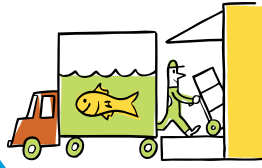


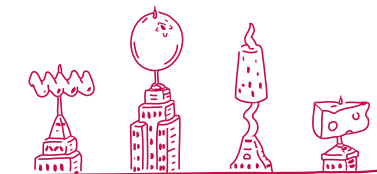
**November  
2014**



# **A Roadmap for Anchor Institution Local Food Purchasing in Baltimore**

PREPARED FOR  
Baltimore Integration Partnership

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**KARP RESOURCES**

The Baltimore Integration Partnership is grateful to the Annie E. Casey Foundation, Living Cities, the Surdna Foundation, and the Goldseker Foundation for their generous support to make this research possible. The findings and conclusions in the report are those of the authors alone and do not necessarily reflect the opinions of the foundations, the individual Board members, or Board member organizations of the Baltimore Integration Partnership.

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Maryland Institute College of Art  
Morgan State University  
The Reinvestment Fund  
The State of Maryland Office of the Governor  
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The University of Maryland Baltimore

## Introduction

Karp Resources was retained by the Baltimore Integration Partnership (“BIP”) to assess anchor institutions’ food procurement activities, identify opportunities for anchor institutions to shift purchases to local suppliers in order to drive economic opportunity for minority-owned firms and create jobs in Baltimore City, and to provide support to the anchors throughout the process.

The BIP is a collaborative partnership of educational and healthcare institutions (anchor institutions), funders, nonprofits and public organizations focused on establishing economic inclusion as the business culture of norm in the Baltimore region, through local hiring, purchasing and community reinvestment. There is a significant role that anchor institutions can play in strengthening the growing local food sector in Baltimore by identifying local food businesses and shifting purchasing dollars to those local businesses. BIP has retained Karp Resources to support those efforts.

In 2013, Karp Resources and the Initiative for a Competitive Inner City explored the opportunities for anchor institutions in Baltimore to create jobs through adjustments to their food procurement activities. Anchor institutions are a strategic area of focus for the BIP because of their significant role in the local community, their purchasing power, and their long-term interest in seeing the local community thrive. The food cluster – the constellation of food businesses in a particular area responsible for getting food from farm to dining hall – is a powerful job-creation engine because it is large in scope and growing, it significantly consists of small businesses, and has a large percentage of jobs requiring less than a college degree. Baltimore’s food cluster mirrors many of the trends that we see taking root in cities nationwide: a growing number of new food businesses and food entrepreneurs, a coordinated effort within City government around food initiatives, building out of a food hub and related infrastructure, a farm to school-type initiative within the Baltimore Public Schools, workforce development programs training workers for food industry employment, public market revitalization, mapping and other data transparency initiatives, and, of course, anchor institution engagement. Baltimore anchor institutions have the opportunity to play a key role in strengthening the food sector through local food procurement initiatives.

The five anchors participating in the first report spent about \$25 million on food services, plus an additional \$7 million in catering services – a total of \$32 million. The \$25 million of food service expenditures was primarily facilitated through contracts with food service operators and included salaries for food service workers, supplies and other costs. About 22%, or an estimated \$11 million, was spent on food products. Based on detailed analysis of available data for the food products purchased, we estimated that currently around 23% of food products were sourced from vendors or distributors located in Baltimore City (17%) or County (6%). As a result, those dollars contributed directly to jobs for Baltimore-area residents.<sup>1</sup>

When we extrapolated figures from our participating anchor institutions to all of the university anchors in Baltimore City we arrived at a range of \$16 to \$20 million spent on food products by local anchors across Baltimore City. Assuming a similar percentage of products were purchased from local vendors across all of these anchors, we believe that there is an opportunity for up to \$15 million of current spending to be diverted toward area food businesses (by increasing the 23% currently spent locally).

Based on national data, we estimated that roughly every \$140k that anchors spend on food products with

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<sup>1</sup> It is important to note that these figures refer to any vendor located within those geographies – from a local bakery to a local bottling affiliate of a global soft drink manufacturer – and in many cases does not refer to the geographic location of the food producer (see “Definition of Local Used in This Study” for more detail).

local firms supports one job. So, the \$16 to \$20 million spent across anchor institutions on food has the potential to support 114 to 143 jobs, and every 1% increase in the amount of current spending that is diverted to a Baltimore-area firm would add 1.3 jobs.<sup>2</sup> An estimated additional \$36 to \$57 million of food spending by the 14 Baltimore area hospitals has the potential to quadruple the jobs impact. As BIP works with anchor institutions to move their purchasing to local firms, their actions and the methodology used to change procurement processes and can serve as a model for the private sector, compounding local job growth and economic impact.

The first report identified three key methods for driving increased local food spending by anchor institutions. These are all still applicable today and they are:

- 1. Select caterers based on enhanced criteria.** The catering expenditures at university anchors are significant (22% of the total food service spend) and represent an equally significant opportunity to drive positive change. While catering is generally de-centralized at these institutions, with decisions often being made by department heads or within specific cost centers, the ability to align spending with job-creation activities in some ways boils down to the selection of a caterer. Choosing caterers that are located in – or hire employees from – geographies of interest *and* that have an expressed commitment to working with Baltimore-area suppliers will drive more of those \$11 to \$14 million catering dollars into the local economy. Many of the caterers that we spoke with were willing to offer up this information because they felt it was a selling point for their business. Catering also offers an opportunity to hire minority businesses, who are more likely to be certified by city or state programs than other small food businesses.
- 2. Take advantage of opportunities to work through broadline distributors:** One key challenge for anchors in spending more food dollars locally is that they don't typically make food purchasing decisions. Within the boundaries of their contract, food service contractors have decision-making authority about what food is purchased – not the anchor procurement representative. Food service contractors are employed directly by anchors to run the food service operations on campus, and nearly always work with distributors to source (purchase) their food products – typically a broadline distributor for a majority of generalized products, and a produce distributor, and sometimes others. In speaking with distributors (broadlines and produce), they are keenly aware of the increasing emphasis on "buying local" among their customers and in many cases are making efforts to add offerings (or re-brand existing offerings) that are locally produced. Many offer locally produced products today, or can work with food service contractors to find local options for key products – and we expect this opportunity to become increasingly relevant. Distributors should be able to provide a list of local options to food service contractors, who can prioritize these products for anchors that request a preference. For example, one food service contractor was able to provide Karp Resources with a "shipped from" zip code for each product they used. In some cases, anchors can also work with food service contractors to find local products that meet specifications and bring these products into the existing supply chain. This option is more complex than selecting caterers, but provides an opportunity to impact a larger volume of purchases and to select specific products where a local supply is known.
- 3. Support Baltimore's food cluster entrepreneurs.** In the course of our work, we came across a variety of small food businesses that are hungry to grow, and need some basic support and

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<sup>2</sup> Of course, many factors influence how much revenue a firm would need to add in order to trigger new hiring. Indeed, when we asked local business owners to comment on that amount, we received answers that ranged from \$60,000 to over \$1 million, reflecting the different dynamics across business size, type, and capacity – as well as the uncertainty of predicting such a figure. What was clear with all of the business owners that we contacted was that selling their products to anchors was seen as a positive because of the potential to support business growth and increase visibility.

incremental revenue to realize that growth. Snack makers, farmers, bakers, ice cream makers, coffee roasters and butchers all had a growth plan and many mentioned the significant impact that an anchor contract would represent for their ability to achieve that growth. These findings are echoed in the second phase of our work and discussed more fully below.

This project is a follow-up to Karp Resources' initial work in order to test anchor purchasing activities along with supply side interest and ability to meet anchor needs. As part of this work, we examined anchor constraints along with regulatory barriers and opportunities to broaden economic inclusion. We sought to include food service providers, who contract with the anchor institutions to provide food in the form of meal plans, cafes and retail operations as well as catering services and purchase food in order to serve anchor needs. We also sought to pilot local purchasing activities while learning about the ability of local small businesses to meet anchor food purchasing needs. Ultimately, by piloting this effort, both procurement barriers and small business needs have been identified. BIP partners may consider how best to focus efforts to maximize and sustain local food procurement efforts.

This report provides an overview of operational structures, challenges, and opportunities for anchor institutions to leverage food purchasing to create economic opportunity and jobs in Baltimore City. It includes recommendations for actions that may be taken to remove regulatory barriers or provide regulatory support for local purchasing, anchor-foodservice contract terms, and supports for small businesses. Details relating to specific products identified for procurement and vendor recommendations have been provided separately.

## **Methodology**

Karp Resources conducted interviews with all participating anchors plus the Baltimore Public Schools. Several anchors and foodservice providers participated in additional interviews and follow up conversations. Food purchasing data was requested from all foodservice providers. A limited response led to a second more focused request. This second request garnered some responses but as of the end of July not all providers had participated. The project required active participation by the anchor institutions and their foodservice providers. Response and engagement from both anchors and foodservice providers was varied.

Based on the limited data provided in April and May and an anchor and foodservice provider meeting at BIP on May 31, 2014, a list of targeted food products was identified and became the focus of supplier research and engagement. Karp Resources researched potential suppliers of these products, screening vendors for Baltimore City (while also considering Baltimore County) operations, Minority Business Enterprise ("MBE") certified (or ability to become certified), the ability to add jobs, and the ability to meet foodservice provider requirements. A select group of vendors was identified for interviews and were invited to network with the anchor institutions and foodservice providers.

## **Anchors and Foodservice Providers**

Eight anchor institutions agreed to be participate in this project, including six universities and two hospitals. University of Baltimore's limited foodservice is provided by a variety of caterers and the food procurement process for foodservice providers discussed below does not apply to them.<sup>3</sup> Baltimore Public Schools is interested in local purchasing and has participated in several calls and meetings but is not part of the anchor group. The challenges and operational structures for the public school system are not included in this summary.

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<sup>3</sup> Opportunities to direct catering spend to local firms is detailed in the Phase 1 report.

Participating Anchor Institutions	
Public	Private
University of Baltimore	Bon Secours Hospital
Coppin State University	Johns Hopkins Hospital
University of Maryland Baltimore*	Maryland Institute College of Art*
	Loyola University Maryland*
	Johns Hopkins University*
*Anchor institutions with engaged foodservice providers	

### Public Institutions

Public institutions interviewed for this project – Coppin State, University of Baltimore, and University of Maryland, Baltimore – shared concerns regarding their ability to preference local businesses or foods on the basis of region alone, citing statewide limitations on local preferencing laws requiring free and open competition for government purchasing. These concerns do not apply to private institutions.

One of the challenges continues to be gaining a clear understanding of Maryland procurement laws and regulations and their applicability in the public university context. Public procurement officials participating in this project have a general understanding of the law, but are fuzzy on legal details. Conversations and emails with the Governor’s office, the Department of General Services for the state of Maryland, and staff at the Board of Public Works have helped to clarify some regulations and practices. Anchors may want to work with their internal legal departments to clarify the informal guidance provided to us in these conversations.

In general, Maryland Law “does not generally authorize State procurement officers to favor resident vendors over non-resident vendors in awarding procurement contracts,”<sup>4</sup> however, state universities are exempt from many sections of the state procurement statute,<sup>5</sup> including this provision. That said, the public universities we spoke with believe that the law does not allow any geographical specification or preferencing. As a result, these anchors believe they are unable to provide a mandate to foodservice companies to purchase from local companies. At least two public universities have very recently moved forward with new RFPs that express a “desire” for the food service provider to support local businesses. Both of these public universities felt that this was not inconsistent with a general prohibition against geographic preferencing. This was consistent with feedback we received in conversations with a representative from the governor’s office and representatives from the Board of Public Works, neither of whom expressed any concern with the use of this kind of “desirable” language in a RFP.<sup>6</sup>

<sup>4</sup> <http://bpw.maryland.gov/Pages/adv-1996-5.aspx>

<sup>5</sup> COMAR 21.01.03.01-1; <http://www.president.umd.edu/policies/viii310a.html>

<sup>6</sup> Telephone conference and email communications with representative at Office of the Governor of Maryland June 25, 2014 and emails dated July 3, 2014; telephone conference with representatives from the Maryland Board of Public Works, July 18, 2014

## Foodservice Providers

Foodservice providers are typically national companies with one or more foodservice 'brands' operating across the United States. Foodservice providers respond to RFPs and try to meet anchors' needs relating to price, menu mix and ideology. Some foodservice providers distinguish themselves with a brand image relating to specific qualities or ideologies. Some, like Bon Appetit and Parkhurst, are driven by a local food, health and sustainability image. The ideology is reflected in the contract with the anchor, the menu and procurement operations. These companies are typically selected by the anchor because of their ideology and experience in these areas.

## Foodservice Contracts

All of the participating anchor institutions are working within the parameters of existing foodservice contracts with varying structures and terms around purchasing. The nature of the institution (public vs. private) and type of foodservice contract provides a basis for understanding some key differences between the institutions' level of participation and forward movement in this project.

There are several different types of foodservice contracts. At least one of the participating anchors uses a profit and loss contract. In this type of contract, the institution sets the price for food charged to students. The foodservice provider receives and retains all income from food service sales and is responsible for all costs of the operations. In other words, the foodservice provider is responsible for managing its food costs and has an incentive to keep food costs as low as possible. The foodservice provider bears all of the risk and any increase in costs is borne by the foodservice provider alone.

A second form of foodservice contract is the commission-based contract. Here, the university sets the meal plan price and the foodservice provider pays the university a commission on all sales. The commission is typically used by the university to cover its costs associated with foodservice, including facilities costs and other overhead. In this contract, as in the P&L contract, the foodservice provider must manage its food cost carefully because it cannot change the prices for the meal plan. Menus are set in advance and the foodservice provider has little flexibility in changing menus to adapt to changing food costs. Catering services are also often commission based but there is typically more flexibility in the prices charged for each individual catered event.

A third form of contract is known as the "cost plus". In this model, the foodservice provider receives a management fee for operating the account. The anchor pays a management fee and reimburses the foodservice provider for food and labor expenses.

P&L contracts may come with rigid menus that are incorporated into the foodservice provider's contract, and recipes that are dictated from corporate headquarters. One on-site foodservice manager indicated that decisions about menus, foods served, where to purchase, and what to purchase are beyond the scope of his job responsibilities. He can purchase the foods he needs to make the items on the approved menus from corporate approved vendors.

There are anchor-foodservice provider relationships that allow for more flexibility and more creativity. For example, the 'cost-plus' model places the food cost on the anchor, and some contracts include provisions for subsidies or setoffs to meet specific goals such as local food purchasing. In these cases, the institution often desires seasonal and local menus and the foodservice provider at the corporate and site level may have greater flexibility in creating and modifying menus. This helps the on-site foodservice provider to have greater purchasing flexibility, and the ability to take advantage of good prices on

seasonal and local produce. Anchors with these ideologies and local food purchasing goals will build in local food purchasing requirements into the foodservice provider's contract.<sup>7</sup>

## Food Procurement

Aside from catering, all foodservice purchasing is done by the contracted foodservice provider. All foodservice providers have a centralized purchasing department. At the time of contract award, the procurement team identifies and approves vendors that the on-site foodservice manager may utilize. The vendors typically include a range of national companies such as broadline distributors that provide a broad range of food products, as well as local companies. Contracts with broadline distributors typically specify volume purchasing requirements in order to obtain preferred pricing. In most cases, at the time of the contract award the corporate procurement team comes to the local market to begin the process of evaluating and selecting local vendors.

On-site operators are not permitted to order from non-approved vendors (though some do so anyway because they feel it is necessary to do their jobs; for example, one foodservice provider used a non-approved kosher vendor while he waited for corporate approval). The approval process targets several different concerns in addition to meeting supply and delivery needs and coming to agreement on price. Liability, food safety, and quality are key factors.

Foodservice operators typically require vendors to meet requirements relating to supply capacity, quality, 30-45 day payment terms, and liability insurance. Foodservice providers have indicated varying insurance requirements ranging from two million dollars per occurrence up to five million dollars per occurrence. In some cases, this requirement stems from the contract the foodservice provider has with the anchor, which specifies that the foodservice provider must have each vendor maintain specified coverage, and name both the foodservice operator and the anchor as additional insureds. Vendors must also demonstrate varying levels of food safety, in some cases including a Hazard Analysis and Critical Control Point (HACCP) plan, third party food safety audit, the ability to do a recall and a bioterrorism plan.

Managing food cost is essential to every foodservice business. Vendor selection at the corporate level allows national foodservice providers to engage in volume purchasing contracts with their vendors and ensure best pricing. Site foodservice managers are therefore required to purchase from these vendors in order to ensure that required volumes are met. Some foodservice providers have a two-tiered system of approved providers and preferred providers. One vendor we interviewed sold his products to several foodservice providers servicing Baltimore city anchors and lost the accounts because he did not have preferred provider status. He is currently attempting to meet the requirements for preferred status, which are the most stringent requirements we encountered in our interviews.

Foodservice providers with a local foods ideology will use a broadline distributor but will also have a larger number of local vendors for sourcing local products. Food service providers often prefer local products to be purchased through their broadline distributor both to help meet minimum purchase requirements as well as to minimize the number of vendors and deliveries that must be coordinated. However, due to the fragmented nature of local suppliers and small-batch production, they often cannot meet the minimum volume, insurance and other certification requirements of the broadliners.

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<sup>7</sup> As discussed below, these foodservice providers are looking for local companies to meet their food purchasing needs and have been supportive and engaged partners in this project. That said, local food goals do not always line up with this project's economic development goals. For example, the contract may define local as grown within 200 miles, which does little to foster job growth in Baltimore City.



All foodservice providers purchase from some smaller and local vendors. All providers have expressed concern about price when discussing potential vendor or product changes. As discussed above, some have more flexibility in passing that cost on to the anchor or managing cost with menu creativity.

## Suppliers

Karp Resources requested detailed purchasing data from all participating anchors and foodservice providers. Data was received from some, but not all, of the foodservice providers. Karp Resources sought data in order to identify product areas to match with local vendors, and identify local vendors with successful relationships with anchor foodservice providers. The lack of full participation by the foodservice providers leading up to the May 30, 2014 anchor meeting limited the results of that data analysis.

Foodservice providers present at the May 30, 2014 meeting were, however, forthcoming in an open discussion about products they would like to buy and see as viable options for changing suppliers and together we generated a list of products for further research and vendor identification.<sup>8</sup> Details relating to specific products and suppliers have been prepared for the anchors and foodservice providers in a separate document.

### Local Suppliers

In the food sector there are very few MBE certified businesses, and a significant barrier to working with MBE vendors is simply finding them. Karp Resources' 2013 study identified 551 food related businesses in Baltimore City and Baltimore County. Of those, only 37 (6.7%) are city or state certified MBEs. A majority of those certified are caterers, food contractors, or concessionaires—companies that would be prime contractors to an anchor institution. Of the products identified by the foodservice providers, a single bakery was identified as MBE certified at the city or state level.

Karp Resources surveyed a range of businesses producing the desired products first to determine if the business had the potential to become a MBE or WBE based on company ownership. Of those businesses that were willing to share this information, no additional businesses were identified. Several businesses contacted were majority woman owned but not WBE certified.

It is believed that the limited number of certified MBEs in this sector could be attributed to the limited application of MBE goals to subcontractors hired by the foodservice provider.<sup>9</sup> There are no legal barriers to anchor institutions mandating MBE goals in foodservice provider contracts and this approach is used by at least one participating public institution. It is also common in other sectors like real estate where, developers utilizing public resources in Maryland and Baltimore City are given MBE subcontracting goals for the construction parts of real estate projects.

Small businesses interviewed as part of this study had difficulty meeting the requirements for selling directly to foodservice providers. One local business described the challenges as onerous and not something that most small business – especially startups—would be able to meet. As discussed above, this vendor lost accounts with two foodservice providers unless and until he meets requirements for preferred vendor status. New requirements to become a preferred provider included that he must

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<sup>8</sup> Coppin State, MICA, Loyola, JHU, University of Maryland Baltimore, and Baltimore Public Schools participated in the May 30 meeting, along with Bon Appetit and Parkhurst.

<sup>9</sup> One public institution participating in this project said that his foodservice provider is meeting a required goal through a single MBE certified food distributor.

submit to and pay for a third party food safety audit, implement a HACCP plan, have a food recall plan and bioterrorism plan in place, add some type of metal detector to screen the food for any metals that might accidentally get into the food, accept 180 payment terms, and agree to pay a fee of three to seven percent of sales back to the foodservice provider at the end of each month.

Some small businesses choose to work with distributors instead of selling directly to foodservice providers. One business interviewed said it was able to meet the requirements to sell to distributors such as United Natural Foods Incorporated (“UNFI”), who in turn, sells to larger retailers and foodservice providers. This small business was eager to make direct contact with foodservice providers and then direct them to the distributor for purchase. This is consistent with food service providers’ statements that it the lowest barrier top purchasing local foods would be through their distributors and our recommendations in the 2013 report.

Other small businesses will need assistance to meet procurement requirements. For some, that may take the form of access to funds, either capital to grow or pay for specific expenses like the cost of a third party food safety audit. A line of revolving credit may be required to support long payment terms. Assistance may also be needed to meet food safety requirements such as creating a HACCP plan, or business planning to meet the needs of serving larger buyers.

### **Recommendations**

Karp Resources has identified a number of areas that can support local food procurement efforts. Recommendations fall into six general categories, and are aimed broadly at supporting MBE and small businesses, and supporting regulatory change, internal policy adoption and institutional cultures that will foster increased anchor and foodservice provider local food procurement.

Anchors must determine that local purchasing is a priority and must lead the charge. Some of the recommendations below are specifically for anchor institutions to make within their individual institutions; others are recommendations that anchors can adopt and push forward with assistance from advocate organizations. Without a strategic commitment to local purchasing from anchor leadership that includes clear goal setting, this work will not be successful.

### **Support Minority Business Enterprises**

#### **1. MBE Identification**

As discussed above, there are very few MBE certified food businesses, and the majority of those that are listed are caterers, not fresh or packaged food suppliers. Identifying those businesses that have the potential to become certified is challenging. A necessary first step is to work with city and state offices of minority affairs to conduct public relations and outreach to minority businesses and educate about MBE certification benefits. Specific areas of opportunity for food businesses include outreach to Lexington Market vendors and entrepreneurs who have expressed interested in The Food Hub, now in development.<sup>10</sup> Connecting and keeping apace through social media and other nimble communications channels will enable awareness for BIP and on-going project teams at the anchor institutions, to become aware of and connect with Baltimore culinarians and early-stage entrepreneurs going into artisan food manufacturing and catering.

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<sup>10</sup> Greg Heller has a mailing list of over 200 individuals who have expressed an interest in the Food Hub. The list includes name and contact information only and does not identify the nature of the business.

2. Support W/MBE Certification Process

Once businesses have been identified, it is likely that they will need to be shown the value of obtaining certification and support to work their way through the city and state W/MBE Certification processes. These two processes are different and require the applicant to submit lengthy and detailed applications. A toolkit outlining benefits to food businesses, steps to achieving certification and a listing of resources that provide assistance during the certification process would help these businesses achieve certification.

3. Seek Expansion of MICUA Goals

The Maryland Independent College & University Association (MICUA) has a MBE policy and goals set for member schools for construction projects, as well as tools that support minority business certification. MICUA has the ability to influence private universities' procurement policies across Maryland. Its MBE procurement policies (adopted by member schools) are limited to construction projects. An expansion of MBE procurement goals to the full range of businesses that provide products and services to schools would influence all member schools and provide a broader range of MBE businesses with opportunities with those institutions. The existing construction goals could also be adapted by private schools to food procurement.

### **Support Small Businesses**

1. Foster Connections

Foodservice providers need assistance identifying viable Baltimore City businesses. Small food businesses need assistance finding the right person at a foodservice company. A list of food businesses created in Phase 1 of this project can be a starting point for identifying food businesses. It needs to be owned and updated in order to serve as a starting place for foodservice providers looking for local businesses and could possibly serve as the basis for a mobile application for both foodservice providers and food businesses to connect.

In addition to direct connections between foodservice providers and small businesses, in many instances a foodservice provider may find it easier to purchase from a vendor if their product is sold through a distributor. Fostering connections and introductions between foodservice distributors and small businesses may help to make procurement efforts successful.

Key to including W/MBEs in this project will be including both the state and city offices supporting minority affairs and small businesses. Food businesses can be sought after and included in their outreach and education efforts, including the MBE University.

2. Vendor Showcase

Food purchasing is built on relationships. Foodservice providers seeking to work with small businesses want to meet them and start a conversation; small businesses reaching out to foodservice providers could often have little luck. As seen at the July 31, 2014 meeting, in person meetings are the best way to build connections with local vendors. An annual vendor fair would bring connections to life for major foodservice companies, food entrepreneurs and anchors. This could be hosted independently, or could be part of a larger trade show such as Expo East or Maryland's Best annual Buyer-Grower Expo, which connects buyers with growers and processors. Part of the fair could include educational workshops including W/MBE certification, requirements for serving vendors, and technical assistance for small businesses. A similar approach is currently taken by New York State as part of the International Restaurant & Food

Service Show of New York, where the NYS Department of Agriculture hosts the “Taste NY/Pride of New York” section featuring local producers and the Farm to City Expo. Local agriculture and food business educational workshops are integrated into the trade show.<sup>11</sup>

This event is not ideally a unilateral BIP event, but a collaboration with local organizations and government agencies, including those engaged with minority and small business development and with food and agriculture. Organizations and institutions engaged in this process can play a role: the Food Hub is uniquely aligned with emerging food businesses to coordinate a vendor fair, while anchors could donate space on campus with ample parking for the event. W/MBE and small business resources -- both governmental and non-governmental, including those providing technical assistance and financial support, along with the Department of Agriculture, Health department and other regulatory agencies can leverage their resources to invite participants and provide workshops at the event. Additional marketing and outreach to food businesses along with a communications plan could be a project for university business and communication departments and/or advocacy organizations. BIP may be one source of funding for the fair, but other sources will need to be leveraged to cover the costs of the event.

To be successful, both anchor institutions and their foodservice providers must participate. While anchor institutions can make requests of their foodservice providers, those doing the actual purchasing must agree to be active participants in a vendor fair of any kind. Moreover, a vendor fair is a first – and essential – step in building relationships but not the end in itself. Anchors and foodservice providers will need to demonstrate a plan for ongoing commitment to building on and developing the initial connections from a vendor fair.

### 3. Professional Support Services

Provide small businesses participating in procurement projects with referrals to small business programs and technical assistance to help them grow to meet anchor needs. This can occur in a variety of places: within universities, at trade shows and within existing government and not for profit programs (as discussed above) and through a food hub (discussed in more detail below).

Small businesses may need sales and marketing assistance, including website and package design, in order to present themselves to foodservice providers. They will also need to understand institutional foodservice needs and requirements around quality, consistent supply, food safety, payment terms, delivery and insurance, and then assistance to put those pieces in place. Specific challenges may be faced with respect to growth – both to meet volumes and delivery requirements, access to capital to implement growth strategies or to cover costs for third party food safety audits and cash flow to manage long payment terms. Meeting these challenges may also require legal and business planning assistance.

Anchor institutions may implement specific programs to support small business development specifically target to food businesses, or may refer small businesses to existing resources. If the latter is preferred, anchors should work with existing small business service providers, such as Maryland Capital Enterprises, to make them aware of food service purchasing requirements so that those needs can be directly addressed as part of existing programming.

### 4. Unbundle Purchases

Small businesses cannot always meet the supply needs of a foodservice provider. Food service

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<sup>11</sup> <https://www.governor.ny.gov/press/02282014-taste-ny-experience>; [www.internationalrestaurantny.com](http://www.internationalrestaurantny.com).

providers can split purchasing and allocate a low risk volume of product to purchase from a small business. This will allow a small business to build knowledge and capacity. Consider using alternative budgets to support this initiative, such as education, marketing, health and wellness or sustainability budgets if the contractual relationship between anchor and foodservice provider does not allow for sufficient flexibility in food cost.

Note that public institutions are prohibited from bundling procurements if doing so would limit participation by MBEs and small businesses.<sup>12</sup> Although this section applies to the institution's contract with foodservice providers (not to the companies that sell food to the foodservice provider), this recommendation applies the same reasoning to the foodservice companies in order to open competition to small businesses.

## Work with Legislature

### 1. RISE Legislation and Sustainable Communities Act

The Regional Institution Strategic Enterprise Program ("RISE") allows institutions of higher education, non-profits associated with public schools and non-profits associated with federal agencies to apply to create RISE zones around their facility based on a showing that the group has a economic development and/or revitalization plan for the area and a significant financial commitment to the area.

Once the RISE Zone is designated, it will receive a "business development concierge" to help entities locating in the zone with permit and license applications, and applications to existing programs at DBED, DHCD, or DOT. Businesses locating in the RISE zone are entitled to property tax credits and an income tax.

The legislation does not, however, specifically allow or require public universities to apply a procurement preference to the designated zone. As public universities do not believe they can require a geographic preference, regulations specifically allowing or mandating public spending would support economic development and job growth.

Similarly, the Sustainable Communities Act established a "Sustainable Communities" designation in order to strengthen reinvestment and revitalization in Maryland's older communities. It enhanced an existing rehabilitation tax credit and simplified the framework for designated revitalization target areas in the Community Legacy (CL) and Neighborhood BusinessWorks (NBW) programs.<sup>13</sup> Communities apply to receive the designation and submit an action plan. Baltimore City is approved and the action plan includes strategies to enhance "the City's economic competitiveness, inclusiveness and workforce development".<sup>14</sup> Like the RISE legislation, no provisions have been made for public agencies or anchors to allocate purchasing dollars in designated geographic areas.

Without legislative or regulatory action, the University System of Maryland would need to seek comment from the Board of Public Works ("BPW") and Administrative, Executive and Legal Review ("AELR"). As a general proposition, any changes to statewide university purchasing policies should take into account that University System of Maryland schools are located in diverse areas of the state. In the case of Sustainable Communities, 22 of Maryland's 24 counties

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<sup>12</sup> COMAR 21.05.01.08

<sup>13</sup> <http://planning.maryland.gov/yourpart/sustainablecommunities.shtml>

<sup>14</sup> [http://www.mdhousing.org/website/programs/dn/documents/baltimore\\_app.pdf](http://www.mdhousing.org/website/programs/dn/documents/baltimore_app.pdf)

have been jointly designated by the state and local governments and accordingly, this recommendation may be viewed as generally applicable to schools across the state.

## 2. Local Food Price Preference

The 'Locally Grown Foods' provision, COMAR 21.11.07.08 provides that certain state schools "shall give a price preference for locally grown food." Under the statute, 'locally grown food' is defined as food grown in Maryland. While this is a mandatory price preference, it is not applicable to public universities because they are not considered a "state school" under COMAR.<sup>15</sup> The legislature could seek to apply this provision to K-12 and public universities and doing so would see a significant change in purchases of food grown in Maryland.

One area of opportunity identified in this study was local ground beef. There is a Baltimore City meat processor that has capacity and would need to add high paying meat cutting jobs if awarded anchor accounts. Local and grass fed ground beef is more expensive but a better product for human health and the environment. A price preference in this category could be extremely helpful in moving purchasing to a more expensive but desired product.

A local food price preference might also create secondary opportunities for businesses engaged in transporting and processing locally grown food.

## 3. Align City and State W/MBE Certification Process

Our research echoed the findings of the Mayor's Advisory Council and Minority and Women-Owned Business Enterprises, and others, finding that low participation in city and state MBE programs may be in part due to challenges in completing applications and differing requirements for participation in city and state programs. The Mayor's Advisory Council determined that, to the extent allowed by law, there should be reciprocity between jurisdictions and organizations, and a universal certification application that can be accepted by multiple jurisdictions in the State. To achieve this objective, they made two recommendations: first, to re-examine the certification process, "making it reflective of the City's objectives and simpler for M/WBEs to complete and be electronically accessible" and second, to direct MWBD and MWBOO to convene a working group consisting of stakeholders from the City, State of Maryland and appropriate third party certification organizations and determine reciprocity opportunities and other streamlining initiatives that will support Baltimore's M/WBEs and minimize the administrative burden of the certification process. To the extent that these processes can be streamlined or reciprocity can be granted with third party certification organizations it will help minority owned food businesses become certified and allow public universities to meet MBE procurement goals through their food purchasing.<sup>16</sup> At least one business we interviewed is not city or state MBE certified but holds a third party certification.

## 4. Refine Economic Benefit Advisory

The Economic Benefit Analysis set forth in COMAR 21.05.03.03 and explained in BPW Advisory 1996-4 Economic-Benefits as a Factor in Evaluating CSP allows public procurement by institutions subject to COMAR to award up to ten points in the technical specification in the RFP

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<sup>15</sup> Telephone conference and email communications with representative at Office of the Governor of Maryland June 25, 2014 and emails dated July 3, 2014. An example of a "state school" is Maryland School for the Deaf.

<sup>16</sup> Mayor's Advisory Council on Minority and Women-Owned Business Enterprises, A New Day A Better Way, Rebuilding A Stronger Baltimore Through Economic Inclusion, April 24, 2013 at p. 34.

to a showing of how the successful bidder (foodservice provider in this case) will benefit the Maryland economy. Although public universities are not subject to COMAR, some University System of Maryland anchors are already using this analysis.<sup>17</sup>

Two regulatory options are available here: first, seek an amendment to COMAR to require the Economic Benefit Analysis to be used by public universities; or second, request that the University of Maryland require a similar analysis and seek comment from the AELR and BPW. As with the current economic benefits analysis, this would not be a resident preference; it would require a showing that there would be economic benefit to the state. Ideally, a more targeted approach such as those relating to RISE zone or Sustainable Communities purchasing, discussed above, would target a specific community or city based on identified needs.

## Procurement and Contract Strategies

### 1. Set MBE Purchasing Goals

Public institutions are required to have MBE purchasing goals and include them in foodservice RFPs. Private institutions may adopt similar policies in order to support MBE growth. MICUA has adopted MBE goals for construction projects and has requested that all of their member institution sign on. The policies and supports listed in the MICUA program can be adapted for foodservice providers.<sup>18</sup>

### 2. Include Language in the RFP “Desirables” Section

Private and public universities can include language in the “desirables” section of a foodservice RFP that supports local purchasing and hiring. At least one public university is now including a section in the RFP that is counted as part of the technical evaluation that provides “[d]escribe your Company’s commitment to local sourcing of food services (i.e., buying local fruits and vegetables, hiring employees, investing in local community) and for creating opportunities for diversified supplier integration, including local providers in West Baltimore, the City of Baltimore and the State of Maryland, including the solutions you will provide.”<sup>19</sup> This language is consistent with information provided by staff at BPW that public universities are not subject to COMAR’s restriction on geographical preferencing.

Similarly, RFP’s can include language that it is desirable for the foodservice provider to work with Baltimore City workforce development organizations in hiring for the institution.

### 3. Adopt Executive Order 01.01.2013.05 Equivalent

Governor O’Malley recently adopted an executive order that allows for procurement preferences for purchasing from areas of “higher than average unemployment” under specific conditions.<sup>20</sup> This order does not apply to University of Maryland schools or to private institutions. Private institutions could adopt language in the RFP that allows for this kind of food

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<sup>17</sup> One school that included the economic benefit analysis in its RFP awarded the contract to a foodservice provider that did not address the economic benefit; other technical points outweighed the lack of points allocated to economic benefit.

<sup>18</sup> <http://micua.org/MICUA%20MBE-LBE%20Policy%20Statement.pdf>

<sup>19</sup> <http://www.procurement.umaryland.edu/ebid/files/RFP87800JJ/87800.pdf>

<sup>20</sup> <http://thetruthaboutplas.com/wp-content/uploads/2013/09/MD-EO-01.01.2013.05-092313-TEXT.pdf>

purchasing preference. Extension to public institutions would support local procurement efforts. Guidance is currently being sought from the BPW to understand whether this would need to be direct legislative action or whether the University of Maryland system could modify its procurement policies to expressly permit similar action and seek the required comment from BPW and AELR.

4. Utilize Economic Benefit Analysis

As discussed above, both public and private schools may award technical points in their RFP to businesses that will create economic benefits to the State of Maryland. While not targeted specifically to Baltimore City, use of an existing policy with a defined framework could be immediately implemented by all anchors.

5. Adopt a local food price preference

The 'Locally Grown Foods' provision in COMAR 21.11.07.08, discussed above, could be adopted by both public and private institutions. Private institutions can include a local food price preference in their contracts without any legal concerns. Public institutions would need to have the policy adopted at the University level and receive comment from BPW and AELR.

6. Differentiate between local food and Baltimore City food

There are a myriad of definitions of local food, from that in COMAR, to policies identified by anchor institutions and still different definitions from their foodservice providers. In this work, to the extent possible, anchors should be careful to define local food and Baltimore city clearly in order to ensure that economic development goals can be achieved in specific geographic areas. Foodservice 'local' purchasing policies will likely extend far beyond Baltimore City and would not meet economic development goals.

7. Set goals, monitor and evaluate

Clear goals, even if modest, will be sure to help procurement policies forward. Anchors may set individual institutional goals for food procurement, apply them to foodservice contracts, implement tracking and monitoring systems to evaluate and assess with foodservice providers. This does not have to be a complicated endeavor; a single page evaluation checklist can support internal evaluation and become an effective tool for communicating with foodservice providers. The checklist could be shared with the BIP to report back on implementation progress.



### **Engage Students and Small Businesses**

Identify low risk retail items for foodservice providers to purchase from small businesses that will allow them to build up capacity while the foodservice provider gains trust. These rotating items may be showcased as "Support Baltimore Small Businesses" at the point of purchase. At schools, leverage existing anchor capacities through students and faculty to support small businesses (business development, marketing, legal, etc.). As discussed above, to the extent that foodservice contracts and budgets do not allow for this kind of experimentation, funding for this kind of initiative may be found in education, marketing, health and wellness or sustainability budgets, particularly to the extent that a university and foodservice are partnering in a student centered and educational project. Anchors may consider focusing on the local businesses that they are initiating purchasing from through pilot activities, as well as any businesses in areas they have targeted for community development activities.

### **Support the Baltimore Food Hub**

The proposed food hub can foster ongoing anchor and foodservice provider engagement to identify and support food entrepreneurs. Nascent businesses will need a variety of supports to grow into businesses capable of supplying anchor institutions. Food hubs in other areas provide technical assistance to food entrepreneurs, including food safety, research and developing (for recipes and packaging, financial, marketing (including web development), logistics support (aggregation), and could potentially also include MBE/SBR education and certification assistance.

The Baltimore Food Hub has proposed a program aimed at supporting small business development called "Cooking Up Business". This program has significant support from Johns Hopkins University, whose food service provider, Bon Appetit Management Co., has committed to significant product purchase from clients of Baltimore Food Hub. In addition JHU has committed funds for Cooking Up Business, pending American Communities Trust's ability to match those funds. Similarly, the Annie E. Casey Foundation is also supporting the Baltimore Food Hub.

Cooking Up Business is a five-part program that includes (1) Identifying and recruiting entrepreneurs; (2) group education on topics including food business basics, ServSafe training, essentials of legal and insurance issues, and panel discussions with potential buyers for the purpose of education and networking; (3) One-on-one counseling on business topics to include City/State licensing and permitting, insurance, financial literacy, business planning, marketing, sourcing, product development, distribution, pricing strategies, packaging and labeling, and nutrition analysis; (4) Micro-lending; and (5) Market connections with potential buyers, whereby the program will serve as matchmaker between entrepreneurs and buyers including anchor institutions and distributors.

### **Investigate Group Purchasing Strategies**

Group purchasing strategies have been effective in a variety of settings. In the context of this work, food purchases are made by foodservice providers who do not ordinarily work together. That said, there are several opportunities for further investigation.

With leadership and commitment from a group of Baltimore anchor institutions, their respective foodservice providers may be able to agree to a purchasing volume of a specific product sufficient to attract a company to move to, or open a facility in, Baltimore or provide the basis for financing for such a move.

In other sectors, anchors may be able to work together to form cooperative group purchasing agreements in order to leverage local purchasing opportunities and gain lower prices that might not be

otherwise available from local firms.

Group purchasing strategies have been successful in government procurement, where a government agency may be able to bypass normal procurement processes and procure goods from a local vendor because they are part of a cooperative purchasing group. State schools may investigate whether they may enter into a group purchasing agreement with other state schools or government entities that would yield efficiencies or cost savings in a variety of areas.

These examples are illustrative and not exhaustive. Additional research into existing cooperative purchasing agreements may yield further opportunities that support BIP's local purchasing goals.

### **Conclusion**

BIP and Baltimore anchors have the opportunity to play a catalytic role in strengthening local businesses and supporting job opportunities in Baltimore City. Anchor institutions, working closely with food service providers, can take immediate steps to identify and support local food businesses. Anchor institutions can also move this work forward by taking action to revise internal policies and work with government agencies and the legislature to strengthen law, regulation and policy that will support existing economic development initiatives by encouraging local food procurement. Many of these initiatives can be broadly applied outside of the food to other areas of anchor purchasing and may be explored by BIP as the anchor work moves forward.