

AUGUST


2013

# SALT LAKE CITY CULINARY KITCHEN BUSINESS INCUBATOR STUDY


**Prepared for Salt Lake City - Division of Sustainability  
By Carbaugh Associates, inc.**

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Prepared for Salt Lake City, Division of Sustainability

Carbaugh Associates, inc. + Zion's Bank Public Finance

August 18, 2013

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In cities and towns around the United States, a type of business incubator focused on food production is changing how food entrepreneurs get their start. These business incubators, called *culinary incubator kitchens*, or *accelerator kitchens*, are licensed, inspected commercial kitchen facilities where culinary processors prepare food and/or natural products for wholesale or retail sales. Most often, these facilities are used by a range of existing local specialty food services, emerging food entrepreneurs, as well as natural products business start-ups.

An incubator kitchen is designed to give small food businesses a competitive advantage when entering or continuing in the local market place by providing an affordable certified kitchen space. Incubators like Bonner Business Center, Blue Ridge Food Ventures, The Business Incubator Center, and La Cocina are all examples of incubators who help remove restrictive barriers of high cost capital investment associated with leasing or purchasing a kitchen and kitchen equipment. Incubators like these allows specialty food businesses like processors, farmers, caterers, food cart vendors, and mobile food trucks the opportunity to start from nothing and grow. A culinary incubator kitchen further reduces the risk of failure by removing additional start up barriers associated with no, or low skills in the areas of managing and maintaining ones own commercial kitchen, as well as, knowledge gaps surrounding distribution, branding, marketing, accounting, and financing.

Knowledge transfer is an important component to increasing the success for incubator tenants, and a well developed incubator kitchen provides education and training for emerging food entrepreneurs to learn how to refine recipes, test markets, expand their product line and accelerate their business capacity so they can outgrow the incubator, and eventually launch into the market on their own. By using a culinary incubator kitchen, food purveyor's benefit from capital affordability, as well as benefiting from additional knowledge based resources like culinary business and technical skill building that helps increase chances for long term business success.

Culinary business incubators may be funded through various mechanisms, including, public, private, or public/private partnerships. Additionally, there are several possible owner-operator formats for these facilities and range from solely owned and operated as a private, for profit business, owned and operated by a non-profit organizations, or, they may be owned and operated through small business development centers, community and economic development centers (CED's), as well as through higher education facilities, primarily universities food development centers or extensions.

The methodology to determine the feasibility of an incubator included four confidential focus group discussions, a small survey and current market research.

An important consideration in finding out more about whether a Salt Lake City culinary incubator kitchen is recommended and relevant was to ask current and potential food processors about their thoughts regarding the need and demand for such a facility. To understand more about the potential for a culinary incubator kitchen in Salt Lake City, four, two hour, focus group discussions were convened during the months of March and May 2013. Carbaugh Associates recruited participants who have various connections to local food and community and included people who are thinking about starting a culinary business, those currently involved in operating a culinary business, such as local caterers, restaurant owners, food cart vendors, mobile food truck operators, in addition to, local farmers, food distributors, and knowledgeable community leaders. Staff from the Salt Lake Division of Sustainability and the Salt Lake City Food Policy Task Force provided additional referrals for participants. A total of 48 invitations were extended, resulting in a total of 24 participants.

Each focus group was presented with the exact same set of 10 specific questions related to the local food environment and a potential culinary incubator kitchen. Confidentiality allowed individuals to freely share their opinions and knowledge about the local culinary kitchen environment along with factors they believe are critical to any planning and development of a community kitchen in the city.

All focus group participants and survey respondents shared their culinary affiliations and interests. Information targets of the incubator inquiry included opinions about the local food environment, as well as factors related to a potential kitchen.

- Impressions of Salt Lake City's food culture
- Types of facilities currently being used by emerging food businesses
- What are equipment and building needs that will make a potential facility useful?
- Services other than kitchen space that could be helpful in building up local food businesses
- Who are essential regulatory agencies that need to be consulted?
- Identification of operator(s) and manager(s)
- In a critical path forward to developing, launching, operating, and managing such a facility, what is the best role for Salt Lake City in any future development of a culinary incubator kitchen?
- Who is might be the best operator and manager for a Salt Lake City based culinary incubator kitchen?
- Where is the best location for this potential facility, and
- Are there any reasons why the development of this facility should not move forward?



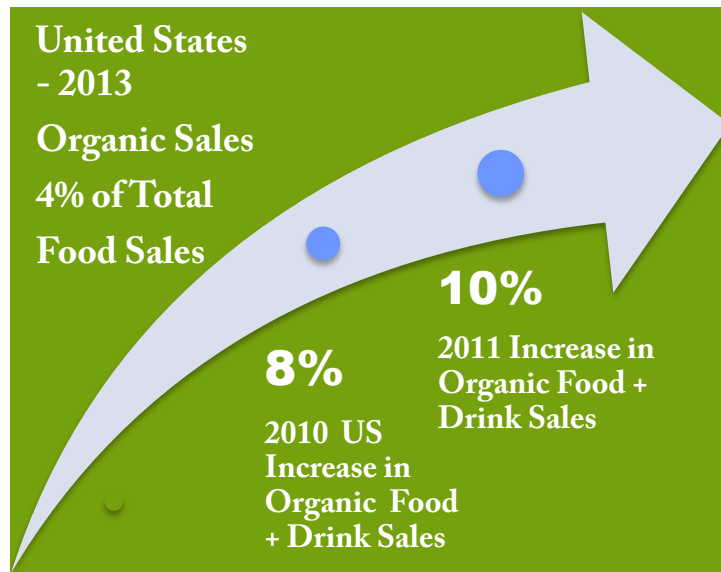
Food trends in the United States over the past several years show an increase in the demand for specialty foods that are sourced from local producers, and are considered organic, along with having a great deal of ethnic and cultural food variety.

Despite a significant economic recession, sales of ethnic foods in the United States have experienced solid growth over the decade from 2000-2010, showing an overall growth of 12% from 2007 to 2009. In the two-year period from 2010-2012 ethnic food sales increased 4.5% to \$8.7 billion, and sales in this food sector is projected to grow by 20.3% from 2012 to 2017.<sup>1</sup>

In the food specialty area, Hispanic/Mexican foods represent the largest segment of the US Ethnic Foods market accounting for nearly 62% of sales.

For organic specialty food, US Organic Foods and Drink sales increased approximately 8% in 2010, which is significantly higher than the less than 1% growth experienced in the mainstream food market. Added to this strengthening market expansion, organic food products increased 10% in 2011, with 78% of American families now buying organic foods.<sup>2</sup>

The demand for natural foods in Salt Lake City is evidenced by an increasing number of natural-whole foods stores located within the city. There are currently eight “major” farmers markets operating in Salt Lake County, and these markets offer an expanding range of local value-added sourced from local produce.



<sup>1</sup> Mintel

<sup>2</sup> Organic Trade Association, 2012

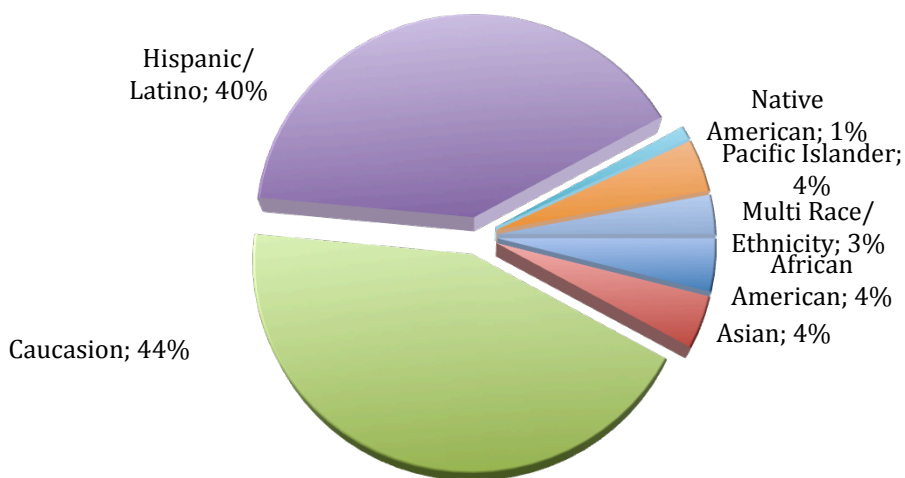


Salt Lake City has a growing minority population, as well as, a very young adult population and both are driving change for expanding new culinary markets. Data from the 2010 US Census <sup>3</sup> shows that the city’s median age is a youthful 30.9 years old compared to the national median of 37 years of age.

Salt Lake City’s school age population is ethnically and racially diverse. Because of this diversity Salt Lake City School District is a minority majority school district, where more than 57% of the enrolled student population reported as minority in the fall of 2012. During the 2011-12 school year, minority students accounted for 53% of the enrolled student population, this then increased to 57% in the fall of 2012. Of all students enrolled in 2012, there were 10,724 Caucasian students and a combined total of 13,999 minority students. Among these students, Hispanic/Latino students accounted for 40% of the total student population. African American Asian and Pacific Islanders represented four percent each of the student population, with “multi ethnic/racial” making up 3% followed by Native American’s at 1%.<sup>4</sup> When considering student population by educational age group, Hispanic/Latino’s make up 42% of all elementary children, 45% of all junior high age students, and 38% of high school students.

As a multi-cultural, multi-ethnic group, the children and youth of Salt Lake City represent future consumer’s who will make their own adult food buying selections. Future food selections will most certainly be based upon a range of experiences and a taste for flavors arising from both familial influence’s blended with newly acquired tastes which may have been adopted from a culturally rich network of friends and community.

Salt Lake City School District, Fall 2012 Race and Ethnicity of Enrolled Students



<sup>3</sup> 2010 US Census, [www.census.gov](http://www.census.gov)

<sup>4</sup> Salt Lake City School District, Student Demographic Data. [www.slcschools.org](http://www.slcschools.org)

As a refugee resettlement community, Salt Lake City is now home to a growing population of foreign born residents. Refugees from Africa, Asia, the Middle East and other regions around the world have arrived in Salt Lake City to start new lives.

Evidence of the global food influence arising from new immigrants can be seen in the emergence of African markets and restaurants, new Halal markets and the development of successful immigrant farms and value added foods

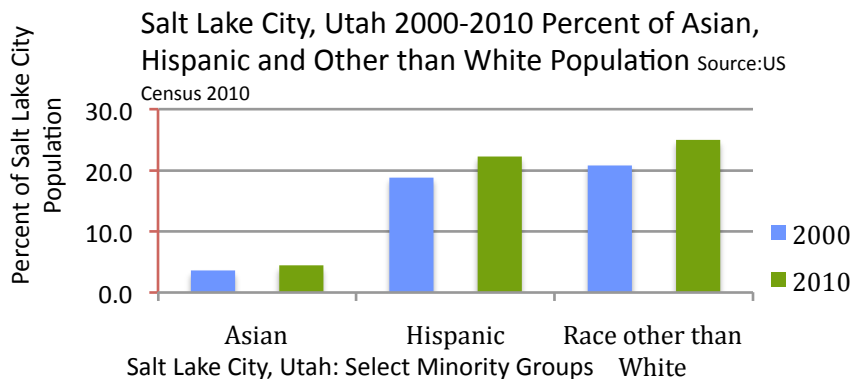
As is reflected by the expansion of local value added products, ethnic markets and restaurants, the local consumer palette is broadening.

Food markets are shown to be closely related to community demographics. National food trends also help inform the potential for food in the local market. And given Salt Lake City's youthfulness, its cultural and class distinctions, demand for an expanding range of ethnic, organic and other specialty foods should be expected to grow.

While Salt Lake City is currently predominately white, approximately 33% of the city's population is minority. Within Salt Lake City, there are two council districts with a minority majority within which 65% of their residents are counted as minorities. Accounting for 23% of the city's population, the Salt Lake City Hispanic/Latino population continues to increase with a population increase of four percent between 2000-2010. Hispanics or Latinos also accounted for the greatest share of the city's ethnic or minority residents, with 65 percent of all minorities reporting as Hispanic or Latino.

During that period from 2000-2010, the number of residents declaring a race "other than white" increased from four percent from 20.8% to 25%. Relative to the rest of the State of Utah, Salt Lake City has a significant Asian population concentration. Residents reporting Asian alone, are Salt Lake City's second most numerous minority group, and on a per capita basis, the city's Asian population is more than double the two percent State of Utah Asian population.

Along with an increase in ethnic and racial diversity, Salt Lake City has a high concentration of same-sex couples, ranking 3<sup>rd</sup> highest among US mid-sized cities. Independent research has shown that communities with large gay populations are places with low entry barriers, meaning they are more likely to be places more open to different kinds of people, as well as more open to innovation and entrepreneurship.<sup>5</sup>



<sup>5</sup> The Rise of the Creative Class, Florida, Richard, 2012 Basic Books

Food Service Wages

\$9 - \$14 PER HOUR  
AVERAGE ANNUAL WAGES FOR  
UTAH FOOD SERVICE WORKERS

\$24 PER HOUR  
AVERAGE ANNUAL WAGE FOR  
UTAH FOOD SERVICE MANAGERS

\$750,000  
GROSS SALES OF A SUCCESSFUL  
UTAH FOOD COMPANY THAT  
STARTED IN A CULINARY  
INCUBATOR KITCHEN AFTER FIVE  
YEARS IN OPERATION

~ 33 %

SALT LAKE CITY POPULATION  
BETWEEN THE AGES OF 30 -55

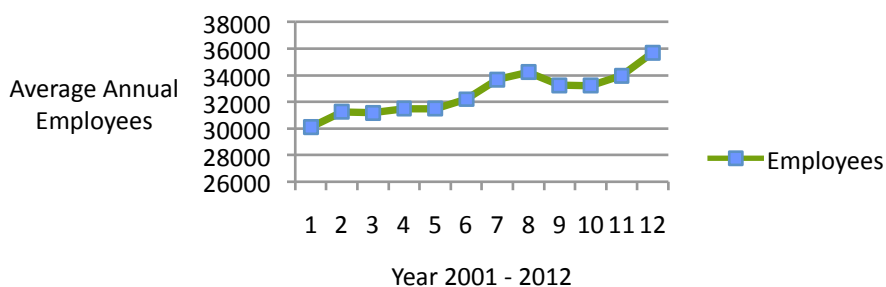
AGE 30 – 55  
AGE RANGE OF CULINARY  
ENTREPRENEURS USING  
COMMERCIAL OR INCUBATOR  
KITCHENS IN UTAH AND THE  
INTERMOUNTAIN WEST

Interviews with managers and owners of commercial and incubator kitchens in Utah, as well as, in the Intermountain West suggest that the majority of food business entrepreneur’s who use their facilities are between 30 – 55 years of age.

Income level data for Salt Lake City suggests there is a need for economic development opportunities in the city. The median household income in Salt Lake City is \$44,501, compared to \$57,738 for the State of Utah. Poverty level data shows that 17.9% of Salt Lake residents live below the poverty level, compared to an average of 11.4% in Utah. <sup>6</sup> A Salt Lake City based culinary incubator kitchen has the potential to provide culinary and business development opportunities for this portion of the population, current food service workers and graduates of the Salt Lake Community College Culinary Arts program.

Salt Lake County Food Service Workers

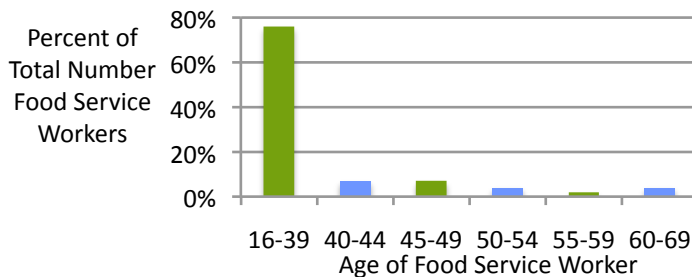
Source:NAICS 722, 2013



The number of food service workers in Salt Lake County increased every year from 2001 through 2008. In 2009, the number of food service workers declined about three percent, and then decreased again in 2010. Since 2010, the number of food service workers in Salt Lake County steadily increased, reaching an average annual number of 35,698 in 2012. This is the highest number of food service workers in Salt Lake County since 2001.

Salt Lake County Food Service Workers

Source:NAICS 722, 2013



The majority of food service workers in Salt Lake County are between the ages of 16-39, and waitstaff make up the majority of food service workers,

<sup>6</sup> US Census, ACS 5 year average 2007-2011

## Culinary Business Operations

Utah currently operates under the food cottage industry law which allows Utah residents to produce non-potentially hazardous food products in their home kitchens, and then offer them for sale within the State at outlets such as farmer's markets. However, not all home kitchens meet the requirements of the Utah State law for home food production. Additionally, in order to legally sell food products to grocery stores or restaurants, food must be produced in an FDA and USDA (for meat) approved kitchen.

At this time, the Utah Department of Agriculture and Food currently has 45 Letters of Authorization allowing food entrepreneurs to produce food in a kitchen other than their own. With the exception of an intermittent range of five to ten people producing food in the Provo, Utah Community Action Agency Kitchen, the majority of Letters of Authorization are for food producers in Salt Lake County working at licensed kitchens. As of May 2013, the Utah Department of Agriculture and Food has 208 licenses for home-based businesses in the State.

In Salt Lake City there are an increasing number of food vendors and mobile food truck vendors who require a licensed kitchen or commissary for food preparation and storage. Licensing records show that there are currently 48 permitted vendors in Salt Lake City and 9 licensed mobile food trucks. As reported through focus groups discussion, food cart and mobile vendors are using local private commissaries with varying degrees of satisfaction. Some start up and small-scale value added processors are renting commercial kitchen space on an as available basis, which means utilizing kitchens during non – operating hours.

## Market Strength

One method for evaluating the strength of the Salt Lake City food service sector is to compare average per capita food sales in the city against statewide sales. A review of the average per capita food sales in Salt Lake City, compared to the average per capita sales for the State of Utah indicates that residents from surrounding areas are coming into the city to purchase food services. This suggests that the food service sector in Salt Lake City is an advantage that can be built upon.

### Capture Rates for Food Service Business Category in Salt Lake City

NAICS 722

Food Service Category	Capture Rate
Full Service Restaurants	296%
Limited Service Restaurants	177%
Caterers and Other Specialty Food Services	246%



*What do people you know say about Salt Lake City's local food culture?*

Word summary representing responses from the Culinary Incubator Kitchen focus groups. Larger words represent most frequently used words.

**Market Strength**

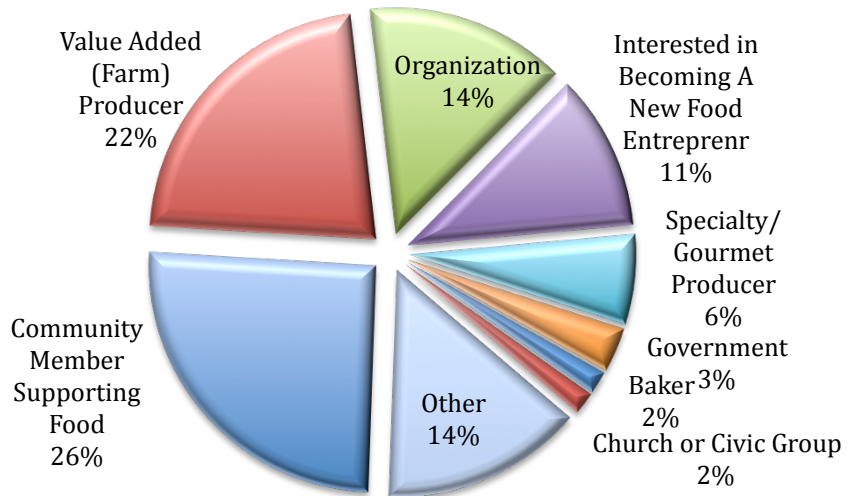
For Salt Lake City, the food service sector capture rate is well above 100 percent. This rate is especially strong among full service restaurants, caterers and other specialty food services. With a high capture rate for catering and specialty food services, the opportunity for specialty food start-ups in Salt Lake City appears to be favorable. A culinary kitchen business incubator in Salt Lake City can provide the place for food businesses to capitalize on the current robust capture rate while focusing time and energy on product development at an affordable rate.

**Gathering Information**

An important consideration for assessing a possible Salt Lake City based culinary business incubator kitchen was gathering local opinions and ideas about such a facility. To better understand thoughts about the potential for a culinary kitchen business incubator in Salt Lake City, two different approaches were used to understand various community-based perspectives.

The first approach involved surveying at locations where people who would most likely be familiar with the concept were located.

**Describe Your Relationship to Food Preparation and Production N=41 Salt Lake City Survey 2013**



The second information gathering approach involved convening four focus group sessions, which were held during the months of March and May 2013. These groups were comprised of potential and current food business professionals and included knowledgeable community food leaders made up of current and potential caterers, restaurant owners, food cart and mobile food truck vendors, value added food producers, farmers, food distributors, and non-profit food leaders. Each focus group session lasted two hours, and participants were asked ten specific questions related to the local food environment and factors related to planning and development of a potential culinary incubator kitchen in the city.

### **Focus Groups and Surveys:**

#### **What was Learned About a Potential Salt Lake City Culinary Incubator Kitchen?**

From Focus Groups

*Based on what you know, what type of facilities are food businesses like local farmers, caterer's, value-added processors, food truck owners, sidewalk cart vendors, and others using to package and prepare their products?*

- Few good options exist
- Cottage regulations are really limiting – too many hoops
- Groups are teaming up to find facilities
- Some preliminary prep from home for food carts
- Commissaries are crowded, expensive privately owned facilities
- Some require purchasing agreements so there are fees for soda, drinks, and the facility
- Some commissaries are dirty, or not permitted, so I bought a commissary of my own
- Renting a bakery space, looking for a bigger kitchen
- Want to take over an old kitchen
- Leasing catering space
- If its someone's home, or sharing a commercial kitchen, the options are limited and short term
- A lot of trucks prepare inside of truck, and its certified, but not ideal
- It is a real challenge, renting space is expensive - \$800- \$1200/month



*Judging from what you know, if a culinary incubator kitchen were to be developed in Salt Lake City, what type of equipment and building needs will make the facility most useful to you? (Focus Groups)*

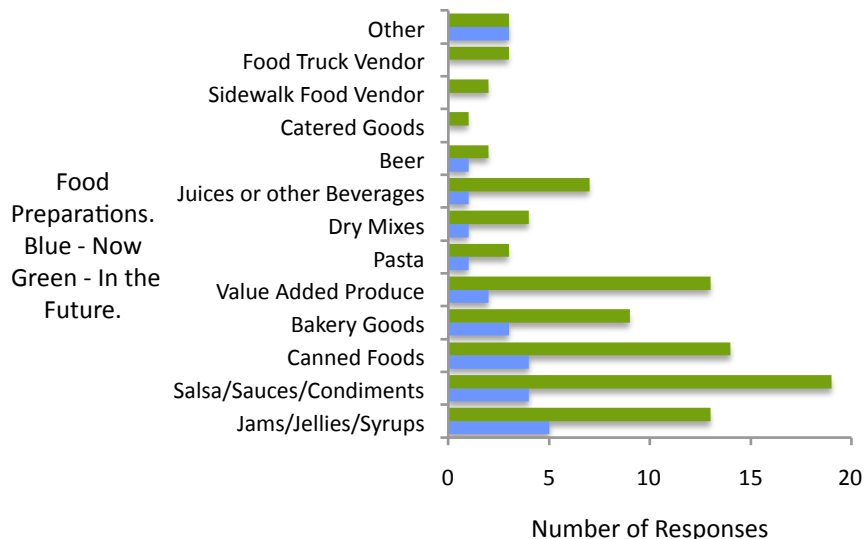
- STORAGE-STORAGE-STORAGE
- Excellent Ergonomic Design
- Energy Efficient Equipment
- Energy Efficient Building
- Convection/Combo Ovens
- Commercial Range - 8-10 burners
- Commercial Braiser
- Tilt Skillet
- Rest - Style Dish
- Steamers
- Blenders
- Juicer
- Dehydrators
- Burr Mixer
- Hobart
- Giant Stock Pots
- Large Kettle
- Vacuum Sealer
- USDA Meat/Diary Processing
- Meat Slicers
- Meat Smoker
- Walk-In Refrigerator + Freezer
- Climate Control for Confections
- Bottling/Fillers
- Scales
- Carts
- Food Packing and Assembly Area
- On Site Gray Water Dumping
- Potable Water
- Ice Machines
- Locker Space
- Safe Off Street Loading
- Level Loading Docks/High Bays
- Covered Drive In/Drive Out
- Secure 24/7 Facility
- Cleaning Equipment
- Sinks (Up to Code)
- Dishwashers
- Printer
- Paper Goods

### Food Preparation

The future success of a culinary incubator kitchen is in part based on anticipated business success for tenants who have an understanding of the type of food business they wish to grow. Supporting existing businesses and guiding new food business will be an important role for any facility of this type in Salt Lake City. The survey indicates that there are currently small food businesses preparing a range of foods in the Salt Lake area. In the future, an incubator may help provide a competitive advantage for those who want to expand their existing food enterprise, as well as, support those who want to begin a new food business. From this survey, there is a strong indication that these individuals want to expand, or begin new food businesses. With lower entry costs and a strong commitment to becoming a true business, local food entrepreneurs with have an increased chance of business success by using a facility of this type.

**What Type of Food Categories are You Preparing Now, or Would Like to Prepare in the Future?**

N=41 Salt Lake City Survey 2013



Focus group participants did not identify the Food and Drug Administration (FDA) as a potential regulatory agency that needs to be involved. However, the FDA will need to be consulted for a variety of food preparations created in a Salt Lake City based facility.

**Agencies that will need to be consulted for a Salt Lake City based Culinary Incubator Kitchen include:**

- US Food and Drug Administration
- US Department of Agriculture
- Utah Department of Agriculture and Food
- Salt Lake County Health Department
- Salt Lake City Business Licensing

Among those who took the survey, (right) 26% stated that the Utah Department of Health created challenges to starting or continuing a local food business. The Utah Department of Health with 26%, is followed by the Salt Lake Valley Health, with 19% of those surveyed who believe these agencies create challenges to maintaining or starting up a food business.

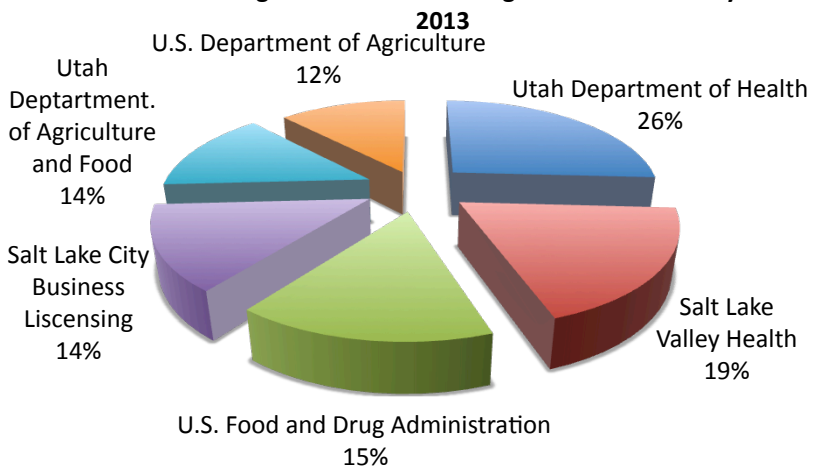
**Knowledge Base**

Kitchen incubators require strict safety compliance standards to assure a safe working environment, proper processing for various types of foods, and delivery of a safe product for consumers. For any person or group using a community kitchen facility there must be an understanding of safe food handling at all levels. Tenant knowledge sharing about food regulation and the regulatory process will be important for safe handling compliance and for accelerating businesses growth. Focus groups shared this about regulatory entities:

*Who do you feel are the important food regulation entities that need to be consulted if an incubator is developed ?*

- It is sometimes unclear who is regulating me, really
- Fire Marshall
- Building Code Inspectors
- Salt Lake Valley Health Department
- State Department of Agriculture and Food
- Labeling Agencies
- U.S. Department of Agriculture
- ServSafe®
- Food Handling Permitting

**Regulatory Agencies that Create Challenges to Starting or Continuing Local Food Processing N=41 Salt Lake City**





According to the U.S. Small Business Administration, more than 80 percent of small businesses fail within their first five years because of lack of money or skills such as, product marketing, business and/or finance skills. However, nearly 87 percent of business incubator graduates remain in business. By mitigating start-up costs and providing a supportive and educational environment, business incubators have successfully graduated over 87% of their firms, and have kept an outstanding 84% of these thriving businesses in their local communities. To be successful, kitchen incubators must be active participants in helping their tenants. Throughout the country this is accomplished by providing services like business planning and development, marketing and financial training, access to capital and connections in the local economy.

A culinary incubator kitchen is in fact a food business incubator whose purpose is to help start, guide, advise and grow local food businesses. To better judge if the local community needs or wants these resources, focus groups were asked:

*Are there any classes or business education programs related to a culinary incubator that could be helpful in building up local food businesses?*

Focus group participants were very realistic about the challenges of starting or continuing a food business along with the need for technology and business skill building. The need for small business education is very important in the culinary incubator setting, and it must not be under valued as a necessary resource for tenants of a Salt Lake City culinary incubator kitchen.

- Food Prep Guidelines and Weights and Measurement Training
- Safe Food Handling and ServSafe® classes in multiple languages. On-line classes do not work. ESL parents are having their kids take the online classes for them
- Professional assistance on how to scale up recipes
- General Food Business Education:
- What are realistic work hours
- How to create a food business plan and strategy
- Needed supplies
- Distribution
- Marketing
- Branding
- Financing options
- Classes on sourcing local products
- How to plan for year round access to local fruits and vegetables
- Industry expert lead classes
- Figure out how to partner with existing programs, like Salt Lake Community College, Larry Miller Business School and Diversified Agriculture
- How to network or build connections in the business
- Insurance, liability and other legal issues
- Classes or mentoring on how to work through “red tape” or get through bureaucratic hoops
- Social media help

Focus groups talked about who might be the best operator and manager of the facility, as well as the best role for Salt Lake City in any future incubator. A range of opinions arose, but the responses generated no clear consensus of opinion as to who may be the best management operator. The best role for Salt Lake City tends toward the area of organizational, financial planning and development activities. There were strong opinions expressed that Salt Lake City should not run this facility.

*If this project moves forward, who do you think is best suited to operate and manage this incubator kitchen? Why?*

- Utah State University because of their programs
- Non-profit would be more cost effective
- Community and Economic Development/Government
- Keeping costs down would require the government to be involved since they have all the resources
- Not the city, but the city should have an oversight board
- An advisory board needs to be diverse, people who know the whole picture
- Non- food specific business folks should serve on the board
- Government should have nothing to do with this project because it would set up a false expectation of what it takes to run a food business
- The government moves slow and has a hard time making money, if it was run by a public sector that would compromise the prospects of the facility
- Salt Lake County Health should run the kitchen
- Facility manager needs to be a food service veteran

*What do you see as the best role for Salt Lake City in any future development of an incubator kitchen?*

- Salt Lake City should start it and turn it over to someone else who can create this as an economic development resource
- City lacks agility - this is a problem for managing this type of facility
- Salt Lake City should aid in processes of location and infrastructure
- The city should promote this as an asset
- Salt Lake City should have a seat at the table, but not complete oversight
- The city should run it
- Provide a certified legal space, but not offer business advice
- Creating a one stop shop for all culinary food business needs
- City should help with siting
- Planning for this facility in a neighborhood/district area
- City should be working at a macro level on food issues

## IMPORTANT LOCATION

The focus groups were also asked about where a future kitchen might be located. On this topic there was a significant amount of consensus around transportation needs and three general locations stated, with the area of State Street to 300 West from 600 South to 900 South being most favored.

*You've told me who you think might best operate a culinary incubator kitchen, where is a good location to consider locating this type of facility?*

- The Intermodal Hub area
- Marmalade District
- Granary
- Area around State Street to the "Westside" and 800/900 South
- Access to the freeway and trains is very important
- Don't locate it on one-way streets or right downtown where there is congested traffic
- Not in the physical epicenter of the city, but centralized with easy traffic flow and freeway access
- Access to transit is important
- Don't bury it in a neighborhood
- Put it in an area where people who make food can take it to nearby stores – incubate a neighborhood while incubating food businesses

Based on an evaluation of the city's transportation network, food wholesale, food retail locations, as well as, emerging development patterns and community needs, the consultant team supports a location within the area bounded by approximately State Street to 400 West and from 600 South to 1300 South. Locating a facility in this area is ideal, but in the event that other viable locations present themselves, substantial transportation accessibility in conjunction with other elements stated in this report, including community planning, should be clearly evident. Integration of this facility with other sustainable food planning and development is strongly advised by the consultant.

**RISKS AND CAUTIONS**

Finally, focus group participants were asked to offer critical candid comments about future risks or cautions associated with a potential facility. All of the participants offered clear support, for a kitchen, but were cautionary and acutely aware of the potentially high capital cost investment and overall planning that needs to go into creating a compelling Salt Lake City based culinary incubator kitchen. Planning, financing and management were key concerns, and if these cannot be adequately put in place, Focus group participants urged caution. Overall, the expectation is that Salt Lake City will be the responsible party for creating and delivering on a well thought out plan. The importance of near, and long term facility reputational success was deemed as very important, with an emphasis on not moving forward if an excellent facility with an excellent reputation can't be built. As one focus group participant stated,

*“An unsuccessful kitchen could destroy any support for a kitchen in the future”*

*If analysis comes back positive, or supporting a culinary incubator kitchen in Salt Lake City, can you think of any reasons why the development of this facility should not move forward?*

- A mission and very clear business plan is needed
- If there is not enough funding, do not move forward with this project
- Management and funding together are critical, if management can't be supported the kitchen should not be created
- The motivation has to be clear, if the motivation is to generate income, it should not move forward
- Profit in the strictest sense needs to be put aside, balance must be struck between covering costs and offering accessible rates and sustaining business
- Define sustainable – viability and operational aspects are important
- I am anxious to have this type of facility, but I want to have operational confidence
- If the Cottage Food Law gets too loose, it will undermine this effort
- If this facility is not up to code it will be a nightmare
- It is important for decision makers to understand how much of a community asset and resource a facility of this type should become
- This shouldn't just be a place to make food, if resources and education aren't available then it shouldn't go forward
- Stakeholder support will be important
- An unsuccessful kitchen could destroy any support for a kitchen in the future

There are several ways a culinary incubator kitchen creates jobs and adds benefits to a local community. It can:

- Remove restrictive barriers of high start up costs and regulatory difficulties associated with starting a food business – allowing entrepreneurs to start small and grow with ambition
- Allow entrepreneurs to retain more individual capital to invest in their product
- Provide business, technical, culinary, and other knowledge based training that increases the success rate for start up food businesses
- Create an excellent start up environment with low entry costs and business training where small food businesses can expand during their tenure at the incubator – generally graduating after a two year cycle – and move to a larger facility or buy/build their own kitchen

While there are many ways in which an incubator can build local culinary business capacity, there are also significant up front investment and ongoing operating expenses which must be considered in order to increase the likelihood that such a facility can itself become a successful enterprise. As a community investment, a culinary incubator kitchen is a capital intensive investment project requiring funding for facility planning, development and equipment acquisition. For this study, a review of culinary incubators operating within the region and around the country revealed that capital investment and equipment costs within the past 11 years have ranged from approximately \$400,000 (Business Incubator Center in Grand Junction Colorado) to \$8 million to build and equip the New Jersey based Rutgers Food Innovation Center.

In terms of operation, culinary incubator kitchens around the country vary widely in the type of cooking resources offered in their kitchens. Some include a limited amount of space and equipment for a narrow range of food preparations without business or networking support, while others include multiple preparation areas for raw food, wet food, dry food, meats and dairy, refrigerated storage, dry storage, special climate controls, 24 /7 secure access, comprehensive equipment resources, packing rooms that be used for special dietary requirements including gluten free food preparation and packing and extensive business and technology training.

Because the range of opportunity can vary widely between facilities, the square foot space per tenant is equally as variable. Based on a sampling of Utah, Intermountain West and several national culinary incubator kitchens, the average number of annual tenants for an incubator around the country ranges from approximately one tenant per square foot of kitchen space to 14 tenants per square foot of kitchen space.

And although data tracking on jobs creation is lacking for most US culinary incubator kitchens, some culinary kitchens are keeping track, and based on a sampling of these incubator kitchens it is estimated that annual jobs per year range from .5 jobs per 1000 square feet of kitchen space, to 25 jobs per year per 1,000 square feet of kitchen space. Average job creation is approximately 6.4 FTE's of jobs annually per 1,000 square feet of kitchen space. Using this information and assuming a 4,000 square foot kitchen, 26 jobs would be created annually. For a Salt Lake City incubator, careful screening of applicants combined with the required use of business finance training, and efficient access, will help increase annual jobs in the local market.

As an example, La Cocina, a 4,000 square foot facility in San Francisco, reports that it supported 39 businesses that created 110 jobs and \$ 3.35 million in revenue in 2012. These totals on business and job creation along with total revenue indicate that approximately 25 jobs per 1,000 square feet of space were created from the La Cocina culinary business incubator.

Within the Intermountain West, owners of several Utah food service businesses who were interviewed confidentially for this study, stated that they were established in the past five years and project hiring an average of 20-25 employees over the next five years. Additionally, according to Jason Talcott, Director of the Salt Lake Community College, Culinary Arts Program, this program has an approximate enrollment of 250 students per year, and graduates about 60 students annually. Many of these culinary students are considering future opportunities to start their own food businesses, and he stated that a culinary incubator kitchen would be a good place for them to begin.

## SPIN OFF

Economic activity, such as new food business, starts a chain reaction that generates more economic activity in a community. Money spent in the economy doesn't just stop with the first transaction, but instead stays in the community where it filters through to accelerate opportunity at many levels. Economists call this a multiplier effect, and in the local food services, this is evidenced by long-term connections linking between producers, distributors, processors and consumers. In Utah, research conducted by Utah's Own shows that every \$1.00 spent on local products has the effect of adding \$4.00 to \$6.00 into the Utah economy. Because this type of food connection is so localized it has the additional benefit of reducing the carbon footprint.

In addition to specific food businesses, local jobs and business opportunities generated through the creation of a successful food service business incubator include:

- Food Grower/Suppliers – Food service businesses will purchase food products and where possible will ideally buy from local growers and suppliers
- Marketing – Emerging food businesses will purchase marketing services for marketing tools such as logo and website design, product branding and placement
- Printing – Food service businesses will purchase printing services such as product labels, business cards, advertisement cards and flyers, banners or posters, etc.
- Packaging – Food services purchase packaging products such as bottling, boxes, wrapping, sealing products
- Professional Organizations – New food business owners will join local business organizations such as Vest Pocket Business Coalition, Chambers of Commerce, Women in Business, Utah Magazine, etc. Partnering with local retail outlets – New food service products can be placed in existing retail outlets to increase sales for both the existing retail outlet and the new food service provider. For example, baked goods may be sold in a local coffee shop to expand the market appeal of the coffee shop and provide a venue for sales of a new food product. Historically, even small food operations are able to sell their products to retail outlets, wholesale distributors, restaurants and institutions
- Local Restaurants – New food businesses will support existing food service businesses as the purchase food for work pantries, employee meals, meetings and events



## CONCLUSION

Salt Lake City, like most mid sized American cities contains assets that give it advantages in food service development such as importing, storing, processing, wholesaling and food delivery. Salt Lake City's metropolitan geographic location, a robust transportation network, a large workforce, central wholesale distribution, technology infrastructure, farmers markets, local restaurants, markets and cafes, an overall strong local business economy and a diverse population are all benefits to supporting a culinary business incubator kitchen. In addition, located in Salt Lake City is the states flag ship university, as well as, colleges, non-profit entities and technical assistance available to assist with development and training.

Many kitchen incubators that offer culinary and other business training along with networking are run through community and economic programs, such as university food technology centers or non-profits and are rarely financially self sustaining. In order to encourage new entrepreneurs in these programs, rental rates usually are not sufficiently high enough to cover operational costs. Furthermore, in order to create small businesses and increase local employment, a kitchen incubator may have to absorb part of the production cost. A high number of kitchen incubators around the country rely on grants and other funding to break even. Many offer additional services such as community cooking classes, demonstration centers, facility rentals, consulting, and research and development for existing businesses to help support the ongoing operations. Private kitchen incubators can be very profitable, but most often do not provide culinary, business and technology assistance along with knowledge sharing that is needed for most small food businesses to grow and succeed.

Conditions in Salt Lake City are favorable for a culinary incubator kitchen. The following is a summary of "best practices" learned by shared culinary business incubator kitchens around the Country that may serve to guide a Salt Lake City based facility:

- *Size and Operating Hours* – The kitchen should be sufficiently large to accommodate more than one tenant at a time and be available for rent 24 hours seven days a week. For all hours, a keyless – secure entry is best. Based on Salt Lake City's demographic and economic evaluation for this report a kitchen with at least 3500 sf of kitchen space is recommended for a Salt Lake City culinary incubator. Focus group participants and those surveyed expressed a desire for a wide range of kitchen opportunities including, meat and dairy processing, as well as controlled packing space for allergens. A facility that supports natural product manufacturing (tinctures, oils, lotions) processing would be an advantage.
- *Storage* – Insufficient storage can limit the ability for existing tenants to function, and can limit the ability to add new tenants. Storage should include cold storage walk in refrigeration and freezing, as well as a significant amount of dry storage. A kitchen space to dry storage ratio of 2:1 up to 1:1 is needed.



- *Kitchen Space – Equipment* – In addition to the equipment list provided by focus group and survey participants, additional items such as a pasta maker, heat band sealer, weigh in packing machines, juice pulper, grinder, as well as high bay access and vehicle storage.
- *Population* – Kitchens in areas with larger populations generally have an advantage over kitchens in sparsely populated areas. Salt Lake City has a population reach of over 1.5 million people within a 60 - minute drive to the city.
- *Model for Success* – Commercial kitchens that have followed the business incubator concept have been the most successful over the years. Kitchens that follow the culinary business incubator model provide support such as culinary/recipe assistance, business and technical training, connections to growers and distributors, access to capital, and networking.
- *FDA/USDA Approval* – Almost all facilities are FDA approved and some are USDA approved. It is critical to have a facility that allows for multiple types of food business tenants.
- *Rental Rates* – Rental rates generally range from \$5.00 - \$24 per hour to as high as \$1,750.00 per day. Some facilities have varying and/or sliding fee rates depending on the hours of use or economic circumstances of a tenant. Tenants who use more hours may pay a lower hourly rate compared to those who use the kitchen less frequently. Based on experiences of other kitchens, a rental rate of approximately \$15.00- \$20.00 per hour was important for a kitchen's ability to maintain financial security.
- *Anchor Tenants* – Many successful kitchens have “anchor tenants” (catering and mobile food vendors). Anchor tenants provide sustained rent revenue and stability to the facility. Generally, an anchor tenant rents a facility anywhere from 15 – 150 hours per month. Caterers can be a good source for anchor tenants.
- *Management* – In addition to excellent budgeting, fund raising, and grant writing techniques, the success of a shared culinary kitchen includes excellent marketing. Many tenants currently using shared commercial kitchens in Salt Lake City said that it took them a considerable length of time to find a shared kitchen due to poor marketing by existing commercial kitchens. Marketing techniques for the kitchen need to mirror those for a profit organization using communications such as networking and presenting with existing business and non-profit organizations, aggressive radio, earned TV and print media as well as social networking strategies. In addition to these techniques, cleanliness and safety must be a priority. A safe, secure environment, along with maintaining cooperation among tenants, and assuring regulatory compliance and cleanliness is mandatory for the development of a culinary incubator in Salt Lake City.

Appendix A Survey, February 2013

**A QUICK SURVEY TO ASSESS INTEREST IN THE  
SALT LAKE CITY CULINARY INCUBATOR KITCHEN PROJECT**

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Which best describes your relationship to food preparation production?

I am a:

- |   |  |
|---|--|
| <input type="checkbox"/> Value Added (Farm) Producer                    | <input type="checkbox"/> Restaurant        |
| <input type="checkbox"/> Catering                                       | <input type="checkbox"/> Food Truck Vendor |
| <input type="checkbox"/> Street Cart Vendor                             | <input type="checkbox"/> Baker             |
| <input type="checkbox"/> Specialty/Gourmet Food Producer                | <input type="checkbox"/> Government        |
| <input type="checkbox"/> Organization                                   | <input type="checkbox"/> Church or Civic   |
| <input type="checkbox"/> Group  |  |
| <input type="checkbox"/> Interested In Becoming a New Food Entrepreneur |  |
| <input type="checkbox"/> Community member supporting food               | <input type="checkbox"/> Other (describe)  |

What type of food categories are you preparing now, or would you like to prepare in the future?

**(CHECK ALL THAT APPLY)**

	Preparing Now	Interested In Preparing in
the Future		
Bakery Goods	_____	_____
Jams/Jellies/Syrups	_____	_____

Salsa/Sauces/Condiments	_____	_____
Canned Foods	_____	_____
Value Added Produce	_____	_____
Pasta	_____	_____
Dry Mixes	_____	_____
Catered Goods	_____	_____
Sidewalk Food Vendor	_____	_____
Food Truck Vendor	_____	_____
Juices, or other beverages	_____	_____
Beer	_____	_____
Other _____		

If a Culinary Incubator Kitchen is developed in Salt Lake City, **where** is a good location for this type of facility? Why?

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What type of equipment do you or others need for food service production?  
Check all that apply.

- |  |  |
|--|--|
| <input type="checkbox"/> Standard Oven Equipment | <input type="checkbox"/> Filling and Packaging       |
| <input type="checkbox"/> Convection Oven         | <input type="checkbox"/> Dry Storage                 |
| <input type="checkbox"/> Standard Range/Cook top | <input type="checkbox"/> Walk In Cooler/Refrigerator |
| <input type="checkbox"/> Mixer                   | <input type="checkbox"/> Freezer Storage             |
| <input type="checkbox"/> Grill                   | <input type="checkbox"/> Dishwasher                  |
| <input type="checkbox"/> Fryer                   | <input type="checkbox"/> Stainless Steel Tables      |
| <input type="checkbox"/> Steam Jacket Kettle     | <input type="checkbox"/> Other                       |
| <input type="checkbox"/> Commercial Mixer        |  |
| <input type="checkbox"/> _____                   | -  |
| <input type="checkbox"/> Food Processor          |  |
| <input type="checkbox"/> _____                   |  |
| <input type="checkbox"/> Dehydrator              |  |

Do you know if any of these regulatory agencies create challenges to starting or continuing local food processing businesses?

- |  |                                |
|--|--------------------------------|
| <input type="checkbox"/> Utah Department of Health                         | Utah Department of Agriculture |
| <input type="checkbox"/> Salt Lake County Health Department Administration | United State Food and Drug     |
| <input type="checkbox"/> Salt Lake City Business Licensing                 |                                |
| <input type="checkbox"/> United States Department of Agriculture           |                                |

Would any of the following resources or planning tools be of interest to you or your group?

- |   |   |
|---|---|
| <input type="checkbox"/> Preparing a Business Plan for food     | Sales                                       |
| <input type="checkbox"/> or value-added packing and processing  | Distribution                                |
| <input type="checkbox"/> Marketing                              | Obtaining and using loan funds for business |
| <input type="checkbox"/> food Safe Food Handling                | Insurance and Liability                     |
| <input type="checkbox"/> Understanding Food Nutrition Standards | Training with Professional Chef             |
| <input type="checkbox"/> Labeling Requirements and Design       | Other                                       |
| <input type="checkbox"/> Packaging                              |   |

Additional Comments

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Yes, I am interested in staying involved in the Salt Lake City Culinary Incubator Kitchen discussion. Please keep me informed by contacting me.

Name \_\_\_\_\_

Phone: Area Code (    ) \_\_\_\_\_ Email \_\_\_\_\_

**THANK YOU**

## Survey Results

### Which best describes your relationship to food preparation and production?

	My Relationship Is
Community Member Supporting Food	16
Value Added (Farm) Producer	14
Organization	9
Interested in Becoming A New Food Entrepreneur	7
Specialty/Gourmet Food Producer	4
Government	2
Baker	1
Church or Civic Group	1
Catering	0
Street Cart Vendor	0
Restaurant	0
Food Truck vendor	0
Other	9

NON-PROFIT

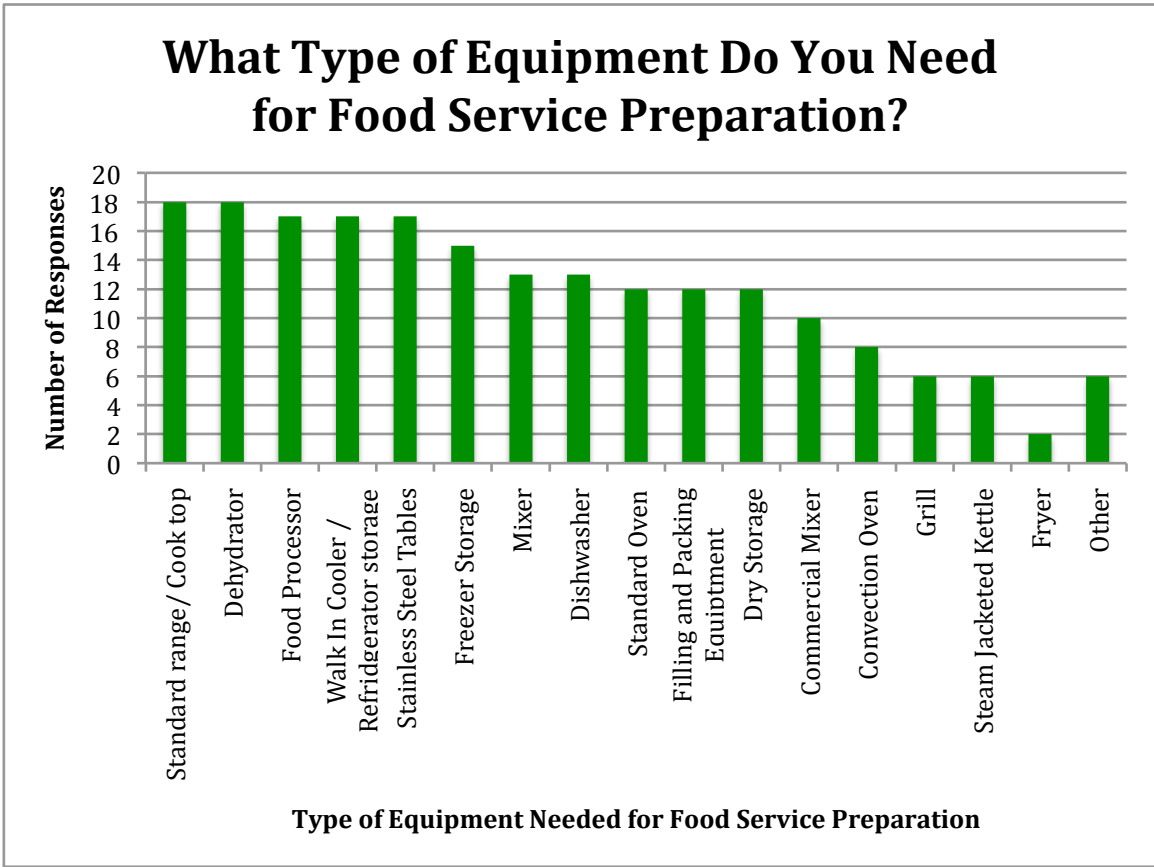
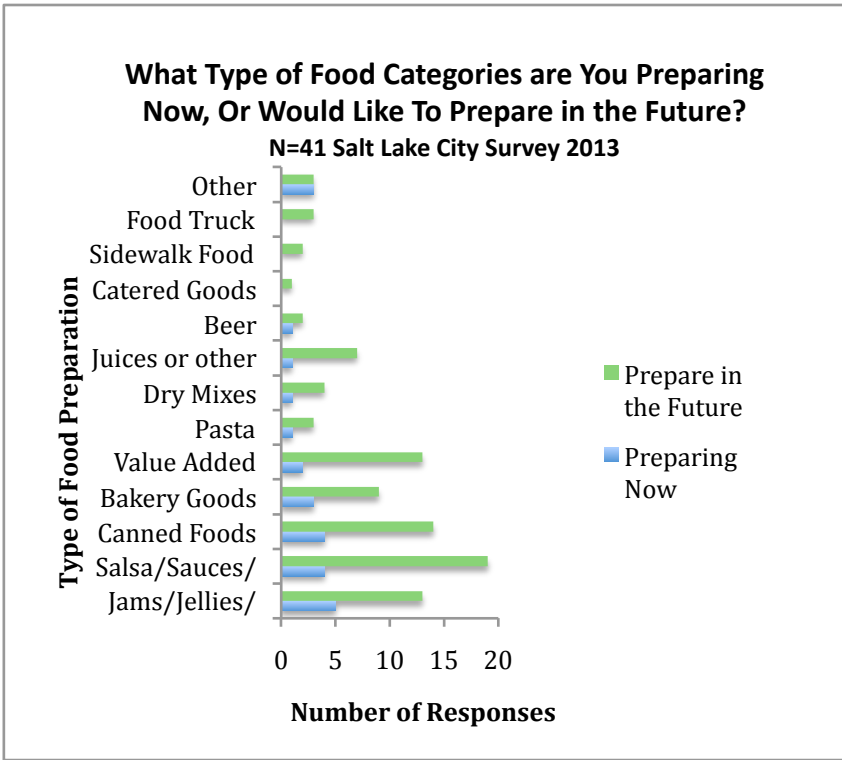
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FARMER 2

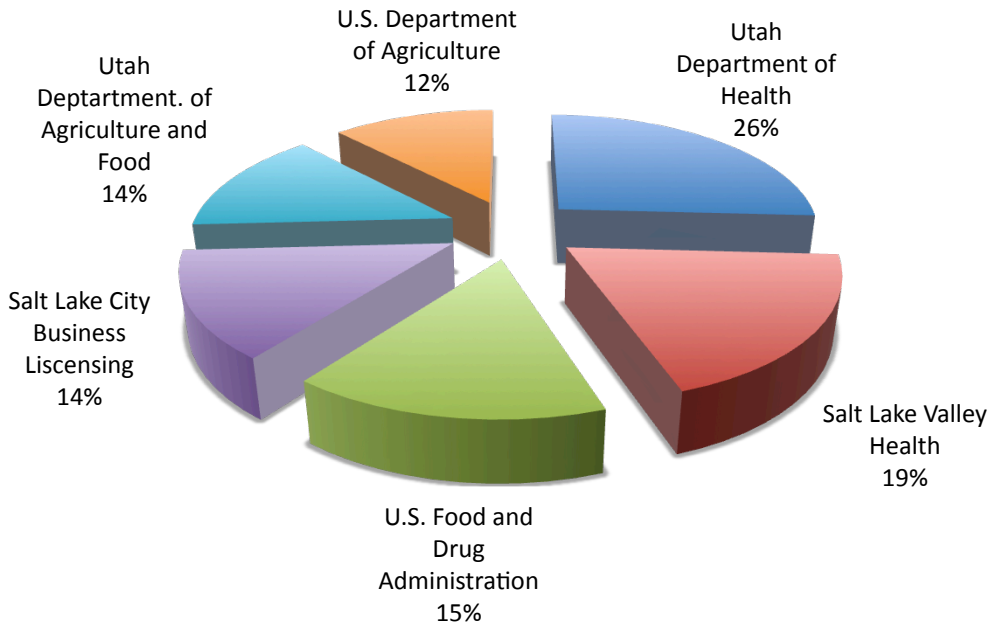
CSA

STUDENT 3

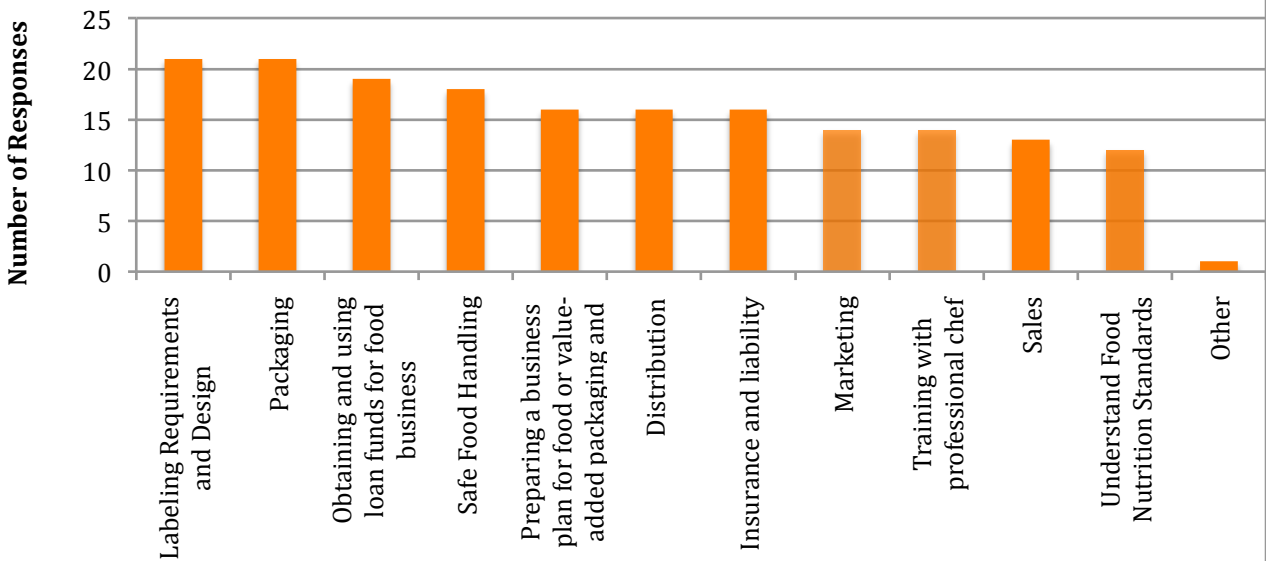
COMMUNITY GARDER



**Regulatory Agencies That Create Challenges to Starting or Continuing Local Food Processing**  
N=41 Salt Lake City 2013



**Business Resources or Planning Tools That Are of Interest**



## APPENDIX B – INVENTORY OF CULINARY INCUBATOR KITCHENS, USA

Table 1: Kitchen Incubators									
Name	Location	Average # of Monthly Tenants	Average Monthly Usage (Hours)	Rental Rates	Type of Food Processing	Kitchen Space (sq. ft.)	Storage Space/ Storage Rental Rates	Funding Support	Percent Subsidized
Bonner Business Center	Sandpoint, ID	12	120 - 150	\$13.75/Hr.	FDA Approved <sup>7</sup>	1,400	Dry Storage \$825/month	No	0%
Blue Ridge Food Ventures	Candler, NC	12-14 <sup>8</sup>	NA	\$24/Hr.	FDA Approved <sup>9</sup>	12,000	Dry, Wet, Refrigerated	Yes	40%
Business Incubator Center	Grand Junction, CO			\$10/Hr. + \$35 monthly program fee	FDA Approved	2,500	Dry, Wet, Refrigerated	Yes	25%
Cache Business Resource Center (CRBC)	Logan, UT	38	NA	\$25/4 Hrs. \$50/8 Hrs. \$500 deposit w/lease	Baked goods, jams, jellies, salsa, candy	NA	Limited	Yes	NA
Kitchen Cru	Portland, OR	38 <sup>10</sup>	NA	Variable <sup>11</sup>	FDA Approved	4,800 <sup>12</sup>	Dry, Wet, Refrigerated, Climate controlled for candy making	No	0%
La Cocina	San Francisco, CA	50	629	\$13/Hr.	USDA & FDA Approved <sup>13</sup>	4,400	Refrigerated and Dry Storage Rates - \$50-%100/month	Yes	46% <sup>14</sup>
Community Action Kitchen	Provo, UT	3-4	80	\$25/4 Hrs. \$45/8 Hrs.	FDA Approved <sup>15</sup>	900	Bakers Rack 4 Cabinets No Charge	Yes	90%
Rutgers Food Innovation Center	New Brunswick, NJ	NA	NA	\$750 - \$1,750 per day	USDA & FDA Approved <sup>16</sup>	23,000	Dry, Wet, Refrigerated	Yes	40%
Utah State University	Logan, UT	Variable		Free for 1 <sup>st</sup> 6 months	Jams, jellies, sauces, baked goods	1,000	Limited	Yes	NA

<sup>7</sup> Anything but raw meat. Can use pre-cooked meat.

<sup>8</sup> 170 clients since inception in 2005 (110/8=13.75)

<sup>9</sup> Anything but raw meat. Can use pre-cooked meat.

<sup>10</sup> Does not rent to mobile food vendors unless they are moving toward a brick and mortar business setting.

<sup>11</sup> Tenant rental rate is variable depending on time of day and tenants business experience

<sup>12</sup> 3,200 sq. ft. commercial kitchen space and 1,600 sq. ft. bakery section and climate control for candy making. Also has a small event space to host functions including a chef's bar and a private dining area that seats up to 40 people for dinner events, teaching classes, tasting sample menus, corporate functions, etc. Kitchen Cru keeps 100 people employed through the businesses using its facilities.

<sup>13</sup> Could not reach anyone at La Cocina to confirm USDA approval, but have launched businesses using meat such as ground beef in tostadas. Launched successful baked goods, candies, full-service restaurants, sauces, hummus, etc. businesses.

<sup>14</sup> Break-out of total (100%) funding: Foundations – 25.7%; Individuals - 8.2% ; Corporations – 6.7%; Government – 5.7%; Events – 24.5%; Retail Sales – 13.9%; Incubator Program – 13.7%; Carts Program – 1.7%

<sup>15</sup> Anything except raw meats and deep fry

<sup>16</sup> Can do all types of food processing – including raw meats



**Table 2: Funding Sources**

<b>Common Funding Sources</b>
United States Department of Agriculture
United States Economic Development Administration
State Department of Agriculture
State Economic Development Administration
Local Cities
CDBG Grants
Private Donations
Foundations
Corporations
Various Government and Non-Profit Grants

These are examples of funding sources accessed by culinary incubator kitchens who operate within the not for profit, higher education, and/or community and economic development centers models. Private, for profit culinary incubator kitchens do not traditionally rely on continued financial assistance. Private, for profits kitchens may as a course of general business expansion obtain business development loans through banks or other business development financial institutions.

Resource information for this report is drawn from one in person and phone interviews with culinary incubator kitchen and higher education directors and staff, and the following sources.

1. Agricultural Marketing Resource Center, [www.agmre.org/business\\_development/strategy\\_and\\_analysis/analysis/blue-ridge-food-ventures](http://www.agmre.org/business_development/strategy_and_analysis/analysis/blue-ridge-food-ventures)
2. Mintel
3. National Association for the Specialty Food Trade
4. North American Industry Classification System (NAICS) <http://www.census.gov/cgi-bin/sssd/naics>
5. Northeast Center for Food Entrepreneurship, [necfe.foodscience.cals.cornell.edu](http://necfe.foodscience.cals.cornell.edu)
6. Organic Trade Association
7. Phone interviews with Directors and Support Staff of all Culinary Incubator Kitchens referenced in this Appendix B
8. Phone interview with Jason Talcott, Director of Culinary Arts, Salt Lake Community College
9. Phone interview with Utah based food enterprises
10. 2010, US Census and American Community Survey, [census.gov](http://census.gov)
11. Salt Lake City Census 2010 Atlas, Downen, John; Perlich, Pamela, Bureau of Economic and Business Research, David Eccles School of Business
12. Salt Lake Community College, Culinary Arts Program
13. Salt Lake City School District, Student Demographic Data, [www.slcschools.org](http://www.slcschools.org)
14. US Department of Commerce
15. US Department of Agriculture, [www.usda.gov](http://www.usda.gov)
16. Utah Department of Agriculture and Food, Division of Regulatory Services
17. US Food and Drug Administration, Food Guidance Regulation [www.fda.gov](http://www.fda.gov)
18. Utah Code 4-5-9.5
19. Utah Department of Workforce Services
20. The National Business Incubation Association
21. The Rise of the Creative Class, Florida, Richard, 2011

THE END

