

*Special Edition*

# THE WHEATSVILLE BREEZE

A PUBLICATION OF WHEATSVILLE FOOD CO-OP • 3101 GUADALUPE • AUSTIN TEXAS 78705



Depiction of the Guadalupe store circa 1988, painted by Arleen Polite, a longtime co-op owner. Ms. Polite also painted the panels that faced Guadalupe up until the store was renovated in 2009.



# Message FROM THE GM

## LOOKING BACK, MOVING FORWARD

This Spring, Wheatsville celebrates 48 years serving our community. In almost five decades of operations, we've served a lot of good food to multiple generations of good people and borne witness to tremendous change in our fair city. We now approach half a century of keeping Austin weird while pursuing our ongoing mission to—as the co-op's founders put it—"promote a transformation of society toward cooperation, justice, and non-exploitation."

As the co-op's General Manager—and as both an owner and employee since 1999—it is my duty to keep our membership informed regarding issues impacting our shared business venture. Today, that responsibility obliges me to discuss the present and future challenges facing our Guadalupe store.

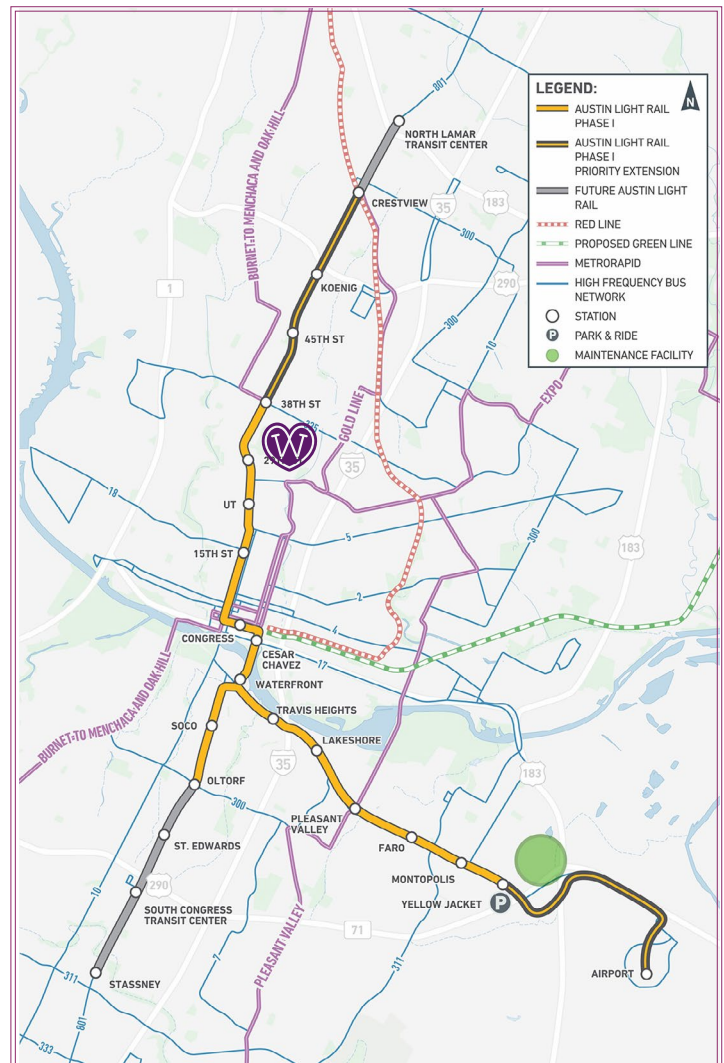
With this special edition Breeze, we are opening a conversation about the location we have called home for 43 of those 48 years. While our Guadalupe location is a storied part of Wheatsville's history and a long-standing landmark along Guadalupe, its future is somewhat less assured. As the co-op's General Manager—and as both an owner and employee since 1999—it is my duty to keep our membership informed regarding issues impacting our shared business venture. Today, that responsibility obliges me to discuss the present and future challenges facing our Guadalupe store.

## THE CHALLENGES

There are several serious challenges facing Guadalupe in the years ahead. The first issue is one that will completely alter the nature of transit along



the Guadalupe corridor. Project Connect's Orange Line will impact all businesses and residents in the North University area, and especially those with frontage along Guadalupe. This transformative project will undoubtedly provide significant, long-term public benefit to our city and its residents. However, it may also limit our ability to effectively operate a grocery store at our present location.





The Orange Line will impact co-op operations in three primary ways. The first is the disruption that will occur during construction, when we can anticipate sales declines due to difficulty entering the parking lot or navigating our segment of Guadalupe. While it is difficult to predict just how significant this impact may be, similar projects in other major cities have resulted in 40% sales declines during construction.

Even if we are able to weather this multi-year disruption in business, the more problematic impacts will begin once construction is complete. Based on the last available engineering drawings and conversations with Austin Transit Partnership, drivers and pedestrians will be unable to cross the center lane anywhere near the store. The nearest crossing points will be 29th and 34th Streets. The current crosswalk will be gone, and drivers will be unable to turn into the store from the southbound lane. We know from past market studies that a large majority of our sales come from the neighborhoods north of the store, so losing convenient access for southbound traffic will almost certainly result in a major sales decline.

One of the first things any grocer looks for in assessing a potential new site is how easily shoppers can get in and out of the parking lot. When past construction projects have limited parking lot access, sales dipped significantly until work was complete. The closest example we see on a regular basis is the Austin Marathon, which blocks the right northbound lane of Guadalupe. Each year, we see roughly a 50% drop in sales during the hours of the marathon. While it is possible the Orange Line impact would be less severe, any significant sales decline would threaten our ability to continue operating the store.

As significant as shopper parking lot access may be, the greatest threat to our Guadalupe operations comes in our ability to receive large trucks. Currently, most supply vehicles back into our delivery lane by pulling onto 31st street in front of Via 313 and reversing across Guadalupe. As currently conceived, the Orange Line infrastructure in the center lane of the road will make it completely impossible to cross. While some smaller delivery trucks can make the turn around the building, the 18-wheelers our primary suppliers use cannot.

Sales at the Guadalupe location have been in decline for more than a decade. Before opening our South Lamar store, 2013 annual sales at Guadalupe were \$18,611,109. Last year they were just \$9,132,304. This year's sales are trending even lower, meaning we have lost more than half of our peak revenue at the site.

Without the ability to control truck size, we will be unable to receive product and thus unable to operate a grocery store. We have been in communication with Austin Transit Partnership regarding this problem and have not been able to identify a satisfactory solution.

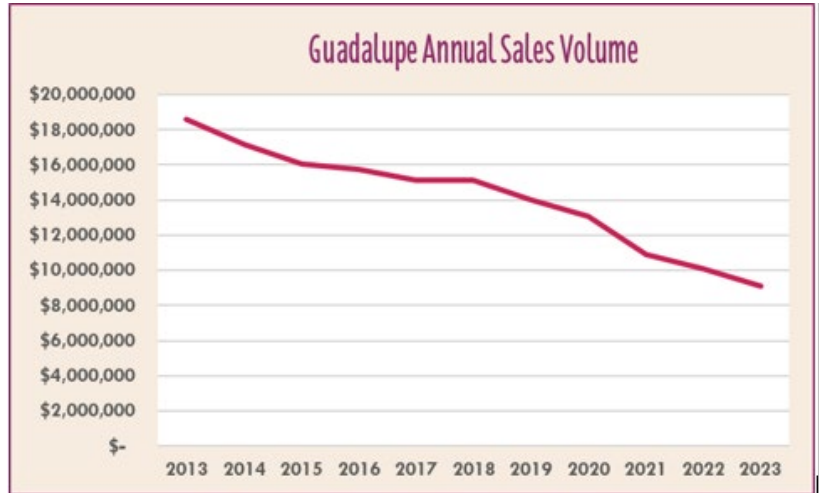
Even if solutions could be found for the issues presented by the Orange Line, we face a number of other challenges at the Guadalupe location. Despite a 2009 renovation, portions of the building date back to 1940. If you were in the store in March, you may have noticed that we quite literally had a dinosaur falling through the roof, requiring structural repair. Additional and substantial reinvestment in the building would be needed in the years ahead—investment that we cannot necessarily afford and that would likely have more return in some other location.



Sales at the Guadalupe location have been in decline for more than a decade. Before opening our South Lamar store, 2013 annual sales at Guadalupe were \$18,611,109. Last year they were just \$9,132,304. This year's sales are trending even lower, meaning we have lost more than half of our peak revenue at the site.

During that same time frame, our expenses have substantially increased. We are now at what I would consider bare minimum staffing in many areas and our occupancy costs continue to eat up a steadily increasing share

of revenue. It is not realistic to think we can grow sales at a pace necessary to make the Guadalupe location sustainable, nor that increased investment there is financially sound long-term.



1981 Grand Opening 10-25-81 – A rockin' good time was had by all at Wheatsville's grand opening party for the Guadalupe store in 1981.

While we must respect financial realities in these decisions, our guiding principle in this matter is **Cooperative Principle #7 - Concern for Community.**

Our lease at Guadalupe renews in 5 year terms, renewing next in the summer of 2026 for the period running from January 1, 2027 through December 31, 2031. Austin Transit Partnership recently announced that Orange Line construction was planned to begin in 2027 and conclude in 2033. Even if that

construction were to be substantially delayed, it will inevitably hinder our ability to run a grocery store in this location. As such, it is difficult to envision a scenario where it would be in the co-op's best interests to renew the Guadalupe lease at the end of the current term.

We have a little more than two years to make a final determination regarding our next lease option. During that time, we are committed to developing a solution that is both financially sound and best meets the needs of our current members and the Austin community at large. While we must respect financial realities in these decisions, our guiding principle in this matter is **Cooperative Principle #7 - Concern for Community.**

# Possible Solutions

If Guad will inevitably need to close, the question then becomes: **What's next for Wheatsville?** There are a few options before us.

**1** The first and most obvious option would be to pursue relocation to a site with a similar footprint and store format as the current Guadalupe store. This was the first option that your board and co-op management explored when we became aware of the potential impact of Project Connect. We explored a variety of sites in the North-Central Austin market as relocation possibilities. Financial pro formas were developed in partnership with our friends at National Co-op Grocers to assess feasibility on at least two of these sites before ultimately concluding that we were not currently in a position to make the projects work.

Opening a full-service grocery store is an incredibly expensive undertaking. The Sources & Uses budget on South Lamar, for example, was in excess of \$7.5 million, and that was in 2012 dollars. A similarly sized store in 2024—with today's interest rates and construction costs—would run even higher. While this is certainly something we hope to pursue again in the future, your co-op is simply not in a position to do so today.

**2** Another option—arguably the path of least resistance—is simply to become a single-store co-op and to focus all of our effort on strengthening our South Lamar operation. There are many single-store co-ops around the country with lower sales volume than South Lamar, and preliminary financial analysis indicates that this could be feasible as a fallback plan.

Unfortunately, this option would also require a significant workforce reduction, which is certainly not a pleasant prospect for staff and one that the co-op would actively seek to avoid. Just as importantly, it would abandon many of our loyal members and shoppers north of the river, a population that includes many longtime Wheatsville owners who have shopped with the co-op from its earliest days at the original 29th and Lamar location. This is also something we would obviously hope to avoid.

**3** There is, however, a third option. It requires a change in our business strategy and a collective paradigm shift regarding what a Wheatsville store can and should look like. The shift your board and management are proposing is a move toward significantly smaller stores—stores not that far removed from what Guadalupe looked like before the 2009 renovation. The Austin grocery market has seen a proliferation of successful small-format stores over the past several years, with many examples serving neighborhoods throughout Austin. These stores compete in a different segment of the market from the major grocery competitors such as HEB, Whole Foods, and Sprouts. After years of trying to punch above our weight class among these behemoths, a pivot toward small-format stores presents an opportunity to serve our community in a different way than we do today.

# Potential Benefits TO SMALL-FORMAT STORES

- ➔ **LOWER COSTS TO OPEN** – Small-format stores are substantially less expensive to open due to reduced construction costs and equipment needs. In addition, we already own much of the equipment and inventory needed to open 2 to 3 such stores! Assets currently in use at our Guadalupe store can be relocated in order to further reduce opening costs.
- ➔ **LOWER COSTS TO OPERATE** – Small-format stores can be operated with far fewer staff than one the size of our South Lamar location, allowing us to serve more potential customers with the same number of staff we have today.
- ➔ **MORE AVAILABLE SITES** – There are far more buildings in Austin that can potentially support small-format stores than those that would meet the requirements for larger formats. In our search for a location that could potentially serve a relocated Guadalupe store, we identified only a few viable sites in all of North-Central Austin. Meanwhile, we identified dozens of potential sites for smaller stores.
- ➔ **ABILITY TO SERVE MORE NEIGHBORHOODS** – The lower costs combined with increased availability of sites gives us the potential to serve many more Austinites by locating stores in areas convenient to them. Large stores need to be further apart to avoid cannibalizing each other's sales, whereas small format stores draw from a much tighter area and can therefore be closer together.
- ➔ **INCREASED RELATIVE BUYING POWER** – Whereas we struggle to compete on price with the likes of HEB, Target, and Costco, the same is not true when comparing the co-op to other small-format stores. The buying power of our South Lamar location gives us a significant volume advantage versus other small grocers. This means we can offer grocery store prices and products with convenience store accessibility.

Based on the options available to us, we believe that a pivot to small-format stores is in the best interests of both co-op owners and staff and will also strengthen the co-op as a business. We are actively pursuing this strategy and expect to have further news on this front in the near future. And to be clear, we are not seeking to open just one such store; we hope to identify at least two and potentially more sites to replace the sales volume of Guadalupe, and to locate them in areas that can serve as many Austinites as possible.

Dear Wheatsville Owners,

What is the next chapter of Wheatsville? The dynamics of Austin continue to change, and our fellow cooperators are increasingly spread throughout the city. Our beloved Guadalupe location is not positioned to serve our community as it has in years past. Changing how Wheatsville operates and the possibility of not renewing Guadalupe's lease after 2026 certainly brings up lots of emotions, and hearing the news might feel like a bit of a shock. We on the board have also been processing this reality with some feelings of grief and reflection while also keeping an eye toward the future. Even with all these feelings, we know it is also time for some strategic thinking: how can we best serve the areas our owners reside in today?

Wheatsville strives to be a place to build community. The board recognizes that a pivot towards a neighborhood-centric format offers a real opportunity to bring all that we love about Wheatsville to more parts of the city. Each store can be a hub where you can meet your neighbors, get to

know your Wheatsville staff, and perhaps have special music or events from your locale to enjoy in the evening or weekend.

After careful review of the challenges Guadalupe faces and the opportunity to serve much more of the community with the General Manager's proposal, the board supports the General Manager in developing a more neighborhood-oriented cooperative format.

Every challenge creates a new opportunity. As we explore the possibilities of this pivot, we will be looking to owners to get involved and help shape the future of Wheatsville.

Please feel free to reach out to the board if you would like to get involved, have questions or just want to share some fabulous ideas. As we continue this process we will be looking to create space for valued owner involvement.

In Cooperation,  
Your Dedicated Wheatsville Board of Directors

## WANT TO LEARN MORE?

Your board and co-op management are committed to creating opportunities to continue this conversation. Interested owners are invited to join us at our upcoming Community Connect, to be held at our South Lamar community room on June 8th from 11am-1pm. We'll do our best to answer any questions you may have, review financial information, and outline the possible paths ahead.



# WHEATSVILLE COMMUNITY CONNECT

SATURDAY JUNE 8TH  
11AM-1PM

SOUTH LAMAR COMMUNITY ROOM

## Ways You Can Help!

*If you are interested in helping the co-op address these current challenges and come out stronger on the other side, here are some concrete actions you can take:*

Shop the co-op as much as you can—at either store—and convince a friend to do the same! We need strong community support to make any future growth plan possible, and shopping our stores in the simplest and best action you can take to ensure the financial health of your co-op.

Let us know if there are products or services we can add that would help to improve your experience with the co-op. Our entire purpose is to meet the needs of our local community, so we'd love to know if there are simple ways we can do better.

If you know of a possible location that might be a good fit for a small-format grocer, please send those to [guadalupe@wheatville.com](mailto:guadalupe@wheatville.com). We are committed to reviewing all available options before presenting a final plan.

Think about whether you might be in a position to invest in the next chapter of Wheatville's future! When we have a specific proposal ready for what comes next, we will need community investment to make it a reality.

I recognize that this is likely a challenging message for co-op owners to hear. Please know that it is also a tough message to share. While I tend to view the co-op through a business lens as the GM, the Guadalupe store holds a special place in both my heart and my personal history. I started working there in 1999, when I was just 22 years old. I met my wife through a former employee—now my sister-in-law—and some of my closest friendships were forged there. In fact, much of my adult life has been defined and influenced by my relationship with that store, its staff, and its customers. If you find the idea of potentially closing the chapter on our Guadalupe store heartbreaking, I can certainly sympathize.

If you have thoughts, questions, or even just a fond Guadalupe memory you'd like to share, we would love to hear from you. You are always welcome to drop us a message at [guadalupe@wheatville.com](mailto:guadalupe@wheatville.com) with any feedback you have on this subject. As always, thank you for your ongoing support and patronage of the co-op. We cannot do it without you!



BILL BICKFORD IN THE OLD CASH OFFICE 2003

*Bill Bickford*  
General Manager



# FAQ

## *What is the timeline for closing Guadalupe?*

Unless there is a change in circumstances, the plan is to close the store when our current lease expires on December 31, 2026.

## *Will there be downtime between the store closure and other locations opening?*

Ideally, no. Our goal would be to time the opening of new locations as near as possible to the closure of Guadalupe.

## *Will the new locations still honor all owner incentives?*

We plan to offer all owner benefits at smaller format stores that are currently available at Guadalupe and South Lamar. Should we determine that one or more current owner benefits do not work well in that format, we would explore new incentives to replace them rather than simply dropping the current ones.

## *What will you do with the staff at Guadalupe? Will you just be letting them go?*

No. The intent behind timing the opening of new locations with the closure of Guadalupe is to avoid any need for staff layoffs or furloughs. Any further need to reduce staff can be addressed through normal retail attrition and/or transferring staff to South Lamar.

## *Will I still be able to get all the products I need at a small format store?*

The nature of a smaller format store necessitates that there will be fewer products overall. However, it's also true that approximately 75% of current store sales come from just 25% of products on the shelf. As such, we anticipate being able to meet the majority of customers' day-to-day needs even in smaller locations. Additionally, we can explore options for offering special orders brought over from our South Lamar location.

## *Will smaller stores still offer fresh foods, such as produce, meat, and bakehouse products?*

Yes! This is one of the areas we anticipate being able to outperform other smaller format stores. Where necessary, we can leverage our current Bakehouse van to internally distribute products for which smaller stores would struggle to meet order minimums on their own.

## *Will smaller stores still offer prepared foods?*

Yes, though food service will look different from the current stores. In particular, we will not offer a hot bar, since smaller stores will not have full kitchens. However, we should be able to offer counter service as well as an expanded assortment of grab-n-go options produced out of our South Lamar kitchen.

## *Smaller formats tend to mean smaller parking lots. Will this be a problem?*

Parking will likely be more limited at smaller format stores, but they should also be very fast to shop. A point of positive feedback we often hear about Guadalupe is how quickly and easily customers can get in and out of the store. We would seek to replicate this strength in small format stores. Beyond that, we hope to target locations that are accessible on foot or by bike, bus, or (eventually) train in addition to automobiles.

## *What about Party on the Patio and other events at Guad?*

Party on the Patio is a relatively new event that may or may not be replicable at other locations. We will always seek to create ways to engage our community within the ability of each location to accommodate such, though what those events look like may differ from one store to another.

## *Where are you planning to put new stores?*

Our first priority is to locate at least two stores in North-Central Austin to ensure we can continue serving current Guadalupe shoppers. After that, we will prioritize locations that can best serve the Austin community at large. Desirable site characteristics for future stores include density, visibility, multi-modal transportation, and convenient customer access.

## *Why aren't you protesting or suing Project Connect like Other Businesses Have?*

Two primary reasons: 1) Project Connect is not the only challenge we face at Guadalupe; sales trends also contribute to a need to change our growth strategy, and 2) Wheatsville ultimately supports a vision of Austin that includes sustainable public transit, and voters in the census tracts closest to the store voted overwhelmingly in favor of Project Connect.

## *What about South Lamar? Is there any risk of it closing or downsizing?*

South Lamar will continue to operate in its current format and footprint. Our sales volume at South Lamar is one of the strengths we will leverage to make the shift to small format stores possible, so continuing to invest in that location is critical to our long-term success.

## *Is there anything I can do as a customer/owner to prevent the closure of Guadalupe?*

You are always welcome to share your feedback with the Board of Directors ([boardemail@wheatsville.com](mailto:boardemail@wheatsville.com)) or the General Manager ([bbickford@wheatsville.com](mailto:bbickford@wheatsville.com)). That said, between the planned changes to the corridor and our current sales trajectory at the location, we do not currently see a viable long-term future for our Guadalupe store.