

DETROIT FOOD COMMONS

An EFOD Case Study

Like many organizations practicing **Equitable Food Oriented Development** (EFOD) around the country, the Detroit Black Community Food Security Network has struggled to obtain the financing needed to accomplish its goals. This is often framed as a concern for the organization's "capacity" to manage funds and execute programs. DBCFSN, as a grassroots organization, has focused its internal resources on programs delivery and maintaining its food access/education commitment to the community. Without a fulltime fund developer on staff, the organization has grappled with not being recognized for that capacity. While obtaining capital has always been a challenge, this classification "becomes a self-replicating system," Yakini says. "The [organizations] that get the bigger pots [of funding] are better established, largely white-led nonprofits so they're better positioned to get more financing, which then gives them even greater capacity."



The Detroit People's Food Co-op will be part of the Detroit Food Commons, both spearheaded by DBCFSN.

This racial gap between organizations that are well-funded and those that consistently struggle with funding mirrors the lack of capital in poor communities of color around the country. Despite great levels of entrepreneurial activity in black and Latino communities, black and Latino-owned businesses received only 2.5 percent and 5.8 percent, respectively, of funding under the US Small Business Administration's largest lending program since 2014.²⁰ And with the demonstrated connection between business ownership and wealth creation, racial wealth gaps persist in communities like Detroit.²¹

With a small staff that does not include a dedicated fundraiser, DBCFSN has often had to balance the needs of ongoing community-based programming that includes the seven-acre D-Town Farm on the city's west side, which grows over 30 varieties of fruit and vegetables, and hosts numerous school groups, community volunteers, and cultural programming centering the connection between farming and cultural identity for Detroit's Black community.

In 2015, DBCFSN began fundraising to create the **Detroit Food Commons**, a 34,000-square foot consumer-owned food cooperative, event space and commercial kitchens in the North End neighborhood. Yakini sees co-ops as an integral piece of the solution to closing the racial wealth gap, in addition to redefining community sovereignty for a community that has endured municipal mismanagement for generations. "Because of their democratic structure, [co-ops] allow residents to work together to make democratic decisions," he says. "In an oppressive society, our decision-making muscles become lax - so [co-ops] restore the ability to make decisions on our own behalf."

The co-op already has 370 member-owners, and serves as a counterpoint to conversations about ownership in Detroit, where public service decline and housing foreclosures have garnered national attention.²² In an impressive show of municipal support, DBCFSN has secured site control for the 17 parcels of land on which the co-op will be built, which are currently owned by two city agencies. Yakini and his team have even partnered with Develop Detroit, a housing developer that will build 65 housing units on site, to satisfy the city's requirement that developments in the Woodward Avenue corridor be mixed-use.

²⁰Swan, R. and Walker, D. (2019), Capital for Justice: Spurring On Impact Investing for Racial Equity, Stanford Social Innovation Review.

²¹Hamilton, L. (2019), Creating Opportunity for Communities of Color Through Entrepreneurship, Stanford Social Innovation Review

²²Mallach, A. (2018), Creating Opportunity for Communities of Color Through Entrepreneurship, The Detroit News.

Despite its impressive amount of community support, however, fundraising efforts have suffered from funders' perceived lack of internal financial capacity. With such a large project – projected total development costs are \$14 million – Yakini knows the organization cannot take on that kind of debt, and stresses the need for more grants and donations, particularly from the many foundations that have roots in the Detroit area. Thus far, the development has received grants and donations to cover a portion of the total costs, but much more is needed to bring the project to fruition, and they have not yet received a \$1 million promised Program Related Investment from The Kresge Foundation.

Program Related Investments (PRIs) serve as an important impact investing tool for foundations to support higher-risk and more capital-intensive enterprise efforts led by nonprofit partners, for which many EFOD organizations struggle to find low-cost financing. At lower-than-market interest rates (DBCFSN's promised PRIs are at 2% interest or less), PRIs can often provide needed financing for costs that aren't typically covered by grants, such as construction or building purchase needs, capitalizing a loan fund, or refinancing a nonprofit's existing debt. However, as PRIs are investments with repayment terms, nonprofits must simultaneously seek outside funding sources to leverage against this debt. In interviews, EFOD leaders repeatedly voiced both appreciation for the availability of PRI funds, while also seeking increased commitments from funders to use grant dollars to support the capital needs of larger development projects, so as not to become overly debt-burdened.

While there are many CDFIs interested in lending to the project, Yakini says they still function under certain underwriting limitations, so while “they may have a greater affinity for the model we’re doing, when they go through underwriting they’re constrained by the same things as traditional lenders.” To date, the project has received interest in New Market Tax Credit financing from both Capital Impact Partners and Cennaire; and market-rate lending from LISC and IFF. However, in order to keep the rent affordable for the food co-op, DBCFSN is planning on using CDFI loans primarily as operating funds, and subsidizing the rent on the building (market rate rent is \$16-18/square foot, and DBCFSN hopes to keep the rent down to \$11/square foot for the co-op) with grants and foundation PRIs, as opposed to more loans.

With an understanding and increased savviness about the financing needed for a project of this magnitude, DBCFSN has assembled a complete team with a project manager, real estate broker, architects, business plan consultant, store designer, grocery consultant, as well as a consultant packaging and garnering interest from CDFIs in New Market Tax Credit financing – and has the business plan and market research to demonstrate a viable need and customer base for the co-op. After nearly a decade of planning and assembling this team, the realization of this landmark development is contingent on gathering the needed financial support from aligned funders and investors, who also recognize the need for a cooperative community space that serves both healthy food access needs and creates “a vehicle for intentionally disinvested communities to build community empowerment; to circulate wealth within those communities, as opposed to having it extracted; to create employment; and, most importantly, to create ownership.”²³

DBCFSN Education and Outreach Director
Hanifa Adjuman doing community outreach
for the Detroit People's Food Co-op



²³Clynes, M. (2018), A co-op for the people: The rocky process of developing the Detroit People's Food Co-op, Model D.