

INTEGRATED TRANSACTIONS: AN EMERGING FOCUS FOR COMMUNITY DEVELOPMENT

PREPARED FOR THE KRESGE FOUNDATION BY
LOW INCOME INVESTMENT FUND AND REINVESTMENT FUND
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REINVESTMENT
FUND



capital for healthy
families & communities

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INTRODUCTION

Community development practitioners today are increasingly experimenting with models that move beyond projects focused on a single sector, such as affordable housing, to integrated projects, which bring together a broad mix of the components necessary to create strong, healthy communities, including mixed-income housing, schools, early childhood learning, healthy food stores, health and social services, workforce training, mass transit, and more. These innovative, emerging models are combining people and place-based strategies to deliver deeper impact to low-income communities, and often require more flexibility and technical support to move forward than the typical capital project. Community Development Financial Institutions (CDFIs) and philanthropy are well positioned to provide the critical capital and technical assistance that make these projects possible.

This paper examines development models that intentionally integrate elements from two or more sectors, the capital challenges inherent in such projects, and the unique role that CDFIs and philanthropy play in overcoming those challenges. Unlike fully integrated, outcomes-driven models that require significant resources and formal governance structures, such as those pursued by Purpose Built Communities, this paper focuses on neighborhood-level efforts that go beyond single sector investments that are emerging through partnerships and collaboratives working to deliver community driven solutions.

As part of this analysis, the Low Income Investment Fund (LIIF) and Reinvestment Fund examined multi-faceted projects our institutions have financed, such as projects combining housing with early childhood education and K-12 education, or fresh food retail with health services. Our review of relevant projects has uncovered three primary factors present in these integrated projects that drive the need for uniquely flexible and patient capital:

- Integrated projects often include elements lacking cash flow, creating the need for subsidy;
- Capital funding sources are siloed which leads to complex, layered budgets; and
- Coordinating multiple collaborating borrower organizations requires patience and time-intensive technical assistance.

As an increasing number of community developers are broadening their focus to include integrative investments, we hope this paper provides useful insights for the CDFI, funder, and stakeholder communities.

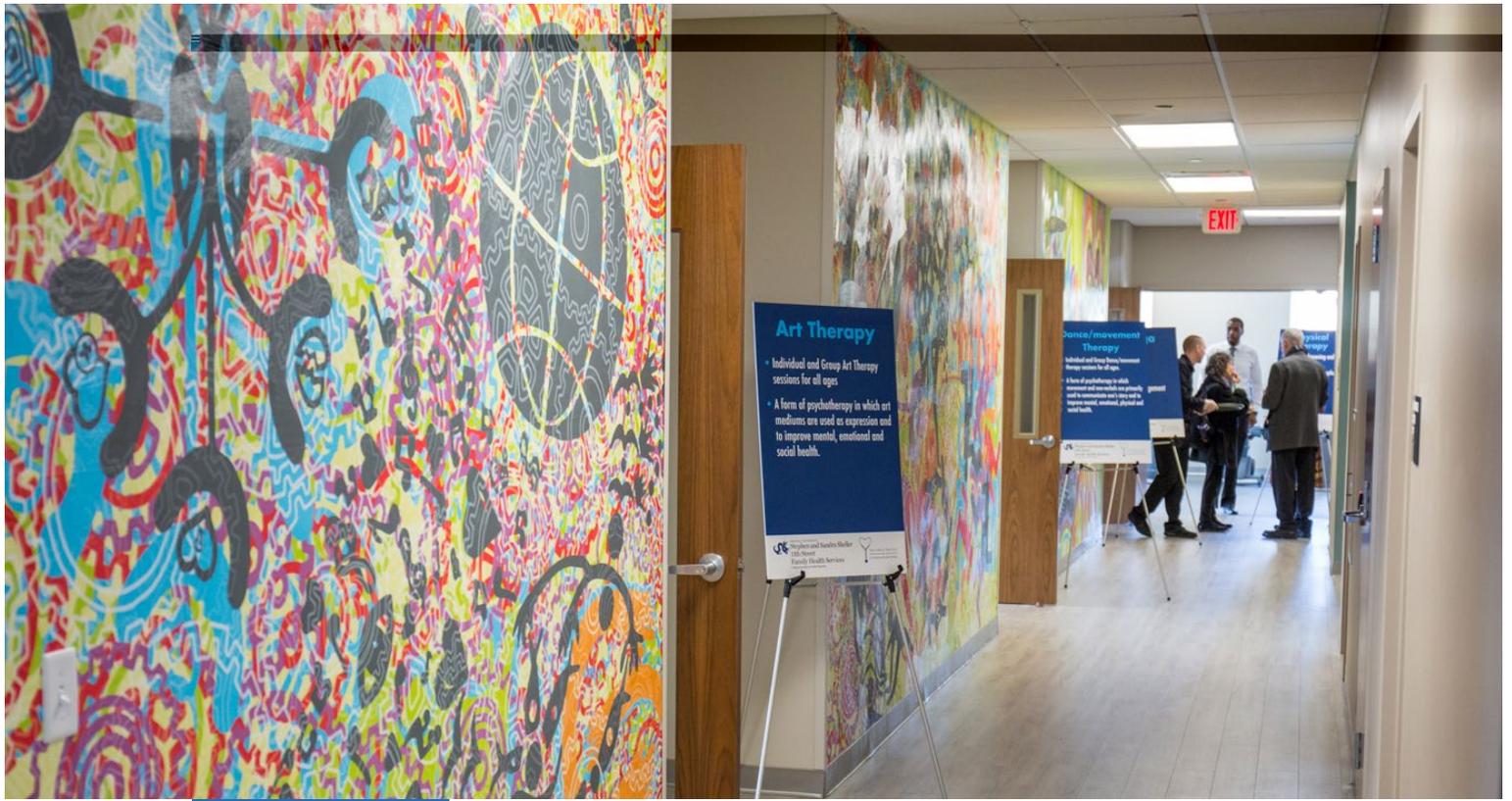
COMPLEX PROJECTS COMPLEX NEEDS

As noted above, development models integrating cross-sector elements create projects with complex capital needs. The examples that follow from LIIF's and Reinvestment Fund's work serve to illustrate these complexities, and describe the varied and critical role CDFIs play in ensuring the projects' success.

1.

PROJECT ELEMENTS WITHOUT CASH FLOW REQUIRE SUBSIDY

Many integrative projects layer people-focused services onto place-based real estate transactions. For example, the development of a fresh food store or a health clinic may incorporate space for cooking classes, nutrition education, and physical activity. These services further the mission of the development project in promoting a healthy community, as good nutrition and exercise play an important role in reducing conditions such as diabetes, high blood pressure, and obesity. However, adding mission-related service elements that lack cash flow creates underwriting and financing challenges, which CDFIs are positioned to solve creatively.



CASE STUDY

STEPHEN AND SANDRA SHELLER 11TH STREET FAMILY HEALTH SERVICES, PHILADELPHIA, PA

FOR MORE DETAIL ON THIS CASE STUDY, PLEASE SEE APPENDIX ›

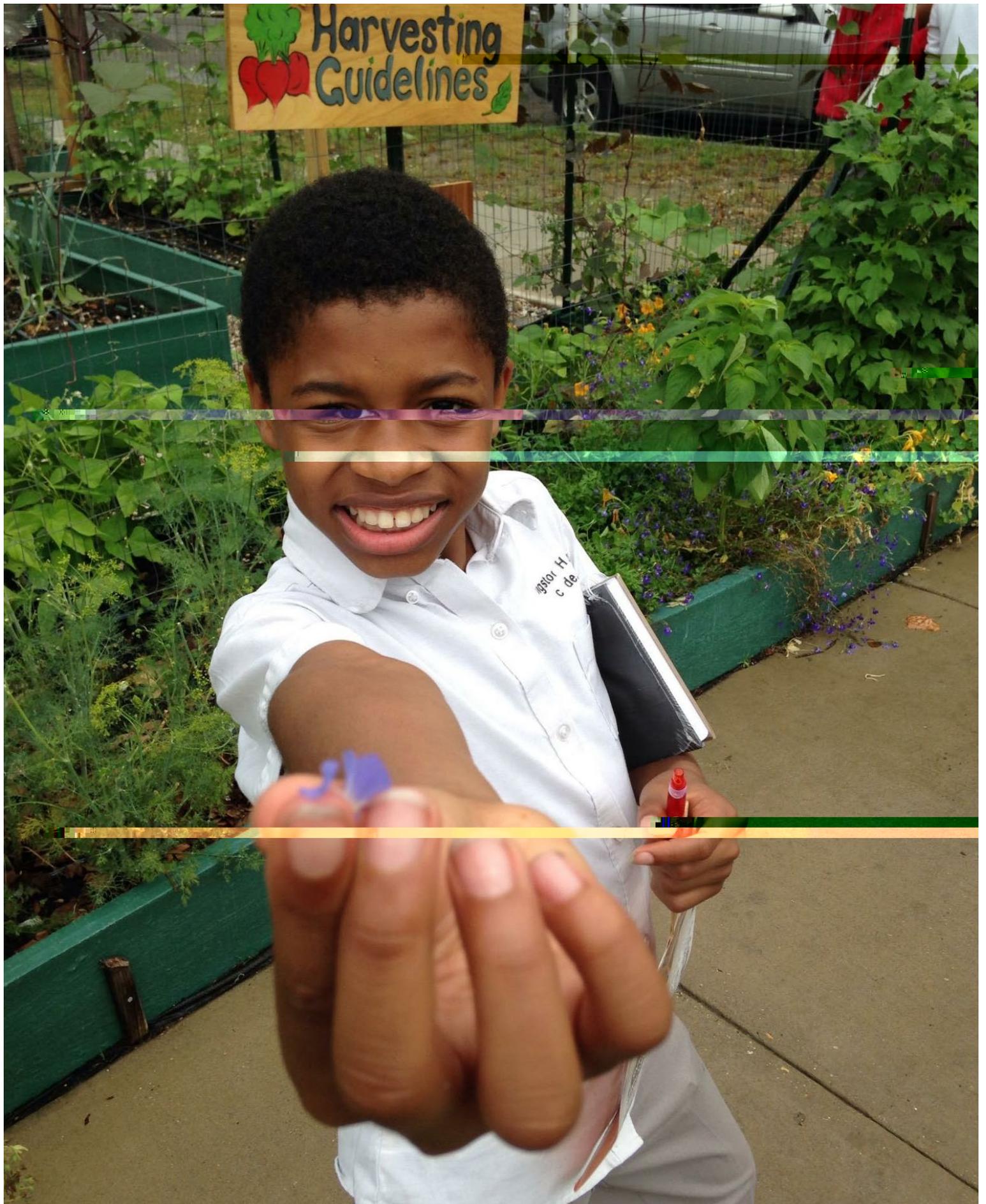
Stephen and Sandra Sheller 11th Street Family Health Services (11th SFHS) is a nurse-managed health center for low-income, uninsured, and Medicaid-eligible patients. A national model of innovative care, 11th SFHS is a joint effort between Drexel University and the Philadelphia Housing Authority to address the health issues of public housing residents through health promotion, disease prevention and primary care. In 2015, it opened a new two-story addition that doubled the size of its North Philadelphia facility, adding capacity for medical care and dedicated spaces for wrap-around wellness services.

- The expansion resulted in increased services for a low-income community, accommodating more than 40,000 patient visits per year, including a teaching kitchen, fitness center and studios for yoga and the creative arts.
- 11th SFHS partnered with Greensgrow Farms to host a mobile market at the health center, increasing residents' access to healthy, fresh produce, at discounted prices. 11th SFHS offers coupons as incentives to purchase fresh food at the market. The mobile food market offers a variety of locally grown produce at a substantial discount and also allows customers to make their purchases using payment options that can include EBT/SNAP benefits or other vouchers from local agencies.
- Drexel University was able to fund its own leveraged loan and raise significant private donations for the project, while Reinvestment Fund allocated \$9.5 million in New Markets Tax Credits (NMTC).
- The equity component of the NMTC financing allowed 11th SFHS to include spaces in its facility for activities that do not generate typical patient service fees, such as wellness programs including cooking, yoga, fitness, art, and music.



It also houses community meeting space, office space for a charter school management organization, an on-site urban teaching farm, and more than 10,000 square feet for additional commercial tenants.

- Beyond simply co-locating, the collaborative partners in the ReFresh hub work together to develop and implement community-centered programming, including health and wellness education, and activities focused on gardening, nutrition, cooking, active living, and economic well-being. The partners also collect data to monitor and evaluate the project and manage its impact, and share lessons learned and best practices.
- Liberty’s Kitchen operates an innovative social enterprise that offers culinary work readiness training for at-risk youth, while preparing healthy food to be sold at the Whole Foods Market and for lunch provision to thousands of local public school children.
- FirstLine Schools, the charter management organization located at ReFresh, has developed an extensive healthy food curriculum for its students, including the signature “Edible Schoolyard NOLA” program, whose principles of nutrition and environmental awareness are demonstrated onsite in the ReFresh teaching farm.
- Tulane’s Goldring Center for Culinary Medicine provides education on nutrition for medical students, and also offers nutrition and cooking classes to the community.



- The project was financed in a NMTC structure, but was so complex that it almost stalled. A subordinate loan from LIIF's Healthy Food Financing Initiative award enabled BCC and L&M, the developer, to negotiate a workable agreement among all the financing partners, including Goldman Sachs and JPMorgan Chase, as well as several public and philanthropic sources.

In both the 11th SFHS project and the ReFresh project, the highly customized capital structure and equity created through NMTC transactions were critical to supporting the non-income generating portions of the project. Without subsidy provided by CDFIs and philanthropy, and persistence from the CDFIs and their financing partners, these complex and innovative projects would not have succeeded.

2.

SILOED CAPITAL FUNDING SOURCES FORCE COMPLEX, LAYERED BUDGETS

While projects that leverage the impact potential of different sectors in combination offer out-sized returns for low- and moderate-income communities, funding sources tend to be sector-specific. For example, co-locating health facilities with affordable housing is important to facilitate the access of low- and moderate-income populations to health professionals. However, the regulations and requirements of funding sources like NMTC, Low Income Housing Tax Credits (LIHTC), and Health Resources and Services Administration (HRSA) are so challenging to braid together that projects often end up running two or more separate financing structures in parallel. In addition, traditional lenders may be able to offer financing for some portions of a complex project (e.g. housing) but not for other components (e.g. a health clinic), leading to the need for additional capital sources. With the increased number of sources comes progressively complex negotiations related to structuring, seniority and subordination, and other issues. Sophisticated CDFIs like LIIF and Reinvestment Fund bring multi-sector experience and are able to underwrite a wide range of community development projects that include multi-sector elements. They also offer a deep familiarity with the various financing sources which can create greater ease among partners leading to greater opportunity for success among borrowers.



CASE STUDY

CROSTOWN CONCOURSE, MEMPHIS, TN

FOR MORE DETAIL ON THIS CASE STUDY, PLEASE SEE APPENDIX ›

In Memphis, Tennessee, the Low Income Investment Fund financed a project that is preserving and redeveloping a 10-story Sears Roebuck & Co. distribution center. The 1.5 million square foot facility was built in 1927 as one of ten U.S. Sears distribution centers and has lain abandoned for more than 20 years. The renovated Crosstown Concourse project will include office space and 262 residential apartments, ranging from micro units to three-bedroom units. Of the apartments, approximately 20% will be leased at affordable rents to households earning up to 80% area median income (AMI).

Commercial space tenants are expected to include a charter high school for arts and sciences, healthcare clinics, a teacher residency and graduate urban education program, a wellness and fitness center, an art exhibition space/shared art making facilities, a comprehensive cancer treatment center and administrative healthcare offices.

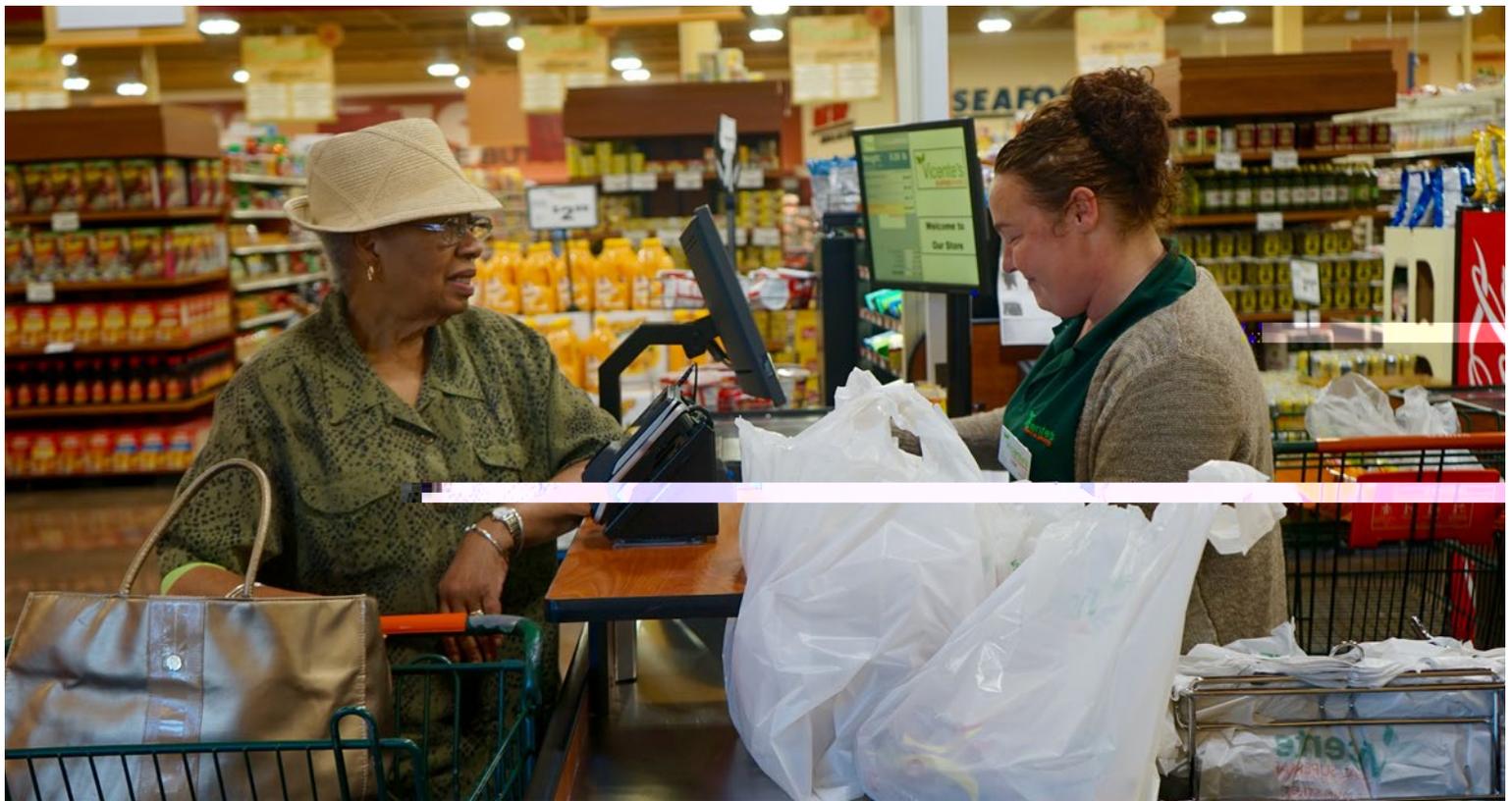
- Many of Crosstown Concourse's nonprofit tenants are focused on health, education, and the arts, and will benefit from mutual support and collaboration. For example, health care providers will share specialized examination rooms and costly equipment, and will collaborate with the educational organizations on science curriculum and learning opportunities for students.
- LIIF provided a \$10 million NMTC allocation to support this project, alongside a traditional bank loan, debt from the City of Memphis, and equity from Historic Tax Credits.
- Subsidy from the NMTC transaction, along with other sources of equity and flexible capital, allowed the developer to offer rents to mission-driven tenants at below-market rates, while still accommodating health services, education services, affordable housing, and nonprofit facility space in the development.

In the Crosstown Concourse project, capital options offered by a CDFI was a critical component in the project's success. Without the equity and flexible capital derived from the NMTC transaction and other subsidies, Crosstown would not have been able to provide the affordable rents needed to attract such a broad group of community-focused tenants. In addition, the complexity of the capital stack and variety of financial sources required highly specific expertise and effort from the financing partners to fit the pieces of the puzzle together. An additional example of siloed capital sources, the Paseo Verde project in Philadelphia, is provided in the Appendix.

3.

INTEGRATED PROJECTS REQUIRE PATIENCE AND TIME-INTENSIVE TECHNICAL ASSISTANCE

When cross-sector projects involve multiple operating organizations and funding sources, they often not only require capital but also need a high level of technical assistance. Smaller, mission-driven organizations may have limited capacity to manage such complex collaborations and financing structures. Adding to the challenge, various sources of capital and subsidy, especially local governments, have variable funding cycles that produce longer closing processes and higher carrying costs. Subsidies and grants often have stringent requirements, and combining them in one project requires careful engineering and forethought.



CASE STUDY

VICENTE'S TROPICAL SUPERMARKET & BROCKTON NEIGHBORHOOD HEALTH CENTER, BROCKTON, MA

FOR MORE DETAIL ON THIS CASE STUDY, PLEASE SEE APPENDIX ›

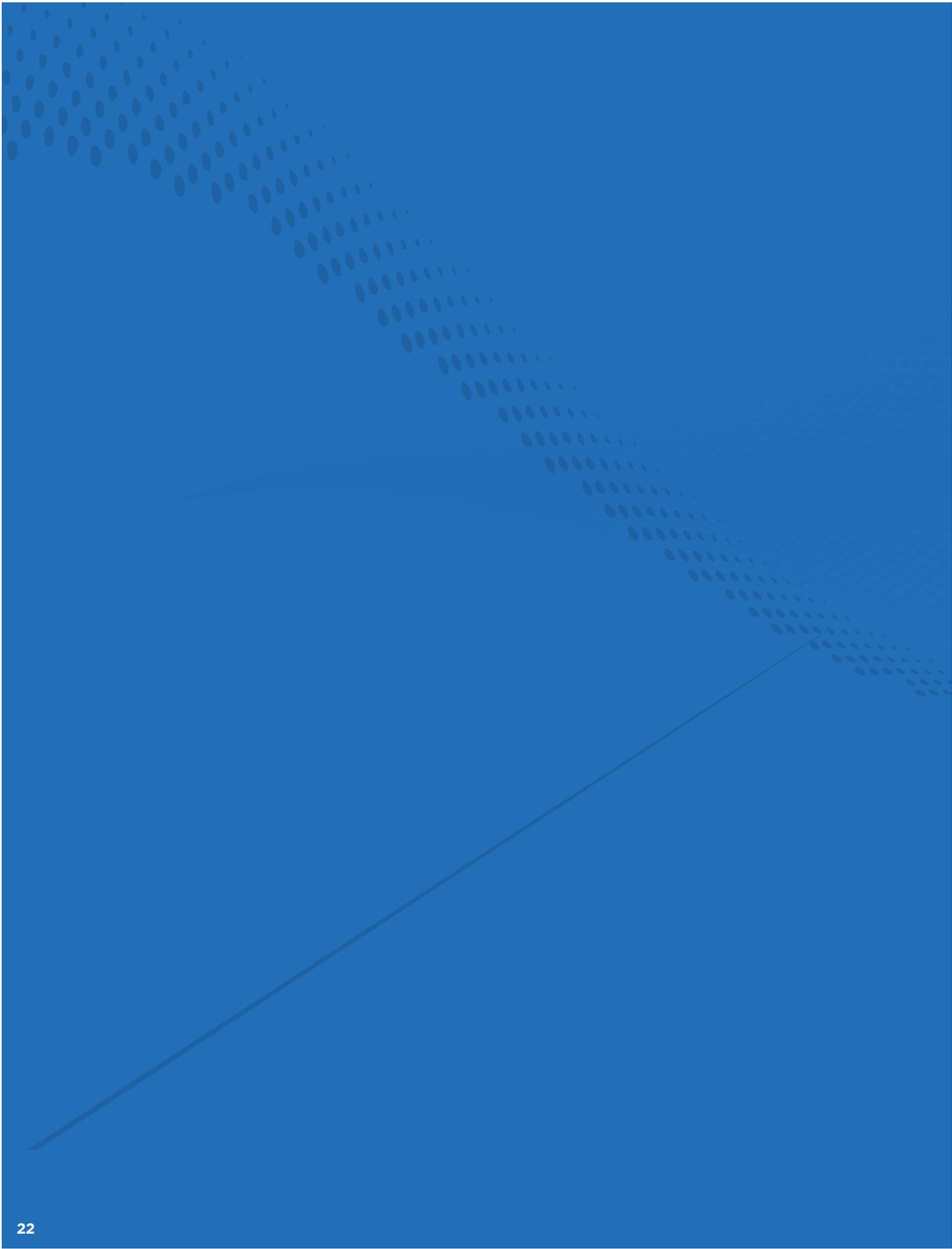
In September 2015, Vicente's Tropical Supermarket and Brockton Neighborhood Health Center (BNHC) celebrated the grand opening of their shared location in downtown Brockton, MA, a low-income suburb located 25 miles south of Boston. The new 33,000 square foot full-service supermarket caters to the tastes and preferences of the diverse Brockton community, including a sizable Cape Verdean, Latino, and Caribbean population. The adjoining 13,600 square foot primary care and wellness clinic houses 27 exam rooms, and expects to treat 6,700 patients annually.

- Boston Community Capital partnered with the Reinvestment Fund to help Vicente's acquire the plaza that included a dark supermarket. Then together with Local Initiative Support Corporation (LISC), they financed the fit-out of the grocery store. JPMorgan Chase and the Massachusetts Housing Investment Corporation provided \$12 million in NMTCs with Chase as the investor. Federal Healthy Food Financing Initiative funds through the U.S. Department of Health and Human Services (HHS) program also supported the store financing.
- In a separate transaction to develop the health center, LISC used its Healthy Futures Fund, supported by The Kresge Foundation and Morgan Stanley, to create an NMTC structure, capitalized with equity and a senior leverage loan from Morgan Stanley, and a junior leverage loan from The Kresge Foundation. The NMTC allocation was provided by LISC and Opportunity Finance Network (OFN) working with the Leviticus Fund. The transaction also included Healthy Futures Fund grant dollars to support the nutritional education programs.
- At its main facility in downtown Brockton, BNHC has long had outreach programs focused on chronic disease management, but in this new location the health center expanded its existing programs to include a robust nutrition component, including a full-time nutritionist and a new teaching kitchen.
- BNHC's nutritionist collaborates with Vicente's on guiding patients to healthy food options, developing healthy recipes for the store's prepared food section, and other ways to improve patients' nutrition.



- For both Vicente's and BNHC, sources of subsidy were necessary to facilitate the project. In the case of the Healthy Futures Fund, the participation of The Kresge Foundation allowed the Fund to offer a custom product featuring non-traditional terms including a below-market interest rate.
- The CDFIs provided extensive support and technical assistance to both BNHC and Vicente's during these complex transactions. Technical assistance was necessary to help the Vicente family, who were new to such complex financing, understand all the moving parts of the complicated financing, especially the role of the guarantors and the reporting requirements. On the BNHC transaction, technical assistance supported sustainability planning. Grants were structured to fund both the nutrition programming and data collection to help BNHC better understand the return on investment. If the nutrition component enables the health center to better manage chronic disease among its patients and the impact is captured, it would help build the case to support the ongoing program with both internal and external funding.

The Vicente's-BNHC transaction required a high degree of creativity and flexibility on the part of the CDFIs, philanthropic, and other financing partners. In addition, while the organizations involved in the collaboration were mission-driven and motivated to pursue their common goals, they required intensive technical assistance from the CDFI to manage the complexity of the financing, as well as assistance planning for their organizations' growth and sustainability. CDFIs are frequently able to provide both financial and technical assistance that goes beyond what is available from conventional financing sources, making successful integrated projects possible. The Nojaim Brothers Supermarket in Syracuse, New York (see Appendix) provides another such example.



THE CRITICAL ROLE OF **CDFIS AND FOUNDATIONS**

Financing intended to increase community impact must be as creative and agile as the projects it supports. As a growing number of development projects carve out new territory in integrated models to meet multiple needs in low-income communities, there is increasing demand for capital and subsidy to get them off the ground.

It also takes flexibility, strategy, carefully built partnerships, and, in some cases, hand-holding through the financing process to ensure that capital in these emerging models can be secured and put to use where it is most effective.

The following are illustrative examples of the vital role CDFIs and foundations can play. They provide both necessary capital and technical expertise; but, as mission-driven institutions, they have the patience and motivation to work through challenges and delays with all stakeholders to achieve success. Foundations in particular can also be a critical source of subsidy that can support both CDFIs and the projects themselves.

FOUNDATION AND CDFI PARTNERSHIP: **THE HEALTHY FUTURES FUND**

Local Initiatives Support Corporation, Morgan Stanley, and The Kresge Foundation came together to form the Healthy Futures Fund (HFF), a \$200 million initiative that seeks to improve community health by expanding healthcare access through a co-location model for health centers and affordable housing projects. HFF offers competitive LIHTC equity to affordable housing projects that co-locate with a community-based health center. The fund also offers NMTCs and loan capital to health centers that co-locate with a provider that addresses the social determinants of health in some form. For example, affordable housing, healthy food stores, education and training, or fitness and wellness services. By offering financing terms that are more attractive than those typically found in the market, HFF encourages community development organizations and community health care providers to collaborate on programs that improve the health of low-income individuals and families. The Vicente's-BNHC is an example of an HFF-supported project.

FOUNDATION PRI: **ROBERT WOOD JOHNSON FOUNDATION IN THE NEW JERSEY FOOD ACCESS INITIATIVE**

Program related investments (PRIs) are investments designed to further a foundation's charitable mission. PRIs typically complement a foundation's existing grant programs. However, unlike grants, PRIs usually function like loans and the capital is returned to the foundation within an agreed upon time frame. For CDFIs, PRIs offer access to capital at lower rates than may otherwise be available. For foundations, the benefit lies in the fact that the capital when returned can be recycled to further their mission. Reinvestment Fund's New Jersey Food Access Initiative (NJFAI) is a \$20 million loan and grant fund that finances grocery stores and other forms of healthy food retail in underserved, low- and moderate-income communities in New Jersey. Reinvestment Fund capitalized the financing program with resources that include a \$10 million PRI and \$2 million in grant funds from the Robert Wood Johnson Foundation (RWJF). RWJF was able to provide the PRI at a significantly lower cost than traditional capital. This enabled Reinvestment Fund to help structure favorable financing deals for supermarket operators and developers working in underserved neighborhoods, many of which are owned by independent entrepreneurs with limited equity to invest into their projects.

FOUNDATION GUARANTEE: **THE KRESGE FOUNDATION IN THE COLLABORATIVE FOR HEALTHY COMMUNITIES**

First loss capital is another offering in a foundation's tool kit and is typically used to help moderate risk and, in doing so, encourage others who may be more risk-averse to invest. First loss capital is designed to moderate risk by serving as the capital cushion to satisfy any debt obligations should the CDFI be unable to repay. In 2012, LIIF and Reinvestment Fund received support from The Kresge Foundation to launch a national \$25 million demonstration effort to finance Federally Qualified Health Centers (FQHCs), called the Collaborative for Healthy Communities. This effort was designed to enhance and increase the stock of community health centers (CHCs) in the nation's most economically distressed areas. This effort was also designed to help FQHCs build their capacity to undertake facilities projects. LIIF and Reinvestment Fund each committed \$7.5 million in lending capital and raised \$10 million in additional capital for direct lending to health center facility projects. Kresge provided \$600,000 for operational and predevelopment costs in addition to \$5 million in first loss funds. Kresge's commitment of first loss funds essentially functioned as a loan guaranty, which was critical to getting other investors comfortable with the risk associated with lending to FQHCs, most of which had very little experience with large capital projects. Based on the success of the demonstration effort, in 2014, Reinvestment Fund and LIIF extended the lending partnership to include a national bank (Goldman Sachs), a CDFI (Primary Care Development Corporation) and a foundation (Rockefeller).

FOUNDATION OPERATING GRANT: **THE WILLIAM PENN FOUNDATION IN THE FUND FOR QUALITY**

As with most lending programs, there are typically costs that either need to be passed on to the borrower or need to be subsidized by another party. An operating grant is one way to help a CDFI sustain its day-to-day operations. In 2014, the William Penn Foundation made a grant to Reinvestment Fund to gather comprehensive information about the availability of high-quality early childhood education (ECE) in Philadelphia and the accessibility of child care for families with low incomes. The Foundation then provided \$4.5 million to create the Fund for Quality, which offers planning grants and capital awards to high quality ECE providers seeking to expand in high need, low-income communities. Reinvestment Fund supplemented the effort with funds from its network of more than 850 investors. The Foundation's support included funding for data analysis to ground the initiative, as well as predevelopment capital to support providers with planning. The Foundation also provided operating support to Reinvestment Fund and its partner in this effort, Public Health Management Corporation, which was critical to underwrite the cost of technical assistance required to successfully implement the effort. The early efforts of the Fund for Quality supported the expansion of 17 ECE centers. In 2016, the Foundation extended its commitment to Fund for Quality by providing a new \$15 million grant to dramatically expand the program.

GRANT SUPPORT TO COMMUNITY QUARTERBACKS: **PARTNERS IN PROGRESS**

LIIF and the Citi Foundation partnered to create an innovative initiative to advance economic progress by creating and supporting a national network for community quarterbackbacks in low-income communities. These 14 quarterback organizations lead collaborative groups of stakeholders with aligned objectives working towards shared outcomes. Networks include housing developers, school operators, health services providers, government agencies, and other organizations, all working to improve outcomes in the same community. Quarterbacks received grant funding to support the development of their collaborative networks, as well as participating in a learning community that shared lessons learned and best practices through convenings and webinars, and included coaching, skill building, and a variety of technical assistance. These 14 models of collective impact included 400 partner organizations that supported 1 million people in 10 cities. By partnering with the Citi Foundation, LIIF was able to take on a role not traditionally associated with a CDFI, and offer grants and technical assistance to support an innovative approach to community development.

CONCLUSION

Throughout the country, projects that integrate core design and service elements from multiple sectors are growing, requiring creative and flexible investment approaches. Funders with multi-pronged impact strategies are already seeing the benefits of supporting projects that employ more comprehensive approaches to fostering the health of communities. Formal and informal collaborations of CDFIs and foundations can propel these innovative, integrated models by providing tailored and well-honed financing products.

These types of projects are by definition more complex than single sector initiatives—they require patience, technical assistance and the flexibility that often comes with mission-focused capital. It is a challenge that can be met head on by collaborations between CDFIs and foundations.

APPENDIX FULL CASE STUDIES

CASE STUDY

11TH STREET FAMILY HEALTH SERVICES, PHILADELPHIA, PA

Drexel University's 11th Street Family Health Services (11th SFHS), a nurse-managed health center for low-income, uninsured, and Medicaid-eligible patients, broke ground in 2014 on a \$13.4-million, two-story addition that doubled the size of its North Philadelphia facility, adding capacity for medical care and dedicated spaces for wrap-around wellness services. 11th SFHS will now be able to accommodate more than 40,000 patient visits annually in a severely distressed part of North Philadelphia. Many of 11th SFHS's patients are residents of public housing throughout Philadelphia; 32% of its patients are uninsured and 55% are covered by Medicaid.

The health center began in 1996 as an effort between Drexel University and Philadelphia Housing Authority to address the health issues of public housing residents through health promotion, disease prevention and primary care. A national model of innovative care, 11th SFHS is operated by Drexel's College of Nursing and Health Professionals and Resources for Human Development, a federally qualified health center (FQHC) operator.

INTEGRATION MODEL

11th SFHS has a long history of innovative programming designed to help its patients live healthy lives. For example, the center offers a vast array of services from nutrition and fitness to dance, music and creative arts therapies. For many years, 11th SFHS was a partner of the Porch Light Initiative, a project of the Mural Arts Program and the City of Philadelphia's Department of Behavioral Health and Intellectual Disability Services, which emphasizes art and human connection at the heart of recovery and healing in distressed Philadelphia neighborhoods.

After a 5-year program hosting a CSA (community supported agriculture) ended because of funding constraints in the spring of 2015, 11th SFHS partnered with Greensgrow Farms to host a mobile market at the health center starting in fall 2015. For many of 11th SFHS's patients and residents in the community, accessing healthy, fresh produce has been difficult. The neighborhood does not have a supermarket, and many of its corner stores don't offer produce. Responding to patient demand, 11th SFHS sought to reduce the barrier to accessing healthy, fresh produce in the neighborhood. In Greensgrow, they found a compatible partner, one who shares a commitment to accessibility and affordability without sacrificing quality. The mobile market offers a variety of locally grown produce at a substantial discount, thanks to Greensgrow's grant support. Greensgrow also allows customers to buy what they want using payment options that can include EBT/SNAP benefits or other vouchers from local agencies. 11th SFHS further incentivizes use of the market with \$5 coupons for families of participants in its teen nutrition and exercise programs, with the goal of changing the eating habits of the whole family. While there are no direct costs to 11th SFHS for hosting the mobile market, it has supported the sales by having students and interns help staff the market to aid customer's produce selection and checkout.

11th SFHS' expanded facility's open design and central atrium lobby has facilitated interest in the market from people in the waiting room at the center. The market by the front door appears as an extension of the health center, rather than something separate. Additionally the produce is from

Greensgrow's farms where it is grown with little or no pesticides, a concept that is part of chemical exposure discussions included in 11th SFHS's own cooking classes. 11th SFHS and Greensgrow are planning to expand their partnership on site to include cooking demonstrations and recipe development. With interest from patients, staff and the community, the 11th SFHS mobile market has quickly become Greensgrow's highest traffic and highest earning stop.

CDFI PARTNERSHIP

This \$13.4 million project was financed using New Markets Tax Credits (NMTC) and private donations. Drexel University, an active and experienced developer in the city, was able to fund its own leveraged loan and raise significant private dollars, the capstone of which was a \$2 million gift from Stephen and Sandra Sheller for whom the center is now named. Reinvestment Fund allocated \$9.5 million in New Markets Tax Credits.

The flexibility of NMTC financing allowed 11th SFHS to expand its facility not just for traditional medical and dental exam rooms but also with dedicated spaces for wellness programs such as yoga, fitness, art and music. The \$3.1 million equity component of the NMTC financing was critical to help offset the constraints of including space that does not generate typical patient service fees.

Impact: The expansion of 11th SFHS has resulted in increased services to a primarily low-income community. The project increased the facility's number of medical exam rooms, dental operatories and behavioral health and therapy rooms from 18 to 39. In addition, as part of its comprehensive approach to care, the addition includes a larger teaching kitchen and fitness center and dedicated studios for yoga and the creative arts. The expansion will allow the facility to accommodate more than 40,000 patient visits every year.

CASE STUDY

REFRESH, NEW ORLEANS, LA

The ReFresh project is an \$18 million mixed-use, adaptive reuse project in New Orleans that transformed a 65,000 square foot vacant supermarket building into a healthy food hub. The development is expected to create and preserve more than 110 jobs in an area of New Orleans where 19% of the population is unemployed and over 56% of the residents live in poverty. Broad Community Connections (BCC), a group founded in the aftermath of Hurricane Katrina, partnered with L&M Development Partners, Whole Foods, Tulane University, and others in a neighborhood where life expectancy is 25 years lower than in a wealthier area just a few miles away.¹ The areas around Broad Street

include the neighborhoods of Treme-Lafitte, Iberville, and Mid-City, which experience a dramatically lower life expectancy, and higher rates of STDs, low birth weight, and heart disease than any other neighborhoods in the city.

INTEGRATION MODEL

ReFresh is an innovative development that includes a new small-format Whole Foods Market offering lower-priced goods, a culinary job training and leadership program for at-risk youth, a demonstration kitchen for culinary and nutrition education operated by Tulane University, community meeting space, office space for a charter school management organization, nutrition classes, and an on-site

¹ <http://www.rwjf.org/en/library/features/Commission/resources/city-maps.html>

urban teaching farm, and more than 10,000 square feet for additional commercial tenants.

Beyond simply co-locating, the partners in the ReFresh hub work together to build true synergies among the tenants. For example, Liberty's Kitchen operates an innovative social enterprise that offers culinary work readiness training for at-risk youth, while preparing healthy food to be sold at the Whole Foods Market and to provide healthy lunches to thousands of local public school children. FirstLine Schools has developed an extensive healthy food curriculum for its students, including the signature Edible Schoolyard NOLA program, whose principles of nutrition and environmental awareness are demonstrated onsite in the ReFresh teaching farm. Tulane's Goldring Center for Culinary Medicine provides education on nutrition for medical students, but also offers nutrition and cooking classes to the community. The collaborative partners develop and implement community-centered programming, including health and wellness education, and activities focused on gardening, nutrition, cooking, active living, and economic well-being. The partners also use data to monitor and evaluate the project and manage its impact, and share lessons learned and best practices.

ReFresh is anchoring the revitalization of the Broad Street Corridor, and creating a true community healthy food hub which offers residents educational programming and opportunities for both growing and purchasing healthy food. A resident in the community can benefit from a holistic health program at ReFresh, including shopping and nutrition guidance from Whole Foods nutrition educators, cooking classes at the Goldring Center, gardening classes on the urban farm, onsite exercise classes or walking group, and SNAP benefits (formerly Food Stamps) registration. ReFresh's work also dovetails with a larger redevelopment plan in the Mid-City neighborhood, which includes affordable housing and other community investments.

CDFI PARTNERSHIP

The complexity of the ReFresh project, which by design includes for-profit retail, commercial office space, non-profit offices, and a teaching farm, made it a challenge to finance. Despite interest from Goldman Sachs and JPMorgan Chase to invest New Markets Tax Credits and provide loans, as well as access to loans and funding from several public and philanthropic sources, the project stalled, and almost fell apart. Finally, a subordinate loan from the Low Income Investment Fund enabled BCC and L&M, the developer, to negotiate a set of agreements among all of the financing partners that worked.

Using funds from its Healthy Food Financing Initiative award from the US Treasury's Community Development Financial Institutions Fund, LIIF provided a \$1.5 million leverage loan to fill a gap in the \$18 million NMTC transaction. The flexible capital and equity created through the NMTC transaction were critical in supporting the non-income generating portions of the project. It took BCC's persistence and LIIF's subsidy to help the project finally take shape.

IMPACT

The partners involved in ReFresh are planning to use a variety of data sources to track the impact of the healthy-living hub. For example, the Prevention Research Center at Tulane University has conducted a baseline survey of 900 households, half of which live in the ReFresh neighborhood, and will compare nutrition knowledge, shopping behavior, and eating behavior between the two groups. The Goldring Center evaluates student learning and program retention rates with each cohort of students in the health professions, as well as students from the community. These efforts will be assisted by medical students, who are able to design and conduct evaluations of the program for school credit. The ReFresh partners are considering additional ways to assess health outcomes, including possibly

measuring the project's effects on the incidence of health conditions such as high blood pressure or diabetes in the community. In addition, BCC is working

with Whole Foods and the urban garden to integrate the data they collect on their customers and participants in a meaningful way.

CASE STUDY

CROSTOWN CONCOURSE, MEMPHIS, TN

In Memphis, Tennessee, the Low Income Investment Fund financed a project that is preserving and redeveloping a 10-story Sears Roebuck & Co. distribution center. The 1.5 million square foot facility was built in 1927 as one of ten U.S. Sears distribution centers and has lain abandoned for more than 20 years. The renovated Crosstown Concourse project will include office space and 262 residential apartments, ranging from micro units to three-bedroom units. Of the apartments, approximately 20% will be leased at affordable rents to household earning up to 80% area median income (AMI). Commercial space tenants are expected to include a charter high school for arts and sciences, healthcare clinics, teacher residency and graduate urban education program, wellness and fitness center, art exhibition space/shared art making facilities, a comprehensive cancer treatment center and healthcare offices for administration. Crosstown will also include parking (200 paid spots and 1000 free spots) and 30,000 square feet of storage.

INTEGRATION MODEL

Crosstown has a dedicated community engagement staff person to ensure the community is connected to the project and that they are getting the services and opportunities they need. The result is a community-driven design that revolves

around the desire to create a space composed of all the essentials for a thriving community. To do so, it pursues several goals: promoting health and well-being; fostering curiosity, discovery, and imagination; creating a sense of interconnection and exchange; and remaining sustainable. These goals will be achieved through a purposeful design that provides space for a large range of uses from a health clinic, to a school, to affordable housing. The facility includes plans to incorporate unique sustainable features such as stack ventilation and radiant surface cooling. The design will also feature a network of event spaces that will encourage visitors and residents to interact in meaningful and new ways. With porous edges on all sides and punctuated by event spaces, Crosstown Concourse will allow for a free flow of everyday neighborhood life. Above all, this vertical urban village will act as its own eco-system where people can live, work, learn, and create just like they would in a well-functioning neighborhood.

Crosstown Concourse's development team included Crosstown Arts, a multi-disciplinary arts organization with the vision of revitalizing the neighborhood by creating a "vertical urban village," and encouraging the tenants to interact with each other and the community in creative ways. Many of the nonprofit tenants are focused on health,

education, and the arts, and will benefit from mutual support and collaboration. For example, Church Health Center (CHC), which provides health care to uninsured workers, will sponsor one of the 12 artists in the Crosstown Arts residency program. That artist will offer arts therapy work to CHC's patients. In addition, CHC is collaborating with the charter high school that will be located in the facility to create a curriculum for its science and math classes that will include a health care focus, and CHC will build some of its clinical exam rooms larger than is typical, so that the high school students will be able to observe surgeries and other procedures as part of their science classes. The high school is also working with Crosstown Arts on ways to incorporate art into the curriculum, and is partnering with the teacher residency program in multiple ways, including exposing the high school students to teaching careers. The Southern College of Optometry has offered to provide CHC with eyeglasses at an extremely reduced cost, enabling CHC to provide them to their patients at low- or no-cost. A number of health care providers will share specialized examination rooms and costly equipment like MRIs. The Church Health Service, will offer health services to the students in the Crosstown Arts residency program, and the Memphis teacher residency program, which prepares teachers for work in low-income Memphis schools. Another tenant, the St. Jude's Children's Hospital, will have apartments for doctors and scientists in the complex, and the doctors living alongside the resident teachers and artists will likely discover new ways to collaborate with each other and with the other tenants.

The open, free-flowing design of the building encourages community interchange, including a broad theater stair where tenants will give talks to the community and to each other, sharing their work and inviting creative ideas. As McLean Wilson, of one of the development partners Kemmons Wilson noted, "By being in proximity with like-minded organizations, each tenant's mission is elevated. Innovation

doesn't happen when you work in siloes, it grows out of exposure to a variety of good ideas."

CDFI PARTNERSHIP

A wide variety of capital sources were used to support Crosstown's development, including New Markets Tax Credits (NMTC), a traditional bank loan, debt from the City of Memphis, and equity from Historic Tax Credits. LIIF provided a \$10 million NMTC allocation to support this project. Subsidy from the NMTC transaction, along with other sources of equity and flexible capital, allowed the developer to offer rents to mission-driven tenants at below-market rates, accommodating health services, education services, affordable housing, and nonprofit facility space in the development. Without the equity and flexible capital derived from these sources, Crosstown would not have been able to provide the affordable rents needed to attract such a broad group of community-focused tenants. In addition, the complexity of the capital stack and variety of financial sources required an unusual amount of patience and work to fit the pieces of the puzzle together. As the CDFI NMTC allocatee, LIIF's flexibility and leadership was essential in working through the varied requirements of the deal's many participants to craft a structure that was acceptable to all parties.

IMPACT

Once completed, the economic and social impact of Crosstown Concourse will be staggering. It's estimated to: create over 877 new full-time equivalent positions in addition to 1,000 construction jobs and 884 indirect construction jobs; have 3,000 people coming in and out of its doors per day; create 262 units of housing, including 53 units that will be affordable to households at or below 80% AMI; support 125,000 healthcare patient visits per year; and provide space to serve 2,500 students and teachers per year. Crosstown will offer many of its commercial tenants lease rates that are 20% below comparable market rates.

CASE STUDY

PASEO VERDE, PHILADELPHIA, PA

Literally meaning “green way,” the \$48 million Paseo Verde project in Philadelphia, Pennsylvania, unites sustainable design, transit access with affordable housing and vital commercial and human services. Located adjacent to both the Temple University campus and the Temple regional rail station, Paseo Verde is designed to revitalize the surrounding neighborhood and reintegrate the Ludlow community with neighboring Temple University and the broader Philadelphia area. The project was developed by Asociación Puertorriqueños en Marcha (APM), a Latino-based health, human services, community and economic development nonprofit serving the Philadelphia area and Jonathan Rose Companies, a nationally renowned real estate developer. The partnership combines the unique strengths of a large national development firm with that of a deeply grounded local community organization.

In addition to strong partners, the project is unique for the way it combines capital through the New Markets Tax Credit (NMTC) and Low Income Housing Tax Credit (LIHTC) programs to create a mixed use, mixed income development on a former brownfield site. The 215,000 square foot building includes 30,000 square feet of space for office, retail and community facilities and 120 residential units, of which 53 units are affordable to families with household incomes between 20% and 60% of the area median income (AMI). Paseo Verde also includes a Federally Qualified Health Center, providing direct services to an underserved community.

INTEGRATION MODEL

Paseo Verde is located in a neighborhood

with a high concentration of low-income families and senior households, with minorities making up 75% of the local population. The project site’s proximity to a strong anchor institution and public transportation, and the building’s walkable and green design features offer the community a lifestyle that combines opportunity, convenience, affordability and health. Paseo Verde has ground floor retail and community service space, which includes a community health center operated by Public Health Management Corporation (PHMC), a pharmacy, and supportive services provided by APM. The project is helping address the community need for quality affordable housing and retail as well medical and social services. The project’s retail component includes uses that benefit not only local residents, but the transit users of the adjacent rail station as well.

For APM and the surrounding community, Paseo Verde has in many ways served as a catalyst for neighborhood revitalization. APM’s relocation of many of its services to Paseo Verde has helped engage the local community and boost collaborative efforts. Partnering with the YMCA, APM now offers a range of fitness classes at Paseo Verde that are open to the building’s residents as well as the surrounding community. Similarly, APM offers health workshops at Paseo Verde in partnership with Temple University. The workshops address topics ranging from asthma to creating healthy homes. Also at Paseo Verde, APM hosts its Food Buying Club, which provides residents the ability to purchase produce directly from the Philadelphia Wholesale Product market at a lower cost. The program serves 442 primarily low-income families and in just a year has

provided 40,000 pounds of fresh produce to families at a cumulative savings of \$80,000. Beyond APM's programs, Paseo Verde also brings to one location the long standing partnership between APM and PHMC. Both organizations have worked together to serve the local neighborhood, often partnering on mobile health fairs.

CDFI PARTNERSHIP

The project uses a combination of public financing sources from Federal, State, and City sources, including Pennsylvania Housing Finance Authority LIHTC, Federal Home Loan Bank AHP program, Office of Housing and Community Development (OHCD) Housing Trust Fund Program, and NMTC. The NMTC portion of the project which includes the commercial space had a total development cost of \$32 million and received NMTCs from four Community Development Entities; JPMorgan Chase is the equity investor. LIHTC supported the remaining portion of the project which was primarily residential and JPMorgan Chase was also its equity investor. The Reinvestment Fund's role in this project was critical to the NMTC financing, which needed to close to enable the LIHTC financing to follow closely. The NMTC and LIHTC portions of the project needed to occur together to realize development and cost efficiencies. When Reinvestment Fund came to the project, the senior financing for the NMTC portion had reached its limit on the project, requiring the project to seek subordinate financing at the higher loan-to-value to facilitate/leverage the balance of the financing. By providing low-cost, subordinate financing at a higher loan-to-value ratio than a conventional lender might offer, Reinvestment Fund filled a funding gap that allowed the project to proceed. Reinvestment Fund was able to offer particularly flexible and patient capital geared towards energy efficiency measures in the building's construction and supplemented the financing with critical technical assistance that pushed the developer towards strong environmentally responsible design. The

design ultimately positioned the project for LEED Platinum certification. Reinvestment Fund financing supported measures that included an energy-efficient building envelope, a green roof and photovoltaic solar panels.

IMPACT

Paseo Verde is LEED Platinum certified under LEED for Neighborhood Development (LEED ND); it is the first LEED ND project in the country to achieve a Platinum rating. The goal of the project is to provide a healthy living environment for residents through sustainable practices as well as cost savings through effective reduction in water and energy use. The building is constructed with an environmentally responsible design that includes: an energy efficient building envelope and MEP systems; a green roof; photovoltaic solar panels; and the use of local, recyclable, and renewable materials. Work on the project generated approximately 300 on-site union construction jobs and another 270 construction-related jobs in the region. The completed project is expected to offer approximately 40 permanent jobs.

CASE STUDY

BROCKTON NEIGHBORHOOD HEALTH CENTER & VICENTE'S TROPICAL SUPERMARKET, BROCKTON, MA

In September 2015, Brockton Neighborhood Health Center (BNHC) and Vicente's Tropical Supermarket celebrated the grand opening of their shared location in downtown Brockton, MA, a lower income suburb located 25 miles south of Boston. The new 13,600 square foot primary care and wellness clinic houses 27 exam rooms, and expects to treat 6,700 patients annually. As a nonprofit Federally Qualified Health Center (FQHC), approximately 74% of the patients treated at BNHC live in poverty, and 22% lack health insurance. BNHC treats all patients regardless of ability to pay or insurance status. Adjoining the new health clinic is the new 33,000 square foot full-service supermarket, which caters to the tastes and preferences of the diverse Brockton community, including a sizable Cape Verdean, Latino, and Caribbean population.

INTEGRATION MODEL

At its main facility in downtown Brockton, BNHC has long had outreach programs focused on chronic disease management, but with this new location the health center wanted to expand its existing programs to include a robust nutrition component. In the new clinic space, BNHC has a full-time nutritionist and a new teaching kitchen. The nutritionist works with patients looking to purchase healthy food options from the grocery store. The nutritionist is also helping develop new recipes for Vicente's prepared food section, a big component to their business. The new recipes will offer tasty, ethnic flavors with healthier ingredients. The

store will also take part in an effort to use retail merchandizing strategies to promote the purchase healthier offerings without impacting store revenues. The strategies are guided by research and brought to Vicente's by BNHC.

CDFI PARTNERSHIP

To maximize programmatic alignment to address the social determinants of health while staying true to their business models, the two community assets knew co-locating was important. It was with that vision in mind that Vicente's set its sights on acquiring 5-acre parcel of land in the downtown area that was once home to a store but had sat vacant since 2007. Vicente's approached Boston Community Capital (BCC), for financing. Given the capital intensive nature of the project that lay ahead, BCC reached out to Reinvestment Fund to partner on the project. BCC and Reinvestment Fund financed the acquisition of the property in 2013. For permanent financing to construct and fit out the space, multiple partners collaborated on the project. Three CDFIs, the Reinvestment Fund, BCC and LISC worked with Vicente's to finance the grocery store space. Additionally, JPMorgan Chase and the Massachusetts Housing Investment Corporation provided \$12 million in NMTCs with Chase as the investor. Federal Healthy Food Financing Initiative funds through the U.S. Department of Health and Human Services (HHS) program also supported the store financing.

In a separate transaction, the Local Initiative

Support Corporation (LISC) used its Healthy Futures Fund, supported by The Kresge Foundation and Morgan Stanley, to provide 100% financing to BNHC for the health center. The Healthy Futures Fund was able to create an NMTC structure that provided more favorable rates and terms than traditional financing options, capitalized with equity and a senior leverage loan from Morgan Stanley, and a junior leverage loan from the Kresge Foundation. The NMTC allocation was provided by LISC and Opportunity Finance Network (OFN) working with the Leviticus Fund. Finally this transaction also included Healthy Futures Fund grant dollars to support the nutritional education programs. For both Vicente's and BNHC, sources of subsidy were necessary to facilitate the project. In the case of the Healthy Futures Fund, the participation of the Kresge Foundation allowed the Fund to offer a custom product featuring non-traditional terms: a below-market interest rate; lower than standard origination fees and debt service coverage ratios; longer than standard interest-only payment period and amortization periods; and higher than standard loan-to-value ratios.

Due to the complexity of the projects, both BNHC and Vicente's needed support and technical assistance from the CDFIs. This store is the second store for the Vicente family. The first family-owned store opened in the mid-1990s and grew in its original location to a 17,000 square foot store. While the family was eager to open a second location, they needed to build their operational infrastructure to support the growth. They also had no experience with the complex financing programs required to support the expansion. The CDFI partners walked the Vicente family members through the transaction, helping them understand the role of the guarantors and the reporting requirements necessary.

On the BNHC transaction, much of the technical assistance focused on sustainability planning. An initial grant supported the

nutritional services, but establishing a plan that would make the nutrition components permanent required some technical assistance. The grant was eventually structured to support both the nutrition programming and data collection, which will help BNHC better understand the return on investment for preventive programming. If the nutrition component enables the health center to better manage chronic disease among its patients and the impact is quantified, it would help build the case to support the ongoing program with both internal and external funding.

IMPACT

While it is still too early in the project to discuss health outcomes in the community, one impact that can be seen is a shifting trend of how healthcare can intersect with food access initiatives. In the Brockton example, the two organizations are expanding from one location to a second location. While co-location models are becoming more common, most focus integration on a small component of one program or organization into another such as an exam room in a housing facility or a farmer's market at a health center. In these cases, it is a large capital investment in one component which another program or asset will attach itself to with a programming or smaller capital investment. This project is distinct in the development commitment of both organizations. This requires a cultural shift in thinking about large scale expansion and development to ensure that the connections are made early enough in the development process. In this example, neither could have been made possible without a fully developed pre-development due diligence phase and distinct complex project financing.

In addition to physically locating adjacent to each other, BNHC and Vicente's Tropical Market have created a programmatic connection that goes beyond the benefit of increased foot traffic or convenience. Whether it's a small change in a recipe served

at Vicente's or the ability for the health center to help a patient navigate healthier choices in the grocery store, each component of the partnership will ultimately become core to the operations of the organizations without being viewed as additional programs or burdens.

Beyond sustainability, the integration will hopefully become commonplace for the customer and patient, ultimately creating a cultural shift in individuals as well as organizations.

CASE STUDY

NOJAIM BROTHERS SUPERMARKET, SYRACUSE, NY

Serving Syracuse's Near Westside neighborhood for over 90 years, Nojaim Brothers Supermarket is owned and operated by the third generation of the Nojaim family. The store is an anchor in a low-income, distressed community, where residents have limited access to healthy food. As the neighborhood population declined, the store struggled and was faced with possible closure. LIIF stepped up to provide a \$2.23 million loan and \$400,000 grant through the New York Healthy Food and Healthy Communities (HFHC) Fund to support a complete renovation of the 50-year-old building including new equipment and a 3,000-square-foot expansion. The improvements to the 50-year old building would include equipment replacement, exterior enhancements, energy efficiencies, and new décor. The rehab also focused on improvements that would relocate the produce department to a prime location in the store, and expand the deli department.

In recent years the neighborhood where the store is located has been the target of significant revitalization efforts. It is part of the Near West Side Initiative (NWSI), a progressive program whose mission is to combine the power of art, technology, and innovation with neighborhood values

and culture to revitalize this neighborhood. NWSI aims to bring new resources into the neighborhood through a public/private partnership led by Syracuse University and collaboration with other local entities, such as St. Joseph's Hospital.

INTEGRATION MODEL

With the expansion, the supermarket is also embracing an opportunity to partner with a neighboring health center, the St. Joseph's West Side Family Health Center. The Health Center is one of three facilities owned by St. Joseph's Hospital, which received a 2010 New York State Department of Health grant to improve their facilities. The Health Center used the grant to purchase a lot next to supermarket, where it constructed a new facility. The new facility would allow it to provide fully integrated services and also attract more people to this commercial corridor, positively impacting surrounding businesses, including Nojaim Brothers Supermarket.

The Health Center also plans to partner with Syracuse University, whose students and faculty will use the Health Center for education in Food Studies, Architecture, Public Health Administration, Nutrition, and Social Work. The partnership aims to

facilitate a new program linking access to food and nutrition with access to healthcare and prevention of diet-related illnesses. Among the components of the new partnership are nutrition counseling, health screenings, store tours for adults and schools, cooking classes focused on healthy eating, youth workforce development, and customer education on purchasing habits.

Nojaim Brothers Supermarket customers will be encouraged to opt into programs that integrate their nutrition needs with medical care and fresh food access in creative ways. In the near term, the supermarket and the Health Center will roll out two specific collaborative initiatives:

- 1) The supermarket is introducing a new store rewards programs based on health instead of gross purchases. If customers opt-in to the rewards program, they can earn discounts on healthy food purchases. Each item in the store is given a health rating. At checkout, customers will receive loyalty rewards for purchasing foods with higher health ratings. Rewards will be redeemable for healthy food and living options.
- 2) For customers who opt-in to a nutrition program, the supermarket will transfer the customer's purchasing data to the health clinic. This way, doctors and nutritionists at the health clinic can track the eating habits of their patients and recommend, and track, whether their patients are changing their eating habits. The health provider can then provide the customers with nutritional counseling and healthy living education linked to their eating habits.

CDFI PARTNERSHIP

LIIF's involvement in the Nojaim Brothers project was multifaceted. The supermarket's operations could not support a loan that equaled the total costs of the supermarket renovation project, so to plug the gap in the project's sources, LIIF provided a \$400,000 grant through the New York Healthy Food

and Healthy Communities Fund. In addition, LIIF provided a \$2 million construction loan that relied on two grants and a permanent loan from a local bank for repayment. When it turned out that one of the grants, an energy efficiency grant from the County, would not be committed until after energy improvements were installed and an energy review completed, LIIF was able to provide credit enhancement for its own bridge loan. This kind of flexibility distinguishes CDFI work in the community from that of traditional banks. In addition to the financial support LIIF provided, the project benefited from the intensive technical assistance provided to the Nojaim family on the project's budget, financing tools and process, and construction process. This small, family-run business needed extensive support and coaching on all aspects of the project, in a much more customer-focused and time-intensive way than a typical financial institution would provide.

IMPACT

In addition to preserving an important community asset, the supermarket, this project expanded the store by 3,000 square feet, and preserved more than 40 jobs. The project is also enabling the store to collaborate with the St. Joseph's West Side Family Health Center to help neighborhood residents learn how to eat healthy and incentivize healthy food purchases. Syracuse University is tracking the results of these joint initiatives by collecting data. While the collaboration is only now unfolding and its impact will be studied, provides a promising model for grocery stores and health centers to work together to improve community health.



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