



# Financing for **Healthy Foods**

Capital Impact Partners Policy Brief

The Healthy Food Financing Initiative—  
and the innovative work of Capital Impact  
Partners and other Community Development  
Financial Institutions—is showing that  
**expanding access to healthy foods in  
low-income communities improves  
health and strengthens local economies.**



# America's Food Deserts:

## A Public Health and Economic Challenge

### Why food access matters

Americans have long thought of their country as a land of plenty. But a study conducted by the U.S. Department of Agriculture's Economic Research Service found that, in 2010, 29.7 million Americans, or more than 9 percent of the nation's population, lived in food deserts—communities with limited access to supermarkets that sell affordable, nutritious food. The report defines limited access as living more than a mile from a supermarket or large grocery store.

Having to travel a mile or more to buy food may not seem like a major undertaking, and for more affluent Americans, it isn't. But food deserts are often found in low-income communities that struggle with high rates of unemployment and poverty. For many residents in these communities, especially those who lack access to a vehicle or adequate public transportation, a long trip to the supermarket can be a formidable challenge that puts healthy foods all but out of reach.

### The devastating impact of limited access

The lack of affordable, nutritious foods affects all kinds of low-income communities, including urban neighborhoods, rural areas, and communities of color, and the consequences can be serious.

In these communities, the limited access to healthy food—and the relatively easy access to fast food restaurants and convenience stores selling high-fat, high-sugar, processed foods—encourages poor eating habits, which can lead to higher rates of diet-related diseases, such as obesity, diabetes, high blood pressure, and heart disease.

Equally important, the absence of supermarkets and grocery stores deprives these low-income communities—many of which already lack opportunities for economic development—of vital retail businesses that provide good, local jobs and attract other essential businesses and services to the area.

In America's food deserts, the lack of access to healthy foods isn't just a critical public health problem; it's also a critical economic problem.

**Limited access to healthy food—and the relatively easy access to fast food restaurants and convenience stores selling high-fat, high-sugar, processed foods—encourages poor eating habits**



# The Healthy Food Financing Initiative: Bringing Healthy Foods within Reach

## The Healthy Food Financing Initiative

Launched in 2010, the Healthy Food Financing Initiative (HFFI) is the federal government's first coordinated effort to confront the challenge of food deserts. The initiative provides funding to enable community-based nonprofits, such as Capital Impact Partners, to finance healthy food projects in underserved communities.

## How the HFFI works

The Community Development Financial Institutions Fund (CDFI Fund), an agency of the U.S. Department of the Treasury, plays a central role in the initiative.

Each year, through its flagship Community Development Financial Institutions Program, the CDFI Fund provides HFFI financial assistance awards to Community Development Financial Institutions (CDFIs)—mission-based financial institutions that specialize in serving low-income communities that lack access to credit, capital, and other financial services from traditional banks and lenders.

The CDFIs that receive an HFFI award identify the critical healthy food needs in their communities and then use their awards to invest in projects and businesses that address those needs. The result is that CDFIs finance a wide range of healthy food projects covering every aspect of the business cycle, from increasing the production and distribution of foods to developing and expanding retail outlets, such as grocery stores, farmers markets, bodegas, and food co-ops.

These projects not only expand access to healthy foods but also strengthen the local economy by starting new businesses, creating and retaining jobs, and generating state and municipal tax revenues.

The HFFI is a highly effective approach to community development that uses federal funding to promote locally-developed, locally-delivered solutions.

These projects not only expand access to healthy foods but also strengthen the local economy by starting new businesses, creating and retaining jobs, and generating state and municipal tax revenues.

# The Healthy Food Financing Initiative: Bringing Healthy Foods within Reach

## A strong track record

Since fiscal year 2011, the CDFI Fund has provided 46 HFFI financial assistance awards totaling more than \$90 million to CDFIs in 30 states. These funds have leveraged more than \$1 billion in grants, loans, federal tax incentives, and investments to finance projects to eliminate food deserts. HFFI projects have created or retained 2,500 jobs.

According to the CDFI Fund, 23 CDFIs that received awards during the first two rounds of the HFFI reported that, over a three-year period, they made 99 loans totaling \$43.5 million to 114 healthy food projects—all of them in low-income, low-access food deserts. These loans created more than 899,000 square feet of new space for 64 retail outlets ranging from small green grocers to large supermarkets, and also developed more than 1.12 million square feet of space for farming activities, food distribution centers, and other non-retail healthy food projects.

## Other HFFI resources for CDFIs

In addition to providing HFFI financial assistance awards, the CDFI Fund offers Financing Healthy Food Options, a specialized training and technical assistance program created to enable CDFIs to increase their capacity to finance healthy food projects. This type of support helps individual CDFIs use their HFFI awards effectively and strengthens the healthy food industry as a whole.

The CDFI Fund also administers the New Markets Tax Credit Program (NMTC Program), which is designed to attract new investment to low-income communities by allowing individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in financial intermediaries called Community Development Entities (CDEs).

Many communities are using the NMTC Program to finance healthy food projects. In the fiscal year 2013 round of the program, 61 of the 87 CDEs that received an NMTC award through the CDFI Fund indicated that they intended to use some portion of their NMTC allocation to finance healthy food projects.

The CDFI Fund is not the only federal agency involved in healthy food financing. Congress passed the Agricultural Act of 2014 - also known as the Farm Bill - creating a new Healthy Food Financing Initiative within the U.S. Department of Agriculture. This new initiative, if funded, will provide financial and technical assistance to a wide range of projects that increase the availability of locally and regionally produced foods and improve marketing and retail outlets for farm products.



The CDFI Fund  
has provided  
**46** HFFI financial  
assistance awards  
totaling more than  
**\$90 MILLION** to  
CDFIs in **30 states**



# Capital Impact Partners: A Leader in Healthy Food Financing

## Expanding access to fresh foods for more than one million Americans

For more than three decades, Capital Impact Partners—a nonprofit national CDFI headquartered in Arlington, Virginia, with local offices in Detroit, Michigan, and Oakland, California—has provided financing and capacity-building programs to help low-to-moderate income individuals secure access to quality health care and education, healthy foods, affordable housing, and opportunities to age with dignity.

Capital Impact Partners has emerged as one of the leading CDFIs in the healthy foods movement. The organization has received a financial assistance award in each of the first four rounds of the HFFI, and has leveraged its \$9 million in HFFI awards with philanthropic and private-sector funding to provide \$112 million in financing for 76 grocery stores—thereby expanding access to fresh foods for more than one million Americans.

Capital Impact Partners also has funded a variety of other innovative projects, such as mobile markets and distribution centers. The organization is committed to supporting enterprises throughout the entire food system—from food producers, to aggregators and distributors, to retail facilities—to meet the healthy food needs of underserved communities. This holistic approach also includes offering an intermediary lending program through which Capital Impact Partners makes loans to selected intermediary microlenders that finance small food enterprises.



CAPITAL IMPACT  
PARTNERS

**\$112 MILLION**  
in financing for  
**76 grocery stores**



## 2 innovative loan funds:

Capital Impact Partners manages two primary loan funds; the **California FreshWorks Fund** and the **Michigan Good Food Fund**, that finance healthy food projects in their states.

### California FreshWorks Fund



The California FreshWorks Fund was established in 2011 through a partnership with The California Endowment to provide financing to grocers, community markets, food distributors, nonprofits, commercial developers and others seeking to expand access to healthy food in California's low-income communities.

From 2011-2016 we successfully deployed \$60 million to healthy food projects throughout California, including 16 grocery stores. These investments spurred more than 100,000 square feet of retail space development, created or retained more than 1,200 jobs and increased access to healthy food for 730,000 people.

Those projects included the new construction of a full-service supermarket in a formerly vacant lot in south Los Angeles, supporting an intermediary that re-lends the capital to smaller food enterprises in California's Central Valley, and lending to an organization that provides former gang members with job training for positions in the grocery and food industries.

FreshWorks will continue to evolve under the Northern California Community Loan Fund (NCCLF) who has taken over management. Capital Impact will continue to partner with NCCLF to ensure that projects that deliver social impact throughout California get the funding they need.

### Michigan Good Food Fund



Although Michigan is the second most agriculturally diverse state in the nation, more than 1.8 million Michigan residents—including an estimated 300,000 children—live in low-income communities with limited access to healthy food.

In 2015, Capital Impact Partners launched the Michigan Good Food Fund (MGFF) with a \$3 million HFFI financial assistance award from the CDFI Fund. The purpose of the MGFF is to expand access to healthy food for Michigan residents, while also generating economic development, creating jobs, and strengthening Michigan's food systems. The MGFF provides loans and grants to support projects involving every aspect of the healthy food industry, including processing, distribution, marketing, and retail.

The MGFF's partners include the Fair Food Network, W.K. Kellogg Foundation, and Michigan State University's Center for Regional Food Systems. As a strategic public-private partnership, the MGFF allows foundations to amplify their investments for greater impact in service of low-income children and families.





# Healthy Food Financing in Action:

## Success Stories from Capital Impact Partners

### Meals on Wheels

Haltom City, Texas



Since its inception in 1973, the nonprofit Meals on Wheels of Tarrant County has delivered more than 18 million meals to elderly and homebound residents throughout the Fort Worth metro area. Currently, the organization provides nearly one million meals each year, as well as a variety of programs to help clients remain independent and stay in their homes.

Thanks to a \$15 million NMTC transaction involving Capital Impact Partners, Chase Bank, and Urban Action Community Development, Meals on Wheels of Tarrant County in January 2015 broke ground on a new 62,000-square-foot meal production and distribution facility. The new structure will be more than twice the size of the organization's current facility, and will house the central kitchen, volunteer training center, nutrition intern project center, storage and distribution center, meeting space, and administrative office.

The demand for Meals on Wheels of Tarrant County's services is expected to increase by 50 percent, to 1.5 million meals per year, by 2020. The new facility will enable the organization to continue to serve its clients—90 percent of whom are low-income individuals—well into the future. The project also will have a significant economic impact in the community, preserving 75 existing permanent jobs and creating 35 new permanent jobs and 126 construction jobs.

### L.A. Prep

Los Angeles, California



Capital Impact Partners joined U.S. Bank, the Los Angeles Development Fund, Urban America and Civic Enterprise Development to provide \$17.5 million in NMTC financing through the California FreshWorks Fund for the acquisition and renovation of a 56,000 square foot industrial building in Los Angeles. The new facility is the home of two highly innovative social enterprises, L.A. Prep and L.A. Kitchen.

L.A. Prep is a business incubator and production space for wholesale food producers. It facilitates the growth of small food businesses by providing 49 state-of-the-art kitchens that food entrepreneurs can rent as they start and expand their businesses. It also provides a variety of support services—including expert guidance on marketing and distribution, and opportunities to showcase their products to local buyers—to help the entrepreneurs succeed.

L.A. Kitchen is a nonprofit organization that collects surplus food and prepares and distributes it to homeless shelters, transitional homes, and other nonprofits. The food is prepared by the participants—among them, at-risk foster youth and adults transitioning out of incarceration—in a 15-week job training program.

The new facility opened in March 2015, and it promises to have a significant impact in the community, launching new businesses, creating new jobs, and ensuring that healthy foods are available to those who need them most.



# Healthy Food Financing in Action: Success Stories from Capital Impact Partners

## Imperial Fresh Market

Detroit, Michigan



In 1994, the Shina Family, a group of five brothers who immigrated to the United States from Iraq more than 30 years ago, purchased their first full-service supermarket known as Banner Super Store on the west side of Detroit. Since that time, the family has gone on to operate 14 grocery stores throughout the metro area.

Renamed Imperial Fresh Market, the store serves a primarily low-income population. Approximately 70 percent of its customers use the Supplemental Nutrition Assistance Program (formerly known as the Food Stamp program); approximately 90 percent are African American.

When the Shina Family decided to expand their original store to better serve the neighborhood, they worked with Capital Impact Partners to facilitate a \$5.5 million NMTC transaction to grow from 23,000 square feet to nearly 39,000 square feet. The new store features a variety of locally sourced products, expanded fresh meat and produce sections, a bakery, a deli, and a more extensive selection of prepared foods, as well as an in-store pharmacy.

Although there are several small, independent grocery stores near Imperial Fresh Market, there are no other full-service grocery stores in the area, so the new store will be a much-needed source of fresh foods. The expansion also added 35 new jobs for local residents, bringing the total number of employees at the supermarket to 70.

## Produce on the Go

Merced, California



Merced County is one of California's richest agricultural regions, but many of its communities are food deserts with limited access to the fruits and vegetables that are grown locally but shipped to other parts of the country. As a result, one-third of the county's residents—and nearly half of its children—are overweight or obese, according to a study by the University of California at Los Angeles.

Don and Nancy Bergman wanted to do something to change that. Through a local nonprofit called Make Someone Happy, where they both serve as board members, the Bergmans developed Produce on the Go, a mobile market that sells locally grown produce in communities throughout Merced County.

When Don and Nancy needed funding for their project, they turned to the California FreshWorks Fund, which is managed by Capital Impact Partners. A \$30,000 grant from the Fund enabled Produce on the Go to launch in 2013.

Today, Produce on the Go's mobile market travels to 18 sites throughout the county, including health centers, schools, and senior centers, and serves 14,000 people. Many of these sites are located in isolated rural communities. The program is making it easier for local families to find nutritious foods and change their diets, and enjoys support from the county public health department, as well as local farmers, medical professionals, and educators.





# Healthy Food Financing in Action:

## Success Stories from Capital Impact Partners

### Feed the Hunger Foundation

San Francisco, California



In addition to providing financing for individual healthy food projects, Capital Impact Partners lends to experienced intermediaries that make high-impact loans of their own. Feed the Hunger Foundation (FTHF) is one of those intermediary lenders.

FTHF was founded in 2008 to use microfinance to help eliminate poverty and hunger. The organization makes loans in two states, California and Hawaii, as well as in Inner Mongolia, Nepal, Sierra Leone, Liberia, Nicaragua, and Bolivia.

Through the California FreshWorks Fund, Capital Impact Partners provided \$100,000 in financing to support FTHF's California Food For Thought Program, which offers microloans to individuals and organizations that increase access to healthy foods in the state's Central Valley and Central Coast.

Through the California Food for Thought Program Javier Zamora was able to access funding to launch JSM Organics, a successful organic berry and vegetable farm. Other successful borrowers included Rosa Hernandez Bautista and Silvia Rojas, the creators of Colectivo Sabor a Mi Terra, a restaurant in Madera offering authentic Oaxacan cuisine.

By financing projects like these, FTHF is strengthening local food systems, promoting healthy eating, and reducing the incidence of diet-related diseases, while building businesses that offer low-income individuals a pathway out of poverty.

Through our healthy food financing efforts, Capital Impact is working to:



**Increase access to healthy food as a means to improve health**



**Drive economic development and job creation to grow strong, vibrant communities**



**Ensure equitable access to food, jobs, ownership and flexible investment capital**



**Support the sourcing and supply of locally grown and regionally produced foods**



**Encourage innovation in healthy food retailing and distribution**



# The Future of Healthy Food Financing

## The HFFI has only begun to demonstrate its tremendous potential to strengthen low-income communities

Since it was created in 2010, the Healthy Food Financing Initiative has expanded access to healthy foods in low-income communities and spurred the growth of a nationwide healthy foods industry that is helping to eliminate food deserts. The HFFI is proving to be a highly effective tool for improving public health, as well as for generating new economic opportunities, creating new jobs, revitalizing communities, and generating tax revenue.

The remarkable success of the HFFI has generated widespread support for the program. In each of its first four years, the HFFI has received strong, consistent funding from Congress. The initiative also has been embraced by a wide range of stakeholders in the community, including food producers, distributors, and retailers, public health practitioners, urban and rural economic development organizations, civil rights groups, children's organizations, and faith-based organizations.

The HFFI is demonstrating its tremendous potential to strengthen low-income communities. With continued funding and support, this invaluable program can continue its vital work and help to bring about a time when food deserts have vanished from the American landscape.





# Whatever your financing need: Capital Impact Has Done It

Financing is one tool we use to create strong, vibrant communities. As a Community Development Financial Institution, we ensure that projects in underserved areas often overlooked by traditional banks have access to investment capital. We recognize the special

dynamics of lending in these communities and can get even the most complicated transactions done. For over 30 years, we've helped forward-thinking entrepreneurs, organizations and businesses revitalize neighborhoods and deliver social impact.



**ACQUISITION LOANS**  
to purchase land  
and buildings



**BRIDGE LOANS**  
to bridge grant funding or  
tax-credit equity investment



**CONSTRUCTION LOANS**  
to finance from-the-ground-up  
construction and renovation projects



**PRE-DEVELOPMENT LOANS**  
for feasibility planning, architectural  
drawings, and other early needs



**TENANT IMPROVEMENT LOANS**  
to finance renovation at  
a leased facility



**TERM LOANS**  
to take out construction loans  
or leverage New Markets Tax  
Credit transactions



**EQUIPMENT LOANS**  
to purchase equipment



**WORKING CAPITAL LOANS**  
to finance operating  
cash flow needs



**LEVERAGE GOVERNMENT PROGRAMS**  
to offer New Markets Tax Credits and  
Federally Guaranteed Bonds

## YOUR LENDER AND PARTNER

**CI**  
**CAPITAL IMPACT**  
PARTNERS  
a mission-driven Community  
Development Financial Institution



**30**  
**YEARS**  
experience working in  
underserved communities



**\$2**  
**BILLION**  
invested in projects that  
deliver social impact

Strategic Financing ▶ Program Incubation ▶ Capacity Building ▶ Policy Change

# TRANSFORMING UNDERSERVED COMMUNITIES INTO STRONG, VIBRANT PLACES OF OPPORTUNITY



## Healthy Food Financing Supports Our Larger Vision

Capital Impact Partners builds strong, vibrant communities for underserved people. A nonprofit Community Development Financial Institution, we deliver strategic financing, incubate new social ventures, and support capacity building to help ensure that low-to-moderate-income individuals have access to quality health care and education, healthy foods, affordable housing, and the opportunity to age independently.



**506**

### HEALTH CENTERS

providing health care to  
more than 2 million patients



**228k**

### STUDENTS

in 219 high-quality  
charter schools



**76**

### HEALTHY FOOD

retailers providing 1 million  
people access to fresh food



**14k**

### ELDERS

aging with dignity  
in 185 communities



**35k**

### AFFORDABLE HOUSING

units in 229  
communities



**208**

### COOPERATIVE

businesses serving 850  
thousand customers

WE HAVE DEPLOYED OVER **\$2 BILLION** TO SERVE NEARLY  
**5 MILLION PEOPLE** AND CREATE MORE THAN **32,000 JOBS**  
NATIONWIDE IN SECTORS CRITICAL TO VIBRANT COMMUNITIES.



CAPITAL IMPACT  
PARTNERS



[www.capitalimpact.org](http://www.capitalimpact.org)

©September 2016