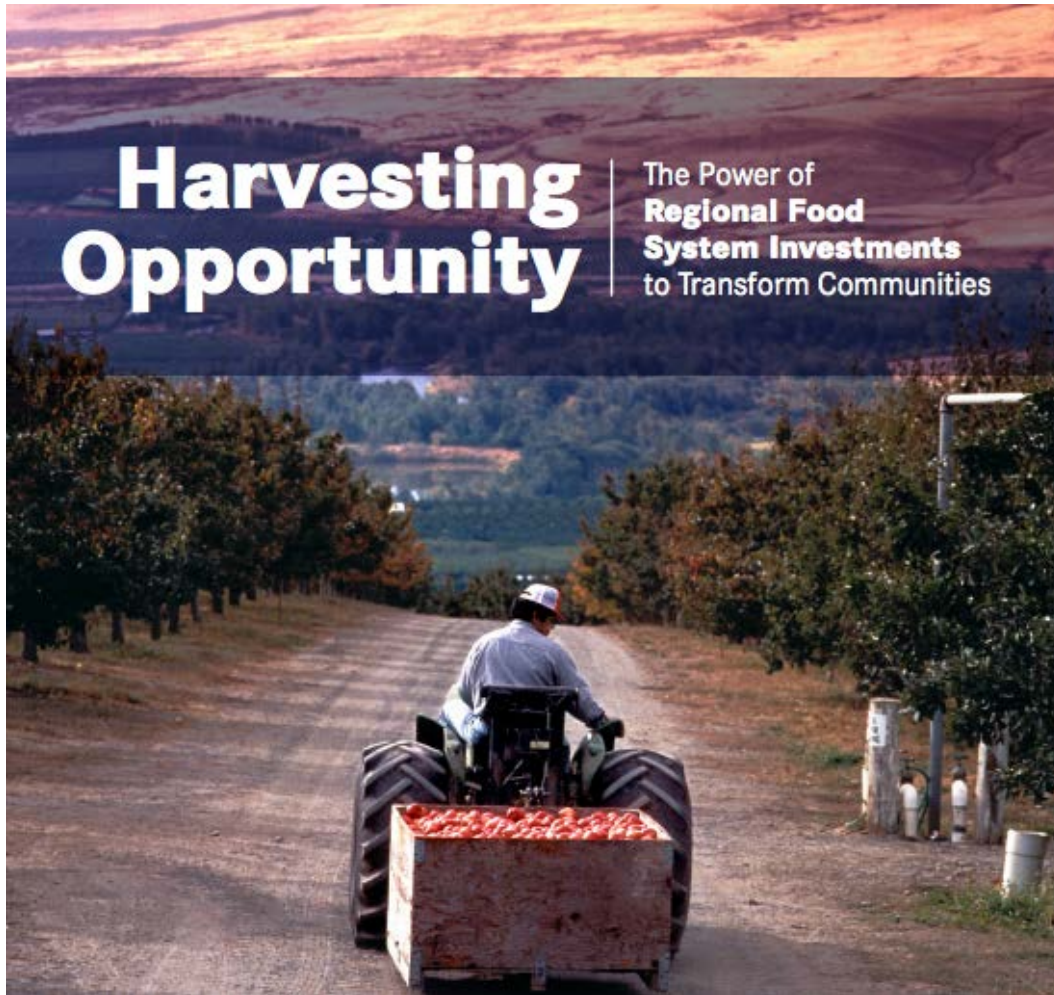


# Harvesting Opportunity

The Power of  
**Regional Food  
System Investments**  
to Transform Communities



An NCBA CLUSA Production

---

# Financing Food Co-ops *to Advance Regional Food Systems*

---

Presented by  
*USDA, Federal Reserve Board,  
Capital Impact Partners, Friendly City  
Food Co-op & The Reinvestment Fund*



# WELCOME



Doug O'Brien  
EVP, Programs  
NCBA CLUSA

- About NCBA CLUSA
- Why this webinar is important, shared goals

# TODAY'S AGENDA

- Introductions
- Financing Regional Food Systems
- Development Perspectives
- Q&A with Panel
- Audience Discussion

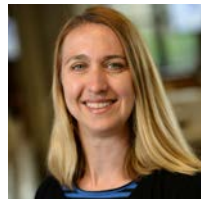
# TODAY'S PANEL



Andrew Dumont,  
Federal Reserve Board



Jim Barham, U.S.  
Department of Agriculture



Alison Powers,  
Capital Impact Partners



Olivia Rebanal,  
Capital Impact Partners



Steve Cooke,  
Friendly City Food Co-op

Andy Rachlin,  
The Reinvestment Fund



*Harvesting Opportunity: The Power of Regional Food System Investments to Transform Communities*

Andrew Dumont

Senior Community Development Analyst

Federal Reserve Board

[Andrew.M.Dumont@frb.gov](mailto:Andrew.M.Dumont@frb.gov)

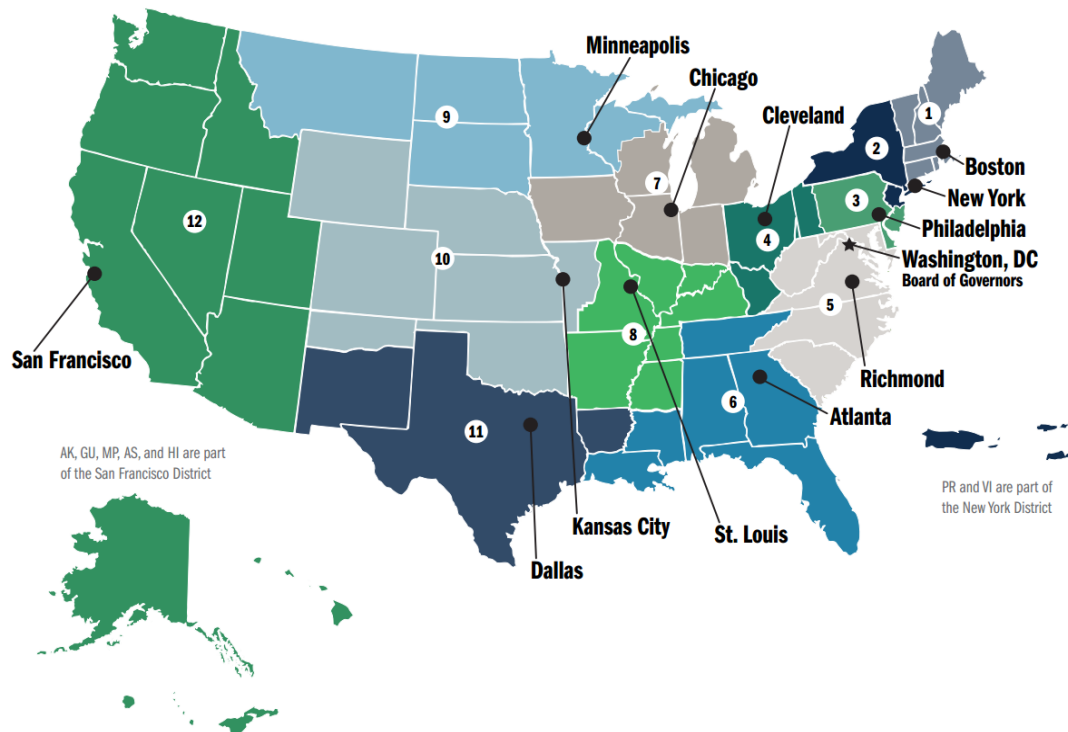
# Disclaimer

---



The analysis and conclusions set forth in this presentation represent the work of the author and do not indicate concurrence of the Federal Reserve Board, the Federal Reserve Banks, or their staff. Mention or display of a trademark, proprietary product, or firm in the presentation by the authors does not constitute an endorsement or criticism by the Federal Reserve System and does not imply approval to the exclusion of other suitable products.

# The Federal Reserve System





# Find Your Federal Reserve District



Sign up to be notified of new resources | [Change Preferences](#)

**FedCommunities.org**  
Federal Reserve community development resources promoting people, place, policy and practice, and small business

[About Us](#) [Find your Fed District](#) [Contact Us](#)

**PEOPLE** **PLACE** **POLICY & PRACTICE** **SMALL BUSINESS**

Search Sign Up!

Explore more resources using tabs at left or drop-down arrows at the top!

**Featured - Community Development Resources**

**LIVESTREAM: "Investing in America's Workforce" Conference, Oct. 4-6**  
Join us via live streaming of the plenary sessions from the national "Investing in America's Workforce" conference from Austin, Texas on October 4-6, 2017. The conference aims to connect business, government agencies, nonprofits, academics, financial institutions and philanthropic organizations to reframe workforce development efforts as investments, not just social services, attract new resources and leverage existing funding sources, and improve economic mobility and impact for workers. It is one component of an ongoing [Federal Reserve System workforce initiative](#). Join us to hear from four Fed presidents and leading experts in workforce development.  
posted 10/03/2017 by Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, San Francisco

**WEBINAR | Advancing Financial Inclusion: Innovative Financial Products and Services for Low-Income Households**  
According to the Aspen Institute, more than 50 million Americans live in or near financial crisis, and a growing number lack savings cushions to weather emergencies. Organizations across the country are developing solutions to address volatility and financial inclusion and to support households in managing cash flow and building savings, increasing credit and confidence along the way. Tune in to this free, one-hour Connecting Communities® webinar to hear from leading experts as they engage in dialogue about research, current initiatives and best practices to help address the challenges low-income households face in the financial marketplace.  
posted 09/28/2017 by Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, San Francisco, Board of Governors

**Informal Homeownership Issues: Tracking Contract for Deed Sales in the Southeast**  
Since the Great Recession, homeownership rates have dropped and the wealth divide has widened for low-income and racial and ethnic minority households. Homeownership is a significant contributor to household balance sheets and generator of household wealth, particularly for these populations. A contract for deed is a seller-financed real estate contract consisting of installment payments. For households that desire the financial and physical security of owning a home, contracts for deed may provide an inexpensive option. However, risks may exist. This discussion paper explores informal homeownership issues by tracking contract for deed sales in the Southeast.  
posted 06/12/2017 by Atlanta

**Developing Inclusive Communities: Challenges and Opportunities for Mixed-Income Housing**  
Over the past decade, housing costs have risen faster than incomes. The need for affordable rental housing has well outpaced the number of available units as well as funding allocations at the federal level. Local regulation and land use policies that increase the cost of subsidized, mixed-income housing construction and preservation have contributed to the affordability problem. This discussion paper explores new ideas about how affordable housing in an economically integrated, mixed-income community setting could be developed and operated in an environment of declining government subsidies.  
posted 06/17/2017 by Atlanta



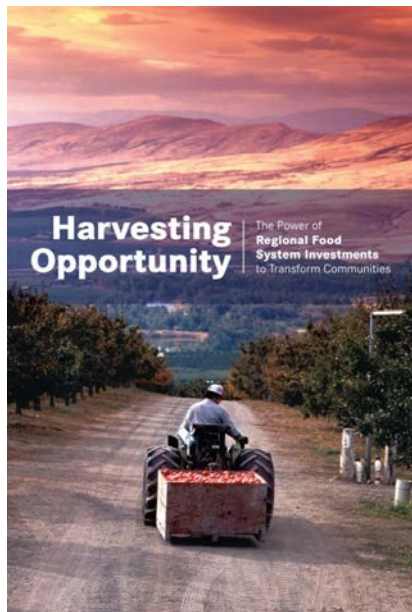
# Community Development at the Fed

---

- Why?
  - *"The Board of Governors of the Federal Reserve System and the Federal Open Market Committee shall maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates." 12 U.S.C. § 225a*
- Economically and financially healthy consumers and communities promote stable regions and a more robust economy overall

# Harvesting Opportunity

---



Electronic version is available for free at:

<https://www.stlouisfed.org/community-development/publications/harvesting-opportunity>

# *Harvesting Opportunity: Content*

---



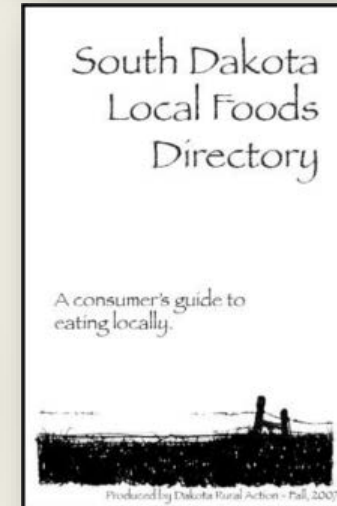
- Key drivers
- Economic and community development goals, objectives, and outcomes
- Business model considerations
- Financial and technical assistance support



# Why is USDA Involved?

## A strategy to meet many goals...

- Economic development and jobs
- Education and health in schools
- Increased access to healthy food
- Beginning farmer opportunities





# Support along the Supply Chain

- Seasonal High Tunnels (hoop houses)
- Farm loans, microloans and Farm Storage Facility Loans
- Regional food hubs and other local food infrastructure
- Marketing and retail opportunities

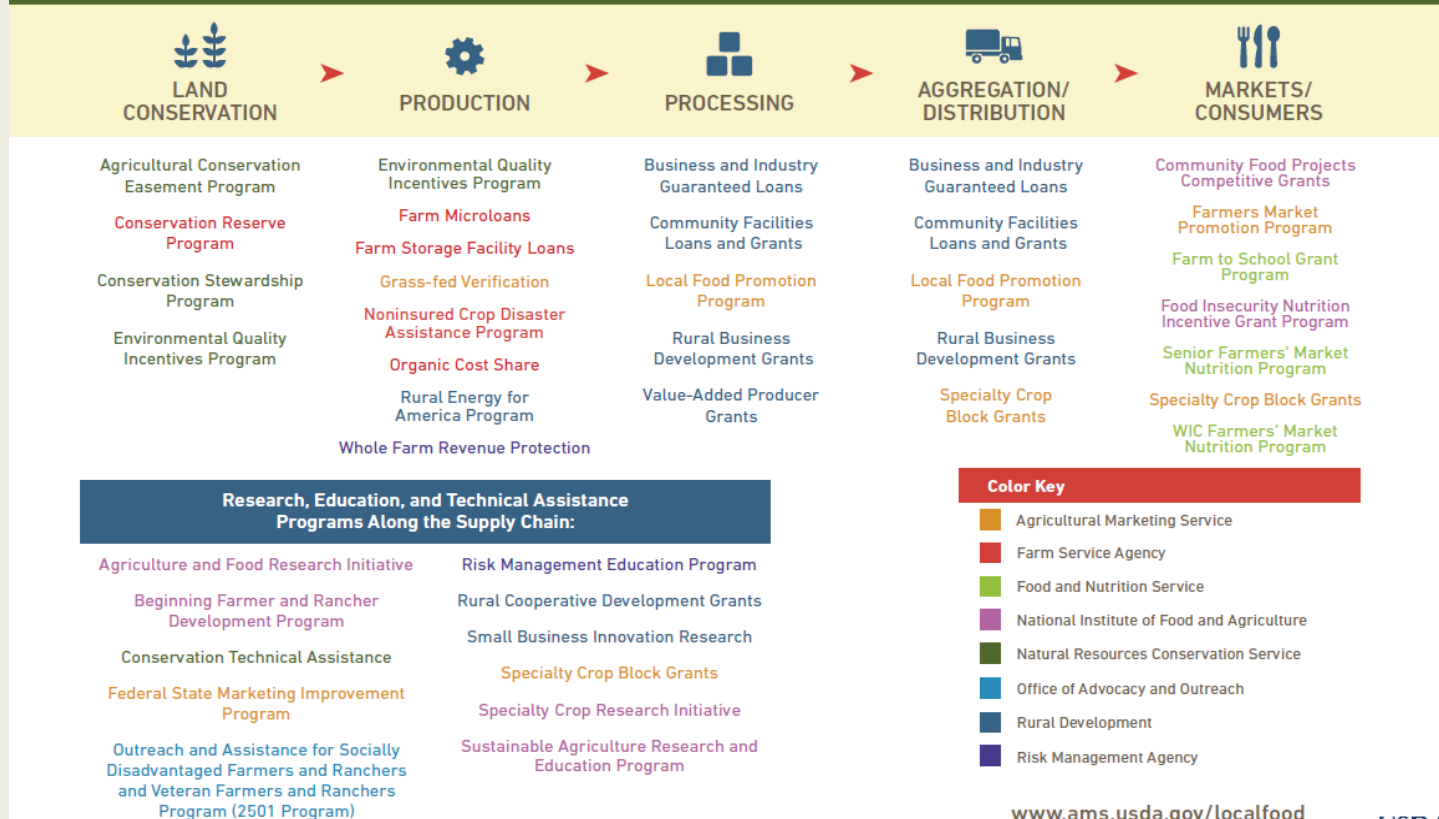




United States  
Department of  
Agriculture

# USDA PROGRAMS IN THE LOCAL FOOD SUPPLY CHAIN

USDA is committed to supporting robust regional food economies  
across the food chain through the programs noted below.



[www.ams.usda.gov/localfood](http://www.ams.usda.gov/localfood)







# Healthy Food Financing Initiative (HFFI)

- HFFI is a collaborative effort at both the Federal and State levels to **increase healthy food access** in underserved areas by providing **technical and financial resources** to food retailers and their supply chain partners.
- 2014 Farm Bill authorized \$125 million, but only \$1 million appropriated in FY17.
- HFFI at Rural Development was [officially launched](#) in January 2017, with the designation of Reinvestment Fund as USDA's National Fund Manager.







## Other Food Systems Resources



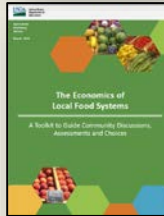
### Regional Food Hub Resource Guide

**Food hub impacts on regional food systems, and the resources available to support their growth and development**



### Food Value Chains

**Creating Shared Value to Enhance Marketing Success**



### The Economics of Local Food

**A Toolkit to Guide Community Discussions, Assessments and Choices**

Electronic copies of these publications can be downloaded for free at [www.ams.usda.gov/localfood](http://www.ams.usda.gov/localfood)



# USDA Co-op Resources



## Rural Development's Cooperative Programs

[www.rd.usda.gov/programs-services/all-programs/cooperative-programs](http://www.rd.usda.gov/programs-services/all-programs/cooperative-programs)

Professional staff conduct research and provide educational trainings, technical assistance, and grant support to co-ops across the country.

[www.rd.usda.gov](http://www.rd.usda.gov)





# USDA Co-op Resources

## Library of Co-op Publications

[www.rd.usda.gov/publications/publications-cooperatives](http://www.rd.usda.gov/publications/publications-cooperatives)

Extensive library of over 150 publications, including *Rural Cooperatives* magazine, and many “how to” guides like:





# Online Training Opportunity!



## Online Training on Assessing and Financing Regional Food Enterprises

*Learn how to use Wholesome Wave's Food Hub Business Assessment Toolkit through a case-based interactive training.*

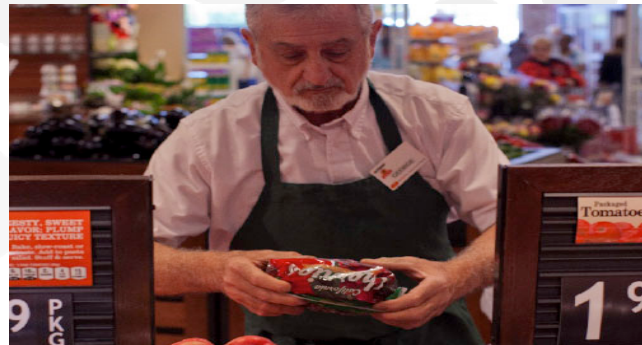
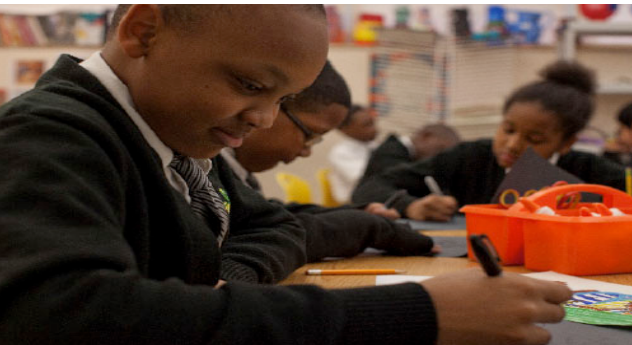
*Direct Access to the food financing training here:*

[http://aglearn.usda.gov/customcontent/RD/RD-FOOD-HUB-ASSESS-WEBONLY/startCourse\\_RD-FOOD-HUB-ASSESS\\_2713.html](http://aglearn.usda.gov/customcontent/RD/RD-FOOD-HUB-ASSESS-WEBONLY/startCourse_RD-FOOD-HUB-ASSESS_2713.html)

SUMMARY ASSESSMENT		COMMENTS AND NOTES
BUSINESS MODEL & STRATEGY		It is hard to separate out which costs belong to which activities. Strong value prop. Need to strengthen competitive advantage.
IMPACT POTENTIAL		This company provides affordable produce for WIC and SNAP users.
MARKET OVERVIEW		Suppliers use sustainable practices, not clear how many, and if these practices are widespread.
MARKETING & SALES		This company provides clear growth opportunities for farmers, and quality jobs for employees. It is not clear if there is a strong, diverse base of customers in this geographic region.
OPERATIONS		The company does not have a clear sales strategy. But knows go-to-market strategy.
ORGANIZATION & MANAGEMENT		The operations meet current needs, but the company needs to establish a scalable operation strategy.
RISK MITIGATION		The management has deep commitment to creating impact, and diverse range of relevant experience. The team does not have diverse sales, or detailed risk management plans.
TECHNOLOGY & SYSTEMS		The company is underutilizing available technology, and needs more efficient strategies.
FINANCES		Strong sales track record, but needs to control expenses. And really large existing debt.



REINVESTMENT  
FUND



## Financing Food Co-ops to Advance Regional Food Systems

---

*Andy Rachlin*

*Managing Director, Lending and Investments*

*Reinvestment Fund*

@ReinvestFund  
Reinvestment.com



# Reinvestment Fund

**\$1.9 billion** in community investments

**\$950 million** of capital under management

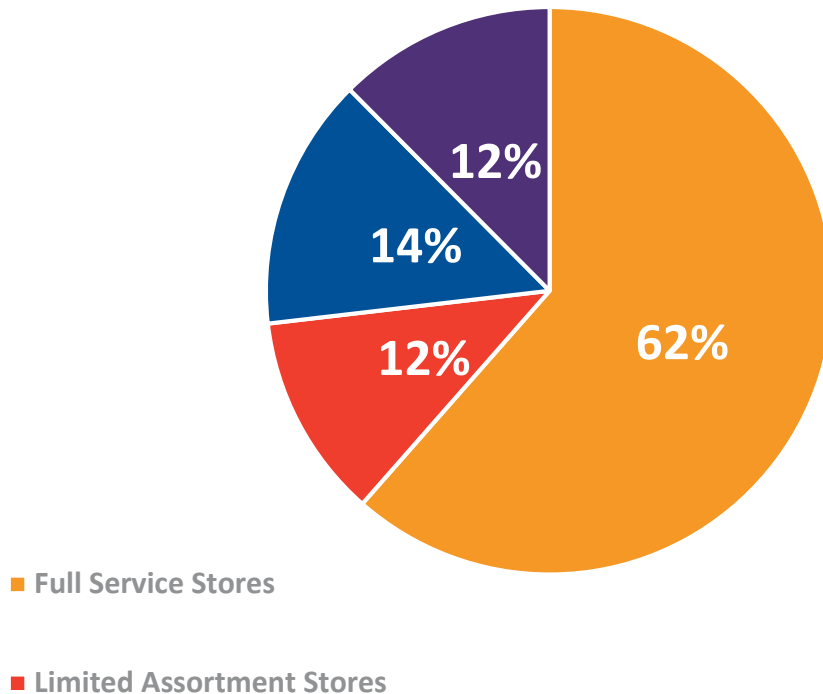
**865** individual & institutional investors

**3,000** projects financed



# Our Food Investments

**\$290 million** in food related investments.\*



\* (1/2004- 10/2017) | Distribution as of 12/2016



REINVESTMENT  
FUND

# Why Work with Food Coops?

---

Because cooperatives:

- Model democratic values;
- Build local wealth and local economies with community or worker ownership;
- Provide high quality jobs;
- Support local food producers and the local food economy; and
- Fill gaps in the food access landscape.





# How Financing Food Coops Differs

Rule of thumb	Coop Adjustment
Grocery stores typically have a gross margin between 20-28% depending on the store format (esp. in low and moderate income communities)	<p>Natural, organic and local product mix plus the ability to draw mission aligned shoppers yields higher gross margins (30-36%) than traditional grocery stores.</p> <p>The higher gross margin often allows the coop to invest more in payroll and providing higher quality jobs.</p>
Guarantor Required	N/A

# Adjustments Specifically for Start-up Coops

Rule of thumb	Coop Adjustment
Grocer should have industry experience	To compensate for a lack of experience in the industry, there is a need for consultants and key staff to be hired very early in the development process and to built into the coop budget.
Borrowers should bring approx. 20% equity to the project.	With increased risk and a portion of the equity being member loans, the goal is to have no greater than approx. 40% of the capital stack be true debt.

# Financing the Expansion of an Existing Cooperative

- Expanded from 500 square feet to 2,500+ square feet in a low income community
- Provided \$475,000 in acquisition and renovation financing
- Employment grew to 38 FTE from the 9 FTE before expansion
- Owned and operated by 1,550 members, so profits will stay in and be reinvested in this LIC



29 FTE

permanent jobs created

\$1.5MM

Total Project Costs

\$475,000

Financing Reinvestment Fund  
provided



REINVESTMENT  
FUND

# Sources & Uses

Sources	Amount	%	Uses	Amount	%
Senior Loans (2 CDFIs)	\$950,000	42%	Building Acquisition	\$619,500	28%
Subordinate CDFI Loan	\$150,000	7%	Building Improvements	\$571,552	26%
Member Loans	\$300,000	13%	Equipment	\$290,150	13%
Equity	\$479,027	21%	Soft Costs	\$254,779	11%
Vender Support	\$36,000	2%	Debt Service Reserve	\$92,000	4%
Grant Funds	\$80,000	3%	Inventory	\$72,500	3%
Grant – <i>Gap at closing</i>	\$245,000	11%	Post Opening Professional Support	\$20,000	1%
			Contingency	\$157,546	7%
			Working Capital	\$162,000	7%
<b>Total</b>	<b>\$2,240,027</b>	<b>100%</b>	<b>Total</b>	<b>\$2,240,027</b>	<b>100%</b>



# Financing for a Start-up Coop

- Start-up cooperative renting 4,200 sq. ft. former bar to transform into a store and café space in a low income community
- Closed on \$570,000 in construction and mini perm loan with a 50% participation from local lender
- Estimated to create 30 jobs
- Membership as of closing of 788 with a goal of 1,000 member households by opening



**30 FTE**  
permanent jobs estimated

**\$1.8MM**  
Total Project Costs

**\$570,000**  
Financing Reinvestment Fund provided



**REINVESTMENT  
FUND**

# Sources & Uses

Sources	Amount	%	Uses	Amount	%
Senior Loan	\$570,000	31%	Leasehold Improvements	\$699,000	38%
Member Loans	\$283,370	16%	Equipment	\$290,000	16%
Memberships	\$200,000	11%	Soft Costs	\$284,000	16%
Grant Funds	\$443,050	24%	Debt Service Reserve	\$38,020	2%
Grant – Gap at closing	\$372,870	20%	Inventory	\$118,000	6%
			Consulting and Professional Support	\$171,000	9%
			Contingency	\$98,900	5%
			Working Capital	\$120,000	7%
<b>Total</b>	<b>\$1,818,920</b>	<b>100%</b>	<b>Total</b>	<b>\$1,818,920</b>	<b>100%</b>





---

**Andy Rachlin**

Managing Director, Lending and Investments  
Reinvestment Fund

215-574-5842

[Andrew.Rachlin@Reinvestment.com](mailto:Andrew.Rachlin@Reinvestment.com)

**Donna Leuchten Nuccio**

Director, Healthy Food Access  
Reinvestment Fund

215-574-5881

[Donna.Nuccio@Reinvestment.com](mailto:Donna.Nuccio@Reinvestment.com)

**@ReinvestFund**  
[Reinvestment.com](https://Reinvestment.com)



**REINVESTMENT  
FUND**

# Capital Impact Partners

## Building Inclusive Food Systems

Olivia M. Rebanal

[orebanal@capitalimpact.org](mailto:orebanal@capitalimpact.org)

Alison Powers

[apowers@capitalimpact.org](mailto:apowers@capitalimpact.org)





CAPITAL IMPACT

## OUR MISSION:

Through capital and commitment, Capital Impact Partners helps people build communities of opportunity that break barriers to success.

## OUR VISION:

A nation of communities of opportunity built on a foundation of equity, inclusiveness, and cooperation.



Over 30 years, we work to address systemic poverty, build equitable communities, create healthy communities and ensure inclusive growth

## Delivering Social Impact Nationwide



**510**

**HEALTH CENTERS**

providing health care to more than 2 million patients



**233k**

**STUDENTS**

in 225 high-quality charter schools



**83**

**HEALTHY FOOD**

retailers providing 1 million people access to fresh food



**14k**

**ELDERS**

at 187 age-friendly community projects



**36k**

**AFFORDABLE HOUSING**

units in 235 communities



**213**

**COOPERATIVE**

businesses serving 867 thousand customers

WE HAVE DEPLOYED OVER **\$2 BILLION** TO SERVE NEARLY **5 MILLION PEOPLE** AND CREATE MORE THAN **33,000 JOBS** NATIONWIDE IN SECTORS CRITICAL TO VIBRANT COMMUNITIES.



CAPITAL IMPACT

# Strategic Pillars



## **ADDRESS SYSTEMIC POVERTY**

Effect systemic change at scale —from social systems to government programs—so that all people have paths out of poverty.



## **CREATE EQUITY**

Support equitable access to quality services and economic opportunity regardless of race, ethnicity, gender, or income.



## **BUILD HEALTHY COMMUNITIES**

Foster connections and social supports that strengthen the links between health, education, housing and opportunity that help people and communities thrive together.



## **PROMOTE INCLUSIVE GROWTH**

Build diverse, mixed-income communities that promote economic mobility and empower individuals to break the barriers to success.



## Our Inclusive Food Systems Work

DELIVERING HEALTHY FOOD IMPACT TO UNDERSERVED COMMUNITIES NATIONWIDE

**\$150**  
MILLION+ **FINANCING** **83**  **RETAILERS** **SERVING** **1MILLION+**  
CUSTOMERS 



# Cooperative Specific Strategy

SUPPORTING THE COOPERATIVE MOVEMENT NATIONWIDE



- Quality jobs: living wages, benefits, job training, career ladders
- Jobs with low barrier to entry
- Catalyst for community development activities
- Build community wealth and assets
- Increase healthy food access in low income urban and rural communities and communities of color





## Cooperative Specific Activity

- Annual Co-op Innovation Award since 2015
  - Seed grants and TA in low-income urban communities through Food Co-op Initiative (FCI)
- Technical Assistance
  - Michigan Good Food Fund
  - National Co-op Grocers Fund
- Cooperative Lender Working Group
  - Build the ecosystem with focus on lending and TA
- Intersection of food and worker co-ops
  - Allows benefits to flow to owners





## Cooperative Transaction Examples

- Mandela Food Cooperative
- First Alternative Co-op
- Co+Opportunity Market and Deli
- Wheatsville Co-op
- North Flint Food Co-op





**Thank you for joining!**



# Financing Food Co-ops to Advance Regional Food Systems

Steve Cooke, General Manager

Friendly City Food Co-op, Harrisonburg, VA



### 8 OF OUR 16 VARIETIES OF LOCAL VIRGINIA APPLES CURRENTLY IN STOCK

Our goal is 30% local products, and have been averaging 20% annually with seasonal fluctuations since we opened just over 6 years ago.

# Expansion Details

- Co-op opened in June of 2011
- 2000 square feet opening up next door
- Last fiscal year annual sales \$4.25 million
- Current retail s.f. = 4 600, Total space = 8,000
- Possible additions include:
  - Shared use commercial kitchen for local farmers/producers to convert excess produce into value added jams, sauces, pickles.
  - Mini food hub – 15' x 30' old walk-in on loading dock could be converted to operating cooler for cross-docking local produce to area restaurants and markets.
  - Online ordering/delivery/meal kits program
- Co-op needs more walk-in cooler/freezer space, larger meat/seafood case to expand available local options, ...

# Friendly City finances

- Profitable in years 5 and 6 of operation
- Around \$1 million on balance sheet
- 25 days of cash on hand
- Strong margins
- Below average labor costs
- Nearly double digit sales growth
- Experienced leadership team and board
- GM with over 20 years managing food co-ops
- Large, and growing market area





## Can we all co-sign the loan agreement?

(full disclosure: this is clip art and not an actual photo  
of our 1800 + owners)



**Friendly City Food Co-op,  
Harrisonburg, VA**

[www.friendlycity.coop](http://www.friendlycity.coop)

@friendlycity

# Panel Q&A



# Audience Discussion





# Thank You!

**Doug O'Brien**

EVP Programs,  
NCBA CLUSA

[dobrien@ncba.coop](mailto:dobrien@ncba.coop)

**Andrew Dumont**

Sr. Community Development Analyst,  
Federal Reserve Board

[andrew.m.dumont@frb.gov](mailto:andrew.m.dumont@frb.gov)

**Jim Barham**

Agricultural Economist,  
U.S. Department of Agriculture

[James.Barham@wdc.usda.gov](mailto:James.Barham@wdc.usda.gov)

**Olivia Rebanal**

Director of Loan Programs,  
Capital Impact Partners

[dobrien@ncba.coop](mailto:dobrien@ncba.coop)

**Steve Cooke**

General Manager,  
Friendly City Food Cooperative

[steve@friendlycity.coop](mailto:steve@friendlycity.coop)

**Andy Rachlin**

Managing Director, Lending & Investment  
The Reinvestment Fund

[Andrew.Rachlin@reinvestment.com](mailto:Andrew.Rachlin@reinvestment.com)

**Alison Powers**

Program Officer,  
Capital Impact Partners

[apowers@capitalimpact.org](mailto:apowers@capitalimpact.org)

