



Food Systems Finance Webinar Series: Financing Food-Centered Redevelopment

Welcome

The Broadcast will begin at 2:00 PM (Eastern)

Thank you

for joining the
conversation today.
Send us your questions
and comments!



Food Systems Finance Webinar Series: Financing Food-Centered Redevelopment

Moderator

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Allison Rowland

Manager, Research & Technical Assistance
Council of Development Finance Agencies

See all of CDFA's resources online at www.cdfa.net/resources



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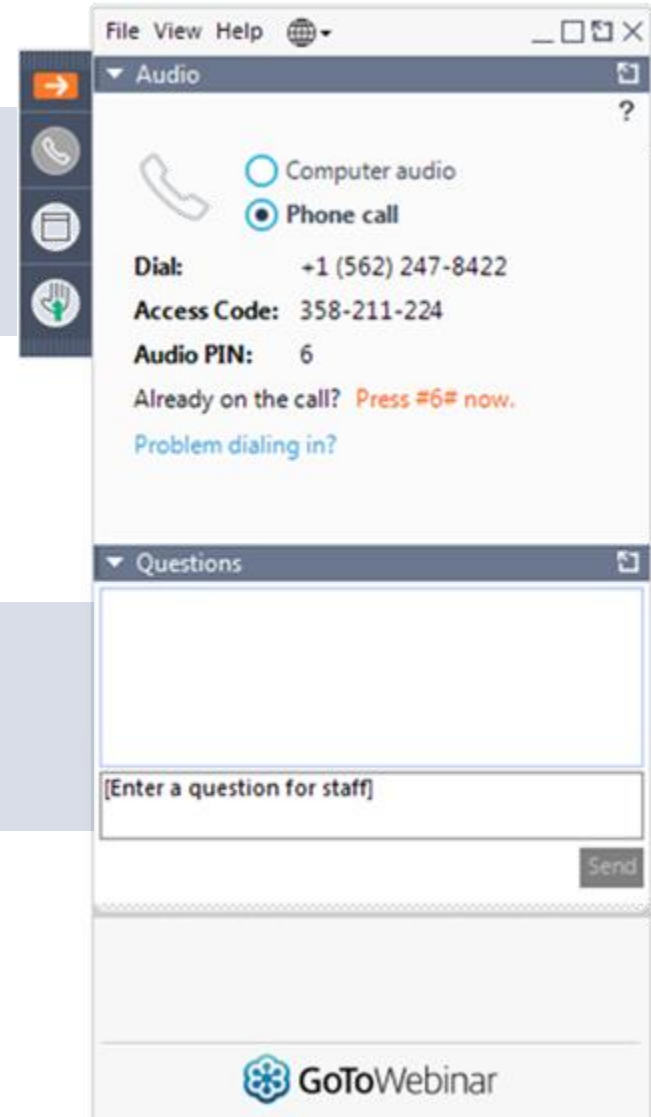
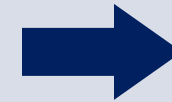
Updated: 2020

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Using your telephone will give you better audio quality.



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Submit your questions to the panelists here.





Food Systems Finance Webinar Series: Financing Food-Centered Redevelopment

Defining the Food System Asset Class

For the past several years, CDFA has been researching how development finance agencies can become more engaged in developing localized food systems through traditional finance approaches. The premise of this project is to suggest and then prove that, if organized and defined properly, the food system can become a defined asset class worthy of traditional investment. Through this work, CDFA aims to advance opportunities and leverage capital to scale local food systems, increase access to better food, and create new living wage jobs in communities across the country.

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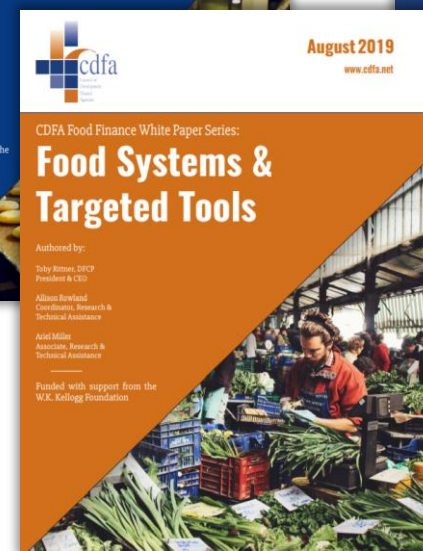
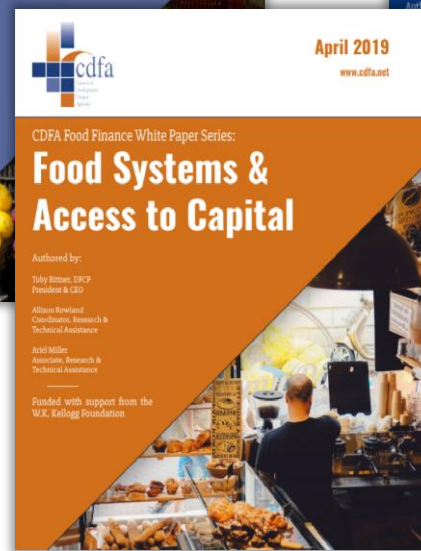
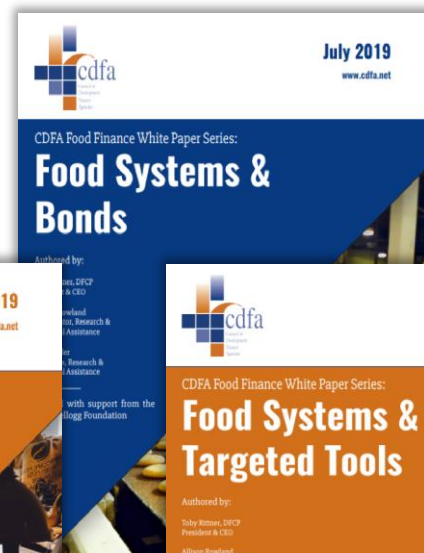
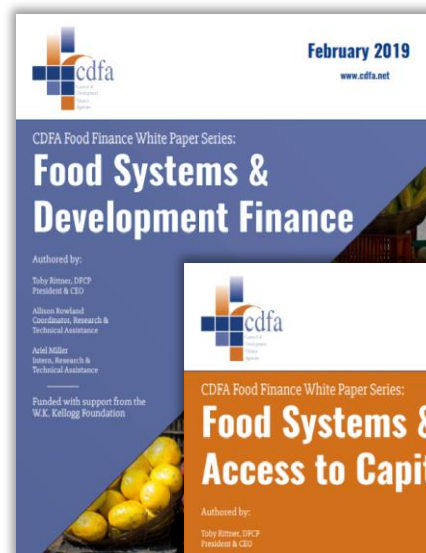




Food Systems Finance Webinar Series: Financing Food-Centered Redevelopment

CDFA Food Finance White Paper Series

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Food Systems Finance Webinar Series: Financing Food-Centered Redevelopment

CDFA Food Systems Finance Resources

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Food Systems Finance Resource Center

Food systems are an important driver for local economic development and the financing sources needed to support those systems are vast. Communities throughout the country are financing their food system with various innovative strategies to support local markets, first time farmers, new food enterprises, and neighborhoods lacking access to fresh foods.

The CDFA Food Systems Finance Resource Center outlines development finance tools that can be used to support local food systems, such as bonds, tax increment finance, tax credits, revolving loan funds, and other tools. Traditional development finance tools provide necessary capital for establishing food industry participants, supporting local farming, investing in agriculture infrastructure, financing food scarcity challenges, and starting small food-related businesses. A variety of innovative approaches and creative programs have been employed by development finance agencies to support food systems financing, which can be accessed in the resources provide below.


CDFA sees the potential for the broadly defined food system to become a desired and performance driven asset class. With funding from the **W.K. Kellogg Foundation**, CDFA is researching how development finance agencies can become more engaged in developing localized food systems through traditional finance approaches. The premise of this initiative is to suggest and then prove that, if organized and defined properly, the food system can become a defined asset class worthy of traditional investment. As part of this initiative, CDFA is currently producing six in-depth white papers that define traditional development finance tools and explain how they can be applied to agri-food businesses, featuring an abundance of case studies.

⇒ **Learn more about CDFA's initiative to define the food system as an asset class**

Want regular updates on food systems financing? Subscribe to **CDFA's Food & Agriculture Finance Update** newsletter.

⇒ **Subscribe**

- **Defining the Food System as an Asset Class**
- **Understanding Food Systems Finance**
- **Food Systems Finance Resources**
- **Agriculture Finance Resources**



⇒ **Learn More About This Tool**

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CDFA Defining the Food System Asset Class

With funding from the W.K. Kellogg Foundation, CDFA is researching how DFA's can become more engaged in developing localized food systems through traditional finance approaches such as bonds, tax increment finance, tax credits, and revolving loan funds. The premise of this project is to suggest and then prove that, if organized and defined properly, the food system can become a defined asset class worthy of traditional investment.

⇒ **View the Press Release**

CDFA sees the potential for the broadly defined food system to become a desired and performance driven asset class. Through collaboration between food system participants and development finance agencies, new investments can be catalyzed that will drive the creation of this asset class. The opportunity to link food and development finance has vast potential, including using traditional financing tools such as bonds for non-profits, food hubs, and farm expansions, as well as tax increment finance for food industry industrial parks, neighborhood revitalization, or early stage financing models for entrepreneurs and food technology based businesses. Deploying these tools will help to build the necessary data sets, impact metrics and portfolio performance measures to prove an asset class.

Key project elements include:

- **Food Systems Finance Research**
CDFA is developing a comprehensive resource center of past and current projects and programs that are utilizing collaborations between food systems and development finance.
- **Food Systems Finance Case Studies**
CDFA is producing six in-depth case studies of how traditional development finance tools can demonstrate the viability of the food systems as an asset class.
- **Food Systems Finance Pilot Projects**
CDFA is developing pilot projects in regions that present strong food system efforts but that lack direct and traditional development finance contributions.
- **Food Systems Finance Advisory Council Convenings**
CDFA is hosting regular, ongoing and substantive convenings of CDFA's Food Systems Finance Advisory Council to establish this cohort within both the food and finance industries.

- **Food Systems Finance Overview**
- **Food Systems Finance Resource Center**

<https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/foodsystems.html>



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Panelists



Jason Chamlee

Vice President of Mixed Use
The Model Group



Erik Pechuekonis

Community Planning and Development Specialist
U.S. Department of Housing and Urban Development



Joe Hansbauer

President & CEO
Corporation for Findlay Market



Nicole Reitzell

Vice President, Community Engagement
Erie Downtown Development Corporation



Joe Huber

President
Cincinnati Development Fund



Seema Thomas

Deputy Director
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CDFA Financing Food-Centered Redevelopment

Section 108 Loan Guarantee Program



Today's Topics



Types and Projects Examples



Section 108 Basics



Combining 108 with Other Financing



Resources

An architectural rendering of a modern, multi-story building with a light-colored facade and numerous windows. The building features a prominent, stepped, tower-like structure on the right side. In the foreground, there is a large, open courtyard area with a paved walkway, trees, and a small water feature with multiple fountains. People are shown walking and playing in the courtyard, suggesting a vibrant, community-oriented environment. The sky is a clear, light blue.

Types of 108 Projects with Examples

Types of Section 108 projects



Economic Development

Central Business District Support

Retail/Office and Manufacturing

Small Business Financing

Business Retention

Housing



Loan Funds for Third Party Developers

Adaptive Reuse

Supporting New Housing Construction

Rehab of private housing stock and public housing



Public Facilities

Community Centers

Park Upgrades

Hospitals

Gov't Bldgs serving Residents

Infrastructure



Water & Sanitation

Streets, Curbs and Gutter Improvements

Broadband Line Extensions

Devastated Landscapes

Economic Development and Remediation | Urban Ag Example

Cleveland, Ohio

TOTAL 108 FINANCING: \$3.97M

Green City Growers Greenhouse Cooperative

- The City remediated and redeveloped 10+ acres of an industrial/residential site into an employee-owned cooperative greenhouse that created 42 full-time jobs producing 2 million pounds of healthy greens and 200,000 pounds of fresh herbs annually.
- The City assembled the parcels and then sold the site to a developer to carry out the project consisting of two buildings, a greenhouse with multiple bays and a packing house where produce will be prepared for shipping.
- Green City Growers cooperative leases the facility from the Developer.
- The City lent the Section 108 guaranteed loan proceeds through the New Market Tax Credit (NMTC) structure to a special purpose private for-profit Investment Fund



Economic Development and Rehabilitation | Vendor Market Example

Anaheim, California

TOTAL 108 FINANCING: \$7M

Packing House

- The City funded the restoration of a historic orange packing facility, originally built in 1919.
- The dilapidated building was rehabilitated into a food market with local vendors.
- The project has catalyzed economic development in Anaheim's downtown.



Public Facility | Farmers Market + Park Example

Pasco, Washington

TOTAL 108 FINANCING: \$3.781M

Pasco Market Redevelopment

- Restoration and expansion of the market will allow for increased flexibility and use by the community.
- Restoration of adjacent park will update it to modern standards, creating a more open and inviting public space that will also benefit surrounding businesses.
- Complements the City's investment in the Pasco Specialty Kitchen, a state-of-the-art certified commercial kitchen for local entrepreneurs located across the street from the park.
- The City has secured a commitment from one of the market's neighboring property owners to redevelop/repurpose another building into a public dining hall that will be designed to open towards the Market.
- This dining hall will create multiple new food businesses and provide a launch site for future Pasco Specialty Kitchen incubator clients.



Pre-Project

Source: Tri-City Herald

Loan Fund | Grocery Example

Houston, Texas

TOTAL 108 FINANCING: \$5.026M

HEB Grocery

- Funds loaned to HEB for acquisition and construction.
- The store is 72,000 sq. ft. and located in an underserved community.
- The store increased access to healthy foods for 65,000 people.



Source: houstontx.gov



Section 108 Basics

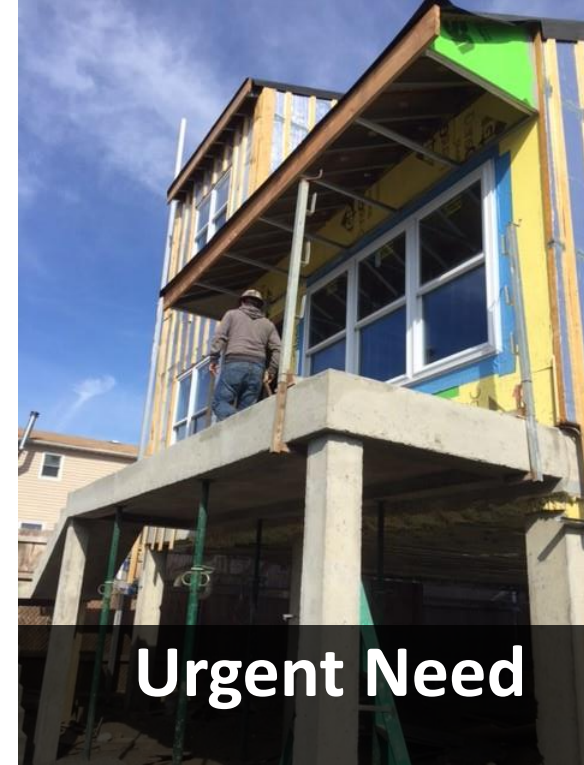
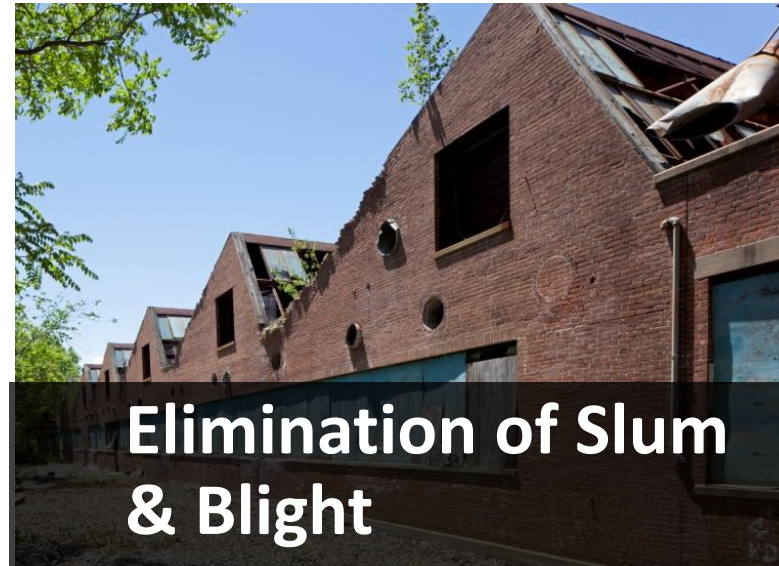
HUD's Section 108 Loan Guarantee Program



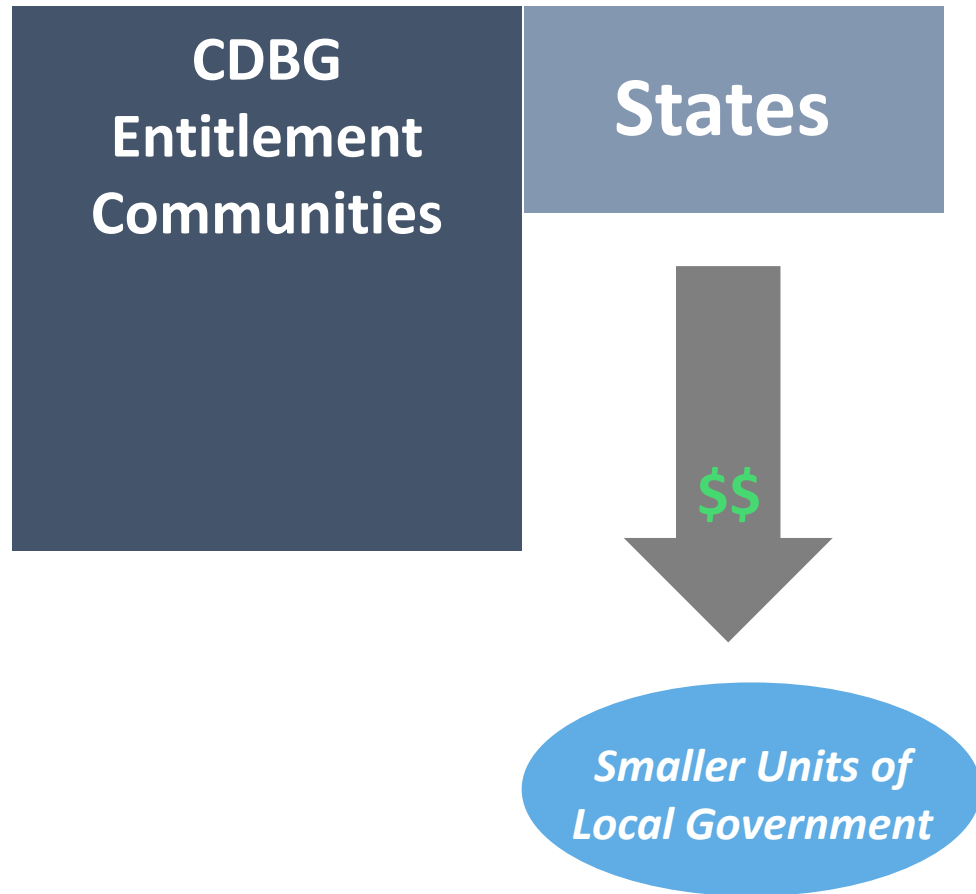
- Employs the programmatic framework of the CDBG Program
- Provides loan guarantees, not grants
- Offers recipients a non-competitive means of accessing lower interest rates
 - Variable Rate Financing: 3-month Treasury Bill Auction Rate + 35 bps = 0.015% + 0.35% = 0.365% on 3/25/21
- Dedicated staff willing to provide 1-on-1 Technical Assistance



CDBG National Objectives



Who has access to CDBG & Section 108 funds?



Subrecipient entities and other partners may receive Section 108 funds directly from lender if they are public agencies

Examples: economic development or public housing authorities, community development corporations, non-profits

* Non-entitlement communities in Hawaii and Insular Areas receive CDBG funds as well

Section 108 Borrowing Capacity

Annual CDBG Allocation		\$3,000,000
Max available borrowing capacity	x 5	= \$15,000,000
Outstanding 108 commitments	-	\$800,000
Outstanding 108 loan balance	-	\$2,000,000
Available borrowing capacity		= \$12,200,000

Or you can just look on our website here:

<https://www.hudexchange.info/resource/5197/current-availability-of-section-108-financing-cdbg-entitlement-and-state-grantees/>

Approaches to using Section 108

Project Specific:

- Application is for a specific project or projects
- Requires a high level of project detail & specificity for financial underwriting by HUD Headquarters

Loan Fund:

- Application describes type of loan fund projects to be funded along with the community's underwriting process
- Individual projects must have a Field Office determination letter to funds to be drawn



Stages for Section 108 Deployment

Preparation/ Pre-development

Acquisition

Demolition

**Site prep &
remediation**

**Relocation
costs**

Implementation

**Rehab Structure
for Housing**


**Machinery &
equipment**

Working capital

**Infrastructure +
improvements**



**Program
Requirements**



**Financial
Requirements**



The diagram consists of two circles. A large blue circle on the left contains the word 'PROGRAM' at the top, followed by the underlined text 'Standard CDBG Requirements', and then a list of four items: 'Eligible Activities', 'National Objective', 'Public Benefit Standards', and 'Crosscutting Requirements'. To the right of the blue circle is a smaller green circle containing the text 'Financial Requirements'.

PROGRAM

Standard CDBG Requirements

Eligible Activities
National Objective
Public Benefit Standards
Crosscutting Requirements

**Financial
Requirements**

Program Requirements

FINANCIAL

Repayment

- CDBG
- Third party loan proceeds
- Parking revenue
- Tax increment financing revenue

Collateral

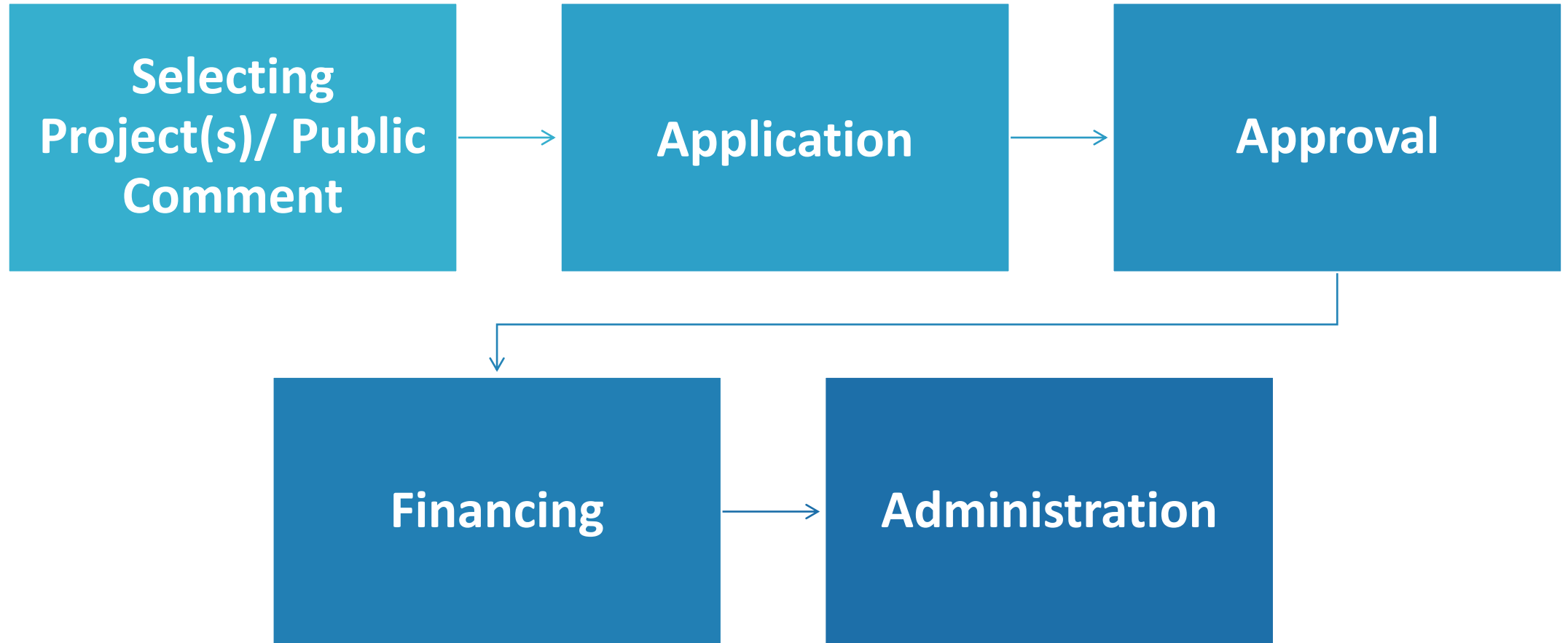
Primary Source:

- Pledge of current and future CDBG

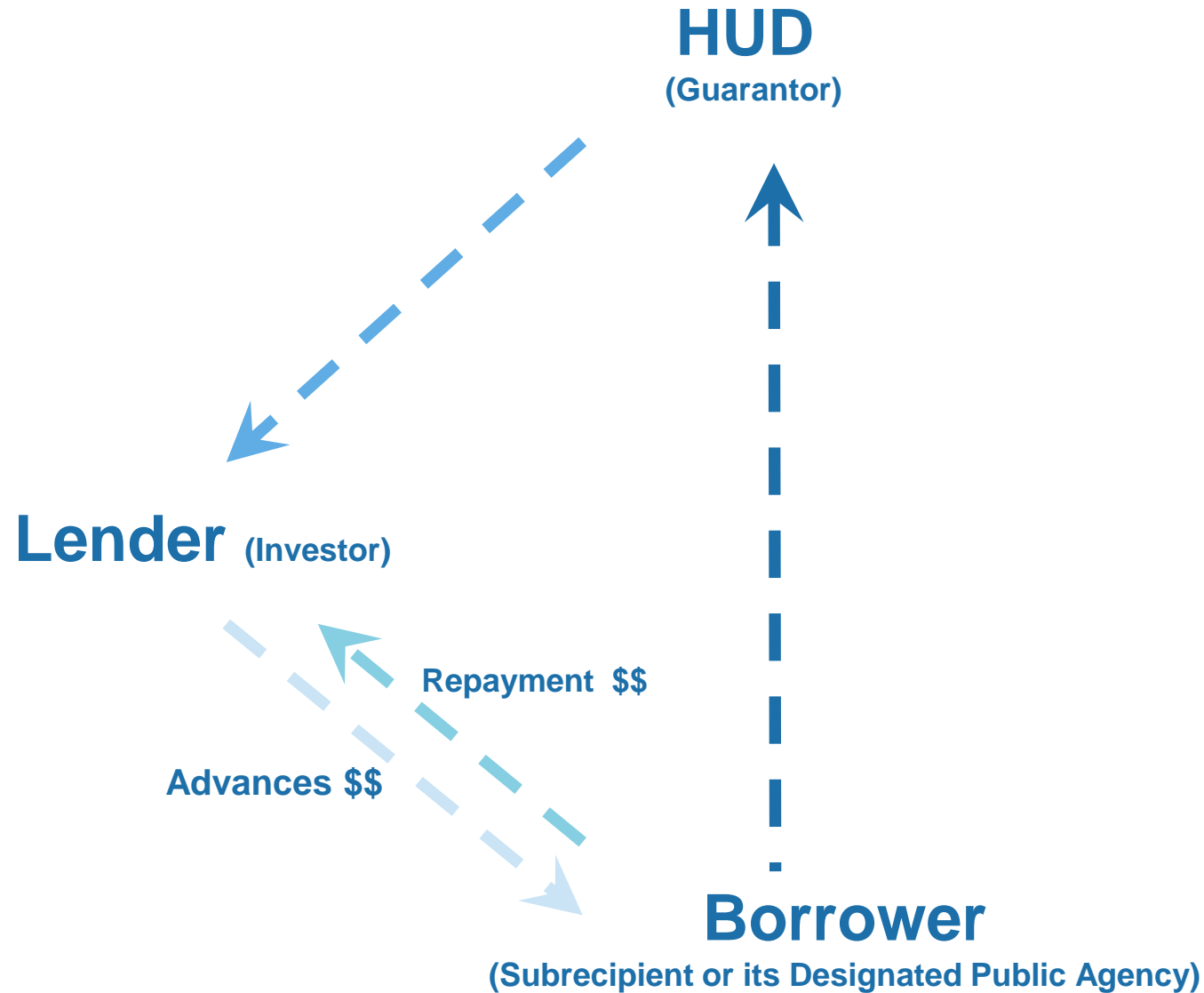
Potential Sources of Additional Collateral:

- Property lien
- Full faith and credit
- Reserves (subject to appropriations)

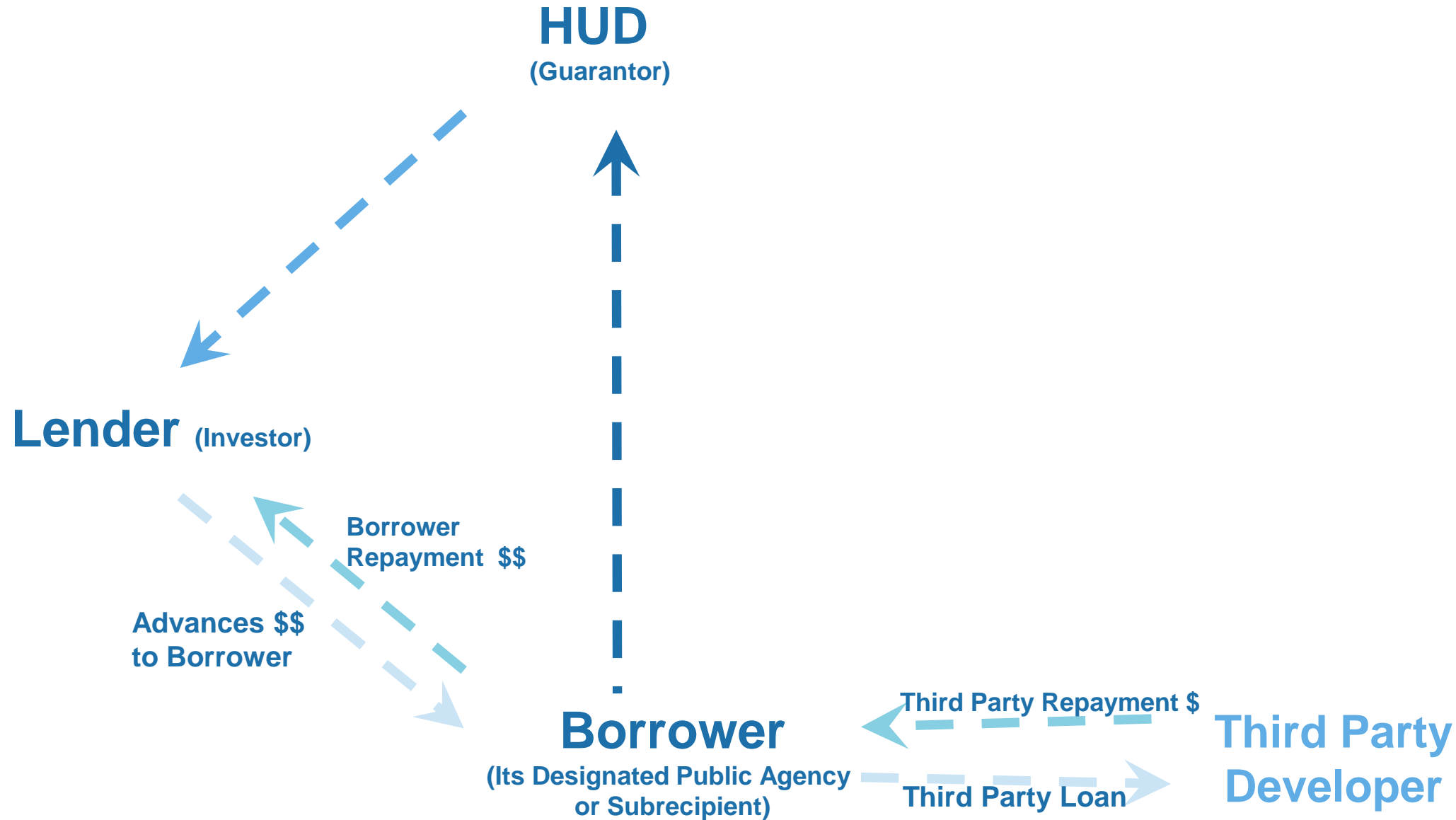
Section 108 Process



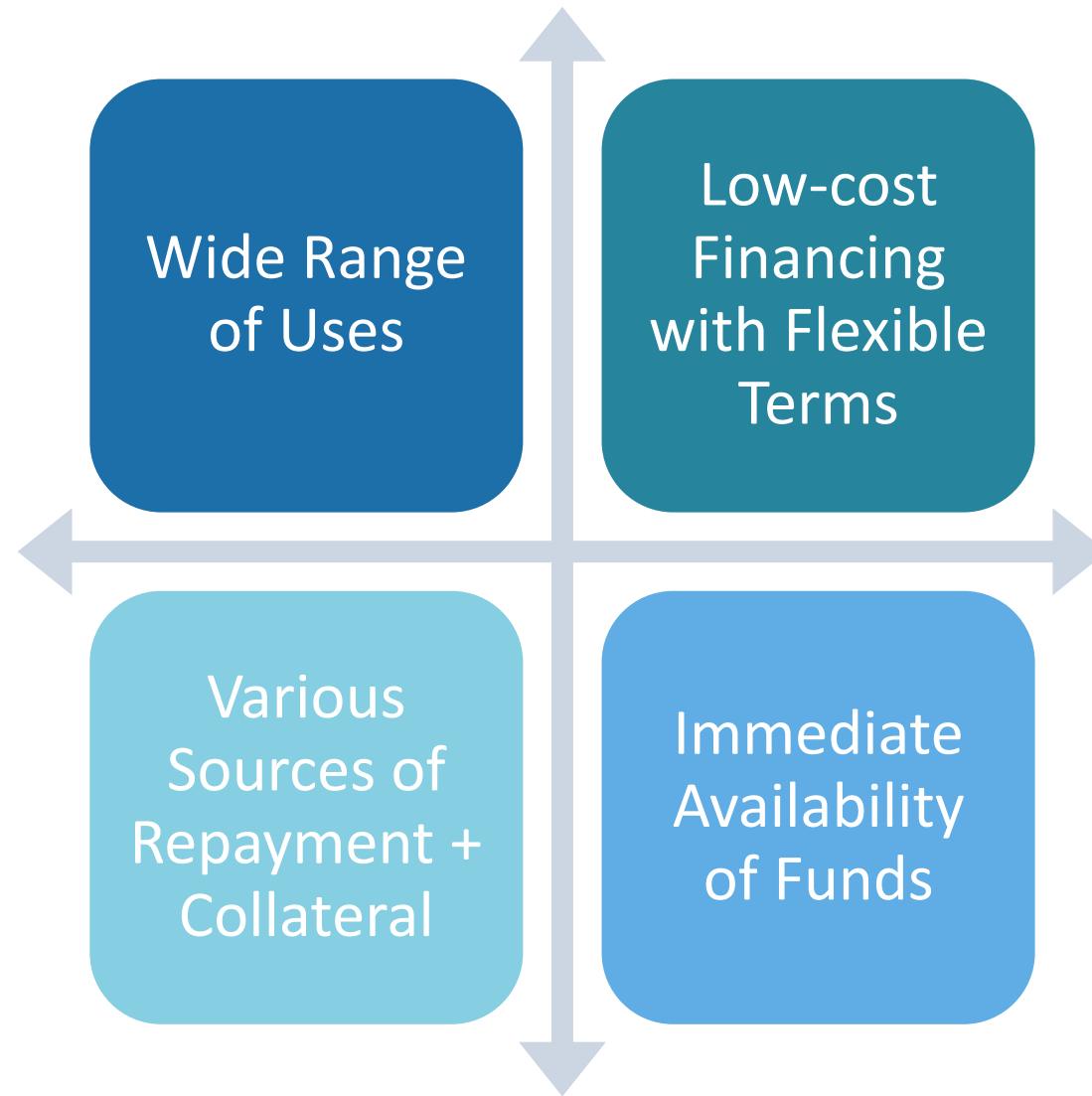
Flow of Funds: Project by the Applicant

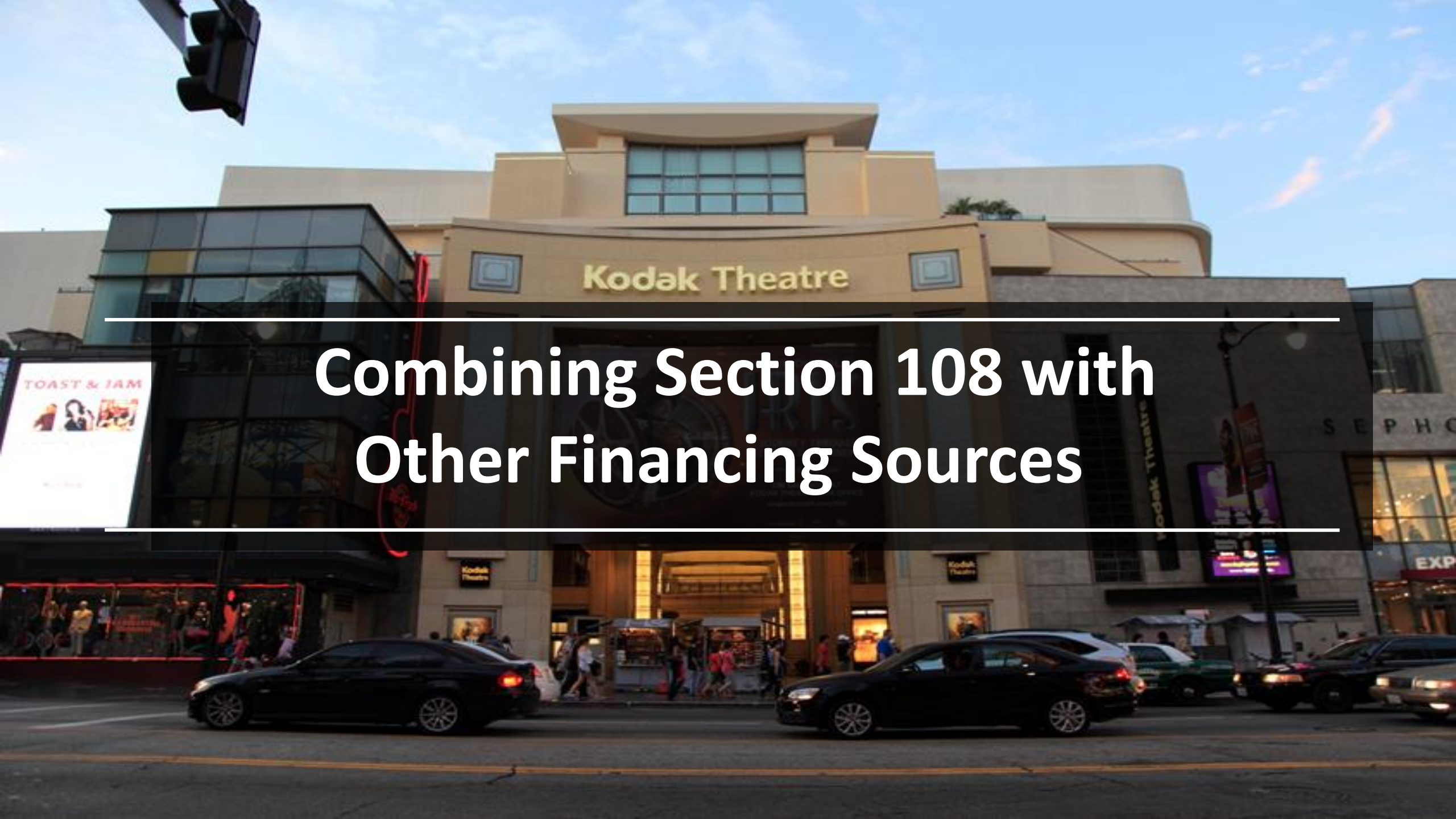


Flow of Funds: Project with a Third Party Developer/Borrower



Why is Section 108 an attractive financing tool?





Combining Section 108 with Other Financing Sources

How does **Section 108** fit into the financing for a project?



STANDALONE



COMBINED



GAP

Combining Section 108 with Other Federal Financing



➤ New Market Tax Credits



➤ EDA Public Works & Economic Adjustment Assistance



➤ Historic Tax Credits



➤ 7(a) Loans
➤ 504 Loans



➤ BUILD Grants
➤ TIFIA



➤ Low-Income Housing Tax Credits
➤ Opportunity Zones



➤ Revolving Loan Funds
➤ Brownfields Remediation Financing
➤ WIFIA

Combining Section 108 with Other Financing

- Section 108 (and CDBG) can be used to fund mixed-use development
 - Allocate funds to uses that meet program objectives (e.g., commercial component of the project)
- HTC and NMTC financing sources can work well with Section 108
 - Deferred principal options exist
- There are limitations on using Section 108 funds with federal tax-exempt financing; HUD can work with communities to avoid conflicts (OMB Circular A-129)





Resources

Section 108 General Resources

HUD has created resources on HUD Exchange to assist potential borrowers with developing applications:

- Borrowing capacity spreadsheet [*updated annually*] [Link](#)
- Application Tool [Link](#)
- Single certifications document [Link](#)
- Section 108 Application & Finance Process Infographic [Link](#)
- Project profiles for all applications approved in recent fiscal years [Link](#)
- [Join our mailing list to get email updates! Link](#)



Many other resources are available on HUD.gov and HUDexchange.info

Note: FMD is willing to provide 1-on-1 Technical Assistance during any project cycle stage for interested applicants.

Section 108 offers in-depth, tailored Technical Assistance

Conceptualization

- Walk-through eligibility requirements
- Offer suggestions and share examples of similar projects

Application Preparation

- Provide Joint Technical Assistance with Field Offices
- Identify appropriate sequencing and deal structure

Application Process

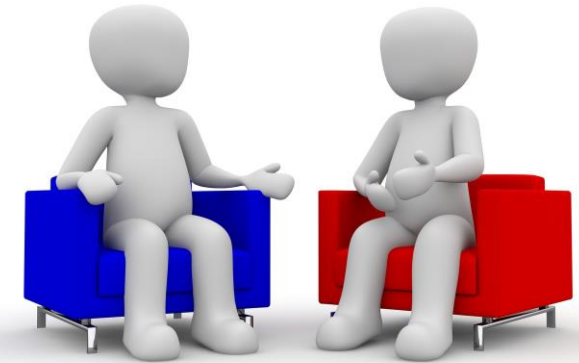
- Help to clarify outstanding issues related to underwriting
- Share guidance and best practices on documentation

Financing Phase

- Identify additional collateral
- Advise on loan proceeds and disbursements

Implementation

- Ongoing guidance on compliance and reporting
- Dynamic ability to amend project terms to meet borrower's needs



FMD is willing to provide 1-on-1 Technical Assistance during any project cycle stage for interested applicants.



Want more information?

*Seema Thomas, Deputy Director:
Seema.M.Thomas@hud.gov*

*Erik Pechuekonis, Community Planning & Development Specialist:
Erik.S.Pechuekonis@hud.gov*

Section 108 Program: <https://www.hudexchange.info/programs/section-108/>





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Panelist

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Nicole Reitzell

Vice President, Community Engagement
Erie Downtown Development Corporation



The Erie Downtown Development Corporation (EDDC) is a nonprofit organization, formed by community leaders in 2017, working to spark revitalization of our city, creating more opportunity for residents and a more vibrant downtown.

Erie, PA

- Declining Population:
1960 = 140,000
2010 = 101,782
2016 = 97,369
- City of Erie Poverty Rate: 26.4%
- Wall Street 24/7 ranked Erie as the “Worst City for African-Americans” in November 2017
- One of the Poorest Zip Codes in United States (16501) with median income of \$10,631
- Seven USDA-designated “food deserts” within the City of Erie



Opportunity Zones

- Opportunity Zones are a bipartisan provision of the Tax Cuts and Jobs Act of 2017.
- The legislation is designed to encourage & incentivize investors to redeploy and invest capital into low-income communities.
- Opportunity Zones have no detrimental effect upon state or local tax revenue, but rather incentivizes investment in low-income communities, which serves to solidify and strengthen the local tax base.



GOERIE.COM

Erie lands \$40 million Opportunity Zone investment

Erie Insurance CEO Tim NeCastro: "We are going to make significant..."

Downtown Erie's Transformation

- 477,000 total square feet of revitalized or new construction;
- 100,000 s/f of commercial space;
- 140+ market-rate residential units;
- 30+ new businesses;
- 400+ new jobs;
- \$110 - \$125 million of new investment.



Outcomes of Culinary Arts District:

- Revitalize Historic Buildings
- Provide a Stable Source of Fresh, Healthy Food
- Stimulate Economic, Business & Job Growth
- Celebrate & Promote Erie's Rich Cultural Diversity



FLAGSHIP CITY
FOOD HALL



FLAGSHIP CITY
MARKETPLACE

Creating Opportunities:

- 9 local vendors selected
- Diverse Offerings
- Natasha Pacely



Community Engagement:

- 1,000+ surveys
- Focus Groups
- Community Engagement Council
- Grocer – Listening Sessions



FLAGSHIP CITY
FOOD HALL



FLAGSHIP CITY
MARKETPLACE



Share Your Thoughts



FLAGSHIP CITY
FOOD HALL



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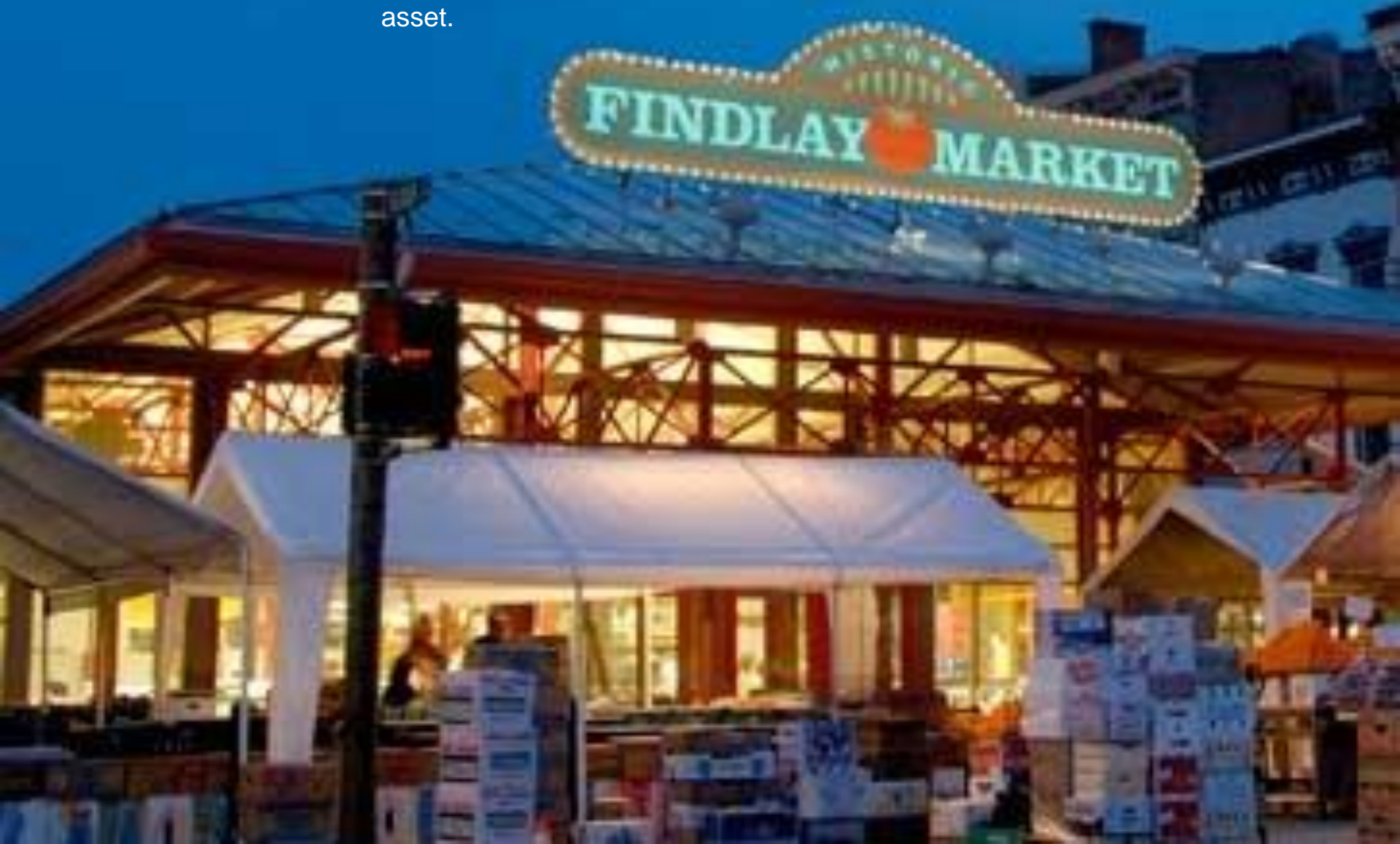
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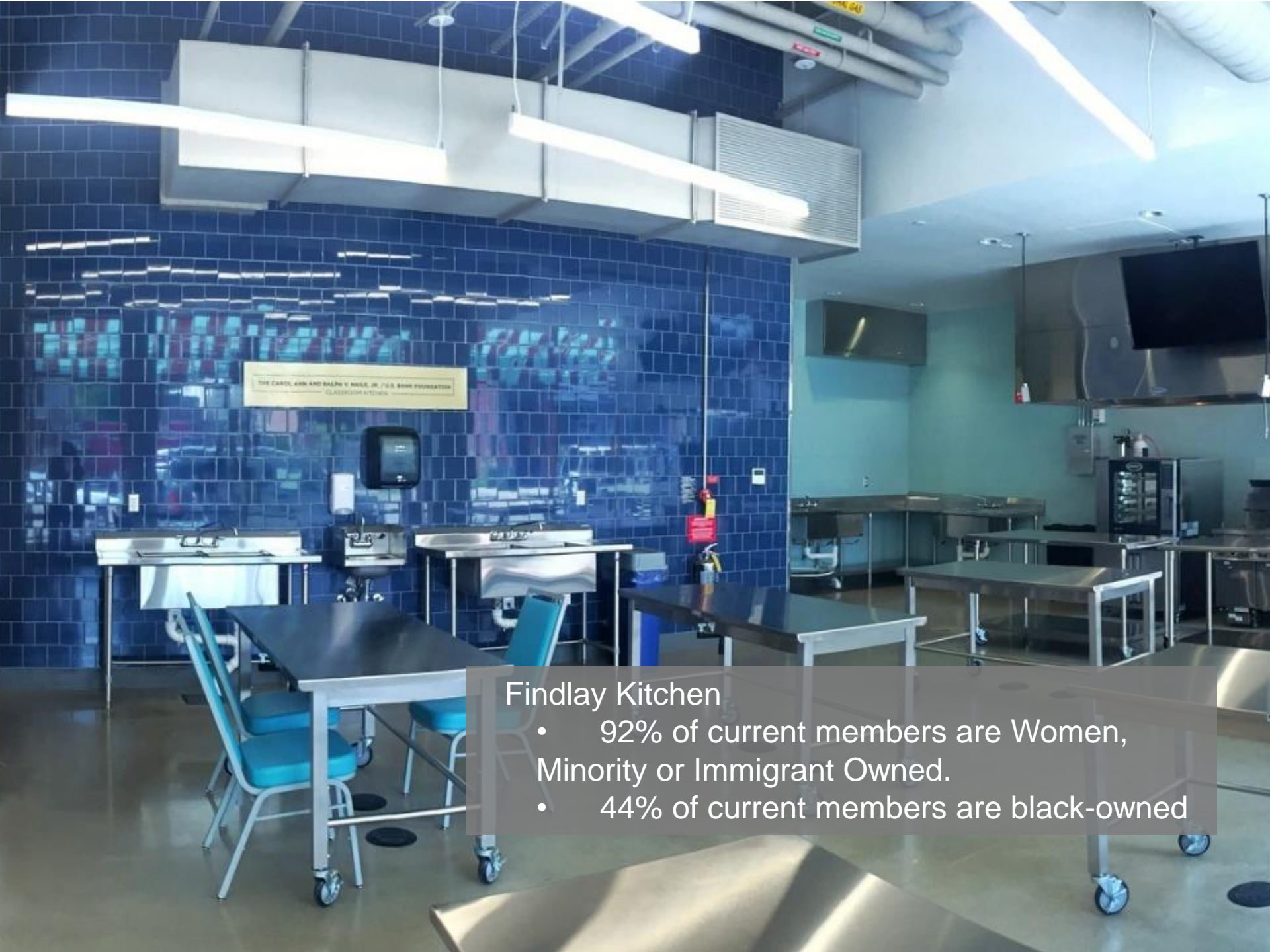
FINDLAY  **MARKET**
SINCE 1852
CINCINNATI

- Mission - Historic Findlay Market connects farmers, producers, sellers and customers in a dynamic, diverse public marketplace.
- Vision - Historic Findlay Market is our region's premier destination for local food and artisan products, a dynamic public gathering place, and a vital community asset.



Start – Grow – Scale





Findlay Kitchen

- 92% of current members are Women, Minority or Immigrant Owned.
- 44% of current members are black-owned



FINDLAY LAUNCH

STOREFRONT ACCELERATOR

Cultivating the
next generation of
culinary
entrepreneurs.



FINDLAY KITCHEN

CHARLOTTE & EDWARD UNN

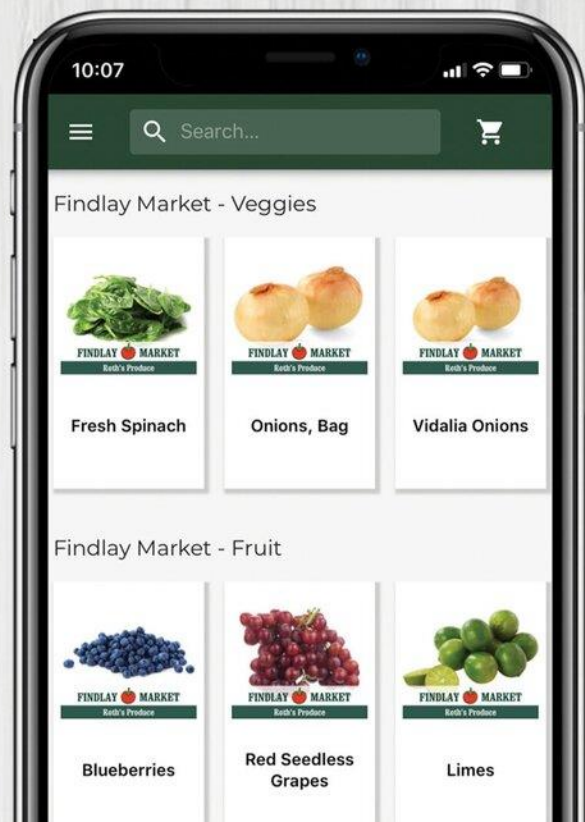


FINDLAY
CULINARY TRAINING

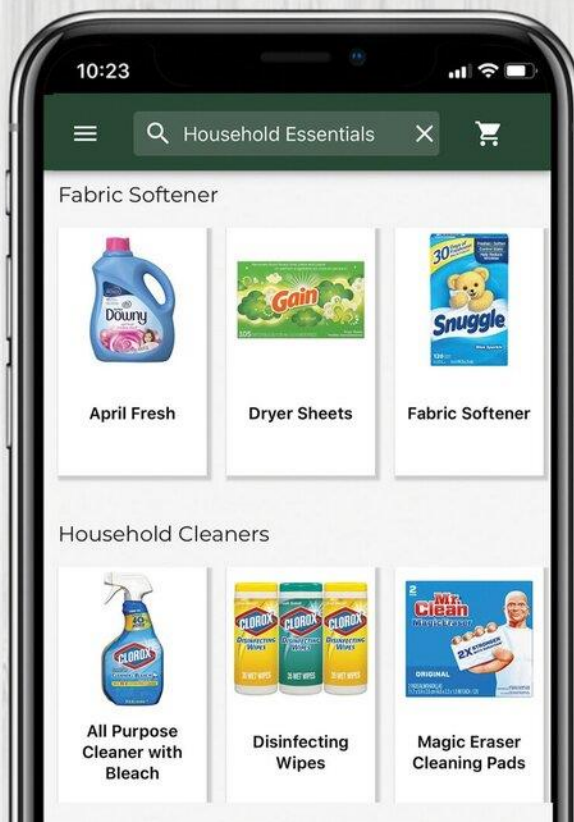


DOWNLOAD THE FINDLAY MARKET SHOPPING APP!

Shop your favorite
Findlay Market items!



+1000s of other
grocery essentials!



Choose your **pickup**
or **delivery** time!



CDFA: Financing Food-Centered Redevelopment

Market Square Development

Jason Chamlee, VP of Mixed-Use Development

April 13, 2021



Company Overview

- Positive Community Transformation
- Integrated Real Estate Company
- Ohio, Kentucky, Indiana
- High Impact Affordable Housing
- Neighborhood Revitalization
- Partnerships
- Complex Financing Structures



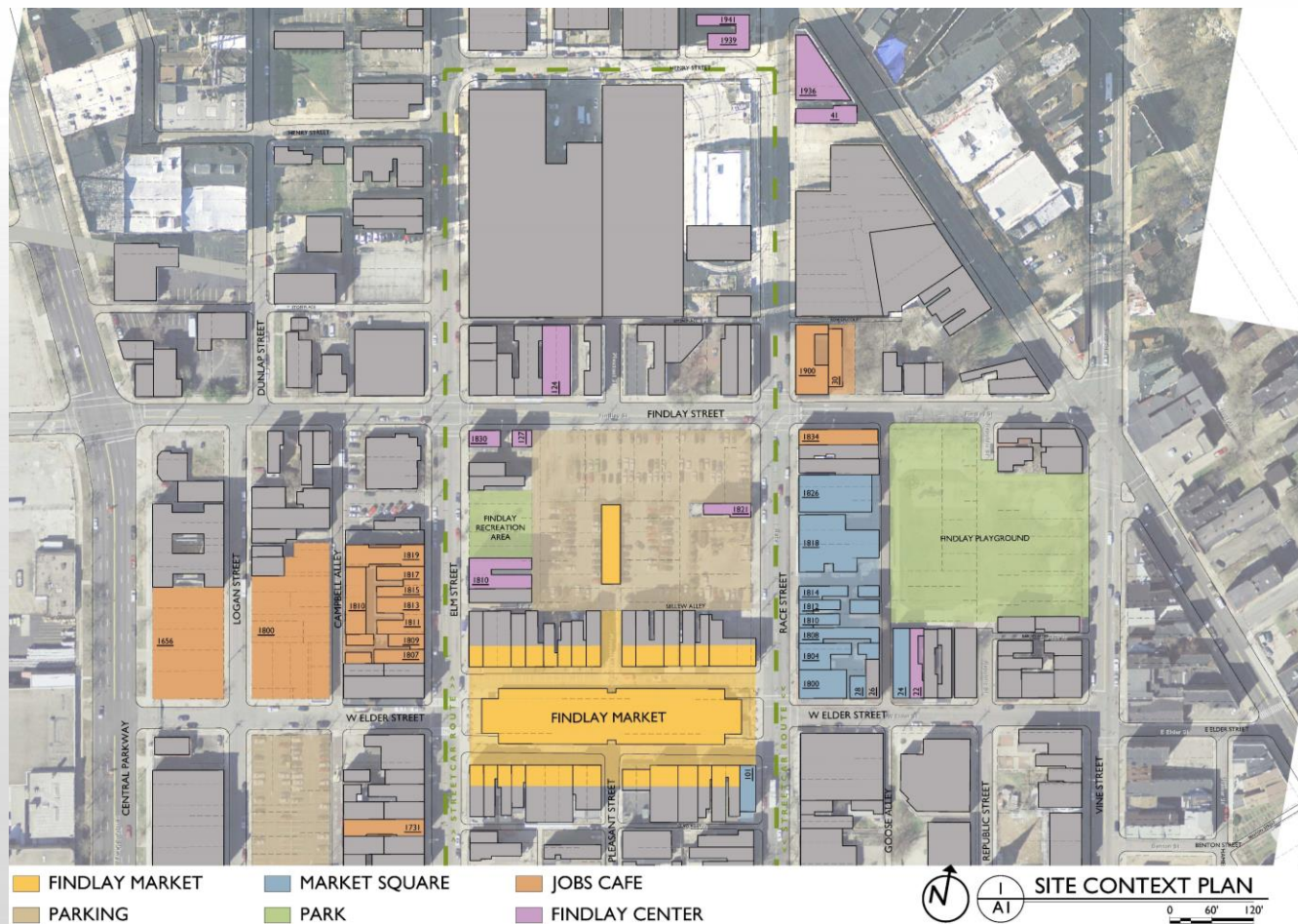
Development Objectives

- Support and Complement regional asset of Findlay Market
- Establish a vibrant Market District
- Re-populate the surrounding neighborhood
- Ecosystem for sustainable Economic Development



Findlay Market Master Plan

- Phase 1 – Market Square
 - \$21M
 - 23 Units
 - 50,000 SF Commercial
 - Completed late 2016
- Phase 2 – Jobs Café
 - \$26M
 - 68 Units
 - 22,000 SF Commercial
 - Completed early 2019
- Phase 3 – Findlay Center
 - \$18M
 - 46 Units
 - 14,000 SF Commercial
 - Completed late 2020
- Future Phases
 - \$60M
 - 2022 and Beyond



Development Metrics

- 34 Historic Buildings
- Financing
 - Debt: CDFIs, SW Ohio Bond Fund
 - Tax Credits: NMTC, HTC (state/fed)
 - Opportunity Zone Equity
 - City Grants & Property
 - Philanthropic Contributions
- Commercial Tenant Mix
 - Destination Food/Beverage
 - Neighborhood Amenities
 - Small, Local, minority and/or female owned
 - Office Headquarters
 - CFFM: Social Enterprise restaurant, Food retail Incubator
- Mixed-Income Housing
 - Studios & 1BR
 - 60%, 80%, 120% AMI Units
- Public Parking – 100 spaces
- Follow on Investment





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modelgroup.net

Leaders in transformative real estate solutions.

Our passion is transforming urban neighborhoods. Our expertise is finding creative, sustainable solutions to get the job done. Visit us at modelgroup.net to see our project portfolio, read testimonials from our partners, and learn more about our services.



CINCINNATI
DEVELOPMENT
FUND

Building a Bridge
Between
Vision and Capital

CDFA Presentation

April 13, 2021

About CDF

- Mission- To provide innovative real estate financing for projects that strengthen low-income neighborhoods and improve lives.
- Vision- To be at the forefront of redevelopment plans in Greater Cincinnati, helping low-income communities preserve their historic buildings and create vibrant, inclusive neighborhoods.



CDF Milestones

- Created in 1988 as a “Multi-Bank CDE”
 - Provided banks a cost-effective, shared-risk method to invest in complex community development lending
- In 1999 CDF began expanding
 - Certified CDFI, CDE and sought alternative sources of loan capital
- In 2005, CDF received its 1st NMTC Allocation
- In December 2010, CDF was among the first non-regulated CDFIs to attain membership in the Federal Home Loan Bank system

CDF's Lending Focus

- CDF's Culture
 - To be nimble, creative and collaborative
 - Be responsive to ever-changing community development needs
- Create and/or preserve affordable housing
- Produce developments in areas experiencing population loss or blight
- Provide capital solutions for nonprofit facilities
- Improve access to healthy food in "food deserts" and low-access communities
- Promote Energy Efficiency

CDF's Lending Products

- Up-front Patient Financing
 - Acquisition/predevelopment
 - Subordinate debt funded by grant sources
- Construction-Only
 - Historic Tax Credit bridge loans
 - Single family and condo's
- Permanent Debt
 - Traditional investment real estate
 - Non-profit facility financing
 - Storefront repopulation
 - Energy efficiency sub-debt
- New Markets Tax Credits

CDF's NMTC Impacts

- CDF expanded into commercial real estate financing in 2005 with its first allocation of federal New Markets Tax Credits (NMTC).
- 9 NMTC allocations awarded to-date, totaling \$382 million, of which \$339 million has been deployed into 40 projects.
- Primary NMTC strategy includes:
 - Business District Revitalization
 - Community Facilities for non-profits
- Projects have created:
 - 963 units of market-rate and affordable housing
 - 7,000 jobs
 - Healthcare facilities, educational and community space, as well as restaurant/retail and office space

NMTC Community Outcomes

- Targeting the use of QLICI's
 - Distress levels of census tracts
 - Prioritize projects which deliver maximum impacts
- Community's role in selection and prioritization of projects
- Projection methodology for estimating jobs creation
 - Quality Jobs/Accessible Jobs



NMTC Community Outcomes

- Commercial Goods or Services to Low-Income Communities
- Community Goods or Services to Low-Income Communities
- Financing Minority Businesses
- Affordable Housing Units
- Environmentally Sustainable Outcomes

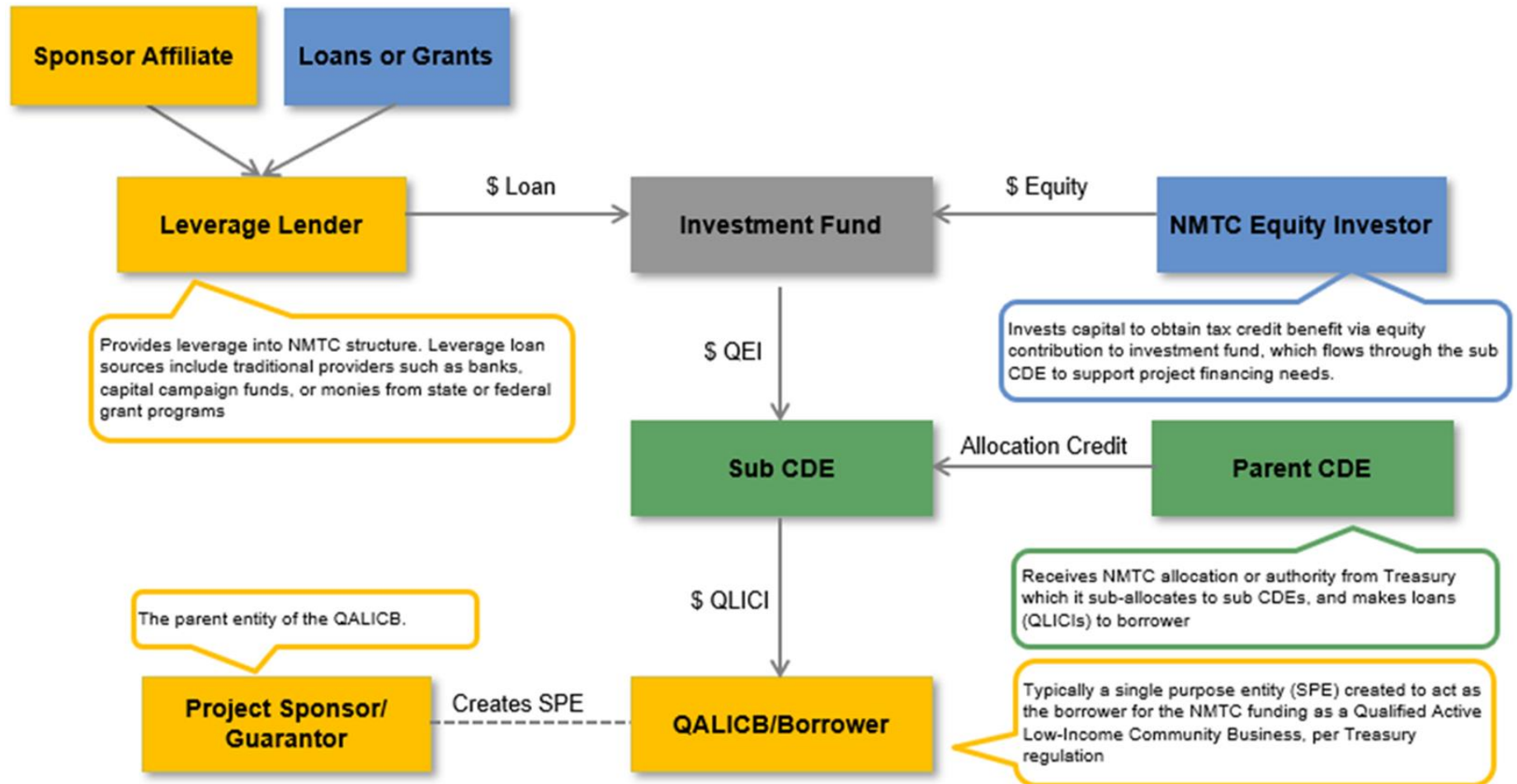


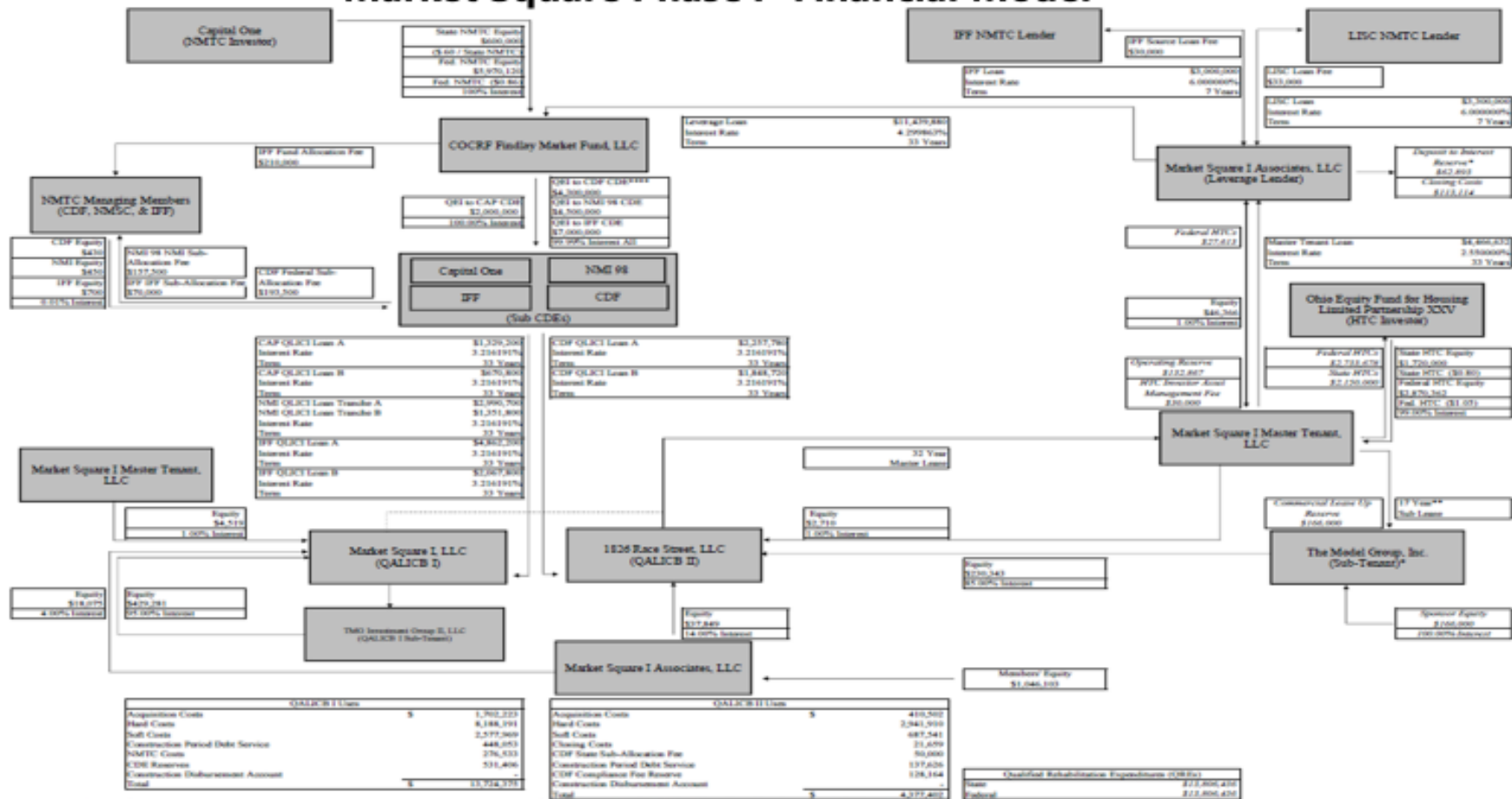
NMTC Capitalization Strategy

- Investor Strategy
- Experience raising capital
- How to structure and capitalize NMTC deals
 - Equity investments
 - Leverage Debt Sources
- Distribution of NMTC Benefits
 - Investor
 - CDE
 - Borrower/QALICB
 - Leverage Lender
 - End-User/Tenant



Sample Leveraged NMTC Structure





*For 1826 Race Street, LLC approximately 77.54% of the office and commercial square footage will be subleased by Model Group and approximately 22.46% will be subleased by other commercial and users.

^{***}Sub-Lease term is for 17 years with three five year extensions at fair market rent.

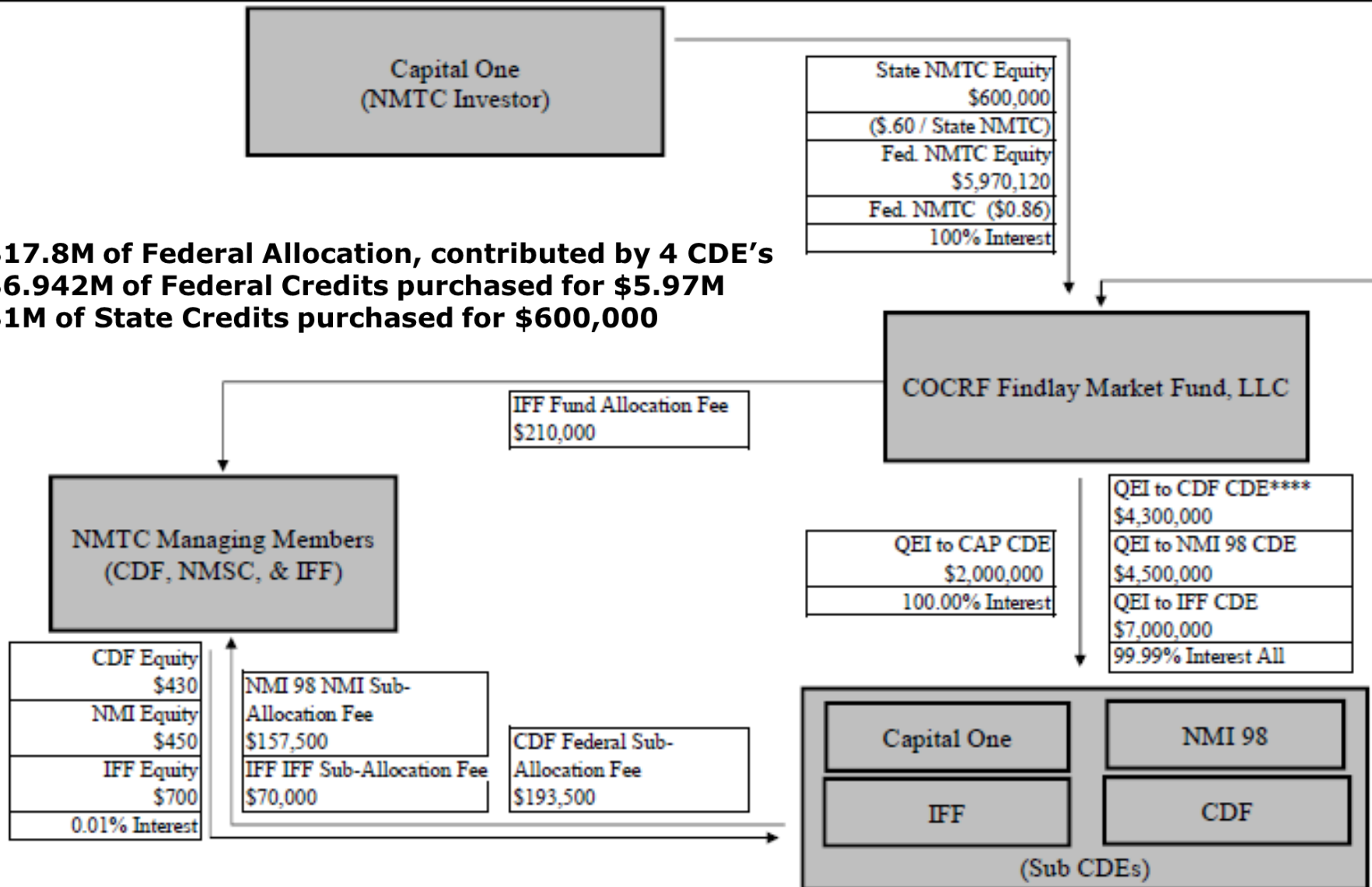
***Forecast assumes that COCORP SubCORP 79, LLC elects to be taxed as a C-Corp.

¹⁰⁰ Investments to CDF CDE includes two separate Q&As. Q&A 1 includes \$2,564,103 of Ohio State and Federal allocation and Q&A 2 includes \$1,733,897 of Federal allocation.

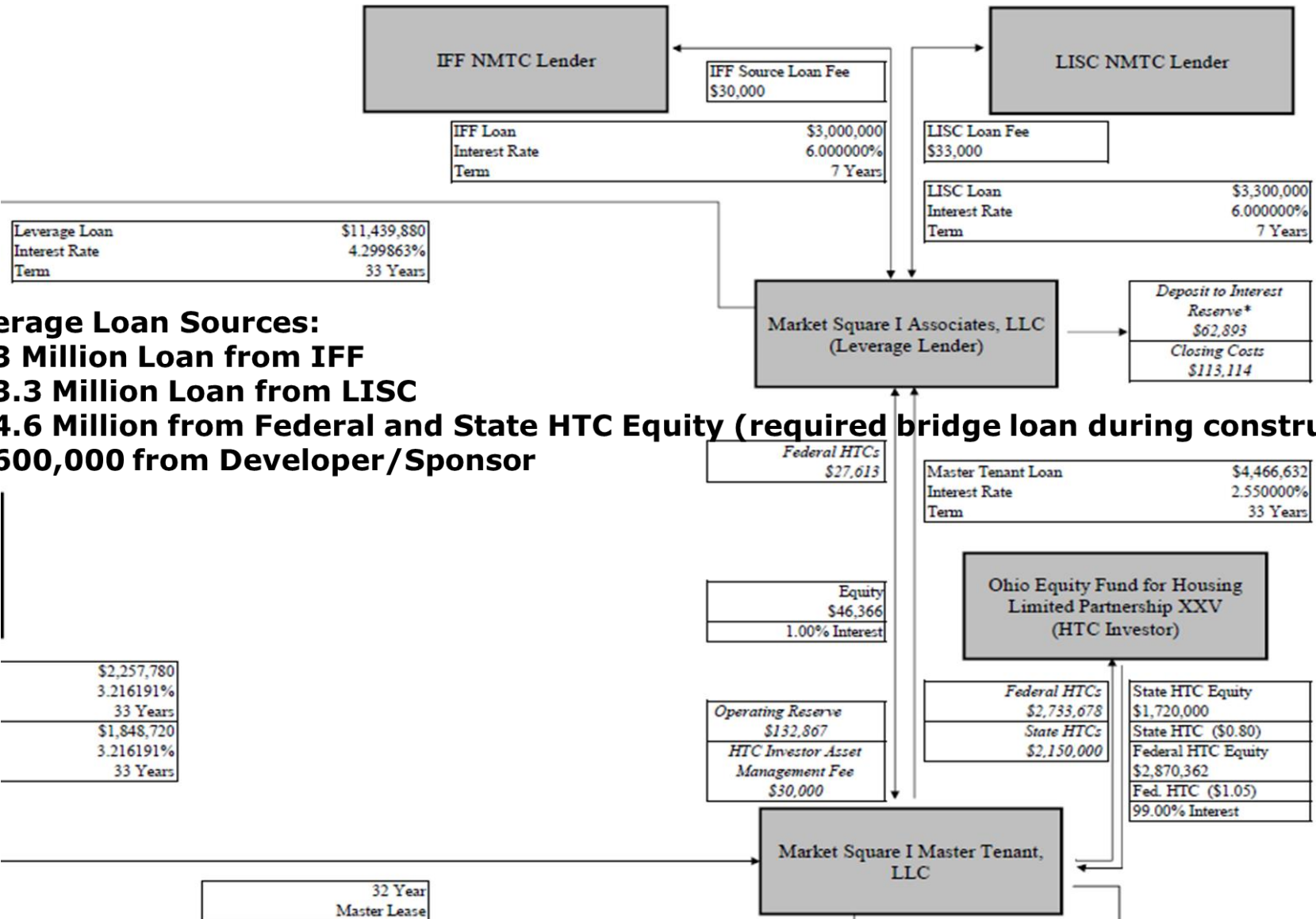
Total Model Group Families	31,599,727
----------------------------	------------

Equity Component- Investor Buys Credits

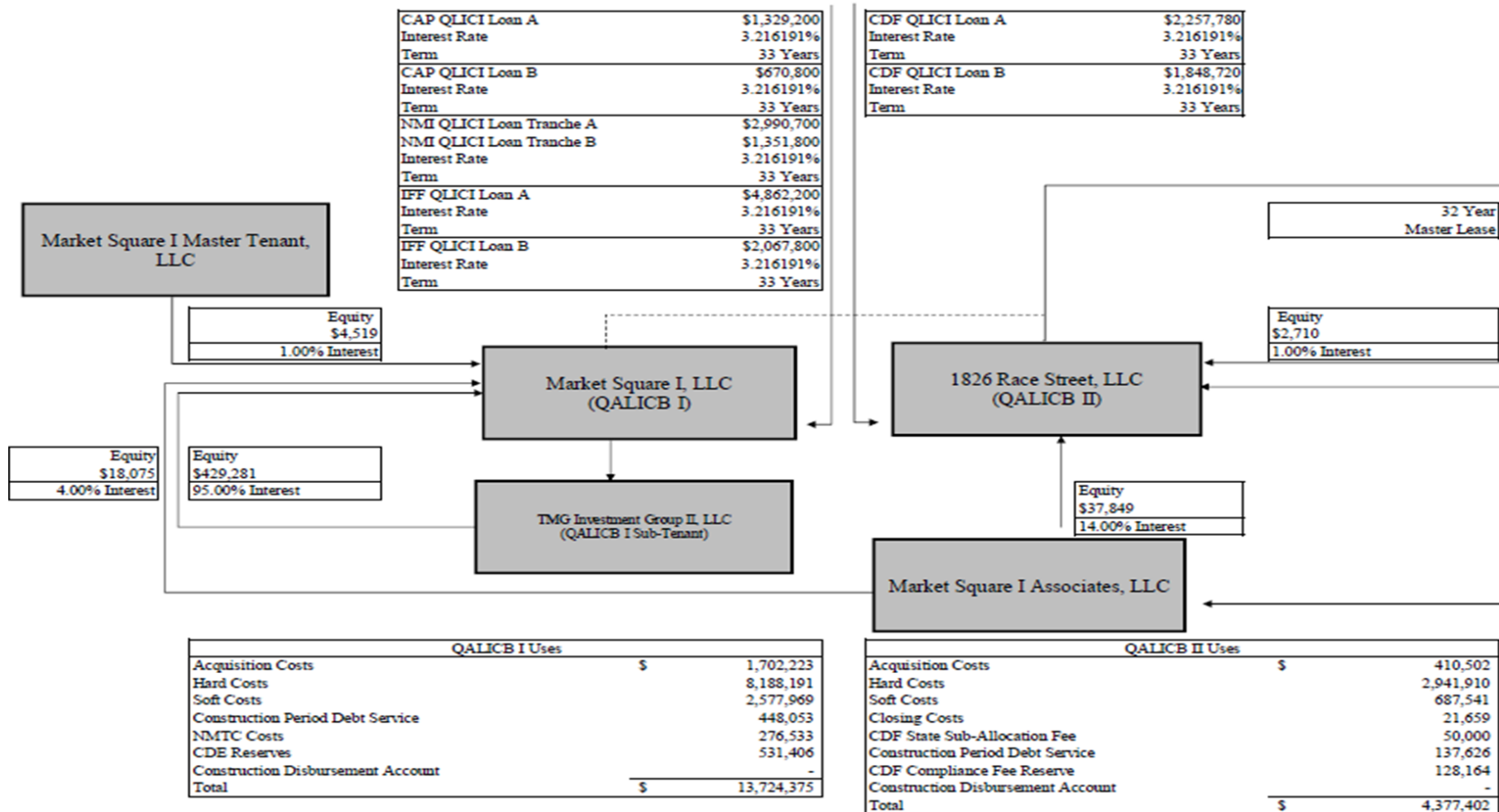
- \$17.8M of Federal Allocation, contributed by 4 CDE's
- \$6.942M of Federal Credits purchased for \$5.97M
- \$1M of State Credits purchased for \$600,000



Leverage Debt Sources



QLICI Loans (from CDE's to QALICB)



Thank you!

Contact Information

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