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Harnessing the Power of Bonds:  
Transforming Food Systems  
Through Strategic Investment



# Harnessing the Power of Bonds: Transforming Food Systems Through Strategic Investment



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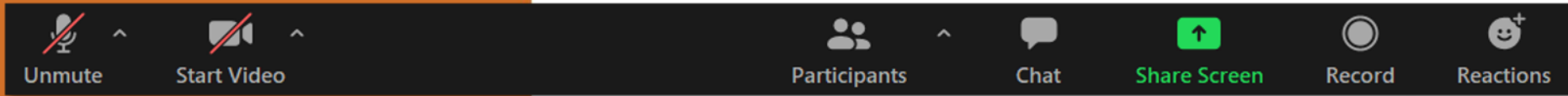
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# Defining the Food System Asset Class

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With support from the W.K. Kellogg Foundation, 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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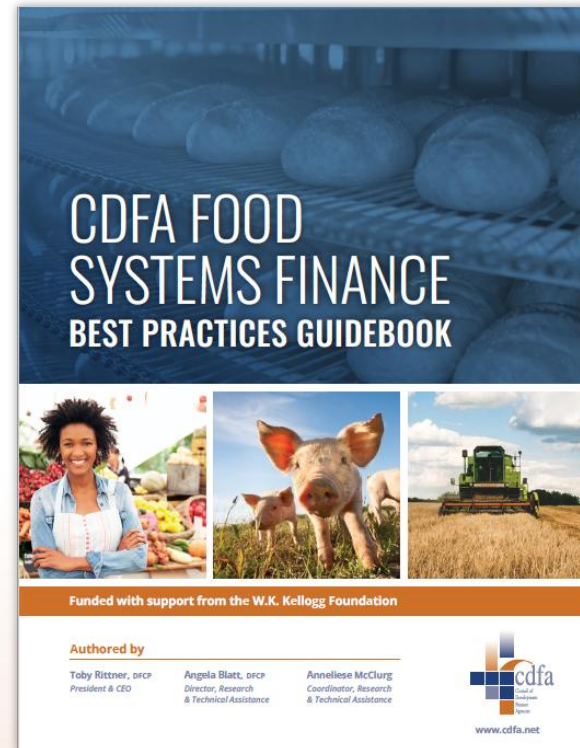
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# Harnessing the Power of Bonds: Transforming Food Systems Through Strategic Investment

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# Harnessing the Power of Bonds: Transforming Food Systems Through Strategic Investment



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# Harnessing the Power of Bonds: Transforming Food Systems Through Strategic Investment



## Bonds

- A foundational financing tools
- Make up the foundation of all public finance in the U.S
- Over 10,000 bonds are issued nationwide annually representing infrastructure, housing, education, agriculture, development, nonprofits, healthcare and manufacturing.



# Bond Finance Overview

- Bond use dates back over 125 years with the tax reform act of 1986 shaping today's use
- A bond is a loan
- A loan is a promise to pay
- Loans have two components – Principal & Interest
- Principal = Amount borrowed
- Interest = Amount it costs to borrow the principal
- Projects value low interest capital....enter bond financing!!



# Bond Finance – How it Works

- Units of government (ISSUERS) borrow regularly in the tax-exempt bond market by pledging revenues to pay back the bonds (remember a bond is just a loan)
- Investors (BOND BUYERS) fund these loans and provide the principal capital
- The bond buyer sets the terms and interest rate for the bond
- As a tax-exempt bond, the bond buyer is afforded exemption from income tax on interest income earned on this investment
- Meaning, the investor does not pay income tax on interest earnings
- As such, the bond buyer offers a lower interest rate to the borrower



# Bonds – Two General Types

- Government (GO) Bonds – are tax-exempt, used for public projects
- Private Activity Bonds (PABs) – are tax-exempt, utilized for economic development
- What can they finance?
  - Roads, bridges, sewers, water treatment plants, dams
  - City halls, prisons, schools, hospitals, libraries, YMCAs, museums
  - Parks, swimming pools, community centers, universities,
  - Stadiums, theaters, music halls, clinics
  - Recycling plants, energy generation facilities, solar fields
  - Small manufacturing facilities, first-time farmers, non-profits, affordable housing
  - And much more

# Bond Finance – Simplified Process



1. **Project** – Issuer identifies a project and determines if it qualifies for tax-exempt financing
2. **Legal & Finance** – Counsel and underwriters prepare documents, legal opinions and offering statements to price and sell bonds in capital markets
3. **Placement** – Underwriter places (sells) bonds with investors (bond buyers) raising principal for project
4. **Pledge** – Issuer pledges revenues (taxes, fees, appropriations, proceeds, etc.) to pay back the bond

# Bond Finance – Simplified Process



4. **Repayment** – The bond is paid back over prescribed timeframe with regular principal and interest payments
5. **Trustee** – Acts as fiduciary agent on behalf of bond holders (bond buyers) and manages payments
  - **Benefit to Borrower** – Lower cost capital for public purpose investment
  - **Benefit to Investor** – Bond buyer receives relief from federal and state income taxes on interest earnings on bonds

# Borrowers, Issuers & Conduit Bonds



- The issuer and borrower are not always the same entity
- An issuer can be a borrow (such as a city, county, etc.)
  - Issuing bonds for their own public benefit purpose
- However, a borrower does not have to be an issuer
  - Certain borrowers (non-profits, first time farmers, manufacturers, hospitals, etc.) may use an issuer to access bond financing
- This type of issuance is called conduit bond financing

# Borrowers, Issuers & Conduit Bonds



- Bonds issued on a conduit basis are not backed by the issuer
- Conduit bond debt is solely the responsibility of the borrower
- Issuer has no responsibility to pay back the bonds
- This type of bond is called a non-recourse conduit bond
- Private Activity Bonds are typically issued on a conduit basis

# Types of Private Activity Bonds (PABs)



- **Exempt Facility Bonds** – Can be used for airports, docks, wharves, mass community facilities, etc.
- **Qualified Redevelopment Bonds** – Infrastructure projects that do not meet the requirements of GOs may qualify for tax-exemption if they meet several tests of "qualified redevelopment bonds;" e.g., proceeds used for redevelopment purposes in designated blighted areas, etc.
- **Qualified 501(c)(3) Bonds** – Bonds used to finance projects owned and used by 501(c)(3) organizations. Two types - hospital bonds and nonhospital bonds

# Types of Private Activity Bonds (PABs)



- **Qualified Exempt Small Issues** – IDBs for qualified manufacturing projects including purchase, construction, extension and improvement of warehouses, distribution facilities, industrial plants, buildings, fixtures and machinery.
- **Aggie Bonds** - Support beginning farmers and ranchers with eligible purchases of farmland, equipment, buildings and livestock.
- **Other Revenue Bonds** – Allow revenue-generating entities to finance a project and then repay debt generated revenue. Toll roads and bridges, airports, seaports and other transportation hubs, power plants and electrical generation facilities, water and wastewater (sewer).



# Why Communities Use Bonds

- Opportunity to invest in projects and businesses that are critical to the health of the local economy and community
- Ability to directly influence ROI for development projects
- Easy to promote and monitor with performance measures
- Low cost and secure source of financial support and alternative to industry and non-profit borrowers
- Can issue on conduit basis without backing (PABs)



# Why Borrowers Use Bonds

- Alternative lending choice (conventional loans vs. tax-exempt borrowing)
- Potentially lower interest rates and cost of capital (conventional loans vs. tax-exempt)
- Tax-exempt status to buyers of bonds – attractive investment security
- Access to capital that may not otherwise exist for some borrowers (nonprofits, first time farmers, small manufacturers)

# Bond Players



- Issuers – 55,000+ nationwide, must have authority to issue
- Borrower - A private entity (business, developer, or nonprofit) benefiting from the financing
- Bond Counsel – legal public finance experts
- Underwriters – sells and/or places the bonds in market
- Trustee – fiduciary agent for the bondholders
- Investors – those who actually purchase the bonds
- Financial Advisor – independent reviewer for issuer
- Rating Agencies – independent credit review entities

# Harnessing the Power of Bonds: Transforming Food Systems Through Strategic Investment



## Borrower

- The food or farm project sponsor seeking the financing
- Farms, cooperatives, food processors, or agribusinesses
- Nonprofit organizations supporting sustainable agriculture or food systems
- A private, small-scale farmer or rancher (usually first-time or beginning farmers).

# Harnessing the Power of Bonds: Transforming Food Systems Through Strategic Investment



## Issuer

- The entity issuing the bonds
- Often a government or quasi-governmental organization (municipalities or counties, state or local development agencies, conduit issuers like the Ohio Air Quality Development Authority)

# Harnessing the Power of Bonds: Transforming Food Systems Through Strategic Investment



## Bond Counsel

- A law firm responsible for ensuring the bonds comply with all legal and tax-exemption requirements
- Drafting legal documents (e.g., indentures, resolutions)
- Issuing an opinion on the tax-exempt status of the bonds (if applicable)

# Harnessing the Power of Bonds: Transforming Food Systems Through Strategic Investment



## Underwriters

- A financial institution that markets and sells the bonds to investors
- Structuring the bond deal
- Setting pricing and terms
- Assisting with regulatory filings

# Harnessing the Power of Bonds: Transforming Food Systems Through Strategic Investment



## Trustee

- A third party appointed to manage the bond proceeds and payments
- Administering the bond trust agreement
- Collecting payments from the borrower and disbursing them to bondholders

# Harnessing the Power of Bonds: Transforming Food Systems Through Strategic Investment



## Investors

- The parties purchasing the bonds to finance the project
- Institutional investors (pension funds, insurance companies, banks)
- Retail investors (individuals)
- Impact investors or those focused on sustainable agriculture

# Harnessing the Power of Bonds: Transforming Food Systems Through Strategic Investment



## Financial Advisor

- Advises the borrower or issuer on the financing structure
- Analyzing options for bond issuance
- Helping with market timing and pricing strategies
- Ensuring the financing aligns with the borrower's goals

# Harnessing the Power of Bonds: Transforming Food Systems Through Strategic Investment



## Credit Rating Agencies

- Evaluate the creditworthiness of the bond issuer or project
- Examples: Moody's, S&P, Fitch
- Impact: A higher credit rating can lower interest costs

# Project Planning & Feasibility



**At this stage, the goal is to assess the viability of the food or farm project and determine the financing structure.**

- **Financial Advisor:** Advises the borrower or issuer on potential financing structures and helps estimate the bond size and repayment capacity based on projected cash flows.

## **Additional Due Diligence**

- **Hire a Project Consultant** to conduct feasibility studies (e.g., environmental impact, market analysis, and project scalability) and identifies risks and mitigation strategies.
- **Hire Tax Counsel** (if tax-exempt bonds are involved) to determine whether the project qualifies for tax-exempt status, such as under IRS rules for nonprofit food systems or green infrastructure projects.



# Structuring the Bond Deal

**This stage involves determining the bond terms, preparing legal documents, and assembling the team.**

- **Issuer:** Agrees to issue the bonds on behalf of the borrower and sets key terms, such as the repayment structure and timeline.
- **Bond Counsel:** Drafts key documents like the official statement, bond resolution, and indenture agreement and provides a legal opinion on the bonds' compliance with tax-exemption and securities laws.
- **Underwriter:** Designs the bond structure based on market conditions and investor appetite and determines the interest rate, pricing, and marketing strategy.

# Bond Issuance and Sale



**This phase focuses on raising funds by selling bonds to investors.**

- **Underwriter:** Markets the bonds to institutional and retail investors, and may hold a pricing call to finalize interest rates and terms.
- **Investors:** Purchase the bonds based on their alignment with financial and impact objectives (e.g., sustainable agriculture or green bond programs).
- **Trustee:** Sets up accounts to receive bond proceeds and manage payments to bondholders.



# Use of Bond Proceeds

**After issuance, funds are deployed to finance the food or farm project.**

- **Borrower:** Uses proceeds to implement the project (e.g., purchasing land, building facilities, or upgrading infrastructure) and tracks expenses to ensure compliance with the bond agreement.
- **Project Consultants:** Oversee implementation to ensure the project meets sustainability or operational goals.



# Post Issuance Compliance

**Once the project is operational, parties ensure compliance with financial and regulatory requirements.**

- **Trustee:** Collects payments from the borrower and disburses them to investors and manages reserve accounts and compliance with the bond indenture.
- **Accountants/Auditors:** Verify the borrower's financial performance and compliance with bond covenants.
- **Regulators:** Monitor ongoing compliance if the bonds are subject to environmental, agricultural, or securities regulations.
- **Community Stakeholders:** May monitor outcomes, particularly if the project includes public or environmental benefits like improved food access or reduced emissions.

# Optional Enhancements for Sustainable Projects



**To make the bonds more attractive to investors or align them with impact goals, additional players or features may come into play:**

- **Green Bond Certification:** For sustainable agriculture projects, the borrower might seek certification under frameworks like the Climate Bonds Standard or Green Bond Principles.
- **Insurance or Guarantees:** USDA or state agricultural programs might provide loan guarantees or credit enhancements to reduce investor risk.
- **Impact Investors:** Attract investors interested in supporting sustainable food systems or rural economic development.

# Sustainable Farm Expansion (example)



**Imagine a cooperative of organic farmers wants to build a shared processing facility. Here's how roles might align:**

- **Issuer:** A state agricultural finance authority issues tax-exempt revenue bonds.
- **Borrower:** The cooperative uses bond proceeds to build the facility.
- **Underwriter:** Markets the bonds as part of a green bond offering, attracting ESG (Environmental, Social, Governance) investors.
- **Bond Counsel:** Ensures the project qualifies for tax-exempt status under IRS rules.
- **Community Stakeholders:** Support the project because it boosts local food security and jobs.
- **Trustee:** Oversees bond proceeds and repayment.



# Small Scale Food or Farm Project (example)

## Bond Type: Tax-Exempt Revenue Bond (Conduit Financing)

- **Bond Amount:** \$1 million–\$5 million

Why this range? Small-scale projects often fall below the threshold for larger public bond offerings but are feasible for conduit bond issuance.

- **Term:** 10–20 years

Why? Provides a manageable repayment horizon for the borrower, aligning with asset life (e.g., farmland, processing equipment).

- **Interest Rate:** 4%–6%

Why? Competitive rates for tax-exempt bonds based on market conditions.



# Small Scale Food or Farm Project (example)

## Security: Revenue Pledge

- bonds are backed by the project's revenue, not the borrower's general credit.
- A debt service reserve fund (DSRF) is established as an additional safety net for investors.

## Use of Proceeds:

- Purchase of land or buildings.
- Construction or renovation of facilities (e.g., barns, processing plants, cold storage).
- Equipment purchase (e.g., tractors, food processing machines).
- Sustainable infrastructure (e.g., irrigation systems, renewable energy installations).

# Notes on Bonds



- Market forces at play – when traditional interest rates are low, bond use tails off, when traditional interest rates go up, bond issuance tends to go up
- Need good bond counsel on transactions – don't risk an issuance going taxable if it is not a qualified PAB
- Many rules and regulations – learn the programs before making any determinations



# Harnessing the Power of Bonds: Transforming Food Systems Through Strategic Investment



**Tammy Nebola**

Loan Program Specialist, Iowa Finance Authority  
Des Moines, IA

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# **Beginning Farmer Loan Program “Aggie Bond”**

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# What is an Aggie Bond?

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- Aggie Bonds are tax-exempt private activity bonds (PAB) used to assist beginning farmers in acquiring agricultural assets at reduced interest rates
- They can be used for purchasing:
  - Agricultural land
  - Depreciable machinery or equipment
  - Breeding livestock – not feeders
  - Existing buildings
  - Constructing new buildings
  - New farm improvements



# Why use an Aggie Bond?

- They allow private lenders to receive federal and/or state tax-exempt interest on loans made to eligible beginning farmers
- The tax-savings allows the lenders to provide the loans at a reduced interest rate to the beginning farmer
  - Most lenders are able to decrease the rate 20-25% using an Aggie bond
- The credit decisions and financial risk remain with the local lending institutions



# States with Aggie Bond Programs

Arkansas	Montana
Colorado	Nebraska
Illinois	North Carolina
Indiana	North Dakota
Iowa	Oklahoma
Kansas	Oregon
Maryland	Pennsylvania
Minnesota	South Dakota
Missouri	Washington



# Federal Bond Amount Limits

**Maximum bond amount** - adjusts annually on January 1st

- \$667,500 for real estate (202,53 maximum)
- \$250,000 for existing buildings or farm improvements and new ag depreciable property
- \$ 62,500 for “used” depreciable agricultural property
- Federal legislation is being pursued to increase all tiers to the maximum bond amount

## **Restrictions**

- Dwelling may not exceed 5% of bond proceeds
- CRP ground may not exceed 25% of bond proceeds
- Combination of the above can be used up to maximum bond

# Eligibility - Federal Requirements

Agricultural property purchased must be used for farming purposes

Beginning Farmer must be the owner/operator of the farm

- Cannot lease to someone else or hire someone else to do the work

Beginning Farmer cannot at any time have had ownership interest of substantial farmland, which is defined as more than 30% of the county median

- Federal legislation is being pursued to change the maximum land ownership from 30% of the county median to 30% of the county average

Purchases from closely related family members (parents, grandparents or siblings) are permitted but:

- They must be financed through a 3rd party lender (no contract sale)
- Must be sold for at least fair market value (appraised price)

Contract sale allowed if not immediate family

- Can be with aunts, uncles, cousins, etc

# IOWA

## 30% OF MEDIAN FARM TO 30% OF AVERAGE FARM

### PENDING FEDERAL LEGISLATION CHANGE

Source: 2022 Census of Agriculture

COUNTY	30% Median	30% Average	Difference
Adair	59.4	139.5	80.1
Adams	59.7	144.6	84.9
Allamakee	39.0	88.2	49.2
Appanoose	33.0	94.8	61.8
Audubon	48.3	129.6	81.3
Benton	48.0	103.8	55.8
Black Hawk	29.1	89.4	60.3
Boone	23.7	99.3	75.6
Bremer	24.9	71.7	46.8
Buchanan	31.5	96.9	65.4
Buena Vista	56.7	125.1	68.4
Butler	31.5	92.4	60.9
Calhoun	43.2	120.3	77.1
Carroll	48.0	96.6	48.6
Cass	48.0	131.1	83.1
Cedar	46.2	120.6	74.4
Cerro Gordo	43.5	126.3	82.8
Cherokee	71.1	120.6	49.5
Chickasaw	36.0	81.3	45.3
Clarke	40.8	82.2	41.4
Clay	55.5	126.0	70.5
Clayton	37.5	79.2	41.7
Clinton	43.2	92.4	49.2
Crawford	60.0	138.6	78.6
Dallas	18.9	95.7	76.8
Davis	25.8	68.1	42.3
Decatur	48.0	104.4	56.4
Delaware	38.4	69.3	30.9
Des Moines	27.0	69.0	42.0
Dickinson	48.0	110.4	62.4
Dubuque	35.7	61.5	25.8
Emmet	87.0	160.5	73.5
Fayette	41.7	94.5	52.8

COUNTY	30% Median	30% Average	Difference
Floyd	30.0	91.5	61.5
Franklin	42.9	118.2	75.3
Fremont	64.8	171.9	107.1
Greene	44.4	126.0	81.6
Grundy	52.2	143.7	91.5
Guthrie	40.5	107.4	66.9
Hamilton	36.0	143.1	107.1
Hancock	45.3	117.9	72.6
Hardin	36.0	119.4	83.4
Harrison	54.9	138.6	83.7
Henry	32.1	84.3	52.2
Howard	36.0	102.6	66.6
Humboldt	48.0	115.5	67.5
Ida	55.5	138.6	83.1
Iowa	39.0	106.2	67.2
Jackson	38.4	77.4	39.0
Jasper	34.8	114.6	79.8
Jefferson	30.0	93.3	63.3
Johnson	24.9	64.2	39.3
Jones	36.0	96.9	60.9
Keokuk	40.5	95.7	55.2
Kossuth	68.4	130.8	62.4
Lee	36.0	83.4	47.4
Linn	23.7	71.7	48.0
Louisa	37.5	94.8	57.3
Lucas	34.5	89.4	54.9
Lyon	51.9	93.3	41.4
Madison	21.0	82.5	61.5
Mahaska	48.0	103.8	55.8
Marion	26.1	76.2	50.1
Marshall	36.9	111.3	74.4
Mills	30.0	140.4	110.4
Mitchell	40.5	96.3	55.8

COUNTY	30% Median	30% Average	Difference
Monona	72.0	182.1	110.1
Monroe	42.6	95.4	52.8
Montgomery	55.5	146.4	90.9
Muscatine	30.0	81.6	51.6
O'Brien	49.5	91.5	42.0
Osceola	48.0	106.2	58.2
Page	54.9	137.1	82.2
Palo Alto	52.2	128.4	76.2
Plymouth	61.8	126.9	65.1
Pocahontas	46.5	118.2	71.7
Polk	11.7	69.9	58.2
Pottawattamie	46.8	140.4	93.6
Poweshiek	38.1	109.2	71.1
Ringgold	60.0	152.7	92.7
Sac	51.0	119.7	68.7
Scott	27.0	85.2	58.2
Shelby	63.3	117.9	54.6
Sioux	39.9	87.3	47.4
Story	24.0	84.0	60.0
Tama	45.9	102.3	56.4
Taylor	57.0	149.4	92.4
Union	35.7	109.5	73.8
Van Buren	32.4	92.4	60.0
Wapello	27.0	86.1	59.1
Warren	18.0	64.2	46.2
Washington	28.5	76.2	47.7
Wayne	47.4	132.0	84.6
Webster	48.0	117.9	69.9
Winnebago	39.3	108.3	69.0
Winneshiek	36.0	76.8	40.8
Woodbury	48.0	139.8	91.8
Worth	33.0	90.9	57.9
Wright	65.1	151.2	86.1
<b>State Averages</b>	<b>39.0</b>	<b>103.5</b>	<b>64.5</b>

# State Requirements

Each State must define  
“beginning farmer”



## Iowa Beginning Farmer Definition

- 2025 Maximum Net worth less than \$820,000
- Tied to an inflation index and adjusts each January 1<sup>st</sup>
- At least 18 years old
  - No upper age limit
- Resident of Iowa
- Must have sufficient education, training and experience for the anticipated farm operation
  - No years of service restriction
- Must have access to adequate working capital, farm machinery, livestock and/or agricultural land

# Iowa's Beginning Farmer Loan Program



Since inception through the end of 2024, Iowa has closed over 4,700 Aggie Bond Loans totaling over \$690 million



Those loans encompass over 430,000 acres purchased by beginning farmers



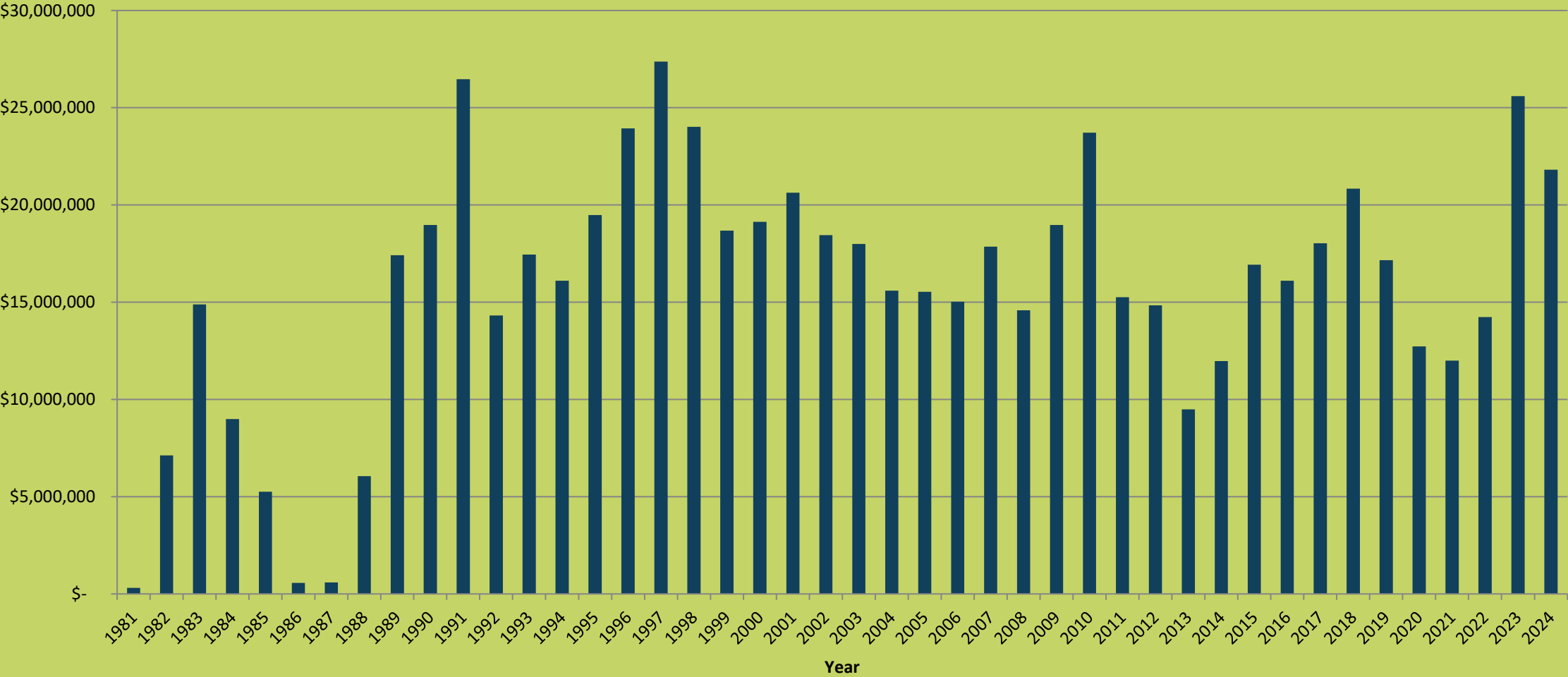
In 2024 Iowa closed  
65 Aggie Bond Loans  
totaling almost \$21.8 million

Average Loan Amount was approx. \$390,000

Average Age was 27

Average size farm purchased was 63 acres

# Iowa Aggie Bond Loans Closed



# Who is involved in the Aggie Bond Process?



# Using the BFLP and FSA 5/45/50 Together

% of Project	Funding Source	Total	Interest Rate	1 <sup>st</sup> year Interest
5% of project	Down payment	\$ 50,929		
45% of project	FSA Loan	\$ 300,150	1.50%	\$ 4,502
50% of project	Aggie Bond	\$ 667,500	5.81%	\$38,782
		<b>\$1,018,579</b>		<b>\$43,284</b>

## COMPARED TO

% of Project	Funding Source	Total	Interest Rate	1 <sup>st</sup> year Interest
5% of project	Down payment	\$ 50,929		
95% of project	Traditional Loan	\$ 967,650	7.75%	\$74,923
		<b>\$1,018,579</b>		<b>\$74,923</b>

**\$31,639 Interest Savings in the first year**

# Lifetime savings on Aggie Bond

7.75% Interest Loan Amortization Schedule			
Loan Information		Summary	
Loan Amount	667,500.00	Rate (per period)	7.750%
Annual Interest Rate	7.750%	Number of Payments	30
Term of Loan in Years	30	Total Payments	1,736,982.65
First Payment Date	1/1/2025	Total Interest	1,069,482.65
Payment Frequency	Annual	Est. Interest Savings	(0.28)
Compound Period	Annual		
Payment Type	End of Period		
Annual Payment		57,899.41	

5.81% Interest Loan Amortization Schedule			
Loan Information		Summary	
Loan Amount	667,500.00	Rate (per period)	5.810%
Annual Interest Rate	5.810%	Number of Payments	30
Term of Loan in Years	30	Total Payments	1,425,341.68
First Payment Date	1/1/2025	Total Interest	757,841.68
Payment Frequency	Annual	Est. Interest Savings	(0.00)
Compound Period	Annual		
Payment Type	End of Period		
Annual Payment		47,511.39	

Loan Breakdown	7.75% Interest	5.81% Interest	Total Saving on Aggie Bond
Loan Amount	\$667,500	\$667,500	
Total Interest	\$1,069,483	\$757,842	\$311,641
Annual P&I Payments	\$57,899	\$47,511	\$10,688
Total P&I Payments	\$1,736,983	\$1,425,342	\$311,641

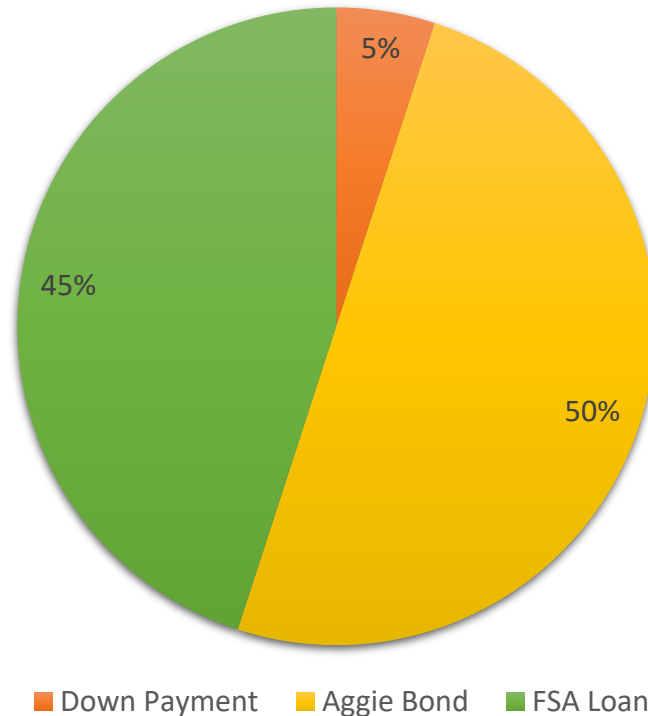
# Caleb's Project

Purchased 64 acres in  
Black Hawk County  
for \$8,125/acre

\$ 26,000 Down payment  
\$260,000 Aggie Bond  
\$234,000 FSA Loan  
\$520,000

- 5.875% was the traditional interest rate
- Aggie Bond interest rate reduced to 4.70%
- FSA Loan interest rate was 1.50%

Financing Breakdown



# Caleb's Project

% of Project	Funding Source	Total	Interest Rate	Amortization	Total Interest
5% of project	Down payment	\$ 26,000			
45% of project	FSA Loan	\$234,000	1.50%	20 years	\$ 38,590
50% of project	Aggie Bond	\$260,000	4.70%	30 years	\$230,183
		<b>\$520,000</b>			<b>\$268,773</b>

## COMPARED TO

% of Project	Funding Source	Total	Interest Rate	Amortization	Total Interest
5% of project	Down payment	\$ 26,000			
95% of project	Traditional Loan	\$494,000	5.875%	30 years	\$568,296
		<b>\$520,000</b>			<b>\$568,296</b>

**\$299,523 INTEREST SAVINGS OVER THE LIFE OF THE PROJECT  
USING AN AGGIE BOND AND FSA LOAN**

## IFA Proud – IADD Traer



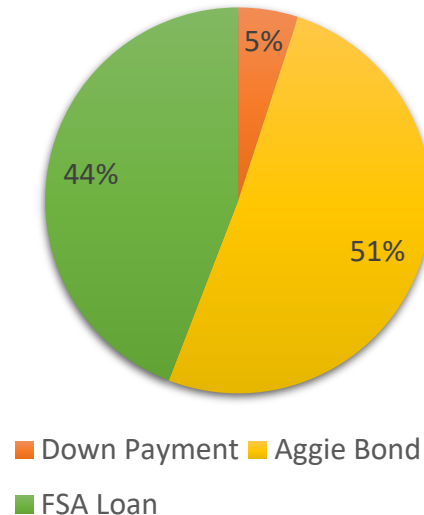
# Ludwig Family Project

Landon, Christopher and Samuel each purchased 80 acres in for \$8,500/acre

\$ 34,000 Down payment  
\$345,850 Aggie Bond  
\$300,150 FSA Loan  
\$680,000



## Financing Breakdown



- 4.67% was the traditional interest rate
- Aggie Bond interest rate reduced to 3.50%
- FSA Loan interest rate was 1.50%

# Caleb's Project

% of Project	Funding Source	Total	Interest Rate	Amortization	Total Interest
5% of project	Down payment	\$ 34,000			
45% of project	FSA Loan	\$300,150	1.50%	20 years	\$ 49,499
50% of project	Aggie Bond	\$345,850	3.50%	30 years	\$218,280
		<b>\$680,000</b>			<b>\$267,779</b>

## COMPARED TO

% of Project	Funding Source	Total	Interest Rate	Amortization	Total Interest
5% of project	Down payment	\$ 34,000			
95% of project	Traditional Loan	\$646,000	4.67%	30 years	\$567,674
		<b>\$680,000</b>			<b>\$567,674</b>

**\$299,895 INTEREST SAVINGS OVER THE LIFE OF THE PROJECT  
USING AN AGGIE BOND AND FSA LOAN**

## Beginning Farmer Programs | Corwith, IA



# Iowa's Success Story

## Strong relationships with local lenders

- Maintained through hosting workshops and webinars on IADD Programs
- Involvement with Iowa Bankers Association Ag Bankers Conference and Ag Credit School

## Partnership with state Farm Service Agency (FSA) officers

- Providing joint workshops at Ag Community Colleges and other locations
- IADD Program Training for FSA officers at their annual meeting

## Access to experienced and affordable Bond Counsel

- We have streamlined the program with simplified processes and standardized documents which helps provide a shorter approval timeline and lower attorney and closing costs

## Iowa is rich in Agriculture

- 90% of our land is used for agriculture

# Questions on the Beginning Farmer Loan “Aggie Bond” Program?



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Loan Program Specialist  
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[tammy.nebola@iowafinance.com](mailto:tammy.nebola@iowafinance.com)



**THANK YOU**

Name | Title  
Iowa Finance Authority

# Harnessing the Power of Bonds: Transforming Food Systems Through Strategic Investment



## Kenneth Neighbors

Partner, McGuireWoods LLP  
Atlanta, GA



## Michael Graff

Partner, McGuireWoods LLP  
McLean, VA

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Tuesday, February 25, 2025

Mike Graff and Ken Neighbors, McGuireWoods LLP

# Advantages of Tax-Exempt Bonds and Taxable Municipal Bonds

- Federal income tax exemption on interest
- Bank qualification
- State tax exemptions on interest
- “Portfolio” advantages for taxable municipal bonds
- BUT, risk of loss of tax-exemption

# Federal Tax-Exemption Options

- Governmental
- 501(c)(3)
- Qualified Small Issue (Manufacturing)
- Exempt Facility

# **Some Financing Structures**

- Bank Direct Placements
- Letter of Credit-Backed VRDBs
- Swaps
- Public or Limited Offerings of Long-Term Fixed Rate Bonds

# Food Systems Examples

- Vertical farms, greenhouses (Governmental)
- Food banks (501(c)(3))
- Food manufacturing (Qualified Small Issue)
- Aquaculture, dairies (Exempt Facility)

# **Governmental Issues**

- Governmental ownership – state law authority
- Private activity bond tests
- Management contract safe harbors
- Depreciation
- Reimbursement rules
- Bank qualification

## **501(c)(3) Issues**

- Exempt purpose
- 501(c)(3) ownership
- Private business use/management contract safe harbors
- Cost of issuance limitation

# **Qualified Small Issue (Manufacturing) Issues**

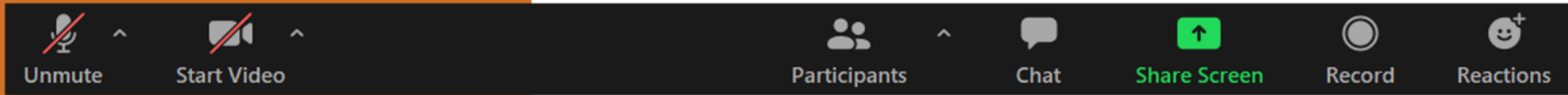
- Definition of manufacturing
- Core versus ancillary and related
- Storage and distribution
- Office space
- Existing/used facilities/equipment
- \$10,000,000/\$20,000,000/\$40,000,000 size limits
- Volume cap allocation

# **Exempt Facility Issues**

- Solid waste facilities
- Sewage facilities
- Tax and engineering diligence
- Project finance considerations
- Heightened volume cap allocation issues

# Questions or Comments?

# Audience Questions



**Submit your questions by  
using the chat function!**



# Food Systems Finance



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Tuesday, June 24, 2025 / 2:00 PM - 3:30 PM Eastern

#### **Revitalizing Communities Through Food Systems Redevelopment**

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Tuesday, November 25, 2025 / 2:00 PM - 3:30 PM Eastern

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### **CDFA Advanced Bond Finance WebCourse**

March 12 - 13, 2025 / 12:00 PM - 5:00 PM Eastern (Daily)

### **CDFA // BNY Development Finance Webcast Series: Political Landscape of Private Activity Bonds**

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**APRIL 15-16, 2025**

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