



New Haven's Elm City Market

Coop Expands Access to Fresh Food

Disparities in access to fresh, healthful food are well documented. Consumers in higher-income communities routinely have more options than their lower-income counterparts. Closing that gap should be a priority for both health reasons and economic development. That is why as part of the Healthy Food Financing Initiative, President Obama proposed more than \$400 million be spent in fiscal year 2011 on financial and technical assistance to expand and create farmers markets, retail infrastructure, and food stores in underserved communities.

by Sara C. Bronin
University of Connecticut
School of Law

Cooperatives

Some of the federal money could go to a conventional-food-market alternative: community-owned food cooperatives. Coops typically emerge bottom up, when a group of people see such a great need in their communities for a food market that they start their own. Founding members work together to assemble capital, gain community support, and scout locations—often while collaborating on interim arrangements such as bulk-buying clubs. Coops range in

The work of coop board members is challenging. Moving from concept to store opening often takes years. After that, many boards struggle to manage as complex an operation as a grocery store in a professional, fiscally prudent manner. Moreover, start-up capital must be raised not from conventional banks (who are often wary of the unique coop business model), but from some combination of membership investments, donations from individuals, and loans from the few lending institutions willing to provide financing.

Property Trust (MEPT) is investing in a coop in one of New England's poorest cities: New Haven. Elm City Market, created specifically for this project, will be located on the ground floor of a recently opened development that represents the largest private, non-Yale investment ever in New Haven. The project is known as 360 State Street.

MEPT broke ground in 2008 with its local partner, the integrated architecture, planning, and development firm Becker and Becker Associates Inc. The project includes a 32-story mixed-use tower. It has



size, but are usually smaller than conventional supermarkets. According to the Cooperative Grocery directory, there are 42 food coops in New England (seven in Maine, 12 in Massachusetts, six in New Hampshire, one in Rhode Island, 14 in Vermont, two in Connecticut).

Because each member receives a vote, coops are usually run very democratically. Most profits are kept in the community thanks to laws requiring that profits from member sales be distributed as “patronage dividends” to members. Moreover, coops generally operate independently and are not subject to corporate takeovers or abrupt relocations.



Major Partners

Given that food cooperatives face many obstacles, it may seem counterintuitive that the \$7 billion for-profit Multi-Employer

500 residential units (10 percent affordable), a 500-space parking garage, and retail space that includes a bicycle shop and the Elm City Market. As of this writing, the

development also is on its way to receiving a platinum rating in the U.S. Green Building Council's LEED for Neighborhood Development Program.

Elm City Market's high-profile location and brand new digs are unusual for a coop. Even more unusual is the top-down genesis, in which a large institutional investor had both space and start-up capital at the ready. The story of how the market became a critical part of a multimillion dollar green building project—as both an investment opportunity and a significant community asset—is worth telling.

Becker and Becker first obtained the property from the City of New Haven in a deal that gave it half a city block in the central business district. The City required that a full-service grocery store be built—“of the quality and reputation of Whole Foods, Trader Joe's, Gristede's, Fairway Market, Wild Oats, Limon Gourmet or Stew Leonard's Grocery or other grocery of similar quality and reputation”—within three years of the first certificate of occupancy. The consequence of failure would be to pay a one-time penalty of \$250,000.

It would have been easier and cheaper for the developers not to have bothered with a grocery store. Recognizing, however, that the project's anticipated 1,000 residents and the surrounding community would benefit from convenient food access, Becker included in the original design a fully outfitted market.

For two years, attempts to attract one of the named grocery stores failed. In fact, many refused to visit. A regional chain that signed a letter of intent in late 2009 pulled out in early 2010. Around the same time, the Shaw's grocery store—the only full-service market near downtown New Haven—closed. Residents were left having to buy their produce from a few small convenience stores or from farmers markets run by the local nonprofit City Seed.

Making It Happen

As the grocery options for future residents of the development dwindled, the project team began pursuing the coop idea in earnest. During the first half of 2010, Becker and then MEPT fully funded the hiring of three consultants from the nonprofit Cooperative Development Services, plus a professional general manager who had handled the start-up of food cooperatives nationwide.¹ Becker and MEPT funded the purchase of all of the equipment needed to start the coop. They

also funded hundreds of thousands of dollars in architecture, engineering, surveying fees, and other costs to ensure that the space was sustainably designed.

In addition to the Becker-MEPT funding, the Elm City Market received a loan from the Cooperative Fund of New England, a nonprofit community development

Most profits are kept in the community thanks to laws requiring that profits from member sales be distributed as “patronage dividends” to members.

financial institution focusing on coops. It also received loans ranging from \$10,000 to \$100,000 from about a dozen private investors. All the financing is to be repaid in accordance with the intricate federal tax rules that govern investments in coops, including limitations on returns. Despite the limitations, investors were eager to sign up, given not just the demand anticipated by the market analysis of New Haven's “food desert” but the investment's social dimension.

As investors became more interested, so did New Haven's community of advocates dealing with food security and local agriculture. The coop's boards of directors and advisers included local restaurateurs, representatives of Yale University and City Seed, downtown businessmen, community organizers, and urban planners. Through such leaders, the Elm City Market reached out to area farmers and ranchers who could sell products at the coop, with the added benefit of contributing to regional food security.

Like any coop board, Elm City's board members have worked with the community to gain support for the project. A meeting held in October 2010—attended by about 150 people—solidified community support and served as a forum for addressing concerns, particularly concerns about how the coop would serve low-income members of the New Haven community. For example, coop representatives explained that the \$200 one-time membership fee could be reduced or phased in for members

who qualify. Throughout, the planning team followed strategies and advice from City Market in Burlington, Vermont, one of New England's most profitable grocery stores—conventional or coop.

Surprisingly, the only resistance that the coop planning team received was from the City of New Haven. Initially, officials claimed that a coop would not satisfy the city's requirements for the grocery store component, and as of this writing, they have not embraced the coop concept despite membership commitments from more than 300 New Haven residents. Indeed, many long-established institutions, from public bodies to conventional banks, view coops as risky ventures. But Elm City Market backers are confident that, by starting with both strong financial footing and community support, the coop will meet the city's standards. It may even exceed them because community ownership and control will ensure that the profits from the coop stay in the hands of the members and that the coop is responsive to community needs.

Of course, the ultimate success of Elm City Market remains to be seen. But the project not only could have a significant impact on the health and wellness of New Haven residents, but also could become a new model for institutional investors. Working with local partners to fast-track the project from the top-down, MEPT and Becker and Becker Associates have shown that it is possible to make a coop an integral part of a multimillion dollar private investment.

Not every struggling city will benefit from a major development project like 360 State Street. Not every developer will have the desire or ability to take such a financial risk—or the patience to engage the community in building a food coop. But public and private entities alike should recognize that, especially in a tough economy in which conventional grocery stores are less likely to take a gamble on a poor city, solutions like a create-your-own food coop may be in order.

Sara C. Bronin is an associate professor at the University of Connecticut School of Law and one of the lead attorneys for 360 State Street.

Endnote

¹ Becker funded it first. Part of MEPT's investment will be a reimbursement of Becker's past costs and then a takeover of remaining obligations.