



## MEMORANDUM

**TO:** Mayor and City Council

**FROM:** Sylnovia Holt-Rabb, Director Economic Development Department *SHR*

**DATE:** April 28, 2022

**SUBJECT:** Status of Austin Community-Owned Food Retail Initiative

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This memorandum provides an update on [2021-2022 Budget Rider 1B-20210811105337](#), directing the Economic Development Department (EDD) to provide an update on the Community-Owned Food Retail Initiative. The purpose of this initiative is to support the development of a cooperative and/or non-profit grocery store in an underserved area of Austin. This project will incorporate organizing community interest in a cooperative or nonprofit development, business planning and feasibility analysis of a pilot store, and plan execution. Funding for this initiative is \$500,000 from the federal American Rescue Plan Act funding.

### **Project Concept**

Implementing the food retail initiative as directed by City Council will require community organizing, feasibility analysis, leadership development, and business strategic planning and development. The project will be conducted in two interdependent phases described below. City staff is in the process of procuring a consultant team responsible for undertaking both phases. If Phase I achieves anticipated milestones, then the consultant team will proceed to Phase II. Below is an outline of the scope of work for both phases, the outcomes needed to gauge the success for proceeding to Phase II, progress to date, and next steps.

**Phase I:** Phase 1 of the project is intended to focus on community organizing and planning. This includes the required activities of gauging community interest, recruiting community leadership and membership, training community leadership, and developing a viable business plan for a community-owned grocery store. The Economic Development Department (EDD) will require the selected consultant team to develop a coherent, practical business plan that best reflects the goals of the community and the constraints of an effective and manageable business. The consultant team will incorporate any final recommendations into business plans and pro formas. During Phase 1, the consultant team will complete a feasibility analysis that will identify opportunities or constraints based on information obtained from the community and economic market analysis.

This analysis, combined with stakeholder feedback from the community, will determine viable store format and location. The business planning recommendations and financial feasibility analysis will be evaluated and approved before any funding for grocery retail operations can be released.

**Evaluation and Critical Milestones:** Before moving to Phase II, EDD will ensure essential milestones are reached to ensure the grocery store has the best possible chances for success. If these milestones are not met, Phase II funds will not be released and recommendations on next steps will be provided. The most essential milestones are:

1. Recruiting and training a committed Community Leadership Team to act as a Steering Committee or starting a Board of Directors for the store;
2. Recruiting a founding membership cohort for the store of at least 300 households and/or community organizations; and
3. Demonstrating a viable business plan, including financial projections, management and operations plans, and store vision that is approved by the Steering Committee/Board of Director Leaders, the founding membership cohort, and the City of Austin department leadership.

**Phase II:** Phase 2 of the project is intended to focus on implementing a functioning food retail pilot store. This pilot is intended to demonstrate concept viability, build a customer base, establish store financial history, and troubleshoot aspects of management and operations. The consultant team in Phase II will manage the disbursement of a substantial portion of project funds through a store startup grant. This Phase II will include substantial technical assistance and support to ensure the pilot store is functioning sustainably.

The City will not operate the pilot store directly. Instead, Phase II requires the consultant team to build upon the work of Phase I to form or identify a new or existing independent entity that has the capacity and leadership to act as a Board of Directors for the pilot store. This cooperative or nonprofit organization must be established or newly developed, ready to receive and raise funds, and hire management before the Phase II pilot store concept can be fully executed.

Following a successful implementation of the Phase II pilot store concept, the community-owned grocery store will be prepared to seek additional funding through grants, membership equity, and loans to establish a more permanent site and operations.

## **Funding**

The total funding for both Phase I and Phase II is up to \$500,000, which is funded through the federal American Rescue Plan Act. At this time, no additional funding needs have been identified. Additional funding may be needed in Fiscal Year 2022-2023 to support a retail pilot, as well as in Fiscal Years 2023-2024 and 2024-2025 to help scale the pilot operation into a sustainable grocery store.

## **Progress to Date**

On November 8, 2021, EDD provided a [presentation](#) including a draft scope of work and timeline to the Austin Travis County Food Policy Board. Staff used the Board's feedback to develop a final project plan and scope of work to procure a Consultant team through the Purchasing Office formal solicitation process. The [RFP solicitation](#) was released by the Purchasing Department on February 7, 2022. Applicants will have six (6) weeks to submit proposals, to ensure adequate time to plan for and respond to the necessary deliverables. The RFP is in alignment with Council direction, best practices and standards for community-based grocery store development, and food policies and programs led by EDD and Austin Public Health.

## **Next Steps and Timeline**

The following next steps and timeline reflect EDD's plan for executing Council's community-owned food retail directives in the spending framework for the American Rescue Plan Act funds.

- Q1 2022: Releasing RFP and selecting consultant team
- Summer 2022: Council approval and consultant team contract launch
- Summer – Fall 2022: Pre-feasibility, Business Analysis, Community Outreach and Organizing
- Fall 2022 – Summer 2023: Identifying and Training Leadership, Member Cohort, and Final Store Recommendations and Planning
- Fall 2023: Review of Critical Milestones and Formal Incorporation of Store
- Fall 2023 – Winter 2024: Opening Grocery Store Pilot, ongoing Technical Assistance and Consulting, Final Report, and Identifying Additional Long-term Funding Needs

Should you need any follow up information, please direct any questions to me at [Sylvia.Holt-Rabb@austintexas.gov](mailto:Sylvia.Holt-Rabb@austintexas.gov) or 512.974.3131, or to Susana Carbajal, Acting Deputy Director at [Susana.Carbajal@austintexas.gov](mailto:Susana.Carbajal@austintexas.gov) or 512.974.2640.

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