

WEBINAR SERIES

Keeping Groceries Alive: Successful Ownership Transitions for Rural Grocery Stores

K-STATE
Research and Extension



Funding the Transition

Thursday, March 4

Our Partners

Food Co -Op Initiative
Kansas Center for Business Transition
Kansas Rural Center
K-State Research & Extension
NetWork Kansas
Rural Grocery Initiative

Our Sponsor

Ewing Marion Kauffman Foundation

Housekeeping

- This session is being recorded.
- A recording of today's webinar will be made available at www.ruralgrocery.org.
- We will leave time at the end of the webinar for Q&A.
- Please use the Q&A feature to post your questions to our presenters.

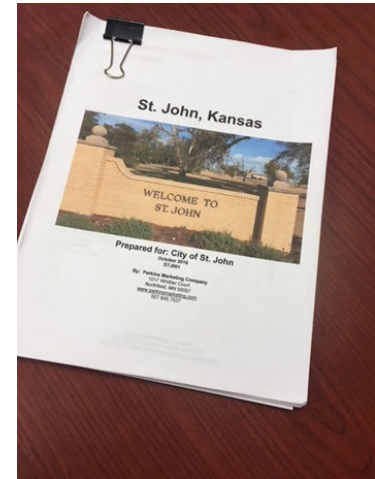
Opening a grocery store in St. John, KS

*Carolyn Dunn
Stafford County Economic
Development*

First question: what are you financing?



- Initial Consideration was given to the existing building
- City of St. John bought the building to gain site control
- Unclear plan for opening new store - no identified grocery operator
- Professional study done by Perkins Marketing Co
- Cost \$7500 split between Stafford EcoDevo and City of St. John
- Spelled out likely levels of sales for both existing building, and a new location along highway
- The sales projections were absolutely essential in planning the funding



I literally had this taped to the wall next to my desk

St. John Grocery project: why a greater initial investment makes sense:

Old building:

Requires \$1 million in investment

Achieves \$41,000 in projected weekly sales – not profitable

Ten year cumulative sales \$42,328,000 (if it stayed open)

Ten year cumulative wages \$5,925,920 (if it remained open)

New building

Requires \$3.5 million in investment

Achieves \$68,284 in projected weekly sales (not including fuel or pharmacy)

Ten year cumulative sales \$77,243,504 (not including fuel or pharmacy)

Ten year cumulative wages \$13,903,829 (not including pharmacy)

A difference in \$2.5 million in up front investment is setting the path for

A store with sufficient sales projections to remain open for the long term

\$35 million higher projection in sales over a very small format store (which is conservative)

\$8 million difference in wages over a small format store (which may be conservative)

Essential Partners

1. Experienced Grocer

2. City

- Tax Increment Finance plan has a value of over \$1.36 million over 20 year period
- City also committed an additional \$50,000 for 10 years from citywide sales tax
- Documenting that support played a part in getting grants

3. Bank

- Local bank offered 4% fixed rate for 20 years - better than some public finance options we found
- Also played a part in securing additional funding
- Bank support is necessary for a REDLG loan

4. (in this situation) Developer eligible for charitable funding, capacity to be project manager

5. Auxiliary Business - Pharmacy and Fuel

Funding Sources Utilized

- Sunflower Foundation - \$75,000 Phase I and II
- US Dept of Health and Human Services - \$780,800
- NetWork Kansas - \$45,000
- City of St. John - TIF and \$50,000 per year payment for 10 years
- SJN Bank of Kansas – \$2.2 million loan/loan guarantee @ 4% fixed for 20 years
- Kansas Corn Commission - \$63,000
- IOOF - \$10,000 per year for 10 years
- Kansas Healthy Food Initiative - \$75,000 grant
- \$400,000 in individual donations from multiple donors
- Industrial Revenue Bond – saves \$200,000 in sales tax on materials
- USDA RED -L/G - \$1 million loan at 0% interest for 10 years

Timeline

2016 February - Dillon's closed

2016 August - study commissioned

2016 December - donations for purchasing land, Sunflower grant for technical assistance/legal

2017 spring - purchased land

2017 spring - Development Agreement with City and Letter of Intent with White's Foodliner

2017 July - applied for HHS grant

2017 summer - design work on building

2017 October - federal HHS grant awarded - turning point

2017 - solidified multiple funding sources, signed contract with General Contractor

2018 - March broke ground

2018 - October 10 Grand Opening





Part of what makes this possible







Is milkshakes,
gas and donuts



Funding options for rural grocery stores

Small Business Administration
USDA Rural Development
Kansas Energy Program

NetWork Kansas
Polsinelli
Kansas Healthy Food Initiative

Small Business Administration

Sarah Haymaker

Small Business Administration

7(a) Term loan

Up to \$5 million – can be used for business debt refinancing, change of ownership, leasing buildings, working capital, start up costs, inventory, fixtures, equipment and real estate

- 7-10 years for Working Capital & Equipment, 25 years on real estate
- 75% guarantee for loans >\$150k, 85% for loans <\$150k

SBA Express

Currently, up to \$1 million – typically used as revolving line of credit

504 Loans – through a Certified Development Company

Up to \$5 million – three -part loan

- Commercial lender 50% (first lien)
- 504 CDC up to 40% (second lien)
- Borrower provides difference

The SBA does not lend money; it “ **guarantees the loan** ”

The loans are for small businesses that are not able to obtain credit elsewhere

The program operates through private -sector lenders that participate in SBA lending programs

Mitigates the lender’s perceived risk

Small Business Administration

Microloans

Direct loans from non-profit intermediary lenders – up to \$50,000

Maximum term 6 years – used to purchase equipment, fixtures, leasehold improvements & working capital

Community Advantage

Loans made by non-bank, mission lenders – up to \$250,000

60% of loans MUST be in an underserved market – Rural areas, HUBZone, LMI tracts, Veteran owned

Through Sept. 30, 2021 – guarantees up to 90% on 7(a) loans, 75% on Express, and no lender or borrower fees

Small Business Administration

Fanestil Meats - Emporia, KS

- 7(a) - business purchase, working capital, equipment
- 504 \$1.3 million
 - new facility for high -efficiency cold storage warehousing, loading docks, and administrative offices
 - Butcher shop and retail space
- In progress - 504 \$2.6 million for new processing facility



SBA Contacts

Find more information at www.sba.gov/ks

Sarah Haymaker, Deputy District Director
(316) 250-5612
sarah.haymaker@sba.gov

Janelle Jones, Lender Relations Specialist
(202) 845 -4184
janelle.jones@sba.gov

Christie Henry, Lender Relations Specialist
(316) 272-6023
mary.henry@sba.gov

USDA Rural Development

Travis Snider

USDA Rural Development

Business & Industry Guaranteed Loan (B&I)

This program offers loan guarantees to lenders for their loans to rural businesses.

Rural Economic Development Loan & Grant Program (REDLG)

The Rural Economic Development Loan and Grant program provides funding for rural projects through local utility organizations. USDA provides zero -interest loans to local utilities which they, in turn, pass through to local businesses (ultimate recipients) for projects that will create and retain employment in rural areas. The ultimate recipients repay the lending utility directly. The utility then is responsible for repayment to USDA.

USDA provides grants to local utility organizations which use the funding to establish Revolving Loan Funds (RLF). Loans are made from the revolving loan funds to projects that will create or retain rural jobs. When the revolving loan fund is terminated, the grant is repaid to USDA.

Rural Energy for America Program (REAP)

The program provides guaranteed loan financing and grant funding to agricultural producers and rural small businesses for renewable energy systems or to make energy efficiency improvements. Agricultural producers may also apply for new energy efficient equipment and new system loans for agricultural production and processing.

Business & Industry Guaranteed Loans

Onaga Country Market

- \$500,000 USDA Business & Industry Guaranteed Loan
- Purchase equipment needed to construct and operate a new grocery store in Onaga
- Multiple funding partners came together to make this project happen including: NetWork Kansas, City of Onaga, Pottawatomie County



Rural Economic Development Loan & Grant Program (RED-L/G)

White's Foodliner (Stafford County Economic Development)

- St. John, KS
- \$1 million RED -L
- Funds used to assist with construction and equipping of new building for grocery store, pharmacy, fuel station and community space
- Multiple funding partners including: SJN Bank of Kansas, Sunflower Foundation, Health Human Services Grant, Individual and Corporate Donations and NetWork Kansas



Rural Energy for America Program (REAP)

Peabody Market

- Replaced inefficient coolers and refrigerators at the Peabody Market
- Energy savings of 82%
- Total project cost was \$36,200, received a \$9,050 REAP grant



USDA Rural Development Business Programs Contacts

Find more information at www.rd.usda.gov/ks

David Kramer
Business Programs
Director
Topeka State Office
(785) 271-2736
david.Kramer@Usda.gov

Doug Bruggeman
Business Programs
Specialist
Hays Area Office
(785) 628 -3081
doug.bruggeman@usda.gov

Nancy Pletcher
Business Programs
Specialist
Topeka State Office
(785) 271-2733
nancy.pletcher@usda.gov

Travis Snider
Business Programs
Specialist
Newton Area Office
(316)-282-3477
travis.snider@usda.gov

Kansas Energy Program

David Carter

Kansas Energy Program - Small Business Assistance

Small business owners and agricultural producers located in areas with a population of less than 50,000 are eligible for no-cost energy audits, renewable energy site assessments, and assistance in applying for federal programs such as the USDA Rural Energy for America Program (REAP) grants.



Kansas Energy Program - Small Business Assistance Results

105 Completed Assessments
in 73 Cities
covering 48 Counties

48 REAP applications awarded for a
90.6% grant approval rate

This success has resulted in \$779,000 in
USDA grant reimbursement funds made
available to Kansas rural small businesses



KCC/K - STATE STAFF

- Lynn Retz – KCC Executive Director
- Keith Kueny – KCC Energy Office Director
- David Carter, CEM, CMVP – K-State; Kansas Energy Program
- Yvonne Cook, CEM – K-State; Kansas Energy Program
- Ryan Hamel, PE, CEM, CMVP – K-State; Kansas Energy Program
- Kurt Foley, EMIT – K-State; Kansas Energy Program

www.kansasenergyprogram.org

ksenergyprog@ksu.edu – 785-532-6026

NetWork Kansas

Imogene Harris

NetWork Kansas

Loan Programs

- Kansas Healthy Food Initiative
- Entrepreneurship (E -) Community Loan Funds
- StartUp Kansas
- Kansas Capital Multiplier Loan Fund
- Minority -Woman Business Multiplier Loan Fund
- Kansas Community Investment Fund

Universal Program Requirements

- Matching funds
- Connected to a local partner
- Located in a rural or urban -distressed area
- Vary in matching percentages and maximum loan amount



Mildred Store



- Population 28
- E-Community Loan
- KHFI Funding

CURRENTS

Because of three coolers, Mildred dances on Saturday nights

With the support of NetWork Kansas, there's a grocery store in Mildred, Kansas. Networks of rural ecosystem builders help dismantle barriers for rural entrepreneurs – whether it's supporting the success of the one business in town, or sustaining a vibrant 'micropolis.'

Written by Anne Kniggendorf | Video by Sarai Vega | August 15, 2019



Our Market

- Reopen store in Humboldt
- Grocery & Butcher
- E-Community Loan
- KHFI



NetWork Kansas Referral Center



Contact

Email: info@networkkansas.com

Call: (877) 521-8600

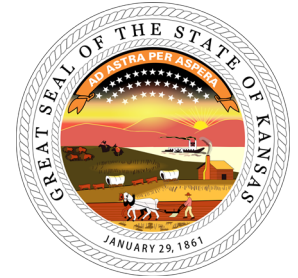
Connect: [@networkkansas](#)

Polsinelli on Municipal Financing

Korb Maxwell and Joe Oaks

Municipal Financing at a Glance

- **Redirection of Future Tax Revenues**
 - ❑ Tax Increment Financing (TIF)
- **Additional Taxation/Assessments**
 - ❑ Community Improvement Districts (CID's)
 - ❑ Transportation Development Districts (TDD's)
- **Tax Abatement and Exemption Tools**
 - ❑ Industrial Revenue Bonds (IRB's)
- **State and Federal Tax Credits or Tax Incentives**
 - ❑ Opportunity Zones
 - ❑ New Market Tax Credits



Municipal Financing - TIF

Tax Increment Financing (TIF) Districts

- TIF allows an owner/developer to “capture” the **incremental tax revenues** generated within a designated area during a period of years to help pay eligible project costs.
- “Incremental” for these purposes means the difference between pre-development “base” sales and property taxes, and the **increase in sales and property taxes** following new construction or redevelopment.
- **Two (2) Primary Revenue Sources**
 - Up to 100% of real property tax increment
 - Up to 100% of local sales tax increment
- **Limitations**
 - 20-year term
 - Must be located in eligible area
 - Eligible Costs



Municipal Financing – *CID's*

Community Improvement Districts (CID's)

- Special purpose district created entirely at landowner and local option
- Up to 22 -year term
- **District may levy:**
 - Up to 2% additional sales tax
 - Special property tax incentives
- **Wide Range of Eligible Costs**
- **No Risk to City**
 - No diversion of existing revenue streams

TAX RATES	
<i>Jurisdiction</i>	<i>Rate</i>
State	6.50%
County	1.00%
City	1.50%
Net Total	9.00%
CID Sales Tax	1.00%
TOTAL	10.00%

Municipal Financing - example



Cosentino's Price Chopper – Gardner, Kansas

- **CID** – 1% additional CID sales tax over 22 - year term to reimburse up to \$12.5M in CID eligible costs
- **TIF** – redirection of property taxes to reimburse up to \$6.5M in TIF eligible costs
- **IRB's** – sales tax exemption on construction materials

Contacts



<https://www.polsinelli.com/>

Korb Maxwell

kmaxwell@polsinelli.com

(816) 360-4327

Joe Oaks

joaks@polsinelli.com

(816) 218-1295

Kansas Healthy Food Initiative

Erica Blair

Kansas Healthy Food Initiative

Goal: Increase access to healthy food retail in low resource and underserved areas of Kansas -

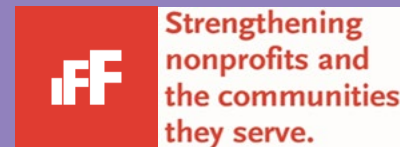
Two step process:

- Eligibility Review - Does the project meet programmatic goals?
- Financial Review - if eligible, applicant will be connected to resource partner to help complete the financial application.



KANSAS HEALTH
FOUNDATION

K-STATE
Research and Extension



The Food Trust

Kansas Healthy Food Initiative



KCK FARMERS' MARKET
Kansas City, KS



LUCAS HOME OIL
Lucas, KS



**PROTECTION
COMMUNITY VENTURE**
Protection, KS



ST. FRANCIS SUPER'S
St. Francis, KS



MARMATON MARKET
Moran, KS



McCUNE FARM TO MARKET
McCune, KS



WHITE'S FOODLINER
St. John, KS



SUPERMART EL TORITO
Topeka, KS

Kansas Healthy Food Initiative Contacts

Get started at www.kansashealthyfood.org

Email: khfi@ksu.edu



Questions

Please use the Q&A feature

Grocery Business Transition Mentorship Program

Grocers who apply and are accepted into the Grocery Business Transition Mentorship Program will be paired with a mentor to identify needs, clarify goals, and develop action steps to advance their business transition objectives.

Eligibility: Participants must be based in rural Kansas. Up to 10 rural Kansas grocers will be accepted. Acceptance into the program will be evaluated based on information submitted in the application.

Expectations: Program participants commit to having a minimum of **four one-hour meetings** with their assigned mentor between April 2021 and June 2021. Mentors commit to helping identify solutions, sharing tools and resources, and assisting in the development of concrete action steps. Mentors may assign worksheets or other tasks to be completed in between meetings.

Stipend: Program participants will receive a \$500 stipend.

For more information, visit

www.ruralgrocery.org/events/webinars_and_workshops/KGA_Mentorship_Program.html

Webinar Schedule

All webinars are on Thursdays at 1:30 PM CT

Save your spot by registering at www.ruralgrocery.org

- | | |
|----------|--------------------------------------|
| March 11 | Recruiting Store Managers |
| March 18 | Mastering Grocery Store Nuts & Bolts |

All previous webinars have been recorded and can be viewed at www.ruralgrocery.org under the Events tab.

Upcoming Webinar

Recruiting Store Managers

Thursday, March 11
at 1:30 P M

Recruiting a store manager can be one of the greatest challenges in transitioning a grocery store. In this webinar, hear directly from grocery store owners to learn how they found and developed leaders to take on the grocery business. Panelists include Carly Whorton, owner of Cecil K's in Holton, KS, and Tasha Malay, owner of Malay's Market in WaKeeney, KS.

WEBINAR SERIES

Keeping Groceries Alive: Successful Ownership Transitions for Rural Grocery Stores

K-STATE
Research and Extension

