

# Equitable Development Toolkit Grocery Stores

Updated April 2008

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# Why Use It?

**Improve health outcomes.** Rates of obesity and associated health problems are highest and have risen the most rapidly among low-income communities and people of color. A healthy diet that includes fruits and vegetables has been shown to reduce incidence of obesity and other chronic illnesses in children, adults, and seniors.

Individuals make choices about their diet, but their decisions are influenced by the food that is locally available. Unfortunately, too many Americans live in unhealthy food environments. There is [increasing evidence](#) that our eating habits, patterns of obesity, and related health conditions are influenced by the foods available in the neighborhoods in which we live.

**Increase employment opportunities.** New food retailing outlets bring needed jobs to communities that often have high levels of unemployment. Each [supermarket creates anywhere between 100 and 200 permanent jobs, many of which go to local residents](#), and they also provide temporary construction jobs. For example, a new grocery store in a low-income neighborhood in Philadelphia created 258 jobs, over half of which went to local residents. Furthermore, large proportions of grocery employees belong to unions and receive benefits.

**Improve economic development and access to opportunities.** Low-income residents often live in distressed, high-poverty communities that have experienced years of population and job loss, and physical and economic decline. New food retailing outlets can help revitalize these communities, contribute to economic development, and improve access to important services.

New stores create local shopping opportunities that can capture dollars being spent outside of the community. [One study](#) estimated that residents of inner-city communities across the United States spend \$85 million per year at stores located outside their community.

New stores can also contribute to the physical revitalization of communities by returning abandoned and vacant land to productive use.

New developments often pave the way for additional private sector investment, since grocery stores are high-volume magnets that support complementary stores and services like pharmacies, banks,

and restaurants. With more places to spend money locally, these stores capture even more of residents' dollars that were formerly "leaking" out to other communities. When community-serving institutions like community development corporations (CDCs) hold ownership interests in the stores, they reinvest profits into the community through their other activities such as local affordable housing construction or small business development.

Grocery store developments bring needed revenue to cash-strapped municipalities through sales and property taxes. Community residents benefit through tax-financed city services.

**Improve access to services and healthy food.** Full-service grocery stores carry a wide selection of low-priced goods. Supermarkets enable one-stop shopping and often house additional services that are difficult to find in underserved neighborhoods, such as pharmacies or in-store banks.

**Tax revenue for municipalities.** Grocery store developments bring needed revenue to cash-strapped municipalities through sales and property taxes. Community residents benefit through tax-financed city services.

*Myser Keels, a resident and community activist who was part of a coalition that brought a supermarket to underserved West Fresno, highlighted the problem caused by a scarcity of stores and limited transportation options at a press conference:*

*"We want choices. Some poor people use public transportation and they don't haul all the groceries they need on the bus. And if they call a cab, the fare alone can put them in the hole. Some of the senior citizens I know have trouble getting around because they can't move like they used to. They have to rely on other folks to take them shopping ... It's just a tragedy that we don't have a decent shopping center in our area."*

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# How To Use It

For several decades the grocery industry has been focused on a primarily suburban model of development which has left many inner cities without adequate access to healthy food at affordable prices. Grocery retailers are slowly awakening to the potential of these underserved neighborhoods, but they often need help discovering the hidden spending power in these neighborhoods and finding appropriate development sites.

There is no formula for attracting healthy food retailers to underserved neighborhoods. However, coordinated strategies that bring together the resources and leadership of local governments, food retailers, public health practitioners, and community-based organizations (CBOs) have been successful in attracting new retailers in a wide range of communities across the country. Local governments and CBOs can work together to effectively balance financial and community concerns to bring about development that both supports the community and is profitable for the retailer. Grassroots organizers, food retailers, local government, concerned residents, and public health practitioners all have critical parts to play in making sure that healthy food retailing is successful, benefits existing residents, and does not lead to displacement.

Below are ten steps for pursuing an equitable food system within low-income communities.

**1. Identify and organize stakeholders.** Improving access to healthy foods in underserved neighborhoods is no small task and it cannot be done alone. Individual community members will be most effective working in a group towards this goal. Similarly, community based-organizations will also be more effective working in partnership with local government entities. Community advocates should identify the other stakeholders and collaborate to address food access. A coalition of advocates working to improve food access is likely to include a diverse range of organizations, individuals, and municipal departments. It is beneficial to cast the net broadly and connect with a diverse array of organizations initially. Types of organizations which are likely to be interested in food access advocacy might include the following: city and regional planning organizations; public health advocates; faith-based organizations; family and children advocates; homeowners' associations; and food security organizations.

**2. Raise awareness of the problem.** While it may be possible to organize a coalition of advocates for improved food access, the effort will be stronger with more people on board. It is helpful to do some research to better understand the extent of the problem and use this information to recruit more supporters. Undertaking a community food assessment, gaining media attention, and passing a municipal resolution to address the issue are some concrete actions that can be taken to raise awareness of the issue.

**3. Understand the challenges.** Real estate development is a complex, lengthy process and developing a new grocery store in underserved areas has specific challenges. Community advocates and local government must understand the basics of commercial real estate development and traditional supermarket formulas to be most effective in attracting a new store. More information regarding the challenges can be found in the Challenges section of this tool.

**4. Consider the alternatives.** Community advocates should think through the spectrum of options for improving access to healthy foods. While developing a new grocery store may ultimately be necessary, this will be a challenging process which is likely to take several years to come to fruition. Other options such as improving the selection of products at existing corner stores, creating farmers' markets, and/or community gardens/urban agriculture projects should also be seriously considered.

**5. Understand the retail market.** While local politicians and community members may support new store development efforts because of access issues identified through the community food assessment, grocery retailers and commercial developers are interested in the market potential of the neighborhood. Community advocates or public agencies can help collect this information in a number of ways including surveying the community and contracting for a professional market analysis of the trade area.

**6. Address the perception of the area.** Grocery retailers and commercial developers are interested not only in the demographics and market potential of a neighborhood, but also in the feel of the area. If the target area has problems with crime or visual disinvestment, then community advocates and the local government might want to invest in improving the perception of the area. Strategies such as working with the police to improve safety and supporting commercial revitalization efforts are discussed in more detail in the Strategies and Policy section.

**7. Identify potential development sites.** Developing new grocery stores usually requires multiacre sites because the projects include

buildings of at least 25,000 – 65,000 square feet and provide a significant number of parking spaces. Creative approaches including designing smaller stores, rehabilitating existing buildings, or developing underground parking garages have been used in dense, urban areas where large parcels are difficult to identify. Community advocates and municipal officials are well positioned to identify and assemble parcels that are appropriate for grocery store development.

**8. Research and offer incentives.** Grocery store development in underserved areas is a costly undertaking. One of the most commonly cited barriers to development in urban areas is higher development and operating costs. Community groups and local governments can work together to identify incentives which could help entice developers and/or retailers to open a new grocery store in the target area. More information on potential incentives is provided in the Strategies and Policy section under incentives.

**9. Sell the opportunity.** After sufficient research on the opportunity has been compiled, then community advocates, working in partnership with the local government, can sell the opportunity to grocery retailers and commercial developers. This process involves developing relationships with interested parties and compiling a strong, succinct marketing package which includes relevant market data, site information, and available incentives.

**10. Secure community support and corporate accountability.** Once a developer and retailer have been identified and a specific project is ready, it is important for the community advocate and local government to engage the broader community in discussions about what the project should provide in order to win wide support. New grocery store projects will bring improved food access, but can also provide jobs for local residents, buildings and a site plan that enhance the environment, and/or a commitment to support local supply chains. Potential benefits from a project must be discussed by the community, negotiated with developers and retailers, and formalized in a community benefits agreement.

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# Data and Maps

Data on Access to Healthy Food and Health Impacts. PolicyLink and The Food Trust released a report, [The Grocery Gap](#), that highlights the results of a review of more than 130 reports and articles on the issue of access to healthy food. Key findings include:

- ***Accessing healthy food is a challenge for many Americans—particularly those living in low-income neighborhoods, communities of color, and rural areas.*** In hundreds of neighborhoods across the country, nutritious, affordable, and high-quality food is largely missing. Studies that measure the availability of food stores and healthy foods in nearby stores find major disparities in food access by race and income and for low-density, rural areas. For example:
  - [Low-income zip codes](#) have 25 percent fewer chain supermarkets and 1.3 times as many convenience stores as middle-income zip codes. Predominantly black zip codes have about half the number of chain supermarkets as predominantly white zip codes, and mostly Latino areas have only a third as many.
  - [Low-income neighborhoods](#) have half as many supermarkets as the wealthiest ones and four times as many smaller grocery stores, according to an assessment of 685 urban and rural census tracts in three states. The same study found four times as many supermarkets in predominantly white neighborhoods compared to predominantly black ones.
  - Another [multistate study](#) found that 8 percent of African Americans live in a tract with a supermarket compared to 31 percent of whites.
  - Another [nationwide analysis](#) found that there are 418 rural “food desert” counties where all residents live 10 miles or more from the nearest supermarket or supercenter—20 percent of all rural counties.
- ***Better access corresponds to healthier eating.*** Studies find that residents with greater access to supermarkets or a greater abundance of healthy foods in neighborhood food stores consume more fresh produce and other healthful items.

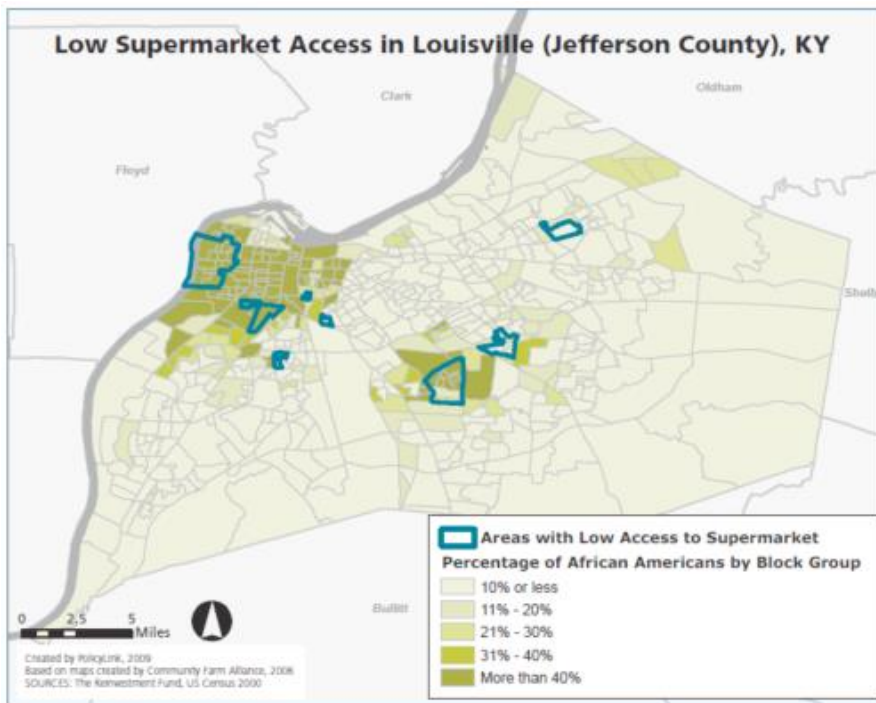
- African Americans living in a census tract with a supermarket are more likely to meet dietary guidelines for fruits and vegetables, and for every additional supermarket in a tract produce consumption rises [32 percent](#). Among whites, each additional supermarket corresponds to an 11 percent increase in produce consumption. This study used a large sample: 10,230 adults living in 208 urban, suburban, and rural census tracts in four states.
- Adults with no supermarkets within a mile of their homes are [25 to 46 percent](#) less likely to have a healthy diet than those with the most supermarkets near their homes, according to a study that used data from North Carolina, Baltimore, and New York City. A healthy diet was defined using two different measures: the Alternate Healthy Eating Index, which measures consumption of foods related to low risk of chronic disease, and a measure looking at consumption of fats and processed meats.
- [Proximity to a supermarket](#) is associated with increased fruit consumption among food stamp recipients (based on a nationally representative sample). Similar patterns were also seen with vegetable consumption, though associations were not statistically significant.
- ***Access to healthy food is associated with lower risk for obesity and other diet-related chronic diseases.***  
 Researchers find that residents who live near supermarkets or in areas where food markets selling fresh produce (supermarkets, grocery stores, farmers' markets, and so forth) outnumber food stores that generally do not (such as corner stores) have lower rates of diet-related diseases than their counterparts in neighborhoods lacking food access.
  - Adults living in [neighborhoods with supermarkets](#) or with supermarkets and grocery stores have the lowest rates of obesity (21 percent) and being overweight (60–62 percent). Those living in neighborhoods with no supermarkets and access only to convenience stores, smaller grocery stores, or both had the highest rates (32–40 percent obese; 73–78 percent overweight), according to a study of more than 10,000 adults.



- The lack of supermarket access corresponds to higher rates of diet-related death in [Philadelphia](#).

(See [The Grocery Gap](#) for a full analysis of the relationship between food access, diet, and health.)

**Mapping Access to Healthy Food and Health Disparities.** Some communities working to address the problem of access to healthy food have used maps to highlight disparities. For example, the map below shows that in low access, lower-income areas, residents travel longer distances to supermarkets than other residents in higher-income areas. Though Jefferson County is only 19 percent African American overall, in areas with low access to supermarkets the population is 68 percent African American.

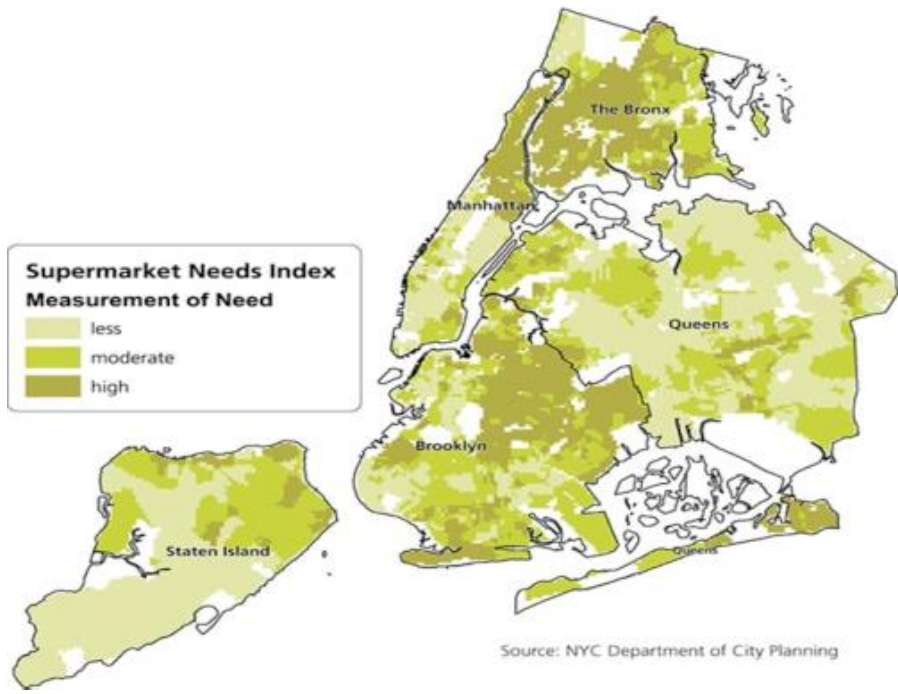


Based on maps created by the Community Farm Alliance in 2006 and The Reinvestment Fund’s low supermarket access analysis. For more information on The Reinvestment Fund’s methodology, see

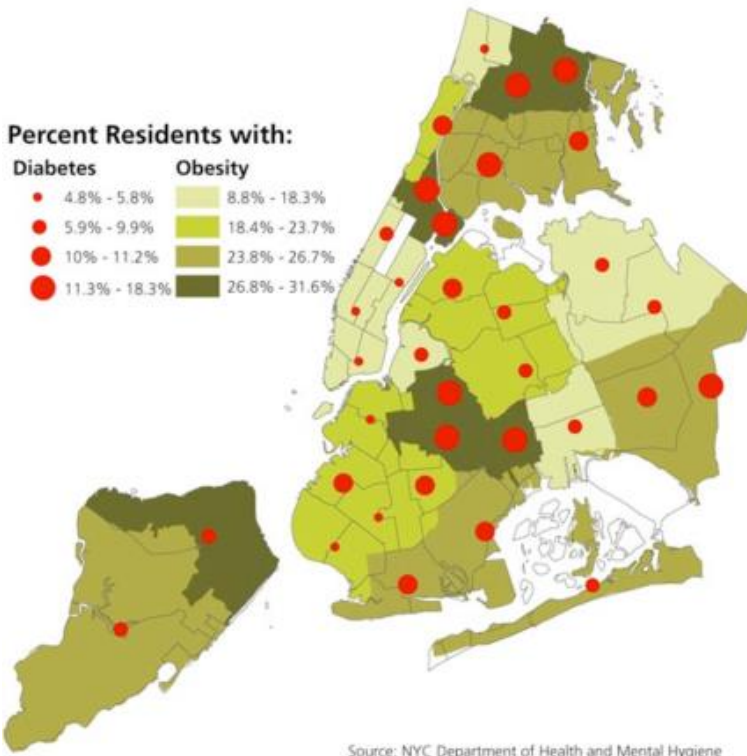
[www.trfund.com/financing/realestate/EstimatingSupermarketAccess-1pg.pdf](http://www.trfund.com/financing/realestate/EstimatingSupermarketAccess-1pg.pdf).

Maps can also be helpful in making the case for the relationship between access to healthy food and health outcomes. The three maps of New York City below show that many areas with high supermarket need also have high percentages of residents consuming no fruits and vegetables, and high rates of diabetes and obesity.

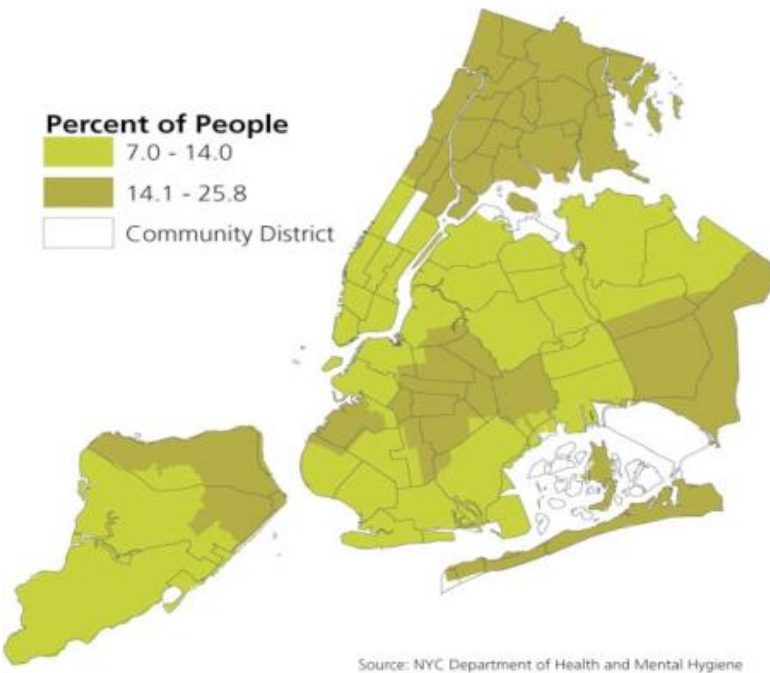
### Supermarket Access Index



## Prevalence of Diabetes and Obesity reported in neighborhoods defined by the United Hospital Fund (UHF)



## Percent of people reporting they consumed NO fruit or vegetables the previous day by the United Hospital Fund Neighborhoods



## Mapping Resources

There are existing resources that can be helpful in identifying local food access challenges:

The USDA has released a [food desert locator](#) that shows census tracts the agency considers food deserts. [The Healthy Food Financing Initiative \(HFFI\)](#) working group defines a food desert as a *low-income census tract* where a substantial number or share of residents has *low access* to a supermarket or large grocery store:

- To qualify as a “low-income community,” a census tract must have either: 1) a poverty rate of 20 percent or higher, or 2) a median family income at or below 80 percent of the area’s median family income.
- To qualify as a “low-access community,” at least 500 people and/or at least 33 percent of the census tract’s population must reside more than one mile from a supermarket or large grocery store (for rural census tracts, the distance is more than 10 miles).

The USDA also has a [food environment atlas](#) that provides county-level statistics on food choices, health and well-being, and community characteristics.

The Reinvestment Fund’s helpful [PolicyMap](#) shows Low Access Areas, [defined as areas that are underserved by full-service supermarkets, and have significant grocery retail leakage and demand](#). This PolicyMap tool accounts for population density and car ownership in determining the areas that are underserved. It also identifies clusters of underserved low-access census tracts, which provides information about need and potential market viability.

Other organizations such as [Social Compact](#), [LISC MetroEdge](#), and [Mari Gallagher Research and Consulting Group](#) have conducted assessments of local food environments. In addition, many community-based organizations conduct local [community food assessments](#).

The PolicyLink chapter, [Community Mapping for Health Equity Advocacy](#), also includes helpful mapping tips and information.

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# Challenges

Developing a new grocery store is a challenging undertaking even under the best conditions because the real estate development process is often lengthy and complex. In addition to understanding the real estate process, a basic understanding of the state of the grocery store industry is useful in understanding some of the challenges in working with the larger retailers.

**Perception of profitability.** Supermarkets—with annual profit margins averaging one percent—are focused on a very tight bottom line and often cite lack of profitability as a barrier to investment in underserved communities. A survey of retail executives found that their top three concerns were insufficient customer base, lack of consumer purchasing power, and perceived crime. Other concerns included higher operating costs in urban locations due to additional expenses for security, insurance, and real estate taxes. Customers' smaller average purchase sizes and more frequent shopping trips can also lead to higher operating costs since stores need to hire additional cashiers to cover the higher volume of transactions.

**Securing a site.** Many chain grocery stores have large and growing site requirements. They need ample parking lots and are often built as a part of much larger retail developments that sit on 10 or more acres of land. Such sites are difficult to find in densely built urban areas, where land is expensive, ownership is fragmented, and sites may be environmentally contaminated. Negotiating the zoning and regulatory processes involved in land acquisition can also be burdensome.

Assembling the land needed to build a new store can take years, and may require litigation and municipal intervention. For example, acquiring the 62 parcels for the NCC Pathmark development in Newark, New Jersey, took eight years, including six years of lobbying the state to exercise its power to condemn some of the properties, and two years of legal battles involving the last six absentee owners.

**Meeting the needs of diverse consumers.** Shifting their operations from models that suit historically homogenous communities to ones that meet the needs of racially mixed communities presents a challenge for large chain grocers. They lack sound, unbiased information on community demographics and consumer preferences, and they are locked into contracts with suppliers to

stock the same merchandise in all of their stores based on what sells in their traditional markets.

**Complexity.** One of the biggest obstacles for communities that want to bring a grocery store to their area is the amount of time and complexity involved in commercial real estate development. Supermarket developments are exceptionally large, risky, and difficult deals to pull together, and often require specialized negotiation skills and expertise.

**Financing.** Financing is a major obstacle to grocery store development. Grocery store developments are multimillion dollar real estate deals that require high levels of start-up and operating capital. Development and operating costs may be even higher in underserved areas as compared to more suburban locations. Multiple sources of funding may need to be creatively combined in order to finance new grocery store development.

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# Keys to Success

## Develop and Use Better Information Tools to Assess Underserved Markets

- **Innovative market analyses.** Responding to the inadequacy of traditional marketing analyses, companies such as [The Reinvestment Fund](#), [Social Compact](#), and [MetroEdge](#) have developed alternative market assessment methods that more accurately describe the business conditions in underserved communities. Their results often indicate much higher investment potential than shown by traditional analyses.
- **Accurate and timely information databases.** To bridge the information gap in underserved communities, cities and community development intermediaries around the country are developing sophisticated databases on property availability, crime conditions, local demographics, and other indicators to inform development. The [Urban Markets Initiative of the Brookings Institution](#), for example, is partnering with the [National Neighborhood Indicators Partnership](#) and affiliated organizations in Baltimore, Indianapolis, Milwaukee, Providence, and Washington, DC, to develop comprehensive information databases to guide investment decisions in these cities.
- **Existing free resources.** There are free resources already available online that can provide insight into how a community might be viewed by retailers. The [University of Wisconsin-Milwaukee Employment and Training Institute](#) offers free profiles of purchasing power, business activity, and workforce density for Census tracts and zip codes within the 100 largest metropolitan areas in the United States. Another free resource is <http://www.esribis.com>, which provides profiles of any community based on zip codes. Though this resource is less relevant to the largest grocery store retailers, smaller retailers do use these reports in their decision making.

## Reduce Operating Costs While Better Serving the Community

- **Provide return transportation to increase purchase size.** Grocery stores can reduce costs that relate to the more frequent, smaller per-trip purchases of consumers by providing free or low-cost return transportation to customers



in exchange for minimum purchase sizes. In Los Angeles, Numero Uno Market and Ralphs operate such transportation services from some of their stores. The Ralphs located in the West Adams neighborhood adjacent to the University of Southern California, for example, offers a free return trip to customers who spend \$25. A [feasibility analysis of grocery shuttle services](#) found that they can pay for themselves within two to 10 months.

- **Partner with community groups to find and keep good employees.** Community organizations can assist stores in identifying and training employees. This reduces the stores' costs for employee recruitment and training, improves employee retention, and can increase the likelihood that jobs in the store will go to neighborhood residents.
- **Reduce security costs through innovation.** Grocers can identify creative ways to reduce operating costs related to theft and vandalism. For example, shopping carts are sometimes taken off-site and not returned, or sold for scrap metal.
- **Implement green building strategies to reduce costs.** Energy costs are one of the most expensive operating costs for grocery stores, second only to labor. These costs are expected to trend upward in the future. Advocates are developing ways to [promote “green” building and operating strategies](#), such as energy efficient refrigeration and lighting, which will reduce operating costs for stores serving underserved low-income communities.
- **Adapt store formats to fit existing sites.** Given the difficulty in finding large sites in cities—and increasing interest in more compact urban development patterns—some supermarkets are [adapting their site requirements to work within the constraints of the existing urban environment, experimenting with smaller store formats, reducing their parking requirements in areas with heavy foot traffic, and renovating existing structures](#). In Boston's Lower Mills neighborhood, for example, the Shaw's chain located a new 40,000-square-foot supermarket—70 percent of its average store size—in a retrofitted chocolate warehouse. Smaller grocery stores can also be a more feasible option for areas with limited land.
- **Coordinate and Streamline the Development Process.** Local governments can appoint a staff member to help



grocery developers and retailers through the planning process. Municipalities can also provide flexibility on zoning and development regulations, such as allowing flexible parking requirements and adjusting height restrictions to facilitate mixed-use development.

- **Restrict Unhealthy Land Uses.** Los Angeles recently passed a [moratorium](#) on new [fast-food restaurants](#) from South Los Angeles, a community overburdened by unhealthy options. The author of the ordinance hopes that the ordinance will help encourage healthy options by ensuring that more of the area's land is available to be developed for healthier uses like grocery stores. [At the same time that the ban is in place, the city's redevelopment agency has developed a package of tax credits, discounts on electricity, and expedited plan review for grocery stores willing to locate in the community.](#)

### Adapt Practices to Meet Consumer Needs

- **Cultivate relationships with local suppliers.** Stores can better meet the specific preferences of diverse consumers while contributing to economic development and building goodwill in the community by [developing relationships with local suppliers](#). When Schnucks opened the first supermarket in the predominantly African American North St. Louis community in 50 years, it faced the challenge of meeting customer demand for certain products, such as a good sweet potato pie. After searching for a supplier, the store found a popular pie at Hooper's Better Bakery, a local store, and provided the bakery with capital and technical assistance to improve its production process. The improvements were so successful that the bakery reorganized as a supplier and now provides over 15 Schnucks supermarkets with a growing variety of pies.
- **Gather better information on customer preferences.** To capture markets in diverse communities, retailers need to make the extra effort to learn how to cater to these communities' needs and tastes. Successful retailers are meeting this challenge by obtaining information more directly from employees and area residents. They have conducted focus groups with residents, solicited community input on products at community meetings, and ordered new products upon customer request.
- **Develop partnerships.** Community organizations are often critical partners in grocery store development. [Community](#)

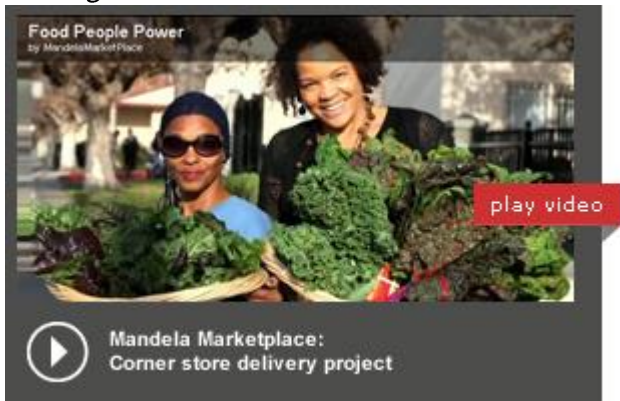
[development corporations \(CDCs\)](#) may advocate for a city to provide assistance, garner community support, negotiate zoning and regulatory issues, help stores obtain below market-rate financing, and assist with employee selection and training. Community-based organizations and food councils can advocate for local grocery store development by engaging public agencies, seeking high-level political support, and conducting neighborhood activities designed to solidify resident backing. Retailers say that [community involvement is essential for success](#) in underserved markets and can increase community acceptance, which leads to higher patronage and lower theft rates.

- **Increase community capacity to partner in store development.** Community organizations need various skills, including advocacy, research, market analyses, and commercial real estate expertise, to engage in grocery store development. Technical assistance and training programs that are specifically geared toward these needs can help build their capacity to bring new stores to the communities in which they work. Community development intermediaries such as [LISC](#), [the Enterprise Foundation](#), and [National Congress for Community Economic Development](#) often provide such assistance. Local political leaders also can be important allies in advocating for grocery store development.

### ***Cooperative Grocery Stores***

*Stores, as well as the greater community, benefit when local residents feel committed to and invested in the success of the store. Cooperative stores are either owned by their employees or owned by their customers. The idea grew out of the natural foods movement in the 1970s, and has been more common in higher- or mixed-income communities, though historically there have been [co-ops that have successfully served low-income communities](#).*

Co-ops face some of the challenges for developing new grocery stores, such as securing financing and land, and some of the same challenges as small groceries with respect to purchasing merchandise at low prices. Like farmers' markets and public markets, cooperatives serve a social mission as well as a profit-making mission.



Advocates are working to develop cooperative groceries that can succeed long-term in underserved low-income communities. For example, [Chester's Community Grocery Co-op](#) in Pennsylvania was formed in 2006 to provide access to quality, fresh, healthy groceries in a community without a local supermarket. The co-op membership has grown from 13 to over 100 member households. Another example is a new worker-owned cooperative, [Mandela Foods Cooperative](#), which opened in an underserved predominantly African American community in Oakland in June 2009. Residents have been eager to shop at the new store and are hopeful that this market will be able to operate successfully long into the future.

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# Financing

While most commercial development projects have complex financing, grocery store development in underserved areas can be particularly difficult. Developers and grocery operators cite higher development and operating costs in these areas as compared to green field development in more suburban locations.

Each project combines a unique mix of private and public funds from a number of different sources. While some types of financing might be available to any grocery store development, a number of potential sources will only be available for projects with specific characteristics. It may be helpful for advocates of new grocery store development to build relationships with individuals who manage these funding programs to help them understand the importance of attracting a new grocery store to the community. Barbara Abell's report *Supermarket Development: CDCs and Inner City Economic Development* includes 16 detailed profiles of new grocery store developments including information on each project's financing sources.

What follows is a very general overview of some of the most common types of funding sources. Other than the handful of federal sources listed specifically, most sources come from state or local governments or financial institutions with a local or regional service area.

**Obtaining financing.** Grocery store developments are multimillion dollar real estate deals that require high levels of start-up and operating capital. Financing these costs means combining grants and loans from multiple public and private sources, including commercial banks, community development intermediaries, state and local economic development programs, and federal agencies such as HUD, the Department of Human Services, and the Department of Commerce. Harlem's Abyssinian Development Corporation assembled loans from four private banks, a community development intermediary, and a state economic development agency, federal and state grants, and an equity investment from a private equity fund to finance the \$15 million development of the first Pathmark supermarket in Harlem.

**Private financing sources.** In many cases a significant portion of development financing for a grocery store project will be in the form of a loan or an equity investment from a private institution. While all

of these institutions will want to see evidence that the project will be able to cover annual debt payments, some financial institutions might be able to provide favorable terms in order to help a project which is important to the community move forward. Sources of private financing include:

- **Private banks** are generally interested in lending capital for development projects which can demonstrate the ability to earn enough revenue to comfortably make monthly loan payments. Additionally, all private banks are required by a federal law, the [Community Reinvestment Act \(CRA\)](#), to invest in the communities they serve including moderate- and low-income neighborhoods within their service areas. The government evaluates each institution's performance in this effort periodically and rewards them for increasing their activities in economically distressed communities. Every major bank has a CRA officer to whom inquiries about the availability of CRA funds can be directed. In addition, community development banks are private, for-profit banks chartered specifically for the purpose of financing the revitalization of distressed or underserved communities.

More information on community development banks which might serve your community can be found at:  
[www.communitydevelopmentbanks.org](http://www.communitydevelopmentbanks.org).

- **Community development financial institutions (CDFIs)** are socially motivated lenders that exist to provide financing for projects with clear social benefits which would find it difficult to access traditional financing. Most CDFIs offer lower interest rates and more flexible loan terms than traditional banks. CDFIs are frequently willing to provide loans that are "junior" to a traditional bank loan, meaning that they are repaid only after the bank is paid off in full. There are a number of *national nonprofit intermediaries* that provide financing and technical assistance to organizations working to improve their communities. [The Local Initiatives Support Corporation](#) is the nation's largest nonprofit CDFI. Other national CDFIs include [The Reinvestment Fund](#), [the Enterprise Foundation](#), [The Low Income Investment Fund](#), and [the Nonprofit Finance Fund](#). In addition, *Community Loan Funds* are generally local nonprofits that seek funds from socially motivated investors and lend the money to nonprofit sponsored projects in their local community.

Information on local loan funds that serve your area can be found at: <http://www.communitycapital.org>.

- **Private equity funds** purchase an ownership stake in the project, as opposed to providing a loan. LISC's The Retail Initiative was an example of a private equity fund which specifically targeted food retail development projects. While that fund is no longer investing in new projects, other funds, such as those associated with the [California Public Employees' Retirement System \(CalPERS\)](#) or [California State Teachers' Retirement System \(CalSTRS\)](#), may be willing to help finance a new store development or support an independent grocery business expansion.
- **Charitable foundations** may also be willing to provide some financing in the form of a grant or a loan for a smaller portion of the project. For the most part, foundations do not typically solicit funding proposals for commercial real estate projects. Instead a foundation may choose to provide funding for a project because of a long-standing relationship with the project sponsor (or sometimes a nonprofit tenant) and recognition of the impact that the project is likely to have on an issue that is important to the foundation. Foundations can provide outright capital grants to help pay development costs, grants for predevelopment expenses, or help pay for staffing or consultants to coordinate project development. Some foundations offer Program Related Investments (PRIs), which are generally very low interest loans for projects that further the foundation's program mission.

For a database of grants see the Grantsmanship Center, [www.tgci.com](http://www.tgci.com), or The Foundation Center, [www.fdncenter.org](http://www.fdncenter.org).

The New Horizons Center in the Bronx, New York is a 131,000- square-foot shopping center which was developed by the MBD Housing Corporation, a local CDC, in partnership with The Retail Initiative, an equity fund which LISC operated from 1992 – 2000. The New Horizons Center opened in 2004 and includes a 48,500- square-foot Pathmark supermarket which is open 24 hours a day.

**Total Development Cost: \$9,200,000**

*Sources of Funds:*

<b>Bank loan</b>	\$18,600,000
<b>Grants/MBD equity</b>	\$4,140,000
<b>LISC Loan</b>	\$3,470,000
<b>The Retail Initiative Equity</b>	\$3,067,700
	<b>\$29,277,700</b>

**Public Financing Sources.** There are also several sources of public funds which may be available to support grocery store development in underserved areas. Most local governments administer programs to support community and economic development. Some of these programs are funded with local resources while others rely on federal grant money which is then allocated to individual projects by the local government.

- [Community Development Block Grants \(CDBG\)](#) is a federal program administered by the U.S. Department of Housing and Urban Development (HUD) which provides funds to state and local agencies. These agencies then identify local priorities and invest the funds accordingly. CDBG funds can be invested in a project as an outright grant or in the form of a loan. Some CDBG money may be available to support grocery store development, but allocations from this source are very competitive in most communities.
- [Section 108 Loan Program](#) is a HUD program that helps local governments to finance community development projects. A government can make a very low-interest loan to a project developer which the federal government will guarantee. In the event that the loan is not repaid, HUD will recapture any losses from the local government’s annual allocation of CDBG funds.
- [Tax Increment Financing \(TIF\)](#) is money that is generated in redevelopment areas. This money is often used to finance

community improvement projects and may be available to support the development of a new grocery store. Contact your local redevelopment agency to find out if there might be funding available to support grocery store development.

- [Empowerment Zone/Renewal Communities Incentives](#) is a federal program that provides substantial tax incentives to businesses which are located in designated areas.
- Some states provide funding to assist borrowers with the reuse and redevelopment of underutilized properties with real or perceived contamination issues (brownfields). Examples of these types of programs include: [Cal Recycle Underutilized Sites \(CALREUSE\) Loans](#), [The Brownfields Recycling Program](#) in Oregon, and [Pennsylvania's Lehigh Valley Land Recycling Initiative](#) (LVLRI).
- [Office of Community Services](#), a program of the U.S. Department of Health and Human Services, operates several grant and technical assistance programs that support community economic development projects. Their Urban and Rural Community Economic Development Program offers grants of up to \$700,000 for business development or commercial real estate projects that are likely to result in the creation of new jobs for low-income people.

**Tax credits.** Tax credits can also be used to provide equity investment or low-interest loans for grocery store development projects. New Markets Tax Credits are the most likely to be useful for new store development but Historic Tax Credits have also been used to help finance projects which include a supermarket. [Shaker Square](#) in the City of Cleveland used both NMTC and Historic Tax Credit equity to finance a mixed-use development which includes a 26,000-square-foot Dave's Supermarket.

- [New Markets Tax Credits \(NMTC\)](#) provide a federal tax benefit to private investors who invest in commercial ventures in qualified low-income areas. Eligible projects include commercial, industrial, or mixed-use real estate developments as well as manufacturing and service businesses. The Department of the Treasury allocates the tax credits to Community Development Entities (CDEs) through a competitive process. CDEs then raise money for a fund from private investors and use the money to finance qualifying projects. Investors claim tax credits, equal to 39 percent of the total equity investment, over a seven-year period. The value of the tax benefit makes up for a lower rate of return from the



project relative to the level of risk, effectively generating an overall return that is comparable to alternative investments. The complex structure and costs of putting together a NMTC favor very large projects. The tax credits can be invested directly in a project or using a leveraged structure to provide more capital to the project and more benefit to private investors.

- [Historic Tax Credits](#) allow developers to claim a federal tax credit worth either 10 percent of the cost of rehabilitation of buildings built before 1936 or 20 percent of the cost of buildings on the federal register of historic places. Credits are awarded through state historic preservation agencies. Intermediaries such as the National Equity Fund and the National Trust for Historic Preservation match developers with investment partners who can benefit from the credits.

<p><a href="#">Tangerine Plaza</a>, a retail center in St. Petersburg, Florida, was developed by a local nonprofit development company, Urban Development Solutions in partnership with the municipality. The development entity leveraged New Markets Tax Credits to finance the \$9.2 million project which includes a 38,000-square-foot <a href="#">Sweetbay</a> full-service grocery store as well as additional small retail spaces for local businesses. The City of St. Petersburg invested their grant into the NMTC fund to maximize its impact and also assembled the land and leased it to the developer at a deep discount.</p>	
<p><b>Total Development Cost: \$9,200,000</b></p> <p><i>Sources of Funds:</i></p>	
<p>Private bank loan via FHLB of Atlanta</p>	<p>\$3,200,000</p>
<p>Loans including funds from:  <i>City of St. Petersburg</i>  <i>U.S. Office of Community Services</i>  <i>Cimmunity Loan Fund</i>  <i>Private Foundation</i></p>	<p>\$3,176,000</p>
<p><b>Subtotal:</b></p>	<p><b>\$6,376,000</b></p>
<p>This \$6,376,000 was invested in the project through the New Markets Support Company, an affiliate of LISC which used \$9.2 million of its NMTC allocation to attract \$2.8 million in equity capital from two private banks. A total of \$8.6 million in low-interest loans was provided to the development project. The additional capital that LISC was able to help leverage from the public investment allowed the developer to offer tenant improvements to attract local businesses.</p>	

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# Policy

While grocery store development is often challenging, there are several public policies which can help catalyze and support grocery store development in underserved communities. The main policies used by advocates support site identification and development, offer a range of incentives, or combine these two strategies.

## Facilitate site identification and development.

- **Reclaim vacant and abandoned properties.** Many distressed communities contain thousands of parcels of vacant land that can be returned to productive use. In recent years, many cities, including Baltimore, Flint (Michigan), Philadelphia, and Richmond, have launched [ambitious initiatives to reclaim their vacant properties](#) by streamlining the land acquisition process, actively scouting out sites, and marketing sites to potential developers.
- **Clean up brownfields that are potential store sites.** Aggressively cleaning up brownfields, or contaminated sites, can free up land for productive use and provide sites for new grocery stores. Cities can assess which brownfield sites have the potential to house grocery stores, prioritize these sites for remediation, and apply for funding sources— such as HUD’s Brownfields Economic Development Initiative—that seek to harness brownfields for economic development in low-income communities.
- **Ban or limit the use of restrictive land use covenants.** Cities can prohibit supermarkets from using restrictive land use covenants to prevent other grocers from locating in that site if the store should close. In 2005, Chicago passed an [ordinance](#) that severely limits the ability of supermarkets and drug stores to use restrictive covenants.

**Offering incentives.** Even when developers and retailers are able to secure adequate financing, developing new stores in underserved locations is often a risky and expensive undertaking. Municipal governments that are eager to attract new stores to underserved areas should consider what incentives can be offered to improve the economic feasibility of the potential projects. At the same time, communities should be sure that any incentives that are offered are tied to clear economic needs and strong benefits for the community.

## A Successful Policy Innovation

State and city governments, private funders, and community developers can provide financial support for grocery stores and other healthy food access projects in underserved communities through loans, grants, and tax incentives. State officials in Pennsylvania, New York, and Illinois, and municipal authorities in New Orleans and New York City have adopted such policies. The Pennsylvania Fresh Food Financing Initiative was the first such effort, creating 88 new healthy food retail outlets in its first six years. There is growing momentum to create a national [Healthy Food Financing Initiative](#) that would take these efforts to the federal scale and allow a national response to the nationwide problem of lack of access to healthy foods.

Below is an overview of various incentives – development and operational – that may help attract supermarket development. This list is certainly not exhaustive and additional creative ideas to encourage development should be explored.

**Development incentives.** Grocery store operators and developers are very concerned about the cumbersome and often protracted process of obtaining development approvals. One of the most desirable incentives is making the planning process transparent and predictable. Providing clear information about the process to retailers and developers as well as designating a specific municipal employee to shepherd the developers through the process can save a significant amount of time and money.

- **Streamlined coordination of planning process.** Municipalities can offer this to fast-track the approvals and permitting process for grocery stores which meet certain community expectations. Additionally, if environmental review is needed, offers to expedite this process could be considered as a possible incentive. Some localities have appointed a staff member to help the developer and retailer through the planning process.
- **Flexibility with zoning and development regulations.** As communities work to attract new development, it can be useful to review development regulations for selected sites and make any necessary adjustments so that a developer could easily build a new store without special reviews or permitting.

Some examples of specific regulatory adjustments to consider include:

- Reduce setback so that lots can accommodate traditional supermarket footprints
- Assist with zoning for truck-loading
- Allow flexible parking requirements
- Adjust height restrictions to facilitate mixed-use development
- Provide relief from mandates such as reducing or waiving linkage fees or affordable housing requirements

- **Waiving fees.** Permitting and impact fees for a large commercial development can often be substantial; a municipality may be able to waive those fees to encourage desirable development.
- **Discounted land.** Some municipalities have supported grocery store development by assembling developable parcels and then making this land available to developers of grocery retail for a discounted price for either sale or lease.
- **Site preparation assistance.** Additionally, if environmental review and/or remediation is necessary prior to developing a site, local government may offer to clean up the site, provide grants to defray the cost of the developer undertaking clean up.
- **Financing.** Local governments can compile and advertise financing sources that may be available to support new grocery development. Some sources which have been successfully used to attract new grocery stores include: [Community Development Block Grant](#) funds, [Section 108](#) loans, [bond financing](#), and [tax increment financing](#). There are efforts underway in some states and localities, and at the federal level, to create [financing pools](#) offering loans, grants, and tax credits.
- **Local tax credits.** Local governments may also offer tax benefits such as property tax abatement.
- **Coordinate state and federal tax credits.** In addition to local tax benefits there are state and federal incentives available in certain designated areas. It can be an added incentive if a local government representative offers to assist developers and/or grocery retailers in accessing these credits or financing sources which benefit from these credits.
- **Public parking facilities.** Communities may offer to build or share public parking lots with a grocery retailer who may not have space for all the necessary parking on a specific site.
- **Invest in transportation infrastructure.** Public investment to improve access to the site including streets, transit, and sidewalks.

**Operating incentives.** In addition to offering incentives to the developer, many municipalities also compile incentives which target the grocery store operators. Operators frequently cite increased operating costs as a challenge to locating in underserved areas, so

anything that a local community can offer to ease this burden may be attractive. Examples of potential incentives include:

- **The Enterprise Zone program.** This program targets economically distressed areas throughout California. Special state and local incentives encourage business investment and promote the creation of new jobs. The purpose of this program is to provide tax incentives to businesses and allow private sector market forces to revive the local economy. Enterprise Zone companies are eligible for substantial tax credits and benefits including: hiring tax credits, sales and use tax credits, business expense deductions, net operating loss deductions and carryover, and net interest deduction. Some municipalities also designate a municipal staff person or an organization to assist businesses in accessing these credits.
- **Coordinated job training and recruitment.** Grocery operators have identified attracting and retaining qualified employees as a specific challenge. Local governments and community organizations can provide funding and/or coordination of employee training and recruitment. This incentive could also be tied to the potential community benefit of hiring local residents for jobs with fair wages and benefits.
- **Streamlined occupancy permit process.** Operators want to know that they will be able to open the store according to their timeline. Sometimes occupancy permits can stall this effort. Local governments can commit to streamlining this process and designating a representative to shepherd the approvals process so that the store opening is not delayed.
- **Reduced public utilities and/or city services fees.** Providing discounted rates for energy, trash, recycling, and/or water and sewer charge may help entice a grocery operator to locate in an underserved community.
- **Designated Business Improvement District (BID).** If a BID has been organized by existing local business owners who commit to support maintenance and beautification, safety programs, promotional activities and small-scale capital improvements in the area immediately surrounding the supermarket, this will also be attractive to a potential operator. Local governments and community advocates can support the creation of a BID and even potentially offer some

initial funding. Most often a BID is created by petitioning the city which sets the money raised aside and tracks how much is available for improvements.

- **U.S. [Small Business Administration](#) (SBA).** The SBA operates a number of programs designed to facilitate financing and provide technical assistance for small businesses. SBA provides loan guarantees that enable eligible businesses to borrow from local commercial banks on favorable terms. Communities can promote these programs and provide technical assistance to small business owners on how to use programs to enhance or expand their grocery business.
- **[Work Opportunity Tax Credit](#).** This federal tax credit is available to employers who hire employees who were previous welfare recipients. This may provide a substantial benefit to some supermarket employers depending on the location of the new store.
- **Marketing and promotions assistance.** The community can offer to assist the grocery operator with initial marketing and promotions of the store including helping to get positive media coverage of the store, handing out flyers, or co-sponsoring promotional events.

After all of the applicable incentives have been designed and compiled, this information should be presented alongside the market data. And because some developers perceive the process of accessing tax credits and other incentives to be very difficult, it is helpful to appoint a local government liaison to assist the developer and operator to make the most of the available incentives.

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# Resources

## Organizations/Websites

[Big Box Collaborative](#)

[Center for Food and Justice, Occidental College](#)

[The Changing Models of Inner City Grocery Retailing](#)

[Community Development Banks](#)

[Community Food Security Coalition](#)

[Community Loan Funds](#)

[Cross-Agency Federal Website on Creating Access to Healthy, Affordable Food](#)

[Development in Underserved Retail Markets](#)

[Economic Development and Redevelopment: A Toolkit on Land Use and Health \(Public Health Law and Policy\)](#)

[Food Co-op 500](#)

[Food Marketing Institute](#)

[Food, Markets, and Healthy Communities \(LISC\)](#)

[Food and Society](#) (W.K. Kellogg Foundation)

[International Council of Shopping Centers](#)

[Local Hiring Strategies](#) (PolicyLink)

[LISC Metro Edge](#)

[Mandela MarketPlace](#)

[Mari Gallagher Research and Consulting Group](#)

[National Grocers Association](#)

[Neighborhood Groceries: New Access to Healthy Food in Low-Income Communities](#)

[New Markets Tax Credits Portfolio - Shake Square](#), Enterprise Community Investment

[Progressive Grocer](#)

[Opportunity Finance Network](#)

[Rural Grocery Store Initiative](#)

[Save-A-Lot food stores](#)

[The Shopping Center Development Handbook \(Urban Land Institute\)](#)

[Social Compact](#)

[Supermarket Campaign \(The Food Trust\)](#)

[The Reinvestment Fund – Food Access](#)

[UWM Purchasing Power](#)

[World Hunger Year](#)

### **Projects/Programs**

[Brown’s Super Stores Inc.](#)

[California FreshWorks Fund](#)

[Chester’s Community Cooperative](#)

[City of Chicago, Grocery-Anchored Retail Loan Program](#)

[Detroit Green Grocer Project](#)

[FEED DC Act](#)

[Healthy Food Healthy Communities Fund \(NY\)](#)

[Illinois Fresh Food Fund](#)

[Louisiana Healthy Food Retail Act](#)

[Mandela Foods Cooperative](#)

[National Grocers Association](#)

[New Orleans Fresh Food Retailer Initiative](#)

[New York City’s Food Retail Expansion to Support Health \(FRESH\)](#)

[Pennsylvania Fresh Food Financing Initiative](#)

[People’s Grocery](#)

[Sustainable Food Center](#)

### **Advocacy**

[Community Food Security Coalition](#)



[Food First](#)

[Food Research and Action Center](#)

[LISC](#)

[The Food Trust](#)

[Opportunity Finance Network](#)

[PolicyLink](#)

[The Reinvestment Fund](#)

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# Case Studies

## West Fresno Food Maxx Supermarket

In 1995, little new development was occurring in West Fresno, a once thriving community composed of mostly African American and some Latino residents. For many years, residents had hoped that the Fresno City Council would allocate funds to improve neighborhood conditions. Concerned residents gathered together to prioritize what they most wanted from the city to spur development and decided construction of a supermarket was at the top of their list. The small food stores in the area charged high prices for little selection, and many residents had to depend on the bus to access the selection, quality, and prices available at supermarkets in other parts of the city.

Residents began advocating to bring a supermarket to their community. The Affordable Housing Coalition, which included churches and community groups, held a news conference in front of a supermarket in another part of the city, where members carried empty grocery bags and demanded that the Fresno City Council set aside money from its \$11 million Community Development Block Grant to build a shopping center in their community. Over several years, these concerned residents continued to strategize and advocate in a variety of settings. They attended public hearings conducted by the city on community development block grant funds and met with city council members, the director of the city's redevelopment agency, and other public officials. Coalition members got residents to sign petitions and turned out hundreds of residents at city council meetings. They also worked with the media, held press conferences, wrote editorials, built relationships with local reporters, and received ongoing coverage of their struggle in the *Fresno Bee*.

Once their supermarket campaign gained political support, the coalition continued to move the project forward. They ensured that the city allocated redevelopment funds to help build the supermarket; helped local government officials negotiate with local property owners to secure the land for the site; worked to ensure that jobs went to local residents; urged the city to make an agreement with a developer; got a police station built to ensure security at the shopping center; and urged the city to approve final zoning for the market.

Four years later, the supermarket opened. It has now been serving the community successfully for more than ten years.

### ***Large-Scale Retailers Develop Small-Scale Stores***

*Over the last few years, an expanding group of large retail chains have begun developing models that use the smaller design structures and tightly controlled “limited assortment” product offerings that have proven successful for companies such as Trader Joe’s for years. For example, the chain store Jewel-Osco is testing new [Urban Fresh](#) small-format stores in Chicago, and [Safeway is conducting a similar trial in Southern California](#). The British chain Tesco is opening 10,000-square-foot [Fresh and Easy](#) stores in the western United States that are smaller than most supermarkets but larger than convenience stores. Wal-Mart is piloting [Marketside](#) stores that are less than half the size of conventional supermarkets. Other stores are also actively scaling down the size of their new outlets.*

*These types of smaller-scale stores have excellent potential to serve lower-income communities in urban areas, since assembling land in urban areas is often challenging. Tesco has expressed an interest in opening—and in some cases has now opened—Fresh and Easy stores in lower-income areas that have been otherwise underserved. The national [Save-A-Lot Chain](#) has committed to locating their small-format stores in urban and rural areas that lack access to larger, more conventional stores, as well as enhancing its produce department in response to customer demand. Fresh and Easy and Wal-Mart advertise that their stores will offer fresh, healthy choices at prices below other chain grocery stores, and Wal-Mart says that their Marketside stores will offer organic, regionally grown produce, meats, and dairy products.*

*Unfortunately, some of the chains that are piloting new store models in low-income communities have controversial labor and environmental records. Both [Tesco](#) and Wal-Mart are non-union companies, and have been critiqued on employee wages, worker health-care coverage, environmental impacts, relationships with suppliers and local communities, and other concerns.*

*Advocates are taking a range of approaches to pressure these retailers to make changes. This includes issuing reports and demands, publicizing concerns to the media, opposing the opening of new stores by these retailers, and in some cases, working with these companies to secure stores in long underserved neighborhoods while also pressuring the chains to agree to specific labor, environmental, and other community demands. It is encouraging that grocers are*

*beginning to recognize the potential to run profitable grocery stores in low-income, urban communities—but residents will need to decide whether the mix of products, service, and community benefits offered by these stores is acceptable to the community.*

### [Burlington Downtown Supermarket](#)

After the closing of the last remaining grocery store in downtown Burlington, the city found itself in a situation similar to that of many downtown communities across the country—the migration of essential goods and services from the city center to the suburbs and outer regions of the area. Instead of shrugging their shoulders and accepting this new trend, Burlington officials decided to be active players in developing a downtown, locally owned grocery store to serve the needs of city residents.

The timing of the local [Onion River Cooperative](#)'s need to expand its store space offered the co-op a unique opportunity to provide downtown Burlington with a locally owned, urban grocery store. In December of 1999, after an extensive public process involving hundreds of citizens from all walks of life, the Burlington City Council selected the co-op to be the new downtown supermarket.

Despite the fact that for the first time in city history a major foreign-owned corporation (one which challenged the co-op for the downtown store) gathered signatures to force a referendum vote which would have subsidized their development with taxpayer dollars, Burlington voters chose to go local and support the Onion River Co-op's proposal for the downtown store.

From the beginning of the process, the general public, as well as the co-op's 3000-plus membership and staff had the opportunity to comment on everything from the new store's design, to what would stock its shelves, to what the store's impact would be on the immediate neighborhood. In addition to a series of well-attended public meetings, a postage-paid comment card was mailed to Burlington's residents to receive additional feedback and suggestions on the new store. Community forums were also held at the local senior center and other community gathering places in an effort to hear from sometimes hard-to-reach populations.

Built on city-owned property the co-op re-used an existing space and incorporated green building technology, in conjunction with natural lighting, energy efficiency, and toxic-free material.



Burlington residents, as well as city officials, saw this unique and exciting opportunity as one which would help counterbalance the trend of grocery stores leaving city centers, and thereby help to keep Burlington's downtown a vital place.

### **The Fresh Food Financing Initiative**

In recent years, a model—the Fresh Food Financing Initiative (FFFI)—has emerged that can support a range of healthy food access efforts and has already demonstrated remarkable successes.

In 2001, [the Food Trust](#), a nonprofit organization that promotes food access and healthy eating, released a report highlighting disparities in food access for low-income residents in Pennsylvania and high levels of diet-related disease. In response, the Philadelphia City Council charged The Food Trust to convene a task force of leaders from city government, the supermarket industry, and the civic sector, to recommend ways for expanding access to affordable, nutritious food in underserved areas. Financing emerged as a key obstacle, and the task force recommended a statewide initiative to fund fresh food retail development.

State Representative Dwight Evans championed this recommendation, and with the support of other key legislators, the Pennsylvania General Assembly appropriated \$30 million over three years to create the Fresh Food Financing Initiative (FFFI). Developed as a public-private partnership, FFFI provides one-time loans and grants to encourage fresh food retailers to locate or remain in underserved low-income communities. [The Reinvestment Fund \(TRF\)](#), [The Food Trust](#), and [The Greater Philadelphia Urban Affairs Coalition](#) are charged with implementing and managing FFFI.

[TRF](#), one of the nation's largest community development financial institutions, successfully matched the \$30 million state appropriation with more than \$90 million in private capital to create a comprehensive program to finance fresh food retailers in underserved communities. FFFI loans and grants can be used for expenses such as demolition, environmental remediation, land acquisition, equipment financing, construction financing, and workforce recruitment and training.

Since 2004, the program has approved 88 new or improved grocery stores and other healthy food retailers in underserved low- and moderate-income neighborhoods in cities such as Philadelphia and Pittsburgh as well as in rural communities such as Derry and

Williamsburg. Grocery stores, small-scale corner stores, co-ops, and farmers' markets have been supported by the FFFI. [These projects have led to 5,000 full- and part-time jobs, 1.6 million square feet of grocery retail space, and expanded food access for more than 400,000 residents.](#)

[Studies](#) have quantified the increases in jobs, wages, local tax revenues, and other economic activity that occurred when a supermarket financed by FFFI opened. These studies find that the vast majority of jobs were filled by local residents, the salaries and benefits were on par with their suburban and industry peers, and the jobs had a positive wage trajectory. The supermarkets financed by FFFI often served as retail anchors in their communities, sparking other kinds of economic activity. In addition, values of nearby homes located within one-quarter to one-half mile of the selected stores increased by 4 to 7 percent (an average of \$1,500), mitigating the downward trend in real estate values, especially in neighborhoods with weaker housing markets where the effect was larger.

In [New York City](#), [New Orleans](#), [New York State](#), [Illinois](#), and [Louisiana](#), elected officials have passed policies modeled on FFFI, and efforts are underway in California and other states and localities as well. These efforts are promising, but are not enough to address the full scope of the problem nationwide.

### **A National Healthy Food Financing Initiative**

An effort headed by PolicyLink, The Food Trust, and The Reinvestment Fund is taking this issue to the next level. Building on the work of community leaders who have pushed for decades for a national solution to the problem of healthy food access, these three groups have taken the lead in advocating to replicate the FFFI at the federal level. Momentum is building for the [Healthy Food Financing Initiative \(HFFI\)](#), a national effort that has garnered support from a broad range of organizations representing public health, children's health, civil rights, economic development, and the grocery industry. Like the Pennsylvania model, the HFFI would attract healthy food retailing investment in underserved communities by providing critical one-time loan and grant financing through a combination of public and private sources—and as a result, improve children's health, create jobs, and spur economic development across the nation.

Exciting progress has been made. In 2011, President Obama proposed funding for HFFI in his budget, and First Lady Michelle Obama is highlighting HFFI as part of her [Let's Move Initiative](#). Across the Departments of Agriculture, Treasury, and Health and

Human Services, more than \$45 million has been made available for HFFI efforts as of July 2011. Leadership and determination from the Obama administration and Congress have been critical to reaching this point. The best may be yet to come. President Obama has proposed \$330 million for HFFI in his 2012 budget, and HFFI legislation has been introduced and will be reintroduced in 2011. To sign up for email updates on HFFI, go to [www.policylink.org/KeepMeInformed/HFFI](http://www.policylink.org/KeepMeInformed/HFFI).