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Minutes Food Marketing Task Force Meeting April 7, 2003

Attendees: Caroline Barth (The Food Trust), Murray Battleman (Richboro Shop N Bag), Jeffrey Brown (ShopRite), Lorraine Brooks-Body (Wakefern Food), Hannah Burton (The Food Trust), Della Clark (Enterprise Center), Beverly Coleman (PNDC), Eva Gladstein (Empowerment Zone), Jenny Hamilton (Planning Commission), Christine James-Brown (United Way of Southeastern PA), Allison Karpyn (The Food Trust), Yael Lehmann (The Food Trust) Joe Mahoney (Greater Philadelphia Chamber of Commerce), David McCorkle (PA Food Merchants Association), Carlos Peraza (LISC), Duane Perry (The Food Trust), Bilal Qayyum (City Representative/Commerce), Walt Rubel (Acme), Rich Savner (Pathmark Stores), Dale Nichols Sutherland (Wallace, Roberts, and Todd LLC), Pat Temple-West (Archdiocese of Philadelphia), Shelly Yanoff (PCCY)

Task Force History, Goal of Task Force *(Christine James-Brown)*

In April 2002 the Philadelphia City Council Committee on Public Health and Human Services held a Hearing on the issue of access to proper nutrition for low-income children and families of Philadelphia. The hearing was held in response to the public health epidemic of poor access to nutritional foods resulting in malnutrition and diet related disease in Philadelphia. The hearing was the first step in an effort to increase public awareness, initiate dialogue about solutions, and create change. The Food Marketing Task Force came about as a result of the call to action begun by this hearing.

Following the hearing, Food Trust staff held a meeting with supermarket industry representatives to discuss barriers and opportunities for inner-city supermarkets. In January, they met with the Wharton Real Estate department to discuss supermarket requirements and considerations for inner city sites and to better understand the acquisition and development process. These meetings, and the Food Marketing Task Force, were designed to address the need in Philadelphia for more supermarkets in under-served low-income areas of the inner city by identifying areas for public policy change.

Need and Opportunity *(Duane Perry)*

Inner city residents are leaving the city to find food shopping choices that aren't available in the city. The option of leaving the city is not available to those without transportation options – they are left with corner stores and fast food restaurants for their food needs.

Please support The Food Trust through the United Way Campaign. The Food Trust's Specific Care Code is 09195.

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The fact that inner city residents are choosing to leave the city to shop at supermarkets indicates that the city could support additional supermarkets. Both the need for increased food access and the opportunity for supermarkets to take advantage of food dollars that are currently going elsewhere present a clear solution – more supermarkets opening in the inner city. Whatever is done needs to be economically feasible, but the real issue is how to support the inner city.

Other cities have more supermarkets and can support those stores. In other metropolitan areas, a substantial portion of food dollars goes to grocery stores.

Public Policy Barriers/Places to Influence/What has not succeeded here?

High Costs

The first hurdle is development costs. There are considerations in urban areas that don't exist in the suburbs, such as demolition of buildings or accommodating unique site circumstances (for instance, in the N. Broad St. Pathmark, putting a parking lot on the opposite side of the railroad tracks from the supermarket).

Philadelphia has among the highest costs of doing business. Union costs make it expensive to build and operate in Philadelphia. Utility costs are high as well.

Supermarkets require a large initial investment. Large national and regional chains can absorb losses that would make independents fold. Independent owners cannot come into the city and survive a hit.

An urban store often costs as much as a larger store in the suburbs. Innovative development strategies are often needed to handle unique aspects of sites within the city.

Competition/Cannibalization

Drug stores acting as corner stores and food merchants take business away from supermarkets in the city, unlike in the suburbs.

Operators are concerned about new urban store locations cannibalizing profits of an existing store. As a result, operators may decline to locate in a certain neighborhood because they have a store within two miles and don't perceive the area to be strong enough to support both of those stores. Yet, the community perceives a need and says there is nothing close enough for their residents.

What public policy strategies would be most effective and why?

Support from Community Leadership

An important component for success in bringing supermarkets to the city is the city itself. The mayor needs to make the issue a priority, and City Council should be compelled to become involved and interested in the issue - willing to get things done that need to be done.

The support of the Rendell administration was crucial the N. Broad St. Pathmark project. The mayor's office quickly addressed issues that came up throughout the development process. In addition to the administration's support, the support of local communities and community leaders is important to a project.

Community opposition, when it exists, is a challenge that needs to be overcome. Community Development Corporations can be instrumental in building community relations

Security

Supermarkets expressed the need for security solutions to protect urban store customers and employees. Suggestions include: Commitment from city administration to monitor stores (seeing the supermarket as a unique asset to a community), or putting police mini substations in or near stores. Supermarkets find that when they are already operating on “penny on the dollar” profits, that the cost of security further limits the feasibility of operating an urban store.

A ‘Point-Person’ in City Government

At the moment, incentives and the various tasks involved in supermarket development are spread across too many departments in City government. There are too many contacts and it is often difficult to identify who to call when there is a problem. A proposed solution is to identify a single contact in City government to take care of questions and problem solving around supermarkets and supermarket development.

Link City Planning with Corporate Planning

A void in the community does not mean a void in the industry. The industry has a planning strategy and the community needs a planning strategy as well. How can we bring the community planning process and corporate planning strategy together? Operators do want to expand and locate in the city, but they need to invest where they can open a successful supermarket. By unifying planning efforts on behalf of the city and industry, resources are used most efficiently and the resulting information becomes highly relevant to stakeholders. For example, a unified effort would identify neighborhoods that could support stores on both the customer side and industry operator side, considering the realities of industry, not just desire for a supermarket on every corner.

Indeed, often the community’s idea of need and the industry’s idea of need do not match, in terms of thinking where supermarkets should be located. To the supermarket industry, asking “let’s identify where we want/need supermarkets” is not how the process works. Instead, industry asks “how many food dollars are in a neighborhood? How much can we capture? Based on that information, this is what we can pay to develop a store there”

Closing the gaps between what an underserved community needs, what supermarkets need in order to come into an inner city area, and what the city can provide is essential toward progress. The City, a community or organization, can identify a location and a need, and supermarkets can respond with their needs – what they would require in terms of land, security, community support/partnership, innovative strategies that would make development cheaper and faster, union packages, etc.

Learning from the Past

Look at the problems that have arisen in the past with supermarkets, see if there is a pattern to those problems that indicates things that could be done proactively to get stores to come in and prevent problems from arising later on.

Strategic Plan

There is a need for a strategic plan, a need for coordinated strategies for where communities want a store and what a supermarket needs, then you can identify the barriers. Need to plan ahead, be strategic with

location so you don't need an additional store and so opening one store doesn't put another one out of business.

RFP Model

As a method to develop specific city locations, an RFP model was proposed. In this model, the city would start the process by offering a "package" that includes land owned/controlled by the city, financing and tax incentives, development solutions and other services. Then supermarkets, both chains and independents, would be given the opportunity to "bid" on the package. A similar strategy was used with the N. Broad St. site.

How to Decrease Costs?

What can the City do to decrease costs?

The City has a host of financial incentives to provide. The Empowerment Zone already has available land, tax incentives, financing options, and development subsidies. Additional comments include:

Make acquiring land easier – Through NTI, the city is getting more aggressive in assembling land and getting it ready for development, with a focus on having land available and ready for development. This is an ongoing process and there will be 2500 properties acquired by June.

Make zoning easier – zoning can be a hurdle. Is there something that could be changed through public policy that would make zoning easier for incoming supermarkets? When identifying sites, communities and supermarkets should target specific corridors or finding areas that can be easily re-zoned to retail.

Absorb Security Costs – supermarkets need additional security to operate in the inner city. By guaranteeing police protection, adding police substations, or providing subsidies for increased security, this barrier posed by increased security costs is minimized.

Additional subsidies – to minimize development costs, train employees, etc.

Tax incentives – always help

New Business Models – Can smaller stores work?

Is a smaller store format a viable option? How small a site can Acme/Pathmark be profitable in? Would 10-20,000 square foot stores satisfy the needs of inner city residents?

Perhaps not. Stores find that in limiting space, they may not have the product mix necessary to get the profit that the stores need to survive, such as fresh produce. Also, independent smaller stores have trouble buying in bulk as much as larger supermarkets. By considering a new business model (for instance a series of smaller stores that are connected so that individual stores are not seen as winners and losers but looked at as a group so that it balances out) can smaller stores survive? Are there incentives for small businesses of this type and how long would that support last?

Yet, there are examples of supermarkets that have tweaked the formula/product mix to meet residents' needs.

Other Places to Look/Things to Consider

- ❖ Transportation – finding solutions to get customers to existing stores. Identifying or creating alternate transportation options may be faster than developing new supermarkets in the city.
- ❖ Working with small businesses – A joint enterprise or shopping center with additional retail that will attract Philadelphia consumers. This may also be a way for a supermarket to provide support to small businesses in the community, thereby reinvesting in and creating wealth for the community.
- ❖ Food stamps/WIC – There is potential for a subsidy opportunity through these programs for supermarkets. This may be a good time for a pilot project on a federal level, where money goes to stores instead of individuals or another alternative to the current program.

Next steps:

How would we as a task force support the adoption of such policies?

1) Market Study

A market study that uses updated information and takes into account the needs of everyone involved would be very helpful in approaching the issue. What would the components of a study look like? Is there already data available that could help?

The City Planning Commission has an updated database about commercial corridors, land ownership/availability, and neighborhood needs. The Delaware Valley Regional Planning Commission may also be able to offer useful information. The industry’s market research/analysis can provide information on where existing stores are located and what areas are considered “voids” or “oversaturated”.

Market study components could include:

- ❖ Information on where and how inner city residents shop and buy their food.
- ❖ Population density information and population growth trends in Philadelphia neighborhoods.
- ❖ Updated information on definition of “supermarket” – not old definition of \$2 million in annual sales.

2) Make supermarkets a priority for the City.

3) Look at creative ways to address the issue of access to affordable, nutritious food beyond supermarkets.