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Using the Successes of Energy Finance to Guide Progress in Food Systems Finance

Welcome

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Toby Rittner

President & CEO

Council of Development Finance Agencies

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Sally Sharrow

Masters in City and Regional Planning

Agenda

1. Introduction
2. Clean Energy Finance: A Model for Success
3. Questions
4. Food System Finance: Possibilities for Growth
5. Questions

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Why Look at Clean Energy and Food?

- Clean energy and sustainability have become mainstream concerns
- Innovative models to finance the new clean energy economy have been developed across the country
- The food system still lacks definition and remains a risky investment
- ***Energy has become an asset class - can food become one?***

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Financing Clean Energy

Ruchi Agarwal ● Harry Allen ● Guadalupe Alvarez
Maria de Caris ● Avi Epstein ● Bingxu Gao ● Nick Kearney
Alyssa Sexton ● Sally Sharrow ● Jon Waltrip

Agenda

1. Purpose and Hypothesis
2. Research Methodology
3. Energy Financing Case Studies
4. Key Findings
5. Questions

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Speakers

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Purpose & Hypothesis

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Purpose

- Examine the field of energy finance to understand its current state
- Investigate the most successful models of finance
- Explore how this field can inform other sectors

Hypothesis

- Clean energy finance tools can serve as a model to apply to other emerging sustainability fields such as food systems

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Research Methodologies

- 6 weeks of class to understand development finance and the development finance toolbox
- Development of the Clean Energy Finance Landscape Map
- Case Study research
- Class analysis

Financing Tools

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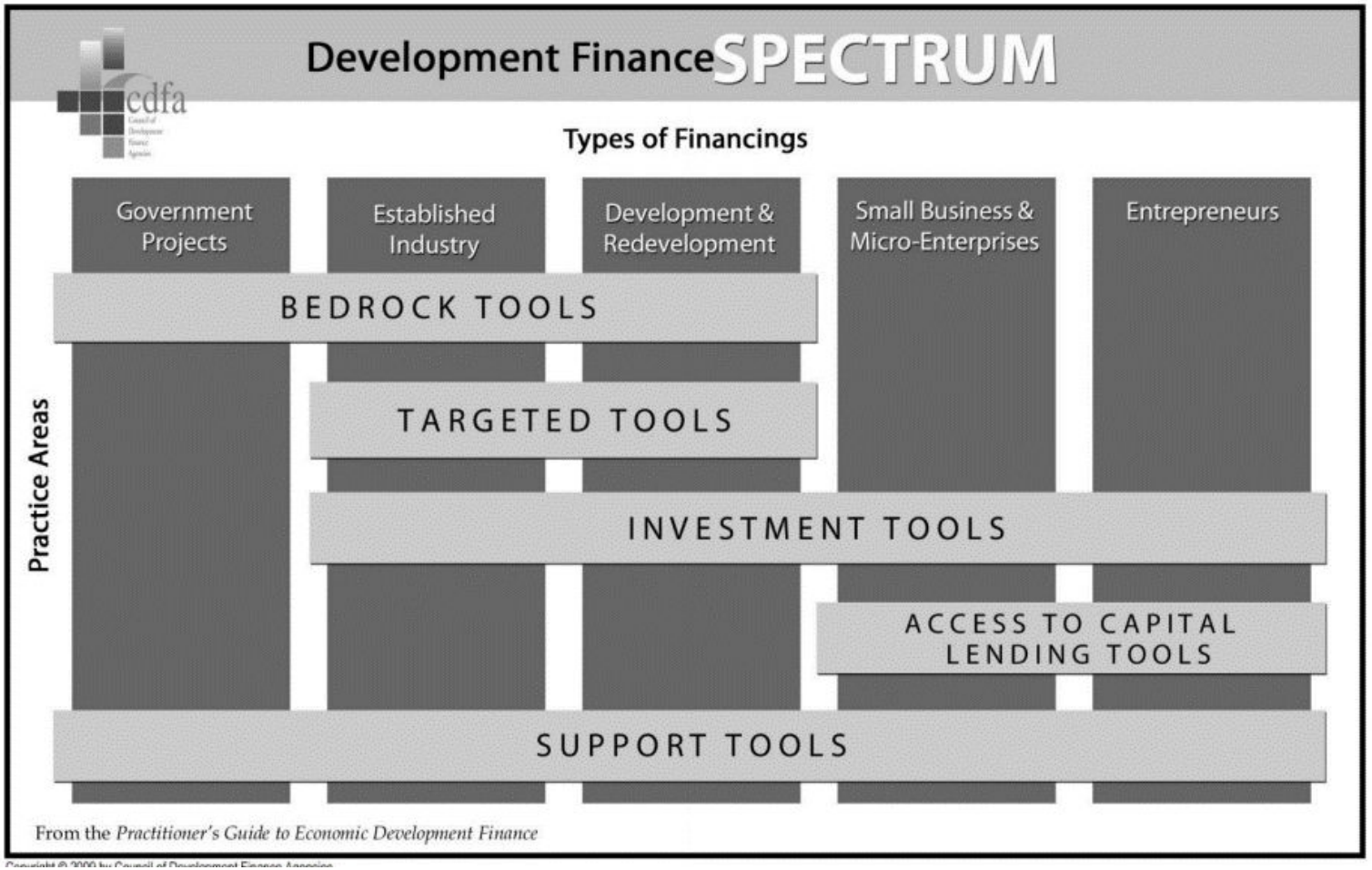

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Energy Sectors

- Infrastructure
- Commercial
- Residential
- Energy Efficiency/Renewable Energy
- Entrepreneurs
- Manufacturing
- Municipality, University, School, Hospital (MUSH)

Energy Spectrum	Bedrock Tools	Targeted Tools	Investment Tools	Access to Capital Tools	Support Tools

Energy Spectrum	Bedrock Tools	Targeted Tools	Investment Tools	Access to Capital Tools	Support Tools
Infrastructure					
Commercial					
Residential					
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Entrepreneurs					
Manufacturing					
Municipalites Universities Hospitals Schools (MUSH)					

Energy Spectrum	Bedrock Tools	Targeted Tools	Investment Tools	Access to Capital Tools	Support Tools
Infrastructure	1. Illinois Finance Authority Qualified Energy Conservation Bond 2. Toledo Lucas County Port Authority Infrastructure Financing 3. Southwest Ohio Regional Bond Fund PACE assessment	1. MassDevelopment, District Improvement Financing 2. City of Cincinnati Green Building Commercial Property Tax Abatement	1. Sustainable Building Tax Credit, New Mexico	1. California Capital Access Program: Electric Vehicle Charging Station Financing Program 2. City and Country of Denver - Elevations Energy Loans	1. WIFIA: Loans and credit subsidy programs
Commercial		1. Connecticut C-PACE 2. St Paul Port Authority: MinnPACE Program 3. California Municipal Finance Authority PACE Program 4. Energize NY Commercial PACE	1. Arizona Corporate Solar and Wind Tax Credits 2. New York Green Bank		1. U.S. Energy Department: business energy investment tax credit 2. Department of Energy Loan Guarantee Program
Residential	1. Toledo Lucas County Port Authority Better Buildings 2. Washington State Housing Finance Authority Bonds	1. CaliforniaFIRST: Smart Home PACE Financing 2. Energize NY Residential PACE financing 3. PACE Equity, Milwaukee	1. City of Charleslottville - Green Building Incentives 2. Arizona Residential Solar and Wind Tax Credits	1. St. Lucie Solar and Energy Loan Fund 2. Craft3: Home Energy Loan Program 3. Washington State Housing Fianance Commision: Sustainable Energy Trust Loans	1. Rural Energy for America Program -USDA Rural Development
Energy Efficiency/ Renewable Energy	1. California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) 2. Hawaii GEMS	1. Chicago Small Business Improvement Fund - Tax-Increment Financing	1. CT Green Bank Solar Investment Program 2. California Energy Investment Center, EB-5 3. New Mexico Solar tax credit 4. South Carolina - renewable energy manufacturing tax credit	1. Vermont Economic Development Authority - Small Business Energy Loan Program 2. Ohio Development Services Agency: Energy Loan Fund 3. CAEATFA - CHEEF program	
Entrepreneurs				1. Vermont Economic Development Authority - Small Business Energy Loan Program	
Manufacturing	1. Port of Cincinnati Development Authority Bonds 2. Ibank, California - Clean Water State Revolving Fund Revenue Bonds		1. CAEATFA - Sales and Use Tax Exclusion Program for Green Manufacturers	1. Columbus-Franklin County Finance Authority: Columbus Region Energy Loan Fund 2. Ohio Development Services Agency: Energy Loan Fund	
Municipalites Universities Hospitals Schools (MUSH)	1. New Mexico Clean Energy Revenue Bond Program for schools 2. Illinois Finance Authority Bond Financing	1. Southwest Ohio Regional Bond Fund PACE assessment for Education		1. Craft3: Municipality Conservatation and Clean Water Loans 2. Virginia SAVES Green Community Program 3. Ohio Third Frontier 4. SECO Texas LoanSTAR Revolving Loan Program	

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Case Studies

Bedrock Tools	Targeted Tools	Investment Tools	Access to Capital Tools	Support Tools
• **Illinois Finance Authority:** Qualified Energy Conservation Bond • **Toledo Lucas County Port Authority:** Infrastructure Financing • **Hawaii:** Green Energy Market Securitization Program • **California Alternative Energy and Advanced Transportation Financing Authority:** Bonds Program	• **City of Cincinnati:** Green Building Commercial Property Tax Abatement • **St Paul Port Authority:** MinnPACE Program • **CT Green Bank:** C-PACE • **CaliforniaFIRST:** Smart Home PACE Financing • **CT Green Bank:** Residential Solar Investment Program	• **New Mexico:** Sustainable Building Tax Credit • **City of Charlottesville:** Green Building Incentives • **California Energy Investment Center:** EB-5	• **Vermont Economic Development Authority:** Small Business Energy Loan Program • **Columbus-Franklin County Finance Authority:** Columbus Region Energy Loan Fund • **Ohio Third Frontier** • **Texas State Energy Conservation Office:** LoanSTAR Revolving Loan Program	• **Water Infrastructure Finance Innovation Act:** Loans and credit subsidy programs • **Department of Energy:** Loan Guarantee Program • **USDA Rural Development:** Rural Energy for America Program

Case Study Research

- **Program Overview** (What is it?)
- **Data & Statistics** (Is it successful?)
- **Real World Example** (Where has it been implemented?)
- **Key Characteristics** (What do you need to know?)
- **Replicability** (Where else could this be used?)

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Areas of Practice

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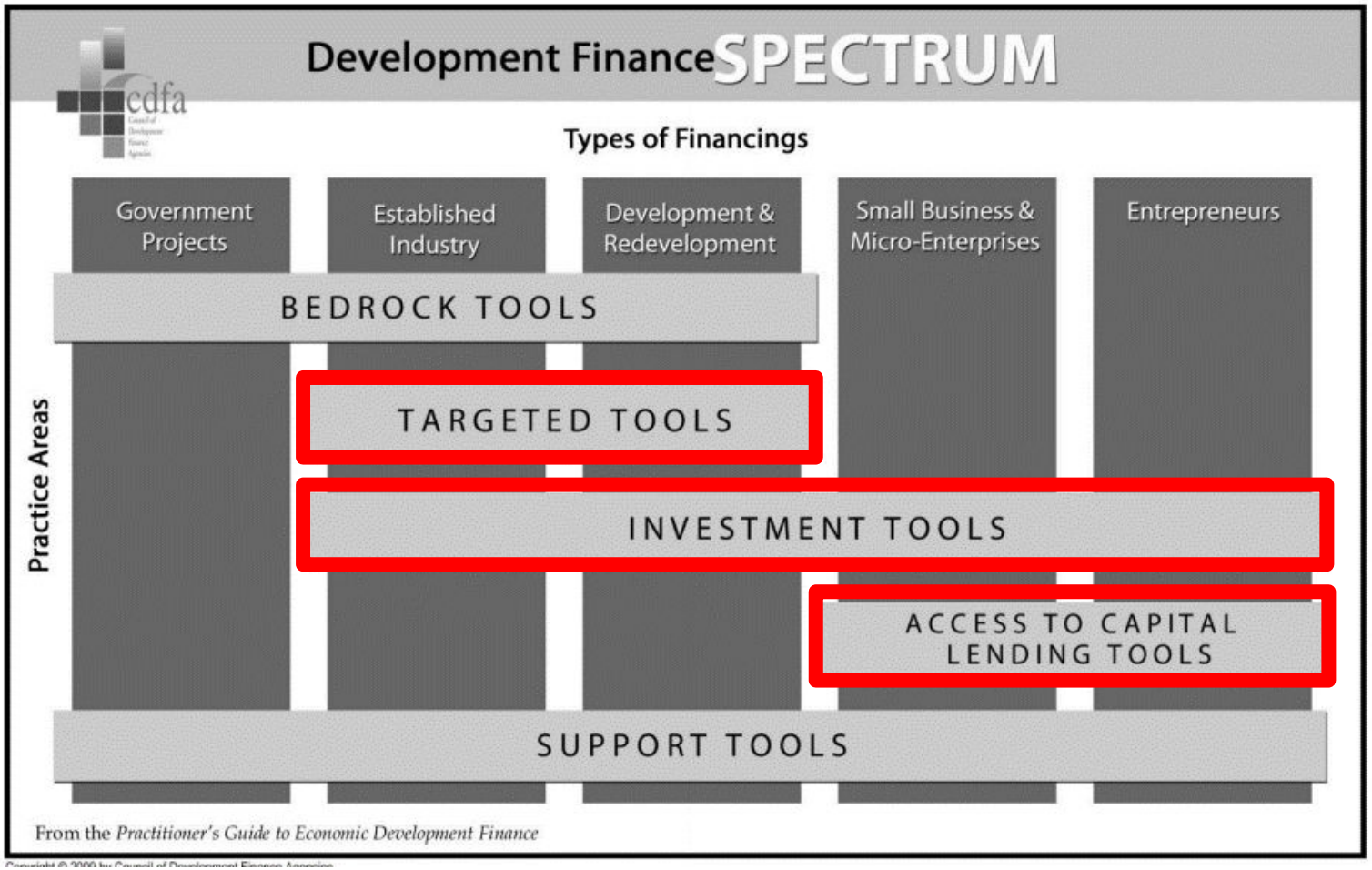

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Targeted Tools

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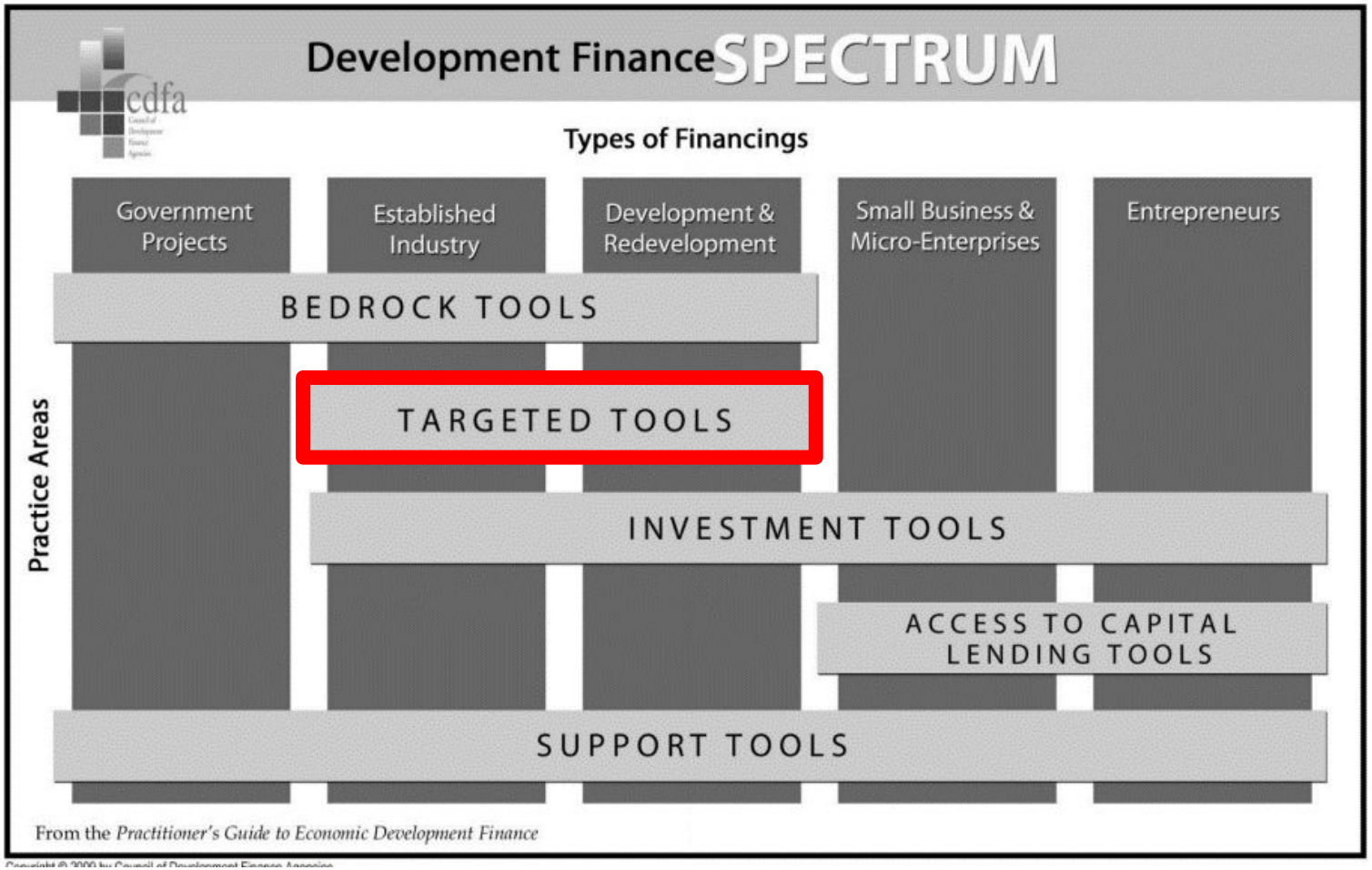

Targeted Tools

- Tax increment financing
- Tax abatements
- Special Assessment
  - Mechanism by which business, industry, commercial districts and governments generate funds by applying special tax assessments on geographic areas.
  - Two general structures
    - Business and Neighborhood Districts
      - Self assessment
    - Government Districts
      - Sometimes self-assessed, often govt. created

Property Assessed Clean Energy (PACE)

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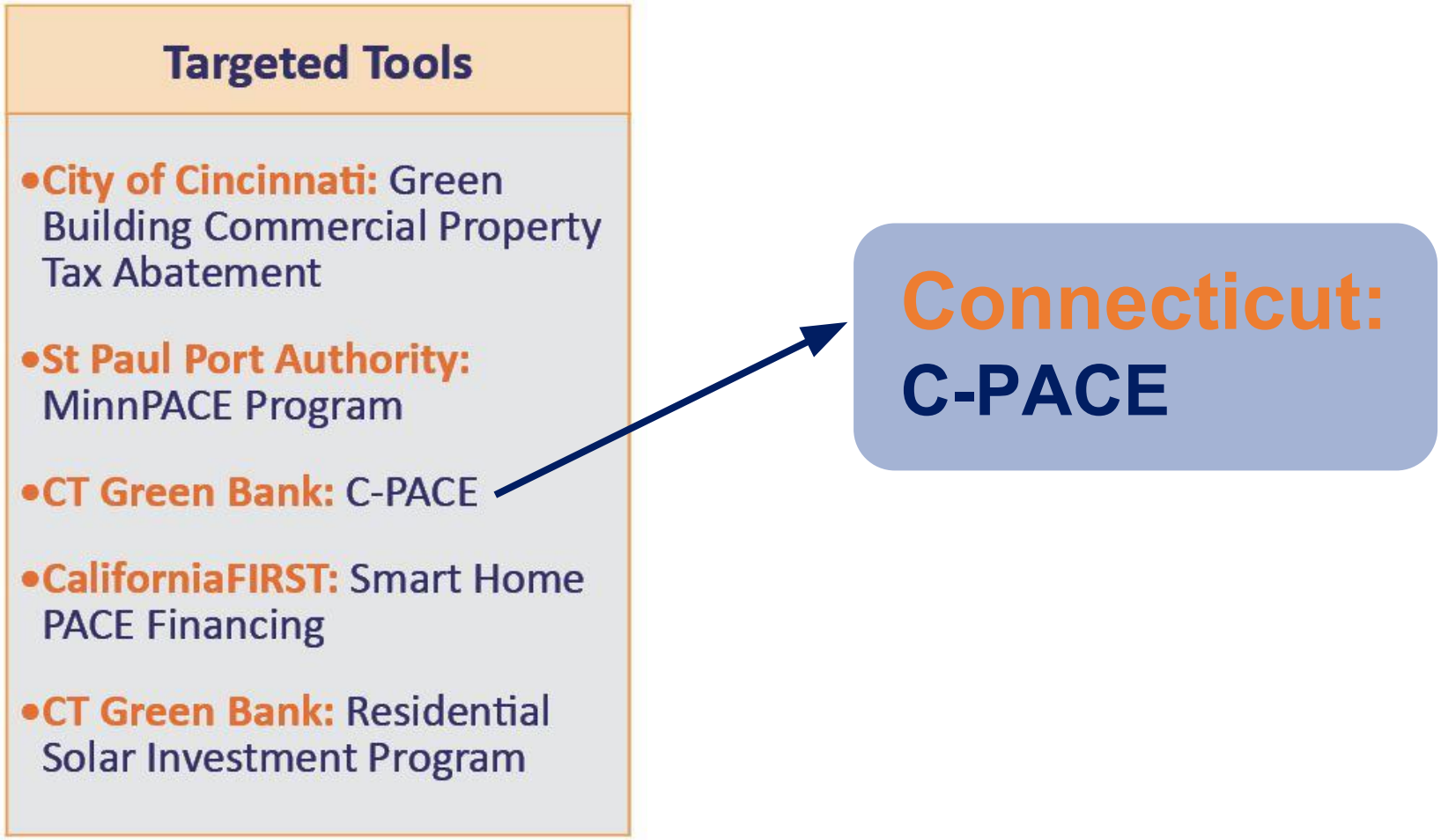
PACE is a Government District

Services and improvements directed by local government in defined area

- Can be leveraged with bonds
- Not development-dependent
- Can span two or more jurisdictions
- Generally strong collection enforceability – lien status
- Can be combined with TIF

Targeted Tools



History

- PACE was first used in 2001 in California
- Connecticut Commercial PACE (C-PACE)
  - Established in 2013
  - Administered by Connecticut Green Bank
    - Committed to making green energy accessible and affordable to everyone in the state.

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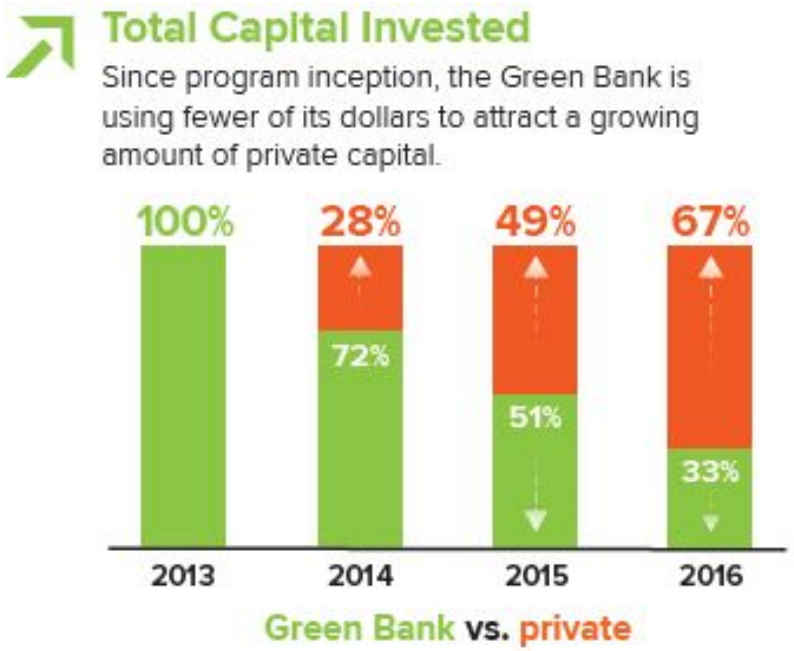
How it Works/Eligibility

- A special, transferrable assessment on commercial properties to pay off long-term investments in energy efficiency and renewable energy
- Requires energy audit or feasibility study and financial and technical review by staff
- Payments should not exceed energy savings from improvements
- 10-20 year repayment period
- Statewide program but requires local legislation
- Nonresidential or multifamily properties

Key Characteristics

- Beneficial to have one organization coordinating PACE efforts across the state
- Energy upgrades and assessment stays with property upon sale
- Allows flexibility in improvements
- Can be used with other financial incentives
- Increase in private capital for financing



Success

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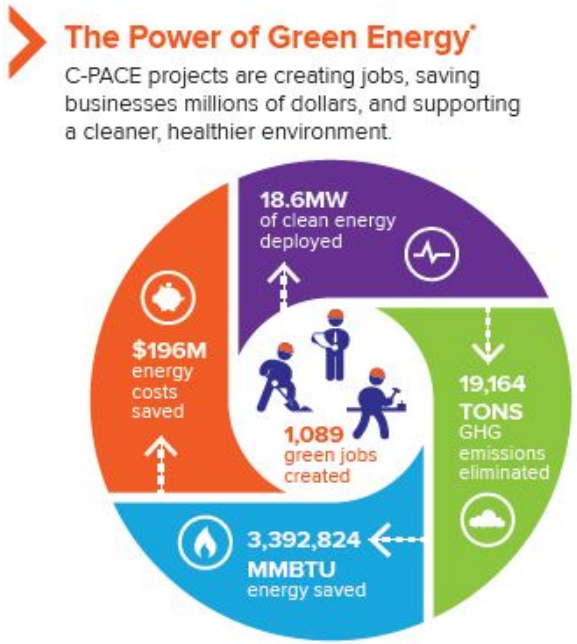
- 151 projects
- $95.6 million in financing
- 20,000 tons of greenhouse gas saved
- 1,000 jobs created
- State reputation



Fornstone Capital, Bridgeport, CT

- Real estate investment company
- 11 story building built in 1966

Total Project Cost	$1,992,689
C-PACE Financing	$2,000,000
Term	20 years
Annual Interest Rate	5.5%
Annual Assessment	$166,563
Annual energy cost savings	$241,000
Lifetime energy cost savings	**$6,047,504**

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Take-aways

Benefits

- Can provide financing for projects that may not have taken place
- Reduction in energy use
- Creates job growth
- May be funded entirely by private capital
- Rolled into tax assessment

Considerations

- Collection of PACE debt may be first over other debts
- May not consider credit of borrower
- Relatively new program, so long-term default rates are unknown
- Requires individual jurisdictions to approve legislation and collect additional tax assessment

Replicability

To other jurisdictions

- Highly replicable in other states
- May move towards more residential programs

To other sustainability sectors

- Potentially already in use
- Ability to use other targeted tools

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Investment Tools

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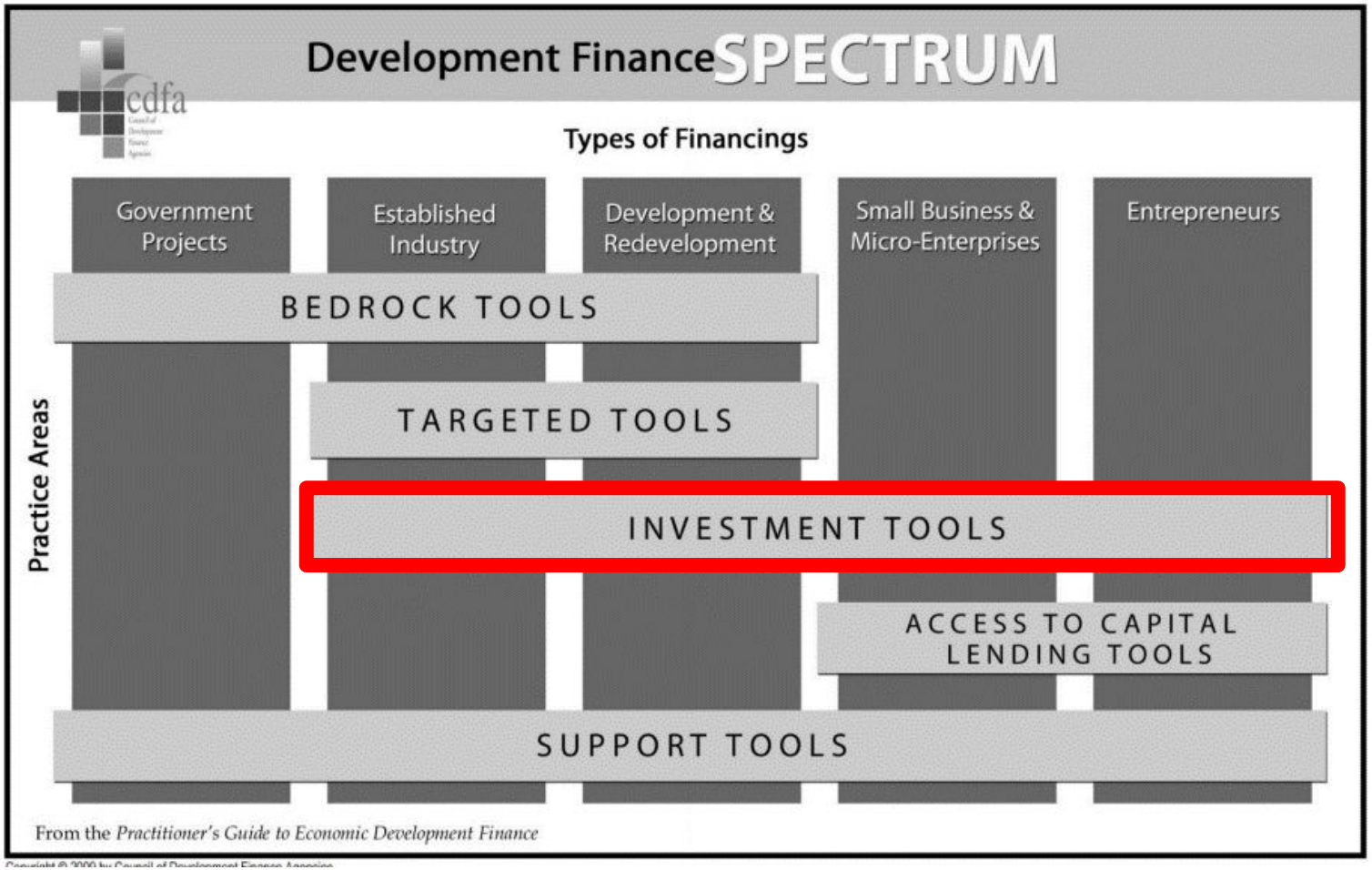

Investment Tools

- Investment tools play a major role in local economic development efforts. Investment tools help capitalize new business ventures or solidify project financing for real estate projects.
  - Tax Credits
  - EB-5

Investment Tools

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- **Basics for Tax Credits:**
  - Investors receive a state/federal credit on their tax liability for qualified cash investments in projects/deals
  - Investors must demonstrate, with written proof, that the resource commitment has been made and in turn the distributor of the tax credit is only authorized to issue credit based on actual outlays of these resources
  - Investor then takes the credit on govt. tax liability. Can be personal, business, corporate or other liability
  - In some cases, the credit is transferable to others through sale creating a secondary financial market
- **Basics for EB-5**
  - Direct investment tool that encourages wealthy foreign individuals to invest in U.S. based economic development projects that create jobs
  - $500,000 or $1,000,000 investment options
  - Targeted investment areas
  - Must create 10 permanent jobs
  - Examples: Revitalization and residential projects

Investment Tools

Investment Tools

- **New Mexico:** Sustainable Building Tax Credit
- **City of Charlottesville:** Green Building Incentives
- **California Energy Investment Center:** EB-5

New Mexico:
Sustainable Building Tax Credit (SBTC)

History

- Created in 2007.
- Managed by the New Mexico Energy, Minerals and Natural Resource Department (EMNRD).
  - 2 program managers
- “Encourage private sector design and construction of energy efficient, sustainable buildings for commercial and residential use.”
- Set to expire in 2026 unless renewed.

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How it Works/Eligibility

- Funded through New Mexico's general fund.
- Annual caps:
  - Residential - $3,750,000
  - Commercial - $1,250,000
- Amount of receivable tax credit based on qualified square footage and project certification level.

  Maximum square footage 2,000 sq ft:
  - Silver Level Credit $3.00 / sq ft
  - Gold Level Credit $4.50 / sq ft
  - Emerald/Platinum Level $6.50 / sq ft
- Tax credit can be used:
  - Against personal or corporate income tax
  - To reduce closing costs

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How it Works/Eligibility

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- **Individual:**
  - New Mexico Statutes Chapter 7. Taxation § 7-2A-28
    - (1) the owner of the sustainable residential building at the time the certification level for the building is awarded; or
    - (2) the subsequent purchaser of a sustainable residential building with respect to which no tax credit has been previously claimed.
- **Project:**

Residential	Commercial
Home Energy Rating System (HERS) Index of 60 or lower	Energy Reducation Target (Ex: 60% energy reduction by 2022)
Certification at: Build Green NM or LEED-H (Silver, Gold, or Emerald/Platinum)	Certification at: LEED Silver, Gold, or Platinum
Water Conservation Features equal to or less than EPA's "WaterSense" certifications	

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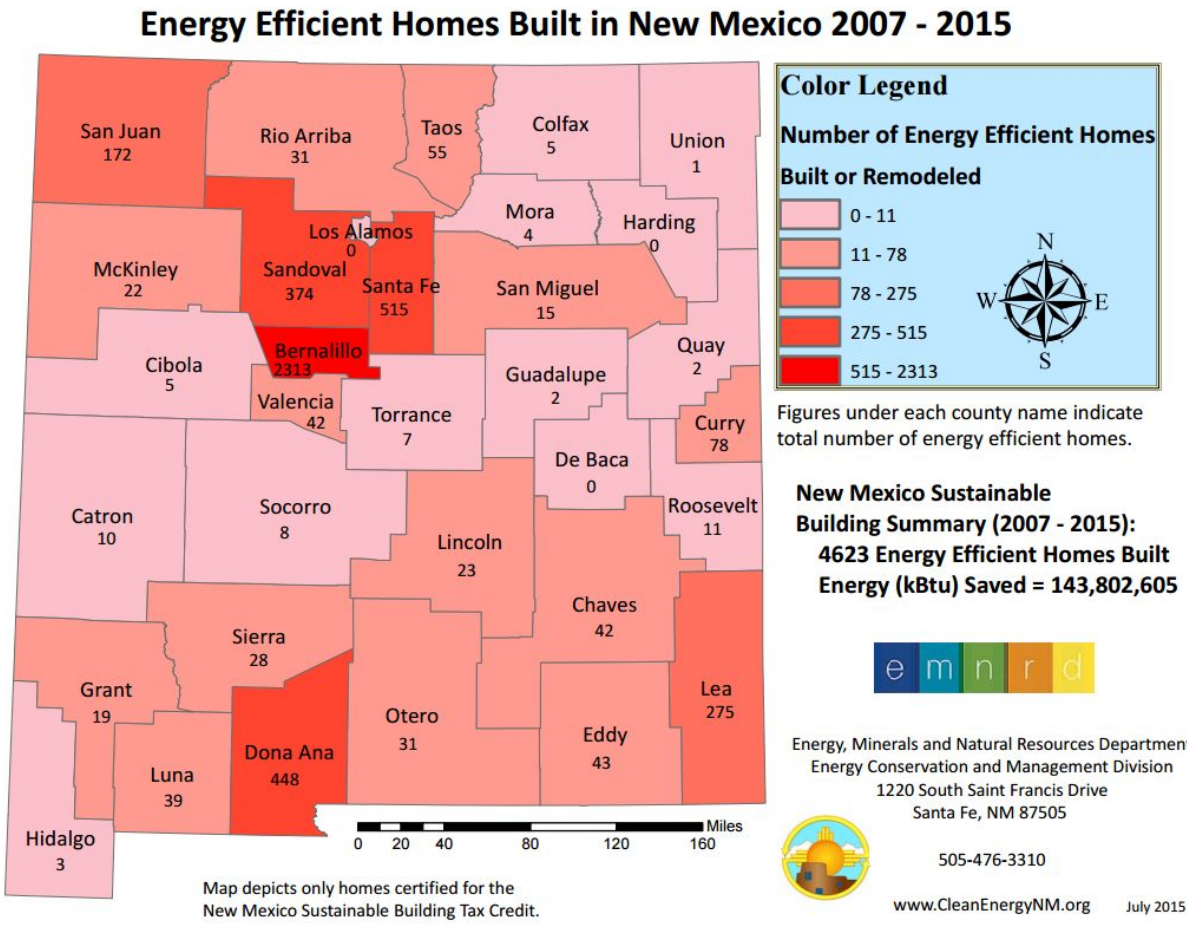
Key Characteristics

- Eligibility is tedious
  - Required certifications involve strict guidelines & special inspections
  - 2015 program revisions
- Credits are highly transferable
  - Can be sold by nonprofits or by homeowners who can't take full advantage of it
- Usage depends on market trends
  - Commercial credits were rarely used in 2013/2014
- High demand overall
  - After funding cuts in 2013, allocations have run out in the first few months of each year

Success

- More than 4,600 energy efficient homes built since 2007



Success

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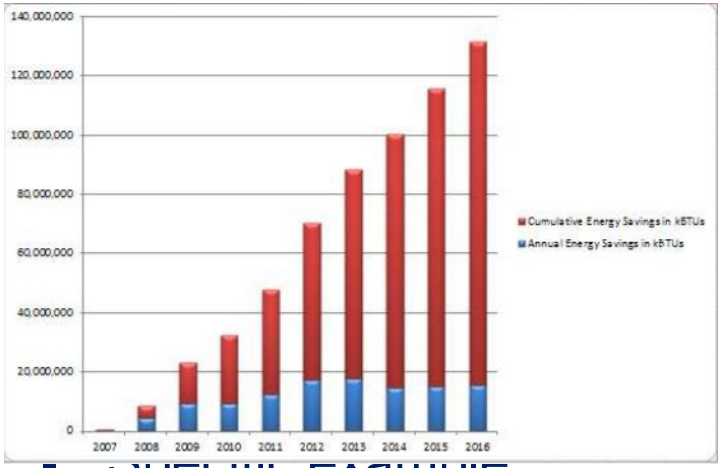
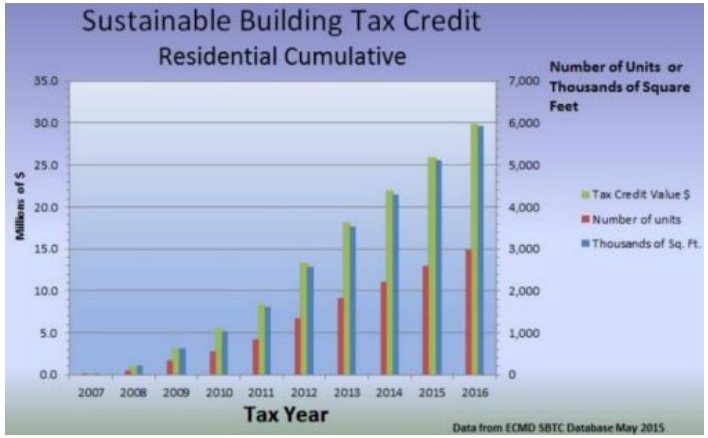
- Significant energy savings
  - Cumulative Energy Savings in kBTUs since 2007 = **130,000,000**
- Increased housing stock
  - Tax Credit value increase





- Specific example
  - Elements Townhomes-2009
    - 80 townhomes
    - LEED Gold
    - HERS score of 58

Take-aways

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Benefits:

- Incentive for energy efficient development
- Flexible usage
- Public-private relationship
- Visible impact
- Diverse application options

Considerations:

- Demanding application process
- Reduced benefits
- Market demand
- Finite funds
- Temporary program

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Replicability

- New Mexico's Sustainable Building Tax Credit is highly replicable for other states!
  - Popularity among homebuilders, homebuyers and policymakers
  - Conceptual and practical program
  - Significant results
  - Ideal for states seeking to:
    - promote energy efficiency
    - relieve power grid stress

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Access to Capital

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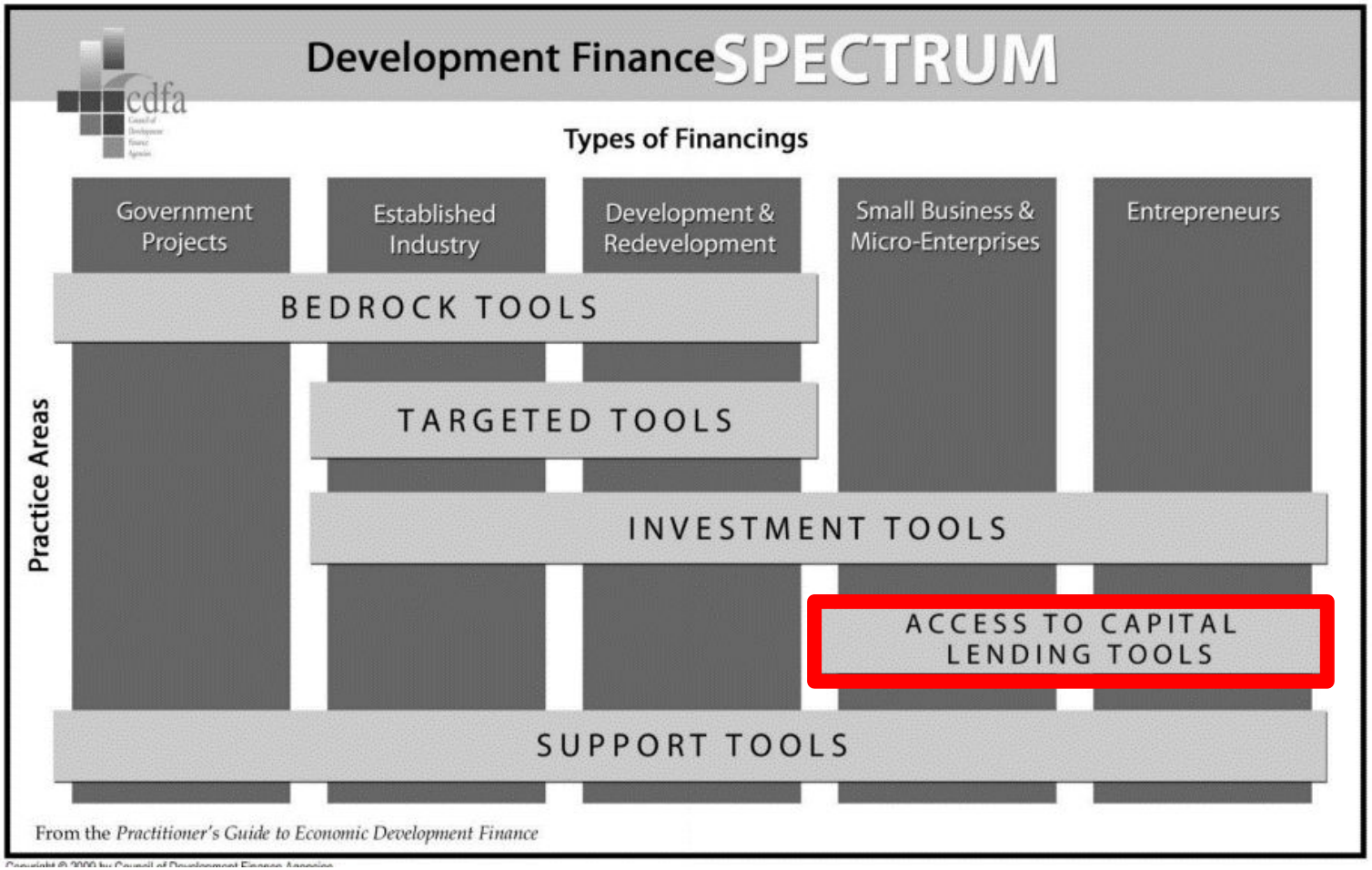

Access to Capital

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Small Business Finance: USA

- Small businesses make up 99.7% of all firms and have generated 60-80% of all new jobs annually over the past decade
- Small businesses are neglected and wealth is concentrated in larger companies
- Small businesses often face this challenge to **access to working capital** to start, sustain, and grow

Access to Capital

- Banks approve few loans for small businesses and have stringent policies
- Financing in the energy and sustainability is expensive and “risky”
- Funding options have been steadily increasing
- Access tools are tailored to meet specific needs for businesses in different phases of development:
  - Revolving Loan Funds
  - Mezzanine Funds
  - Loan Guarantees
  - Small Business & Microenterprise Finance
  - Seed & Venture Capital
  - Linked Deposit Programs
  - Collateral Support Program

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Access to Capital

Access to Capital Tools

- **Vermont Economic Development Authority:** Small Business Energy Loan Program
- **Columbus-Franklin County Finance Authority:** Columbus Region Energy Loan Fund
- **Ohio Third Frontier**
- **Texas State Energy Conservation Office:** LoanSTAR Revolving Loan Program

Vermont Economic Development Authority:
Small Business Energy Loan Program

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History

- 46% of Vermonters lack access to loans from conventional lenders
- 247 loan financing programs across USA and 13 in Vermont for Renewable Energy/Energy Efficiency
- Vermont aims to obtain 67% of electricity, 30% of building energy consumption, and 10% of transportation energy from renewable sources by 2025
- In 2013, Vermont legislation passed the Vermont Sustainable Energy Loan Fund, administered by VEDA
  - Small Business Energy Efficiency Loan Program (SBELP),
  - Commercial Energy Loan Program(CELP),
  - Agricultural Energy Loan Program (AELP),
  - Energy Efficiency Loan Guarantee Program (EELGP).

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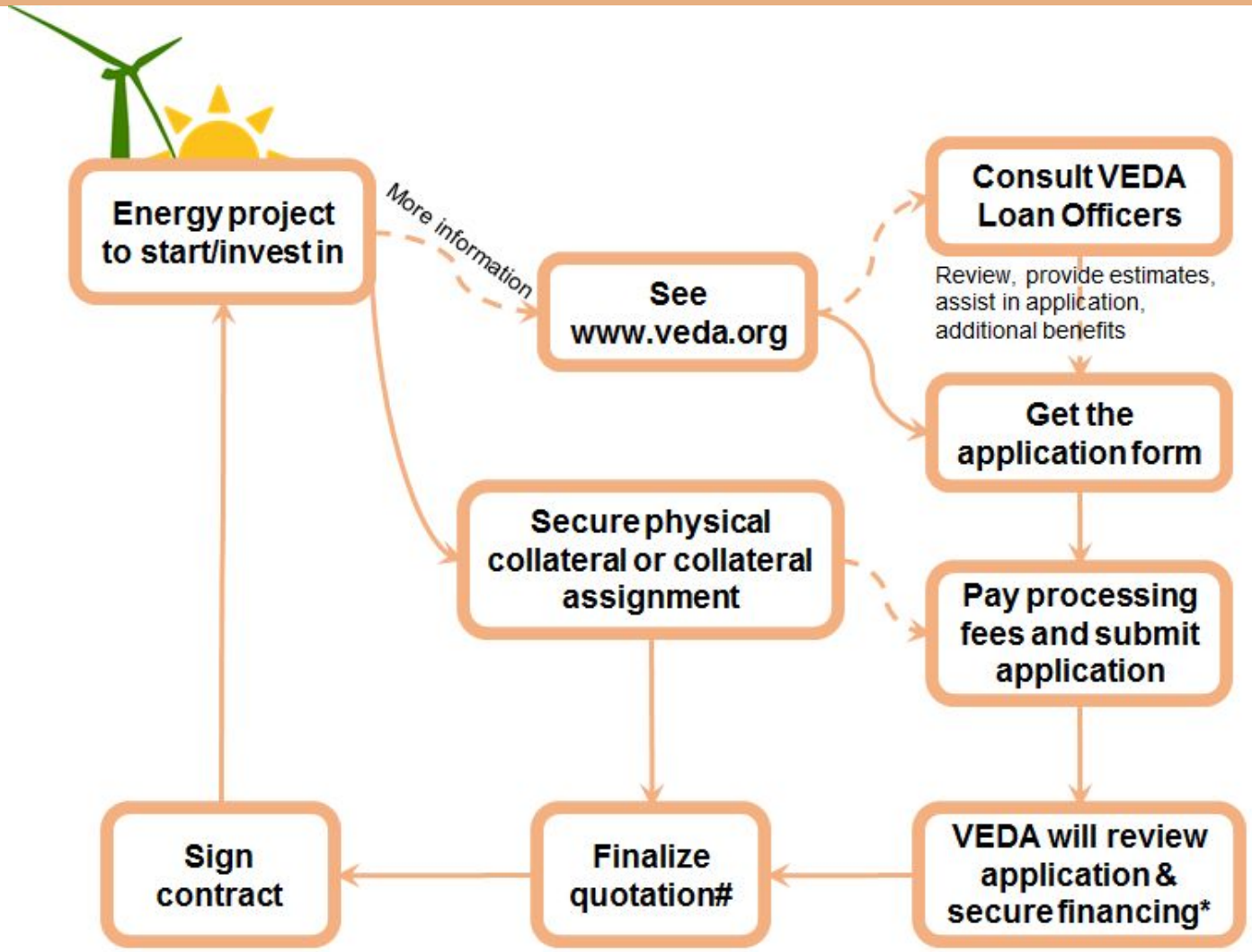
How it Works/Eligibility



*See funding slide
#SBELP finances up to 60% of the total project cost. In special cases if the borrowed sum is below $50,000, funding could cover 75% of the project cost.

How it Works/Eligibility

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- Eligibility is determined by the legislature
- Registered businesses can benefit from this program
- Single or multi-unit residential projects cannot benefit from this program
- Eligible Renewables/Efficiency Technologies

Geothermal	Chillers	Equipment Insulation
Biomass	Boilers	Steam-system upgrades
Landfill Gas	Heat pumps	Caulking/Weather-stripping
Wind	Air conditioners	Lighting & LED lighting
Solar	Furnaces	Lighting Controls/Sensors
Hydroelectric	Doors	Compressed air
Anaerobic Digestion	Windows	Duct/Air sealing
Fuel Cells (renewable fuels)	Heat recovery	Building Insulation
Programmable Thermostats	Siding	Reflective Roofs

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Key Characteristics

- It is a state-financed incentive loan program:
  - Borrowing from private capital markets at variable interest rates
  - Fixed rate loans from federal entities like USDA and USSBA
  - Appropriation and moral obligation bonds issued by the state using loans as collateral
- Funds small projects to a maximum loan amount of $500,000 at the rate of 4.25% for 5 years; then at 4.5%
- Average loan term is 10 years
- Loans can be used to purchase real estate, machinery and equipment, furniture and fixtures, payment for design, engineering, and permit fees
- Loans cannot be used to refinance existing debts

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Success

- VEDA has had less than 1% loss rate in Direct Loans
- Approved $16.6 million for 26 renewable energy generation projects
  - Renewable electricity to power 5576 average households
  - Cap carbon emissions by 9654 tons/year
- A little over $1.3 million were for small business with loan amount below $500,000.

Success

- CCN Solar, LLC received $216,000 to partially finance a **solar array**. The new business will earn renewable electricity credits included in their lease package.
- GPS WSD I, LLC received $244,918 for a **solar array project** in Williamstown School District. The project will produce renewable electricity capable of powering up to 60 households and cap CO2 emissions by 240 tons/year.
- Burke Mountain Academy received $500,000 to partially fund a **100-kW wind turbine**. The projected average power generation was 200,000 kWh per year. The turbine has an average output of 700 kWh per day and generates approximately 15% of the mountain's electricity use.

Take-aways

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Benefits:

- Banks are becoming more comfortable and interested in funding such projects, at least to existing customers
- A new market is expected to be introduced to deal with resales of the solar projects
- The only way for certain small businesses to gain access to working capital on a lien when traditional financing sources are unobtainable.

Considerations:

- Lengthy and complex application process
- High collateral required
- Program funds only 60% of the project cost
- Only registered businesses are eligible
- Not financially ideal for wind and other sources of energy generation projects

Replicability

- Popular
- Practical
- Successful

- Can also be applied:
  - Across states and jurisdictions
  - In locations that receive abundant sunlight and wind
  - In other sectors requiring access to working capital such as technology, services, social impact, and food

- Is already being applied to help sustainable energy in Vermont based farms

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Key Findings

- Resources are complex, and there is no central clearinghouse
- The landscape is continuously changing
- Programs are underutilized
- Categories are fluid
- Failures are important

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QUESTIONS?

Financing Food

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Given what we've learned about financing clean energy, what are the possibilities for building sustainable, local food systems?

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Financing Food Systems

Josh Kubitza ● Andrew Dwyer ● Belkis Schoenhals ● Ryan Vollrath
Torey Hollingsworth ● Thomas Leonard ● Ben Barcroft
Brent Hall ● Jakob zumFelde

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Agenda

1. Connections with Energy
2. Food Systems Definition & Stakeholders
3. Research Methodology
4. Tools and Case Studies
5. Questions

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Speakers

Thomas Leonard
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Ryan Vollrath
Masters in City and Regional Planning

Torey Hollingsworth
Masters in City and Regional Planning

Jakob zumFelde
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Introduction

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Connections to Energy

- Hypothesis: Food systems finance as an emerging market can follow a similar process as energy finance did in adapting existing tools and creating new tools that fit the context.

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Food Systems Definition

"A sustainable community food system is a collaborative network that integrates sustainable food production, processing, distribution, consumption and waste management in order to enhance the environmental, economic and social health of a particular place." - UC Davis Sustainable Agriculture and Research Program

Food System Stakeholders

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Social Enterprise

Entrepreneurs

Industry

Institutional Buyers

Agriculture

Infrastructure

Food System Stakeholders

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Social Enterprise (Addressing Scarcity)

Within the food system, 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.

Entrepreneurs

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

Industry

In the food system, industry is the broad range of actors who contribute to/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.

Food System Stakeholders

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Institutional Buyers

Public or private institutions, such as schools, universities, hospitals, prisons, etc, that purchase (often wholesale), prepare, and serve large amounts of food to meet internal demand.

Agriculture (rural & urban)

All of the steps and systems which include the cultivation and harvesting of primary consumable food products (plants, animals and their byproducts). The acquisition and management of agricultural land, research & development, production, support, operations, etc. regardless of physical location or scale are part of the agricultural sector.

Infrastructure

Within the food system, infrastructure is the physical facilities and organizational, technological, and relationship networks that allow for the production, processing, storage, distribution, transportation, transfer, and retail of food.

Financing Tools

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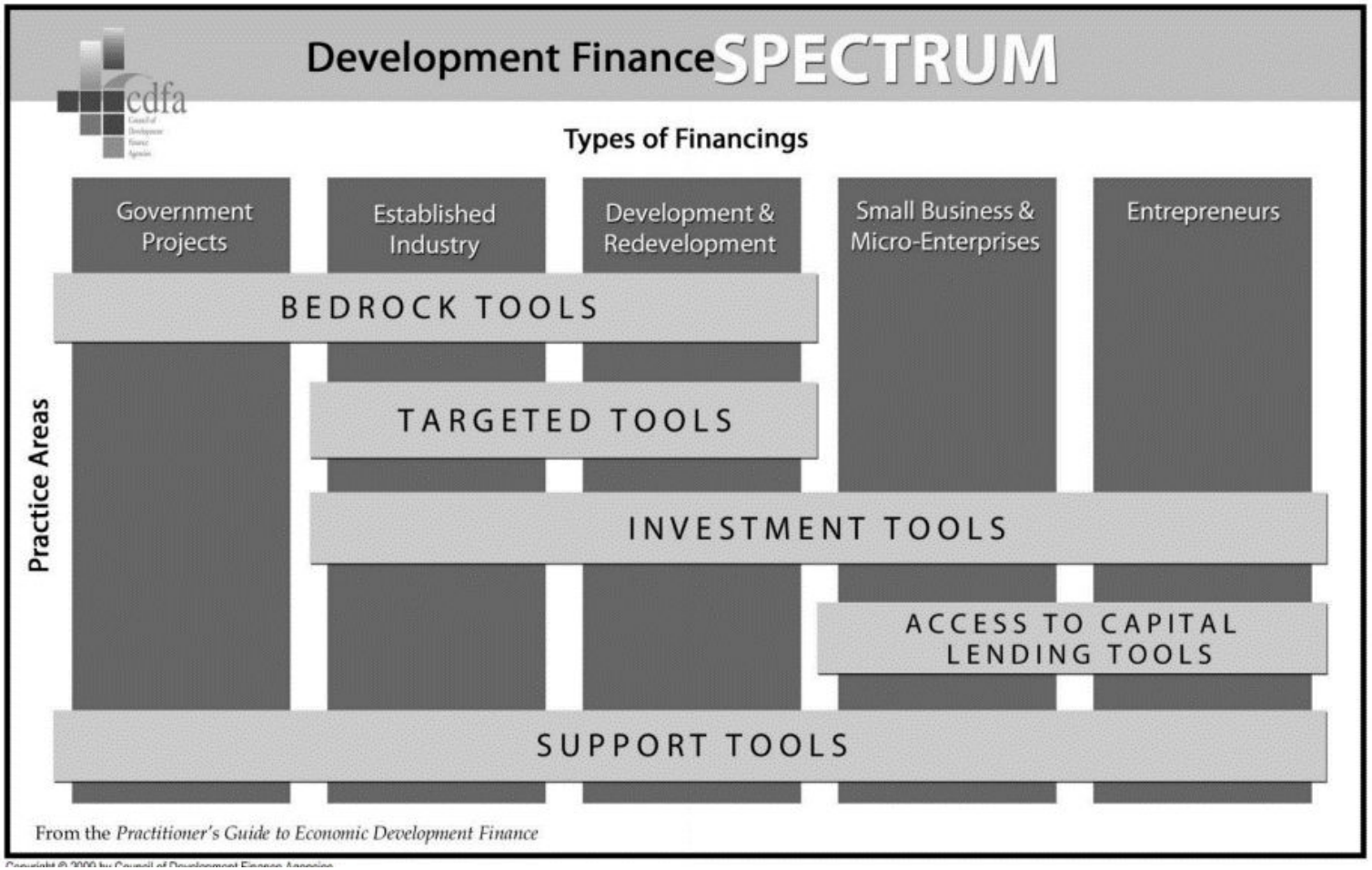

Methodology - Choosing Tools

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Selection Process

- Reviewed the energy financing tools.
- Hypothesized how these tools could be implemented in food systems.
- Performed an in-depth review of 18 financing tools as a class.
- Analyzed if and how the tools can be applied to food systems.

Food Spectrum	Bedrock Tools	Targeted Tools	Investment Tools	Access to Capital Tools	Support Tools
Social Enterprise (Scarcity)	501(c)3 Bonds			Crowdfunding Microenterprise Loans	
Entrepreneurs		Tax Increment Finance (TIF) for community food infrastructure	Angel/start-up/early stage investors	Revolving Loan Funds Crowdfunding	
Industry	Industrial Development Bonds Exempt Facilities Bonds	Property Assessed Clean Energy (PACE) Special Assessment	New Markets Tax Credits	Brownfields Funds	
Institutional Buyers					Tax credits for food bought within a given distance of its source
Agriculture (Rural & Urban)				Revolving Loan Funds New Farmer Financing	
Infrastructure	Infrastructure Bonds	Tax Increment Financing (TIF)			

Food Spectrum	Bedrock Tools	Targeted Tools	Investment Tools	Access to Capital Tools	Support Tools
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Infrastructure	Infrastructure Bonds	Tax Increment Financing (TIF)			

Methodology - Choosing Tools

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Selection Process

- Selected three of the 18 tools based upon:
  - **Applicability**
    - Does this tool support already existing food system programs?
  - **Diverse categories**
    - Can the tool be utilized by different stakeholders?
  - **Replicability and scale**
    - Can the tool's application be replicated across geographies?
    - Can the tool be utilized at different scales?

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Financing Tools - Tax Increment Finance

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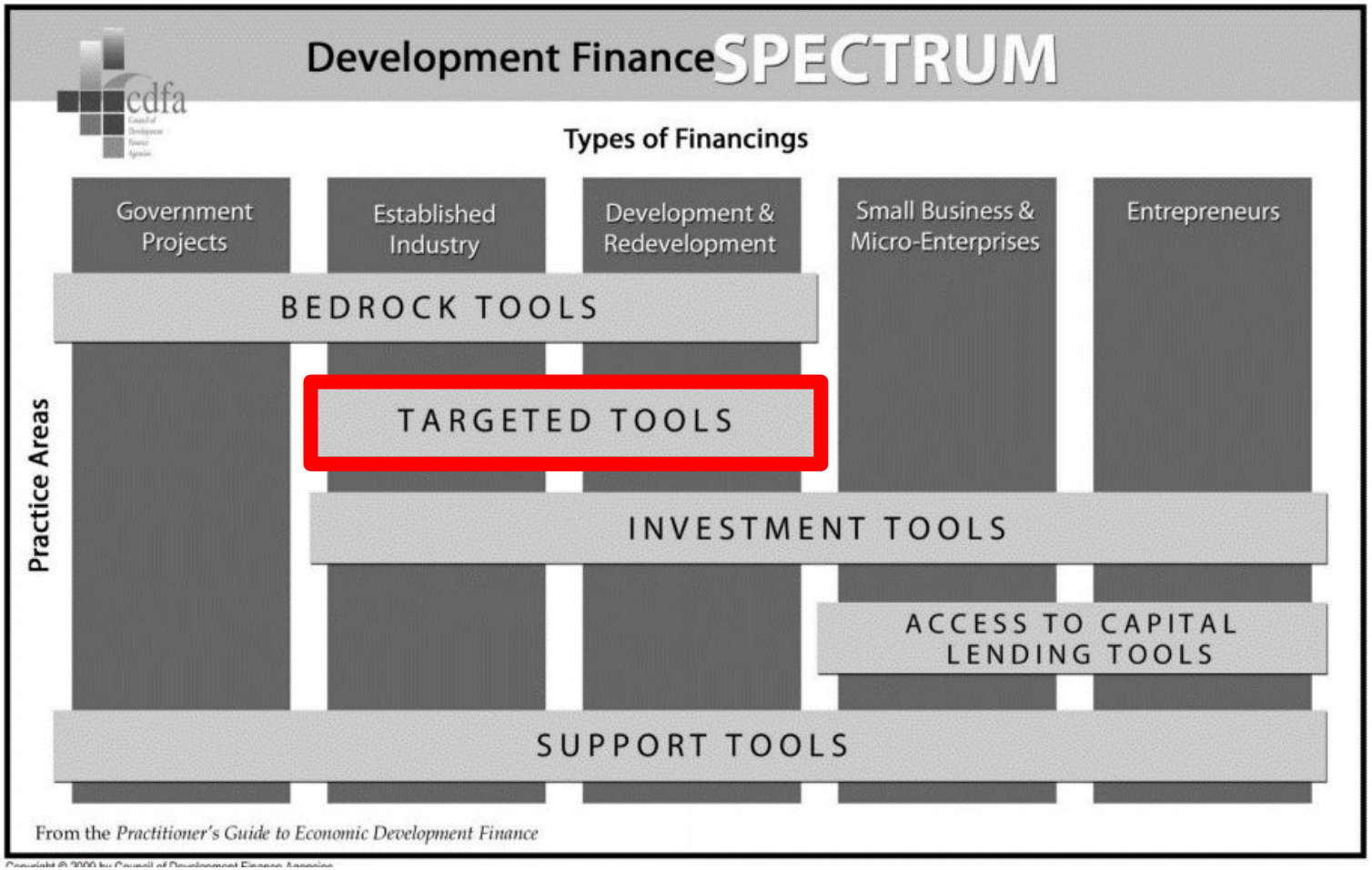

Tax Increment Financing

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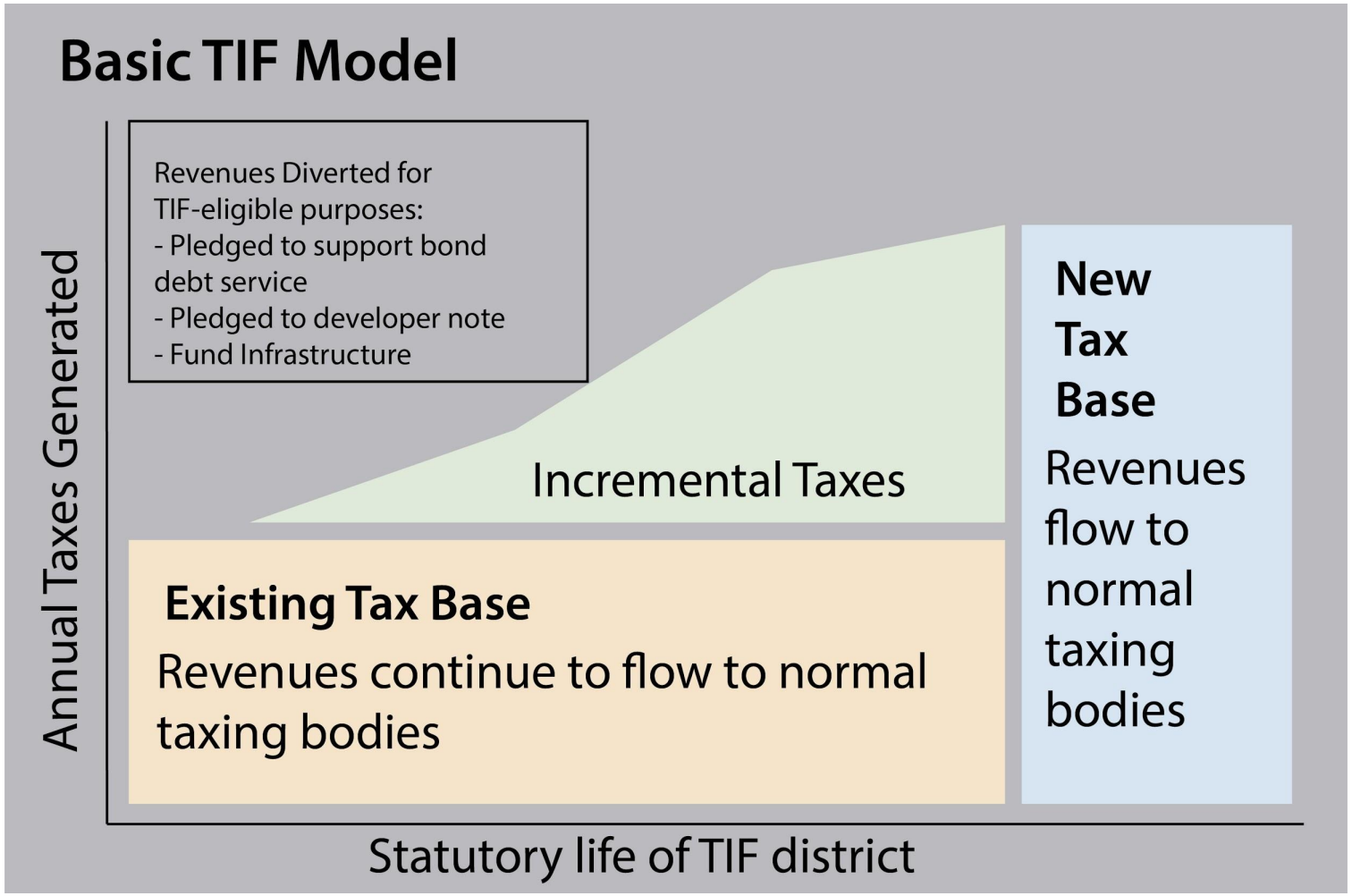

Tax Increment Financing

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Key Considerations

- Follows “but for” analysis in the proposed TIF District
- Feasibility or market study
- TIF or development plan
- Development agreements
- Increased infrastructure needs
- Public transparency
- Developer and stakeholder accountability

Strengths

- Useful in areas with few other investment prospects
- Built in revenue stream for repayment
- High flexibility
- Target-specific development
- Adaptable to local needs

Tax Increment Financing

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Tangential Food TIFs

- Walmart Distribution Center (2002), Maine
  - $10 million in incentives that includes water and sewer upgrades
  - TIF will reimburse Wal-Mart on its property taxes and 50 percent on employee state income tax withholdings
  - Generating $2.1 million in new tax revenue and create 350 positions
- Whole Foods Distribution Center, Pullman Illinois
  - $7.4 million in TIF subsides
  - 100,000 square foot facility to create 150 jobs
- Other food processing or industrial food centers

Tax Increment Financing

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Food Innovation and TIFs

- St. Louis Food Hub Project
  - Goal to improve local sourcing and food security
  - Non traditional use of TIF funds
    - 33,000 square foot food market
    - 29,000 square foot food aggregation center
    - Also includes space for processing, a distribution center, and a farmers market
  - Balance of finance sources
    - $4.5 million dollars in TIF funding
    - $4.8 in tax credits
    - $5.7 million in bank financing, loans, and developer debt
  - High job creation
    - Created 100 jobs
    - 70 being full time with health benefits

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Financing Tools - New Markets Tax Credits

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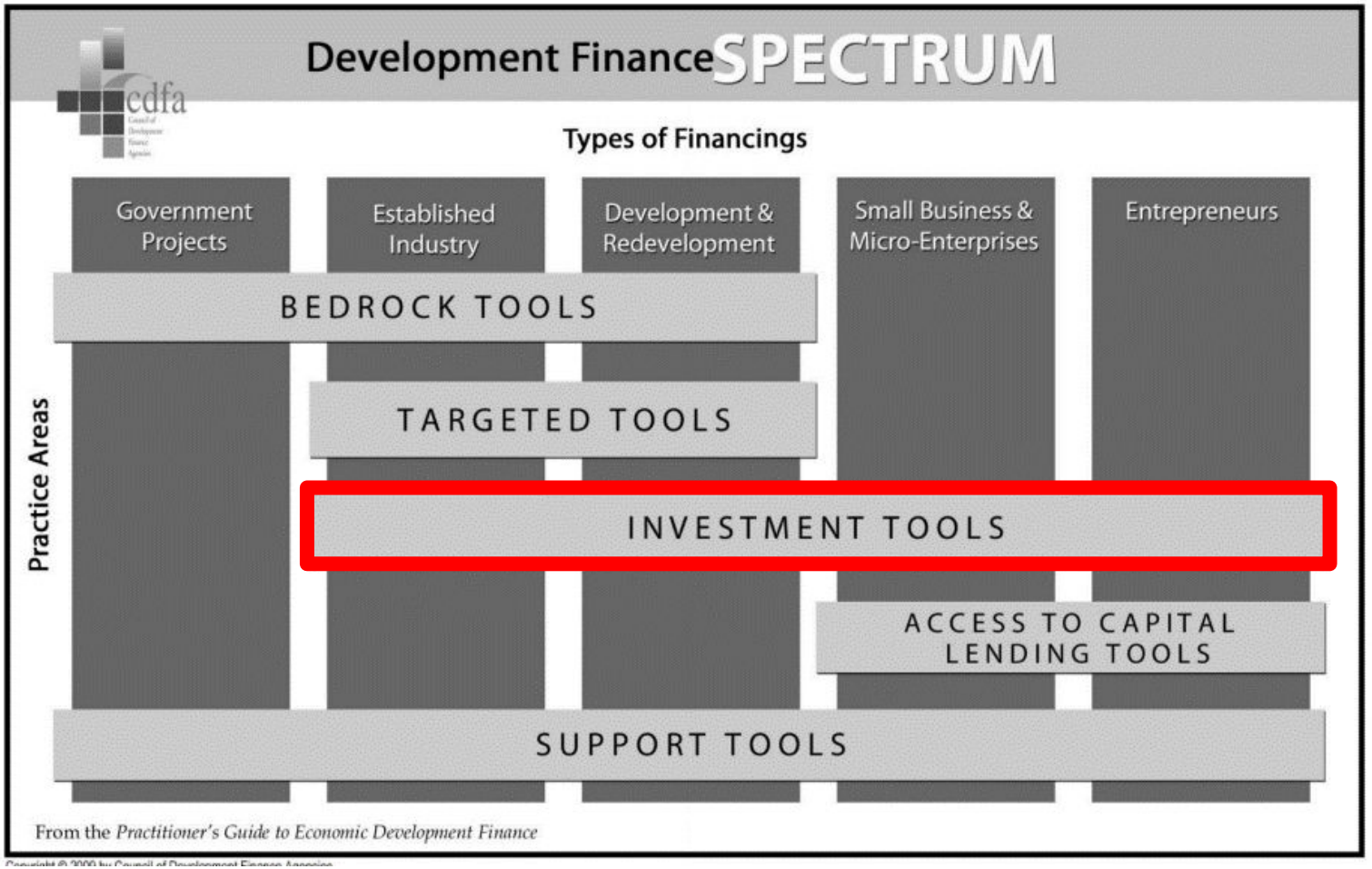

New Markets Tax Credits

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The Investment Process

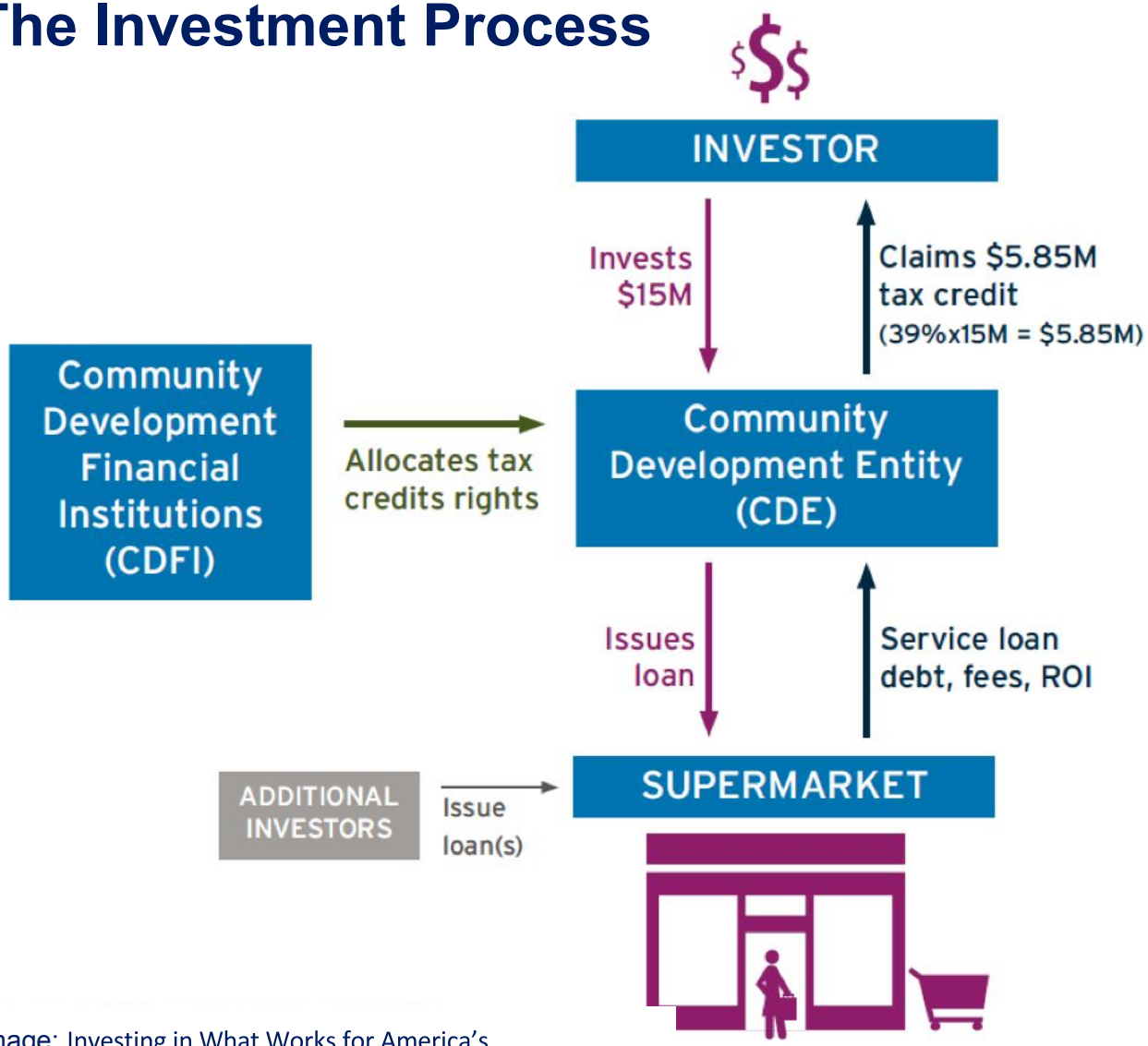

Image: Investing in What Works for America's Communities: Essays on People, Place, & Purpose

New Markets Tax Credits

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Strengths

- Flexible in application- can be used in a variety of sectors, including food systems.
- Results in financing from CDEs that provide flexible terms and lower interest rates to businesses.
- Provides access to capital and investment in low-income communities.
- Incentivises high investment utilizing tax credits.

Key considerations

- Program renewal (NMTC has been extended only through 2019).
- Reliance on private investors for equity (not a guaranteed source of investment).
- Not a guaranteed tool for all low-income communities (CDE applications are not always approved to be a part of the program).

Food sector applications

- Food incubators
- Food production facilities
- Commercial kitchens
- Food pantries or urban farms

New Markets Tax Credits

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Case Study | LA Prep

- $16 million investment, Los Angeles, California
- Rehabilitated former warehouse to start LA Prep, an incubator for 50 small-to-medium sized food producers that have outgrown their startup spaces.
- An anchor tenant, L.A. Kitchen, also operates a commercial kitchen and produce processing hub that prepares meals and nutritious snacks for seniors and low-income families.

Image: LA Prep

New Markets Tax Credits

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Case Study | Pizitz Department Store

- $34.4 million investment, Birmingham Alabama.
- Rehabilitated a 1932 former department store building that sat vacant for over 30 years.Development included a 20,000 sq. ft. Food Hall, which serves the surrounding food desert.
- Created 270 full-time jobs for local food-production tenants and currently leases stalls to independent, local food producers.
- Community has 44.6 poverty rate and an unemployment rate of 17.5%.

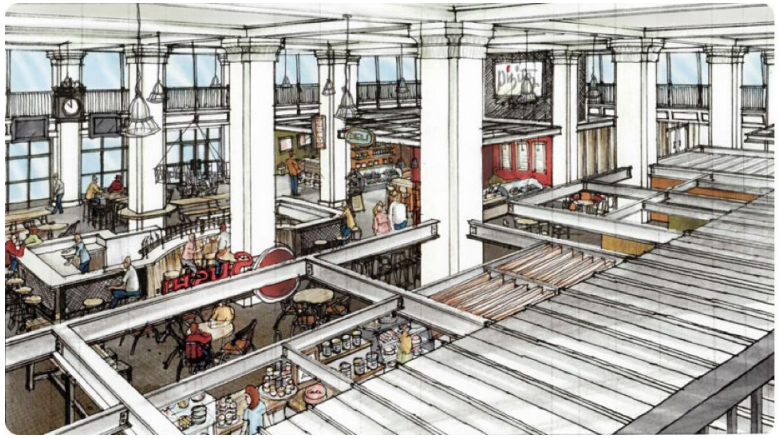

Image: New Markets Tax Credit Coalition

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Financing Tools - Crowdfunding

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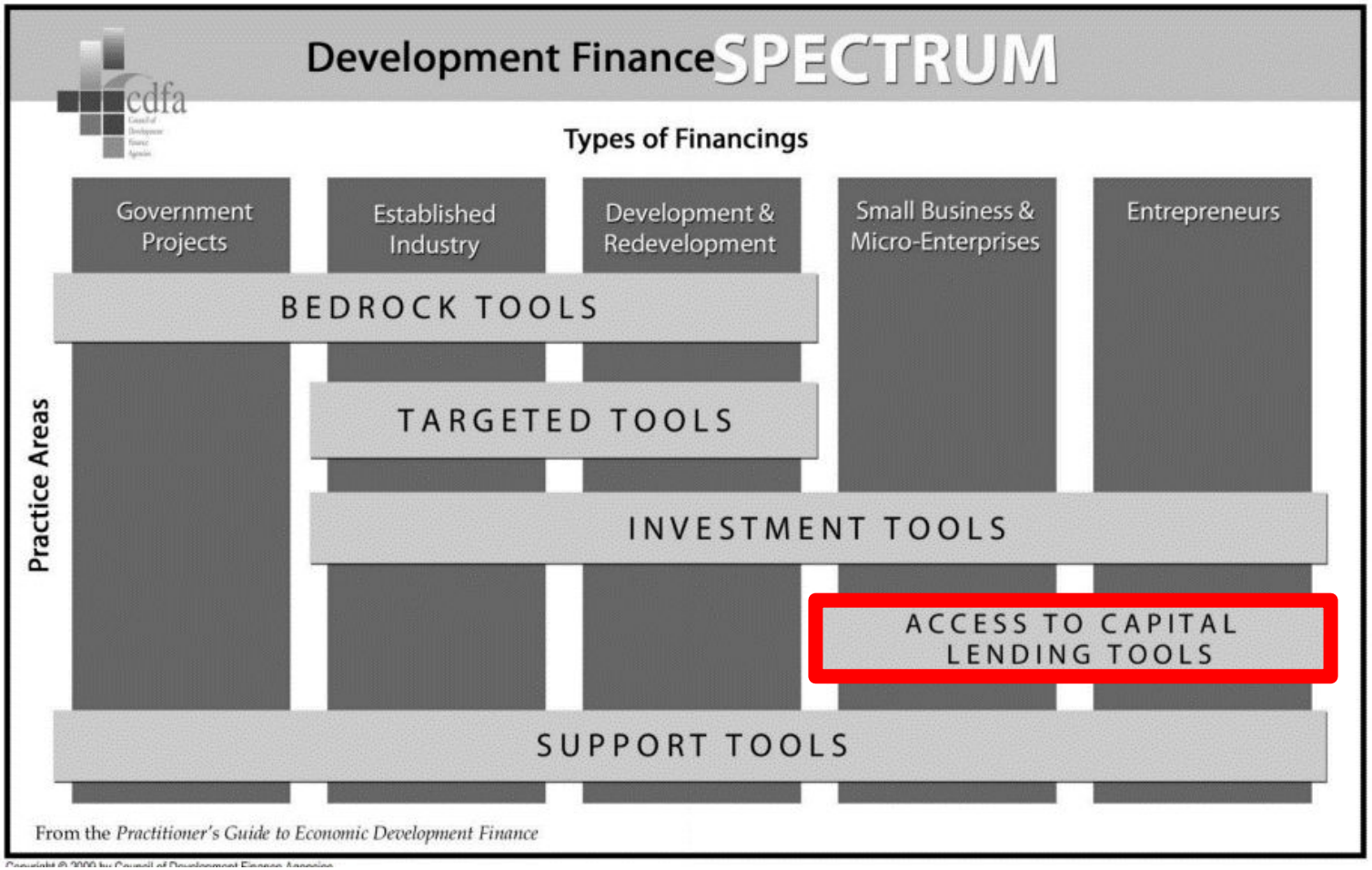

Crowdfunding Overview

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Crowdfunding

- Raising money from a large number of people, generally through crowdfunding websites

Not just for donations!

- Crowdfunding is well-known thanks to Kickstarter and other donation-based websites

Debt and equity crowdfunding

- Expanded following the 2012 JOBS Act

Applications

- works for sectors, or projects, that many people are passionate about or already interested in

Types of Crowdfunding

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Type of "Investment"	**Donations/Rewards-based**
Who Invests?	Anyone (small amounts)
How?	Money donated through a website such as Kickstarter
Investment Return	Reward (if offered), such as a product
Possible Food Sector Investments	Small/local farmers, entrepreneurs, or social enterprises

Types of Crowdfunding

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Type of "Investment"	**Equity**
Who Invests?	Anyone, although regulations vary between "accredited" and other investors
How?	Investments generally made through a website (subject to state or federal laws)
Investment Return	Equity stake in company and associated profit/loss
Possible Food Sector Investments	Restaurants, ideas (particularly tech) with potential value

Types of Crowdfunding

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Type of "Investment"	**Debt (loans)**
Who Invests?	Anyone, although regulations vary between "accredited" and other investors
How?	Investments generally made through a website (subject to state or federal laws)
Investment Return	Loan paid back with interest, sometimes paid back using a % of business revenue
Possible Food Sector Investments	Restaurants, farmers, grocery stores, food processing, etc.

Crowdfunding Conclusions

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Strengths

- Many people are interested in local food, crowdfunding can allow them to invest in it
- Crowdfunding websites are already available and can be used to finance food through donations, loans or equity transactions
- While crowdfunding is likely to target local investors, outside investors can also be attracted

Key Considerations

- Crowdfunding websites, and funded companies, may need to put significant effort into following regulations
- Raising awareness about crowdfunding, and encouraging use of crowdfunding for loans, may take time and effort
- Assessing risk and appropriately informing investors regarding risk is important, yet difficult

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Thomas Leonard
Masters in City and Regional Planning

Final Thoughts

1. Sustainability is becoming a mainstream concern; energy has become an asset class but investors are not yet comfortable investing in local food systems.
2. Energy can be used as an analog to other emerging markets such as food.
3. Successful programs in the energy space can provide lessons in developing the food space.
4. There are some programs already financing food, but they are limited
5. By taking lessons from other sectors, financiers could help create sustainable local food systems.

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QUESTIONS?

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