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Testimony
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House Agriculture Subcommittee on Department
Operations, Oversight, Nutrition, and Forestry
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Mr. Chairman and Distinguished Members of the Subcommittee, thank you for inviting me to testify. My name is Jeffrey Brown. I am President and CEO of Brown's Super Stores, Inc, and a proud fourth generation grocer who brings years of experience in the food business to our discussion today. My family operates ten supermarkets trading under the ShopRite banner in the Philadelphia region. We employ 2,100 people with locations in both suburban and inner city Philadelphia. In addition to my role as CEO, I am on the Board of Directors of Wakefern Food Corporation, the wholesale, marketing, and distribution arm for ShopRite supermarkets. I have partnered and worked with the Pennsylvania Fresh Food Financing Initiative (FFFI), which has been recognized widely as the most effective effort at ensuring that all communities have access to quality food. Moreover, I bring an entrepreneurs view of how to solve the issue of 'food deserts,' which I define as neighborhoods with inadequate access to fresh food at competitive prices.

I want to emphasize three things. First, the problem of food deserts is real. Second, it is a problem that is being solved in Philadelphia and can be solved throughout the United States. And finally, the solution to this problem will have positive impacts on our economy and more importantly, on the health of our citizens.

In my testimony today I will: explain some of the historical constraints to success in cities; speak about how the Pennsylvania program has worked; explain why a quality food market is an essential element in re-building the social fabric and economy of many inner city and rural communities; and ask for your support of a national Healthy Food Financing Initiative, based on the Pennsylvania model.

Barriers to Urban Markets

There are a variety of reasons that supermarkets left many urban areas. As families migrated to the suburbs, retailers followed to pursue attractive modern retail developments. Available land in suburbs allows for larger stores at competitive rents, free parking for customers and a well-educated workforce. Conversely, real estate and insurance costs in urban areas are higher and training an unprepared work force is more difficult. Social problems we read about everyday such as violence, drugs, and high school dropout rates, also effect a grocer's ability to operate a successful business. There is also a belief by some businesses and lenders that urban investments will fail, as many have in the past. Finally, there has often been a lack of information about the opportunities in the city, including familiarity with new, immigrant populations; an understanding of how much income there really is that goes to food consumption and, an appreciation for the possibilities of adapting suburban store models and inventory to this new context.

The result of these constraints is that inner city communities are frequently served only by small stores unable to offer the variety of fresh foods that most of us take for granted. They offer food and other goods at very high prices, resulting in the poor paying the most and being restricted to a diet primarily made of processed foods that tend to be higher in calories. As a result, some of our country's poorest citizens living in these food deserts, have become sick and obese placing additional costs on the healthcare system, and making it even more difficult to rise above the challenges of poverty. This is not a sustainable social situation. The goal of the FFFI was to understand this problem and work with retailers throughout the State – urban and rural – to solve the problem in a more socially optimal way.

The Pennsylvania Fresh Food Financing Initiative

I along with other supermarket operators met with State Representative Dwight Evans from the Pennsylvania Assembly and Jeremy Nowak, from The Reinvestment Fund (TRF), to brainstorm about how this challenge might be overcome. We eventually mapped out the FFFI and I became the first to test the program opening a store in Southwest Philadelphia. This location had failed by a previous food retailer due to gun violence in front of the store and other community challenges. Today this store is successful, and I have become a true believer in this program and its potential to improve our country.

FFFI is a collaboration of public, private, and civic institutions created initially through the organizing efforts of The Food Trust. The result was a public-private partnership where the state of Pennsylvania invested an initial \$30 million grant that was matched with \$90 million of private money raised by TRF. The match came from a variety of sources including banks, investments through Federal New Market Tax Credits, equity from the entrepreneurs, and even some philanthropic resources.

Since 2004, the year of the FFFI launch, the program has approved financing for 81 stores ranging from full-service 70,000 square foot supermarkets to 900 square foot shops; and from traditional entrepreneurs to co-ops and farmer's markets. This has resulted in projects whose total development costs exceed \$150 million, adding 1.5 million square feet of new development, creating approximately 4,800 full and part-time jobs, and improving the fresh food access to more than 400,000 people. There are four things that account for the success of the program:

- 1) **Smart Subsidy:** Based on the analysis of development cost obstacles, particularly in the inner city, FFFI provides both flexible debt financing and small subsidy grants. The grants were used to write down certain costs that entrepreneurs could not reasonably incur. These costs included such things as work force training and land assembly.
- 2) **Flexible Financing:** FFFI provides a range of financing products from leasehold improvements and equipment loans to acquisition and construction financing for both short term and permanent uses. The financing is shaped around the need of the entrepreneur and the requirements of other financing entities involved in the project. While access to capital was less of an issue five years ago when the program began, it has become a more significant issue today, even for established, multi-store operators.
- 3) **Market Expertise:** The manager of the program – TRF – is one of the nation's top community investment institutions. They are an experienced business and real estate finance underwriter. They approached FFFI as any good investor would and consequently they have built a very strong track record of business sustainability. This strong record can only be built by identifying and supporting strong supermarket operators that can adapt their business models to underserved communities.
- 4) **Impact Transparency:** The program has been careful to count what they finance in terms of job creation, commercial real estate value, and total development costs. It has undertaken

studies on the impact of supermarkets on local housing values, cost issues related to urban stores, and the location of employees that receive retail jobs at the stores. My stores have participated fully in these studies in order to help highlight our success and educate others from the many challenges we all face.

The Pennsylvania FFFI has provided financing for four of my stores. They have enabled me to provide high quality goods and services to communities that were not available prior to my entry.

A National Healthy Food Financing Initiative

The Pennsylvania FFFI has been cited as an innovative model by the U.S. Centers for Disease Control and Prevention, the National Conference of State Legislatures, Harvard's Kennedy School of Government, and the National Governors Association. All of us in Pennsylvania are proud that the First Lady has pointed to our efforts in Pennsylvania as a model that she wants to replicate, as part of her anti-obesity effort. Access to fresh food is clearly one important part of ensuring a healthier country, particularly at a time when we are worried about the cost of health care and providing quality food alternatives is essential.

A national program can build on the demonstrated successes of Pennsylvania. Today there are a variety of states - Louisiana, Illinois, New Jersey, and New York to name a few – that are already initiating similar programs. A national effort could support those local efforts with flexible capital. I am pleased that President Obama has called for \$400 million in the fiscal year 2011 budget – spread across Treasury, USDA and HHS – to support local efforts. This effort has broad support by civic groups, economic development agencies, and the retail trade associations.

TRF recently developed a model that determined approximately 23 million Americans are living in communities without access to high quality fresh food, the majority of which live in low-income communities. TRF officials tell me that based on the metrics from the Pennsylvania experience, each billion dollar federal commitment, if matched by an equal private sector investment, has the potential to result in the following:

- Improved access to healthy food for more than 15.3 million people living in low/moderate income census tracts
- The creation or improvement of more than 2,100 stores

- The creation or rehabilitation of nearly 50 million square feet of retail space
- The creation and retention of 29,000 full-time and 119,000 part-time jobs

The Brown's Super Stores Experience: Building Community Assets

As I became more involved in the life of the communities I serve, I have learned a great deal about how we can operate a successful business and also create positive community change through listening, showing respect, and offering high quality products and service. A close relationship with each community is critical to our mutual success.

If you were to visit my store on 52nd and Jefferson Streets in West Philadelphia you would think that you were in a high-end market. Our stores have extensive varieties of fresh produce, meats, and fish, and we sell our products at the same price and quality standards as our suburban locations. The workers are well trained and courteous, with union jobs offering the same pay scale as our suburban stores and providing benefits after a short vesting period. We hire the majority of our staff locally and have developed innovations in hiring and training to include employees that were formerly incarcerated. Our company also makes an effort to purchase merchandise from local suppliers, including assisting many local minority entrepreneurs in starting businesses to supply us with the unique merchandise our customers prefer. We employ about 230 people in our West Philadelphia store, many working for the first time and some working for the first time in their family's recent history. The entry of our store, which is on the site of a former industrial brownfield, enabled the development of a Lowes Home Improvement store on the same site, along with dozens of other retail stores. This store is a profitable and has improved the lives of tens of thousands of its customers, employees and the surrounding community.

UpLift Solutions: A New Resource to Help Overcome Food Desert Challenges Nationally

I am now committed to helping solve the problem of food deserts nationally. I have had hundreds of people from across the country, including the Secretaries of Agriculture and Commerce, visit my stores. Investors, philanthropists, city officials, and community people from across the country have also been my guest at one or more of my urban locations.

In order to further our efforts, last year I launched a public 501c3 non-profit organization called UpLift Solutions (www.upliftsolutions.org). Uplift provides technical advice to governments,

nonprofits, and food retailers/manufacturers interested in helping to solve this problem. It is also developing new innovations that can solve related social problems often found in low income communities. These include programs to help improve safety and well being of community members. We are currently developing an in-store health clinic offering behavioral modification services and social services to help our clients make better decisions to improve their health and get the support of government sponsored benefits (like SNAP).

Recommendations to the United States Congress

The team that invented and successfully implemented the FFFI in Pennsylvania, including TRF and myself, worked with the White House staff to develop the national program championed by The First Lady Michelle Obama and incorporated in the President's 2011 proposed budget. We recommend the following:

- Bi-partisan approval of the healthy food financing initiative and related 2011 budget. This involves the 2011 budgets for treasury, USDA and HHS.
- Modify New Market Tax Credits so they are not subject to alternative minimum tax, similar to how historic tax credits currently function for income tax purposes. This change will result in NMTC becoming more valuable.
- Modify the labor budget to allow for some flexible training dollars to fund startup training for new supermarket employees in low income communities, created by the healthy food financing initiative. These employees require significantly more training to get them to desired standards.
- Create a budget in either USDA or HHS for flexible social venture funding for innovative projects that have the potential to increase our progress in solving food desert, related unhealthy eating behavior or the lack of access to healthcare, delivered through expanded supermarkets servicing low income communities. Our in-store clinic concept is a good example of the kind of project that could improve the health of low income Americans very effectively.

Thank you for your time and interest in solving our country's food desert challenge. I look forward to answering your questions and I invite you to come visit us in Philadelphia and see our operation first hand.



Changing lives, one community at a time.

Jeffrey Brown – Background

Jeffrey Brown is the founder, President and CEO of Brown's Super Stores, Inc., a growing ten-store supermarket chain trading under the ShopRite banner. As one of the leading supermarkets in the Delaware Valley, the company employs 2,100 associates who are committed to making a difference for their customers and the local communities they serve. Brown's Super Stores was recognized as one of "The Best Places to Work" by the Philadelphia Business Journal, Philadelphia Inquirer, Daily News and NJ Biz.

Mr. Brown is an Officer and member of the Board of Directors of the Philadelphia Youth Network, a member of the Board of Directors for the Pennsylvania Food Merchants and on the boards of both the New Jersey Food Council and the Philadelphia Urban League. He serves as an Officer and member of the Board of Directors and finance committee for Wakefern Food Corporation, which is the marketing and distribution arm for ShopRite supermarkets. Mr. Brown is also the Chairman of the Wakefern Insurance committee and Wakefern's financial strategic planning committee. He is well known for his involvement in improving the communities he serves through programs such as "Goods for Guns" – a gun exchange initiative with the Philadelphia Police Department. He has also set an example for other employers by developing an innovative program to hire ex-offenders and successfully bringing diverse groups of people together to solve complex problems. He also serves on Mr. Seth Williams, Philadelphia District Attorney's transition team, leading teams to address community outreach and re-entry/pre-entry challenges.

Mr. Brown was recently recognized by the National Grocers Association as the 2010 recipient of the "Thomas K. Zaucha Entrepreneurial Excellence Award", a top national honor in the grocer industry. He has been cited for his expertise in solving the "food desert" crisis challenging so many low income communities today. Mr. Brown has advised officials at local, State and Federal levels of government including White House staff on the "food desert" and other issues of poverty and suggested solutions, as well as, being recognized by President Obama by inviting him to attend his first State of the Union address in the First Lady's box.

Mr. Brown is the founder and Chairman of UpLift Solutions, a 501c3 public non-profit formed to assist governments, non-profits and food businesses in resolving "food desert" and related challenges. He graduated from Babson College, Wellesley, Massachusetts with a degree in entrepreneurial studies. He resides in southern New Jersey with his wife Sandy and their four sons.