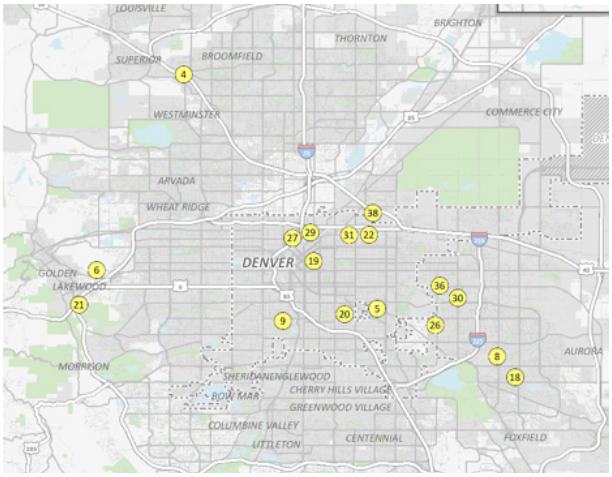
REINVESTMENT FUND

Growing a Healthy Food Financing Program:
ReFresh and Colorado Entreprise Fund

Prepared by **REINVESTMENT FUND**

Published **MARCH 2017**



RESEARCH CONDUCTED BY

Policy Solutions at Reinvestment Fund

Kevin Reeves, Research Analyst
Jacob Rosch, Research Associate
Michael H. Norton, Chief Policy Analyst

Introduction

ReFresh is a Reinvestment Fund national initiative to improve access to healthy foods in urban and rural communities across the US where long-standing barriers prevent residents from living healthier, more stable lives. The goal of ReFresh is to increase the capacity of the community development financial institution (CDFI) industry to fund healthy food projects by creating tools and resources, offering technical assistance, and helping peer organizations learn together. Since launching with four partners in 2014 with funding from JPMorgan Chase, ReFresh has grown to include 19 CDFIs from across the nation, including the Colorado Enterprise Fund (CEF), headquartered in Denver, Colorado.

CEF has a long history of supporting small and emerging businesses through flexible financing and business-oriented technical assistance. Although CEF's President and CEO, Ceyl Prinster, had been involved in local initiatives related to food access for years, the organization's first dedicated food financing activity began in 2012 with the receipt of $750,000 in funding from the Healthy Food Financing Initiative (HFFI)—a collaboration between the US Department of Agriculture, the US Department of the Treasury, and the US Department of Health and Human Services designed to increase access to healthy food for underserved communities across the country.

As CEF has grown its portfolio of healthy food lending, ReFresh has been an important partner. In addition to access to a peer network of CDFIs working to improve access to healthy food, ReFresh members receive financial support, access to industry-leading data and research, and technical assistance. In 2016, Reinvestment Fund and CEF collaborated to take a closer look at some of the ways that ReFresh has helped CEF grow its food lending capacity.

Creating New Lines of Business Requires Making Connections with New Partners

CEF has been a long-time, informal supporter of food-related businesses in Colorado. However, as CEF began to develop a dedicated healthy food lending program, it discovered that its traditional referral partners—small business development centers and banks—did not work as often with the types of operators and small food businesses CEF was trying to serve. "Our [food lending] deals did not come from our traditional referral partners," recalls Nick Massie, Director of Finance and Administration at CEF. "That was the biggest takeaway for me. Our standard process wasn't going to work."

Developing a robust pipeline to support a healthy food lending program is a significant challenge for many lenders working in this sector, and CEF learned early on that it would need to develop new contacts and new networks to reach the operators it intended to serve.

Meetings with peer organizations through the ReFresh network helped CEF identify new partners outside its traditional referral channels. At the suggestion of ReFresh partners, CEF began meeting with new kinds of referral partners like Denver's Healthy Corner Store Initiative, the Colorado Department of Agriculture, statewide producer networks, and start-up food co-ops.

> "The network, the camaraderie of the group is encouraging. It's hard to do this, so that supportive network is really important. It's helped us to carry on with things and be encouraged that we're not the only ones in this struggle."
> *– Ceyl Prinster, President and CEO, Colorado Enterprise Fund*

The insights ReFresh members share with one another are often cited as the most valuable aspect of the program. ReFresh convenings bring together practitioners

from different organizations with the same business development responsibilities to share lessons learned and emerging best practices. Collaborations between members help spur new thinking about ways to build sustainable lending portfolios in healthy food. “The network, the camaraderie of the group is encouraging,” says CEF’s President and CEO Ceyl Prinster. “It’s hard to this, so that supportive network is really important. It’s helped us to carry on with things and be encouraged that we’re not the only ones in this struggle.” ReFresh convenings have also facilitated the development of underwriting templates, benchmarks, and other materials that help members lay solid foundations for growth.

Refresh Support Catalyzed Early Growth

Grant funding from the CDFI Fund and participation in local initiatives like the Colorado Fresh Food Financing Fund (CO4F) enabled CEF to take on riskier projects and offer more competitive rates. However, to grow its portfolio, CEF also needed to develop its operational capacity. With only 18 full-time staff, CEF’s capacity was limited. Allocating sufficient human capital to healthy food financing was a significant struggle early on. “We needed more staff capacity to do this on a full-time basis,” says Alan Ramirez, CEF’s Director of Lending. “That’s where ReFresh helped out.”

> “We needed more staff capacity to do this on a full-time basis. That’s where ReFresh helped out.”
> *– Alan Ramirez, Director of Lending, Colorado Enterprise Fund*

With generous support from the JPMorgan Chase foundation, ReFresh has been able to provide financial assistance to support CDFIs working to develop their food lending capacity. CEF used operational support grants to help create a new staff position dedicated full-time to food financing.

Hiring Anne Misak, CEF’s first Healthy Food Program Manager, has helped CEF dramatically increase its marketing efforts and develop its pipeline of operators. Anne’s background in food systems has proved invaluable as the organization has begun engaging new stakeholders.

Using Data and Analysis to Inform Investment Strategies Connects Research and Practice

Like many ReFresh members, CEF is committed to using research and data to inform its lending. As a ReFresh member, CEF receives special access to Reinvestment Fund’s Limited Supermarket Area (LSA) analysis, a tool designed to identify geographic areas that lack sufficient access to healthy food but that have the economic capacity to support new stores. Members also receive Market Structure Analyses, analytic reports that help members understand their local food economy and develop strategies for increasing healthy food access.

For CEF, data from ReFresh helped refine the organization’s strategy for working with small operators. “[The Market Structure Analysis] helped me to understand some of the constraints on Colorado’s market,” says Anne Misak, CEF’s Healthy Food Program Manager. “Many of our metro areas are saturated with the large chains, so there’s not much market space for smaller operators.” Within that context, CEF supports small operators throughout the fresh food supply chain, including those that operate outside the metro area, and it places a particular emphasis on specialized retailers serving Asian, African, and Hispanic communities.

Summary of Reinvestment Fund's Market Structure Analysis for Colorado

Reinvestment Fund's Market Structure Analysis measures the concentration of market share within a region's supermarket industry. In general, as the concentration of market share within the top few supermarket owners increases, competition within the region's supermarket industry decreases. Market shares in Colorado's supermarket industry vary by region but tend to be fairly concentrated in only a handful of owning entities, notably King Soopers, Safeway, and the Wal-Mart family of stores.

Even so, many parts of the state have relatively limited access to healthy food. In many cases, these Limited Supermarket Access (LSA) areas disproportionately affect low-income and minority residents. This is the case in the Boulder Metropolitan Area, the Colorado Springs Metropolitan Area, the Grand Junction Metropolitan Area, the Pueblo Metropolitan Area, Denver County, El Paso County, Elbert County, and Mesa County.

Knowledge of these regions' market structures can help CEF tailor its policies and financing programs to accommodate the competitive climate within each region. Regions with tight oligopolies often make market penetration especially difficult for local and regional supermarket operators that are not members of the oligopoly. Conversely, loose oligopolies with less concentrated market share exhibit fewer barriers to entry for prospective supermarkets. Where mission-fit LSA areas exist in uncompetitive regions, CEF can focus on opportunities to preserve and expand existing small grocers as opposed to constructing new large stores that might struggle to compete with members of a tight oligopoly.

Reinvestment Fund's full Market Structure Report for Colorado is available upon request.

CEF and Refresh Build a Foundation for Sustainable Growth

Early on, CEF realized that simply putting a new label on its traditional loan and technical assistance programs would not be enough to attract eligible operators. According to Alan Ramirez, Director of Lending at CEF, adapting CEF's underwriting standards to the food industry was initially a significant challenge, "CEF has experience dealing with microloans… but because there's so little margin in this industry, getting these businesses to cash flow has been difficult."

Lenders new to the healthy food sector often find their traditional business processes are ill-suited to the margins and business models in the food sector. Technical Assistance from ReFresh helps member-CDFIs adapt their existing business processes to align with best practices in the industry. Through webinars, trainings, and one-on-one consultation with experts, ReFresh members receive direct assistance building their lending programs, guidance on capitalization, support with financial product design, and advice on loan program priorities and parameters.

As CEF's experience with lending to healthy food operators has grown, so has its comfort in assessing organizations' business models and adapting its financial products to better suit the market. Looking ahead, CEF continues to grow and refine its own technical assistance offerings for small businesses operating at multiple points in the broader food system.

> "When I first came on at CEF, I made it a point to call up the other CDFIs in the ReFresh network to learn what they were doing. Now I am able to return that favor. ReFresh has helped to foster that network of all the CDFIs working together."
> – *Anne Misak, Healthy Food Program Manager, Colorado Enterprise Fund*

ReFresh was founded to increase the capacity of CDFIs to invest in healthy food projects, and CEF has become an important voice in the ReFresh network. Since receiving its first round of funding for its healthy food financing program in 2012, CEF has invested $1.6 million in 35 projects in 13 different counties across the state of Colorado.

Support from ReFresh through operational support grants, technical assistance, research, data, and peer-networking has been critical to CEF's success. In turn, CEF's perspective as a small business lender in a largely rural state has bolstered the rest of the ReFresh network.

CEF's experience offers lessons for other CDFIs entering the healthy food lending space for the first time, and the organization continues to play an important role supporting the capacity of the CDFI industry to invest in healthy food projects. "When I first came on at CEF, I made it a point to call up the other CDFIs in the ReFresh network to learn what they were doing," says CEF's Misak. "Now I am able to return that favor. As new staff members have come on at other CDFIs starting these programs, I will often get a call to talk about our program. ReFresh has helped to foster that network of all the CDFIs working together."

Reinvestment Fund has published a range of reports related to food access and market impact. For details, please visit our Policy Publications site at:

WWW.REINVESTMENT.COM/IMPACT/RESEARCH-PUBLICATIONS

2013

The Supply Chain Matrix: A Prospective Study of the Spatial and Economic Connections within the Region's Meat Industry

2015

PA Fresh Food Financing Initiative: Case Study of Rural Grocery Store Investments

2015

2014 Analysis of Limited Supermarket Access

JANUARY 2017

The Supply Chain Matrix: A Prospective Study of the Spatial and Economic Connections within New England's Meat Industry

REINVESTMENT FUND

www.reinvestment.com
www.policymap.com

REINVESTMENT FUND is a catalyst for change in low-income communities. We integrate data, policy and strategic investments to improve the quality of life in low-income neighborhoods.

PHILADELPHIA
1700 Market Street, 19th floor
Philadelphia, PA 19103
TEL 215.574.5800 FAX 215.574.5900

BALTIMORE
1707 North Charles Street, Suite 200B
Baltimore, MD 21201
TEL 410.783.1110

real estate | early education | healthcare | healthy food | housing | k-12 education | data & analysis | clean energy

Reinvestment Fund is an equal opportunity provider.