LISC
Helping neighbors build communities

May 2017

The Local Initiatives Support Corporation (LISC) is pleased to respond to your request for comments on the 2014 Farm Bill. We commend the Senate Committee on Agriculture, Nutrition and Forestry for holding field hearings, such as the one on May 6th - "Growing Jobs and Economic Opportunity: Perspectives on the 2018 Farm Bill from Michigan."

Established in 1979, LISC is a national nonprofit and Community Development Financial Institutions (CDFI) dedicated to helping community residents transform distressed neighborhoods into healthy places of choice and opportunity – good places to work, do business and raise children. LISC has local offices in 31 cities throughout the country, and also administers a national Rural Program where we partner with 76 rural community development organizations serving over 2,000 rural counties in 44 different states.

We would like to address key provisions in the 2014 Farm Bill relating to the Healthy Food Financing Initiative and the Community Facilities Loan Program.

<u>Healthy Food Financing Initiative:</u>

According to a recent the USDA Economic Research Service study in 2016, an estimated 40 million Americans live in rural areas, small towns and urban communities where a healthy diet is out of reach. In response to this crisis, the 2014 Farm Bill included a provision establishing the Healthy Food Financing Initiative (HFFI) at USDA, and authorizing up to $125 million for the program (P.L. 113-79, §4206). The USDA's HFFI was modeled on the success of similar initiatives being piloted through programs at the Department of Treasury's CDFI Fund, and at the Department of Health and Human Services. Through the HFFI, USDA is authorized to approve a community development financial institution as "national fund manager" that would administer these funds by supporting food retail projects that would "expand or preserve access to staple foods" (as defined within this section) and accept SNAP benefits. The law authorized up to $125 million to be appropriated and to remain available until expended.

Reinvestment Fund was selected in January 2017 to serve as National Fund Manager by USDA for the HFFI. As Fund Manager, Reinvestment Fund will raise private capital, provide financial and technical assistance to regional, state and local partnerships, and channel capital to fund eligible projects that will improve access to fresh, healthy foods in underserved rural areas. Reinvestment Fund also created ReFresh in 2014, a capacity-building initiative that is composed of 19 CDFI partners, who are among the largest national practitioners in healthy food financing.

The efforts already undertaken through the HFFI initiative at the Treasury Department's CDFI Fund have demonstrated how powerful this program can be, and why it needs to be funded as a permanent program at USDA. Since 2012, LISC has been awarded $15 million from the CDFI Fund's Healthy Food Financing Initiative. These funds have enabled LISC to leverage nearly $120 million and counting to support the development and improvement of over 390,000 square feet of healthy retail food outlets and community facilities.

HFFI resources have supported these projects in Michigan:

1. Flint Farmer's Market/Uptown Reinvestment Corporation (Flint) – LISC provided a $1 million loan to relocate and expand the market to a new Health and Wellness District in downtown Flint. The project serves as a community asset, serves more residents and has increased its indoor selling, vendor, commercial kitchen and community space.
2. Park Street Market/Northside Association for Community Development (Kalamazoo) – LISC provided a $650,000 loan to support the grocery store, located in a community with 75% low-income residents. The Market is the only full-service grocery store in the area, serving surrounding neighborhoods as well. The loan supported the store's financial restructuring to ensure viability and operability into the future.
3. Seven Mile Foods (Detroit) – LISC provided a $773,000 loan to help finance interior improvements and refinance existing higher interest debt in order to enable Sevan Mile Food to improve its operations and the services and merchandise being offered. The full-service store offers more fresh food options, the new energy efficient equipment generate cost savings and the store makes healthy food access more integral to quality of life planning.
4. Royal Fresh Market (Detroit) – LISC provided a $1.3 million loan for acquisition and remodeling in the heart of Detroit's Grandmont Rosedale neighborhood. The new operator was able to preserve the only full-service grocery store in the neighborhood, was able to make upgrades, increase the quality and availability of produce and improve operations to serve residents and employ staff from the neighborhood.

LISC pursues an array of different approaches to ensure that projects we support meet specific local needs and can most effectively increase healthy food access. These approaches will priorities retail healthy food outlets, including grocery stores and farmers markets, but will also entail other strategies such as community kitchens, mobile food vendors, and urban agriculture and food business incubators. Our financing strategy recognizes the need for flexible, low-cost loan products at all stages of real estate lending to accommodate the higher risks faced in the type of economically distressed neighborhoods that we target for investment.

The HFFI program at the CDFI Fund has been proven to be very successful at getting capital to LISC and to other CDFIs with the capacity to finance grocery stores and other healthy food retail outlets in low income communities. The success of this initiative is attributable in part to the CDFI Fund simultaneously developing a technical assistance program to build the capacity of CDFIs to understand the grocery store industry, identify optimal areas for grocery store development, and underwrite loans to healthy food retailers.

Similarly, the Department of Health and Human Services Community Economic Development (CED) program has been successful in deploying competitive grants to Community Development Corporations (CDCs) to support healthy food access options. These projects serve dual purposes; facilitating access to healthy food options while creating job and business developments in low-income communities, where grocery stores may serve as anchor institutions in commercial centers.

Since 2011, over $197 million has been distributed through the CDFI Fund's and HHS's HFFI initiatives; bringing jobs, economic development and healthy food access to lower-income communities across the country. This public-private partnership model has leveraged an estimated $1 billion in additional resources, loans and federal tax incentives, including investments from financial, healthcare and philanthropic institutions.

Based upon the proven success of efforts at the CDFI Fund and HHS, which unlike the USDA-HFFI are not permanently authorized programs, we recommend appropriating the full $125 million authorized in the 2014 Farm Bill until expended. As of today, only $1 million of USDA's total $125 million has been appropriated. Awareness of food insecurity and inequitable access to healthy food access has attracted and stimulated private investments in these types of activities.

Community Facilities Relending Program:

The Community Facilities Loan Program was established in 1972 to help address financing needs in rural communities. Because many rural communities are unable to access Community Facility (CF) funds, Congress authorized the Community Facilities Technical Assistance and Training Grant in the 2014 Farm Bill. This program funds 3 to 5 percent of the total Community Facilities appropriation to help communities identify and plan for their needs, apply for funding, and improve management of facilities. The USDA has committed to making the maximum 5 percent of funds available until further notice.

The USDA recently established the CF Relending Program to better deliver direct loan funds to persistently poor communities through community development financial institutions, credit unions, and other lenders with deep local networks and capacity for technical assistance. Under the program, eligible lenders may apply for an obligation for a portion of total CF direct loan funding. They then originate and underwrite eligible CF loans. The USDA advances funds after approving loans. In 2016, USDA awarded LISC with $20 million through the Community Facilities loan program. LISC is in early stages of implementing the fund. Projects include a critical care hospital, a nursing home, a Boys and Girls Club expansion and an educational and living facility for disabled and autistic adults.

Prior to its selection as an intermediary relender, LISC worked closely with many of its rural partners to secure direct community facilities loan proceeds, and appreciates how important this program has been.

Two examples of LISC's efforts include:

1. Coastal Family Health Center - LISC provided grants, acquisition financing, and technical assistance to Mercy Housing and Human Development Inc. to obtain a CF direct loan for constructing the Coastal Family Health Center, which opened in D'Iberville, MS, in 2011. The center was an integral part of D'Iberville's redevelopment following Hurricane Katrina. The 5,000-square-foot facility is the only clinic providing affordable care and preventive medicine for adults and children in this area. It also includes a special-needs shelter. The $1.4 million total development cost would not have been possible without significant grant support from LISC and other funders, in addition to the CF loan.

2. Cottonwood Ridge Assisted Living Center is located in rural southeastern Colorado. The 29 bed assisted living facility was completed in 2004, through a tapestry of financing tools, including USDA Community Facilities loan and grant funds. The land was donated by a local utility company, and

various state and local grants and in kind donations helped reduce the debt load on the completed facility. The permanent financing was a CF 40 year direct loan. The CF financing enabled the facility to accommodate 16 Medicaid residents and 13 private pay patients, which meets the needs of the three rural counties that Cottonwood Ridge serves.

Despite the significant needs in rural America, CF loan funds have been undersubscribed, particularly in areas with persistent poverty. Although CF loan funds are offered on attractive terms, the relative complexity of the process and the financial hardships in persistently poor areas mean that funds often do not reach the communities that need them the most.

To better reach persistently poor communities, we propose the following improvements to the CF Program:

1. Provide a flexible interest rate structure for the relending program. The program makes CF funds available to relenders at the same market rate available to all borrowers, currently 2.75 percent. Though this rate is historically low, it does not reflect the USDA's reduced risk and processing cost, since it is the relender that completes all underwriting and provides security for the loan. Relenders incur costs in processing and servicing CF loans, and when those costs are added to the CF market rate, the interest rate becomes too high to provide a viable financing option for many persistently poor communities.

2. Permit relenders to recycle funds. By allowing relenders to draw down their full obligation and make loans throughout the 40-year loan period, the program would reach more communities.

3. Provide additional funding for CF Training and Technical Assistance Grants. Such assistance is currently taken from the overall CF appropriation. This approach reduces the total funding available for CF projects and does not reflect the needs. The size of the appropriation may not correspond to the number of borrowers or their needs in a given year. To provide the robust training and assistance needed for success for projects and long-term community improvement, we recommend an additional appropriation of no less than 5 percent of the total CF appropriation.

We appreciate the opportunity to share these successes and recommendations, which are informed by our decades of experience in community development as well as our partnerships with the public and private sectors.

Please contact Matt Josephs, Senior Vice President of Federal Policy, if you require additional information (mjosephs@lisc.org, 202-739-9264).