

**Food as an Economic & Workforce Development Tool:**  
*Findings from an exploratory feasibility study*

December 2015

Urban Economic Development Association of Wisconsin, Inc. (UEDA)



## Introduction

Since 2011, the Urban Economic Development Association of Wisconsin, Inc. (UEDA) has led a project, the *Food Enterprise Development Network (FEDN)*, that came together to support efforts to further grow and connect various parts of the local food economy. The purpose of FEDN is “to promote equitable, economic development in southeastern Wisconsin communities by (a) supporting the development and expansion of sustainable food enterprises; (b) linking local and regional suppliers and buyers of sustainable, healthy food; and (c) promoting consumer demand for sustainable, healthy food.”

In 2013, FEDN made significant progress by launching a series of networking events and resources for local food entrepreneurs and exploring how to better connect local growers to consumers, institutions, processors and entrepreneurs in the Milwaukee area. Over the past two years, UEDA has been able to secure some grant support from the local funding community to support this work.

UEDA’s work with FEDN over the past 2 years has demonstrated that while there are larger-scale efforts to support the food industry and entrepreneurs, it is still challenging for local nonprofits, government and other partners to accurately assess whether this model works. Resources are scattered, information is at best anecdotal and/or experimental, and many feel that there are huge opportunities present in the regional food sector, but struggle to figure out how to apply them.

Thus in 2014, we decided to further explore these opportunities through a feasibility analysis process. What follows is a summary report of our findings, which we hope will provide tools and a process that will assist nonprofit organizations and other partners to assess their capacities to carry out this work.

## Acknowledgements

UEDA would like to thank Karen Fulbright-Anderson, Ph.D. for her expertise and involvement with this project, including data collection, analysis and report preparation. We would also like to extend a profound thank you to the following active stakeholders in FEDN, whose experiences continue to inform this work: Body & Soul Healing Arts Center, City of Milwaukee Department of City Development, Forward Community Investments (FCI), Mighty Fine Foods LLC, Milwaukee Food Council, Milwaukee Northside Food Network, Sustainable Edible Economic Development (SEED), That Salsa Lady, UW-Extension Community & Regional Food Systems Project, UW-Extension Urban Agriculture and Wisconsin Women’s Business Initiative Corp. (WWBIC).

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*UEDA is a 501(c)(3) membership organization dedicated to facilitating the professional development of individuals and groups working in economic and community development in Wisconsin. Incorporated in 1997, its mission is to enhance cities and their residents by focusing on housing, economic development and job creation. UEDA emphasizes collaborative work in the areas of sustainable homeownership, public transportation and jobs, foreclosure mitigation, small business & entrepreneur support and the regional food economy. More information about UEDA can be found at [www.uedami.org](http://www.uedami.org).*

## **Project Background**

Across the country there is a growing convergence of interests among community stakeholders and local food systems. This provides a unique window of opportunity to meet several socio-economic and workforce development goals simultaneously, including:

- a growing number of food entrepreneurs looking for affordable production venues;
- nonprofits looking for training opportunities in a growing sector for their constituents and sources of income for their programs and/or operations;
- policy makers, practitioners and residents' growing concern about the lack of healthy food options in low income communities; and
- farmers looking for reliable outlets for their produce.

These concerns are interrelated and provide a foundation upon which to potentially build a powerful and sustainable 21<sup>st</sup> century economic and workforce development approach that is comprised of:

- Non-profit owned or “social enterprise” commercial kitchens that can incubate and provide long term services to food production businesses, while also providing on-the-job training and work for the hard-to-employ;
- Rural farms and urban community gardens that could provide produce for purchase by food entrepreneurs, restaurateurs and residents who live in “food deserts”;
- Workforce development programs that provide training opportunities for the hard-to-employ to build their work readiness skills and connect them to jobs in a variety of areas related to the food industry (i.e. food services, graphic arts, trucking, office management, quality control, custodial services, etc.);
- Restaurants and retail markets looking for fresh, local produce and products; and
- Schools, universities, hospitals and other systems looking for healthy food options for their constituents.

Several elements of this approach are being implemented by non-profit organizations, and in some cases, for-profit entities in Wisconsin and other states. To gain a deeper understanding of this work and its implications for workforce and economic development efforts aimed at the hard-to-employ, UEDA embarked on a modest research project designed to build practical knowledge about the benefits and challenges of, and the opportunities for, southeast Wisconsin's food sector to serve as an economic development vehicle and enhance existing connections to local food producers.

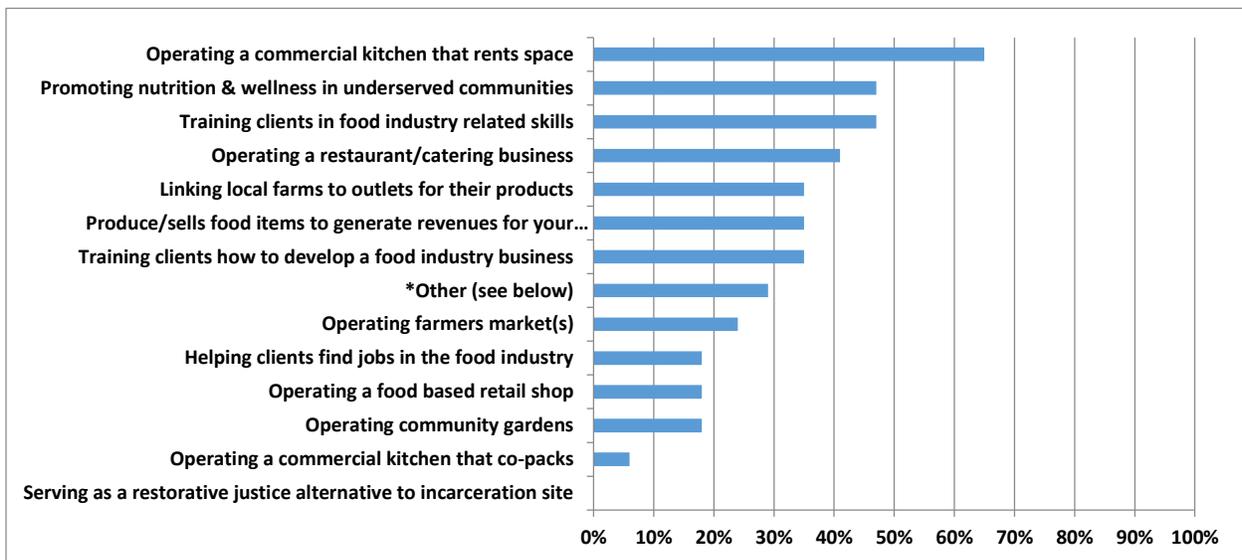
Between September 2014 and September 2015 project staff identified a cross section of 50 non-profit and for-profit organizations that were using the food industry as a workforce and/or economic development tool; designed and implemented a survey of the leadership of these organizations; and conducted interviews with a subset of these leaders. What follows is a summary of what we learned from the data collected during this process.

## About Our Survey Cohort

Of the seventeen respondents (a 32% response rate), 53% are from non-profit organizations; 35% are from for profit organizations and the remaining 12% were from hybrid or social enterprise organizations. Most of the respondents (80%) were located in Wisconsin. Typically, respondents indicated that their organizations are engaged in multiple activities related to the food industry, rather than focusing simply on one aspect of this work.

### *What They Do*

The ways in which they carry out their work is depicted in the chart below and indicates that the majority (65%) operate commercial kitchens that rent space. A significant number (47% each) are engaged in training clients in food industry and related skills and promoting improved nutrition and wellness in underserved communities. Several operate commercial kitchens that produce and sell food items to generate revenues for their organization, link local farms to outlets for their products, and train clients on how to develop food industry businesses. A few respondents operate food-based retail shops, help clients find jobs in the food industry, operate community gardens, and/or operate a commercial kitchen that co-pack.



*\*Other: commercial kitchen that co-packs, help people grow their own food, operate a Hoop House, collect/aggregate donated food, own and manage a multi-tenant facility for food and wellness related businesses*

### *Who They Serve*

The respondents serve a range of clients, the largest being food entrepreneurs generally (71%), followed by women at 65% and single parents at 59%. Slightly more than half of the respondents (53%) serve people with physical and/or cognitive disabilities, and workers over the age of 50. Nearly half of all respondents (47%) serve youth from high-risk environments and African-American males. The other categories of clients served include low-income people, in some cases with an emphasis on those who reside in “food deserts,” homeless individuals, immigrants, Latinos, veterans and members of the surrounding community in which an organization is located.

### *What They Could Do*

A majority of respondents indicated an interest in other activities such as helping clients find jobs in the food industry, training clients in food industry-related skills, and in developing and operating a commercial kitchen that co-packs for food entrepreneurs. However, they noted they were not currently engaged in this work because they lacked the staff capacity and resources to do so, and did not think these activities would be cost effective.

Concerns about cost effectiveness and insufficient demand served as an impetus for the leaders of three organizations to disengage from producing and selling food items to generate revenue, developing and/or operating a food-based retail shop and promoting improved nutrition and wellness in underserved communities.

The next few paragraphs summarize our findings by type of activity.

## **Commercial Kitchen Services**

### *Operations*

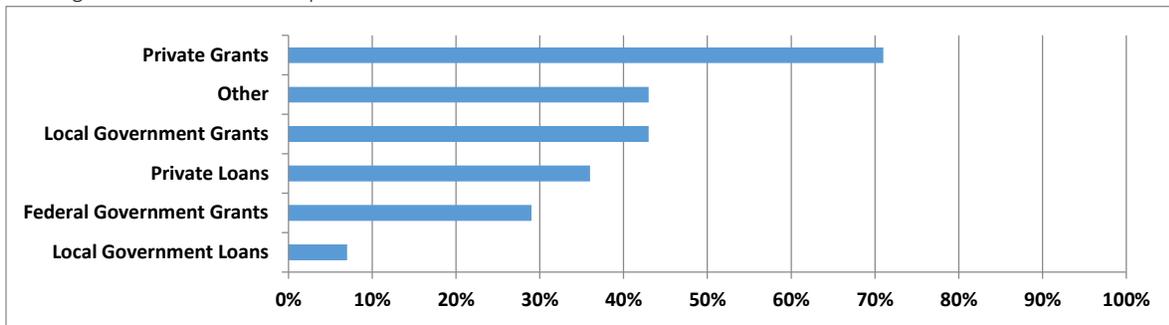
Among the 82% of respondents that operate commercial kitchens, there was an equal split between those who had been in operation for 3 years or less and those who had been in operation for four years or more. Staffing of the kitchens ranges from one half-time person to 12 employees, with some providing employment for up to 35 clients who have disabilities.

The majority of organizations (57%) own the space in which the commercial kitchen operates. Most organizations (79%) renovated an existing building to create a commercial kitchen rather than build a new space for their kitchen. There is wide variance in the square footage of the kitchens, ranging from 100 square feet to 10,000 square feet. Accordingly there was a wide range in the total costs for developing these kitchens, from \$18,000 to \$2,000,000. Most (71%) reported having funded the cost of developing the kitchen with private grants, though a significant number (43%) reported using local government grants and 36% used private loans. Others reported using personal funds, bonds and TIF revenues, personal savings, secured loans, donations and tax credits.

### *Financials*

The total cost for operating a commercial kitchen in 2014 or the most recent year for which they had data, ranged from a low of \$4,000 to a high of \$150,000. Respondents also indicated that their total income from operating the kitchen ranged from \$11,360 to \$160,000. Most (77%) derived their operating income from client fees, sales from their products (62%) and private grants (54%). One-half of all respondents reported that their commercial kitchen activities are operating in the black while the remainder reported that they are not. **Among those operating in the black (57%), it was reported that it took them between two to five years to get to this stage.**

Funding sources used to develop commercial kitchens:



\*Other: personal funds, bond and TIFF revenues, personal savings, secured loans, donations and tax credits

### *Services*

Respondents reported that their commercial kitchens provide a wide variety of services for their clients. Nearly all rent storage (92%) and kitchen space (83%). A significant number (67%) sell their clients’ products and connect them to local farmers. Half of all respondents report that they provide food production services, product packaging development, assistance with social media, and showcase their clients’ products at food shows. The services they are least likely to provide to clients include specialty product testing and product delivery via organization or company vehicles.

There appear to be several services for which there is client demand, but is currently not provided by the respondents’ kitchen operations: food production, product labeling, marketing, delivery, brokering relationships with retailers, facilitating required for specialty product testing, and package development. When asked why they were not providing these additional commercial services (despite demand), respondents typically indicated a lack of staff capacity and time to focus on developing these services.

### *Resources, Capacities and Skills Needed*

Not surprisingly, financial resources (in particular grant funds) were identified by 75% of respondents in response to our inquiry regarding the kind of skills, capacities and resources their organizations need to have access to or to have in-house to operate a commercial kitchen. Technical skills such as facilities management, knowledge of local codes and regulations, sales and marketing, and market research were cited by 58% of respondents. Fifty percent of respondents also cited access to low interest loans, accounting services and food safety. Only a third reported needing grantsmanship or project management skills.

### *Lessons Learned*

Respondents were asked to reflect on the lessons they have learned from their experiences operating commercial kitchens, which fell into four broad categories: the nature of the work, managing expectations, staffing, and how to engage with clients.

Respondents reported that operating commercial kitchens is challenging, demanding and requires a great deal of passionate, dedicated work. As one respondent noted:

**“You need to be able to juggle live, burning cats. No two days are ever the same and you can’t really plan anything because something always comes up, someone always needs help with something and everything is always an emergency.”**

**Respondents pointed out that the food industry is subject to a range of rules, regulations, laws, procedures, fees, and policies.** As such, the process for moving things through the system can be protracted, which can serve to discourage many potential food entrepreneurs who contact them to inquire about their services.

**Given the nature of the work, it is not surprising that respondents stressed the need to have staff members who have a broad range of skills and experience in the food industry,** who are able to multi-task, who are team players, have entrepreneurial experience and who have a can-do attitude. As an industry which typically has multiple levels of jurisdictional oversight, rules and regulations, respondents stated that on-going professional development is important to stay current with regulations, industry forecasting and other issues that affect the food industry. Respondents cited investing in staff (as well as the space) as an important element in operating a commercial kitchen.

Regarding managing expectations, respondents stressed the importance of having firm rules and regulations that need to be adhered to by all involved. They also noted that commercial kitchen staff should have a clear understanding of its capacity and be able to identify when businesses should move from their kitchen to larger kitchens that have greater capacities.

There were differing views between leadership of a for-profit commercial kitchen and that of a non-profit commercial kitchen with regard to the experiences of working with clients that bears mentioning. On the one hand, one for-profit commercial kitchen respondent suggested that it is a “waste of time and resources to overly assist most folks” but rather asserted it is better to point them in the right direction, have them do the work themselves, and design projects in such a way that clients complete their start up within a limited contractual time. These comments derive from a concern that otherwise businesses only develop as hobbies that cannot survive without programmatic assistance. On the other hand, one non-profit commercial kitchen respondent recommended providing as many contacts and support as possible for potential clients. Another expressed the desire to set up a grant fund to help startups because they are typically unable to afford consulting and kitchen rental fees. Further exploration of the feasibility of non-profit utilization of the food industry as an economic development tool might benefit from a deeper examination of the ways in which they balance these concerns and the outcomes of different approaches.

## **Co-Packing Services**

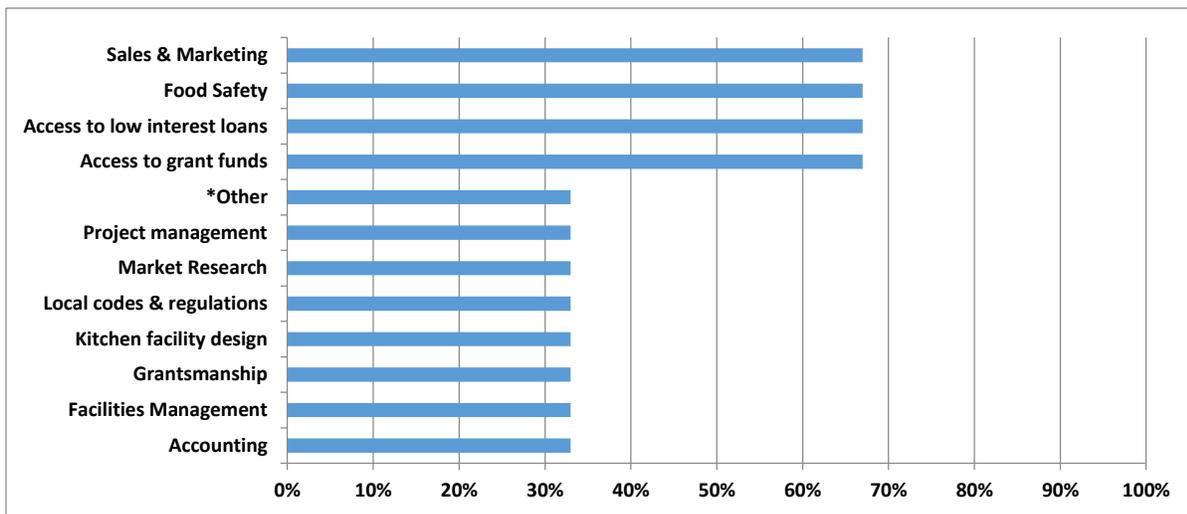
### *Operations*

Few respondents (18%) reported providing co-packing services. Among those who did, most found their clients through referrals and advertising, reporting that they received inquiries ranging from “just a few” to up to 50 in 2014. When potential clients were turned away, most often it was because they could not pay the fee. All respondents reported that they have been operating in the black and have generally been doing so since their first year of operation.

### *Resources, Capacities and Skills Needed*

The most frequently cited skills, capacities, and resources reported were: access to grant funds, low interest loans, food safety knowledge and sales and marketing skills. As indicated in the chart below,

respondents were evenly divided in identifying a range of other skills, capacities and resources needed to have access to, or have in-house.



\*Other: shipping and distribution

### *Lessons Learned*

Respondents noted that their biggest challenges with providing co-packing services include balancing the cost of providing services with keeping costs affordable for their clients (100%), retaining skilled staff, keeping up with client production demands (50%) and time delays on required lab and intake activities (50%). **The most valuable lessons that respondents reported having learned from their experiences centered largely on managing clients' expectations** regarding the realities of co-packing products and managing their own expectations regarding the amount of time the process takes. Specifically, one respondent noted having learned that it is important to provide adequate time to conduct intake services, lab activities, address regulatory records, reports and codes, and conduct product research and development to meet clients' specs. The respondent observed that it is not unusual for it to take three months to achieve full scale production.

## **Kitchen Rental Services**

### *Operations*

A majority of respondents (65%) provide kitchen rental services. Most (60%) are operating in the black while the remaining are not, with one of whom stating that they do not intend to operate in the black. Those who are operating in the black reported that it took between two to five years to do so. Their kitchen rental capacities ranged from 30 to 168 hours a week, and for another, from one to over 30 businesses (measuring capacity by number of clients rather than by client hours). There was a similarly wide range in the number of requests respondents received for kitchen rental space.

Among those who keep track of service requests, respondents reported that the number of inquiries in 2014 ranged from 15 to 400 and rented to between 1-200 people. They also reported that they were able to accommodate most requests in 2014, collectively turning away from between no requests to up to twenty-five. They noted that when they did turn away requests, they did so because there was not a good fit between their kitchen rental services and the needs of the potential client. For example respondents stated that this typically happened when a potential client's space needs or

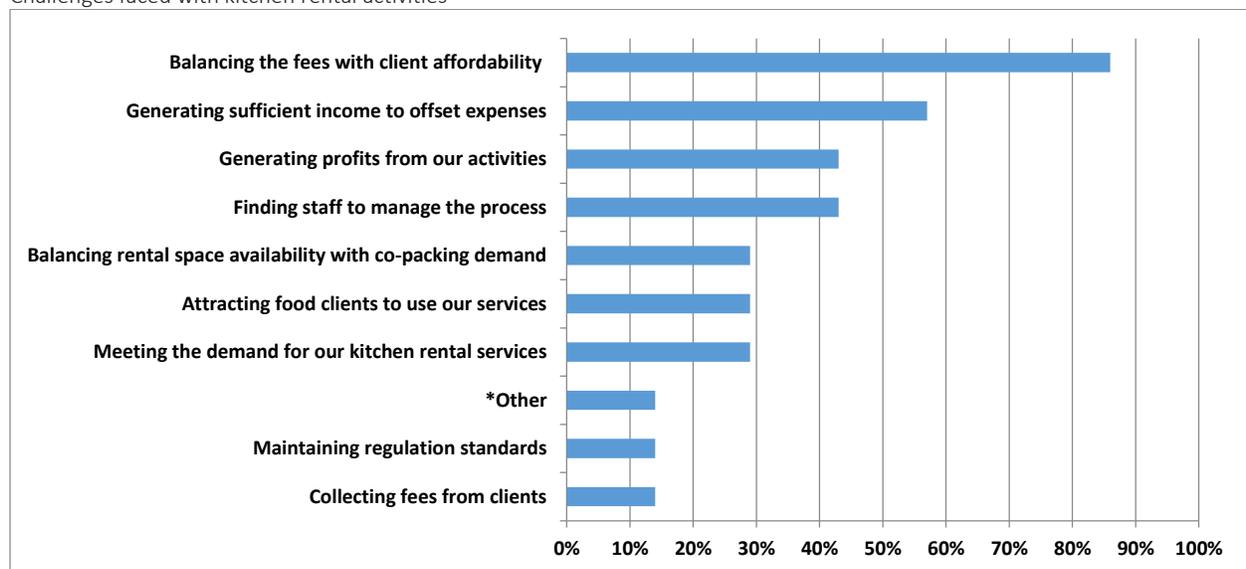
schedule did not work with existing kitchen usage, or because they needed certifications the kitchen did not have and could not accommodate.

### *Resources, Capacities and Skills Needed*

Respondents indicated a range of areas needed to be able to provide kitchen rental services. Eighty-six percent cited knowledge of local codes and regulations, and nearly as many (71%) cited access to grant funds, accounting, and facilities management as skills, capacities and resources needed by their organizations. A majority of respondents (57%) also identified access to low interest loans and grantsmanship, while the same percentage cited food safety, market research, sales and marketing and project management as also important.

In considering the biggest challenges their organizations face with regard to kitchen rental activities, respondents cited a number of issues. **Similar to those providing co-packing services, an overwhelming majority of respondents (86%) noted that balancing the cost of providing services with keeping costs affordable for their clients is one of their biggest challenges.** A sound majority of respondents (57%) noted that generating sufficient income to offset expenses represents another significant challenge.

Challenges faced with kitchen rental activities



\*Other: client damage on equipment, interpersonal conflicts

### *Lessons Learned*

In reflecting on the most valuable lessons learned from their kitchen rental activities, **respondents focused primarily on interactions with clients and operations.** With respect to clients, respondents noted that it is important to get a deposit, to put corrections in writing and deliver this information promptly, as well as quickly evict clients who are noncompliant. They also noted that it is important to get to know the clients well and to be generous in the amount of time spent on the enrollment and the operations training but then to withdraw. As one respondent noted “the client pays for time & space not management’s expertise.” Regarding operations, it is important to leave room for growth: “Plan for full capacity but only rent at 75% to leave room for client growth...provide three times more storage space than production space.” Respondents also

stressed the importance of having defined operational procedures and persistence in enforcing them, as all processes related to their kitchen rental activities take significant time to manage.

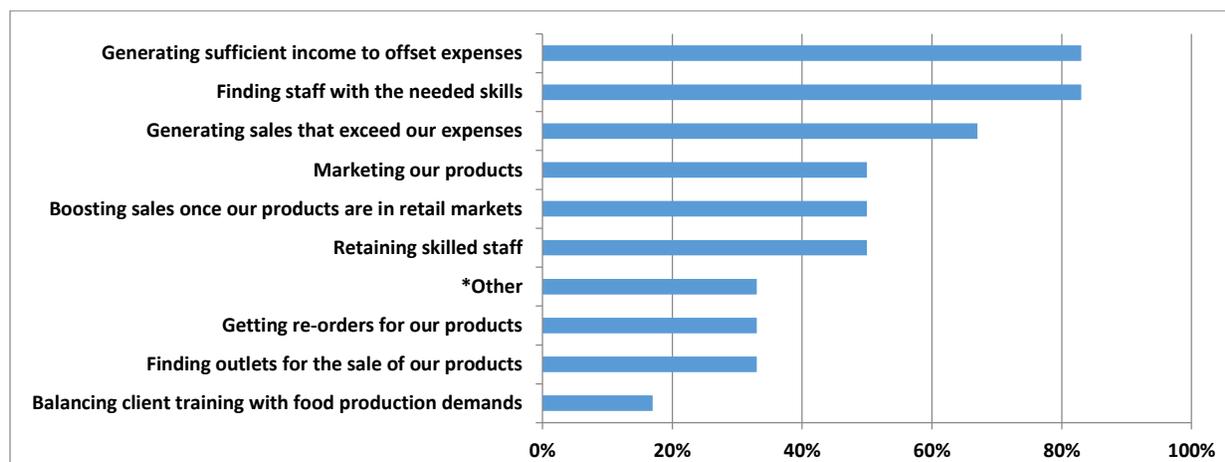
## Production and Sale of Own Products

### *Operations*

Half of the survey respondents reported that their organizations produce and sell their own products, and a majority of them (63%) reported that they train and employ their clients through their food production activities. Respondents are split down the middle with regard to operating in the black with fifty percent reporting that they are doing so, while the remaining fifty percent are not. Among those who are operating in the black, they report that it took between 15-40 months to get to this stage. Of the two respondents that provided financial data for 2014 or the most recent year for which they had data, their expenses ranged from \$70,000 – \$338,000 while revenues reported ranged from \$50,000 to 423,000.

The primary outlets reported for product sales are farmers’ markets and catering, with sixty-three percent of respondents citing these venues. Half of the respondents noted that their products are sold in retail markets and on their premises. A little over one-third of respondents (38%) reported that their products are sold to institutional food services and through their own retail shops. Most respondents distribute and market their own products with only a small percentage (13%) using outside distributors or food brokers.

As indicated in the chart below, respondents reported that they have encountered a number of significant challenges with food production activities designed to generate resources for their organizations. Finding staff with the needed skills and generating sufficient income to offset expenses were cited most frequently, followed by generating sales that exceed expenses. The next most frequently cited among the “biggest challenges” include retaining skilled staff, product marketing and boosting sales once products are in to retail markets. Respondents appear able to balance client-training needs with the demands of food production.



\*Other: insufficient scale to compete, advocacy.

### *Resources, Capacities and Skills Needed*

**The organizational resources, capacities and skills identified for food production work fell into three broad categories— financial, human, and physical resources.** Financial resources were at the top of the list with respondents stating the need for affordable loans for those who lack stellar credit who have not yet achieved profitability but who want to grow, and funding that would allow them to develop inventory and purchase equipment. Regarding human resources, respondents cited the need for smart, skilled, reliable staff with culinary skills and a kitchen or production manager with a food science background. The physical resources they need include affordable, licensed commercial kitchen space and year round outlets for their products. They noted that their organizations need to have skills and capacities in the areas of food safety, financial management, licensing and legal requirements in the food production industry, business planning, rigorous record keeping, marketing, including market forecasting, and sales and distribution.

### *Lessons Learned*

Respondents identified issues that collectively fit into three broad categories—financial, programmatic operations, and the nature of the food industry. At least one respondent noted that entities that self-identify as non-traditional lenders use traditional measures—profitability and credit scores—to the exclusion of sustainability and solid business models. In terms of programmatic operations, **respondents noted that food safety is always the first and primary focus, making correct packaging a critical consideration.** Additionally, one respondent for whom this is a new model, noted the importance of keeping their activities focused on items that have a proven demand in the market.

Finally, respondents reported a tension in the food industry between what consumers are willing to pay and what it costs to produce high quality products produced with a social conscience. As one respondent noted:

**“People will only pay \$5.00-\$6.00 for a jar of jam. Unless you make and sell a bazillion units, with marginal ingredients and poorly paid employees, obtaining a good margin is pretty impossible. Social justice doesn’t really pay bills. Competing with major food manufacturers for shelf stable products is folly.”**

## **Restaurant and Catering Services**

### *Operations*

Only a few respondents (41%) provide restaurant and catering services. Among those who provide such services, most (66%) have been in business for four or more years. The most frequently cited motivations for operating a restaurant and/or catering business were generating revenues for their organization (100%) and providing access to healthy food to community residents (80%). Respondents were equally likely (40%) to identify providing training opportunities and employment for hard-to-employ persons, and providing an outlet for their clients’ products as the primary motivations for operating a restaurant/catering business.

The respondents were equally divided between owning and leasing the space in which their businesses operate and they employ, on average, four staff members. Respondents indicated that it

cost them between \$40,000 to \$500,000 to develop their space, which they funded primarily through private loans (67%), private grants (50%) and other sources such as personal funds, secured loans, donations and tax credits (67%). Respondents reported that the income for operating their businesses came from a variety of sources with, on average, the greatest proportions coming from restaurant sales, rental income, catering and personal funding. On average, private, local and federal grants comprised approximately twenty-eight percent of their income while private loans comprised 20%. Most respondents (60%) reported that their activities are operating in the black. According to one respondent it took forty months to achieve this status.

### *Resources, Capacities and Skills Needed*

The biggest challenge respondents cited in operating a restaurant and/or catering business is that of balancing the operation of the business with their other activities. It therefore comes as no surprise that **rigorous scheduling, reliability, and staff were cited as the most important organizational skills, capacities and resources needed.** Respondents also cited clear communication skills, financial resources, customer service skills and space as necessary for this work.

### *Lessons Learned*

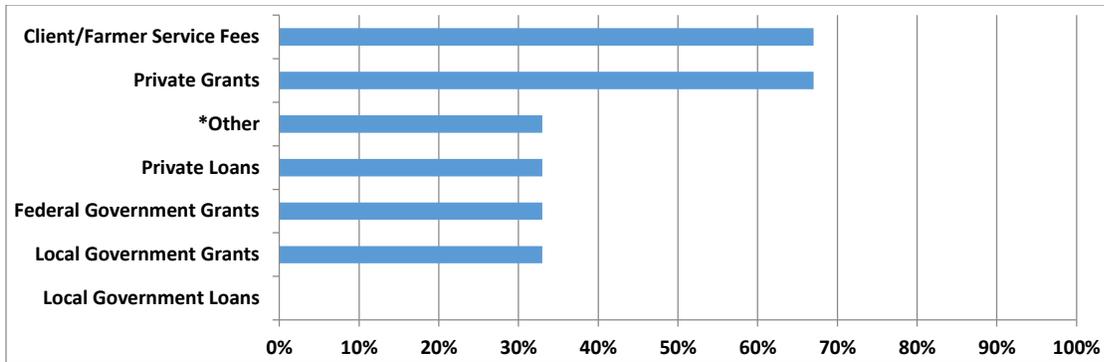
Respondents focused principally on interactions with customers and the nature of the business, including the importance of good customer service—avoiding over-promising, scheduling more time than one thinks one needs, apologizing when one fails to live up to agreements and expectations, and treating every job as important. **Respondents also noted that it is rare to find viable space that is both affordable and in desired locations.**

## **Local Sourcing**

### *Operations*

Nearly half of all respondents reported that their work involves connecting local farmers to outlets for their products, with a range collectively of between 10-400 farmers in their networks. Respondents reported using multiple sources for locating farmers, with word of mouth being cited most frequently. Similarly, respondents reported using multiple strategies to connect local farmers to buyers, most frequently through belonging to established networks. They also reported that they connect farmers with food producers working out of their kitchen and contacting other potential buyers and respond to inquiries from buyers.

As demonstrated in the chart below, respondents cited a number of sources of income utilized to provide local sourcing services, with private grants and fees being identified most frequently. Fifty-seven percent of respondents report that they are operating in the black.



\*Other: sales.

### *Resources, Capacities and Skills Needed*

Respondents identified three main areas needed to do this work: financial, physical, and human. For example, respondents cited both funding and revenues as important resources, as well as equipment and space for food processing and storage. Respondents identified several types of human resources needed to carry out this work, including staff and volunteers; contacts in the field such as through email groups and discussions, current lists of farmers and producers and outside partners. Respondents also cited community and farmer support as an important resource for carrying out this work.

### *Lessons Learned*

#### **Respondents generally focused on their relationships with and understanding of farmers.**

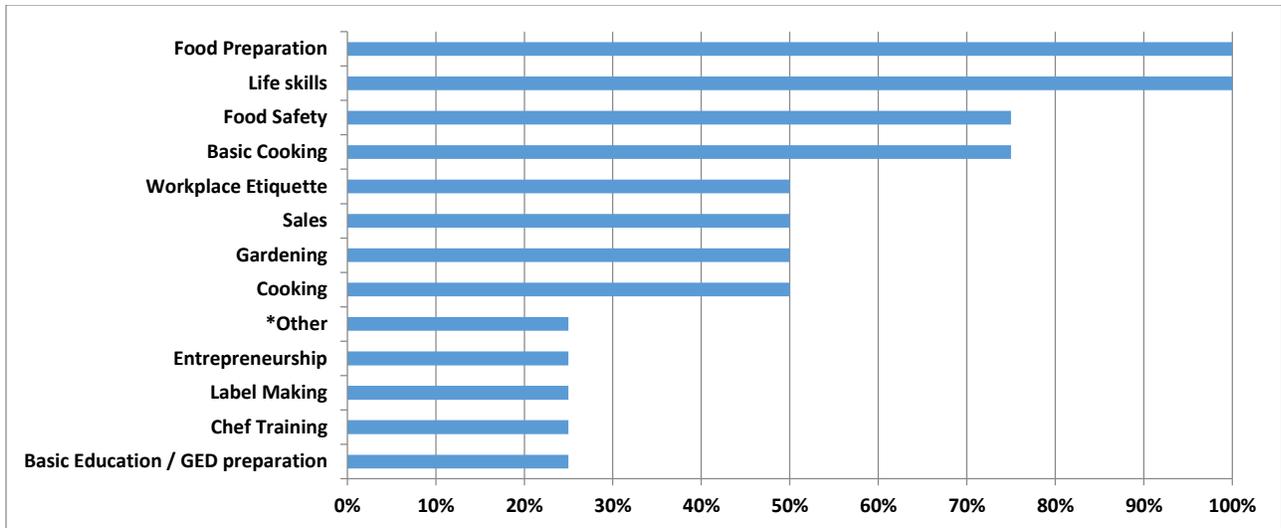
For example, they noted that this work has to be built on good working relationships and an understanding that farmers have a low capacity to scale up. They also noted that farmers are as busy as they are, and as such requires persistent communication. Finally, they noted that identifying buyers is a critical part of the process.

## **Workforce Development and Training**

### *Operations*

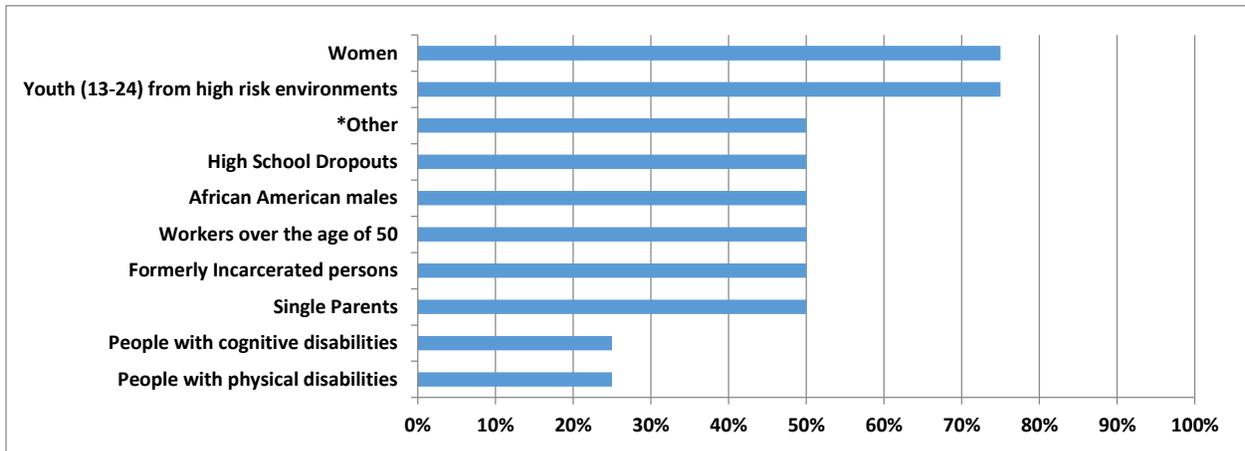
Only slightly more than one-third (38%) of respondents reported that they provide food industry related employment and/or workforce development training. The reported total costs to provide workforce development training services in 2014 or the most recent year for which respondents have data, ranged from \$0 to \$60,000, while income from these services ranged from \$0 to \$50,000. Accordingly, only forty percent reported that they are operating in the black and it took them between two to three years to achieve this status. The most frequently cited sources of income were grants and donations.

**Respondents provide training in a range of areas, citing life skills, food preparation and basic cooking most frequently**, as noted in the chart below. The average length of training programs range from three to nine months.



\*Other: culinary math

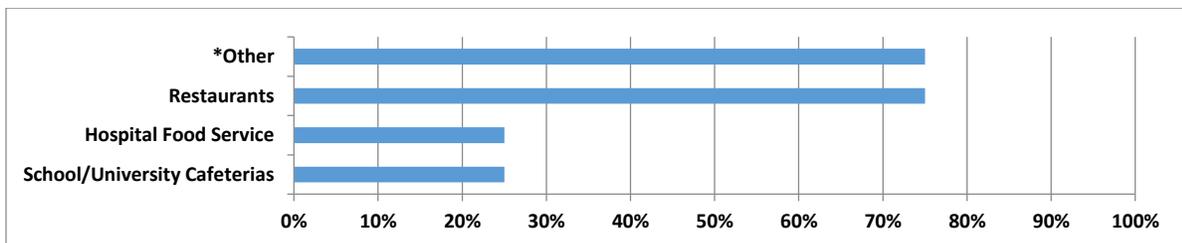
Respondents also indicated that they serve a wide range of hard to employ workers, most frequently citing youth from high-risk environments and women:



\*Other: the homeless, veterans.

Respondents recruited between ten to seventy-two clients for training in 2014 and about half to slightly more than half completed the training programs. Clients were placed largely in food industry related jobs in institutions and private concerns at an average starting wage ranging from zero to twelve dollars an hour.

#### Client Placement



\*Other: in the community, bakeries, manufacturing, local bars, grocery stores

### Resources, Capacities and Skills Needed

**The most frequently cited challenges in doing this work included retaining clients and raising sufficient dollars to cover the cost of training.** Not surprisingly, financial resources to enable respondents to pay good salaries to talented employees, purchase gardening equipment and plants for low income people, and to purchase raw products were cited most frequently as among the most important resources needed to do this work. Respondents also noted that connections for sourcing and placing clients and skilled staff, the ability to grow food, and teaching as among the important skills and capacities.

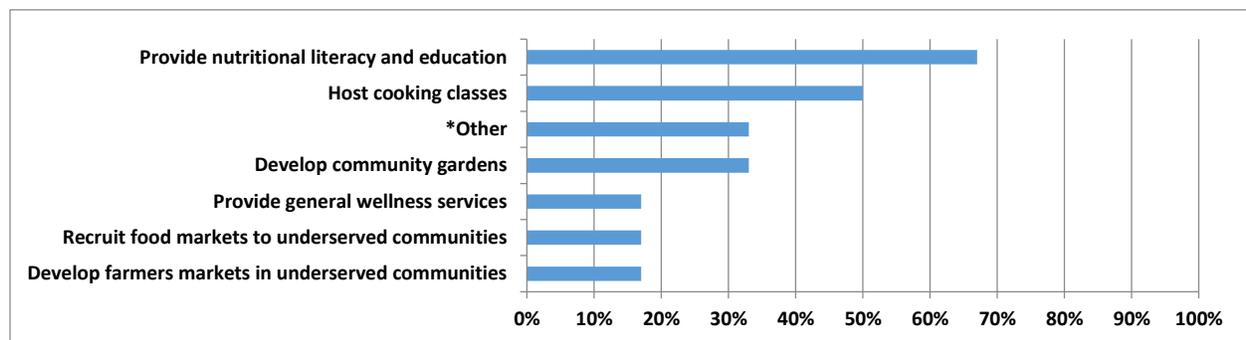
### Lessons Learned

Respondents reported that they have learned mostly from their employment training and placement efforts about how to best approach it. For example, one respondent noted that **soft skills are the most important skill for them to teach their clients to increase the likelihood that their clients will be able to both obtain and retain their jobs.** Another respondent focused on the attitude for staff to adopt when doing this work, noting that the challenges their clientele face means that failure is common which in turn makes the success all the more valued: “Failure is inevitable, especially with some of the high risk clients that we deal with. You have to take joy in the successes and celebrate the individuals who have life changing experiences.”

## Health and Wellness Services

### Operations

Nearly half of all respondents provide health and wellness services, reporting that they provide a range of services with the provision of nutritional literacy and education and hosting cooking classes being cited most frequently, as indicated below:



\*Other: harvest unused produce and distribute it to local food pantries, nutrition education, work with groups that provide fresh produce to low-income and high-need area.

Respondents engage a range of outside institutions as they provide these services, most frequently churches and schools, but also hospitals, clinics, social service agencies, non-profits and farmers. These organizations help with outreach and training for clients and staff.

The total costs of these services ranged from \$0 (for those who partner with others) to \$150,000, while total income ranged from \$0 to \$1,000. Private, local and federal grants were the most frequently cited sources of income for health and wellness services and one respondent identified

program fees as a source of income. Not surprisingly, a few respondents (33%) reported that they are operating in the black and that it took up to five years to do so.

### *Resources, Capacities, and Skills Needed*

Respondents noted that their organizations need to have the skills and capacity to do outreach, source and distribute healthy foods. They also cited resources in the form of grants, labor, transportation, community partnerships and access to healthy foods as important elements needed to do this work. They noted that **they struggle with the challenge of meeting the demand for nutrition and wellness activities**, finding skilled and knowledgeable staff, securing resources to cover the costs of providing these services, and attracting food markets to underserved communities.

### *Lessons Learned*

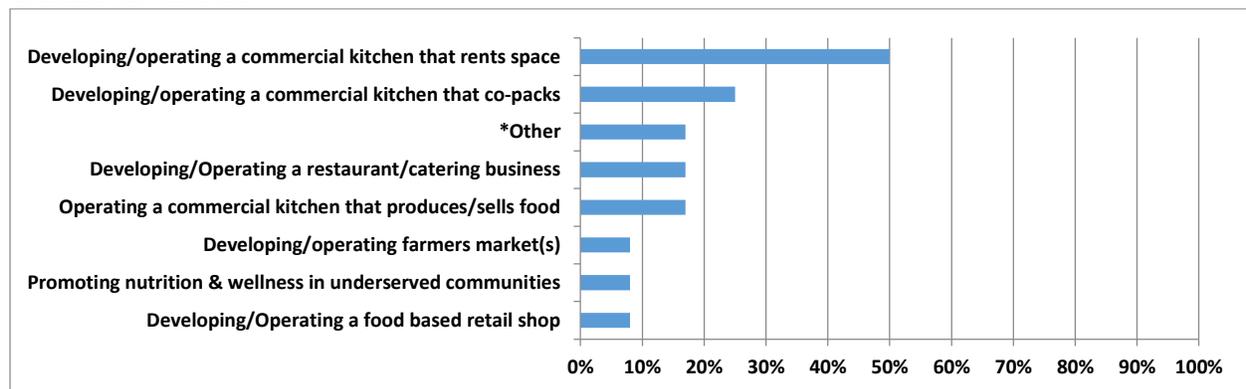
Respondents focused on the limitations they have seen in this work, noting that there is never enough staff to meet the needs for these services. Additionally, they identified the disjuncture between the amount of food available and the ability to distribute food to those in need. As one respondent stated: “There is a great amount of food out there that is not getting to the people who could use it because there are not organizations or programs in place to distribute it.”

## **Assessing Food Industry Activities Across the Spectrum:**

### ***Where to identify success, Where to find opportunities***

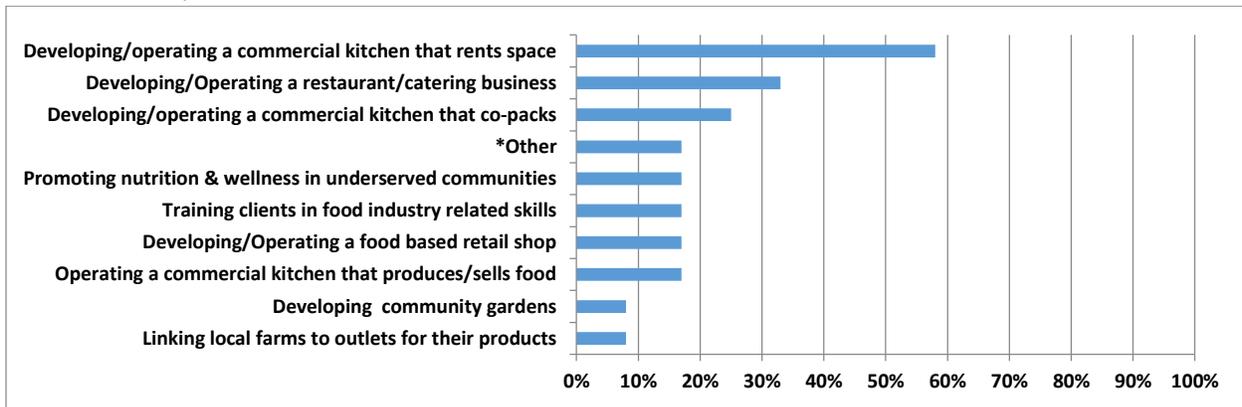
Out of all the activities explored in the study, the **survey responses demonstrated that developing and operating a commercial kitchen that rents space produces the greatest net revenues and visibility for their organizations**. Activities in which respondents provide assistance to farmers, the hard to employ and underserved communities produce neither great revenues nor, for the most part, great visibility for their organizations.

Greatest Net-Revenue



\*Other: events, catering.

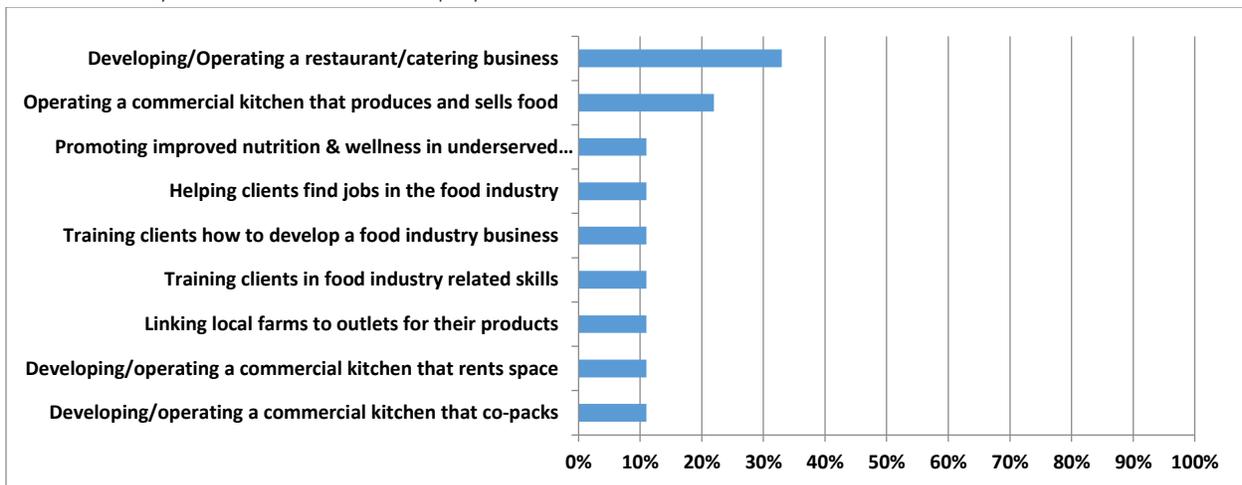
### Greatest Visibility



\*Other: events, catering.

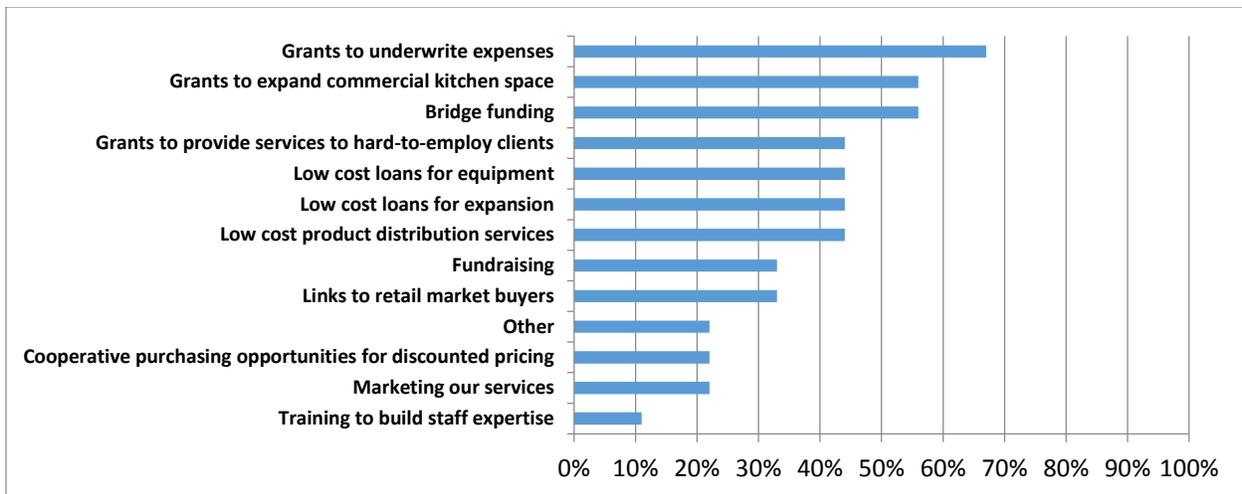
Additionally, operating a restaurant and/or catering business and operating a commercial kitchen that produces and sells food items to generate revenue were more likely to be modest vehicles for assisting the greatest number of those who are hard-to-employ than other activities.

### Greatest Ability to Assist the Hard-to-Employ



Respondents indicated that they see emerging opportunities to use food as an economic development tool through increased demand for their services and the products they produce, as well as in the availability of monetary resources in the form of grants, low interest loans, tax credits, and program-related investment funds. Additionally, at least one respondent viewed food trucks and cooking classes as specific opportunities to meet needs that they see in the communities they serve.

Across the board, respondents identified a range of areas in which they need assistance, most of which focused on monetary concerns. As indicated in the chart below, **resources are needed to underwrite expenses, purchase equipment, expand space, and provide services to hard-to-employ clients.** Additionally, they cited access to cooperative purchasing opportunities for discounted pricing, links to retail market buyers, and low cost product distribution services as additional areas for assistance.



\*Other: advocacy at the city and neighborhood level, tax credit, obtaining more catering equipment.

### Addressing the Challenges of the Food Industry as an Economic and Workforce Development Vehicle:

#### *Potential Roles for Non-Profits, Government, Philanthropy and Private/Social Enterprise*

Those working in the food industry face formidable challenges on many fronts including, but not limited to, developing effective production processes; accessing high-quality, affordable supplies and equipment; meeting differing and ever changing multi-jurisdictional rules and regulations; accessing to markets; generating sales; and the like. **When socially responsible practices such as assisting the hard-to-employ, creating opportunities for potential food entrepreneurs with limited resources and promoting health and wellness in low resource communities are incorporated into mix, the challenges are intensified.**

Despite these challenges, there appears to be a constellation of organizations that are working in the food industry to help address healthy food access issues, to train and find employment for the hard-to-employ, to lower barriers to bring food to the marketplace, assist entrepreneurs and to generate fee and sales-based revenues for non-profit organizations. Yet, they do so without the kind of infrastructure and support that history has shown is critically needed in the non-profit community and economic development sectors.

Consequently our exploration has shown that **most of these organizations struggle with similar issues, face many of the same challenges and learn required regulatory information on their own without the benefit of the kind of economies of scale that can result from collective and coordinated efforts.** This begs the question of whether or not it is realistic to expect this work to thrive and reach its potential without some kind of infrastructure and consistent support. For example, the history of non-profit housing and commercial development has demonstrated the importance of this kind of infrastructure, which includes on-going decentralized and centralized technical assistance, financial and other resources such as human capital and evaluation, planning and design expertise.

Given this, what can non-profits do to assess their capacity to engage in this work? And on the other side of the coin, what can local, state, and federal governments, the private philanthropic

sector, and private/social enterprise sectors do to build the infrastructure needed to support this work?

### **Non-Profit Capacity Assessment**

The information generated through this feasibility study suggests that non-profits would benefit from a process that examines their conceptual framework to incorporate the food sector in economic and workforce development activities, and assesses their financial, human and physical resources, capacities and skills. To this end, we suggest below several questions an organization might explore to make this assessment. The questions are not intended to be exhaustive but rather illustrative.

*Conceptually: What is the organization's theory of change?*

- 1) What is the organization's ultimate goal when it comes to integrating the food sector and economic development activities?
- 2) Is the organization's ultimate goal in sync with the activities in which it wishes to engage?
- 3) What barriers might the organization encounter and how will they be addressed?
- 4) What opportunities are available to support and align this work and how can they be accessed?
- 5) What methods will they use to evaluate their success? Do they intend their activities to be more mission-centric or a source to provide financial sustainability (or both)?

*Understanding of the Food Industry: What knowledge is needed?*

- 1) Does the organization have an accurate assessment of the demand for its proposed products (e.g. commercial kitchen rental space, workforce training slots, and food products for market...)?
- 2) Does the organization have sufficient understanding of the local, state and federal rules and regulations that apply to their proposed food sector activities (e.g. licensing requirements, food safety requirements, etc.)?
- 3) Does the organization have a good understanding of the multiple components that need to be addressed when working in the food sector (e.g. processes for gaining access to potential markets for their products, labeling and food packaging, distribution, marketing, etc.)

*Financial Resources: What knowledge and resources are needed?*

- 1) Does the organization have an accurate assessment of the monetary costs associated with the type of food based work in which they want to engage?
- 2) Does the organization have sufficient financial resources to cover the 3-5 years that it may take to launch this work and be financially sustainable (e.g. operate in the black)?
- 3) Does the organization have the financial resources to hire and retain staff skilled in the areas needed to engage in this work?
- 4) Does the organization have relationships with grant and loan sources to ensure adequate financial support for the project?

*Human Resources: What capacities and skills are needed?*

- 1) Does the organization have access to personnel or partners who have the capacities and skills needed to carry out this work? Depending on the activities in which the organization wishes to engage, these could include a combination of the following: culinary; food science; teaching and/or training; personnel management; facilities management; time management; project management; financial management; business planning; sales; marketing; distribution; accounting, marketing; grantsmanship; research and development; and knowledge of local, state and federal codes and regulations.
- 2) Does the organization have relationships with or networks and connections to farmers, potential volunteers, and retailers, wholesalers, institutional or other markets that could be outlets for their products?

*Physical Resources*

- 1) Does the organization have broad access to production facilities in desired locations? Does the space have room for growth?
- 2) Does the organization have year-round outlets for its products?
- 3) Does the organization have access to the commercial grade equipment needed for the type of activities in which it wishes to engage?
- 4) Does the organization have access to affordable, high quality supplies?

**Roles for Government, Philanthropy, and Private/Social Enterprise**

With the financial and non-financial resources at their disposal, these entities can play an important role in building an infrastructure of support for non-profit organizations that want to utilize the food sector as a vehicle for economic and workforce development. For example, they can:

- Leverage economies of scale to identify and implement cost effective solutions that address some of the challenges individual efforts face such as distribution, purchasing, marketing, access to grant funds and low-cost financing, etc.
- Provide consistent, multi-year funding to intermediaries and/or non-profits that focus on the hard-to-employ with the knowledge that it will take some time to establish and sustain these efforts
- Make program-related investments and/or provide bridge funding that help sustain the work
- Use contacts and convening power to broker relationships
- Engage in strategic use of purchasing power to support local food producers
- Streamline, coordinate, and provide a road map for licensing and regulatory requirements
- Actively engage Community Development Financial Institutions (CDFIs), community banks and organizations that work with “alternative financing” (i.e. crowdfunding, Kiva) in food economy projects

- Provide technical assistance to non-profit and/or privately operated kitchens that do not currently rent space due to liability concerns to explore the possibility of expanding their reach to meet the needs of micro-level food entrepreneurs
- Connect those operating food enterprises with technical assistance resources that are designed to support small businesses generally, as there are similarities in the challenges faced by all start-ups and small business owners (e.g. planning, time management, operations, staffing, financing, forecasting, marketing, etc.)
- Support the development of peer and professional networking groups, mentorship, etc. that connect small businesses, nonprofits and those operating food enterprises with each other and resources
- Facilitate ways for them to self-identify solutions to common barrier or challenges in food enterprise development

There are several examples of entities in the planning and implementation stages of projects that support the infrastructure needed for a sustainable food system that can foster economic and workforce development. We provide brief descriptions of some of these efforts below.

#### *Local Food System Support and Development*

Over the past 20 years, Burlington, Vermont has been putting policies and practices in place to support a local food system (Phillips, R., Seifer, B.F. and Antczak, E., 2013). Their efforts have created and/or worked with several food system related projects including, but not limited to: the National Gardening Association (a “plant-based educator”) that provides information, materials, grants and other resources to support community gardening efforts; the Burlington Food Council, which builds knowledge about local and regional food systems, recommends ways to improve such systems, and provides networking, partnership and educational opportunities; the Burlington School Food Project, a farm-to-school program; a hospital based cafe that incorporates local food products in healthy ways; and the Intervale Center, which engages in a range of activities designed to strengthen community food systems, by providing support to farmers and directly linking food producers to consumers through a food hub and delivery system.

#### *Food Hubs/Food Forts*

Seattle, Washington recently supported the development of a business plan for siting a food hub in a distressed neighborhood (Allen, A., Guo, J, Tupper, J., and Xu, Z., 2014). The hub would include a marketplace, café, small business and entrepreneurship training facility, teaching and incubator kitchen, an aggregator and value-added production facility, rooftop greenhouse and a community information hub.

Franklin County, Ohio contributed multi-year funding, in the amount of \$250,000 annually to the Economic and Community Development Institute (ECDI), a Community Development Financial Institution, to support business development projects such as a “Food Fort” and a commercial kitchen to support food truck projects in Columbus, Ohio. The ECDI also provides marketing and technical assistance to its members.

#### *Increasing Access to Healthy Food (Kisner, C., 2011)*

The state of Pennsylvania provided a \$30 million seed grant and The Reinvestment Fund (which aggregates public/philanthropic capital for community development activities) invested \$117 million to stimulate and improve grocery store development in underserved communities in Philadelphia.

Minneapolis increased the number of small farmer's markets in low-income areas, including community centers, senior residences and neighborhood associations.

Baltimore City Health Department partnered with public libraries in low-income neighborhoods. Residents can use library computers to order groceries from an established locally-owned supermarket; orders are aggregated and delivered together. Costs are reduced and the city subsidizes the delivery fee.

### **Concluding Remarks**

There is a dearth of information that evaluates the efforts of non-profit organizations to use food as an economic and workforce development tool. This exploration was not designed to fill the gap in the evaluation literature, but rather aimed to gain a better understanding of the challenges and benefits of this approach. Our intent was to explore its feasibility as a strategy for use by non-profit organizations to improve outcomes for their clientele, their communities, and for their organizations.

**This exploration raises explicit questions about how far these efforts can go without the kind of infrastructure and support that history has shown is needed to make progress in the community and economic development field,** and for that matter, in most other social justice-oriented fields. It raises implicit questions about the how well suited the food industry is as a target for job placement for the hard to employ. On the one hand, this industry is one of the few that has relatively low barriers to entry for this group, particularly those who have had involvement with the justice system. On the other hand, as noted earlier, low sales margins make it difficult to be profitable without significant volume, and wages tend to be low as well. It would be worth exploring whether or not those considered hard to employ who obtain entry level positions in the food industry are able to use this as a stepping stone into higher-paying jobs in this or other industries.

Clearly, the use of the food industry as a vehicle for economic and workforce development is challenging. However, the results of this feasibility analysis suggest that that this is promising tool for non-profit organizations that has the potential to meet several important social and economic justice goals if adequate supports and infrastructure are put in place.

## APPENDICES

### *Literature Review/Research Sources*

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## ***Survey Outreach List***

ACEnet

**Amaranth Bakery & Café\***

ARC Broward

AspenPointe

Battenkill Kitchen

Beths Farm Kitchen

Blue Sky Bakery & Cafe

Capital Kitchens

Chef's Shared Kitchen

Center for Innovative Food Technology (CIFT)

**Cornell Cooperative Extension\***

CropCircle Kitchen

DC Festival Foods

**Easter Seals of Southeast Wisconsin\***

The Farm Kitchen

**Farm Market Kitchen Incubator\***

**FEED Kitchens\***

**Feeding Wisconsin\***

Food Fort-ECDI

Greater Southwest Development Corporation

**Greensgrow Farms (Greensgrow Community Kitchen)\***

**HALO Kitchen\***

Homeboy Industries

HotBread Kitchen

**Wisconsin Innovation Kitchen\***

Kenosha Achievement Center

Kickapoo Culinary Center

Kitchen Local

**La Cocina\***

Lambs Farm

Liberty's Kitchen

Lokahi Pacific

**Troop Café\***

MKE Kitchen

Muskingum County Business Incubator

North Lawndale Employment Network

Northwest Ohio Cooperative Kitchen (NOCK)

Old Skool Café

Penn State Extension

Republic Food Enterprise Center (RFEC)

Sabrosa Foods

**Superior Equipment & Supply Company\***

Superior Culinary Center

**Tabal Chocolate\***

**That Salsa Lady\***

**The Goodland Kitchen and Market\***

Union Food Lab

Union Kitchen

**Vernon Economic Development Association (VEDA)\***

**Victory Garden Initiative\***

*\*Survey respondents*