
THE SHARED-USE KITCHEN PLANNING TOOLKIT

A guide to starting shared-use kitchens as an affordable venue for new and existing value-added food production entrepreneurs, farmers and caterers



Prepared by Alice Topaloff, Program Assistant for the Marketing and Food Systems Initiative, Leopold Center for Sustainable Agriculture, in collaboration with Iowa State University Extension and Outreach. For more information, contact MFSI coordinator Craig Chase (515) 294-1854, cchase@iastate.edu.

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INTRODUCTION

In 2008, Iowans spent \$8 billion on food, 90 percent of which was imported from out of the state [1]. The recent spate of heightened interest in local food creates an opportunity to recapture some of these food dollars that leak out of the region. Iowa ranked among the top ten states listed in the 2013 USDA National Farmers' Market Directory [2] with 229 farmers markets. This illustrates Iowans' interest in buying local products. CSAs, farmers markets, food hubs, etc. are options that allow consumers to be part of the changing food system. Raw products increasingly are available in season, but the customer demand for processed foods is currently unmet. This includes everything from lightly processed food (canned or frozen goods, pre-cut vegetables, etc.) to highly processed foods (meals, snacks, specialty foods, etc.).

Starting a food business seems to be a very attractive venture:

- ✓ Everybody eats: the consumer market is huge.
- ✓ Many people are talented cooks who are ready to go beyond their home kitchens.
- ✓ It has the potential to include everything from low-skill jobs (dishwashing, food preparation, etc.) to highly specialized jobs (manufacturing engineer, specialty food chef, etc.).

Farmers are interested in processing some of their products to:

- ✓ Sell them as higher value-added goods (increase revenue).
- ✓ Extend the availability of their products (by canning, freezing, etc.).
- ✓ Avoid waste (processed products last longer, and processing helps keep usable, but imperfect, bruised food out of the landfill).

However, establishing a commercial kitchen is a challenge because most local producers are not well-capitalized enough to build their own processing facilities. Shared-use kitchens offer a solution to this problem.

❖ WHAT IS A SHARED-USE KITCHEN?

"A shared-use commercial kitchen is a kitchen facility where local entrepreneurs, caterers and instructors can prepare and process their food products for the consumer market or hold cooking classes and demonstrations. These facilities are generally rented by the hour [...]. Instead of taking on the considerable financial commitment of opening a private commercial kitchen, new or expanding small food businesses can take advantage of shared-use commercial kitchens to help grow their enterprise[...]" (<http://www.farmplate.com/define/shared-use-commercial-kitchen>).

Some beginning food businesses already use 'community space' (such as church kitchens, school kitchens, congregate meal sites, restaurant space during off hours) for cooking and processing. While these types of arrangements exist, there are numerous barriers that limit the viability of these spaces as a long-term solution for most businesses. Some of the barriers to using community space are:

- ✓ **Scheduling** – It can be hard to work around the community space's irregular schedule.
- ✓ **Supervision and staffing availability** – Staffing often is on an irregular, volunteer basis, which makes it hard to assist kitchen users and control clean-up, scheduling, etc.
- ✓ **Liability issues** – Congregate meal sites do not need a commercial license if they offer free meals or donations. What happens when a business wants to make food for sale?

- ✓ **Necessary specialized equipment** – These kitchens usually are designed to produce a large number of meals. Individuals who want to start a specialty food business may find that these kitchens lack the specialized equipment needed for their food production.

At best, these restaurant and community-based kitchen locations provide an initial processing site while a start-up company refines its recipes and produces enough quantity to test in the marketplace. However, because of their structure and abundance (there are 24,000 licensed kitchens in Iowa) community kitchens can be a good starting place for organizations thinking of creating a shared-use kitchen [13].

Food businesses are among the riskiest forms of entrepreneurship because they must deal with changing consumer tastes and, typically, earn slim profit margins. At the same time, many people want to work with food because food is a basic and familiar need. The demand for shared kitchens has increased rapidly in the U.S. There were a dozen such facilities in 1999 [3], and more than 130 just 15 years later [4].

Different types and definitions of shared-use kitchens

- ✓ A **shared-use kitchen** [5]:
 - Helps remove restrictive barriers of high-cost capital investment associated with leasing or purchasing a kitchen and equipment.
 - Allows specialty food businesses like processors, farmers, caterers, food cart vendors and mobile food trucks the opportunity to start from nothing and grow at their own pace.
- ✓ Additionally, a **kitchen incubator** will:
 - Offer resources related to distribution, branding, marketing, accounting, insurance, and financing new products.
 - Reduce the risk of failure by removing additional start-up barriers associated with limited skills in managing and maintaining a commercial kitchen.
- ✓ In this toolkit, a shared-use kitchen with minimal infrastructure, equipment, and business support is referred to as a **community kitchen**.
- ✓ A **processing center**, or **co-packer**, manufactures and packages foods for other businesses to sell. For example, a farmer who wants to can produce to sell during the off-season can pay a co-packer for the canning service. Some facilities are strictly designed for co-packing. In this toolkit, only co-packers that also offer shared-use kitchen rentals will be discussed.

❖ WHAT IS THIS TOOLKIT?

Because of the increase in demand for locally processed food, many communities, organizations, non-profits, businesses, etc., have considered starting their own kitchen incubators.

Many shared-use kitchens have been created, yet not all are successful and relatively few become self-sustaining (31 percent of the kitchens interviewed in an *Econsult* study [7] say they are profitable). Becoming profitable or self-sustaining can be a challenge for shared-use kitchens.

There are many different shared-use kitchen case-studies that have been conducted around the country. One of the objectives of this toolkit is to offer a compilation of available information and experiences.

This toolkit does not offer a “one size fits all” plan on how to start a shared-use kitchen. One of the key qualities for a successful kitchen is that it be **closely adapted to its community and environment**. Through various case

studies and examples, the toolkit highlights steps to take when creating, designing and planning a shared-use kitchen. Emphasis will be put on how to assess and meet an individual community's needs.

We can learn from the experiences of other entrepreneurs, and create successful, vibrant and dynamic facilities that will encourage:

- Area economic and community development by creating jobs and income,
- Access to healthy food, and
- Community awareness.

❖ HOW THIS TOOLKIT WAS BUILT

- ✓ Aggregated information was compiled from studies conducted between 1999 and 2013 (*see References*)
- ✓ Case studies (*see References*)
- ✓ Interviews of kitchen managers from:
 - Farm Market Kitchen (Algoma, WI) – nonprofit
 - Sharing Spaces Kitchen, Opportunity Center (Prairie du Chien, WI) – nonprofit
 - Pilot Plant (Fayetteville, AR) – supported by University of Arkansas,
 - Union Kitchen (Washington D.C.) – for profit.
 - Sustainable Business Center (Galesburg, IL) - nonprofit
- ✓ Review of kitchens in Iowa and neighboring areas
- ✓ Interviews with shared-kitchen specialists, or individuals starting shared-use kitchen projects:
 - Mary Pat Carlson (Farm Market Kitchen incubator)
 - Linda Gobberdiel (Eat Greater Des Moines, Iowa Food System Council)
 - Jason Grimm (Food Venture Center)
 - Gary Huber (Iowa Food Coop)
 - Carla Jaquet (Quad Cities Food Hub)
 - Deb Schott (Spectrum Network)
- ✓ Interviews with food safety and regulation professionals:
 - Angela Shaw (Food Safety extension specialist at Iowa State University)
 - James Romer and Mark Speltz (Iowa Department of Inspections and Appeals)
 - Geraldine Fridlington (Organic inspector for USDA-Iowa Department of Agriculture and Land Stewardship)

I. FIRST STEP: RESEARCH, FEASIBILITY, AND BUSINESS PLAN

A shared-use kitchen often starts as a grass-roots project. Organizers believe there is a need for such a facility in their community. Extensive research, needs assessment and feasibility studies are necessary to embark on such a large venture.

a. RESEARCH: WHAT IS A SHARED-USE KITCHEN AND HOW DOES IT WORK?

The first step for individuals interested in starting a shared-use kitchen should be to visit a working shared kitchen (see **Appendix A** for a list of existing shared kitchens). Because of their mission to create healthier, sustainable communities, existing facilities almost always are ready to share information, advice and knowledge they've gained.

The research will lead to framing a business concept: **What is it you are planning to do? What unique product or service are you planning to offer?** Once the business concept is framed, a feasibility study will help narrow down the wide variety of options.

b. FEASIBILITY STUDY: IS THE PROJECT POSSIBLE?

A feasibility study is necessary before starting up any type of business. It will:

- Analyze all issues and assess probability of success,
- Give the project a focus point,
- Identify reasons not to proceed,
- Identify factors that could affect the project,
- Provide quality information for decision-making, and
- Help secure funding.

There are three levels of feasibility assessment:

- i) **Market study:** Who will use the kitchen? For what?
- ii) **Operation feasibility:** Who will manage the facility? What structure is needed for long-term viability?
- iii) **Economic feasibility:** Can the facility be self-sustaining in a reasonable amount of time? Will it generate adequate cash flow?

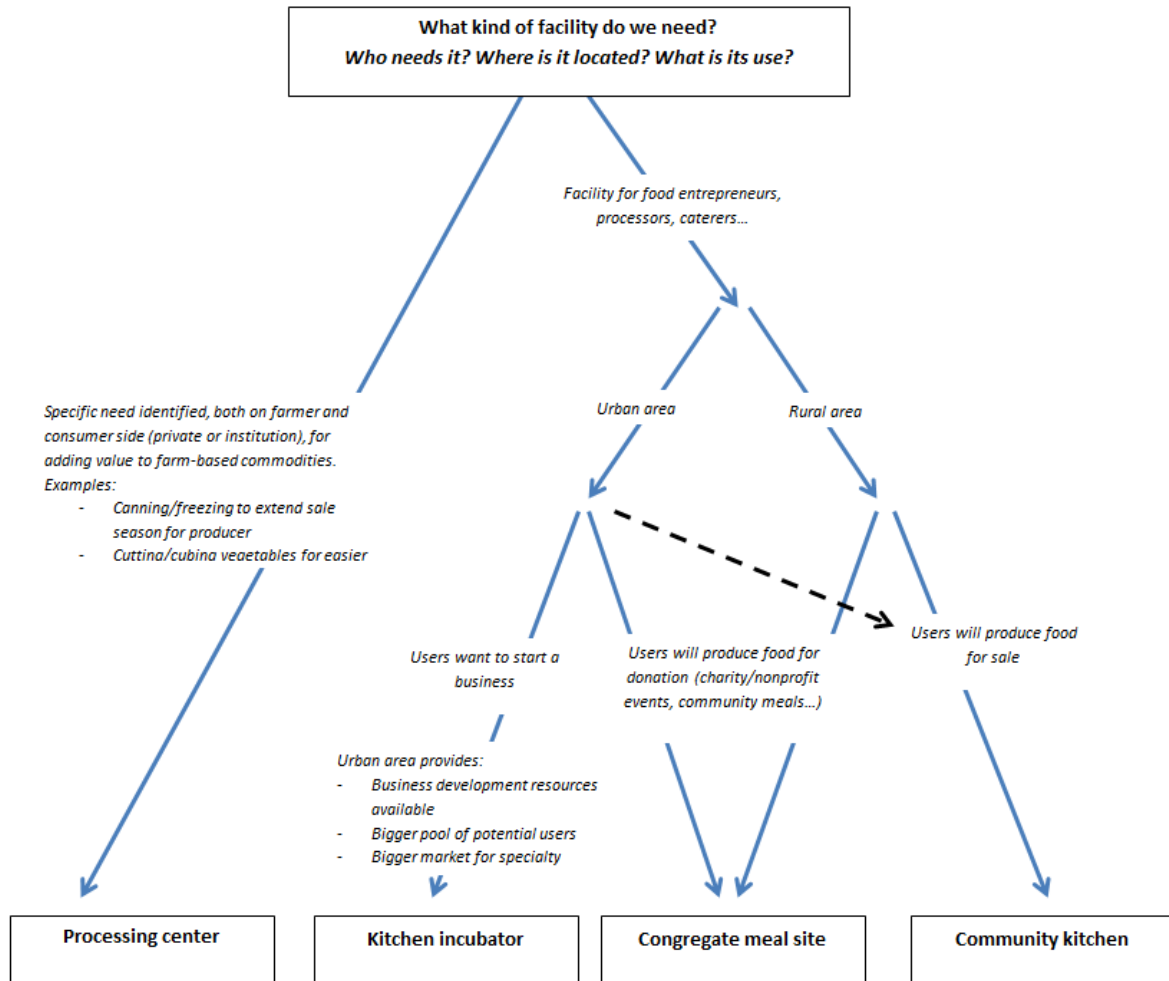
Links to existing feasibility studies can be found in the **Reference** segment of this toolkit.

c. MARKET STUDY/ INTEREST SURVEY: IS THERE A USE FOR THIS KITCHEN? BY WHO? FOR WHAT?

GOAL: ASSESS A COMMUNITY'S INTEREST IN A SHARED-KITCHEN.

The interest survey is a critical point for starting a shared kitchen project: it will provide most of the information necessary for building a business plan. There must be sufficient demand for the facility to exist. The study also should indicate what kind of facility the individuals should look for. Do they need a space to develop an existing product? Or are they seeking an entire support structure to start a business?

Individuals or groups who want to start a shared-use kitchen need to understand clearly the goal of the operation. The mission affects both the type of facility needed and its method of operation. Below are examples of different types of facilities and their uses.



The interest survey should answer these questions:

- ✓ Is there an unmet demand for food processing or commercial kitchen space?
- ✓ What type of facility is needed (see decision tree)?
- ✓ How extensively will the facility be used?
- ✓ What equipment is necessary?

WHO TO SURVEY?

Because this is a market analysis and not academic research, the quantity of results isn't as important as the **quality** of the responses. This should not limit the number of people surveyed; different people from different backgrounds will provide more information about the entire community's needs.

The idea of starting a kitchen often comes to the forefront because a known group of potential users are interested. They offer a good starting point for surveys. However, the targeted sample should not be limited to known entities. The best survey results are achieved when kitchen project leaders generate media coverage for the kitchen and ask for the public's opinion via media outlets such as the local newspaper, radio, and social media.

Common groups to target are:

- Food and farm business groups,
- All types of vendors at local food markets,
- Cooking/catering associations and restaurants,
- Food hubs,
- Neighborhood boards and other community organizations, and
- Chambers of Commerce.

How?

The most efficient surveys seemed to be online questionnaires (free examples include SurveyMonkey, Surveygizmo, or Google forms). They often require less time to conduct, as they are easier to send, fill out and analyze. If possible, they should be followed up by one-on-one interviews (ideally these would be counseling sessions among food entrepreneurs and business advisors/people with expertise) and/or group discussions.

LESSONS LEARNED

- ✓ Be aware that the people who answered the market assessment survey might not be as committed by the time the kitchen opens. There often is a long time between the planning and the actual kitchen opening and some people may lose interest.
- ✓ Farmers often say they are interested but end up not renting the facility with time being a limiting factor. This is where offering co-packing or other contract services might be useful and more likely to be adopted.
- ✓ Evidence shows that cash flow is easier to manage when there are one or two anchor tenants. They will cover utility expenses and provide some financial stability. The survey may help identify these potential tenants.

ADDITIONAL EXAMPLES OF SURVEYS

- https://docs.google.com/file/d/0B_gg5cMTszNic05GallQVnhSQ3c/edit (page 22 - 24).
- Sample survey in **Appendix C**.

d. RESOURCE STUDY: ARE THERE KITCHENS IN THE AREA? WHAT PARTNERS AND RESOURCES ARE AVAILABLE?

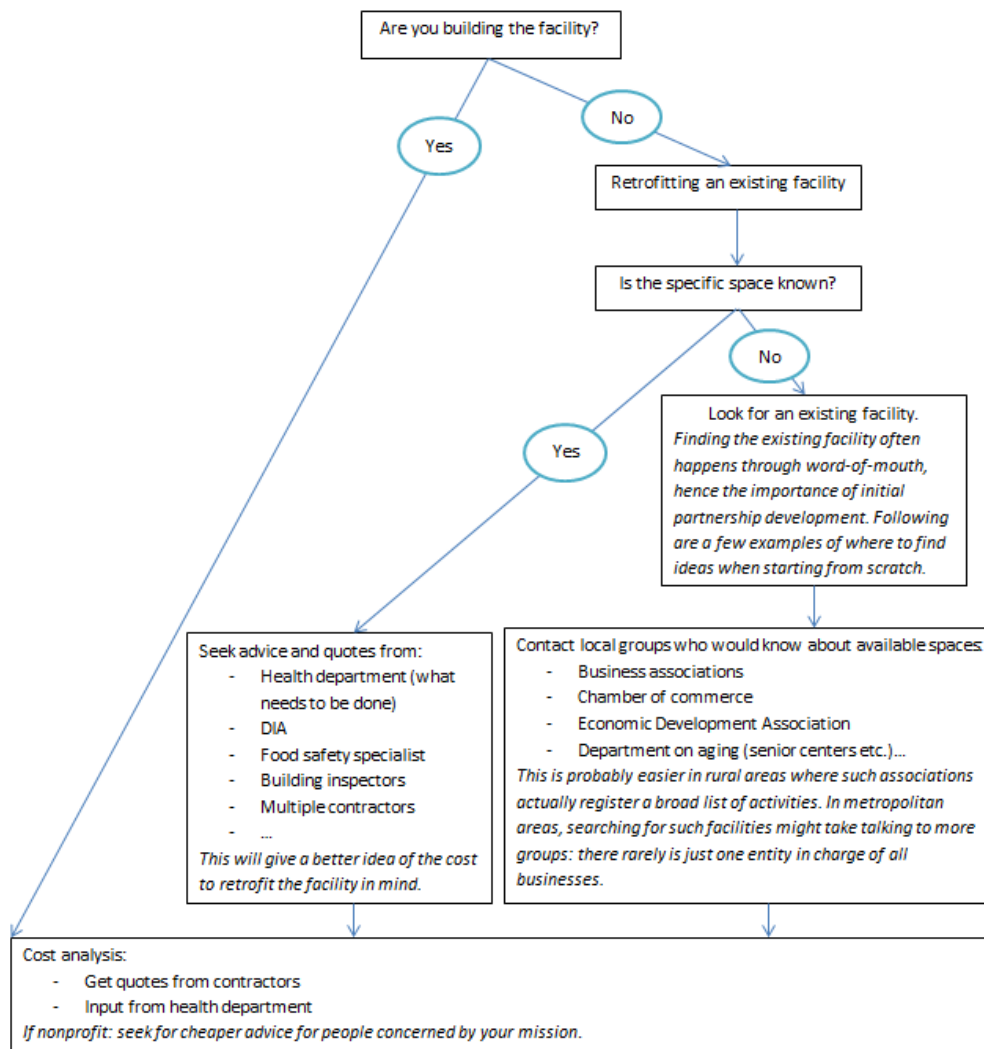
THE FACILITY

For cost reasons, retrofitting an existing facility rather than building a new one often seems to be the better option. However, existing facilities are not always available, and if they are, **they are not necessarily less expensive to retrofit than to build from scratch.**

Keep in mind that **the facility has to be adapted to the community's needs**. Existing facilities might not always be well-suited for the propose uses. The market study results should describe what the potential clients need and want. When looking at different facilities, organizers should have a “checklist” of things that are desired by the clients.

Visiting facilities **with local health officials** is useful for getting their technical expertise. Furthermore by including them from the start, you may avoid unpleasant surprises (such as mandatory regulations that were overlooked or not taken into account) when the facility is ready to open.

Ideally, organizations should look for several facilities to compare for fit with the community, cost, and accessibility. Here is a decision tree that summarizes the steps to take when comparing different facilities.



PARTNERSHIPS

One of the keys to a establishing a successful kitchen is **partnership development**. Multiple organizations and partners should be involved in the process and feel ownership for the project to succeed. Having stakeholders from various backgrounds can help with problem solving, but also enhance networking and making new

connections. This is an advantage when trying to find funding for the kitchen, promoting its use and marketing its clients and their products.

Examples of common partners/ stakeholders:

- Groups or organizations working with local food systems,
- Small Business Development Centers,
- Area universities or colleges,
- Farmer cooperatives,
- Wholesalers, retailers, restaurant and others in the food industry.

Facilitating networking and partnerships **between tenants** also can play an important role.

FUNDING RESOURCES

Several fundraising strategies need to be considered:

- Startup phase:
 - Funding for staff time and feasibility study.
 - Funding for real estate and equipment.
- Operational phase:
 - Fundraising strategy for maintaining ongoing operations (if needed).

It is essential to identify potential community funders as well as local, regional, state and federal opportunities.

EXAMPLES OF COMMON GRANT FUNDING AGENCIES

(Note: This is not a fully comprehensive list of available grants.)

✓ **U.S. Department of Agriculture**

- **Rural Development grants** (http://www.rurdev.usda.gov/RD_grants.html)
 - Rural Business Enterprise Grant *(for equipment and infrastructure)*
 - Rural Business Opportunity Grants
 - Value-Added Producer Grants *(for farmer- or producer-owned kitchens)*
 - Rural Business Investment Program *(for new for-profits in rural areas)*
 - Community Facilities *(for rural areas with population <20,000)*
- **Specialty Crop Block grant**
(<http://www.ams.usda.gov/AMSV1.0/ams.fetchTemplateData.do?template=TemplateN&rightNav1=SpecialtyCropBlockGrant0Program&topNav=&leftNav=CommodityAreas&page=SCBGP&resultType>)
- **Farmers Market Promotion Program** (<http://www.ams.usda.gov/AMSV1.0/fmpp>)

Additional resources and information can be found in the National Sustainable Agriculture Coalition's Guide to USDA Funding for Local and Regional Food Systems (http://sustainableagriculture.net/wp-content/uploads/2010/05/NSAC_FoodSystemsFundingGuide_FirstEdition_4_2010.pdf)

✓ **Economic Development Administration (EDA)**

<http://www.eda.gov/funding-opportunities/>

- ✓ **U.S. Department of Commerce**
<http://www.commerce.gov/>
To fund the facility's purchase and programming costs (examples of grantees: Startingblock, Pasco Specialty kitchen...)

- ✓ **U/S/ Department of Housing and Urban Development (HUD)**
Community Development Block Grant Program
http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs

- ✓ **Rural Advancement Foundation International-USA**
<http://rafiusa.org/>

- ✓ **Regional rural centers**

- ✓ **City governments**

- ✓ **Regional commissions**

- ✓ **Private foundations**

Don't hesitate to seek **in-kind donations**. Some facilities were able to acquire donated equipment through their partnerships.

Keep in mind that 501c3 nonprofit organizations are eligible for more types of grants than any other kind of organizations. They are more likely to receive donations from community and private foundations since their gifts are tax-deductible. These nonprofits also are the only type of organization that can accept tax-deductible donations from businesses or individuals.

Because the shared-kitchen concept is so popular, crowdfunding campaigns have been very successful. (Major crowd-funding platforms include Kickstarter or Indiegogo, but these are just two of many.)[10]

Whether the kitchen is a for-profit or nonprofit operation, bank loans may be a necessary step. **The Small Business Administration** (SBA - <http://www.sba.gov/>) offers low-interest loans that are an option for shared-use kitchens.

TECHNICAL SUPPORT

Identify partners who can provide technical support in a variety of areas, such as food safety, food processing, recipe scaling, kitchen equipment, business knowledge, business development, etc.

Several universities have partnered with local shared-use kitchen organizations and provide strong support and information bases. University professors and staff are highly qualified, valuable resources. For instance, **Cornell University** in New York provides technical resources and support for food entrepreneurs, and helps them connect with existing commercial kitchens.

In some cases the kitchen facility is owned by a university that provides staff, support and resources, and also uses the facility for its curriculum or research activities. The **University of Arkansas** is a good example of this type of arrangement. The university had a kitchen that was used for its **Institute of Food Science and Engineering**. However, the facility was underused, so with minimal alterations the university converted the space into a commercial kitchen for use by people in the community. **Iowa State University's Center for Crop Utilization Research (CCUR)** also has a pilot plant. This plant is generally used to test recipes for businesses, although its managers are open to renting space to beginning food businesses. More information is shown on the CCUR website at <http://www.ccur.iastate.edu/index.html>.

Here is a list of ISU staff and faculty who can help with different aspects of the shared-use kitchen operation:

Name	Topic area	Contact
Shaw, Angela Marie	Food safety and processing	angelaml@iastate.edu
Wilson, Lester	Recipe scaling	lawilson@iastate.edu
Value Added Agriculture	Business development	lanim@iastate.edu
Strohbehn, Catherine	Food retail	cstrohbe@iastate.edu

Depending on location and staffing, some **Extension Service county employees** may provide additional resources.

The University of Nebraska-Lincoln has a **Food Processing Center** that can help food businesses optimize their revenue and profit. The Center hosts a **National Food Entrepreneur Program** that includes a one-day *Recipe to Reality* seminar. Participants who decide to launch their own food business can access an affordable help program in *Product to Profit*, available via distance education (http://fpc.unl.edu/small_business).

ASSESSING EXISTING RESOURCES

The importance of taking into account available resources often is underestimated. If the kitchen offers a resource that is already available, then not only will it be less effective (fewer people interested), but also more expensive (cost of setting up something redundant). If possible, shared kitchens should take advantage of existing resources to lower their own overhead costs.

Examples of coping with redundant resources:

- ✓ If storage space is abundant in the shared kitchen's vicinity, the facility might decide to limit storage space available and use the space for something that is not provided in the area (retail front, classrooms or conference rooms for rent).
- ✓ Presenting workshops and classes might be part of the kitchen's business plan. However, food safety courses might already be delivered by another organization in the community. The kitchen should then try to partner with that organization, use it as a resource and provide courses that the organization does not offer.

See **Appendix E** for current shared-kitchen projects in Iowa.

e. FOOD SAFETY REGULATIONS

One of the first steps to starting a shared-use kitchen is connecting with the local **Food Safety and Health Inspector**. In Iowa, they are either directly employed by the Department of Inspections and Appeals (DIA), or work under contract to the DIA (<http://www.dia.iowa.gov/>).

If the facility is going to process meat, the department in charge of regulations is the U. S. Department of Agriculture (USDA). For **interstate commerce** (sales across state boundaries), contact **USDA/Food Safety Inspection Service** (Des Moines, 515-727-8960). For **intrastate commerce** (sales within Iowa), contact **IDALS** (Iowa Department of Agriculture and Land Stewardship), which is mandated by the USDA to regulate meat and poultry processing facilities. (http://www.iowaagriculture.gov/meatAndPoultry/slaughter_Processing.asp).

The kitchen also has to comply with local building and fire safety regulations. For assistance with these regulations, contact the local Department of Public Safety (<http://www.dps.state.ia.us/contact.shtml>). Involve the agency in charge of Planning and Zoning in your area, to make sure the venture you are about to start fits the local regulations.

The adjustments necessary to comply with regulations should be taken into account in the feasibility study.

Additional resource: Iowa State University Extension – Food Safety
<http://www.extension.iastate.edu/foodsafety/>

* *Note - A recap of food licenses and regulations can be found in **Part III** of this toolkit.*

f. ECONOMIC IMPACT STUDY

An economic impact study serves several purposes:

- ✓ Helps calculate the kitchen's profitability,
- ✓ Convinces funders this is "a good idea," and
- ✓ Provides information to improve grant writing chances.

Public and private funders increasingly demand quantitative evidence of a nonprofit's impact on the community to justify funding. The economic impact study should answer questions such as: Who will be impacted by the development of a shared-use kitchen? How much will they be impacted (revenue generation, job creation figures)? Where will the impact be felt?

All parts of the food system will be affected by the creation of a shared-use kitchen. This includes people involved in growing food (farmers), supplying it, marketing, printing, packaging, buyers (grocery stores, institutions), local restaurants, and consumers. *"Money spent in the economy doesn't just stop with the first transaction, but instead stays in the community where it filters through to accelerate opportunity at many levels"* [5].

The **Salt Lake City feasibility study** [5] is a good example of an economic impact study: *"Although data tracking on jobs creation is lacking for most of U.S. culinary incubator kitchens, some culinary kitchens are keeping track. Based on a sampling of these kitchens, it is estimated that average job creations is approximately 6.4 FTW of jobs*

annually per 1,000 sq. ft. of kitchen space.” **La Cocina** in San Francisco reported that it supported 39 businesses that created 110 jobs and \$3.35 million in revenue in 2012 [5].

g. BUSINESS PLAN

Even if the kitchen is designed to be a nonprofit operation, it needs to follow a business-based model to be sustainable. During the planning process, the business plan is not a static document. It should be refined continually as new information surfaces, or as business practices, products, etc., change.

GOAL

The business plan will spell out the facility’s goals, the reasons they are believed to be attainable, and the path for reaching those goals. When embarking on a new business venture, a three- to five-year business plan is required, since investors will look for the annual return in that timeframe [9].

OUTCOMES

The business plan will [8]:

- Summarize the plan of action,
- Provide operational guidelines,
- Outline the actions needed to take the project from idea to reality, and
- Provide a road map for strategic planning.

It should present details on the following topics:

- ✓ What type of governance structure will be used?
 - Legal structure? (see part 4 for details)
 - Who? Board of directors? Advisory board? Who will serve on it?
- ✓ General operations:
 - Who will manage and direct?
- ✓ Organizational structure.
- ✓ Building/ Land/ Equipment.
- ✓ Services provided.
- ✓ Pricing:
 - What is the rental cost per month/year?
 - How many anchor tenants will there be? Desirably, there should be enough income to cover utilities, and improve cash flow.
 - If the rent doesn’t cover costs, will there be other revenue-generating activities? (*See Part IV of the toolkit for examples of extra activities.*)
- ✓ Scheduling.
- ✓ Facility design.
- ✓ Marketing strategies for:
 - Finding tenants,
 - Non-tenant users,
 - Suppliers/distributors/end users,
 - Economic development agencies, and

- Legislators.
- ✓ Startup costs:
 - Capital expenditures,
 - Wages/salaries,
 - Infrastructure development or improvement,
 - Advertising and promotion,
 - Legal fees, and
 - Municipal and state development taxes.
- ✓ Financial projections:
 - Fixed costs,
 - Variable based on best/worst case scenarios, and
 - Potential to be self-sustaining in a reasonable period of time.
- ✓ Funding.

* An example of an operational budget can be found in **Appendix F**.

* An operational budget template can be found in **Appendix G**.

ADDITIONAL RESOURCES

Training for introductory business planning is available at different organizations. NxLevel (<http://www.nxlevel.org/>) offers such training. The company also produced a guide for “Establishing a Shared Use Commercial Kitchen,” which is slightly outdated but still useful.

The following organizations should be able to assist (for little or no fee) in building a business plan for the shared-kitchen in Iowa.

- ✓ **Small Business Development Center**
Iowa : <https://www.iowasbdc.org/>
- ✓ **U.S. Small Business Administration (SBA)**
<http://www.sba.gov/>
SBA’s Build Your Business Plan tool: <http://www.sba.gov/tools/business-plan/1>
- ✓ **Extension & Outreach – Economic Development**
<http://www.extension.iastate.edu/topic/economic-development>
- ✓ **Center for Industrial Research and Service (Extension and Outreach)**
<http://www.ciras.iastate.edu/>
- ✓ **Iowa Department of Economic Development**
<http://www.iowaeconomicdevelopment.com/>
- ✓ **Iowa State University – Value Added Agriculture**
<http://www.extension.iastate.edu/valueaddedag/>

II. KEY CONSIDERATIONS WHEN STARTING A SHARED KITCHEN

a. WHERE DO INCUBATORS WORK?

Although rural areas often offer cheaper property, urban settings generally are a more advantageous setting for kitchen incubators. Not only are there more potential clients as well as customers interested in spending money on specialty foods, but there also are more resources to help the kitchen incubator become successful. According to Union Kitchen's founder Jonas Singer, this does not mean rural kitchen incubators cannot work. The urban kitchen incubator model has to be adapted to the rural environment. Clients are more likely to be farmers or people with close relationships to growers. The kitchen also should develop parallel activities that will satisfy the community's needs (*see Part 4*). **Anchor tenants** provide security by generating consistent cash flow.

b. SIZE AND COST

Determining the appropriate size for a kitchen is one of the main factors for establishing a successful business. If the kitchen is too small, some tenants might not be interested and it will be hard to find renters. If the kitchen is too big, it will be hard to find enough tenants to make it sustainable. The facility should accommodate clients, and also offer reasonable space for expansion.

Note that in Iowa, there **needs to be a separation in either time or space between two kitchen users**. Two independent tenants cannot be using the same space at the same time.

The cost of leased space is a burden that is difficult for an incubator program to manage, even when the incubator is operating at full capacity. Most kitchens either own their facility or rent it at a pre-arranged fee well under market value.

Generally, the shared kitchen layout calls for five work areas, each with its own space requirements and each equipped for specific functions such as receiving/shipping, storage (dry and refrigerated), preparation, cooking and ware washing (8). If possible, hiring a professional food service consultant will insure that many of the design phase services are handled efficiently.

c. EQUIPMENT

Beyond the essential kitchen facilities, specialty equipment needs can vary greatly. That is one of the reasons why a needs assessment survey is so important. **Appendix B** presents a table of kitchen equipment used in different facilities across the nation.

While some kitchen managers prefer to buy low-cost, used equipment for the facility, others recommend only new or under-warranty pieces. Used, older equipment frequently is less efficient due to higher energy costs, and is more likely to break down, which inconveniences several tenants. Even when receiving donated items, the kitchen managers must make sure the gifted equipment is in good condition. The Department of Agriculture can help in assessing the condition of the equipment.

d. STORAGE

Lack of storage (dry, cold, frozen) often is an issue for shared-use facilities. Kitchens can offer storage space as part of the rental package, although most existing facilities rent space (especially refrigerator or freezer space) for an additional cost. This generates additional income for the kitchen and alleviates the problem of people leaving products behind. A federal regulation requires that open containers of ingredients (bottles, jars, bags, etc.) cannot leave or enter the facility. This leads to people ‘forgetting’ about opened, unused ingredients in their storage space. Having them pay for the space they use can be a way to avoid this problem.

e. RECRUITING TENANTS

In general, the kitchen’s main source of income comes from rental fees. To maximize this revenue source, the facility should be in use as much as possible. This means expanding community awareness and recruiting tenants from the community. Existing facilities use all types of publicity and marketing (social media, web, radio, local newspapers, posters, etc.) to increase public awareness of their purpose.

f. REQUIREMENTS FROM TENANTS

A kitchen’s success depends heavily on the quantity and quality of its tenants. Make sure you attract as many people as possible, and follow a transparent, rigorous selection process.

Most kitchens require tenants to have:

- ✓ A ServSafe or other type of food safety certification and
- ✓ Their own insurance policy.

In some rare cases, the kitchen opts to carry liability insurance for all of its tenants.

The tenant’s products will have to be licensed once the kitchen has approved their application. A product can only be certified once it is “good to go” (facility, equipment, and recipe-ready). Some kitchens require tenants to have a **business plan**, and might provide assistance in creating or developing one. This is more common for incubator-type kitchens which focus on developing businesses and entrepreneurs. Most kitchens have a mandatory training session with new tenants so that they learn about the rules and regulations of the kitchen.

g. SELECTION PROCESS FOR TENANTS

Before a tenant is authorized to use the kitchen, most facilities go through a selection process. Some kitchens require an application. This might include information about the potential tenant’s business, status, list of product ingredients and equipment that will be used, and information about a business plan, target market, number of employees and anticipated hours of kitchen usage.

Submission of the application can be followed by an interview. This allows managers to determine whether the kitchen is a good fit for the tenant and if the tenants’ activities align with the kitchen’s goal/mission.

EXAMPLES OF APPLICATIONS

- <https://www.advantagewest.com/sites/default/files/files/food-files/Questionnaire%20for%20Prospective%20Clients%20of%20Blue%20Ridge%20Food%20Ventures.pdf>
- http://www.acenetworks.org/warehouse/General_Intake_Form_2010.pdf

The selection committee will **evaluate the tenant's fit with the kitchen's mission**. This does not mean that only the obviously successful candidates should be accepted. Depending on the facility's mission, some shared-use kitchens also offer a place for food entrepreneurs to try and 'fail' with a safety net.

h. KITCHEN RATES

Hourly rental costs may vary from \$10 to \$50 per hour. Rental fees are determined after taking into account the facility's mission, the market study, the operational budget, and market rates.

Most facilities have sliding-scale fees:

- ✓ **Quantity** - The more hours the kitchen is used, the cheaper it is by the hour.
- ✓ **Times of day** - if the facility is open 24/7, night hours (between midnight and 5 a.m.) often are rented at a cheaper rate than afternoon hours.
- ✓ **Type of use** - Some kitchens charge a different rental fee according to the equipment used in the kitchen. (For example, baker fees can be more expensive than general food preparation fees.)

Not all kitchens offer rent by the hour. Some offer rental plans by the day or, more frequently, by the bundle. For example, **Union Kitchen**, in Washington D.C., offers rental contracts adapted to its tenants and how much they produce, if they are on the market, etc. Other kitchens, such as the **Pilot Plant** at University of Arkansas, offer free rental until the tenant's product is released on the market.

It is recommended that payment be collected from tenants before they use the kitchen, and that advance payments continue until a payment history is established.

i. SCHEDULING

Scheduling can quickly become an issue if not managed properly. Depending on their tenant base, existing kitchens each have different strategies, but automating schedules seems to be the best and least time-consuming solution.

j. GRADUATING TENANTS

Some facilities have had trouble 'graduating' their tenants. Conditions are so ideal (low rental rates, access to resources, no bank loans for equipment or infrastructure) in the shared facility, that there is little motivation to leave.

The kitchen's mission might be to provide ideal conditions for food businesses for as long as they want it. But if a kitchen's business plan is to create stand-alone food businesses and have a high tenant turnover rate, the question of graduating tenants has to be taken into account. One solution is to set a deadline in the original rental agreement. For example: *"the tenant agrees to cease renting the kitchen four years after signing of this contract"*.

III. LICENSES, REGULATIONS AND INSURANCE

a. WHAT LEGAL STRUCTURE?

In a recent study by *Econsult* of existing U.S. kitchen incubators, 61 percent of the survey respondents were classified as for-profit ventures [6]. The only for-profit venture interviewed for this toolkit was *Union Kitchen*, based in Washington D.C.

Both structures have advantages: nonprofits are eligible for more types of grants and can accept tax-deductible donations; for-profits can generate income and attract venture capitalists. For-profit kitchens usually are located in metropolitan areas with bigger consumer and customer markets. Nonprofit kitchens generally have a mission that involves economic or community development. Whether theirs is a nonprofit or a for-profit organization, kitchen directors have to choose an appropriate legal structure for organizing their operation.

BRIEF DEFINITIONS OF DIFFERENT TYPES OF STRUCTURES

- **Nonprofit**
Most nonprofit kitchens are designated as *501c3* groups, which makes them eligible to receive tax-deductible contributions. This type of structure should not limit the kitchen's activities, as long as they do not engage in political and/or legislative activities.
- **For-profit [10]**
Most for-profit kitchens are limited liability companies (LLCs).
 - **LLC**
Pros: Many fewer forms required for registering and start-up costs are lower. Not required to have formal meetings and keep minutes. Fewer restrictions on profit-sharing: members distribute profits as they see fit.
Cons: Limited lifetime (if a member dies or goes bankrupt). The owner of an LLC is considered to be self-employed and must pay the self-employment tax contributions towards Medicare and Social Security. The entire net income of the LLC is subject to these taxes.
 - **Sole proprietorship/general partnership:**
No legal distinction is made between the owner(s) and the business (risky but simple administrative set-up and low cost).
 - **S-Corporation**
Pros: Allows tax savings for owner and business. Only the wages of the S-Corp shareholder who is an employee are subject to employment taxation. The remaining income is paid to the owner as a 'distribution', which is taxed at a lower rate, if at all. This arrangement also allows the business to have an independent life separate from shareholders; if one entity leaves the company, the S-Corp can continue.
Cons: Requires scheduled director and shareholder meetings, transcribed minutes from those meetings, adoption and updates to by-laws, stock transfers and records maintenance. More paperwork and tax forms are must be filed.
 - **C-Corporation:**

Separate legal entity from the individual owners. Possibility exists for double taxation if corporate income is distributed to business owners as dividends.

More information: <http://money.howstuffworks.com/biz-structure3.htm>

** Note – a majority of value-added processing centers are set up as cooperatives where the farmers who process their products are members.*

b. LICENSES

Each state has its own rules and regulations governing food sanitation standards for food establishments and food processing centers. **Working closely with the local regulatory agency** is critical to the kitchen's success. Kitchens owned by nonprofit organizations do not require licensing unless they are used to prepare, serve, and sell more than one meal per week. These are referred to as "community kitchens" throughout the toolkit.

Kitchens that do not fall into the "community kitchen" category must be inspected by a state agency. However this leads to confusion as to who holds the license: **The license is not held by the facility itself, but by the entity that produces the food.** Mark Speltz (Iowa Department of Inspections and Appeals) says *"In Iowa, we license operations including the physical facilities. The facility is only one aspect of an operation. Iowa licenses the whole operation. As each operator operates independently of others, separate licenses are necessary."*

This means that the term "licensed kitchen" is meaningless. Theoretically, a kitchen could hold a license that would cover all its tenants, but that would make the kitchen management team responsible and liable for everything produced in the kitchen. Therefore, **every** tenant/business in a shared-use kitchen needs its own license. Most existing kitchen facilities offer to help their tenants become licensed.

Food businesses can choose from two main types of licenses:

✓ **Retail license:** direct-to-consumer sales. Regulated by the **Iowa Food Code**.

<http://www.dia.iowa.gov/food/Documents/1997FoodCode%2009.05.pdf>

For a business to have a retail license, at least one person in a management position must have one of the following Food Safety Certifications within six months of obtaining the license.

- Learn2Serve Certified Food Protection Professional (CFPP)
- Certified Food Safety Manager (CFSM)
- Prometric Certified Professional Food Manager Program (CPFM)
- ServSafe – training provided by Iowa State University Extension
(<http://www.extension.iastate.edu/foodsafety/training/servsafe.cfm>)

Inspection frequency is based on what is being made, stored, or packaged, and in case of complaint.

Inspection officers are either DIA environmental specialists or local health authorities contracted by the DIA. (Both inspectors receive the same training.)

✓ **Food processing license:** no direct-to-consumer sales. Products will be sold to another licensed business (retail or other manufacturer). Regulated by the Iowa Food Manufacturing regulations (21 CFR – Code of Federal Regulations - Part 110: http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title21/21cfr110_main_02.tpl).

Inspections occur every year. The **DIA** is delegated by the FDA to inspect and award licenses unless:

- **The manufacturer processes meat, which is regulated by the Iowa Department of Agriculture and Land Stewardship** (agency delegated by the USDA - <http://www.iowaagriculture.gov/>). Non-amenable meats (rabbit, fish, llama), are regulated by the DIA.
OR IF
- **The manufacturer's product crosses state boundaries (interstate commerce), which is regulated by the FDA** (<http://www.fda.gov/>).

The manufacturer's recipe will be inspected by the regulatory agency. If the product is classified as 'Acidified food' (salsa, fermented products...), it may fall under Standards of Identity (SOI) rules. SOIs are *"the mandatory, federally set requirements that determine what a food product must contain to be marketed under a certain name in interstate commerce. Mandatory standards (which differ from voluntary grades and standards applied to agricultural commodities) protect the consumer by ensuring a label accurately reflects what is inside (for example, that mayonnaise is not an imitation spread, or that ice cream is not a similar, but different, frozen dessert)"* [11]. If the applicant's recipe has an SOI, then the inspector will verify that it follows the mandatory standards. If the applicant's recipe does not have an SOI, then the precise recipe must be sent to a **process authority** to have it tested. Iowa has no process authority facility, so the closest process authority to Des Moines is at the University of Nebraska (<http://fpc.unl.edu>).

Food processors need to **follow Good Manufacturing Practices (GMPs)** (<http://dia.iowa.gov/Food%20Processing%20Plants%20-%20GMPs.pdf>), and need a **HACCP plan** (certification offered at ISU – <http://www.extension.iastate.edu/HRIM/HACCP/>). The Hazard Analysis and Critical Control Point (HACCP, commonly pronounced "hassip") system is a preventive strategy for assuring safe food products. HACCP principles are logical and straightforward, and are regarded as a common-sense approach to food safety management [7]. Foodonline.com is a good resource for learning more about HACCP. <http://www.foodonline.com/doc/haccp-what-you-need-to-know-0001>

* Note: In addition to GMPs, the following food types have to comply with specific regulations:

- ✓ *Low Acidic Canned Foods - 21 CFR 113* (http://www.ecfr.gov/cgi-bin/text-id.x?tpl=/ecfrbrowse/Title21/21cfr110_main_02.tpl)
- ✓ *Acidified Foods - 21 CFR 114*
(<http://www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfCFR/CFRSearch.cfm?CFRPart=114>)
- ✓ *Bottled Drinking Water and Beverages - 21 CFR 165*
(<http://www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfCFR/CFRSearch.cfm?fr=165.110>)
- ✓ *Bakery Products, Cereal Flours and Related Products- 21 CFR 136*
(<http://www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfCFR/cfrsearch.cfm?fr=136.110>)

The first step for a business to obtain a license is to decide what kind of license (retail or manufacturer) is needed. Because the two licenses have different requirements, it is important for the food entrepreneur to know what kind of business they want to have. Then the regulatory agency in charge (DIA, IDALS or FDA) can help with specific instructions and advice.

A food business can do both retail and manufacturing. For example, a restaurant typically holds a retail license (direct-to-consumer sales). However, the restaurant might decide that their famous barbecue sauce would be worth selling in grocery stores or supermarkets. In this case, the restaurant also would engage in manufacturing. The predominance of sales (determined by whether retail or manufacturing has higher gross sales) will indicate which license is appropriate for the business. For a retail license, over 50 percent of the sales must be direct to consumer. A food processing license requires that over 50 percent of sales be wholesale. Although the business does not have to apply and pay for both licenses, if both retail and manufacturing activities occur the business **must comply with both regulations.**

The kitchen can make things easier for its tenants to get licensed by:

- ✓ Making sure the facility adheres to Good Manufacturing Practices (GMPs) as a baseline.
<http://dia.iowa.gov/Food%20Processing%20Plants%20-%20GMPs.pdf>
These practices follow the Food Code's guidelines (http://www.ecfr.gov/cgi-bin/text-id.x?tpl=/ecfrbrowse/Title21/21cfr110_main_02.tpl)
These regulations cover basic rules for sanitation in a food establishment, maintenance of physical facilities, cleaning and sanitizing of equipment and utensils, pest control, and the use and storage of cleaning compounds, sanitizers, and pesticides. In addition, specific sanitary requirements are mandated for the facilities: water, plumbing design, sewage disposal, toilet and facilities for washing hands, and solid waste disposal.
Some facilities provide a GMP course that their tenants must take before using the facility. To conduct retail operations, tenants should be familiar with the Food Code, which is more specific and detailed than the Manufacturing Regulations (CFR). The CFR regulations are more purpose-based than specific, which sometimes can lead to confusion.
- ✓ Have an **allergen control plan** for the entire facility that all tenants are required to follow. Components of an Effective Allergen Control Plan can be found here:
<http://www.foodallergy.org/document.doc?id=146>
- ✓ Iowa kitchen managers should make sure there is **physical separation** (in time or space) between processors. Contrary to rules in other states, several businesses cannot use the same kitchen at the same time.
- ✓ **Keep track of products:** know where the ingredients come from and where they are going when they leave the facility. To stay licensed, a food business has to buy ingredients from a licensed facility/producer and sell it directly to the consumer (retail) or to a licensed facility (processor).

Additional information about food safety regulations can be found in this presentation:

<http://www.extension.iastate.edu/NR/rdonlyres/B0D64A49-9FA9-410E-849A-31865EFCE91/171598/FSDWhatCanBeSoldWhere.pdf>

C. ORGANIC CERTIFICATION

To have a product certified as organic, a processor needs to **apply through one of the organic certification agencies in addition to acquiring the conventional food processing licenses**. There are a dozen certifying agencies in Iowa, the main one being the Iowa Department of Agriculture and Land Stewardship (IDALS).

To be certified organic, the food entrepreneur (processor) has to provide the certifying agency with:

- ✓ The product recipe.
- ✓ The list of ingredients and precisely where they are sourced (must be from a certified organic source). The product has to contain at least 95 percent certified organic ingredients. The remaining 5 percent are allowed only if they are on the “**list of allowed non organic ingredients**” (salt, preservatives, etc.). The **label** has to list all the organic ingredients used (“*organic*” or *...), and identify who the certifier is. IDALS officials suggest that the product and process be reviewed before the finished product labels are printed: “It can be frustrating for a new business to learn they may have to revise their labels after they’ve spent a lot of money having them printed,” says Geraldine Fridlington (IDALS Organic Certification Program).
- ✓ Details on how the product is made. This will be inspected at the facility where the product is produced.

Organic processors can share facilities with non-organic processors if the equipment used is washed properly. There are certain regulations specific to organic processing. For instance, a common sanitizer used in kitchens is ammonia, but ammonia residues are not considered organic. For an operator to be certified organic, either another sanitizing product has to be used, or an intervening step has to occur after the ammonia sanitizing and before the organic processing takes place.

For more information:

<http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5101547>

Contact - Geraldine Fridlington, IDALS organic processors

'Geraldine.fridlington@iowaagriculture.gov'

515.242.6343

d. INSURANCE

FOOD-RELATED INSURANCE POLICY

Most facilities require their tenants to have their own product liability insurance such as Food Product Liability Insurance. When selling directly to the consumer, a minimum \$1 million liability policy is recommended. Higher coverage may be necessary if the food business is selling to a store chain or distributor. Due to the size and gross income of most companies using shared-use kitchens, product liability insurance may be prohibitive to purchase on an individual basis. Forming a cooperative of shared-use tenants and purchasing product liability insurance as a cooperative can reduce individual costs for tenants (7). Insurance companies often base the cost of insurance premiums on the type of products being produced. Whether the business is selling wholesale, retail, or both also might affect rates.

Examples of insurance companies that provide food-related insurance:

- FLIP <http://www.flipprogram.com/>
- Nationwide <http://www.nationwide.com/food-beverage-business-insurance.jsp>

GENERAL INSURANCE POLICY

The facility will want to consider insurance coverage (property, mechanical breakdown, business personal property, etc.) in its overall risk management plan. [7]

e. RENTAL AGREEMENTS

* Examples of rental agreements can be found in **Appendix D**.

IV. OTHER REVENUE GENERATING ACTIVITIES

Most of shared kitchen facilities find it hard to break even based only the revenue generated by tenant fees, particularly in rural areas. Kitchens that are not grant-reliant often develop parallel activities to help improve their cash-flow. Additional activities may be revenue sinks rather than revenue sources. When deciding if and what kind of parallel activities should be developed, organizers should be aware of the following factors:

- ✓ **Opportunity:** what is it the community wants/needs and is willing to pay for?
- ✓ **Time:** when/how will this activity be conducted with the rental kitchen activity?
- ✓ **Space:** where will this activity take place?
- ✓ **Resources:** what types of resources (facility, expertise, initial investment, etc.) are necessary to develop such activities?

Some examples of complimentary revenue-generating activities are listed below.

PAID CONSULTING

In most kitchens, consulting is one of the services provided included in the rental fees. In some cases, the facility's staff can provide consulting services on different topics such as business, marketing, nutrition, and recipe development for individuals who are not tenants of the facility. This is a good way to generate additional income as it uses available resources, and requires little investment other than time. (Time might be an issue depending on the number and type of tenants in the kitchen.) Consulting fees vary from \$20 to \$100 per hour, depending on the amount and type of guidance, and the client's relationship to the facility.

FOOD TEST LAB FOR ANALYSIS

This is common in university-related shared kitchens. The facility has the staff and equipment necessary to provide tests and analyses for food businesses. Testing can cover anything from pH values to shelf-life, but also may include sensory or nutritional analysis. Private food companies may not have the staff, facility or equipment to do their own testing, and will contract those services.

Special circumstances must exist for a kitchen to be able to provide this kind of service. There must be appropriate resources and a demonstrated need for these services because area food businesses don't have access to other food testing labs.

The *University of Arkansas* offers a large variety of food-related tests in its pilot kitchen and related facilities. These were part of the kitchen's activities before it was opened to start-up food businesses. *The Starting Block* (Hart, MI) kitchen manager persuaded one of the main food testing laboratories in the region to establish a branch at the Starting Block facility. This was feasible because there was a market that would support the laboratory branch work. The lab's presence also helps tenants save on shipping costs when they want to test their own products.

NUTRITION LABELS

Nutrition labels are mandatory for:

- Foods that have any nutrient claims ("gluten-free", "low-fat")

- Small businesses (the food business itself or any that sell the product) that have more than \$50,000 of food sales and more than \$500,000 total sales. This includes food businesses selling through any major grocery chain.
- Small businesses with more than 10 full-time employees or sales of more than 100,000 units.

Most food companies start providing nutrition facts on their labels well before they hit any of these thresholds because it is good practice and provides a layer of transparency for customers. Many shared kitchens offer nutrition fact labeling as a service for their clients (tenants or others) for an additional fee. This activity rarely generates a lot of income but it is useful. It may help attract more tenants and encourage them to scale-up their operations. Additional information about food nutrition labels -

<http://www.fda.gov/food/guidanceregulation/guidancedocumentsregulatoryinformation/labelingnutrition/ucm064894.htm>

PROSPECTIVE CLIENT FEES

Many kitchens have an application/start-up fee (\$34 to \$80) for prospective tenants. In some cases (*ACENET* in Ohio for instance), this includes a half- or full-day training about the kitchen rules and regulations. Although this is not a major source of income, it might help sort out the truly interested tenants.

DELIVERY TRUCK

Offering distribution and delivery services for clients can be a good way to:

- ✓ Generate additional income,
- ✓ Help tenants develop their markets, and
- ✓ Make local products easily accessible.

Knowledge of supply chain management is useful for setting up this type of activity, since it comes with many costs such as the truck, insurance, fuel, driver, etc. **Union Kitchen** in Washington, D.C. has a pilot project to deliver some of their tenants' products to local grocery stores and restaurants. This pilot project is very popular and quickly proved to be profitable. **Vermont Food Venture Center** also offers distribution and delivery services.

CO-PACKING

A co-packer is a company that manufactures and packages foods for their clients, and is a very popular income-generating activity for many shared-use kitchens. Co-packers process food products for others, leaving food entrepreneurs more time for product development, marketing, and other tasks. This is particularly appealing for farmers who want to process some of their crops but lack the time or expertise to do so. With the development of local food systems, processed, canned or frozen products are increasingly in demand. There is a relative shortage of co-packers who process small batches of food.

Kitchens such as *Starting Block* have found that although expanding a co-packing operation can be a slow process, it is a great service to offer to their clients. Enterprises such as *Sharing Spaces* (Prairie du Chien, WI) **focused their business plan around co-packing activities**. *Sharing Spaces* is an extension of the Opportunity Center that serves adults with disabilities. One of the kitchen's main missions is to provide "new and exciting integrated work opportunities for the people with disabilities [they] serve." Currently, *Sharing Spaces* clients are contracted by a local restaurant to cut onions one day a week, and are freezing local strawberries for schools in their area. A time-study software program is used to determine how much the kitchen will charge for the co-packing.

RETAIL STORE

Having a retail area connected to the kitchen has several advantages:

- ✓ Showcasing tenants' products,
- ✓ Developing customer base, and
- ✓ Generating additional income.

This activity can be very time-consuming but also very profitable, especially in high population density or tourist areas.

Farm market kitchen's (Algoma, WI) storefront takes advantage of their very tourist-friendly location and provides a good percentage of the kitchen's total income. *Acenet* (Athens, Ohio) offers complete retail display units through a "Food We Love" marketing campaign that brands regional products. ACEnet assists with the implementation and stocking of the units. Businesses that want to participate are asked to sell and deliver products to ACEnet at a rate of 15 percent below standard wholesale cost in order to help subsidize distribution costs.

<http://www.acenetworks.org/warehouse/Retail%20display%20unit%20broch.pdf>

FOOD ENTERPRISE CENTERS/FOOD HUBS

Several kitchens have achieved success by being tied to a food hub. A food hub is "a business or organization that actively manages the aggregation, distribution and marketing of source-identified food products, primarily from local and regional producers to strengthen their ability to satisfy wholesale, retail and industrial demand" (USDA definition). Lake-to-River Food Hub is an example of a center that has a kitchen incubator, as well as a coffee shop (Elm St. Café) where incubator clients can sell their products.

Republic Food Enterprise Center (<http://www.republicfoodenterprisecenter.org/#!/about-rfec/c6kt>) is another example of a center that combined a food hub and shared kitchen. Kitchen tenants can use products aggregated by the food hub, and can take advantage of its distribution set-up. Kitchens can benefit food hubs by offering a broader range of products. Two such projects currently are under way in Iowa: the *Food Enterprise Center* in eastern Iowa (<http://www.leopold.iastate.edu/grants/m2014-10>), and the *Quad City Food Hub* (<http://www.qcfoodhub.com/>).

TRAINING

Training is probably the most common added income-generating activity for shared kitchens and it often fits well with the kitchen's mission. Existing kitchens offer different training opportunities; the most common is related to food safety (ServSafe, GMP, HACCP, etc.). The kitchen staff either is certified to provide that kind of training, or brings in certified trainers. The cost to attend these training sessions varies according to type and duration. Offering food safety trainings also is a good way to ensure good practices will be used in the facility.

Other kitchens reach out to a broader customer base by offering cooking-related classes (such as specific types of cooking, preserving/canning, general education, cooking classes for children, etc.). Depending on the community, marketing efforts and what resources already are available, this can generate substantial income, especially if the kitchen is designed to facilitate group activities (classroom space, several work stations, etc.).

ACEnet even offers “Replication Assistance” training. People who want to start their own shared-use kitchen can attend a one- or two-day workshop to “*get advice and detailed assistance from the experienced staff who have helped to build ACEnet.*” <http://acenetworks.org/services/commdev/>.

CONCLUSIONS

Many shared-use kitchen case studies can be found online (see **References**). Although kitchens face varied challenges depending on their environment, there are certain common factors to be aware of when starting a kitchen incubator.

- ✓ Kitchens have to be specific to their area; there is **no “one size fits all.”**
- ✓ Research is needed before starting anything and **the interest survey and available resources** are likely to be the most valuable information tools. “Gut feeling” cannot be trusted for planning such an enterprise.
- ✓ “A kitchen’s success depends on the success of its tenants.” If the tenants are unsuccessful, they may not be able to pay their rent which would affect the kitchen’s sustainability.
- ✓ The tenants’ success is strongly related to the quality of business assistance available.
- ✓ Never underestimate **overhead costs** such as staff, utilities, insurance, equipment, etc. Managing the facility can be an issue; there is always something that needs to be fixed.
- ✓ Dealing with a group of renters can be a challenge when everyone is in it for themselves. Providing the right environment **for partnership development** or coalitions between tenants is a good way to avoid this problem.
- ✓ **Work with DIA, health inspectors, and food safety specialists.** Rules and regulations may seem daunting but they are there for a reason, and more often than not inspectors are willing to work with kitchens to help them meet the requirements.

Shared-use kitchens, spurred by the rapid development of local food systems, definitely have a place in many communities. Although this toolkit highlighted many challenges to establishing a shared-use kitchen, this should not discourage project leaders.

ADDITIONAL RESOURCES

- University of Wisconsin – Food Business Innovation Network
 - o <http://fyi.uwex.edu/foodbin/resources-2/resources/>
- Small Business Administration
 - o <http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans>
- Iowa Small Business Development Center
 - o <https://www.iowasbdc.org/>

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<http://fr.slideshare.net/PASAFarming/feasibility-studies-and-business-planning-for-shared-use-kitchens>
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10. Choose your business structure
<http://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/choose-your-business-stru>
S-Corp or LLC?
<http://www.sba.gov/community/blogs/community-blogs/business-law-advisor/should-my-company-be-llc-s-corp-or-both>
11. Standard of Identity http://en.wikipedia.org/wiki/Standards_of_identity_for_food
12. Developing Shared-use Food and Agriculture Facilities in North Carolina
<http://www.smithsonmills.com/ncshareduse.pdf>
13. Feasibility of fruit and vegetable value-added processing in Iowa's congregate meal site kitchens, Linda Gobberdiel for the Iowa Food System Council
https://docs.google.com/file/d/0B_gg5cMTszNlc05GallQVnhSQ3c/edit

OTHER CASE / FEASIBILITY STUDIES

- A shared-use Community Commercial Kitchen
[http://www.takomaparkpc.org/Commercial Kitchen Fact Sheet ML.pdf](http://www.takomaparkpc.org/Commercial_Kitchen_Fact_Sheet_ML.pdf)
- An Economic Development Strategy – Shared-Use Commercial Kitchens (thresholdtomaine)
<http://www.thresholdtomaine.org/Shared%20Use%20Kitchen.htm>
- IFAMA The Starting Block: A Case Study of an Incubator Kitchen
<http://www.ifama.org/files/IFAMR/Vol%2017/Issue%201/%289%29%2020130001.pdf>
- Culinary Incubator Fact Sheet
<http://www.slcdocs.com/slsgreen/CIK%20Fact%20Sheet.pdf>
- Shared use food processing center presentation, Mary Pat Carlson
[http://www.iira.org/conference/Presentations/Shared Use Food Processing Centers Carlson.pdf](http://www.iira.org/conference/Presentations/Shared_Use_Food_Processing_Centers_Carlson.pdf)
- Incubator Implementation Plan, Oregon 2012
<http://www.ocwcog.org/Files/Incubator%20Implementatin%20Plan%20Final.pdf>
- “Measuring the economic impact of a nonprofit small business kitchen incubator” a case study of Nuestra Culinary Ventures (*Interesting because Nuestra Culinary Ventures failed after a promising start. This study examines why it wasn’t successful.*)
http://repository.upenn.edu/cgi/viewcontent.cgi?article=1009&context=senior_seminar
- Exploratory study for a kitchen incubator in West Memphis, AR
<http://www.broadwaywestmemphis.com/pdfs/KitchenIncubatorStudybyClintonSchool.pdf>
- Food Enterprise Center – Business Plan Executive Summary (Freeport, IL)
<http://web.extension.illinois.edu/jsw/downloads/50564.pdf>

EXISTING KITCHENS’ WEBSITES (USED FOR THE TOOLKIT)

- La Cocina – Cultivating Food Entrepreneurs
<http://www.lacocinasf.org/about-la-cocina/>
- Sandpoint Bonner Business Center (ID)
<http://bonnerbusinesscenter.com/>
- Farm Market Kitchen
<http://farmmarketkitchen.com/>
- Union Kitchen D.C.
<http://unionkitchendc.com/>
- Blue Ridge Food Ventures
<https://www.advantagewest.com/food-and-natural-products>
- Acenet
<http://www.acenetworks.org/>
- The Cookery
<http://www.durhamcookery.com/>
- Mi kitchen es su kitchen
<http://www.mikitchenessukitchen.com/>

SHARED KITCHENS IN THE NEWS

- How to start the air BnB of kitchen incubator in your community
<http://www.shareable.net/blog/how-to-start-the-airbnb-of-kitchen-incubators-in-your-community>
- Venture capitalists are making bigger bets on food start-ups, *New York Times*, April 2013
<http://www.nytimes.com/2013/04/29/business/venture-capitalists-are-making-bigger-bets-on-food-start-ups.html?ref=business>
- Using a kitchen incubator to get started, *Bloomberg Businessweek*, January 2010
http://www.businessweek.com/smallbiz/content/jan2010/sb20100125_784552.htm
- Kitchen Incubators get food businesses cooking, *Bloomberg Businessweek*, December 2007
<http://www.businessweek.com/stories/2007-12-17/kitchen-incubators-get-food-businesses-cookingbusinessweek-business-news-stock-market-and-financial-advice>
- Forage Kitchen Incubator Cooks Up to \$150,000 on Kickstarter, *Forbes*, June 2012
<http://www.forbes.com/sites/tomiogeron/2012/06/29/forage-kitchen-incubator-cooks-up-150000-on-kickstarter/>
- State of the Artisan: Will New “Food Incubators” Help Create a Culinary Business Boon? *Washington City Paper* blog, December 2012
<http://www.washingtoncitypaper.com/blogs/youngandhungry/2012/12/12/state-of-the-artisan-will-new-food-incubators-help-create-a-culinary-business-boom/>

INTERVIEWS

1. Gary Huber (Iowa Food Cooperative)
2. Bob Pellegrino (University of Arkansas)
3. Mary Pat Carlson (Farm Market Kitchen)
4. Linda Gobberdiel (Eat Greater Des Moines, Iowa Food Systems Council)
5. Jonas Singer (Union Kitchen)
6. Susan Rangel (Sharing Spaces Kitchen)
7. Margarito Cal (Sustainable Business Center, Galesburg, IL)
8. Angela Shaw (ISU Food Safety specialist)
9. Mark Speltz and James Romer (DIA)
10. Geraldine Fridlington (IDALS)
11. Jason Grimm (Iowa Valley Food Coop)
12. Carla Jaquet (Quad Cities Food Hub)
13. Deb Schott (Spectrum network)

A. SHARED-USE KITCHENS IN THE AREA: ASSESSMENT

Name	Opportunity Center http://www.pdcopportunitycenter.org/	Sustainable Business Center http://www.sustainablebusinesscenter.com/	Kindred Kitchen http://www.kindredkitchen.org/
Location	Prairie du Chien, WI	Galesburg, IL	Minneapolis, MN
Contact	Susan Rangel 608.326.0642 susanrangel@sharingspaces.org	Cindy Teel 309.343.1191 cindy@sustainablebusinesscenter.com	612.584.0828
Food processing?	Yes	Yes	Yes
Baking?	Yes	Yes	Yes
Catering?	Yes	Yes	Yes
Hobby / home?	Yes	Yes	Yes
Storage space		No	
- Dry	Yes		Yes
- Refrig.	Yes		Yes
- Freezing	Yes		
Cost		\$12.50/Hour	Prep area: \$14/hour Studio kitchen \$20/hour
Business support available?	Not yet	Yes SBC is a business incubator	Yes
% covered by rent		Center is self-sustainable	
Other income-generating activities	Co-packing (opportunity center clients)	Other activities related to the business incubator.	"Starting a Food Business" classes.
Anchor tenant	No	En season café	Five Friends Food - products in over 30 retail stores
Notes	Balance between co-packing activities = training for clients	Kitchen available for rent 2 days/week. Only ingredients allowed are organic or pesticide free. Business support provided by incubator.	Partial

List of existing shared kitchens across the United States--<http://academicentrepreneur.wordpress.com/2014/04/15/kitchen-incubation-industry-in-the-usa/>

B. SAMPLE LIST OF EQUIPMENT

	University of Wisconsin - checklist	Mickle Center feasibility study – Des Moines, IA	Opportunity Center - Prairie du Chien, WI	Organic Food Incubator - Long Island City, NY	Blue Ridge Food Ventures – Candler, NC
Baking Equipment					
<ul style="list-style-type: none"> Holding/Proofing cabinets (Proof Box) <i>Sealed space that provides an environment in which to control temperature and humidity so that yeast-risen baked goods can rise more effectively</i> 	X	X	X		
Storage & conservation					
<ul style="list-style-type: none"> Blast Chiller/ Freezer <i>Cousins of the refrigerator / freezer</i> 		X			
<ul style="list-style-type: none"> Dry storage - Walk in - Storage cubicles 	X	X	X	X	X
<ul style="list-style-type: none"> Refrigerator - walk-in - reach-in - roll-in 	X		X	X	X
<ul style="list-style-type: none"> Freezer - walk-in - reach-in - roll-in 	X	X R	X	X	X
<ul style="list-style-type: none"> 4 wire shelving units 		X			
<ul style="list-style-type: none"> Ice machine 	X	X			
<ul style="list-style-type: none"> Food dehydrator 		X			X
Basic kitchen equipment					
<ul style="list-style-type: none"> Compartment sink - Double sinks - Large single sinks - Hand sinks 	X	X	X		
<ul style="list-style-type: none"> Dishwasher 		X			

• Mobile work tables	X			X
• Mobile ingredient bins	X			
• Mobile dish shelving and drying shelves	X			
• Mobile pan racks	X			
Basic cooking appliances				
• Hot top range (4 burner, 6 burner = 60"...) with oven	X	X	X	X
• Griddles with oven				
• Stock pot range	X	X	X	
• Tilting Skillet / braising pan	X		X	
• Convection oven	X	X	X (double deck)	X
• Combination oven	X	X	X	X
Preparation appliances				
• Food processor	X	X		
• Quart mixer	X (20 and 30)	X (20 gallons)	X (60 gallons)	
• Hand mixer		X		
• Immersion blender		X		X
• Tilted kettle (trunnion kettle) with stand or tabletop	X	X	X	X
• Steamer	X	X		
• Fryers with filters and dump stations	X			
Baking equipment				
• Doughnut fryer			X	
• Dough divider rounder			X	X
• Dough sheeter <i>Rolls out dough to a desired thickness</i>			X	
• Vertical cutter mixer			X	
• Electric bread slicer			X	
Sauce equipment				
• Liquid bottle fillers	X			X
• Manual sauce filler				X
• Manual bottle capper				X
Other: Labeling machine				
				X

C. SAMPLE SURVEY – MARKET ASSESSMENT

Goal: assess interest and needs of the community to better fit the facility.

Survey should help:

- Specify the type of facility you are trying to start up (community kitchen, incubator, processing center...)
- Give an idea of hours of use (necessary for business plan and rental costs)
- What kind of tenants are interested
- What equipment is necessary
- If / what resources are necessary
- Location of the facility

This survey was inspired by several existing surveys.

1. On a scale of 1 to 5 where 1=not at all interested and 5=very interested, to what extent are you interested in using a shared-use commercial kitchen?

Electronic survey – if answers are 1 or 2, skip them directly to question 6 or to comments.

2. Indicate how a shared-use kitchen might benefit you? (check all that apply)

- *Income to supplement a full time employment?*
- *Income to supplement a part time employment?*
- *Hobby or special interest activity*
- *Full-time business with returns comparable or better than full-time employment*
- *Supplemental income with potential for a full time business*
- *Adding to an already established business*

3. What potential products would you be interested in processing in a shared use kitchen?

- *Bakery items*
- *Jams/jellies*
- *Sauces/salsa*
- *Chilled fruit/vegetable*
- *Frozen fruit/vegetable*
- *Dehydrated fruit/vegetable*
- *Canned fruit/vegetable*
- *Condiments/spices*
- *Catered meals*
- *Frozen meals*
- *Meat products*
- *Dairy products*
- *Candies*
- *Pasta*
- *Dry mixes*
- *Beverages*

- *Other?*
4. Do you currently own/operate a food-based business?
 - a. If no, do you have plans to own/operate a food based business in the future?
 - b. If yes, do you have a business plan for your food-based business?
 5. Typically, the range of fees for using commercial kitchens costs \$15 and \$60 per hour. How much would you be willing to spend to use the commercial kitchen in your area?
 6. Estimate which months of the year your business would use the kitchen. (Check all that apply)
 - *January*
 - *...*
 - *December*
 7. If money/user fees were not an obstacle:
 - A) How often would you anticipate using the shared use kitchen?
 - *Every day*
 - *Twice a week*
 - *Once a week*
 - *Twice a month*
 - *Once a month*
 - *Once per year*
 - B) If you anticipate using the kitchen regularly (once a month or more), how many hours a week would you anticipate using it?
 - *1 to 5 hours*
 - *5 to 10 hours*
 - *10 to 20 hours*
 - *more than 20 hours*
 - C) What time of the day would anticipate using the facility?
 - *WEEKDAYS*
 - *morning*
 - *afternoon*
 - *evening*
 - *during the night*
 - *WEEKENDS*
 - *morning*
 - *afternoon*
 - *evening*
 - *during the night*

8. If money/user fees were not an obstacle, what type of equipment would you need in a commercial kitchen to prepare your food product?

- *Standard range / oven*
- *Commercial mixer*
- *Walk-in cooler*
- *Walk-in freezer*
- *Stainless steel table*
- *Kitchen utensils*
- *Forced air oven*
- *Meat slicer*
- *Package heat sealer*
- *Food processor*
- *Dish washer*
- *Steam kettle*
- *Pressure cooker*
- *Microwave boiler pressure canner*
- *Fruit dryer*
- *Deep fryer*
- *Dehydration unit*
- *Flash freeze dryer*
- *other*

9. If money/user fees were not an obstacle, what other types of food business services / assistance would you be interested in? (Check all that apply.)

- *Office space*
- *Product testing*
- *Process development*
- *Accounting*
- *Marketing*
- *Recipe Development*
- *Inventory Management*
- *Labor management*
- *Other*

10. How far would you be willing to go to access the facility?

- *Less than 10 miles*
- *Less than 30 miles*
- *Less than 50 miles*
- *Less than 100 miles*
- *Less than 200 miles*
- *Other?*

11. Additional comments:

D. RENTAL AGREEMENTS

BRFV

- <https://www.advantagewest.com/sites/default/files/files/food-files/4%20BRFV%20Rental%20and%20Use%20Policies.pdf> (policies)
- <https://www.advantagewest.com/sites/default/files/files/food-files/2%20BRFV%20User%20Services%20Contract.pdf> (rental)
- Yellow post-it page in NXLEVEL manual.

Applications

- http://www.acenetworks.org/warehouse/General_Intake_Form_2010.pdf (ACENET)
- <https://www.advantagewest.com/sites/default/files/files/food-files/1%20BRFV%20application.pdf> (BRFV)
- Yellow post-it page in NXLEVEL manual.

E. PROJECT KITCHENS IN IOWA

Name	Spectrum Network	Quad Cities Food Hub
Location	Decorah, IA	Davenport
Contact	Deb Schott dschott@thespectrumnetwork.org	Carla Jacquet carlajaquet@qcfoodhub.com
Type of kitchen	Similar to Opportunity Center's kitchen in Prairie du Chien (WI): offer a commercial kitchen space as well as co-packing services	Offer both a processing center with co-packing services and a commercial kitchen for rent.
Sources of funding		Riverboat Development Authority, USDA, City of Davenport, Eastern Iowa Community College, Wellmark foundation...
Due date	2016	2015
Notes		

Name	Food Enterprise Center	Mickle Center shared kitchen
Location	Iowa City	Des Moines
Contact	Jason Grimm jason@ivrcd.org	Gary Huber gary@iowafood.coop
Type of kitchen	Kitchen incubator – full support (business, marketing, packaging, regulations, etc.)	Shared-use kitchen
Sources of funding	Leopold Center, USDA, City government, Economic Development Agency	LC has funded part of the feasibility study
Due date	2014: interest survey	2014: feasibility study
Notes	Will be tied to a Food Hub, using Iowa Valley Food Coop for aggregation and distribution.	The kitchen will be available for culinary entrepreneurs who want to rent it for however long they want. Minimal business support, the kitchen will provide mainly the facility

F. EXAMPLE OF PROJECTED BUDGET

ISU Extension Commercial Shared-Use Kitchen Incubator			
Projected Budget for 5,000 sq. ft. kitchen - Beginning January 1, 20xx			
	Year 1	Year 2	Year 3
Average number of clients	20	25	33
Average client hours/month @ 15 hr/month	300	375	496
Average rent rate/hour	\$ 20.00	\$ 20.00	\$ 20.00
Annual kitchen hours	3600	4500	5952
Annual rental income	\$ 72,000.00	\$ 90,000.00	\$ 119,040.00
Storage, training & misc. fees/month	300	500	500
Annual storage & misc. income	3600	6000	6000
Anchor tenant revenue/month	1200	1200	1200
Annual anchor tenant revenue	\$ 14,400.00	\$ 14,400.00	\$ 14,400.00
Total Kitchen Income	\$ 86,400.00	\$ 104,400.00	\$ 133,440.00
Operating Expenses:			
Benefits (.27 of base)	12690	13500	14580
Dues & subscriptions	500	500	500
Postage	400	500	600
Insurance	3000	3250	3500
Maintenance & repairs	1500	1500	1500
Miscellaneous	600	600	600
Supplies-office	2400	2600	2600
Supplies-operating	2000	2250	2500
Kitchen manager	35000	37000	40000
Hourly staff (kitchen) \$8 x 30hrs x 50 wks	12000	13000	14000
Professional Staff (two @ .5)	-	-	-
Telephone	2400	2600	2800
Travel/professional development	1500	1500	2000
Utilities	12000	12500	13000
Total operating Expenses	\$ 85,990.00	\$ 91,300.00	\$ 98,180.00
Net Over (Under) - Operations	\$ 410.00	\$ 13,100.00	\$ 35,260.00
Capital Improvement Fund (established for ongoing equipment purchases)	0	7804	9760
Net Over (Under)	\$ 410.00	\$ 5,296.00	\$ 25,500.00

G. TEMPLATE OPERATIONAL BUDGET

H. Name of the kitchen		Period covered:				Y 3	To total	Notes / description
		Y1	Y2					
Income	Rental	Annual rental income from anchor				0		<i>(Total number of hours rented by anchor tenant/year x anchor tenant fee/hour)</i>
		Annual rental income from others				0		<i>(Total number of hours/year x fee/hour)</i>
		Storage income				0		
	Additional income	Training income				0		
		Classes income				0		
		Consulation income				0		
	Total earned income		0	0	0	0		
	Grants	Grant 1				0		
		Grant 2				0		
		Grant 3				0		
Fundraising	Crowdfunding donations...				0			
Total fundraising and grants income		0	0	0	0			
Total income		0	0	0	0			
ens	Staff	Kitchen manager				0		

	expenses	salary									
		Benefits						0			
		Hourly staff						0			
		Contractor & Professional Services						0			
	Equipment	Maintenance & repairs						0			
	Other	Bank fees							0		
		Bookkeeping							0		
		Dues & subscriptions							0		
		Insurance							0		
		Postage							0		
Supplies - office								0			
Supplies - operating								0			
Telephone								0			
	Travel							0			
	Utilities							0			
Total Expenses								0			
Net income or losses								0	<i>The net income should be positive. If not, this might be a reason to increase rent or class participation fees, or find supplemental income activities.</i>		