

Mayor and City Council  
X-9510-2023  
Exhibit #95

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September 19, 2023

*Via Electronic Mail*

Mayor Ashman and City Councilmembers  
City of Gaithersburg  
31 South Summit Avenue  
Gaithersburg, MD 20877

Re: Annexation X-9510-2023, Walnut Hill Commercial Area (the “Annexation”)

Dear Mayor Ashman and City Councilmembers:

On behalf of Walnut Hill Propco and King Fisher Associates, the Petitioners of the above referenced Annexation, we appreciate being able to present the Annexation to the Mayor and City Council at the recent September 5, 2023 public hearing. We want to take this opportunity to further elaborate on several of the questions raised during the public hearing regarding the Annexation and the Walnut Hill Shopping Center (the “Shopping Center” or “Center”) and provide additional related information that may be helpful to the City as you evaluate the requested Annexation.

These questions and issues are as follows:

- Nature of Retail Pad Site User

Sheetz is a family owned convenience store founded in 1952 and focused on meeting the needs of customers “on the go.” As such, they offer their customers a general merchandise shopping area (with limited offerings given the size constraints of their stores) and a restaurant with self-serve ordering that includes a dining room, as well as fuel. As a retailer oriented toward primarily “pass-by” customers, most of Sheetz’ customers are already vehicles on the road, passing by the store. As a result, Sheetz is not a destination retail use. The majority of sales (in terms of dollar value) is generated from the sale of the products within the store – including the purchase of food and sundry products and sales from the restaurant.

- Importance of Securing Retail Pad Site User

To bring Aldi to the Shopping Center the Petitioner needed to commit to a major capital project to improve the façade and overall atmosphere of the center. Additionally, Aldi had other costly requirements such as substantial floor reinforcement, new roof, new signage, and parking lot paving/upgrades. Sheetz provides the required cash flow to implement a complete renovation of the Shopping Center and satisfy this Aldi

requirement. There are contingencies in the Aldi lease that require Petitioner to improve the façade of the Shopping Center and deliver these required conditions. Sheetz also provides another strong anchor for the Walnut Hill Shopping Center to attract customers to the Center and contribute to the overall success of all of the tenants. Finally, Aldi prefers to locate with other national tenants and thus securing Sheetz was helpful in finalizing the lease with Aldi.

- Financial impact of Sheetz and Aldi on the Walnut Hill Shopping Center

As indicated above, securing Sheetz at the Walnut Hill Shopping Center creates the necessary economic value to attract Aldi. Without Sheetz, Petitioner could not afford to pay for the necessary improvements to the Shopping Center. Combined, the Sheetz and Aldi twin anchors will have an incredibly positive impact on all of the other tenants of the Shopping Center in several significant ways. First, both anchors will drive the daily-needs customer traffic that smaller more specialized tenants (e.g. barber, salon, pet shop, etc.) need to survive and thrive economically. Second, both anchors bring durability in cash flow as they are proven national or regional operators. This durability allows Petitioner as owner to obtain more favorable treatment in terms of availability and pricing of debt (this is particularly important in today’s shaky commercial real estate capital markets). Lastly, both anchors — as first class merchants in their respective spaces — will help differentiate Walnut Hill Shopping Center from other surrounding centers allowing the Center to outcompete those competitors for the best tenants, thus ultimately create lasting value for tenants and their customers.

- Traffic Study Provided in Connection with Annexation

A preliminary Traffic Impact Study (“TIS”) was prepared in conjunction with the current application, although not required under the City’s guidelines at this stage of the development process. The scope of the preliminary TIS was coordinated with City staff, and the results of the TIS indicate that all of the study intersections operate acceptably according to City of Gaithersburg and State Highway Administration standards.

An official, final TIS will be provided in the subsequent submittal for the Sheetz, as required by City of Gaithersburg guidelines. This TIS will provide additional detail, including information pertaining to specific questions/requests for additional analysis included in the Staff Report for the Sheetz application currently under consideration.

- Impact of the BRT Design

At this time, the only plans available regarding the BRT are the April 2022 design plans from Montgomery County Department of Transportation prepared by Stantec that show the layout and proposed BRT station location. The Walnut Hill Shopping Center concept plan submitted as part of the Annexation accounts for the impacts of the BRT to the Shopping Center by providing green space in the area for the future BRT construction. The BRT station is planned to be located to the west of the northbound travel lanes with

access to the station occurring via a designated pedestrian crossing located along the northern leg of the South Westland Drive and Frederick Road intersection. At this time, there is no detailed information on the BRT's impact on median closures or signalization.

- Potential Competition

In general, Sheetz evaluates the demand for a new store based on a five mile trade area. The trade area serving the proposed Sheetz has a population of more than 295,000 with an anticipated population growth of approximately three percent. Perhaps more importantly, given that the retail use is oriented toward pass-by trips, is the level of traffic on the adjacent roadway. The annual average daily trips on Frederick Road immediately in front of the Shopping Center is approximately 35,000 to 40,000. These figures were important data points in Sheetz' determination that the market could support a well inventoried convenience store/restaurant with gas at the Walnut Hill Shopping Center. Because Sheetz is dependent on pass-by traffic, they do not believe that the Sheetz at Walnut Hill Shopping Center will compete with their recently opened Sheetz north of the Montgomery Village interchange. In addition, the nature of the Sheetz, which offers merchandise and a restaurant, distinguishes it from the fuel-only establishments within the area. Please see the attached statement by Sheetz that provides additional useful information.

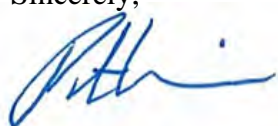
- Tenant Mix

As explained at the hearing (as well as above), the success of the Walnut Hill Shopping Center is dependent on the Petitioner securing the two major national tenants for the Center. This also allows the Petitioner to focus on identifying retailers that meet the needs of the local market and it is the Petitioner's goal to be able to provide upgraded, attractive space, particularly along the breezeway, to accommodate local retailers.

Finally, we wanted to reiterate Petitioner's support for Lalita & Joginder LLC's (the owner of 8941 North Westland Drive) tax abatement request. As noted during the public hearing, the 8941 North Westland Drive property was included in the Annexation Petition simply as a result of the location of their property. We recognize that the Annexation results in an increase in taxes and do not want this well respected local business to be negatively impacted by the Annexation.

We trust this information is helpful. The Petitioner looks forward to relocating the Shopping Center within the City of Gaithersburg.

Sincerely,



Patricia A. Harris

Enclosure

# Public Hearing Response

## Sheetz Gaithersburg Location (South Westland Drive)

On Thursday, Aug. 24, 2023, Sheetz opened its first store location in the city of Gaithersburg. The opening was attended by approximately 350 people, including many officials from the City. Now that this store is open, it represents the first Sheetz location in Montgomery County, serving commuters along Interstate 270 and local customers, 24/7 and 365 days per year. At that August opening, Sheetz also reaffirmed its commitment to being the best neighbor it can be in each community where it operates – donating \$2,500 to Special Olympics Maryland and \$2,500 to Feeding America, in order to help fight the way against hunger. Subsequently, Sheetz donated approximately \$6,000 to Special Olympics Maryland due to a fuel promotion in which a portion of the proceeds would be donated to that organization.

With our first store in the City of Gaithersburg now open, Sheetz is looking forward to future opportunities, including our proposed store along South Westland Drive. We believe this site is in the right location, where it would not cause a detrimental increase in traffic, but would complement the area – and be an asset for residents.

This site is approximately 1.09 acres, on an outparcel of an older shopping center which will eventually be redeveloped. It is located on the first far right corner, heading north on Maryland 355 after exiting Interstate 370. We believe this site has the potential to be very successful and draw customers from adjacent neighborhood. It has right in/right out access along MD-355 and full access along South Westland Drive. There is also another access point, through the shopping center, to North Westland Drive. Average daily traffic in this area, based on our calculations, is 38,160, with 50,880 during the 5 p.m. peak. We expect that the Montgomery Village interchange will cause a natural division in traffic patterns between this store and the recently opened Sheetz location located at Progress Way and Maryland 355.

We believe this store will fill a local need for quick and convenient food options in this area of Gaithersburg. There are some smaller gas stations found around the area of this proposed store, but none offer food service such as Sheetz. In addition, there are not many quick service restaurants (fast-food) in the area – so we expect this location should not only perform well, but be welcomed by customers into this area. Consistent with the local orientation of the proposed store, we are proposing our smaller sized building and fewer fuel offerings at Walnut Hill, which is more appropriate for the neighborhood setting. The attached photo from our recently opened store in Fredericksburg, Virginia provides an indication of the popularity of the restaurant component of our stores. We do expect Wawa to open a store about  $\frac{3}{4}$  of a mile away from this location – proving how accessible and appealing this area of Maryland 355 is for businesses such as ours.

We are deeply appreciative of the support received so far as we've worked to develop locations in the City of Gaithersburg. We've also been highly impressed with the performance, so far, of our first store in the City – and we're eager to serve more local customers. We look forward to answering any additional questions you may have regarding this project.

