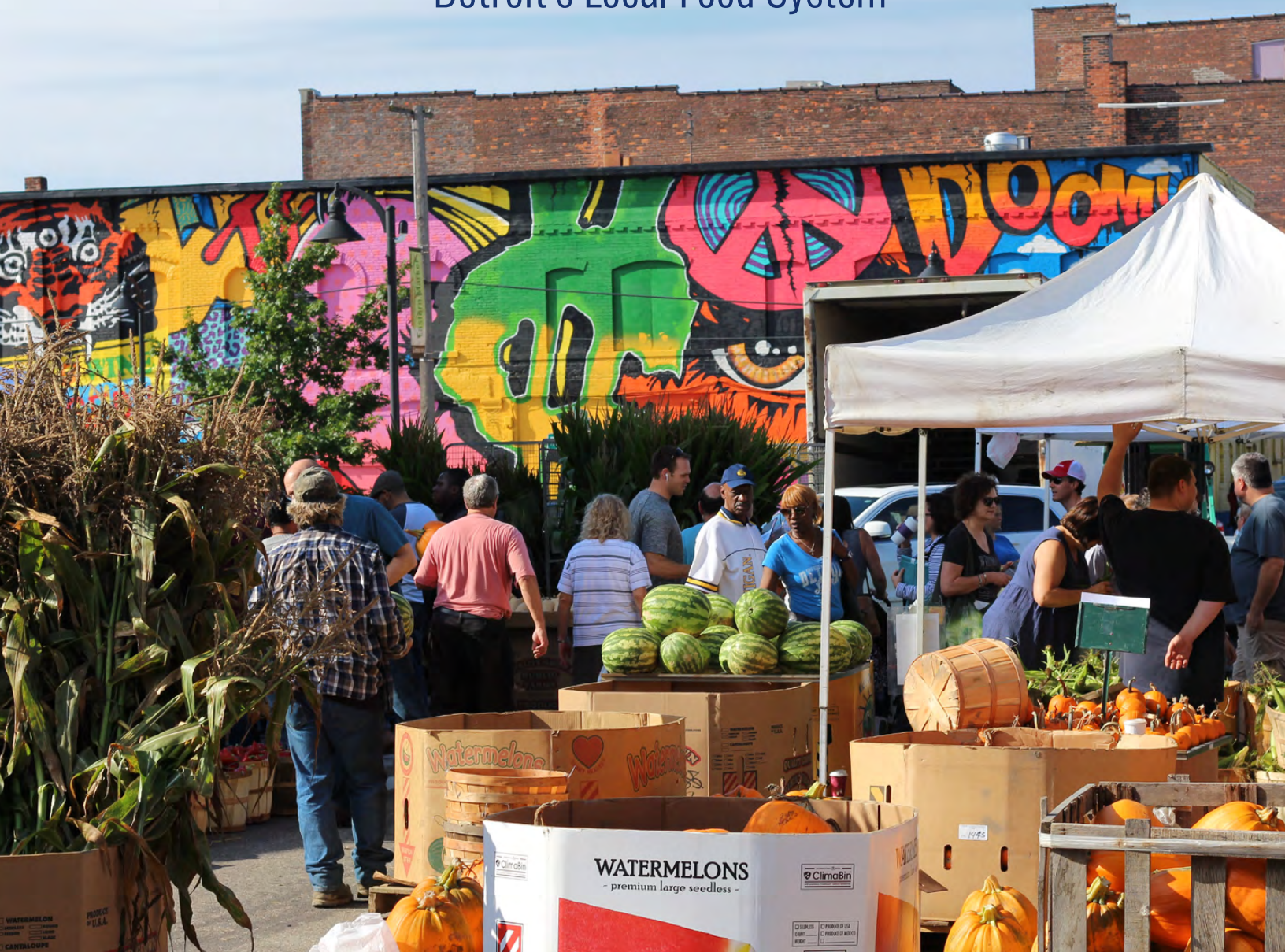




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# Food • Finance • Detroit

## A Landscape Map for Financing Detroit's Local Food System



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# INTRODUCTION

With funding from the W.K. Kellogg Foundation, CDFA is researching how development finance agencies can become more engaged in local and regional food systems. CDFA aims to advance opportunities and leverage existing financing streams to scale local and regional food systems by increasing access to healthy foods and creating new living wage and accessible jobs in communities across the country.


As part of this work, CDFA has identified traditional development finance tools that can be used to strengthen the Detroit region's local food system and increase access to healthy, affordable food for underserved communities. Some of these tools – such as Revolving Loan Funds – are best-suited for small businesses and entrepreneurs in the food system. Other mechanisms – like Private Activity Bonds – are likely to be a better fit for large projects or food system infrastructure.

The purpose of this report is to highlight possible financing resources at the state and local levels that can be brought into coordination with the existing efforts to rebuild Detroit's food system. For development finance professionals, this includes demonstrating the significance of incorporating local food systems efforts into local economic development agendas. For local food system practitioners, this means highlighting the importance of engaging local development finance agencies in the work to restore healthy, sustainable, and equitable food systems.

A wide variety of loans, grants, technical assistance programs, and other funding resources are already working towards this goal, as identified in the Michigan Good Food Fund's 2017 survey of the "Detroit Financing & Technical Assistance Ecosystem" and in Michigan State University's latest edition of "Funding Sources for Food-Related Businesses."<sup>1,2</sup> The following report is intended to expand the list of possible financing options to include a larger array of development finance tools that can advance food system restoration in Detroit.

<sup>1</sup> [Detroit Financing & Technical Assistance Ecosystem](#), Michigan Good Food Fund

<sup>2</sup> [Funding Sources for Food-Related Businesses](#), Michigan State University



Agency	Type	Amount	Term	Interest	Collateral	Other	Notes
Michigan Good Food Fund	Grant	\$1M	1-3 years	0%	None	None	For food system development
Michigan State University	Grant	\$500K	1-2 years	0%	None	None	For food system research
Michigan State University	Loan	\$1M	1-5 years	5%	Business plan	None	For food system businesses
Michigan State University	Grant	\$250K	1-2 years	0%	None	None	For food system technical assistance



*Be sure to check out the Michigan Good Food Fund's "Detroit Financing & Technical Assistance Ecosystem" survey and Michigan State University's latest edition of "Funding Sources for Food-Related Businesses."*

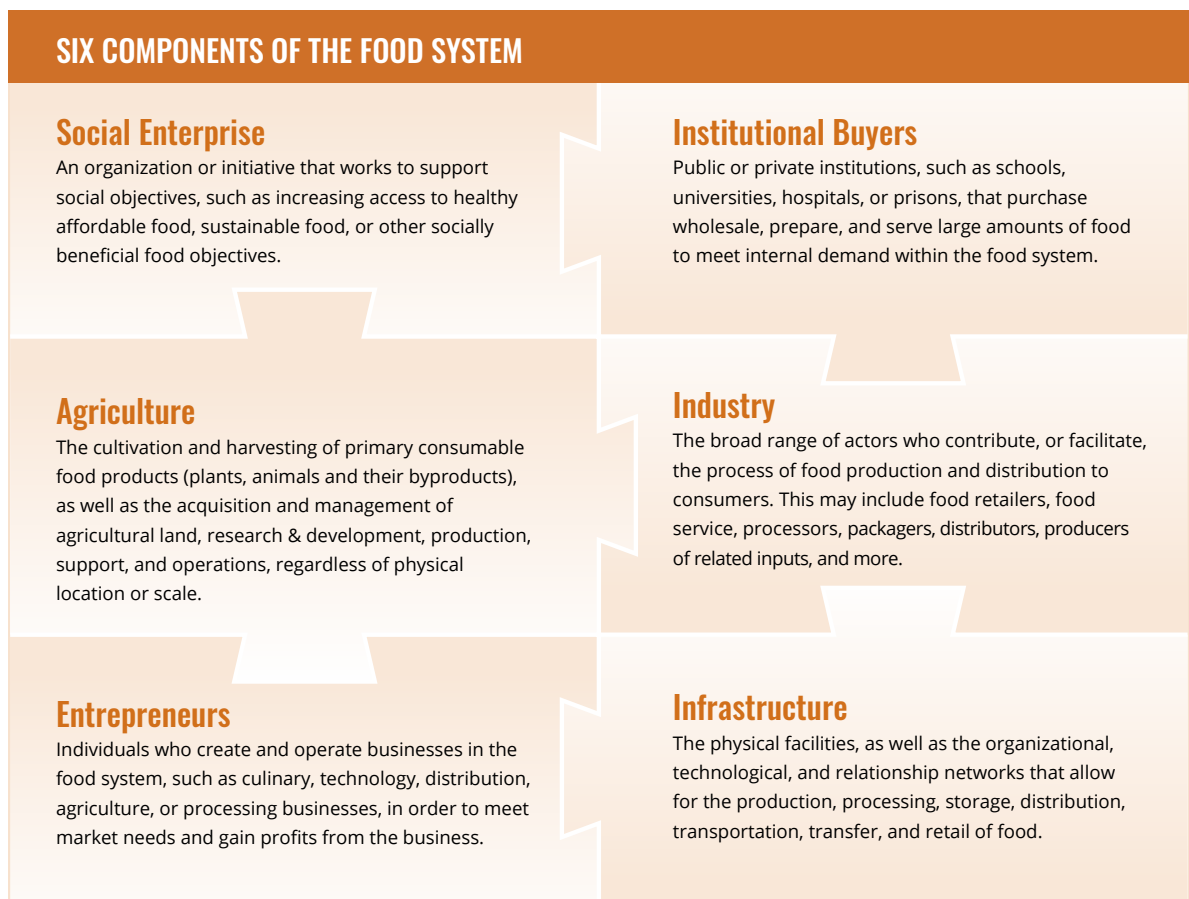


# DEFINING THE FOOD SYSTEM

The food system is made up of different sectors and activities, and each offers significant potential for economic development. CDFA views the broader food systems primarily through the lens of 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 key components 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.

CDFA has identified six distinct areas of activity that exist within a comprehensive food system and can receive investment, though there is often overlap between these areas of activity:



In order to establish reliable, affordable, and traditional streams of financing for a wide variety of projects, these components should be understood as part of a larger local and regional food system.

## FINANCING OPPORTUNITIES

Food is a key part of the local economy in Detroit, Michigan and represents deep historical and cultural tradition as well. There are numerous opportunities for mainstream development finance tools to support further restoration of the local and regional food system in ways that align with economic development goals. Around the country, traditional development finance tools are being readily applied to food systems by development finance agencies – like Industrial Development Bonds for food processing plants or Tax Increment Financing for local food markets. Development finance has an important role to play in the 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.

Below is a selection of development finance tools that may be used in coordination with existing efforts to rebuild the local food system in and around Detroit. This report is not exhaustive in describing all of the financing tools and programs that can be engaged in food system financing but focuses on approaches that are best-suited for the many components of Detroit's local food system.

### Revolving Loan Funds

*Revolving Loan Funds (RLFs) provide a flexible source of capital that can be used to help grow all types of small businesses, especially those in the food system.*

RLFs are a popular development finance tool, with thousands operating across the U.S. and several hundred within most individual states. They are typically used for operating capital, acquisition of land and buildings, new construction and renovations, and purchasing machinery and equipment. RLF loans are usually designed to fill a gap in the market, with affordable rates and greater flexibility for terms and collateral requirements. They are not intended to compete with private lending, but instead work to make capital accessible to a wider range of small business types.

An RLF is a funding pool that replenishes itself; as existing borrowers make payments, the payments are recycled to grow the fund and make new loans. This structure requires that RLF programs balance the provision of attractive interest rates with the need to earn a reasonable rate of return to ensure long-term sustainability.<sup>2</sup>

In most communities, RLFs are typically operated by Development Finance Agencies (DFAs), municipalities, federal agencies, Community Development Financial Institutions (CDFIs), and other mission-oriented lenders. Some loan funds target specific borrowers, such as minority or women-owned businesses that face barriers to accessing capital through conventional lending. Targeted funds like this are key to rebuilding more equitable and inclusive food systems and supporting local economies.

<sup>2</sup> [Food Systems & Access to Capital](#), Council of Development Finance Agencies

## Revolving Loan Funds *continued*

The “Detroit Financing & Technical Assistance Ecosystem” findings identify CDFIs throughout the state who are actively engaged in local food projects. This list below identifies additional RLFs that are available to food and agriculture-related businesses in the Detroit region:

### **EDC GREEN GROCER LOAN PROGRAM**

The Economic Development Corporation of the City of Detroit (EDC) Green Grocer Loan Program seeks to improve the quality of the grocery sector in Detroit. Projects seeking these funds must have a verifiable, demonstrative impact on the physical, financial, or operational capacity of the store. Loans ranging from \$50,000 to \$300,000 can be used for pre-development, construction, renovation, and operating costs.<sup>3</sup>

### **DEGC DETROIT INDUSTRIAL REVOLVING LOAN FUND (DIRLF)**

This citywide program for fixed-asset financing is administered by the Detroit Economic Growth Corporation (DEGC). Applications are evaluated by the DEGC based upon the proposed borrower's ability to repay and the potential impact of the proposed project on Detroit's economy. DIRLF funds may be used for up to 40 percent of the costs of an eligible project, to a maximum of \$200,000. The remaining 60 percent may be provided by a private lender, the borrower, or both. The borrower may be required to pledge certain assets not connected with the project and/or personal assets. The loan term(s) may vary, but in no event shall the term(s) exceed the useful life of the financed asset. The borrower shall also reimburse the DEGC for all out-of-pocket expenses, including but not limited to legal costs, recording fees and filing fees.<sup>4</sup>

### **DDA SMALL BUSINESS LOAN TRANSACTION PROGRAM**

Established by the City of Detroit's Downtown Development Authority (DDA) to assist existing or future building owners, tenants, and business owners located within the Downtown Development Area No.1. This revolving loan program provides funds for the construction, redevelopment or improvement of real property to owners and tenants. In special cases, it provides working capital for new and existing businesses. Loans issued under the SBLT program supplement private investment and require an applicant to secure 50 percent of the cost of a project through private sources. SBLT loans are available up to a maximum of \$200,000 per building, tenant or business and are typically offered at below market interest rates.<sup>5</sup>

### **EDC NON-AFFILIATED RETAIL/ RESTAURANT**

Established by the Economic Development Corporation (EDC) to foster investment in fill-in ground floor retail/restaurant ventures. Loans are limited to a maximum of \$200,000 or 40 percent of project costs, whichever is less. All loans are subject to standard credit underwriting as specifically detailed in the EDC's Credit Policy Manual. In order to qualify, borrowers must be able to prove ownership or demonstrated management responsibility for similar ventures. They must also have a valid license/operating agreement for the proposed venture, as well as demonstrated financial capacity to complete build-out and provide necessary operating capital for a minimum of one year.<sup>6</sup>

<sup>3</sup> [Green Grocer Loan Program](#), Economic Development Corporation (EDC)

<sup>4</sup> [Revolving Loan Funds](#), Detroit Economic Growth Corporation (DEGC)

<sup>5</sup> [Revolving Loan Funds](#), Detroit Economic Growth Corporation (DEGC)

<sup>6</sup> [Revolving Loan Funds](#), Detroit Economic Growth Corporation (DEGC)

## Revolving Loan Funds continued

### SBA 7(A) LOAN PROGRAM

The 7(a) loan is one of the many programs offered by the Small Business Administration (SBA) that provide the guarantee of repayment to private lenders loaning to small businesses in the event of default. If the borrower defaults on their loan, the SBA will reimburse the lender for 75% to 85% of the loan (depending on loan size), but the borrower will still be obligated to repay the full amount of the loan. Requirements are set by the SBA for how loans covered by this program must be structured, though these remain fairly broad in order to accommodate a wide range of business types. Funds may be used for machinery and equipment, expansion and renovation, purchasing an existing business, working capital, refinancing, start-up for new businesses, and more. The maximum amount for 7(a) loans is \$5 million, though rates and fees vary based on negotiation between the business and the private lender.<sup>7</sup>

<sup>7</sup> [7\(a\) Loans](#), Small Business Administration (SBA)

## Property Assessed Clean Energy (PACE) Financing

*Property Assessed Clean Energy (PACE) financing is a tool that can be used to support new energy efficiency upgrades, retrofitting, and/or energy generation on private properties.*

Increasingly, PACE is also being used to finance a wide range of sustainability and resiliency projects. PACE programs can be structured to finance energy-related improvements on both commercial properties (C-PACE) and residential properties (R-PACE). C-PACE is a financing program well-suited for food system businesses because PACE-eligible improvements can be made in all types of food and agriculture enterprises, from farms and cafes to composting facilities and food hubs.

With PACE, property owners have access to low-interest loans provided by private lenders for sustainability-related improvements. Loan payments are then collected through municipalities by incorporating them with the landowner's regular yearly property tax payments. The obligation for repayment is tied to the property rather than the individual owner, which mitigates the risks of non-payment for the municipality and provides flexibility for the landowner. PACE loans are structured so that the payments are primarily covered by energy savings, and in the long-term, overall operating costs are reduced.

PACE-enabling legislation must first be adopted first before local municipalities are able to create their own PACE programs for this type of financing. The State of Michigan has adopted this legislation and, though not every city and county in Michigan has established PACE programs, there is a PACE program in Wayne County:

## Property Assessed Clean Energy (PACE) Financing continued

### WAYNE COUNTY PACE PROGRAM

This is a C-PACE program through which a business can finance up to 100% of the costs to finance (or refinance) energy-saving building improvements that involve energy efficiency, water efficiency, and/or renewable energy measures. The loan is to be paid back through a special tax assessment on the property over a 10-20 year period. By law, the energy savings must be greater than the loan repayment.<sup>8</sup>

More information about PACE financing in Michigan – including which jurisdictions have PACE programs, how to access this financing, and how PACE works – is available from the main PACE administrators in the state.

### LEAN & GREEN MICHIGAN

This organization helps commercial, industrial, multifamily, nonprofit, and agricultural property owners finance energy efficiency, water conservation, and renewable energy projects that are profitable for all parties – property owners, contractors, and local governments.<sup>9</sup>

### THE ENERGY ALLIANCE GROUP (EAG)

EAG is a green energy solutions and cost recovery company. EAG provides energy-saving products, technologies, and services for commercial, industrial, multifamily, and non-profit buildings. EAG also provides many energy solutions for agricultural applications.<sup>10</sup>

<sup>8</sup> [Economic Development Incentives](#), Wayne County Economic Development Corporation

<sup>9</sup> [Lean & Green Michigan](#)

<sup>10</sup> [The Energy Alliance Group \(EAG\) of North America](#)

## Tax-Exempt Bond Financing

*Bonds should be considered for food system projects with eligible project needs larger than \$1 million. In its simplest form, a bond is a loan or debt incurred by a qualified borrower.*

The borrower can be a government entity, a 501 (c) (3) nonprofit, or a private enterprise engaged in manufacturing or agriculture. Bonds are issued by authorized public or quasi-public units of government and are sold to the investing public. The proceeds are typically made available to finance the costs of a capital project.<sup>11</sup>

<sup>11</sup> [Food Systems & Bonds](#), Council of Development Finance Agencies

## Tax-Exempt Bond Financing continued

There are two categories of tax-exempt bonds: General Obligation Bonds (GOs) and Revenue Bonds. GOs are bonds backed by the full faith and credit of the issuing entity, generally tax revenues, and are often used to finance public purposes – such as highways, schools, bridges, sewers, jails, parks, and government buildings. Private entities may not significantly use, operate, control, or own the facilities that are being financed by GOs. By contrast, Revenue Bonds are issued for income-producing projects with the pledge that the debt will be repaid by the revenues generated from the project's operations.

Bonds can generally be issued for two main purposes: Government Bonds are issued for projects that serve a public purpose, while Private Activity Bonds (PABs) can be issued to finance projects that benefit private entities. In the economic development sector, PABs are the development finance mechanisms that drive projects involving both the public and private sectors. Many food-related businesses have utilized PABs to construct facilities, expand their operations, and purchase equipment or real estate.

Government Bonds and Qualified PABs are both tax-exempt bonds, meaning the interest that accrues to the investor is exempt from federal taxation. The tax-exempt nature of bonds makes them a highly sought out investment security. Qualified PABs range in type of projects, including airports, universities, affordable rental housing, hospitals, small and mid sized manufacturers, first-time farmers, and nonprofits. The following types of bond financing are available in Michigan.<sup>12</sup>

### **SMALL ISSUE INDUSTRIAL DEVELOPMENT BONDS (IDBS)**

IDBs, also referred to as Manufacturing Bonds, are a type of private activity bond issued to finance the construction of industrial facilities that are issued on behalf of a corporate borrower by a local or state development authority. Importantly, the debt security lies with the corporate borrower's credit rather than the issuing local or state development authority. This means the debt on an IDB is not backed by the full faith and credit of the issuing body of government; instead, these bonds would be repayable from the revenue generated by the manufacturing project. Most states have one or more conduit issuers who could be able to finance the project through small issue IDBs.

### **QUALIFIED 501(C)(3) BONDS**

501(c)(3) bonds are a type of private activity bond issued by a local or state governmental conduit entity. Projects financed with 501(c)(3) Bonds are owned and used by nonprofit corporations that qualify for exemption under Section 501(c)(3) of the IRC. Organizations using 501(c)(3) Bonds may include universities, food banks, hospitals, agriculture research facilities, nonprofit food hubs, and communal kitchens.

### **EXEMPT FACILITY BONDS**

These are another type of private activity bond that can be issued for a wide variety of projects, including airports, docks, mass-commuting facilities (such as high-speed rail), water and sewage facilities, solid waste disposal facilities, qualified low-income residential rental projects, facilities for the furnishing of electric energy or gas, qualified public educational facilities, and qualified highway

<sup>12</sup> [Basics on Bond Finance](#) Dickson Wright PLLC, presented at CDFA Michigan Financing Roundtable



## Tax-Exempt Bond Financing continued

or surface freight transfer facilities. These bonds may also be used for hazardous and agriculture waste facilities, as well as qualified green buildings. Exempt Facilities Bonds have a very wide scope of use, and implementation varies by state or local entity.

Below are a few specific bond programs that could be considered for local food projects in Detroit:

### **MEDC PRIVATE ACTIVITY BOND PROGRAM**

The Michigan Strategic Fund (MSF) issues private activity bonds on behalf of the borrower and lends the bond proceeds to the borrower. These loans can be made for manufacturing projects, not-for-profit corporation projects, and solid or hazardous waste disposal facilities.<sup>13</sup>

### **WAYNE COUNTY INDUSTRIAL REVENUE BONDS**

The Wayne County Economic Development Corporation may issue revenue bonds and use the proceeds to make loans to private companies to finance projects in order to promote economic development in Wayne County.<sup>14</sup>

<sup>13</sup> [Private Activity Bond Program](#), Michigan Economic Development Corporation

<sup>14</sup> [Incentives - Private Activity Bonds](#), Wayne County Economic Development

## Tax Increment Financing

*Tax increment financing (TIF) is a mechanism for capturing the future tax revenues of new development or redevelopment in order to pay for the present cost of the site improvements.*

TIF can be applied to a district or a single property, with legislation varying state by state. Aspects of development that increase economic activity for the property or district generate greater tax revenues, which then become the repayment stream – also called the increment – for the debt used to finance those improvements. The life of a district can be anywhere from 10-40 years, depending on how much time is needed for the tax increment to pay back the costs or bonds issued for the development. This structure is set up so that the tax increment from a TIF is created without raising taxes or dipping into the existing tax base at the time that the TIF is established.<sup>15</sup>

A TIF district – the area capturing the tax increment itself – is drawn in order to direct benefits to a designated area. This is typically an area that is economically sluggish or physically distressed, where development would not otherwise occur. Once the TIF's geographic boundaries are

<sup>15</sup> [Food Systems & Targeted Tools](#), Council of Development Finance Agencies

## Tax Increment Financing continued

established the initial assessed value of the property or district can be determined. Then, an analysis of current tax revenue from property tax, sales tax, and other taxes is conducted in order to benchmark the existing tax level. That existing tax base is frozen, and from that point forward all newly-generated tax revenues from developments in the district goes toward the increment, which is in turn used to repay the initial project costs. Costs related to new development or redevelopment may include public infrastructure, land acquisition, relocation, demolition, utilities, debt service, planning costs, or a variety of other site improvements.

Tangible improvements could include the construction of a parking lot for a new grocery store, renovations to turn a historic structure into a food hall, or connecting a site to city water and gas to support a commercial kitchen and business incubator. TIF can also support intangible needs such as architecture or site planning costs associated with redevelopment or the purchase of property needed for business expansion. The flexibility of this tool makes it possible to use it on a wide variety of food system projects.

In Michigan, TIF is used almost exclusively for brownfields redevelopment projects. Brownfield sites are abandoned or underutilized sites with real or perceived contamination resulting from industrial or commercial activity. This type of development involves assessment and cleanup of the site, which tends to be both costly and time-consuming. TIF used in coordination with brownfields redevelopment supports the cleanup and reuse of such sites, and in turn, improves the surrounding community's long term environmental and economic health.<sup>16</sup>

Michigan's Brownfield Redevelopment Financing Act allows local taxing jurisdictions to receive property taxes on the property at the current level and capture the incremental increase in tax revenue resulting from a redevelopment project. Projects can seek reimbursement from state and local property taxes for eligible non-environmental activities under a Michigan Strategic Fund-approved Work Plan or Combined Plan. Projects can also seek reimbursement from state and local property taxes for eligible environmental activities through submission of a Work Plan or Combined Plan to the Michigan Department of Environment, Great Lakes, and Energy.<sup>17</sup> Brownfield projects in the Detroit area can receive support from the Detroit Economic Growth Corporation (DEGC) or the Wayne County Economic Development department:

### **DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY (DBRA)**

The City of Detroit's Brownfield Redevelopment Authority promotes the revitalization of environmentally distressed and blighted areas within city boundaries. Redevelopment projects include residential, mixed-use, retail, industrial, office, and commercial uses. Developers of properties that qualify as contaminated, blighted, or functionally obsolete and are part of an approved Brownfield plan may be eligible for TIF reimbursement – increases in property taxes that result from new investments – for environmental and non-environmental activities. These activities include baseline environmental assessments, due care activities, additional response activities, abatement of lead, asbestos and mold, demolition or site preparation, and infrastructure improvements.<sup>18</sup>

<sup>16</sup> [Brownfield Basics](#), Council of Development Finance Agencies

<sup>17</sup> [Brownfield Tax Increment Finance](#), Michigan Economic Development Corporation (MEDC)

<sup>18</sup> [What Does the DBRA Do?](#), Detroit Economic Growth Corporation

## Tax Increment Financing continued

### WAYNE COUNTY BROWNFIELD AUTHORITY

The Wayne County Brownfield Redevelopment Authority provides assistance to businesses in effort to put environmentally contaminated property back to productive use. The Authority can provide funding support for environmental site assessments as well as clean-up activities.<sup>19</sup>

<sup>19</sup> [Financing Programs](#), Wayne County Economic Development

## Tax Credits

*Tax credit programs are flexible and can be deployed to creatively fill financing gaps for many food and agriculture-related businesses.*<sup>20</sup>

Tax credits have become increasingly popular since other federal resources have diminished over the past several decades. As federal and state governments recognized the benefits of tax credits and incentives, they developed programs to address economic development needs. Over time, these programs have helped to provide a wide range of financing options for brownfields redevelopment, historic rehabilitation, low-income housing, venture capital, and job creation in a wide range of industries. They can also provide a targeted impact by addressing underserved or emerging markets that present opportunities for new investment. Food systems development is one such market that offers a diversity of projects in which tax credits can be used to support a project and further investments.

Tax credits can be used for several purposes in development projects: to provide an increased internal rate of return for investors, to reduce the interest rates on a particular financing package, and to provide a repayment method for investors in place of cash. In the latter case, tax credits can often be transferred on the secondary market to generate income.

Tax credits can be used in urban, rural, and suburban communities, and in some cases, they can be applied on a regional basis. Tax credit programs also bring many different stakeholders to the table, thus leveraging their impact. They may attract investors, businesses, government entities, nonprofits, community development organizations, industrial development authorities, economic development corporations, financial institutions, pension funds, universities, foundations, state governments, the federal government, and other local anchor institutions.

<sup>20</sup> [Food Systems & Investment Tools](#), Council of Development Finance Agencies

## Tax Credits continued

There are a variety of tax credit programs administered at the federal and state level. Below are two prominent programs that should be considered for local food projects:

### **NEW MARKETS TAX CREDIT (NMTC)**

This program was created to generate additional capital for economic development projects in low-income communities. The Community Development Financial Institutions Fund (CDFI Fund) allocates NMTCs to Community Development Entities (CDEs). The CDE then leverages the allocation of NMTCs to raise equity from investors. An investor receives a federal income tax credit equal to 39% of a Qualified Equity Investment (QEI) made into a CDE which is then invested in a targeted low-income community. NMTC investments may include loans to businesses, commercial, grocery stores, industrial, and/or retail developments, and to developing for-sale housing. Investments can also be used for the creation of a Revolving Loan Fund. For the purpose of the NMTC program, low-income communities are considered to be census tracts in which the median family income is below 80% of the area median family income.

### **MICHIGAN STATE HISTORIC TAX CREDIT**

Approved in 2020, this program will help support place-based projects while promoting the preservation of Michigan's historic resources. This program will be available for both commercial properties and individual homeowner residences. The first applications will not be accepted before mid-summer of 2021, at the earliest. Eligible properties must be listed in the National Register of Historic Places, the State Register of Historic Sites, or be in a local historic district, and either be individually listed or contribute to a listed district. Credits will be awarded on a first-come, first-serve basis.<sup>21</sup>

<sup>21</sup> [Historic Preservation Tax Credits](#), Michigan Economic Development Corporation (MEDC)

## Other Finance Programs

*The Michigan Economic Development Corporation offers a variety of other small business finance programs statewide to help meet capital needs. Many of these programs could be used by food-related projects and small business owners:*

### **MSF MICHIGAN COMMUNITY REVITALIZATION PROGRAM (MCRP)**

This is an incentive program available from the Michigan Strategic Fund (MSF), in cooperation with the Michigan Economic Development Corporation (MEDC). MCRP provides gap financing in the form of performance-based grants, loans, or other economic assistance for eligible investment projects in Michigan. The focus of the MCRP is to encourage and promote structural renovations and redevelopment of brownfield and historic preservation sites located in traditional downtowns



## Other Finance Programs continued

and high-impact corridors. Eligible investments include alteration, construction, improvement, demolition, or rehabilitation of buildings; site improvements; addition of machinery, equipment, or fixtures; and architectural, engineering, surveying, or similar professional fees for a project.<sup>22</sup>

### **MEDC PUBLIC SPACES COMMUNITY PLACES (PSCP)**

PSCP is a crowd-granting initiative that can provide matching grant funds for crowdfunded public space projects through Patronicity, an online, crowdfunding platform. It is the first program of its kind in the nation where local residents can be part of the development of transformational projects in their communities and be backed by the State, dollar for dollar, up to \$50,000. Once a project has been chosen and the funding gap has been identified, the community can apply to MEDC to conduct a crowdfunding campaign of up to \$50,000 generated in part by donations from community residents and stakeholders. Funding generated by the campaign will be matched with a grant by MEDC.<sup>23</sup>

### **MEDC COLLATERAL SUPPORT PROGRAM**

This program is designed to assist lenders and borrowers in financing expansion or diversification projects. This program seeks to enable suppliers to acquire the necessary financing that might otherwise be unavailable due to a collateral shortfall according to the lender's analysis. The program will supply pledged cash collateral accounts to lenders to achieve this goal for approved projects.<sup>24</sup>

### **MEDC LOAN PARTICIPATION PROGRAM**

This program is designed to increase access to capital by enabling companies to acquire the necessary financing that might otherwise be unavailable due to a cash flow shortage according to the lender's analysis. The program will participate in loans with lenders to pursue this goal for approved projects.<sup>25</sup>

### **MEDC CAPITAL ACCESS PROGRAM**

The Capital Access Program uses small amounts of public resources to generate private lender financing, providing small businesses in Michigan access to capital that might not otherwise be available. Similar to a loan loss reserve fund, the bank, the borrower, and the MEDC pay a small premium into a reserve that makes it possible for the borrower to receive financing.<sup>26</sup>

### **GROW MICHIGAN, LLC**

This public-private partnership between MEDC, the Michigan Strategic Fund, Crescent Capital LLC, and more than 10 large and small banks in Michigan is designed to address growth and transition capital for small businesses. The fund is designed to operate below the traditional mezzanine markets by offering loans from \$500,000 to approximately \$3 million in a subordinated (or secondary) collateral position at attractive rates. This capital, delivered in conjunction with a senior bank lender, can help a business grow into new contracts or finance succession/acquisition events. Projects receiving funds must meet public policy goals including supporting jobs and investment in Michigan.<sup>27</sup>

<sup>22</sup> [Michigan Community Revitalization Program](#), Michigan Economic Development Corporation (MEDC)

<sup>23</sup> [Public Spaces Community Places](#), Michigan Economic Development Corporation (MEDC)

<sup>24</sup> [Michigan Business Growth Fund Collateral Support Program](#), Michigan Economic Development Corporation (MEDC)

<sup>25</sup> [Michigan Business Growth Fund Collateral Support Program](#), Michigan Economic Development Corporation (MEDC)

<sup>26</sup> [Capital Access Program](#), Michigan Economic Development Corporation (MEDC)

<sup>27</sup> [Mezzanine Capital Programs](#), Michigan Economic Development Corporation (MEDC)

## CASE STUDIES

The case studies below illustrate how the types of traditional financing tools discussed in this report can be used for businesses and projects throughout the food system. There are examples from Detroit, as well as other communities in Michigan and throughout the country.

### The Congregation Detroit – Detroit, MI

#### Revolving Loan Fund

The Congregation Detroit's owner received a \$192,000 Detroit Industrial Revolving Loan Fund (DIRLF) loan from the DEGC to help turn a 2,500 square foot church into a coffee house, bar, and neighborhood gathering place. The project also received support from Michigan Women Forward and won a \$40,000 grant through the Motor City Match program. After three years, The Congregation Detroit became the focal point for neighbors to gather, drink, and eat. The business aims to employ up to 25 local residents at the former 1920s-era church, which is located on Rosa Parks Boulevard near the Boston Edison neighborhood. The Congregation Detroit has remained open through the coronavirus pandemic and continues to offer coffee and pastries in the morning and cocktails as well as light fare in the evenings. It is also a venue for musicians and artists, and is available to rent for private events.<sup>28</sup>

### Chene Street Grocers – Detroit, MI

#### Property Assessed Clean Energy

Chene Street Grocers is an outdoor grocery store and community hub that will use Property Assessed Clean Energy (PACE) financing to renovate a former church building in Detroit's Poletown East neighborhood that had become vacant. The mixed-use redevelopment includes two first-story commercial properties inside the building as well as a residential unit on the second story. Chene Street Grocers will use \$115,000 in PACE financing to cover energy upgrades that included installing a 3.9 kW solar PV system, high-efficiency refrigeration and freezer systems, and building insulation. The low cost of PACE financing allows the tenants to benefit from low overhead energy expenses and comfortable building operations.<sup>29</sup>

### Project Angel Food – Los Angeles, CA

#### 501(c)(3) Bonds

In 2014, the California Infrastructure and Economic Development Bank (IBank) issued \$3.1 million in 501(c)(3) Bonds to Project Angel Food - a grassroots nonprofit agency with the mission to feed and nourish the sick as they battle critical illness - for the refinancing of their 17,400 square foot building that includes a commercial kitchen and office space. These tax-exempt bonds assisted Project Angel Food in fulfilling its mission to produce and deliver nutritional meals for underserved people who are too sick to shop or cook for themselves.

<sup>28</sup> [Success Stories](#). DEGC.

<sup>29</sup> [LEAN & GREEN MICHIGAN CASE STUDY: Chene Street Grocers](#). Lean & Green Michigan.

## Grand Rapids Downtown Market – Grand Rapids, MI

### Tax Increment Financing

The Grand Rapids Downtown Development Authority provided \$3.5 million in Brownfields TIF for the Grand Rapids Downtown Market. Zoning codes were updated by the city to allow for retail and residential use as well as light industrial food manufacturing, and the city also covered \$4.7 million in public infrastructure improvements needed for the redevelopment. Project costs totaled \$30 million, which were covered in part by a \$3 million Community Revitalization Loan from the Michigan Strategic Fund and \$5.2 million in Brownfields tax credits alongside the TIF support and additional private funding.

This facility includes food retail space, a seasonal farmers market, a kitchen incubator, food and health education, and event space. Year-round, the building is home to over 20 small businesses selling baked goods, meat and fish, prepared foods, beverages, specialty products, and more. The 24/7 incubator offers technical assistance plus a licensed commercial kitchen space for new businesses in need of professional-grade equipment for food production, packaging, prepping, or catering.

## Gourmet Mushrooms, Inc. – Scottville, MI

### State Tax Credits, SBA 504 Loan, SBA 7(a) Loan

In 2000, a green bean cannery plant closed after nearly 100 years of operation in the City of Scottville, causing the town to lose hundreds of jobs from the plant and its single-largest source of tax revenue.<sup>30</sup> The State of Michigan awarded \$750,000 in brownfield tax credits in 2004 to cover the cost of demolishing the plant and cleaning up the leaking fuel tanks that were left behind. Although the Michigan Brownfield Tax Credit Program is no longer available for new awards, existing credits are still honored for project completion.<sup>31</sup> Gourmet Mushrooms, Inc. moved on to the site that same year to expand their production. The company brought an investment of \$11 million into the facility and utilized the SBA's 504 and 7(a) loan programs to finance redevelopment of the plant.<sup>32,33</sup> Gourmet Mushrooms continues to produce mushrooms on this site today, selling to restaurants and retailers in the region.

## Portland Mercado – Portland, OR

### New Markets Tax Credits

A project to consolidate the Hacienda Community Development Corporation's three separate offices into a single site, Portland Mercado secured \$10 million in federal New Markets Tax Credits and \$7 million in Oregon NMTC allocation. This new 11,000 square foot headquarters serves as the administrative headquarters for the organization as well as Portland's first Latino-owned public market. The Mercado hosts 19 small food businesses, the majority of which are minority-owned. Hacienda also runs programs such as the Food Innovation Center program that helps train new food-business owners with workshops, seminars, and training in both English and Spanish. This project created 110 new jobs and retained 71 jobs.

<sup>30</sup> [Scottville to lose canning factory](#), Ludington Daily News

<sup>31</sup> [Brownfield Tax Credit](#), Michigan Economic Development Corporation (MEDC)

<sup>32</sup> [New owner has big plans for Scottville mushroom plant](#), Ludington Daily News

<sup>33</sup> [French embrace MSU-based biotech know-how rooted in northwest Michigan company](#), MSU Today

## Allen Place Project – Lansing, MI

### New Markets Tax Credits, Michigan Community Revitalization Program

In 2020, the Michigan Strategic Fund approved a community revitalization project in Lansing to rehabilitate an existing two-story building that houses the Allen Neighborhood Center into a three-story mixed-use development. When completed, the Allen Place Project will include 21 affordable rental housing units, community-based health care services, a culinary training school, an accelerator kitchen for food-based entrepreneurs, and increased access to healthy food options for area residents. Allen Neighborhood Center will continue to operate in the building, where it presently offers an incubator kitchen, community outreach, a farmer’s market, community events and fresh food delivery options. The project is expected to generate a total capital investment of \$11 million and create 14 full-time equivalent jobs, resulting in a \$1.5 million Michigan Community Revitalization Program performance-based grant.<sup>34</sup>

## Brightmoor Community Kitchen – Detroit, MI

### Public Spaces Community Places Program

Residents of Detroit’s Brightmoor neighborhood have limited access to transportation, and the nearest grocery store used to be two miles away. The Brightmoor Artisans Collective began addressing this issue with a community garden, then by acquiring and renovating a building to serve as a food hub for the neighborhood. With the help of Public Spaces Community Places matching funds through the MEDC, the Brightmoor Artisans Collective has started bridging the neighborhood’s food security gap by connecting residents to fresh food and resources.<sup>35</sup>

## Find additional case studies and learn more about finance tools in CDFA’s Food Finance White Paper Series:

- [Food Systems & Development Finance](#)
- [Food Systems & Access to Capital](#)
- [Food Systems & Bonds](#)
- [Food Systems & Targeted Tools](#)
- [Food Systems & Investment Tools](#)
- [Advancing Local Food Systems Through Development Finance](#)



<sup>34</sup> [Critical support for small businesses, community revitalization efforts approved by Michigan Strategic Fund](#)

<sup>35</sup> [Public Spaces Community Places](#), Michigan Economic Development Corporation (MEDC)



# RESTORING DETROIT'S LOCAL FOOD SYSTEM THROUGH FINANCE

CDFA has identified key strategies for bringing together local food practitioners, economic development professionals, and grassroots organizations to restore local food systems with traditional development finance. These strategies can be used in communities and regions across the country.

Detroit's needs related to job creation, racial equity, local investment, access to healthy food, and land use can be aligned for collaborative, impactful outcomes. The three actions below should be implemented simultaneously for future efforts to advance the redevelopment of localized food systems in and around Detroit.

## **REFRAME** food systems development as infrastructure and economic develop-

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 local finance partners 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 into alignment with local food system planning ensures a more holistic outcome, where many types of food-related businesses and projects can be successful.

## For more information about CDFA's work in this area, visit:

[CDFA Food Systems Finance Resource Center](#)

[CDFA Defining the Food System Asset Class](#)

[CDFA Intro Food Systems Finance WebCourse](#)



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Members are state, county and municipal development finance agencies and authorities that provide or otherwise support economic development financing programs as well as a variety of non-governmental and private organizations ranging from regional and large investment banks to commercial finance companies to bond counsel, bond insurers, trustees, venture capital companies, rating agencies, and other organizations interested in development finance.

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](http://www.cdfa.net).

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The Kellogg Foundation is based in Battle Creek, Michigan, and works throughout the United States and internationally, as well as with sovereign tribes. Special attention is paid to priority places where there are high concentrations of poverty and where children face significant barriers to success. WKKF priority places in the U.S. are in Michigan, Mississippi, New Mexico and New Orleans; and internationally, are in Mexico and Haiti. For more information, visit [www.wkkf.org](http://www.wkkf.org).