

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: February 10, 2020

TO: Honorable Members of the Economic Development Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No: 18-1007
Assignment No: 19-01-0059

Good Food Zones Policy

SUMMARY

On October 24, 2018, Motion (CF# 18-1007, Price – Wesson – Harris-Dawson) was introduced relative to the establishment of food-centered economic development initiatives. The Motion instructed the Office of the Chief Legislative Analyst (CLA), with assistance of the Economic and Workforce Development Department (EWDD) and any other department as necessary, to report to the Economic Development Committee on strategies for including food-centered economic development initiatives in the existing and emerging economic development incentive programs, and assess the feasibility of piloting a Good Food Zone in South Los Angeles.

The Good Food Zones Policy was presented by the Los Angeles Food Policy Council on the December 11, 2018 meeting of the Economic Development Committee. The Motion (Price – Wesson – Harris-Dawson) was subsequently approved by Council on January 16, 2019. The CLA, working with the LA Food Policy Council, EWDD, and the Mayor’s Office reviewed and discussed program parameters and implementation. The final Good Food Zones Policy was released by the LA Food Policy Council on November 14, 2019.

The Good Food Zones Policy (Attachment A) is intended to serve the dual purpose of expanding access to healthy food in “food desert” neighborhoods with limited access, and offer economic opportunity and jobs for low income residents. The Good Food Zones Policy also outlines the recommendations of the Los Angeles Food Policy Council regarding the implementation of Good Food Zones.

The discussion section of this report provides a summary on the benefits of and challenges facing food access, a summary of the proposed Good Food Zones Policy, economic development programs that align with food-based economic development objectives, the factors to consider for creation of a geography-based Good Food Zone, and an assessment of the feasibility of establishing a Good Food Zone Pilot in South Los Angeles. The background section of the report provides an overview of the benefits of food access, as well as the challenges facing food accessibility and implementation of the Good Food Zones Policy.

In addition, recommendations to adopt the Good Food Zone Policy, approve the implementation of a Good Food Zone Pilot in South Los Angeles, and funding options for the pilot are provided.

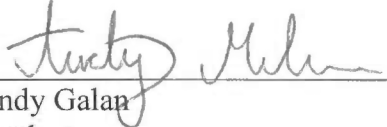
RECOMMENDATIONS

That the City Council:

1. Adopt the Good Food Zones Policy included as Attachment A of this report.
 - a. Specify that the geographic boundaries of a Good Food Zone be determined and initiated by motion and be evaluated by Economic and Workforce Development Department for compliance with the proposed JEDI Zone Eligibility Criteria.
2. Approve implementation of a Good Food Zones Pilot in South Los Angeles with the parameters discussed in this report.
3. Direct the Economic and Workforce Development Department, with assistance of the City Administrative Officer, to report on the feasibility of implementation of the proposed Good Food Zones Pilot Program using existing resources in the Business Response Unit for the 2020-2021 fiscal year; provide an estimate of the funding necessary for implementation of the pilot program for the full pilot term of three years, including the hiring of a Food Business Liaison; and identify a permanent funding source.
4. Instruct the Food Business Liaison, at the end of the pilot term, to report on pilot success, services gaps, and metrics including, but not limited to those outlined in this report.

FISCAL IMPACT

There is no fiscal impact on the General Fund as a result of this report.



Andy Galan
Analyst

Attachment A. Good Food Zone Policy
 B. Food Desert Tracts in Los Angeles
 C. JEDI Zone Primary Eligibility Areas
 D. JEDI Zone Secondary Eligibility Areas

DISCUSSION

Section I of this report provides a short summary of the LA Food Policy Council's proposal for a Good Food Zones Policy (Attachment A). Section II provides a review of geography-based economic development programs provided at the City, State, and federal levels and Section III provides analysis of common indicators of food access and recommendations to determine the geographic boundaries by utilizing the same criteria as the JEDI Zone Establishment Policy. Finally, Section IV outlines considerations for implementation of a Good Food Zones Pilot and the resources necessary for implementation of the pilot.

I. Good Food Zones Policy Proposal

The Proposal

The Good Food Zone Policy was created by the LA Food Policy Council with input from over fifty stakeholders, including community residents, food equity advocates, and business development service providers. The objective of the policy is to increase access to healthy and affordable food and stimulate economic development through a focus on small business support and retention. The policy proposes the creation of a geographic economic development zones to provide incentives for existing food businesses.

Types of Businesses

As stated by the policy, the intended beneficiaries for the Good Food Zone are current residents and entrepreneurs in underserved neighborhoods. In order to alleviate the barriers to success for small business and low income entrepreneurs, the policy focuses on those businesses which are in greatest need of support. The policy proposes two categories for a business: "Micro-Enterprise Business" and "Other Business." A Micro-Enterprise Business is defined as a business with 1-5 employees; businesses with more than 5 employees would be categorized as Other Business. The requirements and incentives offered would be specified to match businesses of the corresponding size.

The incentives offered by the Good Food Zones Policy would not be limited to food retail (i.e. supermarkets and convenience stores). Restaurants, production, and other food supply chain businesses would also be eligible for the incentives. Specification of each type of eligible business is outlined in pages 3–4 of Attachment A.

Incentives

The chief incentive proposed by the Good Food Zone Policy is the hiring of a "Food Business Liaison" who would be dedicated to assisting the food businesses participating in the Good Food Zone program. Similar to EWDD's Business Response Unit (BRU), the Food Business Liaison would assist businesses in accessing existing programs and incentives that remain inaccessible to businesses due to a lack institutional knowledge of the incentives. The Food Business Liaison would be dedicated solely to food businesses located within a Good Food Zone and would ideally bring specialized knowledge and experience in the food sector. The Food Business Liaison, rather than provide technical assistance, would function as a case manager and provide referrals. The primary responsibility of the liaison would be to aid businesses in accessing existing incentives at the local, County, State, and federal level.

As a part of the program, some form of public recognition and/or advertising as a “Good Food” provider should be provided by the City. This recognition would help identify a business as part of a cultural tourism strategy and serve to advertise the Good Food Zone Policy to other potential food businesses. Further public recognition or support could be a benefit for businesses applying for competitive grants.

The City currently administers several programs and incentives for food businesses that would be available to Good Food Zone businesses. These programs include the Restaurant & Small Business Express Program, the Food Service Program, and other food service and capital improvement assistance programs. Additional incentives available to food businesses include the following:

- The Los Angeles Department of Water and Power (LADWP) provides several incentives for energy efficient businesses that, although not limited to food service businesses, would be available and provide a significant benefit to small businesses participating in the program. With consideration for the need of adequate refrigeration capacity for businesses looking to transition to healthy food providing businesses, these incentives may prove essential to assist in the transition. These programs include the Business Promotion Bill Credit Program, energy-efficiency rebate programs, and other energy efficiency programs.
- The City has recently provided Community Development Block Grant (CDBG) funding through the Consolidated Plan to the Healthy Neighborhood Market Network Program which provides financial resources, technical assistance, and community-based marketing. The program is designed to enable businesses in low income neighborhoods to offer fresh nutritious food. If supplemented with Good Food Zones, the Healthy Market Neighborhood Program would help businesses in being able to meet the minimum standards required to participate in the Good Food Zone. The Good Food Zone program would add case management services to geographic areas with low food access, help ensure sustainability, and further reinforce and assist in the transition to healthy food providing business. The City has also provided assistance through CDBG for projects such as the renovation of “Dulan’s Soul Food Restaurant” in South LA and the SEE-LA Food Business Incubator. Food projects participating in, or that intend to participate in the Good Food Zone Program may be additionally considered for grant funding through the Consolidated Plan.
- Incentives provided by the County, State, and federal governments may also be leveraged. These incentives include local hiring tax credits, the Small Business Healthcare Tax Credit, workforce training incentives, rehabilitation tax credits, property tax incentives, community employment credit, and research & development tax credits. In the past, the Community Redevelopment Agency of Los Angeles (CRA/LA) collaborated with the County to fund a community market conversion program in South Los Angeles which leveraged funding from the federal government (RENEW). The Food Business Liaison should, as part of their duties, identify and compile a record of further programs and incentives which may be available to food businesses.

Inasmuch as the City offers a wide range of incentives, any Good Food Zones Pilot should be implemented using existing incentives and programs. If it is determined that additional incentives would contribute to increased effectiveness for the Good Food Zones program, any new incentive would be separately considered for full implementation upon approval of Council

and Mayor. In order to determine program funding, EWDD should be instructed to report, with the assistance of the CAO, on resources for the pilot, as well as options for future funding sources for the permanent program.

Eligibility

Prior to participation in the Good Food Zones program, businesses would be required to demonstrate a minimum standard and intent to contribute to increased healthy food access and economic opportunity. These minimum eligibility standards are designed to aid existing businesses increase healthy food provision or transition to providing healthy food as their primary business. The baseline requirements ensure that the businesses participating are invested not only in the success of their business, but in increasing access to healthy food and inclusivity in the community. After three years of participation in the Good Food Zone program, businesses must meet additional “Gold Standard” requirements to continue to be eligible. These standards reflect an increased commitment to healthy food access and economic development. Eligible and ineligible activities, such as a limitation on alcohol sales, are outlined in the Good Food Zones Policy on page 5 (Attachment A).

II. Economic Development Incentive Programs

With consideration of the breadth and availability of other economic development programs, eligibility for participation in the Good Food Zone Policy can be tailored to align with other programs. Below is a summary of federal, State, and local incentives.

Federal

Two geography-based economic development incentive programs are currently being implemented by the federal government, Opportunity Zones and Promise Zones. Los Angeles has received federal approval for both Opportunity Zones and Promise Zones. Opportunity Zones, established as part of the Tax Cuts and Jobs Act of 2017, provide federal tax incentives to investors who invest capital gains into select underserved communities. Promise Zones provide preference for competitive federal grant programs, technical assistance, federal liaisons to help navigate federal programs, and any tax incentives enacted by Congress.

State

Enhanced Infrastructure Financing Districts (EIFDs) and Community Revitalization and Investment Authorities (CRIAs) are Two State geography-based economic development tools that can be implemented and leverage for the benefit of Good Food Zone businesses. Generally, EIFDs and CRIAs make tax increment financing available to fund affordable housing and infrastructure projects, but may also be used to provide some business assistance and capital improvement funding to businesses.

City

EWDD currently implements and administers several economic development programs. The City has been coordinating a larger economic development strategy through the Comprehensive Economic Development Strategy (CEDS) that aims to achieve sustainable and equitable economic growth. The City has also implemented sustainability initiatives in land use and planning which include adequate access to healthy food. The City has also acknowledged the importance of the food economy by working to establish a sidewalk vending program.

The Good Food Zones Policy aligns with many initiatives currently being undertaken and can be implemented in concurrence with these programs. The most notable current efforts would be the establishment of Jobs and Economic Development Incentive (JEDI) Zones, the implementation of the Job and Business Advancement in Los Angeles Action Plan (Jobs Plan), and the implementation of the CEDS. Below is a summary of some of these incentives and how they align with the Good Food Zones:

- JEDI Zones are geography-based economic incentive zones with a focus on employing local residents, maintaining vital industries, revitalizing underserved communities, and supporting emerging industries. The City is currently in the process of establishing JEDI Zones through the JEDI Zone Establishment Policy. As proposed by the Establishment Policy, JEDI Zones would provide incentives such as expedited permitting, fee reductions, façade improvement assistance, training incentives, compliance assistance, and access to capital.
- The City has recently made progress on centralizing several economic development and business services through the implementation of guiding documents. The Jobs Plan sought to create a unified vision and coordinated strategy in the City to better serve local businesses, and provide further revitalization and access to jobs in communities most in need. The Jobs Plan includes small business support, improvement of city business services, and the implementation of new economic development strategies. The Good Food Zones Policy would complement the BRU established by the Jobs Plan.
- The CEDS provides direction to make progress toward a defined economic development delivery system and actions to be taken by the City to ensure equitable growth. Implementation of the CEDS will also allow the City to apply for grants from the Economic Development Administration (EDA). In addition to identifying strategies for equitable growth, the CEDS identifies best practices in other municipalities. Food-based economic development programs are identified as a best practice for both sector specific strategies and equitable economic growth. Implementation of the Good Food Zones Policy would expand the City's portfolio of both sector-specific and geographic-based strategies.
- New Market Tax Credits (NMTC) are allocated to encourage economic growth and development in economically distressed communities. NMTC are allocated by the Los Angeles Development Fund (LADF) under the City of Los Angeles. The LADF has already allocated NMTC to support projects including groceries such as the Vallarta Van Nuys Supermarket and incubators such as the South LA Hub. In order to make deeper efforts to support food businesses, LADF can be requested to consider food equity projects as a priority for NMTC allocations.
- Successful food programs are often supported by federal grants, or grants provided in collaboration between local jurisdictions and organizations. The City manages several grants, including CDBG, through the Consolidated Plan which has provided funding to food programs in the past. Recent implementation of the CEDS will also make EDA grants available as a funding option and other federal grant programs such as the Healthy Food Financing Initiative (HFFI), which provides one-time grants and loans to projects seeking to

improve access to healthy foods by financing food businesses in areas of need, can be leveraged with existing incentives.

The City of Los Angeles currently implements several economic development and food access initiatives that have been identified by several studies as best practices. Aligning eligible geographies with these initiatives allows the Good Food Zones to leverage existing resources.

III. Geographic Area of Good Food Zones

The location of a Good Food Zone can be determined by a number of indicators of food access. The United States Department of Agriculture (USDA) only considers geographical distance as an indicator to food access. Food access can be measured by a number of important indicators. The most commonly used indicator, geography, is insufficient alone to measure food access. Because affordability is one of the most vital aspects of accessibility, rather than food deserts or density of grocers, consideration for the placement Good Food Zones should be based on economic conditions such as low income and unemployment in an area.

The USDA has found that areas with higher levels of poverty are more likely to be food deserts. Creation of Good Food Zones in low income and unemployment areas may help prevent the creation of food deserts or the loss of food access. As demonstrated in the maps of food desert tracts in Los Angeles, under the USDA's criteria, food deserts are sparsely distributed across Los Angeles. Solely basing Good Food Zones in food desert tracts would significantly limit their effectiveness. In order to be effective, implementation of the program should be flexible enough to capture the complexities of food access, respond to unique challenges within any community, and effectively target those in need of assistance.

Eligibility Criteria

To accomplish the goals of the Good Food Zone Policy, Good Food Zones should be located in areas which are consistent with the Eligibility Criteria as proposed by the JEDI Zone Establishment Policy (CF 13-0934-S2, currently pending in Economic Development Committee). JEDI Zone eligible areas would be ideal for addressing food accessibility problems throughout several communities throughout the City (Attachment C and Attachment D). By allowing the geography of the Good Food Zones to align with the eligibility standards for JEDI Zones, the incentives provided can be further layered with federal incentive opportunities, as well as other emerging economic development programs, to maximize available resources.

The criteria to establish a JEDI Zone requires the boundaries conform to at least one of the primary eligibility criteria: Be within an area containing an Opportunity Zone, Promise Zone, EIFD, CRIA, or a focus area identified by the CEDS. Attachment C provides maps of the areas of the City that would be eligible under the primary qualifying criteria. The eligibility also includes a secondary criteria which can be used to determine if an area not meeting the primary eligibility criteria has significant need for a JEDI Zone. The secondary eligibility criteria includes low and moderate income areas as defined by the U.S. Department of Housing and Urban Development, and a non-seasonal unemployment rate that is at least three percent higher than the Citywide median. Geographic areas meeting the secondary eligibility standard are provided in Attachment D.

To establish a Good Food Zone, we recommend that the JEDI Zone Establishment process be utilized. A Good Food Zone would be initiated by a Council Member through motion. Each

motion should outline the physical boundaries of the proposed Good Food Zone and instruct EWDD to evaluate the designated geography for compliance using the JEDI Zone Eligibility Criteria. The maximum geographic reach of a Good Food Zone and a maximum number of Good Food Zones within one council district can be considered following completion and evaluation of the proposed pilot program.

In consideration of the geographic scope of a Good Food Zone, we recommend the following indicators of food access be considered.

1. Affordability – Food options which are in geographical proximity are not accessible if they remain completely unaffordable to families living in the community.
2. Quality – Residents often forego local food retail to shop in communities whose businesses offer higher quality produce. Therefore, food retail must both be close and offer quality produce. Studies have shown that while prices do not drastically differ in groceries of affluent and low-income communities, the quality of produce is consistently inequitable. This results in low income communities paying more for lower quality produce. Successfully incentivizing food retail may result in both lower prices and better quality food for low income communities.
3. Health – Solely increasing access to food will not result in positive health outcomes or a sustainable food ecosystem. In order to improve health outcomes, the food provided in Good Food Zones should be healthy.
4. Options - The existence of healthy food options does not guarantee a change in food habits. However by presenting affordable options other than fast food, healthier food choice can be encouraged. Advertisements for healthy food can also positively impact food choice.
5. Cultural Inclusivity – The cultural and demographic makeup of a community should also be taken into account when considering food access. Food businesses will not be patronized if the food products offered are not in demand by the community. New businesses should be driven by community consensus on the scale of businesses and/or food products needed.
6. Transportation – Access implies physical access to food retail, and therefore transportation is intrinsically linked with access. This does not solely apply to drivers, but to transit users or populations that have limited means to travel such as seniors and the disabled. There should be multimodal access to good food, with a focus on high transit corridors and access to public transportation. Low income buyers who leave their communities for increased food options often compound their expenses with transportation costs.

IV. Proposed Pilot Program and Resources for Implementation

The Good Food Zones Policy should be structured to incentivize an economically distressed area and improve food access. The policy should encourage food business creation, retention, sustainability, density, and diversity of affordable food options.

On January 16, 2019, Council adopted Motion (Price – Wesson – Harris-Dawson) directing the CLA to assess the piloting of a Good Food Zone in South LA. A Good Food Pilot (pilot) in South LA could demonstrate the effects of the policy on both economic development and food access, where incomes and employment figures are consistently lower than the rest of the City, and food access conditions have resulted in a so-called food swamp. We note that other areas in the City may also be eligible for a pilot. Should a Good Food Zones Pilot be implemented, we recommend the following parameters:

- One to three Good Food Zones with no more than a total of ten local businesses. The majority of businesses assisted by the Good Food Zones Policy should be existing retail businesses which meet the Micro-Enterprise Business classification outline in Attachment A. At least one business should be eligible under the “Other Business” classification (more than five employees) and at least three businesses should be non-retail businesses such as restaurants, production, and other food supply chain businesses. This would allow the pilot to measure the success of the Good Food Zones Policy on different micro-enterprises, on a larger business, and on businesses that are not retail.
- The pilot should be implemented for a period of two to three years. This would allow evaluation of the feasibility of the third year gold standard, as well as the sustainability of Good Food Zone businesses complying with Gold Standard requirements. The three year timeline to reach the Gold Standard of the Good Food Zones program is based on the experience of the Food Policy Council on the Healthy Neighborhood Market Network. According to the Food Policy Council, substantive change to a business model or format, especially those including renovations, can take two years. In order to allow businesses reasonably grow, a three year timeline is suggested for achieving the Gold Standards. Further, a three year pilot may also test the feasibility of a two year timeframe for reaching Gold Standard compliance for a full program. Businesses participating in the pilot are likely to be of differing scale, type, and format, therefore a three year pilot period is recommended. Furthermore, order to control the length of the pilot while having an opportunity to test sustainability of a business in compliance with Gold Standard requirements, at least three businesses that can meet Gold Standard requirements prior to participating in the program should be allowed to participate.
- Businesses participation should be determined through an application process. Applications will be evaluated for eligibility by EWDD and businesses found to be eligible should have their applications considered by EWDD and the Food Policy Council, in consultation with the respective Council District Office.

Budget

In order to implement the pilot program, in one area and limited to ten businesses, EWDD has indicated that one exempt project coordinator or management assistant position would be necessary. The new position would be housed in the Business Response Unit and would be solely responsible for services to Good Food Zone businesses. The most feasible options for funding would be CDBG or the General Fund. The Consolidated Plan for the 46th year and the fiscal year 2020-2021 budget process is currently underway, accordingly a request to include funding for the Good Food Zones Pilot in the Consolidated Plan or the City budget would need to be made. Alternatively, the pilot can be temporarily implemented using existing resources in EWDD’s BRU. EWDD has indicated that the program cannot be sustained using existing resources for more than one fiscal year due to the likely increase in workload the BRU will see as a result of implementation of additional JEDI Zones. Furthermore, EWDD has indicated that only ten businesses can be accommodated using existing resources. In order to accurately measure program success, the program should be implemented in the subsequent years using the resources necessary to provide adequate assistance. Additional funds would need to be requested in the 2021-2022 fiscal year.

Pilot Conclusion

The stated objective of the policy is to expand healthy food access and increase economic opportunity for historically underserved communities. With these goals in mind, the following metrics should be tracked in order to ascertain program effectiveness at the conclusion of the pilot: applications received, businesses transitioned to providing healthy food, years businesses participated in program, businesses which successfully reach Year 3, Year 3 businesses which meet the Gold Standard requirements, jobs created, and sales growth.

With these metrics in mind, if the businesses in the pilot program have succeeded in meeting or sustainably operated under Gold Standard requirements by the second pilot year, the Food Liaison should report to council with a determination that the pilot was able to achieve success in a two year period and make a recommendation to end the pilot.

The Food Business Liaison should also be instructed report on program success, any service gaps observed, and challenges for each business type during the duration of the pilot. The potential for additional capacity of the program to provide incentives upon pilot completion should also be considered in the final report. In the future the Good Food Zones Policy may be expanded to include incentives for the attraction of large grocers or additional types of business, or complimented by other food-based initiatives created by the City.

BACKGROUND

Benefits of Food Access

Numerous studies have linked access to healthy food to increased health outcomes and decreased risk of cancer, diabetes, and heart-related conditions. These increased health outcomes contribute to productivity and may result in an improvement of economic circumstances. Improved health also contributes to lower healthcare costs whereas poor food access can result in higher health costs.

A successful food business ecosystem can result in local jobs, job training programs, increased wages, increased tax revenue, and further economic activity in the food delivery supply chain. Conversely opportunities created by economic stability and security have been linked to greater investments in one's health.

The benefits of having access to "good food," which is defined by the LA Food Policy Council as food that is healthy, sustainable, affordable, and fair, can make a significant impact on the physical and socio-economic well-being of individuals. Issues surrounding food have been an important policy concern of Los Angeles, as demonstrated by action on the sidewalk vending program, community programs to aid businesses in transitioning to healthy food provision, and mitigation of negative food environment conditions.

Challenges facing food accessibility

According to the USDA, due to factors including racial discrimination and economic disinvestment, food access is consistently lower among low income communities, communities which are often predominately inhabited by people of color. The USDA has defined "food deserts" as areas that lack adequate access to affordable and healthy food. Based on the standard created by the USDA for food deserts, which measures access by geographic distance from the closest grocery, there are approximately seven food deserts in Los Angeles. Under the USDA's

standard, there are food desert tracts in Council Districts 2, 7, 8, 12, 14, and 15. Attachment B provides maps of food desert tracts by Council District.

The lack of grocery stores providing high-quality, healthy produce has resulted in a lack of diverse healthy food options in food deserts. In addition, the over concentration of fast food establishments, which is common in low-income communities, has also contributed to an imbalance in food choices. The City Council has acknowledged this concern in the past with a restriction on the construction of fast food restaurants in South Los Angeles (CF 07-1658). Areas with a lack of accessible healthy food options and an over-concentration of fast food establishments have been termed “food swamps.” Although there is no information available on the existence of food swamps in Los Angeles, the conditions of food accessibility in South Los Angeles are consistent with the classification. Low income communities also often struggle with an over-abundance of liquor and convenience stores which do not provide healthy food options and are often viewed as nuisance businesses.

These conditions negatively influence food options by making low cost, high calorie food easily accessible while quality, healthy food is often physically and financially inaccessible. The unhealthy food consumption patterns in low-income communities are not a result of lack of demand for healthy foods, but a lack of diverse food choice. Simply addressing geographical proximity is insufficient to increase food access. The development of healthy food options should be community driven in order to maximize healthy food consumption. Any food policy should reflect conditions in communities with low food access and respond to the demand for quality affordable food while ensuring business sustainability. Rapid changes in the food economy may also raise concerns of gentrification. In order to mitigate the potential for gentrification and inequitable food access, a community driven process should be prioritized. A community driven process can ensure that businesses incentivized serve existing residents dealing with low food access.

For example, despite similar food access challenges, a grocer that is successful in South Los Angeles may face sustainability challenges in the San Fernando Valley due to cultural reasons such as lack of diverse food products and a lack of signage in an appropriate language. Therefore, in order to ensure business sustainability under the Good Food Zones Policy, the establishment and implementation of a Good Food Zones should include robust community involvement.

Attachment A

Good Food Zone Policy



Los Angeles Food Policy Council

A GOOD FOOD ZONES POLICY FOR THE CITY OF LOS ANGELES: INVESTING IN FOOD EQUITY

INTRODUCTION

The Need

In Los Angeles, residents in low-income communities report difficulty in accessing healthy food and experience food insecurity at higher rates compared to higher-income neighborhoods.¹ Food access disparities impact Angelenos' health, life expectancy, academic performance and job productivity.² These disparities are most prolific in Los Angeles' communities of color, such as South Los Angeles-- where there are few grocery stores, high rates of obesity and nutrition-related chronic disease and the life expectancy is 12 years less than that of West Los Angeles residents.³ More than any other social factor, poverty is associated with disparities in food access and related health inequities. Strategies for building healthy communities in Los Angeles require more economic opportunities for low-income Angelenos.

Furthermore, when considering uneven access to fresh food across Los Angeles, we also acknowledge an extreme racial wealth disparity resulting from decades of underinvestment and explicitly racist government and banking policies, also commonly referred to as "redlining" practices that denied communities of color access to capital essential for basic services. The racial wealth gap is most pronounced between white households and racial minorities.⁴ When it comes to African-American and Latinos particularly, studies found that the wealth of Black and Latino households decreased by 75% and 50% respectively while the median White household rose by 14% between 1983 to 2013. It is projected that by 2024, median Black and Latino households will own 60%-80% less wealth than they did in 1983. Research tells us that as a nation we will never close the racial wealth gap without concerted, sustained effort to transfer and invest capital resources into communities of color.

¹ Key Indicators of Health By Service Planning Area. January 2017. Los Angeles County Department of Public Health. http://publichealth.lacounty.gov/ha/docs/2015LACHS/KeyIndicator/PH-KIH_2017-sec%20UPDATED.pdf

² Food Insecurity in Los Angeles County. September 2017. Los Angeles County Department of Public Health. http://www.publichealth.lacounty.gov/ha/docs/2015LACHS/LA_HEALTH_BRIEFS_2017/LA%20Health_FoodInsecurity_finalB_09282017.pdf

³ The Plan for a Healthy Los Angeles: A Health and Wellness Element of the General Plan. March 2015. Los Angeles Department of City Planning. <https://planning.lacity.org/odocument/7f065983-ff10-4e76-81e5-e166c9b78a9e/Plan%20for%20a%20Healthy%20Los%20Angeles.pdf>

⁴ The Road to Zero Wealth, 2017

https://prosperitynow.org/sites/default/files/PDFs/road_to_zero_wealth.pdf

The Opportunity

Food is a powerful driver for community economic development. Food-oriented development can also drive toward equitable distribution of resources that accounts for historic under-investment in communities of color. Close to 20% of Los Angeles County jobs are in the food sector-- including production, processing, manufacturing, distribution, retail and service.⁵ With few barriers to entry, business ownership in the food sector is accessible to a diverse array of Angelenos across ethnic backgrounds, education levels, skill set, language preference and citizenship status. The Good Food Zone policy is intended to serve the dual purpose of expanding access to healthy food in ‘food desert’ neighborhoods with limited access, and offer economic opportunity and jobs for low-income residents. The policy establishes a programmatic framework to direct the City of Los Angeles’s economic development resources and investments toward food entrepreneurship. Good Food Zones is a place-based strategy, recognizing that historic divestment in specific neighborhoods required targeted investment in those neighborhoods.

POLICY OVERVIEW

According to Council Motion #18-1007, introduced by Councilmember Curren Price in October 2018, the Good Food Zone policy would create “strategies for including food-centered community economic development initiatives in the existing and emerging economic development incentive programs” in the Economic and Workforce Development Department. The following overview reflects the recommendations of the Los Angeles Food Policy Council and the input of over 50 key stakeholders representing community residents, food equity advocates, and business development service providers.

Geographic Scope

The same communities in the City that suffer from poor health outcomes also suffer from the highest rates of poverty, unemployment and environmental injustice. According to the Los Angeles City Planning Department, the following areas ranked amongst the lowest in the City on the Community Health and Equity Index and should thus be prioritized for community health planning interventions:

- a. Southeast Los Angeles Community Plan Area
- b. South Los Angeles Community Plan Area
- c. West Adams-Leimert Park-Baldwin Hills Community Plan Area
- d. Skid Row- Downtown LA
- e. Boyle Heights Community Plan Area
- f. Arleta-Pacoima Community Plan Area
- g. Sylmar Community Plan Area

⁵ Bureau of Labor Statistics 2015.

Additionally, the City of Los Angeles Health Atlas created through the [Plan for a Healthy LA](#) (2011) provides maps of the City that identify areas with disproportionately high rates of diet-related disease, such as diabetes and heart disease, and poor access according to the Modified Retail Environment Index. Currently, the City of Los Angeles is assessing leveraged opportunities for investment and anti-poverty measures through federally enacted Promise Zones, Opportunity Zones and locally devised Jobs and Economic Development Incentive (JEDI) zones. We recommend assessing existing tools and geographical initiatives to identify specific geographies in the City for the first phase of the Good Food Zone initiative.

Intended Beneficiaries

The intended beneficiaries for the Good Food Zone policy are primarily current residents and entrepreneurs in underserved neighborhoods. Small businesses and low and moderate income entrepreneurs face the greatest barriers to success due to lack of capital, limited business experience, lack of familiarity or difficulty navigating local government, and other barriers to business development opportunities. For this reason, the Good Food Zone concept primarily focuses on under-resourced and small businesses who have the greatest need for support.

Additionally, Good Food Zones could also be utilized as a grocery attraction program, or provide incentives to larger food businesses. LAFPC recommends a focus on small businesses for a pilot, with an eye toward how incentives could also meet the needs of larger businesses, such as grocery stores.

Size of Business

Businesses will vary in needs and capacity, and the Good Food Zone initiative can be designed to meet different needs and apply different requirements based on the size of the business. We recommend two categories of eligible business: Micro-Enterprise and Other Business.

Micro-Enterprise Businesses are defined by the City of Los Angeles as having 1 to 5 employees. Micro-Enterprises have unique vulnerabilities and needs that larger (even “small businesses” with more employees) do not. Therefore, we recommend that Micro-Enterprise is isolated as a category and all other businesses are aggregated into another category. Requirements for eligibility, and incentives, will be tailored to these two categories.

Type of Business

Food businesses across the supply chain can contribute to the health, food access and economic needs of a community, not only retail. Innovation and growth in food production, manufacturing and distribution offer other areas for job creation and entrepreneurship, while also demonstrating social, health and environmental benefit. Requirements to demonstrate access to fresh food in a community will look different than that of traditional retail, but should not exclude non-retail businesses from participation in the Good Food Zone program. Below is an outline of the types of businesses that may be included in Good Food Zones.

Retail - all food (other than restaurants) purchased by consumers and consumed off-premise

- ☐ Grocery Stores
- ☐ Corner Stores and Neighborhood Markets
- ☐ Ecommerce: (e.g. meal prep, produce delivery, etc.)
- ☐ Mobile (e.g. food trucks, sidewalk vending)

Restaurants - prepared food consumed on or off-site

- ☐ Restaurants - traditional sit-down, fast casual

Production - Urban Agriculture, Technology-based

- ☐ Micro-gardens, Community Farms
- ☐ Hydroponics/Aquaponics

Supply Chain - Processing, Manufacturing, Distribution, Accelerators, Research & Development (R&D)

- ☐ Accelerators/Share Kitchen Campus
- ☐ Produce distribution
- ☐ Food Innovation and Product Development (e.g. plant-based meat products)

Basic Eligibility and Owner Profile

The Good Food Zones program can assist small and emerging entrepreneurs, but a minimum viability should be demonstrated to ensure the intended impact of fresh food access and economic opportunity is achieved. Business should be in operation for a minimum of three years, and already have a food handlers permit, State of California seller's permit and City of Los Angeles Business Tax Registration Certificate. The following sections go into greater detail on the eligibility and application process.

PROGRAM STRUCTURE

The structure of the program requirements and incentives needs to reflect the two main goals of Good Food Zones: (1) expand healthy food access and (2) increase economic opportunity for historically underserved communities. The proposed structure is designed to meet community perspectives on quality, the differing needs of small and large businesses, and improvements to business services over time.

The "Baseline" level reflects the minimum requirements a business must demonstrate to be eligible for incentives in the program. A business needs to achieve the Baseline within the first year of the program to continue in the program.

The "Gold Standard" reflects standards that can either be met upon eligibility (qualifying for higher levels of incentives) or over time by year 3 in the program.

Currently, requirements and incentives are designed primarily around small business and retail. We suggest outlining requirements specific to non-retail food businesses that ensure that health and food access needs of community are being addressed, as well as non-retail related incentives.

LEVEL	MICRO-ENTERPRISE BUSINESS (1-5 employees)	OTHER BUSINESS (More than 5 employees)
REQUIREMENT S Baseline (Required in Year 1)	<ul style="list-style-type: none"> ● Written Mission Statement expressing commitment to community health ● Written Customer Service Policy statement that promotes diversity and inclusion ● Meets California Retail Food Code ● Satisfactory Food Official Inspection Report (FOIR) ● Department of Public Health Letter Grade prominently displayed ● CalFresh/WIC accepted (or business is in the process of applying - if eligible) ● Implements Healthy Checkout practices by prominently featuring healthy food at front of business; vending fresh and dried fruits and vegetables, nuts, and beverages with no added sugar ● Floor Space - 30% of retail space to be dedicated to perishable foods that may include dairy, fresh produce, fresh meats, poultry, fish, and frozen foods; demonstrates that healthy food product is core to business ● Nutrition guidelines - Non-retail businesses commit to 30% of product offerings using LA County Department of Public Health (LADPH) Guidelines Vending Machine Nutrition Policy for CPG, restaurants or caterers should adhere to LACDPH Choose Health LA guidelines, mobile food operators and sidewalk vendors to using Healthy Food Vending guidelines (forthcoming with City of LA sidewalk vending permit program.) ● Maintains soda in designated soda aisle and tobacco products behind check out; this includes Sugary drinks (defined as beverages with added caloric sweetener), not just soda, to be sold in a designated beverage aisle 	<p>All Baseline Standards for Micro-Enterprise Business must be met by Other Businesses, plus:</p> <ul style="list-style-type: none"> ● Pays employees Living Wages (i.e. \$15/hr by 2020, to be adjusted annually) ● Commitment to 40% local hire for new employees or replacements. (See Metro's Construction Careers policy for standard) ● Perform annual energy efficiency and food waste audits and set goals ● Practice source separation of waste and enrolling organic waste recycling per state law (AB 1826 Mandatory Commercial Organics Recycling) ● Adequate lighting within the business premises, throughout the parking lot, and at all entrances and exits

	<ul style="list-style-type: none"> ● Food businesses that are not full-service grocery and sell alcohol are not eligible for incentives. 	
REQUIREMENT S Gold Standard (Required for Year 3)	<ul style="list-style-type: none"> ● 15% of total food spend sourced verified local, sustainable, fair trade or organic products (modeled after Good Food Purchasing Program) ● Increase floor space or product portfolio to 50% following LA County Department of Public Health standards for CPG or Choose Health LA restaurants ● Incorporate plant-based entree option. ● Source from verified minority and women-owned business OR is minority/woman-owned business 	<p><i>All Gold Standards for Micro Business must be met by Other Businesses, plus:</i></p> <ul style="list-style-type: none"> ● Commitment to Employee Retention through Full Time benefits (i.e. minimum 35 hours/week and health insurance) ● Collective bargaining agreement or Labor Peace Agreement in place, as relevant to industry ● Commitment of 10% hire to people with barriers to employment (e.g. transitional age youth, formerly homeless, formerly incarcerated.) (See “disadvantaged worker” category in Metro’s Construction Careers policy for standard) ● Education/outreach program (e.g. cooking demonstrations, workshops, frequent produce sampling) ● Sustainable buildings and facilities management as demonstrated by DWP energy efficiency audit or LEED Certification ● If retail, in store signage to clearly mark healthy food products ● Proactive zero waste program ● Annual or bi-annual give-back to community; Community benefit can be in-kind ● Meaningful community engagement such as providing programs and <u>opportunities</u> for career development

INCENTIVES Baseline	<ul style="list-style-type: none"> ● Food Business Liaison to connect client to City incentives and services, troubleshooting challenges for enrolled businesses and assisting in navigating permit processes to allow for ease of establishing or growing the business. This individual should be familiar with the unique needs of food businesses, and able to develop a action plan for each participant. The action plan would include referrals to technical assistance providers. The Food Business Liaison would not be a primary technical assistance provider, but will be an internal advocate and navigator for program participants. ● Technical assistance from service providers (coordinated through Food Business Liaison). Needs identified include: city and county permit requirements, legal assistance (predatory lenders, contractors and landlord/lease issues), access to capital, recruiting and training employees, understanding labor law, relationship building opportunities with elected representatives. BusinessSource and WorkSource centers can be included in the list of resources. ● Official Seal/ Public Recognition/ Advertising - Place businesses on map as part of cultural tourism strategy. ● Participation in Business Promotion Bill Credit Program ● Local Hiring Tax Credit for businesses that locate within priority areas (i.e. Work Opportunity Tax Credit - WOTC) ● Participate in City of Los Angeles Energy-Efficiency Rebate Programs ● Receive services from the Los Angeles Department of Water & Power (i.e. assessments & upgrades) ● Ecommerce Income Tax Abatement ● Small Business Healthcare Tax Credit ● Waiver on business license renewal
INCENTIVES Gold Standard	<p><i>All Baseline level incentives, plus:</i></p> <ul style="list-style-type: none"> ● Signage and Equipment, if CDBG eligible ● Priority points for Healthy Food Financing Initiatives or other funding opportunities, as supported by official recognition and letter from the City ● Sales & Use Tax Exclusion for equipment purchases of companies who adopt cutting-edge technology ● Workforce Development Support - Connection to WorkSource for specialized food service job training ● Access to incentives through LADWP & SoCalGas' Food Service Program and New Construction Program ● Potential for New Market Credits ● Potential for Opportunity Zone investment <p>EXAMPLES OF OTHER KINDS OF INDUSTRY INCENTIVES TO CONSIDER:</p> <ul style="list-style-type: none"> ● Other related Targeted Industry Incentives (e.g. manufacturing, technology) ● Workforce Training Incentives ● Rehabilitation Tax Credit

	<ul style="list-style-type: none"> • Property Tax Exemptions • Community Employment Credit • Research & Development Credits
Compliance and Monitoring	<ul style="list-style-type: none"> ● Client submits documents to EWDD verify determine basic eligibility; upon enrollment, client provides documents to verify status toward Baseline Standards; client provides updated documents upon one year of enrollment in the program to demonstrate achievement of Baseline Standards. ● A Community Task Force comprised of community members within the Good Food Zone offers an opportunity for community concerns about compliance to be discussed and progress to be publicly celebrated. ● An anonymous reporting system for workers to report violations with a protection for workers from retaliation

Eligible Business Activities Within Program

- Formalizing Business:** obtaining permits, certificates, licenses, etc.
- Purchases:** property, equipment
- Construction:** rehabilitation of existing buildings or new buildings
- Scaling:** expansion of operations or establishment of multiple sites
- Sustainability:** environmental, technology, waste reduction

B. Ineligible Activities

- Alcohol Sales:** applicable to NEW businesses (may include tobacco)
- Initial Implementation:** needs to meet minimum requirements prior to applying

PILOT PROGRAM

To effectively learn the needs and impact of food businesses within a targeted geography, we proposed an initial pilot of a Good Food Zone in two or three Community Plan Areas. We suggest the pilot include a minimum of five, but no more than 10 businesses. Due to the barriers and increased need experienced by small businesses, we recommend the pilot focus primarily on Small Business, but for future scoping purposes also include at least one larger business. We also suggest the pilot cohort include retail and other types of food business to test the Good Food Zone model on different types of food businesses.

The following is a proposed process to identify eligible businesses, coordinate service delivery, and assess performance.

PROGRAM WORKFLOW OVERVIEW

I. Application and Basic Eligibility

- A. Any food business within the Good Food Zone can submit an application to participate in the program
- B. Business must have been in operation for a minimum three years and be able to demonstrate service within the Good Food Zone area. Business presence within the Good Food Zone can be either physical location of business operations or demonstrated community presence (e.g. catering, delivery, farmer's markets, participation in health fairs, etc.)
- C. Business must demonstrate minimum viability through evidence of LA County Department of Public Health food handlers permit, State of California seller's permit and City of Los Angeles Business Tax Registration Certificate.
- D. In application, business will be asked to explain how their business plans to meet the goals of the Good Food Zone program to expand access to healthy food and create economic opportunity in low-income communities.
- E. Non-small businesses that are new to the Good Food Zone must commit to 40% local hire and 10% hiring of socially disadvantaged worker.

II. Services & Supports

- A. Program Liaison conducts a needs assessment to identify service gaps and priorities for allocation of resources, resulting in an Action Plan to achieve the baseline requirements and administer incentives.
- B. Program Liaison makes referrals for technical assistance providers and relevant city services/incentives
- C. Program Liaison acts as case manager for navigating government systems when accessing city-run services (i.e. applying for licenses, permits, rebates etc.)

III. Reporting

- A. Annual review of client's progress and consistency with requirements of program conducted by Program Liaison, in conjunction with third party assessors (e.g. community task force, independent certifications, etc.)
- B. Recommendations for continued participation in the program are made on a yearly basis (up to 3 years)

KEY FEEDBACK FROM STAKEHOLDERS

Over fifty stakeholders representing community-based organizations, food and health advocates, business and economic development specialists, and industry have contributed to the development of the Good Food Zone pilot concept. Through a series of stakeholder engagement activities and events, we have developed a program scope based on the needs of communities, the needs of business (particularly micro and small business) and the dual goals of healthy food access and economic opportunity. The following reflect a sampling of the issues discussed in stakeholder

discussions at five meetings of the LAFPC Good Food Economy Working Group between May and October 2019.

A. Health

- a. Businesses need to meet/enforce existing health code regulations and keep facilities clean and sanitary; many grocery stores in low-income neighborhoods have poor lighting, cluttered store environments, perished food items and high prices for basic necessities
- b. There should be a clear standard for what can be sold at checkout such as fresh and dried fruits and vegetables, nuts, and beverages with no added sugar or setting nutrition requirements for checkout and allowing any food or beverage product as long as it meets the standard
- c. Specify that all sugary drinks (defined as beverages with added caloric sweetener), including but not limited to soda, should only be sold in a designated beverage aisle
- d. Be specific about what is meant by “fresh food products”
- e. Health-promoting small businesses should be supported by the City

B. Economic

- a. Concerns about gentrification and displacement of existing residents and small businesses in low-income communities
- b. Need to be specific about who we need to help and how, define “local” investment
- c. Accountability - businesses should not receive incentives without true accountability to the community
- d. Commitment to local hiring and targeting high-need populations (i.e. re-entry, homeless, etc.) and to community wealth building for communities of color, specifically
- e. Good Food Zones should not be subsidizing liquor stores or stores that sell alcohol
- f. Prevent predatory contractors and lenders; create access to alternative, flexible capital and quality, affordable vendors
- g. Define employment and job creation goals to include commitment to fair scheduling and benefits
- h. Affordability - Business can be proactive with making healthy food more affordable, for example by accepting CalFresh/EBT and WIC, offering specials and coupons to loyal customers and partnering with local suppliers that can help reduce costs
- i. Businesses need help navigating government systems; City should provide technical assistance, language accessible services/materials

C. Environmental

- a. Need stricter zoning laws: can’t keep adding more fast food restaurants
- b. Desire to see more local businesses source organic, pesticide free, sustainably farmed and locally made food
- c. Business play a key role in reducing or preventing food waste

D. Social

- a. Promote diversity amongst business owners: minority and women-owned businesses
- b. Meaningful community engagement (e.g. provide internships, mentoring opportunities)
- c. Incorporate a give-back component (e.g. annual donation, partnership with local organizations, in-kind gifts, etc.)
- d. We need to define what we mean by Food Justice: it's also about the experience around shopping (e.g. concerns about how business owners criminalize shoppers)
- e. How to change the economy and get to the root issues: by addressing structural racism, bringing resources to food deserts and changing the landscape

The underlying power of the Good Food Zone initiative lies in improving relationships between the business community and local residents to foster more connection or understanding. Ultimately, more connection and understanding between food businesses and the communities they serve can help improve business health as well as meet the social, economic, environmental and health needs of underserved communities.

CITY OF LOS ANGELES POLICY PRECEDENT

In 2015, the City of Los Angeles adopted its Plan for a Healthy Los Angeles which recommends establishing Healthy Food Zones that prioritize financial incentives, land-use provisions and tax benefits to healthy food businesses located in low-income areas and communities of color. The Mayor's 2019 Sustainable City pLAn Refresh also includes recommendations to establish Good Food Zones in low-income communities throughout the City to support public and private investments in healthy food entrepreneurs and businesses across the supply chain.

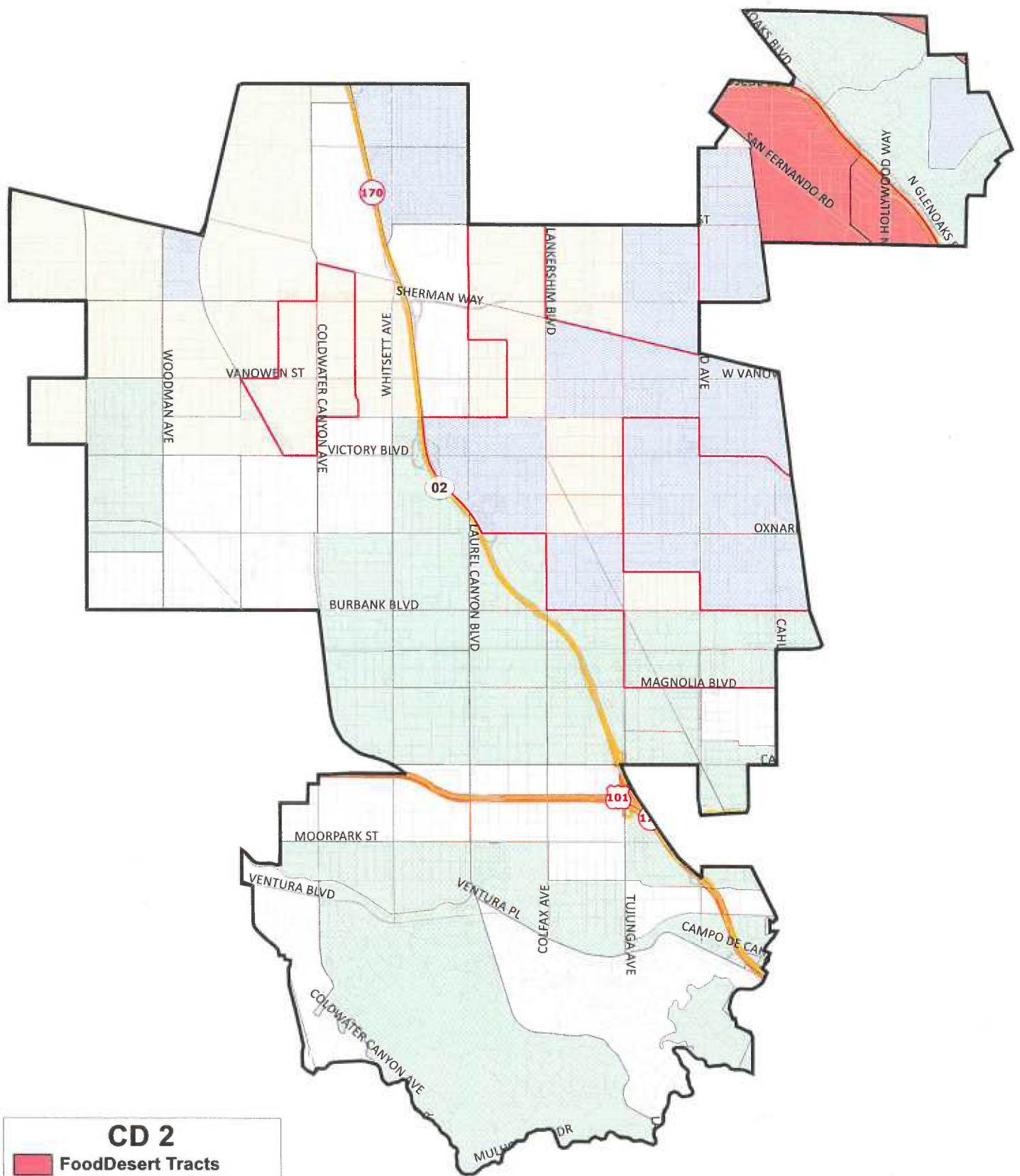
CONCLUSION

Generations of neglect and systemic racism in urban development in Los Angeles led to unequal food environments for people of color and low-income communities. It will take a geographically-targeted, intentional and complex policy initiative to address food disparities that contribute to higher rates of diet-related disease, diminished quality of life, and on average, shorter life spans for low-income residents in Los Angeles. The Good Food Zone policy will not be a "silver bullet" to eliminate "food deserts" conditions, also referred to as "food apartheid,"⁶ but it is a meaningful step forward. By investing in, supporting and prioritizing small and community-serving businesses that expand access to fresh food and create economic opportunity for current residents in low-income neighborhoods, the City of Los Angeles will show leadership on food equity, supporting community health outcomes while also creating generational wealth opportunities for communities of color.

⁶ Our gratitude to Community Coalition for popularizing this term.

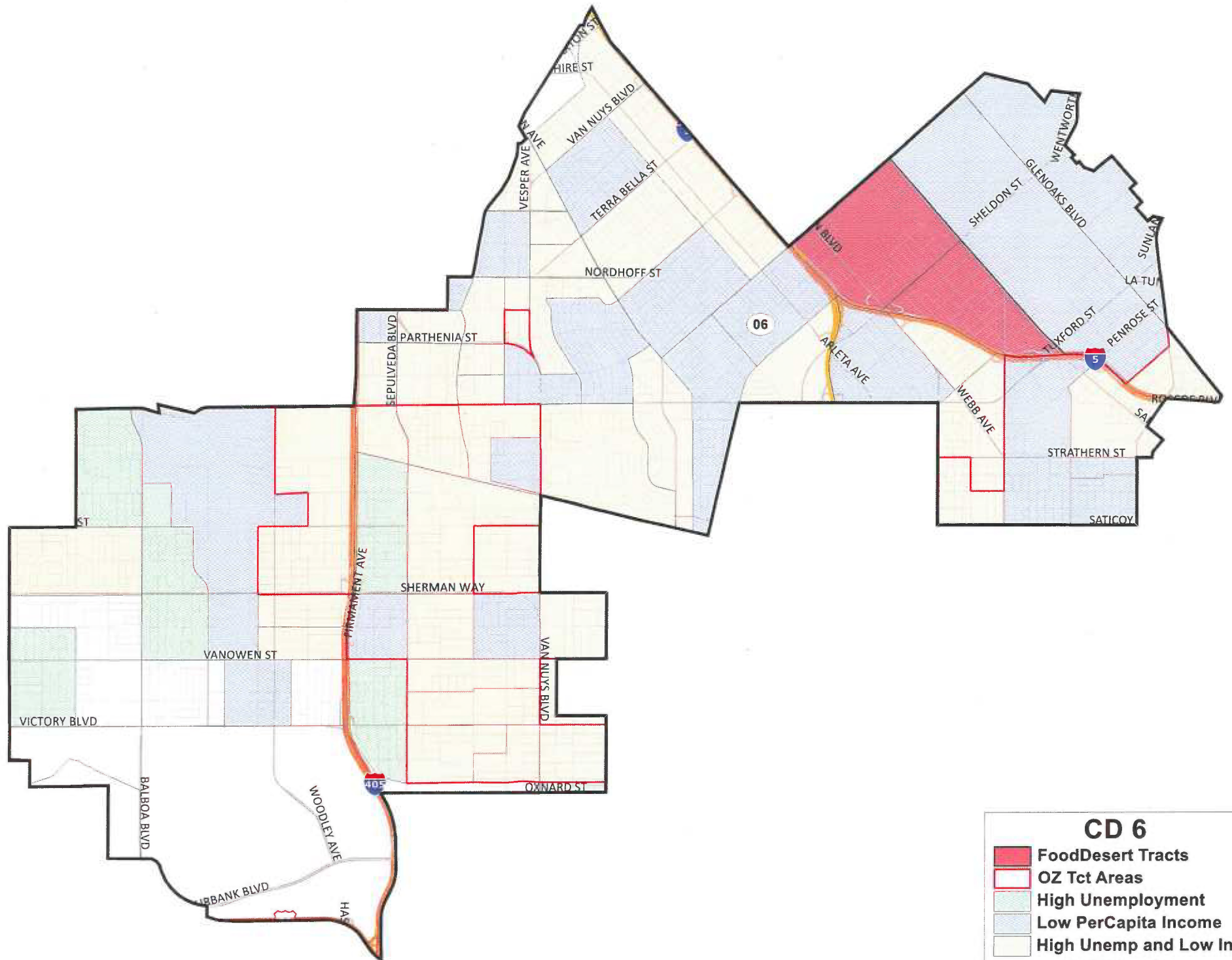
Attachment B

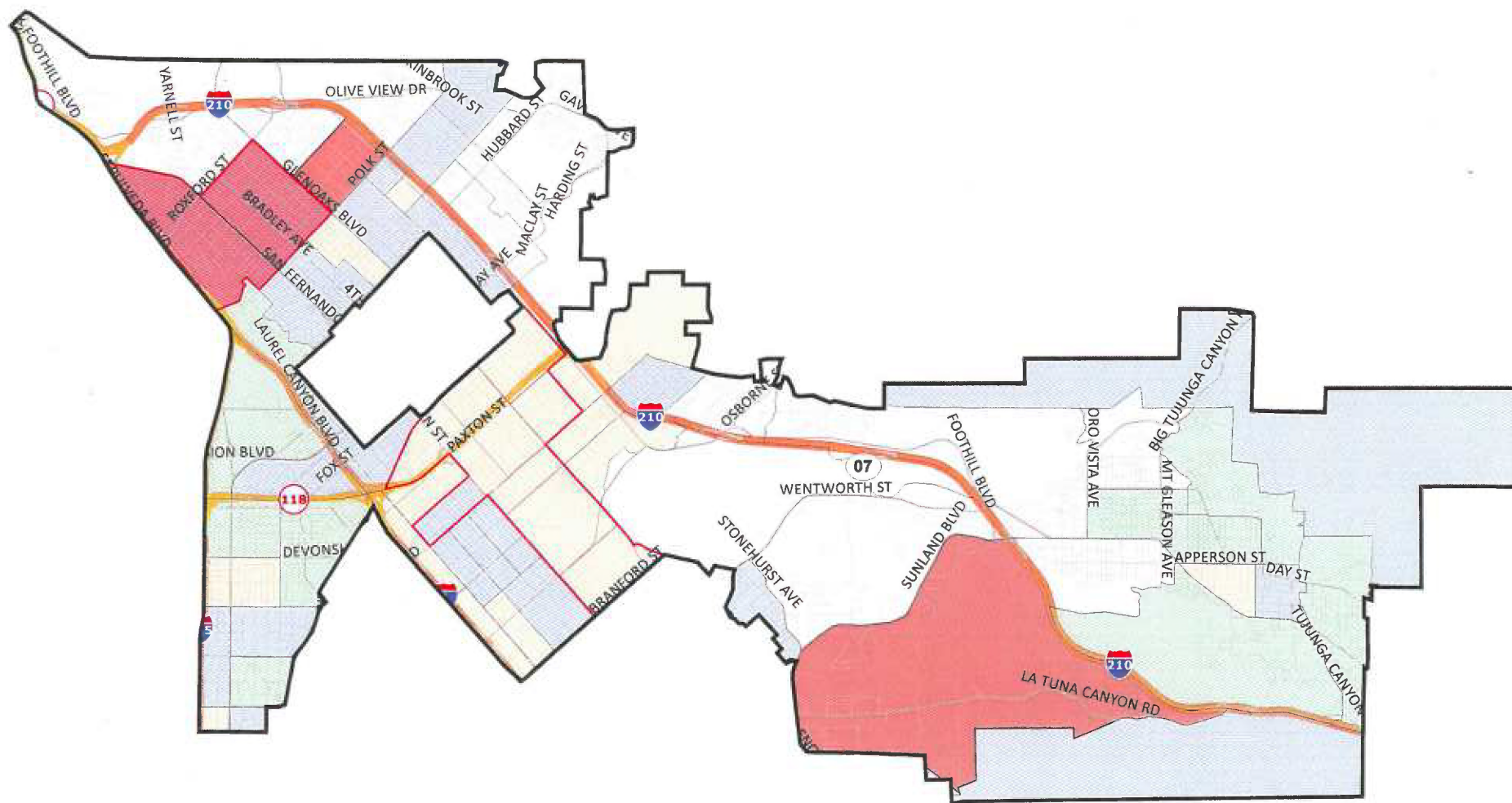
Food Desert Tracts in Los Angeles



CD 2

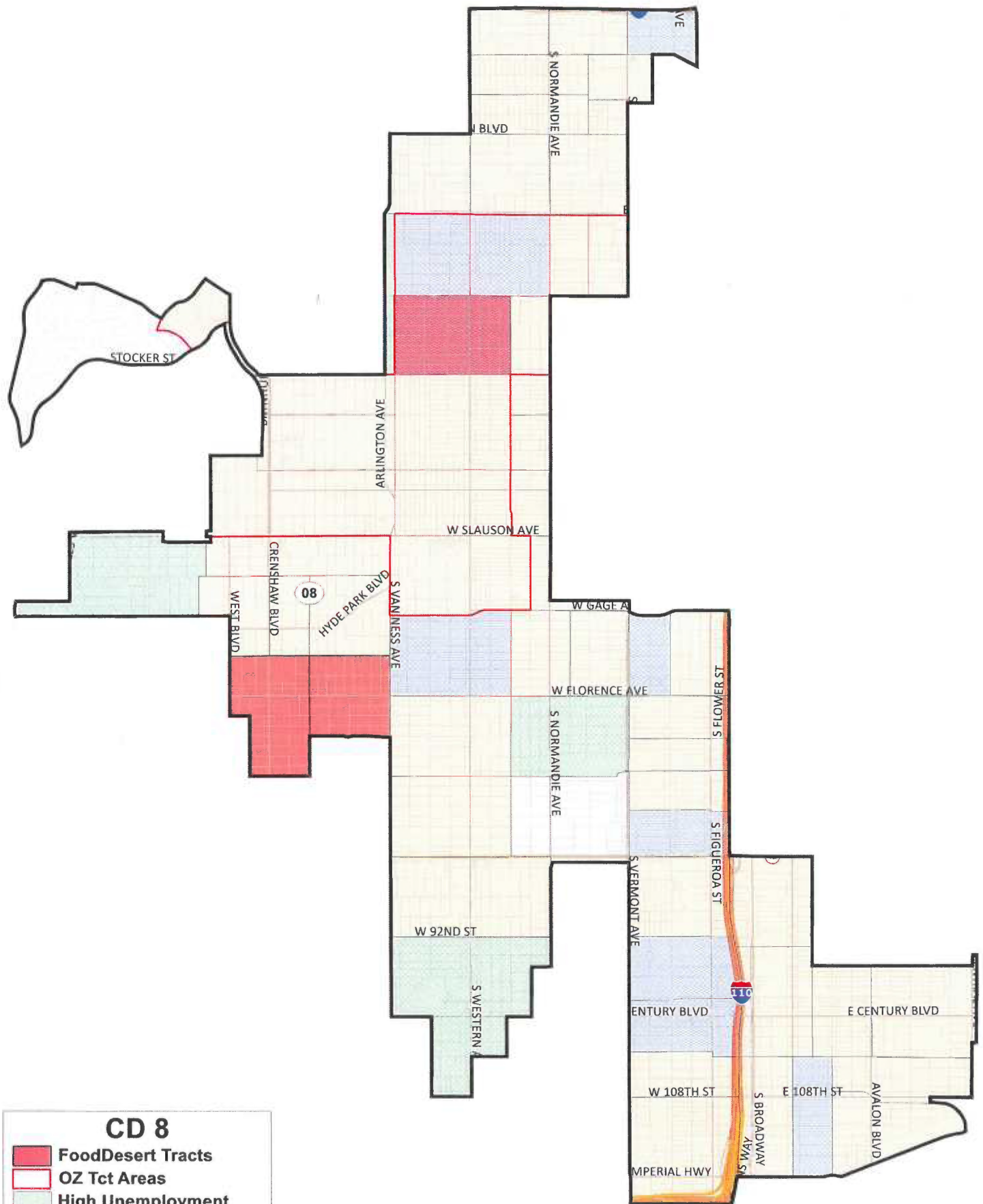
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 - OZ Tct Areas
 - High Unemployment
 - Low PerCapita Income
 - High Unemp and Low Inc
- 2017 5Yr ACS





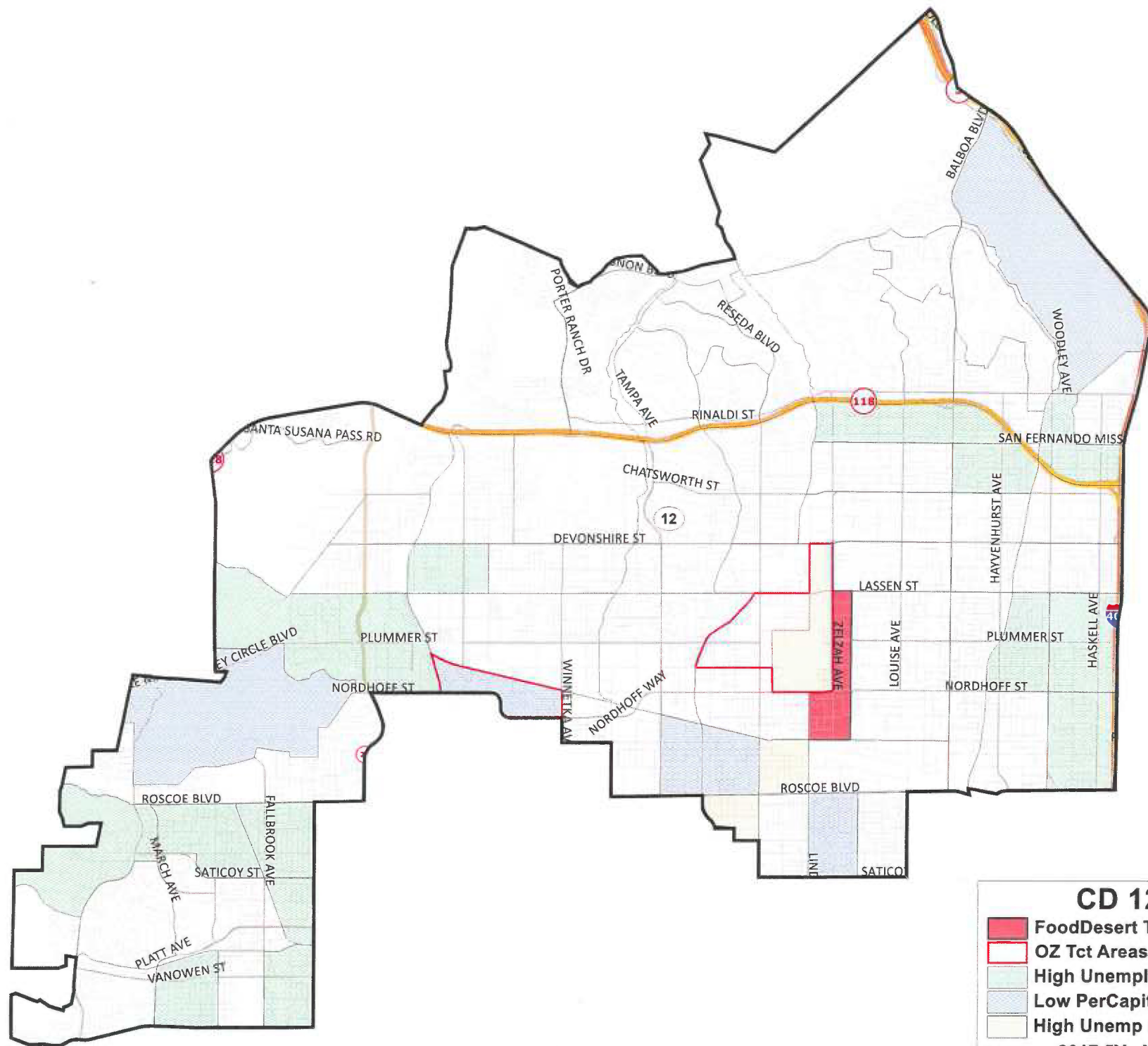
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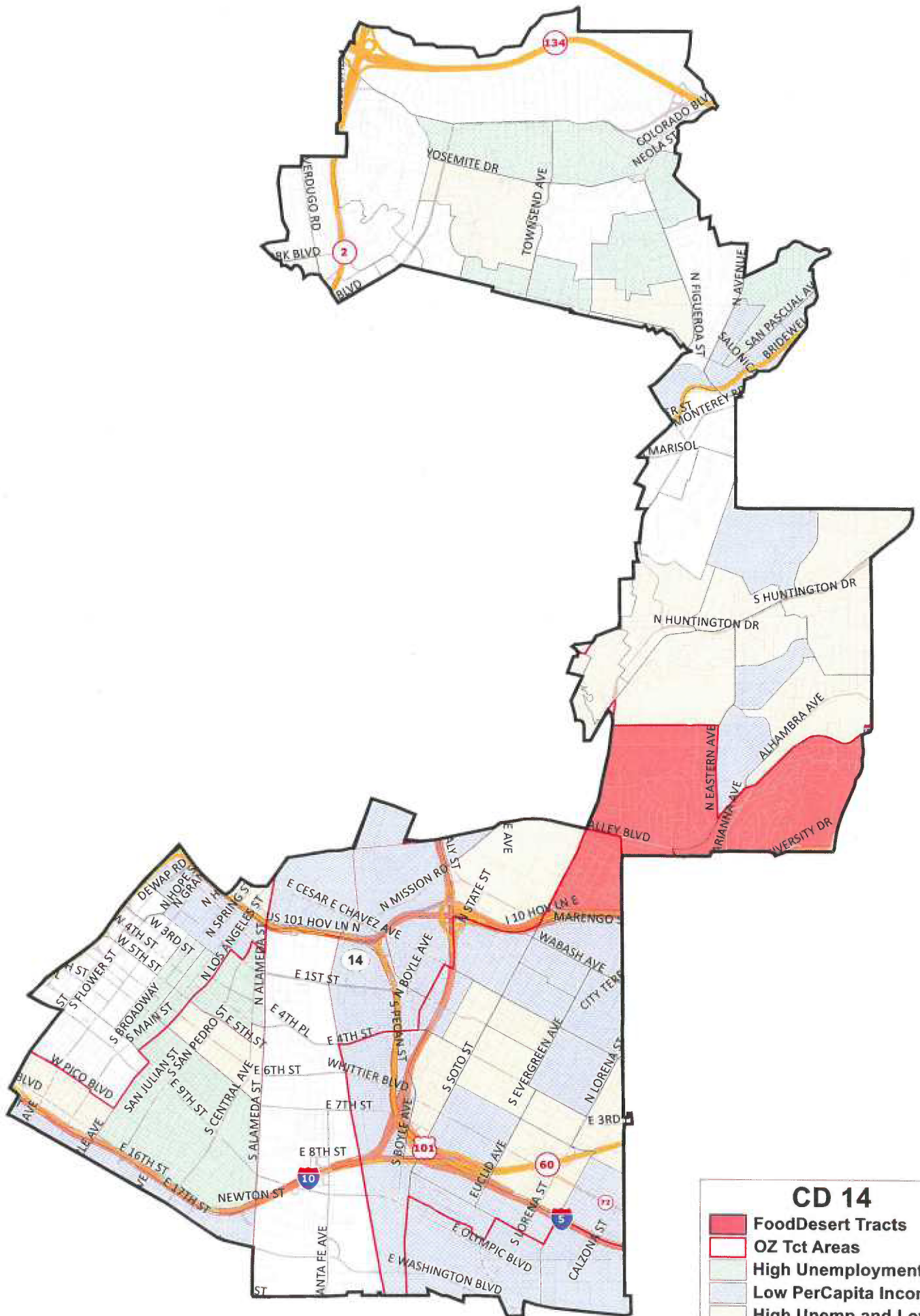
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 - High Unemployment
 - Low PerCapita Income
 - High Unemp and Low Inc
- 2017 5Yr ACS



CD 8

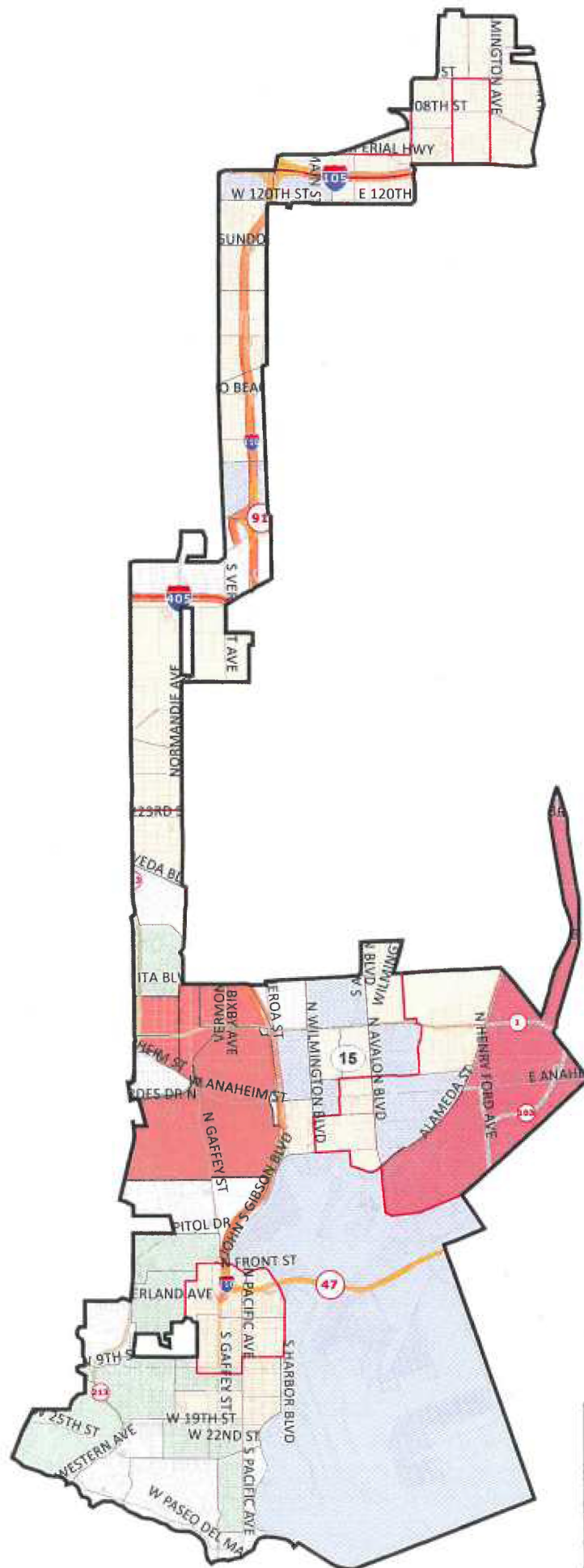
- FoodDesert Tracts
 - OZ Tct Areas
 - High Unemployment
 - Low PerCapita Income
 - High Unemp and Low Inc
- 2017 5Yr ACS





CD 14

- FoodDesert Tracts
 - OZ Tct Areas
 - High Unemployment
 - Low PerCapita Income
 - High Unemp and Low Inc
- 2017 5Yr ACS



CD 15

- FoodDesert Tracts
- OZ Tct Areas
- High Unemployment
- Low PerCapita Income
- High Unemp and Low Inc

2017 5Yr ACS

Attachment C

JEDI Zone Primary Eligibility Areas

Attachment D

JEDI Zone Secondary Eligibility Areas

