

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

Education · Advocacy · Research · Resources · Networking



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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.



CDFA Food Finance White Paper Series

October 2020
www.cdfa.net

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


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Funded with support from the **W.K. Kellogg Foundation**



February 2019
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Food Systems & Development Finance



April 2019
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CDFA Food Finance White Paper Series:
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October 2019
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Food Systems & Investment Tools

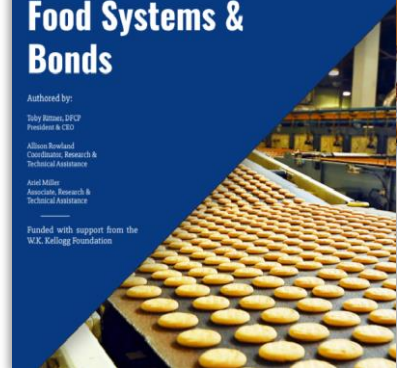


July 2019
www.cdfa.net

CDFA Food Finance White Paper Series:
Food Systems & Bonds

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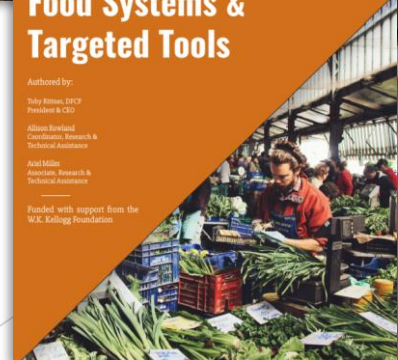


August 2019
www.cdfa.net

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

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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.



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

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



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

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.**



Case Studies – Tax Increment Financing

The Dallas Farmers Market TIF District is nearly 115 acres in Downtown Dallas, including farmers sheds with over 100 stalls for farmers and vendors, and 24,000 SF of retail space, and an administration building.

\$28.8 million invested through TIF to support the development and renovation of the farmers market.

The district provides a source of funding for public infrastructure improvements to **promote the redevelopment, stabilization, and growth of the area.**



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 – Tax Credits

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, and a loan was provided by Native American Bank. 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.

The expansion **created 20 new jobs and retained 30 jobs.**



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**.



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 – Bornstein & Pearl Food Production Center

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.



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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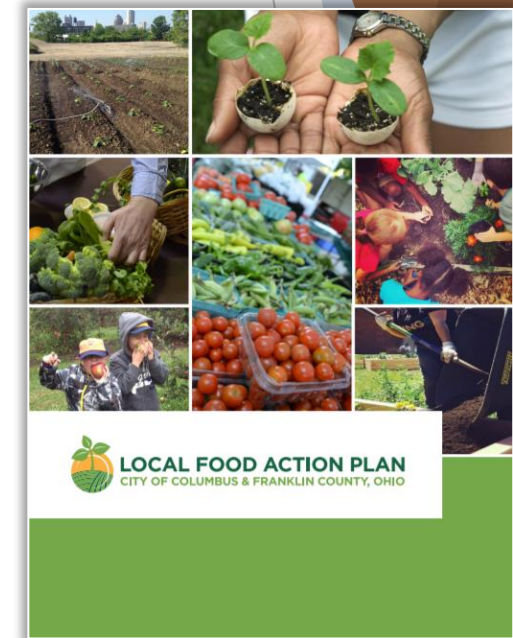
REFRAME

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/>

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