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# Federal Economic Development Resources for Food Businesses and Systems: In Brief

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## Contents

Introduction .....	1
Linking Economic Development and Food Systems .....	2
Overview of Federal Economic and Business Development Programs .....	3
For Non-Business Entities: Select Grant and Loan Guarantee Programs .....	3
U.S. Department of Commerce, Economic Development Administration (EDA) Grant Programs .....	3
Federal Regional Commissions and Authorities Grant Programs .....	4
U.S. Treasury Community Development Financial Institution (CDFI) Fund, Healthy Food Financing Initiative (HFFI).....	4
U.S. Department of Health and Human Services (HHS) .....	5
Community Economic Development (CED) Grant Program .....	5
U.S. Housing and Urban Development (HUD) Programs .....	5
Community Development Block Grant Program.....	5
Section 108 Loan Guarantee Program .....	6
Small Business Administration (SBA) Growth Accelerator Fund Competition (GAFC) .....	6
For Businesses: Tax Incentives and Other Programs .....	8
Federal Tax Credit Programs.....	8
Credit Assistance Programs.....	9
Small Business Administration (SBA) Credit Assistance Programs.....	9
Revolving Loan Fund (RLF) Programs .....	9
Community Development Financial Institution (CDFI) Fund.....	10
Select Business Technical Assistance Programs .....	10
Other Resources .....	11

## Tables

Table 1. Select Federal Economic Development Programs for Local Food Systems .....	7
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## Contacts

Author Information.....	11
-------------------------	----

## Introduction

Community initiatives to improve local and regional food systems often focus on efforts to increase the consumption, production, distribution, and development of products within a particular geographic area. The networks associated with the agricultural and food supply chain are also considered integral to the concept of local and regional food systems.<sup>1</sup> However, definitions of the term “local food systems” varies, and the distance that qualifies as “local” also varies.<sup>2</sup> State and local government agencies and outside groups may provide other definitions for these terms. Food system initiatives may be designed to address one or more objectives related to food access, sustainability, entrepreneurship, or regional economic diversification, among others.

In recent decades, Congress has authorized several programs that may be used to support food systems initiatives. In 2022, the Biden Administration’s *National Strategy on Hunger, Nutrition and Health* outlined ways that the federal government and other entities may partner to address food insecurity and nutrition-related health issues. The Administration’s report directed several federal agencies to enhance the connection between economic development programs and healthy food access initiatives, among other recommendations.<sup>3</sup>

This report focuses on economic and business development programs administered by the Departments of Commerce, Health and Human Services, and Housing and Urban Development; the U.S. Treasury; the Small Business Administration; and federal regional commissions and authorities that may be used to support food systems initiatives. Although most of these programs do not focus specifically on food access or nutrition activities, many are flexible and broad-based, and can be used generally to fund activities that increase an area’s level of private investment, jobs, workforce capacity, or economic opportunity. These programs provide assistance in two ways: (1) the programs may fund community-level strategies to strengthen the supply and demand factors relevant to regional food economies and (2) the programs may assist individual food businesses with credit or technical assistance.<sup>4</sup> This report does not include U.S. Department of Agriculture (USDA) programs discussed in CRS Report R46538, *Local and Urban Food Systems: Selected Farm Bill and Other Federal Programs*.<sup>5</sup>

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<sup>1</sup> U.S. Department of Agriculture (USDA), “Definitions: Sustainability and Food Systems,” <https://www.usda.gov/oce/sustainability/definitions>; and Andrew Dumont et al., eds., *Harvesting opportunity: The power of regional food system investments to transform communities*, Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System, 2017, p. 18, [https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/community-development/harvesting-opportunity/harvesting\\_opportunity.pdf](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/community-development/harvesting-opportunity/harvesting_opportunity.pdf). For a summary of related terms, see CRS Report R46538, *Local and Urban Food Systems: Selected Farm Bill and Other Federal Programs*.

<sup>2</sup> USDA Economic Research Service, *Local Food Systems: Concepts, Impacts, and Issues*, Stephen Martinez, Economic Research Report (ERR) No. 97, May 2010, pp. 42–45, <https://www.ers.usda.gov/publications/pub-details/?pubid=46395>.

<sup>3</sup> The White House, “Biden-Harris Administration National Strategy on Hunger, Nutrition, and Health,” September 2022, <https://www.whitehouse.gov/wp-content/uploads/2022/09/White-House-National-Strategy-on-Hunger-Nutrition-and-Health-FINAL.pdf>.

<sup>4</sup> A description of regional and local strategies is beyond the scope of this report. For examples of such strategies and related policies, see CRS Report R44390, *The Role of Local and Regional Food Systems in U.S. Farm Policy*, by Renée Johnson.

<sup>5</sup> The most recent farm bill was enacted in 2018 (Agriculture Improvement Act of 2018 (P.L. 115-334)). For more background, see CRS Report R45525, *The 2018 Farm Bill (P.L. 115-334): Summary and Side-by-Side Comparison*. Other related USDA nutrition programs may exist, such as those last reauthorized in the Healthy, Hunger-Free Kids Act of 2010 (P.L. 111-296). For more background, see CRS In Focus IF10266, *Child Nutrition Reauthorization (CNR): An Overview*.

## Linking Economic Development and Food Systems

Food systems initiatives are designed to address multiple, interrelated objectives often centered on food system sustainability or community health goals (such as improved food access and food security). Some communities may also develop food systems initiatives as a component of a broader economic development, entrepreneurship, workforce, and regional diversification strategy.<sup>7</sup> These communities may develop food systems initiatives with the view that such efforts may contribute to increased employment and income growth.<sup>8</sup> The development of *local* or *regional* food systems is based on the premise that stimulating the supply of and demand for locally grown or produced goods recirculates spending by small and medium-sized businesses and local consumers in the local community, and may contribute to local economic resiliency.<sup>9</sup> Additionally, the promotion of local food and food businesses may align with business recruitment, tourism, and place-making strategies designed to attract new firms, visitors, and residents. For instance, a region with a particularly unique or active local food economy may promote its food and agriculture assets in order to generate spending and revenue.<sup>10</sup>

Policymakers and practitioners may have additional reasons for supporting the development of local and regional food systems.<sup>11</sup> For instance, some view enhanced regional collaboration on food systems as potentially beneficial to aspects of food supply chains and food system resilience.<sup>12</sup> Food systems projects may also be designed to

### Economic Development

The term “economic development” lacks a common definition and can refer both to a policy objective as well as a set of tools to achieve that objective. The Department of Commerce’s Economic Development Administration (EDA), describes economic development as creating

the conditions for economic growth and improved quality of life by expanding the capacity of individuals, firms, and communities to maximize the use of their talents and skills to support innovation, lower transaction costs, and responsibly produce and trade valuable goods and services.<sup>6</sup>

Economic development is also described as a long-term process designed to create jobs and economic activity, and as efforts to address equity and create wealth. Economic development policy goals may range from increased economic activity (e.g., growth) to equity or improved socioeconomic conditions (e.g., decreased disparities).

<sup>6</sup> EDA, “Key Definitions,” <https://www.eda.gov/performance/key-definitions/>.

<sup>7</sup> For examples, see Emily Robbins, *Food-Based Business Incubator Programs*, National League of Cities, 2016, [https://www.nlc.org/wp-content/uploads/2020/09/Food-Based\\_Business\\_Incubator\\_Programs.pdf](https://www.nlc.org/wp-content/uploads/2020/09/Food-Based_Business_Incubator_Programs.pdf).

<sup>8</sup> Researchers report mixed findings on the local economic development impact of local food systems. Researchers note that the size and scale of the overall economic impact of food system investments is difficult to measure and evaluate because of the possibility that these activities displace others, among other considerations. See Andrew Dumont et al., eds., 2017, and USDA ERS, ERR-97, May 2010.

<sup>9</sup> Andrew Dumont et al., eds., 2017. Resiliency typically refers to the ability of regional economies and businesses to withstand shocks. Shocks may include national or global economic downturns; regional industry downturns; or external events, such as a natural or man-made disaster. See U.S. Economic Development Administration (EDA), “CEDS Guidelines—Economic Resilience,” <https://www.eda.gov/ceds/content/economic-resilience.htm>.

<sup>10</sup> Dave Shideler and Philip Watson, “Making Change through Local Food Production: Calculating the Economic Impact of Your Local Food Project,” *Journal of Agriculture, Food Systems, and Community Development*, January 2019, Vol. 8, Suppl. 3, p. 174, <https://doi.org/10.5304/jafscd.2019.08C.011>.

<sup>11</sup> Andrew Dumont et al., eds., 2017, and USDA ERS, ERR-97, May 2010.

<sup>12</sup> The field of food system resilience is considered nascent by some researchers. For additional information, see John Hopkins Center for a Livable Future, “Resilience Planning Guide,” <https://clf.jhsph.edu/projects/food-system-resilience/resilience-planning-guide>.

support communities' land use and development plans or to recognize cultural assets.<sup>13</sup>

## Overview of Federal Economic and Business Development Programs

Congress has authorized multiple agencies to administer flexible economic and business development programs that may be used to strengthen aspects of local and regional food systems.<sup>14</sup> These programs may not specifically focus on community health, food security, and food access, but they could be used to address the development of food systems and food businesses more generally.

Project eligibility for federal economic development programs depends on community conditions, and the type of activity and applicant, among other criteria. Many of the programs outlined in this report use criteria to prioritize projects that impact low- or moderate-income households (e.g., HUD's Community Development Block Grant program) or economically distressed areas (e.g., the EDA's Public Works and Economic Adjustment Assistance programs).<sup>15</sup> Grants, cooperative agreements, and federal technical assistance are generally available to units of local government, states, educational institutions, nonprofit organizations, Indian tribes, and non-business entities. Businesses may be eligible for certain cooperative agreements or credit, technical assistance, and business coaching services, but are not typically eligible for economic development grants.

## For Non-Business Entities: Select Grant and Loan Guarantee Programs

The following grant and loan guarantee programs are generally available to non-business stakeholders and may support community-level strategies to strengthen the supply and demand factors relevant to regional food economies. For example, community-level projects may be designed to construct shared production facilities, increase access to local foods, address barriers to entrepreneurship, strengthen regional branding and marketing efforts, or provide workforce training. The grant, tax incentive, and credit and technical assistance programs described below and in **Table 1** should be considered illustrative and not comprehensive.

## U.S. Department of Commerce, Economic Development Administration (EDA) Grant Programs<sup>16</sup>

The EDA administers a number of funding and technical assistance programs for communities seeking to expand local economic opportunities, some of which may be used by communities to

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<sup>13</sup> *CDFA Food Systems Finance Best Practices Guidebook*, Community Development Finance Association, December 2022, <https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/foodsystems.html>.

<sup>14</sup> For a directory of federal economic and business development resources, see CRS Report R46683, *Federal Resources for State and Local Economic Development*, by Julie M. Lawhorn.

<sup>15</sup> Federal regional commissions and authorities only provide assistance to projects in their designated regions.

<sup>16</sup> For more information, see CRS Report R46991, *Economic Development Administration: An Overview of Programs and Appropriations (FY2011-FY2022)*, by Julie M. Lawhorn. A full list of EDA programs is available at <https://eda.gov/programs/eda-programs/>, and the current Notice of Funding Opportunities are available at <https://eda.gov/funding-opportunities/>. Interested grant applicants are encouraged to contact economic development districts (<https://eda.gov/edd>) or state or regional EDA representatives (<https://www.eda.gov/contact>).

develop food systems and entrepreneurial activity in food sectors. The Local Technical Assistance, Public Works, Economic Adjustment Assistance (EAA), University Center, and other EDA programs could be used to support regional efforts to strengthen food systems and food businesses. For example, EDA's EAA program may be used for facility construction or repair, feasibility studies, business technical assistance, workforce training, revolving loan funds, and incubator programs. Eligible applicants for most EDA programs include EDA-designated economic development districts (EDDs); Indian tribes; states, counties, cities, or other political subdivisions of a state; institutions of higher education; and nonprofit organizations. EDA does not make grants to for-profit entities or individuals.

## **Federal Regional Commissions and Authorities Grant Programs<sup>17</sup>**

Federal regional commissions and authorities, including the Appalachian Regional Commission (ARC), Delta Regional Authority (DRA), Denali Commission, Northern Border Regional Commission (NBRC), and Southeast Crescent Regional Commission (SCRC) provide assistance to congressionally designated counties in their service areas for economic development initiatives. Grants from the federal regional commissions and authorities may support activities similar to those funded by EDA programs, such as the repair or construction of shared food production facilities, equipment for an incubator program, or feasibility studies to evaluate the capacity of food producers to reach new markets.

Federal regional commissions may also publish research on regional food systems' challenges and opportunities. For example, in 2022, the ARC published a report that analyzed opportunities to strengthen the region's local food economies. The report identified opportunities to promote food businesses through the development of a place-specific, regional brand. The report also identified opportunities for training farmers, increasing land access for aspiring farmers, and preserving existing agricultural land as strategies that may strengthen aspects of the food system and supply chain.<sup>18</sup>

## **U.S. Treasury Community Development Financial Institution (CDFI) Fund, Healthy Food Financing Initiative (HFFI)<sup>19</sup>**

Congress provides funding to the U.S. Treasury for the HFFI within its Community Development Financial Institutions (CDFI) Fund. The HFFI provides grants, training, and technical assistance to CDFIs so they can provide loans for local projects that increase access to healthy foods in underserved communities. For example, a CDFI may use HFFI funding to provide financing for the renovation of a non-retail wholesale distribution facility of fresh produce.<sup>20</sup> Congress also

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<sup>17</sup> For more information, including a national map showing the regions covered by the federal regional commissions and authorities, see CRS Report R45997, *Federal Regional Commissions and Authorities: Structural Features and Function*, by Julie M. Lawhorn. Interested grant applicants are encouraged to contact state program managers for the federal regional commissions and authorities. State program managers are typically based in state economic development agencies.

<sup>18</sup> Ben Kerrick et al., *Agriculture and Local Food Economies in the Appalachian Region*, KK&P and Mass Economics, prepared for the ARC, April 6, 2022, <https://www.arc.gov/report/agriculture-and-local-food-economies-in-the-appalachian-region/>.

<sup>19</sup> For more information, see "Healthy Food Financing Initiative" in CRS Report R47169, *Community Development Financial Institutions (CDFI) Fund: Overview and Programs*, by Donald J. Marples and Darryl E. Getter; and CDFI Fund, "CDFI Program," <https://www.cdfifund.gov/programs-training/programs/cdfi-program>. For a list of active CDFIs, see <https://www.cdfifund.gov/programs-training/certification/cdfi>.

<sup>20</sup> CDFI Fund, "HFFI-Financial Assistance Application Guidance," <https://www.cdfifund.gov/sites/cdfi/files/2021-02/>



provides HFFI funding to USDA.<sup>21</sup> The Department of Health and Human Services (HHS) allocated a portion of congressional appropriations to HFFI activities between FY2011 and FY2016 (described below).

## U.S. Department of Health and Human Services (HHS)

### Community Economic Development (CED) Grant Program<sup>22</sup>

The CED program provides funding to private, non-profit community development corporations (CDCs) for projects that create and expand businesses and job opportunities for low-income residents.<sup>23</sup> For example, CED funds may be used to construct affordable retail space for food business owners in order to expand employment opportunities for individuals with low income.<sup>24</sup> HHS previously administered the Healthy Food Financing Initiative (HFFI) through the Community Economic Development program. The HFFI was designed to expand food access in rural and urban communities and support business development. HHS allocated approximately \$10 million per year to the HFFI between FY2011 and FY2016. The HHS HFFI is not currently active; the most recent HHS HFFI funding opportunity announcement closed in 2016.<sup>25</sup> However, certain projects involving employment opportunities related to food systems or food businesses may be eligible for CED funding.

## U.S. Housing and Urban Development (HUD) Programs

HUD administers programs to support community and economic development objectives, including the Community Development Block Grant (CDBG) program and the Section 108 Loan Guarantee Program (Section 108).

### Community Development Block Grant Program<sup>26</sup>

HUD's CDBG program is a flexible source of federal funding available to states and localities for a broad range of economic and community development-related purposes, which could potentially include certain food system-related activities. CDBG activities may be used to support neighborhood revitalization efforts, expanding economic opportunities, and improving public facilities. CDBG activities may also include support for public services such as youth services, employment training, and food banks, which may contribute to aspects of local and regional food

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6.%20HFFI-FA%20Guidance%20FY%202021.pdf.

<sup>21</sup> 7 U.S.C. § 6953. For more information, see CRS In Focus IF12214, *The USDA Healthy Food Financing Initiative*, by Lisa S. Benson.

<sup>22</sup> For more information, see CRS Report RL32872, *Community Services Block Grants (CSBG): Background and Funding*, by Conor F. Boyle.

<sup>23</sup> For the purposes of CED grants, CDCs may include faith-based organizations and Tribal and Alaskan Native organizations. See HHS, "Community Economic Development," <https://www.acf.hhs.gov/ocs/programs/ced>.

<sup>24</sup> For a summary of active CED grant projects, see HHS, "CED Map Current Grant Recipient Locations FY 2022," <https://www.acf.hhs.gov/ocs/map/ced-map-current-grantee-locations>.

<sup>25</sup> Active federal funding opportunities are searchable at <https://www.grants.gov/>. For more information on the HHS HFFI, see "Healthy Food Financing Initiative" in CRS Report RL32872, *Community Services Block Grants (CSBG): Background and Funding*, by Conor F. Boyle; and "CED Healthy Food Financing Initiative Information," <https://www.acf.hhs.gov/ocs/grant-funding/healthy-food-financing-initiative-information>.

<sup>26</sup> For more information about the CDBG program, see CRS Report R46733, *Community Development Block Grants: Funding and Allocation Processes*, by Joseph V. Jaroscak.

systems.<sup>27</sup> State and local CDBG administrators typically have wide discretion in how CDBG funds are used.<sup>28</sup> However, CDBG’s authorizing statute requires states and local governments to certify that all proposed activities meet one of the program’s national objectives:

1. principally benefit low- and moderate-income (LMI) persons;<sup>29</sup>
2. aid in the prevention or elimination of slums or blight; or
3. meet an urgent need by addressing conditions that pose a serious and immediate threat to the health and safety of residents.<sup>30</sup>

### **Section 108 Loan Guarantee Program<sup>31</sup>**

HUD’s Section 108 program allows local and state governments to leverage their CDBG allocation as a loan guarantee for large-scale development projects. According to HUD, Section 108 thus enables grantees to undertake substantially larger community development projects than CDBG grants alone would support.<sup>32</sup>

### **Small Business Administration (SBA) Growth Accelerator Fund Competition (GAFC)<sup>33</sup>**

In addition to business credit programs (e.g., loan guarantees), the SBA also administers programs that provide specialized management, coaching, and capital access services to facilitate the growth of high-tech small businesses. The Growth Accelerator Fund Competition (GAFC) is an SBA-administered prize competition that supports the development of business accelerators, incubators, and related entrepreneur-support programs and may be available for the development of food entrepreneurs. The program focuses on small businesses engaging in research and development regions with fewer conventional sources of access to capital (i.e., venture capital and other investors).

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<sup>27</sup> For examples of CDBG expenditure reports, see U.S. Department of Housing and Urban Development, *CDBG Activity Expenditure Reports*, <https://www.hudexchange.info/programs/cdbg/cdbg-expenditure-reports/>.

<sup>28</sup> For a directory of HUD CDBG grantees, see <https://www.hudexchange.info/grantees/find-a-grantee/>.

<sup>29</sup> The LMI benefit national objective is required to total 70% of a grantee’s projects under the conventional CDBG program, although waivers may be obtained in extenuating circumstances. For information on HUD’s definitions for low and moderate income, see <https://www.hudexchange.info/programs/cdbg/cdbg-low-moderate-income-data/>.

<sup>30</sup> 42 U.S.C. §§5301 et seq., as interpreted by HUD at 24 C.F.R. §570.200; and the HUD Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities.

<sup>31</sup> For more information, see CRS In Focus IF11889, *HUD Section 108 Loan Guarantee Program: An Overview*, by Joseph V. Jaroschak.

<sup>32</sup> U.S. Housing and Urban Development (HUD), HUD Exchange, “Section 108 Loan Guarantee Program,” <https://www.hudexchange.info/programs/section-108/>.

<sup>33</sup> For more information, see SBIR, “Accelerators,” <https://www.sbir.gov/accelerators>.



**Table I. Select Federal Economic Development Programs for Local Food Systems**  
(Financial Assistance and Prize Competition Programs for Non-Business Entities)

Agency	Program	Form of Assistance	Project Example
Appalachian Regional Commission (ARC)	Area Development, other programs	Economic development grant program for the Appalachian Region. The program funds construction and non-construction expenses.	A university entity received a grant to develop a regional “foodshed.” The project involved business development, market development, training for new growers and food businesses, value-added production support, and agritourism promotion.
Delta Regional Authority (DRA)	States’ Economic Development Assistance Program (SEDAP), other programs	Economic development grant program for the Delta Region. The program funds construction and non-construction expenses.	A non-profit received a grant for construction expenses to build an incubator for small food enterprises.
Economic Development Agency (EDA)	Public Works <sup>a</sup>	Economic development grant program for economically distressed areas. Eligible activities include water, sewer, roads, utilities, and site and building improvements, among others.	A community college received a grant for construction expenses to build a shared, licensed commercial kitchen for food entrepreneurs.
EDA	Economic Adjustment Assistance <sup>a</sup>	Economic development grant program that assists areas experiencing long-term economic distress or sudden and substantial economic dislocation. The program funds construction and non-construction activities.	A county received a grant to capitalize a revolving loan fund that was used to finance the expansion of a farm-to-table butcher shop.
EDA	Local Technical Assistance	Economic development grant program to help stakeholders analyze the feasibility of potential economic development projects.	An economic development organization received a grant to conduct a targeted market study on the feasibility of a food business incubator.
Housing and Urban Development (HUD)	Community Development Block Grant (CDBG) state and entitlement programs	Community development grants to state and local governments for neighborhood revitalization, housing rehabilitation, and community and economic development projects.	A county received a grant to renovate a facility that will be used for a farmers market in a low-income neighborhood.
HUD	Section 108 Loan Guarantee	Loan guarantee program available to CDBG grantees to finance large-scale community and economic development projects.	A city used a loan guarantee to finance the purchase of a shopping center, which was then redeveloped to include a grocery store, pharmacy building, restaurant pad sites, and other stores.
Health and Human Services (HHS)	Community Economic Development	Grants to community development corporations (CDCs) for projects that create and expand businesses and job opportunities for low-income residents.	A CDC received a grant for equipment, supplies, and operating expenses to transition an existing produce distribution hub into a kitchen and processing center.

Agency	Program	Form of Assistance	Project Example
Northern Border Regional Commission (NBRC)	State Economic and Infrastructure Development Investment	Economic development grant program for the NBRC Region. The program funds construction and non-construction expenses.	A town received a grant to support food hubs that assist farm and food businesses with expanding market access and workforce training activities.
SBA	Growth Accelerator Fund Competition	Competitive prize funding to accelerators that support the growth of high-tech small businesses.	A food accelerator program received funding to support food and agriculture technology (AgTech) entrepreneurs and supply chain resiliency activities.
Treasury	CDFI Fund Financial Assistance, Healthy Food Financing Initiative	A capital access grant program for certified CDFIs to expand healthy food financing activities.	A regional credit union received a grant to make loans for businesses to start or expand grocery stores, co-ops, and farm businesses.

**Source:** Compiled by CRS using agency websites and press releases.

**Notes:** Eligibility criteria varies by agency and program. The ARC, DRA, NBRC, and other federal regional commissions and authorities encourage interested applicants to contact the state program representatives—often based at state economic development agencies.

- a. Indicates that the EDA's Public Works or Economic Adjustment Assistance (PWEAA) programs are designed to assist areas that are *economically distressed* as measured by unemployment levels, per capita income, or a 'special need' circumstance, among other requirements (see CRS In Focus IF12074, *Areas of Economic Distress for EDA Activities and Programs*). Additionally, projects must serve an area that has a Comprehensive Economic Development Strategy (CEDS) or equivalent strategy and meet other requirements in order to be eligible for PWEAA funding.

## For Businesses: Tax Incentives and Other Programs

There are limited federal economic development grants for starting or expanding a business or for purchasing or renovating land or property that is privately owned. Instead, businesses may receive assistance through tax credit programs, federally supported loans, and technical assistance programs. The following selected programs provide assistance to businesses, which could include producers, retail, and other food-related businesses.<sup>34</sup> For a review of USDA programs for food businesses and agricultural producers, see CRS Report R46538, *Local and Urban Food Systems: Selected Farm Bill and Other Federal Programs*.

### Federal Tax Credit Programs

Federal tax policies are a form of financial incentives that can be designed to facilitate economic development objectives. These policies may be used to facilitate or incentivize investment to strengthen local food system assets or related infrastructure (e.g., tax credits for private developers to build a grocery store in an underserved neighborhood). Tax credits may be structured to provide an investor with an income tax credit to reduce their tax liability and other purposes. For example, Congress authorized the Opportunity Zones and New Market Tax Credit programs, which may encourage capital investment in low-income or economically distressed

<sup>34</sup> For additional examples of finance tools for the development of food systems and businesses, see *CDFA Food Systems Finance Best Practices Guidebook*, Community Development Finance Association, December 2022, <https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/foodsystems.html>.

communities.<sup>35</sup> These programs could be used to develop food system assets or food businesses in certain areas. Additionally, the National Park Service and the Internal Revenue Service administer federal historic preservation tax credits. These tax credits are used for historic rehabilitation projects, and could be of interest to food businesses seeking to renovate or repair an eligible, historic building for retail, food production, workforce training, or other purposes.

## Credit Assistance Programs

Credit assistance programs may help businesses finance startup, operations, and expansion expenses through loan guarantee, loan, and revolving loan fund (RLF) programs. Federal credit assistance programs are often designed to address gaps in private lending or to extend access to credit to underserved areas or borrowers. Through these programs, food businesses—including those in economically distressed areas—may have increased access to credit. Federal agencies, such as the SBA, may issue loan guarantees to intermediary lenders to help the lenders make loans to businesses that may not otherwise qualify. For example, a food business may use an SBA-guaranteed loan to expand its retail footprint into a new market. Federal programs, such as the U.S. Treasury CDFI Fund or the EDA’s EAA, may also issue grants to intermediary lenders (e.g., community banks, CDFIs, state economic development agencies) so that they may issue loans to businesses. For instance, food entrepreneurs may receive loans from the CDFI Fund or EDA grantees in order to purchase equipment for a new product line or as gap financing to cover operations and payroll expenses during the start-up phase of a food enterprise.

### Small Business Administration (SBA) Credit Assistance Programs<sup>36</sup>

Small food businesses and entrepreneurs may receive assistance from the SBA’s credit assistance programs and business technical assistance programs that are available to all small businesses. The SBA supports/administers several lending programs designed to assist small- and medium-sized firms including

- the SBA 7(a) loan guarantee program, which guarantees a portion of the principal of loans made to small business by third-party lenders for the purchase of fixed assets (i.e., property, equipment), working capital, financing of start-ups, or to purchase an existing business (up to \$5 million);
- the SBA 504 Loan program, which provides small business financing for the purchase of real estate and the purchase or construction of fixed assets (up to \$5.5 million, depending on the loan’s purpose); and
- the SBA Microloan program, which provides financing for smaller projects up to \$50,000.

### Revolving Loan Fund (RLF) Programs<sup>37</sup>

Businesses may receive a loan through federally supported RLF programs, which may be capitalized by the EDA, USDA Rural Development, federal regional commissions and

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<sup>35</sup> For more information, see CRS Report R45152, *Tax Incentives for Opportunity Zones*, by Donald J. Marples; and CRS Report RL34402, *New Markets Tax Credit: An Introduction*, by Donald J. Marples.

<sup>36</sup> For more information, see CRS Report RL33243, *Small Business Administration: A Primer on Programs and Funding*, by Robert Jay Dilger, R. Corinne Blackford, and Anthony A. Cilluffo. Interested borrowers can find a lender through the online “Lender Match” tool at <https://www.sba.gov/funding-programs/loans/lender-match>.

<sup>37</sup> For more information, see CRS In Focus IF11449, *Economic Development Revolving Loan Funds (ED-RLFs)*, by Julie M. Lawhorn.

authorities, private capital sources, and other state and federal agencies. Some federal economic development programs support RLFs by providing grants or loans to capitalize the fund and cover administrative expenses. The initial funds can be combined with additional capital from other public and private sources. The repayment of principal, interest payments, and fees replenish RLFs so that future loans can be made to eligible borrowers and the loan fund can eventually be sustained or “revolved” without subsidy.

The purpose of many federally supported RLFs typically is to supplement—not supplant—conventional lending activity where business and development credit needs are not fully addressed. Such RLF programs can provide credit to businesses and markets that may be underserved by commercial lenders, including food entrepreneurs and small or nontraditional businesses and minority-owned businesses. RLFs are often administered by state and local agencies, such as state economic development agencies and economic development districts (EDDs). Nonprofit organizations may be eligible to receive a loan from some RLF programs, but the eligibility criteria for each RLF are determined by the intermediary lending organization.

### Community Development Financial Institution (CDFI) Fund<sup>38</sup>

CDFIs include community development banks, credit unions, and loan and venture capital funds. CDFIs provide loans and other services to businesses, homebuyers, community developers, and investors in distressed areas. The U.S. Treasury’s CDFI Fund provides financial and technical assistance to support CDFIs in economic and community development activities. The CDFI Fund does not provide assistance directly to businesses; businesses receive assistance through certified CDFIs. A CDFI may receive financial assistance from the CDFI Fund to lend to community partners involved in developing sites for grocery stores or farmers markets.

### Select Business Technical Assistance Programs

Business technical assistance programs generally support intermediary organizations that provide specialized services to businesses. The intermediary organizations may operate in partnership with anchor institutions, such as universities, colleges, CDCs, non-profit organizations, or units of state, regional, or local government. Services may include assistance to firms to access capital; develop business plans or cooperative business models; expand product and supply chains; or develop marketing or management activities, among other services. Agencies involved in business technical assistance include SBA (e.g., Small Business Development Center programs),<sup>39</sup> Minority Business Development Administration (e.g., MBDA Business Center programs),<sup>40</sup> EDA (e.g., University Center programs), and National Institute of Standards and Technology (NIST) (e.g., Manufacturing Extension Partnerships),<sup>41</sup> among others.<sup>42</sup>

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<sup>38</sup> For more information, see CRS Report R47217, *Community Development Financial Institutions (CDFIs): Overview and Selected Issues*, by Darryl E. Getter. For a list of active CDFIs, <https://www.cdfifund.gov/programs-training/certification/cdfi>.

<sup>39</sup> For more information, see CRS Report R41352, *Small Business Management and Technical Assistance Training Programs*, by Robert Jay Dilger, R. Corinne Blackford, and Adam G. Levin.

<sup>40</sup> For more information, see CRS Report R45015, *Minority Business Development Agency: An Overview of Its History and Current Issues*, by Julie M. Lawhorn. The MBDA’s online directory includes the location and contact information for MBDA Business Centers and Specialty Centers at <https://www.mbda.gov/mbda-programs>.

<sup>41</sup> NIST is an agency of the U.S. Department of Commerce. For more information, see CRS Report R44308, *The Hollings Manufacturing Extension Partnership Program*, by John F. Sargent Jr.

<sup>42</sup> See “Table 5. Selected Programs for Business Development, Including Entrepreneurship Assistance, Export Assistance, and Access to Capital Activities,” in CRS Report R46683, *Federal Resources for State and Local*

## Other Resources

In addition to the grant and loan programs noted above, federal agencies and federal regional commissions and authorities may be involved in interagency initiatives to support local food systems and local food businesses. For instance, the USDA and the Environmental Protection Agency (EPA) provide planning assistance for local food system development through the Local Foods, Local Places Planning Assistance program. However, the program does not provide direct financial assistance in the form of grants or loans.<sup>43</sup>

Nonfederal resources from state, regional, and local government entities and private and philanthropy organizations may also support the development of local food systems. For instance, state and local agencies are often involved in administering grant and tax credits for economic development programs and select business development services, including some efforts designed specifically to support food entrepreneurs and food system development.<sup>44</sup> Regional Development Organizations (RDOs) help communities access federal and state funds in order to plan and implement major infrastructure improvements and economic resiliency and community development initiatives. RDOs could potentially connect stakeholders to information about grants, partnerships, and other state and federal resources.<sup>45</sup>

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*Economic Development*, by Julie M. Lawhorn.

<sup>43</sup> See U.S. Environmental Protection Agency, “Local Foods, Local Places,” <https://www.epa.gov/smartgrowth/local-foods-local-places>.

<sup>44</sup> For example, state and local governments have implemented strategies to attract retail grocery businesses to underserved markets. New York City, NY administers the Food Retail Expansion to Support Health (FRESH) program that provides local tax incentives (e.g., sales, building, and mortgage recording) for retail supermarkets. See <https://edc.nyc/program/food-retail-expansion-support-health-fresh>. The EDA’s resource directory lists each state’s economic development agency; see <https://www.eda.gov/resources/directory/>.

<sup>45</sup> RDOs are multi-jurisdictional, quasi-governmental organizations that provide planning and development services to their member local governments. RDO refers to a broad category of organizations that includes economic development districts (EDDs), local or area development districts, councils of governments, regional planning commissions, and similar organizations. For more information, see CRS In Focus IF11511, *The Role of Regional Development Organizations (RDOs) in Economic Development*, by Julie M. Lawhorn. For EDA’s directory of EDDs, see <https://www.eda.gov/edd/>.

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