

SO CLOSE, YET SO FAR

WITHOUT REGRETS, DEALER RECAPS DECISION TO REBUILD IN NEARLY THE SAME SPOT

By Julie Ritzer Ross

In November of 2003, retailer Greg Peterson received a startling letter from the Minnesota Department of Transportation (MnDOT). It outlined the state's plans to invoke eminent domain by purchasing one-third of an acre of land on the site where he and his wife, Carol, owned and operated Minneapolis-based Peters Billiards. The state planned to demolish buildings on the site to pave way for a major highway project designed to increase vehicle capacity and minimize congestion on one of the Twin Cities' busiest, most dangerous interchanges. When completed, the multi-year project would expand the highway from six to 12 lanes.

Other dealers may have panicked, thrown in the towel or hastily signed a lease elsewhere, but not Peterson. Instead, he made the unlikely decision to scrap his 12,000-square-foot store and build a 37,000-square-foot replacement — on a site just 27 feet west of the original location.

"It sounds a little wild, but the MnDOT needed only 15 feet of land on the south side of the building for the highway renovation," Peters explains, adding that purchasing an adjoining parcel of vacant land to the west of the store made the move possible.

Completed in 2006, the three-story building measures 66 feet wide by 260 feet long and retains the original store's address. More importantly, it preserves the store's highway frontage, making it highly visible to thousands of passersby.

While Peterson knew that state monies from the land sale would not cover the cost of the entire project, he never considered any other option. The idea of closing up shop was especially unappealing. Peterson had successfully operated the store for 30 years, since purchasing it from its original owner, Ken Peters, in 1972 and moving it to its current location off Highway 35 not long afterward.

"I didn't want to see the end of a 50-year-old institution that had been in this location seemingly forever," he notes. "I also had to think about our team of 45 employees, about half of whom are family and the other half, like family, because that's just the way we treat people. No one wanted it to end, least of all me."

The prospect of moving the store elsewhere was no more palatable than that of abandoning the business. "This is a dream retail location — impossible to miss," Peterson asserts. "The visibility from the road saves countless advertising dollars; in fact, when we ask new customers how they heard of us, 60 per cent say they were just driving by and noticed the store along the highway."

Plus, remaining on the site enabled Peterson to attain his goal of transforming the store, which had occupied a renovated gas station, into a destination superstore whose prominent location would draw customers from the metropolitan area and neighboring states.



After several years of detouring customers, Greg Peterson celebrated the long-awaited opening of a highway exit by his store with a four-day sales event.

DEALING WITH BUREAUCRACY

Greg Peterson's tips for working with government entities:

TAKE A CALM APPROACH. No matter what the situation, municipal and state governments are far more willing to work with retailers when they don't go into "attack mode."

ASK, DON'T TELL. Peterson avoided making demands when approaching city and state authorities about his eminent domain issue. Rather, he explained why he wanted to keep his store at its present location and asked how the various entities could help him do so.

GET GOOD REPRESENTATION. Peterson hired an attorney whose sensibilities were similar to his own. "I think the authorities were very taken with his non-adversarial approach," Peterson notes.

"Doing this on a prime site in the suburbs would have been impossible, largely because of the requirements that would have been imposed on us," the dealer says. "For example, for a 37,000-square-foot store, we would have been forced to build a 120-car parking lot — far bigger than we'd really need. The ratio of store square footage to parking for suburban stores is skewed that way."

The move has indeed allowed Peters to realize his vision. In addition to billiard tables, accessories, furniture and other game-room items, Peters Billiards now carries a cadre of home entertainment products, including the increasingly popular sub-category of theater seating. Patio furniture, table games and electronic games have been added to the merchandise mix, as well. The barstool display highlights 300 styles, up from 30 in the original location.

"The addition of custom-built home bars and new offerings of bar and patio furniture have broadened our scope and made it worthwhile for people to come to the store, despite the headaches

of road construction,” Peterson asserts.

Other expanded offerings include gameroom lighting, wall art, sculptures, clocks and neon signs. New features of the store encompass a spiral staircase and another wide, sweeping stairway, plus a glass elevator. A game arcade allows families to try out products before buying.

“There’s no denying that the recession has put a damper on sales, but because of the breadth of our merchandise and our location, sales are down 5 to 10 percent, less than last year,” Peterson says. “And we’re much better off than many competitors, who have been forced out of business.”

To allow business to continue while the new store was being built, Peterson decided to construct and open the new building in two phases. Phase 1 was completed on January 1, 2006, with the tear-down of the old store immediately following this initial step. Phase 2 wrapped up six months later.

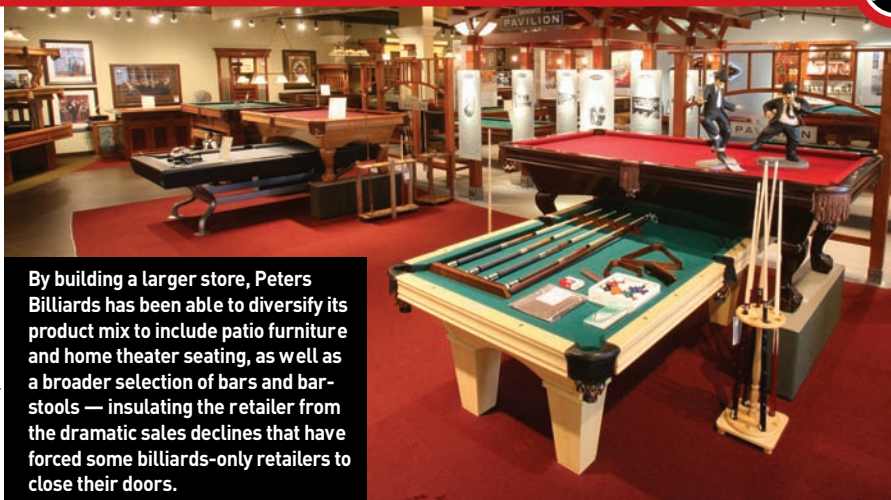
“Operating in the midst of construction wasn’t easy physically,” Peterson admits. “It looked like a war zone around here, with cranes, workers, steel and sheetrock everywhere. However, sales weren’t that bad because of a concerted effort to let people know we were open for business.” Print and radio advertising, along with billboards, were used to drive the message home. Peterson also opened the store on Sundays, when lighter freeway traffic made it easier for shoppers to reach the store.

LOTS OF RED TAPE

One of the most challenging aspects of the project was wading through red tape. For instance, the second parcel of land was zoned for residential rather than commercial use. To change the zoning, Peterson had to get the approval of about 30 to 40 homeowners behind the property.

Peterson marshaled support for the project from city aldermen, the Minneapolis City Council and Minneapolis Mayor R.T. Rybeck, emphasizing that losing the store to a suburban location would be detrimental to the city’s tax revenues and overall finances. The city also decided to create a separate access road to the neighborhood behind the store, which assuaged residents’ concern about the proximity of a commercial establishment to their homes. Coupled with the store’s good relationship with area residents, this was enough to win the neighbors’ support.

Additionally, Peterson needed to obtain several variances from the City of Minneapolis, including one that would allow him to construct a parking lot with space for only 50 vehicles. Another variance was required to hang signage depicting the Peters Billiards logo — a billiard ball-filled triangle with cues protruding from its top and an overlay bearing the store’s name — from the second story of the building. Beyond this, the dealer worked with the MnDOT to ensure that the portion of the second story bearing the logo would be entirely visible from the freeway. The department agreed to position the sound and visibility barriers it had planned



By building a larger store, Peters Billiards has been able to diversify its product mix to include patio furniture and home theater seating, as well as a broader selection of bars and barstools — insulating the retailer from the dramatic sales declines that have forced some billiards-only retailers to close their doors.

to erect along the freeway so that drivers’ view of the logo would remain unobstructed.

Peterson’s dealings with city and state officials were not entirely hassle-free. “As in any situation like this, there was some back-and-forth negotiation,” he admits. However, he attributes the positive outcome to non-adversarial stance he adopted from the moment he received the original letter.

“I knew it wouldn’t help to argue with the state about eminent domain, and that settling it in gentlemanly fashion was a better course of action,” Peterson asserts. “I found that the best way at each step was to demonstrate an understanding of the other side’s concerns and asking how they could help us instead of us making demands. And of course, it didn’t hurt to have an attorney with the same sensibilities.”

Although the freeway expansion will not wrap up until this fall, five of its 12 lanes opened this past October. So, too, did the highway exits, eliminating the detours shoppers were forced to take during the construction. Now traffic is literally funneled to the store via the new exit ramps.

To capitalize on and draw attention to these developments, Peters Billiards ran a four-day storewide sale to celebrate the occasion. Touted as the first sale to be held at Peters Billiards in two years, the event was publicized through newspaper ads and radio spots aired on three stations. Peterson also alerted the local media, some of which mentioned the sale in their coverage of the open lanes and exits.

Peterson declines to say how much revenue the event generated. However, he says it was as successful as any of the sales events held during the four years before construction of the new store.

Now that the worse of the lengthy highway construction is over, Peterson says he has no regrets about his decision to rebuild on virtually the same site.

“Of course, I’d prefer it if we weren’t in the middle of a recession, but when it’s over, we’ll be ideally positioned for the future,” he says. “Our ranks of many loyal first-, second- and third-generation customers have helped us survive and will allow us to really thrive when the economy turns around and the work on the freeway is completely done. We’re geared up for the next 30 years—and what we needed to do to get here was worth the trip.” ▽