

# colorado fresh food financing fund

## CO4F Program Guidelines



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## Executive Summary

The Colorado Fresh Food Financing Fund (CO4F) is a statewide program that provides loans and grants to support both retail and non-retail healthy food projects across Colorado. The program centers a Food Justice lens to improve access to healthy, consistent, affordable, and self-determined food options for historically underserved communities. Generally, CO4F funding is intended to provide financing that is not available from conventional commercial lenders. The amount and type of financing depends on the availability of funds within the program, the need of the borrower, and nature of the project.

CO4F believes that increased access to financing for all entities dedicated to increasing access to healthy food will improve the well-being and health of Coloradoans living in underserved areas. CO4F also believes that by supporting these businesses we can support local economies by creating and retaining jobs, which is a secondary goal of the program. CO4F will collaborate with other financing sources, including local nonprofit lenders and commercial banks to meet its goals.

## Background

In 2010, the Denver Department of Environmental Health worked in conjunction with The Colorado Health Foundation to explore the factors contributing to poor healthy food access in urban and rural settings throughout Colorado. The subsequent [report](#) found that food retail development offering affordable fresh food is a critical component in combatting childhood obesity and diet-related illnesses in underserved areas. To develop a response, the Denver Food Access Task Force was convened to foster collaboration between actors from the City of Denver, rural agencies, philanthropic foundations, grocery store operators, and other civic leaders. Together they developed a series of recommendations including the creation of a statewide healthy food financing initiative.

The first iteration of CO4F launched in 2013 with seed funding from The Colorado Health Foundation (TCHF), Piton Foundation, Kaiser Permanente, and the Colorado Trust. Its initial focus was to offer favorable and equitable financing to support the construction, expansion, and renovation of grocery stores, supermarkets, and on occasion, specialized food projects. From 2013-2021 the program funded over 40 projects across Colorado where 90% of low-income shoppers and 92% of rural shoppers reported improved access to fresh foods at CO4F-supported stores.

In 2021, CO4F received additional funding to expand its original retail scope to support a greater range of projects increasing food access throughout the food system. This new iteration centers the needs of those most disparately impacted by unequal health outcomes and seeks to address the root causes of inequality.

## Mission and Eligibility

CO4F seeks to fund projects that improve convenient access to affordable, healthy, and culturally relevant food. Eligible projects improve health, build wealth, and fill gaps within the regional food system to serve high need and low-access areas, particularly in places that could be considered food apartheid areas (using the term “food apartheid” is now generally preferred over the term “food desert”). CO4F will use a food justice lens when evaluating potential projects. Food justice takes into account the structural roots that have led to unequal health and economic outcomes today, such as the historical policies and practices that still impact communities, which tend to manifest across lines of difference including race, gender, and class. Community benefits criteria are described in more detail on page xx).

## Program Partners

*Colorado Housing and Finance Authority (CHFA)* is the program administrator and financial partner for CO4F, they are responsible for 1) managing the program mechanics, reporting requirements, and relationships with all program partners 2) processing larger loan requests (\$150,000 and higher) and all grant requests for the program.

*Progressive Urban Management Associates (PUMA)* is a community and economic development consulting firm based in Denver. They are the Food Access Organization (FAO) for the program and are responsible for 1) conducting statewide outreach to develop a pipeline, 2) engaging with vulnerable populations and connecting non-traditional applicants with resources, and 3) ensuring that applicants meet program eligibility requirements and referring them to funders.

*Colorado Enterprise Fund (CEF)* is a Denver-based nonprofit lender, providing flexible financing to small businesses across Colorado. They are a financial partner of CO4F, responsible for serving smaller loan requests (below \$150,000).

# section 1

## eligibility requirements

### Section 1.1 Types of Eligible Projects

Eligible projects include but are not necessarily limited to the following (may contain one or more of the following elements):

- Grocery stores
- Corner and convenience stores
- Food cooperatives
- Farmer's markets
- Mobile markets
- Aggregation and distribution projects (e.g., food hub, food delivery)
- Charitable food system partners
- Community kitchens/commissary kitchens
- Healthy prepared food vendors

### Section 1.2 Basic Eligibility

In general, applicants should meet the following minimum requirements in order to obtain loan or grant funding from CO4F. Some requirements may be waived or altered in special project circumstances.

- Loan proceeds must be used for projects located in the state of Colorado.
- Applicant must demonstrate the project's ability to increase access to staple products and fresh food options that reflect the preferences of the community.
- Applicant must demonstrate how they will ensure affordability for elemental food items listed above.
- Projects must serve a majority of customers in areas designated as "high-need" and "low-access," herein after referred to as "Food Apartheids." These include USDA food deserts and/or areas of high unemployment, high poverty, low and moderate incomes, environmental justice communities, communities of color, rural communities, etc. Eligibility will be determined or confirmed by PUMA.
- Applicant should demonstrate that the project will result in job creation or retention in the community.
- Applicant must demonstrate at least three years of applicable business experience, or otherwise demonstrate experience and capacity to successfully implement and carry out a viable business enterprise that can sustain itself upon stabilization. *In order to receive financial assistance, a project must meet a certain threshold of business readiness (for example, having a business plan, financial plan, vision, etc.). If an applicant needs assistance in developing these items, they will be referred to partners within the technical assistance network to further develop their idea.*

- Borrower may be an operating company or individual owner(s) of an operating company or a non-operating company, such as a real estate holding company or project sponsor. If the borrowing entity and the operating company have common ownership, the operating company must guaranty the project loan.
- Applicant must be a private or public entity or individual with the ability to incur debt.
- Borrower should not have defaulted on any state or federal loan or any loan insured by the state or federal government.
- *For grocery retail projects only:*
  - Eligible grocery and supermarket projects must utilize at least 50% of retail floor area for the sale of a general line of food products, such as dairy, canned and frozen foods, fresh fruits and vegetables, fresh and prepared meats, fish, poultry, and baked goods. Such retail space, utilized for the sale of a general line of food products, shall be distributed as follows:
    - At least 50% of food retail space shall be utilized for the sale of non-prepared foods, or food products intended for home preparation and consumption; and
    - At least 15% of food retail space shall be utilized for the sale of perishable foods, which may include dairy, fresh produce, fresh meats, poultry, fish, and frozen foods.
  - All supermarkets and grocery stores financed through CO4F must accept SNAP (Supplemental Nutrition Assistance Program) benefits.

In addition, all **loan and grant applicants** *must* meet **at least one** criterion **within each** of the following three community benefit categories to be considered for eligibility:

#### 1. Improving Health

- Beyond accepting SNAP benefits, the project ensures food products are affordable [e.g., Double Up incentives, tiered pricing, WIC (Women, Infants, & Children) benefits].
- Proactively promotes healthy living practices and/or awareness of healthy food options (e.g., educational programming, workshops, events).
- Other tactics for ensuring access and lowering barriers to healthy, affordable food may be considered.

#### 2. Building Wealth

- Serves Black, Indigenous, People of Color, and/or other historically underserved populations, including rural communities.
- Owned by Black, Indigenous, People of Color, and/or other historically underserved populations.
- Disrupts cycles of poverty by engaging with and/or employing hard-to-employ populations (e.g., formerly incarcerated, housing insecure, people with disabilities, at-risk youth).
- Other tactics for creating economic opportunities—particularly in the context of addressing structural inequities—may be considered.

### 3. Filling Gaps in the Food System

- Has conducted community engagement to understand and accommodate local needs/preferences.
- Revitalizes historical practices and traditions regarding the cultivation of culturally relevant food.
- Strengthens the local/regional food system (e.g., provides a reliable outlet for small farmers to sell their products).
- Utilizes environmentally conscious and sustainable farming practices especially for small-scale farmers
- Goes above and beyond the accessibility needs of the community (e.g., mobile market, location, unique services offered).
- Other tactics for filling gaps in the food system may be considered.

## Section 1.3 Eligible Use of CO4F Funds

CO4F loans and grants can finance costs associated with:

- Land acquisition
- Construction or rehabilitation of real estate
- Interior tenant improvements
- Equipment
- Inventory and other working capital needs\*
- Reimbursement of predevelopment costs, such as professional fees, market studies, appraisals, deposits on land and buildings, and other holding costs.

\*Working capital may be an eligible use of loan proceeds but generally may not exceed 50% of total loan amount. Loans providing working capital must still meet CO4F collateral requirements.

## Section 1.4 Ineligible Projects and Activities

Ineligible applicants include the following:

- Multi-tenant projects where less than 50% of the aggregate commercial space is used up provide access to healthy foods. This does not exclude financing for individual businesses providing retail healthy food as tenants in a larger commercial development.
- Multi-tenant projects may not lease any space to businesses involved in the following: religion, entertainment of a prurient or sexual nature, gambling, illegal activity, the sale or consumption of marijuana, or pyramid sales.

# section 2

## eligibility requirements

### Section 2.1 CHFA General Terms and Conditions

Terms and Conditions on Loans of \$150,000 or greater:

Loan Size	\$150,000 - \$1,500,000 per project
Interest Rate	Typically, 3%, fixed for life of loan. Determined by loan committee;
Loan Terms	Term loans up to 60 months with a maximum 240-month amortization. Loan terms may vary based on use of funds. Longer terms considered on a case-by-case basis.
Collateral	All loans must have sufficient collateral. When possible, loans will be secured by a first or second deed of trust on project real estate or a first security lien on project assets. In certain circumstances, CO4F may require additional collateral beyond project assets being financed to ensure that the loan-to-value ratio is met.
Loan-to-value	Maximum 90%
Equity Contribution	Generally, borrower must contribute a minimum of 10% towards total project costs. Equity contribution generally takes the form of cash or land equity. Exceptions considered on case-by-case basis.
Debt Service Coverage Ratio	Borrower must demonstrate the ability to achieve a minimum coverage of 1.10x debt service upon stabilized operation.
Repayment	Generally, term loans require monthly principal and interest payments sufficient to repay the loan over the amortization period. An initial period of interest-only payments may be allowable. Construction loans may have monthly, quarterly, semi-annual, or annual interest-only payment terms.
Prepayment	Unless otherwise indicated, loans may be prepaid in whole or in part at any time without penalty.
Reporting	Financial and program impact reporting will be required as defined by the loan agreement.
Guarantees	Personal and/or corporate guarantees may be required.
Leverage	In most cases, borrowers will be required to obtain additional sources of financing for the project.
Competitive Analysis	The project's impact on existing potential competitors will be analyzed.
Other	This is not intended to be a complete list of terms and conditions.



## Section 2.2 CEF General Terms and Conditions

Terms and Conditions for loans less than \$150,000:

Loan Size	Less than \$150,000
Interest Rate	Fixed Interest rate (3%-6%)
Loan Terms	<ul style="list-style-type: none"> <li>• Terms loans up to 120 months based on use of funds</li> <li>• For real estate up to 300 months</li> </ul>
Collateral	All loans must have sufficient collateral. When possible, loans will be secured by a first or second deed of trust on project real estate or a first security lien on project assets. In certain circumstances, CO4F may require additional collateral beyond project assets being financed to ensure that the loan-to-value ratio is met.
Loan-to-value	Maximum 90%
Equity Contribution	Generally, borrower must contribute a minimum of 10% towards total project costs. Exceptions considered on case-by-case basis.
Debt Service Coverage Ratio	Borrower must demonstrate the ability to achieve a minimum coverage of 1.10x debt service upon stabilized operation.
Repayment	Generally, term loans require monthly principal and interest payments sufficient to repay the loan over the amortization period. An initial period of interest-only payments may be allowable.
Prepayment	Unless otherwise indicated, loans may be prepaid in whole or in part at any time without penalty.
Reporting	Financial and program impact reporting will be required as defined by the loan agreement.
Guarantees	Personal and/or corporate guarantees may be required.
Leverage	In some cases, borrowers will be required to obtain additional sources of financing for the project
Competitive Analysis	The project's impact on existing potential competitors will be analyzed.
Other	This is not intended to be a complete list of terms and conditions.

# section 3

## loan underwriting and due diligence

Program loan decisions will be based primarily on the borrower's ability to repay the proposed loan over its term. The primary source of repayment will be the cash flow generated by the project and/or the historical and existing cash flow of an operating entity or project sponsor. Financial strength of one or more guarantors may be considered to offset financial weakness.

An analysis of the project, borrower, and/or operating company financials will be performed by CHFA or CEF based on the following information supplied by the applicant. In the case of an existing business or an operating company expansion, underwriting will include review of the following:

- Revenue and profitability trends
- Cash flow
- Balance sheet strength
- Management experience
- Supplier relationship and credit terms
- Industry analysis and economic trends
- Guarantor financial strength

In the case of a start-up business, underwriting will also include the following:

- Operating projections: Projections will be reviewed for reasonableness and completeness and must demonstrate adequate cash flow to service the proposed loan. Projections must also demonstrate sufficient working capital resources to fund cash flow shortfalls until internal cash flow is sufficient. This may be satisfied with evidence that a grant will be obtained for that purpose.
- Development budget
- Market study
- Project sources and uses
- New management capacity
- Review of relevant industry experience of borrower's operating management team

Other underwriting and closing due diligence items to be required and subject to approval by the Fund Administrator or CEF include, but are not limited to:

- Personal credit history of guarantors and individual borrower/owner
- Real estate and personal property collateral valuation and requirements
- Environmental assessment (transaction screen, Phase I)
- Insurance requirements (hazard, liability, flood)
- Borrower equity [cash, land value, grant, personal property, amount (for-profit versus nonprofit)]
- Survey for all real estate loans
- Credit reports may be obtained on personal guarantors and/or individual borrowers

# section 4

## grants

In addition to provide loan capital, CO4F provides two types of grant support - Gap Grants and Standalone Grants. All CO4F financing, including grants, is subject to the CO4F eligibility requirements discussed in Section 1 of these guidelines. Eligible applicants must demonstrate sufficient need to receive grant funding, and grant funding will be determined on a case-by-case basis.

### Section 4.1. Gap Grants

CO4F Gap Grants are offered as part of a financing package that includes a CO4F loan. There is no process to apply for a gap grant; rather, it is a determination of CHFA and the loan committee whether to offer a gap grant to an enterprise that applies for CO4F funding. Additional details for gap grants include:

- Range from 5-15% of the total project cost, up to \$100,000
- Seek to support investments that will make an enterprise financially viable over the long term, rather than filling a recurring shortfall in the business model.
- A start-up enterprise seeking CO4F funding must be past the conceptual idea stage as demonstrated through, at a minimum, a completed business plan and basic financial projections including all funding sources. If the grant will support predevelopment costs (e.g., permitting costs, professional fees, market analysis, land control), the recipient should demonstrate investment(s) that match the requested grant amount.

### Section 4.2 Food Justice Grants

CO4F Food Justice Grants provide grant-only funding and are reserved for projects that go above and beyond at advancing food justice and providing community benefits. Projects will be evaluated based on the extent to which they meet community benefits (improving health, building wealth, and filling gaps in the food system). Additional details for Food Justice Grants include:

- The amount may be up to 50% of total project costs, up to \$50,000.
- Food Justice Grant recipients **must** meet at least two criteria within each of the three categories listed on page 2.

# section 5

## application, approval, and closing process

### Section 5.1 Pre-application

Interested applicants must submit a pre-application form to PUMA, who will review the request and determine project and borrower eligibility. If eligibility is determined, PUMA will connect the applicant to the appropriate lender to begin the formal application process. The pre-application form for loan and/or grant financing may be obtained by visiting <https://www.chfainfo.com/business-lending/Pages/co4f.aspx>. The formal application form will be provided to the borrower by CHFA or CEF once they have passed the pre-application process with PUMA and are introduced to the appropriate lender. Applications are accepted and considered on a rolling basis as long as program funds remain available.

### Section 5.2 CHFA Application and Approval Process (for projects \$150,000 and larger)

CHFA will perform a thorough analysis of the project and present an application package reflecting the transaction to the CO4F loan committee for consideration and vote. The loan committee may approve a transaction in its presented form or with changes, decline a transaction, or table a transaction until additional requested information is presented. Decisions of the loan committee are final.

Loan committee decisions will be communicated to the applicant by CHFA. If a loan and/or grant application is approved by the loan committee, CHFA will deliver a formal loan commitment and/or grant agreement to the applicant. The loan commitment and/or grant agreement must be returned to the fund administrator along with any applicable fees. Approved funding amounts, terms, and conditions outlined in the loan commitment and/or grant agreement may differ somewhat from the application request if the Board determines these changes are advisable to strengthen the transaction or mitigate risk.

### Section 5.3 CHFA Closing and Post-closing Process

Upon acceptance of the loan commitment and/or grant agreement, CHFA will work closely with the applicant to facilitate the closing and funding process. Closing requirements and associated documentation will differ depending on the nature and complexity of the transaction.

The applicant will enter into a loan agreement and/or grant agreement that will outline reporting and record-keeping requirements.

## Section 5.4 CEF Application, Closing, and Post-closing Process

The application, closing, and post-closing process for CEF will vary based on the details of the request. Details regarding this process can be obtained by CEF.

## Section 5.5 Grant Approval

CHFA reviews all CO4F grant requests. If an applicant has a project request for under \$150,000, they will be assigned to CEF for loan approval and then assigned to CHFA to review their grant requests. Projects over \$150,000 will be reviewed for loan and grant capital simultaneously by CHFA.

## Contact Information

Fund Administrator	Colorado Housing and Finance Authority c/o Justin Vause 303.297.7345 <a href="mailto:jvause@chfainfo.com">jvause@chfainfo.com</a>
Microlender	Colorado Enterprise Fund c/o Alan Ramirez 303.860.0242 <a href="mailto:alan@coloradoenterprisefund.org">alan@coloradoenterprisefund.org</a>
Food Access Organization	PUMA c/o Andrea Buglione 720.510.8567 <a href="mailto:CO4F@pumaworldhq.com">CO4F@pumaworldhq.com</a>