

KANSAS HEALTHY FOOD INITIATIVE

Loan Guidelines





1 in 8 Kansans are
classified as food insecure.



STATEMENT OF PURPOSE

Every Kansan should have access to healthy, affordable food, but more than 800,000 do not have access within a reasonable distance from their home. More than 30 percent of Kansas counties are considered low income and low access areas according to the U.S. Department of Agriculture.

For this reason, in 2017, the Kansas Health Foundation provided funding to establish the Kansas Healthy Food Initiative (KHFI), a healthy food financing initiative that supports healthy food retail projects in low-resource and underserved areas of Kansas.

KHFI projects could include the development or renovation of a grocery store, improvements to food distribution, technology or energy-efficiency upgrades, or other innovative solutions for food access points in low resource and underserved communities.

The initiative is implemented by Kansas Health Foundation, the Rural Grocery Initiative at K-State Research and Extension, Network Kansas, IFF, and The Food Trust. Together, they review applications, connect projects to available technical assistance resources, and evaluate the broader impact of KHFI funding.

Kansas Healthy Food Initiative Partners

The **Kansas Health Foundation** (KHF) is a statewide philanthropic organization with a mission to improve the health of all Kansans. The initial architect of the program, KHF provided seed funding and continues to serve as a thought leader, helping shape the program's evolution and sustaining presence.

The **Rural Grocery Initiative**, part of K-State Research and Extension, aims to sustain locally-owned rural grocery stores to enhance community vitality and improve access to healthy foods. It serves as the lead Food Access Organization for KHFI and conducts program outreach, provides technical assistance, and reviews the eligibility of potential KHFI projects.

Network Kansas is a statewide resource organization devoted to the growth of entrepreneurship and small businesses throughout the state of Kansas. It supports KHFI by reviewing financials, underwriting, and disbursing funds. In addition, Network Kansas provides business development support to food businesses across Kansas and connects applicants with additional funding sources to leverage KHFI investments.

IFF is a Community Development Finance Institution (CDFI) that provides mission-driven lending and real estate consulting services to nonprofits that serve low-income communities and people with disabilities. It supports KHFI by reviewing financials, underwriting, and disbursing funds.

The Food Trust is a nationally recognized nonprofit dedicated to ensuring that everyone has access to affordable, nutritious food and information to make healthy decisions focused on food retail for underserved populations. It leads KHFI program evaluation through quarterly program metrics and the development of qualitative case studies.



Rural Grocery Initiative



KHFI PROCESS

KHFI staff reviews each loan application to determine whether the proposed project meets program eligibility criteria. If eligible, the applicant is encouraged to apply for financing.

Receiving financing from KHFI is a **two-step process**:

1. Eligibility Review: Applicants must first complete an online intake form. Then, an intake call is scheduled between the applicant and KHFI partners to learn about the project, answer questions, and potentially connect the applicant to additional resources. The intake form and intake call are used to determine if the proposed project meets KHFI programmatic goals, including serving low-resource and underserved communities in Kansas. Eligibility review typically takes two weeks. Detailed eligibility criteria can be found starting on page four.

2. Financing: Once a project is determined to be eligible, Network Kansas connects the loan applicant to a resource partner to assist in completing the KHFI financial application. Once the KHFI financial application is received, funding decisions are made by the KHFI Investment Committee. Examples of approved projects can be found at kansashealthyfood.org under the "Funded Projects" tab.





THE PROCESS

Submit your intake form at kansashealthyfood.org.

STEP 1: ELIGIBILITY REVIEW

[2 weeks]

To find out if your project is a good candidate for the Kansas Healthy Food Initiative, visit www.kansashealthyfood.org and complete an intake form. Once the intake form is submitted, KHFI staff will connect with you to schedule an intake call to learn more about your project. Eligibility review takes approximately two weeks.

Eligibility does not guarantee funding.

Eligibility Criteria

Eligible projects are:

- Committed to healthy foods,
- Carried out in low-resource areas,
- Carried out in underserved areas,
- Led by experienced operators, AND
- Integrated with community needs.

If eligible,

STEP 2: FINANCING

[at least 90 days]

a) Compile and submit your KHFI financial application:

- Network Kansas will connect the applicant to a local resource partner, such as a regional Certified Development Company (CDC).
- The resource partner will provide the applicant with the KHFI financial application and submit it to KHFI on behalf of the applicant.

b) Financial Review:

- Once the request is reviewed and underwritten, the financial package offer will be developed.
- The amount of time required to disburse funds depends on completeness of application, submission of all funding documents, and readiness of the project.
- Funding decisions are made by the KHFI Investment Committee.

Documents for Loan Applications

- Business plan
- 3-5 years of Operating Projections
- 3-5 years of Historical Financials

May be required, depending on the size and type of the project:

- Market Study
- 5% Equity Contribution
- Project Cost Estimate (3rd Party)
- Financial statements of any project sponsors or guarantors

Please note, this is an iterative process which requires some back and forth between the applicant and the lender.





STEP 1: ELIGIBILITY REVIEW

To determine your project's eligibility, KHFI reviews several eligibility criteria, detailed below.

A. Commitment to healthy foods

Objective: Applicants must demonstrate that their project will meet at least one of the following goals:

- Open or renovate a supermarket or other grocery retail outlet selling affordable healthy foods, such as whole fruits and vegetables (fresh, refrigerated, frozen or canned), whole grains, fat free or low-fat dairy, lean meat and protein.
- Develop an alternative food system project that improves access to healthy foods at affordable prices, such as a farmers market or food hub.
- Improve an existing market's ability to stock and sell a variety of affordable fresh fruits and vegetables.
- Integrate local healthy food suppliers into retail outlets.

Types of entities: Eligible projects may be, but are not limited to, a for-profit business enterprise (including a corporation, limited liability company, sole proprietor, cooperative or partnership), not-for-profit corporation, agricultural cooperative corporation, public benefit corporation, municipal corporation, regional market facility, or a public food cooperative without a membership fee.

Example applicant types: The applicant may be, but is not limited to, the following:

- Grocery store developers and/or owners (national chain, regional chain, singular retail outlet, small neighborhood store)
- Food distributors
- Local food producers*
- Innovative food access entrepreneurs
- Non-profit organizations
- City or county governments
- Alternative food projects, such as a farmers market or food hub

Tenant applicants: Real estate projects that have multi-tenant uses beyond a supermarket tenant, such as:

- A development project split into separate footprints, allowing the KHFI grant or loan to focus only on the supermarket tenant portion.
- Retail development intending to lease space to fresh food retailers.
- A viable development site and proposed supermarket with potential for additional non-food tenants. These non-food tenants must represent no more than 50% of the building area square footage.

**Applicant may not be eligible for grant due to funding source.*



B. Low-resource area

KHFI eligible projects serve low-resource areas. Multiple indicators, listed below, are used to determine low-resource areas. Additional indicators may also be used. At least one of the following low-resource criteria must be met:

- Local median family income is less than or equal to 80% of the area median income.
- At least 50% of students eligible for Free and Reduced-Price Lunch.
- Classified by the U.S. Department of Agriculture (USDA) as a low-income, low-access area.
- Project serves rural population (communities of 50,000 or below).
- Eligible for the New Market Tax Credit.
- Additional criteria may be used to determine low-resource areas. These may include, but are not limited to: eligibility for the Community Reinvestment Act, eligibility for Community Development Block Grants, and Rural Food Access Investment Area designation.

C. Underserved area

In order for the project to be eligible, the area must not already be served by healthy food retail outlets. The proposed project location is evaluated using a 1-mile radius for urban areas and a 10-mile radius for rural areas.

Additional indicators that may be used to further characterize the underserved area include:

- Natural geographical boundaries
- Typical commuting patterns
- Households without access to a vehicle
- Children with low access to a grocery store
- People 65+ with low access to a grocery store

D. Operator experience

The applicants (or members of their management team) must demonstrate knowledge and experience of managing a grocery store or fresh food retail outlet. At least three years of experience in comparable management is recommended. A comprehensive analysis of business plans and management knowledge will take place during the KHFI eligibility determination process.

E. Community fit

Through interviews with community stakeholders, the proposed project will be assessed for characteristics such as scope, community impact, accessibility to low-resource communities, integration with other local initiatives, and local support.

Ineligible projects

The following types of projects are not eligible for the Kansas Healthy Food Initiative:

- Projects that fail to demonstrate a commitment to providing healthy foods such as whole fruits and vegetables, whole grains, fat free or low-fat dairy, lean meats and poultry.
- Projects such as restaurants, food pantries, food banks or feeding programs lacking a sustainable retail model.
- Multi-tenant projects leasing space to businesses involved in entertainment of a sexual nature, gambling, illegal activity or pyramid sales.



STEP 2: FUNDING PROCESS

Projects that meet the eligibility requirements detailed in Step 1 will be connected to a Network Kansas resource partner to assist the applicant in completing the KHFI financial application. Eligibility does not guarantee funding.

Eligible uses

Loans may be used for real estate acquisition, predevelopment, construction, rehabilitation, equipment and infrastructure. Preference is given to projects that identify financial resource partners such as community foundations, local banks or federal loan/grant programs.

Types of funding

KHFI provides loans to support projects that increase access to healthy food at the retail level in low-resource and underserved areas of Kansas. To offset the debt burden of applicants, a portion of the funding package is provided as a grant. The size of the grant is dependent on the total funding request. Projects of any size are eligible to apply to KHFI. However, in general, KHFI funding will be limited to \$100,000 per project.

Financing terms

- Loans up to \$100,000. KHFI can either be used for total project costs or act as an additional source of capital that comes alongside a grant, bank loan, or other funding source. KHFI reserves the right the loan greater than \$100,000 to a single project on a case-by-case basis.
- Terms: 1 to 15 years
- Competitive interest rates, based on collateral available
- Flexible loan structure
- Can be secured with first or second mortgage, or lien on equipment or leasehold
- No appraisal necessary
- No prepayment penalty
- Flexible project types and use of funds

Documents for Loan Applicants

The following are common documents required as part of the financial review and due diligence process. Depending on the project size and KHFI funding request, the list may not be limited to these items. The additional documents will not be needed at the time of submitting this application, and is being provided for informational purposes of the borrower and applying partner:

- Business plan
- 3-5 years of Operating Projections
- 3-5 years of Historical Financials

May be required, depending on the size and type of the project:

- Market Study
- 5% Equity Contribution
- Project Cost Estimate (3rd Party)
- Financial statements of any project sponsors or guarantors

KHFI confidentiality statement

As part of the eligibility determination, references will be contacted to determine community support for this project. Upon notification of funding, information regarding the community, project, amount of funding, funding type, and uses will be made publicly available. Sensitive business information provided on the KHFI application will not be shared outside of the partner organizations without express written consent of the applicant.

Upon approval of the proposal for funding, the applicant agrees to supply information on an annual basis to one or more KHFI Partner Organizations.* Data collected may include, but is not limited to, profit/ loss, revenue and jobs. This information may be used to create case study reports that will be made publicly available.

**KHFI Partner Organizations include The Kansas Health Foundation, Rural Grocery Initiative, Network Kansas, IFF, and The Food Trust.*





K-State Extension

Rural Grocery Initiative

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