



CDFA Webinar - Food & Social Equity: Detroit's Approach to Financing the Food System

Welcome

The broadcast will begin at 2:00PM (Eastern)

Thank you
for joining the
conversation
today. Send us
your questions
and comments!



CDFA Webinar - Food & Social Equity: Detroit's Approach to Financing the Food System

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Ariel Miller

Associate, Research & Technical Assistance
Council of Development Finance Agencies

See all of CDFA's resources online at www.cdfa.net/resources



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CDFA Legal & Financial Disclaimer

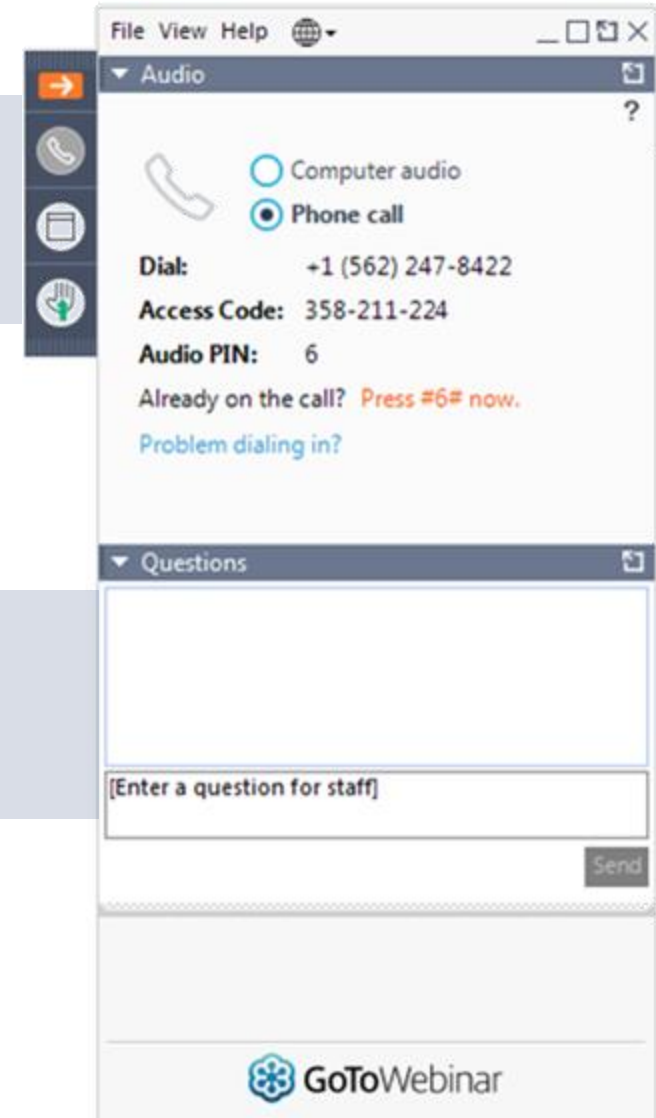
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Using your telephone will give you better audio quality.



Submit your questions to the panelists here.



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CDFA Webinar - Food & Social Equity: Detroit's Approach to Financing the Food System

Panelists



Olivia Rebanal

Director, Inclusive Food Systems
Capital Impact Partners



Chanell Scott Contreras

Director, Entrepreneurial Initiatives
ProsperUS Detroit



Devita Davison

Executive Director
FoodLab Detroit



Brittney Hoszkiw

Senior Community Assistance Team Specialist
Michigan Economic Development Corporation

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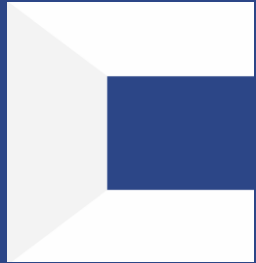


CAPITAL IMPACT
PARTNERS

Food & Social Equity

Detroit's Approach to Financing the Food System

02.10.2020



CAPITAL IMPACT PARTNERS



OUR MISSION:

Through capital and commitment, Capital Impact Partners helps people build communities of opportunity that break barriers to success.

OUR VISION:

A nation of communities of opportunity built on a foundation of equity, inclusiveness, and cooperation.





CAPITAL IMPACT
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Strategic Pillars



ADDRESS SYSTEMIC POVERTY

Effect systemic change at scale—from social systems to government programs—so that all people have paths out of poverty.



CREATE EQUITY

Support equitable access to quality services and economic opportunity regardless of race, ethnicity, gender, or income.



BUILD HEALTHY COMMUNITIES

Foster connections and social supports that strengthen the links between health, education, housing and opportunity that help people and communities thrive together.

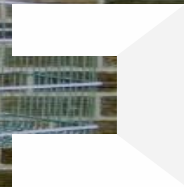


PROMOTE INCLUSIVE GROWTH

Build diverse, mixed-income communities that promote economic mobility and empower individuals to break the barriers to success.

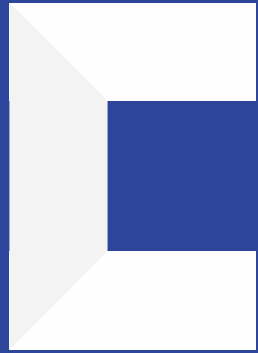


WHERE WE WORK:
How do we describe the communities we serve?

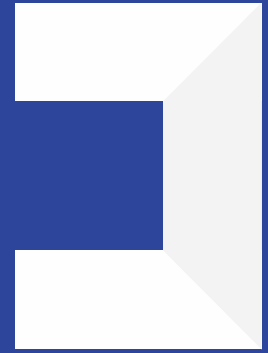


WHY DOES IT LOOK THIS WAY?
HOW DID IT GET THIS WAY?





The Racial Wealth Gap

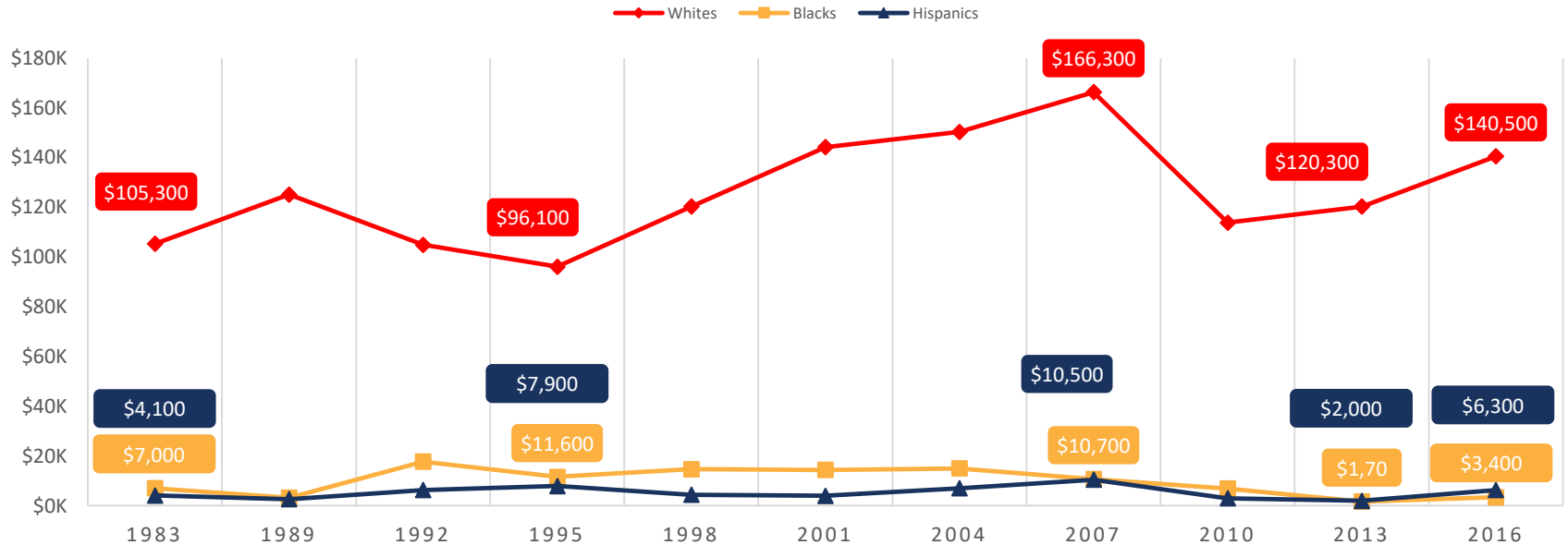




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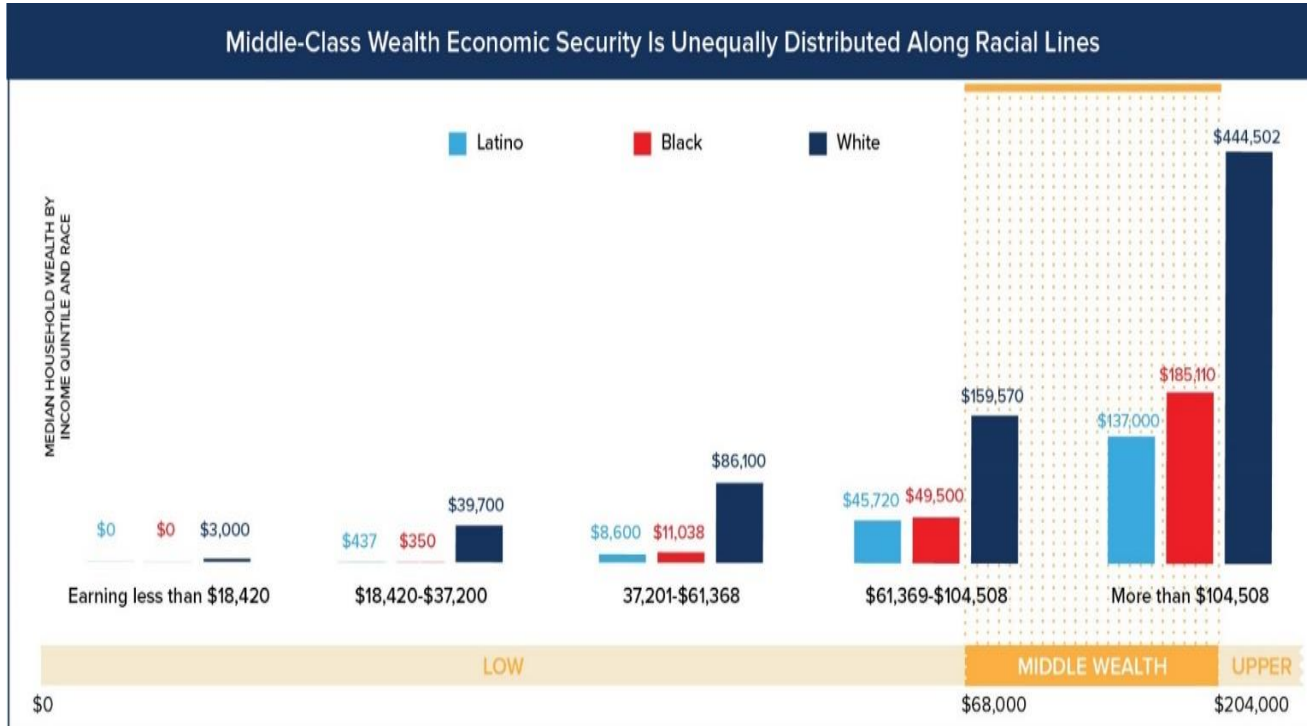
THE RACIAL WEALTH DIVIDE 1983-2016

MEDIAN NET WORTH, 1983-2016





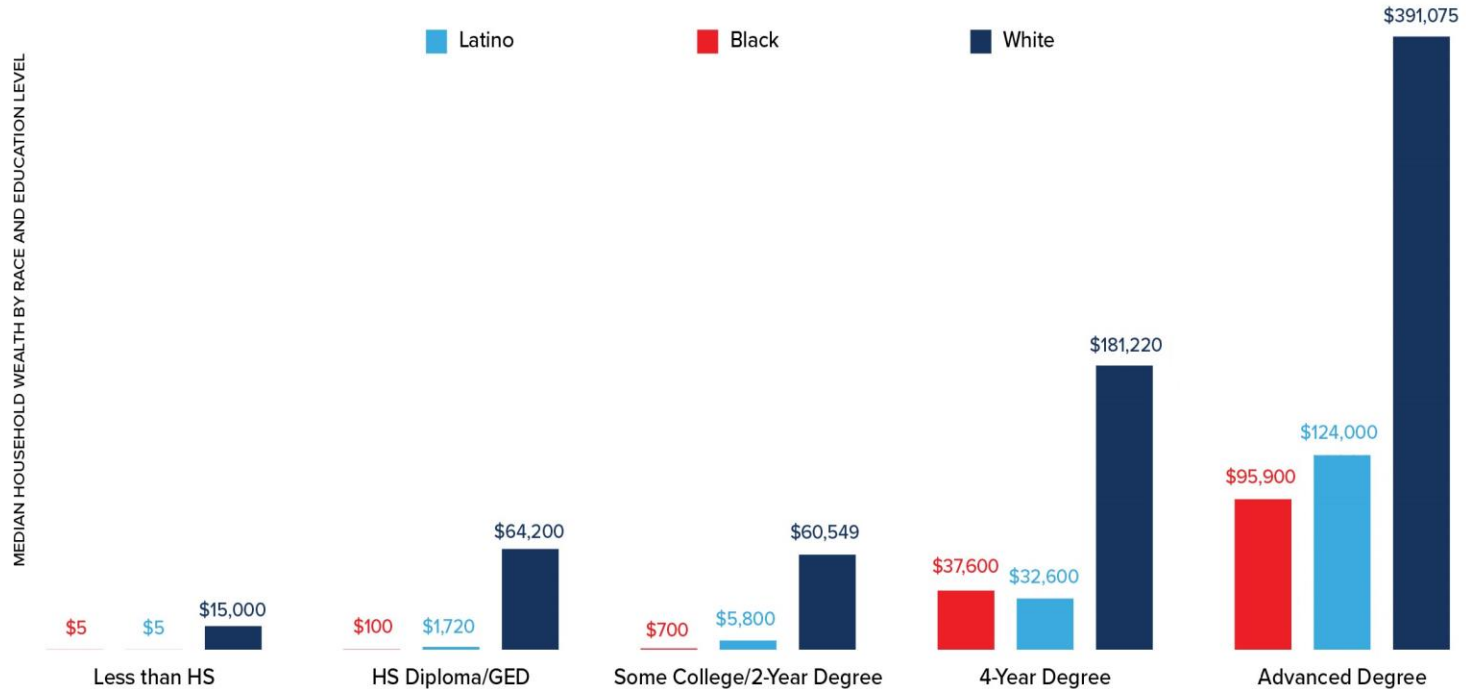
INCOME DOES NOT EQUAL WEALTH



Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014. Wealth figures depicted above exclude durable goods.



EDUCATION DOES NOT EQUAL WEALTH





How can we create wealth?



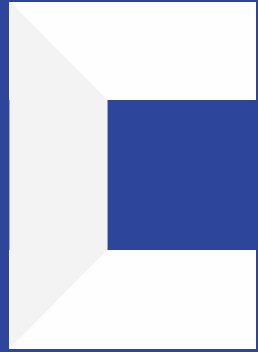


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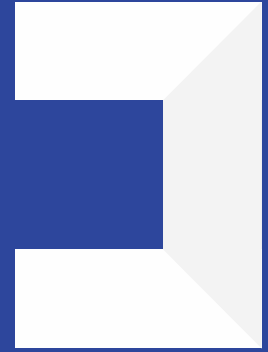
Building Wealth through Business Ownership

- In 2004, families where head of household was self-employed had a **median net worth 5x higher** than that of households where its head worked for someone else
- Black entrepreneurs have higher wealth levels and wealth mobility than black workers (2014)





The Racial Wealth Gap: Common Barriers For Entrepreneurs





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Access to Capital and Credit

“The Cs of Credit”: UNDERWRITING BASICS

1. Credit History
2. Collateral
3. Capacity or Cash flow
4. Character





Access to Capital and Credit

“The Cs of Credit”: UNDERWRITING BASICS

1. Credit History
2. Collateral
3. Capacity or Cash flow
4. Character

HOWEVER:

- How might the 4 C's of Credit disparately affect those with different racial, ethnic, and class backgrounds?
- Do the example underwriting criteria shown here have different outcomes and implications for communities of color?





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Access to Capital and Credit

ENTREPRENEURS OF COLOR EXPERIENCE BARRIERS



CREDIT:

- “Credit” is often measured by scores as reported to bureaus





Access to Capital and Credit

ENTREPRENEURS OF COLOR EXPERIENCE BARRIERS



CREDIT:

- “Credit” is often measured by scores as reported to bureaus

HOWEVER:

- More people of color have “poor” credit scores
48% of African Americans have poor credit compared to 27% of White Americans





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Access to Capital and Credit

ENTREPRENEURS OF COLOR EXPERIENCE BARRIERS

2

COLLATERAL:

- “Collateral” can be in the form of personal residence or personal guarantee





Access to Capital and Credit

2

ENTREPRENEURS OF COLOR EXPERIENCE BARRIERS

COLLATERAL:

- “Collateral” can be in the form of personal residence or personal guarantee

HOWEVER:

- Fewer people of color are homeowners 72% of white households and 46% of households of color are homeowners
- People of color have lower net worth White households have net worth 10x the value of black households





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Access to Capital and Credit

3

ENTREPRENEURS OF COLOR EXPERIENCE BARRIERS

CAPACITY or CASHFLOW:

- “Capacity” to repay or cash flow can be measured by the profits of a business





Access to Capital and Credit

3

ENTREPRENEURS OF COLOR EXPERIENCE BARRIERS

CAPACITY or CASHFLOW:

- “Capacity” to repay or cash flow can be measured by the profits of a business

HOWEVER:

- Fewer black-owned businesses are profitable (58% vs 63%)
- More black-owned businesses report losses (32% vs. 19%)





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Access to Capital and Credit

ENTREPRENEURS OF COLOR EXPERIENCE BARRIERS



CHARACTER:

- “Character” is often measured by demonstrated job and management experience





Access to Capital and Credit

ENTREPRENEURS OF COLOR EXPERIENCE BARRIERS

4

CHARACTER:

- “Character” is often measured by demonstrated job and management experience

HOWEVER:

- People of color experience higher unemployment rates
- People of color receive fewer job opportunities
Non-White Job Applicants got 2.3x fewer job interviews





Access to Capital and Credit

ENTREPRENEURS OF COLOR: BARRIERS and SOLUTIONS

	Character	Credit History	Collateral	Capacity and Cashflow
Measure	Demonstrated management and job experience	Credit Scores	Personal Residence often used	Available cash and wealth
Impact on Entrepreneurs of Color	Non-white job applicants got 2.3 fewer interviews	48% of African Americans have poor credit compared to 27% of White Americans	72% of white households are homeowners 46% of households of color are homeowners	Median wealth gap is 10:1 between white and black families





Access to Capital and Credit

ENTREPRENEURS OF COLOR: BARRIERS and SOLUTIONS

	Character	Credit History	Collateral	Capacity and Cashflow
Measure	Demonstrated management and job experience	Credit Scores	Personal Residence often used	Available cash and wealth
Impact on Entrepreneurs of Color	Non-white job applicants got 2.3 fewer interviews	48% of African Americans have poor credit compared to 27% of White Americans	72% of white households are homeowners 46% of households of color are homeowners	Median wealth gap is 10:1 between white and black families
Solution(s)	Mentorship, technical assistance, capacity building	Develop alternative criteria to measure “good credit” or consider explanations for poor credit	Use collateral alternatives, Credit Enhancement, Higher “Loan-to-Value”, Use of non-appraisal valuation	Flexible repayment structure, interest-only payments



**AN INVESTMENT IN GOOD FOOD IS AN
INVESTMENT IN OUR FUTURE**



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Building
Inclusive Food
Systems is a
way to **create
economic
opportunity** as
well as **nourish
our communities**



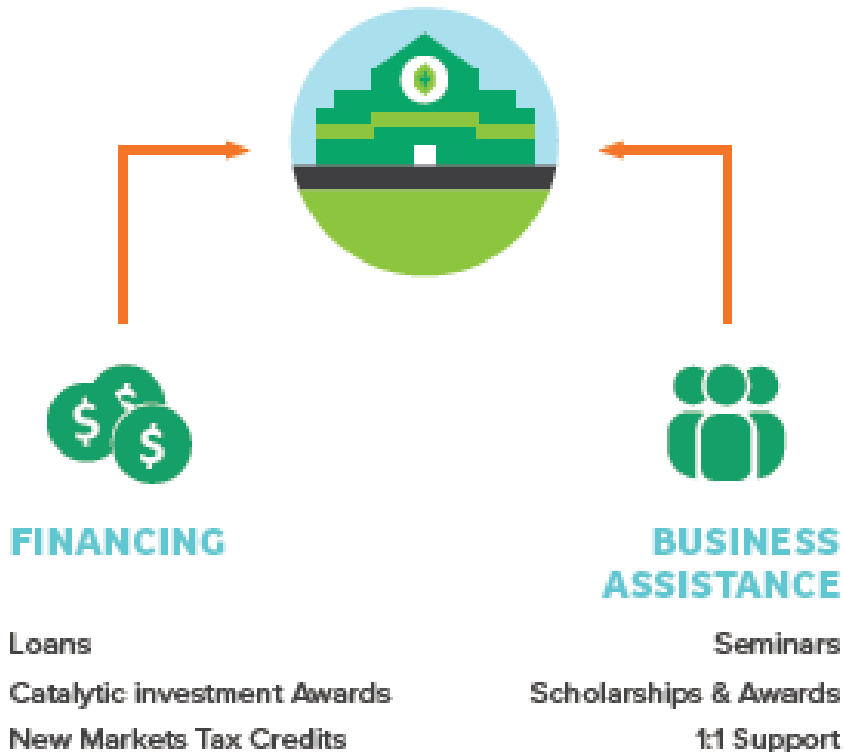


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**Financing
alone
is not
enough.**



FUND OFFERINGS





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Building
Inclusive Food
Systems
requires
collaboration
and an
ecosystem of
support



FUND PARTNERS





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FEAST DETROIT



About	Entrepreneur-owned commercial kitchen and processing center
Location	Inkster, Michigan
Investment	\$180K Loan
Use of Capital	Equipment
Impact	Creation of a new processing center and boosted production capacity for local food entrepreneurs 6 new full-time jobs



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MIDTOWN FRESH



About	Second Kalamazoo location of family-owned grocery store business
Location	Kalamazoo, Michigan
Investment	\$6M financing as part of an \$8M NMTC deal
Use of Capital	Construction
Impact	New grocery store anchoring a revitalized retail plaza 165 permanent full time positions for entire retail plaza

MIDTOWN Fresh

ACE
Hardware

1685





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THANK YOU
Olivia Rebanal





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Panelist

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Devita Davison

Executive Director
FoodLab Detroit

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CRITIC'S NOTEBOOK

A Wish List for New Restaurants

“I find myself hoping for different restaurants, or restaurants run differently, by a wider and more diverse range of operators...What I see more and more is the way power accrues to chefs who are already powerful, while independent restaurants struggle to get going. Most restaurants are funded by loans and private backers. I’d like to see the path to the top of the restaurant business cleared of the obstacles that make it difficult for women and minorities.”

- famed food critic Pete Wells of the *New York Times*, 2017





MONEY

**MARKET
ACCESS**

**SEXISM
RACISM**

**FINANCIAL
ACCUMEN**

**KITCHEN
ACCESS**

**LICENSING
PERMITS**

LANGUAGE

**Culinary
Entrepreneurs
face many
barriers**



SAVINGS

CAPITAL

MARKET ACCESS

TRAINING

**FoodLab enables
entrepreneurs to
overcome those
barriers**











2900 E. 8 Mile Rd
Detroit, MI 48234
313-366-5600





FOODLAB
DETROIT

DATE June 27th, 2018 031
65-5/1234
103

PAY TO THE ORDER OF DETROIT Soul

FIVE THOUSAND AND 00/100 \$ 5,000.00

Good Food Spotlight Award DOLLARS

FOODLABDETROIT.COM 313.799.2468





FOODLAB
DETROIT

DATE JUNE 26, 2019 0313
65-5/1234
103

PAY TO THE ORDER OF butter bear shop \$ 5,000.00

FIVE THOUSAND AND 00/100 ----- **DOLLARS**

FOR Good Food Spotlight Award *Guizue R. Padua*
FOODLAB DETROIT

| : WWW.FOODLABDETROIT.COM 313.799.3468 : |

Certificate of Completion

This certificate is presented to
AMANDA SAAB

For successful completion of
'Recipes: Ingredients for Success'
(April 4 - November 2019)

Guizue R. Padua
FOODLAB DETROIT



Amanda Saab

butter bear shop | Livonia, MI



butter bear shop is unique in its flavor offerings, blending Middle Eastern flavors









Lending Circles

- Mission Asset Fund
- Southwest Economic Solutions

What is a Lending Circle
and how can it help
your credit?

Important Dates

Payment Options

Decisions

Lesia

Wh

L

Eni

Me

When to start?

How much?

What order?



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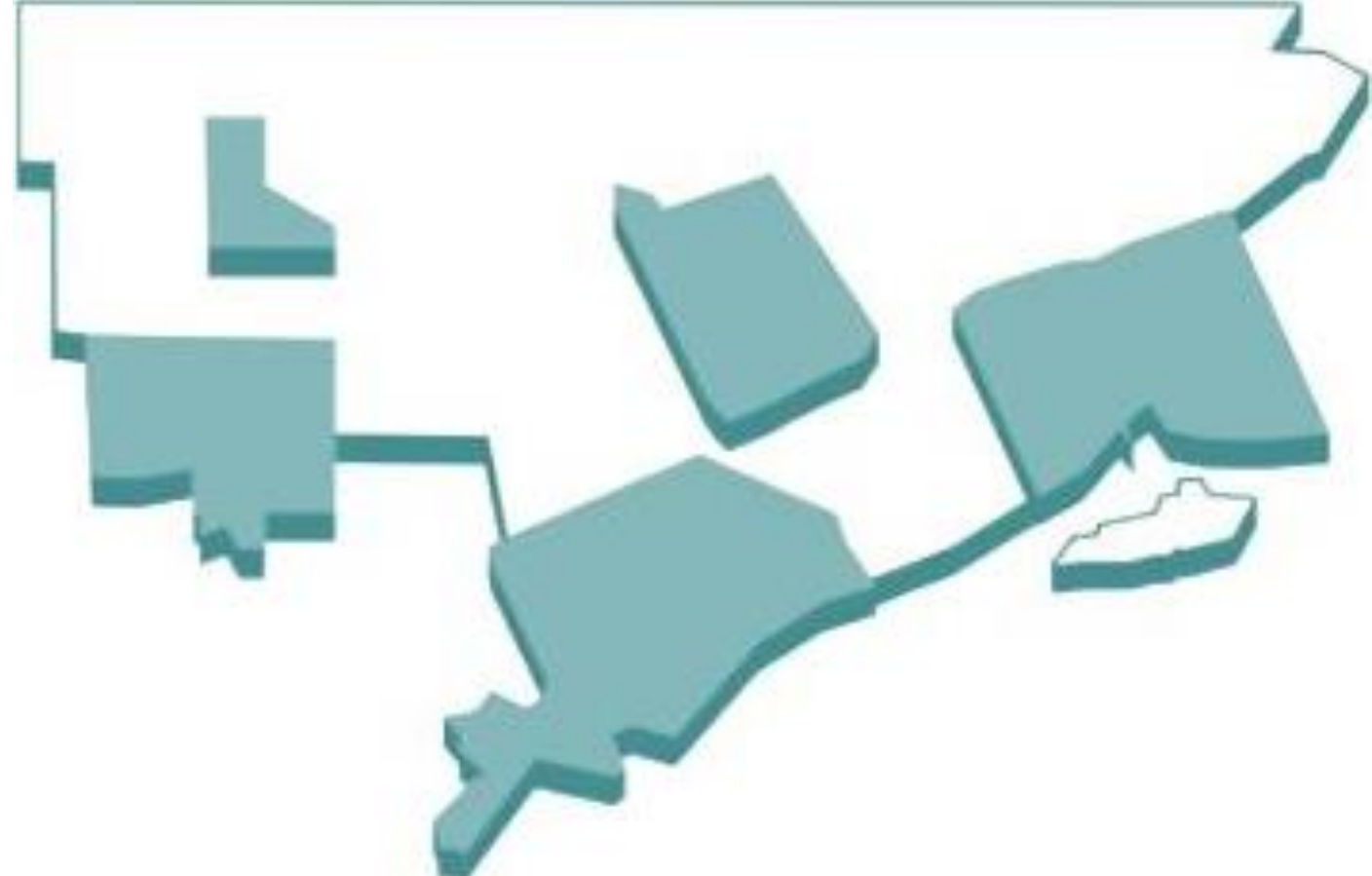
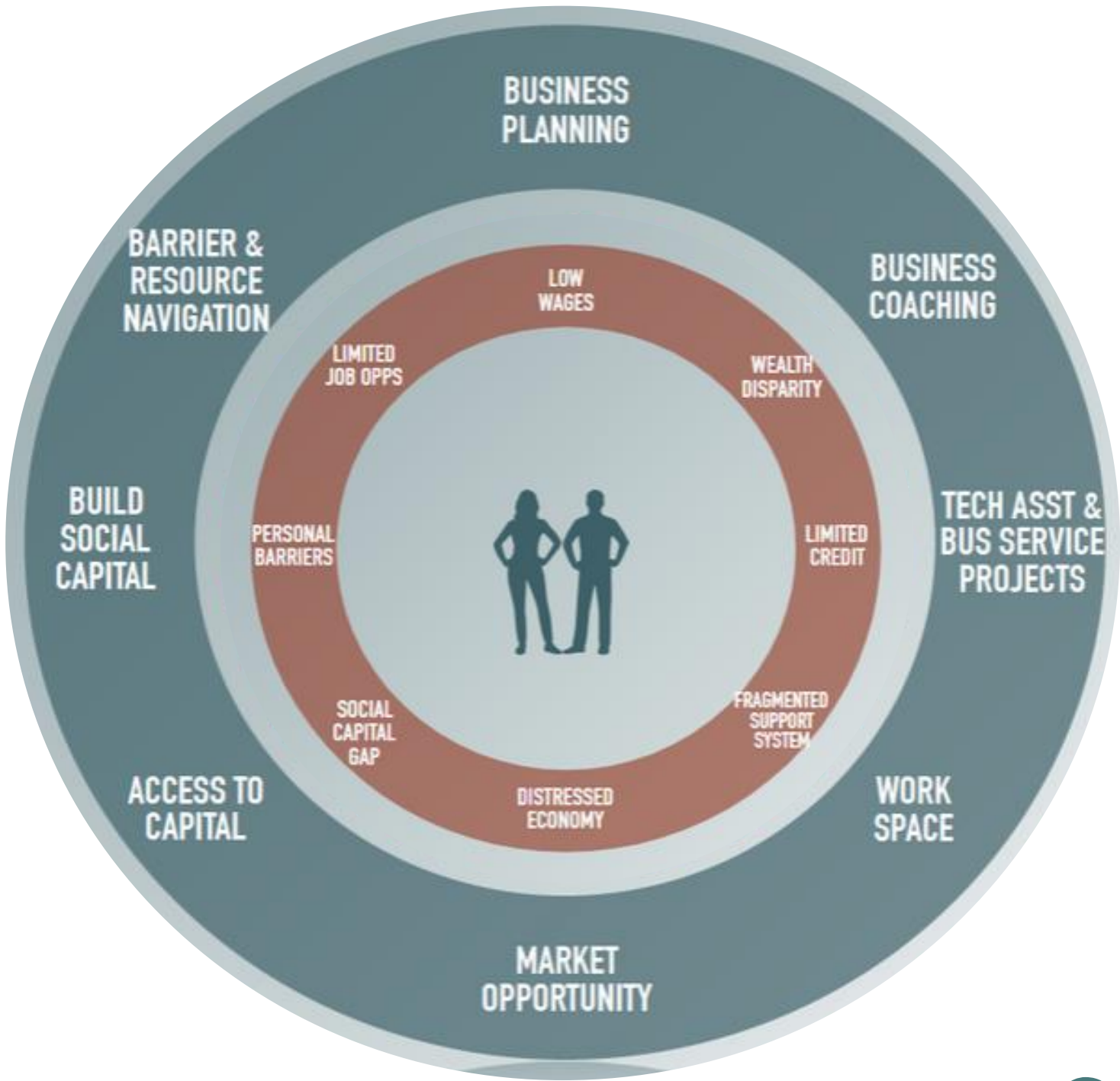
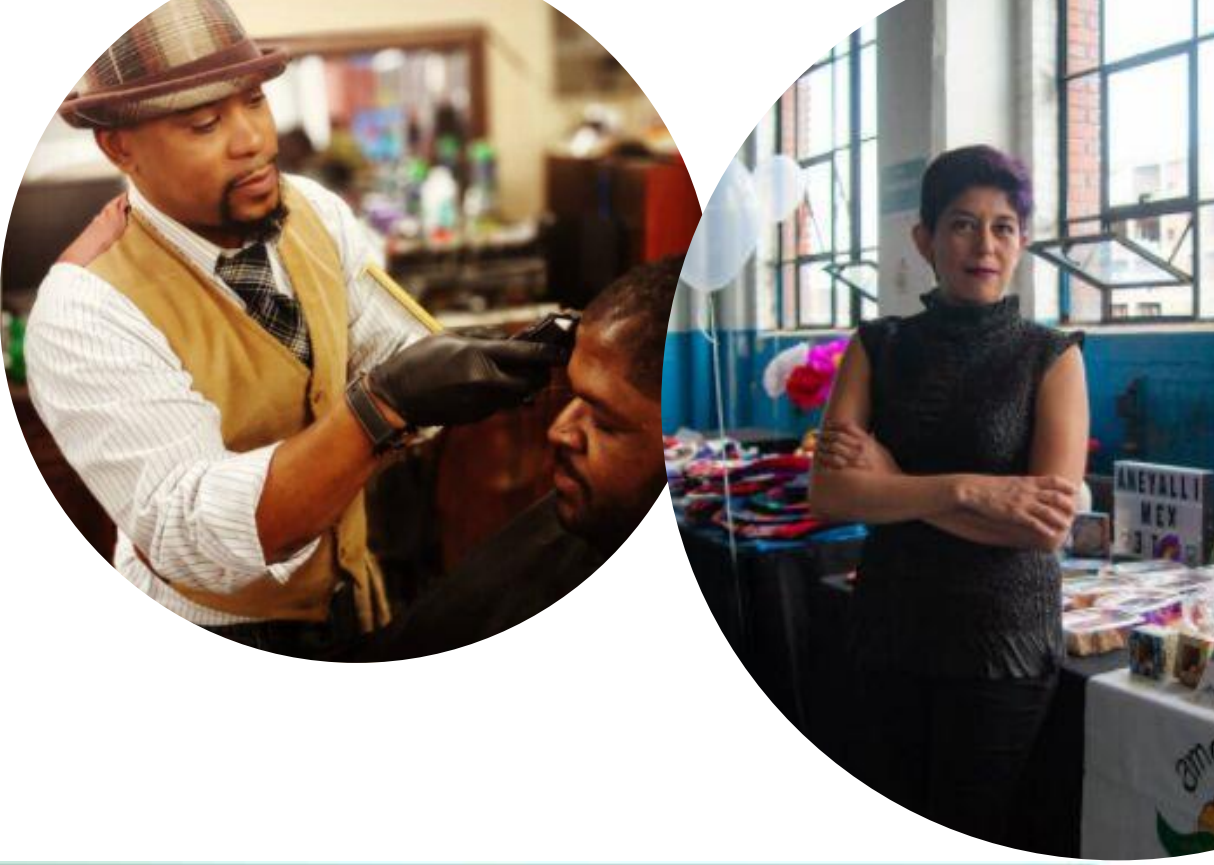
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**support for
entrepreneurs
in our neighborhoods**

INITIATIVE OVERVIEW

OUR APPROACH



**COMPREHENSIVE SERVICES
CONCENTRATED IN
TARGET GEOGRAPHIES**

OUR PROGRAMS

TRAINING

- Business planning course
- 12 interactive group training
- 10 one-to-one coaching sessions

TECHNICAL ASSISTANCE

- project-based business services
- coaching-approach technical assistance
- pre- and post-loan technical assistance

MICROLENDING

- microloans of up to \$50,000
- for business start-up or growth
- relationship-based lending approach



OUR OUTCOMES

1000+ TRAINING PROGRAM GRADUATES

99% GRADUATES OF COLOR

17 AVG HRS OF POST-TRAINING TECHNICAL ASSIST.

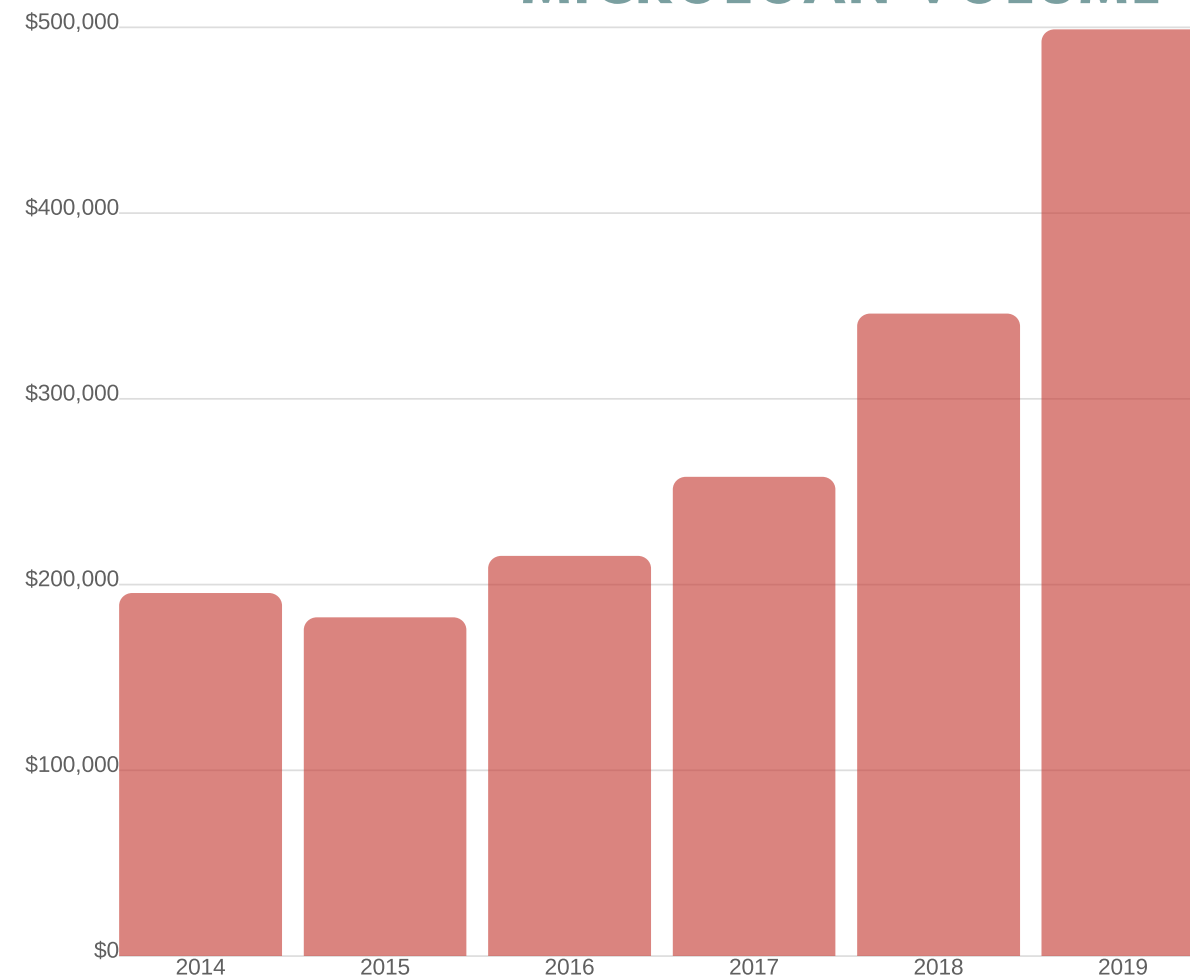
\$1,810,000 IN APPROVED MICROLOANS

\$3,000 AVG NET WORTH OF BORROWERS

620 AVG CREDIT SCORE OF BORROWERS



GROWTH IN MICROLOAN VOLUME





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Senior Community Assistance Team Specialist
Michigan Economic Development Corporation

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COMMUNITY DEVELOPMENT

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

Community Development

Supporting the growth of vibrant, diverse
and sustainable communities across Michigan



MEDC Community Development Goals

Place

- Follows basic tenants of urban design
- Mixed-use & mixed-income
- Historic preservation
- Sustainable low-impact design
- Downtown & traditional commercial district

Impact

- Project supports local goals & plans
- Regional impact
- Significant square footage revitalized and/or job creation
- In RRD or MMS Community

Financial Need

- Financial need demonstrated
- Significant contribution by developer
- Developer fees deferred through cash flow

Property Eligibility

- **Facility:** any property where hazardous substance is in excess of concentrations that satisfy the cleanup criteria for residential use by PA 451 of 1994
- **Historic Resource:** building individually listed, or located within a National, State or local Historic District.
- **Functionally Obsolete:** property that is unable to be used to adequately perform the function for which it was intended due to substantial loss in value determined by Michigan Assessing Officer
- **Blighted:** Property determined by local unit of government to be a public nuisance, fire hazard, utilities permanently disconnected, tax reverted, subsurface debris or landbank owned.
- **Adjacent or Contiguous**



Neighborhood and Commercial Corridor Food Initiative “Urban Grocery)

- Property that will be used primarily as a retail supermarket, grocery store, produce market, or delicatessen that is located in the downtown or commercial corridor.
- Sets aside a minimum of 5% of annual allocation for grocery stores
- **NOT** eligible if located within 1 mile of an existing retail supermarket, grocery store, or produce market as determined by the board.
- Grocer must provide unprocessed USDA inspected meat, fresh fruits, vegetables, dairy products



Project Support

- MCRP award cannot exceed 25% of the total “Eligible Investment” for a project, but policy limits to 20% of “Eligible Investment” for non-historic projects
- MCRP grants cannot exceed \$1.5 million. However, policy limits them to \$500,000.
- Legislation allow for up to three project per fiscal year to go up to 50% of “Eligible Investment” in the project qualifies as Historic
- Maximum combined incentive amount up to \$10 million

Types of Support

- Grants
- Loans
- Other Economic Assistance



MCRP Structuring Parameters

- Strong preference for projects to have an all in debt service coverage ratio of greater than or equal to 1.20 to 1.00
- Minimum owner equity investment of 10% in a project (net of developer fees received)
- Developer fees not to exceed 4% of the total development cost
- Developer return over 12% may require additional equity
- MCRP investment generally will not exceed 30 years

Riopelle Market – City of Detroit

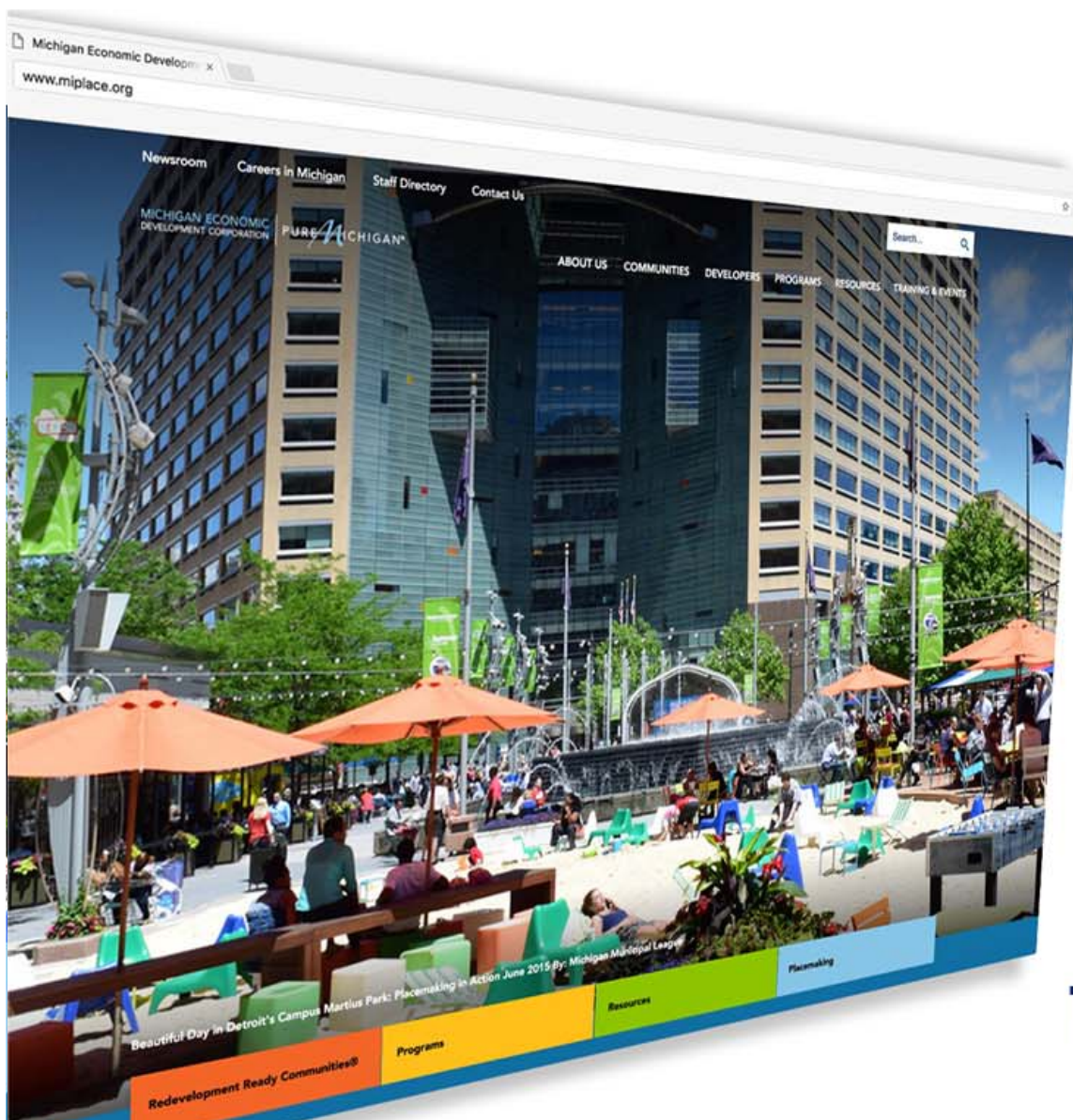


Small Business Services

- Match on Main
 - Provides up to \$25,000 in grant dollars for technical assistance, interior renovations, or working capital.
 - Businesses must be located in a Michigan Main Street district
 - Eligible businesses apply through the local Main Street program for reimbursement.
- Pure Michigan Business Connect
 - Host matchmaking events like Pure Michigan Food & Ag Summit
 - Free event bring together purchasers with suppliers from around the state.
 - Next event Tuesday, March 17

The Cheese Shop – Saline Main Street





RESOURCES

www.miplace.org

LinkedIn:

MEDC Community
Development

Facebook:

@MiPlaceNews

Twitter: @MiPlaceNews

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

Brittney Hoszkiw

*Sr. Community
Assistance Team
Specialist*

517.420.7291

hoszkiwb1@michigan.org



Phone



Music



Safari



Camera

thank
you

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION



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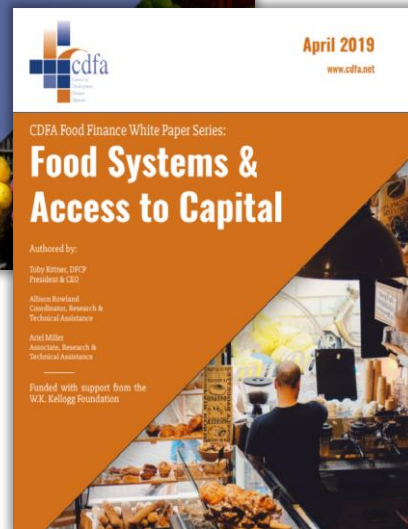
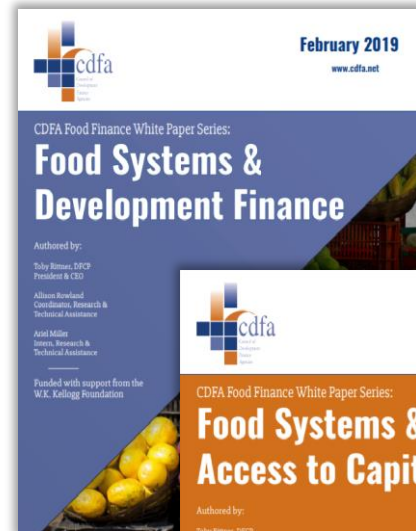
Questions?



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Online Resources

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Food Systems Finance Resource Center

Food systems are an important driver for local economic development and the financing sources needed to support those systems are vast. Communities throughout the country are financing their food system with various innovative strategies to support local markets, first time farmers, new food enterprises, and neighborhoods lacking access to fresh foods.

The CDFA Food Systems Finance Resource Center outlines development finance tools that can be used to support local food systems, such as bonds, tax increment finance, tax credits, revolving loan funds, and other tools. Traditional development finance tools provide necessary capital for establishing food industry participants, supporting local farming, investing in agriculture infrastructure, financing food scarcity challenges, and starting small food-related businesses. A variety of innovative approaches and creative programs have been employed by development finance agencies to support food systems financing, which can be accessed in the resources provide below.

CDFA sees the potential for the broadly defined food system to become a desired and performance driven asset class. With funding from the **W.K. Kellogg Foundation**, CDFA is researching how development finance agencies can become more engaged in developing localized food systems through traditional finance approaches. The premise of this initiative is to suggest and then prove that, if organized and defined properly, the food system can become a defined asset class worthy of traditional investment. As part of this initiative, CDFA is currently producing six in-depth white papers that define traditional development finance tools and explain how they can be applied to agri-food businesses, featuring an abundance of case studies.

⇒ **Learn more about CDFA's initiative to define the food system as an asset class**

Want regular updates on food systems financing? Subscribe to **CDFA's Food & Agriculture Finance Update** newsletter.

⇒ **Subscribe**

◊ [Defining the Food System as an Asset Class](#)

◊ [Understanding Food Systems Finance](#)

◊ [Food Systems Finance Resources](#)

◊ [Agriculture Finance Resources](#)



⇒ **Learn More About This Tool**



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Noelle Sheets
Manager, Membership

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Become part of CDFA and join the community!

- Join a 35,000+ development finance professional community
- Become one of our 50+ partner organizations
- Become a development finance certified professional through our DFCP Program

Membership is vital to advancing development finance knowledge, networks and innovation.

Our members can rest easy, knowing they have the most accurate and up-to-date information available.

We assist our members in the great work they already do to help their organizations & communities reach their goals.

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Membership information: www.cdfa.net/membership



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Upcoming Events

Strategies for Successful Funding through USDA's ReConnect Program

February 12, 2020 | 2-3 PM Eastern

BNY Mellon Webinar: P3s That Fuel the Economy

February 18, 2020 | 1-2 PM Eastern

Intro Bond Finance WebCourse

February 26-27, 2020 | 12-5 PM Eastern

CDFA Federal Policy Conference

April 14-15, 2020 | Washington, DC

Register online at www.cdfa.net/events

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