Foundations & Healthy Food Finance: Investing in CDFIs to Improve Access to Healthy Foods in Low-Income Communities
Introduction

• Framing the Challenge
• CDFIs and Healthy Food Access
• CDFIs and Foundations: Powerful Partnerships
  – St. Luke’s Health Initiatives
  – The California Endowment
  – The Colorado Health Foundation
• Finding a CDFI Near You
Today’s Presenters

Pam Porter, OFN

Christy Bare, OFN

Mark Kudlowitz, CDFI Fund
Today’s Presenters

Jane Pearson, St. Luke’s Health Initiatives

Khanh Nguyen, The Colorado Health Foundation

Tina Castro, The California Endowment
Framing the Challenge
In hundreds of neighborhoods across the country, nutritious, affordable, and high quality food is out of reach — particularly low-income neighborhoods, communities of color, and rural areas.
USDA Map of Food Desert Locations
Traditional Grocers have Fled Communities
Distances from Farm to Plate have Increased
Obesity Trends in the US

1985

1995

2010

No Data          <10%           10%–14%     15%–19%     20%–24%     25%–29%     ≥30%

Source: Behavioral Risk Factor Surveillance System, CDC
Public health experts – Increasing fresh food access necessary strategy to combat obesity

Growing evidence – Connection between increased access and better health outcomes
CDFIs: Increasing Access to Healthy Food
What is a CDFI?

- **CDFI**: Private financial institutions dedicated to delivering responsible, affordable lending to low-income communities

- **Types**: Banks, credit unions, loan funds, venture funds

- **Financing Sectors**: Small business, microenterprise, nonprofit organization, commercial real estate, and affordable housing
Scope of the CDFI Industry

- 35 year track record of lending and impact
- 1,000 CDFIs in the United States
- 2010 industry statistics:
  - $6 Billion of New Lending -- $30 Billion Outstanding
  - >35,000 Jobs
  - >60,000 Units of Affordable Housing
  - >16,000 Responsible Mortgages
  - Average Charge-Off Rate of 2.5%
History of CDFIs and Healthy Food Access

- Pennsylvania Fresh Food Financing Initiative
  - The Reinvestment Fund (CDFI)
  - The Food Trust (Food Access Organization)
  - State & City Governments
  - Private Funders – including Foundations

- 90 approved stores
- $190 million invested
  Total Est. Project Costs for Approved Applicants
- 1.7 million sq. ft.
  Developed/Refreshed
  Total Est. Sq. Ft. Developed/Refreshed
- 5,000 jobs
  Total Est. Jobs Created/Retained
Healthy Food Finance: State & City Programs

- Pennsylvania
- New York
- New Orleans
- California
- New Jersey
- Illinois
- Colorado/Denver
- Arizona
- Georgia
- South Carolina
- More
The CDFI Fund

The CDFI Fund, within the U.S. Department of Treasury, promotes economic revitalization and community development through investment in and assistance to community development financial institutions (CDFIs).

- Financial Assistance Awards
- New Markets Tax Credit Allocations
- Bank Enterprise Awards
- Native Initiatives
- Capacity Building Initiatives
CDFS Fund’s CBI for Financing Healthy Food Options

<table>
<thead>
<tr>
<th>Food Production</th>
<th>Mid Food Chain Enterprises</th>
<th>Food Retailers</th>
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</thead>
<tbody>
<tr>
<td>• Farms</td>
<td>• Value-Added Production</td>
<td>• Grocery Stores</td>
</tr>
<tr>
<td>• Ranches</td>
<td>• Food Aggregation</td>
<td>• Food Co-Operatives</td>
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<tr>
<td>• Fisheries</td>
<td>• Food Distribution</td>
<td>• Public Markets</td>
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<tr>
<td>• New Kinds of Farms</td>
<td>• Waste Management</td>
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<td></td>
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<td>• Community Supported Agriculture</td>
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<td>• Mobile Vendors</td>
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</tbody>
</table>
CDFI Fund’s CBI for Financing Healthy Food Options

- **Trainings**: 8 trainings nationwide; 195 individuals trained
  - 4 workshops in food retail
  - 2 workshops in mid-tier
  - 2 workshops in food production

- **1-to-1 Technical Assistance**: 44 CDFIs are receiving one-on-one TA from a roster of experts; over 1,800 hours of TA committed

- **Technical Assistance Webinars**: 600+ people have attended 22 original webinars

- **HFFI Assistance Awards**: Over $43 million since FY 2011
Working With Foundations

• Healthy Food Financing Initiative – Financial Assistance Program (CDFI Fund)
  • Requires a 1:1 non-federal match
  • CDFI Fund makes the award in the same form as the eligible matching funds
  • Applicants are only required to present 25 percent of their match at the time of application
  • Great way to instantly leverage foundation resources!
CDFIs and Foundations: Powerful Partnerships
St. Luke’s Health Initiatives

• History and Mission
  – Conversion foundation/public charity
  – ~ $100,000 in assets
  – 17 years ago began as traditional funder
  – Health policy research, technical assistance and strength based community development
  – Value based health care (VBHC) and healthy eating active living (HEAL)
SLHI’s Work to Improve Access to Health Foods

• Healthy Eating Active Living Initiative
  – Incorporating healthy community design in general plans and other municipal policies
  – Improving the built environment
  – Promoting access to healthy food
    • Urban agriculture policies
    • Reducing food deserts
Learnings and Insights

• New Territory
  – New languages
  – New contacts and relationships
  – New work
Working with CDFIs

• Making the Connection with CDFIs
  – Who are they? Or what are they?
  – It’s all about relationships
CDFI Partnership Benefits

- Opportunities/resources available
  - Technical assistance through Capacity Building Initiative (CDFI Fund & OFN)
    - Workshops
    - Webinars/online training materials
    - PolicyMap
    - Jeff Brown
    - Extensive network of contacts
Complementary Relationship

- Mutual benefit for CDFI and Foundation
  - CDFIs have the business and finance side
  - Foundations have the community connections
- Good partnership
Our Vision

Together, we will make Colorado the healthiest state in the nation.
Community Outcomes

- Healthy Living
- Health Coverage
- Health Care
Colorado Fresh Food Financing: how did we get here?

- The Food Trust/Pennsylvania Fresh Food Financing Initiative
- Held a Supermarket Summit
- Commissioned Supermarket Report
- Grant to Denver Environmental Health
  - Denver Healthy Food Access Task Force Recommendations
Colorado Fresh Food Financing Fund

Working group on healthy food financing with representation from:

• Colorado Housing and Financing Authority
• Mile High Community Loan Fund
• Colorado Enterprise Fund
• City of Denver’s Office of Economic Development
• Rocky Mountain Farmer’s Union
• The Colorado Health Foundation
Colorado Fresh Food Financing Fund

Launch: early 2013

Purpose: to help remove financing obstacles from the construction, expansion and renovation of grocery stores and supermarkets in underserved areas

Partnerships: local CDFIs, foundations and lenders

Intended outcomes: improved health outcomes and community/economic development
Our partnership with CDFIs

- Fresh food financing will serve as test case
- Aligned goals and target population
- Reach the non-choir
- Additional benefits such as economic development
Foundations and Healthy Food Finance:
Investing in Community Development Financial Institutions to Improve Access to Healthy Foods in Low-Income Communities

September 27, 2012
Health Happens Here...

“The social determinants of health including poverty, racism, and hopelessness.”

Undervalued community assets and limited community resources

Poor Health Outcomes

How do we make investments to create healthy social, economic, and built/natural environments?
Building Healthy Communities is a 10-year, $1 billion program of The California Endowment. 14 communities across the state are taking action to make where they live healthier. They’re doing this by improving employment opportunities, education, housing, neighborhood safety, unhealthy environmental conditions, access to healthy foods and more. The goal: to create places where children are healthy, safe and ready to learn. Ultimately, we’re aiming at nothing less than a revolution in the way all of us think about and support health for all Californians.

**The Communities**

- Boyle Heights
- City Heights
- East Oakland
- Richmond
- South Los Angeles
- Central Santa Ana
- Del Norte County and Adjacent Tribal Lands
- East Salinas (Alisal)
- Sacramento
- Southwest Merced/East Merced County
- Central/Southeast/Southwest Fresno
- Eastern Coachella Valley
- Long Beach
- South Kern
The California FreshWorks Fund is a public-private partnership loan and grant fund created to finance grocery stores and other forms of healthy food retail and distribution in underserved communities throughout California. It is modeled after the PA Fresh Food Financing Initiative and has been developed to align with the National Healthy Food Financing Initiative.

<table>
<thead>
<tr>
<th><strong>Fund Size:</strong></th>
<th>$272.8 million</th>
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<tbody>
<tr>
<td><strong>Uses of Capital:</strong></td>
<td>Loans &amp; Grants</td>
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<tr>
<td><strong>Capitalization:</strong></td>
<td>Debt &amp; Grants</td>
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<tr>
<td><strong>Program Eligibility:</strong></td>
<td>CA Healthy Food Retailers &amp; Distributors Must serve low/moderate income communities with low access to healthy food retail</td>
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California FreshWorks Fund Goals

Access
- Increase access to healthy food as a means to improve health outcomes.

Economic Development
- Spur economic development that supports healthy communities

Innovation
- Encourage innovation in healthy food retailing and distribution
Capital Structure

Term Debt
$125 Million

- Senior Debt $100 M (80%)
  - Banks & Insurance Companies
- Sub Debt $25 M (20%)
  - The Endowment
  - NCB Capital Impact
  - & Other Social Investors
- Grant
  - (Credit Enhancement)
  - $7.5M
  - The Endowment, JPMorgan Chase & HFFI

New Market Tax Credits
$126.5 Million

- Leveraged Debt
  - NCB, FSB
  - The Endowment
  - NCB Capital Impact
- Tax Credit Equity
  - JPMorgan Chase
  - US Bank

- 7 Year IO Note
- Debt Service
- Equity
- Tax Credit

Investment Fund

Community Development Entity

Project QLICB

Note A
75%

Note B
25%

Other Lending
$12.7 Million

- PRI $4.5M
  - NCB Capital Impact & Foundations
- Grant $8.2M
  - HFFI, The Endowment & Other Foundations

Higher risk capital for innovative projects and/or projects that have the ability to repay but are not traditionally underwriteable.
## Partners

### Industry
- Unified Grocers
- CA Grocers Association
- Emerging Markets, Inc.

### Nonprofit
- PolicyLink
- Community Health Councils
- Social Compact

### Government
- State of California
- CRA of Los Angeles
- USDA Rural Development
- CDFI Fund

### Investors
- The California Endowment
- NCB Capital Impact
- JP Morgan Chase
- Kaiser Permanente
- Kellogg Foundation
- National Healthy Food Financing Initiative (HFFI)
- Bank of America
- Bank of America Foundation
- Calvert Foundation
- Charles Schwab Bank
- Citi
- Dignity Health
- First 5 LA
- JPMorgan Chase Foundation
- MetLife
- Morgan Stanley
- NCB, FSB
- Opportunity Finance Network
- US Bancorp CDC
The California FreshWorks Fund Initiative provides investors with a way to support CAFWF through the purchase of Calvert Foundation’s Community Investment Note.* This will allow stakeholders across California to support healthy food access and economic development in underserved communities. Notes are available online, in brokerage accounts, and with a check and application.

Min Investment: $20
Rate & Terms: 0.5% for 1 yr
1.0% for 3 yrs

Min Investment: $1000
Rate & Terms: 0.5% for 1 yr
1.0% for 3 yrs

* Calvert Social Investment Foundation, a 501(c)(3) nonprofit, offers the Community Investment Note, which is subject to certain risks, is not a mutual fund, is not FDIC or SIPC insured, and should not be confused with any Calvert Group-sponsored investment product. This slide is neither an offer to sell nor a solicitation of an offer to buy these securities; the offering is made only by the prospectus, which should be read before investing.
Loans up to $8 million to finance projects that create or expand healthy food retail in low access areas:

**Capital Projects**
- Building / land acquisition, to 90% LTV based on 1st DoT
- New Construction / Expansion, to 90% LTV based on 1st DoT
- Tenant Improvements, to 60% LTV, based on leasehold collateral value

**Equipment**
- New equipment, up to 100% of cost
- Used equipment, up to 60% of appraised value

**Working Capital**
- Inventory, up to 35% of gross value
- Other working capital, based on demonstrated need, ability to repay, and available collateral
# FreshWorks Fund Grants Overview

Grants from $25,000 - $50,000 for projects with demonstrated need, to support priority areas:

| Innovation | • Innovative projects with high potential to increase food access  
|            | • Innovations in product placement and merchandizing  
|            | • Write down costs for projects that are otherwise infeasible  |
| Workforce Development and Local Hiring | • Outreach, recruitment and hiring activities for local hiring  
|                                        | • Employee training programs for local hiring  |
| Predevelopment | • Early costs for capital projects, such as market studies, appraisals  
|               | • Predevelopment grants may be recoverable for projects that successfully obtain permanent financing  |
Contacts

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dtellalian@emergingmarkets.us

Contact: Veronica Saldaña, Business Development Officer California FreshWorks Fund
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vsaldana@emergingmarkets.us
www.emergingmarkets.us
Healthy Food. Closer To Home.

www.CAFreshWorks.com
What Roles can CDFIs Play?

_Innovative partner to solve problems in low-income communities_

- Convener
- Catalyst
- Source of financing
- Risk capital
- Conduit to leverage public or private grant dollars
- Link between stakeholders
What Roles can Foundations Play?

- Convener & facilitator
- Grants (research, planning, evaluation, re-granting)
- Program Related Investments (PRIs)
- Mission Related Investments (MRIs)
- Matching Funds for Federal Finance Programs
Additional Resources
Finding a CDFI Near You

• U.S. Treasury, CDFI Fund -
  http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=9

• Opportunity Finance Network -
  http://www.opportunityfinance.net/industry/industry_locator.asp
Financing Healthy Food Options Resource Bank

I. Training Curriculum

- Food Systems Overview
- Healthy Food Retail Financing
- Financial Services for Mid-Tier Food Chain Enterprises
- NRTC & Urban Supermarkets
- Understanding the Grocery Industry
- Underwriting Supermarkets & Grocery Stores
- Mid-Tier Food Chain Enterprises Overview & Underwriting
- Capitalizing Healthy Food Retail Initiatives
- Identifying Optimal Areas for Supermarket Development
- Understanding the Food Production Sector
- Credit Skills for Lending to the Food Production Sector
- Food Producers Case Studies
- Identifying Partners and Convening Stakeholders

II. Training Webinars

III. Additional Resources

- Searching for Markets: The Geography of Inequitable Access to Healthy and Affordable Food
  - Executive Summary
  - Full Report
- Financial Resources Catalogue

IV. Food Desert Mapping Tools

- USDA Food Desert Locator
- PolicyMap
Financing Healthy Food Options Webinar Archive

http://www.cdfifund.gov/what_we_do/FHFOResourceBankWebinars.asp

Financing Healthy Food Options Resource Bank: Webinars

Relevant Training Curriculum chapters can be found on the Resource Bank's main page.

1. PolicyMap and Using Limited Supermarket Analysis In Your Target Market
   - Webinar 1 Presenter Biographies
   - Webinar 1 Accompanying Presentation

2. Healthy Food Options Program Design and Social Impact Measurement
   - Webinar 2 Presenters Biographies
   - Webinar 2 Accompanying Presentation
   - Sample Retail Loan Pre-Application Design
   - Sample Retail Loan Application Design
   - Sample Retail Loan Template for Data Collection (.xls)
   - The Grocery Gap: Who Has Access to Healthy Food and Why it Matters (Food Trust and PolicyLink)

3. Green for Greens
   - Webinar 3 Presenters Biographies
   - Webinar 3 Accompanying Presentation
   - Green for Greens: Finding Public Financing for Healthy Food Retail (Public Health Law & Policy)
   - Getting to Grocery: A Toolkit for Attracting Food Retail to Underserved Neighborhoods (Public Health Law & Policy)

4. New American Foodshed
   - Webinar 4 Presenters Biographies
   - Webinar 4 Accompanying Presentation
   - Field Guide to the New American Foodshed
     - Field Guide: One Page Planning
   - National Good Food Network
   - Farm Credit Council
Contact Information

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