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Grocers begin to plant markets in 'food desert'

BY SARAH DUXBURY

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Oakland is hungry for new grocery stores, and that hunger is finally going to be satisfied.

Often referred to as a "food desert," the city has long struggled to attract retail in general and grocers in particular, so the appetite is not new. Now, after multiple delays, it looks like Foods Co. will break ground on a new, 74,000-square-foot grocery store soon after Jan. 1.

It will be the first large-scale, full-service supermarket to open in Oakland since Whole Foods and two Trader Joe's arrived in 2007.

"Our expectation is that soon after the first of the year we will start blowing up buildings and start construction," said John Jay, a partner at Jay-Phares Corp., the developer behind the Foothill Square overhaul.

The project, which will modernize the 50-year-old East Oakland shopping center and add almost 50,000 square feet of new retail for a total of 202,000 square feet, was delayed by costs, Jay said. The initial design called for a retaining wall and other infrastructure that increased the project cost by \$3 million. The site has since been redesigned to keep to a roughly \$40 million budget.

Foods Co. is absolutely as good as it gets," Jay said of why he chose Foods Co. for his development. "We have 310,000 people within a 10-minute drive for whom this will be the closest supermarket they can get."

Foods Co. eyes multiple sites

Once it is time to begin construction, Foods Co. will close escrow on the six-acre lot it is buying for the store. Foods Co.'s parent company, Kroger, prefers to own all its real estate.

That means Kroger could soon become a significant Oakland landowner, as it has two other sites in its sight.

"Oakland has been a market of interest for a long time for our company," said Mark Salma, director of real estate for Ralphs Grocery Co., the Kroger division that operates Foods Co. "It is clearly an underserved market from a lot of retail standpoints, and that's been the case for many years."

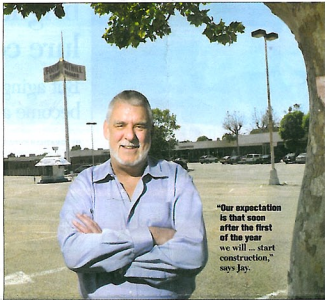
The Foothill Plaza store will open in 2012, and in the two or three years following that, Foods Co. will open its other Oakland stores, one at 66th Avenue and San Leandro Street near the Oakland Coliseum, and the other in West Oakland. All the Foods Co. stores are around 70,000 square feet and employ about 110 people; they take seven months to build, once approvals are in place.

While Foods Co. is the surest thing, many hope it will be just one supermarket player in Oakland.

Indeed, the city is talking to two smaller-format grocers, helping them identify and secure sites of up to 15,000 square feet in both West and East Oakland to open a grocery store.

"It's really good. We will have the residents of those particular communities with grocery options in the near future," said Gregory Hunter, deputy director of economic development and redevelopment for Oakland.

Hunter could not say which two companies are closest to opening in Oakland, but Fresh & Easy has talked



publicly about its interest in Oakland since when Mayor Ron Dellums was in office, and it has looked at potential sites.

Jack London could get grocer

The Jack London neighborhood has considered forming a community benefit district, and one of its express goals would be to win a supermarket to the neighborhood.

Jack London Ventures LLC, a partnership between Ellis Partners and DivcoWest, is looking to fill 32,000 square feet of retail space in the parking structure across the tracks from Jack London Square proper with an urban format grocer and possibly a drugstore.

Ellis Partners' principal Jim Ellis said it is too early in negotiations for him to publicly identify potential tenants, but that the Jack London district needs something convenient and fast, which an urban grocer would provide. He was clear that such a tenant would not compete with the Jack London Market.

"There is a lot of jockeying going on right now in the urban grocer space. It's one of the few areas of retail that seems to be active right now," Ellis said.

Then there are planned improvements to existing stores.

Safeway has spent years pursuing a revamp of two Oakland stores, one at 51st Street and Broadway and the other on College Avenue. The plan for the one in Rockridge, at 6310 College Ave., calls for demolishing a 25,000-square-foot store and replacing it with a 62,000-square-foot market, a proposal that has been met with resistance from some neighbors. The Planning Commission is expected to take up the proposal in December. Safeway did not return a call for comment.

Safeway is also renovating and enlarging a store at at 35th Avenue and Redwood Road, though that project is moving more slowly, Hunter said.

Amenity that fills city coffers

As long as all of the new grocery stores currently proposed are realized, Oakland is just two or three stores away from being a grocery oasis rather than a

desert, Hunter said.

"I think we will need to attract potentially two or three additional stores," Hunter said, adding he believes the city will need one more each in West Oakland, East Oakland and the eastern Oakland Hills area. "At some point, you proliferate the community with grocery

stores and they start cannibalizing each other and closing down. It's a matter of demographics and how many grocery stores can be supported."

Several other nontraditional grocery options have opened in recent years. In March, Target opened a store on the Oakland-Emerlyville border that includes its fresh food department, and Wal-Mart is said to be looking for sites in the East Bay, including Oakland, for its smaller-format urban stores, which might carry food.

Walgreens has added fresh food options to its downtown Oakland store, and some small independent grocers like Mandela Grocery, a co-op that opened on Seventh Street several years ago, have tried to fill the void.

"It's very different," Hunter said. "There's been a lot of advancement once we in the community made it known we were underserved, that we were a grocery desert. There has been a strong response to that."

Should Oakland succeed in winning other grocers than Foods Co., it will be a welcome amenity to residents, and also to the city coffers if Oakland can succeed in keeping more of residents' retail and grocery spending inside the city limits.

As for the long-awaited arrival of the city's first Foods Co., "It's been a long and arduous trail, and hopefully we are reaching the end of it," Jay said.

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