



To: Sarina Trethewey, Capital Impact Partners

From: Food Works Group

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Subject: Algonquin Grocery Feasibility Study

INTRODUCTION

In 1998, Indian Head's grocery store of 40 years, Super Fresh Food Market, closed its doors as a result of a company-wide restructuring which caused 127 stores within the chain to shut down.¹ In the 24 years since, there have been efforts to bring new grocers to town which have failed for a variety of reasons. Past larger grocery chains believed they could not be sustained by the relatively small population in a town located on a peninsula, with limited opportunities for expansion and land development.

Despite steady population increases since 1998, this dynamic has continued to the present day; potential distributors essentially refused to enter conversations with Marilyn Steele (the Operator of Oasis Fresh Foods Market) until blueprints for the project surpassed 5,000 square feet. Now, the Operator and other contributors to the project see their currently allocated 5,100 square feet as an appropriate store size to serve the growing local consumer base.

Project [supporters](#) run the gamut from local non-profit organizations, businesses, and food producers, to members of the federal government. Oasis stands out from previous grocery initiatives because a wide array of stakeholders have dedicated time and resources to the project. Despite the mostly overwhelming support, there has also been some skepticism from locals. This has been described as a jadedness born from previously failed efforts to bring a source of fresh produce to town and in more specific cases as a conflict of interest with potential competitors, namely the Dollar General which had previously expressed a desire to stock fresh produce, though this never came to fruition.² Despite the few skeptical perspectives, overall the work that the Operator, Advisory Council, and other contributors have done thus far to push this project forward has been abundantly clear throughout Food Works Group's (FWG's) research process.

¹ [Indian Head Will Lose its Only Grocery Store](#) - Washington Post, December 31, 1998

² [Indian Head Town Council Meeting Minutes](#) - March 7th, 2022

While the Oasis is the primary focus of this research, it is important to note that The Algonquin building is a mixed-use development. The first floor is predominantly dedicated to commercial use: the grocery store would share this footprint with Papaleo's ice cream parlor, as well as a single, wheelchair accessible apartment. The second floor of the building is fully dedicated to workforce housing and will contain six additional units, for a total of seven potential households located on site.³

The following memo details the feasibility of project plans for The Algonquin, and more specifically Oasis Fresh Foods Market, to inform Capital Impact Partners' (CIP's) \$1.25M loan underwriting process. The subsequent sections outline research methods, the local landscape, customer base profiling, and best practice recommendations. The report concludes with a summary of financial viability as well as potential avenues of future partnership and exploration.

³ Of these housing units, there will be four one-bedrooms and three two-bedrooms. It is intended to be workforce housing that is more affordable than nearby developments.



METHODOLOGY

FWG conducted extensive desk research starting from documentation provided by CIP and extended to include additional resources, many of which were obtained directly from stakeholders and will be linked throughout the report.

In addition to desk research, we also engaged in direct correspondence and interviews with four key stakeholders, including:

1. Marilyn Steele - Sponsor of the potential CIP Loan, Operator of the Oasis
2. Pam Frank - Executive Director of the [Charles County Military Alliance Council](#) and lifelong Indian Head resident
3. Sandy Washington - Chief Executive Officer of [LifeStyles of Maryland](#)
4. Marissa Ackerman - Indian Head Elementary School Community School Coordinator

Our conversations with these stakeholders filled gaps in the desk research/data with anecdotes regarding past grocery store initiatives in the town, history of the Oasis project, local food insecurity and poverty, community attitudes and responses, and consumption norms of both Indian Head and Naval Support Facility (NSF) residents.

Finally, our investigation concluded with a day-long site visit to round out our understanding of the building site, various community landmarks, and existing local sources of food. On this visit, which was guided by Marilyn Steele, our team received a tour of the following:

- The Algonquin – Interior and exterior of the property with details on current building structure; planned remodeling and demolition; and division of space between Oasis Fresh Foods Market, Papaleo’s Ice Cream, residential housing, parking lot, and community garden.
- The NSF - Residences and existing food sources, including the Galley and Navy Exchange (an on-base convenience store).
- Residential Areas - Existing workforce housing, in-progress Anchor Point Townhouse developments, Potomac Heights Cooperative housing.
- Education and Recreation - Local parks, schools, and the Senior Center.

Our team also independently visited the local Food Lion, Dollar General, and Dollar Tree to gain further context on local food offerings and pricing.

LANDSCAPE

In recent years, Indian Head has experienced development in many forms. Locals view the town as a growing community where investment by both residents and the local government continues to enhance its popularity as a destination to live and visit. Outside of food access, widely supported local initiatives focus on a variety of causes, from internet access to beautification. The few remaining dilapidated buildings are at the forefront of community politics as the local government negotiates with property owners. Clarity Coffee House and Pentagon Suites are two of many recent updates by Bolans-Darby Partners Inc. to Indian Head Highway properties in the center of town, both within 500 feet of the Algonquin. Finally, the Indian Head Riverwatch Upland and Riverwalk⁴, which just opened in May 2022, spans 10 acres of woodland along the Potomac and is a draw for out-of-town visitors and residents alike. It is clear that Indian Head prioritizes town investment and development, yet there is still no source of fresh foods within the town limits.

Existing Food Sources

Within a 10-minute driving radius of The Algonquin property, there are eight fast food chain establishments, three takeout restaurants, three coffee shops/bakeries, and five diner/pub style restaurants. Very few of these food establishments offer fresh and healthy options. Additionally, there are two Dollar Stores (Dollar General and Dollar Tree) within a mile of The Algonquin along Indian Head Highway. Each store offers a variety of non-perishable food items, including canned food, dressings, baking supplies, and snack foods, the vast majority of which are priced at \$1.25. However, they lack fresh produce. Currently, the closest source of fresh food is the Food Lion in Bryans Road, Maryland, just over six miles from The Algonquin.⁵ While it boasts the wide array of offerings to be expected from a major chain grocery store, it is inaccessible to Indian Head residents without personal vehicles.

Transportation

Most Indian Head residents and NSF employees rely on personal vehicles for transportation around the area. While there are some food access workarounds for those who lack vehicles, such as a grocery delivery program through the Indian Head Senior Center and [food pantry resources](#), these do not offer the same level of stability and choice autonomy that a local grocery store could. Minimal public transportation does exist through a service called VanGo, which is predominantly relied upon by seniors in Indian Head that require transportation to and from medical appointments and the Food Lion. FWG was told by

⁴ One recently opened development is the [Indian Head Riverwatch Upland and Riverwalk](#).

⁵ The FWG site visit to Indian Head corroborates that there is a minimal selection of locally grown and produced goods.

multiple stakeholders, however, that with wait times of up to 60 minutes VanGo does not run frequently enough to serve the community well.⁶

⁶ Most up to date available [Indian Head VanGo Schedule](#). Drivers are unable to enter the NSF for security reasons, making service suboptimal for NSF employees and residents.

CUSTOMER BASE

As of 2020, roughly 5,700 residents (2,180 households) lived within a five minute drive of Indian Head, and 8,100 residents (2,955 households) lived within a 10-minute drive.⁷ To help capture potential customers in residential communities, the Operator has been in contact with the developers of the new Anchor Point residences located just across the street from The Algonquin. This development contains 240 three bedroom homes, 90% of which have already been sold prior to construction completion. The developers have agreed to include promotional materials for the Oasis in their welcome packets to new residents.

In addition, Indian Head Elementary School and Charlie Wright Memorial Park are both across the street, within walking distance of The Algonquin and are expected to contribute significantly to Papaleo's Ice Cream sales. School employees, parents chaperoning children to school, and events are expected to drive in-store foot traffic as well. The Operator has made clear her plans to operate 9am to 9pm on weekdays and have open hours on weekends to capture as much of this customer base as possible.

The NSF, which is just four blocks west of the Algonquin, employs almost 4,000 people and is the largest employer in Charles County.⁸ NSF employees make up a significant portion of the residents in Indian Head and Charles County at large, thus contributing significantly to the consumer preferences therein. The majority of these employees live off base: 528 live in Indian Head and 1,254 live in the greater Charles County area.⁹ Almost all use personal vehicles to get to work, which contributes significantly to traffic along the main corridor of Indian Head Highway. Like many workplaces in the wake of the COVID-19 public health emergency, the Navy personnel employed by NSF Indian Head have adopted a hybrid work schedule. Currently, around 50% of employees are going into work, and 50% are working remotely.¹⁰ As returning to work becomes a safer option for these individuals, more traffic will flow through Indian Head, thus increasing customer opportunity for Oasis.

Pam Frank, the Executive Director of the Military Alliance Council, described how NSF employees have been demanding access to fresh foods for many years. Unlike other bases, this one does not have a commissary that centralizes access to food and supplies, so the NSF does not currently have a pipeline of fresh food products that meet this vocalized demand.

⁷ [Indian Head MD 5-10-15 Minute Demographic Data](#)

⁸ Per [Charles County Website Major Employers](#), the NSF employs 100 more employees than the Charles County Board of Education, and has over double the number of employees than the Charles County government.

⁹ [NSF Indian Head - 2021 Impact Summary](#)

¹⁰ Data points obtained from Pam Frank Interview.

FINDINGS & RECOMMENDATIONS

Product Mix

Because fresh produce has been a community demand and need for many years, the Oasis has a focus on meeting this need. The Operator expects to be highly competitive in the fresh produce market. She wants to limit the amount of non-perishable household items (toilet paper, trash bags, etc.) stocked in the store, given that there are already two Dollar stores within a 10-minute drive. Because Indian Head Pharmacy is located directly next door to The Algonquin, the Operator does not plan to stock over-the-counter medications, and has entered into a noncompete agreement with the Pharmacy's owner to formalize this commitment.¹¹

We believe Oasis's focus on fresh foods and prepared hot meals,¹² paired with limited sections for household items and non-perishable foods, is a strategic product offering mix, given local demand and competing establishments.

Facility Design

To help inform the physical layout and design of the store's interior, the Operator plans to become a member of the Independent Grocers Alliance (IGA) to access their consulting and suite of resources.¹³ FWG trusts that this consultant's expertise, informed by the Advisory Council and Operator's sensibilities as well as the findings outlined below, will result in a store layout that is right-sized to the needs of the Indian Head community.

FWG conducted desk research to identify other comparable grocery stores with similar town demographics and market competition. Our analysis included small locally-owned grocery stores across the US that focus on stocking fresh produce. We found multiple stores ranging from 3,800 to 5,000 square feet that have been successfully operating for more than a decade. These stores have each grown in gross margin between 23% and 33% in seven years.¹⁴ Based on these benchmarks, we believe the Oasis has the appropriately allocated space for their product offerings.

On the same property just south of the parking lot, plans have been developed for a community garden. This garden would be maintained by volunteers from Indian Head's

¹¹ The pharmacy owner has agreed to the Operator's plan to beautify the area surrounding The Algonquin, including the alleyway that runs adjacent to the pharmacy.

¹² They plan on offering ready-to-go meals that will be sourced externally. They will not be produced in-house, since the space will not include a commercial kitchen.

¹³ The [IGA Retailer Toolkit](#) and subscription include access to a resource center, online learning courses, and expert consultants.

¹⁴ [Keys to Success for Food Co-op Start Ups in Rural Areas](#) - USDA, 2005; while the report is over a decade old, FWG's research on modern food deserts corroborates that these main principles apply.

Senior Center and the Elementary School across the street.¹⁵ The newly-hired Community School Coordinator at the Elementary School, Marissa Ackerman, speaks highly of The Algonquin project and foresees collaboration to create practical learning opportunities for students surrounding food systems and nutrition. The Operator is still in conversation with the University of Southern Maryland to determine their level of involvement as well.¹⁶ Community partners envision the garden to be a welcoming, multigeneration space that strengthens community connections.

FWG believes the multiple facets of this project, co-located within The Algonquin and the surrounding lot, all serve to promote community buy-in for the project overall and act as potential revenue drivers for the Oasis.

Community Engagement

Since the concept for this project was brought to the community, there has been overwhelming support and buy-in. As described, the 24 year gap of no access to fresh produce within the Indian Head town limits has garnered substantial community demand. There are those who support Oasis Fresh Foods Market's mission and vision, as well as consumers who will choose to shop there out of convenience or necessity. In several case studies of comparable small grocery stores across the nation,¹⁷ research has shown that partnerships within the community are essential to long-term sustainability. So far, the Oasis has strong ties and partnerships with groups across the county. The Operator hopes to continue leveraging their partnership with the University of Southern Maryland to collaborate on food insecurity education at the grocery store. Profit sharing through a cooperative model, which is the long term plan for the Oasis, has also proven to encourage community buy-in. With respect to employment, creating a formal workforce development partnership with LifeStyles of Maryland could benefit both the community and the store by providing trained staff.

The unifying sentiment of community members and partners on this project was described succinctly by Marissa Ackerman:

I believe it will give dignity to [those in] this community who do not have the means to travel to another town for food, our most basic need as humans. I also believe this will instill healthier lifestyle options which will impact healthcare, mental health, and future generations to come.

¹⁵ The garden will contain raised beds to promote accessibility, similar to those in the smaller Senior Center garden.

¹⁶ The University has thus far agreed to supply seeds for the garden.

¹⁷ This comes from the previously cited USDA report: [Keys to Success for Food Co-op Start Ups in Rural Areas](#).

Through the Elementary School, there are already plans to launch a Needs Assessment to families, students, and teachers for further input on how to effectively use the garden space and grocery store to serve the community.

While a lot of partnerships are already in place and growing, we recommend that leaders of The Algonquin project continue to prioritize community engagement so that support remains deeply rooted. We suggest a particular focus on engaging children and their families, as they make up a significant portion of Indian Head residents and potential store patrons.¹⁸

Aside from the numerous ways to promote local demand and patronage, there are opportunities to build regional partnerships on the supply side as well. Currently the Operator is considering bringing on [B Green Wholesale](#), based in Baltimore, as their main distributor. Another Baltimore based operation, [Taharka Brothers](#),¹⁹ will be the sole supplier for Papaleo's Ice Cream. [Rootbound Farm](#) has been cited as one source of fresh produce as well as a potential supplier of kimchi. FWG recommends exploring additional partnerships with farmers markets in the greater Charles County area, such as La Plata Farmers Market, Waldorf Farmers Market, and Billingsley Farms, which are all within 16 miles of Indian Head. This would help spread the word about Oasis Fresh Foods Market, and could help bring in more support in the form of both customers and local food suppliers.

¹⁸ Per [Indian Head MD 5-10-15 Minute Demographic Data](#), as of 2020, 40.6% of households within a five minute drive of The Algonquin had at least one child.

¹⁹ Employee-owned small batch ice cream company.

FINANCIAL ANALYSIS

To assess financial viability, FWG reviewed the funding sources supporting this project. Thus far, dedicated funding comes from an impressively diverse pool of funders that range in both size and proximity. For example, \$2k was donated on behalf of [BRIDGE Church](#),²⁰ \$375,000 in grants was awarded by the Indian Head Town Council,²¹ and \$725,000 has been congressionally earmarked. The Operator continues to pursue funding opportunities in a systematic manner, and is transparently documenting the likelihood of obtaining them.²² FWG believes this forethought and methodology will positively contribute to the financial sustainability of the Oasis, long term.

Assumptions

FWG also estimated foot traffic and potential revenue given the town demographics. We approximated that on average, 75% of Indian Head households (4,365 people) would shop at the Oasis regularly, assuming that the majority of residents would choose to shop at the establishment closest to their home. This percentage is already a conservative, lower estimate that could reasonably increase to 95% over time as a result of the Oasis's convenient geographic location. Additionally, FWG estimates weekly grocery spending as \$30 per person,²³ which is based on national averages for at-home food spending. This figure is also a conservative estimate; depending on the extent to which the Oasis stocks non-perishable items, spending would increase thereby boosting potential revenue. With these assumptions in mind, we calculated around \$6.8M in annual revenue coming from Indian Head residents.

Similarly, we estimated the potential foot traffic from Charles County, with an assumed 30% switching over to shop at the Oasis. This percentage has potential to grow, as well. 977,000 dollars in annual revenue is estimated to come from Charles County residents alone. Based on the 2020 demographic data used for these calculations, we believe it is possible for the Oasis to generate nearly \$7.8M in annual revenue from Indian Head and Charles County residents. (See Appendix, Figure 1).

NSF Revenue Projections

Because the NSF facility is such a large part of the town and they have expressed a strong desire for fresh produce, they would be valuable returning patrons that promote the store's

²⁰ A small congregation located directly next door to Clarity Coffee House, on the same block as The Algonquin.

²¹ [Indian Head Approves Supplemental Funding for Oasis Fresh Foods Market](#) - article from March 8, 2022

²² [Algonquin Project Budget](#) as of August 30, 2022

²³ Per [national average estimates](#), the average U.S. household budget for food at home is \$3,935 annually. To get a dollar grocery spending amount per person weekly, we divided it by 52 weeks in a year, and divided again by 2.5 (the average U.S. household size).

financial viability. Employees residing in Indian Head make up 14% of the population, meaning ~\$1.1M of revenue could be generated yearly from the NSF community alone. Currently, about 50% of NSF employees are working from home, meaning that vehicular and foot traffic in and out of the base is not at capacity. However, as things recover from the COVID-19 public health emergency, we expect employees to return to work in-person at the base at a conservative 10% increase annually. A future increase in traffic through Indian Head would likely translate into more sales at the Oasis. (See Appendix, Figure 2).

Potential revenue generated by NSF employees was the focus of this analysis since rates of return to in-person work can be more conveniently estimated. FWG also expects general population growth in Indian Head in upcoming years, thus contributing to patronage and revenue. However, it is more challenging to estimate growth rates associated with new housing development and resources in the area. FWG believes that the addition of a local grocery store, plus an ice cream shop and community garden, would create a positive feedback loop that both makes the town a more desirable place to live and generates more customers.

Pro Forma Comparison

Compared to the 5-year [Pro Forma](#) projections provided by the Operator, our market analysis estimates a higher revenue/sales number, indicating that Oasis could have a larger profit margin than they anticipated. The Operator clearly notes where these calculations were intentionally conservative: gross sales are underestimated at 12% below \$15.15/square foot/week industry estimate; costs of goods sold are mapped to increase from the industry standard of 65% of total gross sales over time to account for inflation and supply uncertainties; and finally, the credit card processing fee is overcalculated as though 100% of sales are electronic. As a result of this, for years 2024 to 2027, the Pro Forma projects an average gross sales of approximately \$3.5M. As indicated in Figure 1, FWG sees a potential for approximately \$7.8M of gross sales in a given year based on the current population and traffic through Indian Head. These calculations lead us to be optimistic about the Oasis's financial standing over time.

Future Financial Decision Making

FWG delved deeper into the Oasis's operating plan as well. Once buildout is complete, the interviewing and hiring process will begin to replace the Interim Manager, Mark Steele, with an experienced General Manager who will run the day-to-day grocery store operations. From the administrative side, the Advisory Council provides a leadership presence with strong financial and budgeting experience that continues to inform financial decisions. On top of this, the Operator has expressed her willingness to hire consultants to cover any gaps in knowledge, an example of this being her plan to lean on IGA expertise in the realm of store design. FWG believes the network of support that this project has

naturally garnered, in combination with sought out partnerships, will set the project up for long term financial success.

CONCLUSIONS & FUTURE OPPORTUNITIES

FWG is confident that the operation plan, financials, partnerships, and community oriented facets of this project will make Oasis Fresh Foods Market a widely supported and sustainable project. As this project progresses and store build out begins, it is important to keep future funding opportunities top of mind. The Operator has clearly indicated that a priority of the Oasis is to offer local produce and products. Along with the community garden element of this project, a focus on local foods through purchasing agreements and educational opportunities can benefit the community, as well. Establishing local partnerships and collaborations make the store unique, and also makes this project an ideal candidate for a [USDA Local Foods Promotion Program Grant](#). FWG recommends the Operator of the Oasis apply, once operations begin to gain additional funding and resources to sustain their goal of strengthening the local food ecosystem.

APPENDIX

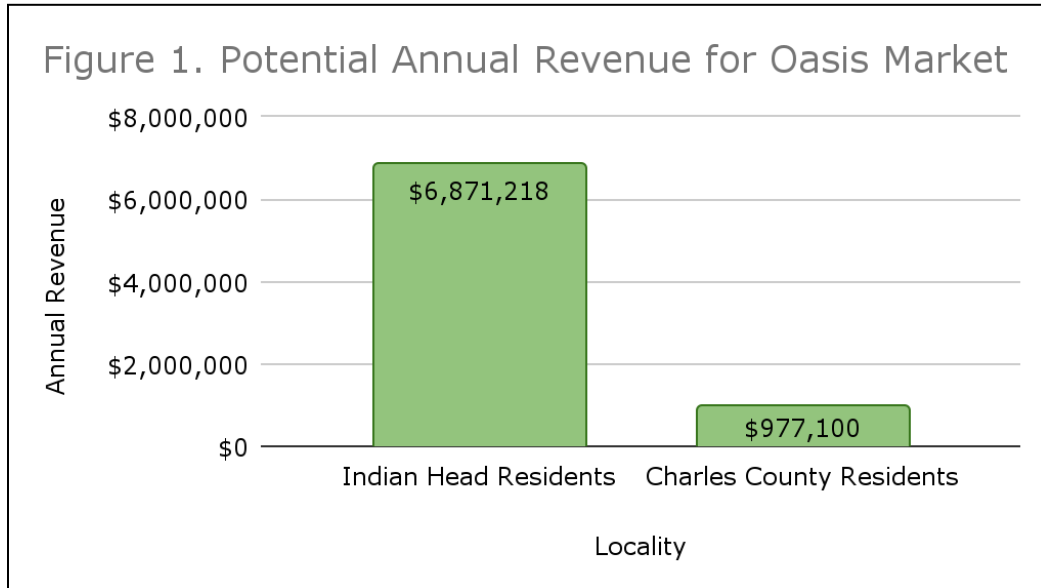


Figure 1. Potential Oasis annual revenue based on 2020 population data for Indian Head and Charles County.

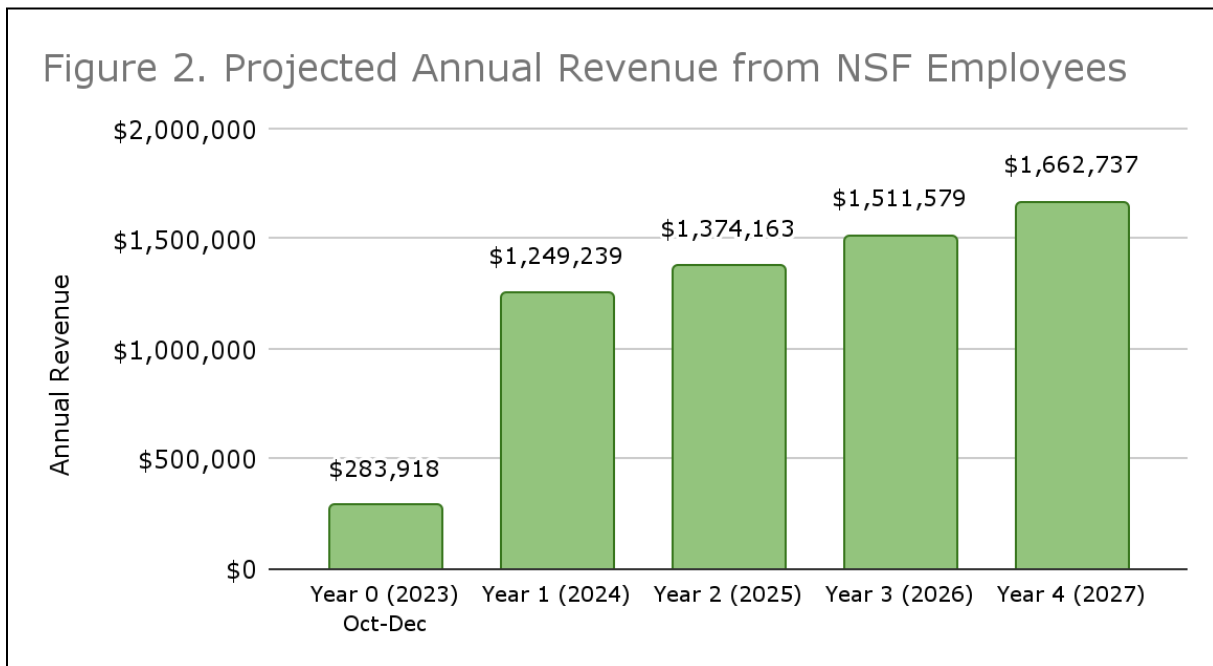


Figure 2. Projected Oasis annual revenue generated by NSF employees as they return to in-person work at a conservative estimate of 10% annually. Year 0 revenue is calculated for October-December 2023, which is consistent with the Operator’s Pro Forma calculations.