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## City's hungriest real estate investor plans grocery store in West Oakland food desert

By Cory Weinberg Reporter- *San Francisco Business Times*

It's been a decade-long slog to get a grocery store into Jack London Gateway shopping center in West Oakland.

After Gateway Foods closed down in 2004, a Korean grocery store moved in. Two years later, the owner reportedly ran off with investors' money and abruptly locked the doors. The space has been empty ever since, stoking the neighborhood's "food desert" label.

Tom Henderson, who owns the Tribune Tower and is one of Oakland's most active real estate investors, now expects to fill West Oakland's supermarket hole within a year. He's pumping \$25 million into the property and into launching the store. His company, the San Francisco Regional Center, bought a three-quarter stake in the 6.5-acre shopping center Thursday. He plans to independently operate a 15,000 square-foot grocery store, which is about a third larger than the average Trader Joe's.



From left: Project Director Bobby White, San Francisco Regional Center founder Tom Henderson with community leader Ron Muhammad in the site of a proposed grocery store in West Oakland.

"This will kick open the floodgates to the whole district because we're dealing with an entire area that doesn't have a supermarket. People are shopping out of liquor stores and corner stores, or going to shop in Alameda or Emeryville," said Ron Muhammad, who runs the West Oakland

Marketplace Advancement Company, a neighborhood group that has been the partial owners of the shopping center and will retain a one-quarter ownership stake.

Henderson, who has experience running restaurants and food distribution, said he will add a restaurant and a commissary to the shopping center. The grocery store is "not going to be a discount store, but the prices will be attractive," he said.

The plaza — at 800 Market St., a few blocks from the West Oakland BART station — also holds big-name stores like a newly renovated McDonald's, KFC and the clothing store Cititrends. It's also dotted with shops like a donut store, an EZPayment Center and a laundromat. The vacancy rate is about 35 percent, but Henderson said, "as you put in a first-class grocery store, the tenants are going to change also."

Single-family houses, senior living buildings and Interstates 880 and 980 surround the center. Henderson said the group is discussing starting a shuttle service to bring residents to the shopping center.

### **West Oakland's food desert**

Muhammad said the West Oakland Marketplace Advancement Company, or WOMAC, had gone to retail conferences for years to ask big-name grocery store operators to check out West Oakland. The City Council even tried to use its powers of eminent domain to help get a Foods Co. store into the space four years ago.

The shortage of full-fledged grocery stores hurts West Oakland residents, about three-quarters of whom go outside the city for groceries, according to a 2008 survey of residents. "Liquor stores are selling tomatoes for a dollar or a banana for a dollar. It's a rip off," Henderson said.

The area, which is about half African American, isn't entirely devoid of food stores. The Mandela Food Cooperative opened down the street in 2008, selling a large variety of food and getting rave reviews, "but the prices are expensive for the low-income demographics of West Oakland," according to the 2013 book "Marginalizing Access to the Sustainable Food System."

Dana Harvey, executive director of Mandela, took issue with this characterization, and said: "The prices, in fact, are generally less than any of the surrounding grocers for produce, dairy and bulk items. And, in fact, are fresh, sustainably or organically farmed and promote health. Good food is not always cheap food – and the thinking that a low-income community only needs the cheapest food – which means generally the lowest quality, highest toxin food - is another way to promote oppression and disenfranchisement of a community."

The People's Grocery on 7th Street also sells fruits and vegetables, but primarily sells food delivery baskets.

The area is one of the most impoverished in the Bay Area, making it less attractive to brand-name grocery stores. Now, the neighborhood is developing and hints of a comeback are everywhere since the city rezoned the area. New apartments have been snapped up near the

BART station, and offices, manufacturing spaces and apartments will likely start construction next year.

Grocery stores "don't have huge profit margins anyway, so when you're moving into a more economically challenged neighborhood it makes it even tougher," said Rachel Flynn, the city's director of planning and building. "To bring in a community-oriented group is perfect."

Lorie Alemania, president of Portfolio Property Investors, another minority owner of the plaza that sold its stake to Henderson's group, said the two grocery stores that were in that space in the early 2000s were successful. Gateway Foods was bought out by the Korean food seller, Eugen International Market, until that owner reportedly ran off. Still, it hasn't been full since 2006 and dollar stores had been vying for the space.

"It's funny. People think two grocery stores failed there. No, every store that went in there walked away with a lot of money," she said. "But having someone going in there (like Henderson) with new blood will be good."

### **Henderson's next buy**

Henderson said he expects to pay about \$25 million to launch the store and buy the property. He would not say how much he paid just for the property, which had mostly been owned by the nonprofit East Bay Asian Development Corp.

"The old saying is, 'If you build it, they will come,' " he said. "You're not going to find a piece of property in West Oakland with this size and the space available. You'd have to buy a piece of property and build it out. You already have a number of people coming through this shopping center."

The real estate buy is part of Henderson's grand plan to raise hundreds of millions of dollars from foreign investors and create thousands of jobs. He's also recently bought the I. Magnin building, the former Community Bank of the Bay headquarters and the Dufwin Theatre.

His plan makes use of the federal EB-5 visa program, which would allow investors to get green cards as long as Henderson creates the required amount of jobs. (Read our cover story on Henderson from last year to get the full picture.)

He's already created 500 jobs through new call centers and warehouses in Oakland, and will need to create 2,000 within the next 18 months, he said. He said a new grocery store will add about 80 jobs to his count and the plaza will create 200 overall. New call centers will push him past his goal, he added.

To make the West Oakland grocery store successful, Henderson said WOMAC's stake in the property is essential because the group is trusted in the neighborhood. "(Residents) don't know or care who I am. They want to make sure there's a grocery store here and the prices are fair and you're not ripping off the neighborhood," Henderson said. "We're going to be very supportive of the community."