

# The Food Trust and the Fresh Food Financing Initiative: Eliminating "Food Deserts"

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## Summary

Obesity is a growing problem within the United States, with Philadelphia one of the hardest-hit cities. Many underserved communities in Philadelphia lack access to fresh, healthy and affordable food. The Food Trust, founded in 1992, is an innovative organization that is working to stem the proliferation of these "food deserts." The Food Trust's mission is to ensure that everyone has access to affordable, nutritious foods. It promotes healthy behaviors, nutrition education and advocacy for better public policy.

Among its programs is the Pennsylvania Fresh Food Financing Initiative (FFFI), run in concert with the Greater Philadelphia Urban Affairs Coalition, The Reinvestment Fund, and the Pennsylvania Department of Community and Economic Development. Recently spotlighted by the Obama administration, the FFFI provides financial and technical assistance to businesses that make fresh food

available in urban and rural food deserts. The program is particularly innovative not only in its leveraging of public-private partnerships but also in its risk management approach and its versatility. The program's large social return on investment is generated by the reduction of disease, increase in productivity and revitalization of low-income communities produced through its multi-pronged approach of research, education and strategic financing.

## **An Introduction to Food Deserts**

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Obesity is a growing problem within the United States, and Philadelphia is one of the hardest-hit cities nationwide. In 2000, the American Obesity Association named Philadelphia the most overweight city and continued to name Philadelphia one of the top four obese cities in the country for the next five years (American Obesity Association 2005).

Many underserved communities in Philadelphia lack access to fresh, healthy and affordable food. These underserved communities are known as "food deserts," a term coined by Great Britain's Nutrition Task Force in the 1990s. Research in the United States revealed that nationwide there are fewer supermarkets per capita in low-income areas than in high-income areas (Cotterill and Franklin 1995, Nayga and Weinberg 1999). Lack of vehicle ownership is a significant barrier in accessing healthy food

in low-income communities (Nayga and Weinberg 1999). Small food markets and stores available in inner-city neighborhoods often offer few and largely unaffordable options for healthy produce (Nayga and Weinberg 1999).

Food deserts in Philadelphia date back as early as the 1950s. In line with a nationwide trend, from the 1950s to the 1970s, urban residents of Philadelphia moved to the suburbs. Grocery stores followed this movement, enticed by lower startup costs and higher profit margins. At the end of this suburbanization process, Philadelphia became the city with the second-lowest number of supermarkets per capita in the United States.

## **Food Deserts: A Public Health Catastrophe**

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Food access and public health are linked. National reports on food deserts have described these communities as penetrated by chronic disease. One such report disseminated by the Department of Agriculture in Illinois in 2006 found that areas in Chicago with few, if any, grocery stores, but a multitude of fast food restaurants suffer from death rates due to diabetes that are double those of areas where there is easy access to grocery stores (Mari Gallagher Research & Consulting Group 2006). With respect to cardiovascular disease and cancer, death rates per 1,000 people were 2 and 1.5 times as high,

respectively, in food desert areas as in areas where healthy food was regularly available (Mari Gallagher Research & Consulting Group 2006).

Further research conducted in 2008 in Detroit found that those who live in food deserts are increasingly likely to die prematurely from diet-related diseases (such as diabetes and heart disease) independent of other factors like income, race and education. Additionally, the study found that pregnant women can pass on diet-related diseases to their offspring, meaning that the consequences of food deserts can spread genetically and generationally, affecting both adults and children alike (Mari Gallagher Research & Consulting Group 2008).

## **About the Food Trust**

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The Food Trust emerged in 1992 in reaction to the burgeoning study of food access in academic literature. The Food Trust's core mission was to improve children's health through nutrition education and promotion, increased access to healthy foods, and promotion of public policies that improve health and food access.

The organization started small, teaching nutrition education courses at Reading Terminal Market in Philadelphia and then opening farmers' markets in inner-city neighborhoods. After realizing that residents needed

to be able to access healthy foods throughout the year, and conducting research through GIS mapping, The Food Trust published *The Need for More Supermarkets* in 2001. The report found that there were areas in Philadelphia with few supermarkets and that these areas had higher mortality rates (The Food Trust 2001, Giang et al. 2008). The report garnered the attention of public health, city and state officials. As a result, Philadelphia's City Council asked The Food Trust to convene a task force to generate policy recommendations on how to increase the penetration of supermarkets within the food deserts of Philadelphia. The task force's ten policy recommendations were published in *Stimulating Supermarket Development: A New Day for Philadelphia* (Food Marketing Task Force 2004).

During 2003 and 2004, The Food Trust's work also led government officials to convene meetings about the food access problem. Pennsylvania Representatives Frank Oliver and Dwight Evans from Philadelphia and Jake Wheatley from Pittsburgh worked to raise awareness of the problem by holding hearings in their respective cities. Ultimately, these hearings and resulting input from store owners led to the creation of a report and the Commonwealth of Pennsylvania's allocation of \$10 million, followed by another \$20 million, over three years to create the Pennsylvania Fresh Food Financing Initiative. With the help of The Reinvestment Fund, this initial investment was leveraged to build a \$120 million initiative.

# **The Solution: The Fresh Food Financing Initiative**

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The Pennsylvania Fresh Food Financing Initiative (FFFI) provides financial and technical assistance to businesses that make fresh food available in urban and rural food deserts. This program is a national model. Its innovation lies within its rich collaborative foundation of different organizations and individuals contributing expertise, the program's risk management approach, versatility, and large social return on investment.

### **Essential Collaboration**

The FFFI was the end result of a collaboration between The Food Trust, The Reinvestment Fund, the Greater Philadelphia Urban Affairs Coalition and the Commonwealth of Pennsylvania, as well the support of Representatives Jake Wheatley, Frank Oliver, and Dwight Evans. Each organization and individual brought a different but essential perspective to what became a strong collaborative effort.

The Greater Philadelphia Urban Affairs Coalition is a 40-year-old Philadelphia-based organization committed to "improving life's chances for young people, low-income families and minority-owned businesses by creating

economic opportunities and strengthening nonprofit organizations in urban communities" (Greater Philadelphia Urban Affairs Coalition n.d.). The Coalition was able to use its expertise to help minority community members hold crucial positions as new grocery store owners.

The Reinvestment Fund is a "progressive, results-oriented, socially responsible community investment group that today works across the Mid-Atlantic region" (The Reinvestment Fund 2006). The Reinvestment Fund, under the leadership of Jeremy Nowak, served as an expert and development finance intermediary that was able to work with different stakeholders and aggregate capital.

The Food Trust was able to use its long history of advocacy for food access to drive the initiative forward. And the Commonwealth of Pennsylvania provided the start-up funds over a three-year period so that the program could be successful.

## **The Risk Management Approach**

The FFFI program deals with food deserts within the Pennsylvania region through a risk management approach. Food retailers have often had the perception that low-income urban areas have low buying power. Additionally, retailers have not wanted to deal with the burdens of opening a store within an urban area. These burdens include buying or renovating a facility, high taxes

and the cost of security and training.

FFFI decreases the burdens and risks for food retailers to invest in and build grocery stores within food deserts. FFFI not only conducts research that helps aspiring food retail owners but also provides tailored technical and financial assistance to these individuals from a diverse array of funding options. FFFI has four funding components: a bank syndicated supermarket loan fund, the federal New Markets Tax Credit program, The Reinvestment Fund's Core Loan Fund, and direct grants. These grants, loans and tax credits are provided to supermarkets or fresh food retailers that are or will be located in food desert areas. These funds can be used development, acquisition, equipment and training.

Fresh food retailers have traditionally been excluded from state and federal economic development programs. By offering retailers customized financial products, the FFFI has been able to address the varied concerns of supermarket owners in different situations and locales, and the program been replicated across the country.

## **Social Return on Investment**

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FFFI is a sustainable solution to myriad problems, such as barriers to accessing healthy foods, stagnant job growth in low-income neighborhoods, and lack of community

asset development. The sustainability of FFFI rests upon the richness of its social return on investment (SROI).

Three considerations are key in calculating FFFI's SROI.

Obesity-related disease, including type II diabetes, coronary artery disease and cerebrovascular disease, is one of the costliest medical ailments today and is likely to become a substantial part of Medicare and Medicaid expenditures in years to come. The well-documented link between poor access to healthy food and the onset of obesity makes this one of the principal areas in which the FFFI seeks to intervene and create value. Increasing access to healthy foods will reduce the health costs associated with obesity-related diseases.

Obesity-related disease has been documented to reduce worker productivity (days of lost work, inefficiency, and compensation that employers must pay to employees who are ill). Research has demonstrated that increasing access to healthy foods will lead to a healthy workforce with less disease and thus increased worker productivity.

Lastly, encouraging the formation of new jobs in underserved areas has financial benefits. The establishment of supermarkets in underserved areas provides jobs to community members, helping to revitalize neighborhoods economically.

Taken together, these items generate the following formula for calculating the SROI for the Pennsylvania FFFI:



A further breakdown of this formula results in the following calculations for the Pennsylvania FFFI program:



The SROI of the FFFI is calculated by multiplying the societal reduction in cost for obesity-related diseases by the increase in productivity of workers by the total revenue produced by the number of jobs created (average annual salary of these jobs times the number of jobs created). The calculated SROI for the FFFI is approximately \$2.23 billion.

## Outcomes

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The outcomes of FFFI have generated a reduction of

health disparities by improving the health of families and children; job creation; and stimulation of local economic development in low-income communities. These effects are substantial, given that the FFFI only began in 2004 with \$30 million in state seed money.

The impact of FFFI includes the addition of 83 new or improved grocery stores in underserved communities and \$190 million in total project costs. Subtracting the figure of \$190 million in project costs from the \$2.23 billion in projected SROI, the actual return on investment of the program can be estimated to be slightly above \$2 billion.

Several success stories highlight the effectiveness of the FFFI and serve as examples of the applicability of the FFFI model across various store models.

## **ShopRite on Island Avenue, Philadelphia**

The ShopRite on Island Avenue in Philadelphia was the first recipient of FFFI funds. It has strong ties to the Eastwick community in which it is located. It stocks fresh and affordable foods, provides a room for community meetings and sells fresh prepared foods by Philadelphia's Delilah's Southern Cuisine. FFFI was able to provide a \$5 million loan for construction and renovation costs to the market in addition to \$250,000 in grants to cover overhead costs for workforce development and training. The expansion allowed the supermarket to introduce 258 jobs into the community.

## **Hometown Market, Williamsburg**

The 7,000-square-foot Hometown Market is the only full-service market in Williamsburg and provides fresh produce and meat for its entire local community. The Hometown Market is owned and managed by grocers with over thirty years of experience who have a good relationship with members of the Williamsburg community. The FFFI was able to arrange for a \$100,000 grant and \$470,500 in loans to help refinance the cost of purchasing and opening a Hometown Market in Williamsburg. As a result of this endeavor, the establishment was able to create at least 25 new jobs.

## **Sprankle's Neighborhood Markets, Vandergrift and Apollo**

Randy and Brenda Sprankle owned three markets near Pittsburgh. The FFFI has assisted the Sprankles by facilitating loans to acquire two additional stores—the only supermarkets in their neighborhoods and thus vital to ensuring access to healthy foods for those communities. These new establishments sell a broad range of foods, including fresh produce and deli food. FFFI was able to facilitate loans totaling over \$1.2 million that helped the Sprankles acquire the supermarkets, inventory and equipment.

## **Ha Ha's Market, Philadelphia**

Ha Ha's Market, established in 1989, is located in the Logan section of Philadelphia. The 900-square-foot establishment carries fresh produce, fish and spices. The FFFI provided \$30,000 in loans and \$25,000 in grants to help the Has family pay for renovations and improvements, including renovation of the refrigeration system, repairing the HVAC equipment, purchasing a new ice machine, replacing the store windows, and expanding the store to increase their capacity to offer fresh foods. As a result of these improvements, sales at Ha Ha's Market have tripled.

## **State-Level Initiatives**

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Illinois, Louisiana, New York and New Jersey have adapted versions of the FFFI in the creation of policies and initiatives that support food access.

### **Illinois**

The Illinois Fresh Food Fund will soon provide grants and loans for grocery store development in underserved communities throughout the state. Governor Pat Quinn has promised \$10 million in funds as a result of suggestions from the Illinois Food Marketing Task Force. Additionally, state funding will be leveraged from private funds. Illinois is creating an RFP to identify partner organizations that will implement the program.

## **Louisiana**

The Food Policy Advisory Committee comprising state senators, agency representatives and nongovernmental entities created the Healthy Food Retail Study. The Committee proposed the creation of a Healthy Food Retail Financing Program to bring fresh food retailers into Louisiana's underserved neighborhoods. As a result, Senators Ann Duplessis and Michael Michot and Representative Rosalind Jones introduced legislation (SB 299) called the Healthy Food Retail Act, which was signed by Governor Bobby Jindal in July 2009. It is hoped that funding will be appropriated soon.

## **New York**

The Bloomberg administration in New York City responded to the New York Supermarket Commission's recommendations by proposing the FRESH Program (Food Retail Expansion to Support Health) to encourage supermarket development in underserved areas. The FRESH Program will provide tax incentives to healthy food retailers, create incentives in the zoning code for real estate developments that incorporate healthy food, and create a single point of access for supermarket operators to interface with city government. In December 2009, the FRESH Program was passed by the New York City Council.

## **New Jersey**

The New Jersey Food Access Initiative was created through a partnership of the New Jersey Economic Development Authority and The Reinvestment Fund. While The Food Trust was not directly involved in the program's inception, its goals are similar to those of the Pennsylvania FFFI program, although the New Jersey program does not include a significant grant component. New Jersey allocated \$7 million to create the initiative, and The Reinvestment Fund has added \$3 million from private sources. The program will make loan funding available in underserved areas in nine priority cities: Atlantic City, Camden, East Orange, Elizabeth, Jersey City, Newark, New Brunswick, Paterson and Trenton.

## **Future Directions: Adaptability**

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The success of the FFFI created a strong interest in scaling the Pennsylvania model into a national initiative that would increase access to healthy foods and economic investment in poorer neighborhoods. As a result, in his fiscal year 2011 budget proposal, President Barack Obama called for more than \$400 million in investments in a national Healthy Food Financing Initiative. Legislation will soon be introduced in Congress in both the Senate and House of Representatives. This marks a year-long collaboration between the political organization PolicyLink, The Food Trust and The Reinvestment Fund,

which have been working with the White House, the Senate and the House of Representatives to create a national version of the FFFI.

Although some states have created initiatives that are similar to Pennsylvania's model, the pervasive nature of the food desert problem and the resulting chronic disease expenditures calls for action at the national level. Access to healthy foods via investment in grocery stores is a smart investment not only in the health of the American public but also in the economic well-being of low-income communities that benefit from the establishment of local grocery stores.

A national Healthy Food Financing Initiative would seek to dramatically reduce the number of Americans—roughly 23 million—who have limited access to full-service supermarkets. Additionally, the initiative would create tens of thousands of retail and construction jobs in low-income communities. The \$400 million investment would be split among the Agriculture, Health and Human Services and Treasury departments. New Markets Tax Credit allocations worth \$250 million would also be part of the package to spur private investment and development in underserved communities. In addition, \$25 million for financial assistance to community development financial institutions would be distributed through the Treasury Department.

As we move closer to a national Healthy Food Financing

Initiative, Michelle Obama continues to praise FFFI (PolicyLink 2010) as an important program for reducing the incidence of childhood obesity and a program worthy of national replication. FFFI started a movement that continues to grow and benefit the lives of children and adults living in underserved communities every day.

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