



Lifting Up What Works



Improving Economic Development, Employment, and Access to Healthy Food in Underserved, Low-Income Communities through a Healthy Food Retail Innovations Fund

A Memo Prepared for the Obama Transition Team

Overview

After years of disinvestment, too many urban communities across the nation lack basic services such as access to grocery stores, other local retail establishments, and banks. Residents have few local job opportunities and limited access to transit to enable them to access jobs in other communities.

In addition, many low-income urban and rural communities, particularly communities of color, lack grocery stores and other sources of affordable, nutritious, fresh food and instead have an abundance of convenience stores selling high-fat, processed, junk food and fast food restaurants. Obesity and other diet-related chronic diseases have reached epidemic proportions. Two-thirds of adults¹ and more than a third of children and teens are overweight or obese.² Studies have shown that low-income people of color make healthier choices about their diets when they have local access to healthy food.

Strategies are emerging at the local and state level to spark economic development while also increasing access to healthy food through food retailing in underserved low-income communities of color. The Obama administration has the opportunity to capitalize on these successful models and scale up effective programs, meeting goals outlined in *Blueprint for Change: Obama and Biden's Plan for America*:

- Invest in the nonprofit sector through a fund that would use federal seed money to leverage private sector funding to improve local innovation, test the impact of new ideas, and expand successful programs to scale.
- Tackle concentrated poverty by identifying and addressing unique economic development barriers of major metropolitan areas, and adding funds to the federal Community Development Financial Institutions Fund, the Small Business Administration, and other agencies.
- Support small businesses through a national network of public-private incubators.

Goals

A Healthy Food Retail Innovations Fund would use federal seed money to leverage private sector funding to develop local food retail innovations and incubate new small food retail

¹ National Center on Health Statistics, Prevalence of Overweight and Obesity Among Adults: United States, 2003-2004, http://www.cdc.gov/nchs/products/pubs/pubd/hestats/overweight/overwght_adult_03.htm, accessed November 18, 2008

² "Childhood Obesity: The Challenge," The Robert Wood Johnson Foundation, <http://www.rwjf.org/childhoodobesity/challenge.jsp>, accessed November 18, 2008



businesses in underserved, low-income communities. The Healthy Food Retail Innovations Fund would result in:

- 1) New retail stores and markets in underserved communities that would reduce health inequities and foster economic growth.
- 2) New entrepreneurial and economic opportunities for lower-income workers and people of color.
- 3) Improved access to healthy food to reduce rates of obesity and related health problems.

Challenges

Grocery retailers say they avoid locating in low-income communities of color because of higher start-up and operating costs. There is evidence, however, that when retailers have assistance with initial start-up costs, they will locate in low-income communities of color and are able to run profitable businesses. A program in Pennsylvania, the Fresh Food Financing Initiative, is demonstrating a range of exciting outcomes. The program has been commended by the National Governor's Association and the United States Environmental Protection Agency.

Successful State Model: The Pennsylvania Fresh Food Financing Initiative

In April 2003, Pennsylvania passed the nation's first statewide economic development initiative aimed at improving access to markets that sell healthy food in underserved urban and rural communities. The legislation devoted \$100 million of Governor Ed Rendell's \$2.3 billion economic stimulus package to agriculture projects, including the development of grocery stores and farmers' markets (PolicyLink can provide additional information on agricultural projects funded through Pennsylvania's economic stimulus package, and recommendations for ways to incorporate agriculture and equity into a federal economic stimulus package).³ At the same time, the governor provided additional funds to a new public-private partnership effort called the Fresh Food Financing Initiative to support the development of⁴ new stores in underserved urban and rural communities across Pennsylvania.

The Fresh Food Financing Initiative was initially awarded \$10 million by the Governor, and The Reinvestment Fund leveraged this money with private bank loans and its New Markets Tax Credits allocation to form a \$40 million financing pool for fresh food retailers that locate in communities that are underserved by conventional financial institutions. With additional state and private investment, the fund has expanded to become a comprehensive, multi-faceted \$120 million financing pool. Qualifying stores are eligible for grant funding up to \$250,000 per store and loan funding up to \$2.5 million per store. The initiative provides a range of financing resources such as pre-development grants and loans, land acquisition and equipment financing, capital grants for project funding gaps and construction, and permanent finance.

Background on the Development and Passage of the Fresh Food Financing Initiative

³ The Food Trust, Stimulating Supermarket Development: A New Day for Philadelphia, retrieved from http://www.thefoodtrust.org/catalog/resource.detail.php?product_id=47.

⁴ The Reinvestment Fund, Pennsylvania Fresh Food Financing Initiative: Providing Healthy Food Choices in Pennsylvania's Communities, retrieved from <http://www.trfund.com/financing/fffi.htm>



In 2001, the Food Trust, a nonprofit organization that develops programs and policies to promote food access and healthy eating, released a report, *Food For Every Child: The Need for More Supermarkets in Philadelphia*, which found that poor supermarket access in Philadelphia is linked to the high incidence of diet-related diseases in many low-income neighborhoods. In response to the findings, Philadelphia City Councilman Blondell Reynolds Brown asked The Food Trust to convene a task force to produce a report recommending policy changes to improve the availability of affordable, nutritious food in underserved areas of Philadelphia. This task force was comprised of over 40 experts from city government, the supermarket industry, and the civic sector.

One of the group's recommendations was a statewide initiative to fund the development of new food retailers. State Representative Dwight Evans stepped forward to help make this recommendation a reality by pushing for its inclusion in the state's economic stimulus package. The Greater Philadelphia Urban Affairs Coalition, The Reinvestment Fund (TRF), and The Food Trust were charged with implementing the Fresh Food Financing Initiative (FFFI).

Outcomes of the Fresh Food Financing Initiative

Evaluations of Pennsylvania's Fresh Food Financing Initiative have found that the public investment resulted in significant direct and indirect economic benefits for low-income Philadelphians and their regional economy:

- **New Grocery Stores.** Since its initiation in 2003, the initiative has committed \$42 million in funds to develop:
 - 58 new or renovated grocery stores in underserved low- and moderate-income neighborhoods in Philadelphia and surrounding suburbs
 - 1.4 million square feet of retail space.⁵
- **New Jobs:**
 - 3,495 new jobs have been created or retained.⁶
 - 320,000 residents have benefited from new stores built in their neighborhoods.⁷
 - The first supermarket to be funded, ShopRite of Island Avenue in southwest Philadelphia, created 258 jobs, over half of which went to local residents.⁸ Another grocery store opened in a low-income neighborhood is estimated to have generated 660 jobs.⁹
 - An analysis of an independent grocery chain that received funds from the initiative to open three additional stores found that its new employees lived in distressed urban neighborhoods in close proximity to the store, and wages

⁵ John Weidman, "Access to Nutritious and Affordable Food," USDA Understanding Food Deserts Workshop, Washington, D.C., October 9, 2008, available at <http://www.farmfoundation.org/news/articlefiles/450-Weidman.pdf>

⁶ John Weidman, "Access to Nutritious and Affordable Food," USDA Understanding Food Deserts Workshop, Washington, D.C., October 9, 2008, available at <http://www.farmfoundation.org/news/articlefiles/450-Weidman.pdf>

⁷ Tracey Giang, Allison Karpyn, Hannah Burton Laurison, Amy Hillier, and R. Duane Perry, "Closing the Grocery Gap in Underserved Communities: The Creation of the Pennsylvania Fresh Food Financing Initiative," *Journal of Public Health Management and Practice*, 2008, 14(3), 272-279, available at http://www.thefoodtrust.org/catalog/download.php?product_id=149

⁸ Pennsylvania Department of Agriculture, Pennsylvania Officials Announce Plans to Attract Supermarkets to Underserved Areas, retrieved from www.agriculture.state.pa.us/agriculture/CWP/view.asp?A=390&QUESTION_ID=131029

⁹ The Reinvestment Fund, *The Economic Impacts of Supermarkets on their Surrounding Communities*, Reinvestment Brief, Issue 4



and wage increases were at par with industry standards, including those offered by suburban stores.¹⁰

- **Neighborhood Commercial Revitalization.** Supermarkets developed by the fund served as economic anchors, with above-average job growth in the areas surrounding the stores.¹¹
- **Improvements to the Regional Economy and Increased Tax Revenue.** An economic impact analysis of a new grocery store that opened in an urban core neighborhood with financing from the initiative estimated that it contributed \$56 million to the regional economy, and bolstered local tax revenues by \$8 million.¹²
- **Improved Local Housing Markets and Assets for Low-Income Homeowners.** The values of nearby homes located within ¼ to ½ miles of a new store with FFFI financing increased by approximately four to seven percent (an average of \$1,500), mitigating the downward trend in real estate values. The effect was larger in neighborhoods with weaker housing markets.¹³
- **Improved Access to Healthy Food for Low-Income Consumers.** There are now markets in Pennsylvania selling healthy food to low-income consumers who for years had no options other than corner stores selling a limited selection of unhealthy food. Anticipated improvements in eating behaviors are being documented in a study funded by the National Institutes of Health.

Advocates say these successes were achieved because the available funds attracted the attention of developers and retailers, and served as a powerful incentive to address obstacles to development, even beyond financing, and move forward with projects in low-income communities.

Additional Studies on Economic Impacts of Food Retail

Economists have begun assessing the impacts of different types of retail efforts as well as the economic impacts of increased purchasing of fresh fruit and vegetables. Some of the findings:

- A study by the New Economics Foundation found that money spent in a **supermarket** had a local multiplier of 140 percent.¹⁴
- The New Economics Foundation study also found that money spent on a **Community Supported Agriculture box, a type of direct farmer-to-consumer sale**, had a multiplier of 250 percent.¹⁵
- In Iowa, a dollar spent at a **farmers' market** was found to generate \$1.58 in additional sales, and 100 farmers' market jobs led to the creation of 145 additional jobs in the state.¹⁶

¹⁰ The Reinvestment Fund, *Access to Supermarkets in Inner-City Communities*, Reinvestment Brief, Issue 5

¹¹ Ibid.

¹² The Reinvestment Fund, *The Economic Impacts of Supermarkets on their Surrounding Communities*, Reinvestment Brief, Issue 4

¹³ The Reinvestment Fund, *The Economic Impacts of Supermarkets on their Surrounding Communities*, Reinvestment Brief, Issue 4

¹⁴ B Ward and J Lewis. *Plugging the Leaks: Making the Most Out of Every Pound That Enters Your Local Economy*. New Economics Foundation, (2002), available at <http://www.neweconomics.org/gen/uploads/PTL%20handbook.pdf> (as cited in The Farm and Food Policy Project, 2007)

¹⁵ B Ward and J Lewis. *Plugging the Leaks: Making the Most Out of Every Pound That Enters Your Local Economy*. New Economics Foundation, (2002), available at <http://www.neweconomics.org/gen/uploads/PTL%20handbook.pdf> (as cited in The Farm and Food Policy Project, 2007)

¹⁶ Otto, D and T Varner. *Consumers, Vendors, and the Economic Importance of Iowa Farmers' Markets: An Economic Impact Survey Analysis*. Iowa Farmers' Market Association, 2005 (as cited in The Farm and Food Policy



- Doubling or tripling the amount of **fresh produce that farmers sell in direct markets** in Michigan could generate up to 1,889 new jobs across the state and \$187 million in personal income.¹⁷
- In Iowa, a 10 percent **increase in fruit and vegetable purchases from local sources** would translate to 4,094 new jobs, \$113 million in income, and \$302 million in new industrial output.¹⁸ In the city of Detroit, researchers estimate that shifting 20 percent of food spending to local foods would increase annual output by nearly half a billion dollars, creating 4,700 jobs and bringing in \$20 million in additional business taxes.¹⁹

Recommendation – A Federal Healthy Food Retail Innovations Fund

The federal government could allocate funds in the economic stimulus package to support state and local initiatives to increase food retailing options underserved urban and rural communities. This fund would be based on the successful experience of the Fresh Food Financing Initiative. To ensure that a wide range of low-income urban and rural communities are served by the program, the Fresh Food Financing Initiative model could be expanded to support a variety of food retailing efforts including:

- Developing new grocery stores.
- Improving existing small stores.
- Developing farmers' markets, community-supported agriculture, produce stands and other direct markets.

The fund would package multiple financing options for businesses of different scales and at different stages of development including:

- Grants for feasibility studies, business plan development, and technical assistance.
- Low-cost loans and loan guarantees for new infrastructure, site acquisition, and equipment.
- Tax credits for new grocery stores locating in underserved neighborhoods.

This fund could be managed by the Community Development Financial Institutions Fund (the CDFI Fund) in the Department of the Treasury. There also could be a complimentary program within the Small Business Administration that would provide targeted technical assistance to small-scale grocery retailers.

Groups eligible for funding could include:

- States and local governments. We recommend incentivizing a federal match for state or local government-led efforts, to help leverage additional funds into the program.
- Community Development Entities. Currently, the CDFI Fund certifies these entities based on whether an organization is a legally established entity, has a primary mission

Project, "The Case for Local and Regional Food Marketing," 2007, available at <http://www.farmandfoodproject.org/documents/uploads/The%20Case%20for%20Local%20&%20Regional%20Food%20Marketing.pdf>

¹⁷ Cantrell, P, D Conner, G Erickcek and MW Hamm. Eat Fresh and Grow Jobs, Michigan. Michigan Land Use Institute (MLUI) and the CS Mott Group, Michigan State University, 2006. (as cited in The Farm and Food Policy Project, 2007)

¹⁸ Pirog, R, T Van Pelt, K Enshayan, and E Cook. Food, Fuel and Freeways: An Iowa Perspective on How Far Food Travels, Fuel Usage, and Greenhouse Gas Emissions. Leopold Center for Sustainable Agriculture, 2001. Available at http://www.leopold.iastate.edu/pubs/staff/ppp/food_mil.pdf (as cited in The Farm and Food Policy Project, 2007)

¹⁹ Michael Shuman, "Economic Impact of Localizing Detroit's Food System," available at <http://www.fairfoodfoundation.org/pdf/handout070617.pdf>



of serving low-income communities or low-income people, and maintains accountability to the residents of the low-income communities that it serves.

To ensure that underserved, low-income communities of color would benefit from these programs, we recommend that the following criteria be used in determining funding priorities²⁰:

- The income level of the community/communities and the degree to which the community/communities is/are underserved by retail food markets.
- The extent to which the project would positively impact economic conditions in an economically distressed area. Applicants who demonstrate a commitment to strong local hiring practices would receive additional consideration.
- The degree to which the proposed project(s) will improve, increase, or preserve retail access to high quality, culturally appropriate fruit, vegetables, and other healthy food for low-income residents.
- The capacity of the applicant(s) to successfully complete the project and the likelihood that the project will be economically self-sustaining.
- The degree to which the underserved community/communities support(s) the project, which could be demonstrated through letters of support from local community-based organizations, faith-based organizations, civic organizations, or local community members.
- The project demonstrates a creative partnership between the public sector, the private sector, and/or the nonprofit sector.
- For state and local government applicants, the presence of matching funds.
- Other criteria that may be determined by the Secretary.

Conclusion

Bringing new food retail outlets into underserved communities has multiple benefits for consumers that previously had to travel outside their neighborhood to buy groceries, for disinvested neighborhoods, and for local and state governments.

These benefits include **direct economic impacts** such as:

- New jobs.
- Increased local and regional economic activity.
- Additional local and state tax revenues.

They also include significant **indirect economic impacts** including:

- Strengthened neighborhoods and neighborhood housing markets.
- Increased assets for low-income homeowners.
- Workforce development.
- Productive use of vacant and abandoned land.
- Additional spending in the local economy generated by the new store and the new jobs it creates.
- Serving as commercial magnets, bringing new foot traffic to neighborhoods and increasing spending in nearby stores, cafes, and restaurants.

²⁰ Legislation to replicate Pennsylvania's FFFI has been introduced in other states, including in California (SB 48 by Senator Alquist, as amended August, 2007) and New Mexico. These criteria are partially based on the criteria in the proposed California legislation. That California bill was sponsored by PolicyLink, the California Center for Public Health Advocacy, and the American Heart Association and supported by a large coalition, including the California Retailers Association. There was no opposition to the measure.



New food retail outlets also help **reduce obesity rates and improve health outcomes** by providing access to healthy foods in communities that have long had predominantly or exclusively unhealthy options.

Thank you for your interest in this area, and we look forward to additional discussion about this recommendation²¹.

About PolicyLink

PolicyLink is a national research and action institute advancing economic and social equity by Lifting Up What Works®.

PolicyLink work is guided by the belief that those closest to the nation's challenges are central to the search for solutions. With partners in cities and regions across the country, PolicyLink translates promising practices into public policy, supports advocacy campaigns, engages in coalition development, and helps bridge the traditional divide between local communities and policymaking at the local, regional, state, and national levels.

By developing and implementing multifaceted strategies, PolicyLink seeks to ensure that everyone—including low-income people and communities of color—can participate and prosper in America. PolicyLink has deep expertise in a number of the pressing issues facing the nation, including infrastructure equity, community strategies to improve health, and achieving the fair distribution of affordable housing throughout regions.

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²¹ PolicyLink has prepared a comprehensive memo that summarizes several ideas for increasing access to healthy foods.