



Office of the Mayor

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Memo: Healthy Retail Access Work Group Funding Recommendation

ACDS, LLC – *Supporting Phase II of City of Madison RFP # 8759 - Food Terminal Cross-Docking Facility Feasibility Study*

Date: November 26, 2019

To: Madison Food Policy Council Members

From: George Reistad, Food Policy Director and members of the Healthy Retail Access Work Group

Members of the Madison Food Policy Council,

The Healthy Retail Access Work Group convened on Tuesday, November 26, 2019 and members discussed [Legislative File 58449](#): “*Authorizing the City of Madison to fund the remaining balance of purchased services from ACDS, LLC creating an economic impact study on the benefits of a wholesale food aggregation facility and outlining implementation of a grocery locker unit pilot program within the City of Madison and making a funding allocation of \$26,000 from the Healthy Retail Access Program*”.

This resolution authorizes the expenditure of \$25,980 in Healthy Retail Access Program (HRAP) funds to fill the current funding gap between Phase I and Phase II services and enables ACDS, LLC to:

1. Complete Phase II – “Business Plan and Community Impact” of the original proposed scope of services related to the *Food Terminal Cross-Docking Facility Feasibility Study Request for Proposals*
2. Create a business plan for a multi-tenant grocery locker unit pilot program

In Phase I – “Feasibility Analysis” of the *Food Terminal Cross-Docking Facility Feasibility Study*, ACDS, LLC performed a feasibility analysis for a food terminal/warehousing facility. Between April and November 2019, they conducted an industry, market, and demand analysis; examined regional capacity; analyzed tenant and vendor needs; and completed a competitive assessment (Refer to Appendix A for the complete scope of work). During this process, they interviewed nearly 60 different food businesses, farms, and organizations working to improve food access and food security. *Both interview and secondary data point to a need for increased food warehousing and processing capacity as well as improved metro area distribution infrastructure.* In response to these needs, ACDS has proposed an integrated business concept with two primary components: (1) a multitenant food warehousing and cross-docking facility with potential for processing capacity and (2) a food locker pilot project to address last-mile delivery and food access challenges for Madison/Dane County residents.

Funding for Phase II, “Business Plan and Community Impact Analysis,” was contingent on whether Phase I evinced demand for multitenant food warehousing and distribution infrastructure *and* whether the consultants’ performance during Phase I was satisfactory. ACDS has amply demonstrated both their capacity and the need for further business planning and impact analysis.

Pending allocation of the outstanding \$25,980 detailed in the resolution, ACDS will complete the remaining tasks detailed in the Request for Proposals and translate the business concepts described above into business plans that can be used to approach funders and guide implementation. This will include cost, revenue and cash flow analysis; a sources and uses statement; a funding strategy for the shared

warehousing facility and locker pilot program; and a regulatory and risk management plan.

Continuity of ACDS' involvement and completion of the services detailed above will provide the expertise necessary for local partners, including but not limited to, the City of Madison, UW-Madison Center for Integrated Agricultural Systems, UW - Madison Division of Extension, MadREP, the Wisconsin Food Hub Cooperative, and the many farmers, food businesses, and allied professionals they work with to secure the funds needed to advance to the implementation phase of this project.

Q&A from 11/26/19 Work Group meeting

Q: What is the potential impact of grocery locker units on existing retailers (example given: Bayview Center and Asian Midway Foods — lockers could cost that retailer business from their neighborhood)

A: "Do no harm" is the objective. Multi-tenant grocery locker units allow for time and costs savings in some neighborhoods as well as expanded 24-hour access. The pilot will explore the opportunities – and challenges - in the design process. Local retailers will be interviewed prior to implementation of the pilot. Multi-tenant grocery locker units could lead to a more competitive edge for local businesses re: home delivery services against large MNC's like Walmart and Amazon, who are already active in that sector of food retail.

Q: Please explain the funding gap. Were the costs for Phase II known ahead of time?

A: Yes Phase II costs were known, and finishing Phase II is important — investors will respond to business plans and that will determine the functionality of a low-density warehouse facility and opportunities for grocery locker unit pilot sites. Phase II next steps were predicated on the viability of Phase I and funding. The grocery locker project came out of the discovery phase (Phase I) and addressing this funding gap will cover business planning for both the low-density warehousing and the locker project (Phase II). Piloting the locker project will help answer the question exploring whether consumer behavior will change in response to the existence of community locker sites. Locker units address last-mile distribution challenges in a way that is unique and important relative to the food access goals of HRAP.

In light of the high quality work performed by ACDS in Phase I and the viability and funding interest that exists for a food terminal facility and grocery locker unit pilot program, Healthy Retail Access Work Group members recommend approving Legislative File 58449: "*Authorizing the City of Madison to fund the remaining balance of purchased services from ACDS, LLC creating an economic impact study on the benefits of a wholesale food aggregation facility and outlining implementation of a grocery locker unit pilot program within the City of Madison and making a funding allocation of \$26,000 from the Healthy Retail Access Program*".

Sincerely,



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