

MONEY

Albertson's scales back store plan for Central City

By Bruce Egger
Staff writer

Most Central City residents probably long ago lost hope that an Albertson's supermarket in their neighborhood, approved by the New Orleans City Council almost four years ago, would ever get built.

As the years have passed, the chief signs of life at the store's planned site at Felicity and Carondelet streets have been weeds.

But a supermarket may yet rise in Central City.

Executives of the 2,300-store Albertson's chain this week signed a revised lease with the local developers who own the land, committing Albertson's — or someone — to build a grocery store of at least 38,000 square feet at the site.

That is far smaller than the 66,000-square-foot store for which Albertson's unveiled plans in 1998 and then, together with the local developers, fought a long, bitter battle against preservationists who wanted them to reduce the store to about 40,000 square feet.

The preservationists said a 66,000-square-foot store was too big for the historic inner-city neighborhood just off St. Charles Avenue. The developers and chain executives said a store that size was necessary to provide proper service to customers

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Smaller grocery may be in the bag

Another chain may operate store

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and to survive in a hotly competitive supermarket environment.

But that was before Albertson's heard about plans for a 200,000-square-foot Wal-Mart Supercenter, including a giant grocery, a mile away on Tchoupitoulas Street. Saying that the market could no longer support their planned 66,000-square-foot store, Albertson's executives tried to break their lease with the local developers, St. Charles Ventures LLC.

A federal judge ruled against the chain in February, saying a change in competitive conditions did not abrogate the lease, under which Albertson's has been paying the local developers nearly \$1 million in rent every year, even without a store.

U.S. District Judge Stanwood Duval Jr. said Albertson's executives should have realized that construction of a competing grocery was a possibility. He ruled that Albertson's had to build the store or pay the local developers damages for breaching the lease.

Randall Smith, an attorney for St. Charles Ventures, said Tuesday that the local company and Albertson's have signed a revised lease obligating the chain to build a store of at least 38,000 square feet.

But the lease says Albertson's can assign the right to build and operate the store to someone else, such as another grocery chain. "There's no guarantee there will be an Albertson's there," Smith said.

The lease says construction must begin by June 1, 2004, but that date can be pushed back a year if the project runs into unexpected problems, such as difficulty in getting city permits. The lease says the store must open by June 1, 2008, though presumably it would open much sooner if work begins in 2004 or 2005.

Even though the store will be about 40 percent smaller than originally planned, Albertson's is required to continue paying the same rent required by the earlier lease: \$980,000 per year for 25 years.

Albertson's also agrees to drop its appeal of Duval's ruling against the 31-state chain, whose headquarters are in Boise, Idaho.

The agreement gives the local developers \$1.6 million of \$2.5 million that was placed in escrow under the earlier lease. Smith said they will use it to help pay down their loan from a local bank.

If the store is built as required, Albertson's gets to keep the \$900,000 remaining in es-

crow. Otherwise, the money goes to St. Charles Ventures, which is primarily owned by Reid Falconer, Gregory Clayton and Leon Vial III.

Ten percent of the rent due to St. Charles Ventures, or almost \$100,000 a year, goes to two Central City churches, First Emanuel Baptist and New Home Missionary Baptist.

The churches' pastors supported the supermarket project during the fight with preservationists, citing the number of jobs the store would create in a blighted area and the benefits that having a neighborhood supermarket would bring to residents.

Albertson's executives could not be reached for comment Tuesday.

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