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Paul A. Henningsen, Alderman
Milwaukee Common Council
City Hall
200 East Wells Street
Room 205
Milwaukee, WI 53202

Dear Alderman Henningsen,

In anticipation of the February 24 meeting of the Zoning and Neighborhood Development Committee where our rezoning application for Humboldt Yards will once again be considered, we would like to address in some detail the questions raised by Committee members both during and after the February 3 public hearing regarding the size of our proposed combination Jewel grocery store and Osco Drug store. Alderman D'Amato said he would support our proposal if we were able to make our combination store "smaller". For the reasons set forth in this letter, we are unable to accommodate any further reductions to the proposed store.

As you are aware, our *Jewel Osco* store would consist of a grocery store containing approximately 43,000 square feet located immediately adjacent to a drug store containing approximately 19,000 square feet. (Our project would also include two retail buildings facing North Avenue containing a total of approximately 21,000 square feet of space with the ability to add another retail building in the interior of the site containing approximately 11,000 square feet. The majority of the objections to our project seem to be directed at the *Jewel Osco* store, and not at the retail components.) The *Jewel Osco* store has been referred to by some opponents of our project as a "big box megastore" that is too large for both the project site and for the surrounding community. This characterization is simply inaccurate; it ignores both the realities of the grocery store

industry and the significant amount of planning that is reflected in the overall development scheme for this site. Let me explain:

- Our proposed Jewel grocery store contains approximately 43,000 square feet of space. In today's marketplace, this is not a "megastore." It is not even a large store. Most new grocery stores being constructed today exceed 50,000 square feet. The Milwaukee Journal Sentinel reported on February 17, 1997 that all of Kohl's new food stores are planned to contain approximately 55,000 square feet. The new Pick 'N Save at Clarke Square (18th and National) contains over 100,000 square feet. The Pick 'N Save at 3rd and Holt contains over 130,000 square feet. The Pick 'N Save at Loomis and 27th contains over 70,000 square feet. The new Woodman's Food Market in Kenosha contains over 250,000 square feet. Numerous additional examples can be cited from metropolitan Milwaukee and Southeastern Wisconsin.
- The reason behind the trend toward larger grocery stores is quite simple: the grocery industry is very competitive. Grocers operate on very low margins, with ever-increasing pressure to provide a wide variety of goods to consumers at the lowest possible prices. Spreading the costs involved in acquiring, constructing and operating a store over a larger volume of revenue-producing space enables grocers to maintain competitive pricing and remain economically viable. The size of our grocery stores is largely dependent upon three factors: first, the size and configuration of the proposed site (how much space is available to build the store and provide the necessary parking); second, the costs involved in acquiring and constructing the store (including both site work, construction costs and all necessary public infrastructure such as streets, sewer, water, etc.); and third, the demographics of the particular marketplace.
- We would have preferred to build a larger store at Humboldt Yards, and we originally proposed to do so. The site is large enough to support a "megastore", the acquisition, construction and infrastructure costs are extremely high and the demographics would support a larger volume of floor space. However, at the onset of our planning for this project, representatives of the Department of City Development made it very clear that we would be required to design a project that would be sensitive to and that would incorporate numerous neighborhood-oriented planning and architectural objectives. Among the most important of these objectives were the scale, massing, location and size of the proposed structures. Additional planning objectives included appropriate - and significant - site enhancements and public improvements necessary to provide value to the entire project site, not just the commercial portion which was of greatest interest to us. The size of the proposed store is really the minimum size necessary to justify the costs that we will incur for this project. And, as noted above, this proposed store is not a large store by today's standards.

Paul A. Henningsen, Alderman

February 18, 1998

page 3

- It is true, as Alderman D'Amato has noted, that we have recently constructed a *Jewel Osco* combination store in Lake Forest, Illinois that is smaller than that proposed at Humboldt Yards. However, the size of the Lake Forest store was driven by the same three factors enunciated above: size and configuration of site; cost of acquisition and infrastructure; and market demographics. We would have preferred to build a larger store in Lake Forest. However, the available site was small, the acquisition and construction costs were manageable and our market studies indicated that a smaller store would be economically feasible. For the reasons stated above, these factors are simply not the same at Humboldt Yards.

We believe it is important to view our proposal in the context of the zoning ordinance that currently applies to the Humboldt Yards site.

- Present zoning permits the construction of a 43,000 square foot grocery store and total commercial development of 109,000 square feet (more than 10% larger than our proposed project). The site plan currently approved for the property does not provide for direct public access to the Milwaukee River (as does our proposal) and contains significantly less interior public green space than our proposal. The current plan also provides none of the architectural controls that have been agreed to in our project. Perhaps of greatest significance, the current plan requires only that a private, narrow roadway be constructed through the site from Humboldt to North Avenue. If we were to build our project in conformity to the existing zoning, we would not be required to make any contributions to the public street infrastructure surrounding and/or serving the site.

As was clearly stated by Peter Park before the Plan Commission, our proposal represents a significant improvement over the existing approved site plan. Our proposal contains less parking, creates an urban grid that weaves the project into the neighborhood, extends Commerce Street in a logical progression through the site to North Avenue (at our expense) and provides for significant street and traffic signal improvements on North Avenue and Humboldt adjacent to the site (also at our expense). These latter two points (the extension of Commerce Street and the work to be performed on North Avenue and Humboldt) represent major improvements in our proposal over the currently approved plan. As noted by our traffic consultants as well as City staff in the Department of Public Works, our contemplated street work will not only help minimize the impact of traffic generated by our project but also reduce the current traffic congestion experienced on Humboldt and Kane.

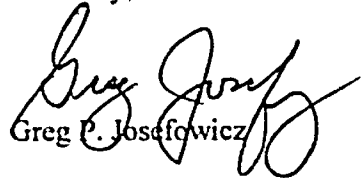
Paul A. Henningsen, Alderman
February 18, 1998
page 4

- The rezoning proposal that we have presented to your Committee is the product of many months of hard work by our development team and by the Department of City Development and the Department of Public Works. Representatives of all three of these groups have testified in public hearings that they believe this proposal to be appropriate for Humboldt Yards and for the surrounding neighborhood at every level of analysis. (Given the controversial history of every project ever proposed for this site, the City representatives were justifiably cautious - and conservative - throughout the planning process.)

Since we first embarked upon this project, we have listened very carefully to the concerns raised by all of the critics and opponents of our proposal and have attempted to respond appropriately to the best of our ability (and often at great expense). As stated above, the store we proposed to build is smaller than the one we originally presented and smaller than the one we would like to build. It is also the smallest we can afford to build given the economic necessities of this location. We do not believe it to be in anyone's interest for us to build a smaller store and to fail.

We appreciate the diligence with which you and your Committee members have approached the review of this proposal and greatly respect the views you and your Committee members have expressed to us. However, we are unable to accommodate any requests to further reduce the size of our grocery store. If our statements and the opinions of the City staff who have worked on this project are not persuasive as to the appropriateness of our proposal, then it appears that we must simply agree to disagree. We ask only that your committee make a recommendation at its February 24th meeting, either positively or negatively, so that the matter may then be considered by the full Common Council at its meeting on March 3rd.

Sincerely,


Greg P. Josefowicz