



## Fact Sheet:

# Business and Industry Guaranteed Loan Program and Urban Eligibility for Local and Regional Food Projects

On April 30<sup>th</sup>, 2014, USDA Rural Development published a notice in the Federal Register (<https://www.federalregister.gov/articles/2014/04/30/2014-09870/locally-or-regionally-produced-agricultural-food-products>) clarifying how the Business and Industry (B&I) Guaranteed Loan Program can be used to support local and regional food-related projects. The B&I program guarantees loans that provide lasting community benefits by improving, developing or financing business, industry or employment-related projects. Eligible applicants include cooperatives, corporations, partnerships, or other for-profit or nonprofit entities; Indian tribes; or individuals.

Each year, at least five percent of B&I funds are set aside for local food-related projects. Under this set aside, the B&I program provides loan guarantees for entities that process, distribute, aggregate, store and/or market locally or regionally-produced agricultural food products to support community development and farm and ranch income. Although the set aside expires on April 1 of each year, USDA Rural Development continues to fund local food-related projects after April 1.

### What does the notice do?

The notice published on April 30<sup>th</sup> clarifies that among local and regional food projects, priority will be given to those that provide a benefit to underserved communities, which is defined as an urban, rural, or Indian tribal community with limited access to affordable, healthy foods, including fresh fruits and vegetables, and a high rate of hunger or food insecurity or a high poverty rate. Applicants that serve schools, food banks or other institutions may also be eligible.

### Which projects are eligible?

Eligible projects can be located in an urban or rural area. Funding priority will be given to projects that provide a benefit to underserved communities as defined above. For example, a local food distribution center physically based in an urban area would be eligible for priority funding if a meaningful portion of its product is made available to consumers in an underserved community or to food banks, schools or other institutions serving low-income populations. The urban-based entity would need to demonstrate support for community development and farm and ranch income – for example, by sourcing food from local farms based in rural areas. *(See reverse side for examples of projects that would be eligible for the set aside funds and/or funding priority.)*

For more information, see the Rural Development website for B&I (<http://www.rd.usda.gov/programs-services/business-industry-loan-guarantees>) or the recent Federal Register notice (<https://www.federalregister.gov/articles/2014/04/30/2014-09870/locally-or-regionally-produced-agricultural-food-products>).

### Three Scenarios for Local Food Aggregators-Distributors (i.e. food hubs) to Utilize B&I funds

**Scenario #1** – A local food aggregator-distributor called “Close to Home” is based in Oakland, CA and aggregates from over 120 local farmers and producers and sells these food products to Bay Area restaurants, supermarkets, schools, and hospitals. Restaurants and supermarkets have always made up the greatest portion of their sales, but a new contract with Oakland Unified School District would mean that close to 20% of their overall gross sales will be to this school district of over 40,000 students. Many of these schools and their student populations are located in underserved communities. Close to Home is looking for financing to expand their existing distribution facility to meet the growing demand in the institutional marketplace from schools, hospitals, and others.

- **Are they eligible?** Yes. The funding will be used to expand their operations so they can adequately meet the needs of a school district where a majority of the student population and their families are located in underserved communities. The project would also be eligible for funding priority because it provides a benefit to an underserved community.

**Scenario #2** – A local food business called “City Food Delight” based in Detroit, MI works with a network of 10 urban farm enterprises to market their products directly to consumers through a produce box subscription program. City Food Delight has a mission of ensuring affordable local food to all and does this by having affluent customers pay more for a weekly box of produce, which in turn allows the company to sell the boxes at a lower price to underserved communities. Under this arrangement, close to 30% of their overall gross sales are in low income/low food access communities. City Food Delight is looking to expand their business by purchasing two more walk-in coolers and another refrigerated truck for their aggregation-distribution facility, which is NOT located in an underserved community.

- **Are they eligible?** Yes. Even though their business is not located in an underserved community, a significant portion of their sales are targeted to underserved communities, who are benefiting from greater access to affordable, healthy local food. Also, it is fine to work exclusively with urban producers, as long as there are clear benefits that accrue to them, which in this case is another market channel that gives them a fair and stable financial return for the products. The project would also be eligible for funding priority because it provides a benefit to an underserved community.

**Scenario #3** – A local food distributor named “Organic Roots” is based in New York City, NY and they are planning to renovate an existing warehouse to be their primary aggregation-distribution facility, which is located in a low income/low food access neighborhood. Organic Roots works with 50 organic farmers in upstate NY and sells their products to high-end supermarkets and restaurants. These farmers benefit greatly from this collaboration with Organic Roots with new market access and high financial returns. Organic Roots intends to employ most of their staff for running the renovated warehouse from the community where it is located, and the company is committing additional resources for workforce training and development. In total, they expect to create at least 20 full-time quality jobs in warehousing and trucking.

- **Are they eligible?** Yes. Even though Organic Roots is not selling local food products to an underserved area, they are creating tangible benefits to this underserved community through workforce development and job creation as well as supporting rural community development and farm and ranch income. The project would also be eligible for funding priority because it provides a benefit to an underserved community.