



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: December 20, 2022

SUBJECT: Food Retail Innovation in Delivery Grant (FRIDG)

Request:

The Members are asked to approve:

1. The creation of the Food Retail Innovation in Delivery Grant (FRIDG), a pilot program that will provide grant funding of up to \$250,000 to New Jersey food retailers to purchase self-contained, temperature-controlled lockers that must be placed within an Authority-designated Food Desert Community (FDC) that will be used for grocery delivery to expand food delivery opportunities and improve food access for FDC residents.
2. The utilization of \$2,600,000 from the Fiscal Year 2022 (FY2022) Appropriations Act (“Act”) for the purpose of “Food and Agriculture Innovation” to capitalize the FRIDG program and cover administrative costs that are needed to administer that program. Up to \$100,000 of the \$2,600,000 funding may be used by the Authority to cover administrative costs.
3. Delegation of authority to the Chief Executive Officer to approve individual applications for awards up to \$250,000 in accordance with the terms set forth in this memo and the attached program specifications.

Background:

In 2021, Governor Phil Murphy signed the New Jersey Economic Recovery Act of 2020, P.L. 2020, c.156 (ERA) into law. One of the programs established under the ERA is the Food Desert Relief Act (FDRA), which directs the New Jersey Economic Development Authority (NJEDA or Authority) to address the food security needs of communities across New Jersey by providing up to \$40 million per year for six years to increase access to nutritious foods and develop new approaches to alleviate food deserts. Through the FDRA, the Authority will award tax credits to establish and retain new supermarkets and grocery

stores in food desert communities; offer technical assistance on best practices for increasing the accessibility of nutritious foods; provide grants and loans for food retailers of all sizes to fund equipment costs and technology costs associated with providing fresh food, technology costs associated with supporting Supplemental Nutrition Assistance Program (SNAP) and Supplemental Nutrition Program for Women, Infants, and Children (WIC) payments; and support innovative initiatives to ensure food security.

The FDRA required the Authority, in consultation with the Departments of Community Affairs and Agriculture, to designate up to 50 Food Desert Communities (FDCs) that have limited access to nutritious foods. On February 9, 2022, the Board formally adopted the 50 Food Desert Communities (FDCs) designation for the state of New Jersey, taking a critical step towards addressing challenges around food access, food availability and nutritional value. The total population of New Jerseyans residing in Food Desert Communities exceeds 1.5 million individuals across a diverse range of communities in all 21 New Jersey counties.

As the Authority works on regulations that allow for the implementation of the FDRA, the Authority received funds from an appropriation of \$3,500,000 for “Food and Agriculture Innovation” in the Fiscal Year (FY) 2022 Appropriations Act. The Food Retailer Innovation in Delivery Grant (“FRIDG”) would utilize up to \$2,600,000 of the Food and Agriculture Innovation funds to improve food access in FDCs by providing grants to food retailers to purchase self-contained, temperature-controlled lockers and install them in FDCs, which will facilitate food delivery into FDCs to allow residents to access high quality groceries, including fresh produce. Refrigerated lockers represent an innovative solution to give FDC residents the ability to order online and have groceries delivered to a convenient central location without having to travel long distances to reach food retailers, as many FDC residents without a nearby grocer are currently forced to do. Under the model proposed under FRIDG, FDC residents will be able to avail themselves of this new and innovative solution to the last mile of grocery delivery.

Through the utilization of these lockers, the NJEDA would be able to increase availability of nutritional food in FDCs while assisting food retailers to adopt new business models that can help sustain their business. Through FRIDG, food retailers can subsidize the purchase of temperature-controlled locker units and will begin delivering to these units, which must be placed within an FDC, and may be placed near local organizations, such as food banks and community centers that are convenient for residents of the community and a place where residents facing food insecurity may already access services. In a prototypical example, a customer would place their orders online through a food retailer and select the locker as the grocery delivery point. Once the order is delivered to the locker, the customer would receive a notification via email or text, which would contain instructions on how to pick-up their order (e.g., unique QR code, PIN number). Once the order is picked up, the retailer would be notified through the locker’s tracking system, indicating that there is an open space for a new delivery to the locker. This option presents an alternative to FDC residents who often must travel long distances or take multiple forms of transit to access groceries outside their community and leverages existing retailers’ capacity to bring food into FDCs while increasing the reach and potential customer base for the retailer.

Although these types of lockers for grocery delivery have yet to become prevalent in the U.S., there are select models that the Authority is able to emulate while making a New Jersey a leader in pioneering a new approach to food access in partnership with food retailers. As an example, Ramsey’s Market in southwest Iowa, focuses its locker placement on communities that do not have grocery stores. Their lockers consist of 30 spaces in which half are reserved for frozen goods. They guarantee that an order

placed will be ready by 5pm the following day, but it is usually done so earlier. Consumers receive a notification when their order is complete, which they can then retrieve by inputting a unique code. This method has been touted as being convenient and cost-efficient for both the supermarket and the buyer. The program was successful enough that Ramsey's Market has expanded to three locations throughout the surrounding rural communities, the furthest being 50 miles from the store. Models like this can be instructive as the Authority looks to roll out the FRIDG program.

Program Details:

Eligibility:

Eligibility for the Food Retailer Innovation in Delivery Grant (FRIDG) will be limited to food retailers which, at the time of application, are authorized by the United States Department of Agriculture Federal Nutrition Service (USDA FNS) to accept Supplemental Nutrition Assistance Program (SNAP) benefits (formerly referred to as 'food stamps') for online ordering.¹ This requirement is critical to allow residents of Food Desert Communities (FDCs) to equitably access groceries using their SNAP Electronic Benefit Transfer (EBT) card in the same manner that individuals use a credit or debit card to purchase groceries online. This is a particularly acute need for FDC residents, where on average 23.5% of all households are enrolled in SNAP compared with 6.2% of non-FDC households, according to data compiled by the NJDCA.

Applicants must be independent supermarkets (single location with a single owner); independent supermarket operators (single location working with a third-party supplier or franchisor such as Sav-A-Lot or IGA); cooperative retailers (member of a cooperative with similar supermarket owners such as Shop-Rite, which is a member of the Wakefern Cooperative); chain supermarkets (ten or more supermarkets owned by a single corporate entity such as Stop & Shop or Acme); mass merchandisers (large retailers which operate full-service supermarkets within its retail locations such as Walmart); or warehouse clubs (large retailers where customers can buy large quantities wholesale, such as BJ's). All applicants, regardless of supermarket type, must have a physical retail location in New Jersey and can service and make deliveries to a locker located in an FDC, though the orders may be serviced from a non-retail location (e.g., distribution center). This program is not open to food retailers with no physical retail location in New Jersey.

In addition, applicants must comply with the following requirements:

- Be in good standing with the following New Jersey Departments:
 - Division of Taxation, as evidenced by a Tax Clearance Certificate
 - Department of Environmental Protection
 - Department of Labor and Workforce Development
- Commit to place and make deliveries to any locker purchased through FRIDG in an NJEDA-designated FDC² in an area that is accessible to the general public in an FDC (i.e., not in a

¹ List of USDA FNS online SNAP authorized retailers in New Jersey can be found through the NJ Department of Human Services at <https://www.nj.gov/humanservices/njsnap/recipients/benefits/>

² Map of NJEDA-designated FDCs available at <https://njdca.maps.arcgis.com/apps/webappviewer/index.html?id=cd59d206f39c40a691d6ba38598134fb>

restricted area such as an apartment building lobby open only to apartment residents) for a minimum of 12 hours per day, seven days per week

Diversity, Equity and Inclusion:

Funds for this program will be dedicated to improving food access in New Jersey FDCs, as designated by the NJEDA board on February 9, 2022. This designation was crafted with a significant lens on equity, considering racial demographics, economic factors, transit accessibility, among other community and individual level factors. Committing resources to addressing food insecurity in FDCs also addresses an issue that disproportionately impacts Black and Hispanic communities in the state. According to Feeding America, in 2020 (the most recently available data), and on average 7% of New Jerseyans were food insecure, but this rate was 17% for Black and Hispanic residents.

Eligible Funding Uses:

Applicants are limited to purchases of self-contained, temperature-controlled lockers that allow for flexible grocery delivery and pick-up. As part of the application, applicants must specify where they will site the locker within an NJEDA-designated FDC. Grants would cover between 30% and 50% of the total aggregated project cost (inclusive of equipment, delivery, and installation of the locker) up to \$250,000. Contracts of \$2,000 or more that include installation are subject to Authority prevailing wage and affirmative action requirements and reporting. Grants are limited to expenses related to the initial equipment purchase and locker installation; the applicant is responsible for ongoing operation and maintenance costs related to the locker.

FRIDG is intended to cover *prospective* costs for purchases not yet made. Projects where a contract has been signed, a purchase order placed, or a deposit made prior to application to the Authority will not be eligible for funding.

Grant awards will start at 30% of total project costs, with the ability to stack on bonuses to cover more of the costs for applicants that meet the following criteria, where no grant can exceed 50% of the total project costs or \$250,000, whichever is the lesser of the two.

Stackable 5% Bonuses

- Locker located within an FDC ranked within the top ten (10) statewide³
- Applicant provides a Memorandum of Understanding, Letter of Support, Letter of Intent, or partnership contract or agreement with a social service organization (e.g., food pantry, soup kitchen, community center, library) to locate locker on-site with the organization in a manner that is accessible to the public in a location where community members may already access services
- Applicant commits to waive delivery fees for SNAP online purchases for deliveries made to the locker purchased through FRIDG

³ FDC rankings available at <https://www.njeda.com/wp-content/uploads/2022/02/Food-Desert-Communities-Designation-Final-2-9-22.pdf>

Stackable 10% Bonus

- Applicant commits to waive delivery fees for all deliveries made to locker, regardless of payment type

Application Process:

Applications for this pilot product will be available for 18 months from the date applications are made available to the public, or until the total funding pool is exhausted (whichever is sooner). Applications will not be re-opened if funding remains by the end of 18 months. In that case, staff anticipates seeking Board approval for the new use of funds.

Applications will be accepted on a rolling basis and reviewed as they are received. After initial review, staff may follow up with applicants if there are missing documents, or clarity or additional support documentation is needed. Applicants will have a limited window of time to respond to requests by staff for documentation and clarifying questions, or risk being deemed withdrawn as incomplete or unresponsiveness.

As part of the application, retailers will be required to identify which FDC they will be placing the locker within. Retailers can submit only one application for each FDC they are placing a locker within. Retailers may submit more than one application if they wish to apply for locker purchases across multiple FDCs. There will be a limit of 1 grant award per FDC, awarded to the first completed application that meets all eligibility requirements. However, if there is still funding available after the application is closed, the Authority may approve additional applications received prior to the application closing within an already funded FDC. No single grant award may exceed \$250,000.

At time of application, applicants will be required to provide a purchase quote, order pro forma, equipment listing, or other document from the vendor indicating the total project cost (equipment, delivery, and installation). Applicants will also have to provide evidence of agreement with the property owner or tenant for the placement of the locker, which may include, but is not limited to: a Letter of Intent (LOI), Memorandum of Understanding (MOU), or lease agreement. Evidence of any signed contract, purchase order, or deposit for the purchase of the temperature-controlled locker made prior to the date of application will result in declination.

Delegated Authority:

The Members are requested to approve delegated authority to the Chief Executive Officer to approve individual applications to FRIDG in accordance with the terms set forth in the attached product specifications. These approvals are appropriate for delegated authority because the maximum financial assistance under this program will not exceed \$250,000 and the specifications are based on non-discretionary criteria. Additionally, this program is not competitive; each application will be reviewed on its own.

Post Approval:

The Authority will notify an approved applicant of the amount of funding committed to approved applicants and enter into an agreement prior to equipment purchase. The awardee will have 12 months from the date of grant execution for the delivery and installation of the equipment, with the option for up to two 6-month extensions at the request of the grantee and at the discretion of the Authority. The Authority will make one single award disbursement when proof of equipment delivery and installation is provided, along with any necessary permits or agreements for siting the locker in its designated location within the FDC.

Applicants will be required to provide annual reporting updates to the Authority with supporting documentation on the following information for three (3) years from the date of award disbursement:

- Confirmation of locker location
- Number of deliveries made to locker
- Percentage of deliveries to locker that were paid using SNAP
- If a grantee receives one or more of the above bonuses:
 - As applicable, status of partnership with social service organization
 - As applicable, number of delivery fees waived for individuals paying with SNAP
 - As applicable, number of delivery fees waived for all payment types

In addition, staff will confirm via USDA and/or the New Jersey Department of Human Services if the retailer is still authorized to accept SNAP online.

If a food retailer needs to move the locker due to unforeseen circumstances outside the grantee’s control within three years following award disbursement, the grantee must notify the Authority prior to moving the locker with an identified a new location within the same FDC. The Authority must review and approve the plan prior to the locker being moved.

If within three (3) years of award disbursement, the awardee ceases grocery delivery to the locker, moves the locker outside of an NJEDA-designated FDC, or the retailer is no longer authorized to accept SNAP online, the authority may impose a scaled recapture of the award based on the scale outlined in Table 1.

If a grantee received additional funding through one or more of the bonuses and continues to make grocery deliveries the locker within the FDC and maintains eligibility to accept SNAP online but is in default of their bonus obligation(s), the Authority may choose to impose a scaled recapture of the bonus amount based on the scale outlined in Table 1.

Table 1. Recapture Scale

| Defaults on obligations within: | Recapture Percentage of the Face Value |
|--|---|
| 1 year of award disbursement | 100% |
| 2 years of award disbursement | 60% |

3 years of award disbursement

30%

The Authority understands that there may be circumstances outside the retailers' control that may impact the continuation of grocery delivery services to the locker purchased through FRIDG. As such, the applicant shall notify the Authority in writing (email or letter) of those circumstances and the Authority shall review and decide whether a grantee shall return or pay the amount of grant fund they received.

Program Funding:

Per the Appropriations Act for Fiscal Year 2022, the Authority received \$3,500,000 in funding for the use of Food and Agriculture Innovation, of which Staff proposes using \$2,600,000 for the Food Retailer Innovation in Delivery Grant (FRIDG). These funds will be deposited into the Economic Recovery Fund (ERF), which authorizes a grant as listed under N.J.S.A § 34:1B-7.13(a)(7) for:

“programs and initiatives, which will support and invest in small and medium-size businesses and other entities engaged in economic, community, and workforce development that have the greatest potential for creating jobs and stimulating economic growth through such elements including, but not limited to...a fund to assist businesses, either directly or through a not-for-profit or for-profit entity with expansion or transition to a new business model in such areas including, but not limited to, manufacturing retooling to improve quality, to reduce production costs and to train employees to apply the latest technology.”

The Food Desert Relief Act (FDRA), part of the Economic Recovery Act, delineated food access and food security an economic and community development imperative, and specifically designated supermarkets as a vehicle to achieve those community development aims, making them a critical community development entity to achieve the goals of food access through this program. Furthermore, these food delivery lockers located off-site of the store are a relatively new way of doing business for supermarkets. There are some interesting use cases around the country but have not yet been widely adopted. The purpose of the grant program would not only be to help accelerate the use of this delivery method for the grocery industry, but also to increase food access for food desert communities that do not have easy access to a grocery store.

Fees:

As listed in EDA's fee rules (N.J.A.C. 19:30-6.1), a non-refundable fee of \$1,000 shall accompany every application.

Recommendation:

The Members are requested to approve: (1) The creation of the Food Retail Innovation in Delivery Grant (FRIDG), a pilot program that will provide grant funding of up to \$250,000 to New Jersey food retailers to purchase self-contained, temperature-controlled lockers that must be placed within an Authority-designated Food Desert Community (FDC) that will be used for food storage and grocery delivery within Authority-designated Food Desert Communities (FDCs) to expand food delivery opportunities and improve food access for FDC residents; (2) The utilization of \$2,600,000 from the Fiscal Year 2022

(FY2022) Appropriations Act (“Act”) for the purpose of ‘Food and Agriculture Innovation’ to capitalize the FRIDG program and cover administrative costs that are needed to administer that program. Up to \$100,000 of the \$2,600,000 funding may be used by the Authority to cover administrative costs; and (3) Delegation of authority to the Chief Executive Officer to approve individual applications for FRIDG in accordance with the terms set forth in this memo and the attached program specifications.

Tim Sullivan
Chief Executive Officer

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