

Reframe, Build, Plan: Restoring America's Local Food Systems

Education · Advocacy · Research · Resources · Networking



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Introductions



Toby Rittner

President & CEO
Council of Development Finance Agencies



Allison Rowland

Manager, Research & Technical Assistance
Council of Development Finance Agencies



Ariel Miller

Coordinator, Research & Technical Assistance
Council of Development Finance Agencies



CDFA Food Systems Finance Research

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 existing capital financing streams that scale local and regional food systems and increase access to better food while creating new living wage jobs in communities across the country.



**Thank you to the W.K. Kellogg Foundation
for your continued support of this work!**



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CDFA Food Finance White Paper Series

October 2020
www.cdfa.net

CDFA Food Finance White Paper Series:
Advancing Local Food Systems Through Development Finance

Authored by:
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Manager, Research & Technical Assistance
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Funded with support from
the **W.K. Kellogg Foundation**

February 2019
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CDFA Food Finance White Paper Series:
Food Systems & Development Finance

April 2019
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CDFA Food Finance White Paper Series:
Food Systems & Access to Capital

October 2019
www.cdfa.net

CDFA Food Finance White Paper Series:
Food Systems & Investment Tools

July 2019
www.cdfa.net

CDFA Food Finance White Paper Series:
Food Systems & Bonds

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August 2019
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CDFA Food Finance White Paper Series:
Food Systems & Targeted Tools

Authored by:
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Using Energy as an Analogue

- There is a correlation between how the renewable energy sector emerged and how the food sector is emerging today
- Clean energy sector became one of the strongest investment asset classes through collaboration and the development of risk reducers, metrics, and performing investments
- Collaboration reduced fragmentation and built a general consensus and strong performance measurements to prove it is a solid investment

CDFA Food Systems Finance Research

CDFA's initial research uncovered more than

\$1 BILLION

in **traditional financing** being used to develop
localized food systems across the country.

Six Components of the Food System

Social Enterprise

An organization or initiative that works to support social objectives, such as increasing access to healthy affordable food, sustainable food, or other socially beneficial food objectives.

Institutional Buyers

Public or private institutions, such as schools, universities, hospitals, or prisons, that purchase wholesale, prepare, and serve large amounts of food to meet internal demand within the food system.

Agriculture

The cultivation and harvesting of primary consumable food products (plants, animals and their byproducts), as well as the acquisition and management of agricultural land, research & development, production, support, and operations, regardless of physical location or scale.

Industry

The broad range of actors who contribute, or facilitate, the process of food production and distribution to consumers. This may include food retailers, food service, processors, packagers, distributors, producers of related inputs, and more.

Entrepreneurs

Individuals who create and operate businesses in the food system, such as culinary, technology, distribution, agriculture, or processing businesses, in order to meet market needs and gain profits from the business.

Infrastructure

The physical facilities, as well as the organizational, technological, and relationship networks that allow for the production, processing, storage, distribution, transportation, transfer, and retail of food.

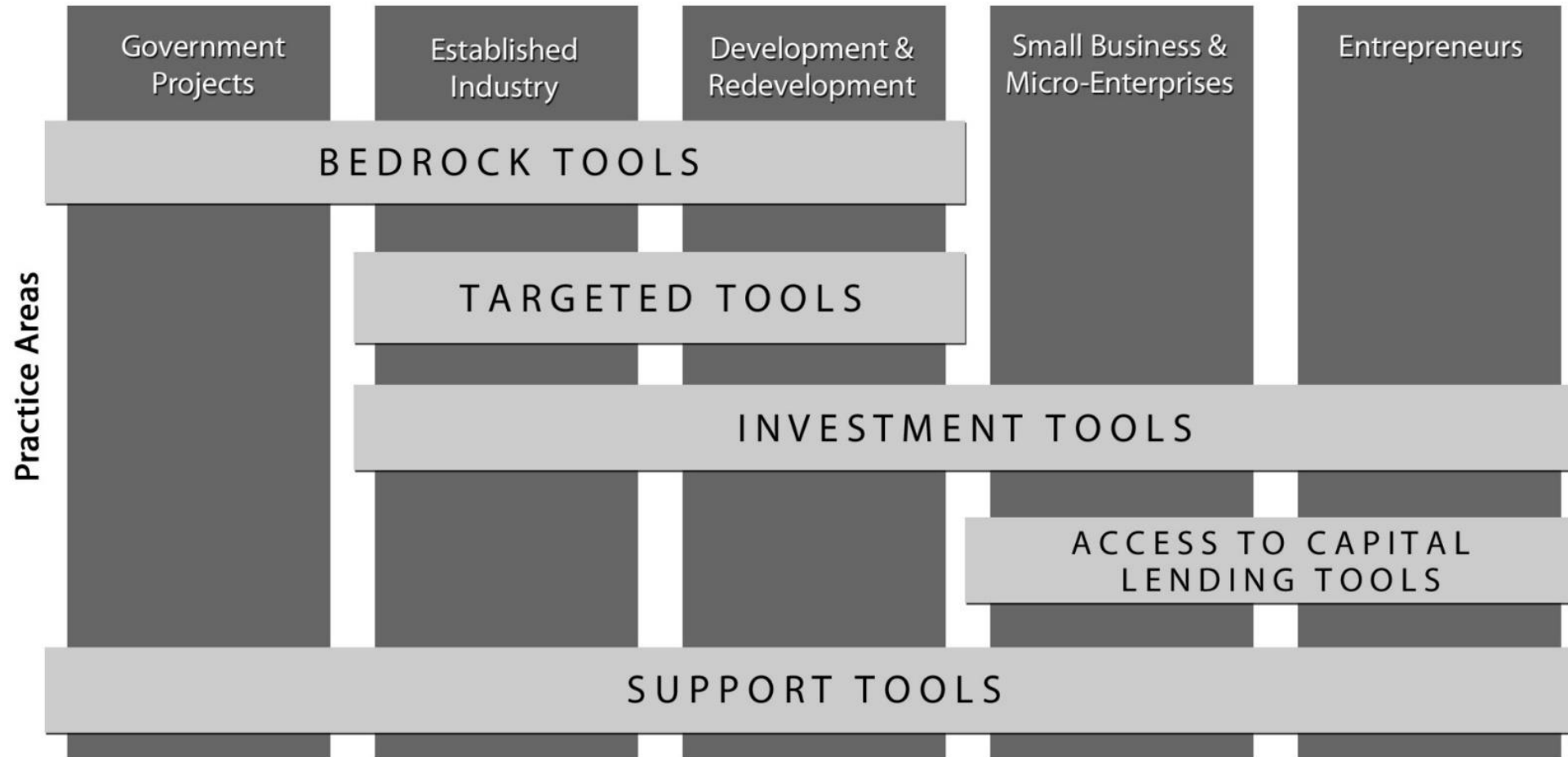
Landscape of Financing Tools





Development Finance SPECTRUM

Types of Financings



From the *Practitioner's Guide to Economic Development Finance*

The Development Finance Toolbox

Bedrock Tools

- Industrial development bonds, 501(c)3 bonds, tax-exempt bonds

Targeted Tools

- Tax increment finance (TIF), special assessment, PACE, tax abatements

Investment Tools

- New markets tax credits, historic tax credits, opportunity zones

Access to Capital Lending Tools

- Revolving loan funds (RLFs), loan guarantees, seed & venture capital

Support Tools

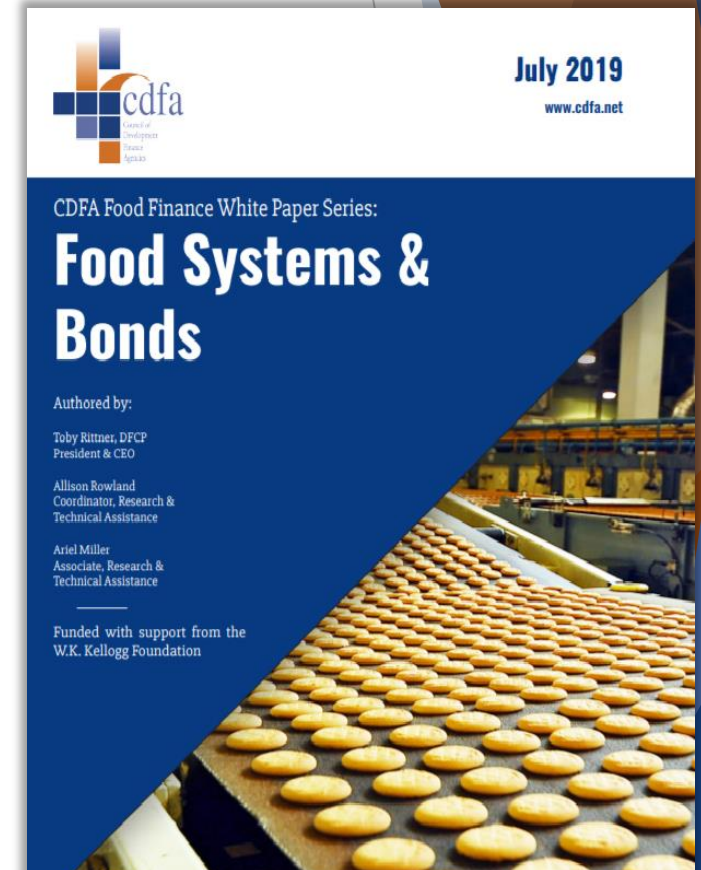
- Federal funding

Bedrock Tools

Foundational financing tools – **BONDS**

This is the large debt market generally known as bonds and makes 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, non-profits, healthcare and manufacturing.



Case Studies – Bonds

Jasper Meats, a USDA-certified meat processor in suburban Chicago, needed a new facility and increased production capacity to expand.

\$3.2 million in Industrial Development Bonds were issued by Illinois Finance Authority for the acquisition of 2.2 acres of land, the construction of a 25,000 SF manufacturing facility, and the purchase of new machinery and equipment.

This new facility retained **16 jobs** and created **19 jobs**.



Case Studies – Bonds

Great Lakes Cold Storage was in need of a 56,000 SF, \$9 million expansion to their current 248,000 SF space.

The Cleveland-Cuyahoga County Port Authority **provided \$8.9 million in taxable lease Revenue Bonds** to assist in the financing for the project.

The Port Authority acquired the project site from Great Lakes Cold Storage and entered into a bondable capital lease agreement. The rent payments directly mirror the debt service payments on the bonds. After full payment of the bonds, Great Lakes Cold Storage will repurchase the site from the Port Authority for \$1.00 and the costs of the transfer.



Case Studies – Bonds

Iowa Beginning Farmer Loan Program, provided by the Iowa Financing Authority, allows low net worth farmers to access affordable financing, exempt from federal income tax, for acquiring agricultural property.

Beginner Farmer Loans through this program typically carry **interest rates approximately 25% below market rates.**



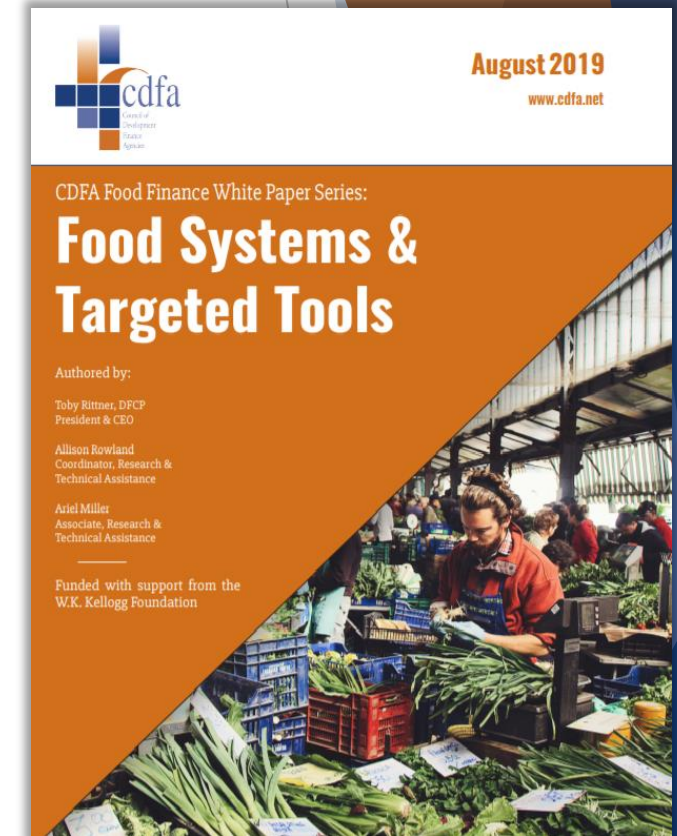
Targeted Tools

These tools target geographic areas through the use of taxation.

Allow for direct reallocation of specific taxes to pay the current cost of development.

Includes **Tax Increment Finance, Special Assessment, and PACE**

Also includes use of **tax abatements**, which is the relief from taxes, not a redirection.



Case Studies – Tax Increment Financing

La Plaza Tapatia is a local grocer in Central Ohio that moved into a newly built facility and experienced the unforeseen costs of stormwater pipe replacement.

Franklin County created a TIF to finance the infrastructure, and the new TIF revenue will generate approximately **\$450,000 over 10 years** in a neighborhood that needed new private investment.



Case Studies – Special Assessment Districts

The Historic Third Ward was established as Business Improvement District No. 2 by the City of Milwaukee to levy assessments on business properties.

The **BID** assisted in creating **2 Tax Incremental Districts**, putting over **\$20 million** of public investment into the BID.

The Milwaukee Public Market, a year-round indoor public market, is the focal point of the BID.



Investment Tools

These tools encourage private sector engagement in projects and businesses by attracting investors.

Tools such as **Tax Credits**, **Opportunity Zones**, and the **EB-5** investor program drive this sector.

Incorporates largest cross-section of US and international investor potential.

Involves community development, historic rehabilitation, housing, energy investments, manufacturing expansion, site selection, employment growth, and dozens of other targeted objectives.



Case Studies – Tax Credits

Limehouse Produce provides conventional row crops, local specialties, herbs, and dairy products to local restaurants, and is also a food hub with rental space, a cold storage hub, and a produce distribution facility.

\$9 million of New Markets Tax Credits were allocated by Greenville New Markets Opportunity II for development.

The total facility is over 175,000 SF and **created 145 jobs** in a community with a 47.3% poverty rate.



Case Studies – Tax Credits

Modern Times Beer is a San Diego brewery that produces, packages, and distributes beer and coffee.

A **\$60,000 California Competes Tax Credit** assisted in purchasing new fermentation tanks and a new bottling line to increase production and reduce waste.

Since this expansion, **30% of Modern Times' equity held in an Employee Stock Ownership Plan.**



Case Studies – Opportunity Zone Fund

The **Harvest Returns Sustainable Agriculture Opportunity Zone Fund** was one of the first OZ Funds designed to facilitate capital raises for small to medium-sized farmers & ranchers while providing investors streamlined access to attractive, low-risk, private placement opportunities in production farming.

The Fund has invested in over 10 agriculture businesses, including **hydroponic produce in Kentucky** and **a cattle farm in Georgia**.

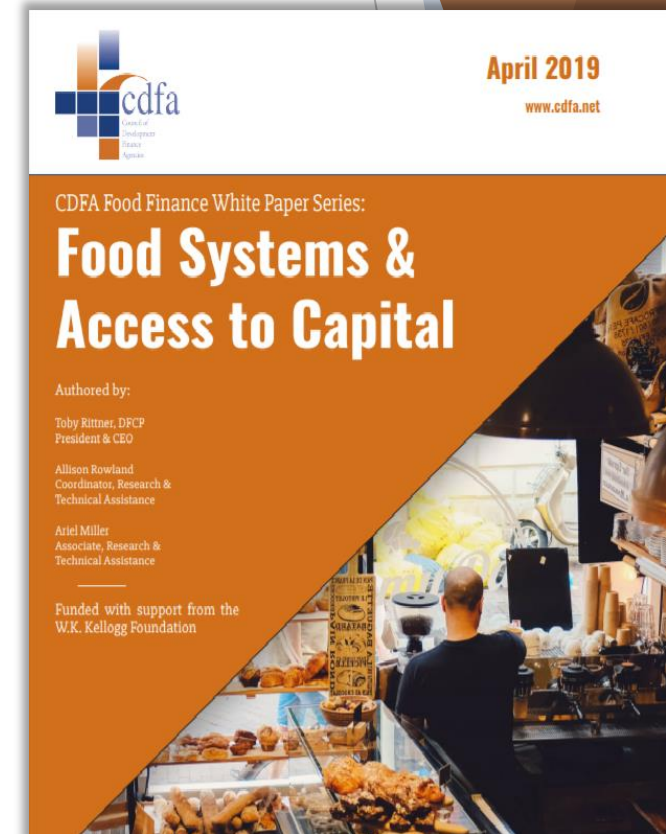


Access to Capital Tools

Represent the resources for supporting small businesses, entrepreneurs, microenterprises, etc. to help unlock capital for growth.

These tools include **Revolving Loan Funds, Mezzanine Funds, Loan Guarantees** and **Microenterprise, Seed & Venture Capital** financing programs, etc.

Constitutes the single largest set of development finance tools used in the US.



Case Studies – Linked Deposit

The **Ohio GrowNOW Program** provides early-stage capital for small businesses operating facilities exclusively in Ohio and has fewer than 150 employees.

Eligible businesses must also be able to save or **create one full-time job in Ohio for every \$50,000 that is borrowed**, up to \$400,000.

Huffman's Market received **\$300,000** from the program for remodeling and expanding the store in Upper Arlington, Ohio.



Case Studies – Loan Guarantee

The **Missouri Agricultural and Small Business Development Authority's Single-Purpose Animal Facilities Loan Guarantee Program** assists producers in financing acquisition, improvement, construction, or operation for single-purpose animal facilities.

The program offers a **50% first-loss guarantee on collateralized loans up to \$250,000**, and also **loans for alternative agricultural production needs up to \$20,000** through the Agriculture Development Fund.

The **interest rate is 5.9%** for up to a 5-year term.



Support Tools

Represent the robust federal funding resources provided by the federal government.

Includes dozens of federal agencies, federal financing and funding programs and billions in annual resource allocation.

Includes programs from **HUD, USDA, SBA, EPA, EDA, DOL, DOT, DOD, DOJ, Treasury**, etc.



Federal Financing Clearinghouse

CDFA's **Federal Financing Clearinghouse** is the only online resource cataloging the development finance programs offered by the federal government. The FFC includes overviews of over 200 federal financing programs available to both public and private sector users. To conduct a search of the Federal Financing Clearinghouse, click on the features below.

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Search by Department



Export-Import Bank of the United States (EXIM Bank)



U.S. Dept. of Agriculture (USDA)



U.S. Dept. of Commerce (DOC)



U.S. Dept. of Defense (DOD)



U.S. Dept. of Energy (DOE)



U.S. Dept. of Health & Human Services (HHS)



U.S. Dept. of Homeland Security (DHS)



U.S. Dept. of Housing & Urban Development (HUD)



U.S. Dept. of Justice (DOJ)



U.S. Dept. of the Interior (DOI)



U.S. Dept. of Transportation (DOT)



U.S. Dept. of Treasury



U.S. Environmental Protection Agency (EPA)



U.S. Small Business Administration (SBA)

Case Studies

Advancing Local Food Systems Through Development Finance

The image shows the cover of a white paper report. At the top left is the CDFA logo, which consists of a stylized grid of squares in blue and orange, with the letters 'cdfa' and the full name 'Council of Development Finance Agencies' below it. To the right of the logo, the date 'October 2020' and the website 'www.cdfa.net' are printed. The main title of the report is 'Advancing Local Food Systems Through Development Finance', with 'CDFA Food Finance White Paper Series:' above it. Below the title, the authors are listed: Toby Rittner, DFCP (President & CEO), Allison Rowland (Manager, Research & Technical Assistance), and Ariel Miller (Coordinator, Research & Technical Assistance). At the bottom left, it states 'Funded with support from the W.K. Kellogg Foundation'. The cover features a collage of six photographs: a woman at a market stall, a green combine harvester in a field, a brewery interior with large tanks, a market stall with people, a row of metal shopping carts, and a chef in a kitchen.

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Council of
Development
Finance
Agencies

October 2020
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Bornstein & Pearl Food Production Center

Dorchester, MA

In 2010, Dorchester Bay Economic Development Corporation (DBEDC) purchased the former home of Pearl Meats with the intention to demolish the 36,000 SF building and replace it with affordable housing.

Through a community engagement process, the residents of the community identified job creation and economic development as their desire for the site.

In partnership with Commonwealth Kitchen, a nonprofit commercial kitchen incubator, DBEDC transformed the site into the Bornstein & Pearl Food Production Center, a state-of-the-art food production facility.

Commonwealth Kitchen was a key programmatic partner, providing financial stability as a long-term anchor tenant occupying 50% of the building.



Key Partners

City of Boston

- Won HUD Choice Neighborhoods Grant
- Provided HUD 108 Loan for patient, flexible capital

BlueHub Capital

- First mortgage loan

LISC & PNC Bank

- NMTC allocation and investment

CommonWealth Kitchen

- Anchor tenant

The Capital Stack

BlueHub Capital	\$ 2,678,000	First mortgage / leverage loan and acquisition loan
City of Boston	\$ 3,474,945	HUD 108 loan, acquisition loan, and soft debt
Coastal Enterprises, Inc./Wholesome Wave	\$ 500,000	Health Food Financing loan
Dorchester Bay Economic Development Corporation	\$ 300,000	Dorchester Bay Neighborhood Loan Fund
Dorchester Bay Economic Development Corporation	\$ 650,000	Developer Equity/Deferred Fee
LISC New Markets Support Company / PNC Bank	\$ 3,761,700	NMTC equity
MassWorks Infrastructure Grant	\$ 1,500,000	Grant for utilities infrastructure
Department of Health and Human Service - Office of Community Services	\$ 788,000	Grant to support job creation
HUD CHOICE Neighborhoods Grant	\$ 500,000	Grant through the City of Boston as part of the Quincy Corridor Transformation Plan
EPA Brownfields Grant	\$ 118,063	Grant for site clean-up
MassDevelopment Brownfields Grant	\$ 163,500	Grant for site clean-up
The Boston Foundation	\$ 100,000	Grant
Kendall Foundation	\$ 275,000	Grant
Citizens Bank Growing Communities	\$ 30,000	Grant
Pierce Trust	\$ 10,000	Grant

TOTAL SOURCES

\$14,849,208

Bornstein & Pearl Food Production Center

Dorchester, MA

Today, Bornstein & Pearl is **home to five food companies**, including CommonWealth Kitchen.

Combined, these businesses **employ over 200 people** in a neighborhood with an unemployment rate 2x the national average.

CommonWealth Kitchen is home to **55 start-up food businesses** and also operates a commissary kitchen for small-batch contract manufacturing that enables farms and other food businesses to scale their value-added production.



Red Lake Trading Post Grocery Store

Red Lake, MN

Red Lake Trading Post Grocery Store was expanded by the Red Lake Band of Chippewa Indians to double their space and increase produce, meat, and dairy options.

\$10 million of New Markets Tax Credits were allocated by Travois New Markets, LLC. The remaining gap was covered by **a loan from Native American Bank** that was guaranteed through the **USDA Business & Industry Loan Guarantee** program.

This was the first deal of its kind to combine **New Markets Tax Credits with a USDA Business & Industry Loan Guarantee** on a project located on tribal trust land using the ground lease as collateral. This Leasehold Mortgage allowed Native American Bank to offer more favorable loan terms and a larger loan amount for the grocery store project.



Red Lake Trading Post Grocery Store

Red Lake, MN

Travois and Native American Bank first met with the tribe's economic development arm, Red Lake, Inc., in 2014 and it took **three years to close on the NMTC and the loan.**

Using the loan guarantee to enhance the NMTCs while using the loan from Native American Bank as collateral was a **significant innovation** in helping the project succeed.

The expansion significantly increased access to quality food with an emphasis on food sovereignty and **created 20 new jobs and retained 30 jobs.**



Dallas Farmers Market

Dallas, TX

In 1998, the **Dallas Farmers Market TIF District** was created by the City to revitalize the area, **covering nearly 115 acres** in the eastern part of downtown Dallas.

Development was slow in the TIF District until 2013, when the **City's Downtown 360 Plan** identified the Farmers Market itself as a focal point for redevelopment. The mission for the district is to provide **a source of funding for public infrastructure improvements** to promote the redevelopment, stabilization, and growth of the physical area, as well as the area's tax base.

When the boundaries of the TIF were reestablished to include new areas and extend the termination date by 15 years, **an increment of \$19 million** was expected and Dallas County joined as a financial participant to **contribute an additional estimated \$4.3 million in revenue**.



Dallas Farmers Market

Dallas, TX

The Farmers Market Redevelopment Project was a multi-phased development with a **total investment of \$62.9 million**. In addition, public assistance was provided from:

- \$5.5 million in General Obligation Bonds issued by the City of Dallas
- \$670,000 from a public-private partnership grant
- \$930,000 from land sale proceeds
- \$19.7 million from the TIF

This long-term project used **food as an economic development strategy**, creating opportunity for growth within food and agriculture sectors.



Dallas Farmers Market

Dallas, TX

All phases of the Farmers Market Redevelopment Project are now complete, including:

- Shed 1 renovation, **creating 119 market stalls** for local farmers, farm merchants, and vendors to sell produce and other farm-related products
- Shed 2 renovation, establishing over **24,000 SF of retail space** for restaurants, specialty food vendors, and other retail vendors
- North Texas Food Bank purchased the Farmers Market Administration Building and relocated its administrative office to the site
- Construction of mixed-use developments, parking, recreational fields, and community gardens throughout the district.



Restoring America's Local Food Systems:

Implementing the Development Finance Toolbox



REFRAME

food systems development as infrastructure
and economic development

BUILD

effective relationships and partnerships
across the entire food system

PLAN

for strategic food system financing



October
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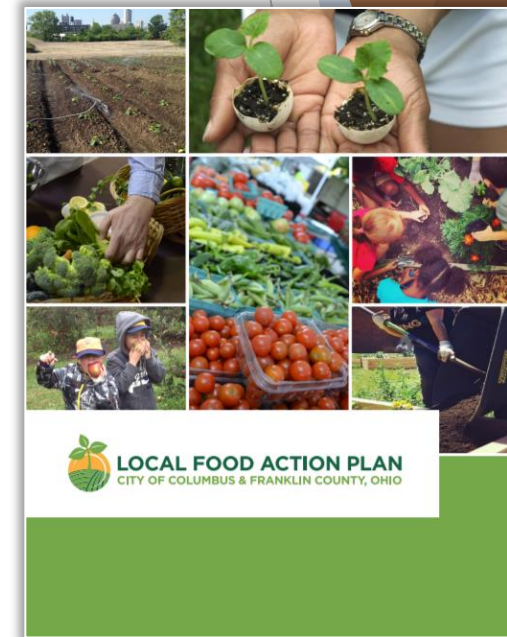
REFRAME

food systems development as
infrastructure and economic development

Cold storage, aggregation facilities, public markets, processing centers, and small business incubators are pieces of **critical infrastructure** for local and regional food systems.

Small businesses like restaurants and independent grocery stores are already a proven economic driver and should be viewed as a strategic focus area for **local economic development**.

Understanding the development finance toolbox and how tools can be applied is critical for incorporating **food system restoration** into local economic development plans.



City of Columbus & Franklin County
Local Food Action Plan

BUILD

**effective relationships and partnerships
across the entire food system**

Comprehensive local food system development calls for **involvement from a variety of skillsets**, from real estate to finance to supply chain management and more.

DFAs have the ability to leverage public and private capital and can use impactful traditional finance tools like **bonds, revolving loan funds, and tax credits** to support food system development.

Investors perceive the **current food system as loosely defined and poorly organized**. **Reducing this fragmentation** with increased connectivity will support local food system development and facilitate further investment.



La Plaza Tapatia TIF District

PLAN

for strategic food system financing

Much like **master plans and economic development planning**, goals and objectives need to be backed by sound **development finance strategies**.

Developing financing plans should happen **in tandem with city, county, or state food system planning efforts** and can also be conducted as **an addition to existing plans** that focus on food, economic development, or sustainability.

The **development finance toolbox approach** should be used to identify all the tools within a community that could be applied to food systems.



Franklin County Food Business Portal
<https://fcfoodbusinessportal.org/>

Get Engaged

Is *your* community ready to **invest** in your local food system?

Get engaged with CDFA for **strategic food systems financing planning!**

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CDFA Food Finance White Paper Series



Upcoming Events



REGISTER NOW

November 9-13, 2020

CDFA VIRTUAL NATIONAL SUMMIT

**Financing Our
COVID Recovery**



Upcoming Events



Intro Food Systems Finance WebCourse

This course qualifies for the CDFA Training Institute's Development Finance Certified Professional Program.

REGISTER
TODAY >>

December 9-10, 2020 12:00 - 5:00 PM Eastern



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