

Case Statement for Food Innovation District in Rainier Beach



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Cover Photo: Kimchi-Making Class at Rainier Beach Community Center



Executive Summary

Across the U.S. cities and communities are developing food-system projects in order to capture the tremendous economic potential of this sector:

- According to U.S. Bureau of Labor Statistics, food preparation is one of the top industries for predicted job growth between 2014-2024.¹
- The specialty food industry grew 21% between 2012 and 2014 into over a \$100 billion industry.²
- The “food industry” is accessible to people with limited education and has a range of pay scales. Jobs in sub-sectors like packaging, warehousing, distribution, manufacturing and processing can have salary ranges that are well above living wage.³
- There are now over 200 kitchen incubators and over 300 food hubs in the U.S.⁴

In October 2015, the city of Seattle’s Office of Planning and Community Development engaged American Communities Trust (ACT) to examine the potential of a food innovation district (FID)—a concentration of food-oriented businesses, services, and community activities—as an equitable development strategy for the Rainier Beach community. ACT has worked on over a dozen food system projects across the U.S.

With a significant immigrant population and unemployment more than twice that of the city, Rainier Beach needs jobs with low barriers to entry in industries that allow pathways for new citizens to both enter the workforce and become entrepreneurs. A food innovation district has the potential to satisfy these needs, and if properly planned and capitalized, would be a smart investment for the City of Seattle in the future of Rainier Beach and its people. This initiative has been sufficiently studied, and that the players and stakeholders are in place and ready to move forward in the next steps of feasibility and predevelopment.

Project Background

In 2012, Rainier Beach residents updated the neighborhood plan to include a vision centered on food as a catalyst to spur economic and workforce development, culminating in the desire for a FID. The proposed FID in Rainier Beach aligns with Mayor Ed Murray’s vision for equitable growth that transforms communities while providing opportunities for residents⁵. Multiple planning efforts have engaged the community to refine and shape this vision. A 2013 Development Strategy Study by Jonathan Rose Companies asserted that the project “has all the qualities necessary to become a catalytic project in the TOD area,” that the project has “champions within the community,” and that “There are several national and local models of multi-tenant food facilities that can be looked to as examples.”

The community’s proximity to light rail and residential, commercial, and light industrial districts can attract businesses that need relatively low-cost industrial space close to retail, workforce or customers. The community is home to two food enterprises: Rainier Beach Urban Farm & Wetlands food production and the 5,000 SF Rainier Beach Farm & Food Hub, a local food production and distribution operation that is home to Seattle Tilth, Juicebox, Seattle Food Co-op, Seattle Farm Co-op and Rainier Beach Action Coalition. This latter project was developed and is operated by Southeast Effective Development (SEED).

¹ U.S. Bureau of Labor Statistics: http://www.bls.gov/emp/ep_table_104.htm

² “The State of the Specialty Food Industry 2015,” Specialty Food Association, April 7, 2015,

² “The State of the Specialty Food Industry 2015,” Specialty Food Association, April 7, 2015, <https://www.specialtyfood.com/news/article/state-specialty-food-industry-2015>.

³ See for example pages 24-25 of Econosult Solutions, “Economic Analysis of Detroit’s Food System,” 2014:

http://d3n8a8pro7vhmx.cloudfront.net/gleaners/legacy_url/226/DETROIT_book_r6_8_29_14_lowres.pdf_docID_9962?1443223248

⁴ American Communities Trust, Econosult Solutions, and Urbane Development, “U.S. Kitchen Incubators—an Industry Update,” 2016: http://www.actimpact.org/wp-content/uploads/2016/03/U.S.-Kitchen-Incubators-An-Industry-Update_Final.pdf; National Good Food Network: <http://www.ngfn.org/resources/food-hubs#section-14>

⁵ As stated in his 2015 State of the City address

Driven by the Communities of Opportunity Initiative, community coalitions are mobilized in a co-design process to shape the FID. A multi-purpose facility, or group of facilities, would cluster these elements to create opportunities in education, training, job creation, food production and community connection:

- Large and medium-sized private food businesses as anchor tenants, with linkages to job training programs and a commitment for local hiring and procurement;
- Commercial kitchens to support local entrepreneurs and a potential food-production social enterprise;
- Other food innovation uses such as an expanded food hub or copacking operation;
- Classroom space for courses on food delivery, preparation, production nutrition, ESL, and business skills; and
- Supportive services including technical assistance to individuals and businesses, immigrant support, resume writing, soft-skills training, small business development, and childcare.

The Rainier Beach Action Coalition (RBAC), which supports development of the district, has worked with VIA Architecture and the Jonathan Rose Companies to further develop the use program and to create preliminary design concepts.

National Context

ACT identified pertinent national data and highlights models of similar projects with lessons that are directly applicable to Rainier Beach and the type of FID that the community desires in Rainier Beach.

Industry trends suggest continued expansion of the food subsectors nationally and in Seattle, indicating a climate ripe for a FID in Rainier Beach. Nationally, the food industry is growing in the number of establishments (+6%) and employees (+3%), increases accompanied by a rise in labor income (+14%)⁶. Evidence of demand for food products in Seattle is clear in the growth of the Food Retail subsector (+2%) and growth in the Food Manufacturing and Processing subsector (+9%). Currently, hourly median wages for food occupations in Seattle range from \$11 to more than \$25, and skills can transfer to other occupations and sectors. Supportive services that often accompany job-training programs can help to develop food entrepreneurs, spurring further job creation and opportunities for wealth building.

The state of the industry around shared-use food production facilities has matured significantly over the past two decades and is still rapidly evolving. Recent models demonstrate new diversity and creativity in approaches including access to business and supportive services that enhance programs to assist not only in creating longevity and success of food businesses, but also in building life skills for individuals. FIDs or clusters are an emerging trend across the U.S. These districts seek to permanently co-locate businesses to create efficiencies, build community, and foster the sharing economy.

ACT examined five programs/models across strong and weak economies to capture best practices for informing the Rainier Beach project:

- **CommonWealth Kitchen:** Located in southeast Boston, CommonWealth Kitchen includes shared commercial kitchen facilities, storage, and office space, and provides business assistance to help food businesses expand and grow beyond the incubator space. The incubator's 45 businesses range from food trucks and caterers to wholesalers, and 68% are minority and/or women-owned businesses. CWK works with culinary training programs to hire graduates to work for the contract-manufacturing program, where graduates learn transferrable manufacturing skills and earn \$10-\$14/ hour. The project required \$15M in initial capital and is 95% owned by the Dorchester Bay Economic Development Corporation. More than half of the facility's \$1.2 M annual budget is from earned income.

⁶ Source: 2008-2013 U.S. Census Bureau County Business Patterns (NAICS). Retrieved from <http://censtats.census.gov/cgi-bin/msanaic/msasect.pl> between

- **The Cleveland Model: Greater University Circle Initiative:** The Greater University Circle Initiative (GUCI) is a multi-intervention approach to community and economic development. The model leverages the procurement needs of anchor institutions through a network of community-based cooperatives. Among the cooperatives is Green City Growers, a hydroponic greenhouse that grows pesticide-free produce year-round, distributing to grocery stores, foodservice companies, restaurants, and major institutions. Green City Growers required an initial capital investment of \$17M. GCGs 31 employees average \$10.55/hour plus profit sharing.
- **Detroit Eastern Market:** Detroit Eastern Market is the nation's oldest and largest public market. The city holds the title of the properties in the 4.5-acre market district and Eastern Market Corporation operates programming and facilities including a kitchen incubator, production kitchens, entrepreneurial and youth programs. EMC's food businesses currently employ 1,300 permanent employees and sold over \$360M in wholesale food in 2015.
- **Pacific Gateway Center Culinary Kitchen Incubator:** Pacific Gateway Center (PGC) is a non-profit that primarily serves recent immigrants and refugees. PGC's programs are tailored to help these populations achieve self-sufficiency through education and training. PGC's Culinary Kitchen Incubator has 12 certified commercial kitchens in a 20,000 SF facility for emerging food businesses, particularly low-income entrepreneurs. Opened in 2003, initial capital investment was \$5M. Between 400 and 500 businesses were created since the program's inception.
- **The New York Model: La Marqueta and Hot Bread Kitchen:** In this model the city owns facilities through the Economic Development Council and the Dept. of Small Business Services serves as management, lowering operating costs for small businesses. The City Council led efforts to revitalize La Marqueta in East Harlem and Hot Bread Kitchen, a social enterprise operating workforce development training and incubator programs, became the anchor tenant. Since 2011, HBK Incubates supported growth of 120 businesses, creating nearly 200 new jobs.

Next Steps and Recommendations

ACT found substantial support for a food innovation district from community organizations and stakeholders, but it's clear that participants have planning fatigue and are ready to move this project forward. The national context for local food production suggests that food is a major driver of jobs and economic development in strong and weak-market cities. The following are next steps for advancing the FID:

Next Steps:

1. City leadership to support FID in Rainier Beach
Support from the City's leadership is needed as the project progresses to ensure its success, longevity, and ability to have a meaningful impact for the residents of Rainier Beach and the city of Seattle as a whole. Without the City's continued support this project will not advance from planning concept to implementation.
2. Economic feasibility modeling
The most immediate next step is to undergo some economic feasibility modeling. Despite all of the excellent plans and studies to-date, it appears that none has actually put pen to paper to model what this project could look from a financial perspective. A key next step is to create an order-of-magnitude construction budget, sources/uses, and operating pro forma. This step will allow everyone to understand what degree of subsidy the project may need on the capital side, and to identify the most efficient ways to integrate the subsidy. There is additional study required before anyone is able to reach a go/no go decision, and this next phase of work would explore the most effective and efficient financing mechanisms in order to give the project the greatest chance of success and to reduce project risk.

3. Select developer/operator

Draft RFQ and select a developer/operator to conduct economic modeling and other tasks. The role of the developer/operator is to assume the risk in project and program implementation and manage the creation of and day-to-day operations of facilities within the food innovation district. Qualified developer/operators will have experience building and operating food-related facilities and/or large-scale projects. The RFQ should specify the level of experience desired.

4. Secure site control

To move ahead, it will be important for the project team to secure land. The developer/operator would identify parcels that it believes would be a good fit for the project; these should be evaluated further and reserved for future development.

5. Continue to partner with RBAC and other community organizations

The City should continue to partner with RBAC and other community organizations.

Recommendations:

As the project advances, key lessons include:

- Planning for incremental growth, providing opportunity for businesses to scale up
- Building sufficient operating reserves for lean times
- Including back-office business services as part of the program (e.g. accounting, marketing)
- Assessing market demand for space and skills available within the community
- Tailoring business development programs to real world opportunities
- Incorporating community feedback

Introduction

A cross-departmental effort led by the City of Seattle's Office of Planning and Community Development (OPCD) seeks to advance the implementation of a Rainier Beach Food Innovation District (RBFID) as a driver of jobs and local economic development. Local food production facilities found in an innovation district could provide kitchen space for small batch production, production space for restaurants and other food businesses with prep needs, training space for culinary arts and hospitality programs, on-site retail space and even marketplace centers.

For a number of years, government and community groups have commissioned or produced a host of studies and reports that include some form of the food innovation district concept. OPCD engaged American Communities Trust (ACT), a national social impact real estate consultant, to draft a case statement to stress the argument of Why Rainier Beach, Why Food and Why Now. This engagement began in late October 2015 and involved research into the national context for local food related production, case studies of successful programs across the country (in both strong and weak economies), and recommendations on how to move forward. In large part, ACT's work builds on the market analysis and recommendations from a 2013 Development Strategy Study conducted by the Jonathan Rose Companies—which is the most concrete report to address the RBFID concept, the creation of a network of shared-use food facilities to create a food innovation district.

The Rainier Beach Food Innovation District, as a concept, is at a critical point in its existence where it needs additional support to move the project forward. The City of Seattle is working interdepartmentally (OPCD, OED, OSE, HSD), along with community coalitions, towards implementation as well as other vision and support partners from the non-profit, business, and foundation communities. Additionally, King County supports the Rainier Beach Food Innovation District, seeing it as a regional asset, and included the district as part of its Communities of Opportunities Initiative, a place-based initiative that aims to improve race, health and socio-economic equity by providing grant funding and technical assistance.

Seattle's Office of Planning and Community Development engaged ACT to investigate programs and facilities across the nation, in both strong and weak economies, that encapsulate the vision and can serve as best practices to aid in implementation of a successful Food Innovation District in Rainier Beach. This work included first taking a look at the neighborhood context in Rainier Beach to evaluate existing assets, examining the national context for local food production (with an emphasis on shared-use facilities), providing case studies on similar programs and facilities, using those examples to make recommendations for Rainier Beach, and providing next steps on how to move forward.

This document is a case statement to further inform what it will take to propel this project forward and a look at what potential challenges lie ahead.

Why Rainier Beach?: Neighborhood Context

In his 2015 State of the City Address, Mayor Ed Murray championed equitable growth and cited Rainier Beach, a neighborhood at three times the City's unemployment rate, as a place where "we must plan for growth in jobs as we plan for growth in population." The Mayor went on to describe his vision for equitable growth as "placing without displacing" and called to "develop new equity goals and practices, and build in public accountability through more inclusive stewardship."

Rainier Beach stands out among Seattle's many neighborhoods because of its unique and distinctive assets, its racial and ethnic diversity, and its potential opportunities for innovative and equitable development. Rainier Beach is the southernmost neighborhood in the city of Seattle, situated between Lake Washington and Interstate-5 and centered on the historic Rainier Valley. Rainier Beach was a historically important place to the original settlers of the region in that it provided easy access to the salmon-rich lake and adjacent bountiful wetlands. Its cultural importance, as an accepting and accessible place to live, has resonated with successive generations of migrants and immigrants as many continue to call it home.

Demographic and Community Information

Rainier Beach is a neighborhood of great diversity and rich cultural heritage. With significant immigrant populations from Africa and Asia, 87% of Rainier Beach residents are people of color, compared with 33% for the City of Seattle as a whole, and 34% of households speak only English at home.

As addressed in the Mayor's speech, unemployment in Rainier Beach, recently estimated at 16%, is significantly higher than the 7% rate for the City as a whole. That citywide number increases when isolated to persons of color whose recently estimated unemployment rate is at 23%. According to a recent report, 30% of Rainier Beach households are below the poverty level and 14% of jobs located within the neighborhood were lost between 2000 and 2008.

Existing Conditions

Rainier Beach is situated along the light rail line at the intersection of residential, commercial, and light industrial districts. Rainier Beach provides a unique opportunity to attract businesses who may require access to industrial building stock that also need an adjacent retail outlet as well as access to the light rail for customers, clients and/or its workforce. As one of the few remaining areas within Seattle city limits offering relatively affordable land values and development opportunities, Rainier Beach presents a lower cost option than sites in other manufacturing districts throughout the city. However, available industrial land is in short supply, so the acquisition of parcels must be timely.

Existing Food-Oriented Activity

In 2011, Seattle Tilth established the Rainier Beach Urban Farm & Wetlands on approximately 10 acres of the former Atlantic City Nursery site owned by the City of Seattle. The Urban Farm & Wetlands is actively engaged in providing opportunities for food production, classes on organic gardening, cross-cultural food experiences, youth education and employment training.

Additionally, Southeast Effective Development (SEED) operates a 5,600 SF building that is home to the Rainier Community Food & Farm Hub, a local food production and distribution operation. Tenants include Seattle Tilth, Juicebox, Seattle Food Co-op, Seattle Farm Co-op and Rainier Beach Action Coalition.

Community Participation and Support

Food is a natural connection in the Rainier Beach community serving as an expression of the community's diverse heritage that is easily shared and appreciated, cross-generationally and cross-culturally. The many ethnicities in Rainier Beach and South Seattle provide a valuable and untapped resource to establish an international food culture and trade in the neighborhood.

In 2012, the neighborhood plan and action plan update included a set of actions for "Growing Food to Develop Healthy Industry". These actions sought to combine the neighborhood's existing food resources

and combine them with its ethnic food entrepreneurs and light industrial zone to become an innovative hub of ethnic food production with employment, education and small business opportunities.

Studies produced to-date demonstrate the potential impact of the project on local economic development. In 2013, the Department of Planning and Development commissioned a study by the Jonathan Rose Companies to outline a development strategy for an innovation district within Rainier Beach. The Jonathan Rose study laid out an initial feasibility for the project and defined a set of elements that could comprise a viable use program. The Rainier Community Food & Farm Hub demonstrates that a food production and distribution facility can be located in Rainier Beach and attract good, community minded private and nonprofit food businesses to the neighborhood. However, a qualified developer/operator will need support from the public and philanthropic sectors to successfully develop and operate a multipurpose food innovation facility on a larger scale.

The Rainier Beach Action Coalition is highly supportive of the Food Innovation District and has succinctly defined its potential use program: “The vision is to create a multi-purpose facility that combines commercial kitchen facilities for training and production, classroom space, and supportive services (computer lab, day care, public agency offices) in order to create a center that can bring together education, training, job creation, food production and community connection.” This use program is similar to one expressed in the Jonathan Rose study, and VIA Architecture has already worked with RBAC to sketch out some of these concepts.

Driven by King County’s Communities of Opportunity Initiative, launched in 2014, community coalitions are currently mobilized in a co-design process to shape the Food Innovation District. The vision is to create a multi-purpose facility, or group of facilities, that combine commercial kitchens for training and production, classroom space, and supportive services in order to create a cluster of opportunities in education, training, job creation, food production and community connection. Specifically, the kitchen space would serve as a food incubator program focusing on catering and/or value-add food production, as well as training space for culinary arts programs, and rentable cooking space for community members. As part of the vision, educational spaces would be programmed to provide technical assistance to individuals and businesses including courses on food delivery, preparation, production and nutrition, as well as ESL and business skills classes. Services would include immigrant support, resume writing, soft-skills training, small business development, and childcare. To complement the vision, common aspects of a food innovation district (such as kitchen incubators, co-packing facilities, urban farming operations, and food hubs) are being considered to round out the proposed district.

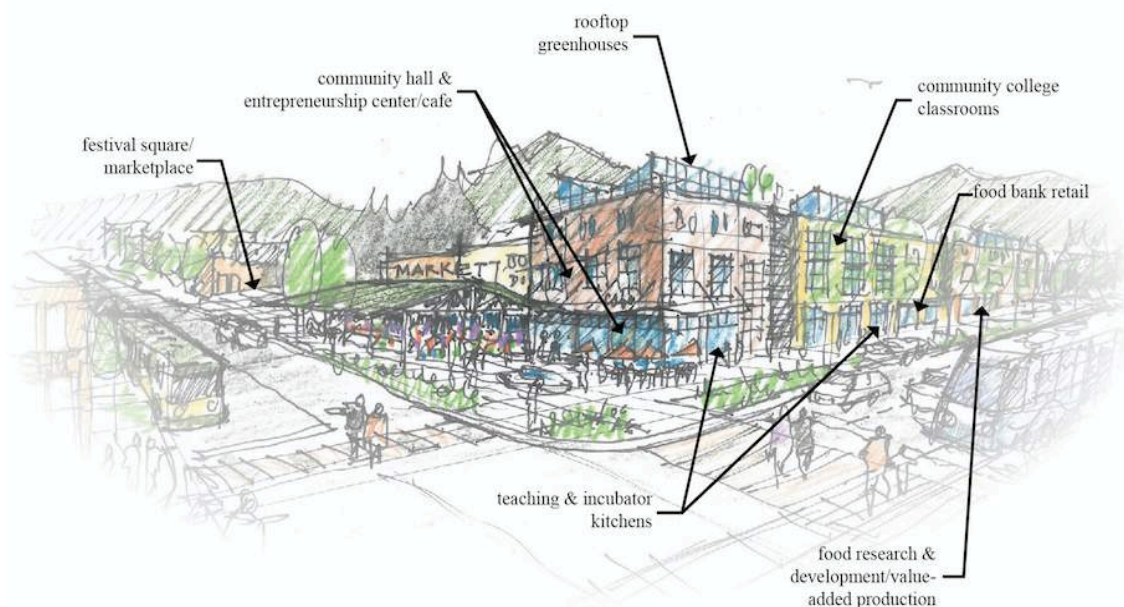


Photo Credit: VIA Architecture

Why Food?: National Context for Local Food Production

Nationally, the food industry is growing as a whole in the number of establishments and employment. Between 2008 and 2013, there has been a 6% increase in the number of establishments, while the number of employees increased by 3%. With the increase in the number of both establishments and employees, labor income has increased by 14%. For small food establishments, defined as having fewer than 50 employees, there has been an increase of 6%. However, the individual sub-sectors vary in terms of growth and decline. In the Food Production and Food Manufacturing and Processing sub-sectors, there has been a decline across most of the variables with exception to the increase in Food Manufacturing and Processing's labor income by 7%.

Local food innovation (growing, production and distribution) is projected to be a top-ten growth industry over the next decade in terms of:

- Number of jobs generated
- Low barriers to entry: advanced or specialized education is not necessary for entry into the field.
- Ladder up the wage scale: High potential for individuals to climb the “wage ladder”; workers starting at the entry level can advance quickly, with experience, to higher positions or owning and operating businesses.

According to the Bureau of Labor Statistics, the number of food preparation and service workers nationally is expected to increase by 10.9% between the years 2014 and 2024. WeiserMazars LLP's U.S. Food & Beverage Industry Study reported a profitable year for the food and beverage industry in 2015, with growth in sales, profit, and employment. Industry employment is predicted to grow 13% from 2013, while average net profits were expected to increase 18% in 2015.

Establishing Food as an Economic Driver

Using data from the Census Bureau's County Business Patterns⁷, ACT examined the potential growth of the food industry using an aggregate of five sub-sectors: Food Productionⁱ, Food Manufacturingⁱⁱ and Processing, Food Wholesale and Distributionⁱⁱⁱ, Food Retail (grocery and markets)^{iv}, and Restaurants^v. ACT examined these trends over a period of five years, from 2008 to 2013 by seven geographic areas⁸: nationally, in Seattle, and in five other cities: Boston, Cleveland, Detroit, Honolulu, and New York. These geographic areas represent both strong and weak economies and are home to multi-tenant food facilities that are discussed in case studies in the following section.

ACT first aggregated the numbers across all five sub-sectors, and then looked at the data individually for each sub-sector to gain a more a nuanced understanding of how the food industry is growing. Through both the aggregated and individual sub-sectors, ACT examined three variables: the number of establishments, number of employees, and labor income, in order to get an understanding of whether they have grown or declined.

⁷ Source: U.S. Census Bureau County Business Patterns (NAICS). Retrieved from <http://censtats.census.gov/cgi-bin/msanaic/msasect.pl>.

⁸ Note: Data is collected for Metropolitan Statistical Areas (MSAs). For certain MSAs, the geographic definition changed between 2008 and 2013, which may result in small differences in comparisons between years.

Boston

In Boston, there has also been an overall positive growth in the food industry. The number of establishments increased by 7%, number of employees increased by 9%, and labor income has increased by 20%. For establishments with less than 50 employees, there has been an increase of 7%. Labor income has increased for all five sub-sectors, while the number of employees and establishments has increased for both Food Retail and Restaurants, while it has declined for both Food Production and Food Manufacturing and Processing.

	Boston		%
	2008	2013	Change
# of Establishments	14,737	15,817	7%
# of Employees	265,644	288,557	9%
Labor Income (\$1000)	5,497,541	6,575,815	20%
Firms with 1-49 Employees	13,548	14,516	7%

Cleveland

Cleveland experienced both growth and decline in the food industry during the period between 2008 and 2013. The number of establishments declined by 1%, but the number of employees increased by 1%, and labor income increased by 17%. The number of establishments with less than 50 employees also declined (by 1%). Labor income increased for Food Manufacturing and Processing, Food Retail, and Restaurants. The only type of establishments that have shown a great increase are in Food Production sub-sector, with a 19% increase in food production-related establishments. There has also been a greater decline in the number of employees (-20%) and labor income (-7%) in the Food Wholesale and Distribution sub-sector.

	Cleveland		%
	2008	2013	Change
# of Establishments	5,751	5,701	-1%
# of Employees	102,959	103,853	1%
Labor Income (\$1000)	1,644,562	1,924,292	17%
Firms with 1-49 Employees	5,265	5,210	-1%

Detroit

Detroit has also shown a both growth and decline in the food industry. The overall number of establishments declined by 2%, while the number of employees increased by 4% and the labor income increased by 15%. Establishments with less than 50 employees also declined by 2%. Across all sub-sectors, establishments have declined, but the number of employees increased in the sub-sectors of Food Manufacturing and Processing and Food Wholesale and Distribution. Labor income has also increased across most sub-sectors except for Food Production.

Detroit			
	2008	2013	% Change
# of Establishments	11,401	11,189	-2%
# of Employees	185,067	192,051	4%
Labor Income (\$1000)	3,066,292	3,526,198	15%
Firms with 1-49 Employees	10,547	10,300	-2%

Honolulu

Honolulu also experienced both a growth and decline in the food industry. The number of establishments declined by 1%, while the number of employees increased by 4% and labor increased by 18%. Establishments with less than 50 employees have declined by 2%. Labor income has increased for all sub-sectors except for Food Production. The only growth in establishments is in the sub-sector, Food Retail. Number of employees also increased slightly in the Food Wholesale and Distribution, Food Retail, and Restaurants.

Honolulu			
	2008	2013	% Change
# of Establishments	3,109	3,068	-1%
# of Employees	56,252	58,643	4%
Labor Income (\$1000)	1,067,476	1,259,387	18%
Firms with 1-49 Employees	2,827	2,763	-2%

New York City

In New York City, there has been a positive growth in the food industry overall. The number of establishments increased by 17%, the number of employees increased by 16%, and labor income has increased by 23%. For establishments with less than 50 employees, there has been an increase of 18%. Two sub-sectors, Food Retail and Restaurants have both shown positive increases across all three variables in number of establishments, employees, and labor income. Labor income also increased for Food Manufacturing and Processing as well as Food Wholesale Distribution. However, for the Food Production sub-sector, there has been an overall decline in these variables.

New York			
	2008	2013	% Change
# of Establishments	63,680	74,726	17%
# of Employees	782,152	906,667	16%
Labor Income (\$1000)	18,225,940	22,399,604	23%
Firms with 1-49 Employees	60,341	71,081	18%

Seattle

In Seattle, the food industry is slowly growing. The overall number of establishments increased by 2%, and labor income has increased by 10% (with no significant change in the number of employees between 2008 and 2013). There has also been a slight increase in the number of small firms with fewer than 50 employees, increasing by 3%. However, the number of establishments has only shown a positive growth for the sub-sectors of Food Wholesale and Distribution, Food Retail, and Restaurants. Labor income has increased for most sub-sectors except for Food Production, while the number of employees has increased for Food Manufacturing and Processing, Food Retail, and Restaurants.

Seattle			
	2008	2013	% Change
# of Establishments	11,275	11,522	2%
# of Employees	184,936	185,327	0%
Labor Income (\$1000)	4,349,991	4,790,325	10%
Firms with 1-49 Employees	10,467	10,744	3%

Evidence of demand for food products is clear in the growth of the Food Retail subsector, growth in the Food Manufacturing and Processing subsector, and nominal decline in the Restaurant subsector. While Seattle's Food Production subsector shrank dramatically – 26 percent – from 2008 to 2013, the decline is not cause for immediate concern. The subsector is broad and may be influenced by factors outside of demand, such as rising costs of land within the MSA putting pressure on land-intensive operations to relocate further from city limits. With renewed consumer interest in locally-sourced goods, this may present a strategic opportunity for those able to produce locally. Since data is available only through 2013, gains in food production may have more significantly increased as of 2015 as the BLS predictions and WeizerMazar's study suggest. Finally, the relationship between demand for food products and food production isn't cut and dry; by comparison, New York experienced an 18% decline in overall Food Production, yet experienced a 19% increase in Restaurants. .

Percent change in Number of Employees by Geography and Industry, 2008-2013

Source: County Business Patterns

	Food Production	Food Manufacturing and Processing	Food Wholesale and Distribution	Food Retail (Grocery and Markets)	Restaurant s
National	-8%	-4%	-2%	2%	5%
Seattle	-26%	9%	3%	2%	-1%
New York	-18%	-1%	2%	17%	19%
Boston	0%	-1%	8%	7%	10%
Cleveland	-- ⁹	20%	-20%	4%	0%
Honolulu	-20%	-3%	3%	5%	5%
Detroit	-7%	6%	26%	1%	3%

⁹ Note: Missing data represented by '--' is a result of data withheld by the Census Bureau due to small sample sizes to avoid disclosing data for individual companies.

Wages and Non-Monetary Benefits

Wages

Often sectors with low barriers to entry are characterized by low wages and few opportunities for wealth building and upward mobility; the food sector is no exception, but there are opportunities across the board when the sector is observed as a whole. Hourly median wages for food occupations in Seattle range from \$11.00 to more than \$25. The tables below depict hourly median wages in various occupations across markets within the sector:

Hourly Median Wage By Occupation

	Food Service Managers^{vi}	Food Preparation and Serving Related Occupations^{vii}	First-Line Supervisors of Food Preparation and Serving Workers^{viii}	Food Preparation Workers^{ix}	Roasting, Baking, and Drying Machine Operators and Tenders^x
National	\$23.34	\$9.20	\$14.21	\$9.40	\$13.31
Seattle	\$25.09	\$11.00	\$16.66	\$11.05	\$15.91
New York	\$33.69	\$10.12	\$18.17	\$10.86	\$13.99
Boston	\$25.64	\$10.78	\$16.28	\$11.17	\$14.16
Cleveland	\$22.27	\$9.06	\$12.77	\$10.41	\$13.16
Honolulu	\$23.04	\$10.58	\$17.34	\$9.61	N/A
Detroit	\$22.75	\$9.11	\$14.35	\$10.74	\$12.02

Hourly Median Wage By Occupation (cont.)

	Food Batchmakers^{xi}	Cooking Machine Operators and Tenders^{xii}	Food Processing Workers, All Other^{xiii}	Bakers	Butchers and Meat Cutters	Meat, Poultry, and Fish Cutters and Trimmers	Slaughterers and Meat Packers
National	\$12.87	\$13.26	\$11.43	\$11.35	\$13.78	\$11.23	\$12.29
Seattle	\$13.26	\$14.53	\$12.41	\$12.43	\$17.06	\$11.36	\$11.57
New York	\$10.86	\$10.96	\$9.57	\$11.68	\$18.95	\$10.32	\$10.17
Boston	\$12.76	\$15.81	\$13.36	\$12.74	\$20.05	\$13.77	\$15.71
Cleveland	\$11.35	\$10.52	\$10.26	\$11.46	\$14.84	\$13.93	\$12.28
Honolulu	\$9.80	\$9.99	\$9.37	\$14.26	\$19.10	\$13.03	N/A
Detroit	\$12.71	\$10.89	\$9.74	\$12.56	\$14.33	\$9.54	\$11.91

Non-Monetary Benefits

Wages do not tell the whole story when evaluating the benefits to creating job opportunities with low barriers to entry. Learning both hard and soft skills, such as language, organization and time-management skills, which are transferrable to other occupations and sectors is of immeasurable benefit when workers are ready to pursue other employment opportunities. For example, one participant in CommonWealth Kitchen's program was able to leverage skills learned on the job to enter into a plumbing apprenticeship, offering higher pay and union benefits.

Supportive services and entrepreneurial technical assistance that typically accompany job-training programs, and will no doubt be a part of the Rainier Beach project, also help to launch careers and secure employment opportunities that lead to greater wealth-building and mobility.

“Wages do not tell the whole story”

National Trends in Shared-Use Facilities

While shared-use food facilities have existed since the mid 2000s, newer facilities are also incubators in the true sense of the word, providing business assistance and classes, access to low-interest lending, and supporting entrepreneurs in obtaining sales venues, distribution, and contract opportunities.

The First Generations

The first generation of shared-use food facilities - those in existence prior to 2008 – were primarily kitchen incubators and were either small individual kitchens, or larger-scale initiatives undertaken by universities. A number of the first generation incubators closed down because they were unsustainable, for one reason or another. However, several key early adopters remain open for business and provide some valuable lessons on what works. Examples include incubators such as La Cocina in San Francisco, CommonWealth Kitchen (formerly Crop Circle Kitchen) in Boston, ACEnet in Columbus Ohio and the Food Technology Center at University of Idaho.



La Cocina, San Francisco CA

After 2008, there was a dramatic increase in interest in shared food facilities, with over 80% of current shared food production facilities opening since that time. This second generation of shared food production facilities was more diverse in the types of businesses they focus on, and what services they provided. Examples include Food Fort, a food truck commissary in Ohio; Organic Food Incubator in New York, which focuses on a specific sub-market and includes a copacker; and Bake, Broil and Brew, a shared food production and beer brewing facility in Austin, TX. There were also new rural incubators such as the Vermont Food Incubation Center, and new university-sponsored models like the Louisiana State University (LSU) AgCenter Food Incubator and Rutgers Food Innovation Center.

The Third Wave: Current Models and Future Trends

In recent years, shared food production facilities have become more sophisticated in their overall approach and model for client management; good examples include the Center for Culinary Enterprises in Philadelphia and Union Kitchen in Washington DC. The process of billing, tracking time, and managing users is becoming more streamlined. During this same period, other types of food-related economic development projects started to overlap with culinary incubators/accelerators in interesting and exciting ways. Emerging trends include:

- **Food hubs:** These facilities provide aggregation/distribution of farm-fresh product and co-packers and contract producers, which create products on a contract basis for smaller businesses lacking the equipment or staff to do so.
- **Overlap of shared-use food facilities with public markets,** as in the case of Detroit Eastern Market and the Kitchen at Findlay Market in Cincinnati, Ohio.
- **The emergence of culinary social enterprises:** Culinary social enterprises have been popping up around the country and thriving, in part credited to Catalyst Kitchens, a train-the-trainer program for culinary social enterprises focused around the successful model introduced by FareStart in Seattle. There are 65 Catalyst Kitchens members today to date. An early adopter that combined the kitchen incubator with an existing culinary social enterprise was Hot Bread Kitchen in New York. In Baltimore an experienced operator of social enterprises called Humanim developed City Seeds – the first ground-up hybrid social enterprise and kitchen incubator/accelerator – set to operate in a new-construction 15,000SF facility.
- **The rise of food innovation clusters or districts**—co-location of different businesses (either of similar or range of scales) to create efficiencies, build community, and to foster the sharing economy.

The emergency of food innovation clusters or districts is especially pertinent for informing the Rainier Beach project. Innovation clusters/districts differ from incubators/accelerators in that rather than businesses cycling through a shared facility, the goal is to have permanent co-location of businesses (though nothing precludes clusters and innovation districts from including an incubator/accelerator as part of the mix). Some innovation districts are historic and seeing a rebirth, such as Detroit Eastern Market.

These clusters have varying degrees of services. For example, Artisan Exchange, just outside of Philadelphia, allows users to sell items at a shared weekly market and provides distribution and logistics for its member businesses. Common Market, a nonprofit distributor of local/sustainable farm product, has created the Philly Good Food Lab, clustering small and mid-size food production businesses within its warehouse and providing them access to its distribution network.

Other important examples of clustering include LA Prep featuring 50 boutique kitchen spaces for individual users in Los Angeles, and Commonwealth Kitchen in Boston, which features a combination of three state-of-the-art incubator/accelerator kitchens with permanent scale-up space for entrepreneurs within a 36,000 SF facility.

Commonwealth Kitchen and Common Market are nonprofit operators, while others such as Industry City, 630 Flushing, Artisan Exchange, and LA Prep are for-profit models, and others such as Detroit Eastern Market are hybrids that combine public/private partnerships and investments.

Case Studies in Food Innovation and Related Facilities

ACT examined five programs, across strong and weak economies, to capture best practices for successful food innovation centers and related social enterprises. ACT identified programs in communities with similar demographics and challenges as Rainier Beach. Case studies were also selected based on the following factors: educational opportunities, affiliation with anchor institutions, examples of public/private partnerships, existence of pathways to future employment, strong cultural ties, asset-based community development, job creation and skills pipeline, and transit-oriented/ accessible facilities.

Drawing from the markets presented within the national context (Boston, Cleveland, Detroit, Honolulu, and New York), ACT identified programs with varying degrees of success in areas similar to Rainier Beach. Case studies of the following programs provide lessons and precedents for the Rainier Beach Food Innovation District:

- Commonwealth Kitchen
- The Cleveland Model: Greater University Circle Initiative
- Detroit Eastern Market
- Pacific Gateway Center Culinary Kitchen Incubator
- The New York Model: La Marqueta and Hot Bread Kitchen

Case Study: Commonwealth Kitchen

Commonwealth Kitchen (CWK), formerly known as Crop Circle Kitchen, is a nonprofit that defines itself as a “collaborative community working to strengthen the local economy, particularly for people who have been impacted by racial, social, and economic inequality.”

Background/History

CWK was established in August 2009, after taking over operations from the former Nuestra Culinary Ventures. CWK comprises of a culinary business incubator and contract manufacturing social enterprise. It initially operated only one facility in the neighborhood of Jamaica Plain, but was able to make a larger impact through its new flagship facility in the neighborhood of Dorchester. The construction of the new flagship facility began in 2014, which led to Commonwealth Kitchen’s new name in order to reflect its additional service of contract manufacturing.

Location

Commonwealth Kitchen is located in Southeast Boston, in the neighborhood of Dorchester. Dorchester is a diverse neighborhood, with a mix of both long-term residents and immigrants. In 2012, its total population is approximately 118,024. The median household income is \$46,173, and the unemployment rate is 16.2%. The racial composition of this neighborhood is 21% White, 44.7% African American, 10.8% Asian, 17% Hispanic or Latino, 3.9% Other, and 2.2% Two or More Races.

The educational attainment of this neighborhood for residents 25 years or older is 23% Less than High School, 29.6% High School Graduate, 25.3% Some College, 14.4% Bachelor’s, 6.6% Master’s or higher, and 1.1% Professional school degree. (Data from ACS 2008-2012 5-Year Estimates)

Drivers

The Dorchester flagship facility began through Dorchester Bay Economic Development Corporation’s intention to turn the vacant Pearl Meats Factory into affordable housing. However, in meetings, residents resisted the idea to create more affordable housing and voiced a desire for job-creating uses, instead. Residents also recalled there were plenty of jobs provided when the Pearl Meats Factory was operating. This feedback helped push the idea to rebuild the facility into another food-related use, as the factory already the infrastructure, e.g. loading docks and coolers, in place. There were also city efforts to create more innovative food policies, such as the creation of the Mayor’s Office of Food Initiatives in 2010. Through the community’s desire for more jobs in its neighborhood, and the city’s efforts to create a more resilient food system, CWK had the support it needed to provide another kitchen incubator facility in the neighborhood.

Program Features

Culinary Business Incubator

CWK’s Culinary Business Incubator is a kitchen incubator program that targets low-income or minority food entrepreneurs and emerging food businesses. In addition to providing shared commercial kitchen facilities, storage, and office space, CWK provides business assistance to help food businesses expand and grow beyond the incubator space. CWK also fosters a community of food entrepreneurs in order to promote a collaborative learning environment among the businesses. Business assistance includes but not limited to help with recipe development, lean manufacturing, marketing, accounting, and distribution and access to capital. Business trainings are offered in partnership with Boston-based organizations that provide business and technical assistance services, including Interise, JVS, ACCION, the Urban League, Community Servings, the Kroc Center, and the Boston Public Market Association. All businesses at the kitchen incubator are required to come to CWK when they have a job opening, which allows CWK to hire within the community and find qualified staff.

The Culinary Business Incubator currently has 45 businesses in the space, ranging from food trucks, caterers, and wholesalers. 68% are minority and/or women-owned businesses. In total, the 45 businesses

employ 150 and more people, where 70% are minority and/or women workers, and over 35% are residents of the neighborhoods Dorchester, Roxbury, or Mattapan.

Contract Manufacturing Social Enterprise (Commissary Kitchen)

The Contract Manufacturing Social Enterprise provides small-batch contract manufacturing labor and cold and frozen warehousing for members, local farmers, and other food producers. CWK works with wholesalers, retailers, restaurants, caterers, and local farms to prepare and turn their recipes and ingredients into a pre-packaged value-added product. CWK works with culinary training programs to hire its graduates to work for its contract-manufacturing program, where graduates learn transferrable manufacturing skills.



Product from CWK

The Contract Manufacturing Social Enterprise is able to create sustainable full-time employment by aggregating part-time and intermittent jobs with different food companies. Aggregating the labor gives greater ability to train people and have less turnover. It also helps efficiently scale up businesses in the kitchen incubator program by providing a pool of skilled labor that they are able to hire from.

Employment at CWK

As of 2015, CWK has 170 staff, where 100-110 are full-time employees that provide support to the kitchen incubator businesses and contract manufacturing. These jobs are at an hourly rate between \$10 and \$14. These are low-barrier entry jobs, accessible to those with a criminal record or limited English capabilities. Employment at CWK gives staff credibility to transition over into a higher paying job in the culinary industry, where they can move onto working at a catering company or hotel. Those employed at the Commissary Kitchen learn skills in food manufacturing that are transferrable skills (e.g. measuring, following technical directions) to other industries, such as the biotech industry.

Program Successes

Since 2009, 32 businesses have “graduated,” from CWK’s facilities, ranging from retail, wholesale, and contract manufacturing businesses. This created over 450 new permanent jobs. Since 2015, three businesses moved out of the incubator space, where two went into retail, and one went into wholesale operations. Food businesses at CWK also continue to make an impact with hiring. For instance, one business at the incubator has a contract with Boston City Public Schools. The tenant hired within the city and created 25 new jobs at \$13.50/hour. 80-90% of the staff employed with this tenant are within walking distance to CWK’s facility.

Key Partners

Key partnerships of the development of the Dorchester facility include the Dorchester Bay Economic Development Corporation and the city of Boston. Dorchester Bay Economic Development Corporation owns the facility, and the city of Boston applied for a U.S. Department Housing and Urban Development Choice Neighborhoods Planning Grant in order to leverage additional funding for the facility.

Metrics for Success

CWK’s metrics for success are job creation, wages, and the non-monetary benefits of their programs. CWK’s Culinary Business Incubator monitors success by implementing a comprehensive tracking system and requiring businesses to report on a regular basis. CWK also measures success through the personal stories of their employees as related to increased quality of life.

Capital Requirements

CWK required \$15M in initial capital to start. The city of Boston successfully applied for a \$500M HUD Choice Neighborhoods Grant, and of that CWK was awarded a \$500K Implementation Grant to leverage other sources of funding for construction. The balance of the project was funded through New Markets Tax Credits equity and roughly 30 funding sources in total, including a grant from the federal Department of Health and Human Services, as well as other Federal and State grants.

The budget to cover ongoing operations in 2015 was \$975,800 for the Culinary Business Incubator, and \$208,950 for the Contract Manufacturing side of the businesses. The facility was able to break even with just the rent paid by tenants within 1.5 years, owing its success to the volume of small businesses it houses and diversity of the companies with respect to longevity and size. In 2015, 55% of CWK's 1.2 million annual budget came from earned income.

Currently, the facility is still 95% owned by Dorchester Bay Economic Development Corporation and CWK is a 5% owner – over time, goal for CWK is to own the facility.

Lessons Learned

In an interview with Executive Director Jen Faigel, she imparted the following information on key lessons learned.

Be more Incremental

Small incremental programming – building/scaling up to demonstrate results and demand limits the risk of investment and places less focus on the need to fundraise and more focus on building a better program.

Diversity of companies

It is better to have both experienced companies and brand new companies as it takes a long time for emerging food businesses to grow, and they need a lot of handholding and services. Having all new companies can be a drain on resources.

Contract manufacturing

CWK realized there is a lot of demand for this type of service and it created a great opportunity for the incubator to increase its income and profitability, especially in lean times.

Transferrable Job Skills

Contract Manufacturing teaches people baseline skills in manufacturing, not just food-related (example – measuring, following detailed/technical instructions). Job skills transfer over into other industries such as pharmaceutical industry:

For example, one ex-offender worked for the contracting manufacturing facility and was able to leverage his experience to get an electrician's apprenticeship with the union.

Provide Space to Grow Into

When CWK's entrepreneurs outgrow incubator space, they have the availability to move into the other permanent space, where they are still be part of the community but pay yearly rent, instead of hourly, and have access to services and shared equipment.

Pool Administrative Resources

Providing shared marketing services and other back of the office services is key to fostering successful small businesses within an incubator environment.

Case Study: The Cleveland Model: Greater University Circle and Evergreen Cooperatives

The Greater University Circle Initiative (GUCI) is a multi-intervention approach to community and economic development that focuses on creating institutional partnerships, implementing physical development, fostering economic inclusion, and building community engagement. The initiative involved multiple anchor institutions in around the Cleveland's University Circle district with the goal to rebuild neighborhoods and to improve the economic opportunities for residents.

The GUCI approach relies on two principles: the first is that a strategy that involves multiple anchor institution is inherently more effective than a single-anchor strategy, and that the limitations of physical development projects in that they alone do little to empower the people of low-income communities. The "Cleveland Model", a strategy focusing on the creation of cooperative businesses that leverage anchor institution procurement contracts, is a major part of this approach.

Background/History

The investment in, and presence of, a concentration of nineteen anchor institutions was in stark contrast relative to the conditions of the University Circle community in which these institutions were located. The socioeconomic divide was apparent in the juxtaposition of some of the city's most valuable cultural assets and the disinvested community in which they existed; this was the driving force for creating a plan to mitigate those disparities.



The Cleveland Model (Source: Democracy Collaborative)

In 2006, the Cleveland Foundation, in collaboration with two additional funders, awarded a grant to the Democracy Collaborative, a research center dedicated to community revitalization and renewal in ways that bolster democratic civic engagement, to organize a Community Wealth Building roundtable that brought together a range of stakeholders including representatives from the Mayor's office, the Chamber of Commerce, local community development corporations, existing employee-owned companies, anchor educational and medical institutions, and the Ohio Employee Ownership Center at Kent State University. The Democracy Collaborative team, lead by Ted

Howard, included Gar Alperovitz and Steve Dubb. It was from this interaction that the idea rose to connect the interests of anchor institutions to the need for local jobs, and in 2007 the Democracy Collaborative was tasked with conducting a feasibility analysis and to implement a strategy that has come to be known as the "Cleveland Model".

The Evergreen Cooperatives were created as part of the overall Greater University Circle strategy that included housing and transportation development, the creation of a health-tech corridor, workforce development strategies, and extensive community engagement. Cooperative businesses, like Evergreen's, are owned by and operated for the benefit of employees and/or those using its services. Employees or users often enter into the cooperative by purchasing shares, though the amount of shares they hold does not affect the weight of their vote. Profits and earnings generated by the cooperative are distributed among the members.

Typically, an elected board of directors and officers run the cooperative while regular members have voting power to control the direction of the cooperative.

Location

The University Circle District is 4 miles east of downtown Cleveland. In 2012, the median household income for the University Circle District was \$18,500 and the unemployment rate was 24%. As of the most recent census, the racial composition of the University Circle community was 40% White, 49.5% Black, 8% Asian, and 2.5% other races.

The Greater University Circle District features 19 major institutions. They are as follows:

- Artists Archives of the Western Reserve
- Case Western Reserve University
- Children's Museum of Cleveland
- Cleveland Botanical Garden
- Cleveland Clinic
- Cleveland Cultural Gardens
- Cleveland Hearing and Speech Center
- Cleveland Institute of Art
- Cleveland Institute of Music
- Cleveland Museum of Art
- Cleveland Museum of Natural History
- Cleveland Orchestra
- Cleveland Sight Center
- Museum of Contemporary Art Cleveland
- The Music Settlement
- Sculpture Center
- University Hospitals Case Medical Center
- The Office of Veteran's Affairs
- Western Reserve Historical Society

Drivers

The striking contrast of gleaming institutional complexes against the backdrop of a highly disinvested community, with its racial segregation and income disparity, was cause for concern. Institutions that saw themselves as cultural pillars of the community desired to use their influence to do more, but lacked the individual abilities to affect strategic change. The Cleveland Foundation recognized the gap and sought ways to bridge it, thus the organization of the initial roundtable that eventually birthed The Cleveland Model.

Program Features

The Cleveland Model strategy has three key features:

- 1) Leveraging the procurement needs of anchor institutions
- 2) Developing a network of community-based cooperatives owned and operated by Greater University Circle residents to meet the procurement needs
- 3) Utilizing emerging opportunities in the green economy to align with the sustainability goals of the anchor institutions

The cooperatives were designed to be owned, managed, and staffed by residents of the Greater University Circle district, residing within zip code 44106. Some employees were recruited through a workforce intermediary called Towards Employment, which is known for a sixteen week soft-skills training program for ex-offenders, others were recruited by word-of-mouth. Once hired and after a brief probation period, employees are invited to become members of the coop and subsequently invest through a payroll deduction over the course of three years. At the end of three years the employee will have contributed the total ownership stake of \$3,000 and as the businesses become profitable, earnings are distributed through capital accounts owned by each employee.

In 2009, the first business The Evergreen Cooperative Laundry launched. The laundry uses green technology to provide laundry services to local institutions. Soon after the second business, Evergreen Energy Solutions, launched. Evergreen Energy Solutions leases, installs, and maintains equipment on institutional, government, and commercial buildings. The laundry was anticipated to employ up to 50 residents, though recent data show only 39 employed. The goal was for the energy company to employ up to 30 residents, as of 2014 the business had 14 employees.

The latest business, Green City Growers, launched in 2012 and features a 3.25 hydroponic greenhouse that grows pesticide-free produce year-round. Green City Growers has 31 employees and distributes to grocery stores, foodservice companies, restaurants and major institutions within a 150-mile radius of Cleveland. Green City Grower's institutional buyers are Case Western University, Cleveland Clinic, and University Hospitals; their retail clients include the regional grocery chains Kroger and Meijer. Sysco, a well-known national distributor, is among Green City Grower's wholesale distributor network.



Employees at Green City Growers

Other Relevant Programs

The Greater Circle Living Program

In an effort to create mixed-income communities and to leverage the existing employer-assisted housing programs, the GUCI sought to create a standard program built on consistency across institutions with greater inclusivity and flexibility. The program offers an incentive package to attract institutional employees to live in Greater University Circle to help build greater income diversity. Another key feature of the program is to provide existing residents assistance in making home improvements.

NewBridge Cleveland Center for the Arts and Technology

NewBridge is a workforce development facility, operated by the Cleveland Foundation (with investments from the University Hospitals, Cleveland Clinic, Key Bank, and the Kelvin and Eleanor Smith Foundation). It features adult and youth vocational training and is geared toward opportunities in health and tech.

Community Involvement

It took over two years to organize and forge the partnerships between the anchor institutions, other area nonprofits, consulting groups and community members. Much like the multi-intervention approach that defines the Greater University Circle Strategy, Evergreen's approach to Community Engagement was multi-leveled and multi-pronged. The Evergreen approach revolved around four main goals; creating shared ownership and responsibility (merging grassroots methods with institutional interests), building cross-neighborhood connections (unifying stakeholders), identifying and supporting local leadership (empowering community-level leaders), and deconstructing historical barriers between stakeholders (redefining relationships between anchors and communities, and breaking down social/cultural barriers).

These goals were implemented in the form of four strategies:

- Direct engagement
- Community grant making
- Leadership development
- Communications

Direct Engagement

This approach began with a six-month "Listening Campaign" which involved one-on-one interviews with anchor institution leadership and community members to assess not only the area's needs, but also its

strengths. The next phase of direct engagement involved hosting a series of community meetings and networking opportunities including networking nights, neighborhood lunch and learns, neighbor circles which was a tool developed to build relationships on individual streets and within organizations.

Community Grantmaking

A key component to community engagement that was deployed in the Cleveland Model was the award of community level grants to grassroots organizations, community groups, individuals, and faith-based organizations. In some cases the anchor institutions themselves, or in partnership with other anchor institutions, provided grant funds. Small grants ranging from \$500 to \$5,000 were used to fund activities that fostered connections between neighborhood groups within University Circle, connections across neighborhoods within the Greater University Circle footprint, and intersections between neighborhood groups and larger organizations including anchor institutions.

Leadership Development

Leadership and capacity building techniques were used to empower residents and develop strong neighborhood leaders. Types of leadership development opportunities included: coaching and technical assistance to neighborhood groups and grant recipients, referrals to other opportunities offering complementary education and training programs within the neighborhood or region, the creation of learning circles (small groups of people from various organizations designed to delve deep into an issue of importance to grant recipients).

Communications

Fostering an information rich environment where residents and stakeholders had access to up-to-date information about events, opportunities, and resources was key. The Democracy Collaborative created *Neighborhood Voice*, a hyper-local community-based information source that integrated print and online media that served the Greater University Circle footprint. *Neighborhood Voice* was based on a citizen journalism model that empowered residents to create and share content about the changes in the community.

Key Partners

Key partnerships in the Evergreen Cooperatives and the greater initiative include Case Western University, University Hospitals, the Cleveland Clinic, the City of Cleveland (Mayor's Office), and the Cleveland Foundation.

Metrics for Success

The Cleveland Model, as well as the overall strategy of the Greater University Circle Initiative, has been evaluated on the basis of jobs created, adults enrolled in programs (in the case of NewBridge), housing units purchased (in the case of the Greater Circle Living program), and additional real estate investment in the Health-Tech corridor. As of 2014, Evergreen Cooperatives created 84 permanent jobs; 127 adults enrolled in NewBridge training programs; \$2.6 million in home-buyer incentives were awarded through the GCL program; and 80,000 SF of new or renovated space was under development.

According to CEO John McMicken, Evergreen is still evolving in how it measures success beyond the bottom line.

Capital Requirements

The program was funded through a number of public, philanthropic, and private sources. Grants from philanthropic sources are estimated at \$6M for startup capital, and the real estate projects received over \$9M in funds from federal sources including HUD Section 108 loan guarantees and New Markets Tax Credits. HUD section 108 loan guarantees were utilized as one of the sources to capitalize both the laundry and the greenhouse facilities. The greenhouse also utilized Brownfield Economic Development Initiative (BEDI) funds, another HUD program. US Bank CDE was the entity that provided New Markets Tax Credits for the laundry. National Development Council (NDC) and PNC both provided new market tax credits for the greenhouse.

Additionally, in 2009 the City of Cleveland's Economic Development Office stepped in to provided a low-interest loan to assist in the structuring of a \$5M New Markets Tax Credit deal for the laundry when funders backed out due to the recession.

More specifically, the initial capital investments for each of are as follows; \$5.5M for Evergreen Cooperative Laundry, \$1.5M for Evergreen Energy Solutions, and \$17M for Green City Growers. In an interview with Mr. McMiken he stressed that these figures did not include sufficient working capital to carry the businesses to break even. For example, of the \$17M capital for Green City Growers, \$16M went to building the facility while merely \$1M was set aside as working capital, which proved to be insufficient as Green City Growers has yet to break even. Evergreen Energy Solutions proved to be the least capital intensive of the three and was closest to being adequately sourced.

Operations

A 2014 report produced for the Cleveland Foundation detailed payroll and wage information for the cooperatives. In 2014, the total payroll for the cooperatives was \$1.94 million. Evergreen Cooperative Laundry (ECL) had an annual payroll of \$862,278 in 2014 with an average hourly wage of \$10.8. At the time of the report, 27 of the 39 ECL employees were members. At the time there was \$4,213 in the employee capital account, an average of \$108 per employee.

Evergreen Energy Solutions had a total payroll of \$420,151 in 2014. Hourly wages were higher for E2S workers, averaging \$12.48. At the time of the report there was \$3,349 in in the employee capital account, an average of \$239 per employee. Nine of the 14 employees were members.

In 2014, Green City Growers yearly payroll was \$658,495 with an average wage of \$21,242 or \$10.55/hour. Of the 31 employees, only 5 were members at the time and, due to the age of the cooperative, there was not yet profit in the employee capital account.

The table below provides an overview:

	Evergreen Cooperative Laundry	Evergreen Energy Solutions	Green City Growers	Total
Company Payroll (FY 2014)	\$862,278	\$862,278	\$862,278	\$862,278
# of Employees	39	14	31	84
# of Members	27	9	5	41
Average Wage (Hourly)	\$10.81	\$12.48	\$10.55	\$12.95
Average Wage (Yearly)	\$22,110	\$30,011	\$21,242	\$23,106
Value of Capital Account	\$4,213	\$3,349	\$0	\$7,562
Average per Employee	\$108	\$239	\$0	\$90 (avg.)

As stated, each business fell short of raising enough working capital to carry them to break even, creating a situation where additional grants and loans were required for operations above and beyond the initial fundraising.

Lessons Learned

ACT interviewed Steven Dubb from the Democracy Collaborative, and Evergreen CEO John McMicken, to gain insight into lessons learned from the Cleveland Model. Mr. Dubb had the following insight to offer:

Strong leadership and clear direction

The need for a strong political or philanthropic leadership to answer “why” is key – establish the “why” from the top down and other organizations will follow. In the case of the Cleveland Model, the Cleveland Foundation was key in the organization and leadership of the strategy. It was also noted that geography was key in attracting the support of the anchor institutions in that they were already in the neighborhood. In the absence of such a situation, it was recommended that the political leadership designate the subject area as a priority and provide incentives for anchor institutions to invest.

Focus on the entire strategy

A less than favorable strategy would be to isolate Evergreen Cooperatives from the greater picture of the GUCI approach. When looking at Greater University Circle it is important to note that it is a multi-intervention strategy (in which the programs are mutually supportive) and it would be counter productive to focus solely on the business development piece. For instance, workforce housing is being developed to maintain affordability and programs to improve the homes of existing residents were created to stave off gentrification.

Provide support for businesses

One of the key lessons learned with respect to operations was to create and maintain back-office support systems (e.g. accounting, contracts, etc.) for the businesses. The need for this type of business support was so evident that Evergreen retroactively created Evergreen Business Services, a separate entity to provide services and administrative assistance for the coops.

Budget for losses

Cooperatives are difficult to finance and it takes longer for businesses of this type to break even. In the cases of both the laundry and energy company it took four years. Green City Growers has yet to break even but is expected to do so in 2016.

Provide adequate education and training

In the case of the Evergreen Cooperatives, Mr. Dubb felt that the education and training could have been stronger and that training at all levels of the organization, especially regarding what it does and doesn't mean to be an “owner”, is key. Cooperatives are unique in that employees are expected to have additional knowledge of how companies are run in order to vote strategically.

Hyper-local hiring can be tricky

Evergreen Cooperative found it difficult to maintain a strategy of hiring exclusively from the neighborhood and has since relaxed the requirement. They also found it difficult to maintain the high level of employee involvement in management decisions. Criteria have since been loosened to hire the best people, regardless of the neighborhood, and to have the employees less involved in certain areas of decision-making.

Mr. McMicken shared many of the same sentiments and offered additional perspective in the following areas:

Make conservative projections

Mr. McMicken expressed regret over being too aggressive in Evergreen's approach to operating projections. For example, the laundry was projected to break even after nine months but in the end took closer to 45 months. In that time much energy was expended to raise capital from other sources, which included significant debt, as grant resources were unavailable.

Scale accordingly

With Green City Growers it was too big too fast. Mr. McMicken felt that the 3.5-acre operation would have benefited from starting as a one-acre operation built in a modular way that allowed for expansion. Though in the years since its creation the business has experienced remarkable growth, but because the initial

bar was set so high it has yet to meet expectations. According to Mr. McMicken this created a situation where the business tended to “get in its own way” meaning that the facility was so undercapitalized that the ability to obtain large contracts was stifled by the lack of resources to fill those orders. For example, if 2,000 plastic shell containers were required for an order but the business could not afford to purchase the packaging, then they would ultimately have to refuse the order.

Anchors are slow to change

One surprising lesson was that it wasn't merely enough to get the buy-in from the anchor institutions. There were issues with the anchor's leadership making the commitment, but did not easily trickle down to the department that handles procurement or other vendors that served as intermediaries. In the case of Green City Growers it was found that even with the blessing of the leadership, relationships needed to be earned in the old fashioned way and that trust still had to be built by delivering consistent quality. Ultimately, the anchor strategy does work but the transition is not always smooth.

Set realistic expectations for worker-ownership and returns

If he had to do it again, Mr. McMicken expressed that he would wait at least until the viability/break-even period until the business converts to a worker owned cooperative. Ideally this would occur after approximately 2 years of sustained profitability, meaning that it may take up to 4 years to convert. This period would allow leadership to operate the business as needed to ensure survival and reduce complications when it comes to decision-making. Additionally, it would relieve pressure to profit-share when no profit yet exists and therefore better manage expectations.

Case Study: Detroit Eastern Market

Background/History

Detroit Eastern Market is the nation's oldest and largest public market, in operation since 1891. The site is 4.5 acres, which includes five sheds for retail/market space, programming, and events. Eastern Market was originally operated by the city of Detroit; however the city was unable to generate enough revenue from stall rentals to maintain the market. In 1998, the city of Detroit hired Project for Public Spaces to help determine the future of the market. In 2006, Project for Public Spaces and the Downtown Detroit Partnership coordinated a master planning and transition process to run the market as a public-private partnership. Eastern Market secured funding from two major Detroit



foundations, the Kresge and Kellogg Foundations. The foundations provided \$1 million each under the condition that the City pass the market's management on to a new nonprofit entity with a board that included private sector and public sector representation, creating the Eastern Market Corporation (EMC). This allowed the market to obtain funding from other sources, including donations, corporate sponsorship, and other public/private grants. EMC operates under a 10-year lease agreement held by the City.

EMC is governed by a cross-sector group of City officials, residents, vendors, business owners, and other stakeholders. EMC released its 2025 Strategic Plan in January of 2016, utilizing a participatory planning approach that determined the vision using feedback from key stakeholders and taskforce meetings. The Plan highlighted that food businesses employ a high number of entry-level, living wage jobs that are critically needed for Detroit, making Eastern Market an important player for fostering entrepreneurship across economic classes. Currently, over 1,300 individuals are employed through food businesses associated with Eastern Market.

Community Demographics

Eastern Market is located a mile from downtown Detroit. It is its own commercial/historic district. In 2012, the total population located within the Eastern Market district was 2,287. Based on recent ACS data the median household income is \$14,327, and the unemployment rate 43.5%. The racial composition of the district is 4.3% White, 90.3% African American, 0.4% Asian, and 4.4% Two or More Races.

The educational attainment for residents 25 years or older is 24.9% Less than High School, 28.9% High School Graduate, 38% Some College, 3.7% Bachelor's, 3.8% Master's, and 0.8% Professional school degree.

Program Features

Eastern Market Corporation plays a multi-faceted role in the renovation and revitalization of Eastern Market as it continues to grow. EMC forged partnerships to renovate and improve the physical infrastructure of the 4.5-acre Eastern Market district, developed programming to serve the needs of entrepreneurs and businesses, and engaged in street-scaping efforts to improve the accessibility of the market through the Link Detroit! Project. ACT interviewed Christine Quane, EMC's Food Innovation Program and Regional Food Hub Director. According to Ms. Quane, "EMC is best at forging partnerships with organizations that have operational capacity. EMC seeks funding for the program, and eventually passes on the operational capacity to its partnering organization, allowing it to seek funding for other projects to complement Eastern Market." Since EMC has numerous programs, below are selected programs operated or funded by EMC, relevant to Rainier Beach.

Eastern Market Farm Stand

Eastern Market Farm Stand was one of Eastern Market's first programs and continues to operate through EMC. Seasonally, Eastern Market Farm Stand hires 20 Food and Health Fellows to disperse to approximately 21 locations – a mix of healthcare facilities, neighborhoods, and corporate sites. EMC buys wholesale from the market and sets up a mobile farm stand to distribute the produce in these areas that lack access to healthy foods. Over the years, the farm stand program was able to develop financial stability through corporate sponsorship fees paid to bring the farm stand to their site. The farm stand participates in the Double Up Food Bucks program, allowing SNAP benefits recipients to receive matching funds to spend up \$20. This allows those on food assistance to spend more on healthy foods.

Detroit Kitchen Connect

Detroit Kitchen Connect is Eastern Market's kitchen incubator program in partnership with Food Lab Detroit, a community of food businesses and allies working towards improving Detroit's food system. This program offers commercial kitchen space (located within Eastern Market), technical assistance, and workshops for food entrepreneurs ready to start or expand their food business. Food entrepreneurs also receive assistance in obtaining a ServSafe Certification and General Business License. Detroit Kitchen Connect currently has 18 food entrepreneurs.

Detroit Food Academy

Detroit Food Academy is a non-profit that partners with EMC working with local educators, chefs, and business owners to foster food entrepreneurship in Detroit youth (ages 13-24). In 2014, it served over 200 students in Detroit, and provided employment for 20 students in summer of 2014. It has three programs, the Academy, the Summer Leadership Program, and Small Batch Detroit. The Academy is an afterschool leadership development program that teaches youth a range of skills: business and financial literacy, culinary skills, nutrition, and leadership. The Summer Leadership Program is a paid summer internship open to graduates of the Academy. The Small Batch Detroit Line is a social enterprise that features and sells products designed by the Detroit Food Academy high school students, with starting wages of \$12.50/hour.

Metrics for Success

Eastern Market's food businesses currently employ 1,300 permanent employees. According to the January 2016 release of the EMC Strategic Plan, \$360 million of wholesale foods were sold in the market in 2015, and approximately \$418 million of meat sold in the market each year.

Initial Capital/Financing

ACT communicated with Jela Ellefson, Grants and Community Development Director for EMC, to obtain information regarding capital and operations support. Ms. Ellefson provided the following insights.

- Major renovations included Shed 2 (\$2M), Shed 3 (\$6M), Red Truck Fresh Produce grocery (\$600K), and Link! Detroit project (EM Streetscape Improvements) (\$5M). Shed 5 (\$8.5M) was 60% funded at the time construction began, and fundraising continued during construction of Phase 1, however a delay in funding caused a pause in development six months prior to starting phase 2.
- All shed renovation projects were paid for through a combination of philanthropic, City, State, and Federal grants. No private construction financing was used. The total cost of Link! Detroit was \$24M citywide and was funded in part by a \$10M Federal TIGER grant. The portion of funds implemented within the EM district was approximately \$5M, of which EMC was required to contribute \$400K.
- In terms of tracking sustainability and viability, Ms. Ellefson offered the following, "The shed renovations have not been tracked along these lines. We operated the different markets (retail/wholesale) in them before and after renovations but haven't been able to measure this. The rents we charge farmers and vendors are not based on any operating pro forma, we [EMC] keep(s) them artificially low and would love to raise them, but [EMC] need(s) to do it in an

incremental and staggered manner. It is important to remember that Eastern Market was managed by the City of Detroit for decades and even though EMC has been in place since 2006, we're changing long-term established institutional practices. Where we do see significant increase in usage, we have been able to adjust the fees to reflect our operating costs and rental fees. With two of the sheds being enclosed, they get rented for weddings, trade shows, you name it and after the renovations they have been incredibly popular. For examples, we are already booking weddings for fall 2017 and there are only two days available as of now."

Lessons Learned

In her interview with ACT, Christine Quane provided the following insights.

Moving Too Fast

Ms. Quane described the entire process of both creating the spaces and implementing the programs as "building a 747 while flying it." According to her, at the project level things were moving so fast that there was little time to adequately research and to think through the entire entrepreneurial process. This created a situation where growth was occurring rapidly but inefficiently. Her recommendation would be to create and test meaningful programs first.

Focus on the Full Entrepreneurial Process

According to Ms. Quane, some cities just want an incubator and fail to answer the important questions to really foster businesses and to create meaningful change. Some of those questions are: What type of food processing jobs are the good jobs? How do you get this individual from Point A to Point B on the road to becoming a successful food business owner? In thinking about economic development – Who's out there? What skillsets they need? How can other organizations help foster that growth?

Work with Local Financial Institutions

Ms. Quane suggested working with local banks to establish what they require from good small-business loan candidates and to tailor programs to getting entrepreneurs to that point. It's in both the self-interest of the banks to be able to finance more small businesses, and in the interest of programs to build strong candidates for bank loans.

Case Study: Pacific Gateway Center Culinary Kitchen Incubator

Pacific Gateway Center's Culinary Kitchen Incubator in the low-income neighborhood of Kahlihi-Palama, Honolulu is a 20,000SF facility that includes twelve commercial kitchens for food prep, baking, and other resources to serve emerging food businesses, particularly low-income entrepreneurs. Rental rates range from \$17 to \$55 per hour, depending on the lease agreement and time spent using the kitchen (the longer an entrepreneur uses the kitchen, the lower the rate) – and boasts the lowest commercial kitchen rental rates in the state. Production includes a wide variety of foods from high-end wedding cakes to food-truck fare.

Background/History

Pacific Gateway Center (PGC) is a non-profit organization that serves recent immigrants, refugees, victims of human trafficking, and economically distressed persons. PGC provides numerous services that include social services, economic development initiatives, and education and training to targeted populations. Ultimately, the goal of these services is to help these groups reach self-sufficiency through the education and training.

One of PGC's organizational values includes food, which is due to the diverse racial/ethnic groups that make up the targeted populations of PGC service area. Food is seen as a way that ties immigrants and refugees back to their home country and connects all of them together, regardless of their race/ethnicity. The Executive Director, Dr. Tin Myaing Thein, had informal conversations with women who were using PGC's other services, where they stated a desire to cook but could not access an appropriate kitchen that met necessary health and safety standards. Through Dr. Myaing's travels to the mainland, she brought back the idea of a kitchen incubator for people interested in preparing and selling their food products.

In 2000, PGC began a capital campaign to get funding for their kitchen incubator. After successfully financing the kitchen incubator, it opened in 2003, becoming one of the largest kitchen incubators in the country. The Culinary Kitchen Incubator is located in a low-income neighborhood with five public housing complexes. When it initially opened, priority was given to public housing residents. The goal of the Culinary Kitchen Incubator is to help the food entrepreneurs eventually transition or "graduate" into their own space, and to further secure loans from banks to expand their food businesses.

Location

PGC's Culinary Kitchen Incubator is located in the neighborhood of Kahlihi-Palama, east of Honolulu International Airport, and northwest of downtown Honolulu. In 2012, the median household income was \$47,737, and the unemployment rate was 5.4%. The racial composition of this neighborhood is 2.8% White, 0.6% Black, 65% Asian, 17% Native Hawaiian and Other Pacific Islander alone, 10.2% Two or More Races, and 4.3% Hispanic or Latino.

The educational attainment of the population is 29.1% Less than High School, 34.8% High School graduate, 23.9% Some college, 10.4% Bachelor's, 1.4% Master's, 0.3% Professional school degree, 0.3% Doctorate. (Data from ACS 2008-2012 5-Year Estimates)

Drivers

The drivers behind the idea of the Culinary Kitchen Incubator are from community input and feedback on ideas for economic development in the neighborhood. Dr. Myaing's conversations with the refugee groups included multiple ways they attempted to access a commercial kitchen, such as using a Pizza Hut and other businesses after hours. Refugee women also stated that food was the most accessible way to achieve self-sufficiency, due to the educational and language barriers they generally faced with finding a job. After their attempts to access a commercial kitchen were unsuccessful, Dr. Myaing conducted further research and came to the idea of a kitchen incubator based on her travels to the mainland. Gail Fujita, from the United States Department of Commerce's Economic Development Administration (EDA), approached Dr. Myaing after hearing that PGC was pursuing funds to build a kitchen incubator facility.

EDA was interested in funding the project, and Ms. Fujita helped PGC located additional funding sources for the kitchen incubator.

Dr. Myaing said in a 2013 interview with PBS Hawaii:

“But the Kitchen Incubator was conceived through many community discussions with our clients. The refugee women said, We’ll never get off welfare -- this was a long time ago. And we don’t have enough English, and we don’t have the education to get a good job. But we can cook; and we’ve tried, but we haven’t been able to do anything, because we have to have a certified kitchen. And they tried to work with Pizza Hut and cook during the hours that Pizza Hut wasn’t using. They tried to use bars, because the bars are shut down during the day or in the morning. And it didn’t work because of the insurance. And I just tucked that idea in the back of my mind, and when we went to the mainland, I found out that there was such a thing as kitchen incubators. And so, I did [more] further research on it. And I’ll tell you [Leslie] people come to you because everything is the right timing. I was looking for funds, but I didn’t know where to look. And along came this wonderful woman named Gail Fujita from EDA, the Department of Commerce. And she said, I heard that you’ve been talking about this kitchen incubator, we want to fund you. And I almost fell off my chair. And she helped me look for other funders, because it wasn’t enough what she could give us. And she looked for other partners that we could partner with, and just walked me through the whole process. And we had so much support. Central Pacific Bank was also key, and so was the Harry and Jeanette Weinberg Foundation. And we were able to build it. That money today would be triple if we build it today.”

Program Features

PGC’s Culinary Kitchen Incubator has twelve certified commercial kitchens.



Typical Rentable Kitchen Space

When PGC’s Culinary Kitchen Incubator program began in 2003, it was a requirement of their federal funding to provide technical assistance and training programs to participants. There were substantial wrap-around services that included assistance in creating a business plan, instruction on how to use commercial kitchen facilities, and education around how to finance food businesses. Through their initial funding, PGC was able to create a team dedicated to helping participants; however, as funding expired or was cut, they are no longer able to provide formal technical assistance for users of the kitchen space. Program Manager, Avemaia A’asa (with whom ACT spoke), leverages his own business experience to provide informal support, such as help creating a business plan, in the absence of structured programs and technical assistance. Currently the facility operates as strictly commercial kitchen space for rent as a result of the loss of funding.

Other Relevant Programs

PGC was able to create a retail incubator in Chinatown, which was also funded in part by a \$1M grant from the Harry and Jeanette Weinberg Foundation. The retail incubator, Lemongrass Café, exists to assist small entrepreneurs and start-up businesses branded “Gifts from Paradise.” It is a “shared service environment featuring local

businesses branded “Gifts from Paradise.”

entrepreneurs and their products". The facility is equipped with high-speed Internet service, state of the art security and surveillance systems, and Point-of-Sale (POS) software. PGC staff provides on-site retail sales training, foster small-business networks, and provide community support.

Community Involvement

The idea of a kitchen incubator was based on continued conversations with PGC's clients. PGC felt obligation to respond to the feedback from the community and their desire to have access to commercial kitchen space to start and/or grow businesses. PGC's efforts to create a kitchen incubator enjoyed great support from the community bringing together different community groups, including churches and civic organizations. Community members and groups continued to show their support for the kitchen incubator after it opened by using the facilities for their functions or events.

Key Partners

Key partners for PGC's kitchen incubator program were two major funders, the Harry and Jeanette Weinberg Foundation and the Economic Development Administration.

Metrics for Success

In ACT's Interview with Avemaia A'asa, the Program Manager stated that the sheer amount of program graduates was a testament to the success of the program. According to Mr. A'asa, in one year 50 businesses were created, and in another as many as 175. PGC performs a six-month follow-up for businesses that moved beyond the kitchen space, and some businesses were still going strong after two to three years. He said that the real reward was seeing individuals and businesses go "from ground zero and then able to move into their own facility/kitchen space." In her 2013 PBS Interview, Dr. Myaing reported that between 400 and 500 businesses were created from the program's inception.

Capital Requirements

In 2001 PGC engaged in a major capital campaign to complement EDA grant of \$500K. The two-story, 20,000SF culinary incubator building cost \$5M – largely paid for in grants from the Harry & Jeanette Weinberg Foundation, McNerny Foundation, U.S. Department of Commerce, and federal money that flowed through the city in the form of Community Development Block Grants. The Harry and Jeannette Weinberg Foundation provided \$1 million in capital funds. Additionally, the Hawaii Community Foundation made several small grants for operations in the amounts of \$25,000, \$45,000, and \$87,500.

Lessons Learned

Mr. A'asa was very open in the interview to discussing the limitations of the current program.

Set a Time Limit for Users of Culinary Business Incubator (Kitchen Incubator)

The kitchen now serves more as a commercial kitchen, rather than an incubator, for people with knowledge of the food industry who need an affordable space to produce their food products. As a result, people stay longer in the space rather than "graduating" to their own kitchen space, which limits access to other people who are waiting to use PGC's kitchen facilities. Thus, a time limit of three to five years should be set for users of the facilities, in order to keep the facilities open to more people. Additionally, the current rental model promotes long-term tenancy by reducing the rental rate based on time, offering little incentive for businesses to leave.

Stable/Sustainable Funding for Equipment and Technical Assistance

Pacific Gateway Center's Culinary Business Incubator's aim is to help low-income residents achieve self-sufficiency by being self-employed as a food entrepreneur in the food industry. However, as funding sources dried up, PGC was no longer able to provide the services need to help individuals with culinary experience but no business knowledge, grow into a self-sustaining business. Mr. A'asa stressed the need for stable and sustainable funding to provide business education training. Additionally, after thirteen years the incubator is still operating using the equipment it was originally outfitted with. This severely limits the

types of processing that can take place in the facilities, preventing access to the latest advances in food technology. There is simply no budget for the replacement or upgrade of equipment.

Case Study: The New York Model: La Marqueta and Hot Bread Kitchen

Background/History

Opening in 1936, La Marqueta is a historic public market that was once a hub for ethnic food products and goods unavailable elsewhere in the city catering to the Hispanic and Latino populations. As bodegas and other stores began to import ethnic foods, the market no longer served as the sole access point. After a fire devastated parts of the market, the rest slowly declined and became underutilized. In 2014, the New York City Council and NYC Economic Development Corporation sought out to revitalize the market through converting it for use as a kitchen incubator space for emerging or expanding small food businesses, modernizing it for greater retail space, and implementing programming to serve the needs of the neighborhood.

Community Demographics

La Marqueta is located in East Harlem, known as El Barrio/Spanish Harlem, a predominantly Hispanic and Latino neighborhood in upper Manhattan. The median household income for this neighborhood is approximately \$31,504. The neighborhood's racial composition is 40.1% Hispanic or Latino, 30.9% Black, 13.4% White, 6.6% Asian, 1.4% 2 or more races, and 0.5% Other. The unemployment rate is 12.5%.

Drivers

In the New York Model, food innovation projects are often driven by the City and bid through an RFP process. In the case of La Marqueta, the New York City Council and the New York City Economic Development Corporation led the charge, specifically former Council Speaker Christine Quinn, and Council Member Melissa Mark-Viverito (La Marqueta is located within her district).

In 2009, the City Council announced plans to create a kitchen incubator program in La Marqueta to be operated by Hot Bread Kitchen, a social enterprise running its Bakers in Training program since 2007, initially operating out of the home of founder Jessamyn Rodriguez. Interest in revitalizing the market stemmed from a desire to help food entrepreneurs get a jump-start in the growing food manufacturing industry by providing access to commercial kitchen facilities and business support.

Hot Bread Kitchen opened the kitchen incubator program as HBK Incubates in 2011, and became the anchor tenant in La Marqueta. In August of 2014, current Council Speaker Melissa Mark-Viverito announced \$3 million of additional capital funding to go towards continuing to revitalize La Marqueta creating additional cultural programming and more retail space for food entrepreneurs.

Program Features

Hot Bread Kitchen serves as the anchor business in La Marqueta. Hot Bread Kitchen's two programs include the Bakers in Training program and HBK Incubates. The Bakers in Training program is a workforce development program; a paid training program in artisan bread baking that serves low-income, minority, and immigrant women. This program prepares women to begin their own culinary careers or food businesses. In addition to learning bread baking, this program provides additional classes, such as baker's Math, Science, job readiness, and English as a second language. After completion of the program, Hot Bread Kitchen helps place them in full time jobs with benefits.



The "Harlem Pie Man": Tenant in HBK Incubates

HBK Incubates began in January 2011 to “help people with small, artisanal, and ethnic food businesses make the transition from working in their home kitchens to using fully-equipped, professional facilities”. HBK Incubates takes on a four-pronged approach in supporting emerging food businesses: commercial kitchen access, business development support, culinary community, and market access. Business development support consists of assistance with developing business plans or products, and obtaining access to capital through support to applying for a loan from the Small Business Association or banks. The culinary community provides a network of emerging food businesses, where best practices, distributors, and resources are shared. Market access includes access to catering opportunities and introductions to buyers from major retailers. Since 2011, HBK Incubates has supported the growth of 120 businesses, which created nearly 200 new jobs

Additionally, GrowNYC operates a youth market in La Placita, a revitalized plaza in conjunction with La Marqueta. Another program, Youthmarket, employs youth from ages 16-24 to operate a farm stand of New York-grown produce. The Youthmarket program prepares young people how to plan and operate a farm stand business while educating them about health, nutrition, the environment, and regional agriculture.

Key Partnerships

In the case of La Marqueta and Hot Bread Kitchen, the City continues to play a role. Whereas Hot Bread Kitchen is the operator, the Economic Development Council is the landholder and manages the overall market. Within the market, Small Business Services (SBS) manages the individual vendor contracts. Any business and entrepreneur within the NYC public market system gains access to SBS’s services for free. SBS partners with organizations to provide education and business training.

Other Projects within the Model

The New York model of public-private partnership where the City maintains ownership of the facilities through the Economic Development Council and utilizes the Department of Small Business Services as management, lowers operating costs to ensure the success small business projects in a cost-prohibitive markets such as New York. This is an innovative approach in that it does not involve the sale or transfer of property, lightening the burden on upfront capital costs and freeing operators to focus fundraising efforts on programming. This arrangement also enables the City to maintain control of the property and the ability to intervene in the decision-making process regarding expansion. Below are additional examples of this model:

Flatbush-Caton Market

Located in Brooklyn, Flatbush-Caton Market is another market that is operated by a public-private partnership—in this case between the NYC Department of Small Business Services, and the Caribbean American Chamber of Commerce and Industry. The Flatbush-Caton Market targets former street vendors and micro-entrepreneurs with a strong social, cultural, and economic interest in the community by providing them vendor space and technical business assistance offered by Small Business Services. While the Flatbush-Caton Market primarily sells dry goods, there are plans to expand the market to accommodate more vendors, which may lead to the addition of food entrepreneurs.

Brooklyn Army Terminal Building

The Economic Development Council owns and leases out the Brooklyn Army Terminal Building, a warehouse and commercial building focused on maker-spaces and business innovation. An anchor tenant is Uncommon Goods, a large 21st Century online catalogue, which occupies 3 floors and employs 200 individuals in permanent positions and up to 700 during the holidays with a focus on hiring persons of color.

Why Now?: Recommendations for Rainier Beach

Next Steps and Recommendations

After reviewing the background material and speaking with stakeholders, it appears that an array of community organizations and stakeholders are supportive of the Rainier Beach Food Innovation District concept, and several key funders and institutional partners are interested in supporting the project. The Rainier Beach Food Innovation District has received more than enough study at the concept level, and it is time to look more specifically at the economics and potential structuring of a project on a particular site. ACT heard loud and clear that community stakeholders have considerable planning fatigue on this project.

The national context for local food production suggests that food is a major driver of jobs and economic development in both strong and weak-market cities. Food innovation projects that empower communities and provide opportunities for low-income residents in other cities provide lessons and precedent for Rainier Beach.

Next Steps

The following next steps are needed to advance the FID from planning concept to implementation:

Next Steps:

1. City leadership to support FID in Rainier Beach
Support from the City's leadership is needed as the project progresses to ensure its success, longevity, and ability to have a meaningful impact for the residents of Rainier Beach and the city of Seattle as a whole. Without the City's continued support this project will not advance from planning concept to implementation.
2. Economic feasibility modeling
The most immediate next step is to undergo some economic feasibility modeling. Despite all of the excellent plans and studies to-date, it appears that none has actually put pen to paper to model what this project could look from a financial perspective. A key next step is to create an order-of-magnitude construction budget, sources/uses, and operating pro forma. This step will allow everyone to understand what degree of subsidy the project may need on the capital side, and to identify the most efficient ways to integrate the subsidy. There is additional study required before anyone is able to reach a go/no go decision, and this next phase of work would explore the most effective and efficient financing mechanisms in order to give the project the greatest chance of success and to reduce project risk.
3. Select developer/operator
Draft RFQ and select a developer/operator to conduct economic modeling and other tasks. The role of the developer/operator is to assume the risk in project and program implementation and manage the creation of and day-to-day operations of facilities within the food innovation district. Qualified developer/operators will have experience building and operating food-related facilities and/or large-scale projects. The RFP should specify the level of experience desired.
4. Secure site control
To move ahead, it will be important for the project team to secure land. The developer/operator would identify parcels that it believes would be a good fit for the project; these should be evaluated further and reserved for future development.
5. Continue to partner with RBAC and other community organizations
The City should continue to partner with RBAC and other community organizations.

Recommendations

Common themes of sufficient planning, capital reserves, and business support arose through the case study research.

The lessons learned can be boiled down to:

- Plan for incremental growth, providing opportunity for businesses to scale up
- Build sufficient operating reserves for lean times
- Include back-office business services as part of the program (e.g. accounting, marketing)
- Assess market demand for space and skills available within the community
- Tailor business development programs to real world opportunities
- Incorporate community feedback

Plan for Incremental Growth

For Rainier Beach, it would be better to focus on one facility or one phase at a time to ensure that the program doesn't suffer in the attempt to grow too big too fast.

The key takeaway from the CommonWealth Kitchen project is that they started with a very large project that required years of fundraising to pull off. If she had it to do all over again, Jen Faigel stresses that she would have created a project that was more incremental in its development. Though it seemed to have a relatively short break-even period, the project was in predevelopment for many years due to the excessive need to fundraise. This created not only donor fatigue, but fatigue for the community at large. Ms. Faigel cautions that it was a steep hill to climb to front load the project in that way. This damaged the ability to focus on building a more effective program with respect to services for businesses and participants.

Build Sufficient Operating Reserves

A food innovation district project in Rainier Beach will likely need for-profit users to be both financially viable and also to have a significant job creation impact on the community. The Jonathan Rose study talks about the potential of private businesses in the project—especially specialty food manufacturers and microbreweries and in both the Evergreen Cooperatives and Pacific Gateway models; the need for sufficient operating reserves was stressed repeatedly. In the interview with Evergreen CEO, John McMiken, Mr. McMiken stated that he built in only nine months of operating reserves into the initial Green City Growers budget, expecting the project to take off. Nearly three years later, the project has yet to break even and never-ending capital campaigns drain the capacity of management to focus strictly on running a successful program. A similar issue arose with Pacific Gateway Center, but on the back end. After running a successful program for nearly a decade, funding sources for providing business and technical assistance dried up, leaving Pacific Gateway Center with no choice but to discontinue the services side of their program. Operators of the Rainier Beach facility will also need to pursue enough capital to keep programs running outside of the availability of commercial kitchen space. If funding for technical assistance were to run out, the population that would feel the most pain would be start-ups, which could disproportionately hurt the targeted population for the facility.

Include Office Support and Services

Back office support and administrative services are key to the success of any business. The lesson for Rainier Beach is to include these types of business services in its program, or to provide access through partnerships with organizations. These activities generally fall under overhead and may be difficult to fund through traditional grant sources.

In the examples of CommonWealth Kitchen and Evergreen Cooperatives the lesson of providing back-office services, such as accounting, marketing, and human resources, was learned far too late in the game. Developing a centralized business support program, in addition to training and technical assistance, is credited with saving many of the businesses.

Assess Market Demand and Skillsets

Analysis of market demand for commercial kitchen space in Rainier Beach, with respect to space required to operate and times of day businesses plan to be most active, would provide clarity on the program for FID.

For the Pacific Gateway Center model, Mr. A'asa stressed the importance and value of community feedback in planning for the amount of kitchen space required and what hours it would be used. PGC's kitchen incubator continues to be overwhelmed by demand, in spite of outdated equipment and lack of services.

Tailor Business Development Resources to Real World Opportunities

The goal of providing entrepreneurship courses and technical assistance is to ultimately create successful businesses, however these courses must be rooted in the reality of the climate in which the businesses will be operating. The lesson for Rainier Beach is to create a program with education opportunities that align with local standards for small business lending and other Seattle-specific business practices that will prepare participants for entry into the local business community.

Christine Quane of Eastern Market made an excellent point to tie what education and program offerings to real world scenarios, such as working with local financial institutions to tailor programs to their small business lending requirements. Another suggestion from Christine was to evaluate the entire entrepreneurial process and asking the tough questions regarding what it really takes to get an individual from Point A to Point B in the creation of a business.

Incorporate Community Input

Community input is invaluable when creating both programs and spaces. It is important to engage the community, not only at the beginning of a project, but as planning progresses to the point of implementation. Community feedback can inform decisions such as the amount of kitchen space required and what hours it would be used. A lesson for Rainier Beach would be to continued open communication with the community on how members envision interacting with the space and opportunities for increased collaboration.

Appendix A: Methodology

Methodology

The research for this study consisted of primary source interviews, secondary source reports and documents prepared on behalf of the City of Seattle, and a literature review of case studies and other materials in relationship to the selected sites. ACT began its research by reviewing materials provided by the OPCD that were as follows:

- Jonathan Rose Company Development Strategy Study (2013)
- Rainier Beach Neighborhood Plan Update (2012)
- Rainier Beach Neighborhood Plan (1999)
- Presentation of the 2014 Rainier Beach Neighborhood Plan and Plan Directory
- Promise Zone Briefing (2014)
- Kitchen Incubator Business Plan (2014)
- Food Innovation District Business Model (2014)
- Lessons Learned (2011)
- Recommendations (2012)
- Collaborations Matrix (2012)
- Funders Meeting Notes (2012)
- Fund Development Plan (2012)
- What's Happening Now Document (2015)
- Mayor Murray's State of the City Address transcript (2015)
- Plan Amendment Ordinance (2015)
- The Rose Center for Public Leadership Presentation (2015)
- Draft Description of Rainier Beach Food Innovation Center (2015)
- Two handouts on the Rainier Beach FID branded with Made in Rainier Beach (2015)
- Rainier Beach Area Map (2014)

In October 2015, ACT participated in a site visit, led by OPCD staff, to gain neighborhood and geographic context to supplement data collected from the US Census Bureau. ACT gathered data from multiple sources (cited within the report) to illustrate the national context for local food production. The markets analyzed within the national context were chosen based on the case study selections. The case study selections were chosen after a review of a comprehensive list of food innovation districts/centers nationwide, then narrowed to match conditions similar to that of Rainier Beach. Of the list five were ultimately selected for case study level research. ACT relied on a number of sources, listed in Sources below, for each case study as well as primary source interviews.

ACT conducted primary source interviews with the following:

- **John McMiken, Evergreen Cooperatives**
- **Steven Dubb, Democracy Collaborative**
- **Jen Faigel, CommonWealth Kitchen**
- **Avemaia A'asa, Pacific Gateway Center**
- **Christine Quane, Detroit Eastern Market**
- **James Johnson-Piet, Flatbush-Caton Market**

Despite best efforts, ACT was unable to obtain primary source interviews with representatives of La Marqueta and Hot Bread Kitchen and sourced information for those locations through other forms of research. Features of the New York model were rounded out via interview with James Johnson-Piet of Flatbush-Caton Market.

Sources

Below are links to articles diving deeper into the various models presented:

CommonWealth Kitchen*Financial data*<http://www.givingcommon.org/profile/1127125/commonwealth-kitchen-cropcircle-kitchen-inc/>*Articles on Job numbers and History*<http://www.tbf100.org/stories/commonwealth-kitchen/><http://www.sbane.org/sbane-innovation-finalist-cropcircle-kitchen-to-commonwealth-kitchen-bostons-food-business-accelerator-is-expanding-changing-its-name-and-being-honored-for-its-impact/>

More info on CWK

<https://www.bostonglobe.com/business/2015/12/15/kitchen/WC97omKKg76WkhTBowHPPrK/story.html>

Primary Source Contact Information:

Jen Faigel

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Email: jen@commonwealthkitchen.orgWeb: www.commonwealthkitchen.org**Cleveland Model and The Greater University Circle Initiative***Adapting the Evergreen Model*http://library.uniteddiversity.coop/Money_and_Economics/Cooperatives/Evergreen/Evergreen-3.020-PartnersandCommunity.pdf*Learning from Evergreen and Mondragon and Key Differences*<http://community-wealth.org/content/learning-evergreen-and-mondragon-and-key-differences>*Cleveland's Greater University Circle Initiative*<http://community-wealth.org/sites/clone.community-wealth.org/files/downloads/Cleveland%27s%20Greater%20University%20Circle%20Anchor%20Initiative.%20Case%20Study.pdf>*Greater University Circle Initiative, Year 4 Report*http://engagedscholarship.csuohio.edu/cgi/viewcontent.cgi?article=2290&context=urban_facpub

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Phone: [\(216\) 268-0200](tel:(216)268-0200)Email: jmcmicken@evgoh.comWeb: <http://www.evgoh.com>**Detroit Eastern Market***Places in the Making*<http://dusp.mit.edu/cdd/project/placemaking>*EMC's 2025 Strategic Plan*<http://9b32aa63de0c5aa2a1c4-ac3abd6e34c389d1c003fbc359fc9e18.r96.cf1.rackcdn.com/Final-Report-Digital-high-res-160204.pdf>

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Pacific Gateway Center Culinary Kitchen Incubator

2013 Interview with PBS Hawaii

http://www.pbshawaii.org/ourproductions/longstory_transcripts/LSS%20614%20%20Thien%20-%20Forthright%20-%20Transcript.pdf

Hawaii Community Foundation Annual Reports

http://www.hawaiicomunityfoundation.org/file/pdfs/2002_HCF_AR.pdf;

<http://www.hawaiicomunityfoundation.org/knowledge-center/annual-reports-archives>

EDA Annual Report

https://www.eda.gov/pdf/annual-reports/EDA_FY_2007_Annual_Report.pdf

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La Marqueta and Hot Bread Kitchen

Article on the market's revitalization

<http://www.capitalnewyork.com/article/city-hall/2014/08/8550404/mark-viverito-announces-3m-revitalize-la-marqueta>

Press Release

<http://www.nycedc.com/press-release/speaker-quinn-nycedc-announce-new-kitchen-incubator-la-marqueta-east-harlem>

Primary Source Contact Information:

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Web: www.urbane-dev.com

Appendix B: End Notes

ⁱ Food Production (NAICS code 11 - Agriculture, Forestry, Fishing and Hunting) includes establishments primarily engaged in growing crops, raising animals, harvesting timber, and harvesting fish and other animals from a farm, ranch, or their natural

ⁱⁱ Food Manufacturing and Processing (NAICS code 311 - Food manufacturing) is a Manufacturing subsector that transforms livestock and agricultural products into products for intermediate or final consumption that are typically sold to wholesalers or retailers for distribution to consumers. ([source](#))

ⁱⁱⁱ Food Wholesale and Distribution (NAICS code 4244 - Grocery and related product merchant wholesalers) is a Wholesale Trade subsector that comprises establishments primarily engaged in the merchant wholesale distribution of (1) general-line groceries; (2) packaged frozen food; (3) dairy products (except dried or canned); (4) poultry and poultry products; (5) confectioneries; (6) fish and seafood (except canned or packaged frozen); (7) meats and meat products; (8) fresh fruits and vegetables; and (9) other grocery and related products. ([source](#))

^{iv} Food Retail (NAICS code 445 - Food and beverage stores) is a Retail Trade subsector that usually includes retail food and beverage merchandise from fixed point-of-sale locations. Establishments in this subsector have special equipment (e.g., freezers, refrigerated display cases, refrigerators) for displaying food and beverage goods. They have staff trained in the processing of food products to guarantee the proper storage and sanitary conditions required by regulatory authority. ([source](#))

^v Restaurants (NAICS code 722 - Food services and drinking places) is an Accommodation and Food Services subsector with establishments that prepare meals, snacks, and beverages to customer order for immediate on-premises and off-premises consumption. Some provide food and drink only; while others provide various combinations of seating space, waiter/waitress services and incidental amenities, such as limited entertainment. The industry groups are special food services, such as food service contractors, caterers, and mobile food services; drinking places; and restaurants and other eating places. ([source](#))

^{vi} Occupation examples include: Banquet Director, Banquet Manager, Cafeteria Director, Food Service Director, Food Service Manager, Food And Beverage Manager, Restaurant General Manager, Tavern Operator (source: Bureau of Labor Statistics)

^{vii} Occupation examples include: Chefs and Head Cooks ; First-Line Supervisors of Food Preparation and Serving Workers ; Cooks, Fast Food ; Cooks, Institution and Cafeteria ; Cooks, Private Household ; Cooks, Restaurant ; Cooks, Short Order ; Cooks, All Other ; Food Preparation Workers ; Bartenders ; Combined Food Preparation and Serving Workers, Including Fast Food ; Counter Attendants, Cafeteria, Food Concession, and Coffee Shop ; Waiters and Waitresses ; Food Servers, Non-restaurant ; Dining Room and Cafeteria Attendants and Bartender Helpers ; Dishwashers ; Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop ; Food Preparation and Serving Related Workers (source: Bureau of Labor Statistics)

^{viii} Occupation examples include: Banquet Supervisor, Bar Manager, Cafeteria Manager, Dairy Bar Manager, Food Service Supervisor, Head Waiter, Head Waitress, Kitchen Supervisor (source: Bureau of Labor Statistics)

^{ix} Occupation examples include: Deli Clerk, Deli Slicer, Food Preparer, Fruit And Vegetable Parer, Salad Maker, Sandwich Maker (source: Bureau of Labor Statistics)

^x Occupation examples include: Bean Roaster, Coffee Roaster, Fish Smoker, Food Dehydrator Operator, Grain Roaster, Malt House Kiln Operator, Meat Curer, Meat Smoker, Sausage Smoker, Smokehouse Worker, Tobacco Drier Operator (source: Bureau of Labor Statistics)

^{xi} Occupation examples include: Almond Paste Mixer, Candy Maker, Candy Puller, Cheese Processor, Cottage Cheese Maker, Dough Scaler And Mixer, Frozen Yogurt Maker, Honey Blender, Ice Cream Maker, Liquid Sugar Fortifier, Peanut Butter Maker, Pickle Maker, Relish Maker, Taffy Puller (source: Bureau of Labor Statistics)

^{xii} Occupation examples include: Doughnut Machine Operator, Dumpling Machine Operator, Fish Fryer, Food Cooking Machine Operator, Kettle Fry Cook Operator, Pierogi Maker, Potato Chip Frier, Tripe Cooker (source: Bureau of Labor Statistics)

^{xiii} Occupation examples include: Olive Pitter, Pasta Press Operator, Poultry Hanger, Yeast Maker (source: Bureau of Labor Statistics)