Getting to Grocery

Tools for Attracting Healthy Food Retail to Underserved Neighborhoods
Acknowledgments

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1. Opportunities and Challenges

Bringing a grocery store into an underserved neighborhood not only makes fresh produce and other healthy food more accessible, it can provide living-wage jobs, raise the value of surrounding property, and anchor and attract additional businesses to the neighborhood.

A wide range of public, private, and nonprofit organizations work to support projects—like grocery store development—that help build a healthy economy. This guide is designed to help advocates and public health agencies coordinate and leverage tools available through local government and other organizations to bring healthy food options into low-income communities.

Economic development refers to a range of activities that help build and sustain a healthy economy, which generally fall into these three categories:

**Business attraction/retention**
Strategies to bring and keep retailers and jobs in the city, ensuring they can thrive

**Neighborhood revitalization**
Programs to transform distressed areas into vibrant places for residents and workers to live, work, and play

**Workforce development**
Services to help residents find and sustain meaningful employment

Local governments and other agencies can tap into an array of economic development resources to help attract grocery stores to their community.

Economic development tools and funding sources are often scattered across city departments and other organizations, and most were created for purposes other than healthy food retail attraction. It takes creativity and ingenuity to bring these resources together to successfully bring a grocery store into a neighborhood.

Most cities would like to attract and develop healthy food retail, but they face many challenges:

**Lack of viable sites**
Grocery stores require acres of space for parking, loading areas, and the store itself. Finding a large enough parcel of land is often the biggest challenge in bringing a grocery store to a community.

**Cost of land and development**
Property and development expenses are significantly higher in cities than in suburbs, and urban sites often require costly environmental cleanup.

**Lengthy approval processes**
The design review and public hearing process typically associated with large development proposals can create delays that increase the overall cost of a project and could make the difference in its feasibility.

**Negative perceptions of the neighborhood**
Potential retailers can be deterred by the assumption that stores in low-income areas have higher operating costs due to theft and increased security needs.

**Lack of political will**
Many elected officials fail to prioritize grocery attraction for underserved neighborhoods—in some cases believing that the private sector, if left alone, will meet the community's needs. Voter constituencies, when they're organized and proactive, have great power to influence elected officials' agendas and the priorities for city resources.

**Perceived lack of spending power**
Inner-city neighborhoods tend to have dense, diverse populations consistently underrepresented in census counts, often leading retailers to believe these neighborhoods lack the spending power to support a full-service grocery store.

The good news is that public health advocates can play a key role in developing solutions to overcome these challenges in their communities.
Grocery store attraction can be a long-term and difficult effort. But understanding how to build and leverage economic development strategies and partnerships can go a long way toward helping communities advance their healthy food retail goals.

In this guide, the term healthy food retail refers to stores and other outlets that provide affordable, fresh produce and other foods in a culturally appropriate setting. It can include full-service grocery stores, small stores or farmers’ markets that sell produce, and restaurants that provide healthy choices. This guide focuses on tools and strategies for attracting grocery stores. For more information on attracting other forms of healthy food retail, please see the resources listed on page 12.

The steps outlined here are best carried out through a coordinated partnership of community organizations, local elected officials, and government agency staff. To join or initiate an effort to attract a grocery store to their community, advocates should connect with their local economic development department and appropriate neighborhood organizations.

1. **Designate a main point of contact** at the city. It should be someone with the power to convene local government agencies and build incentive packages. Possible candidates include a staff member from the Mayor’s office or the city’s economic development department (see “Identifying Partners and Building Relationships,” page 9).

2. **Engage elected officials,** who have the power to influence city priorities and get things done—and they sometimes have separate pots of funding to distribute at their discretion. Set up meetings with elected officials to discuss the need for healthy food retail in your neighborhood. Brainstorm ways to direct existing resources to supermarket development projects.

3. **Learn about the grocery industry.** Find out what issues are facing the industry in general and, more specifically, stores in your city. Which stores are opening or closing, and where? What regional factors—superstores, online shopping—are affecting business? To develop realistic strategies and expectations, it is important to understand how the grocery industry operates and what makes a store economically viable.

4. **Identify obstacles** deterring retailers from locating in target neighborhoods, and begin to develop strategies and data to address them. If security is a concern, for example, research public safety programs and incentives available through local government and consider applying “crime prevention through environmental design” (CPTED) principles to the store design. If finding qualified employees may be a problem, find potential workforce development partners from community and governmental organizations.

5. **Assess possible sites,** including buildings that may soon become vacant when a lease expires or the business owner retires. Full-service grocery stores typically range from 35,000 to 65,000 square feet and require multiple acres and parking, though some independent stores and a few national chains are developing models for 10,000 to 15,000 square feet. Learn about local zoning and other conditions on the site to help establish feasibility.

6. **Work with the community to identify desired retailers,** and learn more specifically what these stores require. Find out about the retailers’ space needs (including whether the site must be near a highway or on a corner lot), as well as target demographics, often available online or through the annual Retail Tenant Directory.
Develop marketing materials and a preliminary incentive package to sell the retailer on the neighborhood and any available sites. Include unique amenities or information about the cultural niche, as well as basic demographic trends, data on local spending power, and any information about parking and the volume of passersby. Also describe any incentives for businesses to locate in the area, such as tax credits or façade improvement programs (see “Putting Together an Incentive Package,” page 6).

Negotiate a community benefits agreement, a contract with a developer that details the benefits a community will see from a development project. In general, the kinds of “benefits” garnered depend on how much leverage the community has with the developer and how much profit the project will generate. Because the supermarket industry operates on a tight profit margin, some developers argue that the grocery store is itself a community benefit.

Expedite the development process by working with the retailer and developer to overcome obstacles. A designated city staffer can help shepherd key projects through the pipeline, offering fast-track review of plans and permit requests. Reducing the uncertainty in the permitting process is a very attractive incentive for developers.

Ensure the store’s survival and growth by maintaining a long-term collaboration with the retailer. Consider forming workforce development partnerships to prepare community residents for employment at the store. Partner with local police department to ensure adequate levels of community policing.

Collecting Data

Data—documenting health disparities, residents’ desire for a grocery store, or untapped spending power—can help advocates make the case for grocery attraction. But communities frequently spend thousands of dollars to obtain data before establishing whether the information is needed, and retailers rarely choose not to locate in targeted neighborhoods because of a lack of data.

To ensure the most strategic use of time and money, start by assessing data that already exists. What studies have been done? Where are the gaps? Do you need data on health disparities to help elected officials prioritize grocery attraction, or data on spending power and residents’ preferences to inform retailers about opportunities in a neighborhood? Advocates can work in partnership with city agencies and other local organizations to obtain and publicize the most relevant data.

If the political environment is unfriendly to advocacy efforts, it might be important to employ data earlier in the process—using data on health disparities and limited access to healthy food, in particular, to motivate elected officials to prioritize coordinated grocery attraction in targeted neighborhoods citywide.

Retailers’ real estate departments develop their own data and have their own formulas for assessing feasibility. They tend to respond best to basic, inexpensive demographic data from communities, along with promotional information about the neighborhood and incentives available. Data on health disparities tends to be most useful in securing philanthropic funding and persuading elected officials to support healthy food retail efforts.
Cities use many strategies to bring businesses into the area, often developing specific initiatives to attract retailers to targeted neighborhoods. Economic development departments and their community partners manage the programs described here, though it is rare for a city to comprehensively engage in all of them.

**Retail Recruitment**
Ideally, a city designates a staff member to reach out to retailers and help them establish in targeted areas. Retail recruitment typically involves developing promotional materials to interest retailers in a particular neighborhood, engaging with potential retailers to inspire interest in the neighborhood, and helping retailers find available land or vacant commercial spaces.

**Development Support**
Cities can help developers acquire parcels of land, provide financing to reduce development costs, build amenities (such as a parking garage or streetscape improvements) to make the site more appealing to developers, and offer financial incentives for environmentally sustainable, cost-efficient design and operation.

3. **Using Economic Development Programs to Attract Grocery Stores**
Permits and Zoning

Developers must obtain permits and in some cases change zoning designations before they can start construction. Large projects—such as grocery stores—will typically require extensive documentation, modifications to existing regulations, and approval by the planning commission or redevelopment agency. One or more public hearings will also be required. Developers may be required to modify their designs multiple times, during which they continue to pay for the land and other costs. Because the potential uncertainty of this process can deter developers from taking interest in a city or neighborhood, some cities are developing “fast-track” programs to reduce the time it takes to gain approvals. For example, Los Angeles has developed an interagency working group to reduce the steps in the entitlement process from 12 to two. Cities may also designate a staff person to ensure the process is smooth and quick.

Community Consensus

Through their support or opposition, organized community members have the power to speed up or derail a project. A lack of community consensus on any aspect of a project, from parking requirements to store format, can either freeze a desired project or allow an undesirable one to move forward. Communities that are able to build consensus, clearly articulate their needs, and provide support throughout the review process are strong incentives for developers. The consensus-building process often requires the community to take a stance on issues such as alcohol sales, unions, and parking—difficult decisions best accomplished with sufficient time and facilitation. Public health department staff can play a critical role in helping community residents articulate their needs and build consensus early in the planning process.

Neighborhood Promotion

City agencies and community-based organizations, often in partnership, oversee projects to improve commercial districts and transform their image. Quality-of-life (including streetscape and safety) improvements and marketing efforts can help overcome negative perceptions of a neighborhood, rendering it more attractive to retailers.

Workforce Development

Cities can connect residents with work opportunities by providing vocational and work readiness training, job referrals, and other employment services. Workforce programs (which may be offered by community partners or by the retailer) may be needed to help retailers recruit, hire, train, support, and retain workers at all levels.
Cities can use a variety of incentives to sell prospective retailers on the value of locating in a particular neighborhood, from tax credits to services that reduce the time and costs involved in developing a site. Most of the incentives detailed in this section were not designed with grocers’ needs in mind, and they are often provided through various city departments in a haphazard and uncoordinated way—but creative city officials and their community partners can skillfully bundle and communicate an effective package to prospective retailers. To be useful to grocers and grocery developers, business incentive packages must be tailored to meet the needs and overcome obstacles of a specific site, which requires an intimate understanding the development process, the neighborhood, and the grocery industry.

**Tax Credits**

It takes some sleuthing and ingenuity to identify and put to use the city, state, and federal tax credits available to grocery retailers. The tax credits listed on the page at right are available for businesses opening in specific geographic areas, and eligibility criteria vary from program to program. For instance, the U.S. Department of Housing and Urban Development designates certain urban communities as Empowerment or Enterprise Zones, making them eligible for federal grant funds and various tax benefits.

Check with your local economic development agency to determine which neighborhoods are eligible for these and other tax credit programs.

Many retailers choose not to pursue tax credits. A Los Angeles study found that grocery operators can save about $2 million dollars annually through tax credit programs, but many say the paperwork and monitoring activities are too cumbersome to pursue. Better outreach by city planning and economic development agency staff can help retailers understand what tax credits can mean for their bottom line.
Empowerment Zone (EZ) tax credits

➤ Bonds: Below market rate financing for acquiring and building commercial or retail facilities within the EZ. Low interest rate, tax-exempt private activity bonds to finance retail, commercial, or industrial projects in the EZ. Financing ranges from $2 million to $20 million.

➤ Section 179 deductions: Allows businesses to deduct all or part of the cost of eligible property in the year the property is purchased and used. Businesses in an EZ can increase their Section 179 deduction up to $35,000 on this qualifying property. This deduction is substituted for taking depreciation deductions over a specific recovery period.

➤ Brownfields tax deduction: Provides businesses with an incentive to clean up sites purchased between 1998 and 2004 that are contaminated with hazardous substances. Businesses can elect to deduct qualified clean-up costs in the tax year that the costs were incurred.

➤ Rollover of capital gains on sale of EZ assets: A taxpayer can elect to postpone capital gains on the sale of Empowerment Zone Assets (EZAs) such as stock, partnership interests, and business property of an EZ business held for more than one year if replacement property is purchased within 60 days. The amount of gain rolled over cannot exceed the cost of the replacement asset. Moreover, the incentive does not eliminate tax payment but postpones payment, which can be advantageous for tax planning purposes.

➤ Partial exclusion of capital gain: Exclusion of 60% of capital gain on the sale of small business stock in an EZ business.

➤ Federal Renewal Community (RC):
  • Work Opportunity Credits: Up to $2,400 against federal tax liability for each employee hired from groups with traditionally high unemployment rates or other special employment needs, including youth who live in the EZ or RC.
  • Welfare-to-Work Credits: Up to $3,500/first year and $5,000/second year for each newly hired long-term welfare recipient.

➤ Commercial revitalization deductions: Deduction of up to 50% of construction and acquisition costs up to $10 million in the year a commercial building is placed in service, or deduction of the full amount of eligible costs over ten years.

➤ Environmental cleanup cost deductions: Businesses can deduct qualified cleanup costs in Brownfield sites.

➤ New Markets Tax Credits: Provide investors with a credit against their federal taxes of 5-6% of the amount invested in a distressed area.

➤ HUBZone (Historically Underutilized Business Zone): Contracting opportunities for qualified small businesses, potentially relevant to the construction process for food stores.

State Enterprise Zone tax credits

➤ Hiring tax credit: Against state taxes for hiring a qualified employee who is participating in designated job-training programs or lives within the Targeted Employment Area (TEA). Up to $31,570 can be claimed over a five-year period by an Enterprise Zone business as a tax credit for each eligible hired employee. The employer can take a tax credit of 50% of wages paid to a qualified Enterprise Zone employee in the first year of employment. Subsequent years decline by 10%. Wages, which qualify for the hiring tax credit, range from minimum wage ($6.75 per hour, effective 1/1/02) up to 150% of minimum wage, or $10.12 per hour.

➤ Business expense deduction: In the first year, up to $20,000 of the cost of qualified personal property placed in a Zone.

➤ Net operating loss carryover: For up to 15 years for individuals or corporations, taken against income from a Zone.

➤ Net interest deduction: Allowed by lenders on interest received from loans made to entities conducting business in a Zone.

➤ Sales and use tax credit: Against such taxes paid for qualified machinery used exclusively within a Zone (limit of $1 million in purchases for individuals and $20 million for corporations).
Predevelopment Assistance

The predevelopment process is long, unpredictable, and costly, particularly in California. Cities often provide services to potential developers and retailers to reduce the time and cost at every step, from securing the site to starting construction. However, cities may not have staff with the time, experience, or power to focus successfully on bringing grocery stores into targeted neighborhoods. Predevelopment assistance most useful to grocery development includes:

Site identification and acquisition
- Identify potential development sites
- Package multiple sites across city/area to make more attractive to developers/operators
- Assemble parcels to create a large enough development site
- Assist in negotiation with the property owner for site control or in securing a low-cost long-term lease
- Provide financial and legal resources for site preparation and environmental clean-up

Community engagement
- Involve local community organizations in the planning and development process
- Facilitate relationship between the retailer and the community
- Work with the community to develop solutions to project obstacles

Infrastructure development
- Develop public parking facilities adjacent to the site or underground
- Provide infrastructure (e.g., streetscape and transportation) improvements

Regulatory Incentives

Cities can provide special treatment to “priority projects,” either by relaxing certain zoning requirements or ensuring a predictable, speedy approval process. Zoning regulations are often out of date, containing requirements that deter grocery store development. Regulations should be updated to include neighborhood commercial or commercial districts with development standards appropriate for grocery stores:
- Ensure a range of suitable lot sizes
- Incorporate loading areas for truck delivery
- Develop flexible parking requirements
New projects must go through an entitlement or permit review process to ensure compliance with local law and standards, and to allow opportunities for public comment. The city can simplify or expedite this process for priority projects:
- Offer fast-track approval for conditional use permits, zoning changes, site plan and design review
- Provide clear information about permitting and other development processes requirements
- Designate a city staff person to shepherd the project through the entitlements process

Operations Assistance

Once a grocery store is built, cities can take steps to help reduce operating costs. This type of assistance tends to be invoked when a store is in danger of closing. Working proactively with retailers can help ensure the long-term viability of the project.
- Provide property management support, including public safety and community policing
- Develop integrated workforce development strategies, including local hiring assistance, job training, and retention programs
- Offer funds for façade improvements and equipment upgrades in outdated stores
- Implement energy efficiency and other sustainability measures
Many city departments and community-based organizations are involved in economic development activities. Every city operates differently, sometimes combining some of the functions outlined below into one department. While many services are provided in-house, some cities also fund outside groups for targeted objectives.

City agencies, NGOs, and neighborhood residents all have a critical role to play in attracting healthy food retail to underserved communities. Local government agencies have access to information about property that community members are often unable to find, but communities may have a better understanding of a neighborhood and its needs.

City Agencies

- **The Mayor’s office** usually has at least one staff member dedicated to economic development. The Mayor may direct staff to coordinate other city departments and to make sure priority initiatives are fast-tracked. The office’s size, composition, and expertise will differ significantly from city to city and depend on the incumbent’s objectives.

- **Economic development departments** manage the city’s overall economic development strategy, including business recruitment and retention, major real estate projects (such as army base reuse), and workforce development. Staff members tend to focus on a particular industry, such as biotechnology, or act as project managers for real estate projects.

- **Redevelopment agencies** oversee the implementation of redevelopment plans (developed with community input) in the city’s designated redevelopment areas. (For more about redevelopment tools, see “How to Use Redevelopment to Create Healthier Communities,” a fact sheet at www.healthyplanning.org.)

- **The planning department** is responsible for the city’s general plan, zoning, municipal land use decisions, and environmental studies. Planning departments work with developers to ensure that proposals comply with the general plan, city ordinances, and urban design guidelines. They may convene the community to conduct neighborhood visioning and planning processes. The planning department also investigates and proposes changes to the zoning code.

- **Community development departments**, which are frequently combined with economic development or planning departments, are the least consistently defined. They undertake a range of activities to build civic capacity and transform neighborhoods—often managing Community Development Block Grants, federal funds allocated to city and county governments in part to help create economic opportunities in low-income communities.

**Partnership in Action**

In Los Angeles, responding to community concerns about the lack of healthy food in South LA neighborhoods, a city councilmember convened a team made up of city council department members and nonprofit organizations to develop a coordinated strategy to bring grocery stores to the neighborhood. The interdepartmental team includes staff from the Mayor’s office and the city’s redevelopment agency. The team produced outreach materials to promote the neighborhood, compiled incentive lists, provided community support, met with retailers, and helped coordinate and shepherd the entire effort. At the time of this writing, three grocery store projects were in the development phase.
Nongovernmental Organizations

- **Community development corporations (CDCs)** are nonprofits that build housing, commercial spaces, and other physical development projects. CDCs can offer a range of other services, including homeownership counseling, commercial revitalization, youth programs, and workforce development. CDCs have played integral roles in many successful inner-city grocery store development projects.

- **Economic development corporations (EDCs)** implement programs to support business success.

- **Business technical assistance organizations** work with businesses to strengthen their operations, often providing small grants or low-interest loans. These organizations may be especially useful to corner store owners looking to offer healthier choices.

- **Community benefits districts and business improvement districts** are areas where property owners vote to assess themselves in addition to the taxes required by the city. They then use these funds for marketing and improvements to the commercial area in which they are located.

- **Neighborhood associations and community groups** undertake a variety of activities to improve their neighborhoods and advocate for their needs.

- **Workforce/employment development organizations** provide vocational training, job referrals, counseling, and other services to help residents secure and sustain meaningful employment. These organizations may prepare neighborhood residents for quality jobs in the grocery store sector.

- **Community development intermediaries** provide grants, loans, and technical assistance to build healthy communities. Some, such as the Local Initiatives Support Corporation, use an allocation of New Markets Tax Credit (see page 7) to support grocery developments in Los Angeles and the Bay Area.

- **Private business organizations** (such as the chamber of commerce)—often made up of key citywide business representatives—play pivotal advocacy roles in the overall economic development agenda of the city, sometimes also raising funds to implement initiatives or projects.

Many city agencies are involved in economic development activities, but the way their roles are identified and arranged will vary. Here are examples for three California cities.

**Fresno**
- Mayor’s Office
- City Council
- Economic Development
  - Fresno Start Up
  - Municipal Restoration Zone
  - Business Development & Incentives
  - Workforce Community
  - Redevelopment Agency
  - Development
  - Redevelopment Agency
- Planning Department
  - Housing & Community Development
  - Planning
  - Building & Safety
  - Code Enforcement
- County Community Development Department
- CDBG Funds

**Oakland**
- Mayor’s Office
  - Office of Sustainability
- City Council
- Community & Economic Development Agency
  - Business Development
  - Redevelopment
  - Housing & Community Development
  - Planning & Zoning Redevelopment
- Department of Public Works
  - Environmental Services
How to Find City Partners

Review your local government's website for a basic understanding of the city’s structure, key players, and economic development strategy (or lack thereof) related to healthy food. The primary agencies are community and/or economic development departments—which are in charge of allocating federal Community Development Block Grant (CDBG) funds to support growth in low-income communities—and sometimes the Mayor's office. For additional information, try the section of the city’s website aimed at the business community.

Some questions to help guide your search:

- Who is responsible for economic development, and what types of projects are they funding and not funding?
- Is the city targeting any specific neighborhoods for resources or redevelopment activities? Is healthy food needed in those neighborhoods?
- What are the priorities of local elected officials (the Mayor, city councilpeople, and county supervisors)? Do they have any special initiatives related to healthy food?
- Do the redevelopment agency's implementation plans highlight healthy food attraction?
- What are the city's goals for CDBG funds? What is the city spending CDBG money on?
- When are there opportunities for citizen input on major development projects or neighborhood plans?
- What other resources is the city using for economic development purposes?

How to Find Community Partners

- Visit the websites of local foundations and the organizations they are supporting to find out if they are engaged in economic development or healthy food activities.
- Banks also give community and economic development grants to local organizations; scan area banks’ websites or talk to their branch managers. Regional Federal Reserve Banks’ community development officers also know many local organizations.
- Talk to your local community development intermediary. Examples include the Local Initiatives Support Corporation, Enterprise Community Partners, Low-Income Investment Fund, Nonprofit Finance Fund, and Habitat for Humanity.
- Find out who is receiving public funds (CDBG, redevelopment, etc.) for economic development or healthy food work. This information is publicly available through your city’s economic development or planning agency.
- Redevelopment project areas must have citizen oversight through either a project area committee (PAC) or a community advisory committee (CAC). If your target neighborhood is located in a redevelopment area, reach out to the committee.
- Check networking sites online (e.g., Yahoo, Google, Facebook) to see if there is an email group for targeted neighborhoods.
Conclusion
Grocery store attraction requires a long-term commitment, the creative use of available incentives, and collaboration among city agencies and community organizations. Public health advocates have a significant role to play, whether it's by working with neighborhood residents to develop a clear set of community priorities so that projects can move quickly through the development process, or using their credibility on the issue of food access to influence policy debates and leverage resources to benefit underserved communities.

As food industry trends change and new economic development resources become available—and as advocates like you are successful in using these tools to improve the food environment in your community—the strategies outlined in this document will evolve. For updates and new materials, visit our website at www.healthyplanning.org.