



CAPITAL IMPACT
PARTNERS



Opportunity Fund

Fueling the local food economy

In this series of case studies Capital Impact Partners profiles three transactions to highlight the Federal Government's Healthy Food Financing Initiative (HFFI), which was created to fund efforts that confront food deserts in underserved communities.

This story illustrates how Capital Impact leveraged the HFFI to help the Opportunity Fund provide capital to small food entrepreneurs who cannot access it through traditional markets in the form of micro-loans.

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 Community Development Financial Institutions Fund (CDFI Fund), an agency of the U.S. Department of the Treasury, plays a central role in managing this important effort. The initiative provides funding to enable community-based nonprofits, such as Capital Impact Partners, to finance healthy food projects in underserved communities that lack access to credit, capital, and other financial services from traditional banks and lenders. 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. Learn more [here](#).



The Food Trust, its work in HFFI, and the Center for Healthy Food Access

The Food Trust, a nonprofit founded in 1992, strives to ensure that everyone has access to healthy, affordable food and information to make healthy decisions. With support from the Robert Wood Johnson Foundation, The Food Trust has launched The Center for Healthy Food Access, a national collaborative effort working to ensure that every child in the United States has access to nutritious, affordable food. The Center serves as a catalyst to test groundbreaking ideas and share lessons learned. Also, The Center for Healthy Food Access funded this case study. Learn more at: www.thefoodtrust.org and www.thefoodtrust.org/centerforhealthyfoodaccess



Capital Impact Partners and its work to leverage the HFFI

Capital Impact Partners has emerged as one of the leading Community Development Financial Institutions (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, distributors and retail facilities—in order 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. Learn more at: www.capitalimpact.org

The Story Behind Opportunity Fund

Opportunity Fund was established in 1993 to provide capital to those who cannot access it through traditional markets in the form of micro-loans. Founded in San Jose in Northern California, Opportunity Fund expanded to Los Angeles in Southern California in 2013. In 2017, Opportunity Fund established an online lending platform to provide capital in at least 10 states nationwide with plans to expand further. Since inception, **Opportunity Fund has invested \$170 million in small businesses, supported 6,000 businesses, served 20,000 people and created or retained 25,000 jobs.**

Opportunity Fund has an extensive history of making small business loans to healthy food microenterprises. One of the organization's first loans was for \$2,600 to Yolanda Best Produce in November of 1996. Since that loan, Opportunity Fund has facilitated more than 673 small business loans, totaling more than \$14 million to restaurants, produce markets and mobile food vendors throughout California.

Opportunity Fund's success in underwriting these kinds of loans has allowed rapid expansion in this area: \$7 million of new loan capital

for small food enterprises was deployed by Opportunity Fund in 2013 alone. Each loan made to a healthy food enterprise borrower has a "ripple effect," leading to healthier and more diverse food options for communities, increased job creation and retention and increased wages, revenue and taxes in the local economy. Opportunity Fund finds that, for each dollar it invests into a small business through a micro-loan, there are two dollars of economic activity generated through direct, indirect and induced impacts ("Ripple Effect: The Macroeconomic Impact of Small Business Lending." Opportunity Fund and TXP, Inc., June 2016).



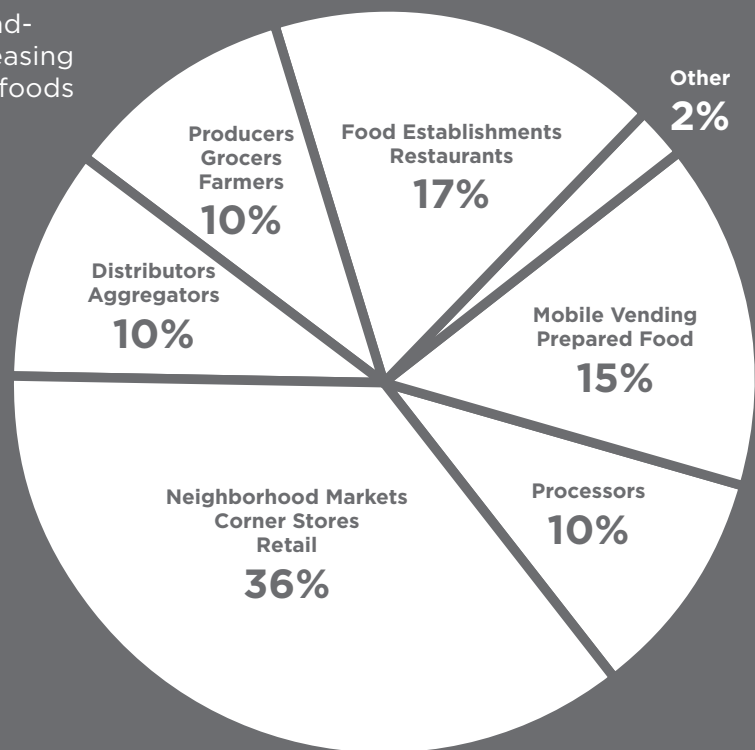
Food Enterprise Microlending Intermediary (FEMI) Program

As fund administrator of the California FreshWorks Fund from 2011 to 2016, Capital Impact Partners developed the Food Enterprise Microlending Intermediary (FEMI) program to provide capital to micro-lenders, who then re-lent the capital to end-borrowers that met goals of increasing access to healthy and affordable foods in communities in need. The loan from Capital Impact Partners to the intermediary carried a fixed, low rate and was accompanied by a companion grant to allow participating intermediaries to provide additional technical assistance to better serve food enterprises that were recipients of the end-loans.

Through the FEMI Program, Capital Impact Partners **deployed \$3,075,000 to nine intermediary partners, including Opportunity Fund.** FEMI partners closed 105 end-loans with an average loan size of just under \$30,000.

The FEMI program was supported by The California Endowment, Kaiser Permanente and First5LA. A range of types of enterprises were funded by the FEMI program.

Types of Food Enterprises Funded by FEMI Participants



Project Background and Financing Need

Opportunity Fund is able to provide financial resources to low-access communities by securing its own investments from banks, foundations and other lenders. The organization needs long-term, fixed-rate capital to maintain affordable financial products for its clients. Participating in the FEMI program allows Opportunity Fund to limit the interest rates and fees charged to end-borrowers. Opportunity Fund showed financial strength in growing its micro-lending portfolio and ability to manage its assets with low rates of default.

The lending landscape for small businesses has changed with the emergence of cash lenders and “fintech,” new financial technology solutions that are now within reach of many consumers and entrepreneurs. The demand for responsible lending, through nonprofit organizations like Opportunity Fund, has increased to provide **alternatives for those that might otherwise access credit through fintech, where annual percentage rates can be more than 90 percent.**

The Transaction

In the underwriting process, the Capital Impact underwriting team recognized the growth and strengthening of the financial position shown by Opportunity Fund. The organization showed steadily increasing levels of contributions, representing approximately 22 percent of the organization's total revenue. Additionally, **the organization's lending volume increased, leading to a significant increase from 12 to 23 percent of the organization's total revenue.**

Other intermediaries underwritten by Capital Impact for capital through the FEMI program typically showed that interest income was an average of 13 percent of an organization's total revenue; the growth of interest income on the part of Opportunity Fund demonstrated increased financial self-sufficiency. Opportunity Fund's positive operating performance also resulted in the strengthening of its balance sheet evidenced by robust growth in key ratios: net worth increasing by 60 percent and net assets increasing by 34 percent over the three reporting periods analyzed.

Based on the financial strength and projections of the organization, its history in deploying micro-loans to entrepreneurs with extremely restricted access to capital, and its infrastructure allowing for loans to be underwritten efficiently, **Capital Impact ultimately provided \$1,272,000 in capital to grow Opportunity Fund's activity in lending to healthy food enterprises.**

Through a companion grant that accompanied the FEMI loan, **Opportunity Fund received \$100,000 to support technical assistance to be provided to end-borrowers.** One challenge the Fund experienced was identifying eligible entrepreneurs that fulfilled the social objectives of improving access to healthy food in underserved communities as well as creating job opportunities within the food economy.

Opportunity Fund used a portion of these proceeds to contract with the Los Angeles Food Policy Council (LAFPC), which performed outreach with food entrepreneurs identified as those who were likely candidates to receive healthy foods marketing and business development support. **LAFPC developed a curriculum from which they educated entrepreneurs, engaged business owners through an assessment, extended deeper support and provided direct counsel** such as advising on light equipment, façade improvements, fresh produce delivery, marketing, and merchandising.



Opportunity Fund Project Profiles

The following are examples of Opportunity Fund borrowers who received affordable alternative financing compared to other options whose annual percentage rates average 94 percent. These borrowers are all located in neighborhoods that experience notable health disparities such as higher-than-average rates of diabetes and obesity. The success of these small food entrepreneurs has a profound impact on their community's economic vitality, resident health, and opportunity:

- ▶ **Arlington Heights Market**, a 3200-square foot store, received a \$35,000 loan at 9.5 percent interest, allowing the store to increase the availability of fruits and vegetables in Mid-City Los Angeles at a new corner location in a community where obesity rates are nearly 30 percent compared to a statewide rate of 24 percent. The market originally offered only a small selection of produce and now offers 12 different fresh produce items as well as at least two new non-preservative snack items including fig bars. In January 2018, the market hosted a grand re-opening as "Arlington Heights Healthy Market," featuring a fresh new facade, its expanded selection of healthy products and improved marketing and promotion of its new items.
- ▶ **Arturo's Discount Market**, a 1500-square foot store, received a \$2,600 loan at 18 percent interest, allowing the store to introduce 13 fruits and vegetables into its offerings at its Huntington Park location when it previously had only offered packaged, low-nutrition, highly-processed products. Since introducing produce, the store renamed itself as "Arturo's Market" and is seen as a leader in the Healthy Neighborhood Market Network, offering peer support to other market owners in topics of produce inventory management, purchasing, pricing and profitability.
- ▶ **Tropicana Fruits and Juices**, also known as Mis Tesoros Inc., received a \$12,000 loan at 10 percent interest, allowing for the creation of healthy menu items for children as well as the expansion of its range of current products for its clients in West Covina. Many improvements implemented, through guidance and advisement from the Los Angeles Food Policy Council, included labeling menu items with a symbol for those considered a "healthy choice," developing a meal program where a fruit-and-sandwich combination was priced less than a chips-and-sandwich combination and offering a roster of "healthy substitute" promotions to increase use of yogurt instead of cream in smoothies.

The Los Angeles Food Policy Council

The Los Angeles Food Policy Council (LAFPC) is a collective impact initiative working to build a good food system where food is healthy, affordable, fair and sustainable. Recent initiatives include:

- ▶ The **Good Food Purchasing Policy**, which was implemented in 2012, resulted in the purchase of \$50 million in 2013 by the Los Angeles Unified School District to improve the quality of the 750,000 meals served each day and to create 150 new jobs within the food system located within 200 miles of Los Angeles
- ▶ The **Healthy Neighborhood Market Network**, which hosts the free business and leadership training series, resulted in supporting and connecting more than 600 neighborhood market owners with resources including industry experts and independent food operators
- ▶ **Networking and Working Groups**, where LAFPC curates bi-monthly programming that draws as many as 150 attendees, typically, to convene change-makers for networking, leadership development and movement building to advance its initiatives

Learn more about the LAFPC at <http://www.goodfoodla.org>

Conclusion and Transaction Outcomes

Capital Impact Partners provided Opportunity Fund a FEMI loan of \$1,272,000 that resulted in the origination of at least 49 loans during the initial lending period from July 2015 to December 2016. **These loans are creating and sustaining more than 130 jobs and generating more than \$2 million in new economic activity** through new wages, spending and tax revenues. **Ninety percent of these borrowers are people of color, 80 percent are low to moderate income and 30 percent are women.** The FEMI loan allowed Opportunity Fund to increase loan volume with healthy food enterprises: meaning more entrepreneurs were able to invest in their small businesses, increase their incomes, create and sustain jobs and expand economic opportunities for their families and their community.

Based on the collaborative experience with LAFPC, Opportunity Fund initiated a program in July 2016 to build capacity within partner organizations to best support and catalyze small businesses within their communities. The Community Partner Program offers underwriting and servicing through Opportunity Fund, and it allows community-based organizations to drive a pipeline and grow a foundation for economic mobility through small business ownership and growth. In the first year, there were 18 participants in the Community Partner Program that resulted in more than 250 loans that were underwritten, originated, closed and serviced by Opportunity Fund.



BUILDING COMMUNITIES OF OPPORTUNITY THAT BREAK BARRIERS TO SUCCESS



Healthy Food Financing Supports Our Larger Vision

Capital Impact Partners champions social and economic justice for underserved communities, transforming them into communities of opportunity that foster good health, economic opportunity, and interconnectedness. Through mission-driven lending, incubating social impact programs, impact investing, and policy reform, we partner with local communities to help create equitable access to health care and education, healthy foods, affordable housing, and dignified aging for those most in need.



2.5 MILLION

PATIENTS
receiving health care at
533 community health centers



253,000

STUDENTS
in 248 high-quality
charter schools



1.1 MILLION

PEOPLE
with access to healthy
food from 88 local retailers



37,000

ELDERS
aging in their community
through 190 communities



38,000

AFFORDABLE HOUSING
units in 246
communities



870,000

COOPERATIVE CUSTOMERS
served by 291
Co-op businesses

WE HAVE DEPLOYED OVER **\$2.5 BILLION** TO SERVE NEARLY
5 MILLION PEOPLE AND CREATE MORE THAN **32,500 JOBS**
NATIONWIDE IN SECTORS CRITICAL TO VIBRANT COMMUNITIES.



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