



SAN JOSE
WHOLESALE FOOD CENTER
DEVELOPMENT PROSPECTUS
PHASE ONE FEASIBILITY
ANALYSIS

Prepared by Sustainable Agricultural Education
(SAGE) and BAE Urban Economics

June 2018

Contents

- Introduction 1
- Wholesale Food Center Concept 4
- Potential Management Structure 9
- Estimated Costs and Funding Needs 10
- Consistency with City of San Jose Goals and Policies 14
- Potential Economic Benefits 17
- Next Steps 20
- Appendix A: Industrial Real Estate Market Conditions Memo (Fall 2017) 21
- Appendix B: Examples of Other Wholesale Food Districts 24

Introduction

The purpose of the San Jose Wholesale Food Center Development Prospectus is to present a high level development opportunity to prospective private and public development partners in order to get feedback and elicit interest. This Prospectus builds off two years' of previous work.

In November 2016, SAGE released its Study, *San Jose Food Works: Food System Conditions & Strategies for a More Vibrant Resilient City*, which analyzed the economic activity of the City's food sector, described best practices, and presented strategies for addressing investment needs and opportunities. The findings were organized in terms of food supply chain sub-sectors: production, distribution, processing, retail and food service. The best practices, opportunities and recommendations were described in terms of cross-cutting approaches that usually addressed several needs at the same time. For example, best practices from other cities and metro-regions, including: development of supply chain 'innovations', such as food hubs; creation of healthy food access partnerships; and revitalization of peri-urban and regional agriculture.

For the distribution and processing sub-sectors and based on 2016 data, the Study identified 189 existing food processing businesses with annual revenues of around \$377 million, and 283 food distribution businesses with annual revenues of over \$865 million. With average revenue of over \$3 million per establishment, the distribution and wholesale produce sector is growing. Many companies are facing critical growth constraints, including operating in leased spaces under threat of conversion to high-tech business or housing which can afford to pay much higher prices for land and buildings than most food-related businesses. Within the processing sub-sector, specialty food manufacturing and processing is a vital and highly diverse sector, ranging from family-run businesses with a few employees to businesses with international supply chains and hundreds of employees. Processing businesses also report being critically squeezed for affordable space to grow.

Businesses within both the distribution and processing sub-sectors report labor shortages and stresses from the advent of food safety and traceability concerns which add operational costs and require facilities upgrades. Across all food sectors, there is growing interest in organic and specialty items in San Jose, but still lower demand than elsewhere in the Bay Area.

The Study made several general recommendations, including: encourage the City to undertake proactive efforts to retain and support food distribution businesses; and support the development of commercial kitchens and new kitchen incubators that can help launch new food enterprises; and promote the City's many unique specialty food processors, representing a wide range of culinary traditions, could be promoted as part of the City's cultural richness and would benefit from higher visibility.

The *Food Works* Study includes, as an Appendix, a *Preliminary Wholesale Food Market Assessment*. This Assessment investigates demand and opportunity for a facility and related infrastructure to

serve existing, and potentially new, co-located wholesale produce distributors, other food distributors and processors and local specialty foods producers.

Key points are summarized below:

- Demand for a Wholesale Food Market in San Jose comes from three sectors.
 - Food distributors, wholesalers and processors both based in and serving San Jose, want to address significant challenges including needs for expanded, more permanent and upgraded space.
 - Small retailers and restaurant owners, who buy from distributors, want more convenience, flexibility and choice in their product purchasing and want to reduce driving to wholesale markets in other cities.
 - Grower-shippers and farmers in Santa Clara County as well as in the Central Coast area and Central Valley are seeking expanded market opportunities in the South Bay and also to reduce the distance from farm to market.
- Wholesale food markets models across the country vary considerably, depending on their history, purpose, location, type of ownership and governance, financial structure and business model, and types of products, functions, services and programs.
- Opportunities include the direct benefits of meeting the various types of demand, especially from existing distributors and processors facing uncertainty about their future in San Jose. The proposed market also presents an opportunity to strengthen the overall food supply chain infrastructure, food business economy and food-city identity of San Jose. In turn, these benefits help meet broader City goals for economic development, public health, placemaking, and environmental sustainability.
- The primary constraint to the development of a Wholesale Food Market in San Jose is the availability and cost of real estate to accommodate the interested businesses, including base costs to lease or purchase industrial land and buildings, and additional costs to construct tenant improvements to suit the specific needs of the businesses that would operate in the Wholesale Food Market. (See Appendix A for more detail.)
- Another constraint is the challenge of creating a new entity to operate the market.

The Preliminary Analysis concludes with a recommendation, and outline, for a two-phase in-depth feasibility analysis. This report, the San Jose Wholesale Food Center Development Prospectus is phase one of this recommended feasibility analysis. It includes sections on the Food Center Concept, Recommended Management Structure, Estimated Costs and Funding Needs, Consistency with City Policies, and Potential Economic Benefits, as well as Appendices about San Jose's Industrial Real Estate Market and a Comparative Analysis of other Wholesale Food Markets.

The Next Steps section is in effect an outline of phase two of the feasibility analysis, and will result in an actionable high level business plan. The SAGE team is in the process of identifying funding to conduct this second phase of analysis.

Cities and regions across the country and beyond – Baltimore, Chicago, New York, Seattle, Philadelphia, Toronto, Vancouver to name a just a few – have invested in climate-smart food systems planning and implementation as one of the cornerstones of their climate action and sustainability plans. San Jose can do the same through the Wholesale Food Center.

Acknowledgements

The Sustainable Agriculture Education (SAGE) team is grateful to the many people who provided input that shaped this report. Food distribution and processing businesses based in San Jose and also serving San Jose, shared information about their business operations, including Bassian Farms, Eddie's Produce, Farm Fresh to You, Galli Produce, Daylight Foods, SF/LA Specialty, and the San Francisco Wholesale Produce Market. Local and regional farmers, also provided information about their distribution systems and needs, including Coke Farm, Jacobs Farm and Uesugi Farm. As shown in Appendix A and B, local real estate brokers and managers of wholesale markets in other parts of the country also provided helpful information.

Staff at the City of San Jose Office of Economic Development, especially Nanci Klein, provided valuable input about the overall concept, general background about industrial real estate development and trends in the City and connections with leading industrial brokers. Several community partners, who offered insight about potential connections between the wholesale food center concept and other emerging community needs, include The Health Trust, the Second Harvest Food Bank and the San Jose Conservation Corps and Charter School.

Finally, the SAGE team would like to thank the project funders, the City of San Jose Office of Economic Development and the Knight Foundation, for their generous support. We also appreciate the commitment and guidance of the Food Works Advisory Committee: Kristen Clements, San Jose Department of Housing, Cayce Hill, Veggielution; Julie Hutcheson, San Jose Conservation Corps and Charter School (Julie is now with the Committee for Green Foothills); Marc Landgraf, Santa Clara Valley Open Space Authority, and Eli Zigas, SPUR.

The report was prepared by SAGE and BAE Urban Economics. The SAGE team, led by Sibella Kraus, included Lizzie Urie, Cynthia Martinez and Marie Pichay. Matt Kowta led the BAE team with assistance from Matt Fairris.

Wholesale Food Center Concept

Overview

The general concept for the project builds on the types of demand, existing models, opportunities and constraints that were identified in the Preliminary Assessment described above. During the past year the concept has been refined to reflect the current specific needs, interests, capacities and resources of interested wholesale, distribution and processing businesses that would be the primary initial tenants and possibly part owners of the project. At the same time, the concept includes a flexible element that allows for participation of other businesses that may become interested when and if the project becomes more concrete and feasible and less hypothetical.

The major revision in the concept is reflected in the change of name from Wholesale Food Market to Wholesale Food Center. The term ‘wholesale market’ generally refers to a facility in which a kind of market ‘arcade’ allows businesses to display their products by the case (usually produce) to retail and food service customers during limited market hours (e.g., the San Francisco Wholesale Market). The related term ‘terminal market’ refers to a facility which is the terminus for products coming from far-flung production areas (e.g., the Hunt’s Point Terminal Market). Sometimes wholesale markets are called a ‘cooperative market’ (e.g., the Hunt’s Point Cooperative Meat Market) to signify the ownership and management structure. Other wholesale markets include the term ‘produce’ or ‘flower’ in their names to denote their product focus (e.g., San Francisco Flower Market).

Additional terms such as ‘public market’ and ‘central market’ connote a large marketplace building (sometimes a wholesale market historically) in which multiple vendors sell directly to the public, and sometimes to a few wholesale customers (e.g., Pike Place Market). Many public markets include additional elements such as public education programs (e.g., Ferry Plaza Market) and senior nutrition programs (e.g., Pike Place Market). Finally, the term ‘food hub’ as defined by the USDA, is a [single] business that facilitates the aggregation, storage, processing, distribution, and/or marketing of locally/regionally produced food products. Appendix B, describes wholesale markets models.

Although it can be included as part of the name of a wholesale market (e.g. New England Produce Center), the term ‘wholesale food center’ is generalized and does not have the specific meaning of the terms above. However, it does connote a complex of multiple wholesale food businesses, as is envisioned for and needed in San Jose.

Core Concept

The core concept for the San Jose Wholesale Food Center is a permanent facility dedicated to providing co-located, affordable, convenient, and resource-efficient space for six to ten existing wholesale, distribution and processing businesses to conduct around-the-clock operations. The businesses that have indicated strong interest include: four wholesale produce companies (A & J Produce, Galli Produce, Eddie’s Produce, and Hacienda Produce) some of which sell additional value-added products; a wholesale meat processor and distributor, Bassian Farms; and a hub for

a state-wide home delivery produce business, Farm Fresh to You. These businesses are described below and their current and projected operations are outlined in Table I. Several other companies that have indicated potential interest depending on the financial terms and location, are generally described in the Potential Expanded Concept below.

These businesses above all receive bulk products, mainly delivered by large truck or semi-trailers, from local, regional and international suppliers; and most distribute products to retail and food service customers with service areas ranging from local to the Northern California region. Only a couple of the businesses currently conduct onsite wholesale transactions; several have said they might expand such onsite wholesale sales if logistics permitted; and another, Bassian Farms, does not want to conduct any onsite sales. The San Jose Wholesale Market Center is conceived to be able to capitalize on the expected resource efficiencies of developing one permanent complex and at the same time, be able to accommodate different needs, such as onsite sales.

Table I: Summary of Demand for a Wholesale Food Market from Distributors and Processors

Company	Current location	Current				Needed			
		Facility size	# employees	Annual revenue	Percentage annual growth	facility size needed sq.ft.	# docks needed	projected # employees	want ownership/ equity
A & J Produce	SanJose	4,000	10	\$2 M		10,000	3	20	N
Bassian Farms	SanJose	25,000	65	\$60 M	10-20%	40,000	10	75	Y
Eddie's Produce	SanJose	4,000	6	\$.5 M		5,000	3	10	N
Farm Fresh to You	San Jose satefflite	5,500	20			5,500	2	20	N
Galli Produce	SanJose	16,000	35	\$15 M	4%	30,000	6	50	Y
Hacienda Produce	San Jose	6,000	10			10,000	3	15	N
Total		60,500	146			100,500	27	190	

Following are the main reasons given by the businesses above and others interviewed to explain their interest in exploring options for new, permanent space in a dedicated wholesale food center.

- Uncertainty regarding long-term availability of affordable leased space due to potential for conversion – or conversion already underway - to other uses, such as residential or industrial tech. Space for wholesale and distribution businesses is being squeezed by low vacancy rates for industrial buildings, demand from tech industries that can afford higher rental rates, and conversion of some industrial zoned land to residential zoning.
- Need for upgrades for food safety and traceability or to accommodate more types of products or other issues that could be money down the drain on leased premises.
- Potential for improved and modernized facility, including cold chain handling, loading docks, truck circulation, parking for employees, etc.
- Desire on the part of some businesses to establish equity in a facility, along with resources to do so.

- Sense that a multi-business facility could offer new opportunities, such as new forms of investment, wholesale ‘street sales’, potential to attract new customers, options for piggy-back distribution, and a higher-profile location.

Along with reasons for interest in the concept, there were some concerns and provisos, including: costs would need to be comparable with current space and amenities; location would need to provide for easy access to central freeways (location near airport also desirable); and privacy between businesses would be important.

Below are brief profiles of most of the companies that have indicated interest.

A & J Produce

Arturo Regalado established A & J Produce in 2012 in a small business park at 1780 Old Bayshore Highway. A & J Produce currently occupies 4,000 square feet, has 10 employees and annual revenues of around \$2 million. The company provides fresh produce and other wholesale food items primarily to South Bay restaurant customers including many food trucks. Products are sourced from local growing areas and manufacturers, the Golden Gate Produce Terminal, and also from Mexico. The company likes its current location with good freeway access but needs room to grow. It projects a need for about twice as many employees and for a space of around 10,000 square feet, with two to four loading docks.

Bassian Farms

Bassian Farms / Pangea Packing is a family-run meat packing company established in 1990. The company supplies grocers, food service companies and restaurants in Northern California with beef, poultry, pork, and seafood products, which it sources from farmers and other suppliers in California, the Midwest and internationally. It is located at 1865 South 10th Street, where it operates from a 20,000 square feet leased facility. The company has 60 employees, many of them long-term employees, and has annual revenue of \$54 million. Bassian Farms prides itself on exceeding USDA meat-handling standards and partnering with farmers and ranchers who produce top meat quality and subscribe to humane animal treatment and livestock raised without the use of antibiotics or artificial growth hormones.

Bassian Farms is growing at the rate of 10 to 20 percent per year, and expects to outgrow its current facilities within the next couple of years. It is also concerned that its current location could be converted to non-industrial uses. The company is actively seeking permanent space of around 40,000 square feet with 25,000 square feet of refrigerated space and with 10 or more loading docks. It has already set aside several million dollars toward a future move. The company is open to being part of, investing in and helping develop a facility for multiple wholesale food companies.

Galli Produce Company

Galli Produce Company was established in the 1940s by Angelo Galli. It has been owned and operated by the Pieracci family since 1956. Initially located in the old Grower’s Market on 7th and Taylor Streets, the company moved to its current location on Old Bayshore Highway in the late 1980s. The company occupies around 16,000 square feet of leased space, including

extensive refrigerated areas for produce processing, and docks on both sides of the building for its 15 trucks. Galli Produce, which recently absorbed Imahara Produce Company and has leading food service companies as customers, has current annual revenue of \$15 million and is growing steadily. Within a few years, the company projects a need for around 30,000 square feet (with two-thirds of it refrigerated), at least six loading docks and a growth in the number of employees from the current 35 to around 50. Galli sources products from the San Francisco and South San Francisco produce terminal markets. It also directly sources summertime deliveries from Salinas, Watsonville, Hollister, Sacramento, and the San Joaquin Valley, and wintertime deliveries directly from Mexico, Arizona and Florida. Galli's customers include food services, institutions, restaurants and grocery stores, mostly located in the South Bay. Galli is the only processor of both conventional and organic fruits and vegetables for food service and retail in the Santa Clara Valley.

Eddie's Produce

Eddie's Produce was established in 2008 by Eduardo (Eddie) Flores. It is located at 1005 South 5th Street in the block-sized building that formerly housed the American Can Company and that is slated to become housing in the next few years. The company occupies 4,000 square feet, for which it pays \$4,500 per month, and has three loading docks. With annual revenues of around \$0.5 million and six employees, the company is eager to find new space to continue to grow the business. Eddie's Produce buys product daily at the San Francisco Wholesale Markets and regularly in Salinas and also gets product via brokers. The company primarily serves restaurants.

Farm-Fresh-to-You

Farm-Fresh-to-You is a CSA farm-to-customer fresh produce delivery box service, headquartered in Sacramento close to their Yolo County Farm, Capay Organic. With another major distribution hub in Los Angeles and another farm in Southern California, the company has state-wide reach. (It is also expanding its operation to the northwest with a new facility opening soon in Seattle.) The company maintains a small satellite facility of 5,500 square feet in East San Jose, where semi-trailers with produce boxes from Sacramento are off-loaded for delivery via 15 vans to South Bay customers. The current facility, which has 20 employees, has some limitations including inconvenient semi-trailer access and no loading docks. Farm-Fresh-to-You might be interested in leasing space in a more convenient multi-tenant facility, as long as the price was competitive.

Potential Expanded Concept

The expression of interest in a wholesale food market from the food distributors and processors described above is an indication of demand, and is also the baseline for the financial model presented in Section 5. The more comprehensive assessment planned for the Wholesale Food Market Phase Two Feasibility Analysis would use the initial financial model from Phase One, to explore interest from other businesses. These include food distributors, processors and manufacturers wanting to expand their San Jose operations, as well as those interested in re-locating to or starting a business in San Jose, and who handle a range of products including produce, flowers, cheese, breads and baked goods. Other potential uses include a food

business incubator (as described in SAGE parallel report, San Jose Food Business Incubator Needs Assessment) and large-scale commissary kitchens.

If additional businesses did want to participate, it could significantly increase the project budget, economic impact and footprint. Initial discussions with some businesses have already taken place, for example, with a bakery that would need 30,000 square feet and with a regional produce distributor that would need 50,000 square feet. For now, the main take-away is that business owners need to see a proposal to respond to; few will give time to a hypothetical project.

Potential Management Structure

The management structure for the project could take any of a number of forms, depending on the interests and needs of the master developer and the participating businesses. Preliminarily, SAGE and BAE propose to explore a structure that would achieve the following objectives:

- a. Provide for centralized management of the overall property
- b. Provide opportunities for participating businesses to own or rent their space in the facility
- c. Provide a mechanism for investment of public funding subsidies into the project that would stay with the property, rather than with individual businesses

Based on these considerations, the initial concept is a master developer who would develop an industrial condominium project with a property owners' association to be responsible for the overall management of the facility. Then, the master developer could sell individual condominium spaces to businesses interested in owning their own spaces and then rent spaces to businesses for which a leasehold interest is the best option. Buyers of individual spaces would participate in the management and maintenance of the facility, along with the master developer, through a property owner's association.

To the extent that the master developer receives public funding to subsidize portions of the project at below-market rents, there would be an agreement recorded between the master developer and the funders to regulate the portion of the project that was subsidized. The master developer entity could be established as an entity controlled by an existing non-profit organization or it could potentially be established as a new non-profit or as an LLC or other type of special purpose entity, with interested businesses potentially participating as members.

The initial concept is for a master developer to develop a 100,000 square foot facility with four warehouse/distribution condos. At completion of construction, the master developer would sell three spaces to owner/users identified as Spaces 1, 2, and 3. The master LLC would retain ownership of the fourth condo (Space 4), which would be set aside for lease to food distribution businesses at below market rents, as a means to preserve and expand food distribution activity in San Jose. The next section of this prospectus presents an initial cost estimate and funding gap analysis. This concept will be further explored and refined as part of a more in-depth Phase 2 feasibility analysis.

Estimated Costs and Funding Needs

This section presents initial project concept parameters, a development cost estimate, and a preliminary funding gap analysis. A Phase 2 analysis will involve further refining the development concept, including the overall development approach, the project's physical characteristics, assumptions regarding ownership/management structure, costs and revenues, and funding needs.

As shown in Table 2, below, the initial concept assumes acquisition of an approximately eight-acre site in San Jose, for development of an approximately 100,000 square foot multi-tenant food wholesale center. Based on the needs indicated by businesses initially expressing interest in locating in such a facility, the concept assumes that the facility would include one 40,000-square foot space, one 20,000 square foot space, and one 10,000 square foot space for sale to individual owner-users at cost, and the remaining 30,000 square feet would be divisible for lease to smaller users at below market rates. The initial concept calls for a master developer to construct an industrial condominium project, which would enable sales of space to owner-users and well as for the master developer to retain space for lease to smaller tenants. The property owners' association would provide the mechanism for long-term management of the facility as a whole.

Wholesale Food Center Development Costs

As shown in the Master Development portion of Table 2, the costs for land acquisition, building development, and basic shell tenant improvements (TIs) is approximately \$30.1 million, based on information collected from a range of local sources, including real estate brokers, developers, and contractors familiar with costs to develop similar projects. In addition, BAE estimates soft costs (e.g., design, permits, fees, etc.) equal to 15 percent of building shell construction and TIs (e.g., hard costs), a ten percent developer fee, and financing costs of approximately \$1.3 million. The total development cost is estimated at \$34 million.

The Initial Sales portion of Table 2 indicates that once the facility construction is completed, the master developer would sell a 40,000 square foot space, a 20,000 square foot space, and a 10,000 square foot space (Spaces 1, 2, and 3) to owner-users who would secure their own financing to purchase their spaces. This would coincide with the master developer replacing the construction loan with a permanent mortgage for roughly 30,000 square feet of space that would be retained as rental space. Sales proceeds of roughly \$24 million would pay off the construction loan (\$20 million) and repay some of the initial equity required to obtain the construction financing loan.

The lower part of Table 2 outlines the permanent financing and financing gap calculations for the master developer to retain ownership and lease out the remaining 30,000 square feet of space (Space 4) on an ongoing basis. Based on the current rents paid and ability to pay indicated by tenants interested in occupying a new Wholesale Food Center as tenants, the conceptual analysis assumes that they would pay below-market rents of about \$1.00 per square foot per month, on a triple-net basis. After allowing for vacancies and limited operating

expenses not passed on to tenants, the owner's net operating income would be \$335,000 per year. Based on standard permanent mortgage underwriting criteria, BAE estimates the net operating income from Space 4 could support a permanent loan of approximately \$3.5 million. This would leave a remaining equity amount of approximately \$6.7 million in the project.

The remaining equity represents the amount of subsidy that the project might require. For example, if a non-profit entity acted as the master developer and retained a fee-based developer to construct the project, \$6.7 million is the portion of the project costs that would not be covered by the sales proceeds from Spaces 1, 2, and 3 and by the supportable permanent mortgage that could be obtained for Space 4. This effectively represents the one-time cost to permanently subsidize the below market rate rents for tenants in Space 4. This subsidy could be contributed in various forms, in addition to cash grants. For example, if a public agency was able to make a suitable underutilized site available for the project, this would eliminate the cost associated with purchasing the site. If an owner of an existing building was interested in providing space at a below market cost, this could also reduce the cash subsidy needs.

Phase 2 analysis will explore additional potential private philanthropic and public subsidies. The team will look at potential funding from a range of federal sources including, but not limited to HUD Community Development Block Grants, the Healthy Food Financing Initiative through USDA, funding through the U.S. Economic Development Administration and, depending on the location of suitable sites, New Market Tax Credits. Assistance through City of San Jose Opportunity Zones will also be considered, as will funding from private sources such as the Northern California Community Loan Fund (NCCLF).

[Additional Costs for Tenant Improvements](#)

The conceptual cost estimate presented in Table 2 does not include costs for buildout of refrigerated spaces within Spaces 1, 2, 3, and 4. Initial feedback from interested businesses indicates that these businesses would seek opportunities to put together low-cost buildout of refrigerated spaces tailored to their exact needs using equipment moved from their existing leased premises, equipment acquired second-hand, and other strategies that could keep the costs well below the cost of turnkey improvements that could be installed as part of a master development process. While businesses with the financial means to purchase Spaces 1, 2, and 3 may also have the wherewithal to finance and undertake their own TIs, smaller tenants who would move into Space 4 may need assistance to finance TIs. A program to provide financial assistance for TIs for Wholesale Food Center tenants can be further explored in Phase 2.

[Resource Conservation and Alternative Building Techniques](#)

New building construction offers opportunities to incorporate various kinds of resource conservation elements, such as solar panels, rain water capture, permeable berms around parking areas, and organic waste recycling. Depending on the funding available, Phase 2 can explore the costs and benefits of incorporating strategies such as these.

In terms of a specific example, SAGE had an initial discussion with Integrated Structures, a design and engineering firm that has developed an innovative method of constructing cold

storage facilities, which achieve much greater energy efficiencies than traditionally-constructed facilities. This system uses a unique wall and refrigeration system that together reduce energy use and shift electrical demand to off-peak times of the day. Integrated Structures has designed and implemented this system for large scale cold storage facilities for two grower-shippers in California. The expectation, currently being calculated, is that these completed structures will reduce energy costs by 50% compared to industry standard, Title 24 construction. If proven successful, this system although it would increase up-front construction costs, could result in savings in energy costs that could recoup the extra capital expense in the long run. Additionally, this would also bring GHG reduction benefits. A Phase 2 analysis can include a more in-depth exploration of the cost-benefits of this type of approach.

Scalability of Concept

The concept presented in Table 2 is scalable in the event that there is demand from interested businesses in occupying more than 100,000 square feet of space. The estimated subsidy requirement for the Space 4 portion of the project, which amounts to a one-time subsidy cost of \$224 per square foot, can be indicative of the subsidy needs for space that would be constructed and then leased at a below market rate of \$1.00 per square foot.

Table 2: Preliminary Development Pro-Forma for Wholesale Food Center

Site Area	8.0 acres			
Building Area	100,000 sq. ft.		%	
Space 1	40,000		0%	(Assumes buyers will install their own refrigeration equipment)
Space 2	20,000		0%	(Assumes buyers will install their own refrigeration equipment)
Space 3	10,000		0%	(Assumes buyers will install their own refrigeration equipment)
Space 4	30,000		0%	(Assumes tenants will install their own refrigeration equipment)
MASTER DEVELOPMENT				
Development Costs				
Land Cost	\$6,000,000	\$750,000 per acre		
Building Development Cost	\$20,000,000	\$200 per square foot		
Tis				
Refrigerated Space	\$0	\$120 per square foot		
Non-Refrigerated	\$1,000,000	\$20 per square foot (applies to 50% of space that will be non-refrigerated)		
Total Tis	\$1,000,000			
Soft Costs (not incl. financing)	\$3,150,000	15% of hard costs		
Sub-total development costs	\$30,150,000	\$302 per square foot		
Construction Financing				
Loan to Cost Ratio	65%			
Construction Loan Amount	\$19,597,500			
Loan Fees	\$293,963	1.50% of loan amount		
Interest	\$970,076	5.50% annual rate	18 months construction	0.6 draw down factor
Sub-total financing costs	\$1,264,039			
Developer Fee	\$2,826,404	10% of project cost		
Total Development Cost	\$34,240,443	\$342 per square foot		
Required Project Equity	\$14,642,943			
INITIAL SALES				
Total Development Cost	\$34,240,443			
Sale of Space 1 (40,000 sq. ft.)	\$13,696,177	\$342 per square foot; reflects development cost before refrigeration Tis		
Sale of Space 2 (20,000 sq. ft.)	\$6,848,089	\$342 per square foot; reflects development cost before refrigeration Tis		
Sale of Space 3 (10,000 sq. ft.)	\$3,424,044	\$342 per square foot; reflects development cost before refrigeration Tis		
Space 4 Retained by LLC	30,000 square feet			
Payoff of Construction Loan	(\$19,597,500)			
Net Sales Proceeds	\$4,370,810			
Value of Remaining Project Space	\$10,272,133	\$342 per square foot		
Project Equity	\$14,642,943			
Less Net Sales Proceeds Returned to Master Developer	(\$4,370,810)			
Remaining Project Equity	\$10,272,133			
PERMANENT FINANCING/FINANCING GAP FOR SPACE 4				
Space 4 Project Income				
Targeted Tenant Rents	\$1.00 per month, net			
Gross Potential Rent	\$30,000 per month, net			
Vacancy	(\$1,500) 5.00%			
Net Scheduled Rent	\$28,500			
Minus Operating Expenses	(\$570) 2.00% (based on net rents)			
Net Operating Income (Monthly)	\$27,930			
Net Operating Income (Annual)	\$335,160			
Maximum Permanent Loan Amount				
Debt Service Coverage Ratio	1.25			
Cash flow available for debt service	\$268,128			
Interest Rate	5.50%	annual		
Term	25	years		
Maximum Loan Amount	\$3,596,651			
Loan Fees	\$53,950	1.50%		
Permanent Mortgage Cashout Returned to Master Developer	\$3,542,701			
Remaining Project Equity/Subsidy Needed for Space 4	\$6,729,432	\$224 per square foot subsidy requirement to allow \$1.00/sq. ft. below market rents		

**Note that owners of Spaces 1, 2, and 3 will each have to obtain their own individual financing to purchase their spaces from the Master LLC. This may require downpayment/equity equal to approximately 20 percent of the property value. Potentially less if using SBA financing.

Sources: SAGE, 2018; BAE, 2018.

Consistency with City of San Jose Goals and Policies

The proposed Wholesale Food Center is consistent with a range of City and County goals, policies, and planning efforts, and is also in alignment with regional and state resilience and economic development goals.

The City of San Jose has a well-established framework of goals and strategies that guide various aspects of the City's work to ensure San Jose's ongoing vitality. Existing City policies make it clear that food is viewed as a key ingredient in San Jose's quality of life and in placemaking, which in turn is regarded as a catalyst for economic development and attracting high quality businesses and a world class workforce to San Jose. In addition to placemaking and economic development, references to food can be found in City policies dealing with health, the environment, land use, and housing.

Some of references in existing policy or strategy documents, are particularly relevant to the proposed development of the Wholesale Food Center. For example, the General Plan: Envision 2040 states goals: 1) IE-1: Proactively manage land uses to provide and enhance economic development and job growth in San Jose and 2) TR-6: Provide for safe and efficient movement of goods to support commerce and industry.

In addition, several City departments are actively involved in initiatives related to the encouraging vitality of the food sector. The Office of Economic Development works to create jobs, encourage private investment, help businesses and individuals generate revenue, and attract and develop talent. This Office is also involved in the emerging Bay Area Urban Manufacturing Initiative. The Planning Department uses land use policy to strategically shape the growth of the City, increase the quality of life, and ensure that all residents have access to healthful foods. The Mayor's Office's Sustainable Growth and Development initiative aspires to implement "smart growth" policies that reduce sprawl, traffic congestion, and greenhouse gases, and help preserve San Jose's open spaces.

One emerging arena could potentially help foster development of new facilities that align with sustainability initiatives. Taking advantage of a provision in the 2017 federal tax overhaul, San Jose recently designated eleven *Opportunity Zones* in low-income census tracts including several in industrial areas. These designated areas could provide opportunities for larger food businesses, potentially including an aggregator/incubator of smaller food businesses, to take advantage of tax incentives for investing in low-income communities.¹

Two zones, in particular, stand out. Drawing from the City of San Jose's Opportunity Zone's presentation, Rincon South is a multifaceted tract that is a major gateway to both the North

¹ The City of San Jose recently received 11 census tract designations for Opportunity Zones. Opportunity Zones, established by Congress in the Tax Cuts and Jobs Act of 2017, is a new community development program to encourage long-term investments in low-income urban and rural communities nationwide. The Opportunity Zones program provides a tax incentive for investors to re-invest their unrealized capital gains into Opportunity Funds that are dedicated to investing into Opportunity Zones designated by the chief executives of every U.S. state and territory.

San Jose jobs hub and Downtown, yet it contains numerous undeveloped lots, low-density older motels, substantial surface parking, and viable industrial properties that would provide excellent location opportunities for middle-wage jobs. In addition, Monterey Corridor is a 1.4-square-mile tract in the heart of San Jose's Monterey Corridor industrial/manufacturing district. One of the city's goals is to ensure that jobs and sectors thrive in this neighborhood; they support the sizable portion of the San Jose population that does not participate in the high-tech economy.

San Jose's adoption of Climate Smart San Jose, in February 2018, marks the City's strong commitment to implementing strategies that help reduce its greenhouse gas emissions and carbon footprint. The Wholesale Food Center offers a number of opportunities for realizing some of the core strategies within the Climate Smart framework of three pillars and nine strategies.

- *Pillar 1: A Sustainable & Climate Smart City*

- Strategy 1.2: Embrace our CA climate.

The Food Center would help support more food production within and near the City and help facilitate local procurement policies. Pillar 3: An Economically Inclusive City of Opportunity

- *Pillar 3. An Economically Inclusive City of Opportunity*

- Strategy 3.1: Create local jobs in our City to reduce vehicle miles travelled.

The Market would help maintain and diversify food-related employment, from blue-collar jobs to new food and ag tech jobs. Food-business related employment represents 11.2% of all jobs in the City (per [San Jose Food Works](#)) and 13% of all jobs in the region, per the [Bay Area Food Economy](#) white paper).

- Strategy 3.2: Improve our commercial building stock.

Within PDR areas, the Market would ensure that food processing and distribution business – foundational for a local food economy – can start, stay, and grow in San Jose.

- Strategy 3.3: Make our commercial goods movement clean and efficient.

The Market would support electrification of food goods distribution fleet. Large trucks and vans and local delivery vehicles make up approximately 15% of all current City emissions. As hundreds of food-related delivery trips originate in a few locations, a proposed new wholesale food market could provide an opportunity to invest in new renewable energy infrastructure that could serve both EVs and significant energy needs of food businesses.

Santa Clara County also has recently strengthened its commitment to supporting the viability of its agriculture sector. In January 2018, the County adopted the Santa Clara Valley Agriculture

Plan: Investing in our Working Lands for Regional Resilience (on which both SAGE and BAE were consultants). The Plan's Agricultural Economic Development Strategy explicitly calls for the expansion of agricultural distribution and processing facilities as one of a number of actions to help regional agriculture thrive. The County strongly supports the Wholesale Food Center Feasibility Analysis, as it aligns with the key goals and strategies of the Ag Plan.

At the regional scale, ABAG's recently adopted Economic Action Plan and the pending regional Economic Development District and its Agriculture and Food Working Group are prioritizing analysis of major economic development projects, such as the proposed Wholesale Food Center, and are also positioned to help with implementation of this regional resource. In California, implementation of the Global Warming Solutions Act is creating significant incentives to link climate change mitigation with equitable economic development and investment in local communities. At the federal level, there are numerous programs that support development of local and regional food systems, the Local Food Promotion Program and Local Foods, Local Places to name just a few.

Potential Economic Benefits

The proposed Wholesale Food Center can make a significant contribution to preserving and/or attracting new jobs and economic activity to the City of San Jose. According to information provided by businesses expressing preliminary interest in space in a Wholesale Food Center, their total existing sales at their San Jose facilities are approximately \$75 million per year, and they employ approximately 150 people in their San Jose operations. This economic activity is at risk of being relocated out of the area if these businesses are not able to secure stable long-term tenure in San Jose.

Table 3, below, shows the estimated total economic impacts of the project, representing both existing jobs and economic output that would be retained in San Jose as well as additional jobs and economic output that would be created by providing space for the existing businesses to remain in San Jose and grow in a new 100,000 square foot facility.

Based on information provided by interested businesses, the employment at a 100,000 square foot food distribution facility would be approximately 208 jobs. This would include all employees of the companies based at the facility, which would include management and administrative staff, warehouse workers, truck drivers, etc. BAE utilized IMPLAN regional input-output software and data for the wholesale sector in Santa Clara County to estimate labor income, total value added, and total annual business output associated with the 208 jobs. According to the wholesale industry averages for Santa Clara County, this would translate to \$14.1 million in annual labor income, \$40.3 million in total value added, and \$75.3 million in total annual output associated with the businesses in the facility themselves.

Table 3: Potential Direct, Indirect, and Induced Economic Impacts

Impact Summary		Labor Income (Annual)	Total Value Added (Annual)	Output (Annual)
Impact Type	Jobs			
Direct Effect	208.0	\$14,136,403	\$40,259,127	\$75,256,829
Indirect Effect	65.2	\$6,901,280	\$10,678,134	\$14,970,222
Induced Effect	47.9	\$3,131,999	\$5,535,380	\$8,034,412
Total Effect	321.1	\$24,169,682	\$56,472,641	\$98,261,463

Sources: IMPLAN, 2018; BAE, 2018.

Based on the structure of the Santa Clara County economy and the inter-industry purchasing relationships among wholesale businesses and other businesses in Santa Clara County with whom they do business, IMPLAN estimates that the indirect and induced impacts would contribute 113 additional jobs, \$10.0 million in additional labor income, \$16.2 million in additional value added, and \$23.0 million in additional total industry output. Indirect impacts are the additional jobs, labor income, value added, and industry output created in other business sectors and induced impacts are the additional effects from the increased household income created by the direct and indirect impacts. We believe the total value added and industry output figures in Table 3 are conservative. Based on conversations with interested

businesses regarding their current gross sales volumes, the direct annual output figure (\$75.3 million) may understate actual output by 50 percent or more. To the extent that this is the case, the indirect and induced effects on output would be understated as would the direct, indirect, and induced effects from value added.

The IMPLAN analysis speaks to the potential value of creating a Wholesale Food Center that will enable existing San Jose food distribution businesses to remain in the City and expand. Absent availability of suitable space for long-term occupancy, it is likely that the escalating cost and decreasing availability of space in the area will lead to relocation of these businesses to locations outside of San Jose that would be more affordable for the businesses. However, this will bring compromises in terms of the ability of these businesses to retain existing employees who live near their existing facilities, and to efficiently serve their existing clientele who are located in the San Jose area.

Benefits to Other Local Businesses

In addition to the benefits for the businesses that would occupy the Wholesale Food Center, constructing the center in San Jose could bring significant benefits to other local businesses that use wholesale food products in their business operations, including restaurants, caterers, food manufacturers, and grocery stores, particularly those whose orders are too small to be served by wholesale food distributors that make deliveries. For these small businesses, the options are to purchase food at various retail outlets, such as Costco, Restaurant Depot, or conventional grocery stores, or to drive to the wholesale markets in San Francisco to obtain produce at wholesale prices. Either option has drawbacks in terms of time, cost, and/or quality of product.

Table 4: Benefits from Reduced Travel

	Food Stores	Food Service	Total	Notes
Number of Businesses in Santa Clara County	655	2,095	2,750	(Foodworks, page 55)
Estimated % Using New SJ Wholesale Food Center	7.00%	3.00%		(Estimate)
Number of Businesses Benefiting from Reduced Travel (a)	46	63	109	
Round Trip Distance to San Francisco Wholesale Market			92	(Note: Assumes San Jose to San Francisco)
Estimated Trips Per Year			52	(Note: Assumes weekly trip to wholesale market)
Total Estimated Annual Vehicle Miles Travel Saved			521,456	
Total Estimated Time Saved (Annual Hours)			10,429	(Assumes average speed of 50 mph)
Estimated Value of Time Saved			\$312,874	(Note: Assumes value of \$30 per hour)

Note:

(a) Does not include existing businesses currently served by prospective Wholesale Food Center tenants.

Sources: Dun & Bradstreet, 2017; SAGE, 2018, BAE, 2018.

Developing a Wholesale Food Center in San Jose will create benefits for local businesses by providing much more convenient access to high quality produce and other food products at wholesale prices. Table 4 outlines a rough estimate of the annual savings in time and vehicle miles traveled, based on a range of assumptions regarding how local businesses could use a Wholesale Food Center. Using relatively conservative assumptions regarding the percentage of Santa Clara County food stores and food service businesses that would substitute procuring

food inputs from a San Jose Wholesale Food Center for trips to the San Francisco Wholesale Market, we estimate potential savings of over a half-million annual vehicle miles traveled and time savings of over 10,000 hours, or an estimated value of \$313,000 for the time savings.

Benefits to Regional Agriculture

The core set of six wholesalers and processors most vested in the development of the Wholesale Food Center report that they buy from around 100 farms and ranches in the region. Continuing and expanding the purchases of regional farm products from these businesses and possibly from new businesses which will incubate at the Center, has both direct and indirect economic benefit to the agricultural economy of the surrounding region. It is beyond the scope of this report to identify the agricultural suppliers and analyze the value of their sales to San Jose based wholesalers and processors. However, the 2014 study, the Economic Contribution of Agriculture to the County of Santa Clara, uses an IMPLAN model to analyze the indirect and induced values of the agricultural economy. The study found that based on the 2016 direct agricultural production value of \$310,132,000, Santa Clara Valley agriculture industries created a total of \$1.6 billion in economic output and contributed a total of \$830 million annually to the Santa Clara County economy. Employment on the over 1,000 plus farms (average size of 225 acres) in Santa Clara County, represents 8,100 jobs.¹³ As these farms and jobs are essential to providing a constant food source to society, they provide a constant economic counterweight to other industries that have greater boom and bust cycles.

Beyond direct economic values, a vital agricultural economy has additional ecosystems services and climate change mitigation values. A 2014 study by the Santa Clara County Open Space Authority established that in addition to the economic contributions of agricultural lands, the total value of Santa Clara County's natural capital is \$45-107 billion. Studies by Professor Louise Jackson at UC Davis found that irrigated croplands emit 70 times less greenhouse gases (GHG) than urban land of the same size. Based on the average differential (68.3 MTCO₂e/acre/year) between emissions from crop production and urban land uses in Santa Clara County, for each 1,000 acres of county farmland not converted to urban use, the annual greenhouse gas savings would be equivalent to taking 13,400 cars off the road and reducing vehicle miles traveled ("VMT") by more than 160 million miles.

In addition to the potential economic benefits described above, a connected and thriving food supply chain sector make other significant – though harder to quantify - contributions to a city and region, in terms of place-making, public health, environmental benefits and cultural vitality.

Next Steps

The next step is to conduct an in-depth feasibility analysis for developing a dedicated San Jose Wholesale Food Center that will meet the needs of existing, and potentially new, food wholesalers, processors, and specialty food producers as well as local farmers, while improving agricultural vitality and economic health. This Phase 2 project will analyze promising sites and financial models and identify best options; outcomes will include a high-level business plan ready for implementation.

As part of this work, the team of SAGE and BAE Urban Economics expects to:

- Continue efforts to engage interested businesses in refining the Wholesale Food Center concept and associated cost and subsidy requirements
- Continue to engage City of San Jose and Santa Clara County in discussions about synergies with sustainability and resilience initiatives, as well as in explorations about potential to utilize publicly-owned property as the project site; and to
- Continue to engage local food system stakeholders in efforts to identify an organization or developer who would be willing to function as master developer for the project
- Continue to engage local charitable foundations to identify potentially viable local sources of funding.
- Continue to engage U.S.D.A., the U.S. Economic Development Administration, and other public agencies to identify potentially viable sources of subsidy.
- If resources are available, analyze food wholesale and distribution sector trends in general and in the Bay Area in particular, in order to provide a context for a facility that is projected to last for many decades.

The team is in the process of securing funding in the amount of ~\$125,000 to produce this in-depth analysis.

Appendix A: Industrial Real Estate Market Conditions Memo (Fall 2017)

Overview

The purpose of this memo is to provide an update on research to date on the availability of sites in San Jose to accommodate the proposed wholesale food district. For purposes of the initial research, SAGE and BAE utilized the following site criteria: a site that can accommodate roughly 150,000 square feet of warehouse type space, set up for multiple tenants with space needs from several thousand square feet up to 50,000+. The expectation is that the facility would be approximately 25 to 30% refrigerated, ideally with 40 to 45 truck docks, plus about 45 truck parking spaces, and about 95 additional car/van parking spaces. The ideal location will accommodate 24-hour truck operations, with good access to the freeway network. At this stage of the study, we are considering vacant land where such facilities could be developed, as well as existing buildings for-sale or for-lease that could be developed to meet the above requirements.

Industrial Real Estate Broker Outreach and Consultations

Through consultations with staff from the City of San Jose Office of Economic Development and other existing contacts, SAGE and BAE identified five senior executives from major Silicon Valley/East Bay commercial real estate brokerage who are active in the industrial real estate sector for initial consultations, as follows:

- Jack Lewis, Senior Managing Director, Newmark Cornish & Carey
- Jason Ovadia, Managing Director, Jones Lang LaSalle
- Mark Christerson, Senior Vice President, CB Richard Ellis
- David Mein, Executive Vice President, Colliers International
- Allen Valdellon, Vice President, Transwestern

BAE made contact with each of the above brokers and, as of this date, received real estate listing data from three of the five, and conducted interviews with three of the five. Two additional interviews are pending.

Overall Availability

The general feedback from the brokers briefed on this project was that although the industrial real estate inventory in San Jose is very tight, focusing on warehouse type properties in industrial zones there are currently a number of properties available that might work for the proposed project. Recognizing that properties currently on the market are not likely to be available at the time that a project to develop the wholesale food district is ready to kick off, BAE also inquired as to whether the existing available inventory was representative of what might be expected to be available during the next one to two years. Brokers generally responded that they expect turnover in existing buildings will continue to occur, albeit at relatively low levels. There are also some proposed new warehouse projects that are expected to be ready for occupancy in the next one to two years.

Cost of Space

Most of the available property listings furnished by the brokers that are potentially suitable for a wholesale food district are existing or proposed buildings for-lease. There are limited numbers of industrial buildings for sale, and also limited numbers of vacant industrial land parcels available for sale.

The lease cost for existing buildings that suitable appear generally suitable for the wholesale food district varies according to quality of building and location. Newer warehouse buildings located near downtown or in North San Jose tend to be offered at lease rates of approximately \$1.00 per square foot, monthly, on a triple net (NNN) basis, meaning that in addition to the monthly lease rate, the tenant is responsible for most of the building operating expenses, including taxes, insurance, and utilities. Monthly triple net charges range around \$0.25 per square foot. Older buildings, and/or buildings located in South San Jose can be less expensive, with lease rates down to around \$0.70 per square foot (NNN).

Preliminary Conclusions

The information collected so far indicates that although it would be a challenge to secure an ideal property to develop a wholesale food district, depending on timing there are likely to be properties available which could work, given some flexibility in the project's needs. Brokers interviewed for this study expressed more concern with issues such as the availability of financing for the project and the credit ratings of tenants that would occupy leased space and how the latter might influence the lease rates that building owners might be able to offer.

Costs for shell properties currently offered for lease appear to be on the high side of the range that businesses expressing interest in occupying space in a wholesale food district have indicated as their target lease rates. It should be acknowledged that triple net charges and additional costs for buildout of warehouse space to individual tenants' specifications may push overall occupancy costs beyond these businesses' budgets. This is not unexpected, and is presumably one reason that these businesses have not already secured long-term tenure arrangements for their operations. If this feasibility study progresses to subsequent stages, it is intended that the work will include analysis of opportunities to structure the project so that it can access different forms of subsidy to lower the cost of occupancy to a level that will be affordable to the wholesale food businesses.

Additional Contacts to Be Interviewed

In addition to following through with pending broker interviews mentioned above, the completed broker interviews also yielded several additional contacts for follow-up. One is a major Silicon Valley developer and property owner. This contact may be able to provide valuable input regarding the practicality of developing a project to accommodate the wholesale food district and/or may represent a potential project partner. The second is a contractor who specializes in buildout of refrigerated warehouse space. This individual should be able to provide valuable information regarding the cost to develop refrigerated space inside a warehouse "shell" building. The third is a developer who owns a large portfolio of cold storage space in the Bay Area market. This contact may have space suitable for a wholesale food

district project, and may also represent a potential master developer for a project like the wholesale food district, either using currently owned space, or developing new space.

Next Steps

The next steps for BAE's work will depend upon funding availability. This section considers two potential scenarios. The first assumes no additional funding beyond that which is already secured. The second assumes that additional funding would be awarded as requested in the USDA grant application. With no additional funding, BAE proposes that the SAGE team complete limited additional research, conduct limited outreach to potential development partners, and prepare a "white paper" to document and summarize the information collected to date. This white paper could also outline future implementation steps that should be undertaken to advance the wholesale food district project, possibly in conjunction with a development partner, if interest is identified. If the requested USDA funding is secured, BAE recommends that the SAGE team continue with the scope of work outlined in the USDA application, with the objective of completing the feasibility analysis, refining the development concept, defining the preferred development and operating model, and identifying the resources necessary to support project implementation, including funding needs.

Appendix B: Examples of Other Wholesale Food Districts

The SAGE team conducted interviews and online research on twelve wholesale food markets across the country as part of its Preliminary Wholesale Food Market Assessment in 2016. For this report, the team conducted personal outreach to fourteen wholesale markets, including most of those researched earlier, with the aim of finding out more about market operations and financials. General information was fairly readily available. For example, quite a few markets contacted were developed or redeveloped with the financial assistance of cities, and frequently a city retains ownership, even if market is managed by other entity. However, most markets were unwilling to share information about their finances and operations. Table A below gives a general overview for 16 leading wholesale markets.

Table A. Baseline Data for Leading U.S. Wholesale Markets

Company	Location	Ownership	# of businesses	Buildings (sq. ft.)	Site (acres)	# of employees	Annual Sales
Chicago International Produce Market	Chicago, IL	Condominium Association	20+		14		\$1.4 billion+
Eastern Market	Detroit, MI	Eastern Market Development Corporation (non-profit)	42		14	1,300	\$1.4 billion+
Golden Gate Produce Terminal	South San Fran., CA	privately-owned	26		17	475	
Hunts Point Food Distribution Complex							
Hunts Point Produce Market	New York, NY	New York City Economic Development Corporation	35	1 million +	112.5	10,000	\$2.3 billion
Hunts Point Cooperative Meat Market	New York, NY	Hunts Point Cooperative Market, Inc.	52	1 million +	60	2,400	
New Fulton Fish Market	New York, NY	New Fulton Fish Market Cooperative	29	400,000			
Wholesale Green Market	New York, NY	GrowNYC		120,000		245	
Los Angeles Wholesale Produce Market	Los Angeles, CA	LLC	40		30		
Maryland Food Center	Jessup, MD	Maryland Food Center Authority	27				
McAllen Produce Terminal Market	Detroit, TX	Abasto Corporation	90	300,000	42		
New England Produce Center	Chelsea, MA	privately-owned	40+	297,000	35.5	1,000+	
Philadelphia Wholesale Produce Market	Philadelphia, PA	Philadelphia Regional Port Authority	24	652,000	62		\$1 billion+
Pike Place Market	Seattle, WA	Pike Place Market Preservation & Development Authority			9		
San Antonio Wholesale Produce Market	San Antonio, TX	Abasto Properties, LLC					
San Francisco Wholesale Produce Market	San Francisco, CA	San Francisco Market Corporation (nonprofit)	26	400,000	25		
St. Louis Produce Market	St. Louis, MO		25+	280,000	35	1,200	\$100 million

Chicago International Produce Market, Chicago, IL

The Chicago International Produce Market (CIPM) is a state-of-the-art terminal produce market and one of the few terminal produce markets left in America. It is the largest facility of its kind in the Northwestern U.S., with 22 different wholesale produce merchants and delivery/cartage services on a 26-acre site. CIPM is a wholesale-only organization. Merchants sell to distributors, jobbers, and directly to stores, manufacturers, government agencies and others. To purchase products from CIPM merchants, buyers need a valid Illinois tax ID. The market is located on the near southwest side of Chicago, just north of the South Branch of the Chicago River, between Chicago's Pilsen and McKinley Park neighborhoods. In 2003, the Chicago Planning Commission granted its approval for the new site in order to replace the smaller and congested South Water Market. It was developed by CenterPoint Properties and is now governed by Chicago International Produce Market Condominium Association.

[Eastern Market, Detroit, MI](#)

Eastern Market first opened in Downtown Detroit in 1841 and has expanded over time into a complex of five huge market sheds on a 17-acre site. Although the market is in the largest historic public market district in the U.S., the market itself is operated by the private sector though a public-private partnership with the Eastern Market Development Corporation (EMDC). EMDC also engages in commercial and mixed-use (mixed-income housing, retail, industrial) development projects in collaboration with private and philanthropic partners.

The Eastern Market wholesale retailers include 42 wholesale businesses, distributed among the five sheds of Eastern Market's retail space. These businesses sell products including meats, seafood, produce, coffees and teas, spices, beverages, nuts, and mushrooms. Many of these wholesalers have been around for decades, such as Germack Pistachio Co. (1920s) and Wolverine Packing Co. (1930s). The GROW Eastern Market (GEM), which markets itself as "Detroit's Locavore Wholesale Connection," is a for-profit wholesale business – in effect a food hub - that focuses on connecting small-scale regional growers and suppliers with wholesale buyers. GROW coordinates and manages orders between producers and buyers.

The retail component features a wide variety of produce, meat, spice and other products. It is particularly busy on Saturdays, when farmers bring in their poultry and livestock products, along with fresh produce for sale. Eastern Market hosts vendors of various craft and art products at its onsite location and also hosts offsite markets that include the Detroit Market Garden, a pilot program to close the gap between farm and market, Gratiot Central Market, a specialty meat and cheese market a few blocks from Eastern Market, and Detroit Community Markets scattered across Detroit. Along with offsite markets, Eastern Market also runs multiple community programs including Tasting Stations, a community kitchen, "Ways to Pay" and a Food and Health Fellowship.

[Golden Gate Produce Terminal, South San Francisco, CA](#)

The Golden Gate Produce Market is the largest and busiest produce terminal in Northern California. Located in South Francisco near the San Francisco Airport, it was built around the same time as the San Francisco Wholesale Produce Market by produce businesses that wanted a privately held market when they moved from the Embarcadero location. Today it houses about twenty-six produce businesses, some of which are shareholders in the Produce Terminal. Tenants pay around \$5,000 per month for a 2,500 square foot stall.

The Market provides the highest-quality fruits, vegetables and specialty produce to more than 15 million people in Northern California. The Market specializes in providing product to a wide range of demographics, including Caucasian, Asian, Latino, India and Middle Eastern consumers. The 742,000-square foot facility in South San Francisco currently employs 475 workers. More than 15 million packages move through the Market each year. In 2017, the Market announced the completion of a major upgrade to the facility that included a series of infrastructure, environmental, food safety and traffic improvements. The enhancements include installation of solar panels for the entire market, energy efficiency upgrades, improved cold chain food storage management and worker safety systems, as well as smoother traffic flow within the facility.

Hunts Point Food Distribution Center

The Hunts Point Food Distribution Center, Hunt's Point, New York, is currently comprised of four markets: Hunts Point Terminal Produce Market, Hunts Point Cooperative Market, New Fulton Fish Market, and Wholesale Green Market. The New York City Economic Development Corporation owns and manages the 329 acres of property on which the food distribution center sits. Over 115 firms operate at the center, which employs over 10,000 workers.

Hunts Point Terminal Market

Hunts Point Terminal Market (HPTM) is located in the Hunts Point region of Bronx, New York and is the largest wholesale produce market in the world with 113 acres of property with 1 million square feet of interior space. HPTM offers a diverse selection of fruits and vegetables from around the world and receives its produce daily by plane, boat, and tractor trailer from 49 states and 55 countries. Open five days a week, 24 hours a day, HPTM provides produce to a variety of vendors including New York City bodegas, upscale restaurants, restaurant suppliers, secondary wholesalers and individual customers. HPTM generates \$2.4 billion in sales annually, employs 10,000 people and handles 210 million packages of fruits and vegetables per year. At the end of each day, HPTM donates their remaining food to community organizations that work with underserved segments of the community including the Food Bank of New York City and City Harvest.

Hunts Point Cooperative Meat Market, Inc.

First opened in 1974, The Hunts Point Cooperative Market Inc. is a 60-acre facility with seven buildings under a long-term lease with the City of New York in the Hunts Point section of the Bronx. Its member shareholders and other tenants, all of which are primarily involved in the process and distribution of meat and meat products in the tri-state area, also maintain national distribution channels. Governed by the USDA, the facility is the largest of its kind in the world and is the major distribution hub for the New York City metro area. Customers of the market include large chain store supermarkets, most top restaurants in the tri-state area, hotels, and country clubs, as well as large and mom and pop butcher shops up and down the east coast. The Cooperative consists of 52 companies that process and distribute meat and meat products, with approximately 2,400 employees. The Cooperative maintains approximately one million square feet of refrigerated space. Each business that joins is part of the Cooperative, which is governed by a Board made up of members of several companies who sell at the market.

New Fulton Fish Market

In 2005, this privately operated wholesale fish market – the oldest in the U.S. - moved from Manhattan to the Hunts Point Food Distribution Center. New York City spent \$86 million to build the indoor, fully refrigerated HACCP facility. The 400,000 square foot facility includes ample refrigeration space, loading docks, and executive office space.

Up to 60% of the fresh fish received are wild-caught from the East Coast between Maine and Florida, while the rest come from farms and fisheries within and outside the US. The market offers 100 to 300 types of fish, including fresh fish, frozen seafood, salted seafood, and smoked fish. A small amount of processing, mostly filleting, occurs on site at the market. The Market houses 37 seafood wholesale businesses operate on the 33 acres of the market.

Wholesale Green Market

The Wholesale Greenmarket is New York City's only open-air wholesale farmers' market. Located in Hunts Point, Wholesale Greenmarket offers over 100 local and regional farm-fresh products including fruits, vegetables, herbs, plants, and flowers at competitive wholesale prices and quantities. The majority of the products at the Wholesale Greenmarket are harvested less than 24 hours before being sold. Wholesale Greenmarket vendors grow their own produce and sell direct to NYC buyers. Straight from the farm each morning, their products travel a very short distance ensuring premium quality, and greater food safety and traceability. For the past several years, the market has been operating in a much smaller 5,000 square foot rented facility. Planned as a state-of-the-art food hub for the City, the new Wholesale Greenmarket has 120,000 square feet of indoor/outdoor space.

McAllen Produce Market, Detroit, TX

McAllen Produce Terminal Market is the only company in the Rio Grande Valley of Texas which offers service in modules from 1,400 ft² to 20,000 ft² in leasing contracts from 90 days and other terms. They currently have renters who export to Mexico as well as to the north of the U.S. Clients operate different lines of business, with an accentuated tendency of 80% specializing in perishables like fruits and vegetables, while the remaining 20% in other lines of business such as textiles, electronics, and custom agencies. They have consolidated a high flow of loyal buyers from prestigious companies originating from cities such as Houston, San Antonio, Dallas, Austin, Laredo, Raymondville, Corpus Christi, Brownsville and Harlingen.

The Market functions as an incubator for new growers; if businesses do well, they can grow into other units. Today, the market is at 100% capacity, despite the area's reduced growing status. The market wholesalers used to be in the third leading growing area in the states, now the area ranks 13th or 14th.

New England Produce Center, Chelsea, MA

The primary objective of the New England Produce Center is to supply the highest quality fresh fruits and vegetables; and agriculturally related items, to wholesalers, retailers and food service customers serving the more than eight million people located in an area bounded by Connecticut in the South, to the Canadian border in the North, and all the Maritime Provinces of Canada in the East, to Albany, New York in the West. Developed in 1966, the Center currently has 40 distributors and 128 store units. Served by CSX railroad, freight and trailer trucks deliver thousands of product loads each year. To support this large scale operation, the Center employs over one thousand people from local communities; and works closely with

local officials supporting various initiatives. It is the largest privately owned terminal market in the country. The organization of the Center is unique in the industry, comprised of an eleven member Board of Directors made up entirely of tenants, who elect the officers of the Center annually.

[Philadelphia Wholesale Produce Market, Philadelphia, PA](#)

The Philadelphia Wholesale Produce Market (PWPM) opened June 5, 2011 as the world's largest fully-enclosed, fully-refrigerated wholesale produce terminal. The facility's main building is one-quarter of a mile long and 686,000 square feet — bigger than 14 football fields. Its most distinguishing operational benefit is cold-chain protection for fresh fruits and vegetables, which assures freshness, food safety, quality and maximizes shelf life. PWPM is open to the public. For a nominal fee, anyone is welcome to enter and purchase produce by the carton from the market's 24 independent produce distributors. The merchants carry a full line of fruits and vegetables and serve all types of foodservice and grocery businesses. Customers range from Florida to Canada. Most come from within a 150-mile radius of Philadelphia. PWPM receives and sells hundreds of truckloads of fresh produce on a weekly basis, leading to cumulative annual sales of one billion dollars.

[Pike's Place, Seattle, WA](#)

Pike Place Market is a historic farmers' market established in 1971 in the heart of Seattle's downtown. In addition to preserving the historic buildings and character of the nine-acre historic district and serving as a supporter of farmers, artisans and small businesses, the Pike Place Market was chartered by the City of Seattle in 1973 to provide services and affordable housing for low-income individuals. The market offers a large farmers' market that includes dairy, produce, meats and fish, honey, and flower merchants in addition to a crafts market, specialty food, restaurants, retail shops and services like hairdressers and photographers. Many merchants in the farmers' market do wholesale produce, flowers, and delivery. Pike Place itself does wholesale flowers. In addition, there are community spaces to rent for events. The Market is governed by the Pike Place Market Preservation and Development Authority, a non-profit, public corporation.

[San Antonio Wholesale Produce Market](#)

San Antonio Wholesale Produce Market (SAWPM) is a privately-held warehouse complex in South San Antonio, close to the Mexican border and next to the markets of the San Antonio, Houston and Austin metropolitan areas. It lies adjacent to main highways like I-37 that facilitate the transportation of products between Mexico and the northern and east coast U.S. markets. The 80-acre site holds a total of 200 warehouses in which each warehouse unit is 3,100 square feet with an additional 900 square foot mezzanine for offices. The warehouse units also have a 450 square foot dock, cold rooms that can hold up to 156 pallets (about seven truck loads) and vehicle parking for both general visitors and trucks. SAWPM was built by Abasto Properties LLC, sister company to Abasto Corporation, which has built and operated five wholesale markets in Mexico and South Texas since 1983, including the McAllen Produce Terminal. Abasto has three rollout phases to fill its eight buildings and is currently wrapping up phase one as it fills Buildings A and B.

[San Francisco Wholesale Produce Market, San Francisco, CA](#)

The San Francisco Wholesale Produce Market, recently rebranded as SF Market in 2018, is home to over 30 produce businesses offering a variety of produce products. Many of these businesses have been in operation for over 50 years. Several businesses, however, are newer like Good Eggs and Grub Market, online grocery delivery merchants that often have a different employee base, customer base, and operating model than other market merchants despite fundamentally doing the same thing: distributing food.

Originally developed in the 1960s, a new lease was signed in 2013. The Market then became a nonprofit, allowing for some benefits including diversified funding, which will be increasingly important as the market grows and sustains itself in the next 25 years. Along with this new lease came a reinvestment plan, which had its first phase recently completed with a new building. The new building is already at 100% occupancy and provides over 200 jobs. The next phases of reinvestment include improvements to existing infrastructure, expanding road networks, and constructing additional buildings, which will be added in future phases based on needs at the time, allowing for flexibility. When negotiating the new lease, cooperative models were considered, but the multi-tenant model was retained due to the needs and capacity of merchants. The Market is developing a mission-driven program that is supportive of farmers, work force development, and food recovery.

[St. Louis Produce Market, St. Louis, MO](#)

Original development began in 1949 and was financed by St. Louis Fruit and Produce Association. The market has 98 units total with 2,000 square feet of floor space within each unit. 97 units are independently owned, and the 98th unit contains market management offices. Each unit pays \$950/month rental fee; fee pays for upkeep of building, security, maintenance. First floor contains space rented to the United States Department of Agriculture which maintains an office for statistical data collection and inspection services for incoming produce.

The Market operators provide produce for an area 350 miles around St. Louis, to 4.5 million people, servicing supermarkets, restaurants, hospitals, hotels, schools, nursing homes, convenience stores, farmer markets, and roadside produce stands. Produce arrives by 14,000 tractor trailers, and rail cars, twenty-four hours a day, seven days a week, from 49 states and more than 76 foreign countries.