San Luis Valley Local Foods Coalition
Est. 2009

SAN LUIS VALLEY, COLORADO

LOCAL FOOD FINANCE LANDSCAPE MAP

Funded with support from the W.K. Kellogg Foundation

cdfa
Council of Development Finance Agencies

San Luis Valley, Colorado
Local Food Finance Landscape Map

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INTRODUCTION

With funding from the W.K. Kellogg Foundation, the Council of Development Finance Agencies (CDFA) is researching how development finance agencies can become more engaged in local and regional food systems. CDFA aims to advance opportunities and leverage existing financing streams to scale local and regional food systems by increasing access to healthy foods and creating new living wage and accessible jobs in communities across the country.

As part of this work, CDFA has identified traditional development finance tools that can be used to strengthen the local food system in the San Luis Valley region and increase access to healthy, affordable food for underserved communities. Some of these tools – such as revolving loan funds – are best suited for small businesses and entrepreneurs in the food system. Other mechanisms – like Private Activity Bonds – are likely to be a better fit for large projects or food system infrastructure.

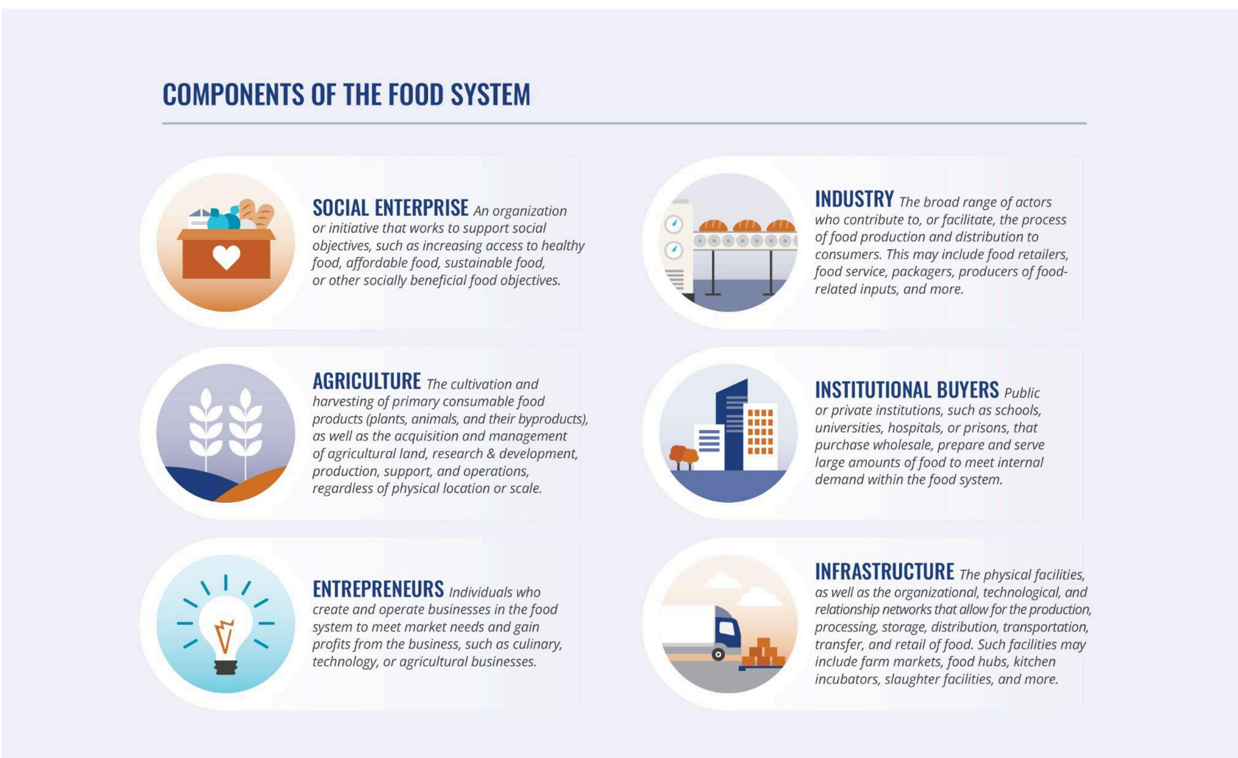
The purpose of this report is to highlight possible financing resources at the state and local levels that can be brought into coordination with existing efforts to advance the local food system. For development finance professionals, this includes demonstrating the significance of incorporating local food systems efforts into local economic development agendas. For local food system practitioners, this means highlighting the importance of engaging local development finance agencies in the work to restore healthy, sustainable, and equitable food systems. The following report is intended to expand the list of possible financing options to include a larger array of development finance tools that can advance food system restoration in the San Luis Valley.

DEFINING THE FOOD SYSTEM

The food system is made up of different sectors and activities, and each offers significant potential for economic development. CDFA views the broader food systems primarily through the lens of economic development, though most food system-related efforts are driven by a range of interests that include access to fresh foods for families and children, creating high-quality jobs in underserved communities, developing socially and racially equitable communities, ecological wellbeing, cultural preservation, and more.

Food and agriculture should be key components of local and state economic development strategies because of the potential for these varied benefits. Small businesses and local entrepreneurs keep dollars circulating in a region's economy, building wealth and expanding economic opportunity. Agriculture and food industries operating on a localized scale increase economic and environmental resilience within communities. Approaching economic development comprehensively ties these many goals together, while maintaining a strong emphasis on long-term food system investment.

CDFA has identified six distinct areas of activity that exist within a comprehensive food system and can receive investment, though there is often overlap between these components. To establish reliable, affordable, and traditional streams of financing for a wide variety of projects, these components should be understood as part of a larger local and regional food system.



FINANCING OPPORTUNITIES

Food is a key part of a local economy and represents deep historical and cultural traditions as well. There are numerous opportunities for mainstream development finance tools to support further restoration of the local and regional food system in ways that align with economic development goals. Around the country, traditional development finance tools are being readily applied to food systems by development finance agencies – like Industrial Development Bonds for food processing plants or tax credits for local food markets. Development finance has an important role to play in the current and future growth of the food system, continuing to prove the viability of food system restoration and attracting interest from both public and private investment.

Below is a selection of development finance tools that may be used in coordination with existing efforts to support food system development in and around the San Luis Valley in southern Colorado. This report is not exhaustive in describing all of the financing tools and programs that can be engaged in food system financing but focuses on approaches at the state and local levels that are best suited for the many components of the local food system.

Access to Capital Tools

Access to capital tools encompass a variety of resources aimed at bolstering small businesses, entrepreneurs, and microenterprises. Examples of such tools include revolving loan funds, loan guarantees, microlending, and impact investing, as well as many others. One of the largest challenges faced by businesses, particularly small-scale ventures, is accessing working capital for operations, expansion, investment, and job creation. Working capital serves as the financial backbone, enabling small businesses to manage expenses while simultaneously fostering future growth. Many food businesses are small, making working capital critical for investments into value-added, enterprise growth opportunities, or to support efficiencies that will improve the production and productivity of a business.

Revolving Loan Funds

Revolving loan funds (RLFs) provide a flexible source of capital that can be used to help grow all types of small businesses, especially those in the food system. RLFs are a popular development finance tool, with thousands operating across the U.S. and over a hundred within most individual states. They are typically used for operating capital, acquisition of land and buildings, new construction and renovations, and purchasing machinery and equipment. RLF loans are usually designed to fill a gap in the market, with affordable rates and greater flexibility for terms and collateral requirements. They are not intended to compete with private lending, but instead, work to make capital accessible to a wider range of small business types.

An RLF is a funding pool that replenishes itself; as existing borrowers make payments, payments are recycled to grow the fund and make new loans. This structure requires that RLF programs balance the provision of attractive interest rates with the need to earn a reasonable rate of return to ensure long-term sustainability.[1]

RLFs are typically operated by development finance agencies (DFAs), municipalities, federal agencies, Community Development Financial Institutions (CDFIs), and other mission-oriented lenders. Some loan funds target specific borrowers, such as minority or women-owned businesses that face barriers to accessing capital through conventional lending. Targeted funds like this are key to rebuilding more equitable and inclusive food systems and supporting local economies. The list below identifies RLFs available to food- and agriculture-related businesses in the region.

> Colorado Agriculture Future Loan Program (CAFL) – Administered by the Colorado Department of Agriculture, this fund focuses specifically on lending to new or expanding agriculture-related businesses, such as farms, ranches, food processors, and other businesses that provide an economic benefit to Colorado farmers or ranchers. This RLF intends to strengthen Colorado's agriculture industry by supporting next-generation farmers and expanding access to capital for individuals and businesses that have traditionally lacked access to loan opportunities.[2]

> Colorado Startup Loan Fund – The Colorado Startup Loan Fund provides loan capital to mission-based lenders to provide loans to Colorado entrepreneurs and small business owners needing capital to start, restart, or restructure a business, and those who are not able to obtain a loan from traditional lenders. Colorado Office of Economic Development & International Trade (OEDIT) has partnered with eight mission-driven lenders and Community Development Financial Institutions (CDFIs) to administer the program and provide microloans under $150,000 to small business owners and entrepreneurs with capital from the Colorado Startup Loan Fund.[3]

> Colorado Fresh Food Financing Fund (CO4F) – The Colorado Fresh Food Financing Fund (CO4F) is a statewide loan and grant fund created to support businesses and other community initiatives that improve convenient access to affordable, healthy, and culturally relevant food. The program is administered by the Colorado Housing and Finance Authority (CHFA) to offer flexible financing that is not available from commercial lenders. CO4F projects are evaluated based on their ability to provide a positive community impact and address structural inequities.[4]

[1] Food Systems & Access to Capital, Council of Development Finance Agencies
[2] Colorado Agriculture Future Loan Program, Colorado Department of Agriculture
[3] Colorado Startup Loan Fund, Colorado Office of Economic Development & International Trade (OEDIT)
[4] Colorado Fresh Food Financing Fund, Colorado Housing and Finance Authority (CHFA)

San Luis Valley Revolving Loan Fund - San Luis Valley Development Resources Group (SLVDRG) is a community organization that promotes and facilitates economic development and job creation in all six counties of San Luis Valley. SLVDRG administers a revolving loan fund that provides subordinated gap financing to local businesses to help cover expansion and startup costs once bank loans, private equity capital, or other sources of financing have been secured. This fund provides loans ranging from $10,000 to $250,000 for real estate, equipment, inventory, and working capital.[5]

Colorado Revolving Loan Fund – This program is funded by the U.S. Department of Commerce's Economic Development Administration and administered by Colorado-based nonprofit lenders to help small to medium-sized Colorado businesses negatively impacted by the COVID-19 pandemic. This fund works with community-based organizations (B:Side Fund, Colorado Enterprise Fund, and Region 9 Economic Development District of Southwest Colorado) to prioritize socially and economically disadvantaged businesses and nonprofits from a wide variety of business sectors, including agriculture, food services, and hospitality. Loans range from $5,000 to $750,000 and are intended to provide startup and working capital that will help create and retain jobs across the state of Colorado.[6]

Healthy Foods Initiative - Administered by the Colorado Enterprise Fund, this program provides low-interest loans ranging from $10,000 to $1 million, and tools specific for healthy food businesses such as retail grocery providers, carts, co-ops, farmer markets, trucks, delivery services, food production companies & distributors, urban & rural agricultural projects, and more.[7]

Additional Small Business Programs

The list below includes both direct and indirect financing programs commonly used by small businesses and projects to access capital. Direct financing refers to programs that provide debt capital or equity investments for small businesses. Indirect financing programs work in coordination with borrowers and lenders to increase capital access by improving a borrower's chance of receiving direct financing. Oftentimes, these direct and indirect programs are also accompanied by grant opportunities or technical assistance to help entrepreneurs and small businesses gain access to the capital needed to launch or grow.

First Southwest Community Fund – The First Southwest Community Fund was created in 2015 by First Southwest Bank to promote economic development in distressed, rural Colorado communities through several loan and microloan programs that provide risk mitigation gap financing to small businesses and start-ups. Available programs include, but

[5] San Luis Valley Revolving Loan Fund, San Luis Valley Development Resources Group
[6] Colorado Revolving Loan Fund, Colorado Office of Economic Development & International Trade (OEDIT)
[7] Healthy Foods Initiative, Colorado Enterprise Fund

are not limited to Agriculture Loans for BIPOC, Women and Young Farmers and Ranchers, Food Truck Loan Fund, New Pioneers Fund, and more.[8] First Southwest Bank is a Community Development Financial Institution (CDFI) in the Alamosa region, which allows access to funding and capital through the U.S. Department of the Treasury unavailable to traditional banks. First Southwest Bank also utilizes lending programs through the U.S. Department of Agriculture and Farm Service Agency.[9]

San Luis Valley Small Business Development Center (SBCD) – The San Luis Valley SBCD provides guidance, consulting, and training to new and existing businesses through business planning and development, marketing, finding and applying for funding, and financial forecasting. [10]

Rocky Mountain Microfinance Institute (RMMFI)– RMMFI supports resilient Colorado entrepreneurs who are ready for business ownership and have faced marginalization, societal barriers, or low-wage employment through access to capital, education, mentorship, technical assistance, peer accountability, and community connections.[11]

Small Biz Lending – This initiative is designed to be a one-stop-shop for the Colorado business community by providing tools to help entrepreneurs and small business owners prepare to seek financing and approach a bank or other lending institution. The goal of this program is to help small businesses succeed in obtaining credit so they can sell more goods and services, promote job creation, and spur the economy.[12]

SBA 7(a) Loan Program – The 7(a) loan is one of the many programs offered by the Small Business Administration (SBA) that provide the guarantee of repayment to private lenders loaning to small businesses in the event of default. If the borrower defaults on their loan, the SBA will reimburse the lender for 75% to 85% of the loan (depending on loan size), but the borrower will still be obligated to repay the full amount of the loan. The SBA sets requirements for how loans covered by this program must be structured, though these remain fairly broad to accommodate a wide range of business types. Funds may be used for machinery and equipment, expansion and renovation, purchasing an existing business, working capital, refinancing, start-up for new businesses, and more. The maximum amount for 7(a) loans is $5 million, though rates and fees vary based on negotiation between the business and the private lender.[13]

[8] First Southwest Community Fund
[9] First Southwest Bank
[10] San Luis Valley Small Business Development Center (SBCD)
[11] Rocky Mountain Microfinance Institute (RMMFI)
[12] SmallBizLenging.org
[13] 7(a) Loans, Small Business Administration (SBA)

B:Side Fund Small Business Loans - This mission-based lender offers a variety of financing options and loans to Colorado-based small businesses that cannot access traditional bank loans. Direct loan amounts can range from $20,000 up to $350,000 for working capital, debt refinance, business acquisition, and the purchase of equipment/inventory.[14]

B:Side Capital, a sister company of B:Side Fund, partners with the Small Business Administration (SBA) and community lending institutions to facilitate the SBA 504 and SBA 7(a) loan programs. The SBA 504: Commercial Real Estate & Equipment Loans range from $25,000 to $5.5 million to buy, build, or renovate commercial real estate, purchase machinery or equipment, or refinance debt. Additional funding for small businesses is provided through the SBA 7(a): General Business Loans ranging from $25,000 to $5 million for startup expenses, working capital, and more.[15]

Greater Colorado Venture Fund (GCVF) - This venture capital fund invests in early-stage startups headquartered in rural Colorado communities (outside of the Front Range). GCVF facilitates a peer-to-peer network built around mentorship, funders, sales and marketing, and recruiting to connect and support portfolio companies. In addition, this program provides continuing education and strategic guidance through meetups and portfolio retreats.[16]

MAD! - Mad Agriculture is a Boulder, Colorado-based nonprofit working to transition farmers to regenerative agricultural models. The four branches of the organization ensure that farmer partners have the financial (Mad Capital), strategic (Mad Lands), connective (Mad Markets), and communal (Mad Revolution) support they need to thrive.[17] Mad Capital is the sister company that provides long-term and customized operating, real estate, equipment, and infrastructure loans to regenerative organic and transitioning farmers.[18]

Credit Enhancements - The Colorado Housing and Finance Authority (CHFA) works with lenders statewide to offer credit enhancement programs for working capital, equipment purchases, and start-up costs. Cash Collateral Support benefits small and mid-sized businesses experiencing collateral shortfalls, and the Colorado Credit Reserve (CCR) program can enhance loan applications by reducing a lender's risk and increasing the probability of securing a loan.[19]

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[14] Direct Loan Program, B:Side Fund
[15] Small Business Administration Loans, B:Side Fund
[16] Greater Colorado Venture Fund (GCVF)
[17] Mad Agriculture
[18] Mad Capital
[19] Credit Enhancements, Colorado Housing and Finance Authority (CHFA)

Property Assessed Clean Energy (PACE) Financing

Property Assessed Clean Energy (PACE) financing is a tool that can be used to support new energy efficiency upgrades, retrofitting, and/or energy generation on private properties. Increasingly, PACE is also being used to finance various sustainability and resiliency projects. PACE programs can be structured to finance energy-related improvements on both commercial properties (C-PACE) and residential properties (R-PACE). C-PACE is a financing program well-suited for food system businesses because PACE-eligible improvements can be made in all types of food and agriculture enterprises, from farms and cafes to composting facilities and food hubs.

With PACE, property owners have access to low-interest loans provided by private lenders for sustainability-related improvements. Loan payments are then collected through municipalities by incorporating them with the landowner's regular yearly property tax payments. The obligation for repayment is tied to the property rather than the individual owner, which mitigates the risks of non-payment for the municipality and provides flexibility for the landowner. PACE loans are structured so that the payments are primarily covered by energy savings, and in the long term, overall operating costs are reduced.

PACE-enabling legislation must first be adopted before local municipalities can create their PACE programs for this type of financing. The State of Colorado has adopted this legislation, but not every county in the San Luis Valley region has established PACE programs. There is a PACE program in Costilla County, but Alamosa, Conejos, Mineral, Rio Grande, and Saguache Counties are "in discussion" regarding the use of PACE financing.[20]

> Colorado Commercial Property Assessed Clean Energy (C-PACE) Program – This is a C-PACE program through which owners of eligible commercial and industrial buildings to finance up to 100% of energy efficiency, renewable energy, and water conservation eligible improvements. Financing is provided by private capital providers at competitive rates with repayment terms of up to 25 years.[21]
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> ACRE3 Program – The ACRE3 (Advancing Colorado's Renewable Energy and Energy Efficiency) program promotes the development and implementation of renewable energy and energy efficiency projects for Colorado's agricultural producers and processors under the direction of the Colorado Agricultural Value-Added Development Board.[22]

More information about PACE financing in Colorado – including which jurisdictions have PACE programs, how to access this financing, and how PACE works – is available from the main PACE administrators in the state.

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[20] Participating Counties, Colorado C-PACE
[21] Colorado Commercial Property Assessed Clean Energy
[22] ACRE3 Program, Colorado Department of Agriculture

Tax-Exempt Bond Financing

Bonds should be considered for food system projects with eligible project needs larger than $1 million. In its simplest form, a bond is a loan or debt incurred by a qualified borrower. The borrower can be a government entity, a 501(c)(3) nonprofit, or a private enterprise engaged in manufacturing or agriculture. Bonds are issued by authorized public or quasi-public units of government and are sold to the investing public. The proceeds are typically made available to finance the costs of a capital project.[23]

There are two categories of tax-exempt bonds: General Obligation Bonds (GOs) and Revenue Bonds. GOs are bonds backed by the full faith and credit of the issuing entity, generally tax revenues, and are often used to finance public purposes – such as highways, schools, bridges, sewers, jails, parks, and government buildings. Private entities may not significantly use, operate, control, or own the facilities that are being financed by GOs. By contrast, Revenue Bonds are issued for income-producing projects with the pledge that the debt will be repaid by the revenues generated from the project's operations.

Bonds can generally be issued for two main purposes: Government Bonds are issued for projects that serve a public purpose, while Private Activity Bonds (PABs) can be issued to finance projects that benefit private entities. In the economic development sector, PABs are the development finance mechanisms that drive projects involving both the public and private sectors. Many food-related businesses have utilized PABs to construct facilities, expand their operations, and purchase equipment or real estate.

Government Bonds and Qualified PABs are both tax-exempt bonds, meaning the interest that accrues to the investor is exempt from federal taxation. The tax-exempt nature of bonds makes them a highly sought-after investment security. Qualified PABs range in type of projects, including airports, universities, affordable rental housing, hospitals, small and mid-sized manufacturers, first-time farmers, and nonprofits. The following types of bond financing are available in Colorado.

> Industrial Development Bonds (IDBs) – IDBs, also referred to as Manufacturing Bonds, are a type of private activity bond issued to finance the construction of industrial facilities that are issued on behalf of a corporate borrower by a local or state development authority. Importantly, the debt security lies with the corporate borrower's credit rather than the issuing local or state development authority. This means the debt on an IDB is not backed by the full faith and credit of the issuing body of government; instead, these bonds would be repayable from the revenue generated by the manufacturing project. Most states have one or more conduit issuers who could be able to finance the project through small-issue IDBs.

[23] Food Systems & Bonds, Council of Development Finance Agencies

Qualified 501(c)(3) Bonds – 501(c)(3) Bonds are a type of Private Activity Bond issued by a local or state governmental conduit entity. Projects financed with 501(c)(3) Bonds are owned and used by nonprofit corporations that qualify for exemption under Section 501(c)(3) of the IRC. Organizations using 501(c)(3) Bonds may include universities, food banks, hospitals, agriculture research facilities, nonprofit food hubs, and communal kitchens.

Exempt Facility Bonds – These are another type of Private Activity Bond that can be issued for a wide variety of projects, including airports, docks, mass-commuting facilities (such as high-speed rail), water and sewage facilities, solid waste disposal facilities, qualified low-income residential rental projects, facilities for the furnishing of electric energy or gas, qualified public educational facilities, and qualified highway or surface freight transfer facilities. These bonds may also be used for hazardous and agriculture waste facilities, as well as qualified green buildings. Exempt Facility Bonds have a very wide scope of use, and implementation varies by state or local entity.

Aggie Bonds - Aggie Bonds, also referred to as Beginning and Expanding Farmer Loan Programs, are small issue bonds that exist at the state level to support qualified farmers and ranchers with eligible purchases of farmland, equipment, buildings, and livestock. As the average age of U.S. farmers increases, these financial tools are needed to encourage beginning farmers to start or take over agricultural businesses. Aggie Bonds provide an attractive, affordable source of capital for first-time farmers looking to invest in a new business venture by allowing the lender to avoid paying income taxes on interest.

Below are bond programs that could be considered for food and agriculture projects in the region.

Private Activity Bond Program – The Colorado Department of Local Affairs (DOLA) Private Activity Bond Program funds privately developed projects. Municipalities or housing authorities issue tax-exempt bonds and the amount of the bonds issued is limited by the IRS. Underwriters use investor money called “bond proceeds,” to make a loan to a project. The project then pays back the loan and the investors are repaid, plus interest. These loans can be made for land redevelopment, manufacturing projects, not-for-profit hospitals and private universities, electric energy or gas facilities, and solid or hazardous waste disposal facilities.[24]

Colorado Housing and Finance Authority Bond Program – Treasury's Colorado Housing and Finance Authority (CHFA) Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms, and ranches within the State of Colorado. CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service.[25]

[24] Private Activity Bond Program, Colorado Department of Local Affairs
[25] CHFA Loan Program, Colorado Department of the Treasury

Beginning Farmer Loan Program - The Colorado Agricultural Development Authority (CADA), the state's issuer of Aggie Bonds, provides beginning farmers in Colorado access to affordable capital through the issuance of a tax-exempt bond with an interest rate to the borrower below commercial rates and all interest paid by the borrower is tax-exempt. The loan can be used to purchase agricultural land, improvements to buildings, structures, or fixtures located on land purchased through the program, breeding stock, used farm equipment, and new depreciable agricultural equipment (farm machinery, irrigation equipment, etc.).[26]

Tax Credits

Tax credits are one of the most accessible tools in the development finance toolbox. There is a vast number of tax credit programs available at the federal, state, and local levels, and these programs can easily be deployed to creatively fill financing gaps for many agriculture and food-related businesses because they are such flexible financing tools.[27]

Tax credits have become increasingly popular since other federal resources have diminished over the past several decades. As federal and state governments recognized the benefits of tax credits and incentives, they developed programs to address economic development needs. Over time, these programs have helped to provide a wide range of financing options for brownfield redevelopment, historic rehabilitation, low-income housing, venture capital, and job creation in a wide range of industries. They can also provide a targeted impact by addressing underserved or emerging markets that present opportunities for new investment. Food systems development is one such market that offers a diversity of projects in which tax credits can be used to support a project and further investments.

Tax credits can be used for several purposes in development projects: to provide an increased internal rate of return for investors, to reduce the interest rates on a particular financing package, and to provide a repayment method for investors in place of cash. In the latter case, tax credits can often be transferred on the secondary market to generate income.

Tax credits can be used in urban, rural, and suburban communities, and in some cases, they can be applied on a regional basis. Tax credit programs also bring many different stakeholders to the table, thus leveraging their impact. They may attract investors, businesses, government entities, nonprofits, community development organizations, industrial development authorities, economic development corporations, financial institutions, pension funds, universities, foundations, state governments, the federal government, and other local anchor institutions.

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[26] Beginning Farmer Loan Program, Colorado Agricultural Development Authority

[27] Food Systems & Investment Tools, Council of Development Finance Agencies

There are a variety of tax credit programs administered at the federal and state levels. Below are programs that may be considered for local food- and agriculture-related businesses.

Colorado Enterprise Fund New Markets Tax Credit (NMTC) – This program was created to generate additional capital for economic development projects in low-income communities. The Community Development Financial Institutions Fund (CDFI Fund) allocates NMTCs to Community Development Entities (CDEs). The CDE then leverages the allocation of NMTCs to raise equity from investors. An investor receives a federal income tax credit equal to 39% of a Qualified Equity Investment (QEI) made into a CDE which is then invested in a targeted low-income community. NMTC investments may include loans to businesses, commercial, grocery stores, industrial, and/or retail developments, and to developing for-sale housing. Investments can also be used for the creation of a revolving loan fund. For the NMTC program, low-income communities are considered to be census tracts in which the median family income is below 80% of the area's median family income.[28]

Enterprise Zone Tax Credits – The Colorado legislature created the Enterprise Zone (EZ) Program to encourage development in economically distressed areas of the state. The state's 16 designated enterprise zones have high unemployment rates, low per capita income, or slow population growth. Enterprise zone areas within rural counties that meet additional economic distress criteria receive enhanced rural enterprise zone (EREZ) status. A rural enterprise zone may be a county, municipality, or unincorporated place (more than 10 miles from any municipality with a population greater than 50,000) with a population of fewer than 50,000.[29] The six counties of the San Luis Valley are designated as an enterprise zone and businesses located in the San Luis Valley Enterprise Zone may qualify for tax credits that encourage job creation and investment, and support non-profit organizations that assist with the needs of the community. Available tax credits include but are not limited to, Investment Tax Credits, New Employee Credits, and Vacant Commercial Building Rehabilitation Credits. [30]

Commercial Historic Preservation Tax Credit - This program helps rehabilitate historic, owner-occupied commercial properties and can award up to $10 million in credits per year. The maximum tax credit that can be reserved or issued for a property in any calendar year is $1 million. Every year, approved projects receive at least a 25% tax credit for expenses up to $2 million and a 20% tax credit for expenses of $2 million or more up to $1 million in tax credits. Depending on a property's location, buildings located in rural or disaster areas receive larger tax credit rates.[31]

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[28] New Market Tax Credit, Colorado Enterprise Fund
[29] Enterprise Zone Program, Colorado Office of Economic Development & International Trade (OEDIT)
[30] San Luis Valley Enterprise Zone, San Luis Valley Development Resources Group
[31] Commercial Historic Preservation Tax Credit, Colorado Office of Economic Development & International Trade (OEDIT)

Other Finance Programs

There are several additional programs and tools available that can help spur investment and stimulate economic growth and job creation in the San Luis Valley region. Many of these programs could be used by food-related projects and small business owners.

Colorado Brownfields Program – This program offers assistance to property owners in the form of site assessments, tax credits for environmental remediation associated with capital improvements or redevelopment projects, grants for cleaning up contaminated land, and revolving loans. As a public-private partnership, the Colorado Brownfields Revolving Loan Fund, managed by the Colorado Housing and Finance Authority (CHFA), encourages the cleanup of unused or underused contaminated properties by offering financing with reduced interest rates, flexible loan terms, and flexibility in acceptable forms of collateral.[32]

Tax increment financing (TIF) - This financing mechanism captures the future tax revenues of new development or redevelopment to pay for the present cost of the site improvements. TIF can be applied to a district or a single property, with legislation varying from state to state. Aspects of development that increase economic activity for the property or district generate greater tax revenues, which then become the repayment stream – also called the increment – for the debt used to finance those improvements. The life of a district can be anywhere from 10-40 years, depending on how much time is needed for the tax increment to pay back the costs or bonds issued for the development. This structure is set up so that the tax increment from a TIF is created without raising taxes or dipping into the existing tax base at the time that the TIF is established.[33]

TIF can apply to food sector projects that require development on a specific site. Costs related to new development or redevelopment may include public infrastructure, land acquisition, relocation, demolition, utilities, debt service, planning costs, or other site improvements. Although TIF is enabled at the state level in Colorado, it is a mechanism for redevelopment projects within an Urban Renewal or Downtown Development Authority.[34]

The Colorado Water Plan - Colorado's agriculture sector confronts various water-related hurdles such as drought, climate change, and the prospect of growing supply gaps. The Colorado Water Plan provides funding for agriculture viability projects, and advocates for initiatives aimed at enhancing industry efficiency and resilience, sustaining agricultural productivity, fortifying rural economies, and securing food supplies. Funding programs through the plan include the Water Project Loan Program, Colorado's Water Plan Grants, Water Supply Reserve Fund Grants, and Watershed Restoration Grants.[35]

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[32] Colorado Brownfields Program, Colorado Department of Public Health & Environment (CDPHE)
[33] Food Systems & Targeted Tools, Council of Development Finance Agencies
[34] SB 23-273: Agricultural Land in Urban Renewal Areas, Legislative Council Staff Fiscal Note
[35] Agriculture & Colorado's Water Plan, Colorado Department of Natural Resources, Water Conservation Board

Rural Development - The Colorado Office of Economic Development & International Trade's (OEDIT) Rural Opportunity Office supports Colorado's rural communities, economic development offices, business support organizations, and small businesses by connecting them to relevant OEDIT and State Partner programs.[36] The Rural Economic Development Initiative (REDI) program through the Colorado Department of Local Affairs provides funding to assist rural communities with projects that support job creation and retention, capacity building, economic resilience, and entrepreneurial ecosystems.[37] The Rural Economic Development Loan and Grant Program in Colorado, administered by the U.S. Department of Agriculture, Rural Development, provides zero-interest loans to local utilities which, in turn, pass through to local businesses to establish revolving loan funds for projects that will create and retain employment in rural areas.[38]

San Luis Valley Opportunity Zone - Opportunity Zones (OZs) are a federal economic development tool aiming to improve the outcomes of distressed communities around the country. OZs are low-income census tracts that offer tax incentives to groups who invest and hold their capital gains in zone assets or property. The San Luis Valley OZs run through the center of the valley covering the City of Monte Vista, most of the City of Alamosa, as well as the towns of Center, Hooper, Mosca, Blanca, and Fort Garland. The incentive is uncapped, does not require an application and award process, and OZ investments can themselves take advantage of other applicable economic development incentives, such as tax credits.[39]

Special Districts - Every state provides some form of special assessment district financing and most states offer more than one option. These tools are known by a variety of names and can be structured in different ways, but there are two predominant methods. The first method is the assembly of business and neighborhood groups into a district to generate funding for projects and programs. The second approach is a directly targeted assessment program organized by local government. With both structures, funds are pooled for local economic development and made available to many types of projects and programs that often include food-related endeavors, such as storefront improvements, small business programs that support the growth of local breweries, or place-making efforts.[40]

Special Districts in Colorado are local governments (counties, municipalities - cities and towns, and school districts) and other types of government entities, including Improvement Districts, Building Authorities, Downtown Development and Urban Renewal Authorities, Business Improvement Districts, Local Marketing Districts, Housing and County Authorities.[41]

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[36] Rural Opportunity Office, Colorado Office of Economic Development & International Trade
[37] Rural Economic Development Initiative, Colorado Department of Local Affairs
[38] Rural Economic Development Loan & Grant Program in Colorado, U.S. Department of Agriculture
[39] San Luis Valley Region, Colorado Invest
[40] Food Systems & Targeted Tools, Council of Development Finance Agencies
[41] Districts and Alternate Government Financing Mechanisms, Colorado Department of Local Affairs

CASE STUDIES

The case studies below illustrate how some of the traditional financing tools discussed in this report can be used for businesses and projects throughout the food system in Colorado.

GoFarm Mobile Market – Golden, CO

Revolving Loan Fund

GoFarm is a nonprofit organization, based in Golden, Colorado, with a mission to train and support local farmers, connect people with local agriculture, and increase equitable access to nutrient-rich food grown in Colorado. Through the Colorado Enterprise Fund's Healthy Foods Initiative, GoFarm's founder, Eileen O'Rourk received a low-interest loan to purchase a mobile market, a refrigerated vehicle that allowed the organization to expand in the region. In 2021, GoFarm supported 67 local, sustainable farms and helped 12 beginning farmers start their farms, making food more accessible for 1,659 households, and sourced $8,956 worth of locally-grown food to 3 food pantries.[42]

Ela Family Farms – Hotchkiss, CO

Property Assessed Clean Energy

Ela Family Farms, a Hotchkiss-based certified organic orchard, needed to offset the high energy costs produced by their 7,391 square-foot refrigerated warehouse. Hotchkiss-based Empowered Energy Systems, LLC installed the 25 kW solar PV system at Ela Family Farms' refrigerated warehouse. Region 9 Economic Development District of SW Colorado, a nonprofit that promotes and coordinates economic development efforts throughout southwest Colorado, provided $60,420 for the project, 100% of the investment, working through Colorado C-PACE.[43]

Calderwood Farm – Yuma County, CO

Aggie Bond

Daniel and Ashley Calderwood received a $120,000 bond through First Pioneer National Bank to assist with the purchase of 320 acres of dryland grassland parcels in Yuma County, Colorado. The funding was used for land improvements, including the perimeter fencing and a water well powered by electricity. The intended land use is grazing of cow/calf pairs in the spring and summer months.[44]

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[42] Small Business Spotlight: GoFarm, Colorado Enterprise Fund
[43] Hotchkiss Organic Orchard Taps Colorado C-PACE, Colorado Commercial Property Assessed Clean Energy
[44] Board Meeting Minutes, Colorado Agricultural Development Authority

Food Bank of the Rockies – Grand Junction, CO

New Markets Tax Credits

Food Bank of the Rockies (FBR) is the largest hunger relief nonprofit organization in the Rocky Mountain region and distributes upwards of 178,000 meals every day. Following COVID, food distribution in Western Colorado outpaced the capacity of the distribution facility in Palisade, heightening the need for a larger space. A New Markets Tax Credit loan was used to relocate to a new distribution center in Grand Junction, and cover increases in operating costs at the new Western Slope facility, including food purchases and payroll. This new facility allowed FBR to create and retain 38 full-time permanent jobs, distribute 16 million pounds of food (which is an increase in distribution volume of 48%), and serve 50,400 low-income individuals annually.[45]

[45] Food Bank of the Rockies

NEXT STEPS

CDFA has identified key strategies for bringing together local food practitioners, economic development professionals, and grassroots organizations to restore local food systems with traditional development finance. These strategies can be used in communities and regions across the country. The three actions below should be implemented simultaneously for future efforts to advance the redevelopment of localized food systems in and around San Luis Valley.

Reframe food systems development as infrastructure and economic development

Physical components of the food system should be understood as critical pieces of infrastructure that can receive traditional financing. Creating and expanding localized food systems must also be viewed as economic development that supports entrepreneurs, small businesses, job creation, community wealth, and long-term resiliency. Restoring food systems can be focused on goals of health, racial equity, job creation, climate change mitigation, farmland preservation, and many other goals while simultaneously being reframed as investment in infrastructure and oriented toward sustainable economic development.

Build effective relationships and partnerships across the entire food system

Connections are central to rebuilding local food systems. This includes the many actors working directly in the food system, and the most successful places are developing food systems in a supportive, coordinated manner. Networks should include members of the development finance community as well, whose mission for impactful local investment often aligns with local food projects. Involving community members who can represent neighborhoods or speak from a consumer perspective is also key to building equitable, sustainable food systems. Bridging gaps between these many groups will establish a more robust network with the resources, skills, and vision needed for local food system restoration.

Plan for strategic food system financing

Redeveloping food systems is a long-term effort, and planning is essential because of the many players and resources needed for success. Financing and community engagement must be integrated into these plans as early as possible. Collaborating with local finance partners creates opportunities for unlocking the necessary capital for future projects, and engaging with community members better ensures that social, economic, racial, and environmental goals are consistent with local demand. Aligning these players with local food system planning ensures a more holistic outcome, where many types of food-related businesses and projects can be successful.

ADDITIONAL RESOURCES

- CDFA Food Finance White Paper Series: Food Systems & Development Finance
https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=KelloggWhitePaper1.html
- CDFA Food Finance White Paper Series: Food Systems & Access to Capital
https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=KelloggWhitePaper2.html
- CDFA Food Finance White Paper Series: Food Systems & Bonds
https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=KelloggWhitePaper3.html
- CDFA Food Finance White Paper Series: Food Systems & Targeted Tools
https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=KelloggWhitePaper4.html
- CDFA Food Finance White Paper Series: Food Systems & Investment Tools
https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=KelloggWhitePaper5.html
- CDFA Food Finance White Paper Series: Advancing Local Food Systems Through Development Finance
https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=KelloggWhitePaper6.html
- CDFA Food Systems Finance Best Practices Guidebook
https://www.cdfa.net/cdfa/cdfaweb.nsf/ord/BestPracticesGuidebook.html/$file/CDFA%20Food%20Systems%20Finance%20Best%20Practices%20Guidebook_Nov%202022.pdf
- CDFA Food Systems Finance Resource Center
https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/foodsystems.html
- CDFA Agriculture Finance Resource Center
https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/aggie.html

NOTICE: The CDFA Defining the Food System as an Asset Class project was prepared by the Council of Development Finance Agencies using grant funds from the W.K. Kellogg Foundation. The statements, findings, conclusions, and recommendations are those of the author(s) and do not necessarily reflect the views of the W.K. Kellogg Foundation.

CDFA is a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing thousands of public, private, and non-profit development entities.

Members are state, county, and municipal development finance agencies and authorities that provide or otherwise support economic development financing programs as well as a variety of non-governmental and private organizations ranging from regional and large investment banks to commercial finance companies to bond counsel, bond insurers, trustees, venture capital companies, rating agencies, and other organizations interested in development finance.

The Council was formed in 1982 with the mission to strengthen the efforts of state and local development finance agencies fostering job creation and economic growth through the use of tax-exempt and other public-private partnership finance programs. Today, CDFA has one of the strongest voices in the development finance industry and regularly communicates with Capitol Hill, state and local government leaders, and the Federal Administration. The Council provides a number of avenues for assisting the development finance industry including education, advocacy, research, resources, and networking.

Learn more and join at **www.cdfa.net**.

The W.K. Kellogg Foundation (WKKF), founded in 1930 as an independent, private foundation by breakfast cereal innovator and entrepreneur Will Keith Kellogg, is among the largest philanthropic foundations in the United States. Guided by the belief that all children should have an equal opportunity to thrive, WKKF works with communities to create conditions for vulnerable children so they can realize their full potential in school, work, and life.

The Kellogg Foundation is based in Battle Creek, Michigan, and works throughout the United States and internationally, as well as with sovereign tribes. Special attention is paid to priority places where there are high concentrations of poverty and where children face significant barriers to success. WKKF priority places in the U.S. are in Michigan, Mississippi, New Mexico, and New Orleans; and internationally, are in Mexico and Haiti.

For more information, visit **www.wkkf.org**.