



October 2020
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CDFA Food Finance White Paper Series:
**Advancing Local Food Systems
Through Development Finance**

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Funded with support from
the W.K. Kellogg Foundation



About the CDFA Food Finance White Paper Series

This is the final publication in the [CDFA Food Finance White Paper Series](#) that aims to define how traditional development finance tools can be used to demonstrate the viability of the food system as an asset class. The first white paper provides a definition of the food system and an overview of development finance with an explanation of why and how these tools can be applied to the food system. The next four white papers provide an extensive description of development finance tools that can be employed for food-related projects – access to capital tools, bonds, targeted tools, and investment tools – alongside comprehensive case studies that successfully utilize each of these tools. This final white paper of the series presents replicable strategies for reframing food projects and businesses, building the connectivity between players involved in food system restoration, and planning for the financing needed to make developments in the food system happen. This series demonstrates to development finance professionals the significance of incorporating local food systems efforts into local economic development agendas, as well as to local food system practitioners the importance of engaging local development finance agencies for restoring healthy, sustainable, and equitable food systems.

CDFA Food Finance White Paper Series:

[Food Systems & Development Finance](#)

[Food Systems & Access to Capital](#)

[Food Systems & Bonds](#)

[Food Systems & Targeted Tools](#)

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Advancing Local Food Systems Through Development Finance

Food impacts people and places every day. It is a basic need and a determinant of health; it affects the natural environment; it is an expression of culture and history; and it serves as an economic foundation locally and nationally. Food and agriculture-related businesses form a \$7.63 trillion industry nationwide.¹ Whether small or large, urban or rural, growing or shrinking, food is an important part of any community's economy. The food system is comprised of different sectors – agriculture, social enterprise, industry, entrepreneurs, institutions, and infrastructure – and each offers significant potential for economic development.

There is firm evidence suggesting that food-related projects and businesses are worthy of investment from public and private development finance sources. Food is being used successfully as an economic development tool, especially when the focus is on food enterprises classified as small businesses. Farms, processing plants, food trucks, aggregation facilities, breweries and distilleries, grocery stores, restaurants, farmers markets, cafeterias, and other food-related businesses help create jobs while keeping money in local circulation, and help improve social equity.

Many communities have already incorporated food systems into their economic development strategies, and numerous Community Development Finance Institutions (CDFIs) are supporting local food businesses and initiatives. However, there is a demand for Development Finance Agencies (DFAs) to increase capital that supports local and regional food systems. A variety of traditional financing tools can be uniquely deployed by DFAs to support localized food systems, which in turn leverages additional capital. In order to do this, there are key actions that communities, DFAs, and local projects should take to advance food systems financing. Food must be framed as an opportunity for local economic development. Partnerships must be built to bridge existing gaps and engage the right partners, and a strategic financing plan must be used to coordinate and utilize available financing.

Food Systems Finance Research

With funding from the W.K. Kellogg Foundation, the Council of Development Finance Agencies (CDFA) set out to better understand how DFAs could become more engaged in building localized food systems through traditional financing approaches. This is the final publication in the [CDFA Food Finance White Paper Series](#), a series that was published as part of a broader initiative to define an organized and performance-driven food system asset class. Through this work, CDFA aims to advance opportunities and leverage existing capital financing streams that scale local and regional food systems and increase access to better food while creating new living wage jobs in communities across the country.

CDFA's initial research uncovered more than **\$1 BILLION** in traditional financing has been used to develop localized food systems.

¹ [Feeding the Economy Report \(2020\)](#).

The research conducted for this series explores how development finance tools like bonds, tax credits, revolving loan funds, and tax increment finance can be used to support food system development. The results reveal incredible work taking place all across the country. Findings from this initiative demonstrate how development finance can unlock significant capital to support the food system. **CDFA's initial research uncovered more than \$1 billion in traditional financing used to develop localized food systems in 27 states.** These case studies come from both urban and rural communities in regions across the U.S. with financing from local, state, and federal level programs, as well as private lending.

As investments in food and agriculture increase, communities across the country are seeing greater connectivity between various food system sectors at local and regional scales. This reduces fragmentation across the food system and helps meet the diverse economic, social, and environmental goals within the system. CDFA continues to bring recognition to these efforts, while also deepening the analysis of what makes projects successful so that these learnings can inform work happening elsewhere.

This final paper in the CDFA Food Finance White Paper Series identifies replicable strategies for reframing food system projects and businesses as vital components of economic development, increasing the connectivity between players involved in food system restoration, and securing the financing needed to make these developments happen. These three actions are necessary to define the food system asset class and rebuild local food system infrastructure to increase healthy food access and generate economic development for underserved communities.

Connecting Food Systems with Development Finance

Food system advocates have taken transformative steps toward reestablishing local and regional food systems, with help from philanthropic and federal grant dollars. Although food-related projects and businesses are regularly perceived as too risky for traditional investment, a shift has taken place in recent years. The high performance of diverse food system businesses and projects that have received traditional financing, combined with the growing demand for more significant investment in food systems, has created an opening for partnerships with DFAs.

Development finance is used by local communities to encourage, support, and catalyze the physical development, redevelopment, and expansion of a business or industry. This is done through public and private investment in projects which benefit the long-term health of a community. DFAs act as a conduit for channeling these investments for a public purpose. DFAs are either public or quasi-public/private agencies that provide support for economic development through various direct and indirect financing programs. Generally, DFAs can be formed at the state, county, township, borough, or municipal level, and often have the authority to provide development finance programs across multi-jurisdictional boundaries.

DFAs are uniquely positioned to provide a significant amount of financial support to local economic development as DFAs may issue tax-exempt and taxable bonds, provide credit enhancement programs, and offer direct lending, equity investments, or a broad range of access to capital financing mechanisms. There are already DFAs around the country that are connecting local food businesses and projects with financing.

As the local foods movement has matured and the demand for local products has increased, the scale and cost of projects has also grown. The next phase of development for the broader food system is a sizable investment that can catalyze this buildout, coordinated with continued engagement of grants, technical assistance, and grassroots organization. Food is already a key economic development strategy in many communities, and contributions from mainstream development finance will support further restoration of regional food systems. Traditional development finance tools are being readily applied to the food system by DFAs, like Industrial Development Bonds for food processing plants or Tax Increment Financing for grocery store development.

The development finance industry has an important role to play in current and future growth of the food system, continuing to prove the viability of food system restoration and attracting interest from both public and private investment.

Defining the Food System

CDFA's vision for the broader food system is focused on economic development, though most food system-related efforts are driven by a range of interests that include access to fresh foods for families and children, creating high-quality jobs in underserved communities, developing socially and racially equitable communities, ecological wellbeing, cultural preservation, and more. Food and agriculture should be a key part of local and state economic development strategies because of the potential for these varied benefits. Small businesses and local entrepreneurs keep dollars circulating in a region's economy, building wealth and expanding economic opportunity. Agriculture and food industries operating on a more localized scale increase economic and environmental resilience within communities. Approaching economic development comprehensively ties these many goals together, while maintaining a strong emphasis on the viability of food system investment.

In order to establish reliable, affordable, and traditional streams of financing for a wide variety of food systems projects, there must be a shift in perspective that understands individual people and projects within the broader food system to reduce fragmentation. CDFA has identified six distinct areas of activity that exist within a comprehensive food system and which could be recipients of investment.

Although there is often overlap between these areas of activity, the CDFA Food Finance White Paper Series is oriented around the defined components below:

Six Components of the Food System

Social Enterprise

An organization or initiative that works to support social objectives, such as increasing access to healthy affordable food, sustainable food, or other socially beneficial food objectives.

Institutional Buyers

Public or private institutions, such as schools, universities, hospitals, or prisons, that purchase wholesale, prepare, and serve large amounts of food to meet internal demand within the food system.

Agriculture

The cultivation and harvesting of primary consumable food products (plants, animals and their byproducts), as well as the acquisition and management of agricultural land, research & development, production, support, and operations, regardless of physical location or scale.

Industry

The broad range of actors who contribute, or facilitate, the process of food production and distribution to consumers. This may include food retailers, food service, processors, packagers, distributors, producers of related inputs, and more.

Entrepreneurs

Individuals who create and operate businesses in the food system, such as culinary, technology, distribution, agriculture, or processing businesses, in order to meet market needs and gain profits from the business.

Infrastructure

The physical facilities, as well as the organizational, technological, and relationship networks that allow for the production, processing, storage, distribution, transportation, transfer, and retail of food.

This definition of the food system takes a more comprehensive look at the greater economic ecosystem around food production, food enterprises, and food infrastructure to reinforce the concept of an investable asset class and attract more public and private dollars.

**Research assistance provided by The Ohio State University, Knowlton School, City & Regional Planning 5890 course of Spring 2017.*

The Toolbox Approach

CDFA's toolbox approach to development finance brings together the best financing concepts and techniques to provide a comprehensive response to capital and resource needs. The toolbox approach offers programs and resources that harness the full spectrum of financing options. This tactic requires a commitment to public-private partnerships, and the creation of niche programs to assist different types of industries and enterprises. Whether assisting large-scale industrial development projects – such as food processors or packaging facilities – or small, micro-enterprise business development – such as food trucks or urban farms – the toolbox method is designed to provide assistance to numerous types of users, and to maximize opportunities for growth in the local community.

The toolbox includes the following areas of finance:

The Development Finance Toolbox

Bedrock Tools are the foundational financing tool known as bonds. This is the largest debt market and makes up the foundation of all public finance in the U.S. Over 10,000 bonds are issued annually, representing infrastructure, housing, education, agriculture, manufacturing, healthcare, nonprofits, and more.

Targeted Tools are used to target specific geographic areas through the use of taxation, allowing for direct reallocation of specific taxes to pay for the current cost of the development. Tax Increment Financing (TIF), Special Assessment Districts, and Property Assessed Clean Energy (PACE) Financing are common tools in this category. Tax Abatements, which is the relief, rather than a redirection, of taxes is also included in this category.

Investment Tools encourage private sector engagement in projects and businesses by attracting investors. Tax Credits and Opportunity Zones are the tools that drive this sector and may involve community development, historic rehabilitation, housing, manufacturing expansion, employment growth, site selection, and other targeted objectives.

Access to Capital Tools represent the resources for supporting small businesses, entrepreneurs, and microenterprises to unlock capital for growth. Revolving Loan Funds, Loan Guarantees, Linked Deposit, Microlending, Seed and Venture Capital, and Angel Investor Funds are all examples of tools in this category.

Federal Support Tools are the most flexible, least complex, and easily applied in comparison to other development finance tools. A variety of loan guarantees, loan funds, grants, tax incentives, and other programs are available through various federal agencies. Federal support tools are often used in conjunction with other tools in the toolbox and can be applied as gap financing for projects.

There are a wide range of development finance tools can be used to finance projects within the various sectors of the food system. The vast majority of the case studies featured in the CDFA Food Finance White Paper Series utilized more than one of these financing approaches, highlighting the importance of a diverse capital stack. Certain tools in the toolbox are extremely versatile and can be used for many types of projects, while others are best-suited for a specific type of business or project. By employing the toolbox approach, economic development professionals can combine various tools and programs to fill financing gaps and support local and regional food systems development.

Case Studies

The following case studies represent the flexibility and viability of using traditional financing tools for businesses and projects throughout the food system. These examples provide details about project goals, partnerships, capital sources, timelines, success factors, challenges, and key takeaways for similar food system endeavors.



Alef Sausage, Inc. - Lake County, IL

Bonds

Alef Sausage, Inc. was founded in 2000 by a Ukrainian immigrant husband and wife team, beginning as a storefront deli and expanding eventually to what is now a state-of-the-art meat processing facility that manufactures 40 varieties of traditional old-world sausage and prepared meats that are sold nationally, primarily to restaurants and institutional accounts. The company's production capacity more than doubled in 2010 as the result of \$2.9 million in Industrial Development Bonds which enabled Alef Sausage to establish operations in a new, adjacent facility. These tax-exempt manufacturing bonds were issued by the Illinois Finance Authority (IFA) through their Industrial Development Revenue Bond Program. As a conduit Issuer, IFA provides low-interest rate financing for qualifying manufacturing projects.

The relationship manager for Alef Sausage at First American Bank was the key person in recommending that the company pursue bond financing for this expansion through IFA. Alef is representative of many small family-owned ethnic food processing companies that are critical in creating basic employment supporting local economic development. The Alef Sausage project resulted in capital investment in real estate, thereby enhancing the local property tax base by creating and retaining manufacturing jobs in Lake County, Illinois. Additionally, the Alef Sausage project emphasizes the importance of establishing connections and capacity within the development finance community to foster development of additional food production capacity and ultimately driving further integration of the food system infrastructure and supply chain.



Bornstein & Pearl Food Production Center - Dorchester, MA

Tax Credits | Loans | Grants

In 2010, Dorchester Bay Economic Development Corporation (DBEDC) purchased the former home of Pearl Meats, a meat processing company. The company had employed nearly 150 people when it shuttered the factory in 2006 and left the site vacant. DBEDC had the intention of demolishing the 36,000 square foot building and replacing it with affordable housing, but during the community engagement process, residents of the community identified job creation and economic life as their desire for the site. Through a partnership with CommonWealth Kitchen, a nonprofit commercial kitchen incubator, DBEDC transformed the site into the Bornstein & Pearl Food Production Center, a state-of-the-art food production facility. CommonWealth Kitchen was a key programmatic partner, providing financial stability as a long-term anchor tenant occupying 50% of the building, and by providing food industry expertise throughout the development of the project.

There were also several key financial partners involved in making this project and its complex capital stack a success. The City of Boston was one critical partner involved early in the project timeline, integrating the Bornstein & Pearl Food Production Center concept into their winning proposal for the HUD CHOICE Neighborhood Grant. It took approximately three more years to raise and secure nearly \$15 million in public and private financing, with renovations beginning in August 2013 and occupancy beginning in May 2014. The City of Boston was also able to provide a HUD 108 Loan which provided patient, flexible gap capital for this project.

BlueHub Capital, a mission-based lender with a willingness to invest in tough projects like this, provided the first mortgage loan. LISC's New Markets Support Corporation allocated New Markets Tax Credits with PNC as an investor to produce a key piece of financing for the project. Without this robust group of partners with the right skill sets and a variety of financing products weaved into the capital stack, this high-risk project with great mission benefits may not have been achieved.

Today, Bornstein & Pearl is home to five food companies, including CommonWealth Kitchen. Combined, these businesses employ over 200 people in a neighborhood with an unemployment rate double the national average. CommonWealth Kitchen is home to 55 start-up food businesses and also operates a commissary kitchen for small-batch contract manufacturing that enables farms and other food businesses to scale their value-added production.

The Capital Stack

BlueHub Capital	\$ 2,678,000	First mortgage / leverage loan and acquisition loan
City of Boston	\$ 3,474,945	HUD 108 loan, acquisition loan, and soft debt
Coastal Enterprises, Inc./Wholesome Wave	\$ 500,000	Health Food Financing loan
Dorchester Bay Economic Development Corporation	\$ 300,000	Dorchester Bay Neighborhood Loan Fund
Dorchester Bay Economic Development Corporation	\$ 650,000	Developer Equity/Deferred Fee
LISC New Markets Support Company / PNC Bank	\$ 3,761,700	NMTC equity
MassWorks Infrastructure Grant	\$ 1,500,000	Grant for utilities infrastructure
Department of Health and Human Service - Office of Community Services	\$ 788,000	Grant to support job creation
HUD CHOICE Neighborhoods Grant	\$ 500,000	Grant through the City of Boston as part of the Quincy Corridor Transformation Plan
EPA Brownfields Grant	\$ 118,063	Grant for site clean-up
MassDevelopment Brownfields Grant	\$ 163,500	Grant for site clean-up
The Boston Foundation	\$ 100,000	Grant
Kendall Foundation	\$ 275,000	Grant
Citizens Bank Growing Communities	\$ 30,000	Grant
Pierce Trust	\$ 10,000	Grant

TOTAL SOURCES

\$14,849,208



Hopsteiner - Yakima County, WA

Bonds

Hopsteiner is a hops grower and processor with over 170 years of experience. Originating in Germany, Hopsteiner began producing hops in the U.S. during the 19th century. In 2007, Hopsteiner expanded its production in Yakima County, Washington, where nearly 75% of all hops are produced in the U.S. The Washington Economic Development Finance Authority (WEDFA) issued \$5.05 million in Revenue Bonds for this expansion, financing a new cold-storage warehouse and equipment to modernize its hops pellet processing which allowed Hopsteiner to increase its production of hop pellets. A total of 41 jobs were created or retained because of the financing on this project.

In 2019, Hopsteiner asked to work with WEDFA again to further expand its Yakima County facility for another innovative hop product made by its subsidiary, the Hops Extract Corporation of America. The expansion included the addition of high-pressure extractors which increased the shelf life of the hop pellet extract. Hopsteiner has also created a line of downstream products derived from the extract. WEDFA worked with Brown Brothers Harriman to issue nearly \$8.5 million in Revenue Bonds for this project. The new equipment will also create or retain 53 jobs with the company. WEDFA's Executive Director, Rodney Wendt, attributes much of this project's success to the strong partnership with the bank, Brown Brothers Harriman, and their experience of working with DFAs on issuing Industrial Revenue Bonds.





Red Lake Trading Post Grocery Store - Red Lake, MN

Tax Credits | Loans

The Red Lake Band of Chippewa constructed a new grocery store in 2019 to better serve the Red Lake Reservation. The project cost \$10.6 million in total, creating three times the space as the previous store and providing more options for fresh produce, meat, dairy, and baked goods. A \$10 million New Markets Tax Credit (NMTC) allocation from Travois New Markets, LLC provided financing for the majority of the project, and the remaining gap was covered by a loan from Native American Bank that was guaranteed through the USDA Business & Industry Loan Guarantee program. This was the first deal of its kind to combine New Markets Tax Credits with a USDA Loan Guarantee on a project located on tribal trust land using the ground lease as collateral. Although the store is on restricted trust land on the reservation, which makes conventional Land Mortgages unavailable to use as collateral, the project was able to pledge the lease itself as collateral on the loan. This Leasehold Mortgage allowed Native American Bank to offer more favorable loan terms and a larger loan amount for the grocery store project.

Travois and Native American Bank first met with the tribe's economic development arm, Red Lake, Inc., in 2014 to discuss the project concept, financing options, and potential impact. It took three years to close on the tax credits and the loan, in part because of the complexity with combining NMTC with a federal loan guarantee. However, using the loan guarantee to enhance the tax credits while using the loan from Native American Bank as collateral was a significant innovation in helping the project succeed. The expertise with NMTC offered by Travois was another key factor in financing this new grocery store. Not only was Travois the driving force behind the NMTC allocation but they also ensured access to patient and flexible capital for the project.

Food is an integral part of long-term strategic planning and goal setting in many tribal communities because producers and consumers alike desire a more localized food system. In addition to improved quality and access to food with the new grocery store, the expansion with Red Lake Trading Post created 20 new permanent jobs and retained 30 permanent jobs from the previous store. There are also efforts to build food sovereignty, defined as "the right of peoples to healthy and culturally appropriate food produced through ecologically sound and sustainable methods, and their right to define their own food and agriculture systems."² Red Lake is an example of a tribal food producer, selling wild rice and fish branded as Red Lake Nation products both inside and outside the reservation. Emphasis on these industries supports economic development through food, helping build local food system infrastructure while also addressing needs of the community.

² [U.S. Food Sovereignty Alliance.](#)



Little Fox Restaurant - St. Louis, MO

Loans

The St. Louis Economic Development Partnership (STLP) provided an Economic Development Administration (EDA) loan through the St. Louis Local Development Company (LDC) to the Little Fox Restaurant. Eligibility requirements for this EDA revolving loan fund stipulate a two-to-one ratio of private to public funds used in the project and the creation of one job for every \$35,000 that is borrowed. Little Fox received a 5-year, \$150,000 loan with a 4% interest rate, which went towards startup costs of establishing the business and providing working capital. Financing for this project was done in partnership with Midwest Regional Bank.

Located in the historic Fox Park neighborhood, Little Fox is a small plate-forward, full-service restaurant with an emphasis on natural wine and craft cocktails. Executive chef and co-owner Craig Rivard began and refined his 17-year culinary career in New York City, and has moved back to his hometown to begin his own concept with his wife and co-owner, Mowgli Rivard.

The STLP serves the City of St. Louis and St. Louis County, providing a range of services that includes revolving loan funds for small businesses. Most of the loans provided through these RLF programs go to food-related retailers, such as restaurants, breweries, and coffee shops, because the perceived risk associated with this sector can make it difficult to access affordable lending. Individual businesses are often connected with STLP through a bank referral, when the bank is unable to meet the needs of the borrower. STLP is able to offer longer term, lower interest loans through their RLFs which are typically between \$35,000 and \$150,000.

When evaluating a business for a loan, STLP assesses the experience of the borrower, the business plan, and the equity invested in the project. They also look at the surrounding community and aim to support efforts that are well-suited for the neighborhood. The RLF programs have plans to work in coordination with STLP's St. Louis Mosaic Project, an initiative focused on immigrant entrepreneurs that has identified food businesses as an important cluster.

For their lending programs, STLP monitors each business' financials throughout the loan period and provides technical assistance as needed for issues that arise. The organization has a variety of in-house assistive services as well as connections to other resources for business development, training, and workforce development.

Dallas Farmers Market - Dallas, TX

TIF | Bonds | Grants

The Dallas Farmers Market has been in operation for nearly 80 years and has a rich history of selling fresh, local foods. However, the Farmers Market became underutilized over time and operations shifted towards manufacturing and selling warehoused produce. In 1998, the Dallas Farmers Market TIF District was created by the City to revitalize the area, covering nearly 115 acres in the eastern part of downtown Dallas. Development was slow in the TIF District until 2013, when the City's Downtown 360 Plan identified the Farmers Market itself, and not just the surrounding neighborhoods, as a focal point for redevelopment.

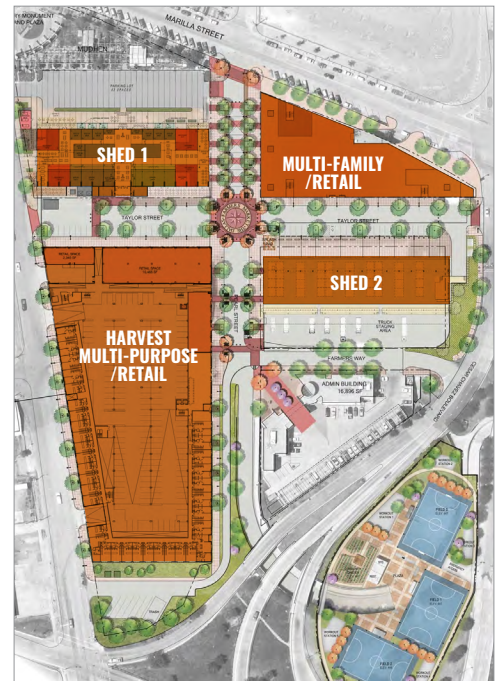
The mission for the district is to provide a source of funding for public infrastructure improvements to promote the redevelopment, stabilization, and growth of the physical area, as well as the area's tax base. To support this work, the TIF was modified in 2013 to expand the district and extend the life of the district. The boundaries of the TIF were reestablished to include new areas and the termination date was extended by 15 years, expiring in 2028. During this time, an increment of \$19 million (net present value) was expected and Dallas County joined as a financial participant to contribute an additional estimated \$4.3 million in revenue.

The Farmers Market Redevelopment Project was a multi-phased development within the Farmers Market which includes the privatization of the Farmers Market indoor and outdoor sheds. The total investment for the project is \$62.9 million. In addition to private investments in the District, public assistance was provided from \$5.5 million in General Obligation Bonds issued by the City of Dallas, \$670,000 from a public-private partnership grant, and \$930,000 from land sale proceeds. From the TIF, \$19.7 million has been committed for the Farmers Market Redevelopment Project.

All phases of the Farmers Market Redevelopment Project are now complete, including:

- Shed 1 renovation, creating 119 market stalls for local farmers, farm merchants, and vendors to sell produce and other farm-related products
- Shed 2 renovation, establishing over 24,000 square feet of retail space for restaurants, specialty food vendors, and other retail vendors
- North Texas Food Bank purchased the Farmers Market Administration Building and relocated its administrative office to the site
- Construction of mixed-use residential, commercial, and retail space throughout the district, as well as parking, recreational fields, and community gardens

This long-term project used food as an economic development strategy, creating opportunity for growth within food and agriculture sectors, as well as other markets. By incorporating the Farmers Market into the TIF district, Dallas was able to integrate the redevelopment of its local food system with the expansion of residential, commercial, and retail development projects.



Restoring America's Local Food Systems Through Finance

Research on the current ecosystem of food systems finance and leadership with pilot projects has positioned CDFA to identify key strategies for the path ahead in this work. Case studies that feature engagement between food systems practitioners and economic development on initiatives illustrate important takeaways for future practice. Each case has a unique local context with different market opportunities, community needs, political conditions, and players involved, yet there are common approaches among successful projects and programs that can be replicated elsewhere. The most effective examples are able to understand how the needs of their community – job creation, racial equity, local investment, access to healthy food, land use, and so on – can be aligned for collaborative, impactful outcomes. The three actions below reflect the key success factors that should be implemented simultaneously for restoring local and regional food systems. Every organization, community, economic development agency, and small business working in the food sector should adopt the **Reframe**, **Build**, and **Plan** approach to expand financing and drive capital into the local food system.

A COMPREHENSIVE APPROACH FOR RESTORING LOCAL FOOD SYSTEMS

REFRAME food systems development as infrastructure and economic development

Physical components of the food system should be understood as critical pieces of infrastructure that can receive traditional financing. Creating and expanding localized food systems must also be viewed as economic development that supports entrepreneurs, small businesses, job creation, community wealth, and long-term resiliency. Restoring food systems can be focused on goals of health, racial equity, job creation, climate change mitigation, farmland preservation, and many other goals while simultaneously being reframed as investment in infrastructure and oriented toward sustainable economic development.

BUILD effective relationships and partnerships across the entire food system

Connections are central to rebuilding local food systems. This includes the many actors working directly in the food system, and the most successful places are developing food systems in a supportive, coordinated manner. Networks should include members of the development finance community as well, whose mission for impactful local investment often aligns with local food projects. Involving community members who can represent neighborhoods or speak from a consumer perspective is also key for building equitable, sustainable food systems. Bridging gaps between these many groups will establish a more robust network with the resources, skills, and vision needed for local food system restoration.

PLAN for strategic food system financing

Redeveloping food systems is a long-term effort, and planning is essential because of the many players and resources needed for success. Financing and community engagement must be integrated in these plans as early as possible. Collaborating with partners in local finance creates opportunity for unlocking the necessary capital for future projects, and engaging with community members better ensures that social, economic, racial, and environmental goals are consistent with local demand. Bringing these players in step with local food system planning ensures a more holistic outcome, where many types of food-related businesses and projects can be successful.

REFRAME

food systems development as infrastructure and economic development

Food system projects can achieve a wide variety of goals, and it is important to frame a project so that all partners can see their interests represented in the work. This includes positioning food systems development as a critical piece of local infrastructure and as an economic development strategy. Food-related initiatives should be reframed in this context when discussing opportunities, projects, goals, and financing approaches.

Just as conventional infrastructure like roads and bridges are supported with public investment, food systems should also be seen as a type of infrastructure that requires traditional investment. Physical structures like cold storage and aggregation facilities, public markets, processing centers, and small business incubators are necessary for a localized food system. Many communities are already deploying capital to such infrastructure via bonds, tax credits, TIF, and more. Using the right traditional finance tools to build local food system infrastructure unlocks further growth, reinforcing the significance of food as a core part of the local economy.

Food should also be a strategic focus area for local economic development because food businesses are a critical part of every community. Framing food as economic development creates opportunity for supporting small food businesses by situating their efforts in a larger strategy. Food is already a proven economic driver, and it can be further integrated into other economic development strategies focused on growth, diversification, or resilience. While a restaurant or an independent grocery store might normally be seen only as a small business, defining the food system as its own market sector demonstrates the value of all the projects and businesses within this broader system. This perspective also identifies where there are gaps and possibilities for further expansion.

Local food system advocates are diverse in their motivations, and might also prioritize community health, job creation, climate change mitigation, racial equity, farmland preservation, or any number of other goals. Engagement between food-related work and DFAs creates opportunity for integrating these goals with local development efforts. Understanding the tools in the development finance toolbox and how they can be applied to various types of food businesses and projects is critical for incorporating the food system restoration into local economic development plans. Reframing food as infrastructure and economic development contributes to such diverse goals by making the approach more holistic, furthering future advances in food system development.

REFRAMING IN ACTION

[The Columbus & Franklin County Local Food Action Plan](#) identifies “increasing the role of food in economic development” as one of four goal areas for creating a fair and sustainable local food system. This goal seeks to create a stronger market for food businesses across the local food supply chain, increase employment and job training opportunities, and redevelop centralized neighborhood food marketplaces.



BUILD

effective relationships and partnerships across the entire food system

Food projects and businesses are most successful when there is collaboration with broad networks across the food system. DFAs in particular are key partners for food-related projects and businesses because they can use impactful traditional finance tools like bonds, revolving loan funds, and tax credits to support food system development. DFAs also have the ability to leverage additional public and private capital because their investments help address barriers to sustainable development. The food system has experienced consolidation and disinvestment that have led to perceptions of risk and vulnerability. However, participation from a DFA can reduce both real and perceived risks and demonstrate the viability of a project.

Comprehensive local food system development also calls for a variety of skills and experiences, which can be brought into these efforts by expanding relationship building beyond existing networks. People with backgrounds in finance, real estate, market analysis, agriculture, supply chain management, and more can be a critical part of bringing new developments to fruition and should be sought out to balance project teams. Community members who can represent neighborhoods impacted by certain projects or speak from a consumer perspective should also be involved in this network-building in order to create equitable, sustainable food systems.

Advocates of local food system restoration can benefit from bridging gaps between food system sectors as well, establishing a more interconnected network of players that work collaboratively to continue development. Coordination among local actors supports food economies by reducing duplication and increasing compatibility as different parts of the food system are built. Investors perceive the current food system as loosely defined and poorly organized, encompassing a multitude of disconnected food-related endeavors. As a result, traditional and institutional investors have a difficult time financing the food system because it is not yet viewed as worthy of significant investment. Reducing this fragmentation with increased connectivity will support local food system development and facilitate further investment.

For example, with more institutions like universities, hospitals, and public school systems setting local food purchasing goals, there is a need for relationships between those institutions and local producers in order to establish new supply chains. It is difficult for most institutions to coordinate their purchasing needs with various small producers when they are accustomed to sourcing from one central supplier. Small and medium sized farms often face challenges related to transporting goods, meeting highly specific expectations for quality and volume, and accessing the capital needed to scale up production for institutional purchasing agreements. Where connections between larger-scale buyers and small-scale producers are being intentionally built, those involved have been able to identify and begin addressing barriers that limit institutional local procurement. Institutions have the ability to significantly expand and strengthen local food and agriculture economies because of their purchasing power. Institutions must be dedicated to fulfilling their procurement goals and demonstrate leadership by taking bold steps to facilitate a better food system.

Bridging the gaps between players within the food system is a key step in unlocking continued development of this sector. As efforts to restore localized food systems become better organized, relationships beyond food-related networks can be more easily built with DFAs and other partners.

BUILDING IN PRACTICE

Engagement with the Columbus & Franklin County Local Food Action Plan helped connect a local, Mexican grocery store called [La Plaza Tapatia](#) with gap financing when they encountered unforeseen infrastructure costs during relocation. Franklin County Economic Development & Planning partnered with others in county government to utilize tax increment financing for the store's infrastructure costs, fulfilling goals in the Local Food Action Plan to support local food businesses and increase neighborhood access to food.

PLAN

for strategic food system financing

Restoring strong local and regional food systems will require a strategic financing planning that coordinates investment throughout different food system sectors and builds up the system as a whole. This means identifying or creating a diverse array of financing opportunities for producers, infrastructure, industry, entrepreneurs, institutional buyers, and social enterprises. Much like master plans and economic development planning, goals and objectives need to be backed by sound development finance strategies. Too often, communities set admirable food systems goals only to neglect the question of how to fund their plan.

Developing these financing plans should happen in tandem with city, county, or state food system planning efforts wherever possible. They can also be conducted as an addition to existing plans that focus on food, economic development, or sustainability. Many traditional financing approaches can be utilized for food-related efforts, and the CDFA toolbox approach can help to identify all the tools within a community that could be applied to food systems. From access to capital for small businesses, to tax increment financing for development projects, to bond issuance for infrastructure, there are multiple tools for a wide variety of project types and sizes. Unlocking capital from the broad spectrum of options that are already available for local projects and businesses is key. These approaches should be deployed before resources are directed toward creating new or separate financing programs.

PLANNING IMPLEMENTED

One action item in the Columbus & Franklin County Local Food Action Plan calls for connecting small-scale neighborhood food businesses with flexible financial resources and technical assistance. [The Franklin County Food Business Portal](#) is a response to this action, providing information on how to plan, launch, and grow food businesses in Franklin County. Financing resources are included in this portal, yet there is still opportunity to create a broader strategic financing plan that would support implementation of actions throughout the plan.

Strategic financing plans for food systems should include:

- Analysis of strengths, weaknesses, opportunities, and threats (SWOT)
- Clear, direct objectives that tie goals with development finance tools
- Partnership development strategies
- Events and activities to drive program and project growth
- Governance and decision-making processes
- Implementation timelines
- Risk profiles and policies
- Programmatic development goals for each type of financing
- Policies and procedures to guide investment decisions

Engagement with a range of food system players and with local development finance agencies is especially critical for creating successful strategic financing plans. These relative interests need to be involved throughout the planning process in order to capture necessary information, perspectives, needs, challenges, and opportunities. This also includes community members who can be engaged as consumers and as representatives of their neighborhoods, both of which are key stakeholder groups in a just food system. Ideally, all parties can be included from the beginning of plan development, but if new partnerships are formed after planning has begun, these new organizations or individuals should be added to the team.

Conclusion

Earlier in this series, CDFA used the evolution of the clean energy and energy efficiency sectors as an analogue for food systems development. Over a decade ago, clean energy projects were characterized as risky, fragmented, and ill-defined, yet today they are one of the most sought-out investment classes in the development finance spectrum. This industry has become one of the strongest investment asset classes as a result of collaboration and the development of risk-reducers, metrics, and performing investments. Instead of acting as isolated sectors – renewables, weatherization, etc. – the industry came together and proved that clean energy offers safe, reliable, and return-driven investment opportunities.

Lessons learned from clean energy finance can be applied to the challenges currently facing food system finance efforts. Even though the food system, like the energy sector, is critical for healthy, resilient communities and acts as an economic engine, it is not viewed as an asset class. Investors perceive it as loosely defined, poorly organized, and difficult to finance. Although existing investment in the food system primarily comes from philanthropic grants, government subsidies, investor tax credits, and limited lending with high-risk loan funds, there is significant opportunity for traditional development finance to support this sector.

The [CDFA Food Finance White Paper Series](#) has demonstrated how development finance agencies can engage with food system restoration efforts, and it has uncovered nearly \$1 billion in investments that are already supporting food system development. Traditional financing approaches from across the spectrum can be utilized successfully with food-related projects and businesses. Deploying bonds, revolving loan funds, tax increment financing, tax credits, and other tools is helping to build the necessary data sets, impact metrics, and portfolio performance measures to prove the viability of the food system as an asset class.

This paper presents replicable strategies for reframing food projects and businesses, increasing the connectivity between players involved in equitable, sustainable food system restoration, and securing the financing needed to make these developments happen. The case studies showcase how such strategies can be put to work rebuilding the food system and emphasize the groundbreaking potential of greater connections between development finance and food.

CDFA Food Finance White Paper Series:

- [Food Systems & Development Finance](#)
- [Food Systems & Access to Capital](#)
- [Food Systems & Bonds](#)
- [Food Systems & Targeted Tools](#)
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Notice: The CDFA Defining the Food System as an Asset Class project was prepared by the Council of Development Finance Agencies using grant funds under award P0132060 from the W. K. Kellogg Foundation. The statements, findings, conclusions, and recommendations are those of the author(s) and do not necessarily reflect the views of the W. K. Kellogg Foundation.

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The Council was formed in 1982 with the mission to strengthen the efforts of state and local development finance agencies fostering job creation and economic growth through the use of tax-exempt and other public-private partnership finance programs. Today, CDFA has one of the strongest voices in the development finance industry and regularly communicates with Capitol Hill, state and local government leaders and the Federal Administration. The Council provides a number of avenues for assisting the development finance industry including education, advocacy, research, resources and networking. Learn more and join at www.cdfa.net.



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