



August 24, 2015

Mr. Dax Blake
Administrator, Division of Sewerage and Drainage
Department of Public Utilities
City of Columbus
910 Dublin Road
Columbus, OH, 43215

Dear Mr. Blake:

As you have requested, the following information is being provided for the City of Columbus in its consideration of a variance to allow tree removal and mitigation in the Northeast corner of I-71 and Gemini Place.

The Need for Visibility

As recently discussed, IKEA is a regional draw with ~60% of our Columbus-area customers expected from within an hour's drive of our site and ~40% from more than an hour away. For this reason, store visibility is very important for both local and out-of-town customers to be able to quickly and safely locate our store.

In addition to helping direct customers to access the store, the reinforcement of where IKEA is located – and of the IKEA brand – that occurs each time a potential customer sees our store is very important to a store's success. Being top of mind ensures customers think of IKEA when they are ready to make a home furnishing purchase and this awareness contributes in a big way to a store's success.

Visibility as a Criteria for Securing Internal Approval

IKEA has a two-step financial approval process for new stores. Our proposed Columbus store received its first financial approval before we made our announcement and filed plans in January of this year. A follow-up, final internal approval is sought after obtaining external approvals and an accurate construction budget for the proposed store. Based on our meeting with City Staff on August 27 of last year and the mitigation tree clearing requirements provided on December 23, we represented internally that the store could have clear visibility from both the top of the I-71 off-ramp and from Southbound I-71.

Without the indication from the City there was a clear path through mitigation to obtaining visibility for our store, it is likely we may not have obtained our initial financial approval – let alone even submitted the prospective site for approval. Likewise, if – as the second step in our approvals – we submit this site without



clear store visibility from the two vantage points indicated earlier, it is possible we may not receive final internal approvals to move forward on the project.

Hardship from Lack of Visibility

An Impact on IKEA

We conducted an analysis of our 40 existing U.S. IKEA stores and the three future ones which are underway. Among the 43 stores, 35 have good interstate visibility, six have fair interstate visibility and three have no interstate visibility. Most importantly, the three locations with no visibility all significantly underperformed their sales projections in their early years and the investment criteria upon which their approvals were based.

While it may be hard to know to what degree our Columbus store's results would be negatively impacted without the visibility we have found to be so important, it is certain the difference is very significant. As a result of the aforementioned underperformance of the stores that opened with no interstate visibility, our site location criteria has changed to become even more stringent; we now must have either interstate and access road store visibility or our 100+ foot navigation sign such as you may have seen in West Chester, OH and in most cases we have both.

In essence, then, not having adequate store visibility presents a hardship to the company due to lower sales and results in the company employing fewer co-workers than if the store is operating at maximum productivity.

An Impact on Surrounding Community

Our proposed store will provide more than 300 full and part-time jobs as well as more than 500 construction jobs. The sales tax revenue and increased real estate taxes from a retailer the caliber of IKEA would contribute handsomely to state and local governments and to area schools. To that end, there would be economic hardship on the community and governmental entities should the IKEA store not be developed or even if developed but with sales lower than initially projected.

Moreover, the proposed IKEA Columbus store also is the catalyst for the construction of the Gemini Place extension to Worthington Road as well as the development of additional utility infrastructure work east of I-71 – not to mention the expected growth along this corridor following the arrival of IKEA. (I believe Franz Geiger of NP Limited will be providing greater information about hardship of our not opening the proposed store.)

A Commitment to Sustainability



IKEA has a strong commitment to sustainability and protecting the environment, and we continue to make significant investments in both. As of the end of 2015, IKEA renewable energy investments in the U.S. will produce four times more energy than IKEA uses in its U.S. operations. The IKEA Group has also committed to invest \$1.9 billion in renewable energy through the end of this year. To date, IKEA has a solar presence at 90% of its U.S. locations and plans to evaluate this Columbus location for onsite energy generation as well.

In addition, we have a long-standing partnership with American Forests and to date we have funded the planting of 2.45 million trees in the U.S. More recently, we contributed another \$75,000 to replace trees in areas in the U.S. that have been recently damaged by fires. While IKEA would like to have to not cut a tree to develop a store or to supply the raw materials for our home furnishing products, the company has demonstrated a firm commitment to be a good steward of the environment by incorporating sustainability into its day-to-day business operations.

Background on Visibility Challenges

When we first looked at the property proposed for our Columbus store, one of the key features of the property that attracted us was the potential for good interstate visibility. However, after initial discussions with NP Limited, we learned the City felt very strongly about preserving the stream running through the parcel west of the IKEA site at the northeast corner of the I-71 interchange.

Instead of trying to relocate the stream or pipe it to allow us to move our store closer to the interstate (and future road) in order to increase visibility, we respected the City's desire to protect the stream. As a consequence, we settled on a site plan that pushed our store 600 feet back from the property line on the I-71 side of the site. Other challenges unique to this site include the elevation of the Gemini Place overpass and the way it will block the visibility of our store, as well as the site position which is well below road grade further negatively impacting store visibility. Another barrier is the fact that currently all major retail in the Polaris area is West of I-71. It is important that Polaris-area shoppers are able to see our store to remind/re-train them that there is also major retail East of I-71.

Attached to this letter are simulated views of what the IKEA store is proposed to look like from the Northbound I-71 off-ramp should all existing trees in the Stream Corridor Protection Zone ("SCPZ") remain as well as what that view and the Southbound I-71 view is proposed to look like if the variance we have requested is granted.

Variance Discussions

From our first meeting with the city last August, it was understood the City did not



have a policy for tree mitigation when granting a variance of a variance. However, it was communicated to IKEA that the City simply would take the variance mitigation requirements and double them. Accordingly, IKEA has agreed to that formula for tree mitigation —and without equivocation.

After initially discussing with City Staff our desire to remove all the trees in the SCPZ in order to open up site visibility, we revised our plan to preserve the 591 trees in the middle of the SCPZ because we felt we could do so with minimal impact to the lines of site for our store. To be clear, we have no desire to remove trees unless they materially obstruct our store's visibility. Moreover, during this process, we reviewed alternative tree preservation plans to minimize impact on the trees in the SCPZ in addition to what we most recently proposed, but those plans did not enhance the visibility sufficiently.

The Proposed Mitigation Plan

Stream Protection

IKEA remains committed to helping preserve the integrity of the stream in the SCPZ. In that regard, we have indicated a willingness to have a stream protection landscaping plan designed by a landscape architect such as EMH&T to include shrub and grass plantings for the length of the stream throughout the SCPZ. Combined with the trees we have proposed to leave as well as plant, the stream should be even healthier than it exists today. Also, we will be constructing a storm water pond with a slower runoff rate into the stream than what currently occurs.

Tree Removal & Plantings

Tree removal will be done by hand, not heavy equipment. Further, roots from existing trees will not be removed and new trees will be planted around low cut stumps in order to keep the ground intact. Additionally, a forest of native trees will be planted in the SCPZ to provide a canopy for the stream and surrounding area. Although shorter than what currently exists, the new trees will have – at maturity – canopies that provide good stream protection. For this new grove, we have identified native, specimen species such as Serviceberry and White Fringe trees for wet areas, Washington Hawthorn and White Flowering Dogwood on higher ground, and Redbud for mixed areas.

Our proposal includes preserving, removing and planting trees on both the proposed IKEA site and in the SCPZ as follows:

- 588 trees to be removed from the SCPZ;
- 591 trees to be preserved in the SCPZ;
- 142 trees to be preserved outside the SCPZ;
- 250 trees to be planted outside the SCPZ along the back of the IKEA site;



- A commitment to plant – or fund the planting of – 1087 trees in the SCPZ or for the city to plant elsewhere at a time and place to be determined as needed by the city. (IKEA would pay \$300 per each tree not planted onsite.)

Summary

IKEA continues to be a strong steward of the environment and we believe the mitigations we have proposed are very responsible. Besides preserving 733 trees, we would be planting 1,337 new ones; that number is 161 more than twice the amount we are removing. We believe this strong offer – combined with the hardships that will be incurred if we are not granted a variance as requested in our most recent tree preservation and mitigation plan – provide ample justification for the City to grant the variance.

For all these reasons, we respectfully ask the City of Columbus to grant the requested variance and to prepare the required conservation easement required to effectuate the respective obligations of the parties.

Thank you again for your time and consideration.

Sincerely,

A handwritten signature in black ink that reads "Bob Grimsley". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Bob Grimsley
Real Estate Manager

Thomas Flynn
Senior Vice President

CBRE, Inc.
Retail Services
Licensed Real Estate Broker



3421 Ridgewood Road
Suite 150
Akron, OH 44333

+1 330 670 4409 Tel
+1 330 670 4401 Fax

thomas.flynn@cbre.com
www.cbre.com/thomas.flynn

August 25, 2015

Mr. Dax Blake, Administrator
Division of Sewerage and Drainage
City of Columbus Department of Public Utilities
910 Dublin Road
Columbus, OH, 43215

RE: Retail Criteria and the Proposed Site for Columbus, OH

Dear Mr. Blake:

I represent IKEA in the company's scouting and evaluation of sites in the Columbus metropolitan area. While I believe in the merits of the Polaris site in Columbus, OH as a very viable location for IKEA in Central Ohio, I am writing you to provide my observations and opinion on what retailers look for when evaluating opportunities for potential stores, as well as insight on how strict IKEA is with regard to their criteria of access and visibility.

Our Retail Background

For context, CBRE Group, Inc. is the world's largest commercial real estate services and investment firm, serving real estate owners, investors and occupiers through approximately 370 offices (excluding affiliates) worldwide. CBRE offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting. We specialize in helping businesses realize the full potential of their real estate assets by our:

- identifying key markets, trade area trends, customer and demographic profiles;
- formulating store placement strategy and tenant mix synergy;
- conducting competitive analysis and deal validation; and
- handling land acquisition and disposition.

CBRE Retail Services also consults with developers, institutions and private investors, both large and small. We offer leasing, acquisition, disposition, property management and strategic consulting. Among the retail niches we cover are: anchor retailers, entertainment, food and drug, lifestyle, malls, mixed-use properties, neighborhood centers, restaurants, retail corporate services and urban retail. We also recognize that every type of property occupied by our clients must be closely aligned with their business needs. Our skills and experience in retail property are emulated in the office, industrial, warehouse and distribution sectors as well. For retailers this means access to an unrivalled knowledge base of all classes of real estate and a truly international full-service capability.

I, as a Senior Vice President of Retail Services for CBRE in Northeast Ohio, have twenty years of experience in retail commercial real estate, beginning with the founding of Redstone Real Estate Advisors which quickly became one of the leading big-box retail site selection and land experts in Ohio, Michigan, Indiana and Kentucky. (CBRE acquired Redstone in March of 2008.) With primary emphasis on tenant representation for trade area analysis, site selection, contract negotiations and managing the entitlement process, my client list is extensive, including large-scale retailers like Walmart, Sam's Club, Menards and IKEA.

Similarly, David Browning, Managing Director of the Northeast Ohio offices, has been actively involved in the commercial real estate industry for over 35 years with involvement in all aspects of brokerage, property management, investments, development and receivership work. Mr. Browning has helped create one of the largest and most diverse commercial real estate organizations in Northeast Ohio.

It is with this experience in mind that we offer the following assessment of the retail decision-making.

General Retail Criteria

IKEA aside, what follows is a discussion of site attributes large-scale retailers seek when evaluating opportunities for potential new stores, based on my experience and that of my colleagues.

It is true that good retail sites come in all shapes and sizes and retail site selection is a delicate balance of art and science, however, there are some industry standards that do apply regardless of the retailer.

First and foremost is demographics and density. Of all of the qualifying factors that matter most to retailers, it is the number of people surrounding (or have access to) the site and are those people the retailers' customers. The site must be a prime location to attract as many visitors as possible.

Second is access and infrastructure. Customers must be able to get into and out of the site with relative ease or they will not frequent the location. The home-to-home journey for the customer must be a convenient and positive experience. Road infrastructure needs to be large enough to handle the flow of visitors and the surrounding road network must be configured so as to support natural decisions in travelling from the highway to the store.

Third is visibility. This is in a general sense and not necessarily qualified as "freeway" visibility, however the best sites do typically have both freeway and main arterial visibility. The site needs to be highly visible to the commuter traffic and the site needs to have presence. This creates "top of mind" awareness and acts as a daily reminder or billboard that the store is located there.

Every retailer is different and every retailer has different qualifiers as to what they believe makes a great retail site. The items I have listed above consistently rank as the baseline that all have tended to consider important. I have been in this business for twenty years and have been fortunate enough to work with some of the very best retailers in the world on multiple projects throughout the Midwest. So, I have a high confidence level in our ability to determine what works and what doesn't in regard to retail site

selection and believe I succinctly and accurately described how the major retailers evaluate potential sites.

The IKEA Decision-Making Process for Columbus, Ohio

Based on the general retail criteria discussed above, one can easily apply the IKEA approach to site-selection for this Polaris site in Columbus. Currently, with only 40 stores in the U.S. (and more than 370 in 47 countries around the world), the company is known for being fairly consistent and straightforward in locations where stores have opened.

- 1) Demographics & Density. As a retailer with typically only one store in most major metropolitan areas, IKEA tends to focus on locations where the highest sales can be generated. On this point, the Polaris site scores high. Additionally, with IKEA stores in Pittsburgh and the Cincinnati area, a Columbus location must complement that presence without undermining other stores' success. (For example, with a Cincinnati-area store in the northern part of that metropolitan area, the Columbus store would need to be sufficiently distanced from that location.)
- 2) Access & Infrastructure. Definitely a successful retailer such as IKEA, attracting customers from throughout the region – and beyond – relies heavily on sufficient capacity for shoppers to visit its stores. The site must be located on a main highway or travel route to attract as many visitors from the trade area as possible to the store. For IKEA, it is important to remove cars from the public roads as quickly and efficiently as possible.
- 3) Visibility. For the retail destination of IKEA, the site must be visible enough from the highway so that visitors travelling from out of the area can see where the store is located and make timely and safe decisions about where to exit when driving to IKEA. In addition, location awareness and visibility is a key component in strengthening the brand throughout the U.S. because home furnishings decisions (and purchases) are not made daily. The Polaris site is limited in this regard both along I-71 as well as from the off-ramps. The plan for creating a future IKEA Way helps address this situation, but the company always had made clear that a tree mitigation plan would be essential to secure some enhanced visibility on a heavily wooded site with a protected stream conservation area. Additionally, IKEA had committed to certain signage concessions as part of other discussions with the city and developer.

To emphasize this point on visibility, I would like to call your attention to the occupancy issues, since its construction in 1988, with Dublin Village Center along Sawmill Road in Dublin, Ohio. The center, even though it is located in one of the best retail trade areas in the Columbus metro and arguably is one of the best pieces of property in the Sawmill Road trade area specifically, has always struggled to maintain a high occupancy level due primarily to lack of visibility to Sawmill Road and now as I am sure you are aware is subject to a complete redevelopment (If you are unfamiliar you can search *Columbus Business First* or the *Columbus Dispatch* for articles dating to 2005 detailing the issues). From a development perspective, one would not want this situation to repeat itself at Polaris. Simply because the site may be great, the trade area may be great does not mean one should accept less visibility if the retail area is expected to flourish.

August 25, 2015
Proposed Tree Mitigation in Columbus, OH
Mr. Dax Blake, Department of Utilities
Page 4

Of course, as you are aware, IKEA definitely is unique in the size of their target acreage, building size and limited number of stores in a limited number of markets across the country. I obviously am involved in the potential transaction for IKEA at this Polaris location in Columbus, and have been privy to all of their market tours in recent years – including those with senior managers from their corporate office and from Sweden. The facts presented to you by the IKEA team accurately reflect their decision-making process and I can attest that – in light of the anticipated \$100 million investment envisioned – they do not intend to compromise on a location in order to open a store. It is clear they are committed to maintaining the integrity of the IKEA concept as they see appropriate for a Columbus-area store. Even without my identifying the inherent visibility challenges of the Polaris site, they proactively had indicated the limited visibility as being very problematic.

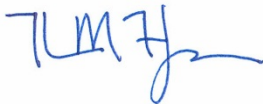
It was with this potential issue in mind that I believe the IKEA team proceeded with discussing guidelines, procedures, and protocols with your office. As a retailer with a strong commitment to sustainability, IKEA was prepared to fund, plant and/or relocate trees consistent as allowed by the City. And – based on those conversations – conveyed to internal decision-makers visibility could be enhanced thus received initial approvals to proceed. Externally, that resulted in announcing and filing plans with the city last January (2015).

In Summary

Recognizing the level of detail involved in the discussion between IKEA and the Department of Public Utilities regarding a process for ensuring site visibility, I wanted to help provide some additional perspective as a long-time retail real estate professional in Central and Northeast Ohio.

Thank you for your time and consideration. I would welcome the opportunity to discuss this Polaris site, common retail practices or the IKEA situation in further detail should you deem it warranted.

Sincerely,



Thomas Flynn
Senior Vice President Retail Services



David Browning
Managing Director, Northeast Ohio



VIEW 1 - I-71 OFF RAMP AT GEMINI PLACE - TREES REMAIN

