FOOD ACCESS

Healthy Food Financing Initiatives Overview

In recent years, Healthy Food Financing Initiatives (HFFI) have proliferated around the country as a tool for state and local governments to bring new supermarkets and grocery stores to low-income, underserved communities. Programs have frequently been started with public economic development funding or philanthropic program-related investments that are awarded to Community Development Financial Institutions (CDFIs) to be leveraged with other sources of public and private capital and then invested in new and expanded grocery stores.

Financial Tools: What are they?

Healthy food financing programs provide grants and loans to support a range of large and small grocery projects whose credit needs are unmet by conventional financial institutions.

- Flexible financing can support the multiple costs related to developing stores in underserved communities like pre-development, site assembly and improvement, construction and rehabilitation, equipment installation and upgrades, staff training, security, and start-up inventory and working capital.
- Compared to conventional credit, HFFIs offer more flexible terms and structured financing customized to the needs of the project
- The total amount of funding awarded per store varies, million, and average grant size has been approximately $100,000; substantially more funding for projects may also be supplied for projects with extraordinary need in the form of traditional loans from private lenders or New Markets Tax Credits.

Key Points

- Public private partnership
- Grants and loans
- Flexible, customized financing designed to meet the credit needs of grocers
- Proven model to address the need for better healthy food access in underserved communities

Public/private partnerships create more bang for the buck

CDFIs have the knowledge and capacity to leverage state funds with other forms of public and private capital such as New Markets Tax Credits and private lenders community development financing, and as a result can greatly expand the impact of a state's investment. A program in New Orleans was started with $7 million dollars and leveraged with additional public and private funds by a CDFI for a total of $14 million dollars. Other programs have been able to leverage double or triple the amount of a state's investment.

How do HFFIs work?

Many HFFIs have been developed as public private partnerships with several managing partners. Government entities have seeded programs with investment capital and monitored program implementation. CDFIs, which have significant experience lending in underserved communities, can effectively and efficiently administer program dollars by leveraging state investments and providing customized financing packages to applicants. Food access organizations have worked with CDFIs to conduct marketing and outreach for healthy food financing programs, and have screened applicants for eligibility.

Who can apply?

Eligible stores are in low and moderate income communities underserved by grocery stores. Applicants must plan to either open a self-service supermarket or other grocery retail outlet that primarily sells fresh produce, seafood, meat, dairy and other groceries or renovate and substantially improve a store's ability to stock and sell a variety of fresh fruits and vegetables. In some instances financial awards may be made to develop real estate projects that will lease space to a grocery retail tenant.