HEALTHY FOOD FINANCING: LESSONS LEARNED

WELCOME!

Healthy Food Financing: Lessons Learned

Opportunity Finance Network Annual Conference
Detroit, Michigan
November 12, 2015
Ensuring that everyone has access to affordable, nutritious food and information to make healthy decisions.

Roundtable Participants

Caroline Harries, The Food Trust
Sajan Philip, Low Income Investment Fund
Olivia Rebanal, Capital Impact Partners
Michelle Mapp, South Carolina Community Loan Fund
Mark Barbash, Finance Fund
Moderator: Deirdre Church, The Food Trust
Video: Everyone Deserves Access

Food Access Research

- Accessing healthy food is a challenge for many Americans – particularly in low-income neighborhoods, communities of color, and rural areas.
- Better access corresponds with healthier eating
- Access is associated with lower risk for obesity and other diet-related diseases.
- Healthy food retail creates jobs and helps to revitalize low-income neighborhoods.

Available at: [http://thefoodtrust.org/food-access/publications](http://thefoodtrust.org/food-access/publications)
Pennsylvania Fresh Food Financing Initiative:

Overview:
- Public-private partnership
- Grants and loans for healthy food retail projects

Impacts:
- 88 projects
- 5,000 jobs
- 1.6 million square feet of retail
- 500,000+ people served

Administered by The Reinvestment Fund and The Food Trust

Healthy Food Financing 2015

Federal funds available through CDFI
City policy
State policy
Healthy Food Financing Program Model

**Government or Foundation**
- Provide seed funding
- Oversee program implementation

**Community Development Financial Institution & Food Access Organization**
- Raise private capital
- Provide financing
- Determine applicant eligibility
- Market program, advocate for community

**Fresh Food Retail Projects in Underserved Communities**
- Supermarkets
- Small grocery stores
- Co-ops, farmers markets, and other "non-traditional" formats

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2015 OPPORTUNITY FINANCE NETWORK CONFERENCE

OUTLINING THE PROCESS

**PHASE 1:** Prepare and Inform
- Compile evidence
- Generate media
- Disseminate information about the problem
- Identify stakeholders

**PHASE 2:** Engage and Empower Stakeholders
- Food access advocates
- Supermarket industry leaders
- Government and civic sector leaders
- Community leaders
- Financial sector representatives
- Economic development leaders

**PHASE 3:** Strategize and Develop Recommendations
- Convene task force
- Identify barriers
- Develop policy recommendations

**PHASE 4:** Change Policy
- Release policy recommendations
- Educate policymakers
- Create program
Program Implementation: Lessons Learned

- Marketing and outreach
- Clear and simple application process
- Local verification of data
- Consider “Community Fit”

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www.healthyfoodaccess.org

*Funded through the Robert Wood Johnson Foundation
The Low Income Investment Fund – New York
Healthy Food and Healthy Communities Fund

2015 OFN Conference
Thursday November 12, 2015
Healthy Food Financing: Lesson Learned

About LIIF

• Founded in 1984
• National footprint
• $800 million CDFI
• Headquartered in San Francisco, with offices in Los Angeles, New York, and Washington, D.C.
• Breadth of work: community investments, capital fund aggregation, policy advocacy, grant making

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LIIF – Impact Pathways

- 30 years of investing in low income communities and families
  - $1.7 billion invested
  - 1.7 million people served
  - $7.8 billion leveraged
  - $47 billion in social benefits

NY HFHC Fund

$30 million public-private fund for food market capital projects, established to facilitate improved access to healthy food in underserved communities throughout the state of New York
Capital Grant
$10 Million from New York State

Operational Grants
• New York State
• NYS Health Foundation
• Goldman Sachs UIG
• Anonymous Foundation

New York Healthy Food & Healthy Communities Fund
$30 Million Total
• $26.6 Million for Project Loans
• $3.4 Million for Project Grants

Location Eligibility
• Low- to moderate-income area or greater than 50% of customers living in low-income area
• Below average food market density, “underserved” by healthy food retail
• Highly distressed or highly underserved projects are eligible for grant funding (if available)

Programmatic Eligibility
• Eligible capital uses of funds
• Retail area thresholds for food, non-prepared food, perishable food
• Nutrition assistance programs, i.e. SNAP, WIC

Additional Program Goals
• Promotes community development by working in conjunction with other programs
• Provides healthy, nutritious food that is, to the maximum extent possible, grown by sustainable agricultural practices
• Food market participates in the Pride of NY Program
• Participates in a first source or similar hiring system that links employers with community residents and low-income New Yorkers
• Sound employment practices
Program Impacts

- 195,879 retail SF created, enhanced or preserved
- 514 permanent FTE jobs and 640 construction jobs created or preserved
- 9 projects participate in Pride of NY program or source goods from local farmers
- Fund leveraged $157MM in private and public capital (18x leverage)

Projects

- Reliable Market, Conklin
- Broome County Farmer’s Market, Broome County
- Foodlink Convenience Stores, Rochester
- Buffalo Grown Mobile Market, Buffalo
- A&D Market, Conklin
- Nojaim Bros., Syracuse
- Hudson Anchor Market, Hudson
- Poughkeepsie Mobile Market, Poughkeepsie
- MyTown Marketplace, Highland Falls
- Foodtown, Mount Vernon
- Triangle Plaza Hub, South Bronx
- Urban Market, Brooklyn
- GWB Bus Terminal, Manhattan
- Moisha’s Discount Supermarket, Brooklyn
- Key Food – Sand Lane, Staten Island
Project Examples

Nojaim Bros. Supermarket - Syracuse
• $2.23 million in HFHC financing and $400,000 HFHC grant
• Renovation and expansion of a 93 year old family-owned supermarket which serves very low-income neighborhood experiencing long-term disinvestment.
• Project will also support collaborative community health effort between St. Joseph’s Hospital, Syracuse University, and the Onondaga County Department of Health
• Supermarket carries goods produced by NY farmers

MyTown Market Place – Highland Falls
• $304,000 HFHC grant
• $804,000 total development costs.
• New minority and woman-owned supermarket
• Mayor of town was shuttling local elderly population to closest supermarket 11 miles away
• Member of the Pride of NY program

GWB Bus Terminal – Key Food
• $10MM million in HFHC financing part of $100MM project.
• New grocery store will increase access in Washington Heights, a very low healthy food access neighborhood.
• Larger project will rehabilitate a major NYC transit hub that served 4.7MM passengers in 2012.

Buffalo Grown Mobile Market
• $55,000 HFHC grant
• Funds used to purchase and fit-out a truck into a new mobile market.
• Mobile markets deliver fresh produce and bulk items to designated drop-off areas in low-income neighborhoods with very limited healthy food access. Mobile markets especially target low-income elderly populations with minimal healthy food access
Lessons Learned

- Grant Capital
- Flexible Loan Capital
- Collaborative projects
- Partner Organizations

Contact

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California FreshWorks Fund

Opportunity Finance Network Conference

November 2015
The program was created to increase access to healthy food in underserved communities throughout California.

The goals of the initiative:
1. Increase access to healthy food as a means to improve health outcomes,
2. Spur economic development and local job creation that support healthy communities, and
3. Encourage innovation in healthy food retailing and distribution

California FreshWorks Fund: Program Structure

FINANCIAL COMMITMENTS

<table>
<thead>
<tr>
<th>Structured Fund</th>
<th>New Markets Tax Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100mm Senior Debt</td>
<td>$120.5mm</td>
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<tr>
<td>$25mm Junior Debt</td>
<td></td>
</tr>
<tr>
<td>The California Endowment, Capital Impact Partners, Dignity Health, Opportunity Finance Network</td>
<td></td>
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<tr>
<td>$7.5mm Loan Loss Reserve</td>
<td></td>
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<tr>
<td>JPMorgan Chase Foundation, The California Endowment, Healthy Food Financing Initiative</td>
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Grants

- $4.4mm
  - The California Endowment, Capital Impact Partners, Kellogg, Healthy Food Financing Initiative, Kaiser, First5LA, Koret Foundation

Other Lending

- $16mm
  - The California Endowment, Capital Impact Partners, Kellogg, Healthy Food Financing Initiative
CAFWF PRODUCTS

NMTC Allocations
Provide allocation and/or leverage
debt for projects over $5MM

Term Loans
Loan from $250,000 to $5MM for
real estate, equipment, working
capital

Intermediary Loans
Loans to intermediaries to re-lend
in amounts from $2,500 to
$250,000

Small Grants
Grants up to $50,000 to support
innovation, workforce
development, outreach

DEPLOYMENT

$58 MM
730,000 Access
43 projects
1284 jobs
Make Someone Happy/Produce on the Go
$30K investment
5 -> 18 site expansion
Merced County access
Supports local economy
Reaches isolated areas
Serves 150mi radius

Palomino Market

SUCCESS
Palomino Market

- $651,000 Term Loan
- Liquor store converted into 6000 sq. ft. superette
- Dairy, Meat, Produce + EBT
- 57k neighboring residents
Evaluation Guided by 4 Research Questions

RQ 1: What key lessons were learned through the development and implementation of CAFWF?
- In depth interviews, online survey, document review

RQ 2: What influence is CAFWF having on increasing access to healthy food and changing food purchase and consumption patterns in underserved communities?
- Customer surveys, manager interview, store assessments, sales data, CHIS data, community forum

RQ 3: What are the economic impacts resulting from the CAFWF?
- Economic data, in depth interviews, investee survey, real estate market analysis, economic multiplier model analysis, GIS mapping

RQ 4: In what ways is CAFWF influencing key stakeholders and new partnerships and leveraging new resources to improve access to healthy food and obesity prevention?
- In depth interviews, national scan of CA's influence

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Evaluation Findings

CONSUMER PROFILE

- Respondent Characteristics:
  - 71% female
  - 87% Latino/Hispanic; 8% African American
  - 42% 36-50 years of age; 33% 21-35 years of age
  - 43% did not complete high school
  - 75% reported an annual HH income of $35,000 or less
  - 53% had lived in their neighborhood for 10 yrs+
Evaluation Findings

CONSUMPTION PATTERNS

How Does Northgate Compare on Variety?

- Groceries: 78% said worse, 12% said about the same, 10% better.
- Fruits & Veg: 81% said worse, 15% said about the same, 4% better.

How Does Northgate Compare on Quality?

- Groceries: 77% said worse, 14% said about the same, 9% better.
- Fruits & Veg: 81% said worse, 13% said about the same, 6% better.

How Does Northgate Compare on Price?

- Groceries: 75% said worse, 18% said about the same, 7% better.
- Fruits & Veg: 81% said worse, 15% said about the same, 4% better.

Comparing Northgate Gonzales to Other Stores

- Fruits & Veg: 78% said worse, 21% said about the same, 1% better.
- Variety of Fruits Traditional in the Family: 88% said worse, 11% said about the same, 1% better.

SATISFACTION LEVELS

A Closer Look by Income (% Satisfied)

Those in lowest income groups (HH income of $20K annual or less) tend to be the most satisfied with what NC is offering.
Evaluation Findings

RESPONDENTS REPORT:

NC Shoppers are Encouraged to Buy More:
- Fresh fruit (71%)
- Vegetables (68%)
- Meat (60%); 58% reported buying meat with less fat
- Bread (50%); 57% buy whole grain bread
- Rice (38%)
- Soda (28%)

Social and Economic Impact Evaluation Findings

Two-year evaluation was conducted on three CAFWF-funded projects

City Heights
$8.5mm in NMTC

Inglewood
$7.7mm in NMTC

South LA
$7.6mm in NMTC
Two-year evaluation was conducted on three CAFWF-funded projects

- The three stores created over 450 jobs:
  - 62% of workers are from the local community
  - 91% of workers are low- to moderate-income
- Wages at these three stores exceed wages paid by other California grocers
- Employees at these three stores are enrolled in benefit programs at higher rates than employees at the same wage level nationwide
- Construction at these three stores generated:
  - $42mm in economic activity
  - $18mm in federal, state, and local taxes
- Ongoing economic activity at the three stores are expected to contribute:
  - $33mm in direct/indirect economic impact
  - $8mm in federal, state, and local taxes
LESSONS LEARNED: THE UNFUNDED

SIZE and TYPE of Requests:
- 59 requests
- $69MM
- $1.2MM average
- 66% of these requests were under $1MM

Reasons for NOT moving forward:
- No personal guarantee or collateral
- Availability of cash flow; unwillingness to incur debt
- Commercial loans with competitive pricing
- Inability for operator to secure site, negotiate lease terms

LESSONS LEARNED: ADVANTAGES

NMTC is an invaluable tool
- NMTC attracted $40MM in private equity
- Compelling incentive for operators

Grant and intermediary programs augment lending
- Lower dollar investments can achieve impact
- Intermediary program allows smaller food enterprise funding
Structured Fund proved to be inflexible
- Original LLC did not allow for prepayment
- Operators need flexibility to restructure debt as needed
- Other features not enough to balance out restrictions

LESSONS LEARNED:

CHALLENGES

Restructure LLC to offer more flexible terms
- Dissolution of Structured Fund occurred in early 2015
- Capital Impact Partners continues California FreshWorks Fund with original lead foundation partner, The California Endowment
- Capital Commitment is $50MM over three years

INTERMEDIARY PROGRAM
- Evaluation of impact of $1MM first round
- Deploy $2MM in investment 2015 to intermediaries
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INTERMEDIARY PROGRAM
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Non-Retail Opportunities
- Explore distributors, food hubs, incubators, other high-impact operators

Prior CAFWF Grantees
- Re-evaluate early stage funding to determine term debt readiness

Re-align Geographic Focus
- Focus outreach and pipeline development on Central Valley and Northern California

Thank You

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Healthy Food Financing Loan Program

- Population of 5 million with more than 1 million living in food deserts
- Started program in 2011 as an awardee in first round of Treasury HFFI funding; natural progression from housing development finance
- $3 million in capital from Kresge, BCBS Foundation, Mary Reynolds Babcock Foundation, Jessie Smith Noyes Foundation, PNC Bank, South State Bank, Private Investors

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LENDING

- Mobile market ($10,000)
- Processing shed ($10,000)
- Urban farm ($25,000)
- Small market ($110,000)
- Farmers market ($350,000)
- Grocery store ($600,000)

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2016 OPPORTUNITY FINANCE NETWORK CONFERENCE

TECHNICAL ASSISTANCE

• Feeding Innovation
• Partnership with Clemson University
• NxLevel Business Planning Course
• Mentorship
• Seed Capital
• Pipeline Development

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2016 OPPORTUNITY FINANCE NETWORK CONFERENCE

ADVOCACY & POLICY CHANGE

• Created SC FOOD ACCESS TASK FORCE
• $250k in 2015 General Assembly Budget for state funded HFFI; vetoed
• Diverse statewide partnerships

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ASSESSMENT & KNOWLEDGE SHARING

- Sponsored SC FOOD ACCESS SUMMIT
- Process Level Evaluation funded by Kresge Foundation
- Project Level Evaluation funded by Blue Cross Blue Shield Foundation

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LESSONS LEARNED

- Capacity Matters!
- Policy Matters!
- You cannot advocate for Food Access if there is not an adequate Food System!
- Small Farms Mean Big Business!
- Urban and Rural Innovation is Needed!

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Healthy Food Financing: Lessons Learned

*Presentation by Mark Barbash*
@ Opportunity Finance Network
*Detroit, Michigan*
*November 12, 2015*

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**About Finance Fund**

- A statewide nonprofit financial intermediary
- Community Development Financial Institution
- Founded to link low-income communities with public and private sources of capital
- Bring financial resources to urban & rural low-income communities to support:
  - Economic Development & Commercial real estate
  - Small Business Lending
  - Health care facilities and equipment
Healthy Food Initiatives in Ohio

CINCINNATI DEVELOPMENT FUND

Finance Fund
Healthy Food for Ohio

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Key Steps in Formation

- Develop, advance and educate on policy rationale for Healthy Food Financing
- Attract and leverage investment from public, private, government, foundations
- Develop criteria & launch the program
- Catalyze economic development through healthy food retail with multiple impacts:

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Food for Every Child Supporting Grocery Development in Ohio

www.financefund.org

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Key Initial Findings

- One million Ohio residents, including over 275,000 children, live in areas with greatest need
- Connection between healthy food access and reduction in obesity and heart disease
- A full-service supermarket is an economic driver
  - Employs 150 to 200 full- and part-time employees
  - Can boost home values up to 7%
  - Serves as an anchor, attracts complementary businesses, banks and restaurants

Policy Recommendations

1. Utilize existing incentives to support healthy food projects
2. Create a flexible healthy food financing program
3. Streamline development processes
4. Prioritize land assembly for healthy food retail development
Policy Recommendations

5. Promote a more secure retail environment
6. Create a targeted workforce program
7. Promote locally grown products
8. Support alternative distribution models for smaller stores
9. Support public transportation options

Healthy Food for Ohio

1. Focus on areas of greatest need for low income communities and neighborhoods
2. Finance primarily healthy food retail projects (grocery stores), but also support other initiatives (food hubs, kitchen incubators)
3. At a fund level, leverage investment from foundations, banks, philanthropic organizations and government.
4. At the project level, leverage private sector financing and investment
5. Provide both loans and grants for eligible projects
6. Identified pipeline of about $90 million in projects
Progress to Date

- Attract and leverage investment
  - $2 Million from State of Ohio General Assembly
  - $2 Million from CDFI Fund FA Program
  - Leveraged by bank, foundation and other investors

- Outreach to leverage investors based upon initial funding

- Development of Program Criteria (in process) to frame the program’s goals

Lessons Learned to Date

1. Development of the case statement is important for funders: It’s NOT just about food deserts
2. Development of a pipeline of potential projects demonstrates the market --- up to a point
3. Telling the story is critical: Makes the pitch relevant to potential funders
4. Be careful of the “poster child” project
5. Be careful about marketing too early: expectations are raised
6. Flexibility --- up to a point --- is key to developing criteria
Contact Us

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