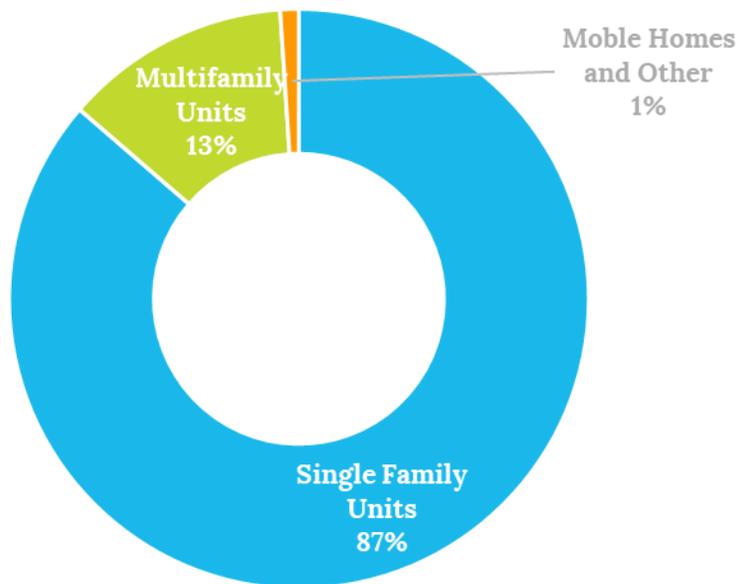
Sources: Costar, 2020; BERK, 2020.

Residential Uses - Citywide

Single Family

Single family homes are the predominant residential housing option in Covington, making up 87% of the housing stock per OFM statistics in 2020 (see Exhibit 17).

Exhibit 17: Residential Housing Units by Type in Covington, 2020.



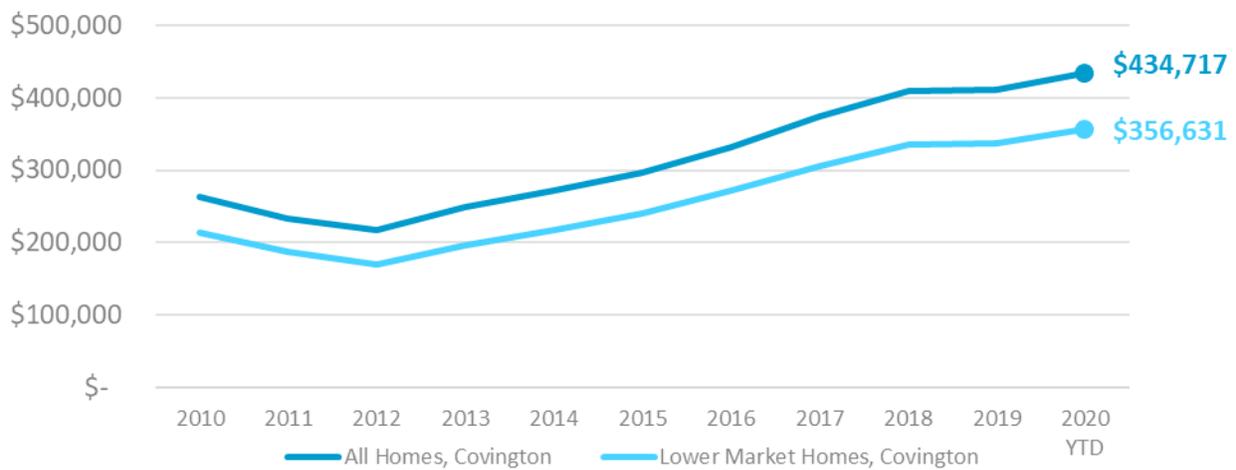
Sources: OFM, 2020; BERK, 2020.

Single-family home values have seen steady increase since 2012, and today's average home value is 65% higher than in 2010. See Exhibit 18. This value is affordable to families earning greater than \$92,000 annually while lower market homes may be affordable for households earning \$72,000 or higher.¹⁴ Many occupations at Covington do not pay annual earnings that support affordability for home ownership at these rates, such as a Retail Salesperson earning \$39,500 per year, a Licensed Practical Nurse earning \$62,000 per year, or an

¹⁴ Based on the ability to save for a 20% down payment, a 30-year fixed mortgage interest rate of 4%, and a household paying no more than 30% of monthly income toward a mortgage.

elementary school teacher earning \$70,000.¹⁵ These workers are essential to the community fabric and may be struggling to find housing which meets their budget with Covington’s current housing stock. The integration of denser housing options like townhomes or duplexes can promote housing affordability for a community. The Study Area should include mixed-use development that provides diversity in housing types, and a mix of incomes include options affordable (both rental and ownership) to the occupations found within its boundaries.

Exhibit 18: Residential Home Values in Covington, 2010-2020.



Sources: Zillow Data, 2020; BERK, 2020.

Multifamily

There are five multifamily properties with 847 units for rent in the Study Area. There are no multifamily options for ownership (e.g. townhouses, condominiums) in the Downtown. See Exhibit 19. These apartments are located in buildings ranging from 3 to 6 stories, with 120-200 units each; and were built within the past 20 years (two constructed after incorporation but prior to 2010 and three developed since 2015). Three of the five projects incorporate affordability restrictions and/or target senior residents. One- and two-bedroom units are most common with an average asking rent across unit sizes and types at \$1,634 per month. Vacancy rates are low, demonstrating market demand for these unit types, and income levels suggest that higher rents could be market supported. See Exhibit

¹⁵ 2018 annual mean wages in the Seattle-Tacoma-Bellevue area, adjusted to 2020 with an assumed 3% annual increase. U.S. Bureau of Labor Statistics, [Occupational Employment Statistics](#).

20 and Exhibit 21.

Exhibit 19: Multifamily Properties within the Study Area, 2020.

Image	Development Name	Description
 <p data-bbox="201 751 565 779">Image source: www.apartments.com</p>	<p data-bbox="610 527 940 604">Covington Place Senior Apartments</p>	<p data-bbox="976 527 1419 982">121-unit (1- & 2-bedroom units), age-restricted, 5-story, apartment building built in 2008 and incorporating income restrictions for residents. Amenities include a community room, fitness Center, and rooftop patio. The property is located directly south of SR-18, and adjacent to Allegro Apartment Homes.</p>
 <p data-bbox="201 1308 472 1335">Image source: Google Maps</p>	<p data-bbox="610 1031 873 1108">Allegro Apartment Homes</p>	<p data-bbox="976 1031 1419 1486">200-unit (1-, 2-, & 3- bedroom units), 3-story market rate apartment complex with multiple buildings constructed in 2003. It features larger unit sizes (average 949 SF compared to 813 SF for multifamily units overall) and shared amenity spaces, such as an outdoor pool, hot tub, racquetball court, and fitness center.</p>
 <p data-bbox="201 1770 472 1797">Image source: Google Maps</p>	<p data-bbox="610 1535 906 1570">Affinity at Covington</p>	<p data-bbox="976 1535 1419 1822">156-unit(studio, 1-, and 2-bedroom units), in a 6-story, age-restricted apartment building constructed in 2015 and located adjacent to the Polaris at Covington apartment buildings. 20% of these units are income</p>

Image	Development Name	Description
		<p>restricted. Features amenities such as an indoor saltwater pool, game room, fitness center, and movie theatre. . (Aug. 2020 online advertised rates range from \$1,443 to \$2,677)</p>
	<p>Polaris at Covington</p>	<p>200 units (1-, 2-, & 3- bedroom units), 100% income-restricted, in two 6-story apartment buildings constructed in 2016 adjacent to Affinity. The first floor of the buildings has been designed to accommodate commercial uses when the market demand warrants it. Amenities include a playground, fitness center, game room, and movie theater.</p>
	<p>Novo Apartments</p>	<p>170-unit (1-, 2-, & 3- bedroom units) market-rate apartment complex with multiple 2 & 3-story buildings built in 2016. Located along 272nd Street (SR 516) across the street from the Esplanade Commercial Plaza, east of Wax Road. Amenities include a fitness center, hot tub, and an outdoor pool. (Aug. 2020 online advertised rates range from \$1,623 to \$1,795)</p>

Image source: Google Maps

Image source: Google Maps

Sources: Costar, 2020; BERK, 2020.

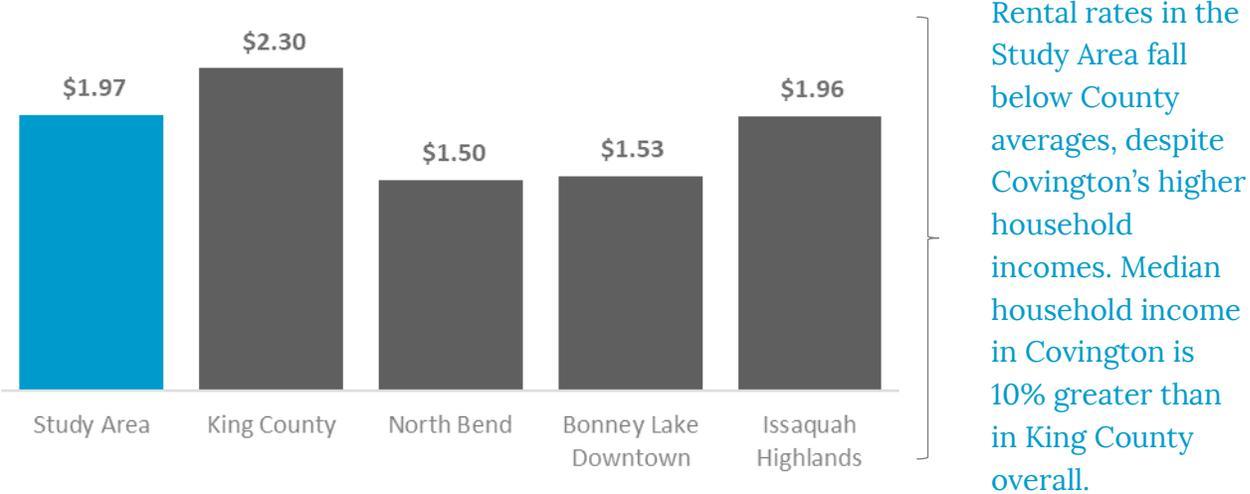
There are three projects that have received land use approval for development in the Study Area¹⁶:

- **The Goraya** is a proposed 4-story mixed-use building on the east side of Wax Road near 272nd Street. The developer proposes 30 1-bedroom rental units with 4,000 square feet of commercial space on the ground level. The preliminary design of this building included a community room and an outside roof deck area. This development provides support for the development feasibility of mixed-use projects within the Study Area.
- **The Station by Vintage** is a proposed 5-story multifamily building north of the intersection of Wax Road and Covington Way, with 189 rental units (comprised of 55 1-bedroom, 89 2-bedroom, & 45 3-bedroom units; ranging from 669 SF to 1150SF in size). On the ground floor they are proposing 8 commercial incubator units and additional commercial areas. Amenities will include media room, social room, fitness center and an outdoor private play area. Vintage Housing, project developer, specializes in income-restricted affordable housing developments, the entire development is expected to be affordable housing units.
- **Wax Road Assisted Living** is a planned development with multiple buildings that will include one 4-story building with 89 assisted living units (comprised of 37 studios, 47 1-bedroom, & 5 2-bedroom units), and four one-story buildings housing an integrated memory-care facility (with 9 units). The assisted living building will contain a number of amenities for residents including a shared dining area and private dining area, kitchen, multipurpose room, library/bistro, and public living room. This property is located on the west side of Wax Road, north of the Station by Vintage development.

Rents in the Study area have increased 28% since 2008 and hover near \$2 per square foot per CoStar data in 2020. This is 14% below the King County average, although the small sample size (4 buildings reporting) is important to note. It is, however, competitive with the rates found in multifamily units of Issaquah Highlands and higher than rents in North Bend and Bonney Lake Downtown. This demonstrates the Study Area's market ability to support rental rates for high quality buildings. Vacancy rates remain low for the buildings, indicating market demand for the existing units.

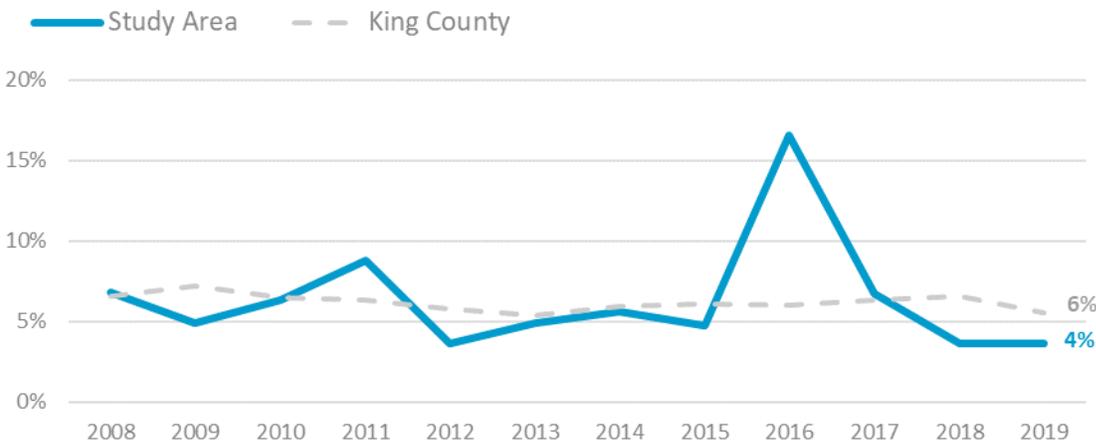
¹⁶ [Covington Development Map, 2020.](#)

Exhibit 20: Rent per Square Foot, Multifamily, Study Area and Comparison Geographies, 2019.



Sources: CoStar, 2020; BERK, 2020.

Exhibit 21: Multifamily Vacancy Rates, Study Area and King County, 2008-2019.



Sources: CoStar, 2020; BERK, 2020.

Commercial Uses

Retail uses are the predominant commercial building types located in the Study Area. See Exhibit 22. Large tenants and national chains are common uses in retail property located in Covington with a selection of grocers and home goods providers. Smaller establishments tend to locate in the Study Area's strip retail centers, housing personal care businesses,

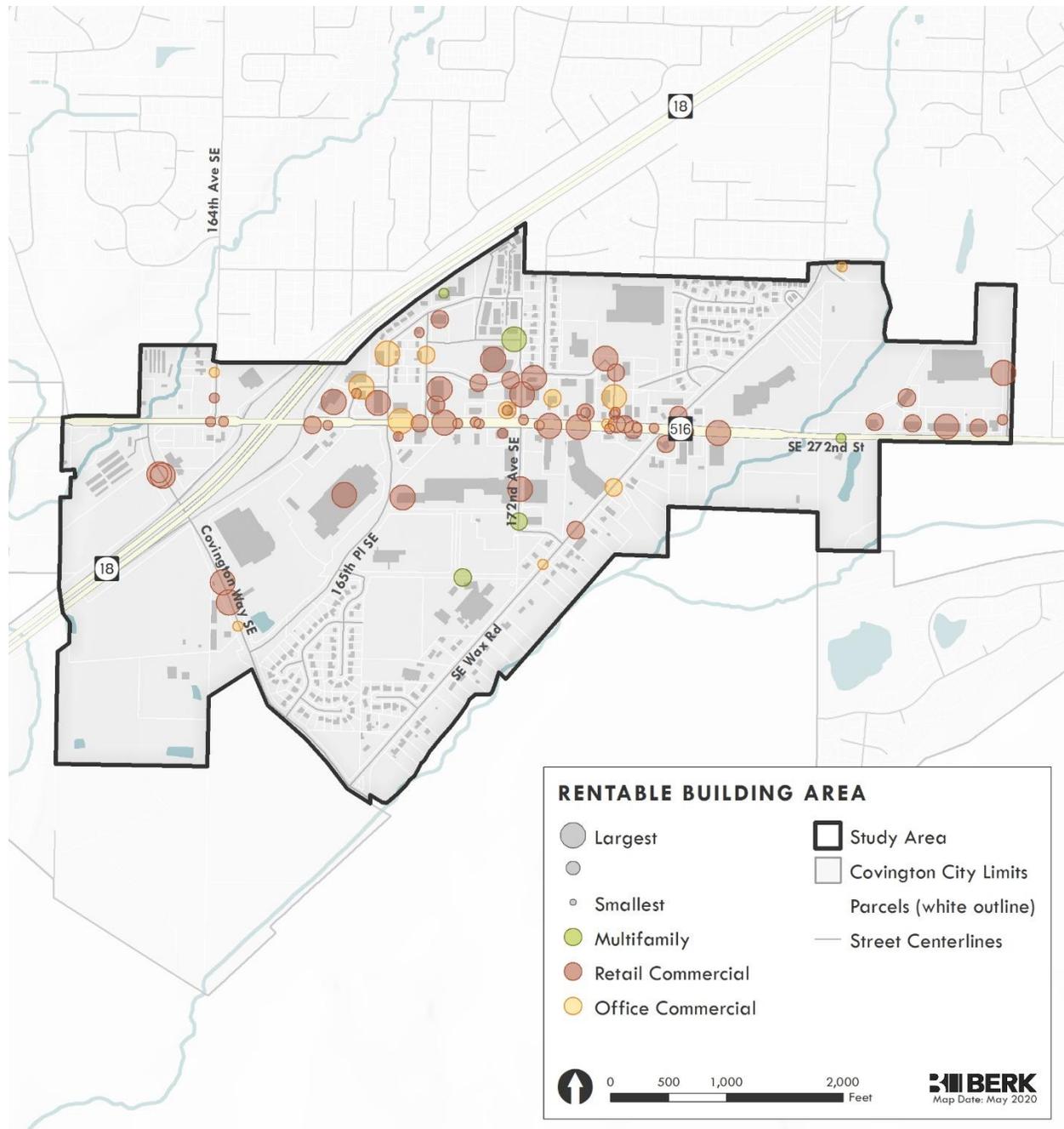
small restaurants, and financial service offices. Office property would include buildings like where city hall is located along with a mix of other medical and business offices or it can include buildings with primary care providers or specialty medical care is located. There are only two buildings classified as Institutional in downtown and that includes See Exhibit 23.

Exhibit 22: Types Commercial Property in Study Area by Type, 2020.

Property Type	Buildings	% Total	Rentable Area (SF)	% Total
Retail	62	78%	1,431,813	82%
Office	12	15%	119,179	7%
Institutional (i.e. Covington Elementary, Post office, and the recycling center)	3	4%	73,822	4%
Health Care (i.e. MultiCare Hospital & UW Valley Urgent Care.)	2	3%	115,038	7%

Note: The institutional category includes Covington Elementary School with 50,682 SF of rentable area that has since closed.
Sources: Costar, 2020. BERK, 2020.

Exhibit 23: Distribution of Commercial Property in Study Area.



Sources: CoStar, 2020; King County Assessor, 2019; BERK, 2020.

Retail Property

The Study Area contains over one million square feet of retail building space.¹⁷ These properties perform well compared to overall trends in the County in terms of achieved rent per square foot and vacancy rates. See Exhibit 24 and Exhibit 25. There is a significant gap, however, with the rents achieved in more compact, mixed use communities like Issaquah Highlands. Much of this relates to building size: average building size in the Study Area is twice as large as retail spaces in the Issaquah Highlands.¹⁸

Stand-alone retailers across the country (e.g. single retail stores not in malls or unified shopping centers) have been struggling for years with the increasing of e-commerce activity and evolving shopping experiences with smaller store footprints.¹⁹ In response to vacancy, many communities have adapted large, retail real estate in creative ways. These include mixed-use centers, community focused spaces, and large recreational uses. See discussion on page 44 for redevelopment examples and infill design inspiration.

COVID-19 IMPACTS ON RETAIL

The retail sector, overall, is experiencing great financial loss during mandated shutdowns of many stores across Washington state. Nationally, large retail and service establishments and chains like J.Crew, Hertz, and Gold's Gym have filed for bankruptcy. While many Study Area tenants are among the businesses able to operate during COVID-19, long term impacts for an already struggling sector could be dramatic. Essential retailers include grocers, pharmacies, and restaurants offering take-out or delivery. Study Area tenants hit particularly hard during this time include retailers such as Kohl's and Big Lots as well as service establishments such as LA Fitness.

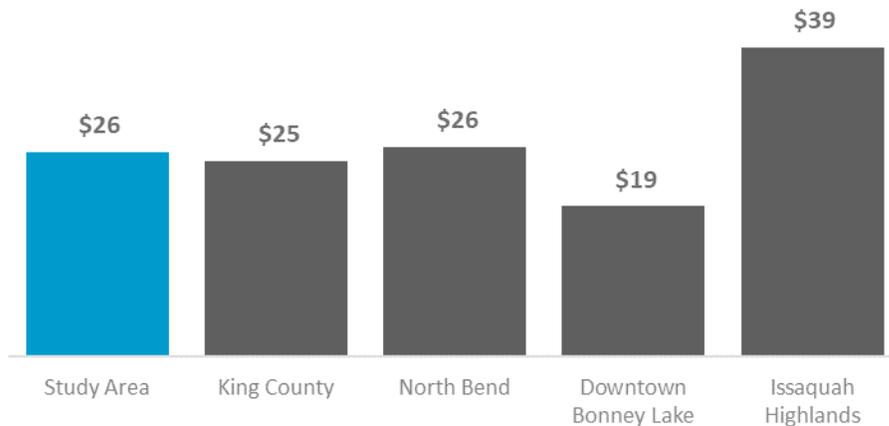
Sources: [Forbes, May 2020](#); [Washington State Coronavirus Response, 2020](#)

¹⁷ 1,125,115 SF; Source: Costar, 2020.

¹⁸ Source: Costar, 2020. Average retail building size in Study Area: 23,094 SF compared to 12,388 SF in Downtown Kirkland and 11,589 SF in Downtown Redmond.

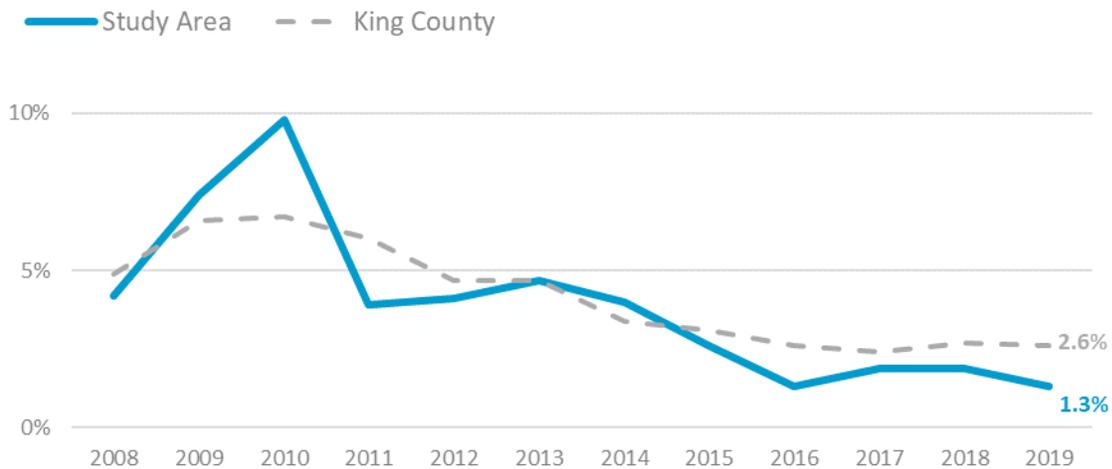
¹⁹ [Forbes, 2018](#) on Target's 'mini-me' retail presence with stores averaging 43,000 SF compared to traditional 130,000 SF size locations.

Exhibit 24: Rent per Square Foot, Retail Commercial, Study Area and Comparison Geographies, 2019.



Note: Rents shown are NNN, a lease in which the tenant is responsible for all expenses associated with their proportional share of occupancy of the building. Sources: CoStar, 2020; BERK, 2020.

Exhibit 25: Retail Vacancy Rates, Study Area and King County, 2008-2019.



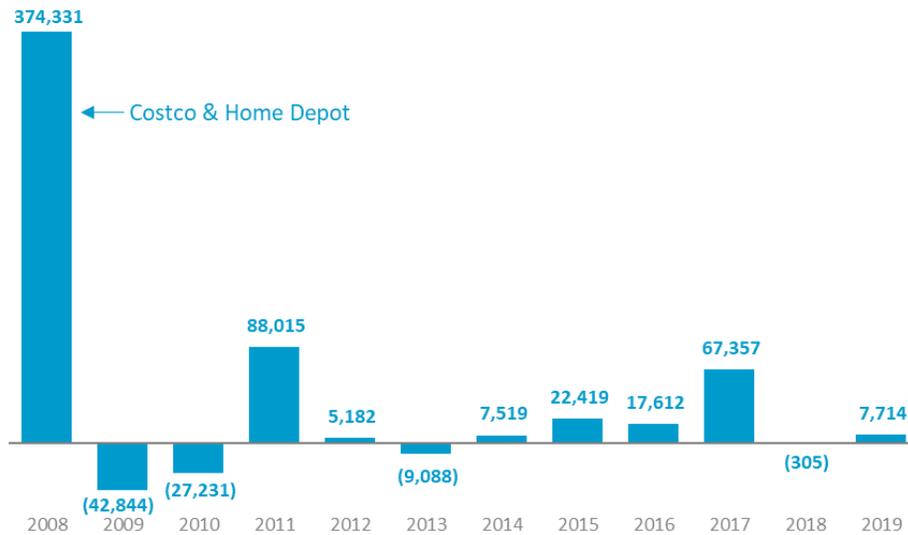
Sources: CoStar, 2020; BERK, 2020.

Per Exhibit 26, retail absorption²⁰ is about 43,000 square feet annually from 2008-2019 due

²⁰ Refers to change in occupancy over a given time period. Lease renewals are not factored into absorption unless the renewal includes the occupancy of additional space. (In that case, the additional space would be counted in absorption.) Pre-leasing of space in non-existing buildings (e.g., Proposed, Under Construction, Under Renovation) is not counted in absorption until the actual move-in date.

to large format retailers including Costco and Home Depot. Removing these, the annual average absorption is closer to 13,000 square feet.

Exhibit 26: Net Retail Absorption in Study Area (SF), 2008-2019.



Absorption in the Study Area averages 42,557 SF annually (2008-2019). Removing the Costco and Home Depot acquisitions of 2008, an exceptionally high year for absorption, the annual average is 12,395 SF.

Sources: CoStar, 2020; BERK, 2020.

RETAIL REDEVELOPMENT POTENTIAL

The existing development patterns in the Study Area reflect large “big box” retail spaces and strip malls, with expansive parking lots. Across the county, this style of retail is in transition, as modern retail trends toward smaller stores in mixed use developments and online platforms. In some cases, adaptation of obsolete commercial building space takes advantage of the expansive floor space and large ceiling heights for creative uses, such as community institutions or athletic complexes. See Exhibit 27 and Exhibit 28.

Exhibit 27: Texas Walmart becomes nation’s largest single-story library.



Source: <https://99percentinvisible.org/article/ghost-boxes-reusing-abandoned-big-box-superstores-across-america/>

Exhibit 28: Colorado abandoned corporate headquarters becomes expansive climbing gym.



Source: <https://www.denverpost.com/2017/05/01/americas-largest-climbing-gym-englewood/>

Other communities have reimagined single store retailers into mixed use indoor malls that incorporate restaurants, fitness centers, and salons with shopping.²¹ Infill development can improve the livability of these areas and create a more natural connection with residential

²¹ Loopnet, July 2019

areas. See Exhibit 29. Regional models of retail and residential mixed use demonstrate potential for this concept. The Village at Totem Lake in Kirkland includes over 400,000 square feet and integrates a heavy retail focus with residential living.²² In Bellevue, the Crossroads Mall development is collocated with an affordable senior housing community.²³ This offers convenience for residents, who can access the range of retail offerings within Crossroads by foot. Crossroads Mall, in addition to a food court and anchor tenants such as Bed, Bath, & Beyond and Old Navy, has evolved over time in to a community gathering space itself with entertainment programming in the public space and includes community-focused services such as a grocery store, library, bank branch, and a flexible community meeting room.²⁴

Exhibit 29: “Sprawl Repair” example via architect and urban designer Galina Tachieva.



Source: 99percentinvisible.org, 2016.

Covington’s 2015–2035 Comprehensive Plan Land Use Element, the City’s 2015–2035 land capacity results showed an ability to accommodate nearly 4,300 housing units and 4,500 jobs looking at the uses and density allowed by zoning. Most capacity is in Downtown and Lakepointe Urban Village Subarea. The City’s remaining capacity is about 3,300 housing and 3,600 jobs as of today. The capacity exceeds the City’s remaining growth targets illustrated in Exhibit 30.

²² [CenterCal Properties](#)

²³ [Bellevue Reporter, November 2019](#)

²⁴ [Crossroads Bellevue](#)

Exhibit 30. Covington Land Capacity Status 2019.

	Housing Units	Employment
Parcel Capacity 2015: 2015-20135 Comprehensive Plan	4,286	4,496
Additional Growth 2015-2020 Housing / 2015-2019 Jobs	1,032	942
Remaining Capacity 2020 or 2019?	3,254	3,554

Source: (City of Covington, 2019); PSRC and ESD 2018; OFM 2019.

Land capacity analysis for the Buildable Lands Report in 2021 is underway. Mapping prepared for the analysis identifies many Downtown Study Area parcels as redevelopable or vacant. Capacity for redevelopment is determined based on both a land-to-value ratio and a floor-area ratio-based density, as well as other factors. This analysis reveals capacity for reimagining portions of the Study Area as a denser and more walkable community. See Exhibit 31 and Exhibit 32.

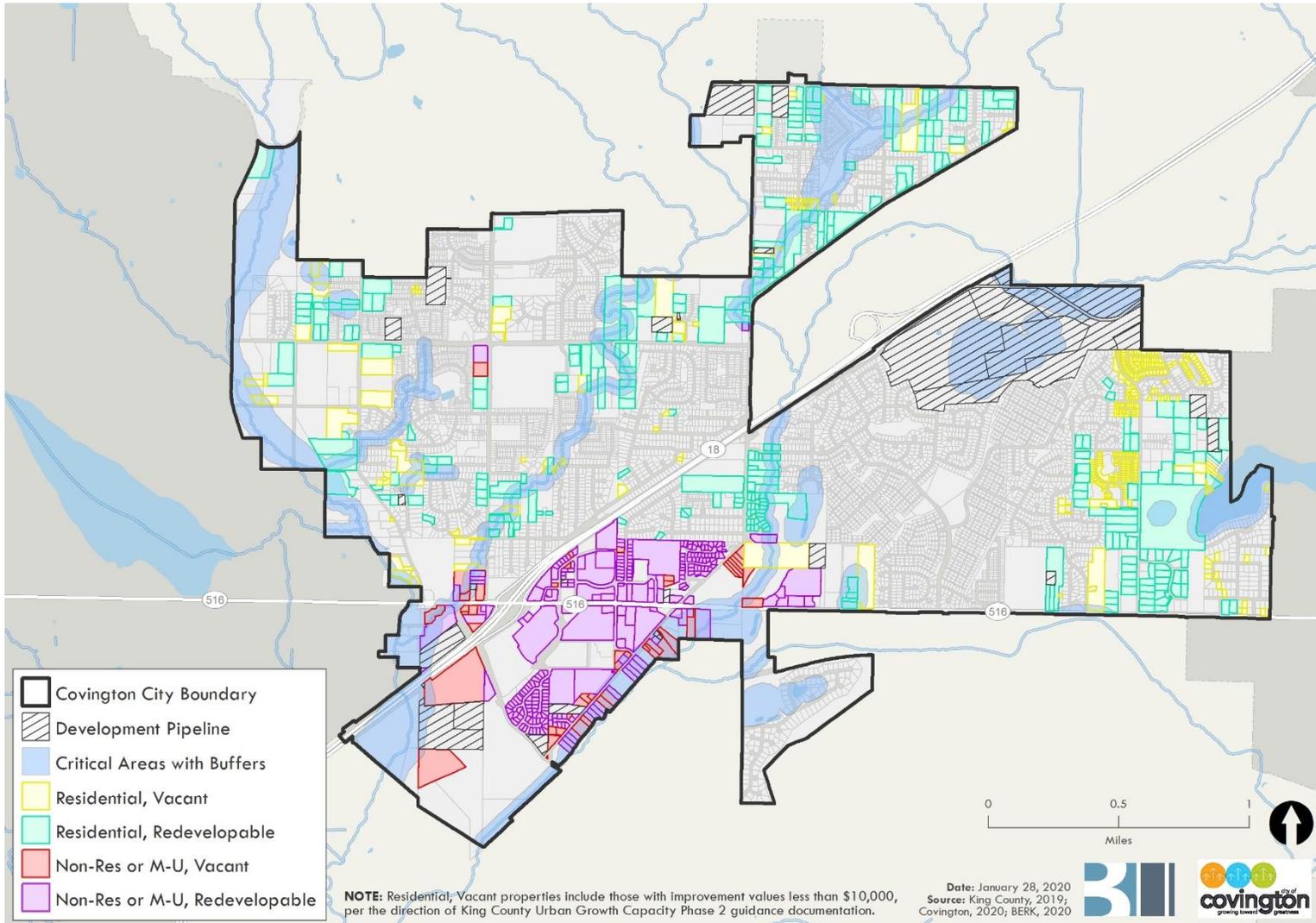
Exhibit 31. Preliminary Land Capacity Analysis 2020.

Zone	Gross Acres	Net Vacant Area	Net Redevelopable Area
City Zones			
Low Density Residential 4du/ac (R-4)	621.2	40.8	170.2
Medium Density Residential 6du/ac (R-6)	990.2	54.0	96.7
High Density Residential 8du/ac (R-8)	435.5	17.5	20.3
High Density Residential 12du/ac (R-12)	79.3	0.0	0.0
Multifamily Residential 18du/ac (R-18)	18.2	0.0	10.1
Mixed Residential (MR)	34.0	0.0	0.0
Urban Separator (US) 1du/ac (R-1)	387.5	11.9	19.2
Community Commercial (CC)	4.1	1.8	2.3

Zone	Gross Acres	Net Vacant Area	Net Redevelopable Area
Neighborhood Commercial (NC)	4.0	0.0	0.2
Regional Commercial Mixed Use (RCMU)	89.4		62.4
Industrial (I)	102.5	10.8	0.0
ROW	5.4	0.4	0.0
Water	54.6	0.0	0.0
Subtotal: City Zones	2825.9	137.2	318.9
Downtown Zones			
General Commercial (GC)	75.3	21.8	6.3
Mixed Commercial (MC)	200.1	10.0	91.3
Mixed Housing/Office (MHO)	56.7	0.0	23.0
Town Center (TC)	75.0	5.1	46.3
Subtotal: Downtown Zones	407.1	36.9	166.9
Total	3,233	174.1	548.2

Source: BERK 2020.

Exhibit 32: Covington Zoning and Land Capacity Analysis, January 2020.



Office Property

There are twelve office properties in the Study Area, rated as 2- and 3-star buildings, totaling 119,179 square feet of rentable space.²⁵ One building rated 1-star – the Covington Clinic at 17224 SE 272nd St. Study area tenants include several medical providers and other professional services. Vacancy rates are low for office buildings in Covington and the rental rates between these 12 office properties are consistent though they are less than 21% below the county averages for office rentals. See Exhibit 33 and Exhibit 34. These indicators, historically low vacancy and less expensive per square foot costs, could be positive signals for companies looking to open a new site or relocate their existing operations.

A more vibrant mixed-use core which incorporates office space could boost the market reach for retail businesses and potentially attract residents looking to avoid longer commutes. Investments in walkability and mixed-use developments would bolster the appeal of this district for increased office activity. The existing retail amenities offer convenience for daytime workers, and daytime employees provide additional traffic to support restaurants and shopping centers. National research indicates that the typical downtown worker spends as much as \$130 per week in downtown, and the Puget Sound region, in particular, is noted for its higher than average levels of spending on daily retail needs such as groceries.²⁶

COVID-19 IMPACTS ON OFFICE REAL ESTATE

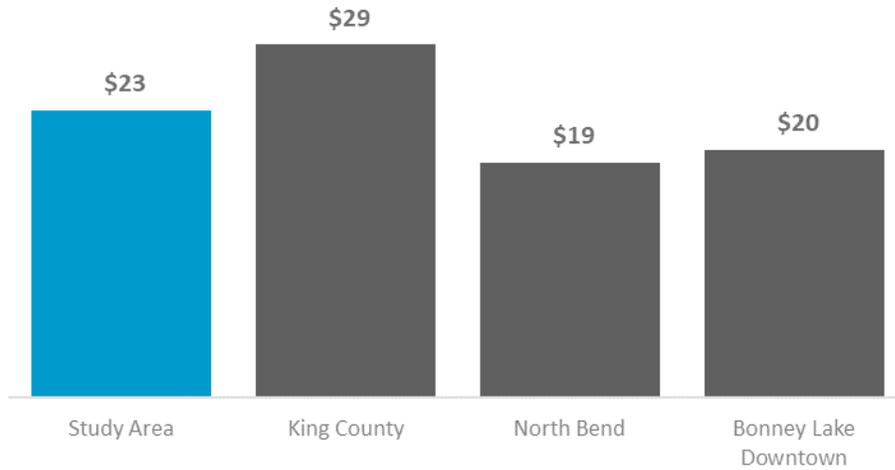
Many offices have been temporarily closed with Washington’s Stay at Home order in place. As social distancing guidelines gradually relax, and employee preferences shift toward telecommuting, employers may change office working conditions. Leasing and acquisition activity is likely to be put on hold. Some offices may look for additional space that better complies with public health standards. Other companies will downsize, as an increased number of employees work from home. Long-term impacts are uncertain, but the short- and medium-term horizon is likely to include many changes for the workplace. Covington

²⁵ One building rated 1-star. [Costar building rankings](#) are assigned on a 1 to 5 star scale. 5-star buildings are state of the art representing latest trends in design and construction. 4-star buildings are high quality with above average maintenance and desirability. 3-star buildings incorporate modest design features and amenities. 2-star buildings are aging with minimal amenities, functional aesthetics, and potentially low natural light levels. 1-star buildings are uncompetitive and may need significant renovation.

²⁶ [International Council of Shopping Centers, 2012](#); [Business Insider, 2020](#)

should maintain consistent, coordinated, and continuous communication with the business community and work to position its existing real estate as responsive to longer-term trends that result.

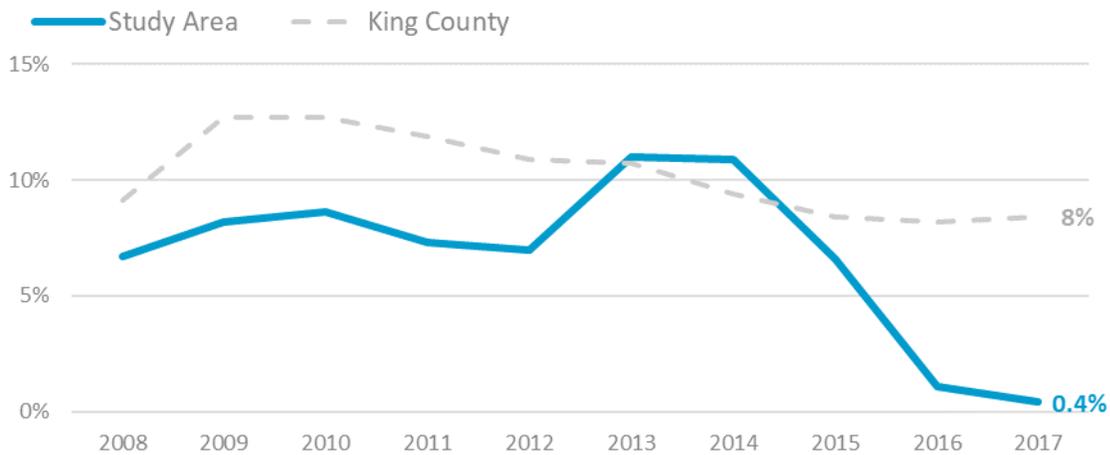
Exhibit 33: Rent per Square Foot, Office Commercial, Study Area and King County, 2018.



Sources: CoStar, 2020; BERK, 2020.

Note: Study Area estimates based on a limited dataset of properties reporting rental rates, 2019 estimates were not provided. Issaquah Highlands did not have sufficient data for reporting on office property.

Exhibit 34: Office Commercial Vacancy Rates, Study Area and King County, 2008-2017.



Sources: CoStar, 2020; BERK, 2020.

Note: Vacancy rates unreported for Study Area for years 2018 and 2019

Regulatory Environment

Zoning in the Study Area allows for a mix of commercial and residential uses. See Exhibit 35 and Exhibit 36. Multifamily residential and professional office properties are permitted throughout the zones in the Study Area. See the Appendix for the zoning use table.

Some property in the study area contain or abut wetlands and streams and are subject to critical areas. Land in proximity to Jenkins Creek on the south or Big Soos Creek on the north are subject to shoreline designations. The required buffers and use allowances are restricted. Many of the single-family homes along Wax Road and Jenkins Creek would not have significant potential for redevelopment, and rather would be allowed to have new uses (e.g. offices) but not substantial changes in building footprints.

Floor area ratio (FAR) bonuses are offered in Study Area zones with the addition of desired features which contribute to the public benefit of a new project: public plaza or parks, LEED certification, structured parking, affordable housing, pedestrian infrastructure investments, public meeting rooms, and public art. These features are intended to contribute to the desired walkability and livability of the Study Area; however how these are implemented and placed into the site and building design impact their effectiveness to achieve the vision.

Parking requirements are an important area for consideration in the regulatory framework. Parking spaces are costly for developers to build, estimated between \$35,000-\$69,000 per space in 2017 when parking structures are incorporated. Much of the Study Area is currently devoted to automobile access, evidenced by wide spacing between building footprints in the Town Center and Mixed Commercial zones.²⁷ The Appendix details current code requirements by land use.

Right-sizing parking will need to balance the role of parking in uses, such as Costco, that make Downtown a regional draw. A connected, amenity-rich environment, with multiple destinations that can be accessed on foot will be key to a more vibrant area.

An initial code review by Makers identified elements of existing zoning code that allow for open-ended flexibility which could lead to development styles in conflict with the Study

²⁷ [Seattle Times, 2017](#)

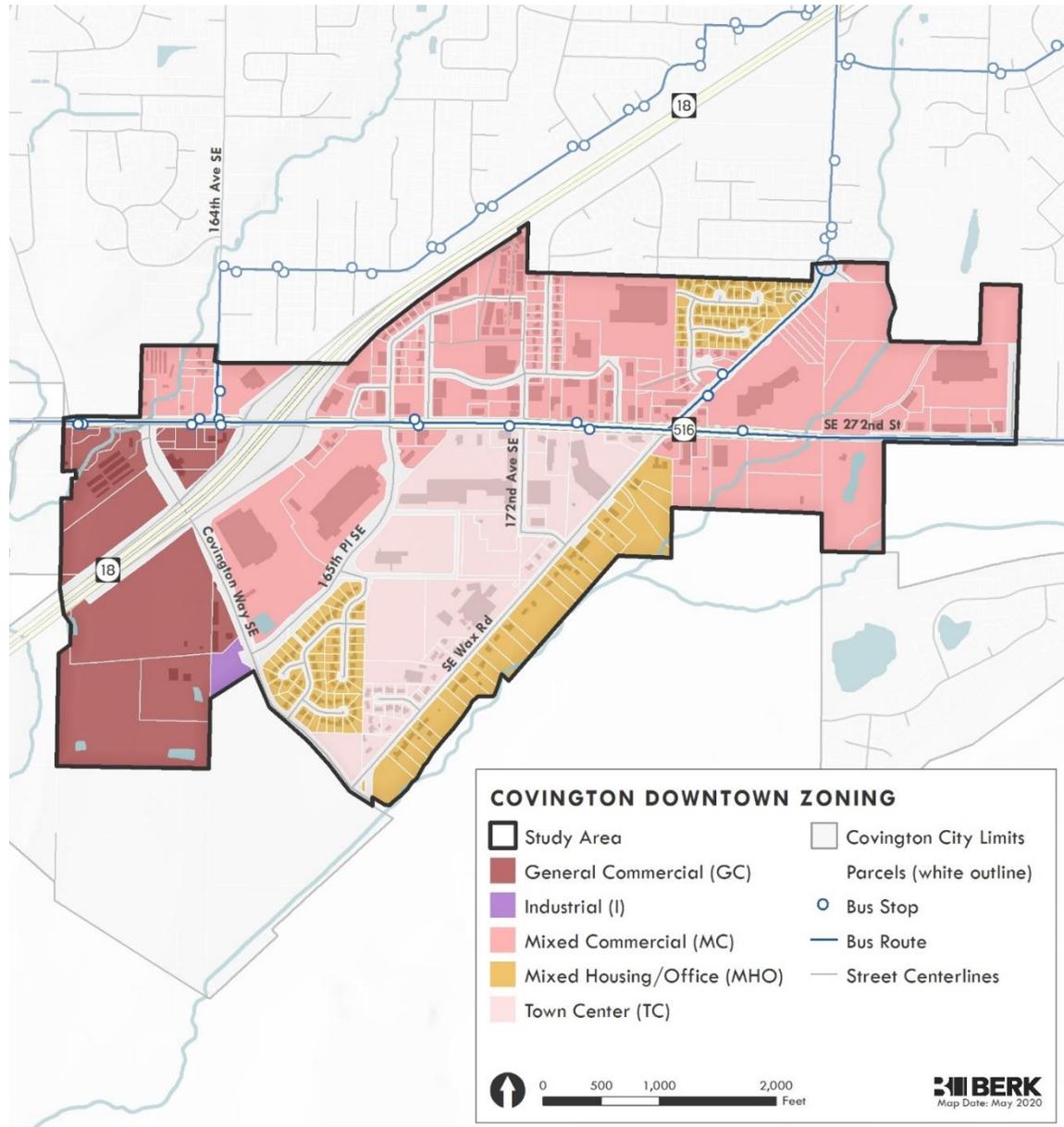
Area vision. Design guidelines and standards do not address certain public realm elements, such as landscaping, lighting, and open space, in enough detail to produce desired results. Other requirements are costly while offering few benefits to the general public. For these reasons, **a form-based code is an appropriate approach for reimagining the development environment in the Study Area to foster walkability and livability and realize an increase in high quality mixed use development and a greater choice of housing types for rent and ownership.**

Exhibit 35: Zones by Acreage in Study Area.

Zoning	Parcel Acres	% Total
General Commercial (GC)	75.39	18%
Mixed Commercial (MC)	207.05	50%
Mixed Housing/Office (MHO)	56.99	14%
Town Center (TC)	74.96	18%
TOTAL:	414.40	100%

Sources: City of Covington, 2020; BERK, 2020.

Exhibit 36: Zoning Map, Study Area.



Sources: City of Covington, 2020; BERK, 2020.

3 OPPORTUNITY SITES

Successful Mixed-Use, Walkable Communities

Factors that contribute to a good site for mixed-use, walkable communities include amenities, mobility, parks, and open space (typically public), human-scaled development, and residential density. Each factor is highlighted below for presence or opportunities in Covington's Downtown.

Amenities. An amenity-rich Downtown is attractive for residents and employees alike, offering convenience for daily errands and outings. Residents and employees increasingly seek a cluster of commercial, institutional, and public amenities like restaurants, theaters, concert halls, and other services and uses in their downtowns. The Study Area is the current commercial hub of Covington, with many of the buildings dated and based on an auto-oriented model of development. Public and private investments to create amenities can make it easier for the Study Area to attract denser mixed-use development where residents, employees, and businesses can cluster and connect.²⁸

Mobility. Communities should offer safe, convenient mobility for all modes of circulation. Protected pathways for cyclists and pedestrians to effectively navigate an area increase its safety, accessibility, and ability to promote public health. Currently, the Wax Road area of the Study Area receives lukewarm classifications as “somewhat walkable” and “somewhat bikeable”, indicating the presence of existing infrastructure but suggesting room for improvement. Public transportation options that are reliable and frequent are essential for those who cannot afford a car or who choose not to drive. King County Metro bus routes 159 and 168 run along 272nd, connecting Covington with communities to the east and west and commuting service to Seattle.

The two of the five multifamily developments in the Study Area cater to older residents and 3 developments have income restrictions; both of these groups are likely to benefit from increased choice in transit and mobility. These same features help attract a younger generation of singles and smaller families who occupy new multifamily developments with

²⁸ ["Why We Need to Invest in Transformative Placemaking"](#) -Brookings Institute, 2018

higher rental rates.²⁹

Parks, Trails, and Open Space. Healthy communities offer opportunities for the community to recreate, socialize, and connect with nature at parks and open spaces. The Study Area currently contains 14 acres of public open space and future parks. Bonney Lake does not yet have open space though there is vacant land, and Issaquah Highlands offers 36% of the area as parks and open space. There is room for improvement in Covington’s downtown, and implementation of Covington’s parks and trails plans would help the City weave a network of larger and smaller park area throughout the downtown districts, along sidewalks, walkways, and trails. Parks and community gathering spaces such as plazas, should vary in size and active or passive recreation equipment to serve a wide range of user types.

Human-Scaled Development. Large format buildings and expansive parking lots, pervasive throughout the Study Area, along with streets that are unwelcoming to pedestrians or cyclists. By contrast, thoughtfully designed smaller format buildings, denser development clusters, interconnection between uses and sites, incorporation of effective wayfinding principles and ground floor retail integrated within a mixed-use building signal that passers-by are welcome and encouraged. The aging built form of Covington’s downtown can be refreshed by establishing a zone of more compact and approachable development for residents and daytime workers. Thinking of and treating streets as important and flexible public spaces and designing streets to attract people can tap into the public’s desire to connect to a place and community members and gives them a reason to return to the space³⁰. Design standards can encourage this form by revised plans for parking, building setbacks, and street facades.³¹

HUMAN-SCALED DEVELOPMENT

Human scale refers to the size, and articulation of physical elements that match the size and proportions of humans and the slower speed at which humans walk or bike compared to the movement of cars. Building details, street and sidewalk texture, street trees, and street furniture are all physical elements contributing to human scale.

²⁹ [“Families and Transit-Oriented Development”](#), -AARP, 2014

³⁰ A STREET YOU GO TO, NOT JUST THROUGH: PRINCIPLES FOR FOSTERING STREETS AS PLACES - Project for Public Spaces <https://www.pps.org/article/8-principles-streets-as-places>

³¹ [“Pedestrian-Friendly and Transit-Friendly Design”](#) - American Planning Association

Residential Density. Mixed-use communities are successful when there is a density of residents that can financially support the desired businesses and offices. The median household income of Covington is \$98,687.³² Assuming that no more than 30% of income is spent on housing, a household at this income level can afford to spend almost \$2,500 per month toward housing. Current rents in the Study Area are closer to \$1,600. This suggests room for quality multifamily units, even if catered to households below the city's current median income threshold. Greater density of local shoppers improves lender confidence to finance mixed-use developments. One or two successful pilot projects can attract additional buildings of similar style and use.

Exhibit 37 evaluates zones within the Study Area that meet some of these criteria and seem most viable for transformation into a mixed-use, walkable community. The parcels on the west side of the Wax Road corridor exhibits the most potential for a walkable, mixed use community. Its smaller parcel sizes are more compatible with denser development styles and access to parks and open space is present nearby. As a corridor, it is farther removed from the main streets of Highway 516 and 272nd Street, lowering the level of investment needed to foster safety for pedestrians and cyclists.

³² American Community Survey S19019, 5-year estimates, 2014-2018.

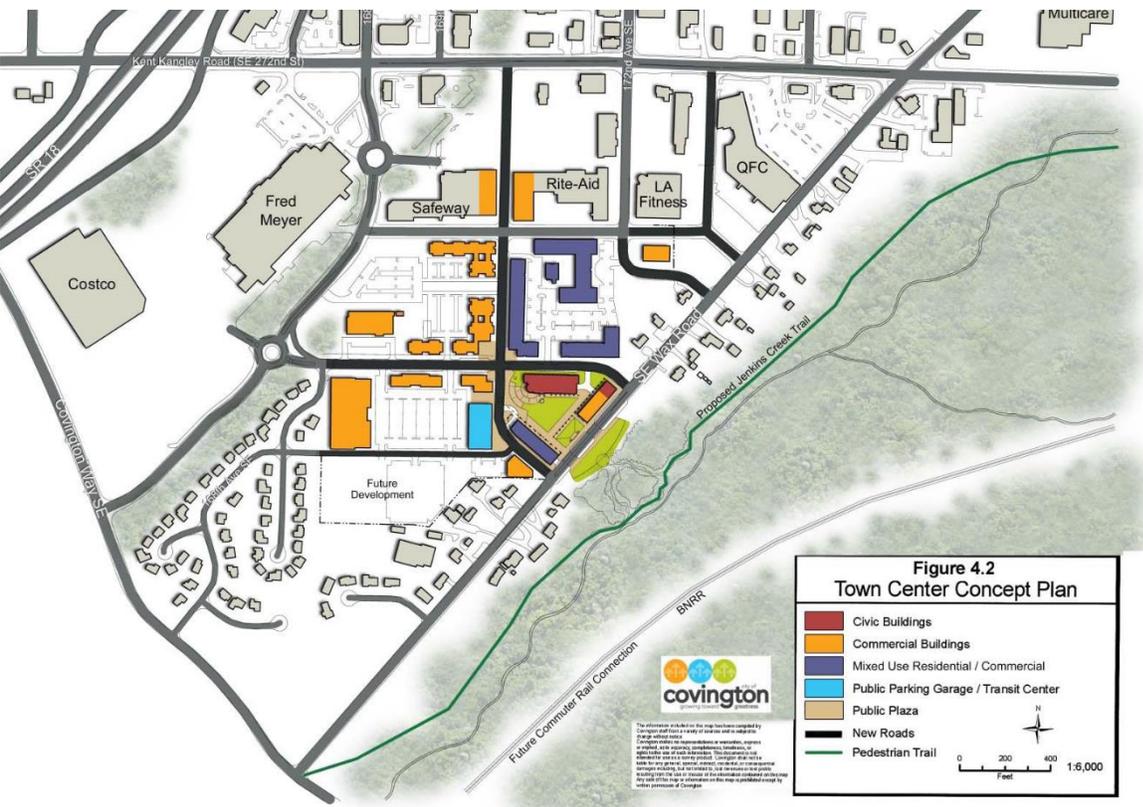
Former School Site

Publicly owned land within the Study Area presents an opportunity for investment that contributes to the vision of a mixed-use, walkable town center in downtown Covington.

The City of Covington recently purchased from the Kent School District, X acres of the X acre former Covington Elementary School site. Some state funding was received towards the purchase this property which obligates the city to incorporate a civic public plaza into the future development on the site- this is a possible location for a future civic, commercial, and office development integrating a large plaza for public gatherings. (City of Covington, 2009) See Exhibit 38.

The Covington Police Department plans to occupy some buildings on an interim basis until new buildings are constructed.

Exhibit 38: 2010 Downtown Plan Town Center Schematic.

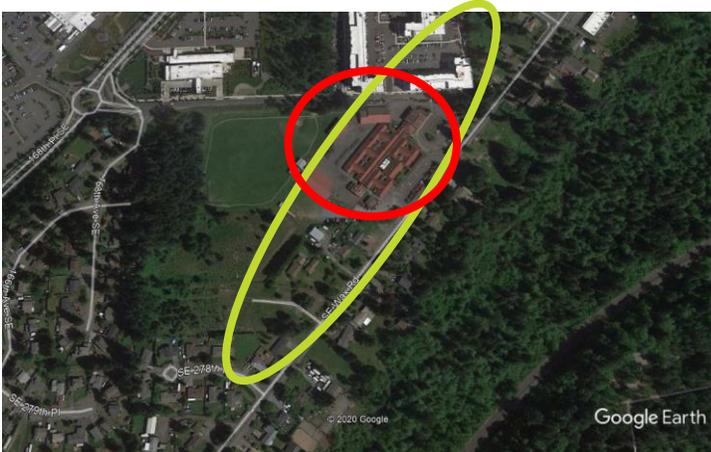


Source:2010 Downtown Plan and Zoning Study (City of Covington, 2019) (City of Covington, 2009)

Position of former School Site

This site is located along SE Wax Road, south of SR 516, directly adjacent to Polaris and Affinity Apartment Complexes. The school site is located in the Town Center zoning district bordered by Wax Road on the East. A variety of retail offerings are to the north of the site, such as an LA Fitness, Safeway, Dollar Tree, and Fred Meyer. There is a lack pedestrian infrastructure to comfortably connect this site to existing uses and encourage walkability. To the east of the site is open space and to the south are a cluster of single-family residences. See Exhibit 39. Unlike nearby businesses along SE 272nd Street, this corridor is less developed and nearby to multifamily housing. A finer grain commercial corridor could connect the existing residential to services and additional residential areas, creating more of a neighborhood feel in pockets of the Study Area. The school site is centrally located along this corridor, providing an exciting opportunity for development and public realm investment which enhances economic development and contributes to livability. Across Wax Road from the former school site are three parcels that have been acquired by the city for development as a future South Covington Park (SoCo Park). These parcels are contiguous to each other and Jenkins Creek is located on the east side of the parcels. This park will be a connection point to the also yet to be developed Jenkins Creek Trail. SE Wax Road represents an opportunity for a mixed-use, pedestrian scale environment. The current 6-year TIP includes improvements to Wax Road. Suggested improvements to the Wax Road streetscape should be incorporated into the code amendments to ensure future roadway design aligns with this vision.

Exhibit 39: School Site and SE Wax Road Properties.



Source: Google Earth, BERK 2020.

Market Conditions for Uses

This market study shows potential for retail, office, and residential uses on the Covington School Site, provided they are designed for a mixed-use walkable environment.

Retail: Current retail performs well compared to overall trends in the County in terms of achieved rent per square foot and vacancy rates. There is a significant gap, however, with the rents achieved in more compact, mixed use communities. Stand-alone retailers (e.g. single retail stores not in malls or unified shopping centers) across the country have been struggling for years with the increasing of e-commerce activity and evolving shopping experiences with smaller store footprints.

Office: Vacancy rates are low for these properties and achieved rents are consistent, although they fall below county averages. These indicators, historically low vacancy and less expensive per square foot costs, could be positive signals for companies looking to open a new site or relocate their existing operations. The presence of existing health care facilities and services is an asset that can be leveraged to promote medical and health care related businesses. Medical office uses are more likely to provide higher paying jobs than those in the retail sector. A more vibrant town center with high quality office space could boost the market reach for retail businesses and potentially attract residents looking to avoid longer commutes. Investments in walkability and mixed-use developments would bolster the appeal of this district for increased office activity.

Residential: Covington has housing needs across the income spectrum. Relative to the County overall, Covington has a higher proportion of households with higher incomes. Many occupations at Covington do not pay annual earnings that support affordability for home ownership. Apartment vacancy rates are low, demonstrating market demand for these unit types, and income levels suggest that higher rents could be market supported. Housing types that serve the needs of higher income households, as well as promote affordability for workers who earn a moderate wage would help diversify the housing stock and promote livability in downtown.

In a Downtown context, civic uses (e.g. urban plaza.) will mix with other uses. Examples of mixed use and civic development include the following considered under case studies below:

- Woodinville Civic Campus
- Newcastle Commons

Infrastructure Considerations

The Existing Conditions Report to which this Market Study is an appendix to identifies the following infrastructure investments that are needed:

- The current Capital Improvement Program (CIP) includes improvements on SE 272nd Street and Wax Road at Covington Way among other improvements. The CIP also references improvements identified in the 2010 Downtown Plan and Zoning Study and 2014 Town Center Economic Impact and Infrastructure Cost Study . These plans identify the location and costs of new streets meant to create a gridded, connected environment per Exhibit 38.
- The 2015-2015 Comprehensive Plan and the Downtown Plan and Zoning Study call for an urban plaza in Town Center.

An example of a pedestrian zone that extends public space is the Kirkland Park Lane addressed as a case study below.

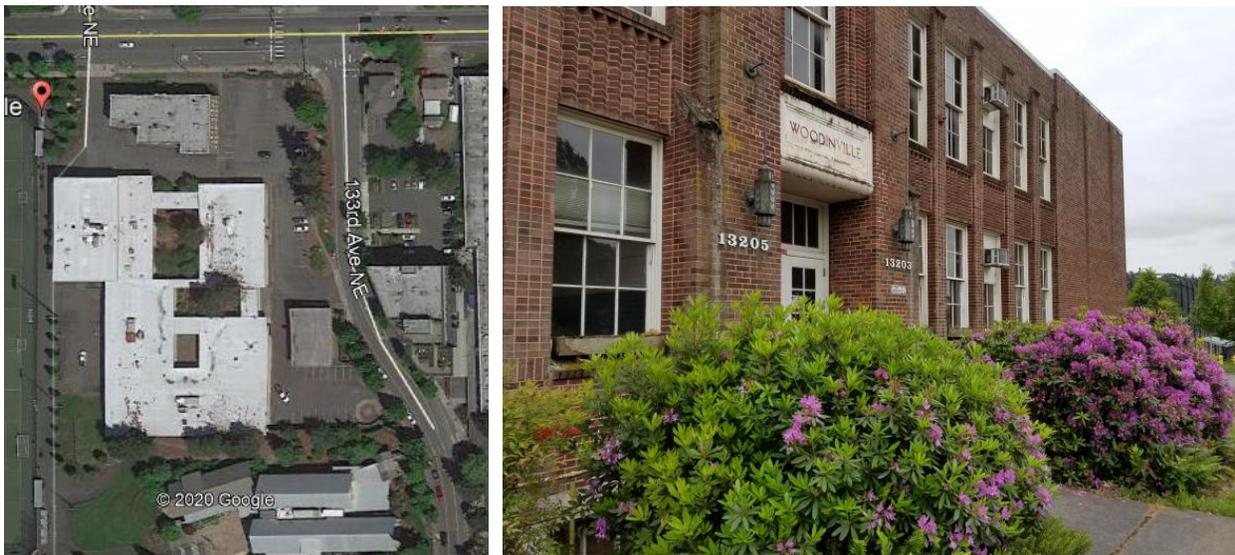
Case Studies

Woodinville Civic Campus

Public – Private Partnership: Civic, Commercial, and Residential Uses

The City of Woodinville owned property with a historic school structure and the old city hall; see Exhibit 40. The site is located in the heart of Downtown and lies adjacent to the Woodinville City Hall and public parkland.

Exhibit 40: Woodinville Civic Campus – Before.



Source: Google Earth (left image) and <https://projectwa.org/2016/06/01/woodinville-schoolhouses-last-lesson-how-to-preserve-our-past/> (right image)

Woodinville created a new vision described below and illustrated on Exhibit 41:

The goals of the project include creating gathering places for the community, retaining and restoring the Old Woodinville Schoolhouse, renovating and expanding the city's recreation center in partnership with the YMCA, partnering with private developers to make the project financially feasible and limiting risk so that the city invests in a sound financial manner.

Exhibit 41: Woodinville Civic Campus – Under Construction.



Source: https://www.ci.woodinville.wa.us/information/current/projects/civic_campus_project

The City executed a public-private partnership with the following features:

- Schoolhouse - Restored schoolhouse and new retail opportunities on the first and second floors
- Recreation – Renovation of 8,000 square feet of the existing YMCA as well as the addition of 8,500 square feet of childcare space, accommodating up to 120 children
- Retail - 20,000 square feet of proposed retail, restaurant, and commercial space
- Residential - 260-275 multifamily residential units
- Open Space - 30,000 square feet of public open space and festival street for City events and public use

Sitework and construction began in May 2019 and will continue through Summer 2021.

Relationship to Downtown Covington: This public-private partnership serves as an excellent model for Covington’s Town Center school-site.

Newcastle Commons

Walkable Mixed Use Development

On a 53-acre site, the City of Newcastle approved a new master planned development consisting of 900 apartments and townhomes and up to 43,000 sf commercial space. The development is organized around a main street with street level retail and a grassy commons area.

The development resides on a former Mutual Materials brick plant. The City's Community Business Center Master Plan (adopted in 2000) included an example development concept for the site along with design guidelines and new zoning. The initial phase of development commenced in 2015. The master plan complied with the guidelines and is laid out very similar to the 2000 plan's concept site plan. The site includes access to downtown Newcastle, Coal Creek Park and Newcastle Golf Course. See Exhibit 42.

Exhibit 42: Newcastle Commons – Before.

Left image is an aerial photograph of Mutual Materials brick plant. The right image illustrates how the site could be redeveloped consistent with the 2000 Central Business Center Master Plan, new zoning, and design guidelines.



Source: Bing maps (left) and concept development (right image) by MAKERS - in the 2000 CBC Master Plan

Exhibit 43: Newcastle Commons – After.



Source: All photographs by MAKERS and site plan: <https://www.gglo.com/places/avalon-newcastle-masterplan/>

Relationship to Downtown Covington: The development serves as a good model for the Town Center area, notably the main street concept, integration of public open space, mix of housing, distinct streetscape/place-making design elements, and integration into the surrounding parkland and development context.

Kirkland Park Lane

Walkable “Living” Street

Park Lane in Kirkland is a two-block “living” woonerf street flanked by 23 stores. See Exhibit 44. Using \$3 million dollars in city funds and state grants the City replaced cracking sidewalks and replaced an aging water main into a transformative new design described as:

A shared environment for pedestrians and passing vehicles is created by 36,000 square feet of pavers. The surface design promotes walking and biking over driving with its woonerf-style design and 100 percent paver surface, abundant street furniture, and parking hoops for cyclists, as well as multiple art plinths for rotating art exhibits.

Exhibit 44: Kirkland Park Lane.



Source: APA Planning: <https://www.planning.org/greatplaces/streets/2017/parklane/>

KIRKLAND PARK LANE

DEFINING CHARACTERISTICS AND FEATURES

Park Lane hosts regular community events such as art walks and music performances at no cost to residents, while also providing easy access to events and retail located along Waterfront Park and Central Park.

Bollards placed at the ends of Park Lane were installed to allow the street to become a car-free pedestrian mall for special occasions.

Planners, designers, and engineers developed the continuous, decorative paver system that encourages walkability and reduces traffic speed by reminding drivers that pedestrians have the right-of-way.

Park Lane is a sustainable street, cleaning 100 percent of its runoff through bioretention planters and permeable pavers before the water is released into Lake Washington.

Expanded outdoor seating areas have been defined for each restaurant along the street

BY THE NUMBERS

23 shops benefit from the street's redesign

\$1.6 million provided by grants with \$1.4 million approved by the Kirkland City Council

56 trees of seven disease-resistant varieties were planted to create the designed vegetative canopy along with ample structural soil and modular suspended pavement system ensuring a healthy root system

32 bicycle parking hoops

34 new sidewalk cafe seats with bistro tables

19 pedestrian scale LED street lights support 1,300 feet of overhead festival lighting

Kirkland's original art fountain was saved, and 6 more art plinths with seats line the street

All asphalt was replaced by 36,000 square feet of paver and concrete intersections

Source: APA Planning: <https://www.planning.org/greatplaces/streets/2017/parklane/>

Relationship to Downtown Covington: Park Lane serves as a good model of a distinct place-making main street block.

4 APPENDIX: ZONING AND PARKING STANDARDS

Exhibit 45: Permitted Use Table, Study Area Zones.

Use Categories	Town Center (TC) ²³	Mixed Commercial (MC)	General Commercial (GC)	Mixed Housing Office (MHO) ¹
Residential				
Dwelling Unit, Accessory	NP	NP	NP	P ²
Dwelling Unit, Multifamily	P ²⁶	P	P	P
Dwelling Unit, Single-Family Attached, Detached or Cottage Housing ^{21, 27}	NP	NP	NP	P ²
Senior Citizen Assisted Housing	P	P	P	C
Commercial				
Adult Entertainment	NP	P ³	P ³	NP
Business Services ¹⁹	P ⁵	P	P	P ^{4,5}
Drive-Through Use	NP	P	P	NP
Farmers' Markets and Public Markets ⁶	P	P	P	NP
Gambling and Card Rooms	NP	NP	NP	NP
Home Occupation and Live/Work	P	P	P	P
Veterinary Clinics (SIC 074), Animal Shelters, Kennels, and Catteries ²⁰	NP	NP	P	NP
Outdoor Commercial	NP	NP	P	NP
Personal and Beauty Services ²¹	P	P	P	P
Private Electric Vehicle Parking Facility (Primary Use)			P ^{5,24}	
Private Parking Facility (Primary Use)	NP	NP	NP	NP
Professional Office	P	P	P	P
Retail Trade and Services – 100,000 sq. ft. or less for all structures	P ⁵	P	P ¹⁰	P ^{4,5}

Use Categories	Town Center (TC) ²³	Mixed Commercial (MC)	General Commercial (GC)	Mixed Housing Office (MHO) ¹
Retail Trade and Services – greater than 100,000 sq. ft. for all structures	C ^{5,9,18}	P	P ¹⁰	NP
Shooting Ranges ²⁵	NP	NP	P	NP
Storage/Self Storage	NP	P ⁵	P	NP
Temporary Lodging/Hotel	P	P	P	C ²²
Marijuana Retailer and Retail Outlets ²⁸	NP	P	P	NP
Cultural/Recreation				
Cinema, Performing Arts and Museums	P	P	P	NP
Meeting Hall/Other Group Assembly	P	P	P	C
Physical Fitness/Recreation Club	P/C ²⁹	P	P	P
Recreation, Indoor	P/C ²⁹	P	P	P
Recreation, Outdoor	C	P	P	P
Religious	C ⁷	P	P	C
Health Services				
Emergency Care Facility	C ^{9,18}	P	NP	NP
Hospital	NP	P	NP	NP
Medical Office/Outpatient Clinic	P ⁸	P	NP	P
Nursing/Personal Care Facility	NP	P	NP	C
Industrial/Manufacturing				
Asphalt Plants	NP	NP	NP	NP
Light Industrial/Manufacturing	NP	NP	P ¹⁰	NP
Government/Institutional¹¹				
Essential Public Facilities	NP	NP	C	NP
Government Services	P	P	P	P ¹²
Major Utility Facility	C ¹⁴	C	P	C
Minor Utility Facility	P ¹⁵	P	P	P
Schools: Compulsory, Vocational and Higher Education	C ¹³	P	NP	C

Use Categories	Town Center (TC) ²³	Mixed Commercial (MC)	General Commercial (GC)	Mixed Housing Office (MHO) ¹
Wireless Communication Facilities ¹⁶				
Antenna, Collocation on an Existing Structure ¹⁷	P	P	P	P
Wireless Communication Facility Tower	NP	NP	NP	NP

Source: [Covington Municipal Code](#) 18.31.080

Exhibit 46: Development standards for Study Area zones.

Standards	Town Center (TC)	Mixed Commercial (MC)	General Commercial (GC)	Mixed Housing Office (MHO)	Exceptions and Notes
Maximum Building Height	75 feet	60 feet	55 feet	45 feet	Maximum height shall be 45 feet within 50 feet of any zone outside of the downtown zone. In the MHO district, the 35 feet maximum height shall also apply within 50 feet of another MHO property.
Maximum Residential Density (stand-alone)	Not Permitted	60 D.U./acre	48 D.U./acre	24 D.U./acre	For cottage housing, CMC 18.37.040 shall control. Stand-alone residential structures are not permitted in the town center.
Maximum Residential Density (if ground floor is commercial)	Unlimited	Unlimited	Unlimited	24 D.U./acre	
Minimum Residential Density	32 D.U./acre	24 D.U./acre	24 D.U./acre	12 D.U./acre	Residential use is not required in the downtown. For cottage housing, CMC 18.37.040 shall control.
Maximum Floor Area Ratio (FAR) with Bonus Features	4:1	3:1	3:1	2:1, 1.25:1 east of Wax Road	Refer to CMC 18.31.100 for bonus features.
Maximum Floor Area Ratio (FAR) without Bonus Features	1.5:1	1:1	1:1	1:1; .75:1 east of Wax Road	No minimum FAR. Development within the Jenkins Creek Corridor shall utilize low impact development (LID) techniques as adopted in CMC 13.25.020 .

Standards	Town Center (TC)	Mixed Commercial (MC)	General Commercial (GC)	Mixed Housing Office (MHO)	Exceptions and Notes
Maximum Impervious Surface	80%	90%	80%	70%; 50% east of Wax Road and south of SE 272nd St.	Developments in the MHO located east of Wax Road and south of SE 272nd St., and cottage housing developments shall not exceed the 50% maximum impervious surface.
Minimum Lot Frontage Occupied by a Building	Type I Street – 80% Type II Street – 50% Type III Street – 50% Type IV Street – 40%	Type II Street – 50% Type IV Street – 40%	Type IV Street – 40%	None	A building shall be located within 5 feet of the back of sidewalk or on a public plaza. Where utility easements greater than 5 feet exist, the building shall be set back to the extent of the easement and this area shall be designed as an extension of the sidewalk and/or may be included as part of the public space requirement.
Minimum Setbacks within District	None	None	20 feet	10 feet	For development located east of SE Wax Road in the MHO zoning district, the setback for non-single-family residential buildings from SE Wax Road may be 0 feet.
Minimum Setbacks from Any Public Property Other Than a Street	None	None	5 feet	5 feet	
Minimum Setbacks to Adjoining Downtown District	10 feet where adjoining the MHO District only	10 feet	N/A	10 feet	In districts other than the MHO, no setback shall be required for mixed-use development or commercial building less than 50,000 square feet, with no significant outside storage or sales.
Minimum Setbacks to Zones Outside the Downtown Zone	0	20 feet	20 feet	20 feet	Refer to Design Standards Section B(1)(g) – Buffers and Transitions. No setback is required where a zone is separated from another zone by a street.

Source: [Covington Municipal Code](#) 18.31.090

Exhibit 47: Minimum Parking Requirements by Land Use.

Land Use	Minimum Parking Spaces Required
Residential	
Dwelling unit, multifamily:	
Studio and one-bedroom units	1.0 per dwelling unit*
Two-bedroom units	1.5 per dwelling unit*
Three-bedroom units	2.0 per dwelling unit*
Dwelling unit, single-family attached	2.0 per dwelling unit (tandem spaces allowed)
Dwelling unit, single-family detached	2.0 per dwelling unit
Dwelling unit, accessory or cottage housing	1.0 per dwelling unit
*Plus one extra space for every 10 dwelling units rounded upward to the nearest multiple of 10.	
Commercial	
Retail trade and services (non-food)	2 per 1,000 square feet
Nonfood retail in mixed-use development, less than 5,000 square feet and less than 40% of the gross floor area of the development	No off-street parking required**
Food stores, in mixed-use development, less than 15,000 square feet and less than 40% of the gross floor area of the development	3 per 1,000 square feet**
Food stores, other than above	4 per 1,000 square feet, plus additional parking as provided below for eating establishment
Eating and drinking establishment, other than above	1 per 100 square feet in dining, lounge and customer ordering area
Professional office	2 per 1,000 square feet
Gasoline service stations/Battery exchange stations	3 per facility plus 1 per 300 square feet of store

Land Use	Minimum Parking Spaces Required
Temporary lodging/Hotel	1.1 per bedroom
Business Services	3 per 1,000 square feet
Home occupation including live/work	1 stall in addition to requirement for primary use
** The applicant may demonstrate through a traffic study that on-street parking is adequate to wholly or partially fulfill this parking requirement.	
Industrial/Manufacturing	
Light Industrial/Manufacturing	1 per 1,000 square feet, plus additional parking for office or retail areas as noted elsewhere in this table
Recreation/Culture	
Theater	1 per 3 fixed seats, plus 2 spaces for every 3 employees
Group assembly	1 per 5 fixed seats, plus 1 per 50 square feet of gross floor area without fixed seats used for assembly purposes
Park/playfield/plaza	Director decision
Health Club	Director decision
Health Services	
Hospital	1 per bed
Medical Office	5 per 1,000 square feet
Nursing and personal care facility	1 per 4 beds
Emergency care facility	5 per 1,000 square feet
Other	
Utility	Director decision

Land Use	Minimum Parking Spaces Required
Government office	3 per 1,000 square feet
All other	Director decision
Bicycle Parking	
In the downtown districts one bicycle parking space shall be provided for every 15 vehicle parking spaces. Bicycle parking shall be located within 50 feet of the principal building and directly adjacent to a sidewalk or pedestrian walkway that connects directly to the building entrance(s).	
Car Share Parking	
Within the downtown districts the total number of parking spaces provided within residential developments containing more than 30 units may be reduced by three spaces for each one dedicated car share space. A signed agreement between the property owner and car share provider shall be submitted to the Director for approval.	
Electric Vehicle Charging Station	
All developments that require off-street parking shall be subject to the provisions of the electric vehicle charging stations requirements in CMC 18.50.160 through 18.50.180 .	
Reduction for Joint-Use Parking	
Developments which submit an approved parking management plan as noted in subsection (5) of this section may receive a reduction in required parking of between 0% and 20%. The Director may increase the percentage of the reduction where compelling evidence is provided in the applicant's traffic report that the proposed reduction is warranted. Refer to subsection (6) of this section.	

Source: Covington Municipal Code [18.31.110](#)