

MANY CDFIs

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PURPOSE

ALIGNING CAPITAL WITH JUSTICE

By Planetree

2013 OPPORTUNITY FINANCE NETWORK

ANNUAL CONFERENCE

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Transformative Effects of Grocery Stores in Food Deserts

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The Problem

The Grocer's Gap

- ★ "Food Desert" communities experience social dysfunctions (unemployment, violence, etc.) that often make it difficult to conduct business
- ★ Food deserts are not self correcting, as operating costs are generally higher and margins are lower
- ★ Food desert locations often experience a gap in profitability of around 5% of sales (ie. 4% loss instead of 1% profit).
- ★ Filling the gap with higher pricing, lower wages or reduced standards have proven to be ineffective


This gap has resulted in high grocery store failure rates

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UpLift Solutions

- ★ Provides technical assistance to grocers, CDFIs, government entities, and other clients looking to promote food access.
- ★ Working with clients in close to 30 states. Services Include:
 - Financing new stores/Gap Management
 - Consulting on NMTC and other public incentives
 - Project Underwriting/Credit Review/Consideration of SNAP and public policy impacts
 - Grocer consulting/operational trouble shooting
 - Business Model Innovation
 - Public/private partnership development
 - Lease negotiations
 - Workforce Development
 - Community Engagement
 - In-Store additional programming (health clinic, nutrition education, credit union, benefit assistance)

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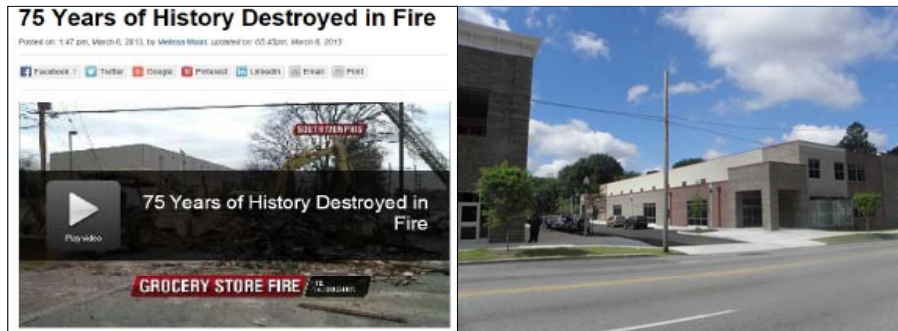
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End Result → Innovative Full-Service Supermarkets Successfully Operating In Food Desert Communities

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Example: Memphis



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Example: Fare & Square Market



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Example: Healthy Food Financing



Cincinnati Fresh Food Retail Financing Fund



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Example: High Impact Food Desert Store with Equity Gap

- ★ 65,000 square foot store serving a USDA Food Desert and PolicyMap “low food access” community
- ★ Operator is experienced and site study projects \$900,000 in weekly sales
- ★ Store will have great economic impact on the community while increasing access to services

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Equity Gap Scenario #1

Assumptions: 65,000 sq ft. store, weekly sales of \$900,000, operator has \$175,000 for equity investment. No NMTCs used, food desert/low food access location

Sources		Uses	
CDFI Loan	6.000 M	Leasehold Improvements	1.500 M
CDFI Grant	0.125 M	Equipment	6.000 M
Landlord Contribution	1.500 M	Working Capital, Inventory & Preopening	<u>2.000 M</u>
City/State/Fed. Grant	1.500 M	TOTAL	9.500 M
Equity	<u>0.375 M</u>		
TOTAL	9.500 M		

UpLift's ideal participation would be to provide \$200,000 of equity.

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Equity Gap Example

Five Year Projected Cash Flow

	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Cash Flow	\$	\$	\$	\$	\$
Net Income after tax	(1,296)	(482)	(117)	237	351
ADD: Depreciation	300	600	600	600	600
Debt Amortization					
Term Loan \$6M	300	600	600	600	600
Gap Funding \$1.5M	0	0	0	0	0
Equity Investment \$0.375M	0	0	0	0	0
Total Debt Amortization	300	600	600	600	600
Op Cash Flow after Debt Service	(1,296)	(482)	(117)	237	351
Estimated Cash Balance- Beginning	2,000	704	222	105	342
Estimated Cash Balance- Ending	704	222	105	342	693

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*Numbers in thousands

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Equity Gap Scenario #2

Assumptions: 60,000 sq ft. store, weekly sales of \$900,000, operator has \$175,000 for equity investment. No NMTCs used, food desert/low food access location. CDFI has deal limit of \$5.5M

Sources		Uses	
CDFI Loan	6.000 M	Leasehold Improvements	1.500 M
CDFI Grant	0.125 M	Equipment	6.000 M
Landlord Contribution	1.500 M	Working Capital, Inventory & Preopening	<u>2.000 M</u>
City/State/Fed. Grant	1.000 M	TOTAL	9.500 M
Equity	<u>0.875 M</u>		
TOTAL	9.500 M		

UpLift's ideal participation would be to take \$500,000 of the CDFI Loan and \$700,000 of equity.

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The Need For Healthy Food Financing 2.0

- ★ Through national work, UpLift has recognized an ongoing need for rich Technical Assistance and equity capital.
- ★ An equity like fund would:
 - Provide needed flexible capital to undercapitalized grocery entrepreneurs
 - Address Cash Flow deficits
 - Leverage existing debt capital and reduce risk from CDFIs partners
 - Provide an option for projects where NMTC, HFFI, and other public programs are not eligible or enough to complete project
- ★ Ongoing Technical Assistance would:
 - Assist business owners in developing entrepreneurial solutions and smart operational strategies to help mitigate financial gap of operating in underserved areas and provide added value to customers through innovative in-store programming
 - Decrease fund risk

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