

Grocery Stores and the Government

The Intersection of Public and Private
APA-WI 2026 Conference (October 8, 2026)

Dan Rolfs, AICP & EDFP

Agenda

- ▶ Grocery store basics
- ▶ What are the challenges and opportunities if you want to bring a grocery store to your community?
- ▶ What grocers are looking for when trying to site a store;
- ▶ How to overcome challenges that grocers face when working in a community;
- ▶ Managing expectations;
- ▶ Lessons learned from trying to locate a grocery store in a neighborhood.

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Presenter

- ▶ Dan Rolfs, AICP & EDFP
- ▶ City of Madison Real Estate Development Manager
- ▶ 25+ years experience in economic development and real estate
 - ▶ *(i.e. I have made more than my share of mistakes and have a story or two...)*
- ▶ TIF District portfolio management and TIF project underwriting
- ▶ Real estate landbanking and (re)development
- ▶ Eight years of work to bring a grocery store to South Madison



Grocery Store Basics

- ▶ Margins → generally around 1-2% of sales
 - ▶ Can be higher for smaller stores / operators
- ▶ Wholesale supplier access
 - ▶ Access / relationships are key, especially for smaller operators
- ▶ Parking
 - ▶ Customers want parking close by
- ▶ Build out
 - ▶ Grocery stores have exacting requirements

Grocery Store Basics (cont.)

- ▶ Power needs
- ▶ Design requirements
 - ▶ Access
 - ▶ Health Code requirements
 - ▶ Loading dock(s)
 - ▶ Equipment placement
 - ▶ Interior design / flow



Grocery Store Basics: The Big Dogs...

- ▶ If your community is struggling to find a grocer to address food access.... These folks probably are NOT the answer
- ▶ Why?
 - ▶ If your community is in this position, there is some market issue deterring them from serving your residents

Reported scale of major US grocery retailers

Retailer / format	Sales and reporting period	Store footprint
Walmart U.S. / supercenters and neighborhood stores	\$285.5bn grocery category; FY ended Jan. 31, 2026. U.S. segment total: \$483.0bn. Source	4,611 U.S. segment stores at fiscal year-end, excluding Sam's Club. Source
Costco / membership warehouses	\$269.9bn worldwide net sales; FY ended Aug. 31, 2025. Includes non-food and non-U.S. sales. Source	629 U.S. warehouses, including Puerto Rico, at Aug. 31, 2025. Annual report
Kroger / multi-banner supermarkets	\$147.6bn total sales; FY2025 ended Jan. 31, 2026. Includes fuel and non-food. Source	2,697 supermarkets in 35 states and D.C. at Jan. 31, 2026. Annual report
Albertsons Companies / multi-banner supermarkets	\$83.2bn net sales and other revenue; 53-week FY ended Feb. 28, 2026.	2,244 stores across 35 states and D.C. at Feb. 28, 2026. Source
Publix / regional supermarkets	\$62.7bn sales; FY ended Dec. 27, 2025. Source	1,442 stores on the company facts page accessed Sept. 9, 2026; Southeast footprint. Source

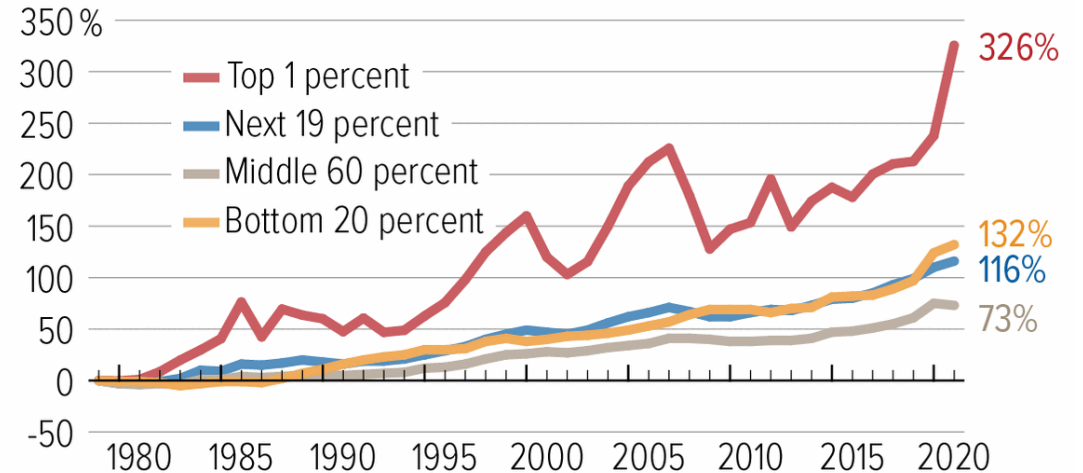
Source: www.GourmetPro.co

Why Is This an Issue? (aka: *My Hot Take*)

- ▶ Wage stagnation
- ▶ Income inequality

Income Gains at the Top Dwarf Those of Low- and Middle-Income Households

Percent change in income after transfers and taxes since 1979



Source: CBPP analysis of Congressional Budget Office data for 1979 to 2021

Challenges of Locating a Grocery Store

Financing

Trade area income level

Trade area (number of roof tops)

High cost of land, construction, and product

Financing Challenges

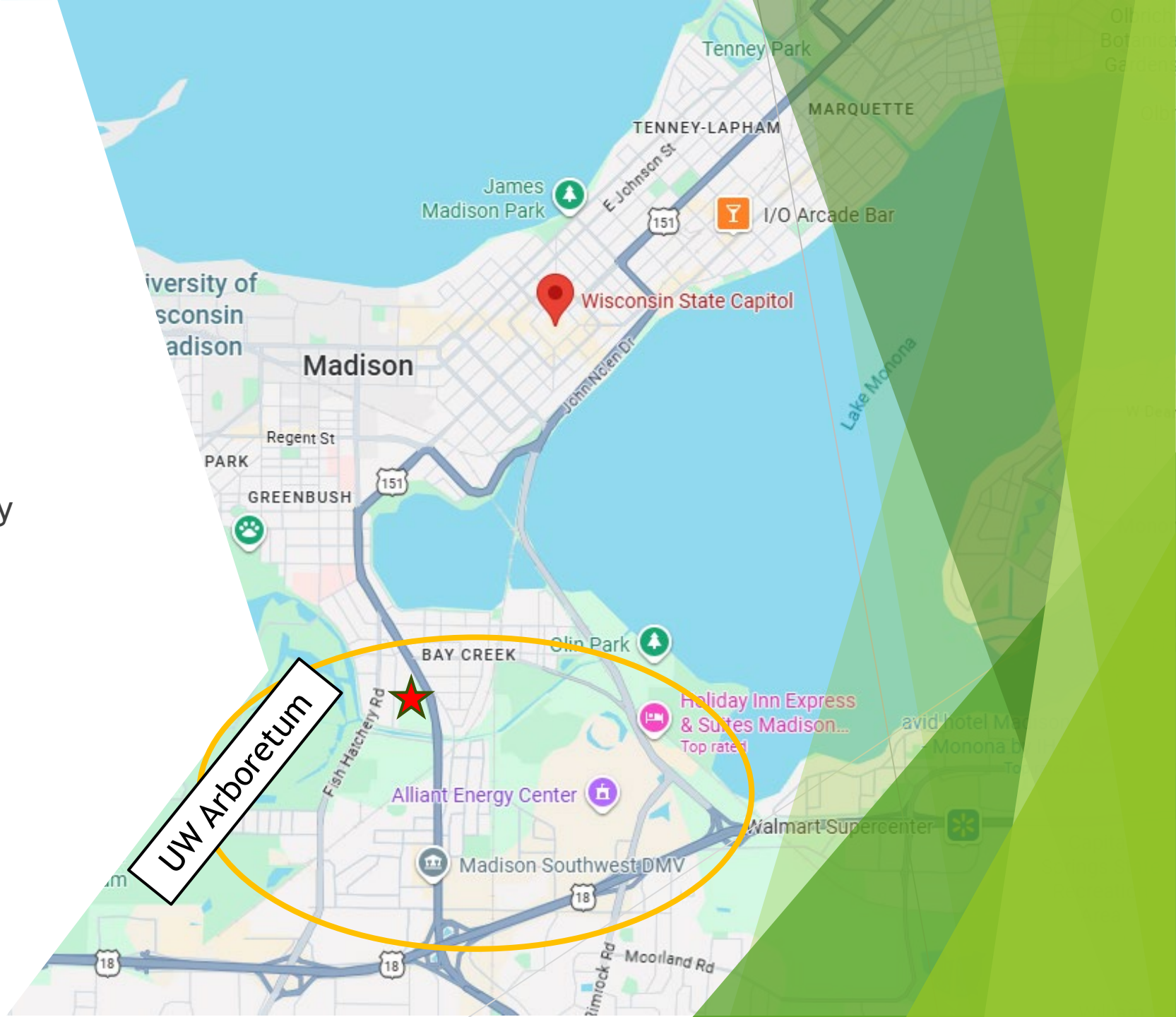
- ▶ Larger grocers have access to lines of credit / internal financing
 - ▶ Also have specific metrics that may not work with harder to serve areas;
- ▶ Smaller grocers are more limited in financing options
 - ▶ Can be more flexible in harder to serve areas.
- ▶ Municipal assistance can take multiple forms:
 - ▶ Tenant improvement funding;
 - ▶ Public ownership of the building (reduced maintenance / carrying costs);
 - ▶ Reduced rental rates.

A Case Study...

Mauer's Urban Market and Park Cedar Apartments

South Madison

- ▶ Lower incomes
- ▶ Trade area hemmed in by the lake and UW Arboretum
- ▶ Most diverse portion of the City
- ▶ Long history of being overlooked and underinvested



Truman Olson Army Reserve Site



Photo: Phil Brinkman, Cap Times, 2019

- ▶ 2011 - City purchased site from Dept of Defense
- ▶ 2016 - Pick N Save notified City it intended to close
- ▶ 2017 - City issued initial Request for Proposal
- ▶ 2018 - City rejected initial proposals as infeasible
- ▶ 2019 - City re-issued RFP
- ▶ 2019 - City selects Rule Enterprises as developer
- ▶ 2021 - City approves development agreement w/ Rule

Project involved LIHTC funding

Truman Olson Army Reserve Site *(continued)*



- ▶ 2021
 - ▶ Original grocer withdraws
 - ▶ City agrees to purchase grocery condo
 - ▶ Rule breaks ground on project
- ▶ 2022 - City recruits Maurer's Market to operate grocery store condo
- ▶ 2022 - 2023 - ongoing improvements and construction
- ▶ 2023 - City purchases grocery condo and signs lease w/ grocer

Truman Olson Army Reserve Site *(continued)*



- ▶ 2023 - 24 - Design changes / negotiations between grocer, City (condo owner), and developer
- ▶ 2023 - 24 - Lease negotiations
- ▶ Sept 2024 - Signed lease
- ▶ 2025 - Design / zoning review
- ▶ 2025 - Grocer securing financing for build out
- ▶ 2026 - Build out grocery space

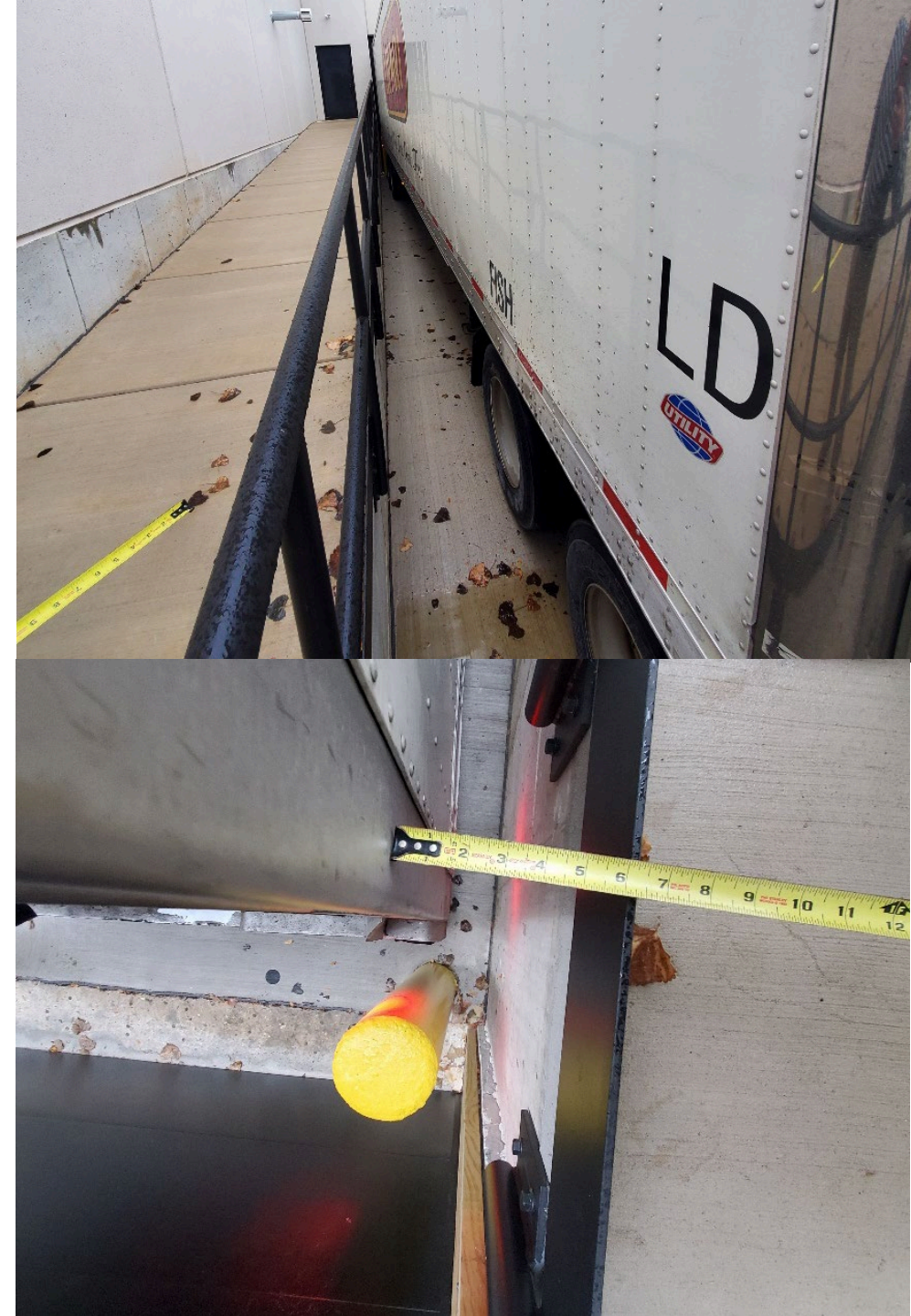
Park Cedar Apartments / Maurer's Urban Market



- ▶ 150 units of affordable housing
 - ▶ Funded sourced
 - ▶ 4% Low Income Housing Tax Credits
 - ▶ City of Madison Affordable Housing Fund
- ▶ 24,000 SF grocery store condo
- ▶ 221 total parking stalls
 - ▶ 60 dedicated parking stalls for the grocery

Design Challenges

- ▶ Loading dock
 - ▶ Loading dock requirements for a semi-tractor trailer
- ▶ Communication between design teams
 - ▶ Grocer architect / design team and developer's architect / design team
 - ▶ A building constructed with assumptions made about the grocery space...



Design Challenges (continued)

- ▶ Electric service
- ▶ Stormwater management
- ▶ Sustainability features



Design Challenges (continued)

- ▶ Mechanical / Equipment housing
 - ▶ Interaction with residential units
 - ▶ Noise, heat, vibration: all of these are present from grocery store equipment



Operational Considerations

- ▶ Mixed-Use building challenges
 - ▶ Managing conflict(s) between users
- ▶ Parking requirements for multiple users
 - ▶ Parking Count
 - ▶ Parking Usage (timing)
 - ▶ Willingness of various user types to pay for parking
- ▶ Health and safety considerations
 - ▶ Public health considerations
 - ▶ Trash management

Financing:

City Funding to Truman Olson Project:

\$1,100,000 - Land

\$300,000 - Affordable Housing Fund

\$1,400,000 - Total

+ - Street and stormwater assessments and staff time

City Funding to Grocery

\$4,600,000 - Condo Purchase

\$3,100,000 - Tenant Improvements

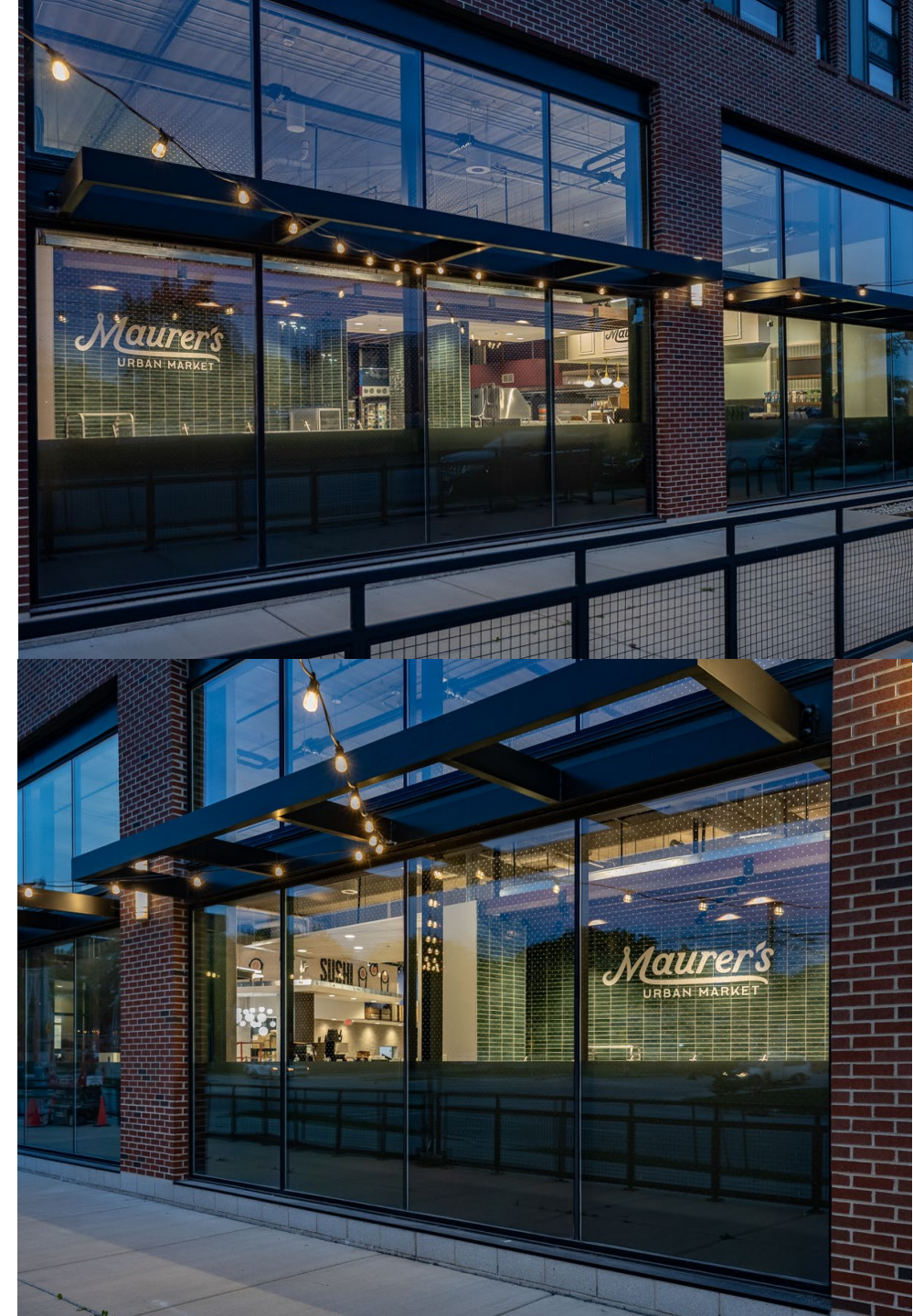
\$7,700,000 - Total

Overcoming Challenges & Lessons Learned:

- PERSERVERENCE
- Policy maker commitment
- Staff commitment
- Realistic expectations
- Financial Commitment
- Funding sources
 - USDA, Tax Increment Finance, Local funds

The Outcome?

- ▶ October 8, 2026 - Soft Opening
- ▶ October 10, 2026 - Grand opening



Questions?

Thank you!

Dan Rolfs

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