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## HEALTHY FOOD FINANCING INITIATIVE PROGRAM POLICY AND GUIDELINES

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### **I. INTRODUCTION**

#### **A. Opportunity**

The El Paso County Healthy Food Financing Initiative (EPC HFFI) is a new financing program created by the County of El Paso to provide long-term capital to projects working to address food access issues in low income, underserved communities across the County. The intent of the program is to enable operators to open new retail outlets or expand existing enterprises that sell healthy, affordable food to the public or strengthen the food distribution system. The County of El Paso, the El Paso County Economic Development Department and the Paso del Norte Institute for Healthy Living have partnered together to administer this countywide program that focuses on small businesses that lack access to traditional capital and credit markets but are pursuing work that holds the potential for unlocking systemic change in our region's most vulnerable communities. EPC HFFI will offer a combination of recoverable grants and interest-bearing loans for start-up and expansion costs that may include pre-development, site assembly and improvement, construction and rehabilitation, equipment installation and upgrades, staffing, security, and inventory.

The initiative was created in response to the difficulty many county residents face in obtaining healthy and affordable food as well as the growing evidence that healthy food access reduces the risk of developing diet-related diseases such as obesity, heart disease, and diabetes. The EPC HFFI will directly benefit low- and moderate-income residents across El Paso County by making healthy foods more readily available, creating new food retail related jobs, and spurring development in their neighborhoods. The EPC HFFI will place special emphasis on funding both traditional and non-traditional models that will focus on unmet needs in our current food ecosystem. In collaboration with community stakeholders such as the Institute for Healthy Living, the EPC HFFI will encourage organizations to address the root causes of issues related to healthy food access and consumption. Doing so will create food system resiliency and ensure that efforts can be sustained over the long-term.

#### **B. Program Pilot**

The County has committed \$500,000 to launch a pilot program in early 2019 to demonstrate the viability of the EPC HFFI. With these initial funds, the county will seek to support and accelerate the construction, establishment, rehabilitation, or expansion of food retail and food retail infrastructure that will increase healthy food options for currently underserved residents in El Paso County. An emphasis will be placed on 1) expanding already-existing food retail activities, 2) attracting new food retail activities to the county, and 3) facilitating opportunities for low-interest loans to HFFI applicants. The fund may use loans, forgivable loans, grants, and/or

recoverable grants to achieve this purpose. Further, the County will seek to partner with a financial institution such as a community development financial institution to leverage additional funding to further the purpose of this fund. The County of El Paso may also accept and solicit additional contributions, gifts or other resources from outside partners such as foundations, financial institutions, and other government initiatives for this purpose.

## II. PUBLIC-PRIVATE PARTNERSHIP

### A. Participants

Cross-sector collaboration is a critical component of successful Healthy Food Financing Initiatives across the country. Informed by best practices, the EPC HFFI is a public-private partnership that will be comprised of the following participants:

- ***The County of El Paso Texas***
- ***El Paso County Economic Development Department***
- ***Paso del Norte Institute for Healthy Living***
- ***Community Development Financial Institutions (CDFI)***: A CDFI is a financial institution, certified by the U.S. Department of the Treasury, which provides credit and financial services to underserved markets and populations. CDFI involvement is optional, but recommended, and will be most valuable as the EPC HFFI scales up because the CDFI can bring matching capital to the County's commitment. To start, the pilot program will have funds administered directly by the County of El Paso Economic Development Department.

### B. Shared Leadership

Each of the EPC HFFI public-private partnership participants brings a unique set of knowledge and skills that together, help to further the likelihood of EPC HFFI's success. Partner types along with their respective roles are as follows:

Partner Type	Roles	Local Partner
Local Government	<ul style="list-style-type: none"> <li>● Oversee program</li> <li>● Determine grant recipients &amp; CDFI partners</li> <li>● Provide seed funding</li> <li>● Administer grant funds when applicable</li> <li>● Track long-term economic impact</li> <li>● Receive regular updates regarding all funded projects</li> </ul>	<p>The County of El Paso</p> <p>El Paso County Commissioners Court</p> <p>El Paso County Economic Development Department</p>
Food Access Organization	<ul style="list-style-type: none"> <li>● Recommend eligible projects to County</li> <li>● Determine applicant's eligibility (food access impact)</li> <li>● Assist in program implementation and compliance</li> <li>● Evaluate program impact</li> <li>● Develop program guidelines and</li> </ul>	<p>Paso del Norte Institute for Healthy Living</p>

	materials with CDFI(s) (if applicable)	
Community Development Financial Institution	<ul style="list-style-type: none"> <li>● Raise and contribute additional loan capital</li> <li>● Serve as lender and servicer for HFFI loan applicants</li> <li>● Promote program success</li> <li>● Ensure program compliance</li> <li>● Conduct outreach to potential HFFI loan applicants</li> </ul>	To Be Determined

**C. Implementation Guide**

It is important that all EPC HFFI public-private partnership participants have a clear understanding of how they will work together to implement the program. Below is a step-by-step guide:

Step	Description
1	The County of El Paso approves EPC HFFI funds, guidelines, and parameters (as part of overall Economic Impact Fund).
2	El Paso County Economic Development Department in conjunction with Institute of Healthy Living seeks CDFI partner(s). The CDFI(s) will not be required for the pilot year.
3	Prospective recipients submit EPC HFFI loan applications to CDFI partner(s) (if applicable). EPC HFFI grant applications are submitted to the Economic Development Department. These applications are shared with the Institute for Healthy Living.
4	The Institute for Healthy Living determines food access eligibility (see Appendix B).
5	The Institute for Healthy Living makes grant recommendations to the Economic Development Department.
6	EPC Commissioners Court acts on these grant recipient recommendations and, if approved, funds are disbursed.
7	Grant awardees report progress quarterly to the Economic Development Department, which are shared with the Institute for Healthy Living.
8	Food access evaluations of grantees are completed annually by IHL then presented to County of El Paso for review. These evaluations will include quarterly, unannounced site visits to ensure project compliance.
9	County of El Paso determines if more money will be allocated to the Healthy Food Financing Initiative.

10	Note - El Paso County may accept contributions, gifts or other resources from additional sources, including philanthropic organizations, financial institutions, and other local, state, and federal governmental entities. Likewise, partner CDFIs may accept funds from additional sources, including philanthropic organizations, financial institutions, and other local, state, and federal governmental entities for the HFFI loan program.
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### III. AWARDEE ELIGIBILITY

#### A. Entity Type

An applicant may have non-profit or for-profit status and may be, but is not limited to, one of the following: regional grocery chains, national grocery chains, singular grocery retail outlets, food hubs, farmer’s markets, mobile markets, other food retail models that provide high quality affordable and healthy food, and financial institutions, including CDFIs, that will make capital more accessible for HFFI-eligible projects. Ineligible entities include large department stores that specialize in many different types of goods, of which groceries are only one department, restaurants, cafes, bakeries, pharmacies with grocery sections, businesses with alcohol or tobacco retail sales as the primary source of revenue, and public entities.

#### B. Project Purpose

To be eligible to participate in EPC HFFI, the applicant must demonstrate a plan to:

- a) open a new retail outlet or expand an existing small or disadvantaged food enterprise primarily selling affordable healthy food items,
- b) improve an existing small or disadvantaged food enterprise’s ability to stock and sell a variety of affordable, healthy food that had previously been limited, or
- c) develop a real estate project that will lease space to a grocery store tenant that meets the criteria under sections a) or b) above.\*
- d) increase access to capital for HFFI projects as described above in III.B.a-c.

\*In Option c), the applicant must have a signed lease with a healthy food-focused operator, and projects with multi-tenant uses may be eligible if the development project is funded proportionately to grocery retailer square footage, allowing the EPC HFFI award to focus only on the grocery store tenant portion.

#### C. Business Activity Location

The applicant’s primary business activities must take place within the County of El Paso as well as be located in or predominantly serve residents of an area with below average supermarket density or below average grocery sales. All projects must benefit low-to-moderate income (LMI) residents in the County. This can be accomplished by operating from a location within a census tract or service area where at least 51% of persons or households are low to moderate income or demonstrating its ability to create or retain permanent jobs, at least 51 percent of which (computed on a full-time equivalent basis) will be made available to or held by persons categorized as LMI.

#### D. Product Mix

If the applicant is a grocery store or supermarket, the applicant must demonstrate that at least 20% of current or future products sold or at least 30% of the food retail space will be used for the sale of healthy and affordable foods.

## IV. USE OF FUNDS

### A. Eligible Activities

EPC HFFI funds may be used for:

- **Pre-Development:** Early costs associated with project feasibility including professional fees, market studies, appraisals, and deposits on land and buildings.
- **Site Assembly and Improvement:** Acquisition, demolition, environmental remediation, unstable foundations, and other costs associated with infrastructure improvement.
- **Construction and Rehabilitation:** Constructing, rehabilitating, or expanding the interior and/or exterior of the retail space.
- **Equipment:** Installing or upgrading equipment, machinery, furnishings or interior fit-out, especially as necessary to increase the inventory and sale of healthy, affordable foods.
- **Staffing:** Hiring staff that will directly expand the project's ability to increase healthy food options for El Paso county residents..
- **Staff Training:** Understanding and implementing best practices for safe food handling techniques, sanitation, and management of fresh fruits and vegetables and other healthy foods.
- **Security:** Paying for security staff, security training, security related equipment, and site design features to create a safe environment in a neighborhood setting.
- **Inventory and Working Capital:** Covering first-time inventory or other working capital expenses necessary to the sale of healthy, affordable foods or the initial operations.
- **Marketing and Nutrition Education:** Activities or materials promote healthy food awareness across customers.
- **Increasing Access to Capital for Eligible HFFI Projects:** Working with CDFI organizations to facilitate low-cost and/or higher risk lending for eligible HFFI projects, included but not limited to interest rate buy downs, loan loss reserve funds, or other financial incentives.

### B. Ineligible Activities

Borrowers may not use funds to refinance existing debt, pay tax arrearages or government fines, engage in political or religious activities, buyout any stockholder or equity holder in the borrower's business, nor purchase instruments or investments for the sole purpose of a return on investment.

## V. APPLICATION PROCESS

### A. Solicitation

The County may work with local, state, and national partners such as the Institute for Healthy Living to approach organizations that it believes are aligned with the purpose of EPC HFFI funding and encourage each to apply. Applications may be evaluated using a rubric and the Institute for Healthy Living may recommend projects to the County of El Paso for approval. A sample application is included in Appendix A.

### B. Evaluation

The El Paso Commissioners Court, working with EPC HFFI partners, will make the final determination regarding any application. All applications must satisfy a 2-step process:

1. Eligibility application to determine if site and store meet program eligibility guidelines and applicant is therefore qualified to apply for financing evaluated by food access organization. The Institute for Healthy Living will review applications against eligibility criteria listed in Sections III and IV to determine whether the project sufficiently improves food access for underserved residents.
2. Financial application to determine if operator is qualified to receive funding from the program. This may be satisfied by a determination of the Commissioners Court or by the program's CDFI partner(s) (if applicable).

In addition, applicants will be evaluated against the following, as further detailed in a sample rubric in Appendix B:

- ***Increases access to affordable healthy food:*** The project has a measurable impact on the affordable healthy foods accessible by Low-to-Moderate Income (LMI) residents in El Paso County.
- ***Promotes fruit and vegetable consumption:*** The applicant demonstrates a commitment to promoting fruit and vegetable consumption through a detailed strategy.
- ***Experience and capacity:*** The applicant demonstrates the capacity to sustain the project through a sound plan and relevant experience in healthy food retail.
- ***Demonstrated funding need:*** The project would not be able to move forward and impact would be limited without this investment of public funding.
- ***Support provided by community:*** The project demonstrates community support and/or partnerships through letters of support from relevant organizations.
- ***Products sourced locally:*** The extent to which applicant sources local fresh fruits and vegetables and other products where possible to further promote economic development in the region.

#### *Bonus Criteria*

The following criteria will not be used to penalize applicants but can enhance their application:

- ***Consistency with County of El Paso Plans:*** The applicant will coordinate with the County of El Paso Master Plans, local community plans and community development programs to better foster alignment across community programs.
- ***Leverage Funding:*** The applicant demonstrates a pathway to additional funding commitments that can match and amplify the investment received by EPC HFFI.
- ***Ability to Attract Resources:*** The applicant outlines additional resources it may attract and bring to the region to further strengthen its impact, such as through partnership, talent, financial resources, etc.

## VI. DISBURSING FUNDS

The EPC HFFI is seeking to provide capital to projects with the potential to drive systems level change, rather than incremental change, within our regional food system. Since this type of work is capital intensive, only a limited number of organizations will receive funding each year. The funding vehicles, terms of engagement, and eligible organization types are as follows:

Funding Vehicle *	Terms of Engagement	Eligible Organization-Type
Recoverable Grant	<ul style="list-style-type: none"> <li>● Charitable contribution</li> <li>● Grant recovery terms negotiated</li> <li>● Best for new organizations</li> <li>● Disbursed and administered by El Paso County or CDFI</li> </ul>	<ul style="list-style-type: none"> <li>● For-profit</li> <li>● Non-profit</li> </ul>
Interest-Bearing Loan	<ul style="list-style-type: none"> <li>● Debt financing</li> <li>● Repayment terms negotiated</li> <li>● Best for established organizations</li> <li>● Disbursed and administered by partner CDFI(s)</li> </ul>	<ul style="list-style-type: none"> <li>● For-profit</li> <li>● Non-profit</li> </ul>
Grant (non-recoverable)	<ul style="list-style-type: none"> <li>● Up to \$500,000 for projects demonstrating a highly significant impact.</li> <li>● Disbursed and administered by El Paso County</li> </ul>	<ul style="list-style-type: none"> <li>● For-profit</li> <li>● Non-profit</li> </ul>
<p><b>* Note: Organizations receiving recoverable grants or interest-bearing loans that violate the terms of their award agreement will be required to repay to the County all money plus 10% interest.</b></p>		

### A. Grants

Grants of up to \$500,000 per applicant may be awarded for designated project activities pursuant to the terms listed below:

#### *Eligibility*

Grants under the EPC HFFI may be non-recoverable or recoverable. Recoverable grants are used to finance higher risk revenue-generating charitable economic activities, where future repayment is possible. This includes a proposed project or activity that holds tremendous potential but is relatively unproven or does not have a sufficient track record to assess risk. The objective of a recoverable grant is to enable recycling of investment capital from successful ventures back into the EPC HFFI and support future generations of applicants. In that respect, while it integrates a modest financial return, it prioritizes social impact first and foremost. Key reasons for an applicant using a recoverable grant are to test business feasibility, potentially attracting additional capital, and to develop market discipline within the grantee organization.

#### *Repayment*

Recoverable grant terms may have a wide range and are determined on a case-by-case basis between the applicant and grantor. Recoverable grants are made at below-market interest rates, sometimes as low as 0% and repayment schedules will vary. Interest rates often range from 0-10% and may be paid over time or at the end of the grant term. Recoverable grants require a

preliminary review, due diligence, preparation of financial projections, and a term sheet similar to those used in traditional financing, which will be submitted as part of the application process to the CDFI. Once the grantee is selected and approved by the County, the grantee will work with the CDFI, if applicable, to determine the specific repayment schedule. A recoverable grant may be converted to a grant under certain circumstances.

Grant recipients will be evaluated on a yearly basis to determine if the applicant is meeting the goals and objectives of the EPC HFFI program. To ensure that EPC HFFI program funds are used as intended, EPC HFFI program funding recipients will be subject to proactive, unannounced quarterly site visits as part of their evaluation. El Paso County will partner with one or more qualified food access organizations to conduct and report on these compliance visits. Organizations receiving recoverable grants that violate the terms of their award agreement will be required to repay to the County all money plus 10% interest.

**B. Loans**

Interest-bearing loans may be awarded for designated HFFI project activities pursuant to the terms offered by one or more partner CDFIs. El Paso County may select one or more partner CDFI organizations after a review of their lending policies.

**C. Reporting Requirements and Record Keeping**

Grantees and borrowers will be required to submit quarterly financial statements, fiscal year-end financial statements, and annual federal tax returns. In the case of loans, the partner CDFI(s) will monitor the loans. Additional financial and/or compliance documentation may be required on a case-by-case basis.

**VII. PILOT YEAR TIMELINE**

During the EPC HFFI pilot year, applications will be submitted to the Economic Development Department. Emphasis will be placed on funding organizations that are working to address food access issues in LMI in conjunction with existing local efforts to improve healthy food access and affordability. This may include shared resources or knowledge sharing relationships. The following is a breakdown of the pilot year activities and dates:

Date	Action Item
December 2018	County of El Paso finalizes EPC HFFI guidelines; Institute for Healthy Living begins initial conversations with prospective pilot applicants
January 2019	Pilot applications submitted to the Economic Development Department.
February 2019	The El Paso County Commissioners Court approves pilot funding recipients; El Paso County disburses grant funds.
April 2019	Recipients submit quarterly report #1 to the County
July 2019	Recipients submit quarterly report #2 to the County; County of El Paso considers additional investment in EPC HFFI
October 2019	Recipients submit quarterly report #3 to the County; Planning begins for post-pilot program and application cycle



January 2020	Recipients submit final report to the County; Institute for Healthy Living and El Paso County Economic Development evaluate impacts and report findings to County of El Paso
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### **VIII. PROGRAM INQUIRIES**

All program inquiries should be addressed directly Institute for Healthy Living:

<person name>  
<email address>  
<phone number>

Economic Development Department  
500 E. San Antonio  
El Paso, Texas 79901

**APPENDIX A**  
Sample Application

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**SECTION I: APPLICANT BACKGROUND INFORMATION**

1. Organization Name
  2. Organization Type (Non-profit or For-profit)
  3. Year Founded
  4. Website Address
  5. Mailing Address
  6. Proposed Project Location
  7. Request Type (grant or loan) \*Loans will be referred to partner CDFI(s)
  8. Request Amount (\$50,000 - \$500,000)
  9. Brief Request Description (1-2 sentences)
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**SECTION II: APPLICANT NARRATIVE RESPONSES**

1. **Please describe the project for which you are applying for funds.**  
*This should include the need for the project, the population who will benefit, and fit within the region's larger healthy food efforts. (1 page max)*
  2. **Please identify key project milestones mapped to a 12-month timeline.**  
*This should include potential impact, desired outcomes, and evaluation metrics. (1 page max)*
  3. **Please highlight project leader's relevant qualifications and experience.**  
*This should include history of the applying business, key staff member bios, and any relevant awards. (1 page max)*
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**SECTION III: APPLICANT FINANCIAL DATA**

1. **Please provide a detailed project budget.**  
*This should outline all sources and uses of funds in Excel format.*
  2. **Please provide an operating pro forma.**  
*This should include five-year operating projections with assumptions in Excel format (businesses in existing for two years or more should also include multi-year historic operating figures in the proforma. Include written assumptions).*
  3. **Please provide organization's financial statements and tax returns.**  
*This should include audited income statements, balance sheet statements, and cash flow statements for the past three fiscal years (only required for businesses in existence for two years or more).*
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## **SECTION IV: OPTIONAL ATTACHMENTS**

### **1. Service area maps.**

*This should include your proposed service area with major landmarks, transportation routes and your healthy food operating locations. (2 max)*

### **2. Letters of support.**

*If available, please share letters of support from community members, collaborating organizations, and public officials for your project. (5 max)*

### **3. News articles.**

*If available, please share new articles that demonstrate the need for your project or success stories about similar projects in other communities facing similar issues. (3 max)*

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## **SECTION V: ADDITIONAL REQUIREMENTS FOR LOAN APPLICANTS**

### **1. Personal financial statements.**

*Please provide current, signed personal financial statement of all owners (proprietors, partners and stockholders within  $\geq 20\%$  ownership) of applicant business.*

### **2. Personal tax returns.**

*Please provide copies of complete federal tax returns from the most recently filed year for all owners.*

### **3. Your detailed business plan.**

*Please provide a word document that includes but is not limited to analysis of how your business is staffed, markets its services, differentiates itself from its competitors, and plans to achieve enough financial success to repay the loan. (10 pages max)*

## APPENDIX B

### Sample Application Evaluation Rubric

Criteria	Scoring				
	1 – Unsatisfactory	2 – Needs Improvement	3 – Satisfactory	4 – Good	5 – Excellent
<b>Benefit to underserved populations</b>	Makes more healthy food available roughly 3-4 times per year; no focus on communities that lack access	Makes healthy food available to communities that lack access roughly 3-4 times per quarter	Demonstrates ability to make healthy food available consistently in places that lack access, at least 3-4 times per month	Makes healthy food available at least 3-4 times per month; draws connection between access and health outcomes	Makes healthy food available at least 3-4 times per week; provides programs to address health and economic outcomes
<b>Promotes healthy food consumption and affordability</b>	Makes healthy food available	Focuses on informing people about the benefits of healthy eating more generally	Makes at least 20% of products healthy food	Defines product placement, outreach, marketing, or other proactive strategies	Focuses on long-term household level interventions informed by data
<b>Organizational experience and capacity</b>	No relevant experience and lacks sound business plan	2+ years of relevant experience but plan seems financially unfeasible	2+ years of relevant experience and sound plan that seems financially feasible	Replicable model defined that can be scaled across the region	Demonstrates ability to cover operating costs through food sales within five years
<b>Funding Need</b>	Clear that project will happen without funding	Project could potentially happen without funding	Project would not happen without funding and would negatively impact healthy food access	Project would not happen and would negatively impact access and health outcomes	Project would not happen and would negatively impact access, health, and economic outcomes
<b>Community Support</b>	No letters of support	Letters from community members at large (broad demonstration of support)	Letters demonstrate support and partnership required for success	Letters articulate roles by constituents to ensure the success of the project	Letters demonstrate how project will add value to each involved party
<b>Local Food Procurement</b>	≤10% of food items sourced within 500 miles of El Paso County	11-19% of food items sourced within 500 miles of El Paso County	20% of food items sourced within 500 miles of El Paso County	21-29% of food items sourced within 500 miles of El Paso County	≥ 30% of food items sourced within 500 miles of El Paso County