

Navigating Support and Constraints in Pursuit of Food Access

The Endowment's Journey with Northside Food Cooperative and Growing Resilience



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In 2024, The Endowment announced a grant in partnership with New Hanover County to support grassroots efforts to build a grocery store in the Northside, an area long considered a food desert. This is the story of the grant's evolution and The Endowment's efforts to help Northside Food Cooperative and Growing Resilience reverse food insecurity in the Northside. Though unfolding over a relatively short period, the long story reflects rapidly changing conditions and attempts at a dynamic, collaborative response.

December 2023 Grant from The Endowment to Northside Food Cooperative

The New Hanover Community Endowment (The Endowment) first supported the work of Northside Food Cooperative (NFC), a for-profit corporation, and Growing Resilience, a non-profit corporation, by making a \$249,000 grant to the Blue Ribbon Commission on the Prevention of Youth Violence dba Voyage, a non-profit corporation serving as fiscal sponsor for NFC, to underwrite Growing Resilience's weekly community market and bi-monthly community dinners, and related efforts promoting economic opportunities and community cohesion in the Northside neighborhood.¹

In the 2023 grant application to The Endowment, NFC identified Growing Resilience as "the nonprofit associated with Northside Food Co-op" and stated that "Growing Resilience was in the process of "an organizational merger" with NFC so that the community grocery store in development and its current/ancillary community programming is a nonprofit venture."²

February 2024 Grant to County as Fiscal Sponsor of Northside Food Cooperative

On February 21, 2024, the Endowment announced a three-year, \$6,792,000 grant to the County to support the construction and operation of NFC as a startup grocery store in and for the Northside neighborhood (the project). The Endowment grant would cover construction and design costs as well as provide capital to open the store.

A site for the grocery store had been identified. The land was owned by the City of Wilmington who agreed to transfer ownership to the County. The County committed \$2,450,000 to the project, including covering five years of projected operating losses.

According to project materials at the time the 2024 grant was made "NFC would transition into nonprofit Growing Resilience."

¹ The Endowment's founding documents permit grants to "non-profit, governmental or community organizations." As a public charity, The Endowment is bound by federal tax law to ensure its grants are used exclusively for charitable purposes and not for private benefit.

² The 2023 grant was not related to the development of a grocery store.

Initial Grant Disbursement and Timeline

The Endowment disbursed the first grant installment of \$2,039,364 to the County as fiscal sponsor following the execution of the grant agreement in April 2024. The agreement anticipated that the second and third installments of \$3,404,084 and \$1,348,552 would be disbursed in March 2025 and March 2026, respectively, subject to submission and The Endowment's approval of annual reports due each March 15.

Construction was scheduled to begin in year two, with the store opening in year three. The agreement of the parties was that the project costs would be funded in real time 73% from The Endowment grant and 27% from the County's investment.

March 2025 Grantee Reports: Downtown Grocery Store Plans; No Merger; Project Pause and Pivot

In late 2024, the Wilmington City Council approved a bid for a new grocery store in the downtown area. While details were unconfirmed, the rumor was of a large chain or regional expansion. This announcement prompted NFC in early 2025 to pause the project, reassess its viability and explore strategies for differentiation. Specifically, in its March 15 grant report to The Endowment, NFC confirmed significant challenges that would necessitate a reevaluation of current project plans: revised projections and the rumored downtown grocery store had created critical operational challenges including (i) lower anticipated sales volume that could not sustainably support necessary labor and operational expenses; (ii) reduced foot traffic and constrained profit margins that would cause a structural economic imbalance; and (iii) projected a negative Margin Minus Labor (MML) for the first 10 years well below industry benchmarks.

Given these challenges, NFC and Growing Resilience shared with The Endowment and the County the need to amend their vision and revisit project plans to match updated market conditions, explore alternative business models that could achieve sustainability, research new location opportunities with improved traffic and visibility, and investigate additional operational strategies to enhance project viability.

The Endowment also learned that the organizational merger of Growing Resilience and NFC never materialized and that the organizations had abandoned efforts to merge.

April 2025 Meeting with County, NFC, and Growing Resilience

In April 2025, The Endowment's new Vice President of Programs and Grants, Sophie Dagenais, became involved in the grant discussions alongside grant officers Leigh Quarles and Terri Burhans. Dagenais joined The Endowment in January 2025. Together, they attended a meeting with County colleagues, and NFC and Growing Resilience board members and staff, including Cierra Washington, to discuss the project's status given the news of a potential grocery store in downtown Wilmington.

During the meeting, the NFC and Growing Resilience team, assisted by the project's consultant, Seven Roots, reported that the presence of a downtown grocery store would significantly

undermine the project's competitiveness and long-term financial viability. The NFC and Growing Resilience team considered the original plan no longer viable and reported that they had begun exploring alternative sites where the project may succeed.

The NFC and Growing Resilience team's consultant presented revised financial projections comparing the original site to a potential new project location. In this revised model, the real estate would be owned entirely by NFC, not the County, as was previously proposed.

The County reminded the group that as part of its agreement with the City of Wilmington, the County would have to pay the City the value of the Northside lot if the project was not located there,³ which would reduce the County funds available for the project in any other location. Importantly, the County was open to redistributing its \$1.5M operating deficit backstop to better match the revised projected operating deficits in the event the project proceeded at the new location.

The NFC and Growing Resilience team inquired whether The Endowment would consider increasing its grant to cover the increase in project costs associated with the new location. The Endowment team responded that they needed to more fully understand the scope, feasibility, and long-term sustainability of the project, as reimaged and relocated, and ensure alignment with the original grant purpose before agreeing to additional funds.

The parties also asked if The Endowment could approve using any portion of the grant for the due diligence associated with the exploration of revised plans. The Endowment team responded that given the evolving changes to the project, board approval for the release of any additional funds would be required. Furthermore, such use, if approved, would require an amendment to the grant agreement. The parties agreed to table any use of Endowment funds pending clarity on the project's destiny.

Helpfully, the County approved the use of the County's funds to bridge the due diligence costs and help NFC and Growing Resilience continue to explore solutions.

NFC and Growing Resilience stated they would undertake a due diligence process over the next two to four months to evaluate potential new locations and revisions to the project, including environmental site assessments, site acquisition and occupancy assessments and negotiations (lease and ownership models), and new financial models and projections to inform the future of the project.

The parties agreed to reconvene at the conclusion of the NFC due diligence to explore the project's future, potential reallocation of funds and additional funding, viability of the new plan, and the need for amended grant agreements.

Proposed Interim Action: Pending Application and Project Grant Amendment

In the meantime, in late 2024, Growing Resilience had submitted a new grant application to The Endowment, requesting \$667,055 in core operating support over a three-year period. Pending

³ The City's agreement to transfer the Northside land to the County was contingent on the site being used for a grocery store.

The Endowment's strategic refresh process, the application was held and conversations continued until Growing Resilience informed The Endowment in early 2025 that it expected to run out of operating funds for itself on or around May 15.

Given the current uncertainty surrounding the future of the project, The Endowment team suggested to NFC and Growing Resilience that they request an amendment to the 2024 grant agreement to help bridge this transitional phase of the project and support Growing Resilience. NFC and Growing Resilience formally applied for an amendment to the grant agreement to reallocate up to \$120,000 of The Endowment's grant funds to Growing Resilience for operating expenses related to project exploration.

To help ensure the continuity of critical activities during this transitional phase of the project, The Endowment Grants Committee approved the proposed amendment to the existing grant agreement. Specifically, funds would be used to support Growing Resilience's efforts:

- Leading and completing the project's due diligence process;
- Managing communications and engagement with the County;
- Managing communications and engagement with the community, including the community dinners;
- Determining and recommending the project's future direction;
- Developing a sustainability plan for the continuation of Growing Resilience's work with NFC.

Under this new arrangement, Growing Resilience would bill the project at a rate of up to \$18,000 per month through the earlier of December 31, 2025 or project wind-down. Any unspent funds for this reallocation would be returned to the capital budget for the project (if the project moved forward). Should the project be deemed unfeasible, any unspent grant funds would be returned to The Endowment in accordance with the terms outlined in the grant agreement

The Endowment team planned to present the amendment to the Board of The Endowment at its meeting on May 22, 2025.

May 2025: Shifting from Amendment to Termination and Substitute Grant to County

Upon returning from the April meeting with the County, NFC, and Growing Resilience, Dagenais requested and obtained permission from The Endowment's CEO to seek legal advice from outside counsel on the evolving grant's charitable purpose. By then, she had received the details of the original 2024 grant and the evolving conditions surrounding NFC and Growing Resilience,⁴ and the details of a new vision for the project, which would now be in a different location and owned entirely by NFC.

⁴ See, above, March 2025 Grantee Reports: Downtown Grocery Store; No Merger; Project Pause and Pivot.

Charitable Purpose Analysis

The Endowment team learned that the commercial operation of a grocery store was unlikely to constitute a charitable purpose under Code Section 501(c)(3). The IRS has ruled on more than one occasion that operating a community grocery store, even by a non-profit or in an economically depressed neighborhood or in a food desert, is not a charitable activity, when the activity is conducted in a commercial manner. Even a heavily discounted grocery store has been deemed by the IRS to operate as a commercial enterprise rather than a charitable one. In contrast, nonprofit classifications have typically been granted to food retail models that center on workforce training and development and/or provide goods at no cost.

The fact that the project would be located in a Qualified Census Tract (meeting the criteria of 50 percent of households with incomes below 60 percent of the Area Median Gross Income (AMGI) or have a poverty rate of 25 percent or more) and in a food desert according to USDA criteria did not change the conclusion.

Substitute Grant to the County

Dagenais briefed The Endowment Board on May 22 on the change in project scope and that the vision for the project likely would not meet the IRS requirements of a charitable purpose. As the Board considered termination of the grant, Dagenais and the Board explored the possibility of alternative measures to support the project in alignment with a “charitable purpose” and The Endowment’s mission.⁵ At the May 22 meeting, the Board of The Endowment voted to terminate the grant due to change in scope and approved a new grant to the County in the amount of \$2,039,364 (which was the unspent portion of the first grant installment) to support the County’s efforts to find a viable food access and delivery solution in and for the Northside community. This grant would be made to the County, for itself, not as fiscal sponsor of the project. The County, in its sole discretion, could choose to continue its partnership with NFC and Growing Resilience and use The Endowment grant to complete the due diligence process necessary to find a solution for the Northside project.

June 4 Meeting with Parties: Substitute Grant to County

On June 4, The Endowment team met with County colleagues and the NFC and Growing Resilience team, including Washington, their consultant, and a few of their board members. As a courtesy, immediately prior to the start of the meeting, The Endowment privately advised Washington of the termination of the grant and plans for a substitute grant to the County and advised her that The Endowment could not make a grant to fund a commercial grocery store operation.⁶

At that meeting, The Endowment conveyed to all parties the decision to terminate the original 2024 grant and the offer of a substitute grant to the County in the amount of \$2,039,364 to be

⁵ By this time, only \$180,000 of The Endowment’s 2024 grant to the County for the project had been spent.

⁶ The Endowment would continue to reiterate to Washington and members of her board that The Endowment could not make a grant to fund the grocery store operation as proposed. Similarly, a grant to acquire and/or build an asset for a for-profit entity (NFC) raised significant private benefit concern.

used by the County, in its discretion, to support the County's efforts to find a viable food access and delivery solution in and for the Northside community.

The decision to terminate the grant was based on significant changes in scope. The project direction was unclear but in making the substitute grant, The Endowment hoped to enable the continuation of the work toward a revised vision and project. As that vision evolved, The Endowment could assess how and the extent to which The Endowment could make additional grants toward the project so long as the use of funds qualified as a charitable purpose.⁷

In response to questions during the meeting, The Endowment confirmed that the termination of the grant would not render NFC or Growing Resilience ineligible for future grants. Similarly, the termination of the grant would not impact other grants recently awarded to Growing Resilience as a participant in The Endowment's 2025 Community and Capacity Grants Program.⁸

The parties agreed to work on the new substitute grant to the County to be used by the County, in its discretion, to support the County's efforts to find a viable food access and delivery solution for the Northside community, which is an area of food insecurity. The County could use the grant to conduct feasibility studies for a grocery store, and purchase or make available a site owned by the County for a grocery store operation to locate in or near Northside for Northside. If the County did not demonstrate a solution for a grocery store or other means of expanding food access in, to or for the Northside community by September 1, 2026, any unspent funds would be returned to the Endowment.

June 2025: County and The Endowment Terminate Grants to Northside Project; New Endowment Grant to Growing Resilience

In June 2025, the County Commissioners approved the County's FY26 budget. As part of that difficult budgeting process, the Commissioners reallocated the funds previously committed to the NFC project to another line item.

With the County no longer a financial investor in the project, by letter dated June 27, 2025, The Endowment terminated plans to make a substitute grant to the County. The 2024 grant was terminated and the unspent balance of the first installment of the grant was returned to The Endowment.

That same month, the Board of The Endowment approved a separate grant to Growing Resilience in an amount of \$320,940 to support its ongoing efforts to explore a feasible solution to convert the Northside community from a food desert to a state of food security. The new, one-year 2025 grant expiring June 30, 2026 supports the organization's operating budget centering on three core activities: (a) deepening community and member outreach, (b) leading the NFC

⁷ Examples of such a grant would be a programmatic grant to support job training.

⁸ In 2025, Growing Resilience also received from The Endowment a \$5,000 Capacity Grant to help fund a health and wellness reimbursement program for staff members in support of the development of the Northside community grocery store and community engagement, and a \$5,000 Community Grant to pilot "mini-programs" such as training three to five residents alongside farm staff, the Cook Together program, and The Foodio at the DREAMS Center.

relocation site planning and feasibility work, and (c) preparing for the launch of a workforce development program alongside the grocery store opening.⁹ None of the funds would be used for the acquisition, development or operation of a commercial grocery store. While a grant to support a community grocery store may not be charitable, a grant to support the exploration of food access solutions or a job training at a community grocery store would qualify as charitable. The Endowment’s 2025 grant to Growing Resilience, therefore, was an effort to directly support the community grocery store vision by offering funding for ancillary, charitable programs.

June 2025 – June 2026: Ongoing Support of Growing Resilience by The Endowment

From the moment The Endowment discovered the change in project scope and the lack of the project’s alignment with the “charitable purpose” requirements of The Endowment, The Endowment team was in constant communication with Growing Resilience as grantee, providing support for the new \$320K grant, answering questions and serving as a thought partner, and introducing the NFC and Growing Resilience team to other potential funding sources.

In these efforts to be helpful, in October 2025, The Endowment team introduced Growing Resilience to, and arranged a meeting with, Locus¹⁰ to help connect Growing Resilience to a network of capital, resources, partners and developers with experience in community-driven solutions to address food deserts.¹¹ In November 2025, Burhans also joined Growing Resilience in a meeting with Self-Help.

From time to time, the NFC and Growing Resilience team continued to inquire about a grant to support a grocery store. Every time there was an inquiry, The Endowment reiterated clearly to Washington and her colleagues the inability of The Endowment to make a grant to support a commercial grocery store or a program that does not qualify as a charitable purpose.

On June 3, 2026, the matter came up at The Endowment’s Public Meeting and Board Listening Session. Washington offered to illuminate The Endowment with examples of other food cooperatives funded by philanthropy. Washington asked, “Given that other communities have used charitable dollars to support cooperative grocery stores as clearly documented responses to food deserts, what specifically makes it impossible or too risky for this endowment to use similar charitable dollars as tools for the Northside? And will you share that reasoning in writing with the community?”¹² Washington had previously shared with The Endowment a memorandum on other projects based upon NFC’s consultation with a legal clinic.

⁹ Specifically, Growing Resilience planned to (a) host monthly listening sessions focused on food access in Northside community, aiming for an attendance of at least 20 participants per session; (b) facilitate and organize two youth-led community engagement events every month, including but not limited to community dinners, aimed at fostering connection, participation, and collaboration among the local community (each event aiming for a target attendance goal of 75 participants); (c) launch and distribute Northside monthly community newsletter focused on food access, with the goal of reaching 1000 subscribers by the end of grant term; (d) develop and implement a comprehensive food industry workforce pipeline framework through strategic local partnerships by the end of grant term; and (e) conduct research and develop a strategic plan to enhance access to retail opportunities for local food entrepreneurs, with a focus on supporting Northside community residents. Those activities became the agreed-upon grant expectations.

¹⁰ As a community development financial institution, Locus advances high-impact, community-led projects that support small business growth, housing affordability, clean energy innovation, and healthy food access.

¹¹ E.g., With a \$13 million New Markets Tax Credits (NMTC) allocation from Locus, Goodwill Industries of the Valleys sponsored the development of a full-service grocery store and an adult high school in Northwest Roanoke, VA.

¹² Public Meeting Transcript.

Washington’s advisors referenced at the public meeting, and therefore Washington herself, have reached a different conclusion than The Endowment’s outside counsel, citing examples of food cooperatives and projects supported through philanthropic participation. The examples cited in Washington’s memorandum to The Endowment, however, do not address important nuances. Specifically, the examples referenced involve funding structures materially different from the grant NFC and Growing Resilience would now like to receive from The Endowment. The examples, instead, were funded by federal program sources, community development financing institutions (CDFI), member equity, or a combination thereof, none of which carry the requirement to support a charitable purpose under IRS Code Section 501(c)(3). Furthermore, as The Endowment shared with Growing Resilience, food cooperatives and grocery stores that have received philanthropic support have likely received it in the form of program-related investments, not grants.¹³ Program-related investments are not grants; they are financial instruments that can take various forms, including the purchase of an equity interest in a business, an investment in a CDFI, or the provision of below-market loans.

Why was the determination about the IRS restriction not made before The Endowment made the 2024 grant?

On June 7, 2026, a member of the press asked the new question above.

In 2024, when the grant was made, The Endowment was told that the County would own the land and the building. The County planned to lease the building to the operator. Because the project’s land and building were public assets, a grant funding any portion of them would not have triggered a *private benefit* concern. Further, initial grant proposals reflected that NFC and Growing Resilience were undergoing “an organizational merger” which would have supported an initial expectation that the grocery operation would be conducted by a non-profit and therefore in a charitable manner, not in a commercial manner. The store business model was evolving.

The new model proposed in May 2025, however, called multiple aspects of the project into question. Specifically, NFC and Growing Resilience were looking at NFC’s private ownership of the land and building, which triggered concern over a charitable grant being used for *private benefit*. Moreover, the financial models (“pro-formas”) for the grocery store to be owned by NFC, a for-profit entity, supported the *commercial nature* of the proposed grocery store operation.

Had the revised project vision been in effect in 2024 or if the 2024 vision for the operation had been clearer, grant parameters may have been structured or limited or set differently; the challenges associated with a grant in support of a commercially operated grocery store would have surfaced sooner. Charged with stewarding The Endowment’s grant program and resources, Dagenais, who was not at The Endowment in 2024, sought assistance immediately on becoming involved with the project in 2025 especially with the evolution of a new model. In addition to

¹³ To the extent grants were received, The Endowment presumes such grants were provided for charitable programming ancillary to the grocery store operations (e.g., workforce training programs).

termination of the grant due to change in scope, she immediately shared with Washington as the leader of the effort that The Endowment could not fund a commercial grocery store and that any support by The Endowment of a new vision for the project would have to align with a charitable purpose.

While the steps taken by The Endowment have certainly been upsetting to NFC and Growing Resilience, The Endowment took other significant steps to continue to support the goal of addressing food security in the Northside.

To be clear, philanthropy can and often does support charitable activities associated with food access initiatives, such as workforce development, education, community outreach, nutrition programming, and other public-benefit services, often tied to grocery stores. But NFC and Growing Resilience are primarily focused on a model that delivers to them and their constituents a business cooperative owned by private parties with a commercial enterprise. While that is certainly their prerogative, The Endowment's grant cannot be used to support a project structure involving private parties and commercial operations.