



# Novogradac Journal of Tax Credits

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## NMTCs Feed Expansion of Grocery Store in Massachusetts 'Food Desert'

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**V**icente's Tropical Grocery is a family-owned, full-service grocery store focusing on providing Cape Verdean foods in Brockton, Mass., 25 miles south of Boston. The business has been a staple in the downtown area for more than two decades and because of the overwhelming success of the first 18,000-square-foot store, the family decided to open a second, 33,000-square-foot, grocery store in Brockton. The new Vicente's Tropical Grocery was financed using new markets tax credits (NMTCs).

"As in any business, you are always looking to grow," said Jason Barbosa, president of Vicente's Tropical Grocery. "We also asked ourselves what is the best way to serve the community. And when this opportunity came up, we took advantage of it." Barbosa said this was a good site because it is located in a "very high-density area" with good foot traffic.

The new Vicente's Tropical Grocery store took over a 5-acre, blighted lot and the store itself replaced a former grocery store that sat vacant for the past 20 years. The new store provides healthy food choices to residents living in an underserved neighborhood of Brockton that is designated a "food desert," said David Ennis, president of Affirmative Investments Inc., the development and financial consultant to the sponsor.

Because Vicente's Tropical Grocery is located in a city with a large immigrant population, the store has a unique

supply of food, including food and fresh produce used in traditional Hispanic, Haitian, Portuguese and Caribbean meals. "They import produce from all over the world," said Ennis. He said the large produce section has various types of plantains, sugar cane, mangos, squash, rice and much more. "We bring in specialty items that you can't find anywhere else," said Barbosa. "We are able to fill a void in the community." In addition to the large produce department, the store also features a "value" aisle where customers can find discounted items, a meat and fish department with a butcher's station, as well as a dairy section, frozen section, beer and wine section, bakery and a deli with a takeout kitchen.

Ennis said the new store was built with energy-efficiency in mind. First, the development has tight building envelopes so that no heat or air conditioning is wasted, said Ennis. Also, high-quality, energy-efficient HVAC and electrical systems were installed. And, Energy Star-rated appliances and LED lightbulbs are used throughout the store.

Not only does this development bring healthy foods to the area, it also created a number of jobs. During construction Ennis estimated that 60 construction jobs were created. In addition, nearly 100 full-time jobs were created at the store. Vicente's Tropical Grocery opened for business June 25. "The community has been very receptive. Our grand opening was packed," Ennis said. "I think people here are excited that this investment is going into this part of Brockton," which Ennis called the "gateway to downtown."

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"[The reception] has been great. The neighborhood loves it and appreciates it. And they are very loyal," said Barbosa. "We are very happy with the results."

### Local Partnership

Also being developed on the 5-acre lot is a new facility for the Brockton Neighborhood Health Center, which is a federally qualified health center that will offer adult primary care, according to Massachusetts Housing Investment Corporation (MHIC), which provided a portion of the NMTC allocation for Vicente's. Ennis said that bringing in the health center helped the grocery store pay for the acquisition financing of the 5-acre lot. The 14,000-square-foot health center will have nine doctors on-site, Ennis said. While these are separate entities, Vicente's and the health center will engage in joint programming and collaboration for healthy eating and nutrition, with a test kitchen and cooking classes using Vicente's foods at the new store, according to MHIC. "Our mission is to bring wellness to the community, to help them make healthy eating choices and differentiate what

is good or bad for you," said Barbosa. For those reasons, Barbosa said it is great to partner with the health center.

### NMTCs Finance Grocery Store

To finance the construction of their second grocery store, Barbosa and his family used NMTCs. Two community development entities (CDEs) provided NMTC allocations: MHIC provided a \$10.5 million NMTC allocation and Chase provided a \$2 million allocation. "There were so many important economic benefits," Deborah Favreau, chief development officer at MHIC, said about the full-service grocery store. Favreau also said it was an important addition to the neighborhood because this area of Brockton has low median household incomes and high unemployment rates. Favreau said that when the store had a job fair, 800 people applied for positions at the grocery store. Favreau also said that MHIC has been heavily involved in affordable housing and community development in the Brockton area.

Chase invested in its own allocation of NMTCs in addition to MHIC's allocation, providing \$4.2 million

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Image: Courtesy of Affirmative Investments

The development of the Vicente's Tropical Grocery was financed through new markets tax credits.



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in NMTC equity. “Vicente’s Tropical Grocery is located in a food desert in an area of Brockton that has not seen a commercial development for some time,” said Shawn Larson, credit executive at Chase. “Jason Barbosa and the Vicente’s team had a proven track record of providing fresh foods at their original location, but this was an ambitious step to open a second store that would be double in size.” For that reason, Larson said “the new markets tax credit was an ideal tool to ensure the new store would start off on firm footing and will be poised for success.” Larson said that this was an attractive investment for Chase because of the bank’s relationship with Affirmative Investments, MHIC and the lending team, which helped to facilitate a smooth construction loan closing.

“Securing financing was challenging to say the least,” said Ennis. “This is such a perfect deal for the NMTC. The lenders are all CDFIs who are committed to building grocery stores in low-income neighborhoods.”

Three organizations—Boston Community Loan Fund (BCLF), The Reinvestment Fund (TRF) and Local Initiatives Support Corporation (LISC)—worked together on providing an \$8.36 million upper-tier leverage loan. “The collaboration between the grocery store and health center helps improve the quality of life for low-

income residents,” said Amy Gillman, national program director for community health at LISC. LISC’s portion of the leverage loan was \$3.6 million. BCLF provided \$2.9 million of the upper-tier leverage loan while TRF provided \$1.8 million.

BCLF and TRF also provided acquisition financing to the development, with BCLF providing a \$2.97 million acquisition loan and TRF providing a \$2.32 million acquisition loan. “The symbiotic relationship between the grocery store and the health center is a major benefit for the community,” said Christina Szczepanski, managing director of structured finance and director of portfolio management at TRF. Szczepanski said that another benefit was the number of jobs being created by the grocery store that provide good wages and an opportunity for advancement.

“Commercial development is a key driver of revitalization in distressed urban centers,” said Michelle Volpe, president, BCLF. She called the completion of the new store a “huge home run for the city of Brockton.”

The development also received \$867,000 in owner equity along with a \$740,000 office of community services grant. ❖

### Vicente’s Tropical Grocery FINANCING

- \$10.5 million NMTC allocation from MHIC
- \$8.3 million upper-tier leverage loan from three lenders
  - ◊ \$3.6 million from LISC
  - ◊ \$2.9 million from BCLF
  - ◊ \$1.8 million from TRF
- \$4.2 million NMTC equity investment from Chase
- \$2.97 million acquisition loan from BCLF
- \$2.3 million acquisition loan from TRF
- \$2 million NMTC allocation from Chase
- \$867,000 in owner equity
- \$740,000 office of community services grant

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