



PRIORITIZING AFFORDABLE, QUALITY, NEIGHBORHOOD-BASED SUPERMARKET ACCESS AS A PUBLIC GOOD

Focus on City-Owned Supermarkets and Complementary Cooperative Ownership Models

Community Food Advocates and its partners are excited about the promise of city-owned supermarkets and are eager to ensure its success.

Our shared premise is that bold, innovative solutions are essential, as the private market has not ensured affordability overall and has failed to address the entrenched challenges of affordability, quality, and proximity that remain acute in low-income and gentrifying neighborhoods.

We believe solving these issues requires an expansive and multipronged approach.

In this document, we focus on recommendations to both make the promise of NYC's city-owned supermarket model a success alongside proposals for NYC to create a fertile environment for the growth of cooperative ownership and a democratic, solidarity economy.

IN PARTNERSHIP WITH COMMUNITY FOOD ADVOCATES



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CITY-OWNED SUPERMARKETS

RECOMMENDATIONS AND KEY CONSIDERATIONS

The primary goal is to increase access to affordable and healthy groceries for consumers.

PRICING TO CONSUMERS

The current proposal is to sell food to residents at wholesale prices.

The NYC government will accomplish this by covering the cost of land, space, construction, equipment, utilities, labor, and ongoing operating costs. These city-owned grocery stores will be exempt from paying rent and property taxes, thereby, passing on savings to consumers who will pay for food with no markup.

The Military Commissary model—grocery stores owned and operated by the Department of War—is the north star for public supermarkets.

SUCCESS OF MODEL DEPENDS ON SCALE AND SUPPLY CHAIN EFFICIENCIES

Current proposal for 5 stores will likely have limited success in scale and consumer reach.

SCALE

Scale directly impacts favorable wholesale pricing, favorable distribution agreements, and can address the proximity of stores to consumers. Wholesale pricing fluctuates greatly based on purchasing scale. Independent grocers have difficulty competing with large corporate grocery stores because the latter can bargain for lower prices and/or purchase in bulk from wholesalers or manufacturers. As a result, wholesalers tend to overcharge independent grocers. To ensure lower prices for city-owned grocery stores, the City should source their meat from regional farms (which will have the added impact to strengthen the local supply chain and lower fuel use and costs) and purchase other goods at a high volume and scale from wholesalers or manufacturers. These savings will be passed on directly to consumers.

CONSUMER REACH

Resident proximity to public supermarkets is key to consumer access. Financial and time costs to travel out of neighborhoods to access groceries will impact participation. For NYC residents who do not own cars, managing groceries on public transportation or costly taxi services can be a prohibitive barrier. A Community District or neighborhood based analysis and approach is key to having the greatest impact.

STORE MODELS FOR CONSIDERATION

Warehouse style stores like Costco have price advantages and lower markups for two primary reasons: (i) a limited number of items (2,000) compared to Whole Foods (35,000) and (ii) lower overhead costs. Bulk buying of fewer items brings down pricing considerably and simplifies distribution. This model also has the advantage of lower labor costs since pallet models are much less labor intensive than shelf stocking. This allows for a lower overhead while simultaneously ensuring living wages.

ITEM NUMBERS AND MARK UP COSTS

Whole foods 35,000 = 35-40% markup

Aldi 1500 items = 25% markup

Costco 3,000 items = 14% markup

ACROSS THE BOARD CONSUMER APPEAL

It is critical to the success of city-owned supermarkets that they have consumer appeal that goes beyond low prices. They must carry healthy and quality food, and be a space that is welcoming to all members of the community. Workshops and cooking classes can be hosted in these spaces. Communities can participate and have input on how they want their public stores to look. These help us fulfill two goals (1) ensuring the volume of purchasing needed to ensure success, and (2) to ensure that this is seen as a solution for the broad range of New Yorkers (across class) that are struggling with food prices.



OWNERSHIP AND OPERATION

- Can be owned and fully operated by NYC or can be owned by NYC but operated by vendor/s of choice who are committed to deliver a mission-driven service.
- Priority must be placed on teams with management and operational experience.



ECONOMIC MODELING

In consultation and collaboration with experts **Raj Patel** (<https://civileats.com/author/rpatel/>) and **Errol Schweizer** (<https://civileats.com/author/eschweizer/>) we have provided a high level economic modeling and recommendation to ensure city-owned supermarkets are successful and sustainable.

WE PROVIDED ANALYSIS OF TWO MODELS

- (1) the current 5 store proposal **ADDENDUM A**
- (2) an analysis and recommendations for 20 store network proposal **ADDENDUM B**

Please see economic analysis for the two models in addendum A and B, beginning on page 11.

RECOMMENDATIONS TO COMPLEMENT THE PUBLIC GROCERY MODEL WITH COOPERATIVES

As a starting point for the next Mayoral administration, we are proposing that the city invest in cooperative ownership across the grocery food sector—including small grocers and supermarkets, but also proposes that the city invest in the ecosystem feeding into retail markets—food hubs, incubator/shared kitchens, distributors/aggregators, and more.

WHY THE COOPERATIVE APPROACH IS CRITICAL FOR LASTING IMPACT ON FOOD AFFORDABILITY IN NYC

While the Public Grocery model offers an unmatched opportunity for affordability, the cooperative model is essential for sustaining affordable food infrastructure while also building community participation and ownership.

Cooperatives are, first and foremost, owned by the communities they are a part of. They do not seek to maximize profits for investors or shareholders. Instead, as outlined in Principle 7 of the International Cooperative Principles, they are built on concern for the community. Successful cooperative models for grocery stores exist throughout the world, e.g. Denmark, the United Kingdom, and Vietnam.

The incoming Mayoral administration should deeply invest in cooperative food business development, as an essential element of securing an affordable food system for NYC. The public grocery model offers a measurable impact on food security for millions of low- and moderate-income New Yorkers for less than .5% of the city's budget. By investing in cooperative food businesses, the administration will also secure democratic ownership of the food system for future generations. Worker- and consumer-owned co-ops are consistently shown to be more resilient and likely to survive longer than traditionally owned businesses. Several international studies also confirm that co-ops often have survival rates exceeding 60–70% at the five-year mark, compared with about 40–50% for conventional businesses.

RECOMMENDATIONS TO COMPLEMENT THE PUBLIC GROCERY MODEL WITH COOPERATIVES

KEY RECOMMENDATIONS

These two key recommendations will expedite infrastructural development and drive down the cost of doing business with savings being passed on to the consumer. As it is, the Park Slope Food Co-op markup is set at 21% on most items and co-ops, in general, are more affordable than private businesses. This is not exclusive to groceries or exclusive to a particular co-op model. With proper city investment, food hubs, distributors, and aggregators, whether worker-, consumer, or purchaser-owned, will also be able to secure wholesale prices at lower rates.

- 1 To address two of the biggest barriers co-ops face, the city should **create a program that offers land/space rent-free for co-op development and create a fund to invest in the startup costs** by supporting the costs for construction, equipment, and other capital needs.
- 2 The city should **invest in non-profit and cooperative co-op development** in order to support these entities who can identify and organize potential cooperators, incubate co-ops, create shared purchasing co-ops, and offer ongoing co-op TA services.

ADDITIONAL RECOMMENDATIONS

- ➔ **Major housing development projects should conduct needs assessments on food access infrastructure** - similar to assessment of need for new school seats.
- ➔ **Incorporate Good Food Purchasing in these models** to use purchasing power to advance vibrant local and regional food economies and support values-aligned food businesses along the food supply chain.

RECOMMENDATIONS TO COMPLEMENT THE PUBLIC GROCERY MODEL WITH COOPERATIVES

APPROACHES FOR CITY-OWNED LAND AND SPACE

- **Expand Promising Models: RiseBoro's Steps at Saratoga model**
 - **Significantly expand models like the RiseBoro's Steps at Saratoga (Steps) model** for retail grocery cooperative space, dedicated space for cold storage and distribution, an incubator kitchen for businesses who can then sell into the wholesale and retail spaces. This can be incorporated into housing development (as it is with Steps), but also should be available for stand alone development. This project originated from an HPD's Wealth and Wellness in Bed-Stuy RFP.
- **Build provisions into the contracts that ownership of building/land ownership eventually transfers to the cooperative.**
- **Use dormant city owned spaces**, such as underutilized NYCHA ground floor facilities to support cooperative food business development that can expedite processes in communities with the most need.
- **Expand Community Land Trusts model to include supermarket scale grocery access**. This will provide stability against speculative real estate forces by taking it off the private market and into community ownership.



RECOMMENDATIONS TO COMPLEMENT THE PUBLIC GROCERY MODEL WITH COOPERATIVES

APPROACHES FOR TRANSFORMING PRIVATE SPACE TO COMMUNITY OWNERSHIP

→ CREATE FOOD AREA DESIGNATIONS (FOOD DISTRICTS)

Take inspiration from public markets infrastructure and the community-serving NYC retail landscapes that naturally occur when rents are not prohibitive. Target clusters of smaller, vacant storefronts to create cooperative and community ownership of food infrastructure within neighborhoods. The City can buy ground-level commercial spaces —via condo conversion to separate ownership of these spaces from residences above—and then structure opportunities for cooperatives (across model types) and community members to launch and ultimately purchase the commercial units.

- **Leveraging clusters of vacant storefronts**, the City can purchase these as condo spaces and provide long-term leases at deeply affordable rates with the goal of creating community-owned, diversified fresh food retail, storage, etc. The retail can be operated as a cooperative (worker, consumer, or purchasing), or, they can take the form of a mom and pop shop, independent grocer operating within a community-owned and controlled space.
- **Operator solicitations could come in the form of a bundle RFP open to the general public.** In order to receive the lease/funding/resources certain conditions would need to be met including utilizing a cooperative business model and/or community governance.
- **There would be a plan from day 1 for community land trust (CLT) conversions** of these commercial space clusters to prevent future predatory commercial rent.
- **This complements supermarket access.** Communities with thriving food infrastructure have a range of food purchasing options that are complementary.

→ CONVERT VACANT RITE AID AND GROCERY STORES INTO CO-OP SPACES.

RECOMMENDATIONS TO COMPLEMENT THE PUBLIC GROCERY MODEL WITH COOPERATIVES

BUDGET NEEDS FOR PROPOSED COOPERATIVE EXPANSION

- ★ **Develop a fund for start up capital for cooperative food business operations**
 - \$116M year 1 only
- ★ **Cooperative Organizing, Development, and ongoing Technical Assistance by non-profit or cooperative entities, with at least one co-op development entity in each borough**
 - \$12M for years 1-3 and \$5M ongoing
- ★ **Ongoing infrastructural improvement fund for cooperatives**
 - \$1M per year, beginning in year 2



As illustrated in this budget, most of the city's investment would happen upfront with \$6M in annual funding for years 4 onward.

ADDITIONAL BUDGET CONSIDERATIONS TO INCREASE AFFORDABILITY:

- **Toll reimbursements for farmers delivering food** - \$12M
- **Creating a non-federally funded SNAP spending enhancement** - \$10M
 - Health Bucks provide \$2 in subsidy for every \$2 spent with SNAP at Farmers Markets (up to \$10). This program is funded by the USDA and by the City's own budget. The total budget for this program is about \$3M. The city could fund a program for use in city/co-op supermarkets.

ONGOING ANNUAL COST: \$6M ★ ★

ADDENDUM A: ECONOMIC MODELING

5 STORE CITY OWNED SUPERMARKET MODEL: BREAKING DOWN THE NUMBERS



THE OVERALL PLAN

5 STORES WITH A \$60 MILLION FIRST-YEAR INVESTMENT

Analysis of Weekly Store Operations

Each Store Handles \$192,000 in Groceries Weekly

Here's where every dollar goes:

- \$115,200 (60%) = What customers actually pay (wholesale price)
- \$76,800 (40%) = What the city pays to run the store

Think of it like this: The store moves \$192,000 worth of groceries each week, but customers only pay 60 cents on the dollar. The city picks up the other 40 cents.



WHAT THIS MEANS FOR NEW YORKERS' GROCERY BILLS

AT A REGULAR SUPERMARKET:

- Your cart of groceries: \$100
- Store paid suppliers: \$60
- Store's markup: \$40 (for their costs, such as labor, utilities, rent)

AT THE CITY STORE:

- Same cart of groceries: \$60
- City paid suppliers: \$60
- City covers operations: \$40 (from tax revenue)
- You save: \$40 (in theory)

REALITY CHECK

Due to high wholesale prices from low volume, actual savings would likely be only 10-15%, not 40%.



THE ANNUAL PICTURE (PER STORE)

Money Flowing Through Each Store:

- Customer purchases: \$6 million (what shoppers pay at wholesale)
- City subsidy: \$4 million (covering operations)
- Total value: \$10 million (what these groceries would cost at regular retail)

What the City's \$4 Million Pays For:

- Wages for 15-20 employees (likely not living wages due to budget constraints)
- Utilities (keeping lights on, refrigeration running)
- Maintenance (equipment, repairs)
- Management (store operations, ordering)
- Insurance and other overhead

ADDENDUM A: ECONOMIC MODELING

5 STORE CITY OWNED SUPERMARKET MODEL: BREAKING DOWN THE NUMBERS

→ THE FULL 5-STORE NETWORK

FIRST YEAR COSTS

- **One-time startup:** \$10 million
 - \$2 million per store for equipment, shelving, registers, freezers, initial setup
- **Annual operations:** \$50 million
 - \$10 million per store in total budget
- **Total Year 1:** \$60 million

WHAT CITIZENS GET BACK

- **\$112.5 million worth of groceries** (at normal retail prices)
- **Pay only \$62.5 million** (at wholesale)
- **Theoretical savings: \$50 million**
- **Likely actual savings: \$15-20 million** (due to higher wholesale costs based on low sales volume)

→ WHY THESE NUMBERS ARE UNLIKELY TO WORK

THE 40% MARGIN PROBLEM

The model assumes a 40% margin to cover operations, but lacks the scale to achieve efficient operations.

SMALL STORE REALITY

- Still need full rent (unless city provides free)
- Still need minimum staff regardless of sales
- High wholesale prices (no volume leverage)
- High shrink/waste (products expire before selling)
- Limited selection may frustrate customers

THE VOLUME CRISIS

\$192,000 weekly is tiny for a full supermarket:

- Only \$27,400 in daily sales
- That's about 100-150 customers per day
- A regular supermarket does \$500,000-800,000 weekly
- **This is corner store volume with supermarket ambitions**
- **Will not make a dent in food access**

→ IS THIS A GOOD DEAL FOR TAXPAYERS?

THE MATH

- City invests: \$50 million annually (after startup)
- Citizens save: Maybe \$15-20 million (optimistically)
- Jobs created: 75-100 (likely at low wages)
- Return: \$0.30-0.40 saved per \$1 invested

WHO BENEFITS MOST

- Could reach very few people—stores will be poorly stocked
- Limited neighborhoods—only 5 locations
- Minimal savings—maybe 10-15% off regular prices

ADDENDUM A: ECONOMIC MODELING

5 STORE CITY OWNED SUPERMARKET MODEL: BREAKING DOWN THE NUMBERS

→ CRITICAL WEAKNESSES

WHAT MAKES IT VULNERABLE TO FAILURE

- **No scale:** Can't negotiate competitive wholesale prices
- **Too much variety attempted:** Trying to stock everything with no volume
- **High waste:** Products expire on shelves
- **Poor customer experience:** Limited stock, frequent outages
- **Inefficient operations:** Fixed costs spread over too few sales

THE WHOLESALE PRICE PROBLEM

Without volume, stores pay nearly retail prices at wholesale, making the promised 30-40% savings impossible.

→ COMPARISON TO ONE REGULAR SUPERMARKET

THE REALITY

- These 5 stores combined = \$112.5 million in annual retail equivalent
- One successful suburban supermarket = \$100-150 million annually
- **The city would subsidize 5 stores to equal the output of 1 regular store**

→ THE BOTTOM LINE

THIS IS ESSENTIALLY A \$50 MILLION ANNUAL PROGRAM THAT

- Cuts grocery prices by maybe 10-15% (not the promised 30-40%)
- Creates 75-100 jobs (likely not at living wages)
- Serves very limited areas (only 5 locations)
- Operates inefficiently due to lack of scale

THE BOTTOM LINE

Taxpayers would fund store operations for minimal benefit. It's like building a public transit system with only 5 bus stops - too small to work properly, but still expensive to run.

KEY CHALLENGE

At \$192,000 weekly revenue per store, these locations would struggle to stock fresh produce, maintain variety, and avoid waste. Customers would quickly return to regular supermarkets for better selection, creating a spiral of declining sales and increasing subsidies.

ADDENDUM B: ECONOMIC MODELING

ALTERNATIVE SCALED UP PROPOSAL: 20 STORE CITY OWNED SUPERMARKET MODEL



THE OVERALL PLAN

20 STORES WITH A \$400 MILLION FIRST-YEAR INVESTMENT

Analysis of Weekly Store Operations

Each Store Handles \$970,000 in Groceries Weekly

Here's where every dollar goes:

- **\$600,000 (62%)** = What customers actually pay (wholesale price)
- **\$370,000 (38%)** = What the city pays to run the store

Think of it like this: The store moves almost \$1 million worth of groceries each week, but customers only pay 62 cents on the dollar. The city picks up the other 38 cents.



WHAT THIS MEANS FOR NEW YORKERS' GROCERY BILLS

AT A REGULAR SUPERMARKET

- What you pay for your cart of groceries: **\$100**
- Store paid suppliers: **\$60**
- Store's markup: **\$40** (for their costs, such as labor, utilities, rent)

AT THE CITY STORE

- What you pay for the same cart of groceries: **\$62**
- City paid suppliers: **\$62**
- City covers operations: **\$38** (from tax revenue)
- **You save: \$38**



THE ANNUAL PICTURE (PER STORE)

Money Flowing Through Each Store:

- **Customer purchases:** \$31.2 million (what shoppers pay at wholesale)
- **City subsidy:** \$19.25 million (covering operations)
- **Total value:** \$50.4 million (what these groceries would cost at regular retail)

What the City's \$19.25 Million Pays For:

- **Living wages** for 40-50 employees
- **Utilities** (keeping lights on, refrigeration running)
- **Maintenance** (equipment, repairs)
- **Management** (store operations, ordering)
- **Insurance and other overhead**

ADDENDUM B: ECONOMIC MODELING

ALTERNATIVE SCALED UP PROPOSAL: 20 STORE CITY OWNED SUPERMARKET MODEL

✓ THE FULL 20-STORE NETWORK

FIRST YEAR COSTS

- **One-time startup:** \$60 million
 - \$3 million per store for equipment, shelving, registers, freezers, initial setup
- **Annual operations:** \$385 million
 - \$19.25 million per store to keep them running
- **Total Year 1:** \$445 million

WHAT CITIZENS GET BACK

- **\$1 billion worth of groceries** (at normal retail prices)
- **Pay only \$600 million** (at wholesale)
- **Collective savings: \$400 million**

✓ WHY THESE NUMBERS WORK

THE 37% MARGIN EXPLAINED

In grocery economics, "margin" is what's needed beyond the cost of food itself.

TYPICAL SUPERMARKET NEEDS 40% MARGIN:

- 10% for rent/real estate
- 3% for taxes
- 15% for labor
- 10% for utilities, equipment, overhead
- 5% for profit

CITY STORES NEED ONLY 37% MARGIN:

- 0% for rent (city provides free)
- 0% for taxes
- 18% for labor (living wages, efficient model)
- 15% for utilities, equipment, overhead
- 4% for administration
- 0% for profit

✓ THE EFFICIENCY SECRET

FEWER PRODUCTS, HIGHER VOLUME

- Stock 1,500 fast-moving items (not 30,000)
- Each item sells more units
- Less spoilage, less labor needed
- Better bulk pricing from suppliers

It's like Costco meets public service: Limited selection, great prices, but accessible to everyone (no membership required).

ADDENDUM B: ECONOMIC MODELING ALTERNATIVE SCALED UP PROPOSAL: 20 STORE CITY OWNED SUPERMARKET MODEL

✓ IS THIS A GOOD DEAL FOR TAXPAYERS?

THE MATH

- **City invests:** \$385 million annually (after startup)
- **Citizens save:** \$400 million on groceries
- **Jobs created:** 800-1,000 at living wages
- **Return:** \$1.04 in savings per \$1 invested, plus jobs and food security

WHO BENEFITS MOST

- **Family** spending \$12,000/year on groceries: **Saves \$4,560**
- **Senior** on fixed income spending \$4,000/year: **Saves \$1,520**
- **Neighborhoods without supermarkets:** **Finally get food access**

✓ KEY SUCCESS FACTORS

WHAT MAKES IT WORK

- **Scale:** 20 stores create real buying power
- **Efficiency:** Warehouse model, not traditional supermarket
- **No rent or taxes:** City provides free real estate and no taxes incurred
- **No profit:** Every dollar goes to operations or savings

WHAT COULD MAKE IT VULNERABLE TO FAILURE

- **Going too small:** Fewer stores = no buying power
- **Too much variety:** Trying to stock everything = inefficiency
- **Charging rent:** Would eat up the entire budget
- **Poor locations:** Stores need to be where people shop

✓ THE BOTTOM LINE

THIS IS ESSENTIALLY A \$385 MILLION ANNUAL PROGRAM THAT:

- Cuts grocery prices by 38% for users
- Creates 1,000 living-wage jobs
- Ensures food access in underserved areas
- Operates as efficiently as private retailers

Clear benefits: Taxpayers fund store operations, but get back even more in direct savings, plus the social benefits of jobs and food security. It's public infrastructure for food, just like libraries for books or parks for recreation.

✓ BOTTOM LINE COMPARISON

We can save exponentially more by investing in proven strategies.
The large model costs 5.7x more but delivers 18x better results.

SMALL PILOT

Spending \$50M
to save residents \$15-20M =
Limited Impact

LARGE-SCALE NETWORK

Spending \$340M
to save residents \$364M =
High Impact