



Development Co+op Brings Successful Loan Fund to Close

BY NATIONAL CO+OP GROCERS

The NCG Development Co+operative is pleased to announce that it has loaned \$9,350,000 of the \$10 million dollars made available to retail food co-ops in its charter loan fund! Loans were made to support expansion and improvement efforts at three co-ops—First Alternative Co-op (Corvallis, Ore.), Co+opportunity (Santa Monica, Calif.), and Wheatsville Co-op (Austin, Tex.)—helping ensure they continue to be strong and vibrant businesses, able to meet the needs of their local communities. The loan fund is now closed, with remaining funds returned to investors.

Background

The NCG Development Co+operative is a subsidiary of National Co+op Grocers (NCG) formed in 2008 to provide business development and expansion services to retail food co-ops. Funding is an essential and often challenging aspect of co-op development: grocery stores frequently lease space, hold perishable inventory, and do not have other significant assets to provide as loan collateral. Additionally, most commercial banks do not understand the cooperative structure and struggle with the lack of a sole owner or partners to personally guarantee the debt. Many co-op projects are delayed for months while management shops a loan among numerous banks, sometimes resulting in loss of the retail site to businesses able to move more quickly.

The NCG Development Co+operative sought a cooperative solution to this issue. We explored the feasibility of equity-based funds before deciding in favor of a fund that would leverage investments by NCG and its co-ops against senior debt provided by a financing partner.

By mid-2014, the Development Co+operative (DC) Loan Fund had been created, and NCG and eighteen of its member co-ops had invested \$2,000,000 of subordinated debt. This investment in turn leveraged an additional \$8,000,000 in senior debt from Capital Impact Partners, our financial ally in Washington, D.C. The DC Loan Fund officially opened in September 2014.

Evolution

Although originally expected to close on December 31, 2015, the Fund experienced a shortage of qualifying applications. By late 2014, the credit market had loosened considerably, capital was more widely available, and potential applicants were limited by some of the terms of the fund. Working collaboratively, the NCG Development Co+operative and Capital Impact Partners reduced fees and interest rates and extended the application deadline by a year. NCG and its member co-op investors supported the extension, and the strategy proved successful: the fund was nearly exhausted by December 31, 2016.

Impact

The impact on the three co-ops participating in the fund is significant.

First Alternative Co-op (Corvallis, Ore.): The co-op's loan of \$1,600,000 allowed it to pay off a local loan that unexpectedly came due and provided funds for needed capital improvements.

Co+opportunity (Santa Monica, Calif.): The co-op's loan of \$3,750,000 provided financing for the co-op's second retail location in Culver City. The new store is expected to open in early summer 2017.

Wheatsville Co-op (Austin, Tex.): The co-op's loan of \$4,000,000 allowed it to replace a higher interest loan and provide funds for a store

PHOTOS COURTESY OF NATIONAL CO+OP GROCERS

Don Moffitt

Expansion/Relocation Projects Planning & Implementation



- 35 years of business leadership
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Don's services include:

- Expansion and business planning
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- Early stage development assistance
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Startups Shine at Up & Coming

BY MARY STENNES WILBOURN

remodel. The co-op was able to lower its interest rate from 6.89 to 4.75 percent and to reduce its monthly payment by 30 percent.

These co-ops and their communities are benefiting from the investments made by NCG and its co-ops, leveraging their combined assets to grow the cooperative economy and fulfill a commitment to the cooperative principles of autonomy and independence and cooperation amongst cooperatives.

The DC Loan Fund has demonstrated that cooperative solutions to capital access work. The Fund combines thorough project review with fast loan approval, competitive market rates and loan terms, along with reasonable debt service coverage requirements and loan-to-value ratios. Importantly, the Fund has built credibility for the food co-op system with the impact investment community. We truly are stronger together! □

The March 2017 Up & Coming food co-op conference featured larger-than-ever attendance and a training program of increased depth and breadth. Over 270 cooperators gathered in downtown Milwaukee for this annual startup event, now in its 8th year.

The conference has far-reaching impact. Boards and organizers from New England to Mississippi and Alaska learned from co-op pros as well as startup peers. In the true spirit of cooperation, attendees were energized and inspired by the people they met through the wealth of networking available through the conference. They experienced first-hand how cooperation among cooperatives, the sixth cooperative principle can help every startup grow.

Thanks to over 40 established food co-ops that contributed toward scholarships, enabling more startups to attend. Conference participants cheered for them while viewing this Principle Six thank you video: https://youtu.be/dZvK1_Iz7qU. From that page you can link to workshop videos covering specific planning, governance, fundraising, and operational issues for startup food co-ops.

Up & Coming is co-sponsored by the Indiana Cooperative Development Center (under the leadership of director Deb Trocha) and Food Co-op Initiative. After seven years in Bloomington, Indiana, working with Bloomingsfoods as the local co-op host, the conference had outgrown available space. With the shift to Milwaukee, Outpost Natural Foods Co-op hosted, providing behind-the-scenes support, and an amazing crew of volunteers. Conference planners and Outpost announced that Up & Coming will return to Milwaukee in spring 2018. Learn more at upandcoming.coop. □



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