

CASE STUDY

Anchors in Resilient Communities

***FOODSERVICE PARTNERS' FOOD COMMISSARY
IN UNION CITY, CA***

I. OVERVIEW & BACKGROUND

FoodService Partners (FSP) has worked with Kaiser Permanente to source and distribute food products for the health system's California-based hospitals for more than 25 years. In recent years FSP has grown its contracts with Kaiser Permanente and others and consequently determined that it would need to expand its California food production capacity. To do so, FSP plans to open a larger, modernized food commissary in Union City, California in December 2020.

Using project financing from two Community Development lenders, Commercial Property Assessed Clean Energy, and private impact investors, combined with crucial credit support from Kaiser Permanente, the new commissary will help FSP and Kaiser Permanente meet their commitments to local and sustainably sourced food. In particular, the commissary will work to meet Health Care Without Harm's standards for local and sustainable food that match with Kaiser Permanente's pledge to buy all of its food locally or from farms and producers that use sustainable practices by 2025. Through the Anchors in Resilient Communities effort, Health Care Without Harm and Emerald Cities Collaborative will support the commitments to local and sustainable sourcing as well as employment and economic opportunity for low-income and communities of color.

These commitments to sustainable, locally sourced food distribution and social equity are evidenced by FSP's robust Community Benefits Agreement (CBA). The CBA details efforts to attract and hire local residents who may have barriers to entry into the workforce as well as establish a pathway for economic participation by community stakeholders. With these commitments FSP intends to develop a food ecosystem centered by partnerships with community-owned businesses that can support the growing ecosystem's local

production, processing, distribution, and waste management needs. This new food production center will build community wealth and model a new way for sustainable, local food production.

II. PROGRAM DESIGN

Anchors in Resilient Communities (ARC), convened by Emerald Cities Collaborative and Health Care Without Harm, works to address the social, economic, and environmental determinants of health by leveraging the assets and capacities of Bay Area anchor institutions and community-based partners. In 2016, ARC engaged The Democracy Collaborative to produce an assessment of the best opportunities for investment to achieve these goals in the East Bay.

The assessment identified a business opportunity to increase local food production and distribution in the area. With this input, Kaiser Permanente then recommended ARC consider working with FSP to create a sustainable food production center with locally sourced foods and leveraging the health care systems participating in ARC to invest in this model of food production.

FoodService Partners recognized that it had outgrown the capacity of its 20 year old South San Francisco commissary, and was interested in developing a new model facility (based on a model FSP had created in Georgia), including low carbon, energy efficient CO2 refrigeration system, hot water co-generation, and on site solar power. Additionally, FoodService Partners committed to sourcing from local producers and suppliers within a 250-mile radius and focusing on those in a hyper local radius (50 miles) where feasible. Lastly, FSP was committed to working with stakeholders and partners to recruit and hire employees from local communities facing barriers to entry within the local workforce.

Using these commitments to build support and interest from impact investors and funders, FSP, Kaiser Permanente, Emerald Cities Collaborative, and Health Care Without Harm engaged in conversations around constructing a sustainable building and setting the new commissary up with sustainable and local food sourcing practices. This would enable investment in the East Bay community while fulfilling the needs for FSP's contract with Kaiser Permanente.

In 2017, FoodService Partners leased an industrial building in Richmond, California, with the intention of renovating the rental property for the proposed new food commissary. However, after two years of difficulty securing appropriate project financing FSP made the difficult decision to terminate its lease in Richmond.

Creation of Faber Street Foodworks LLC

Having learned from this experience, ARC and FSP started working with Grounded Ventures—led by Kevin Warner, an expert in project finance and investment and former Vice President at Emerald Cities Collaborative. Upon review of the challenges that FSP faced in its original lease, Kevin determined that in order to meet FSP's needs for development or renovation of a building, FSP would need to buy and manage its own property, rather than rent a property for this food commissary. They worked together to identify a potential building in Union City, California in central Alameda County. At this stage, Grounded Ventures and FSP entered into a business partnership to form Faber Street Foodworks LLC, a public benefit company, combining Kevin Warner's knowledge of real estate and finance and FSP's knowledge of food production and distribution, in order purchase the property and to serve as the owner/developer of the project.

The project located at 2809 Faber Street in Union City, CA met FSP's location and logistical needs to serve Kaiser Permanente's hospital facilities and adjacent highway access for regional distribution. The property also featured an existing rooftop solar array, which made the property an ideal option for FSP's new commissary.

Utilizing a unique combination of an \$11 million acquisition/construction loan from Community Vision Capital and Consulting and RSF Social Finance, combined with \$2 million dollar of credit enhancement from East Bay Community Foundation (funded by the Kaiser Foundation), Faber Street Foodworks was able to arrange favorable terms for a \$4.7 million Commercial Property Assessed Clean Energy (C-PACE) bond and \$3.8 of impact equity financing to complete the project. FSP also made a \$400,000 equity investment in the project. Faber Street Foodworks purchased the property in March of 2020 and began construction in June.

Community Benefit Agreement (CBA)

Faber Street Foodworks entered into a private-to-private community benefits agreement (CBA) as one of the conditions of its loans. CBAs are legal agreements between community members—usually community advocacy groups, small business, and local nonprofits—whereby developers mutually agree to terms beneficial for the community, oftentimes in return for community support or buy in to a new project.

Faber Street Foodworks and FSP agreed to enter into a community benefits agreement (CBA) as a condition of the favorable loan terms. The CBA is part of the loan agreement and enforceable by the senior lender which is a Community Development Financial Institution (CDFI). Community Vision Capital and Consulting (the senior lender) worked with ARC, Kaiser Permanente, and other community

stakeholders to craft the CBA. The terms of the CBA include conditions for local and sustainable sourcing practices, local hiring efforts, as well as facility sustainability measures as made necessary by Kaiser Permanente's commitment to reaching 100% local, sustainable food, and a community ownership option.

The CBA commits FSP to pursue measures that 1) provide positive community impact from facility operations; 2) reduce its carbon footprint; 3) provide workforce equity in wages, benefits, and hiring; and 4) create a pathway to pursue community ownership. (See more details at the end of the case study.)

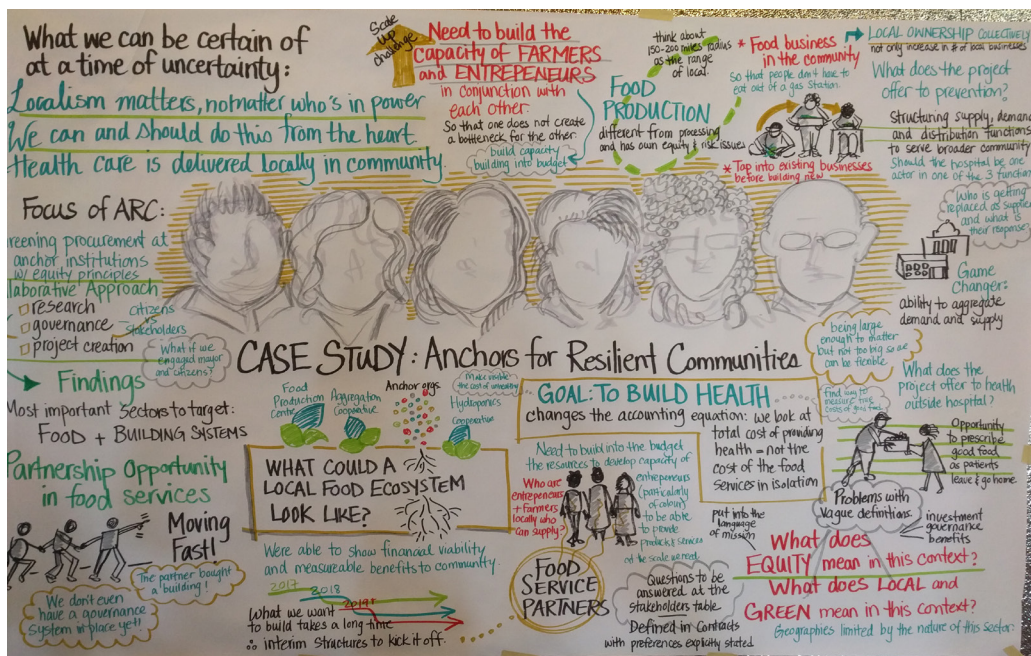
III. METRICS

ARC's evaluation workgroup is partnering with FSP to help the new food commissary develop metrics that track its alignment with ARC's mission. The ARC Evaluation Workgroup, which includes membership from UCSF, Roots Community Clinic, and Rubicon along with evaluation consultant advisors Sarah Rodman-Alvarez and Roxana Rodriquez, helped ARC

and FSP create an original set of metrics which follow metrics such as:

- Pounds of produce sourced from farms locally (within 250 miles) and hyper locally (within 50 miles)
- Pounds of produce sourced from farms with sustainable practices
- Number of people hired from the local community with benefits
- Number of BIPOC, justice-involved, and formerly long-term unemployed people hired with benefits
- Percentage of employees paid living wages or above
- Percentage of spending on locally produced food products such as eggs or dairy

Additionally, ARC is developing surveys to better understand the experiences of anchors, suppliers, and the workforce connected to the regional food system initiative and the new food commissary.



Anchors in Resilient Communities (ARC) planning

IV. BUDGET

Payments

Acquisition:	~\$12,000,000
Building Improvements	\$6,000,000
Other costs and financing fees	\$1,800,000
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Total Cost:	~\$19,800,000

Capital Stack

Community Vision and RSF Social Finance loan	\$11,000,000
Galway Partners and AMG National Bank equity	~\$3,450,000
Twain Financial - Commercial PACE loan	~\$4,750,000
FoodService Partners and Grounded Ventures equity	\$500,000
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Total	~\$19,800,000

V. FUNDING

Kaiser Permanente's contract with FSP includes the purchase of \$12 million in food products every year. To help FSP purchase the new food commissary property to meet this contract, Kaiser Permanente provided a \$2 million grant from a Donor Advised Fund at East Bay Community Foundation to provide a grant to Community Vision (CDFI) to act as a credit enhancement for the building acquisition and construction loan to Faber Street Foodworks.

The credit enhancement allowed for flexible loan terms and greater leverage in the joint lending effort between Community Vision Capital and Consulting and RSF Social

Finance, which provided a total loan of \$11 million, of which approximately \$8 million was used for acquisition of the building, and the remainder toward construction and project soft costs. Faber Street Foodworks also secured ~\$3.9 million in equity (including \$400,000 from FSP) and \$4.7 million of Commercial PACE financing to complete the tenant improvements. Transforming the building into the necessary sustainable food commissary largely incorporated improvements that involved energy or sustainability practices. This made the project eligible for the Commercial PACE financing—Property Assessed Clean Energy—from Twain Financial. No forgivable capital was directly utilized in this project.

VI. PARTNERS

Anchors in Resilient Communities, which provided advice and guidance in the community engagement and idea-formation stages of this project, is convened by Emerald Cities Collaborative and Health Care Without Harm. The owner/developer on this project was Faber Street Foodworks—a partnership between Kevin Warner and FoodService Partners. Kaiser Permanente's contracts with FSP set the health system up to be a major buyer of food to be produced in the new facility, helping make this project possible. Kaiser Permanente, along with the Community Vision Capital and Consulting, RSF Social Finance, Twain Financial, Galway Partners, and AMG National Bank all provided crucial financing that enabled this project to be successful.

Community partners include Rubicon Programs, which is providing support as a workforce intermediary, Community Alliance of Family Farmers, Dig Deep Farms/Alameda County, Kitchen Table Advisors, Planting Justice, Mandala Partners, and Bay City Produce. Other workforce intermediaries include the California Employment Development



New Faber Street Foodworks Food Commissary in Union City, CA

Department, Alameda County Workforce Development Board, Alameda County Social Services Agency—CalFresh Employment & Training Program and CalWORKS Public Service Training Program, Union City Economic Development Department, Unity Council Fruitvale Neighborhood Career & Resource Center, La Familia Department of Education and Employment Services, Center for Employment Opportunities, East Bay Works, Laney College Career & Technical Education—Department Culinary Arts Program, and Goodwill Greater East Bay Pathways to Employment Program.

FoodService Partners is also exploring with ARC opportunities to have other ARC anchor institution partners such as University of California San Francisco, UCSF Benioff Children's Hospital Oakland, Common Spirit (Dignity) Health, City of Oakland, and San Mateo County invest in contracts with the new food commissary. Further institutional contracts will be central to the success of the food commissary.

VII. LESSONS LEARNED & TAKEAWAYS

Understand the desired outcomes for the projects first—then apply this information to the funding, partners, and expertise necessary to make those outcomes successful; this avoids under funding or struggling to understand the variables necessary to take a project to completion.

Engage with funders who are narrowly focused on shared values with the project—engage funders who are invested in the local community and who are committed to investing in projects focused on enhancing the local community; emphasize the sustainability aspects and frame to enable the project to access the significant clean energy and sustainable development financing available.

Bring in expertise—working with an external expert in finance can enable a project to identify funding opportunities and engage all involved players to understand the risks and rewards involved in such a project; an external expert

in metrics can identify the necessary data to track progress and help develop the capacity to track that data; an external expert in community engagement can connect a project to the needs of the community and the right partners to engage the community on those issues.

Anchors and large institutions can shift the industry standards—through commitments to 100% local, sustainable sourcing, anchors can push their vendors to pursue anchor strategies and implement sustainability practices. With the increase of these types of vendors and through the large scale of the anchors' purchasing power, anchor procurement can decrease the overall cost of this kind of sourcing by increasing the supply available in the market.

All parties benefit from long term commitments—the community benefits from

stability and consistency in investments. Vendors can utilize the stability of long term contracts to counteract the challenges created by lower profitability margins. Anchor institutions are able to build healthy relationships with their community by awarding long-term contracts. This also allows small vendors and vendors committed to local and inclusive sourcing strategies to be more competitive.

The community must be a partner not a service provider—a development centered on local, inclusive procurement needs to be committed to co-developing projects with the community from the very inception of the idea of the development. The developer must be willing to engage in long term commitments in order to build trust and capacity as well as to ensure the development reciprocates investment back into the community which sustains the development.



Construction of New Faber Street Foodworks Food Commissary

Community Benefit Agreement (CBA) Terms

Positive community impact measures in the CBA codify that FSP will put in good faith efforts to follow Kaiser Permanente's sustainable food spend schedule¹ and environmentally preferable purchasing standards for not only contracts with Kaiser Permanente but for all of FSP's contracts. FSP will also award subcontracts to and utilize diverse suppliers whenever possible; use good faith efforts to purchase fresh, clean, healthy food and promote ecologically sound, economically viable, and socially responsible agricultural practices; and increase purchases of food from minority-owned enterprises, women-owned enterprises, and small to medium size farms located locally (within 250 miles) and hyper locally (within 50 miles).

Carbon footprint reduction measures in the CBA codify that FSP will use energy efficient delivery vehicles and vehicle operations that reduce fuel consumption and CO2 emissions; purchase and use 100% recyclable or compostable disposable food service-ware by 2025; send compostable organic material to a certified composting facility; and install energy efficiency measures such as using on-site battery-electric storage.

Workforce measures in the CBA codify that when FSP hires new employees, considerations for those potential candidates will not be required to have food service experience as long as they obtain a ServSafe certification. Additionally, FSP will work with workforce intermediaries to hire job seekers from low-income communities with particular goals of hiring those with pre-existing barriers to obtaining permanent, quality, full time employment, such as those returning from the justice system.

FSP's workforce measures (excluding management and supervisory positions) provides for union representation, and FSP will continue to offer union representation to new employees. New employees in all positions will be provided with training and educational opportunities, as is available to existing employees. FSP also agrees to also work with providers of workforce development services to ensure new employees have access to wrap-around services such as: job readiness and financial literacy training, ESL and parenting skill classes, childcare and housing assistance, and trauma and substance abuse counseling.

In the CBA, FSP also agrees to work to pursue funding to provide employees with assistance for their commute to work, and to not check potential job candidates' credit histories or criminal backgrounds except in very specific situations which are clearly codified. In cases where FSP conducts a criminal background check, it agrees to take into consideration the age at the time of offense, the type of offense (in particular non-violent versus violent offense), and the relationship of the offense to the job requirements.

When filling positions at the new facility, FSP will give priority to its current work staff in the South San Francisco facility (which will be closing). FSP expects to start its first wave of new hiring following the conditions outlined above in the first quarter of 2021.

The community and employee ownership measures in the CBA codify that FSP will in good faith explore community and employee participation in ownership through the execution of a Strategic Plan. The CBA specifies that employee ownership options should aim to provide equitable ownership opportunities to all employees through means that could include but are not limited to an employee stock ownership plan (ESOP). Further, within the CBA, as well as the lease of the property, a community ownership option is outlined which gives FSP the opportunity to purchase the property from Faber Street Foodworks during the first 3 to 5 years of the lease term at a pre-fixed, below market-value price.

1 Kaiser Permanente's sustainable food spend schedule: Annual Sustainable Food Spend will average 60% of total food spend by December 31, 2020, 80% of total food spend by December 31, 2022, and 100% of total food spend by December 31, 2025.