

Transcript: The "Whole Foods Effect": A grocery's role in transforming cities

By Adeline Goss

Track:

Shopping here is kinda psychedelic -- heaps of chocolate, Technicolor produce, and free samples of gourmet cheese. You walk outside and only then realize that each of those organic apples you just bought were a dollar fifty apiece.

Ten years ago Wayne Dickson wandered through a Whole Foods in a suburb of Washington DC, and fell in love. He wanted a store right around the corner from his own home downtown. Problem was, as he puts it,

Dickson: It was a scary neighborhood, really scary.

Dickson's neighborhood was hard hit by the 1968 race riots and took decades to recover.

Dickson: In the evening hours, it was just a flood of prostitution...There were shootings and knife-killings. It was not a pretty picture.

That was eight years ago, when Whole Foods mostly stuck to wealthier neighborhoods. So Dickson and his neighbors started a campaign, writing letters and even doing demographic studies. They made the case that they were the Whole Foods customer. About a year later, Whole Foods bit.

The new store went up in December 2000, just a block from Dickson's house. It's known as the P Street store, and it now draws 30,000 customers a week. Dickson says it's had a major effect on his neighborhood.

Dickson: We paid 230 for this house. If we were going to sell this house today, I wouldn't take a dime under \$1.5 million.

This is not just some hallucination. Greg Badishkanian is an analyst with Citigroup who tracks Whole Foods. He says there is a kind of "Whole Foods Effect."

Badishkanian: When Whole Foods opens up store in particular market, all of the real estate in the area gets a nice uplift. It could be a few percent to 10, 15, 20 percent in terms of the real estate value.

The P Street store is a textbook example. Scott Pannick, a developer, started eyeing this neighborhood in 1998. He was excited by the neighborhood because it was zoned for big buildings. But Whole Foods going in was the kicker.

Pannick: We knew that that was going to be a real engine to development.

Like the good housekeeping seal of approval, Whole Foods signaled that investing here was safe.

Pannick: There always has been businesses that really act as catalysts for development. There was a period of time in the 80s when everyone wanted to build a movie theater, and the movie theater drew people, and then people spent money, and then they built retail around it and so on and so forth. And the supermarket became in a sense the movie theater of the new decade.

"Exciting" seems to be the watchword for what a Whole Foods can do for a neighborhood.

Pannick: This is clearly the more exciting part of town to live in. Some people would view it as a bit more... um...perhaps dangerous. But people who want the energy of new development find this is where the energy is, where the excitement is.

But all this excitement amounts to a disappearing way of life for many long-term residents. In Wayne Dickson's neighborhood, exciting means more rich people, and more white people.

Dickson: We're losing a great number of our poorer neighbors and our African American neighbors. Today there are only two remaining African American families on this block. There have been people who have cashed out, who have done very, very well -- but! They won't ever get back in. Huh huh huh huh huh.

Whole Foods stores are going up all over the country - and most people see them as a force for good. City leaders are requesting that the stores move into their own challenged neighborhoods. Chris Pine is a whole foods vice president charged with finding locations for these new stores.

Pine: We get calls from many mayors throughout the US. They all understand the power of a Whole Foods market in a certain part of town.

These days, the chain is taking those appeals seriously. Whole Foods sales have plateaued and the chain is trying to make up for it by building new stores. Eighty-eight are in the pipeline. So Pine is scrambling for new locations that fit Whole Foods' basic formula: 200,000 people within a 20-minute drive, a lot of them

college-educated, and - often most problematic - a building the size of the White House.

That means Pine is looking at places Whole Foods would never have considered ten years ago, like this one in Southeast DC.

Pine: That is an extremely dynamic area.

It's on the wrong side of the highway, full of cab yards, burned out housing projects, strip clubs, and demolished homes. Developers are trying to start an entire community from scratch, with Whole Foods at its heart.

For Intern Edition, I'm Adeline Goss.