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HEALTHY FOODS HERE:

Recommendations for Future Programming

healthy foods here
BUSINESS SUPPORT

Acknowledgements

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Photos courtesy of: Healthy Foods Here project team.

URBAN FOOD LINK

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Executive Summary

Across the country, communities are using an array of healthy food retail strategies to increase access to fresh, healthy food. Some efforts include establishing farmers markets, developing new grocery stores, or improving existing neighborhood stores. Much of the healthy food retail work has been driven by the public health sector as a strategy to address rising obesity rates, particularly within low-income communities where access to healthy food may be limited.

In 2010, Public Health - Seattle & King County (PHSKC) in Washington state was awarded a grant to reduce overweight and obesity rates and increase healthy eating and active living in King County. The national initiative focused on preventing chronic disease and promoting health through policy, systems and environment changes. It was funded through Communities Putting Prevention to Work (CPPW) by the Centers for Disease Control and Prevention (CDC).[1]

As part of the CPPW, PHSKC funded *Healthy Foods Here* (HFH), a healthy food retail project aimed at improving access to healthy food and encouraging community economic development. HFH focused on populations in southeast Seattle and south King County—areas where residents bear a disproportionate burden of poor health and socioeconomic deprivation within the county.

The HFH project used a small business development strategy to test whether providing business development resources to small and mid-sized food retailers could improve healthy food options for communities in the targeted areas. The array of services offered included connecting the stores to produce suppliers, assisting with store layout, and produce handling training. The strategy was to help food retailers successfully sell healthful food, which increases access, and over time, increases demand for and ultimately consumption of healthy food.

Southeast Seattle and south King County are ethnically diverse areas, and many of the smaller food stores cater to immigrant and refugee families, some of whom often travel long distances to shop for particular ethnic products. These stores serve as important community hubs for socializing and information sharing. We learned that cultural preferences and shopping norms are equally important determinants of food access. HFH eventually adapted the store selection criteria and worked almost exclusively with ethnic grocers who sold staple, healthy products (e.g. Halal meats or cassava) that are not found in a standard supermarket.

[1] Bunnell, R., O'Neil, D., Soler, R., Payne, R., Giles, W.H., Collins, J., Bauer, U. (2012). "Fifty Communities Putting Prevention to Work: Accelerating Chronic Disease Prevention Through Policy, Systems and Environmental Change." Journal of Community Health. 37(5):1081-90.

While selling healthy food may seem like a straightforward decision, many of the store owners faced common barriers. Almost all of the store owners we worked with spoke English as a second language. Many had business experience in their country of origin, but were less familiar with western business practices. Additionally, the degree of business savvy around financial management and inventory management varied considerably. As the project moved forward, these challenges were addressed by adding a new partner.

Over the course of project's 18-month duration, HFH provided service to 61 stores in South King County, many owned by people of color and/or immigrants, with 47 stores completing the program. The success of each store varied and depending on several factors, including the storeowner's interest and business savvy. Stores that were able to invest their own resources (through time, money and energy) – in addition to those offered by HFH – were more likely to be successful in the project. Many received positive feedback from customers about the changes and continue to improve their healthy food offerings, particularly their produce sections.

LESSONS LEARNED FROM THE PROJECT INCLUDE:

Choose the right store. Criteria should be flexible enough to accommodate priorities around location, type of business and community focus. A successful project depends on assessing storeowner readiness.

Partner with an engaged community organization to help drive demand. In King County, communities with strong neighborhood-based organizations (White Center, High Point) were successful at driving demand to local stores. Those areas with weaker connections to a community organization, particularly the suburban cities, were less successful at reaching surrounding community residents.

The right model depends on the needs of the store. Although the project began as a test of a general business development approach, HFH added partners along the way as different needs emerged from the store interactions.

Understand the regulatory environment that impacts small businesses. In King County, regulators can make healthy food retail more viable by:

- Ensuring business owners understand the program rules and their eligibility for participating as vendors in the SNAP and WIC retailer programs.
- Providing business owners with clear, transparent information about the regulatory framework and licensing requirements involved in selling food.
- Ensuring flexibility with 'location-based' criteria in land use planning processes.

A Program Coordinator is essential to managing the project well. A successful model for business retention and increasing access to healthy food is most likely to happen with the right partnerships, strong demand from the community, and a strong coordinating organization whose work aligns with the goals of healthy food retail, this can be a successful model for business retention and increasing access to healthy food.

To ensure program efficacy, future healthy food retail programming should include the following essential services:

- Hire a program coordinator to administer the program, manage the relationships and to coordinate overall program communication;
- Provide ongoing one-on-one technical assistance;
- Offer and require business development assistance and resources;
- Connect businesses to industry experts and suppliers; and
- Offer financial incentives.

PURPOSE OF REPORT

The purpose of this report is to propose recommendations for future healthy food retail programming based on findings from the Healthy Foods Here pilot project conducted in south King County, Washington. It is intended to help funders and practitioners identify successful strategies for improving communities' access to healthy, affordable food. *Section 1* provides an introduction to healthy food retail strategy in general and the Healthy Foods Here (HFH) project in particular. *Section 2* describes how the HFH project was implemented and how we engaged with the stores. *Section 3* reviews the project successes and lessons learned from HFH and similar projects around the country. *Section 4* offers recommendations for future healthy food retail programs.

SECTION 1

Healthy Food Retail Strategy

Across the country, communities are using an array of healthy food retail strategies to increase access to fresh, healthy food. Some efforts include establishing farmers markets, building new grocery stores, or improving existing neighborhood stores. Much of the healthy food retail work has been driven by the public health sector as a strategy to address rising obesity rates, particularly within low-income communities where access to healthy food may be limited. But, can local convenience stores and small grocery stores profitably offer healthy foods such as fresh produce? Do we know if a healthy food retail strategy makes good business sense? The pilot project, Healthy Foods Here, provides concrete answers to these questions.

A healthy retail strategy can be one piece of the comprehensive system change necessary for creating healthier communities.

INCREASING FOOD ACCESS: HEALTHY FOODS HERE (KING COUNTY, WASHINGTON)

In 2010, Public Health – Seattle & King County (PHSKC) in Washington state was awarded a grant to reduce overweight and obesity rates and increase healthy eating and active living in King County. The national initiative focused on preventing chronic disease and promoting health through policy, systems and environment changes.[2] It was funded through Communities Putting Prevention to Work (CPPW) by the Centers for Disease Control and Prevention (CDC).

As part of the CPPW award, PHSKC funded Healthy Foods Here (HFH), a healthy food retail project aimed at improving access to healthy food and encouraging community economic development. HFH focused on populations in southeast Seattle and south King County—areas where residents bear a disproportionate burden of poor health and socio-economic deprivation within the county.

The HFH project used a small business development strategy to test whether providing business development resources to small and mid-sized food retailers could improve healthy food options for communities in southeast Seattle and south King County. The array of services offered included connecting the stores to produce suppliers, assisting with store layout, and produce handling training – to name a few. The premise of this project is that a healthy retail strategy can be one piece of the comprehensive system change necessary for creating healthier communities. By helping food retailers successfully sell healthful food, the strategy aims to increase access and over time to increase demand for and consumption of healthy food.

[2] Bunnell, R., O'Neil, D., Soler, R., Payne, R., Giles, W.H., Collins, J., Bauer, U. (2012). "Fifty Communities Putting Prevention to Work: Accelerating Chronic Disease Prevention Through Policy, Systems and Environmental Change." Journal of Community Health. 37(5):1081-90.

PHSKC formed an inter-agency partnership with the City of Seattle's Office of Economic Development (OED) to manage HFH and to tap its expertise in small business development and financing. OED coordinated the project and met regularly with the HFH team. PHSKC contracted with Urban Food Link and with the Northwest Center for Livable Communities at the University of Washington. Urban planners and food system experts from these organizations led in the design of the pilot project and provided technical assistance to storeowners. In addition, the HFH team contracted with grocery industry experts to provide one-on-one consultation to storeowners (e.g. merchandising, produce care training, etc.). Finally, PHSKC staff with expertise in project management, communications, marketing, evaluation, and nutrition standards rounded out the team. See *Figure 1.*

HFH's technical assistance providers offered small and mid-sized food retailers a menu of services and financial incentives to encourage the sale of healthy foods, particularly fresh produce, as part of a business model. Technical assistance and support included:

- Business development resources and assistance
- Technical support from grocery industry experts on stocking, marketing, selling, and promoting healthy foods
- Financial incentives for equipment purchase and store improvements
- Information on how to become a WIC-authorized retailer

HFH sought to assist participating stores in successfully selling healthy foods with the following goals:

1. **Increase the inventory of healthy foods and beverages, including culturally preferred items**
2. **Increase consumer demand for healthy foods**
3. **Increase number of stores that are authorized to accept WIC[3]**
4. **Develop relationships between storeowners and distributors**

Forty-seven stores implemented their store project plans. Another 14 stores applied and were approved, but did not complete their plan. The most common reasons that storeowners did not complete their plans included delays in the permitting process or an inability or unwillingness to commit to the project plan. Seven stores were removed from the project for lack of follow-through.

Two months after the pilot projected ended, the evaluator and team members surveyed 24 owners of corner and convenience stores and used on-site pre- and post-implementation observations as well as detailed records of store changes to measure success. For 11 of the 47 stores, it was too soon after completion to measure longer-term outcomes. Of the stores surveyed, all stores made improvements in physical space and 80 percent were maintaining healthy product visibility and store attractiveness at the end of the project.

[3] Federal food assistance programs such as Supplemental Nutrition Assistance Program (SNAP), also known as food stamps, and Women, Infants, Children (WIC) are important in supplementing low-income households' food budget. Being an authorized WIC and/or SNAP retailer provides an additional payment option for customers and can increase overall food sales.

FIGURE 1
HEALTHY FOODS HERE PROJECT ROLES

PUBLIC HEALTH
- Project Oversight
- Nutrition Education
- Marketing
- Program Evaluation

OFFICE OF ECONOMIC DEVELOPMENT
- Project Coordination
- Business Development Assistance

CONSULTANTS
- Business Identification & Outreach
- One-on-one Technical Assistance
- Distribution Assistance
- Business Development Assistance
- Marketing Services
- WIC & SNAP Assistance

TABLE 1

PERCENT OF STORES ACHIEVING MEASURES OF SUCCESS IN HFH GOALS
1) Increase inventory of healthy foods & beverages, including culturally preferred items
• Adopted new healthy product **75%**
• Increased variety, affordability, freshness of produce **71%**
• Increased value of order from produce distributor **53%**
2) Increase consumer demand for healthy foods
• Reports positive customer reactions to store changes **84%**
• Reports new customers after changes **61%**
3) Increase number of stores authorized to accept WIC
• Approved WIC applications **50%**
• Maintaining WIC inventory **83%**
4) Develop relationships between storeowners and distributors
• Followed up on referral to distributor **56%**
• Continues as Charlie's Produce customer **72%**

Eighty-three percent increased their knowledge of produce handling and marketing. Results from the sample of stores surveyed are reported in *Table 1*.

While selling healthy food may seem like a straightforward decision, many of the store owners faced common barriers. Almost all of the store owners we worked with spoke English as a second language. Many had business experience in their country of origin, but were less familiar with western business practices. Additionally, the degree of business savvy around financial management and inventory management varied considerably. As the project moved forward, these challenges were addressed by adding a new partner to the mix. StartZone is a business training program at Highline Community College. The program helps South King County residents by providing accessible and affordable training for small businesses.

Healthy Food Retail Can be a Smart Community Economic Development Strategy

The experiences of the Healthy Foods Here pilot project and the views shared by grocery industry experts throughout the project suggest that *selling healthy foods **is** smart business*. (See *Figure 2. Business Porfile: Filling the grocery gap at High Point Mini Market*). The following points summarize the argument for healthy food retail as a business strategy:

- Fresh produce will attract customers to a store. Grocery industry experts consider produce a "loss leader." Profits may be small, but produce brings customers through the door. Customers typically buy other items along with produce.
- Storeowners who improve the variety and quality of their produce section can see an increase in customers and receive positive feedback from them.
- Once storeowners experience success in selling produce, they begin to increase the size and frequency of their wholesale orders.
- With training and experience, storeowners are able to reduce the amount of produce thrown away due to spoilage.
- Storeowners who become WIC authorized see increased monthly sales from their expanded customer base.

With training and experience, storeowners are able to reduce the amount of produce thrown away due to spoilage.

FIGURE 2

BUSINESS PROFILE: FILLING THE GROCERY GAP AT HIGH POINT MINI MARKET (SEATTLE, WA)

Store Profile: High Point Mini Market is located in the High Point neighborhood in South Seattle, which is home to a diverse group of residents, speaking 23 languages. Many of the residents are refugee immigrants – 40 percent from Somalia alone. Currently, there are four food retailers that serve the area: a convenience store, a drugstore, a fast food restaurant, and the High Point Mini Market. Mr. Sheikh, owner of the High Point Mini Market, opened his store in the fall of 2010 when he realized the potential demand—not only was there no easily accessible supermarket for many residents (the closest one is a half mile down a steep hill and not easily accessible by transit), but the closest market selling halal meat and other East African foods was a few miles away.

Prior to opening his store, Mr. Sheikh managed a halal market in Southeast Seattle. As a result, he had an understanding of licensing requirements, equipment, and infrastructure needs and how to source and price products that would be in demand for his potential customer base. Recognizing the potential opportunity to embark on his own business venture, Mr. Sheikh began to look for a space to lease. In the summer of 2010, he signed a lease with a local auto repair shop owner and began renovating the 800 square foot of space previously used for storage. By the end of the year, he had all the necessary permits and was open for business.

The Project: To learn about the needs of his potential customer base, Mr. Sheikh attended community meetings and became connected with Healthy Kids, Healthy Communities (HKHC), a Seattle Housing Authority project supported by the Robert Wood Johnson Foundation. Realizing the alignment among Mr. Sheikh's business interests, the community demand to bring healthy food into the neighborhood, and HFH resources and services, HKHC's community organizer connected Mr. Sheikh to Healthy Foods Here.

The HFH team worked with Mr. Sheikh on a variety of activities to support his store. HFH assisted Mr. Sheikh in purchasing two freezers, a meat cutter, and a security camera system; introduced Mr. Sheikh to Charlie's Produce, a local produce wholesaler; provided application assistance for High Point Mini Market to become a WIC approved vendor; and introduced Mr. Sheikh to a community lender to purchase meat processing equipment and signage. At the end of the six-month project, High Point Mini Market, HFH and HKHC collaborated on a store event that included a food demonstration and promotional coupons.

The store project costs totaled $12,231 (not including staff technical assistance, which averaged 20 hrs per store).

The Results: Primarily managed and staffed by two High Point residents, Mr. Sheikh's business has seen continual increase in sales since opening in 2010, particularly when the store became authorized to accept WIC checks in the winter of 2011. As a result of the HFH produce care trainings and introduction to Charlie's Produce, the High Point Mini Market receives a weekly produce order and consistently carries a wide variety of quality fresh fruits and vegetables. Early problems with theft and gang activity have essentially disappeared since the security camera system was installed. High Point Mini Market continues to work with the HKHC to raise awareness of their healthy, affordable offerings for the community.

SECTION 2:

Healthy Foods Here Project Implementation

This section describes the two critical phases of project implementation: store selection and working with the stores. It also provides an overview of store project costs.

SELECTING STORE PARTICIPANTS

Initially designed as a location-based strategy,[4] HFH developed selection criteria that prioritized small to mid-sized food retailers located in areas with high rates of health inequities[5] and low access to healthy food retail.[6] This strategy was refined as HFH moved into the field to recruit storeowners. Southeast Seattle and south King County are ethnically diverse areas, and many of the smaller food stores cater to immigrant and refugee families, some of whom often travel long distances to shop for particular ethnic products. These stores serve as important community hubs for socializing and information sharing. It soon became evident that cultural preferences and shopping norms are equally important determinants of food access. HFH eventually adapted the store selection criteria and worked almost exclusively with ethnic grocers who sold staple, healthy products (e.g. Halal meats or cassava) that are not found in a standard supermarket. Working with ethnic grocers, who often lacked a strong background in business practices in this country, fit well with the HFH goal of business development (see *Figure 3: Working with Immigrant Business Owners*).

HFH also worked with a restricted number of full-service grocery stores, convenience stores, drugstores, and produce markets (see *Appendix A for store typologies*). Not all of these types of stores were a good fit with the HFH model. Larger, full service grocery stores for example, found little incentive for working with this program. These stores already carry a variety of produce and the financial incentives available were not significant enough to impact their business model. For the store owners that did participate, their motivation for doing so varied. In some cases, storeowners wanted to introduce produce items to their inventory to address community health issues. In other cases, their goal was to reach a more diverse customer base. In either case, the goal was to grow their business. As a pilot project, HFH explored working with different stores to determine which scale was most appropriate. One promising strategy was to work with a national drugstore chain. Throughout the project, several local Walgreens began selling produce in areas with poor access to healthy food. (see *Figure 4: Walgreens: Working with a Drugstore Chain*).

[4] HFH was based on a healthy food retail model that was developed in urban "food deserts" or areas with limited access to affordable and nutritious food. The food desert concept typically focuses primarily on proximity to food retailers when determining factors of access.

[5] Public Health King County Seattle (PHKCS). "Supporting Health Data and Maps." Retrieved July 15, 2012 from **http://www.kingcounty.gov/healthservices/health/partnerships/cppw.aspx#data**.

[6] See, for example, USDA Economic Research Service. (2009). Access to Affordable and Nutritious Food—Measuring and Understanding Food Deserts and Their Consequences: Report to Congress. Washington, DC: U.S. Department of Agriculture. Retrieved from **http://www.ers.usda.gov/Publications/AP/AP036/; Treuhaft, S. and Karpyn, A.** (2010). Grocery Gap: Who has Access to Healthy Food and Why it Matters. Policylink and The Food Trust. Retrieved from **http://www.policylink.org/site/apps/nlnet/content2.aspx?c=lkIXLbMNJrE&b=5136581&ct=8079863**; and Borradaile, K.E., Sherman, S., Veur, S.S.V., McCoy, T., Sandoval, B., Nachmani, J., Karpyn, A. and Foster, G. D. (2009). "Snacking in Children: The Role of Urban Corner Stores." Pediatrics. 124: 1293-1298.

FIGURE 3

WORKING WITH IMMIGRANT BUSINESS OWNERS

A majority of HFH stores were either immigrant-owned or served predominantly immigrant communities. Many of these grocery stores–and other micro and small businesses–provide wealth creation opportunities, especially for immigrant entrepreneurs who have difficulties entering the labor market and are most often the hardest business population to serve. Immigrants are 30% more likely than native born Americans to start a small business and represent 17% of new businesses each year.[1] Immigrant entrepreneurs also face particular barriers to being successful in their ventures. These challenges include language barriers, inexperience with the regulatory environment, and lack of access to credit due to limited assets and credit history.

HFH placed community interest among its highest priorities for store recruitment (See *Appendix B: Criteria for Business Prioritization*). Four community-based organizations (CBOs) received CPPW funding to identify and make initial contact with potential stores. These CBOs aimed to create demand for healthy foods through grassroots marketing and community mobilization. These efforts were most successful in communities where the CBOs were well known. The High Point Mini Market and Walgreens experiences provide excellent examples of a successful community-based approach.

FIGURE 4
WALGREENS: WORKING WITH A DRUGSTORE CHAIN

While Healthy Foods Here worked primarily with independently-owned grocers and convenience stores, the project also worked with Walgreens, a national drugstore chain. Initially, HFH worked with one store located in Seattle's High Point neighborhood. By the end of the project, Healthy Foods Here had worked with seven Walgreens' locations throughout south King County. At the High Point Walgreens store, community residents approached the store manager to request produce be sold and the manager responded positively. At the same time, a community partner, Healthy Kids, Healthy Communities, introduced the store manager to HFH. HFH helped the store manager understand WIC requirements and, at the request of the manager, began to work with the store on applying for WIC authorization. HFH also provided marketing signs and helped purchase a new cooler solely dedicated to fresh produce.

High Point Walgreens saw continued increase of produce sales over the next year and was approved to accept WIC checks. As a result, other Walgreens stores in the area began to take interest in expanding their produce offerings. Six stores applied to HFH and were approved. To streamline the costs and services offered, each store had a similar project plan that included providing HFH marketing materials, produce basket displays, and seed capital to purchase a cooler. The TA provider also reviewed WIC requirements with stores that were that interested. Produce trainings were unnecessary since Charlie's Produce (see *Appendix D for case study*), merchandised for them. These stores did not receive other business development and services or grocery industry consultation since their existing structure and management was strong.

A result of these streamlined efforts, bulk purchasing and the smaller range of standard services, the average costs for the six stores was $3,086 compared to the $10,688 average of independent small grocery stores. In addition, the project plan was implemented in three months compared to the six months used for other stores. The six Walgreens stores have doubled their produce sales and are consistently ordering two or more times a week.

WORKING WITH STORES

After initial identification based on selection criteria, a HFH TA provider visited each potential store to explain the project to its owner. Interested storeowners completed a short application which was reviewed by the HFH team (see *Appendix C*). If approved, the TA provider completed an assessment of the store's business practices, infrastructure (e.g. type and condition of equipment), and inventory, then developed individual store project plans with the owner. Depending on business needs and owner interests, the plans drew from the services described in *Table 2*.[7] Throughout the project, as different needs emerged for the storeowners, the HFH team added services and partnerships to accommodate those needs. In this way, the initial HFH "model" that was being tested, was in fact adapting throughout the course of the project. A description of these adaptations is provided below in the *Lessons Learned* section.

[7] See **www.healthyfoodhere.com** for tools and resources developed by Healthy Foods Here.

TABLE 2
DESCRIPTION OF HFH SERVICES

ONE-ON-ONE TECHNICAL ASSISTANCE	GROCERY INDUSTRY EXPERTS:	FINANCIAL INCENTIVES	DISTRIBUTION ASSISTANCE
Each store was assigned a TA provider who worked with storeowners to develop an individualized store project plan and assisted storeowners in: • Connecting to appropriate services and service providers. • Understanding required permits and how to apply for them (e.g. public health food service. permits, WIC applications). • Brokering introductions to suppliers.	**HFH recruited grocery and produce industry experts to:** • Assist in developing educational materials for storeowners. • Offer advice on store layout and design. • Help determine equipment needs. • Conduct trainings on produce handling, care, and display. • Follow-up on trainings. • Provide tips for working with distributors. • Conduct refrigeration and equipment maintenance care trainings.	**HFH offered financial incentives to assist the stores with a range of investments (e.g. new equipment and infrastructure improvements):** • Small grants – up to $750. • Seed capital – up to $7,500 with a minimum 20% contribution required from the storeowner. • Loan subsidies.	• HFH provided referrals to grocery and produce distributors. • Provided tips on how to establish relationships with distributors. • Piloted a "small stores" program with Charlie's Produce to deliver small orders and provide hands-on merchandising and produce handling training (for more details on the Charlie's collaboration, see **Appendix E**).

BUSINESS DEVELOPMENT RESOURCES & ASSISTANCE	MARKETING SERVICES	WOMEN, INFANT, CHILDREN (WIC) AND SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM
Depending on each storeowner's needs, they were provided: • Permitting assistance (e.g. public health food service permits). • Basic business skills training – through StartZone, a program that provides one-on-one consulting and classroom training in basic business skills on how to implement record-keeping systems, financial analysis tools, and tax assistance. • Energy audits.	**HFH provided signage for stores as well as advertising and promotions in the broader community:** • Signs using the HFH logo (e.g. sidewalk signs, shelf signs) aimed at marketing healthy foods as well as increasing store visibility and HFH brand recognition. • Advertisements in newspapers and radio stations in King County. • Grassroots distribution of flyers and door hangers distributed within walking distance of stores. • Store events that included nutritional education, giveaways and healthy food samples. • Coupons and special promotions discounting produce.	**TA providers worked with stores in maintaining or receiving WIC and/or SNAP authorization by:** • Explaining regulatory requirements and ensuring stores were in compliance. • Filling out WIC applications and providing a letter of support from the county health department.

FIGURE 5

BUSINESS PROFILE: EXPANDING HEALTHY OFFERINGS AT TABARAK (TUKWILA, WA)

Store Profile: Tabarak is a medium-sized ethnic grocery located in Tukwila, a suburban city with a large Somali immigrant population. While a supermarket is just a few blocks down the street, Tabarak sells culturally-specific foods, such as halal meats, that are not available in conventional supermarkets. Tabarak accepts WIC and SNAP as payment, and sells a wide variety of produce as well as other healthy foods. The storeowner, Ms. Abdulle, is an experienced business woman and is a well-established grocer in the community.

The Project: Prior to joining HFH, Ms. Abdulle sold produce and had a strong vision for her store and was willing to invest her own capital for store improvements to make HFH resources go further. HFH worked with Ms. Abdulle to update the store's refrigeration equipment to improve overall energy efficiency. HFH also helped increase awareness of her produce offerings through signage and marketing.

Tabarak received an energy audit to see how Ms. Abdulle could lower utility costs, typically one of the higher overhead costs for food retail businesses. Examination of the store's monthly bills revealed that her energy costs were much higher in the summer months due to inefficient cooling systems. Though many of the suggestions from the audit were capital-intensive, Ms. Abdulle was able to make a significant change by simply unplugging a large, open produce table. Due to high costs to remove it, Ms. Abdulle decided to keep it for display of unrefrigerated items; HFH helped her purchase appropriate produce display baskets for the table. Also with the assistance of HFH funding, a new cooler was purchased for refrigerated produce items. Tabarak's new produce section was placed in the front of the store along with interior and exterior signage to showcase the selection of fresh products. Ms. Abdulle also purchased a new three-door freezer, with HFH assistance, for better display of her halal meat and, again, improved energy efficiency.

Other HFH assistance included a promotional campaign at Tabarak to highlight the fresh produce and connections to Charlie's Produce, a local produce wholesaler. Though Ms. Addulle had previously worked with a produce distributor, she did not have a functioning relationship with one at the time HFH started work with her. Charlie's Produce filled this gap and allowed for fresh produce to be readily available at Tabarak.

The store project costs totaled $15,854 (does not include staff technical assistance or promotion costs).

The Results: Ms. Abdulle has seen an increase of produce sales since August of 2011 when she started work with HFH. Ms. Abdulle's first order with Charlie's Produce was just over $150 and within five months, her weekly orders were nearly $300. Ms. Abdulle reports that the new signs drew more customers to her store and helped her sell more produce. In the near future, Ms. Abdulle plans to expand her store and has rented an adjoining space to do so. She also plans to do more advertising to the local community. Ms. Abdulle is a great example of a motivated storeowner with business savvy and interest in growth. Her store has potential to continue to expand both in square feet and in product offerings to better serve a larger and more diverse customer base.

STORE BUDGETS

HFH developed a budget for implementing individual store project plans to ensure equitable distribution of services such as equipment purchases, specialized consultation and trainings (e.g. produce-handling, store layout, etc), and marketing services. *Table 3* includes the per store budget for these items. Specific grocery consultation was budgeted at 10 hours. Seed capital allowed each store up to $7,500 for equipment and required the storeowner to contribute 20 percent of the cost. Grants were typically used for merchandizing equipment like display baskets and produce scales or for small equipment like shop vacuums. In-store signage and events were also budgeted per store. This table does not include overall program costs like staff time for project development or grants provided to the community organizations for assisting with outreach. As a demonstration project, HFH absorbed the cost of planning, designing, and testing this model. Subsequent programming will benefit from the lessons learned in this pilot. *Section 5* provides recommendations for general project resources including project coordination, technical assistance, and essential services. The budget provided in *Table 3* can be scaled as appropriate based on resources available and the specific project goals.

TABLE 3

BUDGET FOR INDIVIDUAL STORE EXPENSES

SERVICE	BUDGET
Grocery Industry Consultation	$1,000
Financial Incentives	
• Seed capital	$7,500
• Small grant	$750
Marketing Services*	
• In-Store Signage	$5,500
• Promotions, events & advertising	$5,000

**Does not include project's general marketing campaign and brand development.*

SECTION 3:

Comparing Healthy Food Retail Strategies

Over the course of the project's 18-month duration, HFH provided service to 61 stores in South King County, many minority and immigrant owned with 47 stores completing the program. The success of each store varied depending on several factors, including the storeowner's interest and business savvy. Stores that were able to invest their own resources (through time, money and energy) in addition to those offered by HFH were more likely to be successful in the project. Many have received positive feedback from customers about the changes and continue to improve their healthy food offerings, particularly their produce sections.

HFH was not only able to increase the availability of healthy foods in the community but also gleaned valuable lessons on how to continually improve this strategy in its next iteration.

"People are now buying more because the quality is higher and produce is fresher. Many people used to go to Safeway but now they say we have produce as "clean and fresh" as big stores.
– Grocery owner in Tukwila

ALTERNATIVE MODELS FOR HEALTHY FOOD RETAIL

HFH is one of many healthy food retail programs that have been implemented across the country. This section compares HFH with four other projects that illustrate the range of models used for healthy food retail strategies: New York City's "Adopt-a-Bodega" program, Newark's "Fresh Food Initiative: Small Grocer Program," and Cook County's "Healthy Hotspot" program (see *Table 4*). Urbane Development, LLC interviewed staff from each of these programs to gain further insight into project operations and outcomes. Additionally, a project evaluation report from Minneapolis'"Healthy Corner Store" program was carefully reviewed to add a fourth program for comparison. Through this process it became evident that other healthy food retail efforts experienced similar successes and challenges as HFH. Nevertheless, the HFH experience contributes new perspectives on these efforts and the key elements that should be in place to make them successful. This comparison is used to inform the lessons learned section below and the recommendations that follow in *Section 4*.

TABLE 4 COMPARING HFH WITH OTHER HEALTHY FOOD RETAIL PROGRAMS

	KING COUNTY, WA – HEALTHY FOODS HERE	MINNEAPOLIS – HEALTHY CORNER STORE PROGRAM	NEWARK – SMALL GROCERY INITIATIVE	NYC – ADOPT-A-BODEGA	COOK COUNTY, IL – HEALTHY HOTSPOTS
Store Recruitment Process	• Targeted stores in areas with high health disparities.	• Stores in targeted neighborhoods invited to apply. Selection based on geography, proximity to other health department initiatives.	• Targeted stores b/w 500-6000 square feet. City Council approached to identify stores in their districts. Outreach to distributors, merchant's associations, stores along commercial corridors.	• Community groups recruited neighborhood stores to participate.	• Targeted stores in low-income suburban communities that were isolated from public transit. Recruitment outsourced to eight community organiza-tions that received $5000 for each store.
Community Engagement	• Four community organizations received grants to assist with recruiting stores and driving demand in surrounding neighborhoods.	• Cooking demos, YMCA assisted with distributing flyers.	• Limited. This strategy focused on construction management. Communities expressed support for changes.	• 150 community groups were trained to identify stores that committed to improving healthy inventory in exchange for commitments from residents to purchase new items.	• Community groups recruited stores and monitored store compliance.
Services Provided	• Technical assistance with sourcing, grocery industry experts, financial incentives, WIC application, marketing.	• Produce sourcing, merchandizing, sales tracking support, produce handling training, $200 stipend for first produce order, City business development resources information	• Financial incentives to small grocers agreeing to sell fresh food. Technical assistance and funding for operations, sourcing, remodeling.	• NYC Dept. Health and Mental Hygiene (DOHMH) provided communities with training on nutrition, shopping, communicat-ing with storeowners, and how to maintain healthy stores.	• Phase 1 – stores offered menu of healthy food inventory to carry. Those stocking six new items received $250. • Phase 2 – stores offered community-based marketing, $3500 equipment stipend
Managed by	• Public Health Seattle-King County (PHSKC) and City of Seattle Office of Economic Development	• Minnesota Dept of Health and Family Support (MDHFS)	• Brick City Development Corporation (BCDC), an economic development agency housed within the Newark municipal structure, along with city's Bonding Assistance Program and PSE&G utility company.	• Dept. of Health and Mental Hygiene	• Cook County Dept. Health, Public Health Institute of Metropolitan Chicago, eight community organizations
Implemented by	• PHSKC contracted with food systems experts and grocery industry experts	• MDHFS with contracted grocery industry consultant	• BCDC and industry experts in store operations, architecture, construction management.	• Community-based organizations (CBOs). Those that had strong leadership and whose programming already aligned with goals of Adopt-a-shop were most successful.	• Phase 1– implemented by CBOs • Phase 2 – implemented by PHIMC
Successes	• 47 stores completed project plans • Increased the inventory of healthy foods and beverages, including culturally preferred items • Increased consumer demand for healthy foods • Increased number of stores that are authorized to accept WIC • Developed relationships between storeowners and distributors.	• Nine stores report increased produce sales. • Increased store knowledge about handling produce. • Stores accepting WIC saw better produce sales than stores with just EBT.	• Four stores completed renovation projects. Two reported significant increase in sale of fresh food. • Partnership b/w Small Grocer Initiative and Bonding Assistance program gave small, minority-owned businesses valuable experience. • BCDC staff gained valuable experience around program management targeted at small businesses, as well as significant knowledge of the food	• Increased visibility of food access issues. • Transitioning to "Shop Healthy NYC" which partners with distributors who provide store layout and merchandizing assistance.	• 25 stores recruited for Phase 1; 21 stores completed Phase 2 • Stores reported community-based marketing was major success.

Lessons Learned from Healthy Foods Here

1 LESSON ONE: CHOOSE THE RIGHT STORE

Criteria should be flexible enough to accommodate priorities around location, type of business and community focus. Rather than focus solely on proximity to a supermarket as a key indicator of healthy food access, consider affordability, cultural food preferences and shopping patterns as additional factors that influence access. Mapping the retail food environment (a proximity strategy) is a good starting place to identify priority neighborhoods and the location of stores, but additional information about on-the-ground shopping preferences and experiences of the community are also important. Even if food is available nearby, if it does not meet cultural preferences and those preferred foods are not available, there remains an access issue.

A successful project depends on assessing storeowner readiness. Observations of successful healthy food retail projects (HFH, Cook County's Healthy Hot Spots) reveal that there is a certain level of store readiness that is more likely to lead to sustainable change. Active entrepreneurs are more likely to take full advantage of the program services to improve their businesses and to go above and beyond program requirements. These are owners willing to invest their own capital in store changes and continue to make positive changes after outside resources are gone. Determining a store's readiness is key to developing a successful store plan. The HFH project demonstrated these important readiness factors:

- Owner interest, connects program to business needs
- Owner involved in daily operations
- Has plan, vision for store
- Business experience, financially savvy
- Owner initiated improvements
- Knows customer base
- Customer interest, community readiness

> *"Small businesses should take [StartZone] classes before opening because there is so much trial and error and so many requirements to understand – it can cost you."*
>
> *– Grocery owner in Seattle*

While no hard rules exist for assessing readiness, some additional indicators of a ready business include having required licenses to operate and having completed taxes and a system for record keeping. (See *Appendix E: StartZone's Back Office Checklist* for examples of indicators to look for in assessing basic business know-how.)

2 LESSON TWO: AN ENGAGED COMMUNITY ORGANIZATION PARTNER CAN HELP DRIVE DEMAND

Four of the programs engaged community groups to recruit stores, drive demand and/or implement the program (King County, Cook County, NYC, and Minneapolis). Success seemed easier for those community groups for whom healthy food retail aligned with their existing programs and mission. In NYC's Adopt-a-Bodega program, the specific intent was to get community groups to broker an agreement between stores and the community for sale and purchase of fresh food. No financial resources were made available to stores, yet a community clinic, Urban Health Plan, was able to recruit five stores in the neighborhood by demonstrating community interest in purchasing healthy food. This commitment from the community is important to storeowners as it assures them that they will be able to stock and sell healthy foods and still make a profit.[9] In King County, communities with strong neighborhood-based organizations (White Center, High Point) were successful at driving demand to local stores. Those areas with weaker connections to a community organization, particularly the suburban cities, were less successful at reaching surrounding community residents.

3 LESSON THREE: THE RIGHT MODEL DEPENDS ON THE NEEDS OF THE STORE

HFH worked with individual stores to develop a project plan specific to the needs of that store. This proved to be a strength of the project and allowed project resources to be used in an efficient and targeted way. Although the project began as a test of a general business development approach, HFH added partners along the way as different needs emerged from the store interactions.

It became apparent that certain specialty services and relationships would strengthen the storeowner's success with Healthy Foods Here. These included developing relationships with distributors and connecting with small business resources. The HFH team identified resources in the region to meet these needs and met with representatives of these groups to explain the HFH program goals and determine how best to assist the storeowners. New partnerships were formed with:

Charlie's Produce • Once it became clear that storeowners were unaware of the produce delivery option, HFH contacted Charlie's Produce about adding small stores to their delivery routes. This conversation developed into a pilot project that offered delivery to small stores for very small orders. (For more details about this pilot project, see *Appendix D: Charlie's Case Study*).

Unified Grocers • One of the recruiting strategies used was to ask local grocery distributors to identify small stores that might be good candidates for the HFH program. Unified Grocers assisted with this process and also provided technical assistance on store layout to storeowners. As one of three distributors authorized to distribute infant formula to WIC retailers, Unified also assisted storeowners with understanding the inventory requirements for participating in the WIC program.

StartZone • As part of the initial assessment and interview process, store owners were asked about their inventory tracking, sales tracking, and other financial management practices. Early in the project, the HFH team realized that most of the stores did not have strong financial systems in place. Through the Office of Economic Development, the team approached StartZone, a business training program at Highline Community College. StartZone partnered with HFH to receive referrals and provide one-on-one consultation on business management systems.

[9] Flournoy, R., (2011). Healthy Food, Healthy Communities: Promising strategies to improve access to fresh, healthy food and transform communities. PolicyLink, 24. Retrieved from **http://www.policylink.org/atf/cf/%7B97c6d565-bb43-406d-a6d5-eca3bbf35af0%7D/HFHC_FULL_FINAL_20120110.PDF.**

The relationship building between HFH and regional partners was pivotal to the success of the program. It not only assisted storeowners in achieving the goals set out in their store project plans, but it created awareness among the new partners of the small food retail needs. These relationships also educated storeowners about how to access resources post-HFH.

4 LESSON FOUR: UNDERSTAND THE REGULATORY ENVIRONMENT THAT IMPACTS SMALL BUSINESSES

Local, state and federal policies can affect the implementation of a healthy food retail project, impacting service delivery and overall project outcomes. In King County, regulators can make healthy food retail more viable by:

- **Ensuring business owners understand the program rules and their eligibility for participating as vendors in the SNAP and WIC retailer programs.** These programs are important resources to low-income families who can benefit from having vendors that accept them. Assisting businesses through the application process can facilitate increased access to healthy, affordable food. Minneapolis and King County both provided this kind of assistance.
- **Providing business owners with clear, transparent information about the regulatory framework and licensing requirements involved in selling food.** For example, the HFH team developed a booklet called "Resource Guide for Food Retail Businesses in King County" that consolidates information about: licenses and permits, business training resources, financing resources, food stamp and WIC licenses, food marketing resources, and energy efficiency resources.[10] Even with this resource, stores may need additional support to understand the array of requirements in their community. (Newark, King County)
- **Ensuring flexibility with 'location-based' criteria in land use planning processes.** Issues around food security and access to healthy food are not limited to proximity to healthy food. Shopping patterns and cultural preferences are also factors.

5 LESSON FIVE: A PROGRAM COORDINATOR IS ESSENTIAL TO MANAGING THE PROJECT WELL

All programs experienced challenges with coordinating communication, information-sharing, and navigating government structures. The multiple partners and resources involved in a successful program require a coordinator to fill the critical role of project management. This will ensure efficient deployment of resources and that the broader program goals are being met. A program coordinator:

- Serves as a representative of the program
- Is able to identify unmet store needs as well as overall program successes and failures
- Networks with consultants, community groups, and funders

[10] Available at **www.healthyfoodshere.com**.

SECTION 4:

Proposal for Future Programming and Funding

Healthy Foods Here proved to be a promising small business development strategy that also meets public health goals of improving access to healthy foods, particularly for vulnerable populations. This section provides recommendations that are based on HFH outcomes as well as the lessons learned from other healthy food retail efforts across the country as described in ***Section 3***. The first part provides recommendations for improving the general program development and planning process. The second part outlines a proposal specific to HFH's next iteration program structure and coordination. This section concludes with funding and financing considerations. The recommendations will assist funders and practitioners in their decision-making on how funds should be prioritized to ensure efficient use of resources to achieve overall program goals.

PLANNING A HEALTHY FOOD RETAIL PROGRAM

HFH's accomplishments and challenges suggest how to more effectively and efficiently design and implement future programming. With the right partnerships, strong demand from the community, and a strong coordinating organization whose work aligns with the goals of healthy food retail, this can be a successful model for business development and increasing access to healthy food. The following should be considered and addressed in program development:

- **Build necessary partnerships.** Local government, community-based organizations, business organizations, public entities, broader food system stakeholders and funders can all play a role in setting goals and ensuring sustainability of the work. Based on the goals of the program, choose the right partners and community members who can assist and drive customers to the chosen stores.
- **Allow ample time for each project phase.** While the implementation phase requires the majority of time and resources, the planning, outreach and evaluation phases are also critical to ensuring the project's overall success. During the implementation phase, there is greater success with stores where the TA provider has time to develop a relationship and build trust.

[11] Assessment can be conducted with publically available data. For examples see Martin, K. (2011). The Food Landscape in Seatac, WA. Urban Food Link. Retrieved from **http://www.urbanfoodlink.com/wp/wp-content/uploads/2012/02/FoodLandscapeinSeaTac.pdf**. Discussions with food retailers, community leaders, residents and other potential stakeholders will also help further identify needs and challenges.

Successful stores demonstrated a readiness for change and a degree of business savvy.

The array of services available to stores will vary depending on the funding and staff resources available.

- **Assess the food retail landscape and community needs.** Understanding the number, types and location of stores within a community can help determine the project's scope and scale as well as the project goals.[11]
- **Determine project's overall goals.** Setting goals from the onset will help determine appropriate funding sources, partners and services provided. Is the project using a business– or place-based approach? Is the target vulnerable populations or specific kinds of businesses?
- **Determine criteria for store selection consistent with project goals.** Successful stores demonstrated a readiness for change and a degree of business savvy. There are no hard rules for assessing readiness, but tools are available to provide guidance. (See *Appendix E: StartZone's Back Office Checklist* for examples of indicators to look for in assessing basic business know-how.)
- **Establish performance-based incentives.** Other projects across the country have used performance-based incentives to reward businesses as they make improvements that align with project goals. Phasing in incentives will help ensure a higher success rate by screening out businesses not appropriate for or committed to the project's goals.
- **Work with industry experts who can provide guidance and/or training to the storeowners.** Distributors, retail associations, lenders, permitting and licensing professionals can all help streamline efforts. These project partners should understand the needs and interests of small businesses as well as the project goals and expectations.

The array of services available to stores will vary depending on the funding and staff resources available. *Table 5* outlines recommended service components to consider and the associated resources needed (see *Table 3* for individual store budgets). These services would be managed by a project coordinator.

TABLE 5

RECOMMENDED PERSONNEL AND PROGRAM SERVICES AND REQUIRED RESOURCES

PROGRAM SERVICE	RESOURCES REQUIRED	FURTHER RECOMMENDATIONS
Technical Assistance Provider	• . 5 FTE for every 5 stores	• Determine level and type of services to be provided. Some types of assistance require additional time (i.e. permitting)
Grocery Industry Experts	• 2-10 hours per store depending on funding	• Establish a working agreement between partners, businesses and the project with clearly stated roles and expectations.
Financial Incentives	• Seed capital funds and TA provider coordination	• Reward on performance-based measures. • Require business to contribute some share of investment costs.
Distribution Assistance	• TA provider referrals and, if available resources, contract w/ distributor.	• Subsidize initial produce purchases to offset early losses. • Establish expectations/guidelines for frequency of ordering.
Business Development Resources & Assistance	• TA provider assistance and resource referrals	• Ensure business resource partners understand the businesses' small scale needs, financial capacity, and cultural needs.
Marketing Services	• Store signage and advertising/ community outreach	• Provide scale-appropriate advertising that businesses can adapt on their own. • Train stores on how to conduct periodic sales/promotions. • Partner with community organizations to assist with driving demand.
Program Coordinator	• .5 FTE for every 10 stores	• Ensure coordinator has strong communication and collaboration skills in addition to project management skills.

Recommendations: Future Healthy Foods Here Programming

The following section provides recommendations regarding the future structure and coordination of HFH, as well as the essential services to provide. Additional recommendations address the role of local governments, concurrent community efforts and funding and financing options.

PROGRAM STRUCTURE AND COORDINATION:

While HFH was designed to serve the larger, multi-jurisdiction area of King County, future programming could be structured to have a narrower focus and serve specific jurisdictions, neighborhoods, or communities (e.g. cultural or ethnic). Determining where to house a healthy food retail program depends on the program goals, available funding sources and the potential host organization's capacity to manage such a program. A healthy food retail project could be:

- Operated by a community-based organization that already engages in food systems, health or community economic development work
- Operated by a local government agency (e.g. public health department, economic development office, neighborhood or community development, etc)
- Managed by a local government agency and implemented by sub-grantees from the non-profit or business sector

Since interests and needs will vary across the county, the HFH model could be adopted by a variety of host organizations and adapted to meet their specific program goals.

ESSENTIAL PROGRAM SERVICES:

To ensure program efficacy, future healthy food retail programming should include the following:

- **Hire a program coordinator** to manage the relationships and overall program communication and to administer the program. This is critical with multiple partners and resources involved. Depending on his/her skill-set and experience, the coordinator can be assigned TA provider responsibilities as well.
- **Provide one-on-one technical assistance.** A key to successful healthy food retail programs is the TA provider who serves a coordinating function for gathering and deploying resources effectively as well as assisting businesses with meeting regulatory requirements. Helping a storeowner navigate the government licensing structures is especially important for food safety and public health. This relationship is the connection between the store, the community, and the array of other resources that can help make the project a success. This person should be resourceful and able to understand the myriad components of the healthy food retail strategy.

> *"The [TA provider] was a bridge to resources who listened and discussed options with me" –Grocery owner in Tukwila*

- **Require business development assistance and resources.** Business development is a critical project component. An initial business assessment should be completed to determine the stability of the business and assess what level of training could benefit the owner and/or staff. Depending on the results, retailers should be referred to and complete basic business training prior to receiving other services. As stores demonstrate commitment to the program goals and meet performance objectives, additional services and resources can be provided. (See *Appendix E: StartZone's Back Office Checklist* for potential business indicators to consider).
- **Connect businesses to industry experts and suppliers.** In addition to the one-on-one technical assistance, the relationships, knowledge and resources provided by others in the food industry are critical to businesses making sustainable changes.
- **Offer financial incentives.** The incentives not only attract businesses to participate and reward businesses for their involvement, they also provide resources for storeowners to make necessary investments in their stores.

> *"Anytime she [the TA provider] stops by to talk it gives me ideas. She made the store nice." –Convenience storeowner in Seattle*

Depending on the available funding and scale of the program, these essential services could be implemented at different levels (see *Figure 6*). The higher levels of funding for store expenses allow for more comprehensive service delivery.

FIGURE 6
PROGRAM EXPENSES

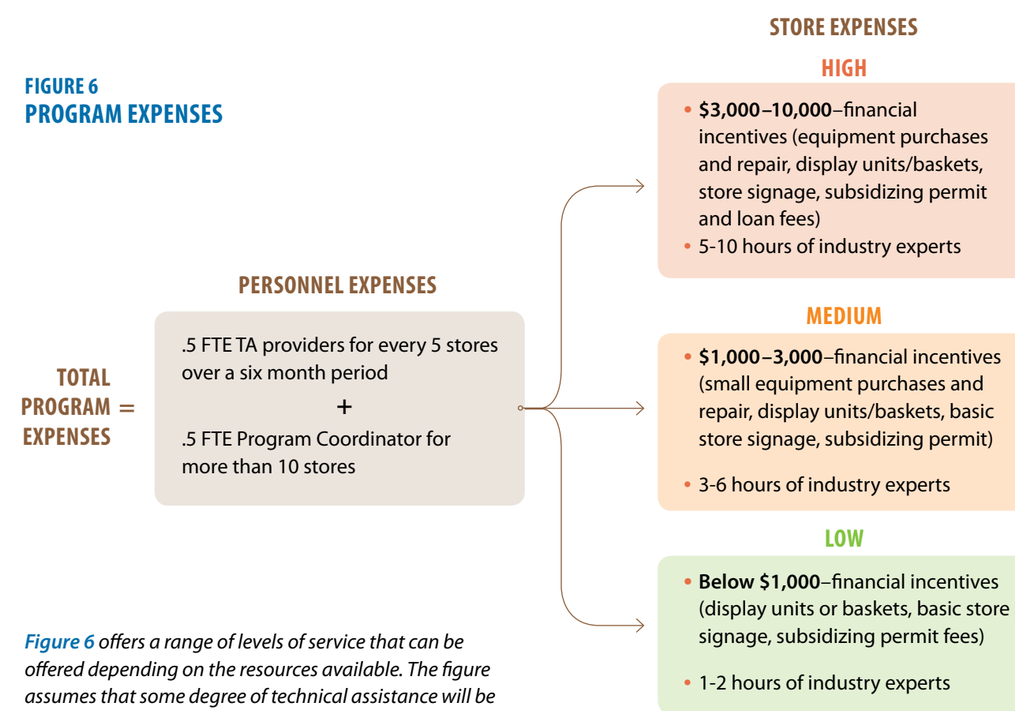


Figure 6 offers a range of levels of service that can be offered depending on the resources available. The figure assumes that some degree of technical assistance will be provided regardless of the financial incentives available to the storeowner.

CONCURRENT ACTIVITIES FOR COMMUNITY BASED ORGANIZATIONS:

The experience of the HFH team indicates that healthy food retail programs will be most successful when driven by community demand and when a strong community partner organization is involved. Community partners that have business development, health, or community engagement as part of their mission can support a healthy food retail project and help create demand by:

- Organizing work parties to help clean the store and re-arrange inventory
- Organizing youth activities that promote healthy eating and drive demand to the store
- Assisting the owner with distributing marketing materials and/or coupons when sales are planned
- Assisting with nutrition education activities or menu creation based on healthy products available in the store

These activities become an incentive for storeowners because they demonstrate community interest in purchasing healthy foods. Storeowners know they will be able to sell their produce and make a profit.[12]

The experience of the HFH team indicates that healthy food retail programs will be most successful when driven by community demand and when a strong community partner organization is involved.

ROLE OF LOCAL GOVERNMENTS:

Whether or not a local government is the host organization, various government agencies can support future programming by:

- Prioritizing access to healthy food when allocating federal and local grant funds and other public funding tools
- Reviewing zoning and land use to address potential regulatory barriers (e.g. retail not permitted in neighborhoods.)
- Providing clear, accessible information on relevant codes and permitting/licensing and inspection processes in appropriate languages
- Facilitating regulatory compliance through providing educational materials/outreach in appropriate languages to assure compliance
- Streamlining permitting processes for businesses to meet regulatory requirements (e.g. public health, building)
- Providing incentives for participating businesses (e.g. reduced permit fees, rebates, tax reductions, streamlining permits)
- Facilitating dialogue with other government agencies to assist in program needs and potential policy issues (e.g. WIC program and public health permits)
- Actively collaborating across agencies to better understand and meet the needs of communities

[12] Flournoy, R., (2011). Healthy Food, Healthy Communities: Promising strategies to improve access to fresh, healthy food and transform communities. PolicyLink, 24. Retrieved from **http://www.policylink.org/atf/cf/%7B97c6d565-bb43-406d-a6d5-eca3bbf35af0%7D/HFHC_FULL_FINAL_20120110.PDF.**

- Referring potential businesses, industry experts and other partners and resources to host organization
- Convening or supporting an association of healthy food retail programs

OPTIONS FOR FUNDING & FINANCING:

Healthy food retail projects have been funded by a range of private and public sources. Projects often leverage a combination of funding resources since they have specific expenses for programming, equipment and marketing and also require operational support (see *Figure 7: Kelly Green Case Study*).

FIGURE 7
KELLY GREEN CASE STUDY

The Kelly Street Green project is a comprehensive neighborhood redevelopment centered in the Hunts Point section of the Bronx. Kelly Street Restoration (KSR), a partnership between a construction firm, an affordable housing developer, and a neighborhood CDC, purchased and rehabilitated 5 multi-unit residential buildings. The redevelopment also includes 2800 sq ft. of ground-floor commercial space situated at the corner of Kelly Street and 163rd Street, which is a bustling, commercial corridor in the heart of the South Bronx. KSR issued a request for proposals to program the commercial space with a business that will provide accessible healthy and fresh food to local residents. The proposal also asks potential operators to incorporate an adjacent community garden and local farms into their business model. The RFP has actively targeted community-based entrepreneurs who seek to operate a fresh food enterprise, with sensitivity towards cash-poor and/or inexperienced start-up proposals.

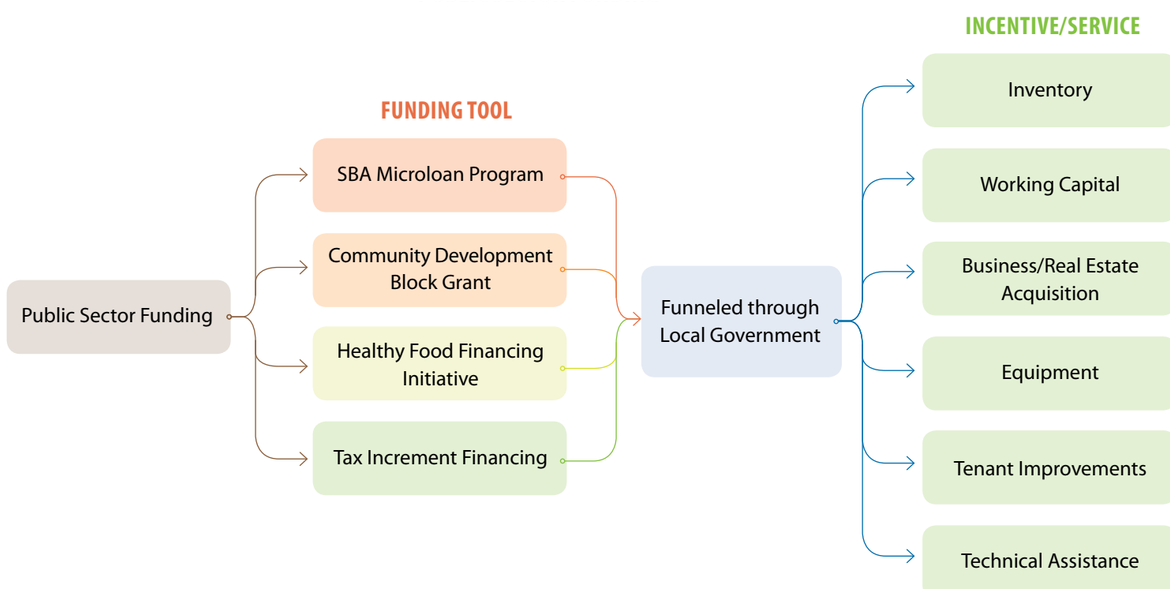
The KSR team has put together a board of advisors who will select and mentor the chosen operator, providing business development, inventory management, marketing, and other operational technical assistance for the first year of the store's operation, free-of-charge. In addition, the developer has secured $100,000 of grant funds from a major investment bank and $150,000 of low-interest loan funds (3% non-amortizing, 10 year term) from a local CDFI to subsidize start-up costs for the operator. KSR is also offering a 2-bedroom unit to the operator in one of the adjacent buildings for uses during the term of the commercial lease.

PUBLIC SECTOR FINANCING:

In recent years, significant public financing has become available for funding healthy food retail programs.[13] Some of these financing tools have been designed specifically for healthy food retail (e.g. California FreshWorks, which awards low-interest loans with funds from the Healthy Food Financing Initiative or New Orleans' Fresh Food Retailer Initiative partially financed by Community Development Block Grant funds). Other tools have a broader economic development approach under which healthy food retail could fall. One example is using revenue from tax increment financing (TIF) to assist small businesses with facade improvements. As *Figure 8* shows, public funding tools are typically passed through local government to the organizations implementing the healthy food retail program. These funds are fairly flexible and can be used for hard costs such as equipment or remodeling as well as for soft costs such as working capital for the store. A benefit of public funding is that it can be used to cover the cost of technical assistance to the stores. Whether a program is interested in grants, tax incentives, economic development loans, or other kinds of financing, the options available can vary depending on the tools developed and used by local and state jurisdictions.

A benefit of public funding is that it can also be used to cover the cost of technical assistance to the stores.

FIGURE 8
PUBLIC SECTOR FUNDING

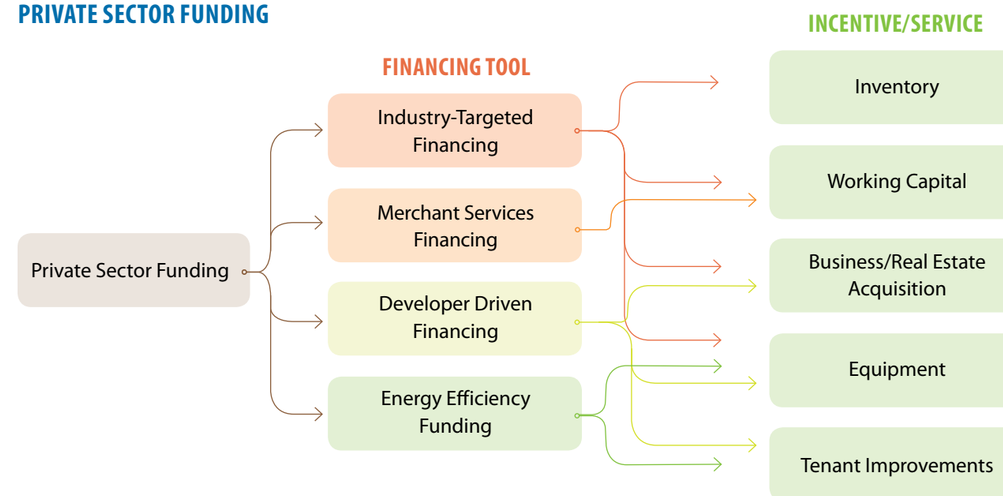


[13] Green for Greens: Finding Public Funding for Healthy Food, a report released in 2012 by ChangeLab Solutions

PRIVATE SECTOR FINANCING:

Other financing options lay in the private sector. *Figure 9* gives four examples of the kinds of private financing available to small food retailers, including bank loans, developer financing, and merchant services, which offer cash advances in exchange for a percent of the store's debit/credit card sales.[14] In general, these options are available directly to the business owner to cover hard costs and are not intended to provide training or technical assistance services.

Figure 9
PRIVATE SECTOR FUNDING



Used together, public and private funding sources can leverage a comprehensive set of services and incentives to create a robust healthy food retail strategy. The role of private foundations in this work is especially important in supporting the operations of healthy food retail strategies. Programming, technical assistance, and coordination of the expert resources all require staff with strong project management skills. Foundations seeking to address food insecurity and access, health disparities, sustainable communities and local food economies can include healthy food retail as one important addition to their portfolio of strategies.

[14] For more detailed information on financing options, see Appendix G. Corner Store Financing Options.

Summary

The Healthy Food Here pilot project ended in March, 2012. Two months later, the team interviewed a sample of the storeowners to measure success in maintaining their store changes. Eighty percent were maintaining fresh product visibility. Sixty percent reported that they order fresh produce at least once a week and 44 percent reported ordering more than $100 per order. Future funding could be used to conduct one-year assessments and revisit the partnerships created to determine if they have been maintained.

The HFH team identified several elements that can make for a successful healthy food retail strategy. This report has provided guidance on how to assess a store's readiness to participate, what kinds of technical assistance and financial incentives to offer, and what kind of partnerships should be in place to make the project a success. Through this project, the team learned that meeting the needs of small businesses takes a comprehensive approach. Simply providing a cooler or a supply of fresh produce is not enough to change the way a business operates or the way a community supports that business. There is no perfect model for implementing a healthy food retail strategy. The menu of services available will depend on the staff and other resources available to manage the program. Nevertheless, ongoing technical assistance, continued relationship-building with suppliers, and community engagement are essential to ensuring the success of this program.

[13] Green for Greens: Finding Public Funding for Healthy Food, a report released in 2012 by ChangeLab Solutions

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Appendix A. Healthy Foods Here Store Typology*

Stores may fulfill more than one of the categories below.

Supermarket – Sells a full line of groceries, meat, produce, and dairy products. These stores typically sell a line of at least 15,000 products, including general merchandise and health and beauty products. In addition, supermarkets usually include a deli and bakery. According to the Food Marketing Institute and Progressive Grocer, supermarkets generate more than $2 million in annual sales. Supermarkets range in size from 30,000 to 45,000 square feet.

Full-service grocery store – Sells dry grocery, canned goods, produce, meat, and dairy products. This type of store may also sell a limited supply of household goods.

– Large Format – These types of stores typically range in size from 20,000 to 35,000 square feet and between $1-2 million annual sales.

– Medium Format – Typically between 10,000-20,000 square feet and between $250,000-1 million annual sales.

– Small Format –Typically below 10,000 square feet and under $250,000 annual sales.

Convenience store – Offers a limited supply of food items, often including snacks, soft drinks, and alcoholic beverages. Some stores also sell a limited assortment of produce and dairy products. Typical stores range in size from less than 1,000 square feet to 5,000 square feet.

Drugstore - A prescription-based drug store that also generates sales from consumables, general merchandise, and seasonal non-perishable items.

Produce Market – Over 50% of stock offered is produce items.

Ethnic Grocer – Offers special cultural foods (Halal or Kosher meat, special produce items, etc.) and non-perishable items not found in traditional grocery stores. Feature few products from the largest food manufacturers and instead favors goods from specialty food producers and processors.

* These categories were developed with reference to the Food Marketing Institute's Supermarket Facts, Industry Overview 2010 (available at: http://www.fmi.org/), PolicyLink Grocery Attraction Strategies: A Resource Guide for Community Activists and Local Governments (available at: http://www.policylink.org/), and Guptill, Amy and Wilkins Jennifer L. "Buying into the food system: Trends in food retailing in the UW and implications for local foods," *Agriculture and Human Values* 19: 39–51, 2002.

Appendix B. CPPW Healthy Foods Business Incentive Project: Criteria for Business Prioritization

Priority #1: Small to Mid-Sized Food Retailers (i.e. small grocery stores, corner stores, convenience stores, specialty stores, etc.)

A. Located in CPPW focus communities

B. Located in area with low access to healthy food retail

C. Store is serving food insecure people

D. There is local interest and opportunity

E. Stores with higher sales volume and/or primarily stock food, with strategies tailored to type

F. Demonstrated business experience in the food industry

Priority #2: Other Food-Related Businesses

A. Demonstrated business experience in the food industry

B. Business is connected to the supply chain for stores

C. Opportunity for high impact: business is reinforcing other MAPPS strategies or CPPW initiatives

D. Located in CPPW focus communities

E. Located in area with low access to healthy food retail

Clarifications:

- Generally, the CPPW target communities are the first priority in all cases.
- A business does not need to meet multiple criteria to be considered but generally, meeting multiple criteria will result in a higher priority level.
- All businesses, whether independently owned or chains, are eligible.
- Restaurants are generally not a target.

Priority #1: Small to Mid-Sized Food Retailers (i.e. small grocery stores, corner stores, convenience stores, specialty stores, etc.)

Recommended Criteria	Explanation	Assessment of stores fitting criteria in CPPW focus communities
A. Located in CPPW focus communities		
• Stores located in Auburn, Burien, Des Moines, Federal Way, Kent, Renton, Tukwila, SeaTac, White Center, and the Seattle communities of Southeast Seattle, Central Seattle and the Delridge area.	Geographic areas in King County most affected by health inequities.[15] These areas have higher rates of obesity, diabetes and inadequate fruit and vegetable consumption.	752 stores[16] • EBT-certified stores: 563 • non-EBT certified stores: 205 • WIC-certified: 12
B. Located in area with low access to healthy food retail		
• Stores located in "food deserts"[17] (more than one mile from a supermarket).	Area- or distance-based access in which households are more than 1 mile from a supermarket. The supermarket is used as a proxy to availability of affordable and nutritious foods.[18,19]	86 stores • EBT-certified stores: 54 • non-EBT certified stores: 32 • WIC-certified: 0
• Stores located within .5 mile of a school.	Food retailers such as convenience stores with low-nutritive foods that are located within a few blocks of schools may contribute significantly to poor snacking and overall energy intake of youth.[20]	618 stores • EBT-certified: 473 • non-EBT certified stores: 145 49 are also within a food desert • EBT-certified: 35 • non-EBT certified stores: 14

[15] See "Supporting Health Data and Maps" on PHKCS CPPW website—http://www.kingcounty.gov/healthservices/health/partnerships/cppw.aspx#data.

[16] Based on USDA Food and Nutrition Service's business categorization of EBT-certified stores. These stores have an annual staple food sales under $2 million and include variety of store types such as convenience stores, smaller grocers, drug stores, and specialty stores that primarily stock a particular food stock (i.e. bread, meat). Non-EBT certified stores were identified by Public Health- Seattle & King County public health permit database from 2008.

[17] The 2008 Farm Bill defines a food desert as an "area in the United States with limited access to affordable and nutritious food, particularly such an area composed of predominantly lower income neighborhoods and communities." (Title VI, Sec. 7527)

[18] USDA Economic Research Service. *Access to Affordable and Nutritious Food—Measuring and Understanding Food Deserts and Their Consequences: Report to Congress.* Washington, DC: U.S. Department of Agriculture, 2009. Available at http://www.ers.usda.gov/Publications/AP/AP036/.

[19] Sarah Treuhaft and Allison Karpyn. *Grocery Gap: Who has Access to Healthy Food and Why it Matters.* Policylink and The Food Trust, 2010. Available at http://www.policylink.org/site/apps/nlnet/content2.aspx?c=lkIXLbMNJrE&b=5136581&ct=8079863

[20] Kelley E. Borradaile, Sandy Sherman, Stephanie S. Vander Veur, Tara McCoy, Brianna Sandoval, Joan Nachmani, Allison Karpyn, and Gary D. Foster. *Snacking in Children: The Role of Urban Corner Stores.* Pediatrics (2009) 124: 1293-1298.

C. Store is serving food insecure people- working with stores that accept WIC and EBT, federal food		
• Stores at risk for losing WIC certification due to the recent program changes of the WIC approved foods list which requires stores to stock fresh produce.	The WIC program is designed to improve the health of low-income women, children and infants who are nutritionally at-risk. The WIC food approved list includes all the foods that WIC-certified stores are required to have in stock at all times. It is nutrition-based and designed to supplement diets. In October 2010 fresh fruits and vegetables were added the Washington WIC list. Due to the infrastructure challenges and/or lack of experience in stocking produce, small retailers may be at-risk of losing their certification.[21]	12 small grocers or specialty stores
• Stores interested in becoming WIC certified – those that have applied for WIC and been denied, if they can be reached.	Similar programs across the country have found that store owners are interested in maintaining their WIC certification despite programmatic changes and are making the appropriate changes to meet the WIC requirements.[22] Stores already interested in becoming WIC certified could potentially be good candidates for the program and could increase access to healthy food for food insecure people.	*Due to confidentiality concerns of sharing business information, we are working with WA DOH to contact these stores.*
D. Local Interest and Opportunity		
• Interested store owners.	Similar programs across the country have found that motivated store owners and organized communities increase the likelihood of successful change.[23]	TBD
• Areas with organized community interest in improving local stores, including community-based organizations (CBOs) awarded CPPW funds.	Some of the most effective corner store interventions have been strongly community-based.[24] One of the key strategies identified in promoting the store's long-term investment to stock healthy foods is the engagement and/or partnering with community members and/or a local organization.	Several communities have expressed an interest in helping to increase healthy food in their areas. Some may apply for the CPPW grant funds.

[21] Public Health Law & Policy and California WIC Association. **Changes in the WIC Food Packages: A Toolkit for Partnering with Neighborhood Stores. 2009. Available at** http://www.phlpnet.org/system/files/WIC_Toolkit.pdf**.**

[22] Minnesota's Department of Health and the Institute of Agriculture Trade & Policy (IATP) has been working with WIC-certified corner stores to maintain their certification which secures a steady stream of income and customer base (stores are required to receive a minimum number of vouchers per month). Personal communication, JoAnne Berkenkamp, IATP, March 2010).

[23] A review of best practices of healthy corner store projects throughout the country have stressed the storeowner's interest is key to a project's success. (Branden Born and Kara Martin, *Delridge Healthy Corner Store Project: A Toolkit for Community Organizers and Storeowners*, University of Washington, June 2009).

[24] Public Health Law & Policy. *Healthy Corner Stores: The State of the Movement*. 2009. Pg 8. Available at http://www.phlpnet.org/system/files/HCSReport.pdf.

E. Stores with higher sales volume and/or primarily stock food, with strategies tailored to type		
• Prioritize stores with higher sales volume.	Due to the higher volume of sales and store size, these stores likely have a higher customer base and therefore a larger impact of improving access to healthy foods for a higher number of individuals and families.	5 stores have annual staple food sales between $1-2M.
• Prioritize businesses who primarily sell food.	Prioritize convenience stores and small grocers over "combination stores" (i.e. drug stores, dollar stores) as food is their primary item stocked. Convenience stores have a limited variety of food stock (less than 65% are staple foods), primarily selling snack items, soda, alcoholic beverages, and non-perishable staple foods (i.e. canned foods). Additionally, convenience stores are open long hours, offering easy access for customers. 78% of these stores are near schools and 15% are located in food deserts. Small to mid-sized grocery stores carry a small to wide selection of all four staple food categories depending on the size of the store. Stores that stock and market ethnic-specific foods (i.e. halal meats) predominantly fall into this category. These stores primarily sell staple foods and therefore may have a higher level of experience in the food industry and a stronger business interest in BIP than convenience stores.	279 convenience stores • 41 are in a "food desert" • 218 are located near a school • 88 are corporate chains 91 small & mid-sized grocers • 5 stores have annual staple food sales between $1-2M. • 10 stores are WIC-certified with annual staple sales between $250,000 and $1 million. • None are corporate chains None are located in a "food desert."
• Select food business models matching community need	If a community desires to impact youth snacking habits, convenience stores (selling primarily snack foods) should be prioritized. If a community desires to increase access to staple foods, a small grocery store should be prioritized.	Several communities have expressed an interest in helping to increase healthy food in their areas. Some may apply for the CPPW grant funds.
F. Demonstrated business experience in the food industry		
• Lenders would not lend to start ups with no prior business experience • Start ups can be referred to organizations like Washington CASH.	New businesses have a high failure rate, particularly if the owner is inexperienced. To increase the likelihood of investing in lasting changes, new or existing businesses with demonstrated business experience in the food industry will be higher priority.	

Priority #2: Other Food-Related Businesses

Criteria	Explanation	Potential Businesses
A. Located or serving CPPW focus communities		Types of businesses that have already expressed interest include: • Healthy vending companies • Mobile produce truck • Produce stands • Healthy pre-made dinner delivery • Farmers needing EBT equipment • Churches delivering groceries
Businesses located or serving CPPW Focus Communities (Auburn, Burien, Des Moines, Federal Way, Kent, Renton, Tukwila, SeaTac, White Center, and the Seattle communities of Southeast Seattle, Central Seattle and the Delridge area).	Geographic areas in King County most affected by health inequities. These areas have higher rates of obesity, diabetes and inadequate fruit and vegetable consumption.	
B. Located or serving area with low access to healthy food retail		
• Businesses located or serving "food deserts" (more than one mile from a supermarket) • Businesses located or serving within .5 mile of a school.	Area- or distance-based access in which households are more than 1 mile from a supermarket. The supermarket is used as a proxy to availability of affordable and nutritious foods. Food retailers such as convenience stores with low-nutritive foods that are located within a few blocks of schools may contribute significantly to poor snacking and overall energy intake of youth.	
C. Local Interest and Opportunity		
• Interested business owners. • Areas with organized community interest in increasing healthy food access, including community-based organizations (CBOs) awarded CPPW funds. • Business is reinforcing other MAPPS strategies or CPPW initiatives	Potential impact of the investment will be evaluated to target resources to projects with the highest potential.	
D. Demonstrated business experience in the food industry		
• Lenders would not lend to start ups with no prior business experience • Start ups can be referred to organizations like Washington CASH.	New businesses have a high failure rate, particularly if the owner is inexperienced. To increase the likelihood of investing in lasting changes, new or existing businesses with demonstrated business experience in the food industry will be higher priority.	
E. Business is connected to the supply chain for stores		
• Business is connected to the supply chain for stores	To reinforce the focus on systemic changes that increase access through corner stores, businesses that improve the supply chain for stores will be a priority.	

Appendix C. Healthy Foods Here Application

healthy foods here
BUSINESS SUPPORT

Date: _____

Healthy Foods Here can help your store carry more healthy foods and make you more money!

Please take a moment to fill out this application for the *Healthy Foods Here* project. Funding is limited and not all stores may be eligible to participate. Your business will be chosen for participation based on store location, community support and your interest. The application will help us select participating stores. You will receive a response within two weeks. If you have questions or need assistance with the form, please contact us at **206-684-0133**. We look forward to hearing from you!

Store name: _____ Contact person(s):_____

Address_____

Phone: _____ Email: _____

Best way to contact you? ☐ Phone ☐ Email ☐ Stop by store
(days/time:_____)

---

1. How long have you owned or operated this store?

   ☐ Less than 2 years ☐ 2-4 Years ☐ 5-10 years ☐ More than 10 years

2. Have you owned or worked for other food-related stores? ☐ Yes ☐ No

   If so, for how long? ☐ Less than 2 years ☐ 2-4 Years ☐ 5-10 years ☐ More than 10 years

   Please describe type of your prior business or experience: ☐ Small Grocery

   ☐ Produce stand ☐ Convenience store ☐ Supermarket

   ☐ Other: _____

3. Please describe the ownership of your business? ☐ Sole ownership ☐ Partnership

4. What time of day is the store most busy? ☐ Morning ☐ Lunchtime ☐ Evening

5. What types of customers shop at the store most frequently?

   ☐ Neighborhood residents ☐ Youth ☐ Seniors ☐ Families ☐ Unsure

   ☐ Other (please describe) _____

6. Do you accept food stamps? ☐ Yes ☐ No ☐ No, but would like to

7. Do you accept WIC? ☐ Yes ☐ No ☐ No, but would like

8. Do you currently sell fresh produce? ☐ Yes ☐ No ☐ No, but would like to

9. If *yes*, what items (apples, bananas, etc.)?

   _____

10. *Healthy Foods Here* will provide FREE ongoing project assistance. Please check what you are most interested in.

    ☐ Merchandising, inventory management, store layout and design

    ☐ Working with suppliers

    ☐ Applying for WIC/ EBT

    ☐ Marketing to bring in more customers

    Would you like marketing materials in languages other than English? ☐ Yes ☐ No
    If yes, what language(s)? _____

    ☐ Seed capital and low-cost loans to purchase equipment or make store improvements
    Please describe what type of equipment or improvements:
    _____

    Will you be able to provide financial records? ☐ Yes ☐ No ☐ Maybe, would like to learn more

11. Please share the top three things you would like to do in the store:_____
    _____

12. If your business is selected, you may be asked to share more information about your store such as store inventory and bookkeeping records. This information will remain confidential. Will you be able to share this information with us? ☐ Yes ☐ No
    ☐ Maybe, would like to learn more

13. *If your business is selected, are you willing to make some changes that are agreed upon with our project team?* ☐ Yes ☐ No ☐ Maybe, would like to learn more

Appendix D. Charlie's Produce: A case study of small store distribution

Business Profile

Charlie's Produce is a locally-owned, private produce distribution company in the Pacific Northwest. It is an employee-owned business, and sales staff members do not work on commission. Charlie's supplies local restaurants, grocery stores, institutions, wholesalers, and the marine industry with a full range of conventional, organic, and specialty produce. Additionally, the warehouse and processing facilities allow Charlie's to provide fresh-cut and custom-cut produce for customers.

The Project

Healthy Foods Here (HFH), a collaborative initiative between Public Health Seattle & King County, the City of Seattle Office of Economic Development, Urban Food Link and the University of Washington, provided an array of services to small and mid-sized food retail stores in south King County. The initiative focused on low-income neighborhoods with inadequate access to healthy foods and took place between 2010-2012.

Charlie's warehouse operations include:

- 130,000 sq. feet for produce
- 12,000 sq. feet for processing
- 75,000 sq. feet for dry, freeze & chill grocery lines
- Refrigerated docks and staging areas

Figure 1: Charlie's employee merchandizing a store

In the months prior to HFH, Charlie's launched a direct service delivery (DSD) program, offering small scale stores a specialized sales and delivery team to take store orders, deliver products, and help with merchandising. Walgreens, a drugstore chain, was the first customer that took advantage of the DSD program.

The HFH team approached Charlie's about using the DSD model for the small stores participating in the project. The project provided a small grant to Charlie's to pilot a program that could serve small stores and allow them to receive delivery for a small order, below the usual order minimum. As part of the pilot, Charlie's also agreed to train storeowners about produce ordering, handling, and merchandising (see Figure 1).

HFH was also interested in determining the financial feasibility of the small store delivery and produce training program. The hope was that this could become an affordable model for serving small to mid-sized stores after the end of HFH.

HFH provided Charlie's with a list of participating HFH stores and set up introductory meetings between storeowners and Charlie's team. Three of Charlie's sales associates were assigned to visit 29 of the 61 HFH stores, working with stores that had experience carrying produce, as well as those who had never carried it before. Deliveries were made using a refrigerated minivan specifically designed for the DSD program (see Figure 2).

Figure 2: Charlie's DSD Truck

The Charlie's team used in-person store visits to:

- Discuss which produce items to carry in the store
- Advise storeowners and managers on produce pricing
- Demonstrate how to care for produce, including proper storage
- Discuss refrigeration needs
- Demonstrate product rotation (i.e. when to dispose of unmarketable products)
- Share merchandising ideas about how best to display product for sales
- Advise storeowners or managers on how much to buy

Challenges for the DSD Program

The DSD program was relatively new when HFH asked Charlie's to pilot it with smaller stores and incorporate a training component. The program worked well with stores such as Walgreens that have a clear management structure in place, but there were more challenges with smaller independent stores. There were specific challenges with communication, ordering practices, and staffing. Each are discussed below:

Communication

- With very few exceptions, the storeowners were not native English speakers. Communication required more time and frequent review of recommendations in order to be most effective.

Ordering Practices

- The pilot assumed that small order minimums and regular delivery would incentivize stores to place regular produce orders. For this to happen, stores would have to have a predictable turnover in product. We found, instead, that storeowners had difficulty discarding expired or deteriorating product. Instead of ordering fresh inventory,, they kept the product on the shelf. . This may indicate a cultural difference in expectations around spoiling produce and wasting food.
- Storeowners had difficulty accepting that they should anticipate waste on the first two or three orders until they undertsood their customers' buying patterns.
- Charlie's sales associates found that visiting the pilot stores weekly and taking orders in-person was necessary, though time consuming, for most stores. Even the stores that were ready to place orders on a regular schedule would wait for Charlie's staff to visit rather than calling to place an order. As one Charlie's team member said, "Most of these stores don't call until they are out of product, so it's worthwhile to go by and help them place an order if it's for our regular minimum." If the orders are small, taking the time to stop by becomes more costly.
- Some stores were very conservative on the number of items carried and purchased only familiar produce like bananas, apples, and onions. Convincing these stores to try new products proved a challenge, resulting in little sales growth for the duration of the program.
- Storeowners appreciated the opportunity to have product delivered, but, for many, their regular stocking routine involved making trips to wholesale warehouses where they picked up produce at the same time as other goods. This resulted in less frequent ordering from Charlie's.

Staffing

- Like most very small retail businesses, the pilot stores were operated by the owner and one or two staff or family members. They have limited time for implementing a produce-management protocol and very often relied exclusively on the Charlie's or HFH teams to keep their produce in good order.
- A handful of stores had unpredictable hours, which made deliveries problematic.

Results

Despite these challenges, the Charlie's team reported that the project was a good match with their DSD service, as it allowed them to provide produce to customers who might not have otherwise found a consistent supply. Stores reported mixed experiences, but some did very well with the increased assistance and produce sales.

For Charlie's:

Just over half of the participating stores (12) introduced to Charlie's continued to order for 12 weeks or more. The median number of deliveries to HFH stores was 13 per week and orders ranged from three to 13 cases per order, placing the total order value between $40 and $200. The average weekly order for all stores was $121 with a $90.55 median.

All of the stores interviewed after the project ended reported that they are still ordering some produce regularly, whereas before the HFH project began, seven stores were not ordering produce at all. Most of the stores (21) reported increased sales of fresh fruits and vegetables.

For HFH stores:

This project introduced 29 small stores to the possibility of selling fresh produce to their customers. Most stores had attempted to carry a few produce items, but were unaware of the benefit of a distributor relationship or were unprepared to handle commercial quantities of a perishable product. The regular delivery, training, and ordering assistance provided by Charlie's allowed these stores to test new products. Half are now ordering from one distributor and roughly half are ordering from two or more. Of the stores interviewed, 60% (15) reported that they order produce at least once a week and 44% (8) reported ordering more than $100 per order (see Tables 1 and 2).

Table 1

Before HFH, how often did you purchase produce?

Answer Options	Response Percent	Response Count
Did not stock produce before	36%	8
2-3 times a week	27%	6
Once a week	23%	5
Once every two weeks	5%	1
Once every 3-4 weeks	9%	2
	answered question	**22**
	skipped question	**6**

Table 2

After HFH, how often do you purchase produce?

Answer Options	Response Percent	Response Count
Do not stock produce now	4%	1
2-3 times a week	32%	8
Once a week	60%	15
Once every two weeks	4%	1
Once every 3-4 weeks	0%	0
	answered question	**25**
	skipped question	**3**

Things to Consider

Through the partnership with Charlie's, the HFH project team learned about the elements that make for successful produce sales. A critical element, and one that takes time to determine, is the commitment of the storeowners. It often takes several weeks to develop a relationship with the owner and assess whether or not they are "produce people" – meaning they understand the value of carrying a fresh product and are willing to learn how to do it well. Business savvy and management structure also play important roles in establishing good produce handling practices.

Committed storeowners

- Storeowners' motivations for offering fresh produce varied from looking for new sales revenue to an interest in offering more healthful options to the community. In either case, most owners were eager to add produce to their regular inventory. The most successful stores took advantage of the training and technical assistance offered and accepted the advice to increase variety, merchandise effectively and exercise proper care and handling of the produce. These stores continued to order at least once a week.
- The storeowners did not anticipate the losses they would have on the first two or three produce orders. General information should be provided about adjusting orders as customers respond to having new fresh options and about how to plan for expiring produce. One option for easing stores into this transition would be to subsidize the orders in the beginning of a program or offer reimbursement for a percentage of each order.

Good management structure

- The ability of a store to take on produce was largely determined by their capacity to manage the extra work. Produce management requires proper storage equipment to keep the product fresh, the ability to track inventory to understand which items are profitable and which are not and the ability to manage vendors. .Almost half (9) of the stores stopped ordering from Charlie's on a regular basis after 10 to 12 weeks. Others continued to stock produce but purchased it on their regular trips to other vendors (e.g. Cash N Carry) with whom they had previous relationships. In follow-up interviews, stores that were not able to sustain produce sales reported that they did not have the customer base for produce or that they were unfamiliar with the varieties available. Subsequent programs should pay close attention to the owners' understanding of their customer needs.
- When Charlie's began this project, they had worked with Walgreens to stock stores with value-added products such as grab-n-go fruit and vegetable snacks, salads, and yogurt parfaits. The Charlie's team noticed that HFH stores generally only carried produce for home preparation. It is possible that subsequent programming could be more successful if value-added produce items were also ordered. This may help increase sales.
- Storeowners were very knowledgeable about where to source their traditional staple foods. Charlie's tried to find and source produce items that different ethnic groups prefer, but could not get a good enough wholesale price to warrant carrying these products.

Marketing

- While Charlie's did not assist with marketing the new inventory at the pilot stores, they did see the effect of the marketing efforts and had useful suggestions. Based on their observations, the weekend special promotions (i.e. 50% off produce) were helpful in getting customers into the store. Most stores reported that these were existing customers. However, a more effective marketing strategy may be more frequent, less costly marketing promotions. For example, establishing one sales item every week could bring in customers without discounting the entire produce inventory.
- The custom signs provided by HFH helped to elevate the look of the store and announced the presence of produce to the community. This was very effective and something the stores would have been unlikely to do own their own.

Conclusion

Through this partnership, HFH helped Charlie's identify potential untapped markets, exposed them to new products and tested out a new business strategy that could contribute to changing the local distribution structure. The DSD program has since expanded to include four staff and an additional truck to serve the smaller stores in the region.

While Charlie's is planning to continue the program with the HFH stores, they learned that the program can only be profitable with higher order minimums. Almost all of the HFH stores required intensive technical assistance and frequent reminders about handling and rotating stock. Many also need training on the value of placing regular orders.

Stores that take advantage of the DSD service benefit from delivery, merchandizing, and other hands-on assistance, but they do pay a slightly higher price for their product. Storeowners do have the option of picking up, which offers a better price. Ultimately, each storeowner must decide what makes the most sense for their business.

The partnership between HFH and Charlie's provided valuable lessons for distributors, small food retailers and future healthy retail programs.

Appendix E. StartZone Back Office Checklist

START ZONE

Highline COMMUNITY COLLEGE

Client Name: _____

Business Name: _____

Business Specialist: _____

Date: _____

General Requirements:

- ☐ Business is registered in the State of Washington.
- ☐ Business is registered in city of operation.
- ☐ Legal documents obtained if organized as business other than sole proprietorship.
- ☐ Separate bank account used for business and personal finances.
- ☐ Tax Identification number is acquired.
- ☐ Source documents are kept. (Receipts, invoices, etc.)
- ☐ Source documents are filed by account type.
- ☐ Transactions are recorded on specific monthly account ledger.
- ☐ Transactions are recorded again on monthly cash journal.
- ☐ Monthly bank statements are reconciled with cash journal.
- ☐ Cash journal is summarized on profit and loss statement.
- ☐ B&O and Sales tax is reported and paid to the State of Washington.
- ☐ Business insurance is acquired

Businesses with employees:

- ☐ Form W-4 and I-9 are kept for each employee.
- ☐ Employee records are filed and kept private and secure.
- ☐ State and Federal payroll reports are prepared.

Inventory business:

- ☐ Records of inventory kept.
- ☐ Inventory is counted and recorded on a regular basis.
- ☐ Inventory on hand is reconciled with financial records.

Appendix G. Healthy Foods Here Marketing Materials

Sample Flyer

Postcard

Business Card

Cooler Sign

Store Banner

Store Sign

Aisle Tag

Window Decal

URBANE DEVELOPMENT

Corner Store Financing Brief

Private Sector Funding

Industry-Targeted Private Financing

Independent retail, from local laundromats to neighborhood hair salons, has a subset of private lenders focused on their particular industry needs - small grocery stores, delis, and convenience stores are no different. Lenders target equipment, business acquisition, and/or working capital financing for stores, with commercial real estate acquisition as another common use for stores with petroleum sales components. Some specialized grocery lenders are subsidiaries of larger commercial banks, offering similar products targeting fixed assets, but with greater knowledge of industry dynamics and more flexible underwriting criteria than their parent companies. Products include conventional fixed- and variable-rate debt, SBA 7a and 504 loan guarantees, bridge and/or mezzanine loans, or "hard money financing" which targets distressed businesses that are in danger of bankruptcy or property-foreclosure.

Wholesalers are another major financier of independent grocers, providing short-term lines of credit for their products – typically net 10-15 terms at 8-10% interest. Major wholesale outfits also provide financing for equipment and leasehold improvements, as well as land acquisition. A more discrete financing mechanism rewards loyalty for independent grocers that purchase a preponderance of their SKUs from a single-source wholesale operator. Retailers can get an advance on loyalty bonuses accrued with future heavy purchasing, usually over 40% of a store's total SKU count. The retailer signs a

promissory note with the wholesaler to purchase a set amount of product in exchange for access to cash or credit terms from the wholesaler. If the retailer falls below the prescribed level of purchasing, the advance converts to a loan.

Equipment providers, particularly commercial refrigeration and cold storage vendors, extend leasing terms for their equipment, but also package more flexible debt financing for additional leasehold improvements related to usage of their equipment. Merchant service providers (described below) offer lines of credit, business loan, and invoice financing, which are used for business operations costs and do not require hard assets as collateral.

Developer-Driven Financing

In the commercial real estate world, developers look to retailers to help attract financing through the income derived from leases or in larger development, the credit a national chain tenant offers to secure banking financing. For small, neighborhood scale development, a building-owner or developer may play an active role in attracting third-party financing; providing subsidy through leasehold improvements, creative lease terms, or discounted rent; or injecting equity capital into the business.

Developers and landlords may use their own cash reserves to support a grocery tenant – this scenario offers the most amount of flexibility with the financing structure up to the landlord and tenant. Commercial developers operating in economically distressed communities may engage the community development financing system. Traditional commercial lenders seeking to finance Community Reinvestment Act (CRA)-compliant projects look for developers and landlords with strong community relationships and a track record of success. Community Development Financial Institutions (CDFIs) or other financial intermediaries that use CRA bank syndicate funds, philanthropic grants, or proceeds from existing loan and equity funds to lend in target areas or for particular uses will assume more risk, but are more likely to invest in a low-income or otherwise distressed market. Increasingly, affordable housing developers desire ground-floor grocery retail uses in their projects to attract zoning incentives, such as tax incentives or density bonuses for additional FAR credit on residential developments. Other residential and commercial developers operating in distressed areas are opting to become Community Development Entities, in order to target the tax-credit marketplace themselves to gain equity financing for projects.

Example: Kelly Street Green Fresh Food RFP

The Kelly Street Green project is a comprehensive neighborhood redevelopment centered in the Hunts Point section of the Bronx. Kelly Street Restoration (KSR), a partnership between a construction firm, an affordable housing developer, and a neighborhood CDC, purchased and rehabilitated 5 multi-unit residential buildings. The redevelopment also includes 2800 SQFT of ground-floor commercial space situated at the corner of Kelly Street and 163rd Street, which is a bustling, commercial corridor in the heart of the South Bronx. KSR issued a request for proposals to program the commercial space with a business that will provide accessible healthy and fresh food to local residents. The proposal also asks potential operators to incorporate an adjacent community garden and local farms into their business model. The RFP has actively targeted community-based entrepreneurs who seek to operate a fresh food enterprise, with sensitivity towards cash-poor and/or inexperienced start-up proposals.

The KSR team has put together a board of advisors who will select and mentor the chosen operator, providing business development, inventory management, marketing, and other operational technical assistance for the first year of the store's operation, free-of-charge. In addition, the developer has secured $100,000 of grant funds from a major investment bank and $150,000 of low-interest loan funds (3% non-amortizing, 10 year term) from a local CDFI to subsidize start-up costs for the operator. KSR is also offering a 2-bedroom unit to the operator in one of the adjacent buildings for uses during the term of the commercial lease. Selection of a fresh food operator is slated for October 2012, with fit-out of the commercial property to be completed by November 1st, 2012.

Merchant Services Financing

Merchant services providers run the gamut, from American Express to traditional commercial banks to boutique companies targeting niche markets with electronic payment needs. Small grocers represent a significant portion of the merchant service industry's clientele. Beyond processing electronic transactions, many provide several financial products based off the volume of electronic purchases made a store.

Merchant Cash Advances: An attractive method of financing for stores who do not qualify for traditional bank products. A lump-sum payment, usually up to $150,000, is provided to a store in exchange for a percentage of the store's credit and/or debit card sales. Repayment is captured from daily card sales until the debt obligation is met. Merchant cash advances are not personally guaranteed, require no collateral, have no time frame to repay, do not require good credit, and usually take less than week to receive funds.

However, merchant cash advances are not loans, rather the sale of future credit transactions to the merchant service providers, there is no regulated interest rate cap on

services. Rates start around 10% and can spike to 100% effective interest if repayment does not occur quickly enough.

Receivables Financing: While this product is not typical at the retail end of the supply chain, increasingly stores are providing products and services to individual and institutional customers through catering, bulk-purchasing, gift packages, and other periodic sales products that create accounts receivable for the store. Merchant service providers and receivables financiers (or factoring companies) will purchase an outstanding invoice from a store for a discounted rate.

In a factoring arrangement, a store sells one or more invoices to a factoring company, who provides an agreed-upon percentage of the invoice value to the store. A store's customer is asked to pay the invoice directly to the factor company.

If the invoice is paid in full, the factor remits the remaining percentage of the invoice to the store. If the invoice is not paid, in a recourse factoring agreement, the storeowner is liable for the invoice amount; in a non-recourse factoring agreement, the factoring company is liable

Energy Efficiency/Utility-Lead Funding

Three critical infrastructure factors make energy-efficiency initiatives and financial incentives a viable method to influence the corner store environment. 1) Utility companies, particularly in old, large, and dense urban areas, struggle with managing consumption during peak hours. Small businesses and commercial buildings contribute a significant portion of demand on the electrical grid during business hours. Lowering consumption to reduce peak load is a key tactic for utility companies to manage their grid and lower their production costs; 2) grocery stores have the highest electrical consumption of all commercial buildings. Many urban corner stores contain old, antiquated, and/or inefficient mechanical equipment while operating in aging physical plant; and 3) refrigeration and other cold storage usage accounts for over 60% of energy costs in grocery stores.

Utility providers recognize the opportunity to lower peak demand through providing incentives to grocery store operators to upgrade their refrigeration, equipment, and other mechanical systems. With post-tax profit margins for grocery stores hovering around 1.2%, every dollar saved in energy costs equals approximately $83 in sales; the profit motivation for grocers is hard to ignore.

Several utility companies nationally have created distinct programs targeting grocery stores, particularly those operating in dense, urban areas, to install energy-efficient equipment and systems in their stores:

<u>*Newark: PSE&G Small Business Direct Installation Program*</u>

PSE&G, New Jersey's main utility company, created the Small Business Direct Installation Program, which was designed to lower peak demand from small businesses operating in PSE&G's service area through energy efficiency measures and upgrades. Grocery stores and other small businesses in Newark received a free energy evaluation, which obtained recommendations for equipment, machinery, and mechanical system upgrades, as well as operations and maintenance protocol improvements that would impact energy output.

For eligible equipment and building system upgrades, PSE&G covers 100% of the acquisition cost to replace non-efficient equipment.

Once installed, storeowners either payback 20% of the equipment cost to PSE&G via lump sum or amortized over a 2-year period, interest-free, through their monthly utility bill. Newark's Small Grocer Initiative referred 2 corner store operators to the PSE&G program in 2009-10. Over $20,000 of equipment and services was conferred to the stores, including a 12-foot, high performance merchandiser selling fresh fruits and vegetables.

<u>*Detroit: DTE Energy Efficiency Program for Independent Grocers*</u>

DTE, Detroit's utility provider, provides several incentives to lower energy costs in grocery stores through energy-efficient technology. DTE provides prescriptive incentives that have been predetermined for energy efficient equipment, including HVAC, lighting, mechanical controls, refrigeration, and food service equipment common to grocery store retrofits and/or equipment replacement strategies. For more complex projects, DTE offers custom incentives that are tied to the first year of energy savings produced by the upgrades (tied to kWh or MCF prices at time of retrofit). DTE has worked with the City of Detroit's Green Grocer Project and the Associated Food and Petroleum Dealer's trade association to identify qualified applicant for the incentive programs over the last two years.

State and municipal government agencies are also providing financial incentives and technical assistance to encourage the usage of high performance, energy-efficient equipment and systems in local grocery stores. New York State's Energy Research and Development Authority, a public benefit corporation charged with reducing energy consumption and promoting renewable energy solutions, created their Green Grocer Initiative to leverage their publicly-funded revenue stream to provide financial incentives to grocery stores for installing high efficiency equipment and systems.

Public/Private Funding

SBA Microloan Program

Overview

The US Small Business Administration (SBA), a federal agency charged with aiding and supporting the development of small businesses in the US, offers capital, business counseling, and access to service and procurement contracts to small businesses. The SBA does not offer direct loans to small businesses, instead it partners with commercial lenders, community development institutions, and micro-lenders to guarantee loans originated by the private lenders. SBA structures its lending requirements to target small businesses that may not qualify for traditional financing.

The SBA Microloan program offers small, short-term loans through intermediary micro-lenders, which are non-profit organizations with experience working with small businesses, whether through lending and/or technical assistance. SBA microloans range from $2,500 to $50,000, with the average loan amount of $13,000. Eligible loan uses include working capital, equipment and supply purchases, fixtures, and inventory. There is a technical assistance and training component for borrowers required by most micro-lenders in order to access these funds. Loan terms are to up 6 years with a typical interest rate between 8 and 13 percent.

Applicability to Corner Stores

The SBA Microloan is one of several funding instruments used by community-based lenders and non-profits that target "micro" businesses with higher risk profiles than more traditional commercial borrowers. Microloan programming presents more flexible credit, collateral, and equity requirements than traditional loans that may be more attractive to smaller grocery operators with limited resources. Corner store operators can also take advantage of business planning and technical assistance resources that are built into the lending process, to help optimize their operations and build stronger business networks within their community. One potential drawback for storeowners may be the cost of capital, however, working through a micro-lender is a great method to establish credit to lower their risk profile for future debt financing.

Case Study: Entrepreneur Works (formerly Philadelphia Development Partnership) and Romano's Grocery II, Philadelphia, PA

Entrepreneur Works is a non-profit micro-business development organization that assists entrepreneurs and small businesses operating in underserved areas in Metro Philadelphia with capital, technical assistance, and networking opportunities.

EW's small business loans range from $500 to $25,000, with uses as varied as business acquisition to equipment financing to working capital. Romano's Grocery II, a 1200 SF corner store operating in North Philadelphia, received a $15,000 loan from Entrepreneurship Works in 2007 to cover a portion of construction and leasehold improvement costs for a gut-rehab of his existing store. The loan proceeds covered critical electrical retrofitting to allow for energy-efficient HVAC and refrigeration units to be installed in the store. After a successful reopening, which included a complete overhaul of the store's merchandising program to feature fresh produce, meats, and other healthy items, Romano's Grocery repaid the original loan and borrowed an additional $20,000 from Entrepreneurship Works to support the expansion of the store to sell culturally-appropriate Spanish and Caribbean hot food items.

Community Development Block Grant Funds

Overview

The Community Development Block Grant program (CDBG), administered by the US Housing and Urban Development agency (HUD), is one of the oldest, most flexible funding mechanisms targeting low-income communities in the US. Most CDBG programming is managed at the municipal or state level, with funds awarded to large municipal and state governments to carry out a variety of community development activities. Housing, economic development, and workforce agencies tend to administer CDBG –funded programming. Activities focus on providing affordable housing, economic development opportunities, and other community development initiatives, with no less than 70% of the funds targeted to low- or moderate-income individuals. For economic development projects, job creation and retention for low-income individuals is key funding driver. CDBG disbursements for fiscal year 2011 totaled $3.9B.

Applicability to Corner Stores

The applicability of CDBG funds depends largely on an individual local government's community development needs and existing programming structure. Like most federal funds, CDBG funds will provide seed funding for locally administered programming. While corner stores are unlikely direct recipients of direct CDBG funding, store may qualify for many of the most common types of fund uses from programs administered by municipal or state entities including: building rehabilitation (including façade improvement, construction, or major leasehold improvements), equipment purchases, business financing

The other major recipient group of CDBG funds is community-based development organizations (CBDO), usually for the purpose of developing or rehabilitating large real estate projects that create job opportunities for low-income individuals. (The US Health and Human Services, Community Economic Development program is a CDBG-funded program targeting CBDOs – more detail below). In a mixed-use development scenario a corner store or small grocery may be an attractive tenant, particularly in dense, urban areas where land is at a premium. Also, with the advent of the federal Healthy Food Financing Initiative mandates, CDBG funds and programs are being redirected toward uses that ameliorate grocery access inequities in CDBG-eligible communities.

Case Study: District of Columbia Department of Housing and Community Development, CDBG - Storefront Façade Improvement Program

The DC Department of Housing and Community Development (DHCD) receives CDBG funds from HUD annually to develop a variety of programs that "support and preserve affordable housing and promote neighborhood revitalization for the benefit of low and moderate-income households." DHCD, like most municipal agencies, administers a commercial façade improvement program. DHCD's program funds community-based non-profits and development organizations to work with local business owners on storefront improvements. DHCD targets façade improvement funds on specific commercial corridors throughout Washington, DC; starting in 2009, the program created special dispensation for corner stores in the District, with the purpose of improving the exterior appearance and the general level of safety at the storefront. Stores were required to face at least two intersecting streets, operate on ground floor, and be located on a "neglected" commercial corridor serving a low- to moderate-income area. Community-based organizations were encouraged to coordinate façade improvement funds with other efforts assisting storeowners in providing access to fresh and healthy food products. In FY 2009, the program offered up to $500,000 to organizations for storefront improvement programming; in FY 2011, the award amounts were not specified.

Healthy Food Financing Initiative

Overview

The Healthy Food Financing Initiative is a multi-agency federal funding mechanism dedicated to grocery stores and other food retail business operating in communities To date, $77M has been allocated to HFFI - $22M to Treasury for its Community Development Financial Institutions (CDFI) program, $10M through Health and Human Services' Community Economic Development program, and $45M of existing funding at USDA.

Applicability to Corner Stores

Due to the multi-jurisdictional nature of the program, most of the HFFI funds operate as seed capital for a third-party entity to distribute to grocery retailers. CDFI-accredited lending institutions capture the lion's share of this funding. While much of this programming is targeted at larger supermarkets and grocery stores, CDFIs have begun to target smaller store formats that are more ubiquitous in underserved markets, despite being less profitable and more time-intensive deals for the lenders. Most CDFI-lead funds with HFFI-capital have no restrictions on the size of store that may apply, as long as they meet the geographic and fresh food inventory requirements.

Case Study: California FreshWorks – Healthy Corner Store Conversion Financing

A consortium lead by NCB Capital managing a $200M Healthy Food Financing Fund for California partitioned $1M targeting corner store conversions. The FreshWorks program will award up to ten (10) $100,000 low-interest loans to qualified intermediary organizations to grant and/or re-lend towards the direct costs of corner store projects. Eligible uses include construction costs, equipment purchases, architectural design, store merchandising and marketing, or other direct technical assistance. Depending on project performance, up to $25,000 of the loan is forgivable.

Tax Increment Financing

Tax Increment Financing (TIF) is a public financing mechanism utilized by municipal and state governments to subsidize infrastructure, redevelopment, or other community development projects in designated districts. TIFs use future increases in tax revenue to finance current investments and improvement of a designated area. The TIF investment increases the value of the surrounding area as well as stimulates additional private investment, thus increasing future tax revenue. The difference between current and future

Case Study: Chicago – Streamlined Tax Increment Financing and Small Business Improvement Fund

The City of Chicago collects close to $500M a year ($454M in FY2011) in TIF revenue from its 165 TIF districts spread across 30% of Chicago's geographic area. The vast majority of TIF funds support large public infrastructure or private development projects exceeding $1M in project cost, but the City has carved out two programs that redirect TIF funds to small businesses. The Streamlined TIF program targets "the improvement of industrial, commercial, retail, of residential mixed-use properties in TIF districts citywide" through an expedited application process. The Streamlined TIF provides grants for up to 25% of projects costs associated with the renovation or redevelopment of a property within a TIF district. Structured as a reimbursement grant, Streamline TIF uses include building repairs and rehabilitation, leasehold improvement costs, permanent exterior fixtures or façade improvements, job training, and professional fees associated with project redevelopment. Streamlined TIF grants range from $25,000 to $1,000,000.

The Small Business Improvement Fund utilizes TIF revenues to assists tenants and building owners of commercial and industrial properties to "repair or remodel" their facilities. The matching grant is up to $150,000 for industrial and $100,000 for commercial tenants/property owners covering up to 75% of remodeling costs. SBIF is a reimbursement grant with eligible uses including upgrading window treatments, exterior signage, HVAC, roofing upgrades, and building acquisition for purposes of expansion. The program invites commercial or residential mixed-use building owners with less than $6M in net worth and $500,000 in liquid assets or tenants with a maximum of $5M in gross sales.