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Establishing shared-use processing facilities at three possible locations in central and south central Iowa

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Establishing shared-use processing facilities at three possible locations in central and south central Iowa

Abstract

One way for small-scale food producers to make money is to add value to their products. Shared-use kitchens offer an option for further processing, cooking, or preservation for a variety of fruit and vegetable crops. This project examines some of the critical factors in establishing and successfully operating a shared-use kitchen.

Keywords

Business management distribution and marketing, Community-based food systems

Disciplines

Business Administration, Management, and Operations | International and Community Nutrition | Marketing



Establishing shared-use processing facilities at three possible locations in central and south central Iowa

Abstract: One way for small-scale food producers to make money is to add value to their products. Shared-use kitchens offer an option for further processing, cooking, or preservation for a variety of fruit and vegetable crops. This project examines some of the critical factors in establishing and successfully operating a shared-use kitchen.

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Budget:
\$ 21,000 for year one

Q Are shared-use commercial kitchens feasible in three central and south central Iowa locations?

A An initial evaluation of the three sites narrowed the focus to a facility in the Sherman Hill neighborhood of Des Moines. The business concept for the site included four possible uses for the kitchen: 1) catering, 2) creating shelf-ready food products, 3) making baked good products, and 4) preserving fresh produce. The feasibility of creating a shared-use commercial kitchen for these uses combined market research with analyses of technical, organizational, and financial aspects of establishing the kitchen. The project's results showed that the answer was yes on all three of these aspects, and work has begun to create the kitchen.



MARKETING

Background

The number of shared-use commercial kitchens has grown rapidly with the increased efforts to help businesses find places to prepare food products. In response to requests for a place to make food products in central Iowa, these grant funds were used to investigate establishment of shared-use commercial kitchens at three central and southern Iowa locations. The majority of the work focused on a former nursing home located in the historic Sherman Hill neighborhood near downtown Des Moines, Iowa.

Owned by the non-profit Neighborhood Investment Corporation (NIC), the Mickle Neighborhood Resource Center includes a 1,000-square-foot kitchen that was left intact when the former owners sold the building in the mid-1980s. The business concept analysis focused on four uses for this kitchen: 1) catering, 2) creating shelf-ready food products, 3) making baked good products and 4) preserving fresh produce.

The project's objective was to determine if a shared-use commercial kitchen would be viable in the Mickle Center. Project strategies involved conducting market research and gathering relevant information needed to answer these important questions:

1. Is the kitchen technically feasible? Is it possible to put in place the equipment and facility upgrades needed for a commercial kitchen that can be rented to people or businesses who seek such a kitchen?
2. Is the kitchen organizationally feasible? Do the right partners exist to fund and operate the kitchen? Are protocols, systems and agreements in place to assure the facility is used appropriately and successfully by its owners, operators and tenants?
3. Is the kitchen financially feasible? Will the costs of upgrading the facility, in stalling needed equipment and operating the kitchen be sustainable?



The Mickle Neighborhood Resource Center includes a 1,000-square-foot kitchen.

Approach and methods

Methods used to answer these questions included 1) conducting market research, 2) gathering input from a range of people, 3) collecting and reviewing relevant information from various sources, 4) analyzing data collected, and 4) discussions by the NIC board.

Results and discussion

Before establishing a viable operation, the organizers needed to be certain that mission and purpose are aligned. Does establishing and operating the kitchen fit with the mission of the facility's owner? In

this case, the NIC is a non-profit group working on neighborhood investment issues whose mission is "to provide development assistance, training, facilities and services to neighborhoods, not-for-profit organizations and emerging businesses." Thus, alignment of a commercial shared-use kitchen in the Mickle Center with mission and purpose is strong. In addition, the NIC's non-profit status has advantages when it comes to raising funds for the kitchen.

Technical feasibility is one of three key concerns for making a successful beginning. For a shared-use commercial kitchen, the question is whether the equipment and facilities needed to be able to rent the kitchen can be put in place. In the case of the Mickle Center, the project investigation determined that the answer was yes.

Market research results also show that most prospective tenants are ready to rent the kitchen. Nine already were making and marketing products while another six had products that were ready to market. Eighteen had processes and procedures in place for their products, and 12 of these had documented their processes and procedures. Twelve had insurance that covered their exposure to liability from the use of their products.

Work done on the technical feasibility of establishing a kitchen in the Mickle Center showed that with enough resources, technical issues can be resolved. Key questions are: 1) who pays for what costs with what funding?, 2) who will be responsible for what maintenance costs? and 3) who will be responsible for managing the work needed to get the facility ready to be used?

The second issue is whether the operation will be organizationally feasible. For a shared-use kitchen, the question is whether the right partners exist to fund and operate the kitchen. In this case, the alignment of potential partners suggests that the kitchen can be organizationally feasible. For example, the Mickle Center's mission is "to provide development assistance, training, facilities and services to neighborhoods, not-for-profit organizations and emerging businesses." Also, another non-profit organization with experience running food businesses is interested in operating the kitchen.

The third issue is whether it will be financially feasible. For a shared-use kitchen in the Mickle Center, the question is whether funds will be available to cover the costs of upgrading the facility, installing needed equipment, and operating the kitchen. Facility upgrades and equipment will cost an estimated \$275,000. The NIC Board



Interior of the kitchen looking down the east outside wall.

has committed \$150,000 toward these costs, and securing the remaining funds should be possible with a detailed business plan that can be used to secure matching grants or loans.

The question then becomes whether fees from tenants can cover operating expenses. Investigators estimated monthly operating costs of \$3,712. At a per hour rental rate of \$15, the facility would need to be rented about eight hours per day seven days a week to cover these costs. To know if this level of use is possible, the investigators gathered market research data to calculate a projected use that was almost three times this total. Thus, it seems likely that the kitchen can be financially feasible given the level of interest from potential tenants.

Conclusions

While establishing a shared-use commercial kitchen in the Mickle Neighborhood Resource Center appears feasible, three important needs must be met: 1) securing funds for facility improvements and equipment; 2) finding and retaining a capable operator; and 3) developing needed protocols, processes and agreements. The next step is to craft a detailed business plan that can be used to help secure funding. A decision will be needed on what constitutes adequate funding, and a concerted effort to secure this funding will be necessary. Once adequate funds are acquired, hiring a project manager who can oversee the facility upgrades and installation of equipment will be important. A marketing campaign to secure tenants to use the kitchen once it is completed also will be critical.

Impact of results

The project identified the necessary conditions for establishing a shared-use commercial kitchen in central Iowa. If necessary steps are undertaken to develop the kitchen, benefits will extend beyond the small businesses that will use the kitchen. Establishing the kitchen also will help farmers who will supply foodstuffs and ingredients, customers who will have access to the products, and the community which will gain from having a vibrant and resilient local food system. The strategies and methods used to determine if a shared-use kitchen is viable in central Iowa can be used by Iowans in other areas of state who are interested in developing shared-use commercial kitchens.

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Education and outreach

Presentations about the project were made at Leopold Center local food-related conferences in March 2013 and April 2014. The project received input and advice from representatives of various agencies including Iowa State University Extension and Outreach, the Iowa Department of Inspections and Appeals, the City of Des Moines and The Wallace Centers of Iowa.

Leveraged funds

No additional funds were leveraged by this project.