



California FreshWorks

A Case Study Examining the Development
and Implementation of FreshWorks

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Lead Author



Reader comments and ideas are welcome. Please direct correspondence to:

Sallie Yoshida, DrPH, RD
Executive Director, Samuels Center
sallie@samuelscenter.com

Tom Woelfel
Director, PCV InSight
twoelfel@pcvmail.org

About this Report and Evaluation

This report is one of three in a series of reports released as part of the evaluation of FreshWorks. The other two reports—*The Social and Economic Impacts of FreshWorks* and the *California FreshWorks Food Access Report*—can be found at www.calendow.org/freshworks.

The evaluation is led by a team of researchers experienced in evaluating health, social, and economic outcomes. The team consists of the Sarah Samuels Center for Public Health Research and Evaluation, InSight at Pacific Community Ventures, Dr. Allison Karpyn of the University of Delaware, and Dr. Karen Glanz of the University of Pennsylvania. To learn more about members of the evaluation team visit:

<http://www.samuelscenter.com/>

<http://www.pacificcommunityventures.org/insight/>

<http://www.cresp.udel.edu/about-us/staff/allison-karpyn-phd/>

<http://www.med.upenn.edu/chbr/faculty.shtml>

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Foreword

At the California Endowment, we believe that healthy food financing initiatives possess significant potential to improve health outcomes and spur economic development in underserved communities. In 2011, we created the California FreshWorks program by working closely with a diverse set of public and private partners to meet the tremendous need across our state for access to healthy food. In the time since FreshWorks was launched, we have seen new and exciting initiatives emerge in Colorado, Illinois, Michigan, New Jersey, and New York that seek to tackle the issue of access to quality, healthy food. As the field continues to grow and evolve, we believe it is vital to share our experiences with one another, including successes, challenges, lessons, and insights surfaced through our collective hard work on these initiatives.

With this goal in mind, we commissioned a two-year evaluation of FreshWorks to better understand the impact of the program on fresh food access as well as social and economic outcomes. The evaluation also examined the development and implementation of FreshWorks and identified key lessons and insights that will inform the work of FreshWorks moving forward.

We are pleased to be able to share the findings from this evaluation with the field and with our dedicated FreshWorks partners. We hope that the findings are informative and prove useful for other investors—in particular mission investors, policymakers, nonprofits, and grocers interested in or already supporting healthy food financing nationally. Through openly sharing our experience with FreshWorks, we hope to support a more developed and sophisticated healthy food financing field that is well equipped to deliver strong health, social, and economic outcomes. We look forward to continuing the conversation and learning from the experiences of our peers and others engaged in healthy food financing.

The California Endowment FreshWorks Team

Marion Standish, *Vice President, Enterprise Programs*

Amy Chung, *Director, Program-Related Investments*

Mona Jhawar, *Learning and Evaluation Manager*

Michelle Holleran, *Analyst, Program-Related Investments*





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Introduction



The California Endowment (TCE) is a private health foundation that aims to address health disparities in underserved communities and has a long history of landmark grantmaking in the health equity field. In 2010, TCE launched its Building Healthy Communities Initiative, which seeks to improve health outcomes in 14 communities across California through partnerships with community leaders and residents that result in concerted action. As part of its Building Healthy Communities work in South Los Angeles, TCE became involved in an ongoing conversation among dedicated community-based organizations working to address the lack of healthy food locally.¹ Through this conversation and others, TCE began to explore how it could enable greater access to healthy food both within South Los Angeles and across California in order to promote improved community health.

Nearly one million Californians, 45 percent of whom are low-income, live without access to nearby supermarkets or large grocery stores in communities known as “food deserts.”² This issue disproportionately affects low-income communities and communities of color, which are much less likely to have full-service grocery stores than wealthier neighborhoods with higher percentages of white residents.^{3,4,5} The subsequent lack of access to nutritious food negatively impacts health outcomes for these low-income communities. Individuals who live near full-service grocery stores are more likely to eat recommended amounts of fruits and vegetables⁶ and are less likely to become obese.^{7,8,9,10,11} Additionally, the highest rates of obesity are found among those who live in environments where fast food restaurants and convenience stores outnumber full-service grocery stores.¹²

In recognition of these community health challenges related to food access, TCE launched the California FreshWorks program (FreshWorks) in 2011 in partnership with a broad coalition of public and private capital providers and thought partners. FreshWorks is a financing initiative designed to bring grocery stores and markets that offer fresh produce and other innovative forms of healthy food retail to underserved communities.

Evaluating the Impact of FreshWorks

TCE commissioned a two-year evaluation of FreshWorks to better understand the impact of the program on fresh food access, as well as social and economic outcomes. The evaluation also sought to document the development and implementation of FreshWorks while identifying key lessons and insights. Given that FreshWorks is an early example of a state-level healthy food financing initiative, the evaluation offers an opportunity to inform the broader healthy food movement going forward.

This case study focuses on the development and implementation of FreshWorks, as well as key challenges encountered and lessons learned during the program's first years of operation. The evaluation team conducted interviews with FreshWorks investors, advisors, and other stakeholders in order to collect qualitative data documenting the Fund's origins and implementation process. These interviews formed the basis for the findings presented herein.

This case study is part of a series of reports on the FreshWorks program. The evaluation team also completed two reports that focus specifically on outcomes at three grocery stores that received FreshWorks funding. All three grocery stores evaluated in those reports are part of Northgate González Markets, a family-operated chain that runs over 40 stores serving predominantly Latino communities in the Los Angeles and San Diego areas. One report focuses on how these three stores increased access to healthy food in the stores' respective communities, while the other focuses on the social and economic impacts of the three stores.¹³ [The reports are available here.](#)

The evaluation was led by a team of researchers experienced in evaluating health, social, and economic outcomes. The team consists of the Sarah Samuels Center for Public Health Research and Evaluation, InSight at Pacific Community Ventures, Dr. Allison Karpyn of the University of Delaware, and Dr. Karen Glanz of the University of Pennsylvania.

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Development of FreshWorks



FreshWorks Quick Facts

Year Founded: 2011

The California Endowment: Founder and anchor funder with \$30 million commitment

Capital Impact Partners: Fund administrator deploying loans and grants

Emerging Markets: Food access organization sourcing loan and grant opportunities

FreshWorks Sources of Capital:

- New Markets Tax Credits (NMTC) (\$120.5 million in commitments)
- Structured LLC Fund (\$125 million and \$7.5 million loan loss reserve)—closed in 2015 due to underutilization
- Other debt capital (\$16 million)
- Grants (\$4.4 million)

FreshWorks was conceived during a time of increased attention, both locally and nationally, to the issue of access to healthy food. Between 2010 and 2011, TCE participated in a series of meetings hosted by the California Health Councils, a community-based health education and policy organization, and Unified Grocers, the largest retailer-owned wholesale grocery cooperative in the Western United States. The meetings brought together key stakeholders interested in both health equity and economic development in their communities. At the same time, national projects aiming to address the lack of healthy retail outlets in food desert communities were gaining momentum. The successful Pennsylvania Fresh Food Financing Initiative (FFFI) and the subsequently-created National Healthy Food Financing Initiative (HFFI) both demonstrated that creative financing efforts could increase food access in underserved communities.^{14,15} The convergence of TCE's work in the South Los Angeles community and the model of the Pennsylvania and national financing initiatives laid the foundation for the development of FreshWorks.

As TCE began to explore the possibility of creating its own healthy food financing initiative, staff recognized that it would be difficult to secure significant public funds given the political climate in California. TCE therefore began to consider a privately funded solution to address both the lack of healthy food outlets and the lack of fresh food offered by existing operators in underserved communities. As a grantmaking strategy alone did not seem sufficient to address the root causes of disparity in healthy food access, TCE worked internally to align its program-related investment strategy with its programmatic goals of increasing fresh food access. This idea, championed by TCE's mission investing and program staff, gained support from the Board of Directors and senior leadership who saw the strong alignment between the foundation's mission and this potential use of its assets.

With approval from the TCE Board and leadership, staff began to assemble a team to administer the FreshWorks program. TCE asked Capital Impact Partners (CIP), a Community Development Financial Institution with experience in healthy food lending, to serve as the fund administrator responsible for deploying loans and grants. Emerging Markets, an economic development consulting firm, was selected as the food access organization responsible for conducting outreach and sourcing investment opportunities. Since inception, TCE, Emerging Markets, and CIP have formed the core team involved in the daily operations of FreshWorks.

TCE and CIP also developed key relationships and forged partnerships with private investors, foundations, health systems, and industry partners interested in supporting the FreshWorks mission (see Appendix A). Investors found the prospect of achieving health, social, and economic impacts alongside financial returns compelling, and TCE and CIP gathered total commitments of \$273.4 million, making FreshWorks the largest healthy food financing initiative to date within the U.S. In 2011, FreshWorks was nationally recognized by the White House and was officially launched with a visit by First Lady Michelle Obama at the grand opening of the Northgate González Market in Inglewood, California.

One characteristic that distinguishes FreshWorks from other healthy food financing programs is its set of program guidelines for prospective borrowers (see Appendix B). The guidelines contain eligibility requirements for prospective borrowers as well as a rubric of impact goals with varying point values assigned. Prospective deals were required to demonstrate a combination of social, economic, and health-related impacts that could score at least 10 points based on the rubric. The guidelines were structured such that a project's potential for job creation and the project's plans to implement "product placement, pricing and promotion encouraging healthy choices" received the highest weights (four points each). The FreshWorks team initially anticipated high demand for FreshWorks funds and viewed the program guidelines as a unique way to analyze the potential impact of proposed projects and choose those likely to be most impactful. Over time, the FreshWorks team recognized that the guidelines were more useful as a blueprint for discussions with investees regarding impactful practices than as a filter for selecting deals.

TCE and CIP gathered total commitments of \$273.4 million, making FreshWorks the largest healthy food financing initiative to date within the U.S.



Implementation of FreshWorks



Size and Structure

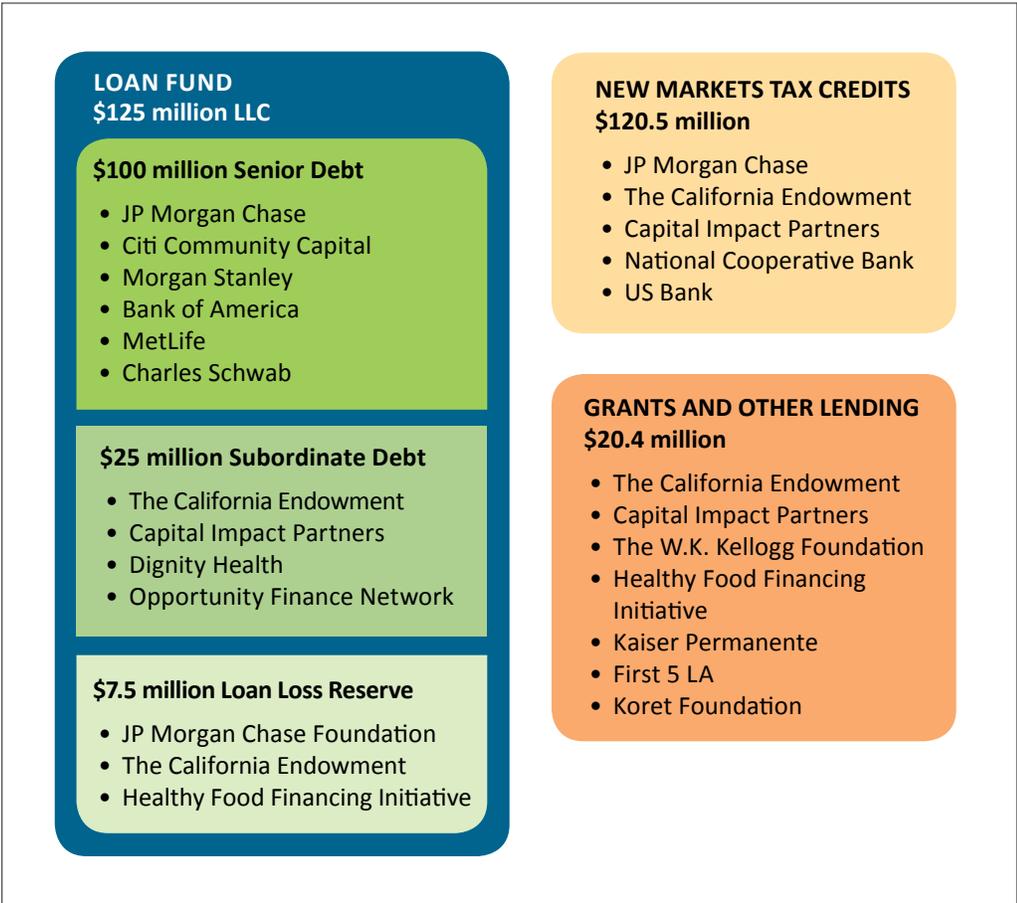
When FreshWorks launched in 2011, TCE and CIP had raised \$273.4 million in total capital, structured as three different pools: a \$125 million Limited Liability Company (with an additional \$7.5 million in loan loss reserve funds), \$120.5 million in New Markets Tax Credits, and a \$20.4 million pool of flexible debt and grant funding to support innovative fresh food projects (see Figure 1).

The first pool of capital, the \$125 million multi-investor Limited Liability Company (LLC), focused on providing loans to grocery stores, markets offering fresh produce, and other innovative forms of healthy food retail and distribution located in communities historically lacking access to fresh foods. At the time that TCE and CIP were developing FreshWorks, the U.S. nonprofit and community development fields were beginning to embrace the use of an LLC, a vehicle common in the private sector, as an efficient method for gathering, deploying, and administering funds from large and varied sets of investors. To mitigate the risk of borrower defaults, grants from J.P. Morgan Chase & Co., TCE, and the HFFI provided a \$7.5 million loan loss reserve for the LLC.

The second major pool of capital came in the form of New Markets Tax Credits (NMTC) commitments. A number of LLC investors and others committed a total of \$120.5 million to co-invest in eligible NMTC transactions related to fresh food access. These commitments, while not legally binding, represented capital that investors were willing to put towards suitable FreshWorks projects. Established by Congress in 2000 and administered by the U.S. Treasury Department's Community Development Financial Institutions (CDFI) Fund, the NMTC Program spurs private sector investment into underserved communities by providing a tax credit to corporate or individual investors who make equity investments in specialized financial institutions called Community Development Entities.¹⁶

The third pool of capital was comprised of \$20.4 million in flexible debt and grant funding. This pool of capital was designed to support higher-risk, innovative business models and enterprises that did not meet typical underwriting parameters. In practice, CIP held these funds not within a single structure, but in the form of individual agreements between itself and other lenders and grantors. This pool of capital consisted of approximately \$4.4 million of grants and \$16 million of debt funding, which also included program-related investments (PRIs). See Figure 1 for further detail.

Figure 1: FreshWorks Capital Structure



In February 2015, CIP wound down the \$125 million LLC due to under-utilization (see “Challenges” section for further discussion). CIP remains dedicated to fresh food lending and has committed to using its balance sheet to continue lending under the FreshWorks umbrella in collaboration with TCE and other interested investors. CIP also continues to make loans and grants that support innovative fresh food access models (see “Future of FreshWorks” section for further detail).

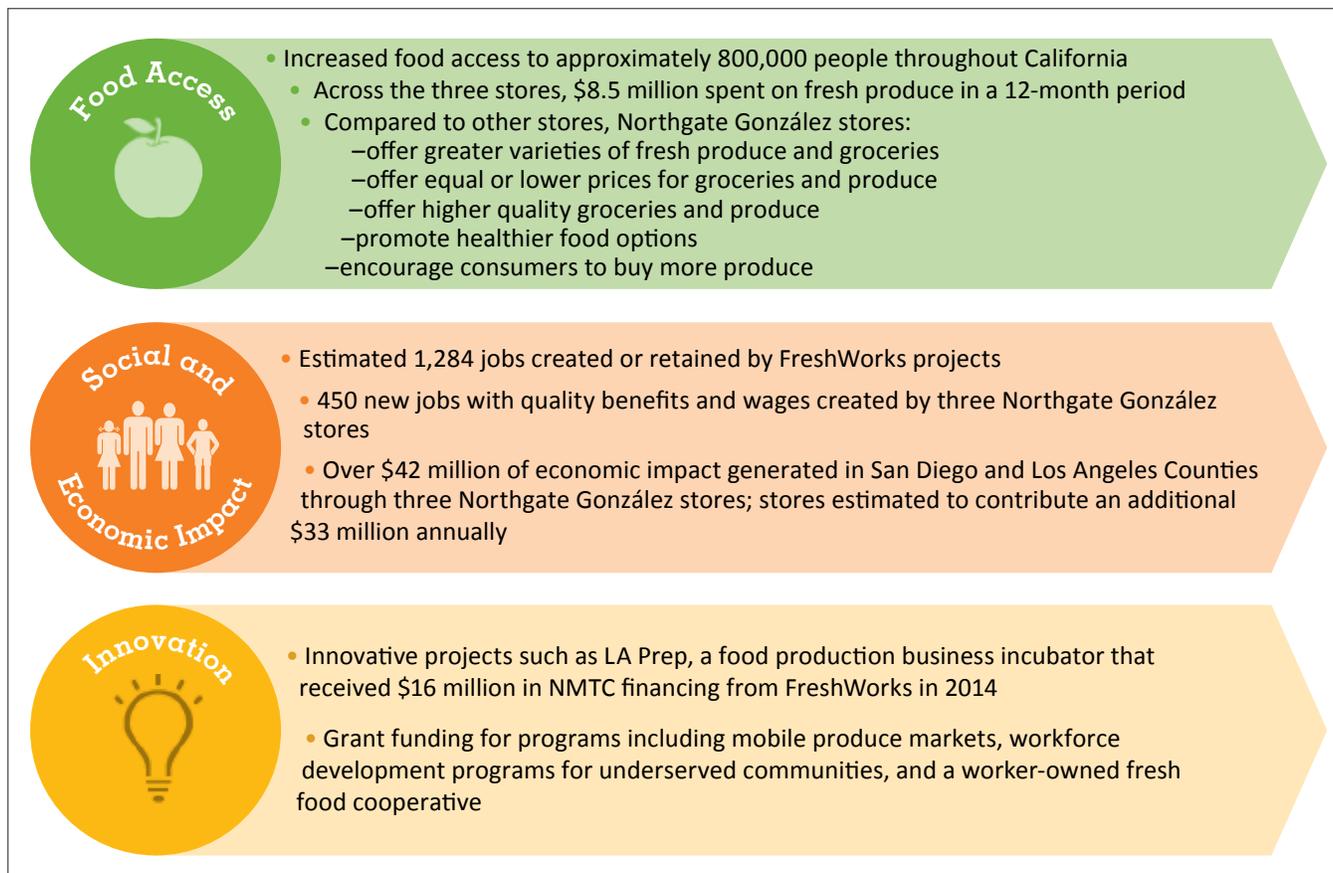
Investments to Date

By year-end 2015, FreshWorks had disbursed \$58 million through 48 loans and grants. Approximately \$40 million of NMTC funds have been disbursed to date, as well as \$1.5 million in grants. For a detailed list of all transactions, please see Appendix C.

Achievements

Since its inception, FreshWorks has increased access to healthy food in underserved communities throughout the state of California. As of year-end 2015, FreshWorks had deployed debt capital to 15 fresh food retail sites and intermediary organizations, developing 435,000 square feet of retail space and increasing access to fresh food for over 800,000 people across the state.¹⁷ The types of businesses and organizations supported by FreshWorks capital are engaged in a variety of projects aiming to bring healthy food access to the residents of California. While FreshWorks has funded a number of traditional grocery stores, other operators include farmers' markets, mobile produce markets, and community-supported agriculture (CSA) programs. Grant funding has also helped support more innovative programs, including workforce development for underserved communities, a worker-owned fresh food cooperative, and a nonprofit that works to create unconventional partnerships to provide fresh, local produce that goes to meals for low-income individuals. See Figure 2 for details.

Figure 2: FreshWorks Achievements



The following sections provide a summary of FreshWorks’ achievements in the areas of food access, social and economic impact, and innovation. Detailed findings can be found in two other reports published as part of this evaluation: the *California FreshWorks Food Access Report* and *The Social and Economic Impacts of FreshWorks*.



Food Access

The evaluation of FreshWorks’ financing of the three Northgate González grocery stores surfaced several ways in which FreshWorks has supported the availability of fresh food in underserved communities. First, store shoppers reported that Northgate González stores have overall better offerings in terms of both price and quality than the stores where these individuals previously shopped. When surveyed for their opinions, 81 percent of respondents stated that Northgate González offers a greater variety of fruits and vegetables, and 84 percent of respondents stated that the store offers fruits and vegetables of higher quality than other stores. Additionally, respondents believed that Northgate González’s prices were the same or lower for groceries (77 percent of respondents) and produce (81 percent) than the prices at comparable stores. This was particularly pronounced when shoppers were split into two income groups (\leq \$20K and $>$ \$20K household annual income). Compared to the respondents in the $>$ \$20K group, a greater proportion of shoppers in the \leq \$20K group reported that groceries at Northgate González had greater variety, were of higher quality, and cost less than at stores where they previously shopped. This may indicate that those with lower incomes are experiencing greater access to more variety of groceries that are of higher quality and at a better price at Northgate González than where they previously shopped.

In addition to greater satisfaction with the variety, price, and quality of the groceries, respondents also emphasized that Northgate González has supported healthy eating habits. Seventy-one percent of respondents reported that Northgate González encourages them to buy more fruit, and 68 percent said the store encourages them to buy more vegetables. Sixty-nine percent shared that Northgate promotes more healthy options, mostly through its “Viva La Salud” program. Viva La Salud is a health and wellness initiative that Northgate González started in 2008. There are three pillars of the program:

- Community wellness events, including cooking demonstrations and tastings
- Healthy product offerings
- Shelf labeling designed to highlight the healthy products

Viva La Salud has had a positive influence on store patrons’ shopping decisions (see Table 1). For example, 74 percent of shoppers who participated in the food demonstrations reported that the event influenced their shopping decisions. The other components of Viva La Salud have also positively impacted consumers’ shopping decisions, as outlined in Table 1 on the right.

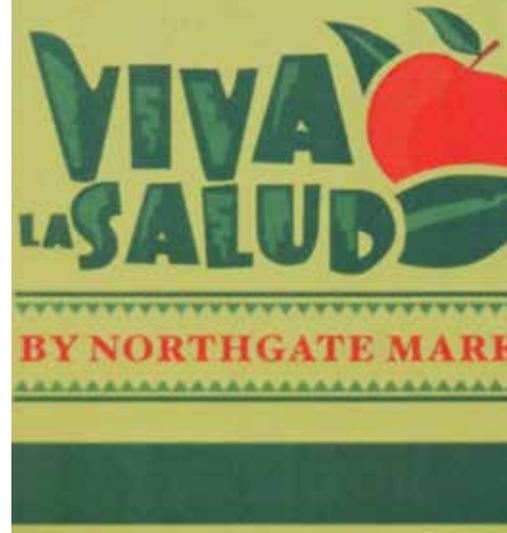


Table 1: Influence of Viva La Salud on Shopping Decisions

| Activity | Aware of Activity | Those Aware who Participated in Activity | Influenced Shopping Decision of those who Participated |
|---------------------|-------------------|--|--|
| Food Demonstrations | 42% | 48% | 74% |
| Healthy Food Events | 30% | 25% | 80% |
| Health Screenings | 40% | 18% | 38% |
| VLS Shelf Labeling | 61% | – | 53% |



Social and Economic Impact

In addition to incentivizing the development of healthy retail, FreshWorks has also promoted economic development in low-income communities. In total, FreshWorks-funded projects are estimated to have supported 1,284 jobs in the communities where they are located.¹⁸ The three Northgate González stores examined as part of the more in-depth evaluation demonstrate how FreshWorks has positively affected low-income communities.¹⁹ First, the three FreshWorks-funded stores have had a positive effect on employment and job quality for workers in local, underserved communities. Together, the stores have created over 450 jobs with 62 percent of workers coming from the local community and 91 percent of workers considered low- to moderate-income.²⁰ Employees of the three stores are enrolled in health and retirement benefits plans at rates significantly higher than employees earning similar wages at a national level. Wages for lower-paid workers exceed those paid by other California grocers, and wage growth over time at the stores has surpassed state and national benchmarks.

The three FreshWorks-funded stores have also had a positive economic impact on the communities in which they are located. All three stores are located in moderate-income census tracts, fulfilling FreshWorks' goal of locating fresh food projects in underserved communities. The stores support the residents of these communities, paying over \$8 million in employee wages to their low- to moderate-income workers on an annual basis. Through the construction and rehabilitation of these three stores as well as their ongoing operations, the stores have generated over \$42 million of economic impact in their respective communities and are expected to generate an additional \$33 million annually.²¹



Innovation

FreshWorks has also helped seed innovation in healthy food retail. One example of an innovative FreshWorks-funded project is L.A. Prep, a food production business incubator for local entrepreneurs that received \$16 million in NMTC financing in 2014. This was a complex transaction that required extensive coordination among multiple partners, particularly since L.A. Prep's model was still unproven in the field. TCE and CIP's desire to support this initiative, coupled with the FreshWorks partners' commitment to the program's mission, led to the funding of this new and innovative model.



Ultimately, the majority of innovations through FreshWorks have been grant-funded. The FreshWorks team acknowledges that it is easier to support innovative projects through grants, given the flexibility grant capital can provide for testing new models and demonstrating proof of concept. Through its grants, FreshWorks has supported a number of nonprofits and other enterprises aiming to provide creative solutions to food access issues. Several grant recipients, for example, operate mobile produce markets in underserved rural communities throughout California. Other grant projects expand beyond FreshWorks' original focus on providing healthy food retail; they include organizations that address other segments of the food value chain, including distribution and production. In March 2015, for example, FreshWorks provided a \$50,000 grant to the Agriculture and Land-Based Training Association, a farmer incubator that trains migrant workers to operate their own sustainable family organic farms.



While a significant amount of capital has been disbursed since 2011, FreshWorks has encountered a number of challenges in supporting healthy retail across the state. Some challenges apply to the FreshWorks program broadly, while others are directly related to the structure of the LLC loan fund. The primary challenges include:

1. Lack of information on capital demand in California's food retail market;
2. A higher than expected level of competition from other capital providers;
3. Partnerships and staffing;
4. Preparing potential borrowers to become capital-ready;
5. LLC fund structure; and
6. Implementation of FreshWorks program guidelines.

1 Lack of information on capital demand in California's food retail market

While TCE had conducted extensive prior research on the need for healthy food in underserved communities to understand the untapped demand across the state, less was understood about the specific capital needs of the operators who were positioned to start healthy food businesses and projects in those communities. First, there was the question of demand for capital. It was unclear which types of operators were suitable for FreshWorks capital, how many existed in the state of California, how they differed based on the geographies they serve, and how well this demand was served by existing capital providers. This market data would have helped the FreshWorks team better determine the total amount of capital needed for FreshWorks, the kinds of capital FreshWorks should offer, and the necessary timeframe for deploying FreshWorks' capital.

Without information on the capital demands of California’s healthy food retailers, FreshWorks often found a mismatch between the types of financing operators needed and the unique type of financing FreshWorks offered. Initially, the FreshWorks team believed that loans would be collateralized by real estate owned or acquired by grocers. However, the team quickly learned that most grocers in California rent the real estate for their stores, and their need for capital is primarily for unsecured financing for tenant improvements, equipment financing, and working capital. The FreshWorks team also found that clients requested a variety of products, including loans with longer terms (as long as 20 years), equity or equity-like products, and revolving lines of credit. The FreshWorks team additionally saw that prospective deals were smaller than anticipated; the large amount of capital that needed to be deployed made it difficult to make loans smaller than \$250,000, given that transaction costs were generally equivalent for large and small loans.

The lack of information on the demand for capital from California’s healthy food retail market has had significant ramifications for all facets of FreshWorks, including program design and capital deployment, and is one of the most significant contributing factors to the difficulties FreshWorks has encountered.

2

A higher than expected level of competition from other capital providers

The lack of information on the demand for capital from California’s healthy food retail market has had significant ramifications for all facets of FreshWorks, including program design and capital deployment, and is one of the most significant contributing factors to the difficulties FreshWorks has encountered.

In addition to the challenge of gauging capital demand, FreshWorks also experienced higher than anticipated competition from banks and other lenders. FreshWorks was developed in 2010 in the aftermath of the global financial crisis, when access to credit was limited for small business owners such as grocery store operators. Given the limitations of traditional small business lending within this environment, FreshWorks was well-positioned to provide much needed capital at favorable terms to retail grocers.

However, by the time FreshWorks launched in 2011, credit markets had improved and traditional financial institutions had increased their lending activity. In many cases, FreshWorks found itself competing with local lenders that had longstanding relationships with grocery operators. In addition, local lenders were better able to tailor their products to clients. This unexpected increase in competition proved particularly challenging for the LLC component of FreshWorks, which offered essentially one product—a term loan with a maximum term of ten years.

3

Partnerships and staffing

As the driving force behind the origination of FreshWorks, TCE played an active and hands-on role in the design, development, and implementation of FreshWorks. TCE’s strong leadership during the formation of FreshWorks signaled to other partners that TCE would continue to lead and champion the program post-implementation. However, over time TCE became less involved in the day-to-day operations of the program. Though TCE had taken a step back from

its leadership role, and communicated this change to its partners, TCE did not convene the FreshWorks partners to formally reassess and delegate clear roles and responsibilities among themselves. This led to confusion and delays in strategic decision-making during the course of the program that affected its success.

Another challenge related to partnerships and staffing was key man risk. Partway through the second year of the program, key staff members at both TCE and CIP who had been the driving forces behind FreshWorks departed. The subsequent lead-time in hiring for these essential positions caused the day-to-day management of FreshWorks to suffer.

Finally, the FreshWorks team had expected that other investors and thought partners would play a significant role in promoting FreshWorks to their networks across the state, thereby serving as a major source of deal flow. However, deal sourcing and other anticipated collaborations did not materialize, and the FreshWorks team had to utilize other avenues for deal flow.

4 Preparing potential borrowers to become capital-ready

In developing a transaction pipeline, the FreshWorks team found that potential borrowers often needed substantial technical assistance before they would be ready to receive capital. Operators approaching FreshWorks often did not have the necessary documentation and/or needed substantial technical assistance before they were able to submit an application for funding. FreshWorks had a limited grant budget of \$4.4 million, which was primarily reserved for workforce development, predevelopment activities such as market studies and appraisals, and innovative projects. In working to source deals, the FreshWorks team found that operators required a wide variety of direct support beyond what had originally been anticipated, ranging from legal advice on obtaining land for a store to assistance in writing a business plan. As the first point of contact for prospective borrowers, Emerging Markets played a critical role in providing this essential technical assistance as part of application preparation, but was inhibited at times by its own capacity limitations.

Beyond technical assistance challenges with individual potential borrowers, the FreshWorks team sometimes found themselves in discussions with communities that desired healthy food retail but lacked the resources to support operators in initiating a project. One contributing factor to this shortage has been the closure of over 400 California Redevelopment Agencies (RDAs) under state legislation passed in 2011, which resulted in a loss of technical capacity and funding that could have supported the initiation of local projects.²² In the absence of RDAs, these communities require long-term technical assistance to develop a project that would be appropriate for FreshWorks capital.

This significant demand for technical assistance presented challenges for the LLC and NMTC pool, given that there were fewer projects ready for capital than had been anticipated. This challenge also raises the question as to whether FreshWorks

In working to source deals, the FreshWorks team found that operators required a wide variety of direct support beyond what had originally been anticipated, ranging from legal advice on obtaining land for a store to assistance in writing a business plan.



could have been structured differently with a greater pool of grant funding, which could have been used more broadly for technical assistance in helping borrowers become capital-ready.

5 LLC fund structure

One of the core vehicles of FreshWorks capital was the LLC loan fund. As a structured fund, the FreshWorks loan fund was intentionally designed to attract private investors as the primary source of capital, minimizing the use of public and philanthropic capital that could absorb potential losses. Through this design, the FreshWorks team aimed to show that private capital could be safely and appropriately deployed in underserved communities and that private capital had the capacity to play a greater role in addressing societal issues in an environment of government budget cuts.

Hence, the FreshWorks team formed California FreshWorks Fund, LLC, which held \$125 million of senior and subordinated debt commitments from investors intended to be disbursed as loans. Ten investors total, including six commercial lenders, contributed capital. In agreeing to participate in FreshWorks, the commercial lenders sought to reduce their risk by setting forth relatively conservative underwriting standards and loan terms for the underlying project loans. In addition, any proposed modifications to the project loan terms required unanimous agreement among all lenders. The inflexibility in loan terms proved to be one of the most significant impediments to closing transactions.

6 Implementation of FreshWorks program guidelines

Alongside the challenges in sourcing and closing deals, the FreshWorks program guidelines were also difficult to implement. The guidelines were designed as a formal way to assess the social, economic, and health impacts of potential transactions and to select high-impact projects. In practice, while the program guidelines did not prevent the FreshWorks team from completing any deals, the team found it difficult to convince operators to adhere to the socially beneficial and health-promoting practices outlined in the guidelines. For example, the guidelines currently prioritize stores that have at least one junk food-free checkout aisle and abstain from selling cigarettes or other tobacco products, by assigning higher points to these strategies. Many operators pushed back against these recommendations, arguing they were not financially feasible. In addition, operators could score the necessary 10 points on social and economic factors alone—through creating or retaining local jobs in the community (four points), creating or retaining quality jobs for high risk populations (three points), and having community support (three points). Hence, CIP loan officers found it challenging to use the program guidelines effectively to press conventional operators receiving FreshWorks capital to change business practices for the promotion of health.

...the FreshWorks team found it difficult to convince operators to adhere to the socially beneficial and health-promoting practices outlined in the guidelines.

Lessons Learned



In reflecting on FreshWorks' achievements and challenges, key insights and lessons learned have emerged that can help guide investors, policymakers, and others interested in developing healthy food financing initiatives across the nation. These lessons include:

1. Mainstream, private investors are interested in supporting healthy food financing initiatives;
2. A comprehensive understanding of capital demand within the food retail market is essential for the success of healthy food financing initiatives;
3. Leadership and clear designation of roles and responsibilities are crucial in healthy food financing initiatives;
4. Dedicated technical assistance may be necessary for borrowers to become capital-ready;
5. Flexible capital tailored to the needs of prospective borrowers is more easily deployed; and
6. Promoting healthy practices among food retailers requires ongoing engagement and appropriate incentives.

1 Mainstream, private investors are interested in supporting healthy food financing initiatives

One of FreshWorks' greatest successes has been its ability to assemble a diverse set of investors and funders willing to finance the expansion of healthy food retail in California's underserved communities. At \$273.4 million, FreshWorks represented the largest healthy food financing vehicle to date within the U.S. A particularly notable aspect of FreshWorks is the significant number of capital commitments from private investors from traditional financial institutions. Whereas increasing access to healthy food had previously been the domain of nonprofits and government agencies, FreshWorks demonstrated that there is an appetite among

investors within the private sector to support this type of work. Under the joint efforts of TCE and CIP, FreshWorks grew to be an exemplary model of a cross-sector coalition assembled in support of a social outcome. Even after the dissolution of the LLC, many private investors who had previously committed capital to FreshWorks maintain interest in financing projects through the initiative. This indicates that there may be opportunities for other healthy food financing initiatives to attract funding from a variety of partners within both the public and private sectors.

2

A comprehensive understanding of capital demand within the food retail market is essential for the success of healthy food financing initiatives

Several significant challenges that FreshWorks encountered in its development and implementation resulted from an insufficient understanding of the demand for capital within the food retail market. Capital markets are dynamic by nature and shift according to borrower demand, capital liquidity, the interest rate environment, and other factors. In order to successfully finance projects aiming to maximize healthy food access, it is important for the organizers to possess in-depth knowledge of the capital markets in the particular geographies they are seeking to support. This includes conducting research on the types of operators within a target geography, the number of operators that are capital-ready, the forms and terms of financing operators seek, and the types and number of capital providers already serving the target market. Finally, organizers of healthy food financing initiatives should closely monitor conditions in the credit markets and be prepared for changes that will impact their work.

3

Leadership and clear designation of roles and responsibilities are crucial in healthy food financing initiatives

In conceiving of and developing FreshWorks, TCE took on a strong leadership role—dedicating significant financial and human capital, bringing together a diverse set of partners, and championing the need for fresh and healthy food retail in California. Over the course of the implementation of FreshWorks, TCE sought to reduce its involvement in the day-to-day operations of the program. As part of this transition, uncertainty among the FreshWorks partners arose surrounding roles, responsibilities, and decision making for FreshWorks, given that it was not always clear where TCE would be actively engaged. This uncertainty can be attributed partly to TCE's failure to reconvene the FreshWorks partners to formally clarify roles and responsibilities, and partly to a loss of institutional knowledge with the departure of key staff at both TCE and CIP. As a result of this lack of clarity around roles and responsibilities within FreshWorks, the program lacked a consistent champion who could drive results for FreshWorks across California.

Given that healthy food financing initiatives often bring together cross-sector partners and require a highly-coordinated approach to source opportunities and deploy capital, it is critical that clarity of roles and responsibilities among

partners exists at all times. Furthermore, because these initiatives often require one organization to lead or serve as a champion, a significant change within the lead organization—such as a shift in roles or loss of key staff—must be widely communicated with the partners, thoroughly examined for its potential impact on the program, and fully understood by all parties.

4 Dedicated technical assistance may be necessary for borrowers to become capital-ready

In addition to assessing the demand for capital, it is also necessary to understand the type of support operators within the industry require in order to become capital-ready. Since inception, the FreshWorks team has encountered a significant number of operators who are not yet ready for FreshWorks capital, but possess potential to positively impact communities by increasing healthy food access. Healthy food financing initiatives should gauge the extent to which technical assistance is needed to support the development of healthy food retail more comprehensively. By assessing the areas in which these operators need support, specific forms of technical assistance could be identified that enhance operators' capacity and improve their readiness for funding. Examples of technical assistance include helping prospective operators write business plans and identify sites as well as providing them with legal and financial advice.

Several FreshWorks partners also emphasized the need for longer-term technical assistance that focuses on cultivating opportunities and building relationships in underserved communities, long before a prospective deal may even be possible. Healthy food financing initiatives should reflect on their potential role as providers of both short- and long-term technical assistance, either directly or through external partners.

5 Flexible capital tailored to the needs of prospective borrowers is more easily deployed

One of the greatest challenges in deploying FreshWorks capital has been the LLC's conservative loan terms and inflexibility in modifying these terms. These constraints proved especially challenging in light of the unexpected improvement in the credit markets and resulting increased competition from other capital providers. As a result, the LLC was unable to deploy capital in support of projects in the FreshWorks pipeline. In order to meet the capital needs of various operators within the healthy food retail market, healthy food financing initiatives should seek to have various types of capital or a flexible pool of capital available that can be tailored to meet changing market demand. In particular, it may be useful to bring potential capital recipients into the planning phase to better understand capital demand.

Offering flexible capital will enable healthy food financing initiatives to focus more explicitly on the needs of businesses and how they can best be supported and positioned for success. Products could include longer-term capital, lines of credit, equity-like products, and additional grant funds to support innovation.



In particular, grocery stores could also benefit from more patient loans with more flexible repayment options, given that many new stores are typically not profitable for the first 6-24 months of operation. Innovative projects could also be supported more readily through grant funds for the testing and refining of promising business models and approaches to healthy food access.

6 Promoting healthy practices among food retailers requires ongoing engagement and appropriate incentives

The FreshWorks program guidelines were designed to motivate operators to shift their practices to promote healthier purchasing practices and to better serve local communities. While these criteria did not inhibit deal flow, it was difficult to leverage the guidelines in a manner that would change existing practices. This was due in part to the lack of demand for FreshWorks capital, which reduced the opportunity for negotiation when attractive deals did surface.

FreshWorks loan officers also found, however, that operators were largely unwilling to change entrenched practices in order to promote health, and were skeptical about consumers' demand for healthier products. In order for healthy food financing initiatives to motivate operators within the grocery industry to adopt healthy retail practices, they must combine a compelling financial product with active engagement of operators on these issues. This combination can be accomplished by using capital as an incentive to effect change, by making the business case for healthy retail practices, and by continuing dialogue with operators to mutually identify and develop realistic tactics for implementing healthy retail practices.

Today, *Numero Uno* no longer sells tobacco in its stores and has created at least one junk food-free checkout aisle in its eight stores in Southern California.

For example, FreshWorks was successful in driving healthy practices at *Numero Uno* Markets. In December 2014, FreshWorks helped *Numero Uno* refinance its debt and, as a result of this financial support, FreshWorks was able to work with management to implement changes to *Numero Uno*'s existing practices. Today, *Numero Uno* no longer sells tobacco in its stores and has created at least one junk food-free checkout aisle in its eight stores in Southern California. By offering attractive capital, healthy food financing initiatives have a greater opportunity to engage more actively with grocers and other operators in promoting healthy retail practices.

The FreshWorks team believes the development of a set of best practices and case studies that detail the business case for adopting healthy retail practices would be beneficial when engaging with operators. Using these materials, FreshWorks and other healthy food financing programs could more easily persuade grocers and other operators to implement changes. For example, as described in the *California FreshWorks Food Access Report*, the FreshWorks-funded Northgate González stores' Viva La Salud program has successfully showcased and marketed healthy foods to customers. Promotion of this model could demonstrate to other grocers that it is possible to integrate healthy products and practices into their operations.



The Future of FreshWorks

A Note from TCE's FreshWorks Team

FreshWorks reflects TCE's ongoing commitment to increasing access to healthy and affordable food throughout California. The FreshWorks evaluation reports are intended to continue to advance this vital work and engage multiple and diverse private sector and public sector partners to identify solutions. For example, TCE and CIP have already begun to incorporate key lessons learned to strengthen the program and increase FreshWorks' impact in communities across the state. One recently implemented program improvement is the Food Enterprise Microlending Intermediary (FEMI) Program. FEMI provides loans to intermediaries that, in turn, deploy smaller loans to borrowers who need capital in increments too small for FreshWorks to disburse directly and efficiently.

As TCE and its FreshWorks partners move into the next phase of implementation, decisions regarding the program design and structure will be based on the actual experiences of the FreshWorks team, the challenges and lessons identified in this evaluation, and answers to the following questions:

- What is the capital demand in the healthy food retail market, and what is FreshWorks' role in meeting this demand, especially in underserved communities?
- How can the partnership roles within FreshWorks be clarified such that various entities can take more ownership and leadership of the effort?
- How can Northgate's healthy food retail practices be shared with other retailers who may not embrace the concept?
- What types of flexible capital can be built into the next iteration of FreshWorks?

We thank all of our dedicated partners, especially CIP, who have joined us on this important journey of increasing access to fresh and affordable food for all communities in California. We appreciate your partnership and commitment. We look forward to sharing more news with all of you in the coming months on the future direction of FreshWorks.

Appendix A:

FreshWorks Partners and Investors

| Partners and Investors | Role in FreshWorks | Description |
|--|---------------------------------------|--|
| Bank of America Corporation | Investor | A financial services company that provides banking and nonbanking financial services and products throughout the United States and in certain international markets. |
| California Grocers Association | Thought Partner | A non-profit trade association representing approximately 500 retail members operating over 6,000 food stores in California and Nevada, and approximately 200 grocery supplier companies. |
| Calvert Foundation | Investor | A non-profit organization making investments that deliver a social and financial return. |
| Capital Impact Partners | Founding Investor, Fund Administrator | A national, non-profit Community Development Financial Institution (CDFI). Selected to manage the California FreshWorks Fund. |
| Charles Schwab Corporation | Investor | A financial institution based in San Francisco, CA providing a full range of brokerage, banking, and financial advisory services through its subsidiaries. |
| Citigroup Inc. | Investor | A multinational financial services firm that provides consumers, corporations, governments, and institutions with a broad range of financial products and services. |
| Community Health Councils | Thought Partner | A policy advocate focused on eliminating health disparities by expanding healthcare coverage, increasing access to quality healthcare, and improving the environment for under-resourced communities. |
| Community Redevelopment Agency of Los Angeles | Thought Partner | A public agency of the City of Los Angeles focused on strategic investments to create economic opportunity, build affordable housing, generate good jobs, and improve the quality of life for residents in various areas of LA. |
| Dignity Health (formerly Catholic Healthcare West) | Investor | A system of 40 hospitals and medical centers in California, Arizona, and Nevada. |
| Emerging Markets, Inc. | Food Access Organization | A double-bottom line consulting firm that assists financial institutions and food retailers in pursuing business opportunities in low-income communities. |
| First 5 LA | Grantor | A leading early childhood advocate working collaboratively across L.A. County. |
| Healthy Food Financing Initiative | Investor | An initiative of the U.S. Treasury via its CDFI Fund that supports projects aiming to increase access to healthy, affordable food in communities that currently lack these options. |
| JPMorgan Chase & Co. | Investor, Grantor | A financial services company that provides a range of financial and investment banking services in all major capital markets. |
| Kaiser Permanente | Grantor | A health care provider and not-for-profit health plan. |
| Koret Foundation | Grantor | Based in San Francisco, the Koret Foundation supports organizations that promote a vibrant and distinctive Bay Area. |
| Los Angeles Development Fund | Investor | A certified Community Development Entity whose purpose is to assist in carrying out the economic development program and objectives of the City of Los Angeles to promote the development, establishment, or expansion of industries and commerce. |

| Partners and Investors | Role in FreshWorks | Description |
|-----------------------------|----------------------------|---|
| MetLife, Inc. | Investor | A global financial services company offering insurance, retirement, and savings products. |
| Morgan Stanley | Investor | A global financial services company engaged in investment banking, securities, investment management, and wealth management services. |
| National Cooperative Bank | Investor | A savings bank providing financial products and services for the nation's cooperatives, their members, and socially responsible organizations. |
| Opportunity Finance Network | Investor | A leading national network of CDFIs investing in opportunities that benefit low-income, low-wealth, and other disadvantaged communities across America. |
| PolicyLink | Thought Partner | A national research and advocacy institute advancing economic and social equity. |
| Social Compact | Thought Partner | A nonprofit, nonpartisan organization formed by a coalition of business leaders from across the country committed to promoting successful investment in lower-income communities. |
| The California Endowment | Founding Investor, Grantor | A private, statewide health foundation. Conceived of and launched FreshWorks with an anchor \$30 million capital commitment. |
| The Reinvestment Fund | Thought Partner | A CDFI that finances housing, community facilities, supermarkets, commercial real estate, and energy efficiency projects. |
| U.S. Bancorp | Investor | A financial institution that provides a full range of financial services, including lending and depository services, cash management, foreign exchange, and trust and investment management services. |
| Unified Grocers | Thought Partner | A retailer-owned wholesale grocery distributor that supplies independent retailers throughout the western United States. |
| UrbanAmerica Advisors | Investor | A CDFI that has provided structured equity and mezzanine debt financing for the redevelopment of more than 1.1 million square feet of office, retail, and mixed-used space throughout the U.S. |
| W. K. Kellogg Foundation | Grantor | An independent, private foundation that works with communities to create conditions for vulnerable children so they can realize their full potential in school, work, and life. |

ELIGIBLE ACTIVITIES

To accomplish these goals, eligible applicants and projects must meet the following criteria:

I. Types of Activity

- a. Healthy Food Retailing, or
- b. Healthy Food Distribution, or
- c. Upgrades and conversions of existing stores to provide healthier offerings, or
- d. Real estate projects which have multi-tenant uses where at least 50% of the square footage developed benefits (a), (b) or (c).

II. Type of Entities

- a. For-profit (corporation, LLC, sole proprietor, partnership), or
- b. Nonprofit organization, or
- c. Cooperative (open to the public without requiring a membership).

III. Location

- a. Within California, and
- b. Within Low or Moderate Income (LMI) Census Tracts or serving LMI census tract(s) or underserved areas.

IV. Eligible Expenses

- a. Predevelopment expenses
- b. Planning and design expenses
- c. Professional services
- d. Capital and real estate expenses
- e. Equipment
- f. Leasehold improvements
- g. Inventory and working capital
- h. Workforce development

V. Food Retail Area and Merchandising Requirements

- a. Substantial percentage of floor space dedicated to non-prepared foods and perishable goods; and
- b. At a minimum offers for sale at least three different varieties of food in each of the four staple food groups (bread and grains, dairy, fruits and vegetables, and meat, poultry, and fish), with perishable food in at least two categories, on a daily basis; or
- c. Has a store in which at least 50 percent of the total sales of the store (including food and nonfood items or services) are from the sale of eligible staple food.

VI. Nutrition Assistance Programs

- a. Projects must agree to accept federal and state benefits (e.g. CalFresh & WIC).

In addition to the above requirements, **projects must score ≥ 10 points** from the following menu and **priority** will be given to projects with higher scores:

| Points | Priorities |
|--------|---|
| 4 | Within the store, product placement, pricing, and promotion encourage healthy choices |
| 4 | The project will create or retain quality, local jobs ¹ in the community |
| 3 | The project will create or retain quality jobs for high-risk populations |
| 3 | The project has community support in terms of store quality, affordability, site location, and coordination with local community plans or other programs promoting community and economic development |
| 2 | If selling prepared foods, the operator provides menu labeling (funding for technical assistance on this to be provided separately by CAFWF strategic partners) |
| 2 | The store has at least one junk-food-free checkout aisle |
| 2 | The project supports regional food systems, locally grown foods, and/or organically grown foods to the extent available |
| 2 | The project has location efficiency: <ol style="list-style-type: none"> In major metropolitan areas, the project promotes transit oriented development; In areas with public transit, the project promotes access to local public transit systems; The project is co-located with a school or clinic |
| 2 | The operator chooses not to sell cigarettes |
| 1 | The project involves the reuse of a historic building |
| 1 | The project involves a brownfield or grayfield (as those terms are used in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (4224 U.S.C. 9601 et seq.)) |
| 1 | The estimated energy consumption of the project, calculated using building energy software approved by the Department of Energy, will qualify the project for designation under the Energy Star program |

INELIGIBLE ACTIVITIES

Multi-tenant projects cannot lease space to businesses involved in the following: religion, entertainment of a prurient sexual nature, gambling, illegal activity, or pyramid sales. In addition, liquor stores and WIC only stores are ineligible for this program.

ELIGIBLE APPLICANTS

An eligible applicant must demonstrate that its proposed project will benefit an underserved area. An eligible food market may be a for-profit business enterprise (including a corporation, limited liability company, sole proprietor, or partnership), a nonprofit organization, or a food cooperative open to the general public without a membership fee.

An underserved area is defined as a low- or moderate-income census tract, a census tract of below average food market density, or a food market site with a customer base of 50 percent or more living in a low-income census tract. In determining whether an area is underserved, the following factors will also be taken into consideration: population density, leakage, grocery square footage per capita, car ownership, and geographical or physical barriers such as highways, mountains, major parks, or bodies of water. The Program Administrator will make this determination.

¹For purposes of CAFWF, a quality job is a job that: a. provides wages that are comparable to or better than similar positions in existing businesses of similar size in similar local economies; b. offers benefits that are comparable to or better than what is offered for similar positions in existing local businesses of similar size in similar local economies; and c. is targeted for residents of neighborhoods with a high proportion of persons of low-income (as that term is defined in section 102(a) of the Housing and Community Development Act of 1974 (4224 U.S.C. 5302(a))) through local targeted hiring programs.

Appendix C:

FreshWorks Transactions (as of December 31, 2015)

| Deals | Date Closed/ Funded | Description | Debt (\$) | NMTC (\$) ¹ | Grants (\$) | FEMI (\$) ² | Total |
|---|------------------------|--|-----------|------------------------|-------------|------------------------|-----------|
| People's Community Market | Jan-12 | Grant supporting efforts to raise equity to support a full-service, fresh food grocery store in West Oakland. | - | - | 35,000 | - | 35,000 |
| NGEP I (City Heights) | Mar-12 | Financing for tenant improvements for a full-service Northgate González supermarket in San Diego. | - | 8,500,000 | - | - | 8,500,000 |
| Community Development Foundation of LA County | Mar-12 | Support for the planning and launch of a year-round, weekly farmers' market that serves thousands of residents of the Carmelitos Public Housing Project and the surrounding community of North Long Beach. | - | - | 50,000 | - | 50,000 |
| Heritage Education Group | Jun-12 | Grant for a portion of startup costs for a year-round farmers' market in Compton, Los Angeles County in partnership with school district. | - | - | 5,100 | - | 5,100 |
| Urban Radish | Jun-12 | Predevelopment grant for an 8,000 sq. ft. fresh food market serving the downtown Los Angeles Arts District. Market hires staff from Homeboy Industries. | - | - | 4,000 | - | 4,000 |
| NGEP II (Inglewood) | Aug-12 | Financing for a new full-service Northgate González supermarket located in Inglewood. | - | 7,662,890 | - | - | 7,662,890 |
| CA Fresh Brands Pismo | Dec-12 | Providing El Rancho Marketplace the means to open a new grocery store serving Pismo Beach, Grover Beach, Arroyo Grande, Oceano, and Shell Beach. | 1,659,458 | - | 8,000 | - | 1,667,458 |
| Canoga (Jumbo Foods) | Feb-13 | Upgrading a local market to a full-service grocery store serving the Canoga Park community in the San Fernando Valley of LA. | 131,000 | - | - | - | 131,000 |
| Northgate González | Apr-13 | Supporting workforce development and local hiring activities for grand opening of South LA store. | - | - | 50,000 | - | 50,000 |
| 25th Street Collective | Apr-13 | Supporting the development of a business plan and pilot project for a mobile food vending program. | - | - | 5,000 | - | 5,000 |
| H.P. Palomino | May-13 | Financing equipment and tenant improvements for a 6,000 sq. ft. neighborhood superette in South LA. | 651,840 | - | 15,500 | - | 667,340 |
| Public Health Institute | May-13 | Financing a pilot project for an aggregation and distribution system that connects small family farms in the San Joaquin Valley with under-resourced, small urban, and rural stores. | - | - | 7,800 | - | 7,800 |

¹New Markets Tax Credits

²Food Enterprise Microlending Intermediary Program

| Deals | Date Closed/ Funded | Description | Debt (\$) | NMTC (\$) ¹ | Grants (\$) | FEMI (\$) ² | Total |
|----------------------------|--|--|-----------|------------------------|-------------|------------------------|------------|
| Homeboy Industries | Jun-13 | Supporting a job training program focused on preparing former gang members and other low-income, at-risk individuals for positions within the grocery industry. | - | - | 50,000 | - | 50,000 |
| Food Forward | Aug-13 | Providing grant funding for a nonprofit that forages fresh, local produce that would otherwise go to waste, connecting this food supply to low-income people in need. Grant funds supported expansion into Ventura County. | - | - | 50,000 | - | 50,000 |
| Mariposa Valley Farm | Aug-13 | Supporting a mobile produce market targeting underserved communities in rural Yolo County in partnership with Yolo Family Resource Center. Mobile market makes five stops throughout the county weekly. | - | - | 13,900 | - | 13,900 |
| Family Service Association | Sep-13 | Grant support for the development of a mobile market targeting underserved communities in rural Riverside and San Bernadino Counties. | - | - | 50,000 | - | 50,000 |
| PACE Finance Corporation | Nov-13 (FEMI) Jun-15 (FEMI) Sep-15 (Grant) | Supporting a business development center in LA that deploys funds to smaller food enterprises. Grant to support technical assistance for FEMI. | - | - | 50,000 | 350,000 | 400,000 |
| NGEP III (Central/Slauson) | Dec-13 | Financing for a new full-service Northgate González supermarket in South LA. | - | 7,618,777 | - | - | 7,618,777 |
| Make Someone Happy | Dec-13 | Supporting the development of a mobile market targeting underserved communities in Merced County. | - | - | 30,000 | - | 30,000 |
| United Way of Kern County | Dec-13 | Grant for an organization that mobilizes donors, volunteers, and advocates to improve community conditions in Kern County. Grant supports healthy lifestyle program as well as a cornerstore conversion. | - | - | 7,500 | - | 7,500 |
| LA Prep | Mar-14 | Financing a food production business incubator for local entrepreneurs. | - | 16,000,000 | - | - | 16,000,000 |
| Feed the Hunger Foundation | Jul-14 | Providing FEMI capital to a foundation that works to eliminate poverty through microloans. | - | - | - | 100,000 | 100,000 |

¹New Markets Tax Credits²Food Enterprise Microlending Intermediary Program

Appendix C

| Deals | Date Closed/ Funded | Description | Debt (\$) | NMTC (\$) ¹ | Grants (\$) | FEMI (\$) ² | Total |
|---|---------------------------------|--|------------|---------------------------|----------------|---------------------------|------------|
| Special Service for Groups - APIOPA | Aug-14 | Grant for a nonprofit seeking to reduce obesity rates of Asian and Pacific Islander (API) communities in Los Angeles County. Grant proceeds support equipment to allow for expansion of a culturally-specific CSA ³ serving API communities. | - | - | 27,000 | - | 27,000 |
| The Farmstead Market | Aug-14 | Grant for a farm-to-market grocery store in Riverside County, California. Grant proceeds support increasing capacity and improving placement for produce, meat, and dairy. | - | - | 20,500 | - | 20,500 |
| Community Services Unlimited | Aug-14 | Grant for a nonprofit that fosters the creation of communities actively working to address the inequalities and systemic barriers that make sustainable communities and self-reliant life-styles unattainable. Grant proceeds fund bicycles to allow expanded geographic coverage through pop-up produce stands and subscription CSA programs. | - | - | 10,000 | - | 10,000 |
| Numero Uno | Dec-14 | A business term loan for a 12-store chain serving low-income communities in South Los Angeles. | 12,000,000 | - | - | - | 12,000,000 |
| Agriculture & Land-Based Training Association | Mar-15 | Grant for an equipment and inventory system to support organic farming and distribution at a farmer incubator that targets migrant workers with training, enabling them to operate sustainable family organic farms. | - | - | 50,000 | - | 50,000 |
| Agricultural Institute of Marin | Mar-15 | Grant for equipment to support a fresh, mobile market carrying produce, grains, dairy, and other meat proteins to reach the most underserved populations of Marin County. | - | - | 50,000 | - | 50,000 |
| Mandela Marketplace | Jun-12 (Grant) Mar-15 (FEMI) | Supporting the expansion of a worker-owned fresh food store dedicated to increasing healthy food access and building assets for low-income workers in West Oakland. | - | - | 50,000 | 100,000 | 150,000 |
| Phoenix Foods USA | Apr-15 | Grant for equipment to support meal preparation and processing for a senior center and food bank through donations of products exclusively from wholesalers and farmers. | - | - | 50,000 | - | 50,000 |
| Leadership for Urban Renewal Network | May-15 (FEMI) Jun-15 (Grant) | Supporting a community development organization working in South and East Los Angeles that has relationships with immigrant / monolingual communities. FEMI capital will be deployed toward mobile markets and corner stores. Grants support food permitting and licensing and other technical assistance. | - | - | 68,000 | 75,000 | 143,000 |

¹New Markets Tax Credits

²Food Enterprise Microlending Intermediary Program

³Community Supported Agriculture

| Deals | Date Closed/ Funded | Description | Debt (\$) | NMTC (\$) ¹ | Grants (\$) | FEMI (\$) ² | Total |
|--|--|---|-------------------|------------------------|------------------|------------------------|-------------------|
| AmPac Tri-State CDC | May-15 (FEMI) Jun-15 (Grant) | Supporting a community development corporation working closely with the African American community in southeast Los Angeles. FEMI capital will be deployed to small grocers and food enterprises. Grant supports technical assistance, including marketing, packaging, and general business assistance. | - | - | 40,000 | 200,000 | 240,000 |
| Emerging Markets Development Corporation | Jun-15 | Grant to a nonprofit organization for a technical assistance fund for FEMI loan applicants or end-borrowers in Los Angeles. Funds go toward consultants who provide services such as accounting, business planning, legal advice, procurement assistance, project management, marketing consulting, and licensing assistance. | - | - | 350,000 | - | 350,000 |
| Opportunity Fund Northern California | Jun-15 (Grant) June-15 (FEMI) | Supporting a statewide microlender and CDFI. FEMI capital will be deployed to finance healthy restaurants, mobile vending, and other food enterprises in Los Angeles County and across the state. Grant supports technical assistance including procurement and licensing. | - | - | 100,000 | 750,000 | 850,000 |
| Valley Economic Development Corporation | Jun-15 (Grant) June-15 (FEMI) | Supporting a national microlender and CDFI. FEMI capital will be deployed to finance healthy food enterprises across a broad geography. Grant supports technical assistance including project management, marketing, and general food consulting. | - | - | 100,000 | 750,000 | 850,000 |
| West Angeles Community Development Corporation | Sep-15 (Grant) Aug-15 (FEMI) | A nonprofit organization based in LA's Crenshaw neighborhood will deploy FEMI capital to entrepreneurs and use grant proceeds to support business training and counseling. | - | - | 20,000 | 100,000 | 120,000 |
| Vermont Slauson Economic Development Corporation | Sep-15 (Grant) Aug-15 (FEMI) | A nonprofit organization based in LA's Slauson neighborhood will deploy FEMI capital to entrepreneurs and use grant proceeds to support business training and counseling. | - | - | 20,000 | 100,000 | 120,000 |
| Fresh- Producers | Jun-15 | Grant for a mobile grill and refrigerated truck distributing ready-to-eat meals in Sacramento. | - | - | 50,000 | - | 50,000 |
| CANGRESS | Jun-15 | Grant for a pop-up produce market to serve the homeless and extremely low-income population in South LA. | - | - | 50,000 | - | 50,000 |
| Total | | | 14,442,298 | 39,781,667 | 1,487,300 | 2,525,000 | 58,236,265 |

¹New Markets Tax Credits²Food Enterprise Microlending Intermediary Program

Endnotes

- ¹ Building Healthy Communities is a 10-year initiative in which The California Endowment is aiming to influence policy and systems change through its work in 14 communities across California. See: <http://www.calendow.org/places/>.
- ² See: <http://californiawatch.org/dailyreport/nearly-1-million-californians-living-food-deserts-10122>.
- ³ Shaffer A. The Persistence of L.A.'s Grocery Gap: The Need for a New Food Policy and Approach to Market Development. Los Angeles, CA: Center for Food and Justice, Urban and Environmental Policy Institute, Occidental College; 2002.
- ⁴ Nayga R, Weinberg Z. Supermarket Access in the Inner City. *Journal of Retailing and Consumer Services*. 1999;6:141-145.
- ⁵ Morland K, Wing S, Diez Roux A, Poole C. Neighborhood characteristics associated with the location of food stores and food service places. *Am J Prev Med*. Jan 2002;22(1):23-29.
- ⁶ Morland K, Wing S, Diez Roux A. The contextual effect of the local food environment on residents' diets: the atherosclerosis risk in communities study. *Am J Public Health*. Nov 2002;92(11):1761-1767.
- ⁷ Hill JO. Obesity and the environment: Where do we go from here? *Science*. 2003(299):853-855.
- ⁸ Morland K, Diez Roux AV, Wing S. Supermarkets, other food stores, and obesity: the atherosclerosis risk in communities study. *Am J Prev Med*. Apr 2006;30(4):333-339.
- ⁹ Morland K, Wing S, Diez Roux A, Poole C. Neighborhood characteristics associated with the location of food stores and food service places. *Am J Prev Med*. Jan 2002;22(1):23-29.
- ¹⁰ Auchincloss AH, Diez Roux AV, Brown DG, Erdmann CA, Bertoni AG. Neighborhood resources for physical activity and healthy foods and their association with insulin resistance. *Epidemiology*. Jan 2008;19(1):146-157.
- ¹¹ Robinson TN, Sirard JR. Preventing childhood obesity: a solution-oriented research paradigm. *Am J Prev Med*. Feb 2005;28(2 Suppl 2):194-201.
- ¹² California Center for Public Health Advocacy, PolicyLink, UCLA Center for Health Policy Research. *Designed for Disease: The Link Between Local Food Environments and Obesity and Diabetes*. April 2008.
- ¹³ See www.calendow.org/freshworks for more information on FreshWorks' food access impact and social and economic impacts.
- ¹⁴ The Pennsylvania Fresh Food Financing Initiative (FFFI), a statewide financing program, was designed to attract supermarkets and grocery stores to under-served urban and rural communities. FFFI was a partnership of the Commonwealth of Pennsylvania, The Reinvestment Fund (TRF), The Food Trust and the Urban Affairs Coalition. The program, which ran from 2004-2010, deployed \$30 million in grant funding from the state and \$145 million in additional funding into 88 projects expected to bring fresh food to more than 400,000 state residents and create or retain 5,000 jobs. See: <http://www.trfund.com/pennsylvania-fresh-food-financing-initiative/>, <http://www.healthyfoodaccess.org/sites/default/files/HFFHandbookFINAL%5B1%5D.pdf>.
- ¹⁵ The Healthy Food Financing Initiative (HFFI) is a federal public private partnership program launched in 2011 to increase access to healthy food in low-income areas across the United States. Since 2011, HFFI has distributed over \$109 million in grants to 40 community development corporations (CDCs) and 22 community development financial institutions (CDFIs), funding well over 100 projects. In addition, an estimated \$1 billion in New Markets Tax Credits (NMTCs) have been used to finance projects that will expand access, create jobs, and generate new entrepreneurship opportunities. See: <http://www.acf.hhs.gov/programs/ocs/programs/community-economic-development/healthy-food-financing>.
- ¹⁶ See: <https://www.cdfifund.gov/programs-training/Programs/new-markets-tax-credit/Pages/default.aspx>.
- ¹⁷ Retail space and food access figures based on projections by Capital Impact Partners, December 2015.
- ¹⁸ Jobs created and retained figure based on projections by The California Endowment and Capital Impact Partners, May 2015.
- ¹⁹ See www.calendow.org/freshworks for more information on FreshWorks' social and economic impacts.
- ²⁰ "Local community" is defined as the area within a five-mile radius of the store. Eighty-four percent of employees at the three stores live within 10 miles of their workplace.
- ²¹ The evaluation team used IMPLAN Version 3.0, an economic multiplier model software package, to project the economic impact of FreshWorks investments on their respective communities. IMPLAN is an economic multiplier model that is used by hundreds of government agencies, colleges and universities, non-profit organizations, corporations, and business development and community planning organizations for analyzing economic impacts (for more information visit www.implan.com). IMPLAN utilizes social accounts to analyze the consequences of projected economic transactions in a particular region. Social accounts describe the structure and function of a specific economy. IMPLAN employs input-output analysis in conjunction with region-specific social accounts or Social Accounting Matrices (SAM) and multipliers to analyze economic impacts. Used by over 2,000 public and private institutions, IMPLAN is a widely employed and accepted regional economic analysis tool.
- ²² "California high court puts redevelopment agencies out of business." See: <http://articles.latimes.com/2011/dec/29/local/la-me-redevelopment-20111230>.
- ²³ Complete program guidelines can be found at: http://cafreshworks.com/wp-content/uploads/2014/01/cafwf_program_guidelines_072511.pdf.