Stimulating Supermarket Development: A New Day for Philadelphia

food for every child
Dear Neighbor,

As co-chairs of the Food Marketing Task Force, we are very pleased to present this report, containing the recommendations of task force members on how city and state officials can increase the availability of nutritious, affordable food in communities throughout Philadelphia.

The task force convened more than 40 experts from the private, public, and civic sectors who build and operate supermarkets, plan and finance the development of supermarkets, and work with communities and families who deserve better access to food. Over a twelve-month period, these experts met and developed ten policy recommendations that the city and state could implement to stimulate more supermarket development in Philadelphia.

The recommendations require changes, but are built on the work that city and state officials have begun. The City of Philadelphia Commerce Department is working closely with supermarkets interested in developing urban stores to identify sites.

Supermarkets are not the answer for every community, although it is clear that they are places where people can find the greatest variety of fresh, affordable, and nutritious food. The success of new supermarkets in Philadelphia and elsewhere has demonstrated that there is substantial untapped demand for food retail. Taking advantage of this opportunity makes good business sense, creates new jobs, and contributes to the vitality of Philadelphia’s neighborhoods.

Implementing the recommendations outlined in this report will require strong private, public, and civic sector leadership to market and attract new supermarkets to Philadelphia. We deeply appreciate the hard work and commitment of the Food Marketing Task Force, and City Councilwoman Blondell Reynolds-Brown’s initiative that led to the formation of the task force. Together, our work now begins in earnest, to ensure that there is fresh and nutritious food for every child.

Sincerely,

Christine James-Brown
Past President and CEO
United Way of Southeastern Pennsylvania

Walter Rubel
President and CEO
United Way International

ACKNOWLEDGEMENTS:

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To protect the health of children and families by ensuring access to affordable nutritious food, and

To identify neighborhoods with unmet demand for food retail, where the development of new stores would create jobs and contribute to the revitalization of Philadelphia,

The following recommendations should be enacted:

1. The City should adopt food retailing as a priority for comprehensive neighborhood development.
2. The City should employ innovative, data-driven market assessment techniques to highlight unmet market demand in urban neighborhoods.
3. The City should identify targeted areas for supermarket development and promote them to real estate developers and the supermarket industry.
4. The City should give priority to assembling land for supermarket development.
5. The City should reduce regulatory barriers to supermarket investment.
6. The City should market the available public incentives to maximize impact on supermarket site location decisions.
7. City and State economic development programs should be made available to the supermarket industry.
8. The Commonwealth of Pennsylvania should develop a business financing program to support local supermarket development projects.
9. The appropriate city, regional, and state transportation agencies should develop safe, cheap, and convenient transportation services for shoppers who do not have access to a full service supermarket.
10. The City should convene an advisory group of leaders from the supermarket industry and the civic sector to guide the implementation of these recommendations.
The City should adopt food retailing as a priority for comprehensive neighborhood development.

Philadelphia’s neighborhoods would benefit from a strategic plan focused on stimulating new investments and improvements in the food retail sector. A strong citywide food retail initiative would identify strategies to expand and improve access to affordable and nutritious food in Philadelphia’s neighborhoods. The initiative could include the following services:

- centralized project management and government support for food retail projects;
- a single point of access for information about neighborhood retail development opportunities;
- customized market information about specific development opportunities;
- an agreement with the Philadelphia Police Department to deliver effective security programs; and
- a strategic plan to coordinate retail initiatives with neighborhood needs.

Example:

In Chicago, Illinois, the Retail Chicago Program designated a single agency to address the multiple concerns of potential retail developers. Retail Chicago successfully attracted new grocery stores to long-underserved neighborhoods. Retail Chicago’s programs simplify the approval process, identify measures to facilitate land assembly, involve nonprofits as potential partners and assemble a range of financial incentives. Retail Chicago staff aggressively promotes targeted market areas to retailers. Neighborhood-level retail analysis of market areas is publicized through the internet and print materials. For each market area, the staff develops a packet that includes maps, square foot vacancies, demographics, traffic routes, and a qualitative description of the surrounding neighborhood. Retail Chicago gives tours of the targeted sites to potential retailers with City Aldermen. Finally, Retail Chicago staff and City Aldermen attend the annual International Council of Shopping Centers conference to identify potential retailers and market the targeted areas of the city.

INTRODUCTION

With strong leadership and dedicated resources from Pennsylvania and Philadelphia, new supermarkets and quality food stores can create jobs and contribute to community revitalization. The Food Marketing Task Force, a group of leaders from the supermarket industry, government, and the civic sector, believes that this list of ten recommendations supports the City of Philadelphia’s commitment to protecting the health and welfare of its families and children.

The Food Trust, a nationally-recognized nonprofit organization, issued a special report entitled “The Need for More Supermarkets in Philadelphia,” as part of an initiative to provide “food for every child.” The research study concluded the following:

- Philadelphia has too few supermarkets in low income areas of the City;
- low income Philadelphians suffer from heart disease, cancer, and diabetes at rates significantly higher than the general population;
- cutbacks in food stamp and public assistance programs have strained family budgets in many Philadelphia neighborhoods; and
- access to fresh, affordable, nutritious food must be improved if the health and well being of Philadelphians is to improve.

The Health and Human Services Committee of Philadelphia’s City Council held public hearings on supermarket access in 2002. Following the hearings, City Councilors asked The Food Trust to convene the Food Marketing Task Force to educate the public, policy makers, and business leaders about the need for more supermarkets, and to develop public policy recommendations intended to reverse the documented diet and health problems. The Task Force, co-chaired by Christine James-Brown, President and CEO of the United Way, and Walter Rubel, Director of Government and Community Relations of Acme/Albertsons, Inc., met to craft a plan for supermarket development in Philadelphia. With the advice and consultation of Task Force members, ten recommendations are presented for action to the Mayor and Philadelphia City Council.

Food Marketing Task Force members, and The Food Trust directors and staff will continue to advocate for better access to nutritious, affordable food for families, nutrition education in schools, and programs that deliver wholesome “food for every child.”

“...up to 25% of RETAIL DEMAND in inner cities is currently unmet.”
The City should employ innovative, data-driven market assessment techniques to highlight unmet market demand in urban neighborhoods.

Accurate information about the underlying market potential of City neighborhoods is crucial to attracting new food retail investment. Philadelphia should follow the lead of other major cities by funding and disseminating an innovative retail analysis of its neighborhoods.

In the last five years, a new consensus has emerged that urban retailers have underestimated the potential of emerging markets in inner city areas. New data-driven market analysis techniques have shown that many national market analysis consulting firms undercount city residents, make generalizations, and do not include local data in trend analysis. These models often miss many positive developments in today’s dynamic, diverse metropolitan economy. Using new, more accurate data sources, metrics, and modeling techniques can reveal the unmet demand for food retail in urban areas.

Example:
The City of Milwaukee’s Department of City Development has successfully used independent data analysis to attract new supermarket chains to the city. Milwaukee utilized a state-of-the-art methodology relating detailed income tax filing data and other current information on residents’ spending patterns to describe the income concentration and spending power around commercial districts. The City mapped the purchasing power and economic assets of all commercial districts in the city. The purchasing power profile reports were then posted on the City of Milwaukee’s website. Milwaukee’s data showed that some of the strongest retail markets in the city have been ignored in part due to marketing stereotypes promulgated by commercial marketing firms, misconceptions about income status, and persistent “urban legends” about the absence of workers in inner city neighborhoods.

The City should identify targeted areas for supermarket development and promote them to real estate developers and the supermarket industry.

The City of Philadelphia should make it easier for food retailers and developers to identify new market opportunities in the city. The City should provide developers and industry contacts with customized market information on specific development opportunities to make Philadelphia more competitive and better serve the needs of Philadelphia residents for access to affordable, nutritious food. The City should consider packaging multiple sites for supermarket development.

Example:
In Dallas, Texas, a study showed a paucity of supermarkets in predominantly low-income South Dallas. The city negotiated a comprehensive package of financial incentives with Houston-based Fiesta Mart and asked the store to develop a minimum of five sites. The first, a 45,000 square foot store in a low-income neighborhood, was extremely successful. These incentives have also attracted the development of successful stores by locally-owned chains.
The City should reduce regulatory barriers to supermarket investment.

Philadelphia’s regulations and business taxes inhibit supermarket development. Recommendations made by the Philadelphia Tax Reform Commission would address these issues, if implemented. In particular, the Food Marketing Task Force recommends the following two relatively simple changes:

- First, as proposed by the Tax Reform Commission, the City should incrementally eliminate the Business Privilege Tax, which includes the Gross Receipts tax.
- Second, the City should streamline the permits and approval process for supermarkets.

Example:
Returning supermarkets to Philadelphia’s inner city neighborhoods will result in the creation of new jobs and contribute to community revitalization. The Philadelphia Tax Reform Commission estimates that in Philadelphia, high tax rates have contributed to a loss of more than 250,000 jobs and more than 430,000 residents since 1970. Using a conservative estimate of job creation potential, one urban supermarket generates approximately 50 full-time jobs and 100 part-time jobs.

The City should give priority to assembling land for supermarket development.

Adequate sites to accommodate supermarkets near areas where they are needed most are difficult to identify and assemble. The City should give priority to acquiring, assembling and conveying land for new supermarket development.

Example:
In Baltimore, Maryland, the mayor made a promise to bring quality goods and services back to the City. The Baltimore Development Corporation, the city’s quasi-public economic development arm, works closely with developers to assemble land for supermarket development. Since the beginning of the initiative, many supermarkets have been developed in the city. The mayor’s administration has worked to make the government a reliable and effective partner for businesses and their customers. A Sav-A-Lot company spokesperson said: “Our market entry into Baltimore a couple of years ago was aided in part by (the) mayor’s call for grocery stores to operate in many of the city’s underserved communities. Through Sav-A-Lot's concerted efforts with the mayor’s office, the Baltimore City Council and many community groups, we now operate approximately 12 stores in the city.”
City and state economic development programs should be made available to the supermarket industry.

The food retail industry needs public support to overcome the costs of urban development, which are on average 30% higher than in the suburbs. Existing economic development financing programs are often not available to food retailers. Supermarkets and food retailers have not traditionally been viewed as drivers of economic growth. Rather, state economic development financing programs have focused on attracting manufacturers or stimulating the development of small businesses; retailers have often been specifically excluded from economic development programs. Public financing programs need to be restructured so that they can be made available for supermarket investments.

Example:
The public sector could play a major role in bridging the financing gap in urban grocery store development. Two major sources of private financing for retail development, which were effective in supporting new store development in urban areas, are no longer available. In the 1990s, the Local Initiative Support Corporation’s (LISC) The Retail Initiative and Fannie Mae’s American Communities Fund focused on closing the financing gap and returning retail to cities.

LISC’s The Retail Initiative was a real-estate equity fund that partnered with community development corporations to develop full-service supermarket-anchored facilities and retail outlets. The Retail Initiative funded 8 supermarkets nationwide between 1997 and 2002. Fannie Mae’s American Communities Fund was a debt and equity investment fund providing financing for underserved communities where traditional capital is limited or unavailable. The American Communities Fund supported the development of one free-standing supermarket (Philadelphia’s Borinquen Gateway plaza) before Fannie Mae refocused the program on housing and community development projects. The success of these initiatives illustrates the importance of public support in returning retail to urban communities. The public sector can play a key role in closing the financing gap to build new stores in underserved communities.

The City should market the available public incentives to maximize impact on supermarket site location decisions.

If Philadelphia is going to attract new supermarket development, the City must help offset the higher costs associated with zoning regulations, tax burdens, and complex governmental processes. Key to the success of this effort is the aggressive marketing of the package of public incentives targeted to support new investments, expansions, and improvements in food retailing in the City. These incentives should be linked to those areas and sites identified by market analysis.

Example:
In Gary, Indiana, the City combined top-notch market analysis with a package of tax abatements, Empowerment Zone benefits, and assistance with land assembly. The City Council used data from a marketing assessment to successfully attract a nationally recognized grocery franchise—County Market, owned by SuperValu—to a site that had been vacant for seven years. The City also credits the new market data with more supermarkets that are slated for construction. “We see the potential for Gary,” said a director of Midwest market development for County Market. “We see the location as a high-profile, growth opportunity.”
The Commonwealth of Pennsylvania should develop a business financing program to support local supermarket development projects.

The Commonwealth of Pennsylvania should dedicate funds to stimulate the development of supermarkets in underserved communities. The dedicated fund would be available to municipal governments, nonprofits, supermarket site developers, and supermarket companies to fund soft costs, including feasibility and marketing studies, as well as to offset development and construction costs.

Example:
In 2004, the Pennsylvania legislature enacted a nationally-significant economic stimulus package (SB 1026) containing provisions supporting the development of supermarkets in underserved communities throughout Pennsylvania. Promoted by Governor Rendell and an alliance of food and farming interests, this legislation positions Pennsylvania as a national leader in developing supermarkets in underserved communities and promoting the sale of Pennsylvania farm products at farmers’ markets. This initiative will improve access to nutritious foods for all Pennsylvanians, stimulate the development of community-based food retail enterprises, and generate additional markets for Pennsylvania’s farmers.

The appropriate city, regional, and state transportation agencies should develop safe, cheap, and convenient transportation services for shoppers who do not have access to a full service supermarket.

Low-income households are 6 to 7 times less likely than other households to own a car—and also less likely to live in a neighborhood with a supermarket. Transportation expenses can contribute an additional $400 per year to household budgets—this represents an increase of nearly 20% of the annual household food budget for the lowest income families. A transportation needs assessment should be conducted to explore transportation barriers in neighborhoods where there is insufficient demand to justify supermarket investment.

Example:
An extensive study of store-operated shuttle services in low-income communities in California showed that these programs have the potential to improve the fiscal health of urban stores by strengthening customer loyalty and winning new customers.

A number of innovative grant-funded food transportation programs have been tried in recent years. For instance, the Hartford Food System in Connecticut partnered with a supermarket to provide a free phone order grocery delivery system to seniors. Elsewhere, public transportation routes have been modified to link shoppers to stores.

The Austin, Texas, public transportation system worked with the Austin Food Policy Council to start a “grocery bus line,” linking low-income residents with two supermarkets. Some cities have developed incentives for businesses to locate along fixed transportation routes. For instance, the state of Minnesota offers a 10-15% tax break for development within a quarter-mile of fixed route transit lines. Other cities, such as Portland, Oregon, require pedestrian-friendly development along major transit routes with parking located behind the store.
The City should convene an advisory group of leaders from the supermarket industry and the civic sector to guide the implementation of these recommendations.

Lessons from other cities show that public leadership from the supermarket industry, public officials and the civic sector is crucial to the redevelopment of supermarkets in urban areas. The complementary strengths of the public and private sectors should continue to guide the implementation of these recommendations.

Example:
Major civic projects require strong and visionary leadership. In Philadelphia, the attraction of significant new hotel investments was made possible by a public-private partnership that combined strong leadership by the Mayor, public funding through PIDC, and private commitments by business leaders. Likewise, the development of the Pennsylvania Convention Center, the Kimmel Center and the National Constitution Center would not have occurred without key civic and public sector leadership.

Nationally, public leadership has also proved critical to the development of supermarket in low-income neighborhoods. In Rochester, New York, the mayor ran his re-election campaign promising a new supermarket in a low-income neighborhood called Upper Falls. Despite several overtures from city planners, locally-headquartered Wegmans showed little interest in the neighborhood. Tops Markets, Inc., the region’s second-ranked chain wanted to develop multiple stores in Rochester to counter Wegmans expansion into its home base in Buffalo, New York. The city offered a five-store package, including Upper Falls, which helped Tops break into the Rochester market.
BUILDING STRONG COMMUNITIES THROUGH HEALTHY FOOD

The Food Trust is a nationally-recognized nonprofit organization working to ensure that every child and family has equal access to affordable and nutritious food. The Food Trust’s programs work to increase the availability of fresh foods, develop a stable food supply in underserved communities, and improve the connection between urban and agricultural communities.

The Food Trust partners with over 100 organizations in the Mid-Atlantic region. Our goal is to create a fair and responsible food and farming system that optimizes resources for lower-income people, especially children, and consists of better food stores, nutrition education in schools, and grassroots leaders in underserved communities working with state and federal government leaders to ensure that everyone has equal access to affordable and nutritious food.

To bring this new food system to fruition, we focus our work in three key areas: initiatives to improve food access; education and marketing campaigns to help consumers improve their health and sustain the environment; and public policies that advance these initiatives. We work with farmers, teachers, health practitioners, food retailers, nutrition educators, policy makers, grassroots leaders, anti-hunger advocates, and nonprofit and for-profit entrepreneurs.

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