



Department of Planning & Community & Economic Development

Economic Development Division

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To: Mayor Soglin and Common Council Members

From: Verona/Allied Drive Food Retail & Economic Redevelopment Staff Team

Date: August 26, 2015

Subject: Staff report on Allied Community Cooperative with support from Willy Street Co-op response to RFP: 8422-0-2015 Full Service Grocery Store Verona Rd/Allied Drive Neighborhood

In March 2015, RFP 8422-0-2015 was released requesting proposals for a “full-service affordable grocery store located south of Verona Road and Beltline Highway interchange with up to \$300,000 of financing assistance from the City of Madison in the form of a low-interest and/or forgivable loan”.

The due date for proposals was June 15th, 2015 and we received one proposal. The proposal was submitted by the Allied Community Cooperative with strong support from the Willy Street Co-op and the University of Wisconsin Center for Cooperatives.

Since June 15th City Staff have reviewed and discussed the proposal and have met with the Allied Community Cooperative Board, Willy Street Co-op and UW Center for Cooperatives to ask follow-up questions and receive further clarification to the proposal.

At this time, staff recommends accepting the proposal, funding the project as a part of the Healthy Retail Access Program and having the Office of Business Resources continue to work closely with the Allied Community Cooperative as they organize and open a community owned food cooperative in the Allied Drive neighborhood.

This proposal offers both the opportunity to relieve some of the stress of food insecurity in the area while supporting a project that will provide organization and a path to growing community owned and operated assets in the Allied neighborhood.

The strong commitment by the Willy Street Co-op and its members to help see this project through is a major contributing factor to the potential success of this project.

While we all initially hoped for a fast solution to this complicated problem, we support the recommendation of Allied Cooperative to make sure the time is taken to create a strong community food cooperative. It is estimated through their business plan that the cooperative would open in 2018.

The work the Allied Community Cooperative has done in partnership with the Willy Street Co-op and the UW Center for Cooperatives is commendable and we believe that with continued work and organizing something very unique and impactful will be created in the Allied neighborhood.

Request for Proposals (RFP) Overview

The Allied Drive/Dunn's Marsh neighborhoods are areas of the city that have long been challenged by poor access to adequately healthy and affordable food. Over the past several decades, many retailers have operated and subsequently went out of business, in part because they were unable to sustain retail sales in this area. The last remaining food retail outlet in the neighborhood, Walgreens, closed its doors in January 2015.

The City became aware of the pending closing of Walgreens and took action to improve the situation in the neighborhood. The City made available \$15,000 in "emergency" funds for the neighborhood's most vulnerable residents to provide transportation assistance to grocery stores outside of the neighborhood once the Walgreens was closed. In addition, the City moved to attempt to find a more permanent solution by making up to \$300,000 available to attract a full-service affordable grocer to the neighborhood through the issuance of a Request for Proposals.

While the initial goal was to attract a more "traditional" grocer to the area, the language within the RFP was intentionally open to allow for the most flexibility for respondents. It was unknown whether the amount available, the area of focus, and the asks of affordability and healthy would incentivize the traditional grocery industry. The flexibility of the RFP allowed for non-traditional retail concepts to consider submitting project proposals.

The RFP for the \$300,000 asked for details of the proposed retail project and a budget that explained the use of city funds. The proposals were due to the city on June 15, 2015. The City received one proposal.

Response to RFP Summary

The one response to the RFP was submitted by the Allied Community Cooperative (ACC), with the support of the Willy Street Co-op and the University of Wisconsin Center for Cooperatives. The proposal requested \$300,000 of city funds for assistance in developing a neighborhood-based food retail cooperative. The proposal did not identify a specific location and was not associated with an area property owner.

The project proposal outlined a reasonable timeline to establish a new food retail cooperative with the opening date projected in 2018. There are several pre-development steps and associated costs outlined in the proposal. One of the steps in the pre-development phase is the build out of the membership for the cooperative by continuing the work on a buying club, a project already underway by the ACC. The buying club allows "members" to buy certain grocery items at a discount by grouping orders together to obtain product in bulk prices.

The proposal calls for the establishment of a permanent space for the food retail cooperative in approximately 2,000 sq. ft. of space in a yet to be determined location. The layout, self-defined as a "corner store," will have approximately four aisles with sections for fresh produce, meat, and dairy.

August 26, 2015

Page 3

Technical assistance will continue to be provided by the Willy Street Co-op and the UW Center for Cooperatives until the project is operational.

Response to RFP Review and Recommendations

The Verona Road/Allied Drive Staff Team conducted an initial review of the proposal on June 23 and developed a set of clarifying questions for the ACC and supports organizations, including specifics on how city funding would be utilized, the relationship of the project to a potential future community center, and the ongoing relationship of the supporting organizations.

As a follow-up to the staff review, additional city staff attended a board meeting of the ACC to go over the clarifying questions. There was much discussion between staff, ACC Board Members, and the supporting organizations. Many of the questions were addressed and the financials were later clarified to the satisfaction of city staff.

In working through the initial proposal, the clear departure from the intent of the RFP was the “start-up” nature of this project. In other words, the reliance of a new retailer to be borne out of a community-based cooperative does not come without additional risks. There was also hope that a more established grocer could potentially open in a more aggressive timeline to alleviate the food access issues within the neighborhood.

There is no question that accepting and funding this proposal could be perceived as riskier than initially anticipated. However, previous other national retailers and other food access projects in the area have failed to meet the needs of the neighborhood. The greatest asset of this project is that it is a community-based project originating from within the neighborhood; not from an outside entity trying to adapt to meet neighborhood needs. With the clear and committed partners in the Willy Street Co-op and the UW Center for Cooperatives, this project has high potential, if executed according to plan, to both empower neighborhood residents while improving food access for many. It should be noted that the Willy Street Co-op and the UW Center for Cooperatives are offering this support pro bono, not requiring additional city funds.

This proposal is not disillusioned in its approach to the development of a brand new retail operation. The scope and size of the retail operation is realistic and the timing of the build out and opening is reasonable.

There was also much discussion with the ACC about the relationship of a potential future community center. Staff feels strongly that the food retail cooperative proposal should not be tied to the establishment of a community center. The ACC also feels very strongly that a community center and the services provided within a community center are critical needs of the neighborhood. The ACC ultimately agreed that this RFP response is separate from the establishment of a community center and should be treated as such. However, this should not minimize the need for such a center or prevent future coordination between the two entities.

One suggestion that city staff offered is that, given the physical location of the food retail cooperative is unknown, depending on the space there might be a way to integrate community uses within the retail space. There are several examples across the country of food operations co-located with community gathering space, pharmacies, credit unions, etc. that are successful and could be a part of a final build out.

The request for city funding and the timing of that request were also clarified to the satisfaction of city staff. City staff is recommending full funding of the project in the amount of \$300,000 over three years, 2016-2018. It is critical to the project, especially for initial costs and fundraising efforts that the city demonstrates its commitment within the 2016 Capital Budget. Staff’s recommendation is to demonstrate the funding as a part of the City’s Healthy Retail Access Program (details below). The City funds are to be utilized in a variety of ways, but offer more flexibility than any loan that the operation might be eligible to accept. The flexibility and leverage that city funding will provide is essential to the success of the project.

City Funding Recommendation Details

2016	2017	2018
\$48,667 – Fees associated with feasibility consultants, design, legal, and accounting.	\$56,000 – Second half for costs for leasehold improvements.	\$43,750 Start-up staffing
\$10,667 – Costs associated with potential lease deposit and/or initial common area maintenance	\$75,416 – Equipment purchases	\$4,500 Start-up promotion
\$56,000 – Half of the requests costs for leasehold improvements (other half in 2017)		
Year Total: \$115,334	Year Total: \$131,416	Year Total: \$48,250
Total City Contribution: \$300,000		

Conclusion

Staff is recommending acceptance and funding of the Allied Community Cooperative’s proposal to establish a food retail cooperative within the Allied Drive/Dunn’s Marsh Neighborhood by 2018. Staff acknowledges the greater risk that the city will take on by funding this unconventional project. However, there is no better opportunity to support a true neighborhood-based project that promotes food access, empowerment, community asset building and equity. Despite the risks, the veil of support around the ACC and commitment of area residents to the success of the project make this proposal worthy of a significant, and important, investment in the Allied Drive Neighborhood.

Respectfully Submitted,

Verona/Allied Drive Food Retail & Economic Redevelopment Staff Team Leads

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