



## FOOD ACCESS

### Healthy Food Financing Initiatives Overview

In recent years, Healthy Food Financing Initiatives (HFFI) have proliferated around the country as a tool for state and local governments to bring new supermarkets and grocery stores to low-income, underserved communities. Programs have frequently been started with public economic development funding or philanthropic program-related investments that are awarded to Community Development Financial Institutions (CDFIs) to be leveraged with other sources of public and private capital and then invested in new and expanded grocery stores.

#### Financial Tools: What are they?

Healthy food financing programs provide grants and loans to support a range of large and small grocery projects whose credit needs are unmet by conventional financial institutions.

- Flexible financing can support the multiple costs related to developing stores in underserved communities like pre-development, site assembly and improvement, construction and rehabilitation, equipment installation and upgrades, staff training, security, and start-up inventory and working capital.
- Compared to conventional credit, HFFIs offer more flexible terms and structured financing customized to the needs of the project
- The total amount of funding awarded per store varies, million, and average grant size has been approximately \$100,000; substantially more funding for projects may also be supplied for projects with extraordinary need in the form of traditional loans from private lenders or New Markets Tax Credits.

#### Key Points

- Public private partnership
- Grants and loans
- Flexible, customized financing designed to meet the credit needs of grocers
- Proven model to address the need for better healthy food access in underserved communities

#### Public/private partnerships create more bang for the buck

CDFIs have the knowledge and capacity to leverage state funds with other forms of public and private capital such as New Markets Tax Credits and private lenders community development financing, and as a result can greatly expand the impact of a state's investment. A program in New Orleans was started with \$7 million dollars and leveraged with additional public and private funds by a CDFI for a total of \$14 million dollars. Other programs have been able to leverage double or triple the amount of a state's investment.

#### How do HFFIs work?

Many HFFIs have been developed as public private partnerships with several managing partners. Government entities have seeded programs with investment capital and monitored program implementation. CDFIs, which have significant experience lending in underserved communities, can effectively and efficiently administer program dollars by leveraging state investments and providing customized financing packages to applicants. Food access organizations have worked with CDFIs to conduct marketing and outreach for healthy food financing programs, and have screened applicants for eligibility.

#### Who can apply?

Eligible stores are in low and moderate income communities underserved by grocery stores. Applicants must plan to either open a self-service supermarket or other grocery retail outlet that primarily sells fresh produce, seafood, meat, dairy and other groceries or renovate and substantially improve a store's ability to stock and sell a variety of fresh fruits and vegetables. In some instances financial awards may be made to develop real estate projects that will lease space to a grocery retail tenant.

## HFFIs Work! Success Stories:

**New Orleans** - Along the Gulf Coast, the flooding and damage caused by Hurricane Katrina in 2005 resulted in the closure of many supermarkets. In New Orleans, the availability of fresh produce was already limited prior to the storm, and the situation deteriorated afterwards. In 2011, the City of New Orleans launched the Fresh Food Retailer Initiative (FFRI), seeded with \$7 million dollars. Hope Enterprise Corporation (HOPE) and The Food Trust were contracted by the city to manage the program. HOPE has matched the city's pledge creating a \$14 million financing platform for FFRI to assist healthy food retailers. Since the launch, the program has funded 3 projects, including the recent re-opening of the iconic Circle Food Store in February 2014. The Circle Food Store, incorporated in 1938, was a historic mainstay in the community for decades before it closed after Hurricane Katrina. The store has created an estimated 65 new jobs for the local community.



**New York** - In response to the recommendations of the New York Supermarket Commission, Governor Paterson launched the New York Healthy Food & Healthy Communities (HFHC) Fund in 2010, a \$30-million business financing program to encourage supermarket and other fresh food retail investment in underserved areas throughout the state. The program provides grants and loans made available through a revolving loan fund. The initiative includes a \$10-million commitment from the state's Empire State Development Corporation and a \$20-million commitment from The Goldman Sachs Group, Inc. The Fund's investments have so far supported 67,500 square feet of new, improved or preserved food retail space and created or preserved more than 200 FTE jobs and over 100 construction jobs.

**Pennsylvania**- In 2004, Pennsylvania created the nation's first statewide program to address the lack of fresh food availability in its communities: the Pennsylvania Fresh Food Financing Initiative (FFF). The Reinvestment Fund, a CDFI, used the state's \$30 million capital to leverage an additional \$146 million in other sources of public and private capital.

The Food Trust partnered with The Reinvestment Fund to co-administer the initiative. Since its launch, the initiative has approved nearly 90 new and expanded fresh food retail projects across the state for funding. The Fresh Food Financing Initiative has created or retained over 5,000 jobs and increased access for an estimated 500,000 people.

