

# **Feasibility Study**

**establishing a shared-use commercial kitchen incubator**

*Prepared for:*

## **Clallam County Economic Development Council**

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## **Executive Summary**

Recently, there has been a great deal of interest in the experience of communities that have established shared-use commercial kitchens as part of their local economic development strategy. These communities have reported that kitchen incubators offer two important benefits to start-up and existing food businesses:

- One, the construction and equipping of a community-owned kitchen provides entrepreneurs with time-share access to production facilities and the opportunity to start and expand specialty food and catering businesses without the prohibitive cost of building their own commercial kitchen.
- Second, the “incubator approach” offers these entrepreneurs access to training, capital and technical assistance - three essential ingredients to the success and growth of any start-up or existing business. Both the community and its businesses benefit.

Established kitchen incubators have also benefited their host communities by:

- Creating the employment opportunities that always accompany successful small business start-up and growth strategies.
- Creating food products that celebrate what is unique and best about a community – its local crops, ethnic traditions and creative populace – while keeping a greater percentage of food dollars circulating in the local economy.
- Providing new markets for local agricultural products and establishing rural-urban links.

Encouraged by existing kitchen incubators that drive new business formation, create jobs and have the potential for operational self-sufficiency, a growing number of communities have investigated the viability of creating their own incubators by carefully examining the lessons learned, best operating practices, etc., of the established facilities. These lessons can then be cast against local market research in designing a facility that both meets local needs and benefits from industry experience.

This is the approach used in determining if a shared-use commercial kitchen facility could benefit the North Olympic Peninsula area. Based on the area’s existing community services, the population base within the proposed facility’s effective drawing area, and the North Olympic Peninsula’s established and growing number of food entrepreneurs, it is believed that the greater Clallam County area could support a kitchen incubator that would become totally self-funding on an operating basis.

## **Feasibility Conclusions**

Based on industry research, the written survey results and the results of personal interviews with prospective tenants and community stakeholders, certain conclusions about feasibility can be determined.

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The volume of responses and their consistent support of the shared-use concept provide sufficient basis for a positive feasibility determination. The strength of the anecdotal information, drawn from interviews, simply verifies the survey results and provides a high degree of confidence in the study results. Study Conclusions follow:

National perspective

- In 2004, the sales of gourmet or specialty foods exceeded over \$24 billion. The specialty foods market is comprised of a large number of small firms, which tend to focus on a specific region or cultural segment of the market.
- Similarly, the U.S. market for natural and organic products is valued at between \$10 billion and \$30 billion. It is one of the most dynamic sectors of the food industry, with an annual growth rate of over 15 percent. While organic foods account for less than 1 percent of food sales, this sector is growing faster than any other area of the food industry.
- The U.S. market for strictly organic products is valued at around \$10 billion in 2003. It is one of the most dynamic sectors of the food industry, with an annual growth rate of over 20 percent between 1997 and 2002. The organic market is projected to reach over \$30 billion by 2007.
- Ethnic foods are expected to increase by about 50 percent by 2010 growing to over a \$75 billion market annually. Population projections support this growth trend given that by 2020 over 16 percent of the U.S. population will be Hispanic. The Asian presence in the U.S. is also expected to double by 2010.

Local project

- Local and regional community stakeholder organizations are highly supportive of establishing a kitchen incubator in Clallam County. It fits within a regional goal of wanting to build development on existing “economic engines”, produce additional jobs, and attempt to retain local farmland and promote value-added production.
- A significant number of resources (technical assistance and service providers and not for profit organizations) are available in the region to assist food entrepreneurs to start and grow their businesses, and to assist these food entrepreneurs in reaching the national specialty and gourmet food markets.
- The 66 surveys compiled all show consistent support of the shared-use, commercial kitchen concept and provide a sufficient basis for feasibility determination. The strength of anecdotal information, drawn from interviews and public meeting comments, further verifies the survey results and provides a higher degree of confidence in the study findings.
- As indicated through the survey process, market demand is sufficient to support continued project development. As demonstrated in the survey results, a conservative

estimate shows that a kitchen facility could generate 10 users willingly to use the facility 20 or more hours weekly. This illustrates an on-going demand for this type kitchen facility.

- Interested users identified themselves as producing (or wishing to produce) a variety of food items. The food categories mentioned were specialty/gourmet food production (28%), value-added farm producer (24%), catering services (8%), baker (7%) and cart vendor (7%). A number of the respondents plan to produce multiple food items or be a caterer and specialty food producer.
- The kitchen facility design should reflect a catering/FDA production facility. Products to be produced included sauces/salsa and condiments (36 responses), jams and jellies (29), value added produce (24) , bakery items (23), and juices and other beverages (20). Additionally, lavender products produced 25 responses.
- Demand does not exist to incorporate a USDA certification into the facility. In the event that a future demand warrants or a meat-based co-packing operation materializes, USDA certification (interstate distribution) or Washington state certification (intrastate distribution) will be needed.
- 10 respondents noted 44 hours of use to produce non-edible lavender and other products. Accordingly, a portion of the facility has been designed for the production of non-edible products, such as lotions, soaps, sachets, etc.
- 5 respondents stated they wish to produce cheese – 2 of these wished to use the proposed facility. A small cheese production facility has been included in the facility as the local steering committee believes that additional support will materialize prior to the facility being built. Should additional support not materialize for cheese production, or should the cost of the specialized cheese making equipment prove too onerous for the local group (\$150,000) this space will be turned into additional storage or production space.
- Survey respondents were approximately evenly split between start-ups (45%) and existing (55%) businesses. The high number of existing businesses bodes well for generating revenue at facility opening.
- The survey results indicate a potential to “lease” an estimated 547 revenue hours per week for food related products and 44 hours per week for non-edible products. When factored for business readiness and industry experience, this results in an estimated potential of 179 (existing) and 39 (start-up) hours per week initially (year round). This compares very favorably with other rural shared-use, kitchen incubators.
- Sufficient user demand exists for a facility of approximately 15,000 to 20,000 square feet, including areas for offices, raw ingredients and packaging storage, food processing, freezer and cooler space, as well as finished goods storage, shipping, and warehousing. It

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is not recommended given the volume of response from potential users that a facility be less than 15,000 square feet.

- There is shortage of approved food processing space in the community. Many respondents reported using their home/farm kitchen (46%) and restaurant/rental (32%), while others reported using church (6%). This clearly supports the need for a licensed facility. The survey responses were verified through a “supply side” analysis.
- Some respondents reported they intended to run full-time businesses (33%) while many reported a desire for part-time (31%) and supplemental income (27%) based businesses. While a larger proportion of full-time businesses would have been desirable, rural kitchens often reflect “income patchers” and other individuals that operate less than full time businesses. However, these businesses can be permanent and on-going and can generate a steady revenue stream for the project.
- Survey respondents showed a high degree of interest in taking advantage of the “business incubator environment” including, shared services (e.g. phone answering, office machines, Internet connection) as well as, seminars and classes (e.g. health regulations, the development of a business plan, meeting local and state regulators).
- The City of Sequim has shown interest in supplying land for the kitchen incubator project. This is important as the food incubator will need a location and the availability of land as a local match is highly important in securing the needed government funded and other grants necessary to build the facility.
- The capital budget to fully develop and equip a 15,000 sf facility - **\$4,242,393**, or a 20,000 sf facility - **\$5,132,686**, as described herein consists of land, building, kitchen equipment, architecture and engineering fees, and a start-up expense/capital reserve.
- Industry research clearly shows that shared-use kitchen facilities have not been able to service debt to any degree. It is strongly suggested that the construction and equipping of the facility rely on public funding, grants, and private contributions rather than debt funding.
- As shown in the projected Operating Budget, the project can generate sufficient revenue to achieve breakeven and become a totaling self-supporting project within three years with two employees – a Kitchen Manager and a Reception / Administrative Assistant. A management fee has also been included for program oversight to be provided by the Clallam Business Incubator (CBI) management.

## **Job Creation**

The most significant and positive impact resulting from this project is related to job creation.

The Industry research conducted for this study has shown that kitchen incubators have been a good source of job creation. Exhibit 4 in the Industry Research section shows the jobs created in terms of two classifications “low/moderate income individuals” and “others”. While Jobs could be either full or part time, the jobs created were quoted as full time equivalent (FTE). Credit was given for the “entrepreneur” job, and all subsequent jobs were counted as employees.

AceNet, a rural Ohio kitchen also located in Appalachia, reported creating 145 jobs in its first three years. Although located in the western US, the Taos, New Mexico facility is similar to the proposed North Olympic Peninsula facility, given its rural nature and population. The Taos kitchen incubator has produced 219 jobs in 6 years, 175 of those jobs being for low to moderate income. The Denver Enterprise Center, although a decidedly urban project, also has valuable lessons that can be applied to the project in Clallam County. The Denver Enterprise Center (DEC) kitchen reported 198 low/moderate income and 48 other jobs in a period of six years. Poughkeepsie, NY reported 50 low/moderate and 15 other jobs in a period of four years. Finally, rural Sandpoint, Idaho reported 125 jobs in its eleven year history, 88 being low to moderate income.

A project’s exact number of jobs created can not be determined from examining the success of other projects. But, helpful insights into the job creation potential can be learned from the history of other food production projects. Considering the above stated total jobs created by AceNet (145), Taos (219) and Sandpoint (125), the question to consider is this project’s likelihood of creating sufficient jobs to meet funders guidelines.

The US Department of Commerce, Economic Development Administration (EDA) is a primary source of funds for incubator development. Not having a formulaic requirement for the number of jobs created per grant dollar, it is often guided by the Small Business Administration (SBA) guideline of one job per \$35,000 of grant. Assuming a \$4,702,686 (\$5,132,686 less land match of \$430,000) project 135 jobs (20,000 sf facility) or, \$3,812,393 (\$4,242,393 less land match of \$430,000) project 109 jobs (15,000 sf facility) would be required. Guided by the experience of previous food incubators and considering the increased size and potential of this project to serve additional tenants, it is reasonable to assume that this project would easily produce the number of jobs required for the project to be substantially funded by federal grants under the job creation guidelines noted.

There is sufficient evidence to support the feasibility of establishing a shared-use commercial kitchen in Clallam County, to serve the North Olympic Peninsula area. The proposed facility, with the recommended mix of production facilities, training, technical assistance and access to capital, will provide a solid foundation for the success of both the food-based enterprises, and the community based initiatives identified through the study process.

## **Background and Study Purpose**

In 2002 Clallam netWorks Economic Development Council formed an Agriculture Industry Cluster team, which began an evaluation of the state of agriculture in Clallam County on the North Olympic Peninsula. The desire for a shared use commercial kitchen was identified immediately. Clallam County was once a strong agricultural area with local processors, all of which have left the area. Today Puget Sound processors and co-packers will not handle the smaller case lots appropriate to the scale of value-added products being made. Therefore, Clallam County berry and lavender producers are traveling to distant communities to have their jams and salad dressings made. Produce producers, stimulated by the possibility of a facility, began proposing new businesses that could support the facility.

This project is part of an economic development strategy to sustain and strengthen the agricultural industry. It is also part of the Clallam netWorks strategy to increase jobs and income through developing the region's indigenous resources. A shared use commercial kitchen combined with essential business assistance is key to this strategy. The region has developed several components of business assistance - entrepreneurial training, business plan development and access to capital. The region lacks the processing capability, technical assistance developing products and marketing support. This proposal sought to establish the feasibility of filling those gaps.

This project is also a core component of a broader collaborative effort to develop agriculture on the North Olympic Peninsula. The Cluster and its partners in neighboring Jefferson County are working to diversify farming, to support entrepreneurial initiative, to strengthen farmers' markets, and to build markets.

The Clallam netWorks Agriculture Cluster Team developed a project proposal, which was reviewed and supported by the Clallam netWorks Steering Committee and the Board of Directors. The project was split into two phases with the primary funding source being an existing Business Retention and Expansion Grant that Clallam netWorks had received from the Washington State Department of Community Trade and Economic Development (CTED). In addition local public funding was secured from Clallam County and the City of Sequim and private funding from Graysmarsh Farm, Nash's Organic Produce, Lazy J Tree Farm, Sequim Lavender Growers Association, Field to Fork Catering, Little Skookum Shellfish, Curt and Kim Beus, and, Diversified Resource Center.

The Agriculture Cluster Team located a nationally renowned food business team led by Cameron Wold of Boise State University to conduct the study. This team was hired by the Clallam netWorks Economic Development Council to complete a feasibility study and business plan for a commercial kitchen facility to be located on the North Olympic Peninsula.

Phase I consisted of a survey of a four county region to assess the interest and potential quantity of production. During this stage a Project Steering Committee was developed with representation from all four counties. This survey revealed that there was a great deal of interest in a shared use commercial kitchen facility and processing capability among potential users and stakeholder agencies. The survey was distributed in the local newspapers and by the Steering Committee

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members with a strong return of over 80 responses. Upon analysis by Cameron Wold it was determined that there was market feasibility to move to Phase II of the project.

Phase II consisted of short and long term budget information including a pro forma operating budget, capital budget and finance and development strategy. Also, it included a preliminary concept with a preferred site, equipment list, floor plan, square footage and construction cost estimate. Most importantly the study incorporated a management and marketing plan with an overall strategy, operations plan, personnel recommendations, and sample operation forms.

The study began in February 2005 and was completed in August 2005.

## Organizational Matters and Study Methodology

The study is presented in ten sections: Industry Research, Market Research, Budget Information, Feasibility Conclusions, Preliminary Concept Layout, Management Plan, Marketing Plan, Project Impact, Next Steps, and Appendix. The following is presented to familiarize the reader both with the contents of the ten major sections of the study, and with the methodology employed in each section to present findings and support conclusions.

### 1. Industry Research

The kitchen incubator industry, if indeed a small collection of community development projects can be called an industry, is best described as nascent. There is limited secondary research available from which to either understand the basic characteristics of a shared-use kitchen, or to draw conclusions regarding best practices, industry lessons, and so forth. Accordingly, primary research was undertaken to determine both the characteristics of kitchen incubators and the appropriate industry best practices, lessons learned, practices to avoid, and so on. These industry lessons encompass both the successes and the failures of the existing incubators. This research was undertaken by telephone and personal interview.

### 2. Market Research

After an understanding is developed concerning the historical factors of existing kitchen incubator programs, it is important to consider the national market. National trends are presented in the specialty and gourmet food industries for it is into these markets that many of the food entrepreneurs will be seeking to introduce their product(s).

It is also important to understand the local market. Secondary and primary research about *very small food processors* in the Clallam County, Washington area is extremely limited. Potential kitchen incubator tenants and their needs in the local market area is a narrow topic that requires original primary research tools to investigate. Local market research is very important as it provides much needed information for the report sections that follow. Indeed, this research is in many ways the lynchpin of the report; from it stems the budgets (project and operating) and the preliminary concept design.

It is important to understand the prospective tenant pool in terms of several factors: the product(s) they wish to produce, US Department of Agriculture (USDA) versus Food and Drug Administration (FDA) considerations, equipment needs, anticipated usage, anticipated hourly rate, existing or start-up business status, desired incubator services, projected business goals, etc. Market research was conducted in a variety of ways including user surveys (personal interview and mail), as well as, personal and telephone interviews.

Local market research and the resultant understanding of prospective tenant needs, provide the beginnings of the budgetary process and the preliminary concept layout.

While this primary market data is useful, it is also important to “weigh in” regarding national experience. By applying the experience of existing kitchen incubators to the local market data, a more reasoned and experientially seasoned budgeting process can occur. In a similar manner, the

preliminary concept is informed by the market data, which is subject to the authentication and interpretation by the data obtained from kitchen incubator managers detailed in the Industry Research.

Finally and most importantly, the experience and expertise of the study team, which is comprised of existing kitchen incubator managers and others well informed with this economic development tool, interprets the primary and secondary research as appropriate to the study.

### **3. Budget Information**

The budget section is broken into two budgets: the overall project budget and the operating budget. The project budget is a “turnkey” budget that reflects the development cost to open a facility that is ready for occupancy. It has five primary categories. The first is land. This is the estimated cost of securing land that could appropriately site the proposed facility. No provision is made for land because it is assumed that land will be the local match required for a government grant. However, the cost or market value of the land is provided in the notes section of the Capital Budget.

The second component is building. This is the cost to construct a building as designed herein. The building is both described in words and depicted graphically later in the study in the Preliminary Concept Layout Section.

Architectural and engineering (A & E) fees are the third major component of the project budget. As the floorplans and building renderings included in this feasibility study are conceptual only, considerable A & E fees are anticipated in the final design phase and renovation of the existing space. Because the equipment used in the kitchen is substantial, it is broken out of the building equipment category, making it the fourth integral component of the budget. The final category of the budget relates to the pre-opening expenses and cash reserves that are both prudent and proper precedents to projects of this nature.

The operating budget is similarly based on local market research tempered with industry experience and the expertise of the study team. The expected utilization of prospective tenants is factored given the experience of other projects of this nature. This experience is invaluable in determining the number of tenants likely to use the facility based on the research. As with any financial forecasting technique this task involves rendering best estimates from uncertain facts. These best guesses are all developed through the filter of past experience and current expertise. All assumptions of the operating budget are noted following the Operating Budget.

Also included in this section are topics related to cash flow and a financing strategy. The cash flow considerations segment details the pre-opening expenses and cash reserves deemed appropriate on the project. The financing strategy segment documents the efforts of the study team in determining sources of capital that can be approached to fund this project.

## 4. Feasibility Conclusions

The feasibility conclusions for the project are presented in this section. Based on the market research as tempered by industry experience and the expertise of the study team, conclusions are drawn and presented concerning the viability of the project.

## 5. Preliminary Concept Layout

In many ways the preliminary concept layout and the budgeting process are concurrent and mutually referring. Changes to components of either force changes to the other. In determining the preliminary concept layout the study team determined a layout that would “best fit” the overall needs of prospective users in terms of layout, workflow and equipment. It should be noted that one kitchen manager stated that the kitchen is working well in a shared-use manner when it fits the needs for 80% of the tenants 80% of the time. Experience shows that specialized or expensive equipment cannot be secured for the sole use of one or two tenants. Similarly, special design elements that benefit a few are best avoided. These two important lessons, and others learned from the experience of existing kitchen incubator managers, were incorporated into the preliminary design.

There is no one “best” layout and equipment specification. Many times the feasibility conclusions support a range of choices in design and equipment. For instance, size is one variable in shared-use commercial kitchens that is not set. It is not possible to determine that an *exact* square footage is sufficient, insufficient or appropriate. Many sizes may work for the same group of users. Similarly, exact equipment and layout can work appropriately in a variety of ways for the same prospective tenant mix.

In some cases the market data is not completely clear as to the needs of the prospective tenants and the regulatory environment those needs will dictate. In others it is. In this case, the market data is clear regarding USDA certification. The market research clearly indicates that a USDA certified kitchen should *not be pursued* from the onset. The prospective tenants almost universally are interested in pursuing non-meat (FDA) packaged products or catering businesses, neither of which requires the additional expense of obtaining and keeping USDA certification.

Given these facts, an appropriate, potential layout was determined that would work best for the present and assumed tenant mix in a shared-use environment. The facility design and layout is presented in this section through narrative and visually with floor plans and an equipment legend.

## 6. Management Plan

The management plan is an overview. It contains information that the kitchen management should consider as it begins to explore a management plan for the proposed kitchen. It is not the intention of this section, nor is it within the scope of this study to present an all inclusive, comprehensive management strategy. The intention here is to provide an overview of best practices gleaned from existing kitchen incubator management as a practical starting point from which can meld proper and appropriate management policy and strategy.

Management styles and implementation varies widely among shared-use kitchen incubators depending on a variety of factors including, tenant mix, regulatory environment (FDA versus USDA, as well as state and local agencies), and the preferences of local management and board. As this project continues it will be the local group's task to develop a management plan that is consistent with all concerned parties. The management plan must reflect the requirements of regulators and the needs of the tenants.

The management plan section is comprised of two main parts. The first part presents important issues that relate to the management of the facility. It contains the following sections: Regulatory Review, Operations, Kitchen Operating Forms, Staffing, and Risk Management.

The second part relates to those management issues that pertain to tenant services. These issues are developed and presented within the proposed Tenant Program Development Plan, comprised of the following sections: Incubator Model, Business Training, Technical Assistance, Access to Capital, Recommended Tenant Technical Training, Suggested Tenant Assistance – Special Areas, and Sharing Community Resources.

## **7. Marketing Plan**

As with the management plan section, the marketing section is an overview that contains information that should be considered as the kitchen management entity formulates its start-up marketing plan. It is not the intention of this section, nor is it within the scope of this study to present an all inclusive, comprehensive marketing strategy. The intention here is to provide an overview of best practices gleaned from existing kitchen incubator management in terms of successful marketing strategy and implementation.

This section will provide a practical starting point from which an appropriate shared-use kitchen marketing policy and strategy can be developed. This section contains recommendations on actions that will lead toward proper and appropriate shared-use kitchen marketing strategy.

The marketing plan is comprised of two parts. The first part is concerned with start-up marketing issues. It is comprised of the following: Understanding the Market, Understanding the Product, Understanding Facility/Service Pricing, Understanding Facility/Service Placement, and Understanding Promotion. Each section contains background information, as well as practical segments on challenges, strategy, and implementation.

On-going marketing is the second part of the marketing plan section. It presents marketing ideas that have proven effective after a kitchen incubator is open and operating. It is comprised of the following: Preparing an Annual Marketing Plan, Problems in Developing an Annual Marketing Plan, and Specific On-going Promotional Strategies That Work.

## **8. Job Creation**

This section details the potential for the project to impact the community through job creation. This one impact is particularly important to the project because of funder expectations. Without significant job creation this project will not attract the support needed from major governmental and private founding sources to finance this project debt free.

## **9. Next Steps**

This section presents the next steps if the projects moves forward. Based on this initial determination of feasibility, certain tasks should follow. When the specific fundraising activities are combined with the simultaneous implementation of the other tasks in the Next Steps section, the local group developing the proposed kitchen incubator will be led to completing a comprehensive business plan. With this business plan will come a more thorough understanding of the project. This further understanding is required if the facility is to be appropriately designed, built and successfully operated.

## **10. Appendices**

This section contains the following appendices: User Survey (Tenant Survey, Stakeholder Letter, Article and Press Release), Study Area Boundaries, Community Kitchen Steering Committee, Sample Operating Forms, and Study Team Profiles.

# 1. Industry Research

## Primary Research:

### Survey of Existing Shared-Use Commercial Kitchens

A number of commercial kitchens were contacted (Exhibit 1) in conducting this comparative research. Facilities defined themselves by a variety of names: shared-use kitchen, commercial kitchen, and kitchen incubator to name a few. While they all varied in the types and number of services they offered to their kitchen users or tenants, they all had a sense that they were “incubating” or assisting in the growth of these businesses. They certainly all understood that tenant assistance was necessary in a variety of areas whether that assistance was provided directly by them, or whether that assistance came from other service providers in the community through direct or indirect linkages.

One fact was clear - those running community kitchens could not act as a passive landlord, the active assistance and linkage to other community resource providers was vital to the success of the kitchen tenants. It was equally clear that those running these facilities understood that their success was directly linked to the success of their tenants. Business savvy tenants were more likely to succeed in their food venture. Successful tenants stay in business, rent the kitchen and use additional fee services, and in so doing provide a more stable revenue base for the facility.

### Kitchen Incubator Defined

Kitchen Incubators, also called Shared-use Commercial Kitchens, have increasingly become a part of many communities overall economic development strategy. Each community’s goal is to develop and support food related businesses creating both new start-up businesses and additional jobs as existing small to medium sized businesses expand.

The term “incubator” refers both to the physical facility and the support given to new and expanding businesses that are nurtured through either early start-up, or expansion – two of the most difficult times any business will face.

The National Association of Business Incubation (NBIA) is the trade association for those professionals involved in helping nascent businesses. Headquartered in Athens, Ohio, the association has at present hundreds of incubator members and associate members. It is a clearinghouse for industry “best practices” and has the cumulative experience of many successful incubators in determining effective nurturing strategies for start-up and rapidly expanding businesses.

The NBIA describes business incubation as a “dynamic process of business enterprise development. Incubators nurture young firms, helping them to survive and grow during the start-up period when they are most vulnerable. Incubators provide hands-on management experience, access to financing and orchestrated exposure to critical business or technical support services. They also offer entrepreneurial firms shared office services, access to equipment, flexible leases and expandable space – all under one roof.” Support services can be grouped into three main categories: training, access to appropriate capital, and technical assistance.

## Comparable Kitchens: Lessons Learned

Some valuable lessons can be learned by surveying existing kitchen incubators. The kitchen incubators listed in Exhibit 1 were contacted and the following is a synopsis of lessons learned.

- ◆ **Size** – Kitchens need to be of sufficient size to accommodate more than one user at a time. The key to developing a revenue stream that can fund staff expenses and utilities (the two single largest expenses) is simultaneous, multiple occupancy, and, keeping the facility open 24 hours per day. Traditional incubator space involves one tenant per space at a set rent per month. Kitchens offer the ability to rent out a space to more than one paying tenant at a time, over a 24-hour renting period.
- ◆ **Storage** – Most facilities have underestimated the amount of storage space their tenants will require. Aside from limiting storage income, inadequate storage facilities result in fewer tenants than a facility can reasonably accommodate. This occurs because of federal regulation that requires producers to keep raw ingredients in the facility once the ingredient's packaging is opened. Thus, limited storage limits the ability to add new tenants to the facility. In addition to dry storage, many facilities have not yet achieved the proper amount or mix of cooler/freezer storage. Insufficient refrigeration storage can also limit the ability to add new tenants. The proper ratio of cooler to freezer space is dependent on such variables as number of caterers versus specialty food producers, type of food products being produced, and other factors.
- ◆ **Population** – Kitchens in areas of greater population have an advantage over those in sparsely populated areas. While kitchens in a rural setting can under ideal circumstances draw sufficient numbers to generate rent revenue adequate to meet expenses, those kitchens located in large population areas, especially urban areas, have a distinct advantage. This is because the base of caterers available for urban kitchens to attract is not present in more rural locations. A strong base of caterers combined with those producing a specialty food product can produce rent revenue sufficient to meet the kitchen incubator's expenses.

A more concentrated population as seen in urban areas offers another unique advantage in the quantity and quality of available community resources. Commercial kitchens in urban areas often have far greater and more qualified assistance for their tenants in the areas of training, access to capital, and technical assistance. Kitchen incubators located in less populated rural areas often have to spread their resources thinly as they attempt to address these three aspects necessary to nurture growing businesses.

- ◆ **Tenant Synergy** – Many facilities supported tenant associations, “cooperatives” and other flexible networks of those producing products at the kitchen to promote tenant synergy. These groups were often given their initial organizational start by the facility, but have since developed into stand alone organizations. Benefits provided to members include shared marketing and purchasing power, training in both business skills and technical areas, as well as product liability insurance purchased by the group that is truly affordable to each member.

- ◆ **Incubator Model Most Successful** - Experience has shown that those commercial kitchens that follow the incubator concept have been most successful. Rather than merely being a landlord, kitchen incubators must play an active role in helping their tenants succeed. This is accomplished by providing support services in addition to the physical facility. Support services were provided by the incubator directly or through community linkages and were grouped into three main categories: training, access to appropriate capital, and technical assistance.
- ◆ **Share Community Resources** – Experience shows that incubators cannot be all things to all tenants. In their attempt to allocate scarce resources in providing appropriate tenant support, savvy incubators identify those in their community providing resources and tap into that supply.
- ◆ **FDA Approval versus USDA Certification** – Almost all of the facilities surveyed were FDA approved community facilities. This approval allowed the production of most non-meat and non-dairy products. This approval is considerably easier to obtain and FDA regulations (often combined with further state, county or city regulations) are far less onerous than USDA Certification. Two facilities did obtain USDA approval for non-slaughter processing which allows a facility to prepare such items as pot pies, enchiladas, and other meat products that contain meat originating from a USDA Certified source. Once obtained, the USDA Certification supercedes FDA requirements and the USDA is the primarily agency for inspection of the facility. Such licensing would require the facility to have separate areas (individual sub-kitchens) and preclude multiple users in a large, open processing area. Due to the additional and considerable expense of equipping separate kitchens, the desire of most facilities to have simultaneous use, and, additional more onerous regulation, most commercial kitchens have not pursued USDA Certification.

One kitchen reported that due to additional, local regulation they were not being allowed to offer multiple use, although their kitchen was licensed as a FDA facility. Regulators determined that they would be required to build separate and individually equipped kitchens to be used by one tenant at a time. An important lesson to those planning community kitchens is to involve local and state regulatory agencies (and the FDA if this authority is not delegated to a local agency) early on in the planning process.

- ◆ **Rental Rates and Hours of Use** – Rental rates in the kitchen incubators surveyed ranged from \$5 to \$50 per hour. Most facilitates have a stepped billing system based on the number of hours a tenant uses the facility over a given month. More frequent use means that a tenant will have a lower rental rate than a tenant that uses the facility less frequently or only occasionally will.

It was apparent that all facilities were concerned about their ability to breakeven. Some had obtained operating grants for a short time to assist in meeting operating costs, but all those contacted were concerned about the eventuality of operating on a stand-alone basis. Some had just raised their rental rates to near market values, while others were contemplating how to raise their rates when tenants had become accustomed to a heavily subsidized rate.

Two points were clear. Newly emerging kitchens should develop a rental rate schedule that reflected market rates from the beginning. Substantially raising the rental rate at a later date was proving to be difficult for the incubators. Regardless of market rates, a rental rate approaching \$20 per hour was important in a developing a revenue base that could achieve facility self-sufficiency.

- ◆ **Anchor Tenants** - Many successful kitchens have what have become known as anchor tenants. Anchor tenants are distinguished from other tenants in two important ways. First, anchor tenants are notable by the substantial number of hours of kitchen time they rent. In exchange for the certainty of large blocks of billable hours, facilities offer favorable rates to these tenants. Second, this large block of rented time usually underlies a business that is well managed and successful. Anchor tenants are renting large amounts of kitchen time because they are successful. Successful tenants develop into sustained rent revenue for the facility. Thus anchor tenants provide stability to the facility. Facilities most often report one or two anchor tenants that individually can rent anywhere from 15 to 150 hours per month.
  
- ◆ **Significant Community Interest** - It is important to note that initial significant community interest is often associated with those incubators that have later developed a strong tenant base (with 1 or 2 substantial anchor tenants) resulting in 400 or more hours rented per month. Because the development of a kitchen incubator can take two or more years, it also important to note that those individuals that express interest in becoming kitchen tenants may not necessarily be there when the facility opens. However, those first tenants tend to be the same "type" as those that expressed interest years ago when the feasibility work was being done. For instance, in an area that demonstrates a strong interest by potential specialty food producers, the first group of tenants tend to be led by specialty food producers. This is also true for potential caterers and so forth. The important points are two. The potential users identified to utilize a kitchen will not necessarily be there when the facility opens, and, that a strong initial community interest is important to insure that some group of potential users is willing and waiting when the facility finally does open.
  
- ◆ **Sound Management** - One aspect similar to most successful kitchens was that of sound facility management. In addition to traditional not for profit concerns such as budgetary, fund raising or grant writing activities, well managed kitchen incubators have developed marketing techniques that may seem more suited to a for profit venture. The result for many was the ability to attract rent-paying tenants. While the incubator kitchen may be the only convenient, affordable and licensed facility in which to conduct a food business in a given area, well run incubators have not rested on their monopoly. They use marketing techniques that any for profit organization would benefit from. As an example, the marketing efforts of the Denver Enterprise Center brought that facility from less than a handful of tenants to a number of tenants sufficient for the kitchen to achieve near breakeven in seven short months. In addition to traditional methods of community outreach such as informing area stakeholders, the Denver Enterprise Center management embarked on such non-traditional areas as an aggressive radio and TV promotional effort. Successful kitchen incubator managers have developed non-traditional marketing techniques, that when combined with proven non-profit management tools, have allowed facilities to attract rent paying tenants.

- ◆ **Legal Status** – The preferred legal form of ownership in the kitchen incubators surveyed is that of the nonprofit organization. While many groups used associations or cooperative arrangements in joining kitchen users, none chose either as the legal form of ownership.
- ◆ **Financing and Breakeven** – Half of the facilities surveyed met all capital costs (those of building and equipping the facility) through grants alone, while the remaining facilities were obliged to augment their grants with loans. Given the choice all facilities would have preferred to fund the capital portion of the project with grants and thereby not incur any on-going debt obligation that would require funding through operating income.

Many of the kitchen incubators are co-located and/or co-managed with other facilities. In order to access the financial viability of the kitchen portion, managers were asked the question of whether the kitchen could survive on a stand-alone basis. In other words, would rental revenue and storage fees offset operating expenses, including management salaries, utilities, equipment maintenance, debt service, etc. A cash reserve for equipment replacement (impounds) was not considered here. Of the fourteen incubators surveyed only two felt that they had reached self-sufficiency.

It was interesting to note that kitchens require time to develop a tenant base. Kitchen incubators may require local support until the facility achieves higher occupancy levels (1 – 3 years). Also none of the facilities surveyed made any provision for the eventual replacement of the kitchen equipment. No facilities were developing a cash reserve or impound account funded by operating income to replace equipment as needed.

Grant sources included USDA – Rural Development, US Department of Commerce, Economic Development Administration, and various states' Community Development Block Grants. Loans were obtained from USDA, but the typical lender was most often a local commercial bank, making a commercial loan rather than a “community reinvestment” loan. Other lenders included Revolving Loan Funds, and, city and state economic development agencies.

After periods of low interest or no payments, many kitchens were now facing a monthly debt service – often times of formidable size. Experience suggests that communities take great care when considering loans as part of their funding strategy.

- ◆ **Benefits** – Communities have entered into kitchen incubators with the goal of assisting local food ventures and to create new businesses and additional community jobs. Kitchen incubators are, **by the standards of traditional incubators**, excellent generators of rental income. However, staffing and utility expenses offset the additional rent received.

Kitchen incubators have been good producers of jobs. The Bonner Business Center in Sandpoint, Idaho (population 5,000) has created 125 jobs since inception. The Denver Enterprise Center kitchen has created 246 jobs since its opening, while ACEnet has produced

**Clallam County Economic Development Council**  
**Feasibility Study for Establishing a Shared-use Commercial Kitchen Incubator**

145 jobs in its first three years of operation. The Taos, New Mexico kitchen has produced 219 jobs in 6 years, 175 of those jobs being for low to moderate income.

## Kitchen Incubator Exhibits

Fourteen shared-use commercial kitchens were contacted in developing comparative data. The following exhibits reflect the self report of the entities, and do not reflect any independent verification. Exhibit 1 shows the name of the facility and its size and contact information. Exhibit 2 summarizes selected characteristics gathered for this comparative research. Exhibit 3 covers kitchen development costs and funding sources, and Exhibit 4 shows job creation statistics. Exhibit 2 characterizes the facilities, as follows:

<b>Year Started</b>	The month (when available) and year that the facility was opened
<b>Legal Status</b>	The entity that “owns” and is responsible for the facility. The preferred legal form of ownership is that of the non-profit organization. While many groups used <i>associations</i> or <i>cooperatives</i> in joining kitchen users, none chose either as a legal form of kitchen ownership.
<b>Drawing Area Population</b>	The area population determined by drawing a circle around the facility with a radius of one hour’s commute. Many facilities believed that individuals would be willing to commute about one hour to use their facility. However, the further the commute the less likely that individuals would be willing to make that commute. Simply put, those individuals closer to the facility are more likely to use it than those persons who live at the end of the commuting radius.
<b>Average # Tenants</b>	This is the average number of tenants that use the facility in a month.
<b>Average Use &amp; Rental Rate</b>	<p>The average number of hours a facility will bill during a month and the average rental rate. Most facilities have a stepped billing system based on the number of hours a tenant will use the facility. More use means that a tenant will have a lower rental rate than a tenant that just occasionally uses the facility will.</p> <p>Most facilities also report one or more “anchor tenants” that can be relied upon to bill several hours each week or month. In exchange for the certainty of large blocks of billable hours, facilities offer favorable rates to these tenants. Facilities used weighted averages to account for anchor tenants in these computations.</p>
<b>Multiple Use</b>	Multiple use refers to the ability for kitchen tenants to <i>simultaneously</i> use the same kitchen or processing area. All USDA certified facilities are by this definition classified as a no. However, USDA facilities can have multiple tenants share the same processing area, but not at one time.
<b>How Financed</b>	The facility was built and the kitchen equipment provided by either grant funds, or a combination of grant(s) and debt.
<b>Breakeven</b>	If the kitchen facility was on a stand-alone basis, could rental revenue and storage fees offset all operating expenses including management salaries, utilities, equipment maintenance, etc. Neither capital costs or cash reserve for equipment replacement (impounds) was considered in this analysis.

## Exhibit 1 Table of Kitchen Incubators

Name	Location	Contact
1. Bonner Business Center 1,440 sq ft / rural	804 Airport Way Sandpoint, ID 83864	Wally Schmidt
2. Denver Enterprise Center 7,900 sq ft / urban	3003 Araphoe Street Denver, CO 80205	Pat Duran
3. Airport Business Park 1,657 sq ft / urban	3707S.Godfrey Blvd;101 Spokane, WA 99224	Kevin Morgans
4. Foodworks Culinary Ctr <sup>(1)</sup> 960 sq ft / rural	100 Ericson Ct, Suite 100C Arcata, CA 95521	Michele Henson
5. Taos Food Center 5,000 sq ft / rural	PO Box 1389 Taos, NM 87571	Marlene Torres
6. ACEnet 12,000 sq ft / rural	94 Columbus Road Athens, OH 45701	Larry Fisher
7. New Hampshire Cooks <sup>(2)</sup> 3,000 sq ft / rural	7 Wall Street Concord, NH 03301	n/a
8. Nelson Farms 18,000 sq ft / rural	3261 Route 20 Cazenovia, NY 13035	Dave Evans
9. Urban Horizons 4,000 sq ft / urban	50 East 168 <sup>th</sup> Street Bronx, NY 10452	Alberto Tirrito
10. Unlimited Futures 14,000 / rural (6,300 prod. space)	1650 8 <sup>th</sup> Ave. Huntington, W VA 25703	Larry Parry
11. Hudson Valley Food Works 24,000 sq ft / urban	372-378 Main Street Poughkeepsie, NY 12601	Bob Weybright
12. VT Food Venture Center 8,000 sq ft / rural	PO Box 138 Fairfax, VT 05454	Brian Norder
13. Kitchen Opportunities <sup>(3)</sup> 4,000 sq ft / urban	3025 4 <sup>th</sup> Ave., So. Minneapolis, MN 55408	Robin Johnson
14. University of Idaho <sup>(4)</sup> 7,000 sq ft / rural	1908 E. Chicago Caldwell, ID 83605	Jim Toomey

(1) Arcata rental kitchen transferred to College of the Redwoods Nov. 2002.

(2) New Hampshire Cooks has two kitchens both rural. The kitchens are approximately 3,000 sq ft each. The reported data is for the two kitchens combined. Both kitchens have subsequently closed as incubators.

(3) The mission of KO is to feed needy people (2<sup>nd</sup> Harvest Heartland program) and connect people with living wage jobs through a certified food handler program.

(4) Ownership changed in 1999 from a non-profit community development organization to the university. Closed 2002; reopening 3/2003 with a shared kitchen component and an R&D portion for mid-sized businesses.

Wine Country Farm Kitchen, a 2,000 sq ft / rural kitchen in Prosser, WA that opened March of 1995 was closed during 1999. The kitchen last reported average monthly hours of 150 hrs/mo. @ \$8.00.

## Exhibit 2 Select Kitchen Characteristics

#	Year Startd	Legal Status	Drawing Area Population	Ave # of Tenants	Average Use & Rental Rate	Multiple Use	How Franccd	Break-even
1	2/91	City	125,000	20	145hrs/mo @ \$8.50/hr	Yes	Grants & debt	No
2	10/96	Non profit	1.8 million	29	550 hrs/mo @ \$15.00/hr	Yes	Grants	Yes
3	1985	City via Airport b'rd	350,000	10	110 hrs/mo @ \$6.25/hr	Yes	Grants	No
4	7/94	Non profit	150,000	8	150 hrs/mo @ \$7.00/hr	Yes	Grants & debt	No
5	8/96	Non profit	25,000	60	800 hrs/mo @ \$9.00/hr	Yes	Grants	Yes
6	3/96	Non profit	100,000 est.	14 <sup>3</sup>	300 hrs/mo @ \$7.50/hr	Yes	Grants & debt	Near
7	1/97	Non profit	-	8 last rept	75 hrs/mo @ \$15.00/hr	Yes	Grants & debt	No
8	1/98 <sup>1</sup>	Non profit	70,000	75	200 hrs/mo <sup>4</sup> @ \$25.00/hr	Yes	Grants	No
9	8/97	Non profit	4 million +	7	60 hrs/mo <sup>5</sup> @ various	No <sup>5</sup>	Grants	No
10	11/03 <sup>2</sup>	Non profit	4 million +	15 projected	200 hrs/mo @ \$50.00/hr	No	Grants	No
11	12/97 <sup>2</sup>	Non profit	1 million	20	600 hrs/mo @ \$23.00/hr	No	Grants & debt	Yes Before debt service
12	6/96 <sup>2</sup>	Non profit	135,000	14	200 hrs/mo @ \$22.00/hr	Yes	Grants & debt	Yes
13	11/01 <sup>5</sup>	Non profit	2 million	n/a	n/a	No <sup>5</sup>	Grants	n/a
14	2/97 <sup>6</sup>	Non profit	5 state western region	10	Customized; Charge by production run	No	Grants & debt	No

1. Relocated from Plattsburg, NY. Opened 10/03 under local mgmt. Limited shared-use with co-packing emphasis.
2. Facilities that possess USDA Certification & produce FDA regulated products as well.
3. Facility has expanded; especially in dry storage and warehouse space.
4. This program mostly does co-packing. 75 co-packing clients represents 200 hours/month of kitchen use.
5. Four separate processing areas, but allow select sharing of certain equipment; 2 permanent users, 1 of which bears significant utility expense; stepped rates based on economic circumstances. This program highly impacted by 9 11. 23 employees down to 8; previously had hourly rentals near 650.
6. Kitchen orig. planned as a shared-use commercial kitchen. City health disallowed. Project developed into 2<sup>nd</sup> Harvest Heartland program and a certified food handler training program.
7. Started as non profit custom packing facility then closed. Facility now owned by the University of Idaho; reopened March 2003. Reports 40 kitchen tenants at present. Will also have a pilot plant opening 12/05.

## Exhibit 3 Kitchen Development Costs and Funding Sources

#	Location	Building Cost	Equipment Cost	Total Cost	Grants	Loans
1	Sandpoint, ID	\$200,000 (1)	\$166,000	\$366,000	\$200,000	\$166,000
2	Denver, CO	\$1,000,000	\$385,000	\$1,385,000	\$385,000 EDA \$265,000 various	\$750,000 city (\$300/mo d/s) (5)
3	Spokane, WA	unavailable	unavailable	unavailable	unavailable	unavailable
4	Arcata, CA	\$155,000 (1)	\$60,000	\$215,000	\$54,000	\$161,000
5	Taos, NM	\$750,000 (1)	\$250,000	\$1,000,000	\$750,000 USDA, EDA, & CDBG	\$250,000 bank
6	Athens, OH	\$532,000	\$110,000	\$642,000	\$406,000 USDA, others	\$236,000
7	Concord, NH (2)	\$336,000	\$116,000	\$452,000	\$357,000	\$95,000 (4)
8	Cazenovia, NY	\$850,000	\$400,000	\$1,250,000	\$700,000 USDA, others (7)	-0-
9	Bronx, NY	Rent \$300,000/yr (3)	\$90,000	\$90,000	\$90,000	-0-
10	Huntington, W VA	\$2,190,000	\$1,200,000	\$3,390,000	\$3,390,000 ARC; USDA	-0-
11	Poughkeepsie, NY	\$800,000	\$200,000	\$1,000,000	\$245,000 USDA, city,	\$775,000 state, city, bank
12	Fairfax, VT	\$185,000 (incl some equip)	\$30,000	\$215,000	\$200,000 USDA -RDev	\$50,000 USDA
13	Minneapolis, MN	\$1,100,000	\$190,000	\$1,300,000	\$1,180,000 Metro agcy	\$120,000 (6)
14	Caldwell, ID	\$1,000,000 (1)	\$300,000	\$1,300,000	\$780,000 EDA, CDBG	\$520,000 bank

1. Allocated cost, kitchen attached to larger building.
2. Data includes two 3,000 sq ft kitchens, each costing about 50% of total cost. Building and equipment is also being split approximately 50/50 in respective categories for each kitchen.
3. Rent represents internal charge, building is owned by those that operate kitchen program; rent represents the amount of expense allocated to kitchen.
4. Debt to be repaid with grant.
5. Loan is treated as a grant. Token debt service is required as long as grant parameters are met.
6. Loan from empowerment zone; can be worked off through local training of low income individuals
7. Difference between \$1.2 million cost and \$700k grants is from a college related foundation.

## Exhibit 4 Job Creation

#	Location	Low/ moderate Income	Other	Total Jobs
1	Sandpoint, ID	88	37	125 11 years
2	Denver, CO	198	48	246 6 years
3	Spokane, WA	Not available	Not available	N/A
4	Arcata, CA	25	10	35 4 years & 7 mos.
5	Taos, NM	175	44	219 6 years
6	Athens, OH	145	-0-	145 1 <sup>st</sup> three yrs
7	Concord, NH Since closed	8	24	32 2 1/2 years
8	Cazenovia, NY	35	115	150 (1) 1 1/2 years
9	Bronx, NY	8	1	9 (2) 1 year & 4 mos.
10	Huntington, W VA	n/a	n/a	15/yr projected for first 3 yrs
11	Poughkeepsie, NY	50	15	65 (3) 4 years
12	Fairfax, VT	20	40	60 6 1/2 years
13	Mpls, MN	37	-0-	37 (4) 1 year
14	Caldwell, ID	11	4	15 4 years

Jobs may be full or part time, and are quoted as full time equivalent (FTE). Credit was given for the “entrepreneur” or owner job. Low/moderate income means individuals that filled these jobs were identified as such prior to the kitchen job being created. Training program jobs noted below.

- (1) 70 Co-packers put into business plus 80 employees subsequently hired. All non-production employees involved in office, sales and marketing.
- (2) Group has culinary program providing graduates in hospitality industry. Some entrepreneurs but jobs number mostly food service trainees.
- (3) PLUS - 400 Workforce training individuals since inception. Program averages 80 individuals annually.
- (4) Culinary Training program graduates- 80% grad rate / 80% stay employed rate at 8 – 15\$ /hour.

## 2. Market Research

### Secondary Research

#### Profile of Selected Study Area Characteristics

Limited secondary research is available on the small firms that will comprise the users of the proposed shared-use commercial kitchen facility. Given their small size and limited economic impact in an industry that counts in the millions and billions of dollars, small-scale food processors do not generate the interest necessary to undertake substantial secondary research. Accordingly, primary research was undertaken in the form of a survey and interviews to better understand the potential user, which results are presented elsewhere in this report. First, however, a profile of the study area is presented.

Presented here are some selected characteristics that define the study area in terms of its potential to support a shared-use commercial kitchen. Research into communities that have established kitchen incubators has indicated that a significant interest in food processing has been a positive factor in those communities. The following selected characteristics reinforce the fact that the study area has a moderate number of companies engaged in food processing. Perhaps as important is the organizational interest in using the kitchen incubator concept to assist in diversifying the local economy.

For the purposes of this feasibility study the study area is comprised primarily of five counties in the Washington Olympic Peninsula: Clallam County, the primary county and the county in which the project will be sited, and the surrounding Counties of Jefferson, Kitsap, Island and San Juan. The counties of Clallam and Jefferson are the two primary counties from which potential users will be drawn.

A Profile of Clallam County as provided by the Clallam County EDC follows:  
Source: [http://www.clallam.org/communities/documents/2004CommunityProfile\\_001.pdf](http://www.clallam.org/communities/documents/2004CommunityProfile_001.pdf)

### Clallam County

#### Location

Clallam County is located on the beautiful North Olympic Peninsula of Washington State. The county's land area is 1,752 square miles with 200 miles of pristine coastline. The communities of Clallam County are nestled between the majestic forests of the Olympic National Park and the Strait of Juan de Fuca. Olympic National Park has been designated as a World Heritage Site. Often referred to as "three parks in one," the Park encompasses three distinctly different ecosystems: rugged glacier-capped mountains, over 60 miles of wild Pacific Coast and magnificent stands of old growth and temperate rain forests.

Just 17 miles north of Port Angeles, across the Strait of Juan de Fuca, lies Victoria, British Columbia on Vancouver Island. A ferry transports tourists and business people daily between the two countries.

Travel time to Seattle from Port Angeles, the county's largest city, by car is 3 hours, including a ferry ride, and 30 minutes via scheduled commuter airlines. There are 12 flights per day to accommodate the travel needs of business people and tourists alike.

### **Government**

The county seat of Clallam County is Port Angeles. Three commissioners are elected for four-year terms to represent the east, central and west areas of the county. There are three incorporated communities. Port Angeles (population 18,530) and Sequim (population 4,485). Both use a Council/City Manager form of government. Forks (population 3,125) on the west end, uses mayoral form of government. Unincorporated areas include Clallam Bay, Carlsborg, Sekiu and Neah Bay. Clallam County lays in the 24th State Legislative District and the 6th U.S. Congressional District. 1.1

### **Interesting Facts & Statistics**

Per Capita Income – 2002 - \$26,959

Median Household Income (Projected) – 2003 - \$41,096

Consumer Price Index (Seattle-Tacoma-Bremerton) First Half 2004 - 194.0

### **Business & Vocational Schools**

North Olympic Peninsula Skills Center

Olympic Job Training

Chetta's Academy of Hair and Nails

Priority Instructional Center

Rite Brothers Aviation

Union Locals

The Hair School

### **Colleges and Universities**

**Peninsula College** – Port Angeles

**“University Center” at Peninsula**

**College** (*Western Washington University- Bachelors and Masters Programs;*

*University of Washington – Bachelors*

*Programs; City University – Bachelors*

*Programs)*

### **Applied Environment Technology**

**Centers of Excellence – Peninsula College**

*(Healthcare, biotechnology, natural resource management, marine services)*

Enrolled Students (2003-04) 10,418

**University of Washington** – Seattle,

150 minutes away

**The Evergreen State College –**  
Olympia, 150 minutes away

**Private Schools**

Five Acre School  
Olympic Christian School  
Queen of Angeles School  
Sequim Adventist School  
Sequim to Port Townsend 40 min.  
Sequim to Seattle (includes ferry) 2 hours  
Sequim to Tacoma 2 hours  
Sequim to Olympia 2.5 hours  
Port Angeles to Forks 1 hour  
Port Angeles to Victoria, B.C. (by ferry) 1–1.5 hours  
Port Angeles to Portland, OR 4 hours  
Forks to Grays Harbor 2.25 hours

Additional demographic information is available in **Appendix B – Study Area Boundaries.**

**Existing Incubators & Kitchen Centers - Washington & North Idaho**

The following Washington and North Idaho incubators were chosen for comparative purposes for two reasons. One, they are located in the Pacific Northwest and are rural in nature. Two, being close and residing in similar communities, these are the most appropriate projects from which to draw insight, best practices, things to avoid, etc. in relation to the proposed Clallam/NOP food incubator.

First off, it should also be noted that a mixed-use business incubator is nearing completion in Port Angeles. Jim Haguewood, former Director of Clallam EDC, offers the following about CBI:

“The CBI facility consists of two styles of leasable space, professional office (3, 541 sq. ft.) and multi-purpose (3,500 sq. ft.). The Lincoln Center building supports the CBI business client by offering conference rooms and access to NOPSC equipment and students. An internship program is planned to be developed in 2005.

The CBI program is based upon the Guided Access Program. This structure business support program is based up the growth levels of entrepreneur stage, seed stage, product launch stage, and successful venture stage. Within each stage are specific benchmarks and milestones that a CBI client will meet before the successful venture stage in which they will graduate into the community. The GAP program provides extensive mentoring and connections to professional services.

The CBI (and Lincoln Center) is the cornerstone of the Clallam networks economic development strategy. The role of the CBI in the plan was to raise and cultivate the entrepreneurship spirit in Clallam County by implementing a focused organization and providing a facility to attract and house business startups.”

CBI also has a satellite facility located in Forks, Washington. The Forks satellite facility of the CBI is housed in the West End Business and Technology Center. The satellite facility has 2,424 sq. ft. of office space. The Center's facility is fully wired, including a video conferencing link to the Port Angeles site. As a result, Forks facility tenants have instant access to the services offered at the Port Angeles facility. The West End Business and Technology Center opened in March of 2004, and like the Lincoln Center, shares on site facilities with the North Olympic Peninsula Skills Center.

Source: <http://www.clallam.org/business/business-incubator.html>

### **Northwest Washington Agriculture Innovation Center (proposed)**

Craig MacConnell  
Extension Faculty & Director  
Washington State University Extension  
Whatcom County  
(360) 676.6736

Craig MacConnell, WSU Whatcom County provided the following information on a proposed WSU facility to be located in or near Mt Vernon, Washington.

Mr. MacConnell noted that agriculture occupies 362,623 acres in the northwest part of Washington State, including Whatcom, Skagit, Snohomish, Island, and San Juan Counties. The state's Growth Management Act requires that counties conserve productive agricultural lands and encourage economic development among other policy objectives. Agriculture in this region is undergoing a transformation towards more value added opportunities in order to remain competitive in a global marketplace. There is a large need to provide economic development services to retain and expand the economic capacity of agricultural enterprises in the northwest area of the state.

He stated that the proposed facility would not likely be a shared-use food incubator, but rather an agriculture innovation center or agricultural business incubator in the western part of the state. The facility's goals, objectives and expected outcomes are as follows:

#### **Goals**

Sustain, enhance and grow the economic contribution of agriculturally based enterprises in northwest Washington by providing comprehensive assistance to entrepreneurs with value-added agriculture product and business development services.

#### **Objectives**

1. Facilitate the successful start up of new agricultural enterprises in northwest Washington capitalizing on existing land, labor and management resources.
2. Facilitate the successful development of new high margin value added agricultural based products in northwest Washington.
3. Provide assistance in business and market skill development to established and beginning entrepreneurs of value-added agriculture products.

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4. Facilitate the creation of new jobs based on the production, processing, packaging, marketing, and distribution of agriculturally based products in northwest Washington.
5. Enhance the net income of entrepreneurs involved in agriculturally based products in northwest Washington.
6. Facilitate the successful entry of new food system entrepreneurs in northwest Washington.

**Expected Outcomes**

1. New successful agriculture based products created due to support from agriculture business incubator
2. New successful enterprises of value-added agricultural products created due to support from agriculture business incubator
3. New jobs created due to support from agriculture business incubator
4. Existing agricultural enterprises retained and expanded due to support from agriculture business incubator
5. Existing northwest economy strengthened from the stimulus of new entrepreneurship in the agricultural industry of the region.

**Columbia River Country Kitchen**

3306 E. 5th Street SE  
E. Wenatchee WA 98802  
Doug Provo, Mgr. - (509) 884-4700

The Port of Wenatchee created the Columbia River Country Kitchen in 1997. This kitchen incubator has scaled down to approximately 1,500 square feet, located within a 21,500 square foot industrial facility. Although originally intent upon offering a full array of business development services, the facility no longer offers them. Business development for kitchen tenants is available through the SBDC at the Wenatchee Valley College along with SCORE and the Wenatchee Chamber of Commerce, all located in the Columbia Center in downtown Wenatchee.

Mr. Doug Provo, who oversees the entire facility and the industrial park at the port, runs the facility. The kitchen has a handful of tenants, relying most heavily on one “anchor” producer of preserved apple slices. Additional tenants include two caterers and a few other occasional users. The facility reports that it has “not been as active as they wanted”. Provo indicates that the facility does generate enough income to cover its own maintenance and upkeep, but not for staff, overhead or the cost of business development services. The port has indicated that without a major anchor tenant, the space is not adequately used, and that it could be better used. They have considered relocating the kitchen provided that they could secure the funding to move it, find a location with adequate infrastructure to accommodate the equipment (hoods), and that the kitchen would still be available for small businesses.

The port has simplified the fee structure and now charges flat fees of \$40 for 4 hours or less, and \$80 for each session of 5 to 16 hours. In addition there are charges of \$10 per month for a 4’ section of dry storage space, and \$20 per month for cold and freezer storage.

Funding for the project came from local tax revenues and two grants; a \$60,000 USDA Rural Business Grant and \$60,000 US Forest Service Grant.

**Community Kitchen – Twisp, WA**  
**Partnership for a Sustainable Methow**

108 N. Glover Street  
Twisp, WA 98856  
Ann Simmons - (509) 997-7482

The Community Kitchen in Twisp is a small commercial facility that provides kitchen space, equipment and storage to approximately 3 to 5 tenants each month. The facility does not have full-time management, and is operated as a for-profit cooperative along with a small “made in the Methow” gift shop, which sustains operation of the kitchen. Coop members are required to spend a day each month staffing the gift shop, which is open as often as there are cooperative members to staff it. The kitchen facility is not monitored by a manager, although the small number of users does not present management issues.

The facility was initially started as a non-profit organization, but after an inability to sustain itself, the facility became cooperatively run by approximately 3 tenants, each of which use it for part-time food businesses. Past tenants have moved to other private locations including after-hour restaurant kitchens. Reasons for leaving the Twisp kitchen included infrastructure problems such as insufficient flooring, a poor electrical system and insufficient floor space.

Rents are \$7 per hour, or \$9 per hour for one-time users. Ala cart services include a walk-in cooler, limited dry storage and small freezer space of 20” x 30” for \$8 per month.

Although not part of the incubator, business services are available through the Small Business Resource Center. The kitchen reports that the 3 users who currently occupy the kitchen do not require small business development services.

**Tri-County Kitchen – Coleville, WA**

Tri-County Economic Development District  
347 W Second Suite A  
Coleville, WA 99114  
Jeanie Forman, Executive Director  
(509) 684-4571, ext 107

This small commercial kitchen was started as a community kitchen in October 2002. At 3,000 sf., this kitchen is quite small and was built on the premise of a full time anchor tenant. The project worked reasonably with an anchor tenant in place until just recently when the tenant left. Occasional users were allowed at times at a rate of \$15 to \$20 per hour. This project was never designed as a kitchen or food incubator, but rather as a community kitchen. The full array of business incubation services was never put in place. The community kitchen is no longer in operation.

**Bonner Business Center**

804 Airport Way  
Sandpoint, ID 83864  
Wally Schmidt - (208) 263-4073

The Bonner Business Center (BBC) is a small business incubator created to encourage and assist the development of new businesses in North Idaho. The BBC will help by providing affordable, ready-to-go facilities and a place where new and/or early stage businesses can operate and be prepared for long-term success. The BBC consists of 10,700 square feet of light manufacturing and office space. It also includes an approximate 1,500 square feet fully licensed, shared-use food production facility to assist entrepreneurs in the specialty foods industry.

Kitchen tenants have access to commercial ovens, steam kettle, hot water bath, jar filler, and other special equipment that is often unavailable to early stage businesses. Support services are available to provide assistance with recipe, labeling and packaging, and safety and sanitation needs. Kitchen users join North Idaho Specialty Foods Association, a non-profit kitchen cooperative established to assist in the development and preparation of specialty foods.

In addition to affordable space, the BBC also offers the following support services as part of the base rent: reception services, business counseling, business library, janitorial services, conference room, and lounge. Other professional services that are available on a fee-for-use basis include: secretarial services, copy and datafax machines, computer, laser printer, business classes, and World Wide Web home pages.

The Bonner Business Center welcomes tenants who meet the Incubator's criteria and who feel they can benefit from services offered. Eligible businesses include, but are not limited to: light manufacturing, assembly, wholesale distribution, research and development, manufacturer's representatives, and service companies.

The Incubator is not designed for retail or firms requiring high walk-in traffic. Added encouragement is given to the specialty food producers. New businesses needing the resources of the BBC to support further growth are considered. Tenants are considered on a case-by-case basis using the following criteria: merit of business proposal, experience of principals, and growth and job creation potential.

At just under 11,000 square feet the BBC is also somewhat small compared to more recently developed rural incubators. This size does not allow for enough tenants to create the revenue necessary for the incubator to breakeven, even with its kitchen component.

The BBC is currently at 63% occupancy, with 2 of its 6 bays open, and 4 of its 10 offices open. The Sandpoint incubator, however, is not breaking even and could not operate on a stand alone basis. Because of its smaller size and lack of other in-house revenue generating programs, the BBC will need the city subsidy to keep its doors open.

### **Other Pacific Northwest Business Incubation programs**

#### **Ellensburg Business Incubator**

1000 Prospect, PO Box 598  
Ellensburg, WA 98926-0598  
Debbie Strand - (509) 962-7244

Ellensburg Business Incubator is an industrial / mixed-use incubator which was developed in 1989 by the City of Ellensburg and Central Washington University. The incubator is operated by Phoenix Development Corporation, a non-profit organization with funding from the City of Ellensburg. The incubator is 100% occupied, but has yet to reach break-even. Operational shortfalls are covered by the City of Ellensburg. Financial advice and counseling in conjunction with the Service Corps of Retired Executives (SCORE) and Central Washington University (CWU)

#### **CTEC Small Business Resource Center**

Nespelem, WA  
Sharon Holmdahl

Although not a true incubator, CTEC has established a community computer center consisting of approximately 16 computers and computer classes, which is open to the public. The computer center was designed by CTEC to be economically self-supporting, covering annual operating costs of approximately \$60,000. The facility has not reached a point of break-even, and is uncertain about how to do so. However, CTEC views the facility as important to community members (both tribal and non-tribal) and as important to Colville Tribal Credit customers. CTEC is also establishing a Small Business Resource Center in Nespelem. This facility, which was established through a variety of grants including USDA funding, is approximately 90% complete and on the verge of advertising for clients. The facility will provide technical assistance with business planning and accounting to a greater degree than existing SBDC services, according to CTEC's Sharon Holmdahl. The facility does not propose to offer low-cost office or industrial space to house entrepreneurial ventures. CTEC is open to the idea of relocating the computer resource center to the new small business resource center, but believes that such a move would abandon many local users in their area.

#### **Panhandle Area Council**

11000 N. Airport Drive  
Hayden, ID 83835  
Jim Deffenbaugh - (208) 772-0584

PAC's location in the City of Hayden is centrally positioned within the five northern counties of Idaho. PAC began as a Council of Governments in 1972. In the early stages of the organization, PAC worked extensively with the U.S. Department of Housing and Urban Development (HUD) under their 701 Comprehensive Planning programs. PAC also worked with the Environmental Protection Agency (EPA) on a study for water quality issues within the region. As a designated

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Economic Development District, PAC prepares the Comprehensive Economic Development Strategy (CEDS) on an annual basis, which provides information about the region's cities and counties, local economic development groups, and business organizations. The CEDS also prioritizes the elements for future projects.

The Panhandle Area Council is the lead economic development agency in North Idaho. It centers its outreach in three areas: Economic Development, Small Business Loans, and Grant Administration. The services PAC provides include project planning, grant writing, grant administration, low interest loans to small businesses, government procurement assistance, employment training, census data depository, and business counseling.

PAC services include:

- Council of Governments (COG)
- Certified Development Company - SBA 504
- Business Loans - Information on Small Business Micro Loans, SBA 504 Loans, Intermediary Relending Loans, and Revolving Loans
- Government Procurement
- Grant Writing and Administration
- International Trade Associate Office
- Economic Development and Planning
- Off Campus Small Business Training Facilities for North Idaho College
- North Idaho Workforce Investment Board
- Business Incubator Center
- Free Business Counseling
- Census Information

The PAC incubator is small compared to more recent rural incubators. It has 13,00 square feet of light manufacturing space (8 bays) and several offices and cubicles. With the success of developing other in-house (revenue generating) programs, PAC has taken 3 offices and 6 cubicles off its inventory of leaseable space. PAC is currently at 100% occupancy and reports a waiting list.

To reach breakeven and develop continued viability, PAC implemented other in-house programs that assist the overall budget of the facility. This multifaceted approach has worked well for PAC. The program is highly successful and has received national recognition from its peers, and from national organizations as a program to emulate.

## Job Creation

Incubator	Date Opened	Jobs Created
Columbia River Country Kitchen	1997	8 full time 10 part time
Community Kitchen – Twisp, WA	2001	5 part time
Ellensburg Business Incubator	1989	87 full time
Panhandle Area Council	1988	622 full time
Bonner Business Center Business incubator Kitchen component	1992	110 full time 50 full time

### Characteristics and Lessons Learned

Eastern Washington and Northern Idaho have a variety of business incubator facilities whose current status can provide insight into the feasibility of establishing a food incubator in Clallam County. These characteristics and lessons learned may also prove beneficial as the Clallam Business Incubator is readied to begin operations September 2005.

The majority of Washington’s business incubators were created as part of local economic development strategies, or to suit the needs of local specialty producers. One of the incubator facilities was developed by the local Port Authority in order to stimulate commerce. Another incubator, a kitchen incubator discussed above, was created as a grass-roots community initiative in order to promote sustainable and eco-friendly business development. Yet another was developed by a local non-profit economic development corporation to meet their objective for local business development. Of these three, two have kitchen facilities. However, the other mixed-use facility is the only one that offers small business development services in-house. The others rely on local colleges, small business development centers and community groups to provide these services, and as such are not true incubators in the traditional definition of “business incubator”.

### Kitchen incubators underutilized

The two regional shared use commercial kitchen facilities have been largely underutilized. One facility is well equipped, but has simply not attracted commercial-kitchen users, and does not believe that there is sufficient demand. The other serves only 3 part-time tenants at this time, and has lost the same number of tenants due to limitations of size, electrical capacity and kitchen floor strength. The Sandpoint Idaho kitchen was designed too small to accommodate simultaneous users, although health regulations would permit it. Multiple, simultaneous allows for the maximum utilization of the kitchen space and generates additional revenue.

### Community size not a factor

Local community size does not appear to be a factor in comparing the success of the region’s shared-use commercial kitchen facilities. The kitchen facility in Wenatchee is not necessarily performing better than the one in Twisp. However the two vary greatly in management and

design. Larger communities traditionally have increased the pool of significant “anchor” tenants for incubator facilities. However it appears that both kitchen facilities are under performing as a result of the same economic factors of the region – primarily a lack of demand for certified kitchen space as a result of a regional slump in the food production industry.

### **Business incubators outperforming kitchen incubators**

Another factor of note is that industrial / mixed-use incubators appear to perform better than commercial kitchen facilities in this region. The Ellensburg incubator, without a commercial kitchen, is operating at capacity. Additionally, the non-kitchen portion of the East Wenatchee facility is operating close to cost-recovery, and at present is “carrying” the kitchen. The PAC in Hayden report 100% occupancy, with a waiting list.

### **Incubators still not at breakeven**

Incubators in the region have had difficulty reaching cost-recovery or break-even. In the case of both kitchens (built without feasibility studies), they have been kept in operation with volunteer management, and without business development assistance. Recurrent funding sources have been necessary for the project’s ability to continue. In the case of the two more successful incubators, the project sponsor’s need for funding has exceeded development costs and the somewhat standard 3-year ramp-up phase. Most telling the incubator in Ellensburg is 100% occupied, but *has yet to reach break-even*. Operational shortfalls are covered by the City of Ellensburg. The BBC in Sandpoint Idaho does not breakeven and requires annual support form the City of Sandpoint.

### **Multifaceted approach or larger size**

If an incubator is to achieve breakeven it must be of sufficient size to develop sufficient revenue to cover its operating costs, or, must aggressively develop other in-house programs that add revenue to the overall incubator budget.

In terms of the proposed Clallam food incubator, this is an important lesson. The food incubator must be of sufficient size to allow many tenants to use the facility simultaneously. The Twisp and Sandpoint kitchens are simply too small to allow sufficient tenants use to produce a breakeven revenue stream.

Another important lesson can be found in the manner in which tenant services are delivered. In-house duplication of business development services does not appear to be working. Rather, partnerships with existing small business services providers (i.e. SBDC offices, community CDFI’s and revolving loan funds, WSU as a provider of technical assistance, etc.) appear to be a better option given the problems with the incubators’ budgets.

### **Washington Specialty and Organic Foods**

Organic production represents the largest growth segment nationwide in agriculture today. The organic industry is growing at a rate of 24% per year and has done so for the last eight years.

High value organic crops can help keep some farming enterprises viable. As commodity

programs are eliminated, more farmers are showing interest in organic production as a legitimate and economically viable alternative enterprise. Because of the high profitability, organic farming can be profitable on small acreages. With high returns and lower land and capital requirements, young people interested in farming as an occupation face far fewer barriers to entering the business. In fact, it is one of the few ways new growers without an inherited land or equipment base can enter agriculture.

Curtis E. Beus, Director of the Clallam County Extension Office reported the following about the concerns and value of specialty and organic crops in the area:

Around the North Olympic Peninsula and throughout Western Washington, land values are high, and costs of agricultural production are high. Thus, for farms to be profitable and successful, it is imperative that they concentrate on high-value crops and products that have the potential to yield high returns on labor, capital, and management on small to moderate acreages. Production and marketing of organic farm products is one strategy, but another rapidly growing strategy is the idea of creating "value-added" products from the commodities produced on smaller farms. Adding value can be as simple as unique packaging and branding of products such as "Bonnie's Baby Salad Greens," or it can involve development of "gourmet" (often now referred to as "specialty") processed foods such as various spreads, sauces, syrups, rubs, pickles, etc.

When done effectively, with attractive packaging and well thought out marketing, the sales of many of these value-added specialty food products can mean the difference between success and failure for many small farms. Specialty foods now make up over 10% of consumers' total food expenditures (over \$35 Billion annually), and the rate of market growth has been averaging over 7% annually (double the total growth rate for all foods). Farmers and other food entrepreneurs in Western Washington who can successfully develop and market high-value, specialty food products can significantly enhance the profitability of their businesses.

## **Potential partnering agencies and referral organizations**

### **The Washington Sustainable Food and Farming Network**

P.O. Box 6054

Bellingham, WA 98227-6054

P: (360) 527-9426

F: (360) 527-2615

[info@wsffn.org](mailto:info@wsffn.org)

**Source:** <http://www.wsffn.org/>

### **Why was the Network created?**

The idea of the Network started in 1997 with a small group of people who wanted to change the food and farming system in Washington State. They had a different vision for agriculture – one centered around long-term sustainability, one that cared about the future of the earth and the future of farmers and farm workers and one that put the 'culture' back into agriculture. Each of them was working on certain aspects of changing the food system, but they weren't working

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together. They realized that it would take many people, from many walks of life, working together creatively to build the political power to impact food and farm policy in our state. A framework and structure was needed where people could come together to share their passion and ideas for creating a sustainable food and farming system. And so the Washington Sustainable Food & Farming Network ("the Network") – a statewide advocacy organization for sustainable and organic agriculture and independent family farms – was born.

**Who is the Network today?**

The Network has grown dramatically since we formed in 1997. Our members include farmers, environmental organizations, farmers' markets, faith-based groups, the natural foods industry, community organizations, anti-hunger and nutrition advocates, educators and many other individuals interested in sustainable and organic agriculture and ensuring a healthy future for family farms. The combination of our members' skills, expertise and passion has made the Network a leading voice for sustainable agriculture and a key catalyst for change in food and farming policies and practices in Washington State.

**Cascade Harvest Coalition**

Cascade Harvest Coalition  
4649 Sunnyside Avenue North Room 123  
Seattle, WA 98103  
[mary@oz.net](mailto:mary@oz.net)

The mission of the Cascade Harvest Coalition is to promote and revitalize the local food and farm system by working collaboratively with farming and non-farming communities. The Coalition operates a number of programs in the areas of local product identification and consumer education (Puget Sound Fresh), farm transition and farmer education (Washington FarmLink), farmer-consumer linkages (Harvest Celebrations), farmer-policy maker connections (Western Washington Ag Summit) and creating new markets (Farm to College Pilot Project).

**About the Cascade Harvest Coalition**

Members and friends of the Cascade Harvest Coalition represent the diverse range of interests for healthy food and farm systems in Western Washington. From farm gate to dinner plate, food and farm issues affect our economy, our health and our landscape. To sustain the region, we must sustain the region's food and farm system. Toward this goal, the Cascade Harvest Coalition provides a forum for the diversity of individuals and organizations to work together in a coordinated effort.

**Key goals of the Coalition**

- Increase public awareness, appreciation and support for the economic, environmental, and cultural benefits of agriculture in the region.
- Promote preservation and protection of agricultural lands and resources.
- Enhance community food security and health by improving access to and consumption of locally- produced food.

- Promote coordinated action and dialogue among the broad diversity of agricultural interests on issues affecting the region’s farmers, agricultural resources and quality of life.

The Cascade Harvest Coalition has supported preservation and revitalization of the food and farm system in Western Washington since 1999 when representatives from a number of diverse groups met to address the need for greater unity and a stronger voice within the agricultural community. We saw that many groups were ably tackling local agricultural issues within their communities, but losing the greater effectiveness that those actions would have if coordinated throughout Western Washington.

Through forums, promotions, better inter-communication, research, education and collaboration, Cascade Harvest Coalition’s member organizations and individuals will more effectively address the threats to sustainable Western Washington agriculture:

- urbanization,
- loss of critical farmer support, including technical assistance for small farms,
- vague and uncertain environmental and land use regulations,
- need for better marketing and promotion,
- loss of irreplaceable farm lands, and more.

The Coalition facilitates linkages that result in more innovative and effective partnerships to sustain the food and farm system, and develops and implements strategies to achieve our common vision.

### **Puget Sound Fresh**

Puget Sound Fresh is a program of Cascade Harvest Coalition. It is the region’s premier consumer education and product identification program. Puget Sound Fresh educates consumers in 12 counties (including Clallam County) about the health and environmental benefits of buying and eating locally grown. The Puget Sound Fresh logo symbolizes the important contribution that local food and farms make to the quality of life in our region. Local farms provide not only the best, freshest products, but help maintain the welcome open spaces that make life in the Puget Sound region so special.

“Puget Sound Fresh” describes any product grown, raised or harvested in one of the 12 counties that border Puget Sound. As part of the program, locally grown products are labeled with a Puget Sound Fresh sticker or banner. The program encourages area grocery stores and farmers markets to promote local produce and farm products by using the Puget Sound Fresh logo. Currently, nearly 50 farmers markets in the region sell “Puget Sound Fresh” products. Local retail grocery stores featuring Puget Sound Fresh included Puget Consumers Co-op, Larry’s Markets, Metropolitan Market, Thriftway, Madison Market, Safeway, and Haggen/Top Foods.

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The Washington Sustainable Food and Farming Network and The Cascade Harvest Coalition are two like-minded organizations that could offer the Clallam kitchen incubator project potential partnering and referral opportunities.

In addition to these non-profit organizations, the state of Washington has many resources available through its state department of agriculture and through Washington State University:

**Washington State Department of Agriculture  
Organic Foods Program**

P.O. Box 42560  
Olympia, WA 98504  
[organic@agr.wa.gov](mailto:organic@agr.wa.gov)

**Washington State Department of Agriculture  
Small Farm & Direct Marketing Program**

Leslie Zenz, Program Manager  
P: 360-902-1884  
[smallfarms@agr.wa.gov](mailto:smallfarms@agr.wa.gov)

The Small Farm & Direct Marketing Program works to improve the status of small farms in Washington. The mission of the program is to increase the economic viability of small farms, build community vitality and improve the environmental quality of the region.

Curtis Beus, WSU Extension Director for Clallam County adds:

The WSDA Small Farm & Direct Marketing Program accomplishes this mission by:

- 1) assisting small-scale farmers in learning out to negotiate and deal with various government regulations;
- 2) working with farmers to develop viable marketing programs;
- 3) identifying and working with farmers to overcome various barriers to markets;
- 4) working with livestock producers to develop meat processing facilities appropriate for small-scale farmers in Washington;
- 5) promoting development and improvement of farmers' markets in Washington;
- 6) developing farm-to-chef and farm-to-cafeteria connections;
- 7) working with farmers to develop value-added farm products;
- 8) augmenting the development of eco-labeling and organic certification of Washington farm products;
- 9) promoting the development of agritourism;
- 10) obtaining grants and other financial resources to assist Washington small farms; and,
- 11) working to help draft legislation that benefits Washington's small farms.

**Washington State University Center for Sustaining Agriculture & Natural Resources  
(CSANR)**

Cindy Murray-Armstrong, Assistant to the Director  
P: 253-445-4626  
F: 253-445-4579  
[csanr@wsu.edu](mailto:csanr@wsu.edu)

WSU's CSANR works to develop and foster agriculture and natural resource management that is economically viable, environmentally sound and socially acceptable through interdisciplinary

relationships between WSU, growers, industry, environmental groups, agencies and the people of Washington.

### **Washington State University Small Farms Program**

Marcia Ostrom, Director

P: 253-445-4514

F: 253-445-4621

[mrostrom@wsu.edu](mailto:mrostrom@wsu.edu)

WSU's Small Farms Program works with communities to foster profitable family farms, land stewardship and access to healthy food.

Curtis Beus, WSU Extension Director for Clallam County adds:

WSU's Small Farms Team conducts research, teaching, and outreach for small- and mid-sized family-owned farms. Team members come from a wide variety of specialties and are based in various WSU programs, state agencies, and non-profit organizations.

The forty team members assist farms in managing the current realities facing agriculture: development pressure, increased costs, environmental regulations, and competition from global markets. The team helps family identify and meet personal and financial goals. At the farm level, team members keep growers informed of the latest research on economically and environmentally sound farming practices. This includes both traditional and new crop and livestock alternatives.

In communities, team members work with local partners to develop sustainable food projects, promote improved nutrition, and spur economic development through processing and marketing infrastructure. The team also helps enhance farm viability by increasing consumer purchases of locally-grown food.

In addition to the above organizations many local organizations can and will provide partnering and referral opportunities. These include:

- **Clallam netWorks EDC**
- **Clallam EDC – Agricultural Cluster**
- **Port Townsend Food Coop**
- **Clallam Business Incubator**
- **Diversified Resources**
- **WSU Small business Development Center (SBDC)**
- **Service Corp of Retired executives (SCORE)**

### **Conclusion**

A significant number of resources (technical assistance and service providers and not for profit organizations) are available in the region to assist food entrepreneurs to start and grow their businesses, and to assist these food entrepreneurs in reaching the national specialty and gourmet food markets.

## **Specialty Food Industry – National Perspective**

Over the past decade, the specialty foods market has benefited from growing consumer interest in high quality food products. In 2004, the sales of gourmet or specialty foods exceeded over \$24 billion according to the National Association for the Specialty Food Trade (NASFT). The scope of the specialty food market is difficult to determine. Many market researcher use "gourmet" and "specialty" interchangeably when describing the industry. Some food products, however, have limited definition as to whether or not they fall into the specialty food category. Another problem is that many sales are simply not recorded. Many home-made specialty products sold at farmers markets, roadside stands, etc. are not include in the industry's sales statistics. In some ways it is safer to say that the specialty food industry ranges from \$25 to \$50 billion annually, depending on who is counting. Everyone seems to agree that the industry is growing at a rate of at least 7 percent annually. For example, the purchase of specialty food increased 16% between 2002 and 2004. The specialty food market is projected to exceed \$27 billion in 2005.

NASFT defines gourmet and specialty food products as foods, beverages or confections that are of the highest grade, style or quality in their category. As the market has matured, the definition encompasses a much broader category of specialty foods. This segment of the food market has benefited from a movement by consumers toward diverse and higher-quality food products. Consequently, growth in the specialty foods segment of the retail food industry has been higher than the overall industry growth. Typically, specialty foods are evident in restaurants prior to adoption by the retail food industry. Many specialty foods are introduced through gift baskets where the consumer gets the opportunity to try a variety of products, which they may not sample otherwise.

The specialty foods market is comprised of a large number of small firms, which tend to focus on a specific region or cultural segment of the market. Large national companies are emerging with the development of the industry as a whole. The specialty food market is broad in terms of products categories. Products have traditionally included:

- specialty baked goods and cereal-based products
- specialty sauces, dressings, vinegars and oils
- specialty cereals, rice's and beans
- specialty meats
- specialty dairy products
- specialty beverages (herbal teas, juices, nutritionally fortified drinks)
- herbs and spices
- BBQ and hot sauces
- premium chocolate products
- ethnic foods

In recent years, the specialty food market has expanded to include products that target specific niche markets, such as the elderly and the health-conscious consumer. The increasingly multicultural nature of the United States also aids the specialty food market. Consumers are being exposed to ethnic cuisine and different products. Ethnic foods now extend beyond

traditional neighborhood niches. For example, Middle Eastern foods are expected to grow in popularity in the same way as Asian and Mexican foods, flavors and sauces have in the past. In general, food products that emphasize convenience, great taste, and diversity are shaping the growth of the specialty foods market.

Because the food industry is historically fragmented, there are only moderate industry concentration barriers to small and medium sized companies that wish to compete locally and beyond. Even very small operations can expect to sell products to wholesale distributors, retail outlets, restaurants, schools, and other institutions. However, there are still considerable barriers to entry for the small producer in terms of capital necessary to provide a licensed and properly equipped facility. Specialty foods are sold through various distribution channels. The following table illustrates the importance of specialty food stores and supermarkets as retail outlets for specialty foods.

#### Specialty Food Distribution Outlets

Type of Outlet	Percentage
Specialty Food Stores	35
Supermarkets	25
Natural Food Stores	10
Gift Stores	10
Foodservice/Restaurants	5
Delis	2
Other	10
Total	100

**Source: Specialty Food Magazine**

Trends in the food business and, in particular, in the grocery industry, support the claim that independent producers can readily find outlets. There is a demand for pre-cooked meals, for variety, for novelty, and for snack foods. To understand specialty foods, one needs to study restaurant trends. Studies have shown that restaurant trends are an accurate predictor of future specialty food growth. Health issues are also important indicators. Consumers are looking for healthy alternatives, including low-cal and low-fat products. Additionally, consumers want specialty products that make old recipes more appealing as well as making meal preparation faster, easier, and nutritious.

Consistent with an expanding market for high-end convenience foods, the taste for condiments, sauces, salad dressings, and preserves is growing, too. Supplies of heirloom, rare, exotic, and organic produce is insufficient to meet the demands several constituencies, including restaurants, supermarkets, and producers of salsas, chutneys, and other condiments. A surge of interest in herbal products, from health and beauty aids to foods to medicinals, is another trend, which offers opportunities to independent businesses. In most cases specialty foods are outpacing food products in term of growth potential. For example, the growth rate for specialty food condiments is 26 percent while only 8 percent for general condiments. The following illustrates the top fifteen categories of growth in specialty food production.

Top Fifteen Specialty Foods in Sales Growth

Item	Growth Percentage
Soda, juices and functional beverages	39
Milk, eggs, yogurt and other dairy	37
Cheese	29
Condiments	26
Nuts, seeds, dried fruits and trail mixes	25
Cold and hot cereals	23
Shelf-stable and refrigerated sauces, salsas and dips	21
Coffee and cocoa	20
Beans, grains and rice	18
Cookies and snack bars	17
Shelf-stable and frozen fruits and vegetables	16
Chips, pretzels and snacks	15
Oils	13
Seasonings	13
Conserves, jams and nut butters	11

**Source: Specialty Food Magazine**

A special word about ethnic foods. Ethnic foods is the grocery industry's most dramatic growth story. No too long ago, one had to search long and hard to find authentic mole or real Thai noodles. Not any more. Supermarkets and stores of all kinds now stock a variety of ethnic foods to the consumer demand. In addition to cultural; aspects of ethnic foods, many consumer perceive that ethnic foods are healthier than ordinary American fare. The Mediterranean and Asian cuisine are example of foods touted for being healthy. The growth in demand of ethnic foods has coincided with consumer’s obsession for healthy lifestyles. Ethnic foods are expected to increase by about 50 percent by 2010 growing to over a \$75 billion market annually. Population projections support this growth trend given that by 2020 over 16 percent of the U.S. population will be Hispanic. The Asian presence in the U.S. is also expected to double by 2010.

In summary, the U. S. market comprises an estimated 50 million “heavy buyers” of specialty foods. These buyers can be found in all regions of the country, particularly in the largest metropolitan areas. The National Association for the Specialty Food Trade has categorized these consumers of specialty foods as affluent, educated and typically in the late fifty to early sixty age bracket. Fifty-five percent of U.S. consumers buy their gourmet foods in supermarkets rather than specialty food stores, although the heaviest buyers tend to frequent specialty food stores, which offer a broader selection of goods. More specific information about the specialty foods industry may be obtained from the following organizations:

National Association for the Specialty Food Trade, Inc.  
120 Wall Street, 27th Floor  
New York, New York 1005-4001  
(212) 482-6440  
[www.specialty-food.com](http://www.specialty-food.com)

Specialty Food Distributors and Manufacturers Association  
401 N. Michigan Avenue, Suite 2200  
Chicago, Illinois 60610  
(312) 644-6610  
[www.specialtyfoods.org](http://www.specialtyfoods.org)

National Food Processors Association  
1350 I Street, NW, Suite 300  
Washington, D.C. 20005  
(202) 639-5900  
[www.nfpa-food.org](http://www.nfpa-food.org)

International Food Information Council  
1100 Connecticut Avenue, NW, Suite 430  
Washington, D.C. 20036  
(202) 296-6546  
[www.ific.org](http://www.ific.org)

U.S. Department of Agriculture (USDA)  
14<sup>th</sup> Street and Independence Avenue, SW  
Washington, D.C. 20250  
(202) 720-2791  
[www.usda.gov](http://www.usda.gov)

### **Natural/Organic Food Market**

U.S. farmland managed under organic farming systems expanded rapidly throughout the 1990s and has sustained that momentum throughout the early 2000s, as farmers strive to meet consumer demand in both local, national and international markets. The U.S. Department of Agriculture (USDA) implemented national organic standards on organic production and processing in October 2002. The new uniform standards helped to facilitate further growth in the organic farming sector.

The definition of "organic" was adopted by the National Organic Standards Board in 1995. Organic agriculture is defined as "an ecological production system that promotes and enhances biodiversity, biological cycles and soil biological activity. It is based on minimal use of off-farm inputs and on management practices that restore, maintain and enhance ecological harmony." The new organic standards detail the methods, practices and substances that can be used in producing and handling organic crops and livestock, as well as processed products. Organic is also a labeling term that denotes products produced under the authority of the Organic Food

Production Act. Organic should not be confused with natural. "Natural" and "organic" are not interchangeable. Other labeling claims, such as free-range, hormone-free, and natural can still appear on food labels, but only food labeled "organic" has been certified as meeting USDA organic standards.

Beginning on October 21, 2002, organic food producers and handlers must be certified by a USDA accredited certifying agent to sell, label, or represent their product as "100 percent organic" or "made with organic ingredients." Small producers with less than \$5,000 in annual sales of organic products have the option to seek certification or not, but must follow all of the organic food labeling requirements. The National Organic Program (NOP) was instituted to eliminate the confusion in the industry over what products can be sold as organic. The intent of the NOP is to replace individual state regulations and certify procedures that regulate the industry. The new standards and rules on organic-food labeling should help consumers and create a more efficient market for organic foodstuffs.

The U.S. market for organic products is valued at around \$10 billion in 2003. It is one of the most dynamic sectors of the food industry, with an annual growth rate of over 20 percent between 1997 and 2002. The organic market is projected to reach over \$30 billion by 2007 according to Datamonitor. According to a survey conducted by the Whole Foods Market in 2004, more than one-quarter of American consumers are eating more organic products than in 2003. Consumers are buying organic foods because most believe organic foods are better for the environment, and better for their health. Organic food buyers also believe that using organic products helps to support small and local farmers. The primary barrier to market acceptance is price. Consumers still believe that organics are too expensive. However, prices are expected to become more competitive as the industry continues to grow in terms of availability and variety. USDA estimates that there are about 12,500 organic farmers nationwide, most of them small-scale producers. Certified cropland doubled in the 1990s. Organically grown livestock, eggs, and dairy grew even faster. Organic food production occurs in every state. The Rodale Institute has set a goal of 100,000 certified organic producers by 2013. This would represent over 5 percent of the approx. 2 million farmers in the U.S.<sup>4</sup>

The vast majority of producers are small and operate on a regional scale selling their products in locations as diverse as roadside stands, restaurants or large supermarkets. The top organic items produced include tomatoes, lettuce, carrots, apples, grapes, broccoli, strawberries, squash, mushrooms and peaches. Dairy products are among the fastest growing. While organic foods account for less than 1-2 percent of food sales, this sector is growing faster than any other area of the food industry. Organic products are now in nearly 20,000 natural food stores and 73 percent of conventional grocery stores. Globally, the organic food and drink market reached over \$23 billion in 2002. Increased demand in North America led it to overtake Europe as the largest market for organic food and drink.

Packaged groceries account for the largest share of organic food sales. Bulk foods and perimeter/prepared foods, which include meat, deli, seafood, bakery, and foodservice, are the next largest categories. The organic food industry has undergone significant change over the past decade. Small, poorly organized producers no longer dominate the sector. As the industry

has matured, firms have become larger and more organized and efficient. Given the newness of the industry, consumers have not fully established brand preferences for the majority of natural and organic products. This provides an opportunity for more new products. While the industry could be considered in its infancy, many large retailers and distributors have begun to establish their own private-label brands. Large, nationally known companies are or have entered the market, often by purchasing small organic firms whose products complement their own products. An example is General Mills' purchase of the Cascadian Farm brand of organic cereals and energy bars. Other companies are developing organic version of their existing lines. In 2003 for example, Frito-Lay introduced its "natural line" while H.J. Heinz began marketing organic ketchup. Large companies now own most of the organic food industry's leading brands.

The key factor leading the growth of the organic/natural food industry is the increasing health consciousness of consumers. Over the past decade, consumers have become far more aware of the quality of what they buy and eat. Factors such as the ingredients that foods contain, the processes that the foods undergo, the use of antibiotic drugs in animal feed or food irradiation play an increasing role in buying decisions. Thirty-nine percent of the U.S. population regularly uses organic products according to the Natural Marketing Institute (NMI). The organic food market represents a good opportunity for local farmers and producers. The market is projected to experience strong annual growth across numerous product sectors. For example, producers introduced more than 4,200 new organic products in 2000. Teas were the most commonly introduced item, followed by fruit-flavored drinks, spices, extracts, seasonings, sauces and gravies. Fresh produce continues to be the top-selling organic category. In the near future ready-to-eat, organic meals and ingredients are expected to attract consumer interest. Despite being considered a maturing industry, opportunities exist in, but are limited to, the following organic product categories:

- fresh/frozen/processed fruits and vegetables
- ice cream
- breakfast cereals
- healthy snacks
- herbal preparations/nutritional supplements
- health bars
- prepared salads
- prepared meals
- fresh herbs
- specialty/ethnic flours
- condiments/sauces
- alcoholic beverages
- deserts

More information on this industry can be obtained from the following:

U.S. Department of Agriculture  
14<sup>th</sup> Street and Independence Avenue, SW  
Washington. D.C. 20250  
(202) 720-2791

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[www.usda.gov](http://www.usda.gov)

International Foodservice Distributors Association  
201 Park Washington Court  
Falls Church, VA 22046-4521  
(703) 532-9400  
[www.ifdaonline.org](http://www.ifdaonline.org)

Food Marketing Institute  
655 15<sup>th</sup> Street, NW  
Washington, D.C. 20005  
(202) 452-8444  
[www.fmi.org](http://www.fmi.org)

Organic Farming Research Foundation  
P.O. Box 440  
Santa Cruz, CA 95061  
(830) 426-6606  
[www.ofrf.org](http://www.ofrf.org)

National Nutritional Foods Association  
California Office  
3931 MacArthur Blvd., Suite 101  
Newport Beach, CA 92660  
(949) 622-6272  
[www.nnfa.org](http://www.nnfa.org)

The Center for Food Safety  
666 Pennsylvania Avenue, SE, Suite 302  
Washington, D.C. 20003  
(202) 547-9359  
[www.centerforfoodsafety.org](http://www.centerforfoodsafety.org)

Organic Trade Association  
74 Fairview Street  
P.O. Box 547  
Greenfield, MA 01302  
(413) 774-7511  
[www.ota.com](http://www.ota.com)

The following associations can provide a wealth of information on specific products from manufacturing, standards to marketing. Associations are great places to gather market research information. All provide background and statistics about their industry.

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American Association of Cereal Chemists	<a href="http://www.scisoc.org">http://www.scisoc.org</a>
American Cheese Institute	<a href="http://www.cheesesociety.org">http://www.cheesesociety.org</a>
American Dairy Association - I Love Cheese	<a href="http://www.ilovecheese.com">http://www.ilovecheese.com</a>
American Dairy Science Association	<a href="http://www.adsa.uiuc.edu">http://www.adsa.uiuc.edu</a>
American Institute of Baking	<a href="http://www.aibonline.org">http://www.aibonline.org</a>
American Ostrich Association	<a href="http://www.ostriches.org">http://www.ostriches.org</a>
American Meat Institute	<a href="http://www.meatami.org">http://www.meatami.org</a>
American Sheep Industry Association	<a href="http://www.sheepusa.org">http://www.sheepusa.org</a>
American Society of Bakery Engineers	<a href="http://www.asbe.org">http://www.asbe.org</a>
American Wholesale Marketers Association	<a href="http://www.awmanet.org">http://www.awmanet.org</a>
Association of Coupon Professionals	<a href="http://www.couponpros.org">http://www.couponpros.org</a>
Association of Dressings & Sauces	<a href="http://www.dressings-sauces.org">http://www.dressings-sauces.org</a>
Beer Institute	<a href="http://www.beerinst.org">http://www.beerinst.org</a>
Catfish Institute	<a href="http://www.catfishinstitute.com">http://www.catfishinstitute.com</a>
Food Distributors International	<a href="http://www.fdi.org">http://www.fdi.org</a>
Food Institute	<a href="http://www.foodinstitute.com">http://www.foodinstitute.com</a>
Food Marketing Institute	<a href="http://www.fmi.org">http://www.fmi.org</a>
Frozen Food Association	<a href="http://www.nffa.org">http://www.nffa.org</a>
General Merchandise Distributors Council	<a href="http://www.gmdc.org">http://www.gmdc.org</a>
Grocery Manufacturers of America	<a href="http://www.gmabrands.com">http://www.gmabrands.com</a>
Institute of Food Science & Technology	<a href="http://www.easynet.co.uk/ifst/">http://www.easynet.co.uk/ifst/</a>
Institute of Food Technologists	<a href="http://www.ift.org">http://www.ift.org</a>
International Association of Culinary Professionals	<a href="http://iacp.com">http://iacp.com</a>

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International Association of Food Industry Suppliers	<a href="http://www.iafis.org/">http://www.iafis.org/</a>
International Association of Milk, Food and Environmental Sanitarians	<a href="http://www.iamfes.org">http://www.iamfes.org</a>
International Bottled Water Association	<a href="http://www.bottledwater.org">http://www.bottledwater.org</a>
International Dairy-Deli-Bakery Association	<a href="http://www.iddba.org">http://www.iddba.org</a>
International Dairy Foods Association	<a href="http://www.idfa.org">http://www.idfa.org</a>
National Association of Chain Drug Stores	<a href="http://www.nacds.org">http://www.nacds.org</a>
National Association of Convenience Stores	<a href="http://www.cstorecentral.com/index.html">http://www.cstorecentral.com/index.html</a>
National Association of Fruits, Flavors and Syrups	<a href="http://www.naffs.org">http://www.naffs.org</a>
National Association of State Departments of Agriculture (NASDA)	<a href="http://www.nasda-hq.org">http://www.nasda-hq.org</a>
National Cattlemen's Beef Association	<a href="http://www.beef.org">http://www.beef.org</a>
National Confectioners Association	<a href="http://www.candyusa.org">http://www.candyusa.org</a>
National Fisheries Institute	<a href="http://www.nfi.org">http://www.nfi.org</a>
Pet Food Institute	<a href="http://www.petfoodinstitute.org">http://www.petfoodinstitute.org</a>
National Food Processors Association	<a href="http://www.nfpa-food.org">http://www.nfpa-food.org</a>
National Frozen Food Association	<a href="http://www.nffa.org">http://www.nffa.org</a>
National Institute for Animal Agriculture	<a href="http://www.animalagriculture.org">http://www.animalagriculture.org</a>
National Meat Association	<a href="http://www.hooked.net/users/nma/">http://www.hooked.net/users/nma/</a>
National Pasta Association	<a href="http://www.ilovepasta.org">http://www.ilovepasta.org</a>
National Pork Producers Council	<a href="http://www.nppc.org">http://www.nppc.org</a>
National Restaurant Association	<a href="http://www.restaurant.org">http://www.restaurant.org</a>
National Retail Federation	<a href="http://www.nrf.com">http://www.nrf.com</a>

**Clallam County Economic Development Council**  
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National Turkey Federation	<a href="http://www.turkeyfed.org">http://www.turkeyfed.org</a>
National Soft Drink Association	<a href="http://www.nsd.org">http://www.nsd.org</a>
Nonprescription Drug Manufacturers Association	<a href="http://www.ndmainfo.org">http://www.ndmainfo.org</a>
Popcorn Institute	<a href="http://www.popcorn.org">http://www.popcorn.org</a>
Private Labels/Exclusive Brands Interchange	<a href="http://www.pl-eb.com">http://www.pl-eb.com</a>
Private Label Manufacturer's Association	<a href="http://www.plma.com">http://www.plma.com</a>
Produce Marketing Association	<a href="http://www.pma.com">http://www.pma.com</a>
Retailer's Bakery Association	<a href="http://www.rbanet.com">http://www.rbanet.com</a>
Salt Institute	<a href="http://www.saltinstitute.org">http://www.saltinstitute.org</a>
Seafood Business Magazine	<a href="http://www.seafoodbusiness.com">http://www.seafoodbusiness.com</a>
Snack Food Association	<a href="http://www.sfa.org">http://www.sfa.org</a>
Specialty Coffee Association of America	<a href="http://scaa.org">http://scaa.org</a>
Sugar Association	<a href="http://www.sugar.org">http://www.sugar.org</a>
Uniform Code Council	<a href="http://www.uc-council.org">http://www.uc-council.org</a>
United Fresh Fruit and Vegetable Association	<a href="http://www.uffva.org">http://www.uffva.org</a>
USA Rice Federation	<a href="http://www.usarice.com">http://www.usarice.com</a>
U.S. Poultry & Egg Association	<a href="http://www.poultryegg.org">http://www.poultryegg.org</a>
Voluntary Interindustry Commerce Standards (VICS) Association	<a href="http://www.vics.org">http://www.vics.org</a>
Wheat Foods Council	<a href="http://www.wheatfoods.org">http://www.wheatfoods.org</a>
Wine and Spirits Wholesalers of America	<a href="http://www.wswa.org">http://www.wswa.org</a>
Wine Institute	<a href="http://www.wineinstitute.org">http://www.wineinstitute.org</a>

*Sources:*

- (1) Specialty Food Magazine

**Clallam County Economic Development Council**  
**Feasibility Study for Establishing a Shared-use Commercial Kitchen Incubator**

National Association for the Specialty Food Trade, Inc.  
[www.specialtyfood.com](http://www.specialtyfood.com)

(2) News Release  
The U.S. Gourmet and Specialty Food Market  
Market Research.com  
[www.packagedfacts.com](http://www.packagedfacts.com)

(3) News Release  
The U.S. Gourmet and Specialty Food Market  
Packaged Facts  
[www.packagedfacts.com](http://www.packagedfacts.com)

(4) *Recent Growth Patterns in the U.S. Organic Food Market*  
Economic Research Service (ERS)  
U.S. Department of Agriculture (USDA)  
[www.ers.usda.gov](http://www.ers.usda.gov)

### **Some Food Trends to Consider**

What, when, and where Americans will eat in the future is as varied as the number of researchers trying to predict America's future eating trends. What is certain is that America's eating habits are always changing. According to a USDA report, grocery and retail food sales in 2003 exceeded food service sales for the first time in many years. Simply put, families are eating at home more than they are at restaurants. All of the existing and future food trends are wrapped around the concept of "eating healthy." This is contradicted by the fact that USDA data shows that the amount of food being consumed per person has reached an all time high. Clearly, Americans seem to want foods that are convenient, exotic, and organic. They seek a balance between three things: health, comfort, and time management.

What are the trends a small-scale food producer should pay attention to in order to stay competitive? Some of the important trends according to a report published in *Food Technology* by the Institute for Food Technologies are as follows:

**1. No-prep, Convenience foods.** Convenience is the driving force behind most of our food choices. It satisfies the need for time management. The food industry calls it meal solutions. Consumers are willing to pay the price for the ease and speed of food preparation. Ready-to-eat, heat-and-eat, and packaged foods with no utensils will continue to be important food product attributes, along with great taste. Convenience is as important as nutrition or health.

**2. Health and Wellness.** The continued interest in all aspects of health is one of the major reasons for growth in organic foods. Consumers continue to believe that organic foods are healthier than conventional foods. This belief is strongly held despite the fact that no research has shown that organic foods are healthier. Clearly, consumers want healthier, tastier, and sophisticated foods, and they are willing to pay for them.

**3. Eating American.** Contrary to popular belief, America is still a nation of meat eaters. That includes chicken, turkey, pork, lamb, and seafood as well as beef. Eating American is wrapped around healthy foods. People are still interested in the fat, sugar, calories, and dietary fiber

content of the food they eat. Thus, American are looking for foods and beverages that promise "no, low, less than, reduced."

**4. Eating Ethnic.** The plain old American diet still tops the list of foods and cooking styles that consumers say they "really" enjoy. But it's not surprising that Chinese, Italian, and Mexican/Tex-Mex are closing in fast. Ethnic trends are quietly merging with our own traditional and regional cuisines. The growth of specific ethnic restaurants are indicators of future specialty food trends. It seems that Cajun is topping the up and coming list, followed by Spanish, French, Japanese, Greek, Middle Eastern, California, Thai, German and Caribbean. American, Chinese, Italian and Mexican still are the most popular.

**5. Nutraceutical or helping foods.** Foods that prevent or even treat a health condition are at an all-time high and are expected to grow in popularity. These foods include vitamin-fortified foods, soy products, and weight-loss foods. Low-fat and fat-free continue to be important food trends. Americans are clearly choosing healthier food options. Heart-friendly olive oil and canola oil captured almost one-fourth of the salad and cooking oil market in 2000 representing a five-year growth of 20 percent.

**6. Pure and Tasty.** Organic food is exploding, with nutrition bars, snack foods, nondairy beverages, and packaged foods posting the largest growth. Food-savvy consumers are demanding that "everyday" foods should be a little more "gourmet." It's creating a wave of mildly upscale casual culinary concepts that are destined to be more indulgent, flavorful, festive, and fun.

**7. One-dish meals.** One-dish dining as become a popular food trend. The fast paced American lifestyle created opportunities for portable food products such as snack bars, yogurt in a tube, and grab-and-go soups to mention a few." Clearly, food trends tend to accommodate lifestyle trends and changes. People want easy fixes -- food that's fast and fun.

**8. New-age dairy.** Milk is once again cool. New flavors, specialty milks (including organic), and portable sizes have helped boost milk sales. Portability has also helped yogurt and cheese sales.

**9. Snacks & Mini Meals.** Convenient, ready-to-eat snacks and mini/mobile meals are the most popular food items. Virtually everyone snacks between meals -- especially teens, young adults, and latchkey kids. More Americans were snacking on granola bars, trail mixes, and other similar snacks.

**10. Suppers at home.** This trend accommodates people's need for comfort. Consumer are seeking foods, products, and occasions that encourage family times, traditions, and quality time. Home cooking fits right in. Half of all dinners are prepared by Mom -- mainly spaghetti, pizza, steak, soup, baked chicken, frozen entries. Exotic varieties or more highly flavored versions of favorite foods and ingredients -- especially cheeses, mustards, and ketchups -- are gaining ground in food trends.

**11. Fruits & veggies.** Fruit in ready-to-eat cereals, veggie-flavored cheeses, salads in the deli department are all part of the growing perception fruits and vegetables or high-fiber personifies

health. Fruit has been in growth mode for some time now. Also miniature veggies and very young versions of veggies or veggies with a different look are popular food trends. Imported fruits or vegetables for the ethnic market is also growing. High quality seems to govern consumer-buying habits.

**12. Low Carbohydrates.** The low-carb diets have added new products to the food industry. It remains a hot trend. The trend has benefited both conventional and organic foods. Bakeries and restaurants have also introduced low-carb products.

SOURCE: *Food Technology*, April 2003.

To these national trends, Curtis Beus, WSU Extension Director for Clallam County adds this local trend:

Eating Local. In the "organic and natural" foods segment, a rapidly developing new trend is the emphasis on eating food that originates from nearby, local farms. In the beginning of the organic movement, most organic food available to consumers was from local farms. However, as the organic food industry has literally "gone global" in many cases, many consumers of organic products are now demanding food with a "local connection." They quite literally want to know where their food comes from, who is producing it, how it is produced, etc.

I also think you should add this to the segment on "New-age Dairy:" "One of fastest growing segments of the specialty foods market today is artisan and farmstead cheeses. Whereas in the past most Americans were satisfied with processed cheeses, or with factory-produced cheddars or mozzarella cheeses, today many consumers are waking up to the world of specialty cheeses with a huge variety of tastes, textures, and uses.

## Summary

- In 2004, the sales of gourmet or specialty foods exceeded over \$24 billion. The specialty foods market is comprised of a large number of small firms, which tend to focus on a specific region or cultural segment of the market.
- Similarly, the U.S. market for natural and organic products is valued at between \$10 billion and \$30 billion. It is one of the most dynamic sectors of the food industry, with an annual growth rate of over 15 percent. While organic foods account for less the 1 percent of food sales, this sector is growing faster than any other area of the food industry.
- The U.S. market for strictly organic products is valued at around \$10 billion in 2003. It is one of the most dynamic sectors of the food industry, with an annual growth rate of over 20 percent between 1997 and 2002. The organic market is projected to reach over \$30 billion by 2007.
- Ethnic foods are expected to increase by about 50 percent by 2010 growing to over a \$75 billion market annually. Population projections support this growth trend given that by 2020 over 16 percent of the U.S. population will be Hispanic. The Asian presence in the U.S. is also expected to double by 2010.

## Market Demand

### Primary Research

A key component of this study is the assessment of market demand, defined as a quantifiable need or wish on the part of prospective tenants to use a shared-use, commercial kitchen facility. Moving from a production side demand for space to the existence of a customer base that will ensure profitability for entrepreneurs is a leap or faith, but several characteristics of the region are predictive of success and increase the probability that there will be sufficient interest to support a shared-use, commercial kitchen facility:

- Food industry trends which point to continued expansion of prepared and specialty food markets;
- A tourism market where food plays a major component;
- Culinary and food service education programs at the high school and community college that help to provide a feeder system for potential food entrepreneurs;
- An existing supportive environment for business start-ups, including institutions that provides business training, technical assistance, and access to capital;
- The agricultural pattern of the region provides opportunity for more value-added agricultural products,
- Farmers are developing relationships with local institutions, such as school districts, which require that food be processed in a licensed facility. Therefore, having the facility opens up this market to local producers; and,
- The region's goal of wanting to build on local "economic engines" within their economy.

The following market demand assessment is a snapshot, valid as a feasibility tool, but subject to change in its particulars. Tenant mix, product mix, and other details will vary as processors relocate, survey respondents alter business plans, and prospective tenants take advantage of other kitchen space. Many producers indicating a need for the proposed kitchen facility will no longer be potential tenants when construction is completed. Industry research clearly shows, however, that where significant community interest predates the opening of a kitchen facility, it is very likely that a similar mix of tenants will exist to fill the facility at its completion, a year to two years later.

### Methodology

Market demand is gauged in two ways. The first was through a user survey, which (1) profiled prospective users according to selected characteristics (e.g. type of product, stage of business development) and (2) chronicled facility usage (e.g. equipment needed, hours of anticipated use). A second assessment strategy employed data gathering tools other than written surveys. Researchers interviewed prospective users, representatives of interested stakeholder organizations, and other individuals and groups interested in the proposed kitchen.

In preparation for data collection, and throughout the process of both interviewing and conducting surveys, researchers developed a comprehensive plan with special attention to institutional and political support for the project. Researchers met with the project sponsors on all facets of determining feasibility, as well as, aspects of finance, construction and operation. A

press release and contacting local media outlets was another arm of the effort to publicize and legitimize the kitchen facility.

Over a five-month period, from February 2004 through June 2005, researchers gathered information about the potential of the proposed North Olympic Peninsula facility. Activities over the course of the data gathering period included meetings of the kitchen incubator committee, meetings with potential users, key stakeholders and representatives from non-profit organizations, area service providers, elected city officials and staff members, and others who have a vested interest in the project.

Over the same period, researchers met with potential users of the facility and gathered primary information to augment the information gathered from non-users.

The user survey and results are presented first, followed by key community stakeholding organizations information.

## **User Survey & Results**

### **Survey Design**

The NOP Food Enterprise Center Steering Committee worked with researchers throughout the feasibility study process. The Shared-Use Commercial Kitchen Needs Survey design was based on an instrument presented in the publication, *Establishing a Shared-Use Commercial Kitchen*, authored and edited by Cameron Wold of the study team. Experience of communities using written surveys to identify prospective kitchen users led to modifications. The instrument also underwent additional modification by the project sponsor to better reflect local conditions.

The survey was the starting point for understanding the various users of the facility and the products they wish to produce. This, in turn, informed the process of design, layout and equipment needed for the facility. The survey is included in the appendix in its entirety.

### **Survey Data Gathering**

The survey was distributed to prospective users through the stakeholders network, via an insert in the local paper and at various public meetings. The stakeholders network included many individuals and other groups including: food processors, retailers, caterers, food industry training/education programs, restaurants, regulators, public and private sector service providers, farmers, technical experts, funding sources, economic development organizations, chambers of commerce, elected state and county officials, and academicians.

### **Survey Results**

The questionnaire addressed the likelihood that respondents would use the proposed kitchen facility, and asked which services and equipment they would require. Other components were expected usage, product mix, and the need for “incubator” services (business classes, technical assistance, and office equipment). Respondents were allowed to mark as many responses as were applicable, so “All Respondents” will not total similarly on all questions. Also, as the

survey respondents did not answer all questions, so the “All Respondents” for each question will not be constant.

## **Survey Responses**

**Sixty (60)** surveys were collected from efforts related to the full survey (containing 14 questions).

**Twenty-one (21)** surveys were collected from an insert placed in the local paper. This survey was a shortened version of the full survey and contained the most crucial questions #1, 2, 4, 6, and 14.

**Eighty-one (81)** surveys were collected from all data gathering efforts.

### **Excluded Surveys**

**Six (6)** surveys were rejected due to no name, incomplete information, or for other reasons related to the survey: 1 producer currently using a co-packer and desiring a co-packer; 1 existing caterer too distant from Sequim (40 hour/week); and 1 start-up specialty food producer – too far away.

**Five (5)** surveys were rejected that reflected dairy and cheese products. A focus group was conducted in which it was determined that none of the (or perhaps only one) respondents would actually use the facility given the difficulties of maintaining cheese room sanitation, Washington State Farmstead cheese exemption, and other reasons.

**Four (4)** surveys were rejected that reflected seafood and meat products. Due the limited survey response for meat items and the additional expense of both developing segregated kitchen space to process shelf-life meat products and the additional operating expense of running a “meat products” kitchen, a separate “meat” space is not recommended and, accordingly, the surveys were not counted. The following surveys were excluded: 18 hours reflecting smoked or cured meat products (existing); 12 hours reflecting processed shellfish (existing); 5 hours reflecting canned seafood (existing); and, a seasonal request to produce canned tuna (10 hours per month for 3 months of the year).

### **Compiled Surveys**

**Sixty-five (66)** surveys were compiled. The following tables detail the most important survey findings.

#### **Question 1. What food item(s) do you or would you be interested in preparing?**

249 total responses were made to this question. 89 responses (37%) were made in the “Now Preparing” column and 160 responses (63%) were made in the “Interested In Preparing” column. Most surveys indicated a desire to prepare multiple food items. Most respondents are currently preparing or are interested in preparing multiple food products.

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Sauces/salsas/condiments were the most popular response (36); followed closely by Jams and jellies (29); lavender products (25); bakery items (23), value-added produce (24), and juices or other beverages (20). Dry mixes (18) and herbal products (15) were also significant.

Other non-culinary items received 14 responses.

It should be noted that many of the currently producing lavender and non-culinary product respondents indicated their desire to start producing culinary products like condiments and bakery items.

**Table 1a: Food Item(s) Being Prepared or Interested In**

FOOD ITEM	NOW PREPARING	INTERESTED IN PREPARING	ALL RESPONDENTS
Bakery Items	9	14	23
Catering Meals	4	7	11
Sauces/Salsa & Condiments	11	25	36
Value-added Produce (e.g salad mixes, cut veggies, etc.)	8	16	24
Canned Foods	4	11	15
Jams, Jellies, Syrups	9	20	29
Juices or other beverages	6	14	20
Pasta	3	2	5
Dry Mixes	5	13	18
Herbal products	4	11	15
Lavender products	11	14	25
Other non-culinary	6	8	14
Other: shellfish	1		1
Smoked and cured meats	1		1
Canned seafood	1	1	2
Honey	1	2	3
cleaning lavender-based products	1		1
Essential oils		1	1
Chocolate truffles	1		1
Frozen fruit		1	1
Dried fruit	1		1
Kettle popcorn	1		1
Sorbet	1		1
Total	89	160	249

**Table 1b: Comments**

Preparing catered meals for 10 – 200 people
Organic processor
Need IQF
Need flash freezer for fruits and berries; gourmet ice cream; cold freezer space for storage

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(Other non-culinary products) Such as – soap, lotion, etc.
I would be very interested in a non-culinary bottling facility for bath and body products, soaps, lotions, etc.
Very interested in non-culinary bottling line facility for body lotions, mists, creams, etc.
I would be interested if there was the capability to bring my lavender to the center for cleaning. This would involve using specialized equipment that is very expensive for a small business operation to purchase.
Salves, soaps, lotions, etc. - Packaging and labeling equipment needed.
Honey/bees wax products
Frozen processing of fruits for on/off sale during off season (requests IQF)
I have several fruit trees and am considering ideas for value added products
I am attending for myself as well as others from Kitsap Co. I will be sharing info on this – mostly “jam” people at this time – but some are interested in developing more value added products for CSA and farmers market sales and farm stand sales.
I make misc. jellies. I have been approved by the health dept. and have a current food handlers card.

**Question 2. What type of company do you have now or plan to have?**

There were 83 responses to this question, so it is quite obvious that many respondents plan to undertake dual activities. 27 respondents (33%) were interested in producing a specialty or gourmet food product. 23 respondents (28%) classified themselves as value-added farm producer. 10 percent or 8 respondents were interested in a catering company. Both baker and street cart vending received 7 responses or (8%).

**Table 2: Type of Company Planned**

TYPE OF ESTABLISHMENT	RESPONDENTS
Catering	8 (10%)
Specialty/Gourmet Food Producer	28 (33%)
Restaurant	3 (4%)
Value-added Farm Producer	24 (29%)
Church/School/Civic Group	3 (1%)
Cart/Street Vendor	7 (8%)
Baker	7 (8%)
Other: Private chef	1 (1%)
Apple producer	1 (1%)
Specialty meats	1 (1%)
Hand sewn lavender products	1 (1%)
Natural deli / espresso	1 (1%)
Total	85 (100%)

**Is Your Business:**

START-UP	EXISTING	RESPONDENTS
29 (45%)	36 (55%)	65 (100%)

**Question 3. What facilities or service are you currently using to meet your food service needs?**

Of the respondents indicating that they were currently using a facility, 19 respondents (46%) were using their home or farm kitchen to produce their food products. 1 respondent indicated their home kitchen was inspected and licensed. The remaining respondents were using a variety of facilities. 13 respondents were using rental kitchens (including restaurants). 2 respondents were using co-packers. **This question clearly supports the need for a licensed facility given that more than 50% of the respondents are using un-licensed and un-inspected facilities.** The question also demonstrates that people are trying to develop a food business by using whatever facility is available to them (e.g. restaurants, church kitchens, etc.)

**Table 3: Type of Facility/Service Currently Used**

TYPE OF FACILITY	RESPONSE
None	1 (2%)
Home/Farm Kitchen	19 (46%)
Home – inspected & state licensed kitchen	1 (2%)
Church Kitchen	3 (6%)
Rental Kitchen (inc. Restaurant)	13 (32%)
Co-packer / Commercial kitchen out of area	2 (4%)
Kosher co-packer	1 (2%)
Wash and bag line	1 (2%)
Clallam training center	1 (2%)
Total	42 (100%)

**Question 6. How many times and hours per week might you be interested in using this facility?**

**Table 6: Estimated Weekly Hours of Projected Kitchen Facility Usage**

This question is in many ways the most important question on the survey. From it stems the number of hours of potential usage which is key to the operating budget. The number of users, whether existing or start-up, and estimated potential usage is equally important in designing and equipping the facility, which is key to the capital budget.

Respondent's raw estimation of potential weekly usage in hours, not adjusted for business readiness or other factors - tabularized as follows:

<b>Catering and FDA Food Products</b>					
(Excludes fish products regulated by FDA)					
ESTIMATED HOURS USAGE PER WEEK	Start-ups		Existing		Total Facility Hours
	Respondents	Hours	Respondents	Hours	
1-2	13	13	10	12	25
3-5	2	9	7	25	34
6-9	2	14	3	21	35
10-13	4	42	5	52	94
14-17	2	29			29
18-21			4	80	80
22-25	1	25			25
25-30			1	30	30
31-35			1	35	35
36-40	1	40	1	40	80
40+			1	80	80
<b>Total</b>	<b>25</b>	<b>172</b>	<b>33</b>	<b>375</b>	<b>547</b>

Based on the study team's conservative estimate of projected usage the kitchen facility could be used up to 547 hours per week for catering and food products. Some start-up producers projected 1 to 25 hours of usage per week with one start-up believing they would use the facility 40 hours per week. Several existing businesses marked 10 or so hours per week with one respondent as high as 80 hours per week (an established organic bakery in a rented space). The established organic bakery could well be an anchor tenant, as well as, an established Sauces/salsa/condiment maker who estimated use at 30 hour per week. Note: above total contains 1 existing jam maker (4 hours per week) that needs a Kosher Certified facility.

<b>Lavender and Non-Culinary Products</b>					
ESTIMATED HOURS USAGE PER WEEK	Start-ups		Existing		Total Facility Hours
	Respondents	Hours	Respondents	Hours	
1-2	3	3	3	4	7
3-5			1	3	3
6-9			2	16	16
10-13					
14-17					
18-21	1	18			18
22-25					
25-30					
31-35					
36-40					
40+					
<b>Total</b>	<b>4</b>	<b>21</b>	<b>6</b>	<b>23</b>	<b>44</b>

Considerably less respondents indicated that they would use a non-culinary shared-use facility, with potential use estimated at 21 hours per week for start-up businesses and 23 hours per week for existing businesses.

**Question 7. Who are your customers, or what type of customers are you targeting?**

There were 54 responses to this question. Targeting local residents and farmers markets was the most popular customer base, followed by tourist and restaurants. Many of the respondents were targeting a variety of customer types.

**Table 7: Targeted Customers**

TYPE OF CUSTOMER	RESPONDENTS
Mail order	3
Distributors and brokers	4
Grocery stores	2
Friends & neighbors	3
Restaurants	3
Caterers	1
Farmers markets	6
Latte stand	1
Retail stores	4
Local people	11
Boutiques	1
Local companies	4
Professionals	1
Bed and Breakfasts	1
Tourists	4
Middle-aged women	2
Anyone	1
Florists	2
Fundraising groups	1
Total	54

**Question 8. What type of a business are you looking to run?**

17 respondents or 34% indicated that they wanted to operate a full-time business. 15 respondents or 30% wanted to operate a part-time business. If “supplement income” responses were added to the part-time business figure, just over half of the respondents would run a part-time operation. A few provided multiple answers, such a operating a part-time business and to supplement existing income.

**Table 8: Type of Business Operation**

TYPE OF BUSINESS	RESPONDENTS
Part-time	16 (31%)
Full-time	17 (33%)
Supplemental Income	14 (27%)
Hobby/Gifts	3 (6%)
Nonprofit	1 (2%)
Other: farm	1 (2%)
Total	52 (100%)

**Question 9. What is your annual sales goal?**

Most survey takers did not respond to this question. Only 27 respondents offered an annual sales goal. While many indicated supplemental or part time income goals (\$20,000 or less) several indicated a projection of sales of over \$25,000 annually, which signifies their desire to take this business endeavor seriously. Many respondents wrote “unsure” in answer to this question.

**Table 9: Annual Sales Goal**

SALES GOAL	RESPONDENTS
0 - 1,000	1
\$1,001 – 5,000	2
\$5,001 – 10,000	7
\$10,001 – 20,000	3
\$20,001 – 25,000	
\$25,001 – 30,000	1
\$30,001 – 50,000	1
\$50,001 – 75,000	
\$75,001 – 100,000	5
\$101k – 250,000	3
\$251k – 500,000	3
\$ 1.5 million	1
	27

**Question 10. How do you plan to market your product?**

There were 68 responses to this question with many respondents indicating a desire to use multiple methods to market their products. The most popular methods were Internet, farmers markets, word-of-mouth, and direct mail.

**Table 10: How to Market Product**

MARKETING METHODS	RESPONDENTS
Word-of-mouth	6
Retail	1
Wholesale	1
Internet	12
Advertising	6
Yellow pages	1
Farmers markets	9
Festivals	3
Fliers	2
Brochures	4
Direct to consumer	6
Direct mail	2
Grocery stores	3
Specialty stores	1
Locally	3
Nationally	1
Branding	1
Farm stand	4
Product reps / Distributors	2
Sequim lavender coop	1
	69

**Question 11. Do you have a business plan available for review?**

Only 6 of the 44 respondents (12%) had a business plan. Some of the respondents indicated that they were working on developing a business plan. With 42 or 88% of the respondents indicating their lack of a formal business plan, the need for business-planning courses for users of the facility is clearly evident.

**Table 11: Have a Business Plan**

RESPONSE	RESPONDENTS
Yes	6 (14%)
No	38 (86%)
Total	44 (100%)

**Question 12. Would be interested in sharing services in addition to the kitchen facilities?**

There were 84 responses to this question. This high response indicates a need to establish business incubator services within the shared-use commercial kitchen concept. 17 respondents indicated a need for phone answering services; 10 respondents each for access to fax machines, postage meters, and a high speed Internet connection. Secretarial and personal computers were also noted as a way for respondents to better grow their business. Given the

start-up and early growth nature of the respondents, business incubation methods would be highly beneficial to these aspiring food entrepreneurs.

**Table 12: Business Service Interested in Sharing**

TYPE OF BUSINESS SERVICES	RESPONDENTS
Phone answering	17
Copy machine	8
Personal computer	7
Office space	6
Secretarial	8
Fax	10
Postage meter	10
High speed Internet connection	10
Other: Shared marketing and distribution services	4
Liability insurance	1
Shared buying	1
Other	2

**Question 13. Would any of the following seminars or classes be of interest to you?**

There were 145 responses to this question making this one of the most frequently responded to questions on the survey. This indicates a high need for business training and/or technical assistance. It also supports previous questions demonstrating the start-up and high growth nature of most of many of the respondent's businesses. The most frequently requested seminars or classes:

1. Marketing assistance (34)
2. Meeting local, state, and federal health regulators (34)
3. Starting a business legally (24)
4. Preparing a business plan (21)

**Table 13: Seminars or Classes of Interest**

TYPE OF CLASS/SEMINAR	RESPONDENTS
Preparing a business plan	21
Marketing assistance	34
Microenterprise/self-employment opportunities	15
Meeting local, state, and federal health regs.	34
Nutritional considerations	13
Starting a business legally	24
Obtaining and using credit	9

## Stakeholder Interviews & Results

### Identification of Community Stakeholders

Several area groups have a potential vested interest (“**Stakeholders**” network) in establishing a food related incubator in the North Olympic Peninsula area. Below the stakeholders are identified with contact information.

### Key Community Stakeholders

Last Name	First Name	Business	Street	City	State	Zip	Phone (360)
Jensen	Kelley	Dungeness Gold, Inc.	P.O. Box 41	Sequim	WA	98382	681-7939
Baril	Katherine	Director, WSU Extension, Jefferson County	201 West Patison	Port Hadlock	WA	98339	379-5610 ext 202
Beus	Curtis	Director, WSU Extension, Clallam County Sequim Open	223 East 4th St., Suite 15	Port Angeles,	WA	98362-3015	417-2280
Daniels	Dennis	Aire Market Clallam	122 Sanford Lane	Sequim Port	WA	98382	582-0508
Haguewood	Jim	netWorks EDC	102 E 1st St. 225 W Patison St	Port Angeles	WA	98362	457-7793
Ingersoll	Tony	USDA - RC&D Area Mgr, Northwest Svcs Council	228 W. 1st St., Ste N	Port Angeles	WA	98339	379-6740
Jameson	Leontine	Nash's Organic Produce	1865 E Anderson Rd.	Sequim	WA	98382	457-2108 (360) 681-7458
Kozun	Kia	Co-Chair, Agriculture Cluster	306 Lopez Ave	Port Angeles	WA	98362	452-5425
Murray	Anne	Sequim Lavender Growers Association	1141 Cays Rd.	Sequim Port	WA	98382	681-6055
Olson	Susan	Shorebank					
Pranger	Denise	Enterprise Pacific Bella Italia	P.O. Box 1067	Townsend Port	WA	98368	379-9421
Conklin	Neil	Restaurant	127 E. First St.	Port Angeles	WA	98362	457-6110 (253)
Robertson	Caryn	Kitsap Food and Farm Alliance Food & Farm Coordinator,	PO Box 971	Olalla,	Wa	98359	857-7267
Singh	Harvindar	WSU Extension Jefferson County Diversified	201 W Patison St	Port Hadlock	WA	98339	379-5610
Williams	Jim	Resource Center	232 Eberle Lane	Sequim	WA	98382	681-4471

### **Stakeholder support**

The North Olympic Peninsula area stakeholding organizations noted above were contacted either through an email survey or by telephone interview. All were supportive of the proposed food project, which is an important first step in building community support in terms of securing the federal, state and private grant funding necessary to further the project.

In addition to their name and organization, the following questions were asked of the key community stakeholders that comprise the Clallam County Food Enterprise Center Steering Committee:

- 1) How does your organization relate to area food entrepreneurs?
- 2) Do you foresee that you or your organization could provide any assistance (technical assistance, business assistance, guidance on appropriate capital for business loans or grants, ability to promote facility or services, etc.) to the food center if developed?  
How?
- 3) Providing that the feasibility study is positive, do you see any reason that the development of such a facility should not be pursued?
- 4) Any other comments?

All members of committee were every positive and supportive of the project. All were willing to provide services, support and referrals should the project go forward.

### **Conclusion**

The North Olympic Peninsula area stakeholding organizations were contacted and all were supportive of the proposed food project, which is an important first step in building community support in terms of securing the federal, state and private grant funding necessary to further the project. The determination of a unified and supportive community voice concerning the project is important. While stakeholding organizations do not typically provide financial support, funding can be effectively blocked if unified community support for the project is missing.

Stakeholder support is also important in that these community organizations can provide referrals to the project among the area food entrepreneurs they serve and with whom they have contact, as well as, technical assistance and expertise in their particular field or area.

## Market Supply

### Existing Kitchen Facilities

Interviews and comments at public meetings revealed that there is a scarcity of locally licensed, FDA compliant space for small specialty producers or caterers, as well as a scarcity of USDA certified kitchen space for processing meats and dairy products. This fact was reinforced by written surveys. Most try to rent a church or restaurant kitchen locally or use (uncertified, illegal) home kitchens. From the research it is clear that the supply of existing kitchen space does not meet the needs or production requirements of potential food producers in and around the North Olympic Peninsula.

**Home/Farm kitchens:** Many survey respondents stated they were using home kitchens (illegally), or using their Farm kitchen. While some limited production is allowed in Washington under Farmstead production rules, serious producers of specialty food products find the production and distribution rules too limiting.

**Restaurant and cafe kitchens:** Survey information shows that some survey respondents are using restaurants/cafes and other rental kitchens. Some restaurants will rent their kitchen facility to others wishing to manufacture a packaged food product or engage in local catering, even though their kitchen is being underutilized. Most restaurants/cafes are typically unavailable because of concerns about scheduling, security, and liability. In various interviews, the researchers found that no restaurant kitchens are currently being used to produce specialty foods. One big problem is that restaurant kitchens are designed to accommodate meal preparation and not food manufacturer. Typically restaurant kitchens do not line up properly for food manufacturers in the areas of design, available equipment and storage requirements.

**Church kitchens:** In general, most church kitchens are regulated as an “on-premise” facility. Some churches rent kitchens to groups for non-commercial purposes (fundraiser breakfasts or dinners) but most simply cook meals for church events. Typically one can rent space to produce food legally in a church kitchen only if the food is consumed within the church. Weddings, private parties, church nursery schools, etc. are examples of activities that exist within a church. Like restaurant kitchens, church kitchens do not work for most food manufacturers in the areas of design, available equipment and storage requirements.

**School kitchens:** The study area includes various schools with kitchen facilities. Schools use their kitchens for lunch programs. Schools typically do not rent their kitchens to outside users because of liability issues.

**Other kitchen space:** Nursing homes, day care centers, and hotels are possible sources of rental kitchen space. The problems, beyond scheduling mutually acceptable hours, fall into familiar categories: security, safety and liability. Prepared food in these facilities could be used only on-site. The kitchen at the Services For Aging facility is reported as having an inspected rental kitchen. However, this facility is not used frequently by area food entrepreneurs because it is not flexible and cost prohibitive. The kitchen rents for a day rate that is the same for 2 hours as it is for 8 hours.

**Co-packer/custom packers:** Co-packers are another avenue for small food entrepreneurs to explore how to get a product to market. The reality is that the same kinds of difficulties present themselves (safety and security) as is the case for other existing kitchen facilities. In addition, the food producer loses contact with the production process, a quality control issue. Custom packers require minimum runs that are often too large for a small firm. They are usually too expensive for a start-up business, and the for-profit nature of the relationship is inimical to providing technical assistance. Researchers could not find a “true” co-packer operation within the region. A couple of food producers, however, reported using a co-packer to produce their food product. In each instance, the food producers use a co-packer outside of the community. This offers an opportunity for developing a small-scale, co-packing operation within the shared-use commercial kitchen concept.

**Storage space:** Researchers looked for refrigerated and dry storage facilities. Generally, storage facilities offer a controlled environment to store products by the pallet for easy storage and shipping. Other than for meat products at a custom meat operation, refrigerated storage does not exist in the region. Similarly, dry storage with a controlled environment for food products does not exist. Even if dry storage did exist in abundance it would not prove useful to most producers who need to store raw ingredients at the production facility and would prefer to house and ship finished product from the same venue.

## **Summary**

Research into market supply indicates that appropriate rental kitchen space is not available for potential food producers due to licensing, design, storage and insurance issues. In fact, even if there were kitchen facilities available at reasonable rates, during acceptable hours, with sufficient storage areas, and conveniently located, a key element of a shared-use, commercial kitchen incubator would be missing: business incubation. Simply identifying space where entrepreneurs can produce and package food meets only some of the goals of this project.

The few kitchens that are available, including church kitchens, tend to be available sporadically and offer insufficient storage space and walk-in cooler area to accommodate multiple users. That is, while the workspace might be large enough for each part-time tenant, there is nowhere to keep supplies. Logistical problems such as these discourage sharing.

Without appropriate, legal space in which to conduct business, small food producers and manufacturers cannot expand. Baking a few cakes per week or catering a function out of a home kitchen rarely employs a significant number of people or contributes to the local economy in a measurable way. It appears that a paucity of workspace rather than inadequate planning or hard work, or market demand, determines the future of many entrepreneurs in the food business – at least at the first step.

It is recommended that the local group investigate recruiting a co-packer to establish operations in the facility.

## **Market Feasibility Conclusions**

Based on secondary and primary research, including industry research, the written survey results and the results of interviews with prospective tenants, community stakeholders, and comments at public meetings, certain conclusions about market demand can be determined.

- In 2004, the sales of gourmet or specialty foods exceeded over \$24 billion. The specialty foods market is comprised of a large number of small firms, which tend to focus on a specific region or cultural segment of the market.
- Similarly, the U.S. market for natural and organic products is valued at between \$10 billion and \$30 billion. It is one of the most dynamic sectors of the food industry, with an annual growth rate of over 15 percent. While organic foods account for less than 1 percent of food sales, this sector is growing faster than any other area of the food industry.
- The U.S. market for strictly organic products is valued at around \$10 billion in 2003. It is one of the most dynamic sectors of the food industry, with an annual growth rate of over 20 percent between 1997 and 2002. The organic market is projected to reach over \$30 billion by 2007.
- Ethnic foods are expected to increase by about 50 percent by 2010 growing to over a \$75 billion market annually. Population projections support this growth trend given that by 2020 over 16 percent of the U.S. population will be Hispanic. The Asian presence in the U.S. is also expected to double by 2010.
- Local and regional community stakeholder organizations are highly supportive of establishing a kitchen incubator in Clallam County. It fits within a regional goal of wanting to build development on existing “economic engines”, produce additional jobs, and attempt to retain local farmland and promote value-added production.
- A significant number of resources (technical assistance and service providers and not for profit organizations) are available in the region to assist food entrepreneurs to start and grow their businesses, and to assist these food entrepreneurs in reaching the national specialty and gourmet food markets.
- The 66 surveys compiled all show consistent support of the shared-use, commercial kitchen concept and provide a sufficient basis for feasibility determination. The strength of anecdotal information, drawn from interviews and public meeting comments, further verifies the survey results and provides a higher degree of confidence in the study findings.
- As indicated through the survey process, market demand is sufficient to support continued project development. As demonstrated in the survey results, a conservative estimate shows that a kitchen facility could generate 10 users willingly to use the facility

20 or more hours weekly. This illustrates an on-going demand for this type kitchen facility.

- Interested users identified themselves as producing (or wishing to produce) a variety of food items. The food categories mentioned were specialty/gourmet food production (28%), value-added farm producer (24%), catering services (8%), baker (7%) and cart vendor (7%). A number of the respondents plan to produce multiple food items or be a caterer and specialty food producer.
- The kitchen facility design should reflect a catering/FDA production facility. Products to be produced included sauces/salsa and condiments (36 responses), jams and jellies (29), value added produce (24) , bakery items (23), and juices and other beverages (20). Additionally, lavender products produced 25 responses.
- Demand does not exist to incorporate a USDA certification into the facility. In the event that a future demand warrants or a meat-based co-packing operation materializes, USDA certification (interstate distribution) or Washington state certification (intrastate distribution) will be needed.
- 10 respondents noted 44 hours of use to produce non-edible lavender and other products. Accordingly, a portion of the facility has been designed for the production of non-edible products, such as lotions, soaps, caches, etc.
- 5 respondents stated they wish to produce cheese – 2 of these wished to use the proposed facility. A small cheese production facility has been included in the facility as the local steering committee believes that additional support will materialize prior to the facility being built. Should additional support not materialize for cheese production, or should the cost of the specialized cheese making equipment prove too onerous for the local group (\$150,000) this space will be turned into additional storage or production space.
- Survey respondents were approximately evenly split between start-ups (45%) and existing (55%) businesses. The high number of existing businesses bodes well for generating revenue at facility opening.
- The survey results indicate a potential to “lease” an estimated 547 revenue hours per week for food related products and 44 hours per week for non-edible products. When factored for business readiness and industry experience, this results in an estimated potential of 179 (existing) and 39 (start-up) hours per week initially (year round). This compares very favorably with other rural shared-use, kitchen incubators.
- Sufficient user demand exists for a facility of approximately 15,000 to 20,000 square feet, including areas for offices, raw ingredients and packaging storage, food processing, freezer and cooler space, as well as finished goods storage, shipping, and warehousing. It is not recommended given the volume of response from potential users that a facility be less than 15,000 square feet.

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- There is shortage of approved food processing space in the community. Many respondents reported using their home/farm kitchen (46%) and restaurant/rental (32%), while others reported using church (6%). This clearly supports the need for a licensed facility. The survey responses were verified through a “supply side” analysis.
- Some respondents reported they intended to run full-time businesses (33%) while many reported a desire for part-time (31%) and supplemental income (27%) based businesses. While a larger proportion of full-time businesses would have been desirable, rural kitchens often reflect “income patchers” and other individuals that operate less than full time businesses. However, these businesses can be permanent and on-going and can generate a steady revenue stream for the project.
- Survey respondents showed a high degree of interest in taking advantage of the “business incubator environment” including, shared services (e.g. phone answering, office machines, Internet connection) as well as, seminars and classes (e.g. health regulations, the development of a business plan, meeting local and state regulators).
- The City of Sequim has shown interest in supplying land for the kitchen incubator project. This is important as the food incubator will need a location and the availability of land as a local match is highly important in securing the needed government funded and other grants necessary to build the facility.

### 3. Budget Information

#### Pro Forma Capital Budget

Funds used for	15,000 sf Cost	20,000 sf Cost
Land <sup>(1)</sup>	\$ 430,000	\$ 430,000
Building Costs <sup>(2)</sup>	2,341,780	3,166,125
Architectural and engineering fees <sup>(3)</sup>	187,342	253,290
Kitchen equipment (see Equipment List) <sup>(4)</sup>	1,233,271	1,233,271
Pre-opening Expense & Start-up Cash Reserve <sup>(5)</sup>	50,000	50,000
<b>Total Capital Budget</b>	<b>\$ 4,242,393</b>	<b>\$ 5,132,686</b>

The following estimates were developed in conjunction with local architect Bill Lindberg, of Lindberg and Smith, Port Angeles, Washington. Mr. Lindberg is very familiar with building costs in Clallam County and was the architect on the Lincoln Center (skills center and business incubator) in Port Angeles that included a mixed-use incubator. Costs are estimated at prevailing wage rates and are reflective of local building conditions and costs.

- 1) A meeting was held with the City of Sequim concerning siting the project on city-owned land. Don Hall and Ron Farquhar, City Councilors, and Frank Needham, Capital Projects Manager for the City of Sequim, were present. The city of Sequim has identified 7 parcels in public ownership that contain in excess of the approximate 2 acres needed for either facility with water, sewer and three phase power. Land is estimated by the city of Sequim at \$5/square foot, or approximately \$430,000 for two acres. Note – should the cheese making option be included propane gas will be required at the site.
  
- 2) Building costs can vary greatly between geographic areas. The building costs presented here were developed in conjunction with local architect Bill Lindberg. Building Costs estimated as follows:

#### 15,000 sq ft facility

Space	Cost / sq ft	Total
4,744 sq ft of food production space	\$200 per sq ft	\$ 948,800
750 sq ft of non-edible production space	\$150 per sq ft	\$ 112,500
1,000 sq ft of Class A office space	\$135 per sq ft	\$ 135,000
8,506 sq ft of warehouse/dry storage	\$ 80 per sq ft	\$ 680,480
Site grading and prep, drainage, parking lot paving and striping, etc. -		\$225,000
Fees, hook-ups, etc.		\$ 25,000
contingencies		\$ 200,000
Telephone system, admin/office furnishings, computer system and equipment		\$ 15,000
<b>Total Building Cost</b>		<b>\$2,341,780</b>

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**20,000 sq ft facility**

Space	Cost / sq ft	Total
6,325 sq ft of food production space	\$200 per sq ft	\$ 1,265,000
750 sq ft of non-edible production space	\$150 per sq ft	\$ 112,500
4,175 sq ft of Class A office space	\$135 per sq ft	\$ 563,625
8,750 sq ft of warehouse/dry storage	\$ 80 per sq ft	\$ 700,000
Site grading and prep, drainage, parking lot paving and striping, etc. -		\$225,000
Fees, hook-ups, etc.		\$ 25,000
contingencies		\$ 250,000
Telephone system, admin/office furnishings, computer system and equipment		\$ 25,000
<b>Total Building Cost</b>		<b>\$3,166,125</b>

- 3) Provided by Bill Lindberg, architect - typically 8% of building costs.
- 4) See detailed equipment list following. Equipment list is identical for either facility.
- 5) Discussed in the Cash Flow Considerations section.

**Note**

Should the cheese room and the non-edible lavender production room NOT be included in the final project (space be counted as storage/warehouse), the costs would change as follows:

No Cheese Room	15,000 sf Facility			20,000 sf Facility		
	original Cost	change	Revised cost	original Cost	change	Revised cost
Funds used for						
Land	\$ 430,000	-0-	\$ 430,000	\$ 430,000	-0-	\$ 430,000
Building Costs	2,341,780	(159,840)	2,181,940	3,166,125	(213,000)	2,953,125
A and E fees	187,342	(12,787)	174,555	253,290	(17,440)	235,850
Kitchen equipment	1,233,271	(150,000)	1,083,271	1,233,271	(150,000)	1,083,271
Pre-op Ex & Reserve	50,000	-0-	50,000	50,000	-0-	50,000
<b>Revised Capital Budget</b>	<b>\$ 4,242,393</b>	<b>(322,627)</b>	<b>\$ 3,919,766</b>	<b>\$ 5,132,686</b>	<b>(380,440)</b>	<b>\$ 4,752,246</b>

No Lavender Room	15,000 sf Facility			20,000 sf Facility		
	original Cost	change	Revised cost	original Cost	change	Revised cost
Funds used for						
Land	\$ 430,000	-0-	\$ 430,000	\$ 430,000	-0-	\$ 430,000
Building Costs	2,341,780	(52,500)	2,289,280	3,166,125	(52,500)	3,113,625
A and E fees	187,342	(4,200)	183,142	253,290	(4,600)	248,690
Kitchen equipment	1,233,271	(50,450)	1,182,821	1,233,271	(50,450)	1,182,821
Pre-op Ex & Reserve	50,000	-0-	50,000	50,000	-0-	50,000
<b>Revised Capital Budget</b>	<b>\$ 4,242,393</b>	<b>(107,150)</b>	<b>\$ 4,135,243</b>	<b>\$ 5,132,686</b>	<b>(107,550)</b>	<b>\$ 5,025,136</b>

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## Equipment List

Equipment	Wet & Catering Production	Dry & Baking Production	Lavender & Cosmetic Production	Cheese & Dairy Processing	Lavender & General Storage	General Facility	Total Pieces	Cost	Total Cost
Accumulator table - filling line	1						1	4000	4,000
Air compressor - 8-10 hp, excluding piping						1	1	2000	2,000
Batch Code printer, excluding computer	1						2	5000	10,000
Blast Freezer 10-X16						1	1	24000	24,000
Box taping machine						1	1	6000	6,000
Brooms	2	2	1	1	1	2	9	10	90
Can openers - Edlund #1 - manual operation	1	1	1	1	1	1	6	45	270
Carts - 30"x60" flat bed	1		1	1	1		4	350	1,400
Chairs - employee welfare area						20	20	25	500
Comtec - pie shell stamp machine, single head		1					1	6000	6,000
Conveyor - filling line	1						1	4500	4,500
Cooler - 2 door reach in	2	2					4	3600	14,400
Cooler - walk in 12x24, exterior compressor						1	1	22000	22,000
Cooler - aging walk in 12x24, exterior compressor				1			1	22000	22,000
Cutter Mixer - (HCM) 30 qt.	1		1				2	9272	18,544
Cutter, Robo Coupe		1					1	850	850
Depositor - batter and dough		1					1	6800	6,800
Dishwasher - 2 rack, with booster, no tables	1						1	13236	13,236
Dough Divider		1					1	2600	2,600
Dough sheeter		1					1	8500	8,500
Exhaust hoods with fire suppression & makeup air, priced per foot	25	20	10				55	1100	60,500
Eye wash stations	1	1	1	1	1		5	24	120
Filler (piston)	1						1	13000	13,000

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			1				1	8000	8,000
Fire Extinguishers	1	1	1	1	1	6	11	45	495
Fire alarm system						1	1	9500	9,500
First aid kits	1	1	1	1	1	1	6	32	192
Floor squeegees	1	1	1	1	1		5	20	100
Food pump and stainless pipe fittings (Waukesha type)	1						1	7000	7,000
Freezer - 2 door reach in	2	2					4	4600	18,400
Freezer - sub zero, final product walk in 12x24, exterior compressor						1	1	24000	24,000
Freezer - sub zero, raw product walk in 12x24, exterior compressor						1	1	24000	24,000
Fryer - 2 basket, w/wheels & quick disconnect, gas fired	1						1	3500	3,500
Grease trap(s) - 175 pound	1	1		1			3	3100	9,300
Grill - gas fired approx. 2x3 feet, w/wheels & quick disconnect	1						1	3000	3,000
Hand Truck						2	2	65	130
Heat Seal - double chamber - w/map capability		1	1				2	8000	16,000
Ice Machine - 6 tons per day						1	1	9000	9,000
Keypad entry control system						1	1	18000	18,000
Label Applicator - jars and bottles	1		1				2	5000	10,000
Lockers – men's and women's, 1/2 sized w/6 per bank						20	20	60	1,200
Maintenance tools and spare parts						1	1	3000	3,000
Mixer - 80 qt. with bowl dollies, M802 with tinned bowl		1					1	18300	18,300
Mixer 20 qt., table top with stainless bowl	1	1	1				3	4000	12,000
Mop Buckets with wringers	1	1	1	1	1	2	7	85	595
Mop sink				1	1	1	3	375	1,125
Mops	1	1	1	1	1	2	7	15	105
Oven - deck,		1					1	7048	7,048

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double deck with roasting floor, gas fired												
Oven convection - full pan size, gas fired	2	4					6	4877	29,262			
Paging system - building entry and production room linked							1	1	15000	15,000		
Pallet jacks, 2 1/2 ton capacity manual operation							2	2	400	800		
Pallet racking					1		1	2	15000	30,000		
Proof cabinet - double rack		1						1	4500	4,500		
Range - 6 burner, gas fired	2	1						3	2286	6,858		
Rolling racks - full size sheet pans	4	8	4	6				22	275	6,050		
Scrambler table - filling line	1							1	4000	4,000		
Security cages - cooler sized for pallets, price per pallet space								14	14	650	9,100	
Security cages - dry storage sized for pallet, price per pallet space								24	24	650	15,600	
Security cages - freezer sized for pallets, price per pallet space								14	14	650	9,100	
Security cameras with monitor								1	1	12000	12,000	
Shrink tunnel		1	1						2	3300	6,600	
Sinks - 2 compartment	1	1		1					3	850	2,550	
Sinks - 3 compartment	1	1	1	1					4	1300	5,200	
Sinks hand wash, foot activated with stainless bowls	2	2	1	2					7	450	3,150	
Slicer, model 2612	1								1	3128	3,128	
Steam generator - 20-30 hp.								1	1	35000	35,000	
Steam kettle - 40-50 gal. with tilt and agitation	2								2	11000	22,000	
Steam kettle, twin table top 3 gal.	1								1	6500	6,500	
Tables - 5 foot on wheels	3	3	3	2					11	300	3,300	
Tables - 6 foot on wheels	4	4	3	2					13	325	4,225	
Tables - employee welfare area									5	5	125	625
Waste cans - 32 gal. with dollies	4	4	4	2					6	20	87	1,740

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Water heater with storage system, 250 gal. per hour cap. gas fired						1	1	8000	8,000
Wire cooling racks on wheels - bottling, 4 tier 24x60x4	4						4	340	1,360
Sub-total									677,948
<b>Non-edible Equipment</b>									
Batch Code printer, excluding computer				1					
Filler (auger)				1					
Dual Brush Stripping Machine				1					
Still				1					
Color Spectrometer				1					
Shaker table with multiple screens				1					
Ribbon Blender				1					
Scale, table top				2					
Sub-total							1	50,450	50,450
<b>Mini Dairy System - contains the below listed equipment</b>									
Tanks, Raw Milk				2			2		0
Chiller, Milk				1			1		0
Pasteurizer				1			1		0
Cream Separator				1			1		0
Cheese Vat				1			1		0
Cheese Tray Trolley				1			1		0
Butter Churn				1			1		0
Cheese Molds				50			50		0
Cheese Press				1			1		0
Piping, stainless (feet)				150			150		0
Sub-total								150,000	150,000
								<b>Total Cost</b>	<b>878,398</b>

**Equipment budget:**

Kitchen incubator equipment	\$677,948
Non-edible equipment	\$ 50,450
Mini dairy equipment	\$150,000
Equipment total	<b>\$878,398</b>
2006 price increase (estimated at 4%)	35,136
<b>Estimated 2006 Cost</b>	<b>\$913,534</b>
Installation and shipping (estimated at 8%)	\$ 73,083
<b>Total installed equipment cost</b>	<b>\$986,617</b>
Extended Equipment Warranty (15%)	\$147,992
Contingency (10%)	98,662
<b>Grand Total 2006 equipment budget</b>	<b>\$ 1,233,271</b>

Notes and assumptions:

- The supplying company provides paper product dispensers at no charge
- Sanitation and chemical dispensing equipment is provided at no charge by the supplying company
- Each user provides all small wares that can be lost, stolen, dropped, and/or easily abused
- All walk in coolers and freezers include floors, ramps, pallet capable doors, exterior compressors and interior lighting
- The above equipment list does not include the necessary office and administration equipment
- It is assumed that local codes will permit quick disconnect on electric lines on equipment

The reader may note that the equipment detailed here is considerably higher than the cost to equip many kitchens identified in the Industry Research section. This is due to several reasons. First, many of the early ventures considerably underestimated the equipment needed to adequately serve the needs of their tenants. Others, understanding that need, did not have sufficient funding to adequately equip the facility and have been attempting to add equipment since opening. Others, also short of funds, decided to purchase used and second hand equipment. While this worked well for certain types of equipment (e.g. steam kettles), it has not worked well overall. Much of the used equipment at one facility is reported as “down” for significant time periods. With older and out of date production equipment this means the tenant is not producing as the facility must obtain custom milled parts when stock parts are no longer available. While some select equipment can rightly be purchased used, it is recommended that the facility obtain mostly new equipment with extended warranties to the extent possible.

In checking with other kitchens that are in the planning stage, the equipment budget proposed here is inline with equipment proposed at those facilities. As with other facilities in the planning stages the final mix of facility producers is not yet known. To accommodate the varied producer interest that will be experienced throughout the building process a comprehensive equipment list has been developed. As the project nears the final stages of completion some pieces of equipment may be deleted, or left as “phase two” expansion to be added at a later date.

## Pro Forma Operating Budget

### Proposed Rental Rates

The philosophy of establishing a rate structure for a non-profit kitchen incubator is discussed in the Marketing section of this report. Within that context, the following summarizes three practical approaches to establishing a rental rate structure.

There are three basic approaches to determining a rental rate structure that will accommodate the anticipated users in this project. The three rate structures are:

1. **Subsidized rates – Two class system.** Not unlike a mixed income housing project, the kitchen incubator rate structure could be established with two different classes of rate payers. One group paying market rate (pegged to Clallam County’s market rate – the “what the market will bear” rate), which as noted in the Market Supply section of this report is not determinable. However, a range of \$10 to perhaps \$40 seems reasonable, with \$30/hour used here as an example. The other group would pay a subsidized rate based on income guidelines. Based on the tenants income, a sliding scale could be used so that those in this group might pay \$5 to \$15 per hour. Rates are “stepped down” based on usage – the more usage the lower the rate (see Management section).

There are inherent problems with a two-class system. One, like mixed rate housing, a two-class tenant rate system could promote problems between the two classes. Two, funding issues have proved a problem. Organizations that will fund such a project (private foundations and government entities) may not allow this approach given the proclivity of approaches like this to attract established businesses looking for a better rate, rather than serving start-up and growth oriented small food producers – especially those that are low to moderate income. This would eliminate funders like the EDA, whose funding guidelines strictly forbid competing with established businesses. Three, there are potential problems with developing the “legalities” necessary to establish such a system. Four, the inherent tenant and image problems that are always associated with any two-class rate system.

2. **Market rate - Subsidized Pool.** Under this approach one rate plan is established for everyone who uses the incubator. As in all plans, rates are stepped depending on usage – the more usage the lower the rate. To accommodate the low to moderate-income users other sources of funds are developed to establish a subsidized pool of funds for low-income entrepreneurs. The rate for this group is “bought down” with the funds in the subsidy pool. Everyone is eligible to apply for the rate buy down based on income guidelines.

While this approach establishes a formal mechanism to include low to moderate-income food entrepreneurs, it too has some difficulties. This is especially apparent in areas like Clallam County where the lack of established market suppliers would indicate that a “market rate” is high. Starting at a high market rate requires that a *significant* pool of funds be available to buy down rates (say from \$50/hour to \$10/hour). As the North Olympic Peninsula project is anticipating some low/moderate income users, the size of the pool could be substantial. With this comes a problem with funding organizations. To insure that the project will not become a

subsidized program for traditional food entrepreneurs (i.e. the pool is not developed and all must pay market rate, effectively eliminating the low to moderate-income group), funders may require that the pool be established in cash *prior* to any “brick and mortar” commitments.

3. **Below market rate - Subsidized pool.** The established kitchen incubators have used this mixed approach to the greatest extent. Under this approach one rate plan is established for all users. The rate that is established is decidedly below market rate, but not so high as to effectively eliminate all low to moderate-income users. As with all rate plans, a sliding scale is developed for everyone based on usage – the greater the usage the lower the rate. Kitchen incubator developers then attempt to establish a pool of funds for buying down the rate for low/moderate income entrepreneurs (based on income guidelines) on a “best efforts” basis.

This approach to rate structure has two significant advantages for traditional community development incubator projects. One, by starting at a below market rate *a much less* significant pool of funds is needed to be developed. Two, should the ability to establish the buy down pool disappear (or not materialize to begin with), the kitchen incubator (as noted in the industry research of *urban models*) still has a good chance of breaking even. That is, given the (below market) base rate established, the kitchen can breakeven based on anticipated usage – the operating budget can include the low to moderate-income potential users that would be excluded if a higher rate were established.

If a subsidized pool is available so much the better, but, by using this approach the facility would not have to totally abandon the low to moderate-income group if it became unable to continually raise money for a subsidized pool. Experience in the Denver kitchen shows that low to moderate-income food entrepreneurs were able to use the kitchen at the set rates, without the kitchen establishing a subsidy pool. Equally important to serving the low to moderate-income population, this approach increases the project’s chances of long-term sustainability and serves all prospective users.

Using Approach 3, it is recommended that the proposed facility use a base rental rate that reflects a market rate that would be “in the range” of all prospective users, and is in line with the community development nature of the project. Based on the experience of the Denver kitchen, the projected income will be determined at a base rate assuming that no subsidy pool is established.

Since there is no “market rate” in Clallam County to base the suggested rate upon, the rate used for budgetary purposes is being based on the experience of the Denver kitchen – the largest and most successful kitchen incubator. The Denver experience suggested that a rate of \$10 to \$30 per hour would be the maximum rate for Clallam County, that would still include the low to moderate-income food producers in the user base. Denver ultimately chose \$20 as the *average* base rate. An *average* rate of **\$15** per hour is used here to better reflect the rural nature of the project. It is also recommended that additional fees be charged for services as is shown in the projected operating budget.

## **Determining Usage**

Market research indicated that 343 potential rental hours per week exist from FDA and catering users. Industry experience shows that if the kitchen were opened today, not all users would begin production. However, the data reflects several existing businesses, which bodes well for the number potential rental hours achievable in the first year.

The estimation of operating revenue is not an exacting science. The projections here are based on industry experience, and the experience of the study team.

A variety of management options are discussed in the Management section in regards to tenant issues, scheduling, lease suggestions, etc. While best practices are suggested in the section, the ultimate determination of management policies is, of course, up to the local group managing the facility. For the purpose of determining potential revenue the following is assumed.

Multiple tenants rent the kitchen production areas discussed in the facility design section simultaneously. All production space is rented out at the same dollar per hour charge, but may be adjusted dependent on volume usage as more fully described in the Management section.

While the production space will most likely have a “rated occupancy” level typically determined by the Fire Marshall or similar authority, the effective occupancy is limited by the willingness of tenants to work in a shared space. While the ultimate number of tenants in any given space will depend on actual experience, the potential for the North Olympic Peninsula kitchen can be informed by the experience of other kitchen incubators. The manager of the Denver kitchen, reports that a production space of approximately 5,000 square feet has average usage of 4 tenant companies each with 4 to 6 employees at any one time. The manager also reports that at times 13 companies have used the space each with 4 to 6 employees. The maximum usage to date is reported at about 100 individuals in the space.

The production spaces described and detailed in the Facility Design section were designed to accommodate the users and hours detailed in the Market Demand, Primary Research section.

Experience of other kitchen incubators suggests that kitchen usage “ramps up” over time. It is conservatively estimated that hours would increase from year 1 to year 2 by 10%, and from year 2 to year 3 by 15%. Also, the expectancy of use is lowest in the start-up group and higher in the existing business category. The expectancy percentage for each category will also rise over time.

The following table develops annual rental income.

### Projected Annual Rental Income

The projections are conservatively based. It should also be noted that the projections include several established and existing users including one potential producer who estimates up to 80 hours per week of usage. Several others responded with an estimated 10 - 40 hours per week of potential usage.

While a pool of established producers is extremely beneficial to a project of this nature, it also requires that the local organizers keep these tenants up to date as the project proceeds. Losing one, two or a few of these potential tenants could significantly impact these revenue projections.

Projected Rental Revenue		Year 1	Year 2	Year 3
Average client hours				
Client hours by week / group				
Start-ups: FDA & Catering/other		172		
Non-edible (lavender, others)		21		
<b>Total</b>		193	212	244
(times %) *		20%	25%	30%
Start-up Clients hours/week		39	53	73
Existing: FDA & Catering/other		375		
Non-edible (lavender, others)		23		
<b>Total</b>		398	438	504
(times %) *		45%	50%	55%
Existing Clients hours/week		179	219	277
<b>Total Ave Client hrs/week</b>		<b>218</b>	<b>272</b>	<b>350</b>
4.2 weeks/month		915	1,142	1,470
Times rate (\$15)		13,725	17,130	22,050
Annualized (times 12 =)				
<b>Annual rental income</b>		<b>164,700</b>	<b>205,560</b>	<b>264,600</b>
<b>Contingency factor – 20%</b>		<b>131,760</b>	<b>164,448</b>	<b>211,680</b>
* Industry research indicates that start-up business are less likely to become tenants than are existing businesses. Accordingly, start-up hours are factored in a range more stringently than existing hours (20% - 25% versus 45% - 55%).				

### Three-Year Operating Budget

	Year 1	Year 2	Year 3
Projected Revenue			
<b>Annual Rental Income</b>	<b>\$131,760</b>	<b>\$164,448</b>	<b>\$211,680</b>
Storage rental & whse fee income	\$6,000	12,000	\$15,000
Misc. office fees	<u>\$ 2,000</u>	<u>\$ 4,000</u>	<u>\$ 6,000</u>
<b>Total Income</b>	<b>\$139,760</b>	<b>\$180,448</b>	<b>\$232,680</b>
<b>Less Expenses:</b>			
Personnel			
Salaries	60,000	63,000	79,612
Fringe (25%)	10,000	15,750	19,903
Mgmt oversight fees	<u>15,000</u>	<u>25,000</u>	<u>35,000</u>
Total	90,000	103,750	134,515
Utilities (elec, watr, gas)	36,000	39,600	43,560
Buildg. Maint & Repair	2,000	4,000	6,000
Equip. Maint & Repair	5,000	8,000	10,000
Marketing	0	4,000	4,000
Supplies & Chemicals	3,000	3,500	4,000
Membership & Advertising	1,500	1,000	1,000
Postage	500	400	400
Telephone	3,000	3,000	3,300
Insurance	8,000	8,800	9,680
Taxes	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Total Expenses	\$151,000	\$174,050	\$218,455
<b>Net operating</b>	<b>(\$11,240)</b>	<b>\$ 6,398</b>	<b>\$ 14,225</b>

Note: Either the 20,000 sf or 15,000 sf facility is of sufficient size to generate the above revenue.

## Three-Year Operating Budget Assumptions

The operating budget is based on the following:

### ***Funding:***

The facility is built and equipped using grant funds; no debt service is calculated in the forecast.

### ***Revenue:***

The majority of revenue will come from renting the kitchen to users. “Average clients” is an estimate of specialty/gourmet producers (FDA), catering, and other production clients. It includes occasional users, steady users of limited hours, and anchor tenants. Increasing client hours are based on new clients as well as existing client business growth. Many facilities offer individual clients a lower billing rate/hour as their usage increases. The term “average client hours” assumes an average number of hours at an average rate. Tenant and tenant usage figures are estimated based on survey information.

Revenue will also be generated through fees, including dry, cooler, and freezer storage fees, and warehouse fees. Most storage fees will be generated by kitchen users; the facility will entertain storing product from non-production users and others if space permits. The revenue estimated here is based on the users survey, intended usage, size of storage areas, and industry experience.

Other miscellaneous fees are estimated. Fees include office related usage of fax, copier, etc., and any training fees from classes (see survey results) developed for tenants and others.

### ***Expense:***

*Personnel:* Staffing is dependent on the number of users of the facility. The salaries of a basic configuration, set at the above estimated usage, are assumed to be: Director/Kitchen Manager- full time @ \$45K; and Reception / Admin Assistant – half time to start (years 1 and 2) @ \$15K and full time year 3) @ \$30K. Salaries would increase 5% per year.

Fringe includes payroll taxes and payroll insurances, health insurance, retirement account, etc. It is estimated at 25%.

Management oversight fee: Expense of management oversight person or group similar to the existing structure at the Clallam Business Incubator (CBI). Continuity of management is very important in projects of this type, and the benefit of an arrangement similar to the one that exists for the CBI would be recommended. Management oversight would include all the traditional functions of a board president, such as long term planning, fund raising, etc., freeing the executive director to provide on-site management and technical assistance for tenants. Fees: stepped up as follows for years 1, 2 and 3: \$15,000; \$25, 000; and \$35,000. No fringe benefits applies as services are an annual, renewable contract basis based on performance.

*Utilities:* Utilities include energy, water, and sewer service. Energy costs include natural gas (or propane) and electricity for basic needs, climate control and equipment usage, and

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electricity for freezers and coolers. This estimate of the kitchen's energy expense is based on experience at comparable commercial kitchens. Utilities are budgeted at \$36,000 for the first year. Utility expense is budgeted to increase to \$39,600 in year two and to \$43,560 in year three (10% increase per year from higher rates and increased tenants).

*Building Maintenance & Upkeep:* The maintenance and upkeep of the building is budgeted for \$2,000; \$4,000 and \$6,000 annually reflecting the status of a new building.

*Equipment Maintenance & Repair\*:* Budgeted at \$5,000; \$8,000 and \$10,000 annually, reflecting (mostly) new equipment. Should a substantial amount of used equipment be selected it is advised that one qualified in kitchen and food processing equipment be engaged to make purchase recommendations, and that *Equipment Maintenance & Repair* increase.

*Marketing:* Marketing is an important expense for the start-up and on-going success of the facility. The first year marketing expense is budgeted at zero as it is included in the capitalized, start-up expense category (see Cash Flow Considerations section). Marketing expense is budgeted at \$4,000 annually for years two and three. It is assumed that many community stakeholders will assist with some of the marketing tasks.

*Supplies and Chemicals:* Supplies paid for by facility include paper towels, soaps & detergents, sanitizer supplies, floor cleaner, haircovers, gloves, & aprons. These are charged back to tenants @ \$1.00/client use day.

*Membership and Advertising, Postage and, Telephone:* It is assumed that first year expenses will be higher than subsequent years due to the required advertising and promotion of the facility. Membership and advertising includes brochures, stationary, business cards, memberships, convention attendance, promotional booths at trade shows, etc.

*Insurance:* Additional insurance for new kitchen portion. Estimate includes Property and Casualty, Business Personal Property, General Liability, Product Liability (ancillary to tenant's coverage), and Mechanical Breakdown ("Boiler and Machinery"). Insurance rates for a kitchen facility of this type are highly dependent on the size and rating of the fire protection district. All current kitchen incubators reported having insurance. Obtaining the right coverage is a process of finding the appropriate agent and underwriter.

*Taxes:* The operator of the facility is a government entity or not for profit corporation and is not subject to taxation. \$2,000 annually is included to include misc. taxes and filing expenses typical for non-profit organizations.

\* **NOTE:** The kitchen could contain over \$1,200,000 of new equipment. It is estimated that as much as half of the equipment will need to be replaced in 10 years. An equipment impound of (\$1,200,000 times .5 divided by 10 =) \$60,000 per year would ideally be in place. Those funds would be "impounded" (i.e. secured in a separate escrow account) so that in 10 years the sum of \$600,000 plus interest exists to replace that half of (worn out) kitchen equipment. A budget item for impounds has not been included, which is typically the case in the industry. No kitchen or food incubators are at present impounding for future equipment needs or to replace worn out equipment.

## Cash Flow Considerations

### Pre-Opening Development Expense

It would be advantageous to hire the kitchen manager or a project developer prior to the facility being opened. By employing the individual early on in the process, certain institutional knowledge can be developed thereby building capacity within the group as the next steps of facility development occur. Interim tasks for the kitchen manager/developer would include; 1) project design & construction coordination, 2) start-up facility marketing, including working with prospect tenants, establishing pre-leases, etc, 3) coordinate equipment procurement/donations, and, 4) coordinate regulatory and licensure compliance.

3 - 4 Months of kitchen manager/developer salary plus fringe	\$ 15,000
Other pre-opening expense (marketing, etc.)	<u>10,000</u>
<b>Total pre-opening development expense</b>	<b>\$ 25,000</b>

### Start-up Cash Reserve

Industry experience shows that kitchen incubators are essentially a cash business. The practice of extending rental hours on a “credit” basis with payment coming at the end of the month is a practice that has not worked well. Rather than carry accounts receivable from kitchen users, most facilities collect all fees due at the end of the accruing period. This period is usually a week, but it can be as short as a day. In some instances, troublesome users may require that a prepaid rule be implemented. In these circumstances, the user pays up front for the hours anticipated to be used in the forthcoming week. It is also a good idea to have a deposit that is tied not only to damage and cleaning, but one that can also be used to pay delinquent rental and other fees.

Industry experience has also shown that these facilities “ramp up” over time. That is to say that both number of users and number of hours of facility use tend to increase over time. Although the first year projection does indicate a good chance of creating a small overage, it is a prudent practice to begin operations with a cash reserve to cover expenses as revenue ramps up.

### Cash Reserve Calculation

A cash reserve should be established that is sufficient to meet operating expenses during the initial months of start-up operations.

Start-up reserve should cover between 3 months to a year of operating expenses depending on the degree of conservatism desired.

#### A conservative cash reserve would include:

Several months operating expenses	\$ 25,000
Total Pre-opening Development Expense (above)	<u>\$ 25,000</u>
<b>Total Pre-opening Development Expense &amp; Cash Reserve</b>	<b>\$ 50,000</b>

## Financing and Development Strategy

The local group of stakeholding organizations interested in establishing this facility in Clallam County need to develop a funding strategy based upon the successful development of existing shared-use commercial kitchen projects around the country. Industry experience from other successful kitchen projects shows that local groups should have clearly stated goals, committed leadership that garners community support for the kitchen concept, and a solid plan for long-term profitability.

Kitchens are built to support the local economy. They are funded to help in local job creation, diversify the local economy, and transfer ideas and technology among users. Despite their benefits, kitchens face significant financial challenges. They are expensive to establish and maintain. As a result, financial self-sufficiency is a key issue in such a project. This feasibility study demonstrates that the greater North Olympic Peninsula area has a sufficient potential client base to sustain a shared-use commercial kitchen. Rental income from the kitchen has the potential to cover operational costs, but not its construction or initial rent-up phase. Based on this aspect, it is strongly recommended that the facility be built debt free.

To maintain self-sufficiency over the long-term, rental rates will need to be established that are close to market rates. This is especially true at the beginning of operations. It is simply easier to lower rates than raise them. In determining a rental pricing structure, the local group is encouraged to strike a balance between the need to generate sufficient income to function, and its goal of serving a diverse clientele of varying economic means. A pricing structure needs to take into account a wide range of users. It should be viewed as a financial partnership. User payments keep the kitchen up and running. The availability of the kitchen and its services allows small-scale food businesses the opportunity to grow and succeed.

Conversely, the local group needs to educate potential users that a shared-use commercial kitchen is an expensive undertaking. It is important for kitchen users to recognize that the cost of developing and maintaining a kitchen facility and its services must be shared. A common misperception is that all kitchen facilities and their programs are mostly grant funded. In reality, most kitchens depend almost entirely on rental income and fees paid by its users to remain open to the public. The kitchen facility should be viewed as a business with its own monthly mortgage, utility, maintenance, and insurance bills to satisfy if the facility is to remain operational.

Depending on its final economic and social objectives, the local group may need to seek operational support on a continuous basis to maintain the kitchen's viability if its pricing structure is based on the users ability to pay for rental space and services, rather than being based on the economic viability of the project. The rental rate structure for this facility is addressed more fully in the Management section of this report.

Through its fund development strategy, the local group will seek funding from a variety of public and private sources in order to fund the following project expenses:

- Pre-Development Expenses & Seed Money
- Capital Expenses (including equipment)
- Program Development
- Technical Assistance
- Operating Support During “Rent-Up” Phase
- Ongoing / Operating Support (until break-even reached)

Assembling a team of stakeholders to assist in securing funding for the project is advised as a first step. The importance of establishing a competent fundraising committee cannot be understated. Everyone involved with the project, including staff, board members and volunteers, should participate in fund development for the kitchen incubator facility and program. All stakeholders should be aware of the project’s purpose and funding goals, and should remain alert for potential sources of project funding.

Funding will be solicited based upon many objectives of the project. Primarily, the incubator will serve as an economic development engine, promoting and developing small businesses, new jobs and economic growth. For this reason, almost all funders will want to see a project that clearly addresses actual community needs, and is supported by the community. Many funding proposals require demonstrated community involvement in the planning process. The survey procedure conducted for the feasibility analysis, which included public meetings and input, is an excellent community participation tool that should be exhibited in all proposals. Support letters from local organizations and stakeholders also demonstrate community involvement and are worth attaching to proposals if that is allowed. Donation of land, equipment, or professional services can also play a major role in conveying community support.

Several key components of the North Olympic Peninsula project fund development strategy include the following:

**Securing Public Funding** – The fundraising group will seek the majority of project funding from public sources. Public funds will provide a sufficient match against which to secure private foundation support. Public funds are most likely to come from agencies concerned with economic development, job creation, and agriculture. These agencies exist at all levels of government. The local group needs to work collaboratively with both new and established contacts at all levels of government in order to take full advantage of all available public resources.

**Securing Private Foundation Funding** – The group will seek private foundation support for a wide variety of purposes and objectives. Support should be solicited from national and foundations that support programs based in Washington and the Pacific Northwest. Local support along with public funding will help to attract grant funding from nationwide foundations that support small business development, rural development and entrepreneurship.

**Generating Corporate Support** – The food entrepreneurship center will benefit North Olympic Peninsula area food entrepreneurs and the long-term growth of the food industry in Washington’s Olympic Peninsula. Private corporations offer significant knowledge as well as

sources of cash donations, equipment and expertise. The funding strategy includes filling funding and operating gaps with various types of corporate support.

**Equipment Acquisition** – The group will investigate local corporations, food processors, equipment manufacturers, state and local governments, universities, and restaurant suppliers as sources of used and new equipment and supplies.

**Leveraging Non-Cash Support** – Non-cash contributions have contributed to incubator development in the form of expenses such as land, buildings, equipment, services and materials. The fundraising group will identify and solicit potential non-cash contributions.

**Support of On-Going Operations** – The fundraising group intends to fund long-term operations from program revenue. Prior to breaking even, funds built into the development budget will fund operational shortfalls.

**Providing Tenant Services** – The fundraising group will seek local donations or rate reductions of professional services such as legal, accounting, bookkeeping, product development, and marketing in order to draw a larger tenant base. Contracts will be structured so that the provider's donation represents a tax-deductible contribution. Depending on other services offered, discretionary funds may also be available through a variety of Federal and State funding programs.

**Avoiding Debt Financing** - The experience of most shared-use commercial kitchen facilities suggests that debt be avoided in the construction and equipping of the incubator facility. Many shared-use commercial kitchens that have incurred construction debt have been unable to provide sufficient cash flow to cover both operating expenses and debt service. The fundraising group should pursue a financing and development strategy that is debt free and fully meets its fundraising goals through public and private grants and contributions.

## **Conclusion**

A shared-use commercial kitchen offers specialty food processors, value-added farmers and growers, and caterers an appropriately licensed and equipped facility for their food processing activities. The local sponsoring group needs to establish a fundraising team quickly to accomplish the above specified fund development tasks. The team will assist with funding research, grant and proposal writing, grant management and solicitation. The local fundraising group should incorporate expertise from regional food industry representatives into the project's design and funding. In addition, local community input should be an important component of initial and on-going project design and development.

## 4. Feasibility Conclusions

The feasibility conclusions that follow are based on the following: 1) a comprehensive survey of 14 existing kitchen incubators to establish best industry practices, and, 2) primary market research involving user surveys, individual personal interviews, mail, and telemarketing of many individuals, food related businesses and other organizations within the target area of North Olympic Peninsula. The local market research yielded valuable information regarding prospective tenants, product(s) wishing to be produced, length of time in business (or start-up), anticipated usage, etc.

By considering this information in light of best industry practices as well as those practices and policies to be avoided, a pro forma capital (project) budget was developed. In a similar vein, market data tempered by the realistic experience of kitchen managers yielded a pro forma operating budget that showed a joint catering/FDA facility can break even on an operational basis.

### Feasibility Conclusions:

- 1. Primary market research indicates a significant number of potential users, many of whom are already established in business.** The pool of potential users is significant both in terms of number and the ratio of established to start-up businesses. There is no significant pool of potential users requiring USDA certification and it is recommended that USDA certification *not be pursued* at this time given the considerable additional expense. Should future demand warrant, USDA certification could be pursued.
- 2. A joint FDA packaged products/catering facility is financially viable.** Based on national experience and the local market data, pro forma operating statements were developed which indicate financial feasibility based on the assumptions noted. The important conclusion from national experience is based on the size of the pool. Larger initial pools of potential users invariably led to a significant number of potential tenants at the incubators opening. National experience was applied to the local market data in determining the financial feasibility through the pro forma operating statements.
- 3. The facility can reach breakeven operational status within three years.** The projected three year operating budget demonstrates that the facility can be operating on breakeven basis within three years. This is a significant milestone for many potential funders of community development projects of this type.
- 4. Risks can be mitigated by a risk management plan.** The risk in operating a shared-use commercial kitchen incubator can be adequately addressed by engaging in a risk management plan as outlined herein. Specifically, by employing appropriately credentialed and experienced food professionals, by proper employee and tenant training, by implementation of standardized tenant procedures, HAACP plans, etc., and, by appropriate insurance coverage, the risks involved in this project can be mitigated.

## 5. Preliminary Concept Layout

In many ways the preliminary concept layout and the budgeting process are concurrent and mutually referring. Changes to components of either force changes to the other. In determining the preliminary concept layout the study team felt that a “best fit” scenario be pursued. This approach concentrated on meeting the overall needs of prospective users in terms of layout, workflow and equipment. It should be noted that one kitchen manager stated that the kitchen is working well in a shared-use manner when it fits the needs for 80% of the tenants 80% of the time. Experience shows that specialized or expensive equipment cannot be secured for the sole use of one or two tenants. Similarly, special design elements that benefit a few are best avoided. These two important lessons, learned from the experience of existing kitchen incubator managers, were incorporated into the preliminary design.

There is no one “best” layout and equipment specification. Many times the feasibility conclusions, mix of tenants and their intended uses support a range of choices in design and equipment. For instance, size is one variable in shared-use commercial kitchens that is not set. It is not possible to determine that an *exact* square footage is sufficient, insufficient or appropriate. Many sizes may work for the same group of users. Similarly, exact equipment and layout can work appropriately in a variety of ways for the same prospective tenant mix.

Given these facts, *one* appropriate, potential layout was developed.

### Facility Design

The facility has been designed to accommodate a wide variety of potential producers and uses. Space has been included to accommodate such varied activities as catering, baking, sauce preparation, jam production, and cart vendor needs. Two production areas not usually included in this type of facility have been included to target specific needs as identified by the surveys and the steering committee for the project. These are a production space for non-edible products (primarily lavender-based) and a cheese/specialized production area. Survey support for these two areas was not conclusive. Accordingly, these two, specialized production spaces have been designed in such a fashion that they could be built at a later date when funding and/or producer demand warrant.

From the surveys it is apparent that the facility will be used by a large number of small or new businesses. With this in mind the small equipment specifications call for a significant amount of redundancy in addition to having some pieces that would permit medium scale production. At the same time, floor space is intentionally left open for additional equipment placement or relocation to allow an anchor client to expand their business up to the point of needing to build their own facility.

Space for administrative support has been included in the design to house a facility manager, as well as, other necessary support personnel normally needed with the operation of this type of facility. Office cubicles have been included so that producers may set up temporary office functions while in production, or serve as more permanent office locations as their businesses grow.

## **Production Facility Overview**

Each of the production spaces has been designed to focus on the needs of a particular type of production. One space is designed more toward dry types of production such as baking, while others have been designed more towards wet production such as sauces or soups. Each production space has been equipped with enough production equipment to permit some level of activity across all types of production focus. An example of this might be a caterer who uses a production space to produce all components of a menu both “wet” and “dry”.

To accommodate the number of possible client companies, and their various production needs, this facility has been designed with several rooms. Each room is laid out to accommodate two small producers simultaneously, or one larger company. Flexibility and multi-use is a major design consideration in all of the production spaces. For this type of production facility to succeed each production space needs to facilitate many different types of production quickly and with relative ease. Each space has been designed to facilitate straight line or u-shaped manufacturing flows to permit cellular manufacturing. Whenever possible equipment has been specified with wheels and quick connect power so that it can be stored when not in use. This increases room flexibility as well as permitting equipment to be properly maintained, stored, and protected from possible damage. Final equipment placement can and should be adjusted closer to facility build out based on the prospective producer profile at that time.

Flexibility is important because experience in existing kitchen incubators shows that scheduling clients doesn't always work as smoothly as might be desired. Many tenants will change or alter their usage depending on unpredictable daily or weekly workflows. It is best to project hours of operation at 20 to 22 hours per day (closing 2 to 4 hours per day for thorough cleaning) and to keep each space open to multiple, and where ever possible, simultaneous use.

By placing each type of production within its own physical walls concurrent, "non-compatible" types of production such as candy production, baking, or salsa production may be a possibility. The prevention of cross contamination between raw and cooked food products is a basic safety consideration and is addressed via separation and isolation of cooked and raw products. This makes it possible to successfully house varied and multiple food producers now and in the future.

A number of tables have been identified as being associated with a particular production space. All tables are intended to be on wheels for ease of movement between rooms and placed where needed. The primary factor to consider that there does need to be enough tables to provide adequate working surfaces throughout the facility.

It should be noted that the design and equipment list have been created in part based on a wide range of potential user surveys and information gathered from stakeholder meetings. A thorough review of prospective producers who might use this type of facility should be done closer to and throughout the formal design and build out phase of this project to best meet specific and changing needs.

This facility is not expected to be under USDA meat inspection. This means that meat products manufactured for retail sale may not legally be produced in the facility. However, caterers can

use meat in foods they produce for immediate consumption. Should cheese/dairy production be included in the final build out then that area of the facility would fall under WSDA dairy inspection.

### **Wet/Hot Processing**

The “wet kitchen” production space intended to be especially useful for sauce, salsa, jam, jelly, soup, as well as, other types of production. The equipment is positioned to permit a relatively efficient manufacturing flow for these types of products, while maintaining a significant amount of open floor space to permit use by other types of food manufacturers. This space has been designed to permit simultaneous use by two very small producers who wish to share the facility and reduce their production expense. Small caterers, initial start-up companies, and community-based organizations might be interested in this type of arrangement. The actual equipment used in the bottling of products has been specified with wheels so that it can be removed and stored when not in actual use.

### **Bakery/Dry Processing**

The “bakery” space that contains equipment commonly used in relatively dry types of production. Items such as cakes, pies, cookies, turnovers, etc. could be produced in this space. An important design feature is the use of standard convection ovens rather than rack ovens to permit more controlled consumption of utilities depending on a particular producer's needs. Because several ovens are used rather than one large oven in this space, one or all of them may be turned on depending on the production volume and needs of the producer. This will help to minimize operating expenses in this production space. Wherever possible equipment has been specified with wheels so that it can be removed and stored when not in use.

### **Cheese/Specialized Production**

There was very limited response for cheese room usage. However, the local group was insistent that artisan cheese making was integral to the culture of the area and an integral component to the area’s value-added agriculture. It is highly recommended that prior to build out that the current mix of proposed users be re-assessed (See Next Steps section). A cheese room is difficult to operate and expensive to equip. Should the cheese room not be included in the final facility, it is suggested that the area be added to storage/warehouse, or, that the additional space be split between administrative/office and storage/warehouse as the local group seems appropriate.

To accommodate the production of cheese a separate space has been designed. This space must be isolated from other building production functions. This is to control potential microbial contamination, as well as, odor contamination from other facility areas. A dedicated loading dock is adjacent to the production area to make the delivery of milk easier. Accommodations for aging cheese are located within this space again to reduce concerns over microbial contamination that could be brought in from other parts of the facility and adversely affect the production of cheese. A mini-dairy system, such as Pladot, has been identified as the source of equipment to reduce concerns over incompatible equipment. Additional benefits of this type of system are that upgrades and expansion is possible at future dates. When purchasing a mini dairy system it is also possible to specify components that would permit the production of juice products as well.

The equipment as sized for this project would accommodate dairy production from approximately 50 to 250 cows.

### **Lavender/Cosmetic Production**

There were a number of potential producers who expressed interest in the production of non-edible products, especially those that are lavender-based. Lavender products are a growing industry in the region. Because products of this type are often heavily scented the opportunity for conflict with other types of production exists. To reduce this concern all storage and production of lavender products are located in a relatively separate part of the building. All storage and production of these products can be handled without the need to cross over in to areas of the building housing other production spaces. Equipment listed for this space would allow producers to automate more of their current production practices, increasing opportunity for company growth.

### **Warehouse / Dry Storage**

The warehouse / dry storage as follows:

#### **Dry Storage**

The dry storage area includes physical barriers between specific producer products. This design helps to preclude the likelihood of cross contamination between producers' products, facilitating simultaneous production of various FDA products, as well as, assure producers that their products are safe and secure. The dry storage space has been phased in to increase as the production capacity of the facility is increased. The facility equipment list does include a category for racking. This will be needed to maximize the storage space and accommodate a larger number of companies. It should be noted that a separate storage area has been allocated to the lavender and non-food component of this project. This is to facilitate the separate and safe storage of potentially hazardous products to reduce the possibility of food product contamination.

#### **Cooler/Frozen Storage**

The cooler and frozen storage at the proposed facility has been designed to facilitate the possibility of simultaneous special storage needs. All cold storage in the facility is targeted to be separate and isolated, permitting simultaneous and concurrent production due to physical isolation and prevention of potential cross contamination.

Multiple coolers and freezers are required in this type of facility to provide for the separation of raw and cooked products, as well as fresh fruits and vegetables. As regulatory agencies look more towards the use of HACCP, future concerns over the physical separation of ingredients, particularly vegetables, meats and dairy products will become more prevalent. By having multiple coolers and freezers dedicated to a particular type of storage, the facility will be better suited to meet future regulatory requirements.

All cold storage is intended to have pallet width doors for ease in movement of relatively large quantities of ingredients. Racking may be installed in a portion of the cold storage space for the

use of smaller producers who do not need full pallets of space. This potential for multi-faceted use is expected to increase the facility's utility among most all of the prospective producers.

### **Sub-Zero Freezer**

A recent trend in the food industry towards home meal replacements has increased interest in the production of frozen specialty foods. To address this need a freezer capable of quickly freezing food products has been included in the equipment list. This 160 square foot freezer would be used for production purposes and not considered as a piece of storage equipment.

### **Employee Welfare Areas**

Areas have been included in the building design to provide for appropriate "employee welfare" areas. These include locker rooms for uniform changes, bathroom facilities, and a common lunch area. All of these spaces are in conformance with Good Manufacturing (GMP) practices.

### **Office and Reception**

Office space, reception area, and conference facilities have been included to house the facility manager and provide a location for facility producers to conduct normal business activities, and to provide a training space. Cubicles for producer use have been included as this type of space is more cost effective to construct than traditional offices. Also, this type of accommodation permits flexibility in future building use, as needs develop and change over time.

### **Facility Siting**

A meeting was held in June 2005 concerning the development and management of the proposed facility. Present at the meeting was the primary research consultant (Cameron Wold), select members of the food enterprise center steering committee (Curtis Beus, Anne Murray and Jim Haguewood) and the representatives from the City of Sequim. Don Hall and Ron Farquhar, City Councilors, and Frank Needham, Capital Projects Manager for the City of Sequim, represented the city. The meeting concerned siting the project on city-owned land. Many incubators have been developed in this fashion. A city or county provides land as the community match, required under federal, state and private foundations grants. A governmental jurisdiction (city or county) is often the sponsoring/developing entity as cities or counties are eligible for many federal and state community grants. See Finance and Development Strategy section.

The representatives of the City of Sequim stated that the city had interest in pursuing the conversation concerning the proposed food incubator and that the city may wish to consider developing the project. The city of Sequim has identified 7 parcels of land in public ownership that contain in excess of the approximate 2 acres needed for the facility.

## Facility Design – Square Footages

### 15,000 sq ft Facility

Area	Total Sq. Ft.
<b>Food Production Area</b>	
Wet/Hot production	1,706
Dry/Bakery production	1,706
Cheese/Dairy production	1,332
<hr/>	
<b>Total food production area</b>	<b>4,744</b>
<b>Lavender Production Area</b>	<b>750</b>
<b>Warehouse/ dry storage <sup>1</sup></b>	<b>8,506</b>
<b>Administration / office</b>	<b>1,000</b>
<b>Total Square Feet</b>	<b>15,000</b>

### 20,000 sq ft Facility

Area	Total Sq. Ft.
<b>Food Production Area</b>	
Wet/Hot production	2,275
Dry/Bakery production	2,275
Cheese/Dairy production	1,775
<hr/>	
<b>Total food production area</b>	<b>6,325</b>
<b>Lavender Production Area</b>	<b>750</b>
<b>Warehouse/ dry storage <sup>1</sup></b>	<b>8,750</b>
<b>Administration / office</b>	<b>4,175</b>
<b>Total Square Feet</b>	<b>20,000</b>

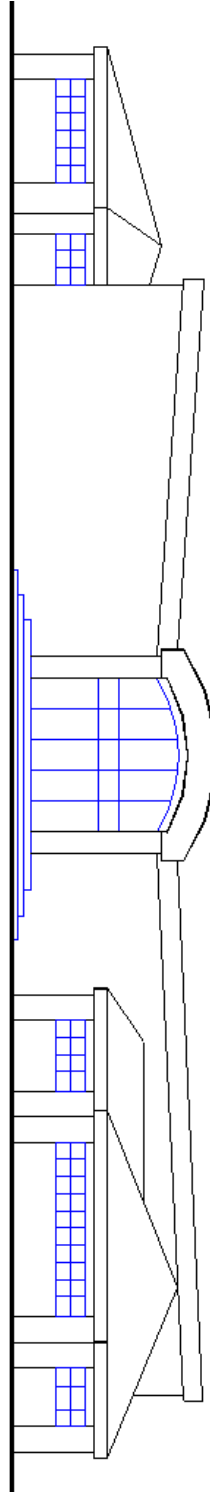
<sup>1</sup> Includes Walk-in Cooler (576 sf) Walk-in Freezer (576 sf) and Blast Freezer (160 sf).

Note: The 15,000 sf facility has reduced processing space from 6,325 to 4,744 sf, but has retained most of the storage and warehouse space of the 20,000 sf facility. The lavender production is 750 sf in both facilities, while the cheese room has been reduced by 443 sf in the smaller foot print. The smaller facility does not have the additional administrative and office space for conferences, cubicles, etc., that the larger foot print offers. Because of the premium existing shared-use kitchen facilities place on dry storage, it is suggested that alternative administrative space be found for conference, trainings, tenant office spaces, etc. However, other kitchen incubators have reported the need for office and training space in their incubators. If the local group wishes to maintain administrative and office space in the smaller facility, the local group could choose to reduce the 20,000 sf facility by a uniform 25% in all categories. Also, all areas are outside the wall measures and not true “production” size - all areas carry dead space hallways, etc.

## Facility Design – Façade

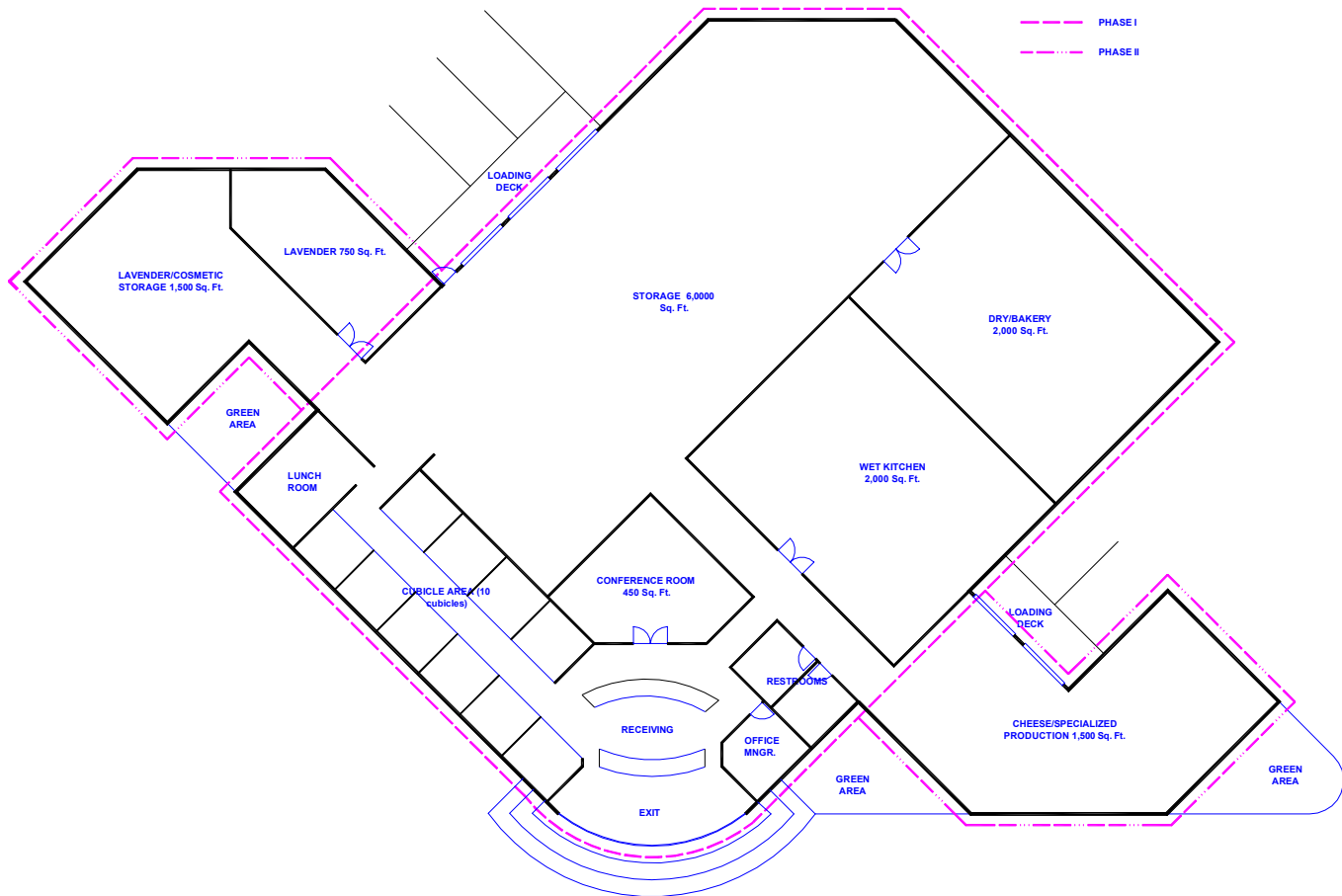
**Clallam County Food Enterprise Center**  
Approximate Area 20,000 Sq. Ft.

### NORTH FACADE



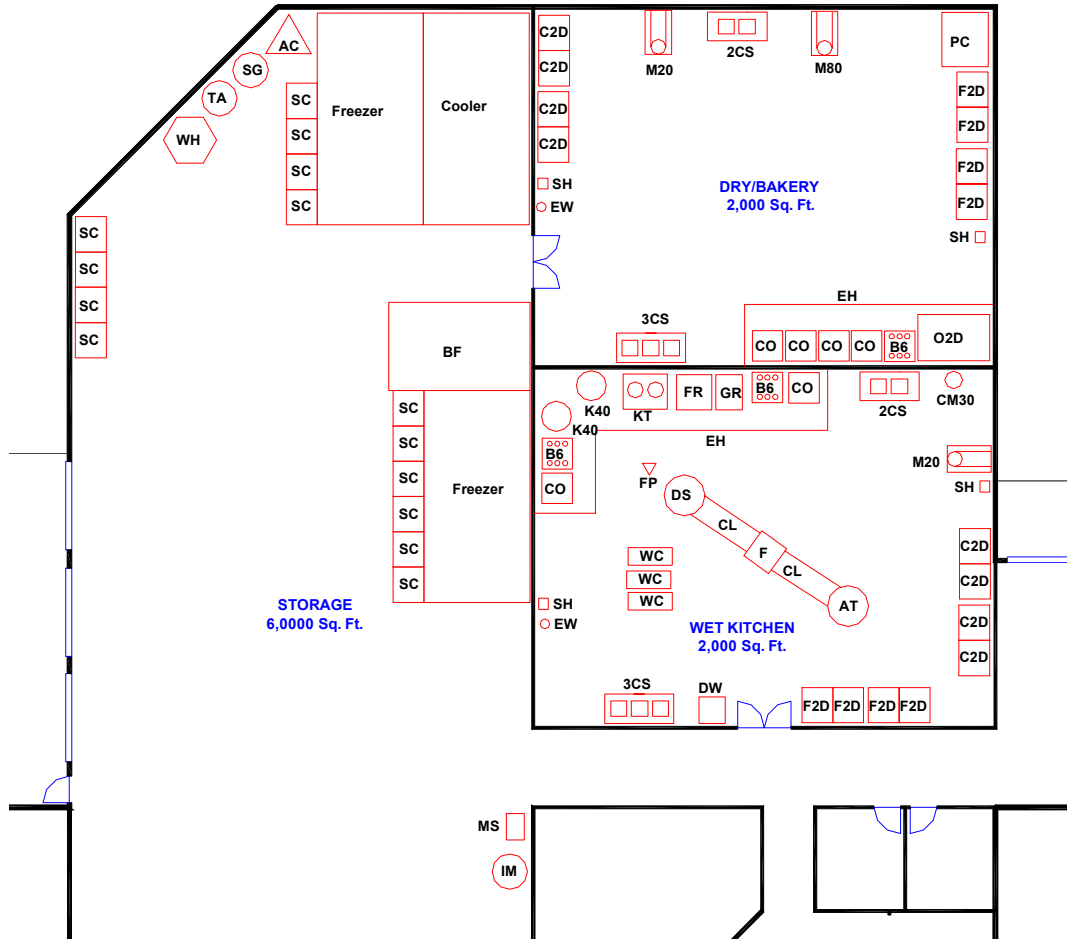
**Architectural Design Concept**  
**Not to Scale**

## Facility Design – Floor Plan



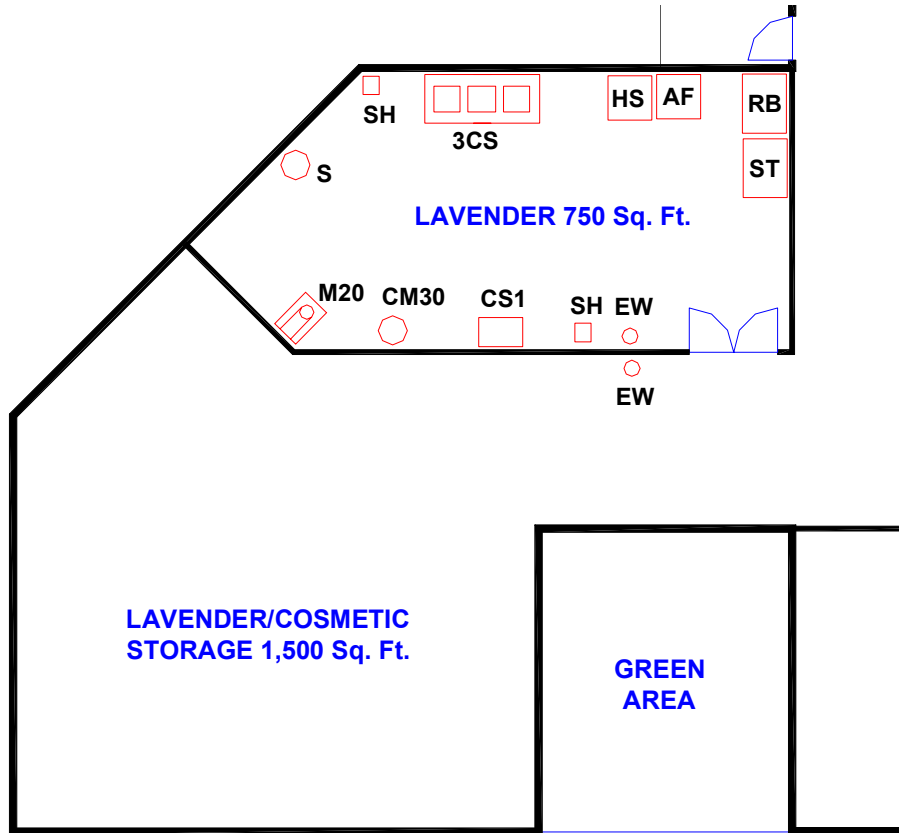
Architectural Design Concept  
Not to Scale

## Facility Design – Kitchen Detail



Architectural Design Concept  
 Not to Scale

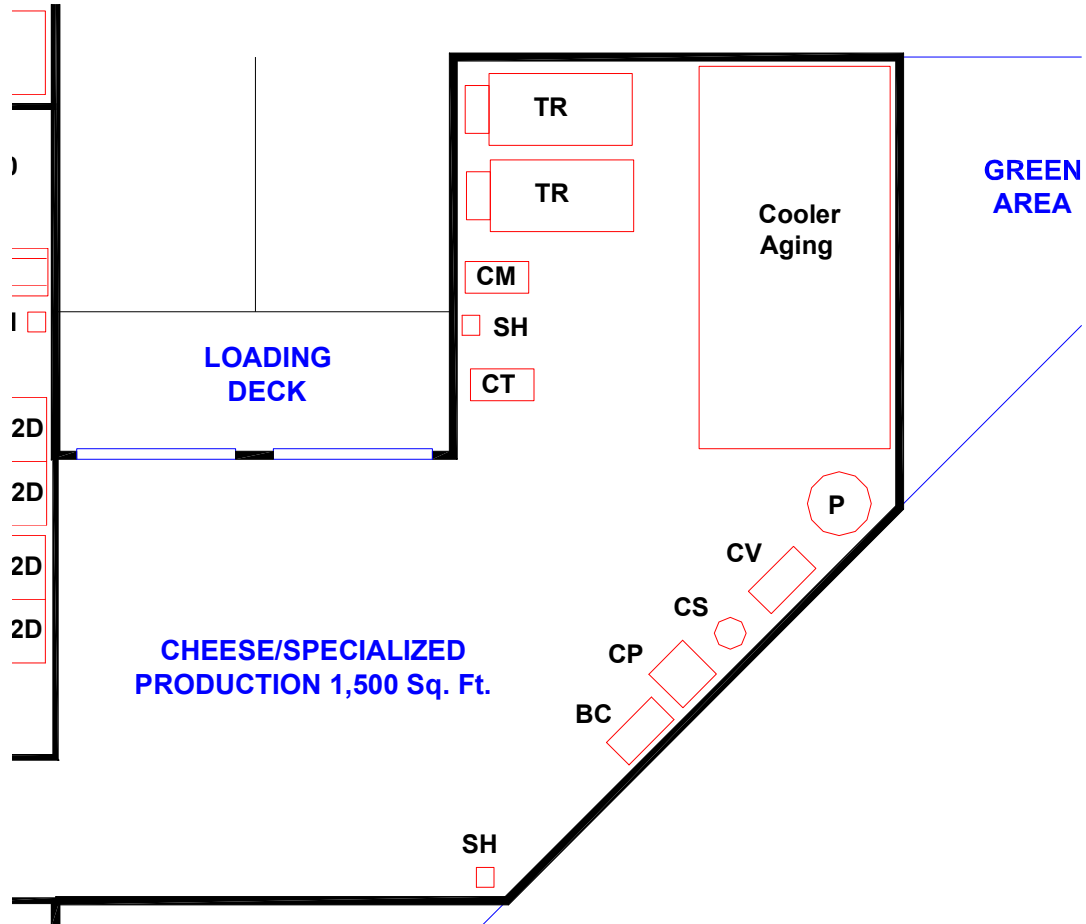
## Facility Design – Lavender Room Detail



- S = Still
- HS = Heat Sealer
- AF = Auger Filler
- ST = Shaker table
- RB = Ribbon Blender
- CS1 = Color Spectrometer

Architectural Design Concept  
Not to Scale

## Facility Design – Cheese Room Detail



Architectural Design Concept  
Not to Scale

## Facility Design – Equipment Legend

Symbol	Description	Symbol	Description
2CS	Sink - 2 Compartment	F2D	Freezer 2 Door Reach In
3CS	Sink – 3 Compartment	FP	Food Pump
AC	Air Compressor	FR	Fryer
AF	Filler - Auger	GR	Grill
AT	Accumulator Table	HS	Heat Sealer
BC	Butter Churn	IM	Ice Machine
BF	Blast Freezer	K40	Kettle 40 gal.
B6	Range – 6 Burner Convection Oven	KT	Kettle – Twin Table Top
CO	Stacked	M20	Mixer 20 QT
C2D	Cooler 2 Door Reach In	M80	Mixer 80 QT
CL	Conveyor Line	MS	Sink - Mop
CM	Chiller – Milk	O2D	Oven Double Deck
CM30	Cutter Mixer – 30 qt.	P	Pasteurizer
CP	Cheese Press	PC	Proof Cabinet
CS	Cream Separator	RB	Ribbon Blender
CS1	Color Spectrometer	S	Still
CT	Cheese Tray Trolley	SC	Security Cages
CV	Cheese Vat	SG	Steam Generator
	Descrambler Table –	SH	Sink – Hand wash
DS	Filling Line	ST	Shaker Table
DW	Dish Machine	TA	Storage Tank
EH	Exhaust Hood	WH	Water Heater
EW	Eye Wash		
F	Filler - Piston		

## 6. Management Plan

The management plan is an overview. It contains information that the developers of the potential facility should consider as they begin to develop a management plan concerning the proposed kitchen. It is not the intention of this section, nor is it within the scope of this study to present an all inclusive, comprehensive management strategy. The intention here is to provide an overview of best practices gleaned from existing kitchen incubator management as practical starting point from which the ultimate management of the facility can meld proper and appropriate management policy for the facility.

Management styles and implementation varies widely among shared-use kitchen incubators depending on a variety of factors including, tenant mix, regulatory environment (FDA versus USDA, as well as state and local agencies), and the preferences of the local incubator management and board. As this project continues it will be management's task to develop a management plan that is consistent with all concerned parties. The management plan must reflect the requirements of regulators, the needs of the tenants, as well as the management intentions of the staff, directors and advisors.

The management plan section is comprised of two main parts. The first part presents important issues that relate to the management of the facility. It contains the following sections: Regulatory Review, Operations, Kitchen Operating Forms, Staffing and Management, and Risk Management.

The second part relates to those management issues that pertain to tenant services. These issues are developed and presented within the proposed Tenant Program Development Plan, comprised of the following sections: Incubator Model, Training, Technical Assistance, Access to Capital, Recommended Tenant Technical Training, Suggested Tenant Assistance and Sharing Community Resources.

### Facility Issues

The most significant issue in determining the operation of a kitchen incubator concerns the regulatory authority under which it operates. Kitchen incubators come in two basic types. The first type established was a shared-use kitchen where both catering (under the jurisdiction of the county health department) and the production of FDA (non-meat) products (under the jurisdiction of the state department of health as contracted by the FDA) is allowed. More recently, some kitchen incubators sought and received permission to establish a joint kitchen where both FDA/catering and USDA (meat) products could be produced. USDA certification of the facility is required for this joint operation.

The best place to start the discussion of the management of a kitchen incubator is with a review of the regulatory environment.

## **Regulatory Review**

### **Regulatory Structure**

By federal law any manufactured food product that contains ingredients or packaging which have crossed a state's boundaries, or will reasonably be expected to be consumed after having crossed a state's boundaries are to be federally inspected for safety. Most non-meat items are produced under the jurisdiction of the Food and Drug Administration (FDA). If the food product contains meat or poultry, its manufacture falls under the jurisdiction of the United States Department of Agriculture (USDA). There are some exemptions from these general guidelines based on small farm exemptions. Small farm exemptions vary by state and locale. Individual state and local regulatory agencies should be contacted directly to obtain the specific local regulations that would be applicable.

The two primary federal agencies that impact shared-use kitchens most are the FDA and the USDA. There is also impact from state and local health agencies.

### **FDA**

The US Food and Drug Administration (FDA), an agency within the Department of Health and Human Services, oversees much of the nation's food supply as well as drugs, cosmetics and medical devices.

The FDA is the regulatory agency that enforces the laws enacted by the U.S. Congress and is the agency charged with protecting consumer health, safety, and welfare. The Federal Food, Drug and Cosmetics Act of 1938 (FCDA); (21 U.S.C. 301-392) is the basic food, cosmetic and drug law of the United States. The FDA is responsible for interpreting the law and writing regulations concerning specific food products and processes. This law applies to foods, and drugs for human or animal consumption, cosmetics and medical devices.

Rules and regulations established by the FDA are published in Title 21 of the Code of Federal Regulations (CFR). Title 21, CFR, Part 1-99, covers the general regulations for the enforcement of the Federal Food, Drug, and Cosmetic Act and the Fair Packaging and Labeling Act. Part 100 to 169, addresses the food labeling, food standards, good manufacturing practices for foods, low acid canned foods, and acidified foods. Part 170 to 199, is concerned with food additives. Part 200 to 299 include regulations under the Federal Import Milk Act, and regulations for control of communicable diseases and interstate conveyance. These laws are intended to assure that foods are safe to eat, pure and wholesome, and produced under sanitary conditions.

In the aftermath of the attacks of September 11, 2001, Congress passed the Bioterrorism Act of 2002, parts of which are designed to help protect the nation's food supply from attack. Final regulations are still being written by the agency but it is clear that we are in the midst of the most sweeping overhauls of food regulations since the FDCA of 1938.

FDA inspectors are given authority to inspect any establishment where food is processed, packaged, or held for shipment in interstate commerce. Inspection can also be done on products

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after shipment, on vehicles used to transport food in interstate commerce, equipment, finished products, containers, and labeling. The FDCA provides specific definitions for adulterated and misbranded foods.

FDA is the agency specifically charged with inspection and registration of shelf-stable or canned foods. By definition, canned foods include those preserved in glass jars and not requiring refrigeration prior to opening. In many areas inspection of canning establishments is contracted to state agencies to administer.

The FDA does not approve, license, or issue permits for domestic products shipped in interstate commerce. The agency, will however, provide endorsement on export certificates that the plant has passed FDA inspection.

It is the responsibility of manufacturers, packers, or distributors to comply with the FDCA and other laws and their implementing regulations. Inspections of facilities and products, analysis of samples, educational activities, and legal proceedings are tools used by the FDA to assure compliance of the laws and regulations.

## **USDA**

The United States Department of Agriculture-Food and Safety Inspection Service (USDA-FSIS) is the agency that enforces laws pertaining to meat and poultry. Meat or meat products derived from cattle, sheep, swine, goats and horses are subject to the provisions of the Wholesome Meat Act, and poultry is subject to the Wholesome Poultry Act. Food products having more than three percent (3%) meat (raw) or two percent (2%, cooked) are subject to USDA regulations, and must be produced in an USDA certified facility. All other meat and poultry products not subject to USDA regulations are under the Federal Food, Drug, and Cosmetic Act and thereby subject to FDA jurisdiction.

The USDA, through its agency the Food Safety Inspection Service (FSIS), maintains regulatory authority of most meat and poultry products consumed in the United States. Exceptions include products originating from facilities that do strictly intrastate shipment in states such as Ohio, Vermont and North Carolina that have their own meat inspection programs. Other exempt processes include slaughter and processing of animals for personal consumption, further processing of meats for retail sale and certain species such as rabbit.

While some larger processing plants may have a multitude of FSIS inspectors on full-time duty, most medium and small plants are covered on a circuit rider basis with one inspector covering several plants in an area. The inspector visits each plant on days they do inspected product to verify that Sanitation Standard Operating Procedures (SSOP's) and proper food handling processes are being followed.

Inspectors report to a Circuit Supervisor whose jurisdiction covers many individual plants. The CS will be the primary individual in approving the Grant of Inspection for any new plant and represents the first avenue of appeal when plants and inspectors have regulatory disagreements. Plants can expect a visit from the CS at least yearly and often more frequently.

In a shared-use kitchen the Grant of Inspection is issued to the company producing the food and it receives its own, individual and unique plant number. All products that are produced under inspection must be labeled to include (among other things) that unique plant number. Slaughter facilities, in addition to maintaining conditions that promote safe food handling, are also required to be designed and operate with concern for the animals' welfare.

### **State and Local Health Agencies**

States often regulate kitchen incubators in two ways. First, they are at times contracted by the FDA to provide FDA inspection within the state. In many states, the FDA contracts with state health departments to conduct inspection of plants doing FDA processing. Additionally, some states require prior review and approval of food labels for non-meat products.

Local health departments often oversee caterers working out of kitchen incubators. While county health officials may inspect the incubator kitchen, individual caterers usually need their own licenses. Employees typically need food handler permits, which are obtained after attending a class taught by the county. If the facility has an area to host lunches and other meal/meeting events a food service establishment, retail food or restaurant license is often needed from county health authorities.

### **Other Agencies**

Other regulatory agencies that may peripherally affect shared-use kitchens are the Environmental Protection Agency, which determines the safe use of pesticides and sets pesticide residue limits in food, and, the Bureau of Alcohol, Tobacco and Firearms, which regulates food containing greater than 7% alcohol.

### **Regulation and Licensing Requirements in Washington**

Licensing and inspection of food facilities in Washington is conducted at the state and county level. Additionally some Indian tribal governments conduct licensing and inspections for food-related activities in tribal lands. Wholesale operators, a category including most processors are under the supervision of the state. Retail operations, restaurants and caterers are overseen by the county health department. In general, if more than 5% of the output of a facility is for wholesale trade, the facility is then classified as wholesale. In the case of a shared-use facility, caterers and other retail users will be regulated at the county level. Therefore, the operators of the facility should work with both agencies throughout the facility planning process.

### **Washington State Department of Agriculture (WSDA)**

The Washington State Agriculture Department, along with the US FDA, has responsibility for food manufacturing and processing in the state. Both state and federal personnel are likely to inspect the facility and individual processors at different times. Specific regulations for acidified foods such as pickles, chutneys and salsas are enforced by both agencies and are detailed in a subsequent section. Individual companies operating out of the facility will be responsible for obtaining their own food processors license from WSDA. A copy of the application is included in Appendix D.

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Washington does not have a meat and poultry inspection program so if these types of products are to be made at the Clallam facility, it will need USDA approval. In a similar vein, seafood processing must be licensed by the state but the inspection is conducted solely by the FDA. Inspections of dairy processing activities are also conducted by WSDA.

Processing of fresh fruits and vegetables may be an activity at the Center. These activities may include washing, chopping and bagging of raw vegetables and salad mix, and chopping and blast freezing of produce for retail sale or later wholesale processing into value-added products. The department should be consulted as to which activities are considered licensed processing and which are considered agricultural packaging activity. For example, growing and packaging sprouts from a single variety is considered agriculture but doing the same from a mixed variety of seeds is considered to be a processing activity.

The state requires registration of wholesale operators prior to manufacture of food for sale. This will not prevent center clients from doing research and development productions as long as the finished goods are not re-sold. While most processing in shared-use kitchens is conducted by the entrepreneurs, some incubators co-pack or process foods on behalf of their clients. If the facility operator will be co-packing for clients, then it should register with the Washington State Department of Agriculture as a food processor, otherwise the individual entrepreneurs should file their own permits. Code of Federal Regulations 21CFR Part 110, Good Manufacturing Practices, are the basis of many of the sections within Washington's wholesale regulations. Facility designers and operators should have a working understanding of this code section.

There appears to be no resistance to the concept of simultaneous, multiple operators as long as Good Manufacturing Practices are used to avoid cross-contamination between producers. The local WSDA inspector, Will Satak, is familiar with shared-use kitchens and will allow simultaneous retail and wholesale activities as will the county official. Mr. Satak should be contacted prior to construction to review plans for compliance.

The FDA's Model Food Code and 21CFR Part 110, Good Manufacturing Practices (GMP's) are available at [www.FDA.gov](http://www.FDA.gov) and provide valuable resource information for sanitary facility construction. WSDA does have specific regulations requiring two self-closing doors between a bathroom and any processing area, and a separate sink out of the processing area for filling and dumping mop water.

### **Clallam County Environmental Health Services**

The Clallam County Health Department will have a role at the Center for certain food activities with jurisdiction over companies or individuals engaging in so-called "retail" operation. Retail operations include catering and foods sold directly to consumers. The County requires that facility plans be reviewed and approved prior to construction. Generally, the WSDA accepts county plan approval. Robin Munroe of the Department is familiar with shared-use kitchens and believes they are a good idea. Like her counterpart at WSDA, she is willing to allow wholesale and retail operations to co-exist.

The County has adopted the Washington State Department of Public Health's version of the FDA's 2001 Food Code as the basis for inspection and licensing. A copy is available from the County. Ms. Munroe mentioned that there are a non-profit organizations that vend at fairs and festivals that need temporary permits and must prepare their foods at a licensed establishment. The proposed food center would meet that need.

All proposed facilities are required to submit construction plans for review by the department at least 30 days prior to construction,

Regulations require that all persons involved in retail food production receive food handler cards within 14 days of hire. Training is offered at the Department and the cards are good for three years.

## **Federal Regulations Governing Food Processing in Washington**

### **The Bioterrorism Act of 2002**

As mentioned above, the Bioterrorism Act (BTA) is driving the most significant changes in food regulation in over half a century. In addition to general guidance about food processing plant security, there are three distinct sets of regulations with which processors need to comply: prior notification of food imports, registration of food facilities and product traceability.

In areas of general guidance, the FDA advises every facility to have facility security plans in place. Of particular to shared-use kitchens is the issue of access by a wide variety of people. Plants should establish security criteria for prospective tenants. Policies for visitors should be included in plant operations plans as should issues of access such as who has keys or key pad codes.

Of the three specific regulations, the prior notice of imports has the least impact on shared-use kitchens as most clients will be purchasing their food from local suppliers. If they do plan to import food, they should either use an import broker or have the foreign supplier conduct the FDA notification.

The food facility registration requirement affects both the facility and individual producers. The facility which will both process and store foods needs its own registration as will individual producers. The registration process is fairly easy once a person is familiar with it. For small companies not accustomed to processing government forms, it can be a little intimidating. First, a person must establish, at no cost, an on-line account at [www.cfsan.fda.gov/~furls/ovffreg.html](http://www.cfsan.fda.gov/~furls/ovffreg.html). Once an account is established, a person can register his or her own company, register on behalf of others and edit registrations. Some shared-use kitchens are offering this service for clients at a modest fee.

Final regulations for the traceability and recordkeeping part of the law are due out at any time. It is likely that all food producers will need to implement a food tracking system that will start at the raw material supplier, carry through the processing phase and out to the retailer. In this way, if a raw material is identified as being contaminated, finished goods that contain that ingredient

can be isolated and recalled. The complexity of this proposed task has resulted in a great deal of comment from the food industry. Small companies that lack expertise in this area are likely to need substantial guidance in setting up lot tracking systems. Updates on this regulation will appear on the web site, [www.cfsan.fda.gov](http://www.cfsan.fda.gov).

### **Good Manufacturing Practices**

Another area of change in the near future involves Good Manufacturing Practices, known in the trade simply as GMP's. These are the basis for much of this country's food processing regulation. GMP's have remains substantially unchanged for many years and the FDA is currently studying a sweeping overhaul of GMP's.

Current GMP's are rather broad and general and require little recordkeeping and documentation on the part of the food processor. This is likely to change in a dramatic fashion. Models that are being examined for new GMP's include those used for regulating drug manufacturers in the US and food regulations currently used by the European Union.

It is a virtual certainty that new GMP's will be much more stringent in areas of recordkeeping, process documentation and maintenance of written operating policies. Another strong possibility is a mandate to include a Hazard Analysis and Critical Control Point (HACCP) program as part of a facility's operational program.

Currently the FDA does not require a HACCP (pronounced Hass-Sip) program for food producers, except for those making seafood and juice products. More and more distributors and retailers are requiring HACCP plans for all products they purchase so the facility operator may well consider having all producers work under HACCP.

There are many organizations that offer both training and consultation for HACCP programs. People who are developing or implementing HACCP plans for juice or seafood processing must attend FDA approved training specific to these commodities. Courses in HACCP and Advanced HACCP offered through the Food Processors Institute, ([www.fpi-food.org](http://www.fpi-food.org)), are accredited for both juice and seafood HACCP.

In a multi-user facility like a shared-use kitchen, a HACCP plan or written GMP's must include operational controls, (separation by space and/or time) to assure that there will be no cross-contamination among products of different producers. Separation by space can occur within the same processing area provided it is large enough and adequate training and supervision is in place.

Utilization of general HACCP programs throughout the facility will also help demonstrate to regulators and customers of Center that safeguards exist to prevent cross-contamination among the different producers using the facility at the same time.

### **Acidified Foods Registration and Regulations**

FDA is the agency specifically charged with inspection and registration of those shelf-stable or canned foods that are classified as either low acid or are acidified. By definition, canned foods

include those preserved in glass jars and not requiring refrigeration prior to opening. It is highly unlikely that the incubator will engage in the retort processing needed to can low acid foods as this is a very expensive process requiring extensive training and oversight.

Jams, BBQ sauces and the like are usually classified as acid foods although some formulations may be classified as “acidified.” Pickled products, salsas and the like are acidified foods. Low acid foods include canned vegetables without added acid, shelf-stable fish and meat products in glass jars or cans. Production of acid and acidified foods is likely to be a significant activity in the kitchen.

Any facility that produces acidified foods must register with the FDA as a Food Canning Establishment (FCE) and the FDA will assign an FCE number to the plant. Individual producers of acidified foods will need to get approval of their process from WSU prior to manufacturing and file that with the FDA using the FCE number of the Jefferson kitchen. Responsibility for the overall operation of the plant will lie with the Center and Center staff will need to ensure that clients have received all appropriate approvals before production.

Low acid or acidified food processing must be done under the supervision of an individual who has attended and passed one of the Better Process Control Schools (BPCS.) The course is broken down into two days of acidified foods and two days of low acid foods and retorting. While only the acidified food part is required for a facility that is not retorting, the full training is valuable in working with producers and preparing them to use other retorting facilities. Washington State University hosts a BPCS annually and they are also offered at other colleges around the country on a regular basis. A course schedule is available at [www.nfpa-food.org](http://www.nfpa-food.org).

As for all FDA processing, the state requires all plants to operate under the provisions of Code of Regulations, Title 21, Parts 108, 110, 113 and 114. These sections are covered in great detail in the Better Process Control Schools.

FDA requires that recipes and procedures for all low acid or acidified foods be reviewed by a “processing authority”. The process authority has scientific training and facilities that allow him or her to submit a “process schedule” that the FDA deems valid and safe.

Dr. Richard Dougherty with the Department of Food Science at Washington State University (509-335-0972) provides service as a Process Authority within the state. Info on the food science resources at WSU with links to other relevant state and federal sites can be found at <http://foodprocessing.wsu.edu>.

### **Seafood Processing**

While the WSDA licenses seafood processors, they defer inspection of facilities to the FDA which requires that all seafood be processed under a fully validated HACCP program. Responsibility for writing and implementing a seafood HACCP program should be the responsibility of the person or company actually doing the processing.

While we do not believe that canning seafood as a shelf-stable product is advisable, most any other type of processing is possible if a HACCP program demonstrates that it can be safely accomplished. This includes canning seafood to be shipped, stored and sold under refrigeration, filleting, shucking, smoking and preparation of ready to heat or ready to cook meals such as seafood pies.

### **Organic Certification**

Organic foods represent one of the fastest growth segments of the food industry and every indication points to this trend continuing. The National Organic Standards Act provides uniform standards for organic certification. Prior to this action, there was a great deal of inconsistency among the various independent certifying agencies.

Organic certification is still conducted by independent agencies using the USDA standards. There still exists some variation in how different certifying agencies interpret the regulations. The Washington State Department of Agriculture (WSDA) provides certification services in the state. The USDA oversees the National Organic Program (NOP) and maintains a comprehensive web site on the NOP at <http://www.ams.usda.gov/nop/indexNet.htm>.

It is very important to note that the organic certification is given to the product, not the facility and the ultimate responsibility rests with the food producer, not the operator of the shared-use kitchen. The agency operating the kitchen can choose the amount of responsibility it is willing to accept for organic certification.

At a minimum, if organic production is a possibility, there are two areas for which facility management is responsible: cleaning and pest control programs. These programs should be developed to prevent the contamination of organic food with chemicals and these procedures must be thoroughly documented.

Generally, when each producer applies for certification, the inspector will visit the facility and review these procedures. The organic producer will need to develop a "process flow document" to assure that his or her raw ingredients will have segregation from beginning to end from other foods processed at a shared-use facility. Miles McEvoy heads up the WSDA organic program and says that improper documentation is one of the most frequent problems that organic producers have.

It may be possible to make arrangements with a certifying agency to conduct one annual inspection of the facility that could be used in lieu of individual site visits for each producer.

### **Cosmetic Processing**

Principles guiding production of cosmetics are very similar to those of foods and the Good Manufacturing Practices for cosmetics are so similar that a working knowledge of GMP's for food should suffice for cosmetic producers. Perhaps the greatest difference is in regard to warning statements for cosmetics that have not been proven as safe. The FDA has an extensive web site on cosmetics at <http://www.cfsan.fda.gov/~dms/cos-pol.html>.

Most of the lavender cosmetic producers in the North Olympic Peninsula area use commercially prepared neutral bases such as hand soap, bubble bath, hand, body and massage lotions and add the lavender to the bases. While it is almost a certainty that these bases have been tested for safety, producers should confirm this with their suppliers.

There is no licensing procedure for cosmetic production on either the state or federal level. The FDA does administer a voluntary registration program for cosmetic producers that can be found at the web address above. This registration gives the FDA rapid means of contacting companies if one of the ingredients that they use is found to be unsafe. Production of the lavender cosmetics should be conducted in a separate processing area from food with equipment dedicated solely for that purpose to avoid cross-contamination between food and cosmetics.

**Insurance**

For protection of the operating organization, fire and casualty, and, officers and employees “dual” liability coverage is recommended. The dual liability coverage is obtained by first requiring that incubator obtain liability insurance, and secondly by requiring all producers to carry product liability insurance naming the facility as additionally insured, not merely as certificate holder. This co-insurance will reduce the likelihood that the facility will be held responsible for errors and omissions on the part of individual producers.

**Agency Contact Information**

<b>Agency</b>	<b>Name</b>	<b>Address</b>	<b>Telephone</b>
<b>USDA</b> (required for meat & poultry)	<b>Salem District Office</b>	530 Center St., NE Salem, OR 37301	503-399-5831 FAX 503-399-5636
<b>FDA</b> (required if ingredients or products cross state lines)	<b>Charles Breen</b> <b>District Director</b>	22201 23 <sup>rd</sup> Drive SE Bothell, WA 98021-4421	425-483-4950 FAX 425-483-4996
<b>Clallam County Environmental Health</b> (retail establishment licenses and food handler cards)	<b>Robin Munroe</b> <b>Environmental Health Specialist</b>	223 E.4th Street, Suite 14 Port Angeles, WA 98362-3015	360-417-2418 FAX 360-417-2313 rmunroe@co.clallam.wa.us
<b>Department of Food Science</b> <b>Washington State University</b>	<b>Dr. Richard Dougherty</b>	Food and Nutrition 106J Pullman, WA 99164-6376	509-335-0972 Dougherty@wsu.edu
<b>Washington State Department of Agriculture (WSDA)</b> Food Inspection	<b>Will Satak</b>	734 Dawn Avenue Shelton, WA 98589	360-426-1139 cell 360-951-5086 wsatak@agr.wa.gov
<b>WSDA</b> (Organic Cert Program)	<b>Miles McEvoy</b>	PO Box 42560 Olympia, WA 98504	360-902-1924 FAX 360-902-2092
<b>Washington State Department of Licensing</b>	<b>Master Business License</b>	PO Box 9034 Olympia, WA 98507-9034	360-664-1400

## Summary of Recommended Training For Staff and Tenants

Type of training	Training effects	Contact information
<b>Better Process Control School</b> (conducted by universities, etc. under auspices of the Food Processors Institute)	Low acid & acidified foods (required by FDA) Offered in March at Washington State Univ.	<a href="http://www.fpi-food.org/courseschedule">www.fpi-food.org/courseschedule</a> 509-335-0972 Dougherty@wsu.edu
<b>Serv-Safe</b>	Training on Good Manufacturing Practices, Sanitation and HACCP-based food handling	<b>National Restaurant Association Educational Foundation</b> Kate Piche 800-765-2122
<b>Food Handler Certification</b>	Safe food handling practices for all food handlers conducted by Clallam Cty. Health Dept.	<b>Robin Munroe</b> 360-417-2418 FAX 360-417-2313 rmunroe@co.clallam.wa.us
<b>FDA Satellite Courses And Food Safety Programs</b>	Regional and satellite training's on various food processing and safety topics	<b>Center for Food Safety and Applied Nutrition (CFSAN)</b> 200 C St. NW Washington, DC 20204
<b>HACCP Training</b>	Quality control program for food safety offered through the Food Processors Institute and WSU.	<b>Food Processors Institute,</b> <a href="http://www.fpi-food.org/courseschedule">www.fpi-food.org/courseschedule</a> 509-335-0972 Dougherty@wsu.edu
<b>Equipment Safety &amp; Sanitation Training</b>	As all tenants will be required to pass an in-house course prior to using kitchen covering equipment safety and sanitation issues; Staff must be knowledgeable in the kitchen's equipment and sanitation	Check with kitchen equipment manufacturers for operational and safety courses pertaining to their equipment, video's, etc.

### Other beneficial agency contact information:

The sections of Title 21 of the CFR that affect food processing directly are periodically revised and are currently published in three volumes. Major libraries have these for review, or the materials can be purchased from your nearest U.S. Government Bookstore, or by writing to:

Superintendent of Documents  
 P.O. Box 371954  
 Pittsburgh, PA 15250-7954

For products that fall under the low acid or acidified canned food categories the following materials from FDA will be beneficial:

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- ◆ booklet, “Instructions for Establishment Registration and Process Filing”;
- ◆ form FDA 2541, “Food Canning Establishment Registration”;
- ◆ form FDA 2541a, “Process Filing Form for all Methods Except Aseptic”.
- ◆ These forms can be downloaded from [www.cfsan.fda.gov](http://www.cfsan.fda.gov).

For these publications (and other general publications) contact the FDA office nearest to you, or send a written request to:

LACF Registration Coordinator (HFS-618)  
Center for Food Safety and Applied Nutrition/FDA  
200 C St. SW  
Washington, DC 20204  
Phone: (202)-485-0282

The FDA’s web site for registration of all food processing and storage facilities is:  
<http://www.cfsan.fda.gov/~furls/ovffreg.html>.

## **Operations**

When the regulatory and jurisdictional aspects of the kitchen are discussed, it is appropriate to address important operating characteristics that have emerged from shared-use kitchen incubators.

These important operational characteristics are Tenant Selection (including the application and approval process), Scheduling Tenants, Kitchen Rental rate, Storage (including dry, cooler/freezer and finished goods storage), Hours of Operation, Security and Billing, Cleaning, Insurance, Employment Information Tracking, and, two special issues that relate to the facility: Kosher and Organic Certification.

## **Tenant Selection**

One of the most important aspects of tenant selection has to do with the product(s) to be produced in the kitchen. Obviously tenants must be reviewed per their intended product(s) and their intended production methods. The products and production methods must be in compliance with the regulatory and licensure of the facility.

## **Typical Kitchen Users:**

### **FDA Food Producers**

Those engaged in the small-scale production of food products, i.e. salsas, sauces, baked goods, jams, jellies, candies and confections, gourmet teas, etc. This group includes those that are considered true specialty food producers and those engaged in manufacturing “premium” foods. Unlike, true specialty food producers, a premium product manufacturer may not necessarily be considered a true “specialty” food. For instance, a well known local food product sold in a particular area may not be considered all that “special” by the local market. But, that same food product must be “premium”, because small food producers cannot compete with their larger producing competitors on anything other than a premium basis. These two producers share many common traits: premium product image, small package quantity, higher price, special focus on packaging, etc.

### **USDA Food Producers**

These producers produce meat products with the meat portion exceeding 3%. The meat must originate from an USDA approved slaughter facility. Products include pot pies, enchiladas, meat soups, sausage, etc.

### **Caterers**

In most areas individuals who want to cater must use a licensed commercial kitchen to prepare their products. Most jurisdictions allow caterers to prepare products (i.e. typically meals), that contain meat items and meat entrees without the facility being a USDA facility. Caterers cannot however, produce a meat product that has a shelf life and that is sold on the “retail” basis. Catering tends to be an area of food production that has a high demand for labor, and can be a good generator of neighborhood jobs. In addition to the labor component, catering tends to require production space to “lay out” the job once the food is prepared.

### **Occasional Users**

Tenants who want to use kitchen incubators for special events are a growing group. Most areas have festivals and events that require food preparation in very large quantities. The occasional user group includes civic groups, churches and other sporadic, seasonal or part time users.

### **Institutional Users**

Some not for profit organizations will want to use the facility to assist their goals or help the constituents they serve. Examples of this type of user would include food programs that make and distribute meals to specialty populations (e.g. elderly, homebound, “meals on wheels”, etc.), food banks and soup kitchens. This group also includes those that would use the facility to host cooking and other food classes including food institutes, community colleges, culinary programs, job training programs, etc.

### **Corporate Users**

Many kitchen incubators have a special rate schedule for corporate users. Corporate entities such as food service providers for convention centers, restaurants, and other for-profit businesses have been steady users of kitchen incubators. Corporate users not only provide cash flow for the facility, they provide interaction between themselves and beginner companies. Restaurants often use the commercial kitchen to train chefs in developing new menu items and to test any new food offering they are considering before serving in their restaurants.

### **Anchor Tenants**

These tenants use the facility a substantial number of hours and thus help to “anchor” the facilities revenue stream. An anchor tenant could be any existing business in one of the above categories, excepting of course, Occasional Users. In rare circumstances a start-up business can achieve anchor tenant status.

### **Application Process**

Admission requirements vary widely among kitchen incubators. The requirements should include at a minimum a completed application and a personal interview. During the interview management can ascertain the product(s) the prospect wishes to produce and the production methods they wish to utilize. The products and processes could be incompatible with the facility for a variety of reasons. These could include (1) products/production methods are outside the facilities regulatory authority, (2) facility could not meet the needs of the prospect within the current layout or equipment specifications of the facility, and (3) products wishing to be produced are not allowed by management, although technically within regulatory authority.

Additionally a written business and/or marketing plan approved by incubator management may be required.

### **Acceptance Process**

Many incubators (including kitchen incubators) have a set acceptance policy. This typically involves evaluating the tenant application against a pre-determined set of admission criteria. This

is sound policy for two reasons. First, it insures that all tenants are treated in a similar manner. By following a set procedure all tenant applications are evaluated on their merits. Second by following an established process, it will be less likely that important aspects to be considered in accepting an applicant will be left out.

Prospective users should be required to attend mandatory orientation sessions to become familiar with kitchen incubator policies (operating procedures, kitchen regulations and rules, and so forth), prior to being admitted for tenancy. Also, passing a food safety, equipment use and safety training, and obtaining a county food handler certificate, should be accomplished before the first use of the facility.

Additionally, local and state licenses and/or registrations needed to produce the desired product are to be obtained prior to facility use. Any licenses required to operate a business should be obtained before hand, as well as appropriate business and product liability insurance.

### **Scheduling Tenants**

Kitchen incubator managers use a variety of methods for scheduling tenant hours. It is recommended that it is done at the beginning of each month and is done on a “first come, first serve, basis.” During busy periods it is critical that tenants plan ahead to prevent larger users from monopolizing certain hours. This policy has also forced tenants who use the kitchen on a seasonal basis not to wait until the last minute to schedule anticipated usage.

Many kitchens have found that tenants would prefer to use the kitchen after hours (10 p.m. to 5 a.m.) in order to have more room and use of the kitchen during periods of less activity. However, in most instances, tenants have preferred to use the kitchen during peak hours - from 6 a.m. to 6 p.m. One way to encourage off-peak usage is by setting a graduated rate schedule.

While some kitchens have reported renting the entire kitchen to one entity for a set period of time (say one shift of eight hours), most have opted for multiple, simultaneous use. The North Olympic Peninsula kitchen has been designed to allow multiple tenants to use the differing production areas simultaneously.

As previously noted, the production space will most likely have a “rated occupancy” level typically determined by the Fire Marshall or similar authority, the effective occupancy is limited by the willingness of tenants to work in a shared space. While the ultimate number of tenants in any given space will depend on actual experience, the potential for the North Olympic Peninsula kitchen can be informed by the experience of other kitchen incubators. The manager of the Denver kitchen, reports that a production space of approximately 5,000 square feet has average usage of 4 tenant companies each with 4 to 6 employees. The manager also reports that at times 13 companies have used the space each with 4 to 6 employees. The maximum usage to date is reported at about 100 individuals in the space.

Scheduling of tenants then is a local function that is determined by a variety of factors (e.g. capability of tenant personalities, products, and product production processes) that is best

determined with the actual tenants. More scheduling issues are discussed in the next section – Kitchen Rental Rates.

### **Kitchen Rental Rates**

Kitchen incubators charge different rates depending on a variety of factors, including the “community development nature” of the project, urban versus rural locations, user demand, etc. This aspect of setting rental rates from a philosophical standpoint is more fully addressed in the marketing section, and is addressed from a practical standpoint in the Operating Budget section that discusses rental rates.

From the operations side, the primary concern in setting kitchen rates is to motivate tenants to use off-peak hours. The best way to do this is by setting a lower rate during off-peak hours. For instance, the (average) basic rate proposed for the North Olympic Peninsula facility is \$15 per hour. However, that basic rate may be adjusted up for “peak” hours (8am to 5pm), or down for “off” hours (midnight to 4 am).

Another good idea when scheduling rates is to develop a sliding scale based on usage. In true business fashion, it would benefit the incubator to reward substantial users of kitchen hours by adjusting the rate downward as more hours are rented.

For instance, a sliding scale may be established beginning at the proposed basic rate of \$25 per hour. It could have a minimum usage of 20 hours for the first six months, subject to adjustment thereafter. The rate schedule could offer several graduated rates with the lowest rate per hour for tenants using the kitchen over a set number of hours per month. The rates would increase as hours used decrease. An example of this based on the style used by the Denver Enterprise Center kitchen is as follows:

< 20 hrs / month - \$20 - 40/hr  
20 - 39 hrs / mo. - \$18 - 38/hr  
40 - 79 hrs / mo. - \$16 - 36/hr  
120 hrs/mo. - \$14 - 34/hr  
over 120 hrs/mo - \$12 - 32/hr  
20% discount 10pm - 5am

Other “out of pocket” costs incurred by the facility should be charged to the tenant.

Also, a start-up fee should be charged to address the one-time expenses of setting up a new tenant. A one-time processing fee of \$100 - \$200, a cleaning deposit of \$50 - \$200 and a security fee of \$50 - \$100 per year are suggested as minimums. Additionally, some incubators charge a facility license fee, ranging from \$100-\$250 yearly, a charge that could be accessed to the tenants.

One kitchen reports charging a one-time fee of \$10 for a food safety, equipment use and sanitation class that is required before a tenant uses the kitchen. The kitchen also supplies

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sanitation & cleaning supplies, hairnets, aprons, disposable aprons, and gloves to the tenants. This results in a mandatory expense of \$1 per person per day to recoup this expense.

While the above rate option is suggested, other rate options could include a Flat Rate Charge. This is based on a flat rate per month (allowing usage up to a set number of hours per month), not including storage. One kitchen reported charging \$200 per month for up to 200 hours.

While user fees are based on hours of use, storage fees are based on the amount of storage space a tenant uses. Storage space fees are typically charged separately from use fees. Storage fees are based on the storage options chosen by the user (dry storage, cooler, and freezer storage, warehouse space, etc.). The purpose of storage fees is to adequately compensate the facility for the space used. Too low a fee and tenants will utilize too much space. Too high a fee and tenants will be overcharged. The use of storage should remain flexible and is contingent on space available.

Storage rates charged by kitchen incubators are literally all over the board. As noted in the Market Supply section, a local “going rate” for fees of this nature is difficult to determine given the small number of market rate service providers in the Clallam County area. It is recommended that rates that are inline with both other kitchen incubators and the community development aspect of this project.

Storage rates used herein for budgetary purposes are based on the Denver Enterprise Center, and are in accordance with the community development, not for profit nature of the project. These rates are presented in the Operating Budget/notes section.

Incubators typically have other services available to kitchen tenants. These could include office services (e.g. telephone answering, photocopy and fax services, use of a business library, conference and meeting rooms, audiovisual equipment, etc.). Tenants may also seek office space from which to conduct their food business. These services should be charged at the going rate for incubator tenants, should management not utilize all the existing office space.

One last issue with rental rates concerns the optimum operation and income generating capability of the facility. While many users will typically be solo producers (or have one or two employees), some may try to bring in several employees under the base hourly rate. This is unfair to those that are solo producers (or have one or two employees) and to the facility that needs to generate income based on the “kitchen space” that is being used by any particular tenant. However, you can use the rate structure (through the lease) to protect against companies that would bring in inordinately large numbers of employees. The rental rate can be adjusted for a maximum number of individuals under a set base rate. If a user intends to have more than “x” number of individuals (say eight) working, then the base rate would be adjusted upward. This would protect the facility from one company bringing in 100 workers at a time and just paying the base rate. Also, facility operators may wish to impose an absolute limit (4 to 8?) on the number of employees any company could utilize in the kitchen at any one time. This is a local option that is best worked out when the facility has actual tenants.

## **Storage**

### **Dry**

Dry storage is the storage a user requires for raw ingredients, hand tools, packaging materials (bottles, labels, shipping containers, etc.) and other supplies that are stored on-site. Storage is especially important for ingredients - regulatory authority requires that once any raw ingredient packaging is opened it stay in the facility.

Many kitchen incubators under-built their dry storage and found that they didn't have sufficient storage space to expand operations. The kitchens had time available for rent, but weren't able to accommodate any new users because of inadequate storage. This is due in large part to the mix of tenants. Caterers require considerably more dry storage space than many value added producers because of the equipment and supplies required to cater events (i.e. dishes, chafing pans, warmers, coffee urns, linens, bowls, trays, etc.).

Dry storage should be separate and lockable for each tenant. Smaller kitchens often provide locked cabinets, while larger kitchens provide larger, separate storage spaces in open-air storage rooms, which have been divided into segregated areas by hurricane fencing.

### **Cooler/Freezer**

Cooler and freezer storage is needed by virtually all tenants. The major problem here is to be sure to provide a lockable system of storage for individual tenants. It is also important to follow USDA guidelines in keeping cooler/freezer space segregated as required (e.g. raw vegetables, meat, etc.).

### **Finished Goods (warehouse)**

Most kitchen incubators offer limited warehouse space. This means that tenants must remove their finished product fairly quickly after packaging. Adequate warehouse space and appropriate shipping/receiving areas are two important aspects of the facility. They allow tenants to conduct their businesses on a professional basis.

The facility has been designed with adequate storage capabilities.

### **Hours of Operation**

Many factors contribute to a facilities hours of operation. Some kitchens are available for use 20 or more hours a day seven days a week, while others are all but closed during the early morning hours. User demand, products being produced, cleaning, safety and security are all issues that effect hours of operations.

Cleaning time and safety/security issues are the most often mentioned concerns in regards to operating hours. While each tenant is required to clean the kitchen after their use, many facilities feel the need to close for two or more hours every night for deep cleaning.

Some tenants are not comfortable working in the facility alone at night. This issue was reported at both rural and urban locations. Some incubators addressed this issue by offering secured parking, proper lighting and alarm systems. One incubator reported a card key/punch pad entry

system, originally designed for safety reasons, has proved to be a good way to track tenant usage. No kitchens reported having security personnel. Given the nature of the North Olympic Peninsula project, and the area, separate security personnel are not suggested.

### **Security and Billing**

The kitchen that has a card key/punch pad security system also reported that it is monitored by a local security company. The kitchen manager has a four-way split screen monitor on his desk in order to have a scanned view of the kitchen even when he is working in his office. Activity in the kitchen is recorded by video cameras, which are positioned strategically throughout the kitchen including the main entrance and the loading dock. Tenants are assigned a code that must be entered before they can enter or leave the facility. Billing is determined by comparing the printouts of user access to the kitchen with the times reported by each tenant. This is done on a daily basis. The system also records a time and date stamp on the videotapes.

Inadequate parking and poor lighting will effect tenants desire to use the facility at night. Although tenants can be provided incentives with low rates at night, unless these basic security issues are addressed experience shows that the facility will receive little off-peak use.

### **Cleaning**

Tenants are responsible for leaving the kitchen clean and ready for the next user. A kitchen “check list” form should be used to help maintain day-to-day cleanliness. A tenant who arrives to use the kitchen and finds that an area has not been properly cleaned completes the “check-list” and leaves it in the office. The kitchen manager can then refer to the schedule, and identify the last tenant to use the kitchen (or a particular piece of equipment). The tenant is notified by letter regarding a violation of the lease. Cleaning charges should be billed and/or deducted from the tenant’s cleaning deposit. If cleaning violations continue, or a tenant becomes troublesome, the lease should be terminated.

As previously mentioned, kitchen production spaces may be closed for 2 to 4 hours per day (typically during the early morning) for a through cleaning.

### **Insurance**

Insurance coverage is important for the protection of both the facility and its tenants. Insurance is a major component of the facilities risk management plan. Appropriate insurance coverage for tenant and facility are covered in the budget and risk management sections.

### **Employment Information Tracking**

It is a good idea to require in each tenant’s lease that they provide quarterly employment statistics to the kitchen incubator manager. This information is invaluable to document the success of the kitchen incubator for funding sources. The form provided to tenants should require information regarding family income, race/ethnicity (optional), family size, job title, previous employment, hiring date, etc. This information may be required if any federal agencies, such as the US Economic Development Administration and/or Housing and Urban Development, are used to fund the project.

## Special issues relating to the facility

### Kosher Certification

The local market research did not yield a significant number of users wishing to pursue kosher production (one user). However, the kosher food industry now attracts three times as many non-Jewish as Jewish buyers. Kosher foods now account for more than 30% of all packaged goods sold in supermarkets and 40% of those sold in health food stores.

Any product can qualify for kosher certification (indicated with K or U markings) if it does not violate Jewish dietary rules. These rules include:

- ◆ No mixing of dairy and meat products.
- ◆ No shellfish.
- ◆ No cloven hoof.
- ◆ Equipment that has been used previously for a dairy or meat product must be sanitized properly before using to process any other product.
- ◆ The production must be verified by a Kosher monitoring agency or an Orthodox Jewish Rabbi.

For further information, contact Rabbi Baruch Meir Klein, Coordinated Kosher Supervision, 2716 Kipling Ave. S., Minneapolis, MN 55416. (612) 925-3651.

### Kitchen Operating Forms

The kitchen incubator should develop standardized operating forms as follows:

#### General Information

**Letter** - an introductory letter explaining the kitchen incubator. This can accompany marketing material that is mailed to prospective tenants and other interested parties.

**Brochure/flyer** – this is the basic marketing piece for the kitchen. It should include both a list of features (such as equipment available) as well as the benefits afforded to those that use the incubator.

**Kitchen Tenant Fact Sheet** – a list of facts, pricing, frequently asked questions, etc.

#### Application Package

**Tenant Application** - the starting point in documenting prospective tenant information. It could include name, address, telephone and other contact data, date, product(s) to be produced, processes to be used, year business started or start-up, business identifier numbers, business legal status, professional, food related and other licensees, estimated usage and time periods, storage needs, and other items that produce a complete tenant profile.

**Kitchen Rules: General rules and specific rules for FDA producers and Caters** – this form outlines all the general rules, requirements, procedures and policies that tenants must abide by. It should also point out the penalties and remedies that come with non-compliance. Linked with the general rules are any special rules and regulations that pertain to FDA producers or caters.

**Kitchen Rate Schedule** – list the hourly rental rates, any sliding scales or discount available, storage fees, entrance fees, one time setup fees, cleaning fees, cleaning deposits, and all fees, penalties etc. that a tenant might encounter through using the kitchen.

### **Applicant Forms – upon approval**

**Notice of Approval** (this form notifies the applicant their tenancy has been approved)

**Lease** – this is the legal agreement that documents tenancy. Legal review of this document is strongly recommended.

Education related forms:

**Food Borne Illness Review** – this document provides a review of food borne illness. Used by some kitchen incubators to test the knowledge of prospective tenants, it could also be setup as a test following any in-house training class(es) developed around these issues.

**Personal Health and Cleanliness Review** – as above, with emphasis on personal health and cleanliness.

**Kitchen Safety and Sanitation Review** – also educational in nature, the intention here is to review kitchen safety, appropriate and inappropriate equipment use, and sanitation issues.

### **Kitchen Management Forms**

Be sure to set-up an individual folder for each tenant.

**Applicant Approval Form**– this internal form memorializes steps in the applicant approval process. All requirements that must be met before tenant approval and production begins should be presented here. A “checkmark” form will allow requisites to be easily and noticeably marked upon completion. Requirements could include a personal interview, review of product(s) and process(es), insurance binder, executed lease, etc. This form represents a management checklist to insure that all procedures and requirements have been met for a particular producer.

**New User Checklist** – a form to assist the new user in completing all the requirements prior to first use, including training, registration, deposits, etc.

**Weekly Kitchen Schedule** – used by the kitchen manager to schedule tenant usage for the upcoming week.

**Weekly Billing** - this form is used to invoice tenants for weekly usage, storage fees and other fees due for services used, which could include incubator services like photocopying, faxes, etc.

**Kitchen Tenants – Sign In/Out Log** – this form documents tenant usage. It should contain name, dates, times, printed name and verifying signature, etc.

**Tenant Pre-use Kitchen Condition Checklist** – documents the cleanliness of the kitchen and the kitchen equipment prior to use by a tenant. This is important as it identifies those users that continually fail to meet their cleaning commitment.

**Daily Temperature Chart: Freezer** – freezer temperature readings are documented at least daily on this log. Should include the time, temperature and verifying individuals printed name and signature.

**Daily Temperature Chart: Cooler**— cooler temperature readings are documented at least daily on this log. Should include the time, temperature and verifying individuals printed name and signature.

Several of these forms have been included in the Appendix – Sample Operating Forms.

## **Staffing**

The facility will require the following duties to be fulfilled.

It is assumed that the following 2 employee positions will be hired. The Reception / Administrative Assistant position will be part-time to start, growing into full time as revenue warrants. The Kitchen Incubator Manager is a full time position. It is suggested that the Kitchen Incubator Manager be hired first and that the Reception / Administrative Assistant be added as revenue ramps up. Should the City of Sequim develop the project, but not wish to engage city employees, the actual employees of the facility could be employed through a new or existing non-profit organization, or they could be employees of the oversight management group.

It is also recommended that an oversight individual or group be engaged to fulfill many of the executive and management functions.

**Oversight group** – It is recommended that an oversight person or group be selected similar to the governing arrangement at the Clallam Business Incubator (CBI). Having a person or group oversee the many of the traditional functions of the board president (long term planning, fund raising, etc.) would free the Kitchen Incubator Manager to provide on-site management and perform much needed technical assistance to the tenants. Such an arrangement would also allow the choosing of a Kitchen Incubator Manager with strong food and production experience. This service should be setup on an annual contract, it's renewal based on performance.

**Kitchen Incubator Manager** – This individual's primary responsibility will be related to the managing the production aspects of the facility, and interfacing with the tenants. These issues will include tenant application, scheduling, compliance, manufacturing, training, etc., and, the regulatory compliance of the facility.

**Reception / Admin Assistant** - This is a part-time, general reception position with the usual duties of public reception, telephone answering and office duties. Specific kitchen duties may include taking tenant inquiries, relating general information, mailing tenant packages, etc. This position will increase to full time as revenue warrants.

Employee job descriptions follow.

## **Job Description – Kitchen Incubator Manager**

Reports To: Executive Director (City employee, management oversight group or assignee)

Job Title: Kitchen Incubator Manager- (Full time position)

GENERAL STATEMENT OF DUTIES: Performs a wide variety of duties supportive of the facility in the administration of the kitchen/food processing facility, including scheduling, rent collection, instruction of tenants as to use and safety of kitchen equipment, and sanitary food handling methods. Kitchen Incubator (or Facility) Manager will develop procedures to monitor and insure tenants are in compliance with facility policy as it pertains to the kitchen/food processing area, and will be responsible for maintaining relationships with various health and government agencies that pertain to the kitchen/food processing areas of the facility. Duties also include tenant instruction on nutrition and other matters relating to food production. Facility Manager will also interface with other agencies to develop and support training programs housed at the facility, including grant writing and necessary administration.

SUPERVISION RECEIVED: Receives supervision from City assignee or Board.

SUPERVISION EXERCISED: Supervises employees and tenants within the kitchen/food processing area as required to implement and monitor compliance with facility policy.

EXAMPLES OF DUTIES: (Illustrative Only)

- Determine the feasibility of a proposed tenants' food product and means of production.
- Collects rents, writes receipts, and transmits moneys as appropriate.
- Schedules kitchen hours among various tenants. Keeps accurate logs on kitchen use by tenants, including use of special equipment and storage facilities, and transmits records to Executive Director as required.
- Develops (updating as appropriate) tenants and employee training programs on equipment use and safety. Conducts training sessions with tenants.
- Develops (updating as appropriate) tenant and employee training programs relating to sanitation and nutrition. Conducts training sessions with tenants.
- Maintains files and records on individual tenants insuring compliance with MBK policy.
- Maintains records required by health and other government agencies, including tenant cleaning compliance.
- Attends staff meetings as required by Executive Director, and performs such duties as may be outlined from time to time.
- Coordinates repair and maintenance of kitchen equipment and facilities.
- Coordinate activities with Specialty Food producers groups, federal, state and local agriculture related agencies, and other regulatory agencies.
- Assures that kitchen tenants and the kitchen operation are successfully linked to value-added processing needs of agricultural producers in the area.
- Coordinates training activities with regional educational institutions.

**REQUIRED SKILLS, KNOWLEDGE, AND ABILITIES:**

- Ability to communicate effectively, both orally and in writing. Job requires both report generation and training skills.
- Good people skills. Job requires constant interface with tenants, prospective tenants, government officials, fellow staff members, and others.
- Ability to gather large amounts of various information, accurately maintain that information, and organize same in a variety of reporting formats that may change periodically.
- Personal computer skills relating to report generation and information maintenance. Word processing, spreadsheet, and database management exposure highly desirable.
- Ability to develop and monitor a wide variety of programs to insure tenants are in compliance with facility policy.
- Ability to develop and monitor a wide variety of programs to insure the facility is in compliance with health and other governmental agency requirements.
- Ability to develop and implement job training and other vocational programs individually or in conjunction with other governmental or private agencies. Ability to write and monitor grants as required to achieve same.
- Knowledge of commercial kitchen equipment and commercial scale food processing.
- Ability to be bonded.
- Ability to become vocationally certified.
- Ability to take and follow instructions.

**ACCEPTABLE EDUCATION AND EXPERIENCE:**

- Any combination of college or vocational training and experience which provides the required knowledge and skills to perform the works as described.

## **Job Description - Reception / Administrative Assistant**

Reports To: Kitchen Incubator Manager

Job Title: Receptionist/Admin Assistant - (Part-time position)

**GENERAL STATEMENT OF DUTIES:** Performs a wide variety of duties supportive of the Kitchen Manager in the administration of the facility, including instruction of tenants as to use and safety of office equipment. Under the direction of the Kitchen Manager, the Receptionist/Office Assistant will assist in developing procedures to monitor and insure tenants are in compliance with incubator policy. Receptionist/Admin Assistant will provide the first line of contact between the incubator and prospective tenants and others. This contact will include telephone, mail, email, and in-person. Duties also include authoring and typing communication, spreadsheet origination and updating, and other tasks related to assisting the manager in the operation of the facility. Receptionist/Admin Assistant will assist Kitchen Incubator Manager as required.

**SUPERVISION RECEIVED:** Receives supervision from Kitchen Incubator Manager (KIM).

**SUPERVISION EXERCISED:** Along with KIM, supervises tenants within the facility as required to implement and monitor compliance with incubator policy.

### **EXAMPLES OF DUTIES:** (Illustrative Only)

- ◆ Assist prospective tenants by answering questions, providing applications and marketing materials.
- ◆ Answers telephones for the tenants as needed and provides reception and front desk services at the incubator.
- ◆ Prepares correspondence for KIM.
- ◆ Under the direction of the manager prepares correspondence and spreadsheets as required.
- ◆ Under the direction of the manager collects rents, writes receipts, and transmits/deposits funds into appropriate bank accounts.
- ◆ Develops a database of tenants and maintains the database.
- ◆ Maintains the files and records for the incubator, per the direction of the KIM.
- ◆ Attends staff and tenant meetings as required by KIM, and keeps records of the meetings and performs setup and administrative duties from time to time as directed.
- ◆ Under the direction/assistance of the KIM, obtains repair and purchase bid documents, coordinates repair and maintenance of equipment, and the facility.
- ◆ Performs other reception and office assistant duties as may be required from time to time by the KIM.

**REQUIRED SKILLS, KNOWLEDGE, AND ABILITIES:**

- ◆ Ability to communicate effectively, both orally and in writing. Job requires both report generation and training skills.
- ◆ Good people skills. Job requires constant interface with tenants, prospective tenants, government officials, fellow staff members, and others.
- ◆ Ability to gather large amounts of various information, accurately maintain that information, and organize it in a variety of reporting formats that may change periodically.
- ◆ Personal computer skills relating to report generation and information maintenance, including Word processing, spreadsheet, and database management experience required.
- ◆ Telephone answering skills and the ability to understand and operate a telephone switchboard.
- ◆ Ability to take and follow instructions.

**ACCEPTABLE EDUCATION AND EXPERIENCE:**

- ◆ Looking for an individual with a combination of business and office skills and experience as a receptionist and office assistant, which provides the required knowledge and skills to perform the work as described.

**NECESSARY SPECIAL REQUIREMENTS:**

- ◆ Ability to be bonded.

## **Staff Training**

Although appropriate staff has been engaged, staff training remains an important issue. It is important to have a standard of training against which all employees can develop a base of knowledge.

It is suggested that all production staff undergo the following training as a minimum:

**Food Handler Training** (as provided by local health jurisdiction, cooperative extension)

**FDA Satellite Courses** (FDA satellite learning courses on a variety of food production related topics)

**HACCP training** (universities, trade organizations: American Institute of Baking, etc.)

**Better Processing School** (area universities, Food Processing Institute)

**Other Food Safety Programs** (e.g. Serv-Safe, other courses offered by trade organizations)

It is anticipated that the staff positions are typical management positions, with the exception of the receptionist who will be a regular, hourly employee. A member of the staff need not be present in the kitchen at all times when tenants are producing. Indeed, given the fact that many tenants will process during the night and early morning hours, it is not possible that a staff member be present during all processing times. However, proper tenant and staff training as suggested herein will allow for processing to occur when staff is not present. It is suggested that off-hour emergency contact numbers be given to all tenants processing at other than normal work hours.

## Risk Management

A systematic program of risk management can mitigate the risks associated with operating a shared-use commercial kitchen incubator. These risks can be adequately addressed by employing appropriately credentialed and experienced food professionals, by proper employee and tenant training, by implementation of standardized tenant procedures, HAACP plans, etc., and, by appropriate insurance coverage.

Managing facility risk is a four-step process.

### 1. Employ appropriate personnel

To insure appropriate implementation of facility procedures, proper tenant supervision and training, and for the overall protection of the facility, it is important to hire employees that have the appropriate academic background and experience level. In the staffing section, the particular backgrounds and experience of suggested personnel is discussed. Sample job descriptions are provided.

### 2. Engage in appropriate employee and tenant training

By following a set, pre-determined training regime the facility can insure that all employees and tenants are starting with a similar knowledge base. It is suggested that the tenant and employee training detailed in this study be followed as an integral and appropriate part of a risk management plan.

See the table “Summary of Recommended Staff Training”.

### 3. Implement standardized operational procedures

By using standardized procedures the facility can approach similar risks in a like fashion. The approach is the same time and again. By following standardized procedures all tenants are treated equally. Standard operating procedures for tenants discussed in this study include:

- ◆ Application process
- ◆ Acceptance process
- ◆ Training process
- ◆ Production compliance (HACCP, Better Process Authority, maintaining temperature, pH and other production logs, etc.)
- ◆ Operational compliance (the “kitchen rules”, storage, cleaning, etc.)

The use of standardized forms will help insure this process is consistent. The Kitchen Operating Forms section provides the basis to begin this effort.

Along with insurance (described below), HACCP has been called the lynchpin of any food facilities risk management program. Whether the facility is required by regulatory requirements or not, it is strongly suggested that kitchen incubator tenants be required to develop and implement HACCP plans.

#### 4. Insurance Coverage

For the protection of the operating organization the following insurance should be considered: fire and casualty, “boiler interruption”, business interruption, product liability and “directors and officers malpractice”. Additionally, workers’ compensation will be required for all employees, and employee bonding should be investigated.

Of all the factors that mitigate risk, insurance coverage is the simplest to put into place. Yet, this important component of risk management is often not fully considered. Product liability insurance is especially important as demonstrated by the many outbreaks that have received national coverage in the past few years. For adequate facility protection “dual” liability coverage is highly recommended. The dual liability coverage is obtained by first requiring that the incubator facility obtain liability insurance, and secondly by requiring all producers to carry product liability insurance naming the facility as additionally insured, *not merely certificate holder*.

This co-insurance will reduce the likelihood that the facility will be held responsible for errors and omissions on the part of individual producers. Affiliation with a licensed, inspected facility should make it easier to convince insurers to cover prospective tenants.

Insurance coverage must be reviewed annually and updated as necessary.

## Tenant Services Issues

### Tenant Program Development Plan

In the area of tenant programming, several points were clear when existing kitchen incubators were questioned. The important aspects of a tenant development plan are the Incubator Model, Business Training, Access to Appropriate Capital, Technical Assistance, and Sharing Community Resources.

Each will be considered in order.

#### Incubator Model

The term “incubator” refers both to the physical facility and the support given to new and expanding businesses that are nurtured through either early start-up, or expansion – two of the most difficult times any business will face.

The National Association of Business Incubation (NBIA) describes business incubation as a “dynamic process of business enterprise development. Incubators nurture young firms, helping them to survive and grow during the start-up period when they are most vulnerable. Incubators provide hands-on management experience, access to financing and orchestrated exposure to critical business or technical support services. They also offer entrepreneurial firms shared office services, access to equipment, flexible leases and expandable space – all under one roof.” Support services can be grouped into three main categories: training, access to appropriate capital, and technical assistance.

#### Business Training

Training is important to anyone in any vocation. Effective business skills may mean the difference between a new business venture being successful or not. Or they may prove to be the deciding factor in whether a recent expansion of a business leads to prosperity or bankruptcy. The term training refers to both general business training and specific training in areas unique to food producers. Examples of the former would include business plan writing courses, workshops on financing, accounting, marketing, conducting market research, legal issues, using the Internet to conduct business, designing a web-page, export/import issues, Enterprise Zone tax credits, tax issues, employee benefit packages. etc. Examples of the later would include specialty food marketing classes or workshops on food catering, etc. Most food entrepreneurs approach their food-related business from their interest in food. Food entrepreneurs do not tend to be well rounded in business skills and require training to optimize their chances of success.

Management may hold required or optional kitchen tenant training meetings. The meetings could be held at least once a month. Content of the meeting could include issues related to training needs, new programs, capital acquisition, etc. In addition, every tenant meeting could include new programs, capital requirements, and other needs and opportunities for the business incubator and it's tenants. Other meeting issues can be determined by soliciting in-put from tenants regarding their needs.

Small business owners, especially those just starting businesses, often need help in establishing their business legally. Assistance should include, getting a tax identification number, establishing proper sales tax procedures for registration, collection and remittance, filling d/b/a/ statements, business license, etc.

### **SBDC Mission and Overview**

The Small Business Development Centers website (<http://www.sba.gov/sbdc/mission.html>) states the following:

The U.S Small Business Administration (SBA) administers the Small Business Development Center Program to provide management assistance to current and prospective small business owners. SBDCs offer one-stop assistance to individuals and small businesses by providing a wide variety of information and guidance in central and easily accessible branch locations. The program is a cooperative effort of the private sector, the educational community and federal, state and local governments. It enhances economic development by providing small businesses with management and technical assistance.

There are now **63 Lead Small Business Development Centers (SBDCs)** -- one in every state (Texas has four, California has six), the District of Columbia, Guam, Puerto Rico, Samoa and the U.S. Virgin Islands -- with a network of more than 1100 service locations. In each state there is a lead organization which sponsors the SBDC and manages the program. The lead organization coordinates program services offered to small businesses through a network of subcenters and satellite locations in each state. Subcenters are located at colleges, universities, community colleges, vocational schools, chambers of commerce and economic development corporations. SBDC assistance is tailored to the local community and the needs of individual clients. Each center develops services in cooperation with local SBA district offices to ensure statewide coordination with other available resources.

Each center has a director, staff members, volunteers and part-time personnel. Qualified individuals recruited from professional and trade associations, the legal and banking community, academia, chambers of commerce and SCORE (the Service Corps of Retired Executives) are among those who donate their services. SBDCs also use paid consultants, consulting engineers and testing laboratories from the private sector to help clients who need specialized expertise.

### **SBDC in Washington**

The Washington SBDC provides four primary services: Counseling, Training, Research, and Assessment. The Washington State SBDC describes these activities as follows (<http://www.wsbdc.org/>):

#### **Counseling**

The Washington SBDC's Business Development Specialist provides no-cost, confidential business counseling on all management topics. All of our counselors have certified broad-based skills and significant experience as business owners and/or managers. They typically have extensive management counseling experience and have access to extensive resources to assist the small business owner to address any specific business problem.

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Areas of counseling include:

- Financial Analysis, including ROI Analysis
- Business Planning
- Market Planning and Research
- E-Commerce
- Choosing and Incorporating New Technologies
- Merchandising and Advertising
- Purchase or Sale of A Business
- Recordkeeping and Taxes
- Cash Flow Analysis
- Organizational Structure
- Personnel Issues
- Government Procurement
- Export/Import Assistance

Any business or individual can use the services of the Washington SBDC.

**Training**

The Washington SBDC's training centers provide business skill seminars, workshops and conferences to assist small business owners and operators with specific skills and methods required to maintain or expand a successful business. These educational programs, which focus on practical "real life" solutions using experienced business people as instructors, are readily available to owners and managers at a multitude of Washington's universities and community college campuses and satellite locations. There is a nominal fee charged for these sessions.

In fiscal year 2004, the Washington SBDC training centers held 350 workshops with 4,559 attendees. Attendees gave positive evaluations for the acquisition of working knowledge (85%), practical information (85%), and skills (87%). Managing A Business, Writing A Business Plan, Accounting & Budgets and Marketing & Sales were some of the most popular topics.

Areas of training include, but are not limited to:

- Managing A Business
- Computers in Small Business
- Business Planning
- Accounting/Budget
- Marketing/Sales
- Managing Employees
- Tax Planning
- Legal Issues
- Customer Relations
- Technology including E-Commerce
- Procurement/Purchasing
- Cash Flow Management
- International Trade

Training sessions are typically scheduled with the small businessperson in mind. Many are held on weekends or in the evening. They can be tailored for individual companies schedules and held at the company's site.

## **Research**

### **Areas of research include:**

- Business Formation Information
- Marketing/Sales Data
- Specific Industry Trends
- Target Market Demographic Information
- Identification of Product Line Manufacturers
- Data on Competitors in Specific Geographic Areas
- General Management Information
- Sources of Capital

Research is available for SBDC clients in Clallam County through the Pullman SBDC office. Secondary research is conducted there through SBDC research specialists.

## **Assessment**

Innovation Assessment Center  
Advice You Can Trust

For over a decade, the Washington State Innovation Assessment Center (IAC) has provided evaluation services to individuals and small businesses throughout the world. An IAC early stage market assessment will help you decide if you should make additional investments in your idea, make changes in your product to improve marketability or invest in a different idea.

The various services available to tenants of the proposed facility would be accessed through the local SBDC office in Port Angeles (the Olympic Peninsula SBDC Office).

## **Olympic Peninsula SBDC**

Source: <http://www.wsbdc.org/ListResults.cfm>

### **Kathleen Purdy**

#### **Business Development Specialist**

102 East Front Street, 2nd floor  
P.O. Box 1085  
Port Angeles, WA 98362  
360.417.5657

### **About Kathleen Purdy**

Kathleen has been with the Washington SBDC since 1995 serving the North Olympic Peninsula. As a business development specialist with the SBDC, Kathleen is also on the faculty of the

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College of Business & Economics at Washington State University. She brings to the WSBDC over twenty-five years business experience as a consultant, entrepreneur, and executive for large and small businesses in a variety of industries.

Kathleen holds a Master of Arts degree in Economics/Finance from Trinity College and a Master of Business Administration degree from the University of Hartford's Barney School of Business. She has earned a Certification in Economic Development Finance from the National Development Council. In 1997 and again in 2000, Kathleen was named "star performer" by the WSBDC for her success in assisting small businesses.

**Areas of Specialization**

Confidential business management counseling for existing or start-up businesses. Often works with clients on an on-going basis as a business coach. Major areas of counseling include: feasibility analysis, business plan development, sources of financing, marketing, analysis of current business and development of long-term strategy, buying or selling a business, turn-around assistance.

Ms. Purdy was part of this project from its inception and has pledged her assistance in providing business counseling and training for the tenants of the proposed food incubator.

**Peninsula College**

The college's website shows the following concerning the college's mission and it's business training capabilities:

**Accreditation**

Peninsula College is one of 35 community and technical colleges in the state of Washington. We are accredited by the Commission on Colleges, ([www.nwccu.org](http://www.nwccu.org)) of the Northwest Association of Schools and Colleges and approved by the Veterans Administration for attendance by veterans under Public Law 550 and 894. Our accreditation was reaffirmed in 1999.

**Statement Of Mission**

*As endorsed by the Peninsula College Board of Trustees, December 13, 1994*

Peninsula College strives to meet lifelong learning needs and interests of a diverse community by:

- Offering quality educational opportunities that foster academic, professional, occupational, and personal growth;
- Encouraging cultural enrichment; and
- Providing an environment centered on student success.

**Degrees and Certificates**

Peninsula College offers two degrees intended to transfer to a baccalaureate institution, the Associate of Arts and the Associate of Science. Peninsula College also offers twenty Associate

in Applied Science (AAS) degree programs, eleven one-year certificates and many short-term certificates.

### **Adult Basic Skills**

#### **Adult Basic Education (ABE)**

The ABE Program provides instruction in fundamental academic and preoccupational skills for adults with emphasis on reading, math, writing, and basic computer literacy.

#### **Ged Instruction**

The GED test is a high school equivalency exam for adults who are not enrolled in school and do not have a high school diploma. Qualified students may prepare to take the test.

#### **English As A Second Language (ESL)**

Classes are provided for students whose primary language is not English. Students have the opportunity to study pronunciation, reading, writing, and speaking English.

#### **Job Related Skills**

Basic computer skills and job readiness skills are developed depending on individual needs and goals.

#### **Family Literacy Program**

The Family Literacy Program is designed to assist families in the development of skills that will allow them to work and manage their family's needs.

### **Associate Of Applied Science**

Peninsula College offers twenty Associate in Applied Science (AAS) degree programs. Descriptions of programs and their specific requirements can be found in the Professional/Technical Programs section.

### **Professional/Technical Programs**

#### **Business Administration**

The Business Administration program is designed to allow students to pursue three different career options: Accounting, Management, and Marketing. Classroom instruction and practical experiences are combined into a course of study that provides students with broad exposure to the principles and philosophies of business and management. A certificate in Business Administration is also available for students who seek a less comprehensive business background.

Completion of the two-year program described on this guide leads to an Associate of Applied Science degree in Business Administration Accounting, Management, or Marketing.

Bob Lawrence of Peninsula College reported that the college had many training and educational opportunities to support the tenants of the proposed food incubator. Mr. Lawrence suggested that

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he be the liaison between the college and the Clallam County Food Enterprise Center Steering Committee.

Bob Lawrence  
(360) 417.6344

Peninsula College  
1502 East Lauridsen Blvd.  
Port Angeles, WA 98362  
Phone: (360) 452.9277  
Toll free in WA state: (877) 452.9277  
Fax: (360) 457.8100

### **Access to Appropriate Capital**

After the food entrepreneurs have received training, they need to be directed to appropriate sources of capital. Capital is required to grow, run or expand any business and food ventures are no exception.

What business can survive without capital? Increasingly, banks and other traditional business lenders have shied away from start-up businesses. Existing businesses in expansion mode have also found lenders more cautious, often requiring a business plan be submitted with the loan proposal. Access to appropriate capital is an important component of incubating businesses. Appropriate capital comes from lenders who are willing to make reasonable loans to new and start-up food related businesses. The lenders understand the risks of lending to new businesses. They make traditional business loans (with traditional terms and conditions) to non-traditional or “unbankable” businesses. The food entrepreneur looking to borrow money for start-up or expansion may not be extended credit from traditional lenders under such terms.

New avenues of appropriate capital may include Small Business Administration (SBA) initiatives, or other loan guarantee or intermediary lenders such as various federal government agencies, including the: US Department of Agriculture (USDA), Federal Housing Administration (FHA), and, USDA Rural Development, etc. Perhaps more importantly, Community Development Financial Institutions (CDFI’s) are taking shape in many areas in the form of community development loan funds, banks, or credit unions. This new type of community development lender has emerged to specifically meet the capital needs of new and expanding businesses in the community.

### **Shorebank Enterprise Pacific**

**Ilwaco WA**  
PO Box 826  
203 Howerton Way, SE  
Ilwaco WA 98624  
Phone: 360-642-4265  
Fax: 360-642-4078

**Astoria, OR**

2021 Marine Dr., Suite 200  
Astoria OR 97103  
En espanol  
Phone: 503-325-4476

**Coos Bay, OR**

145 Central Ave  
Coos Bay OR 97420  
Phone: 541-266-9945  
Fax: 541-267-2186

Additionally, Shorebank Enterprise Pacific( <http://www.sbpac.com>) is in the process of establishing a local office at the Clallam Business Incubator.

Mark Bowan  
Port Angeles  
Loan Officer  
360.477.0053

Shorebank Enterprise Pacific (SEP) has a wide array of loan programs that could benefit tenants of the proposed food incubator. SEP would consider financing several “unbankable” possible tenant scenarios:

- Low to moderate income individuals starting “self-sufficiency” businesses
- Start-ups
- Rapidly expanding businesses

Perhaps most importantly, SEP provides technical assistance in basic business skills to their loan clients. This is very important service for those new in business or those with low to moderate income. Also, SEP is a knowledgeable lender in the food sector. Mike Dickerson, SEP Vice President, stated in an interview that the financial institution actively seeks leading of this nature as part of it’s corporate charter. SEP operates a non-profit revolving loan fund. SEP offers many traditional financial products that start-up and growing businesses need, including lines of credit, equipment financing and working capital loans. Additionally, SEP can be involved with many financing structures that are typically not available from traditional lenders such as, debt restructuring with payoffs to other banks and financial institutions, subordinations, and client participations.

It is a plus for the proposed food incubator to have a financial institution of this nature as a local resource.

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In addition to SEP, other Community Development Financial Institutions (CDFI) style programs are located in the Clallam county area. The Cascaida Fund has a micro-loan fund that is available in Clallam County.

**Cascadia Revolving Fund**

Washington  
1901 NW Market St  
Seattle, WA 98107-3912  
(206) 447-9226 phone  
(206) 682-4804 fax

**The Olympic Microloan Fund (OMF)** is a microenterprise loan fund organized by nine Washington counties and managed by Cascadia Revolving Fund. The fund provides loans and technical assistance to small businesses that are unable to obtain financing through conventional sources. The counties sponsoring the OMF are: Clallam, Grays Harbor, Island, Jefferson, Mason, Pacific, San Juan, Thurston, and Wahkiakum.

Finally, in addition to these community loan agencies, Clallam county area commercial banks can be called upon to service the financing needs of more “bankable” tenants.

**Technical Assistance**

Food entrepreneurs require technical assistance to a greater degree than many other businesses due to government regulation. In fact, in comparison to most general service or retail businesses found in a community, food related ventures could be viewed as desperately in need of technical help. This assistance can take the form of “recipe batching” – the process of taking a small recipe and determining the proper mix of ingredients, appliances and preparation for a successful (large) commercial application. It might also take the form of determining a proper label that would meet the Food and Drug Administrations’ (FDA) requirements, or a health safety and sanitation class.

Most food entrepreneurs will need help in understanding their regulatory environment, as well as practical food science techniques such as designing and implementing a proper quality assurance program (e.g. HACCP). An important part of the service any commercial kitchen will provide is a road map through the regulatory maze, as well as, additional references, resources and contacts in technical assistance.

A variety of sources exist to assist this project, including educational, governmental, and non-profit organizations:

**Washington State University**  
**Extension Food Processing**  
Dick Docherty  
509.335.0972

Dick Docherty is employed by WSU to provide food science and other technical assistance for Washington State residents. Mr. Docherty was interviewed concerning his charge and the his ability to provide this technical assistant to tenants at the proposed food incubator in Clallam. Mr. Docherty stated that because of the population distribution in the state, he is very often in the western parts of the state. Also, he stated he would be able and ready to provide a wide range of services and assistance through WSU, as follows:

- 1) Product Assessment – WSU provides product assessment in terms of both quality and safety. Mr. Docherty stated that this “hand holding” was needed by many food entrepreneurs, especially those starting up a food business. This services is provided both in person, as well as, by telephone.
- 2) Labeling – WSU provides both advice and guidance concerning the product nutrition panel. Although many small to medium sized food processors are exempt from including the panel of their products, many do include the information for “marketing” purposes. If any of the panel is included, then all of the information on the panel must be included, whether or not the processor is exempt. This assistance can take the form of a software package or from traditional lab analysis, either of which WSU can advise.
- 3) Processing – WSU also provides technical assistance on the processing and packaging of the product. This advice can include very practical helps varying from pH testing to working with suppliers.

Mr. Docherty also stated that WSU can provide Acidified Food Training on site. This includes both the Acidified Training (2 days at \$395 / participant) and the Low-Acid Training (4 days at \$440 / participant).

WSU also does HACCP training and assists with the State of Washington Food Processing License. All small scale food processors in the state are required to submit samples of their products to WSU for evaluation.

Mr. Docherty stated the WSU food processing website has a great deal of information, resources, links, etc. - [www.foodprocessing.wsu.edu](http://www.foodprocessing.wsu.edu).

It should be noted that not all state land grant institutions are equally eager to assist small to medium sized food processors in a shred-use incubator environment. The willingness of WSU to supply technical assistance to tenants of the proposed NOP food incubator is very positive and significant plus for the project.

WSU has two county extension offices the will interact directly with this project.

**WSU- Jefferson County Extension**  
L. Katherine Baril, J.D.  
Director  
201 West Patison

**WSU – Clallam County Office**  
Curtis E. Beus  
Director  
WSU Extension, Clallam County

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Port Hadlock WA 98339  
360-379-5610 ext 202  
kbaril@wsu.edu

223 E. 4th St., Ste 15  
Port Angeles, WA 98362-3015  
360.417.2279  
beusc@wsu.edu

Curtis Beus sees the main areas of support that could be provided tenants of the proposed food incubator to be in the following areas:

- 1) Entrepreneurial training. I am certified to teach NxLevel for both the Tilling the Soil and the regular Entrepreneur training. I will not likely teach these by myself, but I have team taught them in the past with Jim Williams who is also NxLevel certified. I see this training as being essential for startup and expanding businesses whose owners or managers do not have a background in business, and/or those who simply need a business plan to guide them.
- 2) Agricultural consulting. For those who plan to process agricultural products into value-added food products I will be available to work with them to discuss issues of production, quality control, variety selection, marketing, etc.
- 3) Other training. One area that Extension can particularly assist with is in putting together training seminars when needs arise. For instance, if a number of clients see the need to learn more about packaging materials, we could help in bringing together people from industry to put on a seminar to present options and info on the latest in packaging, labeling, etc. If we do seminars such as this I would expect to advertise them regionally so that others (even those who are not necessarily FEC clients) might attend.
- 4) Networking. Perhaps one of the biggest benefits that local Extension offices and agents can provide clients is our ability to network the entire Land Grant University system to find the expertise and information that people need on many subjects. Even though we often don't have the information people want or need in our local offices, with a few phone calls or e-mails to colleagues at WSU and other Land Grant universities we can often get the information or assistance that people need related to food processing.

Curtis Beus pledged his support and the support of Lori Kennedy, office manager to assist the training and networking efforts of the proposed tenants.

### **Recommended Tenant Technical Training**

Basic food safety and sanitation instruction, as well as, instruction in regards to the facility (such as facility rules and regulations, equipment use and safety, etc.) should be required of all tenants.

It should also be required of all tenants who are processing low acidified foods to take and pass the "Better Processing School". All low acidified food processes must be registered with the FDA and are required to have a better process authority (i.e. class graduate) supervise the processing. Management may wish to require all processing tenants (regardless of their product's pH level) to undergo this training, as it is a good introduction to good manufacturing principles.

Finally, facility management may wish to consider having all tenants undergo HACCP training. As the USDA requires and the FDA seems to be heading toward mandatory implementation of HACCP, having all tenants undertake HACCP training will allow for a smooth transition to required status. Following is a summary of recommended tenant training.

### **Summary of Recommended Training For Staff and Tenants**

<b>Type of training</b>	<b>Training effects</b>	<b>Contact information</b>
<b>Better Process Control School</b> (conducted by universities, etc. under auspices of the Food Processors Institute)	Low acid & acidified foods (required by FDA) Offered in March at Washington State Univ.	<a href="http://www.fpi-food.org/courseschedule">www.fpi-food.org/courseschedule</a> 509-335-0972 Dougherty@wsu.edu
<b>Serv-Safe</b>	Training on Good Manufacturing Practices, Sanitation and HACCP-based food handling	<b>National Restaurant Association Educational Foundation</b> Kate Piche 800-765-2122
<b>Food Handler Certification</b>	Safe food handling practices for all food handlers conducted by Clallam Cty. Health Dept.	<b>Robin Munroe</b> 360-417-2418 FAX 360-417-2313 rmunroe@co.clallam.wa.us
<b>FDA Satellite Courses And Food Safety Programs</b>	Regional and satellite training's on various food processing and safety topics	<b>Center for Food Safety and Applied Nutrition (CFSAN)</b> 200 C St. NW Washington, DC 20204
<b>HACCP Training</b>	Quality control program for food safety offered through the Food Processors Institute and WSU.	<b>Food Processors Institute,</b> <a href="http://www.fpi-food.org/courseschedule">www.fpi-food.org/courseschedule</a> 509-335-0972 Dougherty@wsu.edu
<b>Equipment Safety &amp; Sanitation Training</b>	As all tenants will be required to pass an in-house course prior to using kitchen covering equipment safety and sanitation issues; Staff must be knowledgeable in the kitchen's equipment and sanitation	Check with kitchen equipment manufacturers for operational and safety courses pertaining to their equipment, video's, etc.

### **Suggested Tenant Assistance – Special Areas**

There are many concerns on the part of new tenants when starting production of a food product. Assistance from management or other qualified individuals in the food industry can be very helpful in determining the success or failure of their business. Experience has shown that most tenants find specific assistance in the following areas to be especially beneficial.

#### **pH Testing**

A pH meter is a necessary piece of equipment for every producer. pH testing should be mandatory to protect the facility and the producer on any product with a potential pH greater than 4.6. Testing should be done before the producer gets too far along in the production

process. If the producer's product has an unacceptable pH, recipe adjustment and/or the addition of an acid such as lemon juice, vinegar, ascorbic or citric acid may be needed to insure a safe product. The tenant should keep batch records that includes the pH of each batch.

### **Target Market**

Many specialty foods are derived from an old family recipe or a recipe that friends have encouraged the prospective tenant to produce and sell. Marketing of the product has not been considered, and it is important for the producer to realize that marketing involves more than just selling. It involves developing a product that consumers want to purchase and then communicating the product's benefits to them. Therefore, a discussion regarding a marketing plan is important: distribution through specialty food stores versus grocery stores/super markets, the pros and cons of different pricing strategies, and the importance of packaging and labeling are all important marketing issues. Many first time producers will benefit from test marketing. Local bazaars, farmers' markets, fairs, local grocery stores, etc. are ideal places to test the markets response to the product.

### **Product Pricing**

Product pricing strategy is an important part of a marketing plan. Information on how to effectively determine the price of a product should be given to a new tenant early in the process to determine if a reasonable profit can be made. Advise tenants to research the competition and their prices.

### **Packaging**

Knowing where to obtain the right jar or container for food products is often a problem for new tenants. A list of the suppliers with their telephone numbers and addresses should be available for the tenants. Most jar and container companies will be willing to supply the kitchen with samples of their products for prospective tenants to review. It is the responsibility of the tenant to contact suppliers. The tenant should be advised that deciding on a jar/container is beneficial before designing labels.

### **Labels**

Once the container has been selected, the label should be designed to fit the container. It should be attractive and harmonious with the food product and it must catch the eye of the consumer. There is a lot of competition in the specialty food business and labeling can make all the difference between a successful and unsuccessful product launch. Before labels are designed and printed, remind tenants that they must comply with federal and state labeling requirements.

### **Recipe Conversion**

Large commercial equipment in a shared-use commercial kitchen allows the tenant to produce product in large quantities gaining efficiency in time and economics. However, converting a recipe that fills 8 to 10 jars to a recipe that produces 200 to 300 jars may take some food science knowledge as well as some experimentation. Recipe conversion, or "recipe batching" as it is sometimes called, may take considerable trial and error.

### **Shelf life, Preservatives, Stabilizers**

Determining the shelf life of products is a concern of many tenants. Providing advice and information on determining shelf life and on the addition of preservatives and stabilizers, etc., is a necessary service. Management should develop a list of individuals in the food industry that can provide this service to tenants.

### **Record Keeping**

Often times, individuals involved in the food business do not realize the importance of record keeping. There are two areas that should be stressed with tenants: business record keeping and production record keeping. Management may want to require a business plan, that details intended record keeping before allowing a tenant to use the kitchen. Production record keeping is based on good manufacturing practices for food. It cannot be overly stressed to the tenant just how important these records can be. Good record keeping can prevent lawsuits and the need to “withdraw” all products from the shelves. Also, some tenants will be required to keep production records to comply with certain regulatory authority, or to track their HACCP plan.

### **Uniform Product Code (UPC Bar Code)**

The UPC Code is a voluntary product identification system. Many specialty food producers do not add the UPC Code to their first label. However, if the producer plans to sell the product in a grocery store/super market, they will most likely be required to have the UPC Code. While the UPC code is a “voluntary” label enhancement that producers are asked to include, the reality is that a large food retailer or wholesale distributor will not buy a product without it. Most large stores now use some type of scanning device for entering the price of the purchased items, and the expense and time of stopping that process to enter a product by keystroke is simply not worth it, regardless of the product’s desirability.

The Uniform Code Council is the central management information center for manufacturers and retailers participating in the system. Technical help is available at the council’s headquarters:

**Uniform Code Council, Inc.**  
Old Yankee Road, Suite J  
Dayton, Ohio 45458  
(513) 435-3870

### **Sharing Community Resources**

Fortunately, most communities have a surprising number of resources available to help food ventures. Successful kitchen incubators draw on these resources and incorporate various agencies into their delivery plan. Kitchen incubators need not duplicate services already being provided. The incubator staff has the task of identifying these resources and directing their tenants to the appropriate service provider for assistance. By identifying and incorporating already existing services into the incubator’s delivery system, incubator staff can concentrate their resources on providing those services unavailable in the community.

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The identification of existing service providers and the successful linkage of their services for incubator tenants are critical steps in the establishment of a successful incubator program. Incubators that try to “do it all themselves” often find they are short of both time and dollars. By trying to be all things to their tenants they fail to provide adequate support in any one area.

## 7. Marketing Plan

As with the management plan section, the marketing section is an overview that contains information that management should consider as it begins to formulate its start-up marketing plan. It is not the intention of this section, nor is it within the scope of this study to present an all inclusive, comprehensive marketing strategy. The intention here is to provide an overview of best practices gleaned from existing kitchen incubator management in terms of successful marketing strategy and implementation.

This section will provide a practical starting point from which management can meld proper and appropriate shared-use kitchen marketing policy and strategy. This section contains recommendations on actions that will lead management toward a proper and appropriate shared-use kitchen marketing plan.

The marketing plan is comprised of two parts. The first part is concerned with start-up marketing issues. It is comprised of the following: Understanding the Market, Understanding the Product, Understanding Facility/Service Pricing, Understanding Facility/Service Placement, and, Understanding Promotion. Each section contains background information, as well as practical segments on challenges, strategy, and implementation.

On-going marketing is the second part of the marketing plan section. It presents marketing ideas that have proven effective after a kitchen incubator is open and operating. It is comprised of the following: Preparing an Annual Marketing Plan, Problems in Developing an Annual Marketing Plan, and, Specific On-going Promotional Strategies That Work.

### Start-up Marketing

One common mistake in the area of start-up marketing as reported by several incubator managers, is that of undertaking specific “marketing” actions prior to developing an overall marketing strategy. A thorough overall marketing strategy needs to be based on a thorough understanding of the potential users of the kitchen, the regulatory environment of the kitchen incubator, the services being offered, and so forth.

The process of developing a well-reasoned start-up marketing plan is as follows:

### Understanding the Market

This understanding comes from market research. Large corporations, government agencies and other organizations with significant resources spend considerable sums on designing, undertaking, verifying and interpreting the results of market research. It can be a daunting, time consuming and financially draining experience, even with the help of those entities that provide this assistance professionally.

Kitchen incubators are operated either by not for profit organizations or other quasi-public organizations. Two factors that seem to be consistent throughout all managing organizations are these. One, not for profit organizations typically do not have the financial resources available to

for profit businesses that employ sophisticated marketing plans and strategies. Second, the human resources necessary to carry out complicated marketing plans (assuming they could be developed and paid for) are lacking as well. While a thorough marketing plan would address many factors about the target customer including motivation, needs assessment, wants assessment, demographic and psychographic information, etc., the financial and human resources to address all of the issues are simply not available to those who manage kitchen incubators. However, that said, many kitchen incubator managers have been able to develop simple and successful marketing strategies that can be effectively drafted and implemented within their constraints of limited financial and human resources budgets.

The local market research revealed various individuals (profiled as typical users in the management section) that wished to use the kitchen. This group comprises the “market”, or those that wish to utilize the services of the kitchen incubator. The first task to building a successful start-up marketing plan is to fully understand the needs of those that will be paying rent at the facility.

Understanding the prospective user pool includes knowing the characteristics of potential users that were determined through the local market research, including: 1) what product(s) are to be produced, 2) start-up or existing business, 3) equipment/production needs, 4) storage needs (dry goods/cooler/freezer/finished product) 5) viability of tenant (business plan, goals for business, technical capability), 6) anticipated usage, 7) other services desired/needed, and so forth. While management can understand the needs of a set group of potential users at any given time, the environment is constantly changing. During the (often) substantial time period required for fundraising, final design and construction, the prospective tenant pool and the needs of those in the pool will change.

### **Challenge**

As stated above, during the substantial time period required for fundraising, final design and construction, the prospective tenant pool and the needs of those in the pool will change. Failure to adequately understand the customer on a continuing basis will not allow an appropriate facility to be built (design, equipment and its configuration, etc.) and may cause the services of the facility to be mismatched with its customers.

### **Strategy**

Remain current with the profiles of prospective tenants.

### **Implementation**

1. Develop a database of existing potential users involving the key elements detailed through the written survey and further developed through the interview process.
2. Continue to gauge interest and recruit potential users. Through the use of personal and written survey, personal and telephone interview, focus groups and other means outlined in the promotion section the needs of already identified and new potential users can be determined.

3. Update the database regularly. Catalog the changed profiles of existing prospects and develop new profiles of prospective tenants as they emerge.

## **Understanding the Product**

Some kitchen incubators felt they had a good understanding of their potential customers. However, they reported they did not have a thorough understanding of their “product” prior to opening their incubators for operation. The “product” in the case of a kitchen incubator is two phased.

**Facility** – The first aspect of understanding the product has to do with the facility. Individuals who wish to engage in their food related business legally must follow governmental regulation in terms of both facility requirements, and production methods. The kitchen incubator provides an excellent place for individuals to conduct their food-related businesses legally. The facility is best understood in “product” terms as a physical location made up of certain floor spaces and layouts, equipment, etc.

**Services** – Existing and start-up businesses that enter a business incubator tend to require services that more substantial businesses do not. These services can be categorized by training (business training related to business plan and execution), technical assistance (relating to the technical requirements of legal operation) and, access to capital (all businesses will need capital at some point to start or expand). Note: Again, successful incubators understand that they do not have the resources to provide all these services. Successful strategies here involve sharing community resources as detailed in the management section under tenant development.

Some customers (prospective kitchen tenants) will choose to use the kitchen simply because it is a simple and convenient way for them to “enter” the regulated industry. For this group the barrier to entry is much lower, based on renting a kitchen by the hour versus self-building and financing a facility. Other customers will make their decision to use the facility on the basis of benefits. They are concerned with the additional benefits received by using a shared-use kitchen incubator versus renting hours at an underutilized restaurant, catering, community or other licensed kitchen?

Kitchen incubators that have relied on a “we built it - they will come” strategy, hoping to be the only game in town have not fared as well as those incubators that have aggressively developed marketing strategies aimed at target customers. Successful kitchen incubator managers have been able to translate the **features** of the kitchen (e.g. 4 stoves, packaging equipment, etc.) into **benefits** (e.g. legal environment with technical assistance).

The next traditional step of features/benefits analysis would include obtaining a thorough understanding of the competition. This would include owners of underutilized kitchen space (catering kitchens, restaurants, etc.) as well as community and church kitchens. The purpose of this is to fully compare and contrast your facility and services with the facilities of others.

As kitchen incubators tend to be community development projects built with public funds, most managing organizations have tended to downplay this aspect of comparative marketing. Most feel it is best not to disturb existing landlords that have established relationships with food related tenants. However, all believe that they could (and should) develop an imaging campaign that accurately promotes their set of unique facility features and benefits. While savvy managers do obtain detailed knowledge about other for rent kitchen space in their service area, they chose not to aggressively pursue an imaging and promotion campaign based on openly contrasting the differences. Negative promotional campaigns based on the shortcomings of existing for rent kitchens are best avoided.

### **Challenge**

Customers (prospective tenants) have alternatives to using the incubator facility. A successful approach is needed to sell the customer on the benefits of the facility and not merely a list of its features.

### **Strategy**

Thoroughly understand the features of the kitchen. Then translate these features into benefits that can be incorporated into the facilities promotional material.

### **Implementation**

1. Organize a team of staff, directors and advisory committee members to develop the product portion of the facility's marketing plan.
2. List all features of the kitchen in terms of the physical plant as well as the services that will be provided (both from the incubator and linked community service providers).
3. Translate the "features" list into appropriate "benefits" terminology, which along with a description of features can be incorporated into the facilities promotional materials.
4. Understand the features and benefits of other for rent kitchens in the area, not for open contrast in public promotional materials, but rather to best meet the needs of prospective tenants and to thoroughly understand the local market.

### **Understanding Facility/Service Pricing**

Many kitchen incubators failed to adequately consider the pricing aspect of the kitchen before opening for business. This is due to several factors.

One factor is the community nature of the project. For the most part these facilities are operated by not for profit organizations. While most (if not all) incubators wish to breakeven, they are not typically motivated by profit making. The desire is for fees to offset the expenses of personnel and the expenses necessary to operate the facility. Based on the community development aspect, most early kitchen incubators set low prices.

Another factor that influenced the pricing decision was demand (anticipated usage). A continuing and significant problem faced by the early incubators was the over estimation of usage. Hourly rates were set which were consistent with the community development aspect of

the project mission, and, on levels of usage that were too high. Also, market rates, or rates available from other rentable kitchens in the area were not considered. When usage was significantly below what was anticipated, the facilities experienced a revenue shortfall. In some cases this was significant. In these instances a rate hike of 100% or more would be required to generate revenue sufficient to approach breakeven.

Kitchen incubators subsequent to the early models learned this lesson. They have started with rates that are reflective of probable usage and still in keeping with the community nature of the project. Also the rates selected were inline with rates available from other for rent kitchens in the market area.

### **Anticipated pricing**

The pricing structure set forth in the budget section was based on several factors. First, it was based on the anticipated usage of the facility, as directed by the market research and informed by industry experience and the expertise of the study team. Second the market rate available in the local area for kitchen space was factored into the equation. Thirdly, the community development aspect of the project was considered. The result was proposed pricing that reflects all the aforementioned considerations, and, within the context of economic feasibility.

An appropriate pricing strategy for incubator services and training should be integrated into the overall pricing strategy.

### **Challenge**

Previous facilities have not approached the pricing of their fees and services in appropriate ways. This has caused serious revenue shortfall and threatened the facilities' long-term viability.

### **Strategy**

1. By thoroughly understanding the market, the facility's costs, and anticipated tenant usage an effective pricing strategy can be implemented at the facilities opening. This will include pricing for usage, storage and traditional incubator services.
2. By meeting with other "linked" service providers in the community, an integrated pricing strategy can be developed for training and other aspects of the tenant development plan presented in the management section.

### **Implementation**

Management staff to keep abreast of market factors and competitive conditions and thereby insuring that the proper pricing strategy exists at the facilities opening.

While it might seem somewhat embarrassing to begin operations with a slightly higher pricing structure than advertised during the pre-opening promotional period, it will be far less devastating than opening the facility into significant operating losses, which could impact the sustainability of the facility.

## **Understanding Facility/Service Placement**

Product or service distribution, simply put, is the *how to get* your product or service to the customer. The facility part of the kitchen incubator “product” is fixed, it does not require physical distribution. The service part of the product also does not require physical distribution as one would think of it in the traditional manufacturing environment. Service will be delivered either in the facility itself, or through another community service organization or other entity that is linked through the “sharing community services” network (i.e. a Small Business Development Center class on unique marketing techniques in the specialty food industry for kitchen tenants).

## **Understanding Promotion**

Promotion is what most individuals have in mind when thinking of marketing. It includes advertising (the part of promotion most equated with marketing) and other promotional strategies that are not advertising related in the strictest sense. Promotion in the broadest sense should involve everything that is done to let potential customers know of the facility. This includes advertising as well as other promotional activities such as public relations and networking. Of particular interest to not for profit organizations are ways of promoting the facility that are no cost, or very low in cost.

Many kitchen incubator managers have approached promotion from the narrow view of advertising only, and have experienced poor results in promoting their facilities. Therefore it is important that all promotional activities be considered and brought under a systematic promotional effort.

Before considering the actual promotional tools that are employed to promote the facility, two items must be considered.

The first is to consider an appropriate name. Many times incubators chose names that reflect their service area, geographic reference, major sponsor, or utilize some other appropriate strategy. The name should not obfuscate the nature of the facility, but rather play off the service(s) intended. Examples of names chosen by existing incubators include combinations of: foodworks, wine country, pioneer valley, foodnet, food venture, culinary and others.

The second item necessary to consider is that of image. The image chosen by the facility needs to be appropriate and consistent. An appropriate image for a kitchen incubator might revolve around lines of professionalism and cleanliness. This is especially true when considering the nature and size of the prospective tenants. This group of start-up and existing businesses could well benefit from a “clean and professional” image. This image signals “this food is safe” – which can be important to distributors, wholesalers, grocery outlets and others who are considering purchasing from the tenant. Image is presented through things like logo, letterhead, business cards and the promotional material distributed by the facility.

With naming and imagining strategies in place, the promotional tools necessary to promote the facility can be considered. The promotional tools discussed here are presented in two categories, advertising and non-advertising.

### **Advertising Activities**

**Media advertising** Media advertising is the best known tool of promotion and arguably the most expensive. Advertising costs are two phased. First, the initial piece of advertising material must be prepared. Whether it is designing a simple radio spot or a 30-second television commercial, there is always a production component of the cost of advertising. The second cost of media advertising is related to the “run” or frequency of the advertising spot. If the advertising is a TV commercial, how many times will it run and when determines the cost. The same is true for radio advertising. Most not for profits do not have the resources to produce a true TV commercial. Radio, while less expensive than TV, can also be prohibitively expensive. Some kitchen incubator managers have employed printed advertising (local newspapers, journals, etc.) which is drastically less expensive than other media.

**Classified Ads** This tool, while relatively inexpensive has been reported as not all that effective with the incubators that have tried it.

**Brochures & Flyers** This will be the major avenue for printed advertising that most kitchen incubators follow. Brochures and flyers are one of the most popular ways kitchen incubators have used to promote their facility and services. With today’s desktop publishing programs, even small not for profit organizations can produce a top-quality brochure in-house. Brochures can be printed fairly inexpensively in one color. They tend to go up in cost as colors are added and paper quality is improved. When producing an in-house brochure, it is always a good idea to have several people review it before investing the money in printing it. Many not for profits spend money on brochures that look cheap and unprofessional – certainly far removed from the image they are trying to convey!

**Yellow Pages** The yellow book can be an essential way to promote your shared-use kitchen. The yellow pages are time tested as one area where people typically go when trying to find things. One disadvantage is that a display ad in the yellow pages can be very expensive, and a simple listing may not provide sufficient information for prospective tenants to find you.

**Internet Websites** The Internet is still relatively new to most not for profit advertising. The results reported have been literally all over the board. Given the relatively low cost to produce and host an information only website, it seems a good idea to try this technique. The key to remember here is that websites become obsolete in terms of the information they provide quite quickly, so be sure the site is update frequently. For many not for profits the choice often comes down to the (free) web skills of staff, board members or volunteers.

**Cooperative Advertising** Some kitchen groups have tried cooperative advertising. This refers to sharing the cost of advertising with those that are stakeholders or members of community organizations/government entities that help assist the tenants. Examples might include the state department of agriculture or the Small Business Development Center. Other sister organizations within the stakeholders network may have funds available to help promote the facility, as well as the services that they plan to deliver for the tenants benefit.

**Direct Mail** Many not for profits either have their own non-profit mailing number or access to a

stakeholder organization that does. Direct mail can be an effective way to reach potential users, especially if targeted mailing lists are available. These lists could be compiled from appropriate sections of the yellow pages, or be provided by other agencies in the stakeholders network. Examples of this would include city/county food licensee holders (if they are a matter of public record), lists from the state department of agriculture or university extension, etc. Incubators have reported that direct mail campaigns have included flyers, postcards, brochures, catalogues, faxes, email, etc.

**Signage** Most facilities do not consider signage as part of their advertising campaign let alone the overall promotional strategy. Proper signage can both promote image and convey information. Proper signage is needed not only for outside display, but should be included throughout the kitchen and general areas of the incubator. It should always be consistent with the facilities image: quality, professional and clean.

### **Non-advertising Activities**

**Networking** Some of the most successful promotional techniques reported by kitchen incubators have been through networking techniques. By using the existing stakeholders network, word of mouth (WOM) referral can be generated by making presentation to the groups, distributing flyers and brochures, etc. Some of the most successful promotional activities available to a financially limited not for profit facility comes through networking. WOM is effective and inexpensive as long as the “word” remains positive. Studies have shown that a disgruntled person will tell up to 14 other people based on a negative impression. It is not surprising that studies indicate that quality control and outstanding customer service are the two greatest tools for maintaining positive word of mouth referral. Successful facilities know that keeping tenants happy makes good business sense.

Networking can occur between various individuals who are all part of different associations of individuals. The important parts of word of mouth networking are, first and foremost that it is positive for the reasons mentioned above. Second, the greater the number of organizations, government agencies, churches and civic groups, etc. that are involved, the greater the number of people who will hear about the facility. It is individuals that network – not institutions, companies or groups.

**Public Relations** By effectively employing public relation techniques, many kitchen incubators have received tremendous promotional recognition, without spending any money.

A first step is to develop excellent relationships with the print, television, and radio media. This relationship building should begin long before building the kitchen incubator. A starting point would be to make personal contact with media representatives and sell the concept of the kitchen incubator as a topic that is newsworthy. Some kitchen incubators have been very successful at generating public interest via radio and television exposure.

One outstanding history of developing effective and cost efficient start-up marketing strategies was evidenced by the Denver Enterprise Center. The Denver Enterprise Center Kitchen was covered extensively in the print, television, and radio media. The kitchen was covered in The Denver Post, The Rocky Mountain News, Gourmet News, Hispanic, INC Magazine, Food Business, The New Review, Food Wise, Colorado Business Magazine, Denver Business Journal, Urban Spectrum, Impacts, Hispanic Marketplace, Littleton Independent, National Business Incubation Newsletter, La Voz, Colorado Department of Agriculture Newsletter, Colorado Food Association Newsletter, Mayor's Office of Economic Development Newsletter, etc. Most recently, the DEC was interviewed by Newsweek for an upcoming article.

The kitchen incubator was written about numerous times in the above mentioned publications long before it was built and has been featured many times after it was completed.

Consider the following methods to become newsworthy and generate publicity:

- ◆ Grand opening celebration (followed by anniversary celebrations thereafter)
- ◆ Co-sponsoring local sporting or charity events
- ◆ Co-sponsoring events significant to other stakeholders
- ◆ Giving talks to local civic groups, trade organizations, chamber of commerce, etc. regarding the facility and its services
- ◆ Announce new businesses that have relocated or resulted from the facility
- ◆ Announce new products that have resulted from the facility
- ◆ Send public service announcements, press releases and stories you have written to media representatives
- ◆ Asking media representatives to do a story on the facility and/or its tenants

### **Challenge**

Improper implementation of the facility's promotional portion of the start-up marketing plan could result in less than anticipated turnout from prospective tenants. A proper number of entering tenants and sufficient usage is important if the facility is to realize goals of self-sufficiency and sustainability.

### **Strategy**

By first determining appropriate naming and imaging strategies, a well-focused and judiciously chosen set of promotional tools can be employed that will best insure adequate tenants and tenant usage at the facilities opening. The strategy will need to be integrated with other aspects of the facilities operation, and be mindful of the limited financial and human resources available for marketing activities.

### **Implementation**

The staff, board and advisory committee members to:

1. Through internal meetings and by gathering feedback from prospective tenants and community stakeholders, develop an effective *naming strategy* given geographic, sponsor related and functional issues. Feedback mechanisms could include focus groups and personal and telephone interviews.

2. Through internal meetings and by gathering feedback from prospective tenants and community stakeholders develop an effective **imaging strategy** given the issues of quality, cleanliness and professionalism (as well as other issues that may emerge from the feedback mechanism). Feedback mechanism could include focus groups and personal and telephone interviews. Image should be present and consistent throughout all aspects of promotional campaign.
3. The staff, committee or volunteers to develop the **promotional mix** of tools to be employed in implementing the facilities promotional strategy. This mix should contain the method of deployment (who, what, when, where, and how) as well as the cost. It should be in written form with desired outcomes presented in terms of measurable performance standards.
4. Periodic evaluation against pre-determined outcomes should take place. Based on this evaluation the plan should be adjusted as appropriate.

The promotional portion of the marketing plan is the most significant portion. This is because it is usually where the “rubber hits the road.” This part of the plan usually represents 90% or more of the actual marketing of the facility, and will be the part that commands most of the time and attention of the staff, board and committee members. Therefore it is important to track and evaluate this portion of the plan for effectiveness, for as the effectiveness of promotional activities go – so goes the effectiveness of the overall marketing of the facility.

### **Implementation Mechanics**

The mechanics of implementation are the same for each of the four areas of the marketing plan; Product, Price, Placement and Promotion. Remember that:

1. Memorialize specific implementation action steps in writing.
2. The action steps should address the who, where, when, why, what, how and cost (if any) of any action.
3. Action steps should be assigned to specify individuals who are responsible for that action step.
4. Most importantly, periodic evaluation is required to determine progress and offer opportunities to amend the plan with new strategies and their respective action steps.

### **Updating market research**

One last word about promotional activities involves market research. This is the best and least expensive manner in which to keep the local market research updated. As a direct result of the promotional activities undertaken new potential users will emerge. They may emerge as a result of advertising (direct mail, newspaper, website, etc.) or other promotional activities (stakeholder meetings, free publicity, speaking at civic meetings).

Using traditional market research contact methods (e.g. telephone/fax/email interview, personal interview, focus group, etc.) new survey data can be gathered, which can then be added to the prospective user database. Similarly, as existing prospects change their profile characteristics, the database should be updated to reflect this new information.

## On-going Marketing

### Preparing an Annual Marketing Plan

If the implementation of the start-up marketing plan is followed, the mechanism to develop a yearly marketing plan should be in place.

On an annual basis the basic strategies of the marketing plan should be addressed in the four strategic areas presented:

#### ◆ Understanding the Market

1. Has the market changed? Tenant mix?
2. What are the key characteristics of the users?
3. Are there new equipment needs for new products wishing to be produced?
4. Are storage areas sufficient? (dry, cooler/freezer, finished product).

#### ◆ Understanding the Product

1. Have the features to the kitchen changed?
2. Are there new benefits and are they being communicated properly?
3. Has the mix of services, classes, etc. changed? Should it?
4. Are there any problems with stakeholder agencies delivering services (classes, technical assistance, etc.) as originally designed?
5. Are the profiles of other for rent kitchens current? Has the market changed?

#### ◆ Understanding the Facilities Pricing

1. Does the anticipated usage and price structure point toward sustainability?
2. What are other for rent kitchens in the area charging? Has this changed?

#### ◆ Understanding Facilities / Service Placement

1. Have any placement issues come to light?
2. Are there any concerns about how or where non-facility tenant services are being delivered?

#### ◆ Understanding Promotion

1. Is the facility's naming strategy still appropriate?
2. Is the facility's imaging strategy still appropriate?
3. What is the proper mix of promotional actions (paid advertising and other promotional activities) for the coming period?

As with the start-up the plan the mechanics are the same. Remember that:

1. Specific implementation action steps in writing.
2. The action steps should address the who, where, when, why, what, how and cost (if any) of any action.

3. Action steps should be assigned to specify individuals who are responsible for that action step.
4. Most importantly, periodic evaluation is required to determine progress and offer opportunities to amend the plan with new strategies and their respective action steps.

### **Problems in Developing an Annual Marketing Plan**

It is assumed that management has sufficient marketing savvy between staff, board or volunteers to understand the technical components and develop an annual marketing plan. If not, individuals with marketing expertise should be targeted and recruited to the organization in a manner similar to other recruitment efforts that not for profits use to gain specialized expertise within their organizations.

Most organizations find that their inability to develop next year's marketing plan is not so much tied to technical expertise, as it is a problem associated with the will of the organization. Organizations, meaning the staff, the board and any marketing committees set up for this purpose, must exercise the discipline to continually renew their stale marketing documents. Being understaffed and under-funded many wonder why bother to do a marketing plan? However, successful kitchen incubator projects have understood that effective marketing can be accomplished with little money. These groups also understand that a successful marketing plan must be organized, written down and strategically implemented.

Kitchen incubators have reported more significant problems in the implementation of the marketing plan rather than its creation. Sufficient staff, board and volunteer resources and expertise were available to develop the plan. Also, the group was usually able to produce a plan that fit the available resources set aside for marketing efforts. However, there were not sufficient human resources to execute the plan as written. One important lesson was to assign tasks to specific individuals. Marketing plans that were all strategy and no specific implementation often went unexecuted. Periodic update on the execution of the plan allowed for tasks to be reassigned when and if certain tasks went unfinished.

### **Specific On-going Promotional Strategies That Work**

Following are some important and specific promotional strategies that successful kitchen incubator managers have pointed out as crucial in their marketing efforts.

#### **1. Maintain quality and consistency**

It is very important for the quality of the brochures, business cards, logo and letterhead used in the start-up phase to remain consistent. The perception of non-profit organizations is that they are often housed in sub-standard facilities. When you build a kitchen incubator it is critical to show the public that the facility meets the cleanliness image it promotes.

#### **2. Keep in contact**

After the initial start-up phase is concluded, keep in contact with the stakeholder network. Continue the contact through flyers, brochures and other printed material. Use phone contact

and continue to speak at civic, church and meetings with other interested groups to keep the project in the public's eye.

**3. Brochures and flyers are the key**

Brochures and flyers work very well in word of mouth networking and are very inexpensive in contrast to media and other paid advertising methods. Brochures should be distributed to all stakeholders, as well as other organizations and government entities that may have an interest in the facility. Examples include: city department of licenses, city health department, culinary arts schools, Chambers of Commerce, Small Business Development Centers (target service area), state health department, state office of business development, state Food Associations, state department of agriculture, mayor's Office, city and county Office of Economic Development, venture funds, banks, micro-lending programs, colleges & universities, etc.

**4. Promote your successes**

After the initial pre-opening and start-up blitzes are over, keep stakeholders and others informed about the facility and its successes. Slacking off after opening has resulted in stakeholders and others being uncertain as to the success, current status, etc. of the facility. Continue to attend stakeholders meetings, address civic organizations and churches, and regularly inform all interested groups about the success of the facility and its tenants (e.g. jobs created, new employers in the area using the facility, new products introduced, etc.).

**5. Assist your tenants' marketing efforts**

Organizing your tenants in their attendance at national and regional food shows is important. The Fancy Food Show organized by the National Association for the Specialty Food Trade (NASFT) is the largest and most well attended. NASFT typically hosts the summer show in New York City (June), although it has been held in Philadelphia. The winter show (January) is hosted in San Francisco, although it has been held in San Diego. Recently, NASFT is now hosting a Midwest show in Chicago (March).

These shows and other regional ones like them provide an opportunity for producers of specialty foods to display their products to others engaged in the wholesale distribution or representation business. Some kitchen incubators pool their funds and send one or two individuals who represent the entire group. Others have developed linkages with either state specialty food trade associations, or state departments of agriculture to achieve the same economies by purchasing one booth for a variety of products. Attendance at national and regional trade shows will be mandatory for most small producers as they attempt to widen distribution and increase sales.

Assisting the marketing efforts of tenants in this manner will increase facility exposure.

**6. Support your community stakeholders**

Maintaining a booth at yearly business expositions (e.g. Chamber of Commerce, Minority Chambers of Commerce, food associations, and venture clubs, etc.) can add visibility to your

facility. By supporting your fellow community stakeholders you will also encourage their support of your activities.

**7. Try unique methods of marketing**

Don't be afraid to try new and unique methods of marketing. Renting conference and meeting rooms in your facility to small businesses, non-profits, and government agencies is a unique method of marketing the kitchen, its food product producers, and its catering companies. In addition to conference and meeting rooms, a variety of catering options, packaged food baskets, etc. could be provided from the food businesses that use the kitchen.

**8. Develop a website**

If you decide to develop a web site, keep it updated! The website could give a history and background of the incubator along with a listing of all tenant companies. Included in the list of tenant companies is their telephone number, fax number, e-mail address, web address, and a description of the product(s) and service(s) they provide. It is important to develop training in this area to assist kitchen tenants that wish to develop their own web page.

## 8. Job Creation

This section details the potential for the project to impact the community through job creation. This one impact is particularly important to the project because of funder expectations. Without significant job creation this project will not attract the support needed from major governmental and private founding sources to finance this project debt free.

The Industry research conducted for this study has shown that kitchen incubators have been a good source of job creation. Exhibit 4 in the Industry research section shows the jobs created in terms of two classifications “low/moderate income individuals” and “others”. While Jobs could be either full or part time, the jobs created were quoted as full time equivalent (FTE). Credit was given for the “entrepreneur” job, and all subsequent jobs were counted as employees.

AceNet, a rural Ohio kitchen also located in Appalachia, reported creating 145 jobs in its first three years. Although located in the western US, the Taos, New Mexico facility is similar to the proposed North Olympic Peninsula facility, given its rural nature and population. The Taos kitchen incubator has produced 219 jobs in 6 years, 175 of those jobs being for low to moderate income. The Denver Enterprise Center, although a decidedly urban project, also has valuable lessons that can be applied to the project in Clallam County. The Denver Enterprise Center (DEC) kitchen reported 198 low/moderate income and 48 other jobs in a period of six years. Poughkeepsie, NY reported 50 low/moderate and 15 other jobs in a period of four years. Finally, rural Sandpoint, Idaho reported 125 jobs in its eleven year history, 88 being low to moderate income.

A project’s exact number of jobs created can not be determined from examining the success of other projects. But, helpful insights into the job creation potential can be learned from the history of other food production projects. Considering the above stated total jobs created by AceNet (145), Taos (219) and Sandpoint (125), the question to consider is this project’s likelihood of creating sufficient jobs to meet funders guidelines.

The US Department of Commerce, Economic Development Administration (EDA) is a primary source of funds for incubator development. Not having a formulaic requirement for the number of jobs created per grant dollar, it is often guided by the Small Business Administration (SBA) guideline of one job per \$35,000 of grant. Assuming a \$4,702,686 (\$5,132,686 less land match of \$430,000) project 135 jobs (20,000 sf facility) or, \$3,812,393 (\$4,242,393 less land match of \$430,000) project 109 jobs (15,000 sf facility) would be required. Guided by the experience of previous food incubators and considering the increased size and potential of this project to serve additional tenants, it is reasonable to assume that this project would easily produce the number of jobs required for the project to be substantially funded by federal grants under the job creation guidelines noted.

## 9. Next Steps

The next task for the North Olympic Peninsula group is to develop a working business plan that details more fully the concepts explored in this feasibility study. The purpose of the business plan is to coordinate all efforts of project implementation under one comprehensive document.

Components of the business plan would include:

- **Facility Concept & Mission**
  - Description of the facility
  - Preview of available resources
  - Goals and objectives; Mission Statement
- **Management Plan**
  - Employee responsibilities
  - Risk management
  - Standard operational policies
  - Regulatory and licensure compliance
- **Tenant Services Plan**
  - Comprehensive tenant services package
  - Strategic alliances required to fulfill policy
  - Implementation plan
- **Marketing Plan**
  - Facilities interim marketing plan
  - Facilities long term marketing plan
- **Financial Plan**
  - Detailed pro forma (three years by month):
    - Income Statements
    - Balance Sheets
    - Cash Flow projections

### **Specifically the next steps for the North Olympic Peninsula group include:**

The following steps will yield new information. As further information unfolds, regulatory and jurisdictional environments change, and the success of fundraising and other activities become known, this new information will need to be integrated with the existing findings from the feasibility study. The ultimate goal is to develop the fully integrated and comprehensive business plan outlined above.

1. Develop a comprehensive funding plan that incorporates federal, state and local governmental funding sources with private sources of funding and donations.
2. Begin a pre-opening marketing plan for the facility.
3. Continue to verify the prospective tenant pool through group meetings, interviews, and focus groups.

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4. Develop a database on prospective users which includes appropriate information on product(s) produced and wishing to be produced, equipment needs, anticipated hours, contact information, etc.
5. Using the database, integrate those findings into the final architectural design, workflow, and equipment lists of the facility to insure the ultimate facility design properly addresses the needs of the then current prospective tenants.

## **10. Appendix**

### **Appendix A**

- User Survey – Prospective Tenant Survey**
- User Survey – Stakeholders Letter**
- User Survey – Flier**
- User Survey – Article and Press Release**

### **Appendix B**

- Study Area Boundaries**

### **Appendix C**

- Clallam County Food Enterprise Center Steering Committee**

### **Appendix D**

- Sample Operating Forms**

### **Appendix E**

- Study Team Profiles**

**This Survey is Sponsored By:**  
**Clallam County Economic Development Council**



## A Survey to Assess Interest in a Proposed Olympic Peninsula Food & Ag Enterprise Center

For Prospective Users

Please complete the following questionnaire about the proposed facility and mail or fax it by March 1, 2005 (or as soon as possible thereafter) to:

Clallam County Economic Development Council  
 P.O. Box 1085  
 Port Angeles, WA 98362  
 FAX number: 360-452-9618

**Have Questions? Call or E-mail:**

Phone number: 360-457-7793

Email: [info@clallam.org](mailto:info@clallam.org)

1. What food item(s) are you now or would you be interested in preparing?

	Are now preparing	Interested in preparing	How Interested? Low...Medium...High				
	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
1. Bakery Items	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
2. Catered Meals	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
3. Sauces / Salsa / Condiments	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
4. Value added produce	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
5. Canned Food	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
6. Jams / Jellies / Syrups	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
7. Juices or other beverages	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
8. Pasta	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
9. Dry Mixes	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
10. Herbal supplements	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
11. Lavender products	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
12. Other: _____	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5

Comments:

---

**Clallam County Economic Development Council**  
**Feasibility Study for Establishing a Shared-use Commercial Kitchen Incubator**

2. What type of company or group do you have now or want to be?

- |   |   |
|---|---|
| <input type="checkbox"/> Caterer  | <input type="checkbox"/> Value added Farm Producer  |
| <input type="checkbox"/> Specialty/Gourmet Food Producer<br>(e.g., mustard, barbecue sauce, salsa,<br>jams, pickled vegetables, etc.) | <input type="checkbox"/> Church/School /Civic Group |
| <input type="checkbox"/> Restaurant   | <input type="checkbox"/> Cart/Street Vendor         |
|   | <input type="checkbox"/> Baker                      |
|   | <input type="checkbox"/> Other _____                |

Is your business:       Start-up       Existing

3. What facilities or services are you currently using to meet your food service needs (e.g., church kitchen, rental kitchen, home kitchen, etc.)? \_\_\_\_\_  
 \_\_\_\_\_

4. What type of equipment would you need to prepare your food product?  
*(Mark and rate all that apply to your business)*

	How Important?				
	Low	Medium	High		
<input type="checkbox"/> Standard range/oven	1	2	3	4	5
<input type="checkbox"/> Steam jacketed kettle	1	2	3	4	5
<input type="checkbox"/> Commercial mixer	1	2	3	4	5
<input type="checkbox"/> Filling and Packaging equipment	1	2	3	4	5
<input type="checkbox"/> Walk-in cooler	1	2	3	4	5
<input type="checkbox"/> Food processor	1	2	3	4	5
<input type="checkbox"/> Walk-in freezer	1	2	3	4	5
<input type="checkbox"/> Dish washer	1	2	3	4	5
<input type="checkbox"/> Stainless steel table	1	2	3	4	5
<input type="checkbox"/> Dehydrator / drying equipment	1	2	3	4	5
<input type="checkbox"/> Convection oven	1	2	3	4	5
<input type="checkbox"/> Essential Oil Still	1	2	3	4	5
<input type="checkbox"/> Other _____	1	2	3	4	5
<input type="checkbox"/> Other _____	1	2	3	4	5
<input type="checkbox"/> Other _____	1	2	3	4	5
<input type="checkbox"/> Other _____	1	2	3	4	5

5. What ingredients are essential to your products?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

6. How many times and hours per week might you be interested in using this facility?
- |                                       |                       |  |
|---------------------------------------|-----------------------|--|
| <input type="checkbox"/> Daily        | Hours per week: _____ | Time of Day: ____AM / PM to ____AM /PM |
| <input type="checkbox"/> Weekly       | Hours per week: _____ | Time of Day: ____AM / PM to ____AM /PM |
| <input type="checkbox"/> Monthly      | Hours per week: _____ | Time of Day: ____AM / PM to ____AM /PM |
| <input type="checkbox"/> Holidays     | Hours per week: _____ | Time of Day: ____AM / PM to ____AM /PM |
| <input type="checkbox"/> Occasionally | Hours per week: _____ | Time of Day: ____AM / PM to ____AM /PM |

**Total hours per week of estimated usage:**

7. Who are your customers, or what type of customers are you targeting?
- 
- 

8. What type of a business are you running, or looking to run?
- |  |                                      |
|--|--------------------------------------|
| <input type="checkbox"/> Part Time           | <input type="checkbox"/> Non-profit  |
| <input type="checkbox"/> Full-Time           | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Supplemental Income | <input type="checkbox"/> Hobby/Gifts |

9. What is your annual sales goal? \_\_\_\_\_

10. How do you market, or plan to market, your product(s)? \_\_\_\_\_
- 
- 

11. Do you have a business plan available for review?  Yes     No

12. Would you be interested in sharing services in addition to the kitchen facilities? Such as:
- |  |   |
|--|---|
| <input type="checkbox"/> Phone answering   | <input type="checkbox"/> Secretarial                    |
| <input type="checkbox"/> Copy machine      | <input type="checkbox"/> Fax                            |
| <input type="checkbox"/> Personal computer | <input type="checkbox"/> Postage meters                 |
| <input type="checkbox"/> Office space      | <input type="checkbox"/> High speed Internet connection |
| <input type="checkbox"/> Other _____       |   |
| <input type="checkbox"/> Other _____       |   |
| <input type="checkbox"/> Other _____       |   |

**Clallam County Economic Development Council**  
**Feasibility Study for Establishing a Shared-use Commercial Kitchen Incubator**

13. Would any of the following seminars or classes be of interest to you?

*(Check as many as apply.)*

- Preparing a business plan for a food or value-added agriculture-related business.
- Marketing assistance for a food or value-added agriculture-related business.
- Microenterprise and Self-employment opportunities.
- Meeting local, state and federal health regulations for food preparation, packaging and food product distribution.
- Nutritional considerations for prepared meals or food products.
- The legal issues related to starting a business.
- Obtaining financing and using credit.

14. Respondent Information: (Mr./Mrs./Ms): \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone: (\_\_\_\_) \_\_\_\_\_ Fax: (\_\_\_\_) \_\_\_\_\_

Would you be interested in attending a meeting to discuss future plans for the proposed Olympic Peninsula Food Enterprise Center?  Yes  No

**Thank you for your time and interest. Please return your completed questionnaire by March 1, 2005 (or as soon as possible thereafter) to:**

**Clallam County Economic Development Council**  
**P.O. Box 1085**  
**Port Angeles, WA 98362**  
**Or you can FAX your survey to: 360-452-9618**

**Do you have questions? Call: 360-457-7793, or E-mail: [info@clallam.org](mailto:info@clallam.org)**

This questionnaire was designed for entrepreneurs, companies and organizations, which might be prospective tenants of the proposed facility. If you have other suggestions or comments regarding the need for a community kitchen/food enterprise incubator in our community, please use the space below:

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## User Survey – Stakeholders Letter



### Agriculture Industry Cluster Team

102 East Front Street, Floor 2 • P.O. Box 1085 • Port Angeles, WA 98362 • PHONE: 360.457.7793 • FAX: 360.452.9618 •  
Web: [www.clallam.org](http://www.clallam.org) • E-Mail: [info@clallam.org](mailto:info@clallam.org)

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January 24, 2005

Dear Community Leaders and Entrepreneurs,

The Agriculture Cluster of the Clallam netWorks Economic Development Council seeks your help launching a study to investigate the feasibility of establishing a Food Enterprise Center in Clallam County to serve the Olympic Peninsula and surrounding areas. The feasibility study is being undertaken by Boise State University, with the consultant team led by Cameron Wold, author of “Establishing a Shared-Use Commercial Kitchen”. Mr. Wold and his team have performed similar studies for groups throughout the country.

The proposed Food Enterprise Center will contain a shared-use commercial kitchen, training rooms and facilities, and other space to be available for regional food entrepreneurs. The shared kitchen will be a fully licensed, insured and equipped facility where caterers, bakers, chefs, specialty food manufacturers, growers and producers, and other food entrepreneurs can rent food production kitchen space at an affordable cost or have their items co-packed. Further, the facility’s support services will offer business training, technical assistance and access to capital for food entrepreneurs.

The most critical and difficult step in this study is identifying potential users and the kinds of processing and services they need. The study team is asking your assistance to help get the word out. We need to reach a broad cross section of our communities in Clallam, Jefferson, Kitsap and Island counties. Any help you can offer distributing and collecting surveys, announcing the initial meeting or offering names of individuals that we could contact would be greatly appreciated. One excellent way to help is for you to include the enclosed survey and flier in any mailings you provide your constituents. Another is by assisting us with a mailing to your group. If confidentiality issues are of a concern, we could furnish you the “mailer”, ready for you to affix your labels.

**Clallam County Economic Development Council**  
**Feasibility Study for Establishing a Shared-use Commercial Kitchen Incubator**

We encourage you to attend an informational meeting on Tuesday, February 8 at 4:00 p.m. at the Jamestown Tribal Center in Blyn. Cameron Wold, leader of the study team will present a short videotape on the highly successful Denver Enterprise Center's food entrepreneurs program and shared-use commercial kitchen. He will also discuss the study, and we will distribute copies of the enclosed survey. The survey, the enclosed flier and this letter are available online at <http://www.clallam.org/>.

## User Survey – Article and Press Release

### Food Enterprise Center Study

January 26, 2005 - Clallam netWorks EDC

### Launch of Regional Food Enterprise Center Study

**Contact:**

Curtis Beus, WSU Extension Agent  
417-2280  
CBeus@co.clallam.wa.us

Anne Hastings Murray, Co-Chair Agriculture Cluster, Clallam netWorks  
452-5425  
murray@olympus.net

**Cameron Wold, Lead Consultant**  
208: 426-4140  
208: 860-7280  
camwold@boisestate.edu

Good news for food entrepreneurs! The Clallam netWorks Agriculture Cluster is commissioning a feasibility study to investigate the development of a regional Food Enterprise Center based in Clallam County to serve the Olympic Peninsula and surrounding areas. A consultant team with extensive national experience in the structure and operation of commercial kitchens will conduct the study. The study team is headed by Cameron Wold, a Community Developer at Boise State University and the author of "Establishing a Shared-Use Commercial Kitchen".

The kick-off meeting launching the study is scheduled for Tuesday, February 8 at 4:00 p.m. at the Jamestown Tribal Center in Blyn. Anyone interested in a Food Enterprise Center is encouraged to attend the meeting. Wold will present a short videotape on the highly successful Denver Enterprise Center's food entrepreneurs' program and shared-use commercial kitchen, and he will discuss the study. A survey to identify potential users and the kinds of processing and services they need will be distributed at the meeting and will be available on line at <http://www.clallam.org/>.

The food enterprise center will contain a shared-use commercial kitchen, training rooms and facilities, and storage space (e.g., dry, refrigerated and freezer storage for the region's food entrepreneurs. The kitchen will be a fully licensed, insured and equipped facility where caterers, bakers, chefs, specialty food manufacturers, growers and producers, and other food entrepreneurs can rent food production kitchen space at an affordable cost. Further, the facility will be a place where area food entrepreneurs can obtain a wide array of value-added services, including technical assistance, access to capital, and other ancillary services.

The study is a project of the Clallam netWorks Agriculture Cluster. Anne Hastings Murray, Co-Chair of the Cluster stated, "Sustaining agriculture in Clallam County and the larger region requires the ability to add value to agricultural products. This study seeks to uncover the community economic development potential for our agriculture industry and, in general, for this region." Curt Beus, WSU Extension Agent for Clallam County, added, "We want a kitchen incubator that can create local jobs, showcase local chefs and food processors, provide training opportunities for low-income individuals and possibly incubate an

**Clallam County Economic Development Council**  
**Feasibility Study for Establishing a Shared-use Commercial Kitchen Incubator**

entire industry, raising food manufacturing in the region to the next level. This is a community project from which everyone will benefit.” Similar kitchens in other parts of the country have become engines for job creation.

Partners in the study include Clallam County, the City of Sequim, WSU Extension Services, Clallam Business Incubator, Dungeness Organic Produce, Graysmarsh Farm, Lazy J Tree Farm, the Sequim Lavender Growers Association and Little Skookum Shellfish.

“We are very eager to get this feasibility study underway,” said Murray. “We have some of the most experienced incubator kitchen consultants in the business conducting our study. We know there are a lot of current and potential food entrepreneurs out there, and the meeting on February 8 will get the ball rolling. We’re hoping for a really good turnout.”

**Press Release**

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**For Immediate  
Release**

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**Contact:** Curtis Beus, WSU Extension Agent  
360.417-2280  
cbeus@co.clallam.wa.us

Anne Hastings Murray, Co-Chair Agriculture Cluster, Clallam netWorks  
360.452-5425  
murray@olympus.net

Cameron Wold, Lead Consultant  
208.426-4140  
208: 860-7280  
camwold@boisestate.edu

**Re: Launch of Regional Food Enterprise Center Study**

Good news for food entrepreneurs! The Clallam netWorks Agriculture Cluster is commissioning a feasibility study to investigate the development of a regional Food Entrepreneurship Center based in the County. A consultant team with extensive national experience in the structure and operation of commercial kitchens will conduct the study. The study team is headed by Cameron Wold, a Community Developer at Boise State University and the author of “Establishing a Shared-Use Commercial Kitchen”.

The kick-off meeting launching the study is scheduled for Tuesday, February 8 at 4:00 p.m. at the Jamestown Tribal Center. Anyone interested in a Food Enterprise Center is encouraged to attend the meeting. Wold will present a short videotape on the highly successful Denver Enterprise Center’s food entrepreneurs’ program and shared-use commercial kitchen, and he will discuss the study and a survey to identify potential users and the kinds of processing and services they need. The survey will be distributed at the meeting and will be available on line at <http://www.clallam.org/>.

**Clallam County Economic Development Council**  
**Feasibility Study for Establishing a Shared-use Commercial Kitchen Incubator**

The food entrepreneurship center will contain a shared-use commercial kitchen, training rooms and facilities, and storage space (e.g., dry, refrigerated and freezer storage for the region's food entrepreneurs. The kitchen will be a fully licensed, insured and equipped facility where caterers, bakers, chefs, specialty food manufacturers, growers and producers, and other food entrepreneurs can rent food production kitchen space at an affordable cost. Further, the facility will be a place where area food entrepreneurs can obtain a wide array of value-added services, including technical assistance, access to capital, and other ancillary services.

The study is a project of the Clallam netWorks Agriculture Cluster. Anne Hastings Murray, Co-Chair of the Cluster stated "Our organization is looking forward to working with WSU Extension Services, the Clallam Business Incubator, local tribes, nonprofits and small business development specialists from the region on this economic enhancement project." "Sustaining agriculture in Clallam County and the larger region requires being able to add value to agricultural products. We look to this study seeks to uncover the community economic development potential for our agriculture industry and, in general, for this region." "We want a kitchen incubator that can create local jobs, showcase local chefs and food processors, provide training opportunities for low-income individuals and possibly incubate an entire industry, raising food manufacturing in the region to the next level," said Curt Beus, WSU Extension Agent for Clallam County. This is a community project from which everyone will benefit." Similar kitchens in other parts of the country have become engines for job creation."

Partners in the study include Clallam County, the City of Sequim, WSU Extension Services, Clallam Business Incubator, Dungeness Organic Produce, Graysmarsh Farm, Lazy J Tree Farm, the Sequim Lavender Growers Association and Little Skookum Shellfish.

We are very eager to get this feasibility study underway," stated Murray. We have some of the most experienced incubator kitchen consultants in the business conducting our study."

## Appendix B

### Study Area Boundaries

Industry research has indicated that users of shared-use commercial kitchens will commute approximately one to two hours to use a rural facility. Applying this commute time to the Sequim, WA area provides the facility's "drawing area population" as follows.

#### **Census 2000 Data for the State of Washington**

<http://www.census.gov/census2000/states/nm.html>

County	Population
<b>Washington State – Primary counties</b>	
Clallam County	64,525
Jefferson County	25,953
Subtotal	90,478
<b>Washington State – Secondary counties</b>	
Kitsap County	231,969
Island County	71,558
San Juan County	14,077
<b>Total</b>	<b>408,082</b>

It should be noted that Industry research clearly indicates that population is an important factor in a shared-use commercial kitchen's ability to become self-sufficient and sustaining. The total population of the primary drawing area is **60,478** with a combined drawing area population of **408,072**. While the total drawing area population is somewhat more spread out geographically than other rural kitchens, and has some daunting geographical barriers, the drawing area has sufficient population for a successful project.

## Selected Demographic Information – Study Area Counties

Source: U.S. Census Bureau, Census 2000 Summary File 1

Geographic area	Population	Housing units	Area in square miles			Density per square mile of land area	
			Total area	Water area	Land area	Population	Housing units
<b>Washington State</b>	<b>5,894, 121</b>	<b>2,451,075</b>	<b>71,299.64</b>	<b>4,755.58</b>	<b>66,544.06</b>	<b>88.6</b>	<b>36.8</b>
<b>COUNTY</b>							
<b>Primary Counties</b>							
Clallam County	64,525	30,683	2,670.34	930.89	1,739.45	37.1	17.6
Jefferson County	25,953	14,144	2,183.52	369.29	1,814.23	14.3	7.8
<b>SubTotal</b>	<b>90,478</b>	<b>72,096</b>					
<b>Secondary Counties</b>							
Kitsap County	231,969	92,644	565.98	170.01	395.97	585.8	234.0
Island County	71,558	32,378	517.39	308.95	208.43	343.3	155.3
San Juan County	14,077	9,752	621.07	446.15	174.92	80.5	55.8
<b>Total</b>	<b>408,082</b>	<b>206,890</b>					

## General Demographic Information

### Washington State

<b>People QuickFacts</b>	<b>Washington</b>	<b>USA</b>
Population, 2003 estimate	6,131,445	290,809,777
Population, percent change, April 1, 2000 to July 1, 2003	4.0%	3.3%
Population, 2000	5,894,121	281,421,906
Population, percent change, 1990 to 2000	21.1%	13.1%
Persons under 5 years old, percent, 2000	6.7%	6.8%
Persons under 18 years old, percent, 2000	25.7%	25.7%
Persons 65 years old and over, percent, 2000	11.2%	12.4%
Female persons, percent, 2000	50.2%	50.9%
White persons, percent, 2000 (a)	81.8%	75.1%
Black or African American persons, percent, 2000 (a)	3.2%	12.3%
American Indian and Alaska Native persons, percent, 2000 (a)	1.6%	0.9%
Asian persons, percent, 2000 (a)	5.5%	3.6%
Native Hawaiian and Other Pacific Islander, percent, 2000 (a)	0.4%	0.1%
Persons reporting some other race, percent, 2000 (a)	3.9%	5.5%
Persons reporting two or more races, percent, 2000	3.6%	2.4%
White persons, not of Hispanic/Latino origin, percent, 2000	78.9%	69.1%
Persons of Hispanic or Latino origin, percent, 2000 (b)	7.5%	12.5%
Living in same house in 1995 and 2000', pct age 5+, 2000	48.6%	54.1%
Foreign born persons, percent, 2000	10.4%	11.1%
Language other than English spoken at home, pct age 5+, 2000	14.0%	17.9%
High school graduates, percent of persons age 25+, 2000	87.1%	80.4%
Bachelor's degree or higher, pct of persons age 25+, 2000	27.7%	24.4%
Persons with a disability, age 5+, 2000	981,007	49,746,248
Mean travel time to work (minutes), workers age 16+, 2000	25.5	25.5
Housing units, 2002	2,530,215	119,302,132
Homeownership rate, 2000	64.6%	66.2%
Housing units in multi-unit structures, percent, 2000	25.6%	26.4%
Median value of owner-occupied housing units, 2000	\$168,300	\$119,600
Households, 2000	2,271,398	105,480,101
Persons per household, 2000	2.53	2.59
Median household income, 1999	\$45,776	\$41,994
Per capita money income, 1999	\$22,973	\$21,587
Persons below poverty, percent, 1999	10.6%	12.4%

**Clallam County Economic Development Council**  
**Feasibility Study for Establishing a Shared-use Commercial Kitchen Incubator**

**Business QuickFacts**

	<b>Washington</b>	<b>USA</b>
Private nonfarm establishments with paid employees, 2001	164,072	7,095,302
Private nonfarm employment, 2001	2,294,285	115,061,184
Private nonfarm employment, percent change 2000-2001	1.2%	0.9%
Nonemployer establishments, 2000	326,397	16,529,955
Manufacturers shipments, 1997 (\$1000)	78,852,486	3,842,061,405
Retail sales, 1997 (\$1000)	52,472,866	2,460,886,012
Retail sales per capita, 1997	\$9,363	\$9,190
Minority-owned firms, percent of total, 1997	9.6%	14.6%
Women-owned firms, percent of total, 1997	27.5%	26.0%
Housing units authorized by building permits, 2002	40,200	1,747,678
Federal funds and grants, 2002 (\$1000)	40,217,592	1,901,247,889

**Geography QuickFacts**

	<b>Washington</b>	<b>USA</b>
Land area, 2000 (square miles)	66,544	3,537,438
Persons per square mile, 2000	88.6	79.6
FIPS Code	53	

1: Includes data not distributed by county.

(a) Includes persons reporting only one race.

(b) Hispanics may be of any race, so also are included in applicable race categories.

FN: Footnote on this item for this area in place of data

NA: Not available

D: Suppressed to avoid disclosure of confidential information

X: Not applicable

S: Suppressed; does not meet publication standards

Z: Value greater than zero but less than half unit of measure shown

F: Fewer than 100 firms

<http://quickfacts.census.gov/qfd/states/35000.html>

## Appendix C

### Clallam County Food Enterprise Center Steering Committee Contact Info

<b>Last Name</b>	<b>First Name</b>	<b>Business</b>	<b>Street</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Phone (360)</b>
Jensen	Kelley	Dungeness Gold, Inc. Director, WSU Extension,	P.O. Box 41	Sequim	WA	98382	681-7939
Baril	Katherine	Jefferson County Director, WSU Extension,	201 West Patison	Port Hadlock	WA	98339	379-5610 ext 202
Beus	Curtis	Clallam County Sequim Open Aire Market Clallam	223 East 4th St., Suite 15 122 Sanford Lane	Port Angeles,	WA	98362-3015	417-2280
Daniels	Dennis	Aire Market Clallam	Lane	Sequim Port	WA	98382	582-0508
Haguewood	Jim	netWorks EDC	102 E 1st St. 225 W Patison St	Angeles Port	WA	98362	457-7793
Ingersoll	Tony	USDA - RC&D Area Mgr, Northwest Svcs Council	228 W. 1st St., Ste N	Port Angeles	WA	98339	379-6740
Jameson	Leontine	Nash's Organic Produce Co-Chair, Agriculture Cluster Sequim Lavender Growers Association Shorebank	1865 E Anderson Rd.	Sequim Port	WA	98382	681-7458
Kozun	Kia	Produce Co-Chair, Agriculture Cluster Sequim Lavender Growers Association Shorebank	306 Lopez Ave	Port Angeles	WA	98362	452-5425
Murray	Anne	Association Shorebank	1141 Cays Rd.	Sequim Port	WA	98382	681-6055
Olson	Susan	Enterprise Pacific Bella Italia Restaurant Kitsap Food and Farm Alliance Food & Farm Coordinator, WSU Extension Jefferson County Diversifed Resource Center	P.O. Box 1067	Townsend Port	WA	98368	379-9421
Pranger	Denise	Enterprise Pacific Bella Italia Restaurant Kitsap Food and Farm Alliance Food & Farm Coordinator, WSU Extension Jefferson County Diversifed Resource Center	127 E. First St. PO Box 971	Angeles	WA	98362	457-6110 (253)
Conklin	Neil	Restaurant Kitsap Food and Farm Alliance Food & Farm Coordinator, WSU Extension Jefferson County Diversifed Resource Center	PO Box 971	Olalla,	Wa	98359	857-7267
Robertson	Caryn	Food & Farm Coordinator, WSU Extension Jefferson County Diversifed Resource Center	201 W Patison St	Port Hadlock	WA	98339	379-5610
Singh	Harvindar	Resource Center	232 Eberle Lane	Sequim	WA	98382	681-4471
Williams	Jim	Resource Center	Lane	Sequim	WA	98382	681-4471

## **Food Enterprise Steering Committee Questionnaire**

Name:

Organization:

How does your organization relate to area food entrepreneurs?

Do you foresee that you or your organization could provide any assistance (technical assistance, business assistance, guidance on appropriate capital for business loans or grants, ability to promote facility or services, etc.) to the food center if developed? How?

Providing that the feasibility study is positive, do you see any reason that the development of such a facility should not be pursued?

Any other comments?

THANK YOU

Please email this questionnaire to:

Cameron Wold / Boise State University

[camwold@boisestate.edu](mailto:camwold@boisestate.edu)

or call: 208.426.4140

## **Appendix D**

### **Sample Operating Forms**

The following list of operating forms was developed by the Denver Enterprise Center as it began operations of its kitchen. Rather than an exhaustive list, these forms are presented as a help and starting point to those that will draft the operating forms for the local kitchen. No legal review or status is implied and any forms based on the following should be reviewed by appropriate legal representation in the proper jurisdiction.

**Washington State – Application For Food Processing Plant License**  
**User Application**  
**Kitchen Inspection Checklist**  
**Kitchen Facility Equipment List**  
**Incubator Background/Policies/Procedures**  
**Statistical Employment Information**  
**Kitchen Incubator Monthly Statement**  
**User Start-Up Checklist**  
**Kitchen Incubator Lease / Operating Agreement**

# Washington State – Application For Food Processing Plant License

OFFICE USE ONLY  
 ISSUED: \_\_\_\_\_  
 LICENSE NO.: \_\_\_\_\_



CASHIER USE ONLY

## APPLICATION FOR FOOD PROCESSING PLANT LICENSE

4104

### NEW LICENSE

Please type or print clearly LICENSE EXPIRATION DATE: JUNE 30

FIRM NAME:		PHYSICAL PLANT LOCATION:
APPLICANT NAME:		
MAILING ADDRESS:		

NAME OF: <input type="checkbox"/> OWNER <input type="checkbox"/> MANAGER	TELEPHONE NUMBER	COUNTY
--	------------------	--------

Firm operates as:

Individual     Partnership     Cooperative     Corporation     LLC

List name and address of all partners and/or officers below:

NAME	TITLE	ADDRESS (include City, State, Zip Code)

If firm is out of state, provide name and address of individual residing in Washington State who is authorized to receive and accept service of summons and legal notice.

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Type of food(s) processed:

**APPLICANT STATEMENT**

I certify that the above information is correct and that the fee enclosed corresponds to the estimated gross annual sales for the initial license period.

Signature of Applicant: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**FEE SCHEDULE\***

If gross annual sales are:	The license fee is:
\$0 to \$50,000.....	\$ 55.00
\$50,001 to \$500,000.....	\$ 110.00
\$500,001 to \$1,000,000.....	\$ 220.00
\$1,000,001 to \$5,000,000.....	\$ 385.00
\$5,000,001 to \$10,000,000.....	\$ 550.00
Greater than \$10,000,000.....	\$ 825.00

\*Fees are based in gross sales of types of food that WSDA inspects and for which the license is required and issued.

**REMITTANCE**

The license fee is determined by estimating the gross annual sales for the initial license period.

TOTAL LICENSE FEE REMITTANCE: \$ \_\_\_\_\_

AGR 2000-N (FV10/99) Checks returned by the bank will be charged a handling fee of \$25.00. (RCW 62A.3.515 (a) and 62A.3.520)

## User Application

---

Date: \_\_\_\_\_

Name: \_\_\_\_\_

Phone: \_\_\_\_\_

Daytime                      Home or Emergency #                      Pager, Mobile, etc.

Home Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

SSN: \_\_\_\_\_

Business Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Driver's License No. \_\_\_\_\_ (attach copy) (include employees on separate sheet)

Business Status:     Pre-Venture    Projected Start Date: \_\_\_\_\_

New (1<sup>st</sup> Year)                      Start Date: \_\_\_\_\_

Existing                                      Start Date: \_\_\_\_\_

Legal Status:

Type of Business:

Sole Proprietorship

Specialty Food Producer

Coporation (EIN \_\_\_\_\_)

Caterer

Partnership (EIN \_\_\_\_\_)

Vendor

Other \_\_\_\_\_

Previous Business Name and Address:

\_\_\_\_\_  
\_\_\_\_\_

Previous Health Department Jurisdiction: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

D.E.C. Kitchen Application (Continued)

**Clallam County Economic Development Council**  
Feasibility Study for Establishing a Shared-use Commercial Kitchen Incubator

1. Denver Health & Hospitals Food Handler's Certificate (attach copy)  
Expiration Date: \_\_\_\_\_
2. Business – Professional License  
Type: \_\_\_\_\_ Exp. Date: \_\_\_\_\_
3. Briefly describe your business/food product(s) and the products you wish to prepare at the Kitchen Incubator:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. List ingredients needed to prepare your food product(s):
  - a. \_\_\_\_\_ e. \_\_\_\_\_
  - b. \_\_\_\_\_ f. \_\_\_\_\_
  - c. \_\_\_\_\_ g. \_\_\_\_\_
  - d. \_\_\_\_\_ h. \_\_\_\_\_
5. What type of equipment do you require to prepare your product?
  - a. \_\_\_\_\_ e. \_\_\_\_\_
  - b. \_\_\_\_\_ f. \_\_\_\_\_
  - c. \_\_\_\_\_ g. \_\_\_\_\_
  - d. \_\_\_\_\_ h. \_\_\_\_\_
6. What type of equipment do you require to package your product?
  - a. \_\_\_\_\_ e. \_\_\_\_\_
  - b. \_\_\_\_\_ f. \_\_\_\_\_
  - c. \_\_\_\_\_ g. \_\_\_\_\_
  - d. \_\_\_\_\_ h. \_\_\_\_\_
7. How will your product be shipped? \_\_\_\_\_
8. Is a written business plan available for review? (please attach) \_\_\_\_\_
  - a. If not, list date business plan is to be completed \_\_\_\_\_
9. What is your target market? \_\_\_\_\_  
\_\_\_\_\_

D.E.C. Kitchen Application (Continued)

10. How do you (plan to) market your product? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

11. Number of employees: Full time \_\_\_\_\_ Part time \_\_\_\_\_

12. If you are already in business, has your product proven viable: \_\_\_\_\_

If yes, where and how is it produced? \_\_\_\_\_  
\_\_\_\_\_

13. If you are not in operation, have you tested you target market for product acceptance and profitability? Yes \_\_\_\_\_ No \_\_\_\_\_

14. Does your business have adequate financing: Yes \_\_\_\_\_ No \_\_\_\_\_

Briefly explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

15. What is you production goal (i.e., number of units per production run?)  
\_\_\_\_\_

---

(A minimum of 10 hrs. per month is required for new kitchen users. After 6 months, a minimum of 20 hrs. is required.)

16. What hours of the day do you wish to use Kitchen Incubator facilities?  
(for example, 7:00 a.m. to 3:00 p.m.) \_\_\_\_\_ to \_\_\_\_\_

17. What alternate times would you prefer if you cannot be scheduled for your desired time? \_\_\_\_\_ to \_\_\_\_\_

18. What day(s) do you wish to use the Kitchen Incubator facilities? Please check all that apply:

Monday  Tuesday  Wednesday  Thursday  Friday

Saturday  Sunday

Day  Night  After Hours

19. Do you currently need storage space?  Yes  No

If so, which type of storage and how many units?

## KITCHEN INSPECTION CHECK LIST

Name: \_\_\_\_\_ Date: \_\_\_\_\_

Tenant Company: \_\_\_\_\_ Time: \_\_\_\_\_

Please comment on any areas that you find inadequately cleaned – Indicate Unit #: \_\_\_\_\_

Counters & Walls:

Other:

Counters \_\_\_\_\_

Walls \_\_\_\_\_

Floors \_\_\_\_\_

Tables \_\_\_\_\_

Shelves \_\_\_\_\_

Equipment:

Other:

Ovens \_\_\_\_\_

Stoves \_\_\_\_\_

Braising Pans \_\_\_\_\_

Tilt Kettle(s) \_\_\_\_\_

Mixer(s) – Large \_\_\_\_\_

Small \_\_\_\_\_

Proofer \_\_\_\_\_

Scales \_\_\_\_\_

Slicer \_\_\_\_\_

Can Opener \_\_\_\_\_

Robo Coupe \_\_\_\_\_

Refrigerator \_\_\_\_\_

Walk-in \_\_\_\_\_

Other items \_\_\_\_\_

Additional Comments \_\_\_\_\_

Dishwashing Area / Mop Room:

Other:

Sinks/Stainless Steel \_\_\_\_\_

Dishwasher screens \_\_\_\_\_

Dishwasher top & sides \_\_\_\_\_

**Clallam County Economic Development Council**  
**Feasibility Study for Establishing a Shared-use Commercial Kitchen Incubator**

Floor \_\_\_\_\_

Mop bucket \_\_\_\_\_

Trash Cans \_\_\_\_\_

Additional Comments \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Storage Area(s):

Other:

Supplies Stacked on Floor \_\_\_\_\_

\_\_\_\_\_  
Supply Storage Cupboard(s) \_\_\_\_\_

\_\_\_\_\_  
Additional Comments \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_ Time: \_\_\_\_\_

Signature: \_\_\_\_\_

Inspection:

Pass \_\_\_\_\_

Fail \_\_\_\_\_

Penalty Charge: \$20.00 x \_\_\_\_\_ hrs. = \$ \_\_\_\_\_

Kitchen Manager: \_\_\_\_\_

## **Kitchen Facility Equipment List**

Walk-In Cooler with 16 lockable storage compartments  
Walk-In Freezer with 14 lockable storage compartments  
Walk-In Dry Storage with 14 lockable storage compartments  
Small, medium, and large storage cubicles  
3 Roll-In Refrigerators  
4 Roll-In Freezers/rolling racks  
4 Mobile Ingredient Bins  
2 Mobile Dish Shelving/2 Drying Shelves  
2 Food Processors  
2 - 20 qt. Mixers  
2 Double Steamers  
2 Tilting Braising Pans  
Four Burner Range - with ovens  
2 Griddles with ovens  
Proof Box  
Ice Machine with bin  
2 Assorted baker's work, prep and assembly tables and shelving  
4 Hand sinks  
Trash bins  
Telephone for local calls  
2 Reach-In Refrigerators  
11 Reach-In Freezers  
6 Mobile Work Tables  
5 Mobile Pan Racks  
2 Slicers  
2 - 30 qt. Mixers  
4 Trunion Kettles w/stand  
2 Hot Top Ranges with ovens  
Six Burner Range with oven  
3 Double Convection ovens (6 units)  
2 Fryers with filters and dump stations  
2 Double sinks  
2 Large single sinks  
2 Bathrooms - 1 Men/1 Women  
5 Lockers  
Can opener/table

## Kitchen Incubator Background/Policies/Procedures

### ***BACKGROUND***

The Denver Enterprise Center Kitchen Incubator was created to assist aspiring food entrepreneurs become established in the market. Many potential food producers are unable to enter the market because of the high cost of constructing a certified kitchen facility. The Kitchen Incubator offers an affordable, shared kitchen, assistance of experts, and a community of entrepreneurs who provide valuable advice. Our mission at the Denver Enterprise Kitchen Incubator is to stimulate small food service business growth and development in the metro Denver area and to assist entrepreneurs during the start-up phase of their organizational development.

The newly constructed, fully equipped \$1.4 million, 7,900 square foot certified kitchen facility adjoins the existing Business Incubator complex. Facilities in the kitchen area have been grouped by type of food product produced. Areas include sauces (salsa, salad dressings, jams, jellies, etc.) bulk item production, bakery/baked goods, and space for caterers and food cart vendors. Plans provide space for up to four producers using the facility simultaneously. Space will be rented to producers on an hourly basis. A tenant must rent at least 10 hours per month for the first six months and 20 hours per month after that.

Strong community support has been demonstrated for the D.E.C. Kitchen Incubator. The Denver Mayor's Office of Economic Development has provided the most significant share of project funding. Other large financial supporters include the Denver Community Development Agency, the US West, Boettcher and Norwest Foundations, and Bank One.

Significant in-kind assistance has been provided by System Design International (food service facility design consultants), the Colorado Center for Community Development and Nolte & Associates Engineering. ABO-Copeland Architects of Denver prepared the architectural plans and construction drawings. Empire Construction Services was the facility general contractor.

### ***APPLICATION PROCEDURE***

Food producers wishing to become tenant companies at the Kitchen Incubator must first complete an application similar—although considerably expanded to reflect the food processing/preparation aspects—to that required of Business Incubator tenants (**Addendum A**). Applicants must provide a business plan outlining their proposed operation in order to be approved to use the kitchen facilities. The proposed product or operation must be feasible to be produced in this facility. The selection process will include a careful review of prospective tenant's business plan, interviews with both the Business Incubator Executive Director and the Kitchen Facility Manager, and may include screening by the Kitchen Incubator Steering Committee. Prospective tenants

must demonstrate business and marketing plan skills, as well as the financial capacity needed to execute their plan.

### ***KITCHEN ORIENTATION***

**All users must attend mandatory orientation session(s) to become acquainted with the Kitchen Incubator policies, operating procedures and admission requirements. A partial list of admission requirements includes:**

1. A completed application.
2. A written approved business and marketing plan.
3. Food safety and equipment use and safety training—including a current City and County of Denver Food Handler Certificate.
4. City and County of Denver licenses needed to produce the desired product and operate a business.
5. Appropriate business and product liability insurance.

### **FOOD AND EQUIPMENT SAFETY AND SANITATION TRAINING**

All users will be required to complete the Kitchen Incubator’s training course on food and equipment safety and sanitation before using the facility. All kitchen users must have a current Denver Health and Hospitals “Food Handler’s Certificate” indicating passage of basic food safety and handling awareness testing, as well as any other appropriate Health and Hospitals criteria.

### **KITCHEN SCHEDULING**

Kitchen Incubator staff will schedule kitchen use based on space availability on a first come, first reserved basis. Space will be scheduled the last week of the month for the following month. Scheduling will reflect availability of space and time in the appropriate area. Please be sure to schedule your work needs in advance to assure that space (and time) is available.

### ***REGULAR CLEANING***

The Kitchen Checklist – Inspection/Cleanliness, **Addendum B**, will be used by all tenant companies/users to help monitor cleaning activities and success in the Kitchen Incubator. The Kitchen will also be subject to regular, invited and frequent inspections by the City and County of Denver Department of Health and Hospitals inspectors.

Commercial cleaning will be performed periodically. The Kitchen Center Manager will determine frequency. Commercial cleaning **does not substitute** for individual daily cleaning.

## ***EQUIPMENT***

**Equipment located in the kitchen incubator is the finest available and has been designed and equipped to provide maximize efficiency in food production. A full equipment list is attached.**

### ***STORAGE***

Individual secured storage space is available for rent for walk-in freezer, cooler and dry storage. Tenant companies will be allowed to affix their own locks on each rented storage unit. The Denver Enterprise center will assume no responsibility for the security of any user items stored at the Kitchen Incubator.

Bulk dry and pallet storage space immediately adjacent to the kitchen is available for rent to tenant companies on first come, first served basis.

### ***OFFICE SPACE***

Office space is available for lease from time to time at the Center – available on a first come, first serve basis to incubator tenants. The offices are located mainly on the second floor. A common shared office will be available for kitchen users. Individual offices may be available. Rent varies depending on the size of the office. Contact the main office for more information at 303-296-9400.

### ***ENTRANCE/ACCESS TO THE KITCHEN INCUBATOR***

Tenant companies will access the facility through the main front Kitchen Center entrance/reception area. Access is monitored by an electronic keypad entry/exit system, is monitored at all times by video camera/recorders, and is connected to the Center's alarm system. Tenant Companies must punch in and punch out each time upon entering or leaving the facility.

### ***INSURANCE & LICENSES***

Each Kitchen Incubator tenant company must maintain a minimum of \$500,000 of product liability insurance and general liability insurance – with the D.E.C. listed as an additional insured in each case. Proof of such insurance must be provided to the Kitchen Manager before use of the facility will be permitted.

Each tenant must maintain at all times a current excise license (“Business Professional License”) issued by the City and County of Denver.

### ***MANUFACTURED PRODUCTS***

Only those items that will be used for human consumption will be deemed appropriate for manufacturing at D.E.C. Kitchen Incubator.

### ***UTENSILS***

**Clallam County Economic Development Council**  
**Feasibility Study for Establishing a Shared-use Commercial Kitchen Incubator**

The D.E.C. will provide commercial kitchen equipment for use in the manufacturing of your food products. The Center will not provide all of the equipment that may be required for production. Users must provide their own common utensils and equipment including stirring spoons, measuring cups, mixing bowl, cooking trays, etc., and any specialized equipment required.

***OTHER REGULATIONS/POLICIES & PROCEDURES***

ALL TENANTS MUST COMPLY:

1. Must have Food Handler's card in possession while using kitchen.
2. Wear protective hair restraints at all times. (Hair covers, beard covers).
3. Wear clean outer garments and shoes. Use disposable aprons. (No street clothes, no open toed shoes or sandals, no ball caps, and shirts or blouses must be worn).
4. Wash hands frequently with soap before starting work, and after each absence from the work area, after use of the restroom and any time hands become soiled or contaminated. Dry hands with paper towels.
5. Remove all chains or loose jewelry that might fall into food or equipment.
6. Remove all hand jewelry before manipulating or handling food.
7. No person afflicted with an open cut, infected wound, boil or communicable disease may work in any capacity in the kitchen.
8. No smoking is allowed in the kitchen, storage rooms, walk-in refrigerators, dock areas or any other part of the building.
9. No animals are permitted anywhere on the premises.
10. Wipe up spills right away and sanitize surfaces as needed during use and when production is completed.
11. No pesticides, hazardous materials or detergents may be used when preparing food products.
12. Clean up floors and mop up floor spills as needed during use and when production is completed. Kitchen must be left clean and ready for next use.
13. Dispose of empty containers, boxes and wrappers.
14. Turn off, clean and return equipment to storage position when no longer needed.
15. Wash dirty dishes, pans, pots, and utensils in the ware washing room using the furnished cleaning products and final rinse sanitizer.
16. Secure dock area, properly close doors and checkout by the proscribed procedure when leaving the kitchen facility.

The Denver Enterprise Center Kitchen Incubator was created to assist aspiring food entrepreneurs become established in the market. The successful operation of this facility requires cooperation from all tenant companies.

I have read the terms, conditions and policies as outlined above and agree to abide by. I have received a copy of the terms, conditions and policies.

SIGNED:

\_\_\_\_\_

Name

\_\_\_\_\_

Business Name

\_\_\_\_\_

Date

## STATISTICAL EMPLOYMENT INFORMATION

Please fill in all information requested below. For assistance call Valorie Yarbrough or Rick Snyder at 303-640-7100.

1. Employee Name: \_\_\_\_\_  
Employee Address : \_\_\_\_\_  
Employee Phone Number: \_\_\_\_\_
2. Employer Name: \_\_\_\_\_  
Employer Address: \_\_\_\_\_  
Employer Phone Number: \_\_\_\_\_
3. Date Hired: \_\_\_\_\_
4. Employee's Sex:        \_\_\_\_\_ Male        \_\_\_\_\_ Female
5. Employee Race/Ethnicity: \_\_\_\_\_ White        \_\_\_\_\_ Hispanic        \_\_\_\_\_ African American  
   \_\_\_\_\_ American Indian/Alaskan Native        \_\_\_\_\_ American Indian/Alaskan Native
6. Employee Status:  
      \_\_\_\_\_ Permanent Hours/week: \_\_\_\_\_        \_\_\_\_\_ Temporary Hours/week: \_\_\_\_\_  
      \_\_\_\_\_ Disabled        \_\_\_\_\_ Female Head of Household        \_\_\_\_\_ Elderly-age: \_\_\_\_\_ years
7. If you were not born in the United States, state your national origin: \_\_\_\_\_
8. Family Income: Check the appropriate range for the total income of all related family members living with you, including your income, for the 12 months prior to the date you were hired:  
      \$        0 - \$29,100 \_\_\_\_\_        \$29,101 - \$33,300 \_\_\_\_\_  
      \$33,101 - \$37,450 \_\_\_\_\_        \$37,451 - \$41,600 \_\_\_\_\_  
      \$41,601 - \$44,950 \_\_\_\_\_        \$44,951 - \$48,250 \_\_\_\_\_  
      \$48,251 - \$51,600 \_\_\_\_\_        \$51,601 - \$54,900 \_\_\_\_\_  
      \$54,901 - above        \_\_\_\_\_
9. State the number of related family members living with you, including yourself: \_\_\_\_\_
10. How did you first hear about this job opportunity? \_\_\_\_\_
11. State your job title: \_\_\_\_\_

I hereby certify that, to the best of my knowledge, the above information is complete and correct. I understand that the information I have provided is subject to verification by the City and County of Denver and by the U.S. Department of Housing and Urban Development.

Employee Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## KITCHEN INCUBATOR MONTHLY STATEMENT

Name: \_\_\_\_\_ Business Name: \_\_\_\_\_

Dates of Lease Agreement: \_\_\_\_\_ Expiration Date: \_\_\_\_\_

License Expires: \_\_\_\_\_ Insurance Expires: \_\_\_\_\_

You/your company have/has used the Kitchen Incubator at the Denver Enterprise Center Business Incubator in accordance with the lease (see above dates), its terms and conditions. The following is the summary of charges now due for \_\_\_\_\_ 1999

### **Kitchen Rental:**

Kitchen Start Up Fees: (See Lease) \$ \_\_\_\_\_

- Plan A: Min 10hr./20 - (first six months) \$20/hr. x 10 hrs. = \$ \_\_\_\_\_
- Plan B: 6 months 20 hrs./month \$20/hr. x \_\_\_\_\_ hrs. = \$ \_\_\_\_\_
- Plan C: 20-39 hrs./month \$18/hr. x \_\_\_\_\_ hrs. = \$ \_\_\_\_\_
- Plan D: 40-79 hrs./month \$16/hr. x \_\_\_\_\_ hrs. = \$ \_\_\_\_\_
- Plan E: 80-120 hrs./month \$14/hr. x \_\_\_\_\_ hrs. = \$ \_\_\_\_\_
- Plan F: 120-149 hrs./month \$12/hr. x \_\_\_\_\_ hrs. = \$ \_\_\_\_\_
- Plan G: 150/200 hrs./month (storage rental not included) \$1900.00 Flat Rate= \$ \_\_\_\_\_
- Discount Rate: Used between 10 P.M. and 5 A.M. \$14/hr. x \_\_\_\_\_ hrs. = \$ \_\_\_\_\_

### **Cold Rental:**

- Walk in Cooler Cage \$35/Month = \$ \_\_\_\_\_
- Walk in Freezer Cage \$35/Month = \$ \_\_\_\_\_
- Victory Single Freezer \$35/Month = \$ \_\_\_\_\_
- Victory Single Refrigerator \$35/Month = \$ \_\_\_\_\_
- Cooler Rental (per day) \$ 5/Day = \$ \_\_\_\_\_

### **Dry Storage:**

- Locker Space \$ 5/Month = \$ \_\_\_\_\_
- Cage/Shelf \$15/20/Month = \$ \_\_\_\_\_
- Medium/Large Space \$35/45/Month = \$ \_\_\_\_\_
- Ingredient Bin \$ 5/Month = \$ \_\_\_\_\_

### **Other Charges:**

- Late Charges/Bounced Checks After 5<sup>th</sup> day of the month \$50.00 = \$ \_\_\_\_\_
- Cleaning Penalty \$20/hr - Charge to Tenant = \$ \_\_\_\_\_
- Fire Alarm Charges Service Rate = \$ \_\_\_\_\_
- Any Damage to DEC Service Rate = \$ \_\_\_\_\_
- Sanitation Supplies \$2 per 2 persons (\$1.00/additional person) x \_\_\_\_\_ days = \$ \_\_\_\_\_

### **Note:**

Current Month = \$ \_\_\_\_\_  
 Previous Month Extra Use = \$ \_\_\_\_\_  
 Total Current Charges = \$ \_\_\_\_\_  
 Past Due Amount/Credit = \$ \_\_\_\_\_  
 Current Balance = \$ \_\_\_\_\_  
 Amount Paid = \$ \_\_\_\_\_  
 Balance Due = \$ \_\_\_\_\_  
 Check Number \_\_\_\_\_

Schedule Date for New Month \_\_\_\_\_

Tenant Signature \_\_\_\_\_

## User Start-Up Checklist

Name: \_\_\_\_\_ Emergency Contact: \_\_\_\_\_  
 Business Name: \_\_\_\_\_ Relation: \_\_\_\_\_  
 Address: \_\_\_\_\_ Phone: \_\_\_\_\_  
 Phone: \_\_\_\_\_

- | <b>ITEM</b> | <b>Completed:</b>  | <b>Date/By:</b> |
|-------------|--|-----------------|
| 1. _____    | Application Completed  |                 |
| 2. _____    | Business Plan Completed/Reviewed   |                 |
| 3. _____    | Interviews With:   |                 |
| _____       | Kitchen Manager: _____   |                 |
| _____       | D.E.C. Manager: _____  |                 |
| 4. _____    | Policies/Procedures Reviewed/Acknowledged  |                 |
| 5. _____    | Kitchen Agreement (Lease) Signed   |                 |
| 6. _____    | Orientation Kitchen Opening/Closing Procedures                                   |                 |
| 7. _____    | Denver Health Department Inspection/Orientation/Training                         |                 |
| 8. _____    | Denver Health and Hospitals Food Handler's                                       |                 |
|             | Certificate #: _____ Expiration Date: _____                                      |                 |
|             | TB Test/Shots Required? _____ Taken: _____                                       |                 |
| 9. _____    | Excise and Licenses License  |                 |
|             | Type: _____ Expiration Date: _____   |                 |
| 10. _____   | Previous Health Department Check/comments:                                       |                 |
|             | Agency: _____ Contact: _____ # _____   |                 |
| 11. _____   | Proof of Insurance Received (Minimum - \$500,000.00) D.E.C. Additional Insurance |                 |
|             | Product Liability: _____ General Liability: _____                                |                 |
|             | Insurance Company: _____   |                 |
|             | Amount of Coverage: _____  |                 |
|             | Agent: _____ Expiration: _____   |                 |
|             | Agent Phone: _____   |                 |
| 12. _____   | Deposit Received Amount: <u>\$200.00</u> _____                                   |                 |
| 13. _____   | Process Fee: <u>\$200.00</u> _____   |                 |
| 14. _____   | Security Fee: <u>\$50.00/year</u> _____  |                 |
| 15. _____   | <u>\$10.00</u> Training/Sanitation/Equipment/Kitchen Manager                     |                 |
| 16. _____   | Lease Payment collected Amount: _____  |                 |
| 17. _____   | Proof: Drivers License, Social Security Number, Drivers Insurance (Photo Copy)   |                 |
| 18. _____   | Employee Information – (Tenant Company Employees)                                |                 |
| 19. _____   | Code: _____  |                 |
| 20. _____   | Start Date: _____ Minimum of 10 hours rent charge <u>\$200.00</u> (6 months)     |                 |
| 21. _____   | Sales Tax License # _____  |                 |

Note Lease Expiration: \_\_\_\_\_

## INCUBATOR KITCHEN LEASE / OPERATING AGREEMENT

THIS AGREEMENT, is made and entered into by and between the Denver Enterprise Center, hereinafter "DEC" and \_\_\_\_\_, Hereinafter, "Tenant Company." (Name of Company)

### TERM OF AGREEMENT

This agreement shall commence at 12:01 AM on \_\_\_\_\_, 1999 and terminate at 12:01 AM on \_\_\_\_\_, 1999

### 1. SERVICES TO BE PROVIDED

The DEC agrees to provide Tenant Company access to and use of the kitchen facilities at the DEC. Facilities and services provided shall include, but not be limited to, use of stoves, sinks, refrigerators, freezers, counters, individual storage areas, and other such services described in the Kitchen Rate Sheet, attached and marked as Attachment #1, and incorporated herein by reference. DEC will not provide all of the equipment that may be necessary for production. Users must provide their own stirring spoons, measuring cups, mixing bowls, cooking trays, etc., and any specialized equipment required.

### 2. OPERATING SCHEDULE

Kitchen availability is scheduled by the DEC Kitchen Incubator Kitchen Manager. No later than the 25<sup>th</sup> of each month Tenant Company will submit a proposed schedule of kitchen use for the following month.

### 3. PRICING SCHEDULE

The Tenant Company will be charged in accordance with the Kitchen Rate Sheet in Attachment #1.

#### Start-Up Fees:

In addition to the monthly statement, tenants will be charged as follows:

(a) One-time application processing fee	\$200.00
(b) One-time orientation/training fee	\$ 10.00
(c) Yearly security/alarm fee	\$ 50.00
(d) Deposit (Refundable)	<u>\$200.00</u>
Total:	\$460.00

4. RENT

Rent shall be due and payable in advance on the first day of each calendar month. Use will not be permitted unless rent has been paid in advance. A late payment of \$50.00 will be charged if rent is not received by the 5<sup>th</sup> of the month. **Tenant agrees to rent a minimum of 10 hours per month during the first six months of this agreement and 20 hours per month thereafter.** Tenant Company will be charged for the minimum allowed hours even if Tenant Company uses the kitchen less.

5. PERSONAL GUARANTOR

Unconditionally and irrevocably guarantees to DEC the payment when due of all amounts due under this agreement, and further unconditionally and irrevocably guarantees DEC the timely performance of all obligations of Tenant Company under this agreement. Guarantor understands and agrees that its liability hereunder shall not be affected in any way by amendment, settlement, or other agreement between Tenant Company and DEC. Guarantor waives any defense by reason of statute of limitations, bankruptcy, or other disability of Tenant Company and agrees that DEC may proceed against Guarantor without first proceeding against Tenant Company or exhausting any security now or hereafter held by DEC. Guarantor waives all presentments, demands for payment or performance, notices of default, protest, acceptance of this guaranty and all other notices to which Guarantor might otherwise be entitled, and agrees to pay on demand all costs and expenses, including reasonable attorney's fees, that may be incurred by DEC in enforcing this guaranty.

6. DEPOSIT

Upon execution of this agreement, Tenant Company shall deposit \$200.00 as a security deposit with DEC, the amount specified in the Kitchen Rate Sheet. The security deposit shall be retained by DEC and may be applied by DEC, to the extent necessary, to pay and recover any loss, cost, damage or expense, including attorney's fees sustained by DEC by reason of the failure of Tenant Company to comply with any provision, covenant or agreement of Tenant Company contained in this agreement. To the extent not necessary to cover such loss, cost, damage or expense, the security deposit shall be returned to Tenant Company within **60days** after expiration if this agreement or as may be otherwise provided by law. The security deposit shall not be considered as an advance payment of rent or as a measure of the loss, cost, damage or expense which is or may be sustained by DEC. In the event all or any portion of the security deposit is applied by DEC to pay any such loss, cost, damage or expense, Tenant Company shall, promptly upon demand, deposit with DEC such amounts as may be necessary to replenish the security deposit to its original amount.

7. SECURITY

The DEC Kitchen Incubator is equipped with individual storage areas. The DEC assumes no responsibility for the security of any equipment or supplies the Tenant Company any bring into the facility for its use. Tenant Companies may affix their own lock(s) on the storage compartments-which may be assigned to them upon execution of this agreement. Any additional security of storage arrangements shall be the Tenant Company's sole responsibility.

8. IMPROVEMENTS AND GENERAL ADMINISTRATION

DEC reserves the right to make improvements at any time to the Kitchen Incubator facility that may include, but not be limited to, making changes in rules of operation, accessibility, Tenant Company identification and security procedures, and support services.

9. EXCUSABLE DELAYS

DEC shall not be liable by reason of any failure of performance of this agreement in accordance with its terms, if such failure arises out of causes beyond DEC's control or discretion and/or without fault or negligence of DEC.

10. SURRENDER OF PREMISES

Tenant Company shall promptly surrender to DEC possession of Kitchen Incubator premises at the termination of this lease. In the event that DEC is required to bring any action for the enforcement of any if the terms of this agreement, and is successful in such action, Tenant Company, in addition to all other payments required herein, shall pay all costs and reasonable attorney's fees for any actions brought by DEC.

11. LIABILITY OF TENANT COMPANY

DEC shall not be liable for any damages to either person or property sustained by Tenant Company or its personnel or by any third party arising in any way from:

- (a) The Tenant Company's use, operation or occupancy of the Kitchen Incubator Premises or any portion thereof; or
- (b) The sale, distributions or use of any product that is produced at the Kitchen Incubator.

Tenant Company covenants and agrees to indemnify, defend and hold harmless the DEC and its employees from any and all claims, costs and liabilities arising from, or in connection with damages or injuries to persons (including death) or property arising in any way from:

- (a) The Tenant Company's use, operation or occupancy of the DEC Kitchen Incubator premises, any portions thereof; or
- (b) The sale, distribution or use of any product manufactured by the Tenant Company on the DEC Kitchen Incubator premises.

12. EMPLOYEES

Tenant Company shall be solely responsible for its employee's safety and the actions of employees.

13. LICENSES / SALES TAX LICENSE / PROFESSIONAL / BUSINESS LICENSE

Tenant Company will maintain at all times a current excise license.

- (a) "Business Professional License" – issued by the City and County of Denver.
- (b) Sales Tax License (current)

14. PUBLIC AND PRODUCT LIABILITY INSURANCE

Tenant Company will maintain at all times a minimum of \$500,000 of both product liability insurance and general liability insurance – with DEC listed as an additional named insurance in each case. Proof of such insurance must be provided to the Kitchen Manager before any use of the facility will be permitted. DEC may at any time require Tenant Company to show proof of the required insurance:

- (a) Professional License
- (b) Sales Tax License

15. UNLAWFUL USE

Tenant Company shall not use or permit Kitchen Incubator premises or any parts thereof to be used by any person in violation of any municipal, county, state or federal ordinance or law, or in any manner disruptive to DEC or its tenants. Such behavior shall include, but not be limited to , theft, fighting or consumption of alcohol on the premises.

16. ACCESS

Tenant Company will access the facility through the main entrance of the Denver Enterprise Center. Tenant Company agrees to "punch in" and "punch out" before and after each use of the premises and agrees that failure to do so may result in termination of the lease. If Tenant Company is the last tenant to leave the premises, Tenant Company agrees to do a "closing walk through", turning off all equipment, appliances and lighting, and also agrees to secure the DEC kitchen alarm.

17. INSPECTION

The DEC and its agent shall have the right to inspect Kitchen Incubator premises at any time and reserves the right to enter whenever the DEC, in its sole discretion, determines such inspections to be necessary.

18. HEALTH DEPARTMENT INSPECTIONS

Tenant Company shall submit to Health Department inspections as often as the City and County Health Inspector shall require. Tenant Company agrees to cooperate with the Health Department. All personnel are required to have a current Food Handler's Card.

19. FOOD EQUIPMENTS SAFETY AND SANITATION

All Tenant Company personnel will be required to complete the Kitchen Incubator's course on food and equipment safety and sanitation at a charge of \$10.00 before using the facility. Tenant Company is responsible for maintaining proper food handling procedures, cleanliness and safety of workstations and food storage areas (dry or cold) on a daily basis.

20. PROCEDURES, POLICIES & REGULATIONS (Attach and reference copy of facility policy)

Tenant Company agrees to comply with all posted or distributed procedures, policies or regulations of DEC.

21. PRODUCTS

Only those items that will be used for human consumption will be deemed appropriate for manufacturing at the DEC Kitchen Incubator.

22. SIGNS AND ADVERTISING

No signs or other advertising will be attached or displayed on Kitchen or Business Incubator premises without prior approval of DEC management.

23. DEFAULT

As time is of the essence, a Tenant Company will have three (3) days after receipt of a written notice from the Kitchen Manager to remedy any violation, breach or failure to keep or perform any conditions of the Kitchen Incubator policy or this agreement. If Tenant Company fails to correct or cure the problem within three days, the DEC may terminate the rights of the Tenant Company under this agreement. In addition, the Kitchen Manager may remove the Tenant Company's property (including Tenant Company storage unit contents) from the facility and charge a reasonable fee for storage. Notwithstanding the foregoing, if the violation, breach or failure to keep or perform any conditions of the Kitchen Incubator policy or this agreement constitutes a health or safety

hazard in the opinion of the Kitchen Manager, the Tenant Company must act immediately to correct the problem upon receipt of notice thereof, which notice may be oral or written. If Tenant Company fails to commence immediate corrective action, DEC may take such action itself and Tenant Company shall reimburse DEC for all costs of such action. DEC may also terminate the rights of the Tenant Company under this agreement. The remedies set forth herein for default shall be in addition to other remedies available to DEC.

24. FINANCIAL REPORTS

Tenant Company shall provide DEC with quarterly financial statements, including a balance sheet, and profit/loss statement. Financial statements will be due no later than 20 days following the close of each calendar quarter. Employment Statistical Information (**Addendum E**), will be provided annually.

25. TENANT MEETINGS

Tenant Company shall be required to attend tenant meetings with DEC on a monthly basis, or when otherwise requested by DEC.

26. GENERAL

- (a) The laws of the State of Colorado shall govern this agreement. Venue shall be The City and County of Denver.
- (b) DEC makes no representations, warranties or guarantees, express or implied, including, without limitation, any warranties for the merchantability of the fitness for the intended use of the Kitchen Incubator facilities, other than those contained in this agreement.
- (c) Tenant Company acknowledges that it has read this agreement, understands it, and agrees to be bound by its terms. Further Tenant Company agrees that this agreement constitutes the entire agreement between the parties and supersedes all proposals, oral and written, and all negotiations, conversations or discussions had between the Tenant Company and DEC related to the subject matter of this agreement.
- (d) Tenant Company further acknowledges that it has inspected the premises and accepts them “as is” for purposes of the Tenant Company’s use during the term of its lease.

27. ASSIGNMENT

**Tenant Company shall not transfer usage privileges or sublet the whole or any part of the Kitchen Incubator premises.**

QUIET ENJOYMENT

**Clallam County Economic Development Council**  
**Feasibility Study for Establishing a Shared-use Commercial Kitchen Incubator**

The DEC Kitchen Incubator is a unique facility meant to be used and enjoyed by its users. The Tenant Company agrees to respect the rights and property of other users.

**AMENDMENTS**

This agreement may be amended by mutual consent so long as the amendment is in writing.

**NOTICES AND COMMUNICATIONS**

All written notices or official written communications which may be required under this agreement shall be delivered personally or sent by regular mail, postage prepaid, addressed as follows unless additional mailing requirements are required by this agreement.

Written notices and communications from DEC to the Tenant Company should be mailed or delivered to:

Written notices and communications from Tenant Company to Dec should be mailed or delivered to:

Kitchen Center Manager  
Denver Enterprise Center  
3003 Arapahoe Street  
Denver, CO 80205

Notices delivered personally shall be effective when delivered. Notices sent by mail shall be effective when delivered or three days after mailing, whichever is earlier.

Landlord:

Tenant Company:

Denver Enterprise Center, Inc .  
A Colorado Corporation

\_\_\_\_\_  
(Name of Corporation)

By: \_\_\_\_\_  
Kitchen Center Manager

By: \_\_\_\_\_  
Signature of Representative

Name: \_\_\_\_\_  
Print Name of Representative

Date: \_\_\_\_\_, 19\_\_\_\_

Date: \_\_\_\_\_, 19,\_\_\_\_

\_\_\_\_\_  
Signature of Guarantor

## Appendix E

### Study Team Profiles

**Cameron Wold** is a doctoral student at the University of Idaho where he is undertaking a PhD in Education. He is also a Resource Developer at Boise State University where he works in communities to better their economic or social positioning on specific programs of entrepreneurship training and advancement, incubator development, and, community planning and development. This community work includes forging new partnerships, programs and funding opportunities at the community level.

While at the University of Colorado at Denver, Wold developed adult-based entrepreneurial training programs aimed at individuals wishing to start a business, as well as those already in business. These programs are practically based and focus on the importance that feasibility studies, business plans, and other planning documents play in the success of small business. He was a founding member of the US WEST Foundation's *Community Training in Telecommunications Team*. The team produced an introduction to the Internet, as well as practical applications of the Internet in education and small business, throughout the 14 state US WEST operating area. He was also a founding member of the US WEST Foundation funded *NxLevel™* Training Network, which began at the University of Colorado at Denver. The network, made up of not for profit entrepreneurial training organizations, now contains members in over 42 states which have graduated over 45,000 individuals in the five *NxLevel™* entrepreneurial curriculums (Existing Business, Start-ups, Youth, Micro-Entrepreneurs, and Alternative Agriculture).

Cameron is an active speaker and practitioner in the area of rural economic development. He is a frequent presenter at the NBIA annual conference in the areas of welfare transition, shared-use commercial kitchens, entrepreneurial training programs, and the Internet. He has addressed conferences of the AEO, Rural Development Council's, and other groups interested in these areas. Additionally, he consults with a variety of groups in establishing the tools of rural economic development including feasibility plans for general business and sector-based incubators, welfare transition programs, and adult entrepreneurial training programs.

Cameron holds a BA from Amherst College and an MBA from the University of Southern California. He also holds masters degrees in Theology and Educational Leadership from Golden Gate Baptist Theological Seminary. He is a member or associate member of the Association for Enterprise Opportunity, the National Business Incubation Association and the National Community Capital Association. His accomplishments in rural economic development have been recognized at the state and national level.

Mr. Wold is a primary author and editor of *Establishing a Shared-use Commercial Kitchen*. He is also a contributing author to *Guide For Start-ups*, and *Guide For Entrepreneurs*, two publications in the *NxLevel™* entrepreneur training series: Additionally he is an editor and author of *"Tilling the Soil of Opportunity"*, a guide to alternative agriculture and editor and

primary author of *Business Plan Basics*, a guide for micro-entrepreneurs. Mr. Wold co-authored the Internet series *Introduction to the Internet; Applications of the Internet for Small Business*; and *Applications of the Internet for Educators*.

**Robert D. Horn** is a past Director of the Colorado Center for Community Development (CCCD) at the University of Colorado at Denver. Mr. Horn has over 25 years of experience in community development in an urban and rural setting. For over 30 years, the Colorado Center has assisted urban and rural communities throughout Colorado with their community development tasks, such as preparing a town plan, formulating an community economic development strategy, conducting a survey, evaluating a program, or designing a new use for an old building. The goal is to assist communities build local capacity and self-reliance. The assistance is provided by using the faculty and student resources of the University of Colorado at Denver. Communities get quality assistance while strengthening themselves, students gain solid learning experiences, and faculty have unique research opportunities. An average year sees the Colorado Center undertake over 150 projects in 60 communities in Colorado.

Mr. Horn is also the founder and past director of the NxLevelL Training Network. Funded by the U S WEST Foundation, NxLevelL developed the NxLevelL Entrepreneurial Training Program. Since 1996, over 40,000 participants have used the NxLevelL small business development training materials in 42 states. NxLevelL has also developed a youth enterprise training program, training materials for alternative agriculturists, and micro-enterprise training materials for use in welfare transitioning programs. NxLevelL also developed training materials on international trade for U.S. firms, how to do business in American for small businesses wanting to expand into the American market, and how various artists can use business practices to generate additional revenue from their art.

Mr. Horn has recently retired from the university after working at the CCCD for over 18 years, 12 of those as Director. Bob holds a Masters in Urban and Regional Planning and a baccalaureate degree in business administration. He resides in Colorado.

**Robert Weybright** is a current Board Member and previous Executive Director of the Hudson Valley Foodworks where he was responsible for the day to day management of this FDA / USDA facility. He has over 29 years in the food industry, with experience ranging from Institutional Food Service Management, management of fresh produce processing facilities, technical sales of food manufacturing aids, and small business consulting. Bob has had direct involvement with the design and construction of several food processing facilities, as well as having been consulted on the design and layout of others. Hudson Valley Foodworks consists of 23,000 square feet of production space separated into 6 individual production areas. The facility is available for production 24 hours per day, 365 days of the year. It is one of the largest shared use facilities in the country. In addition to the USDA designation it is the only facility with a Kosher production kitchen. The facility currently has 20 users producing over 200 products. Technical assistance has been provided to over 150 individuals in the past year. Bob's current responsibilities are with Cornell University in its food producer program.

Mr. Weybright is now employed by Cornell University as part of their Northeastern Center for Food Entrepreneurship (NECFE) where he provides technical assistance throughout that region. Bob works directly with food entrepreneurs and communities in the furthering of NEFE's primary mission, "To provide comprehensive assistance to beginning and established food entrepreneurs, thus promoting sustainable economic development of rural communities". Mr. Weybright resides in New York.

**Brian Norder** joined the Vermont Food Venture Center in January 1997 after 18 years in food service and resort management. As Project Director, Norder oversees daily operation of the facility and provides extensive technical assistance to VFVC members. This assistance includes help with product and recipe development as well as production assistance and training in equipment operation and food safety. The 4,000 square foot rural facility is both a FDA approved and USDA-inspected processing plant with producers of meat and non-meat products all oriented in Good Manufacturing Practices with attention to specific FDA and USDA regulations and unique issues which arise in such a mixed use kitchen.

Mr. Norder is also part of the NECFE project as a technical assistance provider for one of the center's founding partners - The Center for Food Science (CFS) at the University of Vermont. Mr. Norder resides in Vermont.