WHAT IS A FRESH FOOD FINANCING INITIATIVE?

- A Fresh Food Financing Initiative (FFFI) is an incentive program to expand grocery stores and other providers of fresh foods in neighborhoods without them.
- Creating an FFFI has proven much more effective than one-off grocery recruitment.
- FFFIs are created and overseen by a government entity, but they are administered by a Community Development Financial Institution (CDFI), a non-profit lending institution with expertise in investing in lower-income communities.
- Fresh Food Financing Initiatives provide a flexible combination of regular loans, forgivable loans and grants to attract, retain and expand food retail projects.
- Public dollars typically leverage 10 to 20 times as much private investment, targeted to the communities that most need it.
- Fresh Food Financing Initiatives can be structured to support a wide variety of food access endeavors, including full-service grocery stores, food co-ops, online delivery initiatives, farmer’s markets, healthy corner stores, etc.

WHY DO FRESH FOOD FINANCING INITIATIVES WORK?

#1) They provide access to financing for food retail.
#2) They create an entity that has the clear responsibility to attract food retail and the incentive tools to do so successfully.
#3) They attract much larger pools of funding than is available locally, through CDFI’s access to private capital, tax credit allocations, federal FFFI financing and other sources.
#4) Creating an FFFI brings in major national players, such as The Food Trust, The Reinvestment Fund, etc. – entities that are a long-term asset for economic development in low-income neighborhoods.

TRACK RECORD OF HEALTHY FOOD FINANCING INITIATIVES

Healthy Food Financing Initiatives have established a strong track record of success across the nation as a strategy to attract supermarkets and other healthy food retail outlets to communities with unacceptably low access to fresh produce and other healthy food options. The State of Pennsylvania created the model for this program in 2004, with impressive results.

Pennsylvania Fresh Food Financing Initiative

$30 million state support
Leveraged $190 million in investment.

- Financed 88 grocery stores
- Created 5,023 jobs
- Home values near new stores increased 4 to 7% (in areas where property values were declining)
- 400,000 people have benefited from increased access to healthy food
The success of the Pennsylvania strategy has led to the expansion of similar programs across the country, with programs currently in place in California, Colorado, Illinois, New Jersey, New York, a federal program run by the U.S. Departments of Treasure and Agriculture and a municipal program in New Orleans.

The New Orleans Fresh Food Retailer Initiative has played a crucial role in opening new stores and bringing supermarkets back into commerce in Katrina-ravaged communities. $7 million of city support has leveraged more than $50 million in private investment.

**PROPOSED IMPLEMENTATION STEPS**

- Meet with City-Parish, Together BR and HOPE ECD on program design and implementation options. (completed in March 2017)
- Develop program specs and guidelines. (completed in June 2017)
- Approve budget appropriation. *Budget is $1.5 million in direct incentives to grocers over 3 years plus $125,000 in admin per year. Note: Together BR gets $0 in funding. We don’t accept public funds. Everything goes toward direct incentives and program implementation.*
- Announce program launch.
- Round 1 of applications opens.
- Round 1 of applications awarded.
- First groundbreaking!
BATON ROUGE GROCER RECRUITMENT FUND

PROGRAM GUIDELINES

Program Eligibility Criteria

APPLICANTS

Types of Entities
An applicant may have a for-profit or non-profit status and may be, but is not limited to, one of the following:

- National chain,
- Regional grocery chain,
- Singular grocery retail outlet,
- Smaller neighborhood food store,
- A food co-op
- Other retail entity, other than restaurants, that substantially increase access to fresh foods

Purpose
In order to be eligible to participate in the program, the applicant must either:

- Plan to open or restore a self-service supermarket or other grocery retail outlet selling affordable fresh produce, seafood, meat, dairy, and other groceries;
- Improve an existing market’s ability to stock and sell a variety of fresh fruits and vegetables, where fresh produce carrying capacity had previously been limited or nonexistent; or
- Develop a real estate project that will lease space to a grocery retail tenant
  - The applicant must have a designated fresh food retail operator
  - Projects with multi-tenant uses may be eligible if the development project is funded proportionately to grocery retailer square footage, allowing the program award to focus only on the grocery retail tenant portion

Experience
The applicant (or members of their management team) must demonstrate capacity and experience managing a grocery store or fresh food retail outlet that is similar to the proposed project. A minimum of 5 years of comparable management is recommended. A more comprehensive analysis of business plans and management capacity is undertaken during financial review/underwriting.

Ineligible Applicants
- Applicants that fail to demonstrate a commitment to offer fresh healthy foods in the judgment of program administrators
- Projects that are primarily restaurants, cafes, or bakeries
- Pharmacies with grocery sections
- Businesses with alcohol or tobacco retail sales as their primary source of revenue
LOCATION

The applicant’s business must be located:
- Within East Baton Rouge Parish
- In a location that meets Low-to-Moderate Income (LMI) criterion (described below)
- In a location that meets underserved criterion (described below)

Low-to-Moderate Income (LMI) Criterion
Eligible projects must primarily serve a low- to moderate-income (LMI) community by:
- Locating in an LMI census tract, or
- Demonstrating that a significant number of customers reside in LMI areas

Underserved Criterion
A location is considered underserved if there are no comparable markets or full-service grocery stores within an applicant’s trade area. Trade areas are used to approximate the service area of a store and are developed in collaboration with the grocery industry and community leaders. The Food Trust conducts an in-depth review of each applicant’s trade area, which is defined by industry partners and varies depending on store size and population density.

For this program, trade areas are defined as follows:
- For less than 10,000 square feet of retail: 0.5-mile trade area
- For 10,000-25,000 square feet of retail: 1-mile trade area
- For more than 25,000 square feet of retail: 1.5-mile trade area

In borderline cases, factors such as leakage of dollars (dollars spent on food outside the community) and vehicle ownership are also considered.

COMMUNITY FIT AND OTHER CRITERIA

The proposed project must be assessed for project scope, community impact, accessibility of the site location to disadvantaged populations and local support.

The qualitative assessment examines several characteristics, including:
- The presence of community support in terms of store quality, affordability and site location
- A store concept that demonstrates financial sustainability and meets program goals (further examined during financial underwriting)
- A demonstrable positive impact on the economy or well-being of the neighborhood, community or region, inclusive of priority populations, where the project is located
- A management team with demonstrated capacity (see Applicants > Experience section above)

Additional criteria can increase consideration and lead to prioritization of projects, especially for forgivable loan funds. These criteria include: local/sustainable sourcing, local hiring practices, comparable wages, energy efficiency, historic preservation and collaboration with other local
ELIGIBLE PROJECT EXPENSES:

Both forgivable loans and interest-bearing loans may be used for:

1) Predevelopment: to pay for the early costs associated with project feasibility including professional fees (e.g. architectural, engineering, etc.), market studies, appraisals, and deposits on land and buildings and other holding costs.
2) Site assembly and improvement: to pay for acquisition, demolition, environmental remediation, unstable foundations and soil conditions, and other costs associated with site and infrastructure improvement.
3) Construction and rehabilitation: to construct, rehabilitate, or expand the interior and/or exterior of the retail space.
4) Equipment: to install or upgrade equipment, machinery, furnishings, or interior fit-out, especially as necessary to increase the inventory and sale of fresh fruit and vegetables.
5) Staff training: to pay for training new or existing staff, especially in such areas as safe food handling techniques, sanitation, and management of fresh fruits and vegetables.
6) Security: to pay for security staff, security training, and security related equipment and site design features to create a safe environment in a neighborhood setting.
7) Inventory and working capital: to cover one-time inventory or other working capital expenses necessary to the sale of fresh fruit and vegetables and the initial operations of the business.

Ineligible project expenses

Borrowers may not use funds for:

1) The sole purpose of refinancing existing debt. Refinancing may be allowed if it is in conjunction with another eligible activity and in compliance with program goals.
2) Payment of any tax arrearages, government fines or penalties.
3) Political or religious activities.
4) Purchasing instruments or investments for the sole purpose of a return on investment.
## BATON ROUGE HEALTHY FOOD FINANCING INITIATIVE

### FINANCING CRITERIA

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Detail</th>
</tr>
</thead>
</table>
| **Project Location**            | • In East Baton Rouge Parish  
• In a location that is Low-to-Moderate- Income (LMI) or demonstrates that a significant number of customers reside in LMI areas  
• In a location that is considered underserved with no comparable grocery stores or markets within the project’s trade area, as defined in the Program Eligibility Criteria |
| **Credit History**              | • FICO of 600 for principals  
• No recent bankruptcies  
• Neither business nor principal(s) are in default on any taxes or governmental obligations  
• Neither borrower, nor affiliates, nor subsidiaries are party to any pending litigation or threatening litigation or subject to governmental investigations |
| **Management Experience**       | • Minimum combined relevant management experience of the principals is to be five years, with a preference for eight or more years.  
• In the case of someone with less experience, would expect there to be minimum requirement or mitigating factors (e.g., strength of outside collateral or guarantor/co-borrower, etc.) |
| **Personal Guarantees**         | • Required from ownership  
• Outside guarantors may be required |
| **Collateral coverage ratio**   | • LTV ratio of no more than 80% (Lower of Cost or Market)  
• Outside collateral may be used and/or required  
• The forgivable loans, investments, or grants will not be included in the LTV calculation. |
| **Debt Service Coverage Ratio** | • Target of 1.2x |
| **Flexible Financing**          | • During underwriting process, structure of financing is determined – may include senior or subordinate debt, forgivable debt, and/or repayable debt. |
| **Other considerations**        | • Deemed eligible for HFFI program through initial eligibility application process  
• Location & competition  
• Secondary source(s) of repayment  
• Must comply with HOPE Commercial Loan Policy and be approved by HOPE’s Credit Committee |
### Hope Enterprise Corporation
### Baton Rouge Healthy Food Initiative
### Proposed Budget

#### Expenses:

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baton Rouge</td>
<td>69,108</td>
<td>71,181</td>
<td>73,316</td>
<td>213,604</td>
</tr>
<tr>
<td>Additional Personnel</td>
<td>11,692</td>
<td>12,042</td>
<td>12,404</td>
<td>36,138</td>
</tr>
<tr>
<td>Travel</td>
<td>5,000</td>
<td>5,000</td>
<td>5,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Office Expenses</td>
<td>6,500</td>
<td>6,590</td>
<td>6,683</td>
<td>19,773</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>3,592</td>
<td>3,696</td>
<td>3,803</td>
<td>11,091</td>
</tr>
<tr>
<td>Eligibility</td>
<td>20,000</td>
<td>20,000</td>
<td>20,000</td>
<td>60,000</td>
</tr>
<tr>
<td></td>
<td>125,892</td>
<td>128,509</td>
<td>131,205</td>
<td>385,607</td>
</tr>
<tr>
<td>Lending Capital</td>
<td>500,000</td>
<td>500,000</td>
<td>500,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td></td>
<td>625,892</td>
<td>628,509</td>
<td>631,205</td>
<td>1,885,607</td>
</tr>
</tbody>
</table>

#### Revenues:

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract with City</td>
<td>600,000</td>
<td>600,000</td>
<td>600,000</td>
<td>1,800,000</td>
</tr>
<tr>
<td>HEC support</td>
<td>25,892</td>
<td>28,509</td>
<td>31,205</td>
<td>85,607</td>
</tr>
<tr>
<td></td>
<td>625,892</td>
<td>628,509</td>
<td>631,205</td>
<td>1,885,607</td>
</tr>
</tbody>
</table>
“The Grocery Gap” in Baton Rouge
And What We Can Do About It

Findings & Recommendations of the
East Baton Rouge Food Access Policy Commission
November 14th, 2014

EBR Food Access Policy Commission Members

Rev. Jesse Bilberry
Dr. Adell Brown, Jr.
Edgar Cage
David Gray
Ed Johnson
Mike Manning
Leroy Watts

Susannah Bing
Dr. Stephanie Broyles
Clint Caldwell
Ty Harvison
Dr. Kenneth Koonce
Jared Smith

11/2014
Commission Mandate

#1) Analyze the problem: Examine the causes and consequences of low food access in EBR Parish.

#2) Research strategies: What’s working across the country to attract grocery stores and increase food access in low access communities?

#3) Recommend solutions: Develop a proposal for specific policy changes to increase food access in East Baton Rouge Parish.

What defines the “Grocery Gap?”

An area with no grocery stores, where getting to a store is a problem for a high percentage of residents.

USDA standard for “low-access”:
At least 500 people or 33% of an area’s population live 1 mile or more from a grocery store (10 miles or more for rural areas).

Income and percent of households with no vehicle also help define “low access”.

11/2014
Between 75,000 & 103,000 EBR residents live in “grocery gap” neighborhoods

Highest of any Louisiana parish

17 to 23% of EBR population

National average 7% of US population

Baton Rouge, we have a problem ...

The “Grocery Gap” affects every EBR Metro Council District

# of low-income / low-access residents

7,016 (Welch)
13,844 (Banks-Daniel)
5,390 (Loupe)
4,938 (Wilson)
3,714 (Edwards)
6,629 (Collins-Lewis)
960 (Marcelle)
1,232 (Amoroso)
2,951 (Boe)
12,393 (Wicker)
1,104 (Heck)
2,608 (Delgado)

Sources: 75,000 estimate is USDA data fro 2014. 103,000 estimate is Pennington Biomedical data from 2013.
Food access matters to …

#1) Our Health

(Spot the trend?)

<table>
<thead>
<tr>
<th>Adult obesity rate</th>
<th>No Car and No Supermarket Within a Mile</th>
</tr>
</thead>
</table>

Residents in areas without supermarkets within 1 mile …

- are 25 to 46% less likely to have a healthy diet.
- have obesity rates between 52% and 90% higher.


Louisiana has one of the highest obesity rates in the nation

Obesity-related healthcare costs in Louisiana in 2013: $2.9 billion

Lack of access to healthy food is contributing to our obesity problem.
Food access matters to …

#2) The cost of food

Food costs at corner stores are 7% to 25% higher than at grocery stores.

- Milk is 5% to 16% more expensive
- Bread is 10% more expensive
- Cereal is 25% more expensive

Those least able to afford it are paying more for food.

Food access matters to …

#3) Economic Development

Grocery stores are anchors for neighborhood vitality.

Old Schwegmanns In New Orleans 2012

(Remember this picture.)

When stores close, property values decrease, out-migration quickens, other commerce stagnates.

Attracting stores to an area attracts residents, increases property values and brings in other commerce.
Where are the most serious Grocery Gaps in EBR?

9 Areas

#1) Scotlandville 17,928
#2) “Old South” BR 10,614
#3) Florida Corridor 13,070
#4) Baker 9,661
#5) South BR 7,325
#6) Glen Oaks East 5,833
#7) Gardere / Hermitage 3,379
#8) O’Neal @ Harrell’s Ferry 2,937
#9) Mid City / Downtown 4,712

11/2014

33% of EBR residents in low food access areas are in poverty

32,753 are children

13,282 are seniors

31,692 EBR residents (7.2%) have no access to a vehicle

11/2014
Areas with low food access AND low vehicle access

% of residents with no car and no supermarkets within a mile

(above 2.5% is considered “high” by USDA)

Several of these low-access areas have market potential.

Scotlandville

Annual grocery sales

$38 million

0 grocery stores

**“Old South”**

Annual grocery sales

$23.5 million

0 grocery stores


**Florida Blvd Corridor**

Annual grocery sales

$45.5 million

0 grocery stores

Hi Nabor re-location will help meet some demand.

(Shows that low access areas can have market potential that goes unmet by retailers for years.)

There is market potential in several low-access areas.

But we need a comprehensive market analysis for specific site identification and grocer recruitment.

And we need better retail attraction tools to seize these opportunities.

Recommendation #1
Create the EBR Fresh Food Financing Initiative

City-parish incentive program to attract grocery stores and other healthy food retail to low-access areas.
About Fresh Food Financing Initiatives
(Recommendation #1)

Key tool in other cities and states to attract grocery stores and other quality food retail.

Can be designed to support wide variety of food access endeavors: traditional grocery stores, food co-ops, online delivery initiatives, farmer’s markets, corner store initiatives, food hubs, etc.

Funding typically is combination of commercial loans, forgivable loans and grants.

Creates an entity with clear responsibility to attract food retail and the incentive tools to be successful.

$30 million state support
Leveraged $190 million in investment.

Financed 88 grocery stores
Created 5,023 jobs
Home values near new stores increased 4 to 7% (in areas where property values were declining)
400,000 people have benefited from increased access to healthy food
New Orleans Healthy Food Retailer Initiative

Abandoned Schwegmann’s 2012

New Whole Foods opened this year 2014

Circle Foods, destroyed by Katrina 2013

Circle Foods, re-opened this year 2014