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Saturday, August 30, 2003

Kroger: New garage or we go

Company feels council might renege

By Randy Tucker and Kevin Aldridge
The Cincinnati Enquirer

Kroger Co. said Friday that it has secured a site outside Cincinnati where it would move its downtown headquarters and staff of 1,200 workers if City Council votes against a proposed parking garage for the company.

City Council agreed in principle in June to build an estimated \$12 million to \$15 million parking garage with 850 to 1,000 spaces at Vine Street and Central Parkway, just north of Kroger headquarters.

Mayor Charlie Luken and City Manager Valerie Lemmie presented the outlines of the deal to council after Kroger said it might move its general offices because of a dearth of downtown parking.

City Council is scheduled to vote on specific terms of the garage proposal Sept. 10, and Kroger is worried support is waning.

"When I've talked to council people recently, the conversation would give you the conclusion that they've either changed their minds or are thinking about changing their minds," said Joseph Pichler, Kroger's chairman. Pichler declined to reveal the council members' names or details of their conversations.

Pichler said uncertainty about the outcome of the garage proposal recently led company officials to sign a contract with an option to buy an existing building and parking lot at an undisclosed location.

In turnkey fashion, the owner of the alternative site has agreed to buy the Kroger building and its current parking facilities downtown as part of the deal.

"Time is running out on the option" on the alternative site, Pichler said. "We have extended the option once, but we're not going to do it again."

While the company is prepared to move, Pichler said the 120-year-old supermarket giant - 18th on the list of Fortune

PROPOSAL

- City constructs a parking garage of at least 850 spaces on a Kroger-owned lot at Vine and Central Parkway. The lot is across from Kroger headquarters.
- The city estimates cost of a 900-1,000-space garage at \$12 million--\$15 million.
- City operates the garage for 30 years. Kroger leases land for the garage to the city for 30 years at \$1 a year. Ownership of the garage is transferred to Kroger after 30 years.
- Kroger employees will pay for parking via annual company payments to the city of \$510,000 - the amount that Kroger employees now pay for 850 parking spaces. Payments will increase to cover operating expenses.
- The city will receive all other parking revenue from the garage for event parking, evening and weekend hours.
- If Kroger leaves downtown within the 30-year debt repayment period, the company will assume the city's remaining financial obligations for the garage.
- The city may choose to develop housing or retail adjacent to the parking garage, in which case Kroger will sell the land to the city at cost. The city has the option to buy about one-third of the lot. The housing structure would not be assigned to Kroger after 30 years.

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500 companies - would prefer to keep its headquarters downtown. Kroger employees pay more than \$2.5 million in city earnings taxes, plus those workers spend money at downtown businesses.

But adequate parking is essential as the company grows, he said. The company plans to add almost 300 new jobs at its headquarters over the next several years.

Kroger now leases 808 parking spaces at 13 lots in the northwest quadrant of downtown. But about 355 parking spaces now used by Kroger employees could be eliminated within two years because of private development and a proposed school near Central Parkway and Elm Street.



Kroger would lease 850 spaces at the new parking garage for about \$510,000 a year - the amount Kroger employees now pay for parking downtown.

The city would own and operate the garage, and keep any revenue generated for event parking, and parking during evening and weekend hours. Kroger estimates that over 30 years - the term of its proposed lease agreement with the city - it will have contributed \$26 million in lease payments, real estate taxes and forgone parking revenues, or about one-third of the total cost of the garage.

Pichler said he believes the Kroger proposal is caught up in resentment over the \$52 million tax incentive deal City Council approved in July for billing giant Convergys. He also said some council members are linking the garage to how Kroger helps College Hill cope with an abandoned Kroger store there.

Kroger dumped the longtime store at Hamilton and North Bend a year ago in favor of a superstore less than two miles away in North College Hill. Kroger, which holds a lease through 2006 on the vacant building, has vowed to block any competitor from opening a store there.

Kroger this week agreed to pony up at least \$20,000 to fund a neighborhood business district study to help College Hill residents redevelop the mostly empty intersection. Kroger also has marketed the property to more than 80 prospective tenants.

"It looks like Kroger is responding to the people of College Hill, and the folks there seem to think what they've been doing is a sign of good faith," Councilman David Crowley said. "If that is the case, I'm open to supporting the Kroger garage."

Karen F. Dudley, president of the College Hill Forum, said College Hill residents feel that Kroger is sincerely attempting to work with them.

"We are happy that they met with us earlier this month and are still open to meeting with us," Dudley said.

Councilman David Pepper said city council needs to do two things: Keep Kroger in town and work with them to revive College Hill's business district.

"I don't think losing Kroger from the city is an option we should be idly contemplating," Pepper said. "I don't think we help solve the College Hill problem by letting Kroger leave the city. That would only make it worse."

Vice Mayor Alicia Reece, who has suggested that Kroger sell its vacant building in College Hill to residents for \$1, said she doesn't favor development that "maintains the status quo."

Reece said the city should be making deals that promote corporate-community partnerships that can jumpstart

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neighborhood redevelopment.

"We've got to get a handle on these major deals because every week we are getting a different company saying they may leave," Reece said.

Councilman Chris Monzel, who cast the lone dissenting vote for the garage proposal in June, said council should have learned something from the Convergys deal.

"Once again, we are starting into this game," he said. "To me, this just adds more fuel to the fire when you are trying to work a deal out. It doesn't help. It just adds to the tension and escalates the frustrations."

Pichler said Kroger has plenty of incentives to move its headquarters to a new site, including free parking for employees and the elimination of city earnings taxes. He said the cost savings would amount to an \$1,100 raise for each employee now working downtown.

"We don't want to be the folks to pull the plug on a great city, but we're losing parking," he said. "Either we have to find alternative spots (downtown) or we have to leave."

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