



Final Client Report

Jonathan Rose Companies

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Ms. Kristin Ryan
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March 20th, 2014

Dear Ms. Kristin Ryan,

It has been a pleasure working with you to make the idea of the Food Innovation Center in Rainier Beach one step closer to a reality. It is extremely inspiring for us to witness what a group of people, with a common goal and vision, can achieve for the betterment of the community. We are thankful for the opportunity to learn from you, and be part of this exciting project. We are pleased to provide the following client report to serve as a basis for the development of the FIC.

This report provides an analysis of the current situation of the FIC; primary research findings from commercial kitchen and educational intuition interviews; recommendations on a business strategy, marketing plan, operational plan, and the financial feasibility of the FIC. An implementation plan over short (90 days), medium (1 year), and long (3-5 years) periods has also been included. Our analysis, recommendations, and implementations plan are available in further detail in the following report. We believe that all of these recommendations will serve as an excellent framework for the development of the FIC.

We have enjoyed working with you for the past ten weeks. We really cannot thank you enough for giving us the opportunity to learn about the idea of the FIC as a way to build a business from the ground up. We believe your continuous dedication and passion is a valuable gift to the community of Rainier Beach. We have great confidence and look forward to see the successful completion of the Food Innovation Center. If you have any questions or concerns regarding the content of this report, please do not hesitate to ask us or our advisers.

Sincerely,

Jacob Mager Michelle Mei Ruby Lu James Pulse

Executive Summary

Current Situation:

Our client is Jonathan Rose Companies, a mission-based real estate company from New York, who is a leader of transformative change in the green urban solutions sector. They are working with the Rainier Beach Community to establish a not-for-profit Food Innovation Center (FIC) that fosters entrepreneurial innovation. Because the FIC doesn't currently exist, they lack specifics that would normally be found in a business model such as funding or an online presence. Because of this, problems were found in the following areas: funding, a sustainable operational plan, and potential business partners. We have researched these issues and are providing the following recommendations.

Research Methods and Recommendations:

Research: Directly contacted local/national commercial kitchens and educational institutions, as well as gathering additional information through a number of secondary sources.

Strategic Analysis:

- *Mission*-Support the FIC's current vision with a mission that "support low income-businesses and fosters entrepreneurial innovation by bringing together affordable kitchen space, food-related education/training, and community support."
- *Developmental Plan*-Break down the developmental plan into four stages to maximize profits and therefore increase the likelihood of success for the FIC. Each stage will be focused and developed before fully moving onto the next. The four stages in order are commercial kitchen, educational facility, food incubator and made in Rainier Beach.

Marketing Plan:

- *Marketing Message*-Focus on the mission of the FIC and reflect three key areas: entrepreneurship, job/business creation and community heritage.
- *Emotional Branding*-Will focus on elements of personal stories/dilemmas, assistance provided by the FIC and progress made in the community by utilizing the FIC.
- *Elevator Pitch/Online Presence*-Constructed an elevator pitch and recommend developing a strong online presence by creating a website, running online ads, and implementing search engine optimization methods.

Operational Plan:

- *Commercial Kitchen*: We suggest the FIC build a 3,500 square foot kitchen that operates 24 hours a day with kitchen equipment similar to that of A&J's commercial kitchen. We also recommend a pricing strategy using a monthly contract based off hours used per week and a percentage of utilities.
- *Educational Facility*: The educational facility should have 2 classrooms that are each 1,500 square feet. Each classroom will be able to hold approximately 20-30 students and will provide a projector, Wi-Fi, wireless microphone, desktop computer, and a whiteboard. We suggest renting out the facility at an hourly rate of \$25 dollars.

Economic Feasibility:

- *Costs*: Using the Hamakua Incubator Kitchen as a model we projected yearly expenses to be around \$93,000.
- *Revenues*: With 15 customers and the facility running at around 100 hours under capacity we determined that the center could generate approximately \$119,000 per year. This would allow the center to operate with a yearly income of around \$26,000.

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Current Situation

Overview:

Our client is Jonathan Rose Companies, a mission-based real estate company from New York, a leader of transformative change in the green urban solutions sector. They are working with the Rainier Beach Community to establish a not-for-profit Food Innovation Center (FIC) that fosters entrepreneurial innovation. The vision of the FIC is to create a multi-purpose facility that combines a self-sustaining, commercial kitchen facility for training and production, classroom/meeting space, and supportive services in order to create a center that can bring together education, training, job creation, food production and community connection. The station area provides the opportunity to support the facility with additional services, such as cold storage or business support services.

The purpose of the Rainier Beach Project is to catalyze additional public and private investment in the neighborhood, and attract more employment to fulfill the goals of the community and Seattle's Comprehensive Plan. It also hopes to provide the following benefits:

- Support equitable development in Rainier Beach and help transform the area to be on par with neighborhoods that have historically received substantial public and private investments.
- Catalyze additional private investment and employment, for example, restaurants that want to take advantage of the food innovation in Rainier Beach.
- Transform Rainier Beach into a thriving and sustainable local economy that complements the local culture and social life.

- Train people in Rainier Valley to be highly skilled workers and entrepreneurs in emerging specialized food market.
- Provide employment opportunities for people in the Rainier Valley.
- Initiate self-sustaining business enterprises that contribute to local and regional economy
- Provide opportunities for present and future generations to develop entrepreneurial skills and start businesses.
- Create a resilient community in control of its economic destiny.
- Allow Rainier Beach youth to prepare for a future with economic opportunity by offering a school to workplace pipeline.

Problems and Opportunities:

Funding Sources. Currently, because the Rainier Beach area does not have a depth of existing building stock that would be appropriate to house the FIC, it requires new construction. Initial funding needed to purchase the space and construct the required facility is likely to come in the forms of equity, grants, donations, financing and incentives, and many of the not-for-profit partners can engage in capital campaigns to raise a portion of these funds. But additional financial sources will be required to supplement the FIC project.

Sustainable Business Operational Plan. The ultimate goal of the FIC is to become self-sustainable, relying on the revenue stream from the educational programs and the kitchen services offered by the FIC. To achieve such a goal, the FIC needs an articulated business operational plan that assesses the center's potential revenue generation ability and its associated cost.

Potential Partners Identification and Partner Arrangements. A number of potential community and non-profit partners have been identified, but these partners need to be convened to further develop the vision, establish the space needs and outline the operating partnership arrangement. Several categories of business were identified as potential partners; however, each has its possible constraint:

- Educational/Training Institution- While many educational institutions are willing to provide training and classes in the Rainier Beach area, no one has been willing to commit to establishing permanent space for their own facility, or commit capital funding at this time to dedicate to building new classrooms or training facilities.
- Commercial Kitchen- The majority of the national models of these food centers are sited in existing space that had historically been utilized for food production of one sort or another; however, there is not existing building stock of this nature in the Rainier Beach area, and the not-for-profit organizations identified as potential partners do not currently have the funding to build a new facility.

Project Scope and Deliverables:

The focus of this project is to address the three problems our team identified in the previous section. They are:

Funding Sources

- Identify potential funding sources for the development of the FIC.

Sustainable Business Operational Plan

- Ascertain best practices for education space and kitchen space between nonprofit and community serving organizations through primary and secondary research

- Outline potential business operation models for the FIC
- Provide financial analysis to prove the FIC's sustainability

Potential Partners Identification and Partner Arrangements

- Address key business opportunities and partnerships to increase the FIC's competitiveness
- Provide a branding strategy and marketing requirements

Current Strategy, Value, Vision, and Mission Assessment:

The vision of the FIC is to create a multi-purpose facility that combines commercial kitchen facilities for training and production, classroom space, and supportive services in order to create a center that can bring together education, training, job creation, food production and community connection.

Because the FIC has not launched, there is currently no articulated strategy for it. In fact, part of our responsibility is to develop the strategy for the center. We will provide strategic analysis by breaking apart businesses that will be a part of the FIC and analyzing the various components of the business models of those organizations.

Our client became involved in the project when in 2012 the City of Seattle's Department of Planning and Development hired Jonathan Rose Companies to determine and examine possible partnerships for the FIC and focus these partnerships as part of an overarching goal to bring together employment, education, and entrepreneurial activity in the Rainier Beach area.

Online Presence:

After conducting a preliminary analysis, there is no online presence for the Food Innovation Center in Rainier Beach. As the center is still in its development stage, its lack of presence on the Internet is understandable.

Current Financial Analysis:

Unlike other projects, our client doesn't currently have an established business and therefore no financial information exists. However, to determine the possible financial models of existing commercial kitchens and educational/training institutions, our team has conducted research about the rough costs, fees, and financial models associated with each of these relevant industries and this information can be found below. The FIC has been estimated to cost around 6-12 million and currently the Center has applied for funding from two sources (Appendix I). One is a grant from the Impact Capital Enterprise's Foundation of Housing under the Equitable Transit Oriented Development Fund--they have a total amount of 7 million in funding available and the Center has applied for around 1.1 million. The FIC has also submitted an application to the state from the capital budget to receive \$100,000.

Brief Overview of Recommendations:

We offer four recommendations to the Jonathan Rose Companies and the Rainier Beach Community: a clear strategy for the Food Innovation Center, marketing requirements, an operational plan, and a financial assessment of the not-for-profit model.

We began with the internal strengths and weaknesses of the FIC and further analyzed the general environment, industry, and competitors to provide a vision, mission, and development strategy

that the FIC should take. Furthermore, we provided a value proposition and potential risks, as well as ways to mitigate those risks to ensure success.

Following the strategic analysis, we provide a marketing plan that highlights the three key attributes that the FIC's target market have in common. Based on these three attributes, we recommend a branding strategy and other marketing requirements to aid an increased online presence. To provide potential investors with a snapshot of what the Food Innovation Center looks like, we provide an operational plan that focuses on the necessary components of the commercial kitchen, educational space, and the resources that they must share in order to make this facility feasible.

Lastly, we focus on the financial feasibility of the Food Innovation Center and the costs that need to be considered before opening the center. In this section we provide an Income and Expense Statement along with a Pro-forma budget template. Furthermore, we include a break-even analysis that highlights utilization depending on specific price packages that users of the FIC utilize and potential methods for the acquiring the required funds.

Research

Objective:

The three problems that are facing the Food Innovation Center (the FIC) project are lack of funding, potential business partners, and a sustainable business model. The research that our team conducted encompasses the three parts, each addresses one problem facing our client.

Funding Sources

Because the Rainier Beach area currently lacks the resources to construct the FIC, initial planning and constructions are necessary to develop a multi-purpose facility that includes kitchen space and facilities, food storage space, and classrooms. The objective of this part of the research is to identify potential funding sources available to Rainier Beach for initial development and the research questions that need to be addressed are as follows:

1. What are the loans, grants or funds at federal, state and local levels available to the Rainier Beach Community, and what are the qualifications and restrictions of these resources?
2. What are the potential sources of donations, foundations, and capital campaign options available to the Rainier Beach Community?
3. Are there any other alternative sources of funding?
4. What is the budget for the commercial kitchen and educational institution?

Potential Partners/Users

According to the client's request, our team will focus mainly on evaluating two categories of potential business partners for the FIC: educational/training institutions and commercial kitchens. The overlying questions that need answers are:

1. What is the demand for the educational/training institutions and for commercial kitchens?
2. What are food related or business related classes that those educational/training institutions offer or are interested in offering?
3. What types of facilities, equipment and classroom space would potential partners require?
4. What are the typical partnership arrangements with educational/training institutions?

Business Model

The vision of the FIC in the Rainier Beach area is to be a multi-purpose facility that is self-sustainable. Therefore, the Center needs a business operational plan that will have sufficient revenue streams from the programs and services to cover the cost of the Center's daily operations. The research questions are the followings:

1. What is the operational model of commercial kitchens?
2. What is the financial model?
3. What's the branding/marketing model?
4. How much revenue can be generated from services of the educational/training institutions and commercial kitchens?
5. What are the fixed costs and variable costs associated with operating a FIC?
6. What are demands for classes and kitchen services at the FIC? And what is the growth of these demands?

Methodology:

We conducted both primary and secondary research in order to gather needed data to answer the research questions mentioned previously. All three parts of the research question, including funding source, potential partners and users, and operational plan, require both primary and secondary research.

Primary Research

Since relevant secondary research data that address our research questions is limited, a major part of our research was conducted by primary research. The team chose in-depth phone interviews as the methodology for primary research for several reasons. First, we gain a deep and thorough understanding of consumers by enabling us to interview people in a hands-on

environment. We are able to clearly explain to the participant the questions and answer any questions or clear up confusion regarding the survey. It also allows for a more conversational, friendly method, that we believe will lead to greater participation than an electronic survey. Also, in-depth phone interviews give us greater flexibility because it is fairly easy to schedule a common meeting time for both the survey taker and the surveyor than other methods. When the participant prefers, or is unable to schedule a convenient time for a phone interview, other methods such as in-person or electronic surveys were utilized as well.

We interviewed employees from existing commercial kitchens and community colleges/secondary learning institutions, both in the local and national level. The interviewees were compiled from our own research, the lists provided by our client, and also current or past clients from our class that have rented out their kitchens commercially. Our interview questions emphasized all three of the major research areas (refer to Appendix II and Appendix III). For funding sources, the data collected from interviews addressed the important aspect regarding the sources of funding, and also the target amount of funding the FIC will need in the future. For potential partners and users, the data collected from respondents addressed the demand, and also what and how are the successful partnerships typically made. For the last category of research question, our interview questions addressed operational, marketing, and finance models.

Secondary Research

The majority of secondary research were performed through reputable sources such as, BizMiner, RMA, eStatement Studies, IBISWorld, ProQuest Newsstand, and Business Source Complete. Another source we used was the official websites of other commercial kitchens, other businesses offering business education, and community colleges/secondary learning

institutions. The team utilized these sources in order to obtain useful public information, primarily on the financial and operational aspects.

For funding, our research focused on exploring different possible sources of funding and also the qualifications and restrictions on that funding. For the operational part, the public information we looked for includes tuition rate and class offerings. After gathering useful secondary research, the team analyzed the data to provide insights to the client.

The team conducted primary and secondary research for one to two weeks, then evaluated and analyzed the data collected immediately after.

Key Findings:

Commercial Kitchens:

Marketing:

- **Marketing Strategy:** Most of the kitchens have an online presence, either their own website or advertisement on Craigslist or Seattlefoodtruck.com. Besides the online presence, majority (four out of seven of the interviewees) stated that word of mouth is their main marketing strategy.
- **Marketing Cost:** Marketing cost consists of constructing and maintaining the website, as well as paying for online advertisements. According to the interviewees, the cost of marketing is relatively low and insignificant. The quality of the kitchen and equipment provided are identified as more crucial than marketing.
- **Customer Base:** The majority of customers for commercial kitchens are food truck vendors, street food vendors, catering companies, makers of specialty food items, and farmer's market food vendors.

Operation:

- **Scheduling:** Most of the commercial kitchens we interviewed use phone and in person scheduling for first time reservation; one out of seven of the commercial kitchen has an online reservation system.
- **Staffing:** Out of all the commercial kitchens we interviewed, only one uses sporadic on site supervisions.
- **Damage Management:** All of the interviewees require all tenants carry insurance and name the commercial kitchen as a co-insured, except for one that collects a \$1,000 security deposit upfront.
- **Space:** The sizes of the commercial kitchens of our interviewees range from 1,000 square feet to 10,000 square feet; most are around 3,500 to 5,500 square feet.
- **Equipment:** All of the commercial kitchens we interviewed have full kitchen equipment including double stack ovens, microwave, tilt skillet, burner range, griddle, grill, sink, dish machine, walk-in cooler, walk-in freezer, meat slicer, lockable storage, and steam jacketed kettles. None of the kitchens provide small ware utensils like spatulas and spoons...etc.
- **Hours:** Most of the commercial kitchens are open 24 hours a day and 7 days a week for the convenience of the tenants.
- **Maintenance Cost:** Varies dependent on the size of the commercial kitchens; average rate of maintenance cost is \$600 per month per every 1000 square feet.
- **Other Resource/ Service:** Services varies depending on the kitchen, some of the options mentioned are conference for tasting or meeting, cleaning supplies, parking, Wi-Fi, office space, business/culinary workshops, partnership opportunities with other incubator

business, marketing opportunities or some provide tenants with help getting approved with King County Health Department or WSDA. There aren't any commercial kitchen that only provide the kitchen space; at least bare minimum services such as Wi-Fi were always available.

- **Pricing Strategy:** Most of the commercial kitchens have both monthly memberships for regular tenants and daily or hourly pricing strategies. Monthly fee ranges from \$480 to \$2,000 per month (there are also monthly rates dependent on how many hours are used each week), hourly fee ranges from \$25 to \$50, and daily fee averages \$100.

Finance:

- **Initial fund:** Many times funding costs were unavailable, but from kitchens we did contact the funding was sourced from private capital ranging from \$10,000 to \$30,000.
- **Operational cost:** Again operational costs were often unavailable, but costs ranged from \$48,000 to \$65,000.

Educational/Training Institutions

- *Classroom requirement:* Educational programs/institutions are simply looking for a basic classroom setup with necessary equipment and facilities to conduct classes.

Programs/institutions that were interviewed expressed interest in reliable classroom

resources that will allow them to support long-term classes for twenty to thirty students.

Most educational programs/institutions stated that classrooms do not need to be dedicated to them.

- *Classroom Rental Rates* Two of the educational programs/institutions stated that the majority of their students are low-income, women or minority, therefore they are looking for low-cost or free classroom space to hold classes.
- *Classroom Rental Hours* The majority of the educational programs/institutions has classes that are two hours long, and twice per week.

(Appendix IV for detailed primary research findings)

Recommendations

Business Strategy

Description of Deliverable:

Our first deliverable aims to provide a strategic analysis on the FIC's vision, mission and strategy, and to provide recommendations that will guide the Center's development in the future. The deliverables for this work area include situation analysis -- internal strengths and weaknesses, general environment, industrial environment, recommendations on the FIC's values, visions and future strategy. The section also identifies the potential risks associated with the proposed recommendation and discusses potential mitigations to address these risks.

Methodology/ Analysis:

Internal Strengths and Weaknesses

At this point, the project is still in the beginning stages of development. The goal of the project is to redevelop the Rainier Beach Light Rail Station, and it has several key strengths that are essential to the success of the project. First, the project has a clear vision and well-defined objectives, which will guide the project in the right direction in the long term. Second, the

project has gained various political and agency support. In 2012, the City of Seattle's Department of Planning and Development (DPD) completed the Rainier Beach Neighborhood Plan Update through extensive community engagement and organizational development in the community, and the DPD has engaged not only Jonathan Rose Companies, a company with extensive expertise in the urban planning and development, but also Rainier Beach local community and local businesses in the area. The project will benefit from the active engagement of various parties and their different expertise in the various industries.

On the other hand, the project has two main weaknesses that pose to be threats to the project. First, although over the past few years, a significant number of Food Innovation Centers have opened around the nation, the notion of a Food Innovation Center is still very new in the Seattle region. There are a lot of uncertainties associated with FIC's demand, profitability, and sustainability, questions that needed to be addressed before moving forward with the project. Also, since the notion of a Food Innovation Center is relatively new, the lack of expert knowledge on this subject matter is likely to slow the progress of the FIC. Second, different interests of multiple parties involved in the project can potentially add complexity to the project itself. The City of Seattle has an interest in developing the Rainier Beach area into a better and more suitable neighborhood; residents in the Rainier Beach community are interested in the long-term effect of the FIC on their community; private landowners in the development area are involved in selling their properties; and various local businesses or potential business partners are invested in business value of the FIC. Navigating and managing through different and potentially conflicting interests could prove to be a major difficulty for the project.

Overall, our team concurs with Jonathan Rose Companies on the strengths and weaknesses of the project.

General Environment

As the popularity of locally grown food has dramatically increased in the US, especially in the Pacific Northwest, the current social environment is supportive towards the long-term goal of the FIC, which is to be the hub of food and agricultural production. Because people are becoming more interested in supporting locally produced healthy and organic food products, the FIC will benefit from this trend that is projected to continue in the future.

However, the environment in which the FIC will be located provides a series of challenges. The community of Rainier Beach is fairly well mixed with a population that is 18% White, 45% Black, 20% Asian, and 16% Hispanic, but of this population, 30% of the homes were below the poverty level in 2010. In addition to this, during the period of 2000 to 2008, Rainier Beach lost 14% of its covered jobs (Rainier). This leaves this community in dire need of jobs with wages that can support a family, as well as education and training that will allow them to secure these jobs.

The landscape of the location is also a challenge that needs further consideration. On several sides of the light rail station, there are hilly regions that would make construction of the FIC very expensive and extremely unlikely. In the areas that are flat, there are already pre-existing structures that currently house businesses. Although these businesses could be persuaded to leave, the availability of the land is still an issue on hand: it demands financial and human resources to deal with the issue. In addition, most of the buildings that are currently in this area would not be suitable for the FIC, so even if they were purchased from their current owners, they would most likely need to be torn down and a new building would need to be put on that lot. Establishing a sufficient site for the FIC is going to be one of the major obstacles to overcome.

With these challenges, the Rainier Beach community also provides some major upsides. The local community's support and momentum towards the goal of the FIC is strong; therefore, it is possible to leverage local support and resources to bring such a vision into reality. There is a dedicated group from the community who is working to implement this project and is invested in trying to provide Rainier Beach with job opportunities and education to increase the human capital in the area. In addition, there have been over 15 potential partners who have expressed interest in the FIC, for example, the Rainier Beach Urban Farm & Wetlands Project, an urban farm in the community, has been engaged in providing opportunities for food production, food-related education and employment training. These potential partners, working alongside Jonathan Rose Companies and the Rainier Beach community can make this project a reality.

In addition, another major opportunity that the FIC has is that the City of Seattle wants to see an improvement in transit-oriented development in the Rainier Beach Light Rail Station area.

However, as of now, due to the close tie between the current economy and the available financial resources, the lack of funding of the potential partner poses and the uncertainty on the access to Government's transit-oriented development fund are going to be problems in the Rainier Beach area. Until the Othello station is fully developed, the FIC will likely not see any funds from the government. There are several options that Jonathan Rose Companies are trying to utilize in order to ascertain the necessary funds to acquire a property that the FIC can be built on; however, no success has been made in this area yet.

Overall, the general environment that is facing the project is a one filled with challenges, but the general environment also provides opportunities with great potential to remake the Rainier Beach community.

Industry Analysis

Although the vision of the Rainier Beach Project is to develop a multipurpose facility to create employment, educational opportunities, and a center for entrepreneurship, the major portion of the strategy is to employ a kitchen incubator model which includes a commercialized kitchen space for inspiring food entrepreneurs, catering, value-add food production, and an educational space for culinary arts programs. The incubator will serve as a means to build interest in the Rainier Beach area, and bring together the local community. Because the kitchen incubator is the heart of the FIC, we find it more pertinent to first deliver an industry analysis of similar incubator services.

Kitchen incubators provide a commercialized cooking space for people who are unable to afford their own kitchen and lower the initial investment and barriers to entry of the food industry.

Across the country, the building of kitchen incubators has been trending upward and has likely been fueled by the surging investment in the food industry. Kitchen incubators across the industry have varying models; some focus on food trucks, pairing with universities, helping small businesses, while others focus on serving beer brewing, aiding in the packaging of food, partnering with farmers or public markets, and offering classroom training.

Although the nation is being swept by a booming interest in local food production and culinary entrepreneurship, challenges for food incubators do exist. The success of the incubators depends on the success of their customers or in this case the business startups. Like any startup business, the risk of failure is extremely high, with some reports putting failure rates of startups as high as 60% and others more moderate around 45% after four years (Startup). It is crucial to the survival of the incubator that they provide businesses with the support and sales channels necessary for the businesses survival. Address this concern, the Rainier Beach center has planned a stable base

of recurring non-startup customers including farmers, community colleges, English as a Second Language (ESL) partners, and other organizations interested in renting out the facility as a commercial kitchen space. Another possible issue with the industry is the efficiency and design of the incubator itself. The incubator must be able to effectively handle reservations, time schedules, payments, and be able to accommodate laws regarding food handling, servicing, sanitation, and production.

Limited data currently exists around various business elements concerning Kitchen incubators. However, a study done by ESI in April 2013 provides some data pertaining to various elements of the kitchen Incubator model. Some key information regarding the financial status, types of business, and operational model of the kitchen incubators is outlined in Appendix V.

Competitor Analysis

Because the primary drivers of the kitchen incubator are a commercial kitchen and an educational space, we focused the competitor analysis on these two key components:

Kitchen Facility. The main competitor will be existing rentable commercial kitchens or shared-use kitchens in the Seattle area. There are a number of commercial kitchens available for rent currently in the Seattle market (Appendix VI) (Seattle Food Trucks). These kitchens offer a wide range of space, accommodations, equipment, and times schedules ranging from daily time availability to openings only once a month. Many of these kitchens offer cutting and food preparation spaces, ovens, cooking utensils, and refrigeration and freezing spaces. Additional rental spaces may be churches, schools, restaurants, and clubs although renting these areas may be more difficult and often has certain legal restrictions.

Other competitors for the kitchen facility are small businesses, including food trucks, small preserved good sellers, or just makers of homemade goods who have decided to make their own

commercialized kitchen. Whether it was convenience, long-term cost, or for reasons unseen, these groups decided it would be in their best interest to create their own commercialized kitchen space instead of renting a pre-existing kitchen. A question going forward for the FIC's commercialized kitchen is can they create incentives or offer resources to these kitchen owners that their own kitchen spaces can't offer. This might include more kitchen equipment, space, training, or additional sales channels. Additionally, what they can do in the future to incentivize those who might be thinking about building their own kitchen, to instead rent out the Rainier Beach facility.

Educational Facility. There are several educational institutions that are offering similar training classes in the surrounding area. For example, South Seattle Community College has a technical training campus in Georgetown that provides a home for the Puget Sound Industrial Excellence Center and the Apprenticeship and Education Center. The College is reluctant to replicate these programs in a location as close as Rainier Beach, preferring that students interested in these programs utilize the existing facility. Also, North Seattle Community College is currently undergoing a feasibility study on a Southeast Seattle version of the Opportunity Center for Employment and Education. This center will create similar training classes to our project, including integrated educational, vocational, employment and supportive service through a partnership of agencies and community colleges. The second competitor regarding the education portion is the numbers of online classes that are offered currently. A variety of companies offer nationally recognized online food-training programs with comprehensive curricula. These programs often follow the same principles taught in a classroom setting, and often satisfy state and country requirements for employment in the food industry. The last educational competitor for the FIC are the educational facilities that are already located in the Rainier Beach area, since

one of the offerings the FIC will provide to its partners is classroom space. High schools and K-8 institutions are able to provide the same so community colleges or other educational institute could rent or partner with them instead for training classes. However, because of the bureaucracy, safety regulations, and complicated process associated with the Seattle Public School System, high schools and K-8 institutions in the Rainier Beach area may not pose to be competitors to the FIC.

Recommendations:

Vision and Mission

Based on the situation analysis, we recommend the FIC to continue with its current vision, which is to create a multi-purpose facility that combines a self-sustaining, commercial kitchen facility for training and production, classroom/meeting space, and supportive services in order to create a center that can bring together education, training, job creation, food production and community connection.

Based on its vision, we created a mission statement for the center. The mission of the FIC should reflect the center's focus on creating jobs, supporting small business in the Rainier Beach area, as well as bringing together the community's diverse heritage and connections. The mission statement should be the basis to guide the actions of the center.

“The mission of the Rainier Beach Food Innovation Center (FIC) is to support low income-businesses and foster entrepreneurial innovation by bringing together affordable kitchen space, food-related education/training, and community support.”

Development Strategy

For FIC to achieve its vision to bring together the education, training, job creation, food production, and community connection, we proposed a four-phased development strategy for the Center as following:

Phase I: Commercial Kitchen

Phase II: Educational Space

Phase III: Food Incubator

Phase IV: Made in Rainier Beach Market Place

At the beginning phrase, with little experience and initial funding, the center should focus mainly on establishing and operating a profitable commercial kitchen, whose demand is relatively stable and clear, as we will discuss it later in the paper. As the Center becomes more successful on the commercial kitchen and as the commercial kitchen begins to bring in a steady stream of revenue, the center will be able to move into the next phase shift its focus more towards developing an educational space. At phase two, the Center will dedicate its efforts to partner up with educational programs and community colleges to bring food-related or business related courses and training sessions to the Center. With an affordable commercial kitchen, a list of courses and training sessions aimed to support small businesses and entrepreneurs, and experiences, the center will then transition into the Phase III, a food incubator. At this stage, the FIC will start to achieve its vision and mission as a multi-purpose facility that supports and enables businesses and entrepreneurs. At the last phase, we expect the FIC not only to develop into a well-established and experienced food incubator, but also to become a popular marketplace that would frequently hold street festivals and open market to attract visitors to come and experience food that is made in Rainier Beach.

Value Proposition

The FIC will have a very strong value proposition and source of competitive advantage once it is introduced into the Rainier Beach Community. With the proposed vision, mission and strategy, we believe that the FIC will delivery values at three levels: community, businesses and individuals.

For the Rainier Beach Community, the FIC is an expression of the community's diverse cultural heritage that can be shared and appreciated easily, and it will help bring the community close together since food serves as a natural connection in the Rainier Beach community. In addition, the Center is particularly important as the closest community colleges to the Rainier Valley area are South Seattle Community College, located in West Seattle, and Renton Technical College. The current travel times to these schools deter students that graduate from high school in the area from furthering their education and often lead them to settling for much less than they could achieve (Sluis).

At the businesses level, FIC not only means an affordable kitchen space and educational courses aimed to help small businesses succeed, the Center will also inspire entrepreneurship in the area, which will also lead to an increase in potential jobs by offering education on how to improve business practices.

For individuals, particularly residents in the Rainier Beach community, the success of FIC will provide an opportunity that the people of Rainier Valley do not currently have and help to increase jobs in the area. As jobs are something that the Rainier Valley area is lacking, this will be a huge benefit for the community. Additionally, as this community has nothing similar to this in the area, this is going to provide the people of Rainier Valley with a place where they will be able to improve their education and expand their opportunities for personal growth in the future.

Lastly, the FIC will have a competitive advantage over any other facilities around this area because it will allow the members of Rainier Valley to grasp ownership of the center as the educational sessions and jobs provided will be those that were made in Rainier Beach. As there is a large and diverse group of people that are invested in this project, this is something that will set the FIC apart from any other facility. Through combining these elements, the FIC will be able to bring great value to the area and flourish once it is created.

Risks and Mitigation:

The majority of the models of the food centers have been built on existing spaces that were suitable for food-related production or processing. However, there is currently no existing buildings or spaces of this kind in the Rainier Beach area. Constructing a food center would require large amount of funding and efforts devoted to the project. Therefore acquiring the necessary funding to support the construction and bringing together a dedicated group of members to manage the project are two of the major risks associated with the proposed recommendation. To address the funding risk, the FIC should seek public grants or loans that aim to help stimulate jobs creations. Further details concerning project funding will be addressed later in the report. As for a dedicated group of members, Rainier Beach community has already created a committee and sub-committees working to bring the FIC into reality. Going forward, an elected chairman among the committee members should help clarify responsibilities among members, increase efficiency of the committee, and better equip the committees to address the issues arise with the FIC project.

Marketing Plan

Description of Deliverable:

Deliverable I focuses on building a marketing plan that will help the FIC attract investors, users and partners of center.

Methodology/Analysis:

The following recommendations are based on both secondary research, and primary research we conducted with successful commercial kitchens in the Seattle area, as well as national food incubators. In addition, we also performed customer characteristics analysis to ensure effective and feasible branding strategy and marketing requirements.

Customer Characteristics:

Based on the customer characteristics analysis we performed, we have listed the three main characteristics of the targeted customer for the FIC:

- *In Need of Affordable Commercial Kitchen:* The Department of Health requires “for sale” food to meet its requirements. Therefore, it is a time-consuming and costly process to own a certify kitchen. As a result, a more feasible and economical way for most small business and entrepreneurs is to rent out certified kitchen space for small batch production. However, as small businesses grow and the size of their business increases, their demands will shift from kitchen rental to owning their kitchens.
- *Fluctuated Demands:* The customers’ demands for the commercial kitchen fluctuate during the years depending on their customers’ needs. Small food businesses such as food truck vendors, street food vendors are most busy during the spring and summer, as there are more demand of their businesses. This is consistent with the findings from the

primary research, owners of commercial kitchens confirming that spring and summer are generally the busiest time of the year.

- *Lack of Business and Professional Skills:* A large percentage of small business owners and entrepreneurs lack the required business, marketing, management skills and food-related knowledge to sustain their start-up businesses. The lack of skills is one of the main reasons behind the low success rate of small food business. The lack of necessary business and professional skills stands in the way of the success of small businesses and may be preventing the success of the FIC as well.

Recommendations:

This recommendation consists of two parts: an overall branding strategy and marketing requirements. The branding strategy serves as guidelines for the center to develop a consistent image and build up brand equity, while the actionable marketing requirements provides specific steps for the center to follow in its early stages.

1. Branding strategy: the branding strategy part of the marketing plan include two parts: marketing message and emotional branding.

Marketing Message: To reflect the core values in the FIC's mission statement, the marketing message centers on three main areas, entrepreneurship, job/business creation, and community heritage to maintain a sustainable competitive advantage.

- *Low-income, minority entrepreneurs:* The idea of low-income, minority entrepreneurs' overcoming significant barriers to start their own business is inspiring. Fostering and empowering these entrepreneurs are the FIC's center mission.

- *Job and business creation:* The vision of the center is not only to provide affordable commercial kitchen space and relevant courses to the users, but also support their start-up business and help them grow and prosper. This unique nature of the center differentiates itself from other competitors and attract support from investors, partners, government, private businesses and the general public.
- *Community Heritage:* The Rainier Beach Community consists of 18 percent white, 36 percent black, 18 percent Asian, and 10 percent Latino, and the center is an expression of Rainier Beach's unique cultural and social heritage. Focusing on this element will allow the center to naturally connect to the local community and maintain community support. Also, Rainier Beach's community heritage is a valuable point of differentiation as well.

Emotional Branding: The marketing efforts of the FIC can include utilizing emotional branding as a strategy. The nature of the FIC makes emotional branding a suitable strategy. As mentioned above, the three main elements of the marketing message can be incorporated together through unique stories of the users of the center. The center should publish the stories of the low-income business, minority business, and entrepreneurs through low-cost marketing communication channels such as websites, social media, and annual report. Stories could focus on the following three elements:

- Personal stories/dilemmas
- Assistance provided by the FIC
- Results/ Progress made in the community by utilizing the FIC

2. Marketing requirements: the marketing requirement part of the marketing plan consists of suggestion on creating an elevator pitch and areas to focus on to create an online presence.

Elevator Pitch: The elevator pitch is designed to target potential investors, funding and donations that financially support the Center. There are three elements to the elevator pitch: vision of the center, current situation or projection, and call for action.

- Vision of the Center:
 - o What the center is about?
 - o What does the center offer?
 - o What problems does the center solve?
- Current Situation/Projection
 - o Financials
 - o Small businesses/entrepreneurs
- Call for Action
- Ways to contribute

The following is a sample elevator pitch that targets at investors:

“The Rainier Beach Food Innovation Center is a multi-purpose kitchen facility that enables low-income businesses and fosters entrepreneurial innovation.

The Center provides affordable kitchen, brings together food-related education, and community support to ensure success of those businesses and entrepreneurs. Each year, the Center will support at least 15 small businesses and entrepreneurs

From a financial standpoint, the Center will be self-sustainable and bring in \$12,000 a year to support the educational program.

And we would love for you to become a part of this amazing journey to transform the Rainier Beach community.”

Online Presence: We analyzed both traditional and non-traditional marketing channels.

Traditional marketing channels such as print media and televisions are not as effective as the non-traditional channels, especially during the early stage of the FIC (Luigi). We recommend the FIC to utilize non-traditional channels and focus on three areas for online presence: social media, online advertising, and search engine optimization.

- *Online Advertisement:* In order to increase the number of tenant for the FIC, we recommend placing advertisements online, such as Craigslist and Google Ads. In addition, we also suggest the FIC to place advertisements on Seattle Food Truck's website as well as Cook It Here (<http://www.cookithere.com/>) (Appendix VIII).
- *Search Engine Optimization (SEO):* The primary purpose of SEO is to increase a website's visibility in web searches. A sample of over 8 million clicks shows that over 94 percent of users clicked on a first page result and less than 6 percent actually clicked to the second page and selected a result displayed there (Jenson). Thus, it is important to stay on the first page of results and be within the top three listings in the organic search results. Higher ranks would translate to increased traffic to the FIC's website, which is likely to increase its customer base. Integrating keywords into the title and meta-tags that are used frequently in searches will generate more traffic to the websites through search engine results. Special attention should be taken to ensure that keywords are frequently used and that they accurately represent the FIC. Website hits should be monitored to measure the effectiveness of title tag and meta-tag. Since the title tag for the FIC will most likely be "The Food Innovation", which are not the typical texts that people looking for commercial kitchen search on search engine, we suggest the FIC to include important keywords on the meta-tag such as "commercial" or "kitchen."

- *Social Media:* We recommend the FIC to actively utilize and maintain its social media sites, not only to market its own center, but also to build strong relationship with the customers. Although brand building will involve people following you, liking your posts or sharing them on their wall, it is a two way process. Being socially active and interactive with customers and potential customers, liking others content, sharing posts, and following others will leverage the FIC's brand image and give the brand more visibility on social media platforms.
- *Partnership Relationships:* It is crucial to create strong relationship with the partners because a major portion of marketing for the commercial kitchen will be from word of mouth. Growing your social channels by staying current in the marketplace and constantly communicating with your customer can be highly beneficial and will ensure that you have a genuine social identity for people to trust your brand. The updates on the FIC's social media sites and website should reflect the unique voice of the center because it is the center's opportunity to speak to a wider audience and stay connected with interested people. It is important that every message on social media sites and websites is align with the FIC's strategy, business objective and marketing messages that are identified in this report.
- *The Food Innovation Center Website:* The website would include information such as a list of existing partners, upcoming events and workshops, business operational models and financial information about the center. The website would serve to be a convenient and reliable way for interested parties to gather necessary information on the center and help persuade them to become potential partners. In addition to providing information for potential funders and users of the facility, the website will also be helpful in promoting

the educational offerings that would be hosted in the center's classrooms. Classes that are being offered could be listed with their dates, times, and classroom number to provide potential students with valuable information to help set their schedules. In addition, reservations for the commissary kitchen could be done online to allow entrepreneurs and other users of the kitchen facility to manage their time effectively.

Risks and Potential Mitigations:

A list of potential risk and mitigation on the use of social media and website are listed:

- *Lack of resource to manage social media sites and website.* It is crucial to have constant update regarding the FIC on social media sites. In addition, when current or future customers express opinions on the sites, quick and sincere responses are likely to create positive image for the center. However, as the complex operational and financial tasks, the management of social media might be overlooked. To mitigate this issue, it is recommended that at least one person is assigned to be in charge of managing social media sites on a daily basis.
- *Negative message on interactive marketing channel.* When making the marketing channels interactive, the center is putting itself at risk from receiving negative comments or feedback from the users. The obvious way to mitigate this is to provide excellent service. However, it is impossible to avoid any kind of negative message. With speedy and sincere respond to the negative messages, it is likely that the negative impression those specific customers have can be removed.
- *Unexpected failure for online scheduling.* When this happens, it is important to have immediate update on social media sites regarding this issue, and also have a designated person be ready to answer the phone.

Operational Plan

Description of the deliverable:

The Operational Plan deliverable is designed to illuminate how the Commercial Kitchen and Educational spaces will interact in order to provide a sustainable operational model for the Food Innovation Center (FIC). By providing potential stakeholders/funders with a clear picture of the feasibility of this project, Jonathan Rose Companies and the Rainier Beach Community will be able to secure funds to make the creation of the FIC a reality.

Methodology/Analysis:

In order to provide effective recommendations for the Operational Model of the FIC, we conducted primary research with seven commercial kitchens and four educational facilities in the Seattle area. The commercial kitchens we interviewed ranged in size, the number of customers they served, and how long they had been in business. We made the decision that a medium-sized commercial kitchen (approx. 3,000-5,000 square foot range) is the most suitable space, as there is not enough demand to support a larger commercial kitchen in the Rainier Beach area based on our interviews with the commercial kitchens.

We determined, through our interviews with the educational facilities, that the demand for the educational spaces is two classrooms that can hold 20-30 students each. We further investigated our recommendations with secondary research to ensure that the recommendations will be feasible for the Rainier Beach community to implement.

Recommendations:

The Food Innovation Center should contain a commercial kitchen facility and educational facility that can be used jointly or independently of each. The commercial kitchen will be the primary revenue source for the FIC as demand for the educational space diminishes when a price is associated with the space. To maximize the use of the FIC, the commercial kitchen will be able to utilize the educational space for tastings/samplings of their food when the space is not in use or may take advantage of entrepreneurial classes that will be offered every month to improve the entrepreneurial operations that are run out of the commercial kitchen. If the educational space decides to host culinary classes, they will have access to the commercial kitchen upon reservation as well. However, if there are separate parties that want to use the commercial kitchen and educational facility at the same time, this will also be a possibility.

In order to provide the FIC with the best opportunity for success, the Rainier Beach Community should acquire a piece of land that is approximately 50,000 square feet in size. This size is ideal to provide enough room to build the Food Innovation Center, provide parking for the users of the Food Innovation Center, and leave enough room for box trucks to travel in and out of the facility without any issues. In addition, this provides ample parking for food trucks, which we expect to be a good portion of the tenants of the commercial kitchen. Furthermore, this plot size provides enough room to safely fill food trucks with propane that will be stored at the Food Innovation Center. We contemplated going with a smaller sized plot of land, but found that trying to incorporate all of the necessary amenities would make this area overcrowded and would severely inhibit the ability to comfortably use the FIC. We also looked into a larger plot of land, but determined from our primary research that the demand for the FIC will not be great enough to fully utilize the facility that will be built there and that the Rainier Beach community will not be able to afford the investment.

Commercial Kitchen

The FIC should build a 3,500 square foot commercial kitchen, modeled after A & J Commissary Kitchen in Seattle, which operates a model with 15-20 tenants. We decided that modeling the FIC's commercial kitchen after A & J Commissary would be the best choice because it is one of the few pure commercial kitchens in the Seattle area. This allows the FIC to start-off with reliable data instead of attempting to recreate the wheel based on information from commercial kitchens that are subsidized by catering companies and other ventures. We determined from our research that a space any smaller would inhibit the FIC from being able to generate enough revenue to cover the costs of the educational facility and the commercial kitchen. In addition, building a space any larger than 3,500 square feet would be dangerous as the exact demand for the commercial kitchen space is unknown and the Rainier Beach community does not have enough funds to risk having an underutilized space.

The commercial kitchen should contain the following equipment (based on information from A&J Commissary):

- 4 gas ranges with cook top surfaces, gas ovens, griddle, and char broiler
- 3 Imperial convection double stack ovens
- 30 gallon tilting Skillet/Braising pan
- Commercial 80 Qt. mixer
- Automatic Globe slicing machine
- Ample stainless prep tables
- Commercial soup and sauce production room with 60 gallon tilting steam kettles and
- large capacity (4'x8') chill tank
- Large capacity ice maker with over 1300 lb. storage capacity

- Prep sinks and hand wash sink throughout (3 total)
- Baking dough workstation
- Large walk-in cooler and freezer with lockable storage shelves
- Large 3-compartment sink with sanitizing dishwasher (rented)
- Easy load-in load-out access bay and dry storage space

We believe that this equipment is essential for the Food Innovation Center because this is the same equipment that A&J Commissary has in their facility. Since the FIC's commercial kitchen is going to be the same size as A&J's and is going to host similar users (food trucks, street vendors, caterers, etc.), we believe it is best to follow their model of success instead of creating a list of equipment from scratch.

In order to differentiate itself from other commercial kitchens and provide its users with superior value, the FIC should provide pots and pans as well as small wares (spatulas, knives, spoons, etc.). This will set the FIC apart from other commercial kitchens as most of them do not provide these pieces of equipment. In doing so, the FIC will be able to address the needs of entrepreneurs who lack this equipment and gain a sizeable portion of this market share.

Other services that we believe the Food Innovation Center should provide will be a secured Food truck storage lot with electrical service, a propane filling station for food trucks (cost will fluctuate depending on state of propane), and 24-hour security with alarms and security cameras. For pricing, the FIC should adopt a monthly service rate that users of the commercial kitchen will pay. This is developed from our primary research that we collected from our interview with Cookspace LLC. We chose the monthly model because it is the most common among medium-sized commercial facilities and eliminates the risk associated with day-use tenants that stems from misuse and theft. However, most of these facilities create individual rates for their users

depending on their needs, so we decided to use this flat rate model for all users since we are not able to accommodate specific users' needs at this point. By including a flat fee and a portion of utilities in the cost, the FIC will reduce its risk by eliminating the need to fully shoulder the variable cost of utilities during any given month.

The cost breakdown for tenants is as follows:

- For up to 8 hours each week, the monthly rate is \$480 plus 4% of the utilities (water, sewer, electric, natural gas)
- For up to 15 hours each week, \$650/month + 7%
- For up to 30 hours each week, \$1200/month + 12%
- For up to 45 hours each week, \$1700/month + 15%
- For up to 60 hours each week, \$2000/month + 17%

Educational Facility

The Educational Facility should be 3,000 square feet with 2 classrooms that are each 1,500 square feet. A sliding divider to allow for a larger space if necessary will separate the two classrooms. We determined this from secondary research that suggested that 1,500 square feet would be the best size for a classroom with approximately 20-30 students (Tanner). After speaking with several educational institutions during our primary research, we decided that each room will contain a projector, Wi-Fi, wireless microphone, desktop computer, and white board. Users of the room are required to bring their own pens and other small materials as it can be costly to constantly resupply these as they are often stolen or misused.

The use of these facilities will be free to all tenants of the commercial kitchen as well as free to any educational institutions that choose to hold classes in them. Costs of classes will vary depending on what is offered and by what institution. If someone other than an educational institution or tenant wishes to rent out the facility, his or her rate will be \$25 per hour. We decided on \$25 per hour to rent the educational facility since this is a lower income

neighborhood and averages of other facility rental costs ranged from \$30-\$50 per hour (EVENUES). With this lower cost, our belief is that utilization rates will remain high and ensure the FIC is put to good use.

Shared Resources

To make scheduling easy and effective, the FIC will post a schedule online and require that users call by phone or email a week in advance to secure a timeslot of their choice. The FIC will allow up to three different users to sign-up for any given timeslot for the commercial kitchen, as this will put the commercial kitchen at max capacity for that specific time period. A maximum of two users will be able to schedule use of the educational facility at any given time. We determined that this is the best scheduling solution as the majority of commercial kitchens that we interviewed have a similar model for scheduling and it allows them to maintain control over the use of the facility and schedule around necessary maintenance.

To ensure proper supervision of the FIC, one supervisor will be hired to work part-time to monitor scheduling and to train users of the commercial kitchen during their initial visit. We believe that the supervisor only needs to be present during the initial visit as it will be too costly to have them there during every hour of operation. In addition, the facility will be monitored by video cameras 24-hours per day to make sure all users are following protocol. In other commercial kitchens, the owner typically is the supervisor, but as the Rainier Beach Community is not a single-entity, this is not a possibility. To help limit costs, the same supervisor for the commercial kitchen will be used for the educational facility. As a contingency plan, we recommend developing a relationship with a staffing agency and providing them with the responsibilities of the supervisor. If for any reason the supervisor is unable to work, a temporary supervisor can be brought in to keep things running smoothly.

In addition to the supervisor, one person should be hired to clean the Food Innovation Center twice per week. The approximate time to clean the kitchen will be between 2-4 hours and will cost from \$50-\$140 per cleaning depending on the experience of the cleaner and the amount of time it takes them to finish cleaning (Bonderud). As all users of the commercial kitchen will be required to clean up after themselves, the cleaner will be there to ensure that all of the appliances are cleaned thoroughly and that the facility is up to the current health codes. In addition to cleaning the commercial kitchen, the cleaner will be tasked with vacuuming the educational facility and making sure it is up-to-standard for users during that week. Lastly, the educational institution or the user renting out the educational facility will provide the staff that is needed for the to run this area.

To determine who is allowed to use the FIC, there will be a short application and review process to ensure that any user is able to meet the necessary requirements. For the commercial kitchen, users must have an insurance policy and list the FIC as a co-insured to be considered as a potential tenant. This policy is standard among the medium to larger-sized commercial kitchens we spoke with and we believe it is imperative to adopt this policy to ensure the commercial kitchen facility is maintained properly. For the educational facility, a simple request with a description of what the space will be used for will be enough to determine if they will be allowed to lease the space. Those that have greater credentials such as educational institutions will be given priority as they're commitment to utilizing the space is reliant on the fact that they can reserve the space when the highest likelihood of students will be able to attend.

Risks and Potential Mitigations:

The major risk with this operational plan is that the complete demand for the center has not been determined. The recommendations that are provided are based on our primary research and the

idea that if we build it, they will come. This issue is hard to mitigate as demand cannot not be determined accurately until the facility is built and there is a product that can be marketed to the public. Our recommendation is to use social media and other marketing techniques to gather a better gauge of demand during the first year before a site is acquired and a physical building has been established. Once this potential demand is determined, physical space recommendations can be modified before it is too late to change them. Another potential risk is the supervisor that is hired will not be able to balance the workload effectively with the varied schedule. We suggest that a supervisor is determined during year one and is made a part of the FIC team. If they are a part of the Food Innovation Center from an early stage, they will be able to grasp the concept more effectively and will have a better opportunity for success.

Economic Feasibility

Description:

To determine a viable economic model for the FIC, financials were broken down into two basic categories: costs and revenues. These deliverables are used to capture an estimate of the costs incurred from running the facility and the methods/prices to charge for its use. Expense and income statements are generated from these financials to give the managers an expectation of future profits. Finally, a budget for initial equipment purchases for the FIC is also evaluated.

Methodology/Analysis:

The FIC has two basic components: classroom and kitchen space. After analyzing the revenues and costs for the center, the highest monthly costs are incurred by the kitchen. The classroom space has much lower costs, with electricity being its highest expense [JR4]. As a result, we conducted a majority of our analysis on the costs and expenses of running the commercial

kitchen. However, to address the classroom space costs, an additional \$500 classroom/other category entry was included in the expense statement. The electric fees for both facilities were included in our analysis (Appendix X).

After speaking with local commercial kitchen owners, we determined the largest costs incurred by these organizations are electric and maintenance. However, specific financial information from these interviews was often lacking; requiring secondary research for our evaluation. The Hamakua Incubator Kitchen in Hawaii was used as the comparable model because it includes both a commercial kitchen and educational/classroom space.

Because the size of this facility is smaller than our recommended size, and the report was conducted in 2000, we adjusted expenses from this facility to reflect both inflation and a larger sized facility (Appendix X). For a revenue model we analyzed a local commercial kitchen named Cookspace. Cookspace, with its similar sized facility, and established pricing method is our recommendation for the FIC. Their pricing method not only lowers the risk from single use users, but also increases the ease of calculating revenue projections since specific user needs are unknown at this point.

Recommendation:

We recommend the commercial kitchen charge rates based on hours per week and also take a cut for utility costs. For example, we recommend they charge \$480 per week and 4% of utilities for up to eight hours per week, \$650 plus 7% of utilities for up to 15 hours per week, etc. (see pricing above). Additional models of revenue generation such as hourly, daily, monthly, or

footprint and storage based pricing are also options. This model provides a solid base to work from and a clear path forward for determining the kitchen's revenue. However, it should be noted that in the future these methods should be revisited to determine the best fit for the center's cost, space, and other specific needs.

Using the Hamakua facility as a model, we found that costs for running the facility are an estimated \$93,000 per year (Appendix IX). Using the above rates and assuming a capacity of 15 clients, we determined that the FIC has potential to generate \$119,000 per year. This was based on 10 customers operating at the 8 hour per week pricing strategy and 5 customers operating at below 15 hours per week (Appendix XI). Note that this is only assumed to be an estimate of average capacity and that the facility could operate at higher capacity, with different customer hours, and possibly higher profits. A detailed breakdown of our pricing model and including a break-even for operating costs is listed in Appendix XII. Other methods, rates, and structures including flat fees, per hour, and rates set upon space used are included in our customer interview section for additional reference (Appendix IV.)

Additionally, costs are calculated to be between \$30,000 and \$50,000 based on our recommendations related to the facility's equipment. This estimate was generated from secondary research pertaining to startup costs for commercial kitchens and general industry estimates (B.C. Beer Blog). Our recommendation to save costs for equipment is to utilize options for donated equipment or look for used goods.

Risks and Potential Mitigations:

Our economic analysis of the Food Innovation Center is based on primary and secondary research from a number of comparable models. However, these recommendations are only

estimated revenues and costs of the FIC and we recommend further scrutiny of these financials once the center has been built. For instance, you may find that our pricing strategy of per hour/percent of utility isn't bringing in enough profits for the center or doesn't consider other mitigating factors. Methods, rates, and pricing strategies including flat fees, per hour, shelf space, dry storage/walk in space, or footprint pricing strategies, may be more beneficial and a list of these methods and others are included in our customer interview section for additional reference (Appendix IV). Implementation of the best pricing strategy may have to be assessed when actual demand for the kitchen space is found, however, we believe our strategy is very viable. A second variable are the costs of the facility. The pricing analysis is based on year 2000 financials from a space 1.36 times smaller than the space recommended. To determine fair operating costs for the center we applied two constant multipliers for the increase in space and cumulative inflation across all Hamakua's relevant expenses. Because this is a generalization, you may find that insurance doesn't increase as much per inflation as pest prevention or that utilities don't increase on a direct comparison with space use. Without a direct comparable of space, number of customers, equipment and other factors, an exact module of expenses is impossible to produce. As with all costs projections, the purpose is to give a general idea of the expenses that will occur; the precise measurement of costs will need to be determined when the facility is built.

Implementation

The implementation plan is difficult to outline for this project as it is currently being completed on a volunteer basis. As volunteer efforts can fluctuate drastically, we have created this implementation timeline with the idea that a full-time team is in place who is going to be dedicated to this project. With this in mind, these are the necessary steps to take, however the

time periods may change depending on the ability of the team to dedicate their time to the project.

To ensure a seamless integration of these implementations, we have created an implementation plan that highlights important functions during the 90-day, 1-year, and 3-5 year periods.

90-Day Plan

The first step in the 90-day plan is to form committees to do further research on fund acquisition and site evaluation, as well as begin designing the Food Innovation Center's website. These committees will come together to create goals and formulate a plan-of-action for reaching those goals during the first 7 days:

Goals of the Funding Acquisition Committee:

- 1) Acquire \$2.5 million in funding during the first year to allow for site acquisition
- 2) Acquire \$2.5-\$5.5 million in funding during the following two years to allow for building construction (Dependent on acquiring funding for site acquisition)

Goals of the Site Evaluation Committee:

- 1) Evaluate current sites that have been identified by Jonathan Rose Companies and Rainier Beach Community during the first 60 days
- 2) Acquire a site by the end of the first year (Dependent on site evaluation)

Goals of the Web Site Development Committee:

- 1) Create the website design during the first 30 days
- 2) Construct the website during the following 45 days (Dependent on website design)

If the 90-day plan is successfully implemented, each of the committees will have completed all of their goals within the 90-day window and made significant progress on the goals outside of the 90-day window (refer to Appendix XVIII for detailed 90-days implementation plan).

1-Year Plan

The main goal by the end of the first year is to have a site secured so that the Food Innovation Center's structure is able to be designed. During this phase, building permits will be obtained, further funding will need to be acquired, and work will begin on the Food Innovation Center's website SEO ranking and social media Presence. In addition to this, an equipment committee will be formed to begin looking for new and used equipment to allow costs for the facility to be as low as possible. Furthermore, a committee will be formed to begin establishing partnerships with educational institutions. Lastly, once the building designs have been completed and finalized, the goal is to begin construction on the physical facility.

Building Requirements

- 1) Secure Site
- 2) Design Physical Space (Dependent on securing site)
- 3) Obtain Permits (Dependent on physical space design)
- 4) Acquire \$500,000- \$1,000,000 for Physical Space Construction (Dependent on securing site)
- 5) Finalize Physical Space Design (Dependent on obtaining permits)
- 6) Begin Construction (Dependent on finalization of physical space design)

Online Presence

- 1) Establish Social Media Presence by Engaging with Community

- 2) Form SEO Committee (Dependent on website creation)
- 3) Research SEO (Dependent on formation of SEO committee)

Equipment

- 1) Form Equipment Committee
- 2) Search for Equipment (Dependent on formation of equipment committee)

Partnership Formation

- 1) Identify Potential Educational Partners
- 2) Develop Educational Partner Agreement

If the 1-year plan is successful implemented, construction on the physical space of the Food Innovation Center will begin and a plan will be developed for significantly bolstering the FIC's online presence. In addition, three options for each piece of equipment will be identified and a working-draft of an Educational Partner Agreement will be in circulation amongst the heads of the Food Innovation Center project (refer to Appendix XIV for detailed 1-year implementation plan).

3-5 Year Plan

The main goal of the 3-5 year plan is to have the Food Innovation Center up and running and looking into future developments for the center. During this phase the staff of the FIC will be hired, equipment will be obtained, and rental contracts will be issued as users take advantage of the newly constructed FIC. In addition, committees will be formed to plan events during the upcoming 30-day time period and to develop future plans for the FIC.

Opening of the FIC

- 1) Building Inspection (Dependent on building construction being finished)

- 2) Hire Supervisor
- 3) Hire Cleaning Employee
- 4) Obtain Equipment (Dependent on building construction being finished)
- 5) Create Rental Contracts
- 6) Open the Food Innovation Center (Dependent on building inspection & hiring of employees)

Online Presence

- 1) SEO Campaign (Dependent on the opening of the FIC)
- 2) Social Media Campaign (Dependent on the opening of the FIC)

Current and Future Events

- 1) Form Current Event Committee (Dependent on the opening of the FIC)
- 2) Form Future Event Committee (Dependent on the opening of the FIC)
- 3) Plan upcoming events (Current = within 30 days) (Dependent on formation of current event committee)
- 4) Plan future events (Future > 1 year) (Dependent on formation of future event committee)

If the 3-5 year plan is implemented successfully, the Food Innovation Center will be open for business at the beginning of the three-year period with utilization rates continually growing through the fifth-year. In addition, awareness of the FIC will begin to spread from the SEO and social media campaigns fueling a large word-of-mouth campaign that will increase demand for the FIC's services. Lastly, all events during the following 30-days will be planned and significant progress will be made on future developments for the center (refer to Appendix XV for detailed 3-5 year implementation plan).

Conclusion

Throughout the quarter, we worked diligently to provide Jonathan Rose Companies and the Rainier Beach Community with well-researched recommendations that set out the necessary steps for the creation of the Food Innovation Center. We structured our research to inspect the workings of a symbiotic relationship between a commercial kitchen space and an educational facility, as this type of facility is not commonly found in any economic environment. We utilized interviews with eight commercial kitchens and four educational institutions to support the majority of our proposals and further strengthened our claims with secondary research. Through our findings, we established strategic, marketing, operational, and financial propositions to help this not-for-profit come to life.

Our recommendations are structured around four key pillars in order to address the deliverables that are stated in our contract. The first recommendation is structured around the strategic analysis of the FIC. After analyzing internal strengths and weaknesses along with the general environment, industry, and competitors, we present a four-phase developmental strategy to spotlight the center's value proposition. Following our strategic analysis, we lay out a marketing plan to access the target market with a bolstered online presence and strong branding strategy. Furthermore, we equip potential investors with a clear image of the FIC by creating an operational plan that highlights the necessary ingredients of the commercial kitchen and educational facility and how they will beneficially interact. Lastly, we address the financial feasibility of the Food Innovation Center with an income and expense statement, along with a pro-forma budget template and potential funding options.

The implementation plan was developed with a malleable perspective as volunteers are conducting most of the work for this project. We developed pivotal steps covering the periods of

90-days, 1-year, and 3-5 years to provide Jonathan Rose Companies and the Rainier Beach Community with the best opportunity to bring the FIC to fruition. If all of these steps are followed effectively, we believe we can build it and they will come.

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Appendix

Appendix I: Food Innovation Center Startup Budget

Development Costs and Allocations			
			Total Budget
A. ACQUISITION			
Land Acquisition			1,700,000
Building Acquisition			0
Acquisition Legal			10,000
Other Acquisition Costs (Title, Escrow, Fees)			122,000
SUBTOTAL			1,832,000
B. HARD COSTS			
		\$ 80.00	4,800,000
FF&E			1,000,000
D. SOFT COSTS			
DUE DILIGENCE AND PRE DEVELOPMENT			
Appraisal			15,000
Market Analysis			15,000
Traffic Study			15,000
Environmental Testing			2,000
Cost Estimating			10,000
Surveys/Replat			10,000
Civil (portion not in land proforma)			5,000
Site Planning			0
Geotech (incl. borings)			10,000
Entitlements			0
Special Inspections/Testing			20,000
Other Testing			0
CONSTRUCTION RELATED COSTS			
Development Support		0.00%	100,000
Architecture - Design		0.00%	150,000
Architecture - Reimbursables		3.00%	4,500
Engineering (Not in Architecture)			0
Consultants - Other			0
Consultants - Other			0
Municipal/Other Fees			100,000

Agency Review Fees			0
Permit Fees		1%	0
Other - Specify			0
Other - Specify			0
Other - Specify			0
ORGANIZATIONAL/LEGAL COSTS			
Real Estate/Land Use Legal			10,000
Partnership Legal			25,000
Cost Cert			0
Construction Legal			10,000
Contracts Legal			10,000
Other - Specify			0
Soft Cost Contingency		7.00%	28,805
TOTAL			8,172,305

Appendix II-Commercial Kitchen Research Questions

1. How did you market to potential customers initially? What do you do to maintain a strong customer base? How do you market to customers currently?
2. How many customers do you have renting your space right now? What types of businesses are renting your space currently (catering, small food producer, chef, etc.)?
3. Who is your biggest customer? What industry are they in? What are the characteristics of your customer base?
4. How do people make reservations? By phone, in person, online?
5. How much did it cost to develop your website and how much does it cost to maintain the system?
6. Which times of day is your facility most often rented? Which times of day is your facility least often rented?
7. What is the procedure for damages to the facility?
8. Who supervises the facility?
9. How did you initially fund the commercial kitchen? How much capital was required to start your operation?
10. How much space do you have available?
11. What utensils/equipment do you provide?
12. How many hours per week do you rent out your facility? How many hours per week is your facility not being used?
13. How much are maintenance costs to upkeep your kitchen? What activities does this include (maintenance, cleaning, heating/cooling etc.)?
14. What resources beyond kitchen space and equipment do you offer your customers?
15. What are your methods for charging for the commercial space? (For example do you charge for single use, by hour, week, month etc.) What are the rates on those methods?
16. In your most recent fiscal year, how much does it cost you to run the facility (variable and fixed costs)? Did your facility operate profitably? If so, did you reinvest any of the profits back into your business? How long did it take your business to become profitable?

Appendix III-Educational/Training Institution Research Questions

1. Do you have any off-site classes offered through your school? What do you pay to rent those spaces? What are your basic equipment requirements (desks, whiteboards, etc.)?
2. What do you charge your students to take these classes? Basic tuition rates or a different model?
3. What types of food industry classes do you offer right now? What types of business-related/entrepreneurial classes do you offer right now?
4. How many hours do you typically rent a classroom if you are offering one class?
5. Would the classrooms have to be dedicated completely to your institution, or would other users be able to rent the facility when your institution is not renting them?
6. What is the typical length of your contract agreement with these facilities?
7. Do you have any demographic information about people who take these classes?
8. Would you consider offering any classes in the Rainier Beach area if an educational space were created in that area? If not, What would make the Rainier Beach area more appealing?
9. Have you ever used a commercial kitchen in the past with your curriculum? If so, what did this partnership look like?

Appendix IV: Primary Research Findings

Commercial Kitchen

Question 1. How did you market to potential customers initially? What do you do to maintain a strong customer base? How do you market to customers currently?

- We did fairly basic marketing on craigslist and on a Food Truck –centric website (Seattlefoodtruck.com), as well as put up our own website. I linked the website to a few web aggregation sites specific to kitchen space as well. We actually fill a very underserved niche in Seattle so most people search us out just by doing a google search for “commercial kitchen Seattle” and there are only a handful s we are typically near the top of page one of most searches.
- One online site
- Google ads up online. its just your our personal website. Word of mouth
- Currently have no customers. In the past have gained customers through word of mouth, outstanding relationships, and people who have contacted her.
- Word of mouth starting out, craigslist, now there’s a waiting list

Question 2. How many customers do you have renting your space right now? What types of businesses are renting your space currently (catering, small food producer, chef, etc.)?

- Currently about 20 separate entities. It varies seasonally, spring and summer being the busiest. About 70% of our business is food trucks/street food vendors. And we also have a variety of other food businesses such as caterers, bakers and makers of specialty food items (caramels, chocolates, brittles...that kind of thing).
- One – baker
- Food trucks, farmers markets, catering companies, candy makers. Fluctuates
- Currently a cupcake and cake business is looking to rent.
- 16 businesses-chocolates, makes specialized meals that are delivered to high end user, 3 food trucks, one food trailer, pie maker, 4 different caterers.

Question 3. Who is your biggest customer? What industry are they in? What are the characteristics of your customer base?

- Our biggest customer is a food truck vendor (I will not name any of my tenants without their permission) that also happens to have a couple storefronts as well. So they do prep for both the truck and two restaurants. Characteristics? I guess start up entrepreneurial types. Renting a kitchen gives them an opportunity to enter the market with probably a third of the cash outlay if they were to build their own kitchen.
- Weddings, business- breakfast, lunch, dinner, BBQ’s
- Mostly farmers markets. Can’t do it in home.
- People running a food truck take up a lot of hours

Question 4. How do people make reservations? By phone, in person, online?

- Both by phone and email that we publish online, and then we have them come in face to face so we can discuss specifics of their operation, and so they can have a visual concerning the space we offer.
- In person
- Online reservation systems-map schedule
- By phone, set up a schedule for use if more than one time
- Most of tenants are on full time. They can come in 24/7--have a key. occasionally have part time users where they pay.

Question 5. How much did it cost to develop your website and how much does it cost to maintain the system?

- The initial investment to buy the domain, build the site and get it hosted was a couple grand. And now its about \$100/year to keep it hosted.
- \$250.00 / \$6.00 month
- Low costs

Question 6. Which times of day is your facility most often rented? Which times of day is your facility least often rented?

- For sure most busy between 8am – 5pm. We really are at capacity at those times. We do have a fairly busy evening schedule as well, 6 pm – midnight. Least busy between midnight and 8 am then.
- Morning
- In the morning or at night. Early or late
- Thursday, Friday, Saturday not after 2. People rent mostly in mornings
- Monday Sunday and Saturday are probably the slowest. Monday absolute slowest. Busiest days are on Fridays

Question 7. What is the procedure for damages to the facility?

- Little stuff I consider a cost of doing business. For major damages, we do require all tenants carry insurance and we are named as a co-insured.
- All renters must have us as additional insured on their policy
- Security deposit. Around 1000
- 1 million dollar insurance policy
- Everyone has to provide insurance. Includes the kitchen co. on their insurance

Question 8. Who supervises the facility?

- I do, and I am looking to hire someone part time right now.
- Owner

- People coming and going in the facility. Need supervision for the set up and meeting of new client. Tours and guidance is needed. Once they get going less babysitting, make sure they clean up, storage correctly.
- No supervision.
- Continually remind people to clean, and take out waste, they pay all utilities and included in fees

Question 9. How did you initially fund the commercial kitchen? How much capital was required to start your operation?

- Private capital.
- Savings, \$100,000
- Revenue from catering business
- She was a sales broker and saved enough money to start her own business.
- Private capital-25K-30K

Question 10. How much space do you have available?

- Our kitchen is about 3500 sq. ft.
- 1500 sq. ft
- 1000 sq. ft
- 10000
- 4300 square feet with over 3000 of that devoted to the kitchen, storage and walk-ins.

Question 11. What utensils/equipment do you provide?

- Ovens, range tops, a few specialty steam jacketed kettles, and of course the sinks and exhaust hoods are the majority of the necessary items. We also supply 2 mixers, a meat slicer, lockable storage, prep tables of course. Two walk-in coolers and a walk-in freezer. We have just a modicum of pots and pans, and nothing like spatulas, spoons small wares like that. Tenants bring their own.
- Stove, oven, dishwasher, slicer, mixer, refrigeration, freezer, small wares, table tops
- They provide equipment
- Major equipment, mixers, 6 ovens, sinks, dishwasher, hoods, ranges, tables and storage racks, 3 walk in coolers
- We have 6 workstations in the kitchen, each with at least 20 feet of tabletop. Two of the spaces include their own prep sink and a third prep sink is centrally located. Each company is welcome to have up to six people working at once. Refrigerated, freezer and dry storage are available (amount of space dependent upon number of hours reserved). We have 2 6-burner ranges with ovens, a grill, a microwave, and 3 sets of double stack convection ovens.

Question 12. How many hours per week do you rent out your facility? How many hours per week is your facility not being used?

- Tough to quantify because we have multiple tenants working side by side at the same time.
- Rental by the month the renter has access 24/7. 12 / 14 hrs.
- Used to be 25 hours per week
- Roughly 50-60 hours

Question 13. How much are maintenance costs to upkeep your kitchen? What activities does this include (maintenance, cleaning, heating/cooling etc.)?

- Again, I'd rather not disclose dollar figures, but yes...Electricity, Water is huge, gas (for almost all appliances, electricity, garbage/recycle, towel service, janitorial labor, chemicals,
- Data/internet/phone
- \$25/30 month
- 500 month for the 25 hour per week
- Estimated per month is 6000 a month
- Have budgeted 5,832 for HVAC/Kitchen Inspection and 2975 for Kitchen exhaust cleaning. Total of 8807/year
- Hood Cleaning once per year or every other year. Contracted with building engineers to fix electric/plumbing and often would take food and alcohol as payment. Health and Fire department inspections once per year. Biggest expense will be electric for refrigeration. Equipment like ovens generally will last forever and require little upkeep. 2nd highest expense will be your dishwasher--If you buy it can be a huge pain and costly to fix/buy soaps. Recommends renting from some companies that provide soaps for around 16/month. Insurance is required to work in the kitchen. For the 1200sq ft kitchen he worked at it was high end \$100/month for heating and \$250/month for cooling

Question 14. What resources beyond kitchen space and equipment do you offer your customers?

- We do sell propane to all the food trucks onsite. Other than that we really have not yet expanded our service beyond the space rental (we have only been open for less than 2 years so still trying to wrap our arms around this piece). We do help them get approved with King County Health Dept, or WSDA as we have made acquaintances there. I do believe there are other opportunities for services given the critical mass that we are creating was a food truck hub.
- Experience
- All the cleaning supplies, storage space, fridge, ovens, burners
- No
- Wi-Fi,
- "Use of the conference room for tastings or meetings is included in the monthly rate.
- With windows on two sides, the kitchen is filled with natural light!
- There is a loading dock and separate delivery entrance.
- Cleaning supplies, garbage, compost and recycling are included.
- Free on-site parking while you work!"

Question 15. What are your methods for charging for the commercial space? (For example do you charge for single use, by hour, week, month etc.) What are the rates on those methods?

- For the most part we charge by the month. Rates depend on how many hours tenant is seeking, how much of a “footprint” they will need such as dry goods storage, walk-in cooler space, walk-in freezer space. Do they need to store any special equipment, etc. Again, I don’t publish pricing.
- Hr. \$25. Month \$500.00 + (\$300.00 non refundable key deposit)
- Broken into blocks, 3 or 4 different sets, minimum amount of hours for a single price, goes up for more hours, also is variable depending on storage.
- If regular by month, otherwise per hour at 12.50. For monthly depends on hours 25 hours is \$700
- Flat fee per month, varies on labor and time, equipment, space freezer, coolers, dry storage and is 850 and up for most tenants
- Rates per Workstation:
For up to 8 hours each week, the monthly rate is \$480 plus 4% of the utilities (water, sewer, electric, natural gas)
For up to 15 hours each week, \$650/mo + 7%
For up to 30 hours each week, \$1200/mo + 12%
For up to 45 hours each week, \$1700/mo + 15%
For up to 60 hours each week, \$2000/mo + 17%"

Question 16. In your most recent fiscal year, how much does it cost you to run the facility (variable and fixed costs)? Did your facility operate profitably? If so, did you reinvest any of the profits back into your business? How long did it take your business to become profitable?

- We do operate at a profit.
- "\$65000
- Yes. No. 4 years"
- Overhead is high,
- For the entire restaurant 8,000 including employee costs. For the kitchen she estimates it's around \$4000/ month

Commercial Kitchen National

Question 1. How did you market to potential customers initially? What do you do to maintain a strong customer base? How do you market to customers currently?

- Email survey

Question 2. How many customers do you have renting your space right now? What types of businesses are renting your space currently (catering, small food producer, chef, etc.)?

- I do not market- it is all word of mouth although I have put a couple of ads on craigslist. Mostly interested in keeping the peeps I do have, making them happy and getting my needs met.. Long term pays off more than re-keying the space, going through the interview process and the continual training/ reminders we have with new renters.

Question 3. Who is your biggest customer? What industry are they in? What are the characteristics of your customer base?

- "We have 3 independent caterers, 1 mobile food truck, 1 baker, a jam lady, tonic water guy and the queen of Black Eyed Pea Hummus.
- Occasionally, if I have space in my catering area, I will rent it out to those on a daily basis if it seems it will not be too disruptive."

Question 4. How much did it cost to develop your website and how much does it cost to maintain the system?

- It is available basically from 4:00 AM- 11:00 PM. Saturday is 24 hrs a day. I have an all day/ 7 day a week space.

Question 5. What is the procedure for damages to the facility?

- Friday & Saturday are the busiest days.. Sunday & Monday, are the slowest

Question 6. Who supervises the facility?

- I generally cover all repairs for all equipment I own or are leased (and is not covered under some sort of repair condition within the lease) if it is general shared equipment. However, if the Hobart breaks, I ask my baker to repair it. They use it 99 % of the time even though technically it is a shared piece of equipment. If the damage is due to negligence, I would charge the renter completely.

Question 7. How did you initially fund the commercial kitchen? How much capital was required to start your operation?

- Interviewee: Ben Joblansky (very helpful)

Question 8. How much space do you have available?

- The venue cost me nothing upfront, it was already a kitchen. I just started sub-renting quadrants I did not need and found folks I liked and had an operation that I felt would not conflict with my use or others.

Question 9. What utensils/equipment do you provide?

- About 5,500

Question 10. How many hours per week do you rent out your facility? How many hours per week is your facility not being used?

- Utensils are the responsibility of the renter although we borrow each other's things when we are in a bind.. bad practice but it still happens... we have two double stack ovens, tilt skillet, 6 burner range, griddle, grill, sinks, dish machine...those are the biggies
- We provide several Hobart mixers: 4 20-qt, 1 30-qt and 1 60-qt.
- Some small equipment such as sheet pans and pots are available while you work.

Question 11. How much are maintenance costs to upkeep your kitchen? What activities does this include (maintenance, cleaning, heating/cooling etc.)?

- "Nov- April- 200 hours a week
- May- Oct- 300 hours a week
- This does not include my cleaning crew which come in after hours."

Question 12. What resources beyond kitchen space and equipment do you offer your customers?

- I spend about \$500.00 a year on hood cleaning.. My cleaning crew is \$ 1,200 a month.. repairs are a crap shoot.. I set aside \$500.00 month in my proforma/ business plan. I think that is it...

Question 13. What are your methods for charging for the commercial space? (For example do you charge for single use, by hour, week, month etc.) What are the rates on those methods?

- We have a small amount of office space and a private tasting/ client meeting room. We also have wireless access. Garbage/ Recycle and Compost is on site/ Parking in our lot. We do buy from each other and in general we all look out for each other in a noncompetitive manner.
- The business development portion of our incubator program includes: Monthly business and culinary workshops focused on financial preparedness, sales and marketing, accounting, logo and label design, and more. One-on-one monthly finance advising. Exposure to a vibrant and dynamic entrepreneurial and culinary environment. Partnership opportunities with other incubator businesses. Marketing opportunities

Question 14. In your most recent fiscal year, how much does it cost you to run the facility (variable and fixed costs)? Did your facility operate profitably? If so, did you reinvest any of the profits back into your business? How long did it take your business to become profitable?

- "All of our rents are different which is a bad way to go.. it sort of materialized over time. I would suggest you standardize it.

- Daily is basically \$100.00. Monthly varies based on amount of space / 24/ 7 or just Monday-Thursday... \$800.00- 1,800.00 it just depends.
- I wish I could answer that more clearly for you. If you are looking for what you should be charging or what you should be paying, I can give you some ideas.. I am about the cheapest space around from what I am told... I think that is why I have very little turnover.
- All rents include use of the dishwasher and no portion of utilities. I cover all of that."
- <http://hotbreadkitchen.org/hbk-incubator/costs>

Additional Information

- "My costs to run this is the \$ 3,500 rent, \$ 80.00 dish machine, \$ 1,200.00 in cleaning crew, about 300.00 in trash/ recycle and I will guess about \$ 25.00 a month on admin stuff (printing costs) and insurance which I do not know what percentage of my policy covers JUST the space since it is intertwined with running a catering company.
- Last year, I put in a crazy amount of money in new ovens, grill and stove last year so I am sure I broke even.. I do not account for it separately so I do not have an answer.
- I take in about \$ 5,800.00 in rents so you can do the math above... I make about \$ 700.00 a month and it does vary.. occasionally a bit better if I add a few one day rentals in the revenue stream.
- As I said above, I am kind of the wrong person to hit with these questions....I am not running it as a business on its own per say. However, I could rent the space I am using for \$ 2,500.00 a month no problem if I was not doing catering and that would make this about \$ 3,000.00 a month profitable – again, if I was not catering.
- If I were to go back in time, and redo the space with the proper financing and a better plan.. I would be able to take in about \$ 10,000.00 = \$ 12,000 a month in rents making it a more viable operation.
- So, am I profitable.. maybe a bit but not enough to care really...Could I be, yes, If I was to redo this in a different way with some capitol, I firmly believe so."

Educational Institutions

Question 1. Do you have any off-site classes offered through your school? What do you pay to rent those spaces? What are your basic equipment requirements (desks, whiteboards, etc.)?

Classroom	Projector
Conference Room	TV/DVD/VHS
Conference Phone C207	Microphone C111
Computer Lab A120	Wireless Access
Other	Other"

- We have a unique situation where we do have classes during the summer that are held off-campus. The students rotate and every other Monday travel by bus to the Skagit Valley.
- Yes we offer classes at 3 offsite: Bitter Lake CC, Northgate Family Center and Northgate Elementary School. I have no idea what the rent is. Most of our teachers use whiteboards and overhead cameras. A computer and projector with web access is also great. I'm not sure what each offsite currently offers.

Question 2. What do you charge your students to take these classes? Basic tuition rates or a different model?

- Parking is available for \$3.00 a day. Attendees pay at the parking kiosk located in front of Colin Educational Hall."
- \$50-\$400 per class small business classes are in the lower range(\$59-\$99)
- Tuition costs only \$25 per quarter (11 weeks).

Question 4. What types of food industry classes do you offer right now? What types of business-related/entrepreneurial classes do you offer right now?

- This will be a three-year program (3 quarters/year, no summer quarter) that starts Fall 2011. The ACF Washington State Chefs Association National Apprenticeship Training Program for Cooks is recognized by the National Apprenticeship Committee of the American Culinary Federation Education Foundation
<http://washingtonstatechefs.com/apprenticeship.html>
- ESL
- Life-Skills-To-Work (LSW)
- Basic English Writing for Non-Native Speakers
- Business Skills
- Small Business
- Work for Yourself

Question 5. How many hours do you typically rent a classroom if you are offering one class?

- "Bitter Lake classes run MW from 9:30 to 11:30. Something similar at Northgate family Center.
- Northgate elementary is TTH from 3 to 5. The students are parents of kids who go to the elementary school."

Question 6. Would the classrooms have to be dedicated completely to your institution, or would other users be able to rent the facility when your institution is not renting them?

- Other folks use these rooms too.
- We don't own a building or facility.
- The classroom space is not dedicated. The agreement is usually on a verbal agreement with the community center or library. The demand for the classes comes from

stakeholders in the community who want to have certain trainings/courses. and community center is eager to invite BGI to come

Question 7. What is the typical length of your contract agreement with these facilities?

- As requested
- We've been here for a while. I think we renew every year.

Question 8. Do you have any demographic information about people who take these classes?

- Low cost/free (drop in) childcare is available at all of these off sites and that is key for our students there, who are often low-income parents.
- We serve all types of demographics.
- Low-incomes, 65% women, 35-65 high color, minorities, ESL immigrant

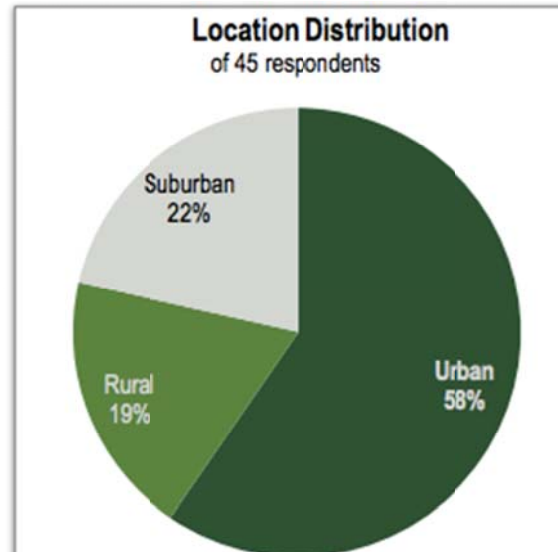
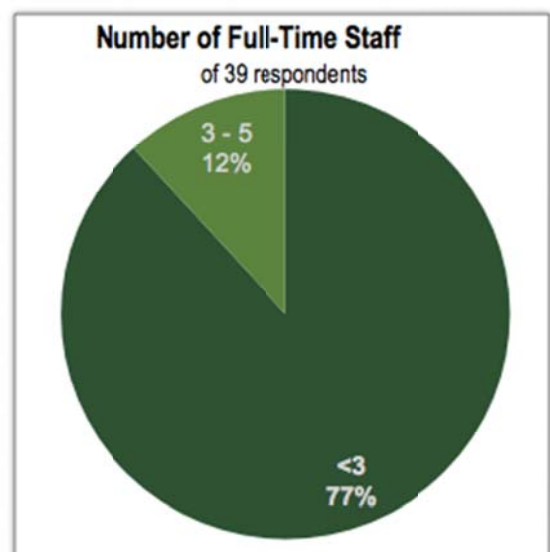
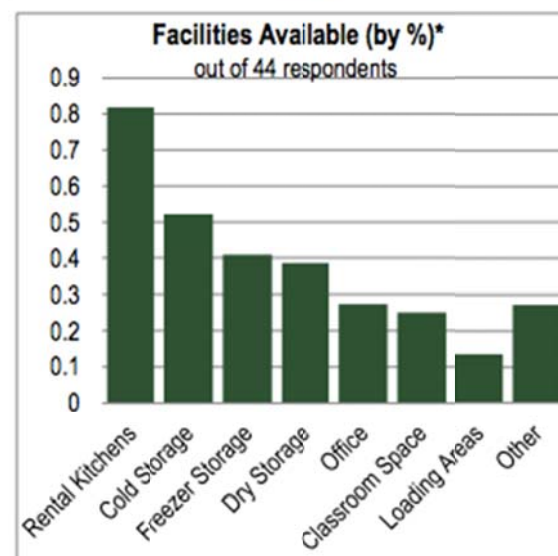
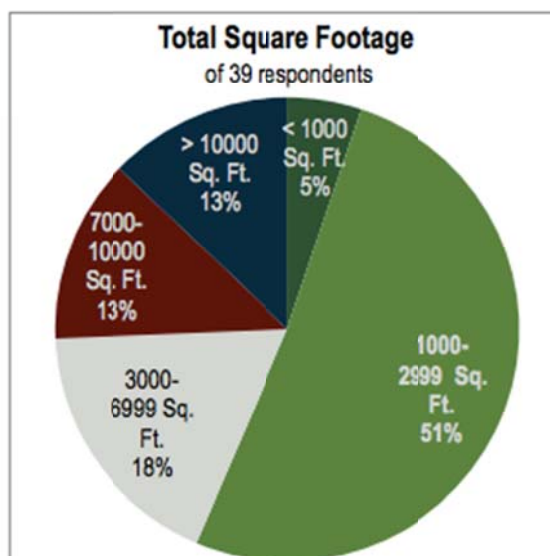
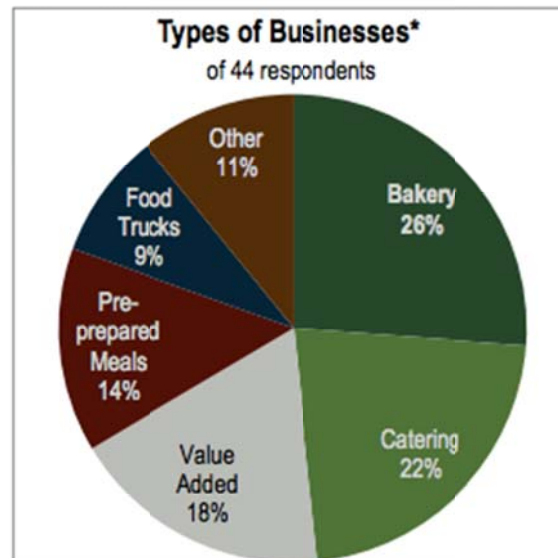
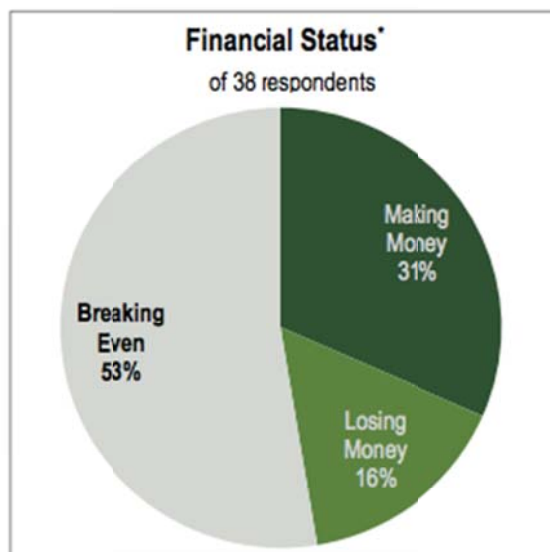
Question 9. Would you consider offering any classes in the Rainier Beach area if an educational space were created in that area? If not, What would make the Rainier Beach area more appealing?

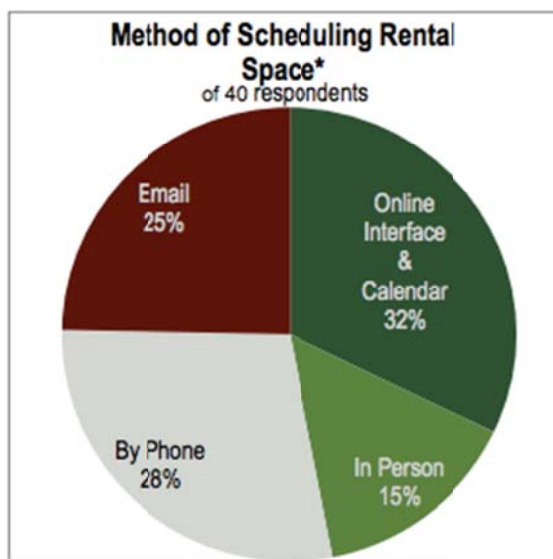
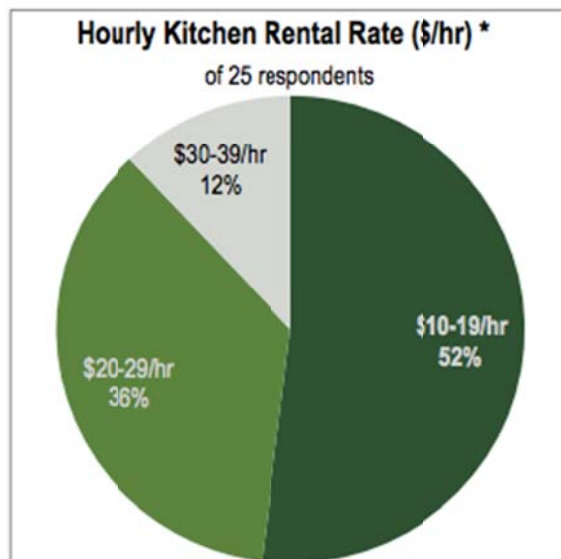
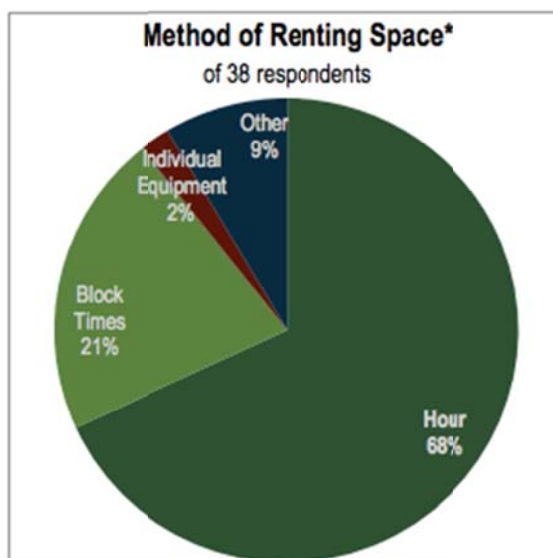
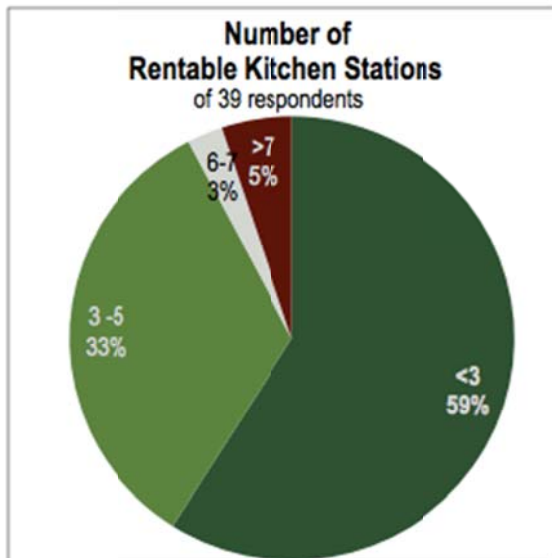
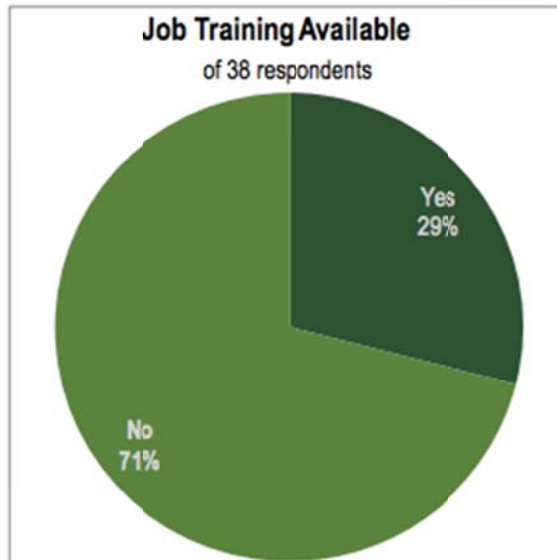
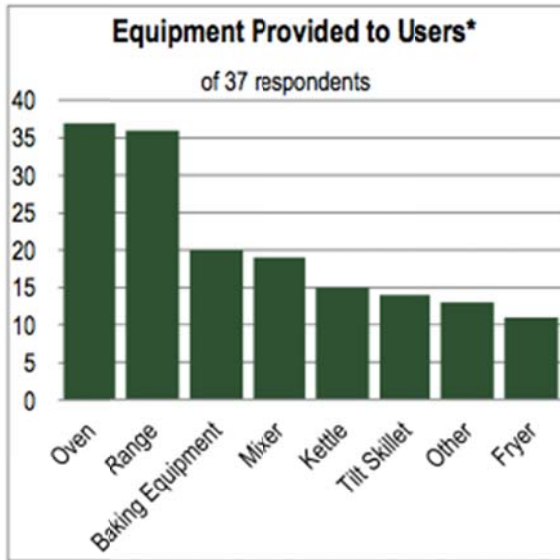
- Rainier Beach seems a long way away from NSCC. Probably a south end CC would be a better fit. South Seattle CC offers classes at New Holly, which isn't too far.
- We don't have the funding available to rent another space.
- "Yes, Rainier beach, or even further north, deeper in the valley. Rainier Beach area has the targeted students' demographics. Currently, Rainier Beach is a bit too close to Renton Technical College.
- They are looking for Commercial kitchen for their current students who want to start their own food business. And cost of renting a commercial kitchen is above their price range

Question 10. Have you ever used a commercial kitchen in the past with your curriculum? If so, what did this partnership look like?

- No
- No
- They are looking, that is why they are participating in the FIC.

Appendix V: Business Analysis of Current Kitchen Incubators





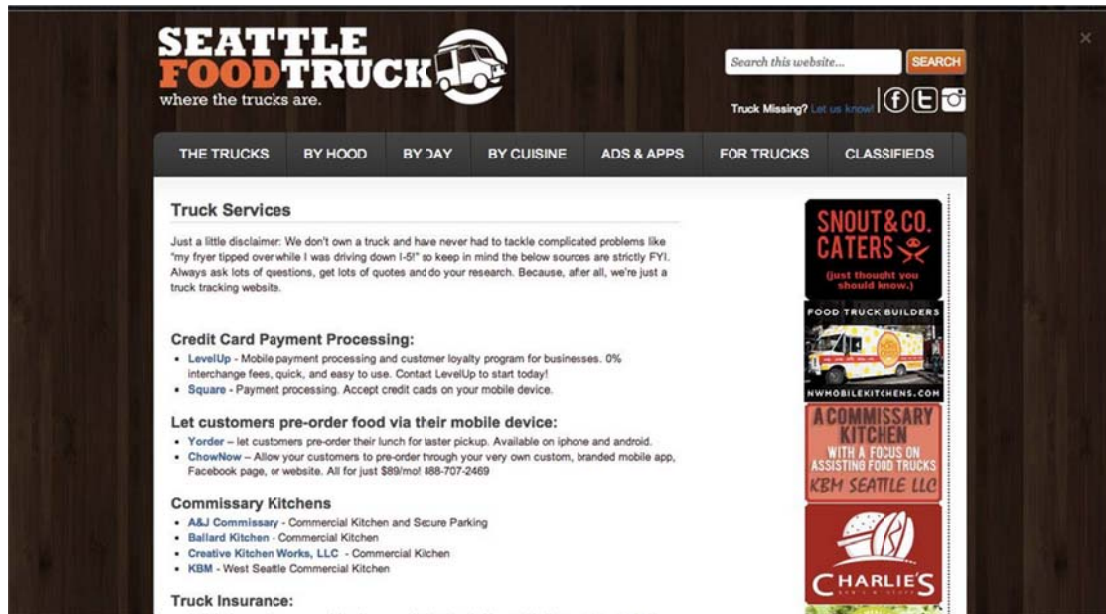
Appendix VI: List of Commercial Kitchens in the Seattle Area

<u>Commercial Kitchen</u>	<u>Address</u>
A and J Commissary	3201 4th Avenue S. Seattle, King County, WA 98134
Alaska Silk Pie Co.	3429 Airport Way S Seattle, King County, WA 98134
Cookspace	501 2nd Ave W Seattle, King County, WA 981
Food Creativity at Work	3429 Airport Way South Seattle, King County, WA 98134
Four Seasons Gourmet Foods	10325 Aurora Ave N Seattle, WA 98133
Gourmet Innovations	10836 East Marginal Way South Seattle, King County, WA 9816
KBM Seattle	5604 Delriidge way SW Seattle, King County, WA 98106
USI Holding Company LLC	4611 36th Avenue S.W. Seattle, King County, WA 981

Appendix VII: Educational Programs and Community Colleges

- South Seattle Community College
- Seattle Central Community College
- North Seattle Community College
- Apprenticeship and Non-Traditional Employment for Women
- Bainbridge Graduate Institute
- Highline Community College
- The Apprenticeship Opportunity Program

Appendix VIII Seattle Food Truck Website



Appendix IX: Expense Budget

EXPENSE BUDGET Operating 2014-2015

FIC Commercial Kitchen

Personnel	Budget
Facility Manager	\$ 21,000.00

Operating	Budget
Administrative	\$ 4,562.88
Accounting	\$ 407.40
Insurance	\$ 4,515.35
Gas and Electricity	\$ 26,616.80
Website Fees	\$ 250.00
Water	\$ 3,802.40
Phone	\$ 780.00
Equipment/Building Maintenance	\$ 21,546.93
Cleaning Supplies	\$ 3,168.67
Pest Prevention	\$ 3,802.40
Fire Inspection	\$ 679.00
Marketing	\$ 350.00
Hood Cleaning	\$ 800.00
Other/Classroom Space	\$ 500.00
Total Expenses	\$ 92,781.83

*Budget costs based on the Honokaa Ohana Community Kitchen model. Costs were adjusted to reflect inflation and space requirements

*Cumulative Inflation Rate from 2000-2014:35.8%

*Some fees multiplied by 1.358 to account for space differences

Appendix X: Expenditure for Hamakua Incubator Kitchen & Crafts

Appendix

Detailed expenditures for Hamakua Incubator Kitchen & Crafts (construction plus one year of operation)

Building

Professionals (architect and mechanical drawings) ...	\$2,790
Structure erection	100,320
Labor to bring new building up to code and equipment on-line (134 @\$20/hr plus materials)	13,868
Buy and install water tank for fire protection	4,937
Water tank for fire protection	670
Electrical consulting	290
Gutters	710
Fire system	2,605
Hood enclosure (metal and fabrication)	2,710
Gas tank	500
Water line and 2 toilet sets	485
Grease trap	780
Panic door hardware and auto door closures	3,090
Concrete and thresholds for handicap accessibility	1,115
Repair and charge refrigerator	850
Epoxy paint for bathrooms	30
Subtotal	\$135,870

Equipment

Chairs (new)	\$229
Utility sink (new)	191
Metro shelves (6) (new)	500
Floor mats (6) (new)	187
Counters (new)	4,351
Floor mixer (new)	2,385
Freezer (new)	2,269
6-burner range with convection oven (new)	2,875
Water heater (new)	990
Capsule steamer with stand (used)	1,563
Flat top range with still oven (used)	677
Sinks, refrigerator, work table (used)	1,708
Hood and exhaust fan (used)	5,264
Donated small equipment (used)	247
Subtotal	\$23,436

Annual operations

Administration	\$3,630
Accounting	300
Insurance	3,325
Legal	0
Travel	n/a
State registration	5
Occupancy	5,520
Gas and electricity	4,200
Phone, basic	600
Phone, long distance	120
Water	600
Maintenance	3,400
Cleaning supplies	500
Equipment maintenance	1,000
Facility maintenance	0
Pest prevention	600
Hood cleaning	800
Fire inspection	500
Subtotal	\$13,420

Educational and Training Programs

Regular advertising	\$400
Special advertising	2,000
Director training	1,000
Education	12,500
Internet	240
Printing	25
Copier maintenance and supplies	600
Software and books	760
Business consultants	12,000
Start-up consultant	7,000
Kitchen consultant	20,040
Crafts consultant	8,040
Grant writing	1,500
Subtotal	\$56,530

Total **\$229,256**

Appendix XI: Income Statement

Income Statement

FIC Commercial Kitchen
Fiscal Year 2014-2015

Financial Statements in U.S. Dollars

Revenue

Sales	\$96,600	
Utility Fees	\$22,814	
Net Sales		\$119,414

Expenses

Total Expenses		\$ 92,781.83
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Net Income

Net Income		\$26,632
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*Revenue Model Based on 10 customers with 8 hour weeks at 480+4%utilities and 5 customers with 15 hour weeks at 650+7% utilities

*See Expense Statement

*Based on yearly utilities of 30,419

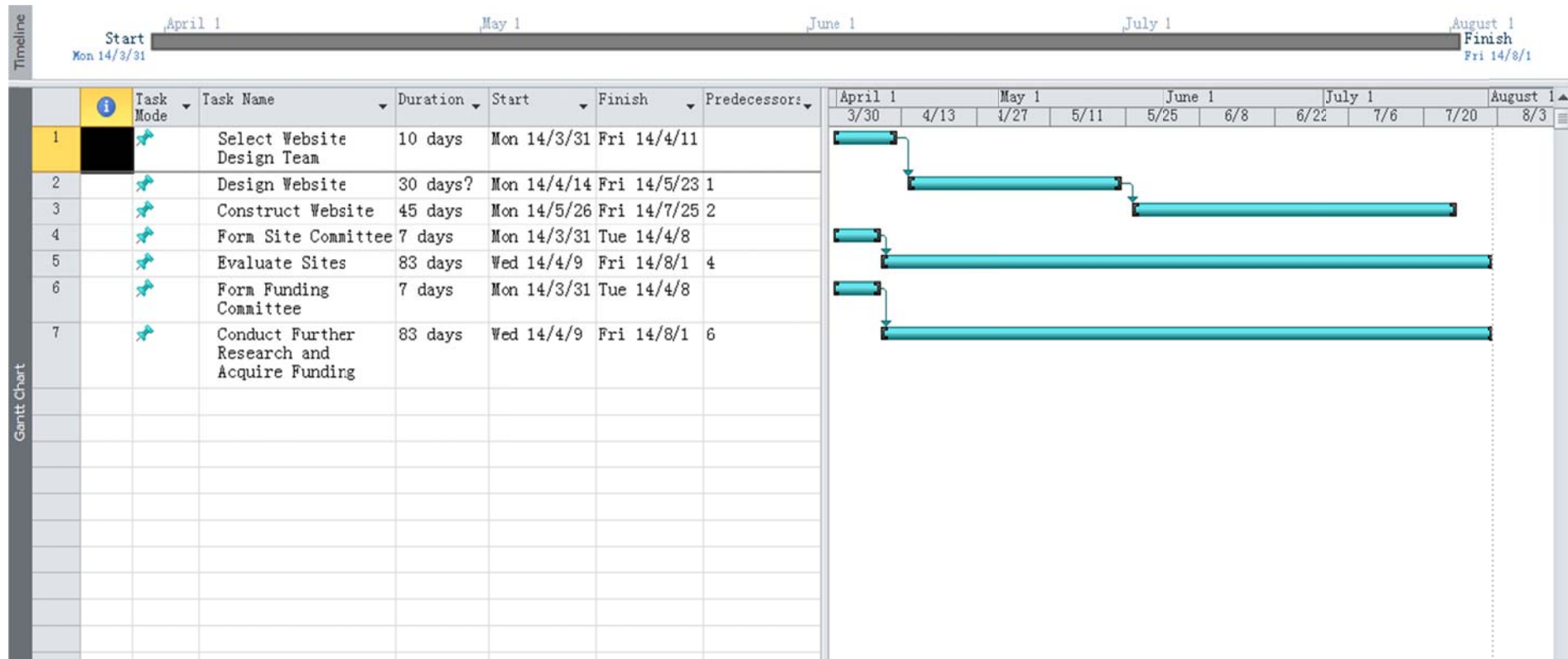
*Includes Water and Electricity

*Kitchen can serve multiple customers at once

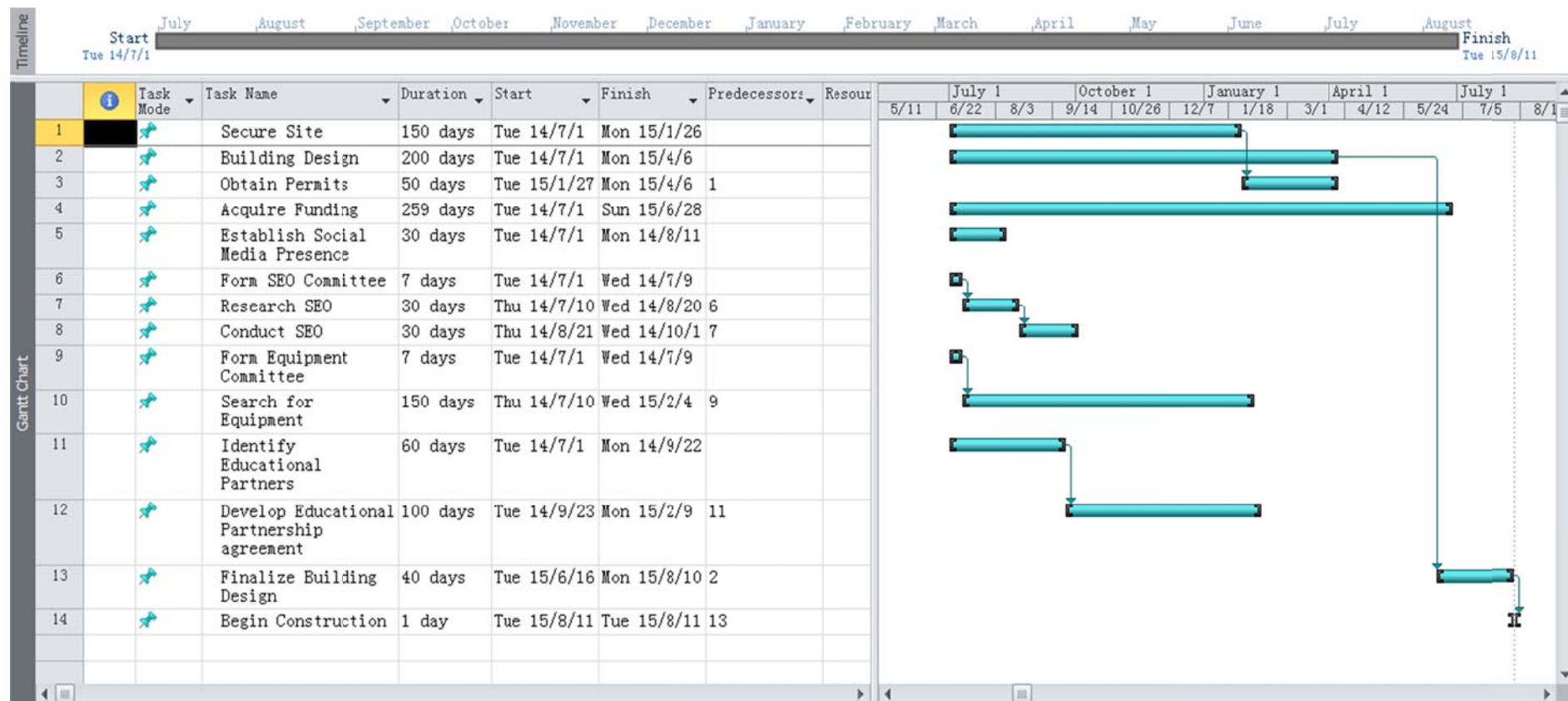
Appendix XII: Break-Even Analysis

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Appendix XIII: 90 Days Implementation Plan



Appendix XIV: 1-Year Implementation Plan



Appendix XV: 3-5 Years Implementation Plan

