


# KANSAS HEALTHY FOOD INITIATIVE

## *Guidebook*







**750,000** Kansans don't have access to healthy food within a reasonable distance of their home.



# STATEMENT OF PURPOSE

Kansans everywhere should have access to healthy, affordable food. Healthy Kansas communities include a built environment that supports healthy choices. However, more than 750,000 Kansans don't have access to healthy food within a reasonable distance of their home. According to the U.S. Department of Agriculture, Economic Research Service, more than 26% of Kansas residents live in low access areas.\*

The Kansas Healthy Food Initiative, or KHFI, is a public-private partnership that aims to improve the health and economic development of Kansas communities by increasing access to affordable, healthy food. KHFI offers loans, grants, and technical assistance to community stakeholders, business owners and others who seek to improve access to healthy food in their communities.

KHFI was started by the Kansas Health Foundation as a collaboration among Kansas State Research and Extension's Rural Grocery Initiative, or RGI; NetWork Kansas; and IFF, a community development financial institution. The Food Trust provides strategic guidance.

KHFI supports projects that increase access to healthy food at the retail level in low-resource and underserved communities in Kansas. Eligible projects may include development or renovation of a grocery store, creation of food hubs to improve distribution to grocers, and technology or energy-efficiency upgrades.

*\*<https://www.ers.usda.gov/data-products/food-access-research-atlas/>*

## Kansas Healthy Food Initiative Partners

The **Kansas Health Foundation** provided seed funding to support partner organizations and financing. KHFI falls under the foundation's "Healthy Behaviors" impact area, which focuses on healthy eating, physical activity and tobacco use prevention.

Since 2007, the **Rural Grocery Initiative** has contributed to improved food access in underserved areas. RGI serves as the Food Access Organization and works directly with applicants to review eligibility. In addition, RGI connects applicants to available technical resources.

**NetWork Kansas** provides KHFI with strategic financial expertise. Since 2006, NetWork Kansas has focused on strengthening economic development by encouraging entrepreneurship and community development networks. NetWork Kansas serves as one of KHFI's financial partners, managing loans and grants for eligible projects.

**IFF** works across the Midwest as a nonprofit CDFI, providing support to mission-driven enterprises and communities by offering capital, consulting, and real estate solutions. IFF serves as one of KHFI's financial partners, managing loans and grants for eligible projects.

**The Food Trust** is a national organization that promotes healthy food retail in underserved communities. The Food Trust leads evaluation of KHFI and shares guidance on best practices for Healthy Food Financing Initiatives (HFFIs), like KHFI, across the country.

**K-STATE**  
Research and Extension

Rural Grocery  
Initiative



KANSAS HEALTH  
FOUNDATION

The FOOD  
TRUST



NetWork  
Kansas

**IFF** Strengthening  
nonprofits and  
the communities  
they serve.

# KHFI PROCESS

KHFI staff reviews each 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 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](http://kansashealthyfood.org) under the “Funded Projects” tab.







# THE PROCESS

Submit your intake form at [kansashealthyfood.org](http://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](http://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.**

**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.

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

### 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.

### 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









## 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 governmentals
- 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.





## **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, grants and loan/grant mixes 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. 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 the 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 Research and Extension**

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