



In Support of Cooperative Businesses

October 24, 2016

Good afternoon, Councilmembers. My name is Donna Leuchten Nuccio and I am the Director of Healthy Food Access at Reinvestment Fund.

Reinvestment Fund is a national Community Development Financial Institution (CDFI) founded in Philadelphia over 30 years ago. We integrate data, policy and strategic investments to improve the quality of life in low-income neighborhoods. Using analytical and financial tools, we bring high-quality grocery stores, affordable housing, schools and health centers to the communities that need better access—creating anchors that attract investment over the long term and help families lead healthier, more productive lives. Since 1985, we have put \$1.8 billion to work for communities—including \$5.4 million invested in seven food retail cooperatives in the Philadelphia metro area.

In 2004, Reinvestment Fund created the Pennsylvania Fresh Food Financing Initiative in partnership with The Food Trust and the Greater Philadelphia Urban Affairs Coalition with the intent to bring fresh and healthy food to communities across the commonwealth. This successful program funded more than 88 stores—including co-ops, small format, rural groceries and large urban supermarkets, and it paved the way for the next decade of local and federal initiatives, which replicated the Pennsylvania model of bringing flexible capital to support food retail businesses in underserved communities. To date, Reinvestment Fund has invested over \$250 million in food businesses, including cooperative grocery stores.

I am also a personal supporter of food co-ops. As a graduate student at the University of Pennsylvania, I was fortunate to have Mariposa as my neighborhood co-op. Now I look forward to the opening of the Ambler Weaver's Way location, which will be in an area that is currently a food desert and in my neighborhood. I choose to shop at co-ops because they are mission driven, high quality and build wealth in my community. And at Reinvestment Fund, we invest in food co-ops, because they are an important part of efforts to increase equitable access to healthy food in underserved neighborhoods.

A cooperative business is, by its nature, community led—rooted in place. The industry also has a long history of providing high-quality jobs and investing back into communities. I can confidently say we have seen established cooperatives like Mariposa and Weaver's Way become cornerstones in their neighborhoods and anchors of community revitalization. In my position, I also see new cooperative efforts underway throughout the city, representing more than a thousand city residents as member-owners. These new businesses will increase access to healthy food, many of them serving residents of the city's food deserts.

While the community-based nature of cooperatives gives them unique strengths, they also have specific challenges. As a lender, I would like to touch on a few that I see every day—challenges at the intersection of food retail and cooperative enterprise.

Food retail is an industry with incredibly thin margins, and in 2008, Reinvestment Fund completed a case study, which found that compared to suburban locations, there are demonstrably higher costs to create and operate urban supermarkets. With such an unforgiving business model, it can be difficult to cover the high capital costs of development with traditional debt financing, even under the best of circumstances.

For cooperatives, there are even greater hurdles, starting with the organizing process, which takes enormous human and financial capital. Recruiting leadership, understanding the market, business planning, navigating a real estate market—these are expensive and time consuming. Like all startups, co-ops struggle to find the kind of early stage capital that can support these efforts. Uniquely for co-ops, their capital—and risk—is distributed among their member-ownership. Imagine when it is your neighbor’s hard-earned money that you are asking for to support a business that may not have a finalized business plan, or telling your spouse you’d like to help pay for a food retail market study for your neighborhood.

In addition to the startup costs, financing a new cooperative comes with the concerns of all new businesses, but instead of one owner providing leadership and financial buy-in, there is a Board and an entire community of member-owners to which they are accountable. A shared model of management and equity is a strength, but it also adds to the complexity of financing the business. Co-ops also rely on member loans, which means they often require grant or flexible loan sources to prevent the cooperative from becoming overburdened by debt.

Right now there are few such sources of investment, of which Reinvestment Fund is proud to be one. But with greater city support for co-ops, through grants and technical assistance, co-ops will be stronger and better prepared to receive the kind of financing and assistance that Reinvestment Fund has to offer, and we urge City Council to consider such measures.

Reinvestment Fund is gratified to see the progress cooperative efforts have made as a result of our grant capital, flexible debt, and technical assistance over the years. But with city support, lenders like Reinvestment Fund can leverage that investment to do more. Our local economy and neighborhoods will benefit from a more supportive environment for cooperative enterprises.