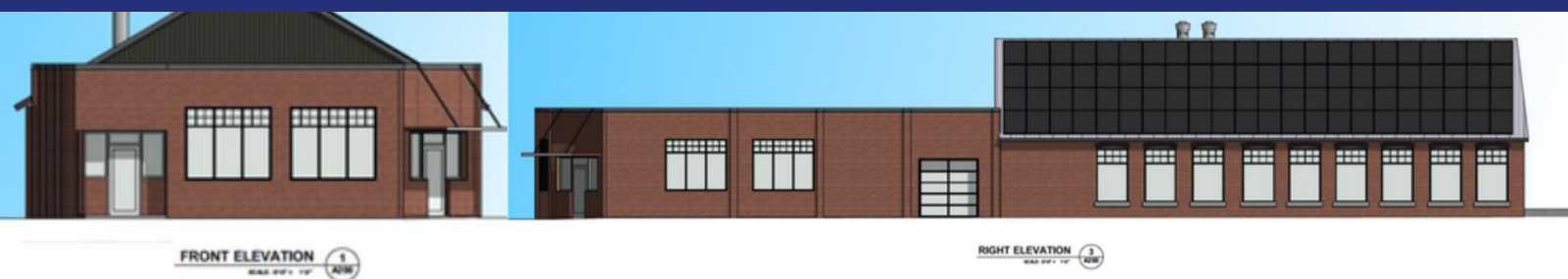




## THE KITCHEN AT 185 FEASIBILITY STUDY



Presented to



By

ParasScope

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## ACKNOWLEDGEMENTS



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## EXECUTIVE SUMMARY

Located at 185 Water Street in downtown Skowhegan, **The Kitchen at 185** is envisioned to become a **food incubator** and **co-packing facility** to serve farms and entrepreneurs in Somerset County and beyond. Locally, potential users desire a facility that is also a community asset, incorporating space for **culinary arts instruction**, **special events**, **on-site retail**, and **local food access** for producers and consumers alike.

The trade area for Skowhegan's food economy consists of ~10,000 budget-conscious consumers who demonstrate a preference for **buying local**, **healthy food**, and **outdoor recreation** activities. In addition, the region plays host to over 900,000 visitors who earn 60% more than residents, with culinary tourism topping the list of visitor activities. Somerset County generates **11% of Maine's harvest**, with market value, acreage, and farms up over the past 20 years. Skowhegan's food scene is also growing – as demonstrated by per capita restaurant sales **80% above** the norm and food industry employment increasing at **four times** the rate of the rest of the economy.

Despite this dynamic food scene, employers face challenges **recruiting** for food prep and production workers along with line cooks, head bakers, brewmasters, and chefs. **Skills** in demand include on-the-job production experience plus **soft skills** in every category. Through sectoral partnerships, the Skowhegan region can create a **seamless continuum of training opportunities** to build the industry's workforce, including externships, pre-apprenticeships, apprenticeships, and short-term training.

Potential users of The Kitchen are producers of **consumer-packaged goods**, **mobile vendors**, **chefs** and **caterers**, **farms**, and **nutrition educators** who are willing to travel up to **60 minutes** to use the facility. The region generates ~370,000 pounds of surplus produce, which could be processed at The Kitchen for institutions, private label clients, food security agencies, and local food startups.

Given that users represent the greatest source of revenue to sustain the facility, their needs should be prioritized. Beyond affordable production space, their diverse needs can be addressed through **collaborative programming** with local, regional, and statewide agencies and organizations. Top areas of interest include help with **food safety** and **local sourcing**.

Renovation of 185 Water Street could cost **\$2 million**. The financial model assumes that Skowhegan will secure **grants for 100% of renovation costs**, plus an operating subsidy. At the startup stage, The Kitchen should consider hiring a General Manager and an Operations Manager. The most volatile variable costs are **utilities**, **kitchen supplies**, and **kitchen and property maintenance**.

Under the financial assumptions, The Kitchen will break even in Year 1. By Year Five, the facility could generate a **net profit of \$100,000-\$200,000** per year. At buildout, The Kitchen at 185 may generate a total economic impact of **107 jobs** and **\$7 million in sales**.

## INTRODUCTION

"A vibrant cultural center with a variety of shops and restaurants, bustling with activity into the evenings. Businesses facing the Kennebec, with a river promenade, vendors, and pedestrians. Water Street as a pedestrian mall. Run of River Whitewater Recreation Area in full swing. Enhanced trails, parks, and other recreation activities. No longer just a passthrough town, but instead a true Maine tourist destination."

Strategic Plan for Community Transformation 2016 and Beyond (Main Street Skowhegan)

A decade ago, over 500 residents, community and business leaders in Skowhegan participated in the development of a *Strategic Plan for Community Transformation*, which was adopted at Town Meeting on June 13, 2016. Since then, the town's vision has attracted over \$650 million in private and public investment for transformative projects.

One of the plan's goals was to enhance Skowhegan's role as a regional hub *where locally grown food is aggregated, processed, and sold*. By focusing on local food, the town can promote economic development, food security, and public health while leveraging its assets to transform it into a destination for agritourism, farm-to-table restaurants, and craft beverages.

In 2022, Main Street Skowhegan captured \$195,000 from USDA Rural Development and the Maine Technology Institute to investigate the feasibility of establishing a food incubator in a 6,000-square foot building at 185 Water Street. As part of this effort, Main Street Skowhegan contracted with ParasScope to estimate the market demand for this facility, which is intended to provide the following benefits:

- Provide affordable kitchen space to food entrepreneurs.
- Offer low-cost startup space for food retail & restaurants.
- Connect Central Maine farmers with businesses sourcing local food.
- Scale startups to facilitate job creation and retention.
- Attract new businesses to Skowhegan.
- Inspire local youth to startup a food business.



Source: Morning Sentinel

In addition, this initiative complements the establishment of the Skowhegan Center for Entrepreneurship, which offers co-working space, service programming, pitch competition, and grant funding at 181 Water Street in Skowhegan.

## Methodology

Research conducted from August 2023-March 2024 includes data from the following sources:

- [Original survey](#) distributed via email to 1,500 food producers within a one-hour radius of Skowhegan, including farms, licensed home kitchens, caterers, mobile vendors, manufacturers, restaurants, and retailers. The survey, which will hereinafter be referred to as *The Kitchen survey*, covered three distinct goals:
  - Assess interest in adding value to surplus, seconds, and upcycled farm products.
  - Identify interest in regional solutions to workforce training in the food industry.
  - Identify entrepreneurs interested in leasing space at The Kitchen.
- [Focus group](#) with survey respondents held in Skowhegan on March 18, 2024.
- [Industry benchmarks](#) on shared-use commercial kitchens in the United States from a national survey conducted by The Food Corridor in 2020.
- [Farm data](#) on Somerset County from the USDA Census of Agriculture.
- [Employment data](#) from Maine Department of Labor on the food industry in Somerset County.
- [Consumer data](#) from ESRI's Tapestry Segmentation program on households in the trade area.
- [Tourism data](#) for the Kennebec Valley region from the Maine Office of Tourism.
- [Research on local conditions](#) in the Skowhegan from public data sources, including the commercial real estate market and other commercial kitchens.
- [Review of previous plans and studies](#), including the town's comprehensive plan (2010), strategic plan (2016), downtown revitalization plan (2011), business needs assessment (2021), entrepreneurial ecosystem development plan (2021), and market analysis (2021).

Due to data collection differences by agency, different units of geography are deployed in this work:

- [Town of Skowhegan](#): This geography encompasses the town's boundaries.
- [Trade area](#): This radius covers the market of households within 5 miles of The Kitchen who are likely to become regular customers of products and services.
- [One-hour radius of Skowhegan](#): This radius covers the likely market of businesses that might utilize the Kitchen, including portions of Franklin, Kennebec, Knox, Penobscot, Piscataquis, Somerset, and Waldo counties.
- [Somerset County](#): This geography is the smallest unit for which jobs by industry is available.
- [Kennebec Valley region](#): This geography stretches from Gardiner to the Canada border.
- [Economic Summary Area \(ESA\)](#): This geography, the smallest unit for which restaurant sales is available, includes Anson, Athens, Canaan, Cornville, Embden, Harmony, Lakewood, Madison, Mercer, New Portland, Norridgewock, Skowhegan, Solon, and Starks.



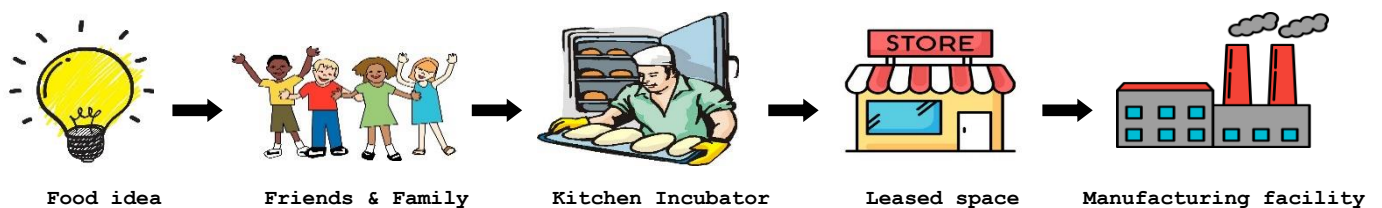
## Value Proposition

The value proposition of a food incubator is to lower the risk of starting up a food enterprise. The typical entrepreneur might start by experimenting for family and friends. If their product is met with rave reviews, their next step might be to obtain a state license in order to make food out of their home kitchen. Without the availability of an incubator, a huge leap of faith is required to take the next step: from producing food at home "for free" to leasing manufacturing space by the year. Such a transition demands the entrepreneur quit their "day job" to commit to full-time operation as well as obtain a commercial loan to secure space and construct leasehold improvements to make the space suitable for food production.

"We believe that providing access to a shared-use commercial kitchen along with ongoing business development and support services will aid in significantly reducing the upfront startup costs and risk associated with starting a food business and look forward to strengthening both the local, regional, and state food economies."

Patric Moore, Main Street Skowhegan

### Typical life cycle of a Maine food manufacturer



## Business Model

A shared-use kitchen provides space for the commercial production of food offered for direct sale or wholesale. Access to shared space lowers the entry barrier to entrepreneurship, enabling users to startup at less cost than leasing their own production space. By sharing access, entrepreneurs also have the opportunity to learn from each other in collaborative environment, increasing their chances of long-term success.

As of 2019, there were 600+ shared-use kitchens in virtually every U.S. state. About 60% are less than 5,000 square feet, with space to accommodate 4-6 users at the same time, and 10-19 users at any point in time.<sup>1</sup> The kitchen can be the sole component of a facility or one of many complementary uses described below.

1. **Community Kitchen:** A commercial kitchen at a church, school, or community center that rents both production and function space to one user at a time. For example, see Unity Community Center: <https://unitybarnraisers.org/communitycenter/>.
2. **Food Hub:** A facility that supports the aggregation, storage, distribution, and/or marketing of local food products. Processing capacity is usually limited to washing and packing. For example, see the Portland Fish Exchange: <https://www.pfex.org/>.

3. **Food Hall:** Large communal environment where food and drinks are sold from individual chef-driven establishments. For example, see Portland Market House: <https://www.publicmarkethouse.com/>.
4. **Food Business Rental:** A business that rents out its excess kitchen capacity to individual users during times when the primary business is closed.
5. **Shared-Use Kitchen Incubator:** A commercial kitchen with the capacity to support multiple users in production at the same time. In addition to space, the incubator usually provides entrepreneurial training. For example, Fork Food Lab: <https://www.forkfoodlab.com/>.
6. **Co-Packer:** A business that takes on the processing and packaging of product lines outsourced by individual brands. For example, see co-packing services offered by Schlotterbeck & Foss: <https://www.schlotterbeck-foss.com/private-label/>.
7. **Food Accelerator:** A virtual incubator that provides a structured program of entrepreneurial training, mentoring, and access to capital to help small businesses scale, sometimes in exchange for equity. For example, see MarketShare offered by the Maine Center for Entrepreneurs: <https://www.mced.biz/marketshare-accel>.
8. **Food Innovation Center:** A facility that supports the commercialization of food and beverage products through research and development, such as product testing. For example, see the Dr. Matthew Highlands Pilot Plant at the University of Maine's School of Food and Agriculture: <https://umaine.edu/foodandagriculture/pilotplant/>.

The local food system is a continuous virtuous chain from the producer to the household consumer. Below is a graphic that illustrates how each facility can add value to the local food system. These categories are not mutually exclusive. For example, a food hub can serve as an aggregation point that provides access to both farmers and consumers, while a commercial kitchen incubator can drive the recovery of food by adding value to upcycled produce.

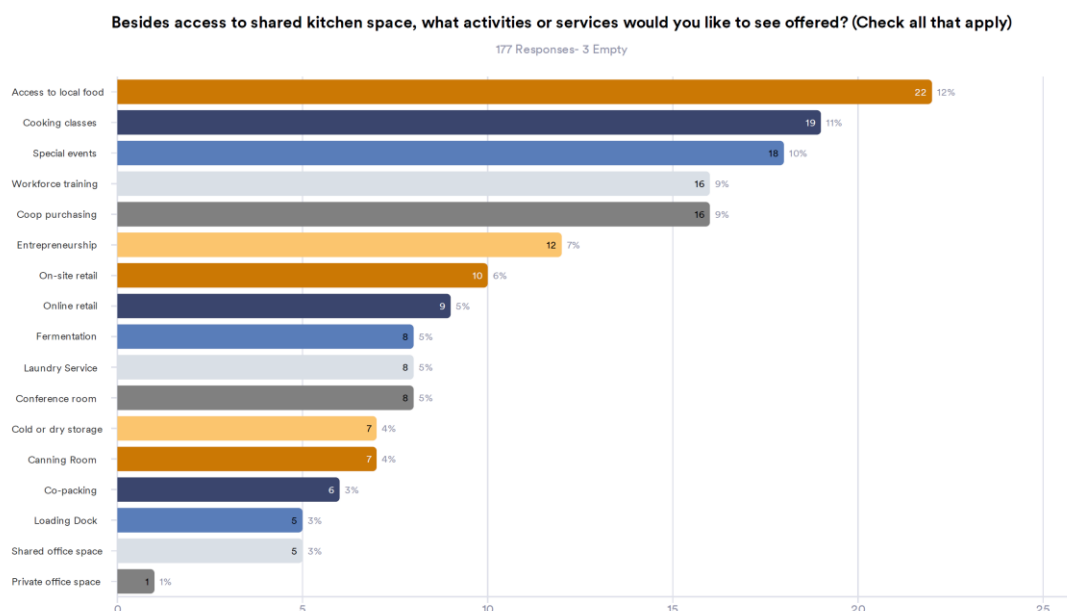


## Vision

Nationwide, commercial kitchen incubators have stated that their primary mission is *assisting early-growth businesses* (51%) and *strengthening the local food economy* (18%).<sup>2</sup> Locally, interested parties have weighed in with their votes. The Kitchen survey attracted 38 responses from food producers (68%) and service providers (16%) along with businesses and consumers interested in following the project (16%). All respondents were asked what activities or services they would like to see offered at The Kitchen beyond space. The top vote getter was local food access (22), cooking classes for the public (19), special events (18), workforce training (16), cooperative food purchasing (16),

“We teach all people from youth to adult regardless if they receive SNAP benefits. Each class is a free class and some classes folks can take food home to replicate the healthy meal.” Local service provider

entrepreneurial programming (12), on-site retail (10), online retail (9), fermentation room (8), laundry service (8), conference room (8), cold & dry storage (7), canning room (7), co-packing (6), loading dock (5), shared office space (5), and private office space (1). These responses indicate the desire for a mixed-use facility that incorporates food access for both producers and consumers, such as a food hub, farmers market, food pantry, and coop; training in both entrepreneurship and culinary arts; and space for special events and on-site retail.



**Location.** A total of 41% of respondents would like to see this facility located in downtown Skowhegan, 13% would prefer it elsewhere in the region, and 46% have no preference.

“The downtown seems to be on the up and up and this might be a great fit if we wanted to offer events on site as well. We would be down!” Local producer

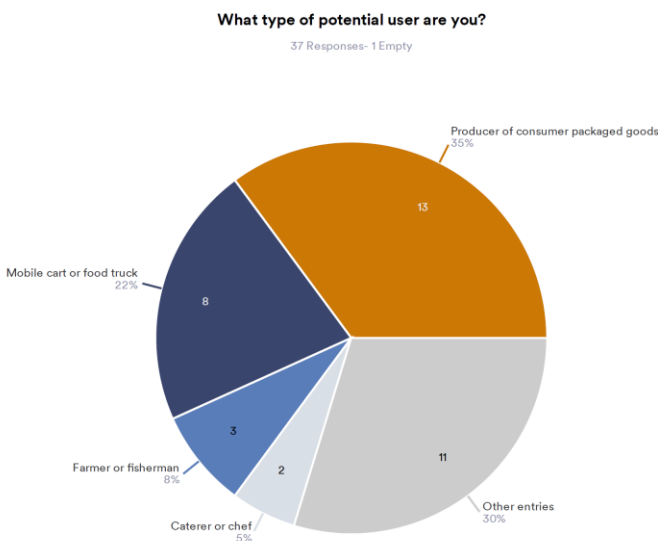
## MARKET DEMAND FROM POTENTIAL USERS

### Food Entrepreneurs

Of 38 respondents, 30 classified themselves as potential users of the Kitchen at 185, including 25 potential and established food entrepreneurs. A total of 76% indicated that they were *interested* or *very interested* in renting space, while 18% were *somewhat interested*. Potential users are described below:

- **Consumer-packaged goods (CPG)** (35%) includes users producing shelf-stable, refrigerated, and/or frozen products direct-to-consumer or wholesaled to markets.
- **Mobile vendors** (22%) include food trucks and food carts that offer fresh food-to-go.
- **Chefs or caterers** (5%) include users offering foodservice for private events.
- **Farmers and fishermen** (8%) include those who want to add value to raw inputs they grow, raise, or harvest themselves.
- **Other** (30%) includes those that want to offer cooking, nutrition, or entrepreneurship classes.

A total of 54% are interested in offering onsite food service to customers in a food hall environment.



"Part of my retirement plan includes exploring opportunities to cater small events. I had catered in the past but was unable to manage a full-time job and what started out as a hobby which grew very quickly!"

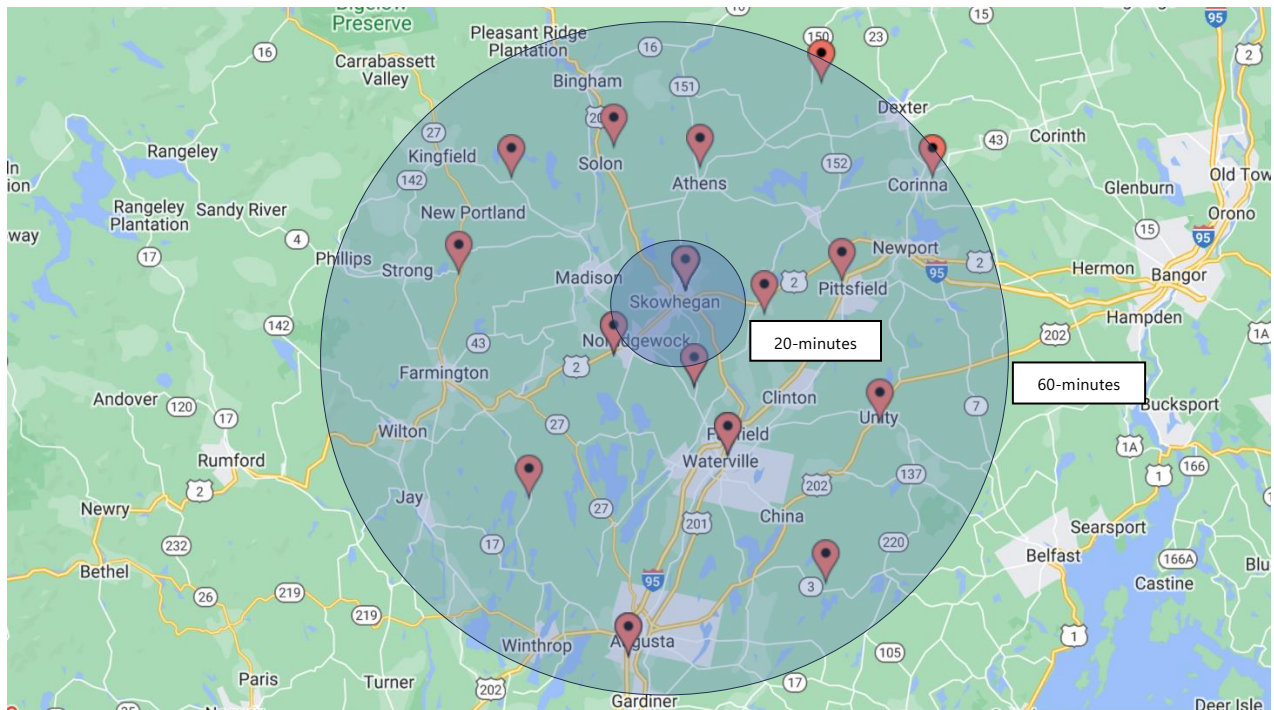
Local producer

**Business mix.** Of businesses interested in the Kitchen, 24% are still in R&D, 21% hope to launch in 6-12 months, and 36% are in production. Another 18% are established food businesses that plan to develop a new product line. Thus, 45% are startups and 55% established, offering great potential for creating a collaborative environment where entrepreneurs can learn from each other.

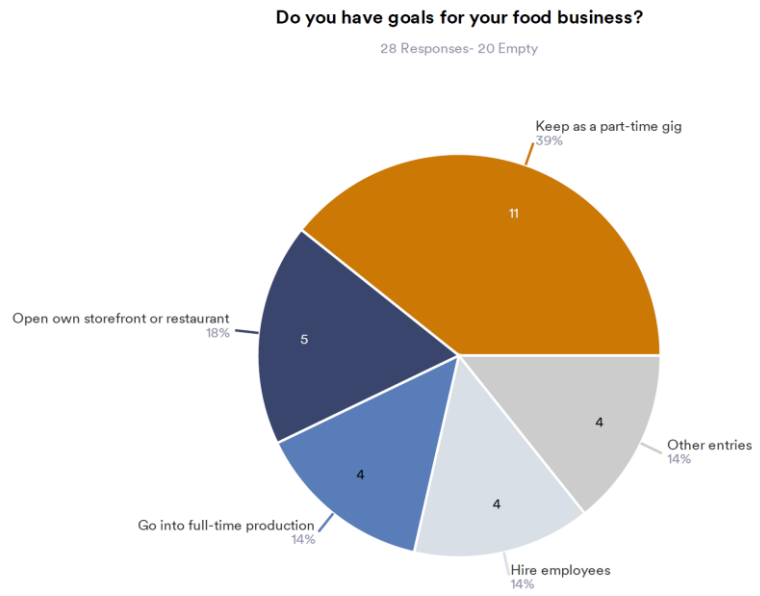
## Geographic Catchment Area

Potential users of The Kitchen provided 31 zip codes to identify locations where they live and/or work. The following map illustrates the distribution radius of respondents: 39% were based in Skowhegan, 55% within a 20-minute radius of Skowhegan, and 100%, within a 60-minute radius of Skowhegan. Only one zip code per location was mapped. Thus, The Kitchen would attract users from a 60-minute radius.

Radius of Potential Users by Drive Time



**End game.** When asked about goals for their business, 39% of entrepreneurs expressed an interest in keeping their enterprise as a part-time gig, while 61% articulated a preference for scaling, including opening their own storefront or restaurant (18%), hiring employees (14%), and going into production full-time (14%). The *other* category included becoming a regional or national brand, selling to a third party, and co-packing (4%). Thus, 57% prefer to scale by retaining control of their business.



"I've produced jams, jellies, preserves, relishes, chutneys, sauces, spice blends and baked goods for sale since 2011 in the space I've been using, however, recently access to the space has been unreliable... When I arrive there's nobody present and nobody shows up, coupled with zero telephone or text responses." Local producer

**Current production.** Of those in production, 26% operate from a licensed home kitchen while 26% are actively looking for space. Six were *unsatisfied* or *very unsatisfied* with their place of production for the following reasons: limited kitchen space; lack of equipment, such as a freezer; license limits the types of products that can be made, e.g., only shelf-stable; geographic distance between home and kitchen; and limited space for events, outdoor dining, and/or parking.

## Product line

Nationwide, the top 10 products developed at shared-use commercial kitchens include ready to eat foods, baked goods, prepared meals, condiments, chocolates, pickled/fermented foods, vegan products, and nuts/seeds/snacks.<sup>3</sup> Locally, interests of potential users align with national trends. These product lines have important implications for the equipment, layout and design of the kitchen.

**Baking** demands an environment with humidity control. Access to a blast chiller will not only help producers preserve the freshness of final products but enable them to stock up on inventory for large events, such as festivals and holidays.

**Meat, fish, or poultry** products wholesaled to markets require both the producer and the facility to be USDA-certified, even if the final product includes USDA-inspected meat. In addition, the equipment must be dedicated to meat production, not shared with other products. Finally, the facility



must dedicate an office for occasional use by the USDA inspector.

**Fruits and vegetables.** Low acid foods are those with a finished pH>4.6 and a water activity>0.85. While canning is a popular method of home preservation, products for sale that exceed this threshold must be processed in a commercial kitchen using a steam retort system.

**Beverages.** Without hot or cold pasteurization, beverages have a limited shelf life.

#### What is your product line? Check all that apply.

Bakery goods	18
Condiments	8
Fruits & Vegetables	6
Meat, poultry, & fish	6
Catered, fresh, or prepared meals	5
Beverages	4
Gluten-free	4
Fermented	3
Dairy	3
Other	11

**Gluten-free certification** requires dedicated equipment with physical separation from other producers.

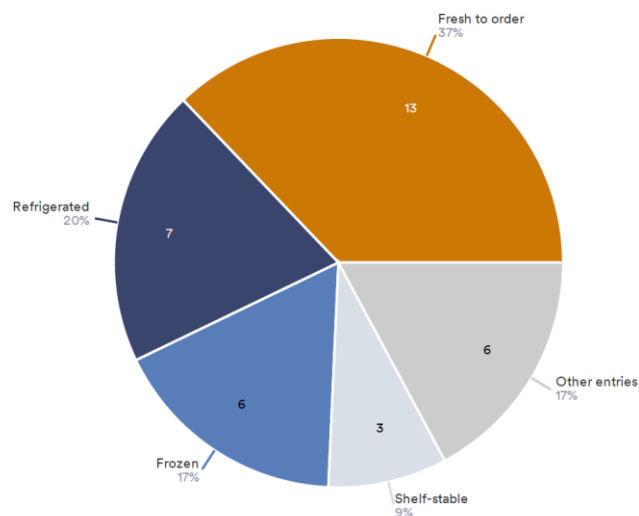
**Fermentation** demands a temperature-controlled environment that allows microbes to perform their magic. Alcoholic beverages require additional hurdles, including appropriate state and Federal licenses as well as production in a bonded facility.

**Dairy** demands a temperature-controlled environment with dedicated equipment not shared with other food products.

#### In what format do you plan to offer your products?

35 Responses- 3 Empty

**Product Format.** Most producers plan to offer food fresh to order (37%). Other formats include refrigerated (20%), frozen (17%), and shelf-stable (9%). It is not unusual for producers to cross formats, such as a caterer offering fresh and frozen goods or a food truck bottling up its signature sauce. The *other* category includes recipe development, product testing, and meals prepared from cooking classes.



## Usage

**Seasonality.** In terms of seasonality, about half of potential users intend to operate year-round. This level of seasonality could be due to a variety of factors: the product line relies on Maine ingredients timed to coincide with the state's short growing season; the primary selling channel for the business is special events, such as weddings and festivals, which are more prevalent in the summer and fall; and/or the enterprise is a part-time venture for the owner. The busiest months are June through September, and the leanest months, January through April. A total of 49% anticipate using the kitchen for 2-4 hours per session, 28% over 4 hours, and 23%, less than 2 hours per session.

**Time of Day.** In terms of daily usage, the busiest time would be 8AM-12PM on weekdays, followed by an even spread throughout the rest of the day, including 12PM-4PM, 4PM-12AM, and 12AM-7AM. Weekend usage is projected to be sparse, which provides the opportunity to offer either discounted rates, provide co-packing services, or offer special events, such as pop-up restaurants, makers markets, and/or cooking classes. Indeed, 66% would like to use kitchen for special events and classes.

Months	Number
Operate year round	20
January	3
February	3
March	2
April	2
May	5
June	8
July	10
August	10
September	9
October	6
November	7
December	7

Time of Day	Number
8AM-12PM weekdays	11
12PM-4PM weekdays	6
4PM-12AM weekdays	7
12AM-7AM any day	6
Weekends only	3
Special events	1
Unsure	3

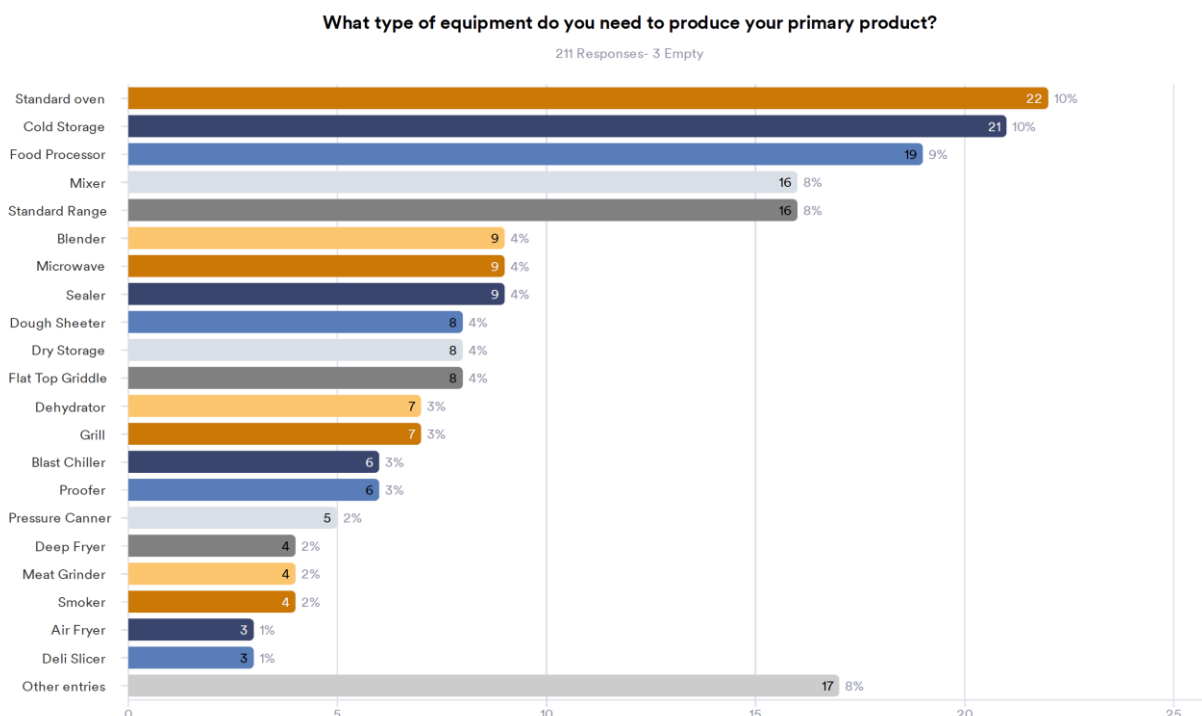
## Equipment

**Equipment.** Nationwide, over 50% of shared-use commercial kitchens offer refrigerators, freezers, ovens, stoves, grills, mixers, microwaves, and food processors along with more typical amenities like prep tables, sinks, shelves, utility carts, dishwashers, and cold and dry storage.

More specialized equipment desired by potential users of the Kitchen includes a vacuum or heat sealer (9), dough sheeter (8), flat top griddle (8), dehydrator (7), blast chiller (6), proofer (6), pressure canner (5), deep fryer (4), meat grinder (4), smoker (4), air fryer (3), deli slicer (3), and ice cream maker (3). The other category, which includes equipment desired by 1-2 producers, includes a continuous feed floor juicer, pasta drying rack, steam kettle, tilt skillet, conveyer belt pizza oven, and brewery equipment.

**Storage.** In addition to equipment access, 80% desire dedicated storage for their ingredients, utensils, and equipment, and 20%, none. A total of 39% desire cold storage, 26% dry storage, and 25% freezer storage. Ten percent do not anticipate having any storage needs.





**Food Truck Amenities.** The survey was distributed to mobile vendors within a 60-minute radius of Skowhegan, including food trucks and food carts. In total, five mobile vendors expressed interest in renting space at the Kitchen. In addition to prep space, cold storage, and dry storage, mobile vendors may desire additional amenities that other types of users do not need, such as a dish pit, electrical hook-up, freshwater fill-up, greywater disposal, secure overnight parking, and bagged ice. Of the atypical amenities, the freshwater fill-up, electrical hook-up, and greywater disposal were either *must have* or *nice to have* amenities desired by at least 50% of respondents.

**If you are a food truck, what additional amenities do you need?**

	Must have	Nice to have	Not necessary
Freshwater fill-up	100%	0%	0%
Prep space	86%	14%	0%
Electrical hook-up	75%	25%	0%
Grey water disposal	50%	25%	25%
Cold storage	50%	33%	17%
Secure overnight parking	33%	50%	17%
Dish pit	25%	25%	50%
Bagged ice	20%	60%	20%
Dry storage	0%	80%	20%

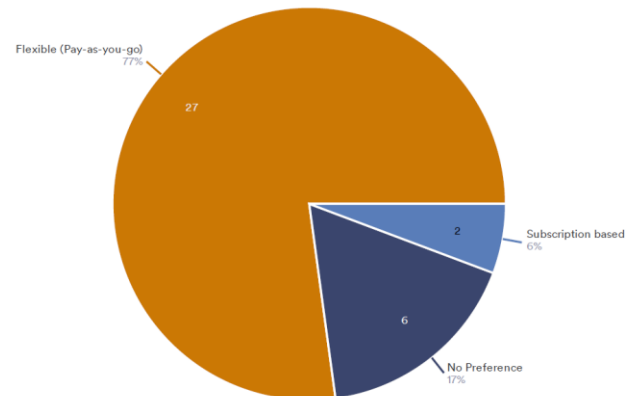
## Rate Structure

**Pricing Models.** Nationwide, 63% of the revenue generated from shared-use commercial kitchens comes from leasing space to businesses. One third of kitchens also lease dedicated full-time production space to businesses. Furthermore, 70% of kitchens rely on a monthly membership fee versus an hourly rate to generate the bulk of their revenue. Below are several variations of this pricing model.

- **Off-Peak versus Peak:** Discounted hourly rate for off-peak hours such as evenings and overnights.
- **Member versus Non-Member:** All-inclusive rate for a flat monthly fee.
- **Startup package:** Bundle of services at a limited number of hours for 3 months.
- **Type of Use:** Differential rates for cold prep versus hot prep.
- **Volume Discount:** Discounted hourly rate for regular usage, e.g., \$25 per hour for 20 hours per month versus an hourly rate of \$35 per hour.
- **Minimum Rental:** Minimum usage, such as requiring 4 hours per day or 20 hours per month.
- **Dedicated space.** Monthly fee for a private space not shared with others.

When asked about the rate structure, 77% of respondents preferred a flexible hourly rate while 17% expressed no preference, and 6%, a flat monthly fee.

Would you prefer a flexible rental plan (pay-as-you-go) or a subscription based plan?  
35 Responses- 4 Empty



**Willingness to Pay (WTP).** Potential users are WTP the following rates for kitchen access.

- **Hourly:** 82% are WTP \$20-\$30 per hour
- **Monthly:** 45% WTP <\$400, 29% WTP \$400, and 26% WTP \$500-\$1,000
- **Extra storage:** 82% are WTP an additional fee of up to \$20 per month
- **Dedicated space:** 93% do not need dedicated space

### Comparison of willingness to pay with regional and national averages

	National (incubator)	Fork Food Lab (incubator)	Waterville (real estate)	Skowhegan
Hourly rate	\$25	\$30		\$25
Monthly P/T rate		\$720		\$400
Monthly F/T rate	\$1,775	\$1,200	\$1,600	
Annual rate	\$21,300	\$14,400	\$19,000	

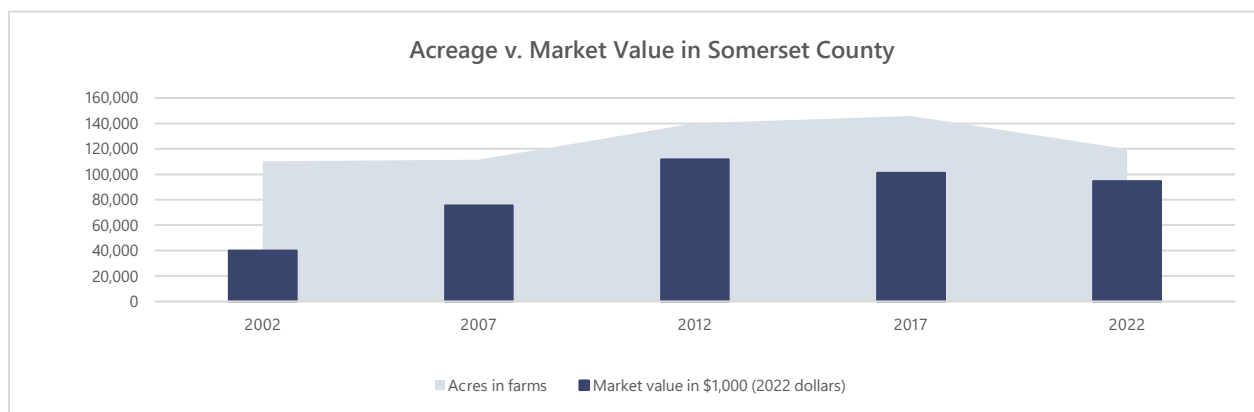
## Surplus Product

**Market Value.** Somerset County is home to 528 farms on 119,646 acres that generate \$94.5 million in agricultural products, which represents 11% of Maine's harvest. The median farm size is 50 acres, with average net income of \$72,399, compared to the state average of 58 acres and \$35,935, respectively. Since 2017, the number of farms has increased 13% while acreage has declined 18%. However, over the last 20 years, both the number of farms and total acreage is up 5% and 9% respectively. This growth, coupled with a net farm income up 25%, even when adjusted for inflation, is an indicator of vitality. In

addition, the region's market value for all agricultural products has increased 137% since 2002, growing from 5% of Maine's harvest to 11%. Livestock products, including eggs, milk, beef, pork, and poultry, generate one third of the region's market value. While Somerset County also harvests grains, fruits, and vegetables, values are suppressed by the USDA due to the small number of producers.

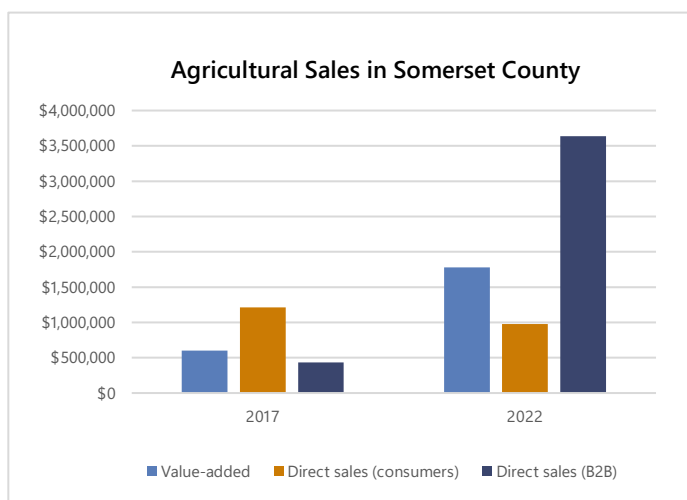
"I think the fundamental problem is marketing Maine goods to Maine consumers...It seems that many people continue to buy vegetables in the summer from grocery stores. That produce is from away. They don't understand. If that problem could be solved that would be a big win."

Local farmer



Source: National Agricultural Statistics Service, US Department of Agriculture

**Sales channels.** Another bright spot is the type of sales. By cutting out the middleman, direct B2B and B2C channels provide a higher margin of return to farmers than wholesale. While B2C has declined 20%, B2B sales have increased seven-fold. In addition, value-added production has doubled, which could be a sign of demand for a commercial facility like The Kitchen at 185.



Source: National Agricultural Statistics Service, US Department of Agriculture

**Food loss.** Food loss refers to products left in the field, unharvested, due to market glut, labor shortage, weather, storm damage, and/or quality. An audit of 123 fields for 20 hand-harvested crops in California found that 33.7% of crops were unharvested and relegated to food loss.<sup>4</sup> A similar study of 58 farms in Vermont found that 34% of vegetables considered edible go unharvested.<sup>5</sup>

"As a gleaning organization, we are interested in using or renting space to process excess foods from farms and distributing it to community meal programs." Local service provider

With access to a facility like The Kitchen, these products can be lightly processed, preserving them at the peak of ripeness for year-round markets such as schools and hospitals. One model is the Western Mass Processing Center in Greenfield, Massachusetts. Since 2001, they have provided co-packing services to help farms produce shelf-stable, acidified, and frozen foods from surplus crops. To simplify production, the center has developed 12 recipes for such common crops as tomatoes, apples, cucumbers, and root vegetables, taking responsibility for processing, bottling, labeling, and packing. One full day is charged at \$2,500, with a 4-hour minimum but no minimum batch size.

Nationally, just 5% of shared-use kitchens offer co-packing services. Rates are priced per unit or as a flat rate per day. In Maine, co-packers include the following:

#### Co-packing facilities in Maine

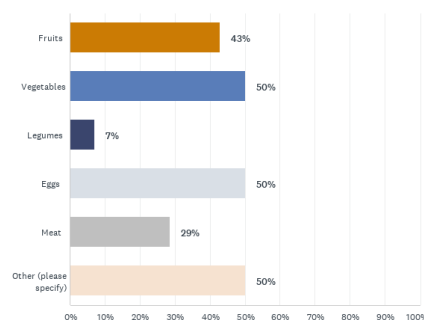
Facility	Location	Specialty	Distance
Colvard Sausages	Ellsworth	Custom sausage	80 miles
DennyMike's	Westbrook	Dry spices	96 miles
Gagne Foods	Bath	Frozen laminated dough	75 miles
Fork Food Lab	South Portland	Produce	94 miles
Maine Food Group	Brunswick	Produce, sauces, condiments	66 miles
Pemberton's Gourmet Foods	Gray	Sauces & condiments	83 miles
Schlotterbeck & Foss	Westbrook	Sauces & condiments	95 miles

About 100 farms located within a 60-minute radius of Skowhegan were surveyed regarding their interest in adding value to surplus product. Due to time and labor limitations, the survey was distributed only to farms with emails visible on their website, social media, and/or Real Maine.

**Tenure.** Respondents included 12 farms in Franklin, Kennebec, Somerset, and Waldo counties. Over half, 58%, have been in business 10 years or less, and 43% over 10 years.

**Products.** Respondents offered a variety of products, including vegetables (50%), eggs (50%), fruit (43%), meat (29%), and legumes (7%). Other products include maple syrup, herbs, and honey. No respondents produced milk or grains.

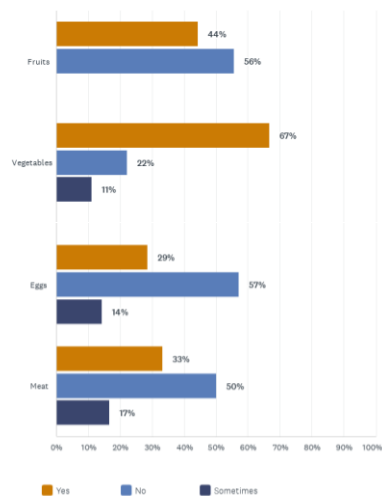
Q5 What types of products do you raise and/or harvest for human consumption?



**Surplus.** Respondents reported that they always or sometimes had a surplus of the following products: 44% reported surplus fruit (200 pounds), 78% reported surplus vegetables (1,300 pounds), 43% reported

surplus eggs (100 dozen), and 50% reported surplus meat (1,500 pounds). Primary reasons for surplus include lack of storage (fruits, vegetables), labor shortage (vegetables), market glut (eggs, vegetables), quality (fruit, meat), and no return on investment (meat, eggs). Respondents reported that surplus fruits and vegetables are either left in the field or composted while meat and eggs are donated.

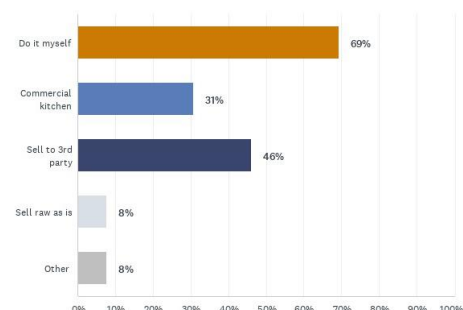
Q6 In a typical year, do you have surplus products that are left unharvested or unsold?



"I do not generally create a surplus but when I do it is often less sought after products such as beef soup bones and chicken backs. The shelters I have contacted have no use for things which need more input to use [for] making soup stock. I'm always open to third parties looking for the base products to turn into their own value-added products!" Local farmer

**Markets.** Two thirds of respondents reported that they had markets for this surplus product, including B2C (64%), B2B (36%), and institutional (21%). To take advantage of these markets, 69% would prefer to add value to their surplus on their own farm, while 31% would consider using a commercial kitchen. A total of 46% sell to a third party for a fair return.

Q11 Are you interested in adding value to your surplus?



Somerset County harvests ~\$2 million in fruits and vegetables on ~400 acres. By applying food loss statistics from other studies, the county generates an estimated 370,000 pounds of fruits and vegetables that are edible but unharvested. Thus, this survey describes just a fraction of potential demand, capturing a modest level of interest in adding value to surplus. Similar projects in the state, such as Maine Harvest and Farms for Food Equity, focus on adding value to products from a core group of farms, which facilitates predictability. If such a pilot is successful, it could then be scaled regionwide, capturing demand from farms within a 60-minute radius. Value-added products could be developed for six distinct markets:

- 1) **Access:** Farms use the Kitchen to add value to their own products.
- 2) **Affordable inputs:** Entrepreneurs make value-added products from surplus inputs.
- 3) **Kitchen brand:** Kitchen staff buy surplus inputs to produce a Skowhegan-branded product.
- 4) **Co-packing:** Kitchen staff co-pack for farms, producing private label goods.
- 5) **Institutions:** Surplus is sold to schools, hospitals, and other institutions that value local.
- 6) **Food security:** Gleaners preserve surplus inputs for distribution to food banks and pantries.

Specialized equipment is essential for efficiently processing large volumes of fruits and vegetables into soups, stews, and purees. To that end, The Kitchen might consider the acquisition of the following types of equipment:

- **Peeler** to remove skins
- **Chopper** for dicing fruits and vegetables
- **Mixer** for processing products into purees and liquids
- **Steam-jacketed kettle** for cooking soups and stews
- **Filler** to place products into containers
- **Blast chiller** to preserve products following processing

In addition, The Kitchen might consider acquisition of highly specialized equipment largely inaccessible to small businesses due to their high acquisition cost:

- **Dehydrator**, which can be used to dry products into chips, pasta, jerky, and other preparations.
- **Extrusion machine**, which is used to form and shape pasta, cereal, and other grain-based products.
- **High pressure processing**, which achieves the work of pasteurization without the use of heat, maximizing quality and nutrition.

## Key Takeaways

**Users:** Potential users of The Kitchen at 185 include producers of consumer-packaged goods, mobile vendors, chefs and caterers, and farmers within a 60-minute radius, plus service providers offering workforce, culinary arts, and entrepreneurial programming.

**Goals:** 61% of entrepreneurs expressed interest in scaling their ventures, including hiring employees, going full-time, and opening their own storefront or restaurant.

**Stage of development:** Potential users are evenly split between startups and established businesses, creating a fertile ground for collaboration.

**Frequency:** Usage would be concentrated in the morning from 8AM-12PM, then spread evenly throughout the day. About half of producers plan to operate year-round.

**Product lines:** Baked goods represent the top product line of interest, followed by condiments. Over one third will be offered fresh while another third requires a cold chain.

**Food Trucks:** Mobile vendors require atypical amenities: 50% desire access to a freshwater fill-up, electrical hook-up, and greywater disposal in addition to prep space and cold storage.

**Fee structure:** The majority of potential users prefer an hourly rate versus a membership fee.

**Willingness to Pay:** Businesses are willing to pay \$20-\$30 per hour, consistent with the national and local average. On a monthly basis, businesses are willing to pay \$400-\$1,000, with the low end representing 25% of a commercial lease.

**Agriculture:** Somerset County generates 11% of Maine's harvest, with market value, acreage, and farms up over the past 20 years. Livestock products account for one third of market value.

**Surplus:** Somerset County generates ~370,000 pounds of surplus produce. Twelve farms in 4 counties are interested in adding value to surplus, with 31% willing to use a commercial kitchen.

**Markets:** Markets for surplus products include institutions, private label clients, food security agencies, and The Kitchen users.

**Equipment:** Specialized equipment is essential for efficiently processing large volumes of fruits and vegetables into soups, stews, and purees.

## MARKET SUPPLY FOR SPACE

### Home Kitchens

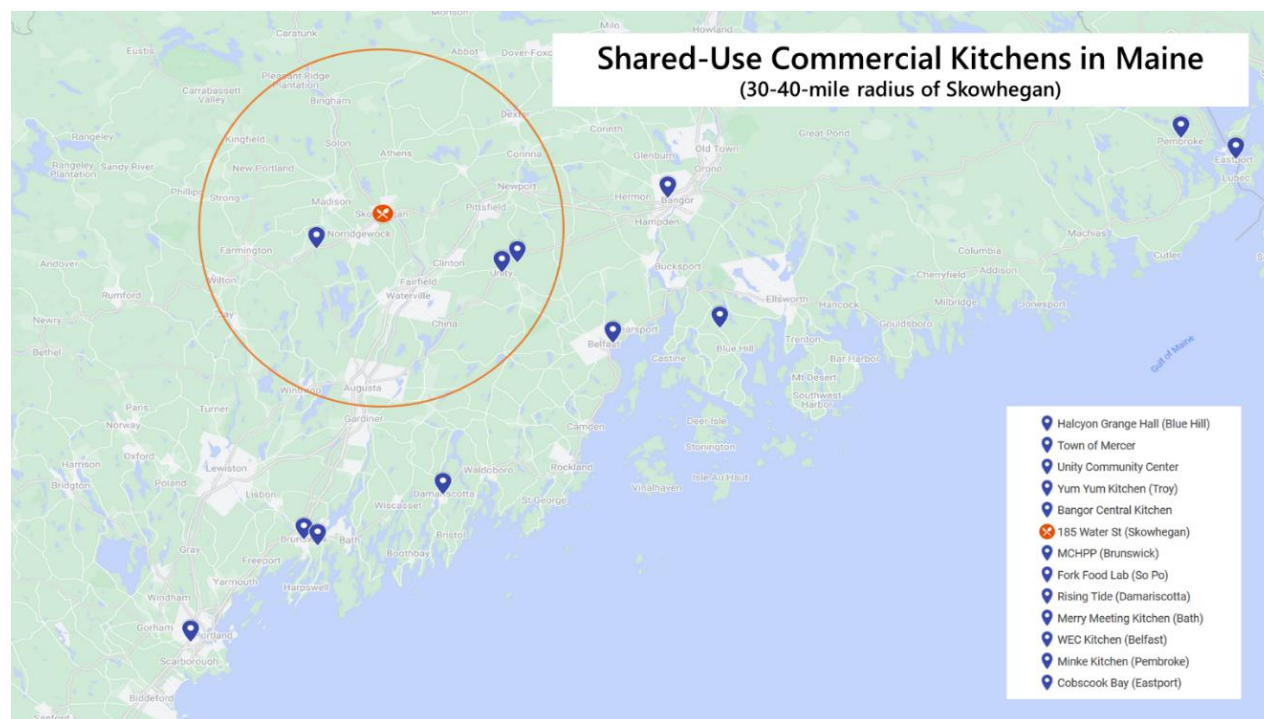
Dreams begin at home. Over 1,700 residents hold a state license to process food at home. Products must be shelf stable, while those requiring a cold chain must be produced in a commercial facility. Twenty percent of Maine's home kitchens are located within a 60-minute radius of Skowhegan. All of these producers were invited to participate in The Kitchen survey. Of 30 potential users, one third produced food at home. Over 40% were *unsatisfied* with the arrangement due to limitations on both space and the types of goods they can produce. Thus, home kitchen producers represent a viable potential market of users for The Kitchen.

"It is very limiting on the type of food that I can provide consumers since it is a home kitchen and not a commercial kitchen. The limitations on food makes it hard to raise money for my own commercial kitchen build. The closest commercial space that I have found is in Portland and that's not feasible since it is 2 hours away and not near any events that I would serve."

Home producer

### Commercial Kitchens

Another option for producers are community kitchens that actively market their availability on the Internet. Three facilities are located within a 45-minute radius of Skowhegan.





Operating details of these facilities are described below.

- **Multi-uses:** Two facilities are community centers that also offer function space.
- **Square Footage:** Kitchens range in size from 325 to 500 square feet.
- **Rates:** Rates range from \$25 to \$30 per hour.
- **Simultaneous users:** All kitchens can accommodate only one user at a time.

### Community Kitchens within 45 minutes of Skowhegan

	Mercer Community Center	Unity Community Center	Yum Yum Kitchen
Ownership	Municipal	Non-profit	For-profit
Location	1015 Beech Hill Road Mercer, ME 04957	32 School Street Unity, Maine 04988	133 Back Troy Road Troy, ME 04987
Contact	(207) 587-2911	(207) 948-9005	(207) 948-3500
Website	mercermaine.com	unitybarnraisers.org	yumyumkitchen.net
Miles from Skowhegan	13	30	30
Type of facility	Community Center	Community Center	Residence
Kitchen size	400 SF	325 SF	500 SF
Maximum users	1	1	1
Rates	Long term lease Negotiable rent	\$25 per hour	\$30 per hour \$200 per day
Extra cost		Function hall Storage at \$30/month	Storage
Other features	24/7 access		24/7 access
Amenities			
Storage	Double Refrigerator Freezer	Refrigerator Freezer	Refrigerator/Freezer
Prep	Stainless steel island	Limited prep space	4 Work areas Baking rack
Production	Gas stove -4 Burners -2 Griddles Warming station	Gas stove (2) Grill Microwave Stand mixer Small mixer	Convection oven Stand mixer Vitamix Magical butter machine
Sanitation	1 three-bay sink 1 handwashing sink	1 three-bay sink Dishwasher	1 three-bay sink

Given the market supply, The Kitchen can offer several features that distinguish it from community kitchens, including the capacity to:

- **Accommodate more than one user at a time**, leading to the creation of a shared learning environment. Nationwide, shared-use kitchens host a range of 10-19 users. Half can accommodate up to four users at a time.
- **Accommodate complementary food uses**, such as co-packing. Nationwide, 18% of shared-use kitchens have as their primary mission, *strengthening the local food economy*.
- **Offer 24/7 access**. Nationwide, 87% of shared-use kitchens offer 24/7 access to the facility through keypads, fobs, physical keys, lockboxes, and other means.

- **Provide walk-in cold and dry storage.** Nationwide, 32% of the floor space at shared-use kitchens is devoted to storage, including dry (17%), refrigerated (9%), and frozen (6%). This is typically provided only to kitchen users.
- **Centralized access.** Bangor Central Kitchen would be the largest shared-use kitchen in Eastern Maine, and Fork Food Lab in South Portland, the largest in Southern Maine. Thus, Skowhegan could fulfill this role for Central Maine.

## Commercial Real Estate Market

Another competitor for kitchen space is commercial real estate. The gulf between producing “for free” at home and securing a commercial space can be hundreds of thousands of dollars. First, a monthly lease requires a long-term commitment measured in years. Second, renovation of space for food production demands leasehold improvements, such as floor drains, grease traps, range hoods, washable ceilings, ventilation, floor pitching, and fire protection. Because improvements must be made before any sales revenue can be generated, a lease necessitates a commercial loan. In addition to lease expenses, utilities, trash removal, and other expenses are extra.

“Retail has been a constant here in Maine—consistent and predictable—and resilient in the face of e-commerce and the “Age of Amazon.” In fact, the driving force behind Maine’s retail economy: Mainers still prefer to get out and shop, in-person, at brick-and-mortar locations, as opposed to shopping solely online. Grocery stores, retail shops, banks, and QSRs are all capitalizing from this trend, which is contributing to the success of the sector.”

Joseph Italiaander, The Boulos Company

With robust downtown revitalization efforts underway in both Waterville and Augusta, the demand for small retail spaces of <2,500-square feet is high, with average rents at \$13.78 per SF and average purchase prices at \$203 per SF.<sup>6</sup> Below is a snapshot of the smallest retail properties available for lease during the week of March 4, 2024. Annual lease rates for these spaces range from \$14,000-\$24,000.<sup>7</sup>



36 Main Street  
Waterville  
1,100 SF at \$21.83 per SF

24 Lawrence Avenue  
Fairfield  
1,144 SF at \$10 per SF

156 Water Street  
Hallowell  
1,500 SF at \$18.50 per SF

Lack of available space, combined with the extraordinary cost of leasing, keeps enterprises from scaling up and out of their home kitchens. But these market conditions could also promote the role of The Kitchen as an affordable midpoint in the journey from basements, barns, and kitchens to storefronts, restaurants, and production facilities.

Before beginning production, most incubators require liability insurance, ServSafe certification, and a state and local license. This threshold is far easier to manage than the risk of a commercial loan. Thus, a fully renovated and permitted space at The Kitchen would not only lower the entry cost to food production but enable users to produce food on day one of their membership or tenancy. By starting cheap and failing (or succeeding) fast, these enterprises can build a strong local following, track record, and capital that enables them to scale into the local commercial real estate market.

"The retail rental market in the Augusta-Waterville MSA presents a dual narrative, with downtown areas experiencing rejuvenation and outlying regions struggling with high vacancy rates. While vacancy is lower in downtown retail space, it is also noted that rental rates in the downtown areas are also dramatically lower. This is likely due to historically high vacancy rates in most of the downtown areas within the market area with the exception of Hallowell." Core Market Advisors

## Key Takeaways

**Competition:** Competitors for kitchen space include home kitchens, commercial real estate market, and community kitchens in the region.

**Home Kitchens:** There are ~375 licensed home kitchens within a 60-minute radius of Skowhegan that form a likely market of potential users.

**Commercial real estate:** The availability of small retail spaces < 2500 SF in the Augusta-Waterville market is tight, with average prices at \$13.78 per SF for lease and \$203 per SF for purchase.

**Risk:** Securing a commercial space requires a long-term lease commitment, leasehold improvements, and extra costs for building expenses – all before a food business can begin generating any revenue.

**Entry barrier:** By comparison, users of The Kitchen at 185 could begin selling on day one.

**Community kitchens:** There are three community kitchens within a 45-minute radius of Skowhegan which permit only one user at a time.

**Competitive advantage:** Compared to other facilities, The Kitchen at 185 can accommodate more than one user at a time, offer complementary food uses, such as co-packing, provide 24/7 access, and offer walk-in cold and dry storage.

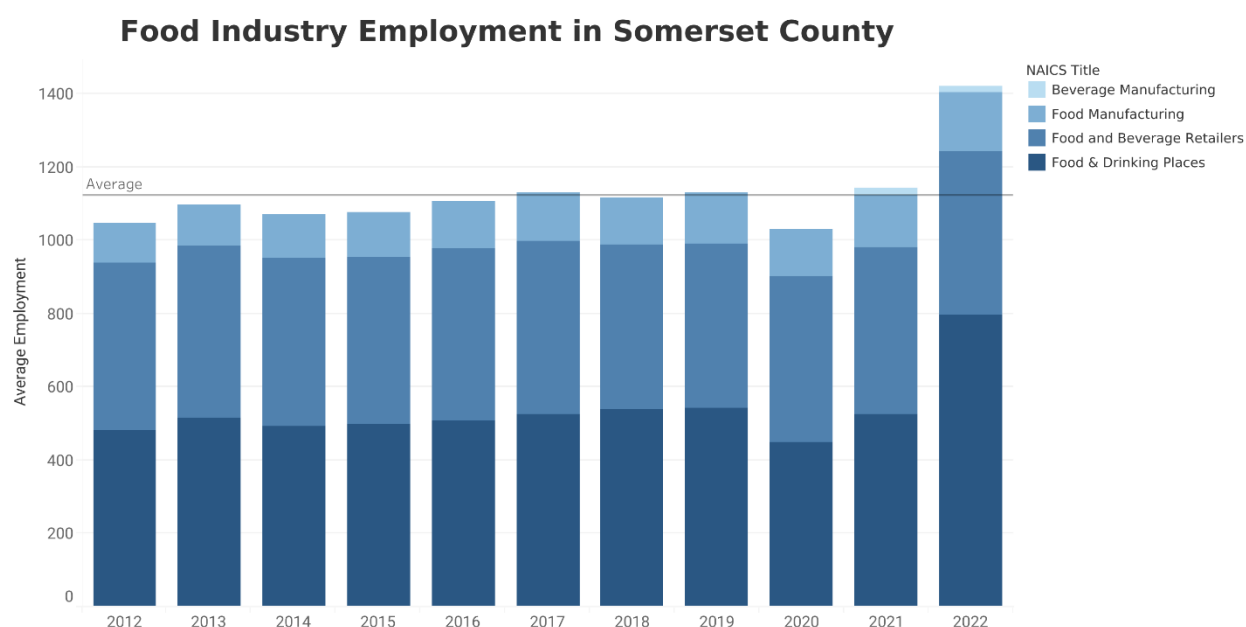
# FOOD INDUSTRY

## Employment

A labor market area (LMA) is defined by the distance that people are willing to commute to work and live in the same area. As mills throughout the state have shuttered, many small towns have been gobbled up into nearby metropolitan areas as workers commute to cities to find work. Despite a decline in manufacturing, Skowhegan remains the center of a vast LMA, which encompasses virtually all of Somerset County, stretching from Fairfield to the Canadian border, a distance of 100 miles.

The primary market for The Kitchen are workers in the Skowhegan LMA. Employers compete for the time and talent of potential entrepreneurs as many people begin producing food as a side hustle before deciding to quit their day job to devote to full-time production. While not every food entrepreneur is a chef with a dream, some of these competing employers are in the food industry.

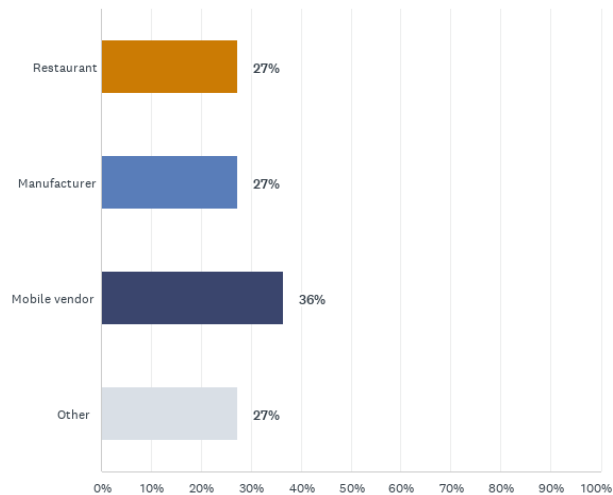
The food industry in Somerset County is comprised of 1,422 jobs, which represents 25% of the region's employment. The food industry is comprised of food and beverage manufacturing (13%), food retailers (31%), and eating and drinking establishments (56%). Over the past 10 years, the industry has grown 36%, compared to a 17% decline for employment in all sectors. From a low of 1,033 jobs during the pandemic, the industry has roared back in just two years, posting 38% growth. Anchored by Maine Grains, Gifford's Ice Cream, and three new breweries, the region's food and beverage manufacturing sector has increased 68% since 2012. The opening of new restaurants also boosted employment in the region's eating and drinking establishments by 65%. Thus, the region's food scene is growing faster than the region's economy as a whole. This success can serve as a source of attraction that inspires food workers and non-food workers alike to consider food entrepreneurship as a career option and a path toward economic mobility.



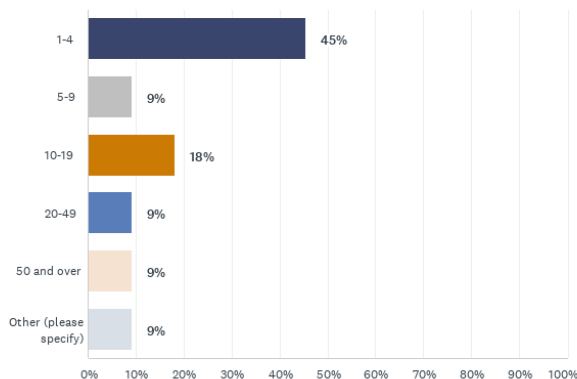
Source: Maine Department of Labor

#### Q1 What type of establishment are you?

**Survey results.** Food establishments within a one-hour radius of Skowhegan were surveyed regarding their workforce needs, including restaurants, caterers, mobile vendors, cafeterias, manufacturers, food stores, and lodging establishments. A total of 11 establishments responded, including restaurants, manufacturers, mobile vendors, cafeterias, and farms. Respondents were evenly split by location with one third in Skowhegan, one third elsewhere in Somerset County, and one third, outside the county. A total of 82% of establishment operated year-round.



#### Q5 How many full-time equivalent employees do you have?



**Size.** Over 90% of respondents were small businesses with less than 50 employees. The largest segment, 45%, were microenterprises with 1-4 employees, while 55% had 5+ employees.

"Recruiting is hard in central Maine. Minimal candidates with any experience, plus about a 50% no-show on interviews scheduled when you do find candidates."  
Local restaurant

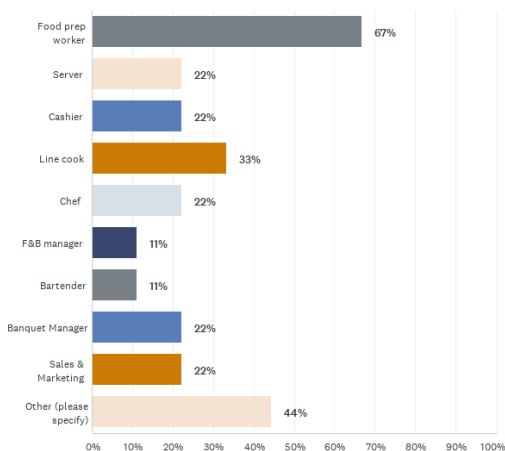
**Recruitment.** When asked whether they had had trouble recruiting employees, 70% *agreed* (50%) or *strongly agreed* (20%), while 30% were *neutral*. Top strategies used to recruit workers include employee referrals (64%), online platforms, e.g., Indeed (55%), own website (37%), store window (18%), and industry associations (18%).

**Retention.** Challenges in retaining employees include the following:

- 56% of workers unable to master soft skills
- 44% of workers unable to master hard skills
- 44% of business unable to offer competitive wages & benefits
- 22% Constant turnover

“Difficult to find qualified employees that have stability in their lives to manage work. Also difficult to recruit trained professionals to the region which still carries stigma- 'not enough of what I want here', 'I'll never meet other young people if I move here', 'I'll take your job if I can work from home and not move there.'”  
Local food producer

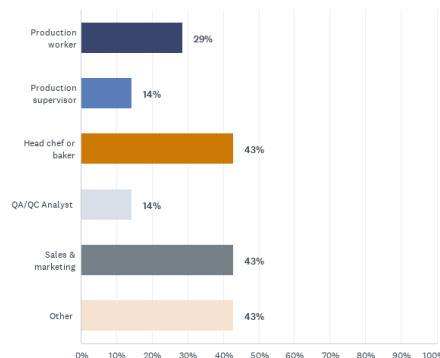
Q8 For what foodservice jobs do you face recruitment challenges?



**Food service.** Top food service jobs for which employers face recruitment challenges include the following: food prep worker (67%), line cook (33%), server (22%), cashier (22%), chef (22%), banquet manager (22%), sales & marketing (22%), food & beverage manager (11%), and bartender (11%). The *other* category included dishwashers and workers with mechanical and engineering skills.

Q9 Food production. For what food production jobs do you face recruitment challenges?

**Food production.** Top food production jobs for which employers face recruitment challenges include the following: sales & marketing (43%), head chef, baker, or brewmaster (43%), production worker (29%), production supervisor (14%), and QA/QC analyst (14%). The other category included general farm help.



### What hard skills do potential employees or new hires lack?

	Yes	No	N/A
On-the-job experience	80%	0%	20%
Food safety	60%	10%	30%
HACCP	22%	0%	78%
Mis en place	40%	0%	60%
Knife skills	40%	10%	50%
Machinery & equipment	40%	10%	50%
Batch making	60%	0%	40%
Menu planning	33%	0%	67%
Inventory management	60%	0%	40%
Technology	50%	50%	0%
Math skills	60%	0%	40%
Employee supervision	50%	0%	50%

**Hard skills.** Top hard skills in demand from employers include on-the-job experience (80%), food safety, e.g., ServSafe or HACCP (60%), batch production (60%), inventory management (60%), math skills (60%), and supervision (50%).

**Soft skills.** Soft skills are highly valued by employers. Over two thirds of respondents agreed that every soft skill identified was lacking in recruits and new hires, including customer service, work ethic, adaptability, communication, conflict resolution, teamwork, organization, time management, problem-solving, and leadership.

### What skills do potential employees or new hires lack?

	Yes	No	N/A
Customer service	67%	22%	11%
Work ethic	80%	10%	10%
Adaptability	80%	10%	10%
Communication	80%	10%	10%
Conflict resolution	80%	10%	10%
Teamwork	67%	22%	11%
Organization	80%	10%	10%
Time management	80%	10%	10%
Problem-solving	80%	10%	10%
Leadership	68%	11%	22%

### What strategies do you use to recruit and retain employees?

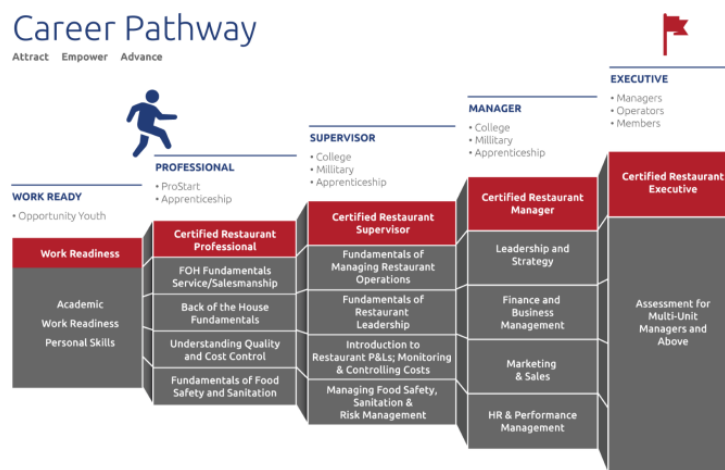
	Offer	Do not offer	Like to offer
Competitive wages	56%	11%	33%
Health insurance	11%	67%	22%
Retirement	38%	50%	13%
Paid time off	38%	50%	13%
Collaborative problem solving	89%	11%	0%
Safe work environment	100%	0%	0%
Positive workplace culture	100%	0%	0%
Mission-driven establishment	100%	0%	0%
Work/life balance	86%	14%	0%
Access to mental healthcare	14%	71%	14%
Opportunities for advancement	63%	13%	25%
Tuition reimbursement	0%	63%	38%
Childcare	0%	86%	14%
Transportation Assistance	25%	63%	13%
Housing Assistance	29%	57%	14%

**Benefits.** Businesses use a variety of strategies to retain employees. The most common are the intangible results of leadership, including the creation of a safe, positive, mission-driven culture that values employee autonomy and advancement. Businesses face a much tougher challenge offering tangible benefits, including competitive wages, health insurance, retirement, paid time off, childcare, tuition reimbursement, and transportation and housing assistance.



**Regional solutions.** The region's food industry has been targeted as a growth sector in a variety of long-range plans, including the Central Maine Workforce Development Board's *2022-2025 Strategic Plan* and the *Kennebec Valley's 2022-2027 Comprehensive Economic Development Strategy*. Given the urgent and diverse workforce needs of employers, the region might consider the following regional strategies:

1. **Create a reverse referral system for eligible workers.** The Central Maine Workforce Development Board (CMWDB) administers Federal funding from the Workforce Innovation and Opportunity Act (WIOA) in Androscoggin, Kennebec, Oxford, and Somerset counties. By Federal mandate, the workforce system serves the state's most vulnerable workers, including those who are women, low-income, basic skills deficient, single parents, immigrants, out-of-school youth, disabled, Veterans, formerly incarcerated, and/or dislocated workers. Potential food industry hires who fall into these priority populations can be referred back to the CMWDB for services such as On-the-Job training, a work-based model where employers hire workers missing some hard skills needed for the job. Over a 12-week training period, employers are incentivized to provide increased supervision through 50% wage reimbursement in exchange for decreased productivity. CMWDB provides access to case management for OJT hires, ensuring effective support during training and beyond to ensure retention. Priority populations are also eligible for wraparound services, such as childcare and transportation.
2. **Promote career pathways in the food industry.** Career pathways are the currency of today's workforce development system, referring to two levels of structure. At the macro level, a career pathway is a sector partnership that engages employers in the design, development, and funding of education and training programs in particular industries that are monitored to ensure effective performance. At the micro level, a career pathway is a progressive series of job titles within a particular industry where each step prepares the worker for advancement to the next level through education and training. Developing a sector partnership positions a region to compete for State and Federal funds for career pathways, which can support case management, life navigators, and wraparound services for the region's most vulnerable workers.

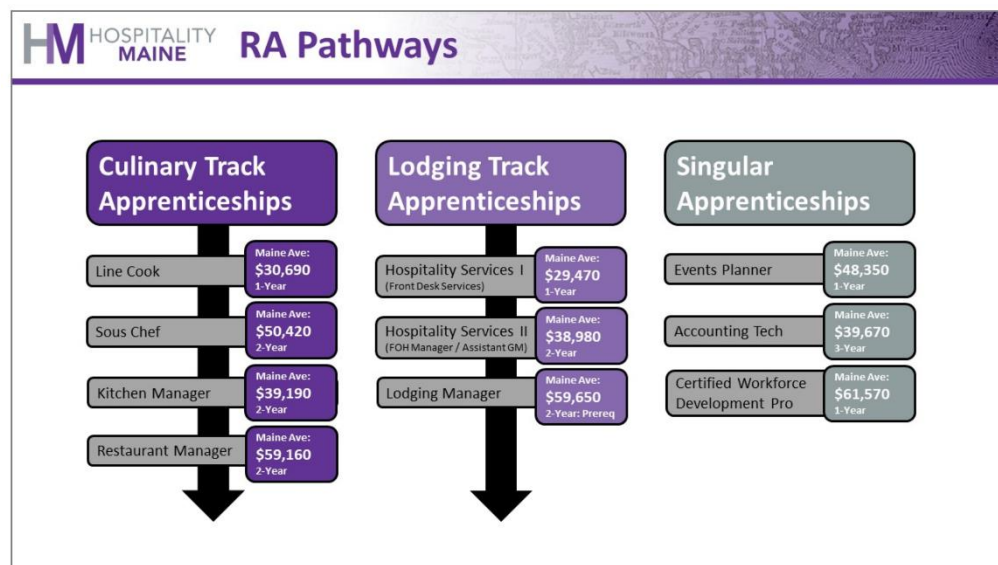


Source: Hospitality Foundation of Georgia



3. **Develop relationships with culinary schools.** Kennebec Valley Community College and Somerset Career and Technical Education both sponsor two-year programs in the culinary arts. Local employers can work with schools and colleges to become host sites for culinary externships, which provide on-the-job experience with a strong mentoring component.
4. **Apply to become a qualified training provider.** As they scale, businesses at The Kitchen are likely to hire in the future. Through strategies 1-3, The Kitchen can apply to the Maine Department of Labor to become a qualified training provider. Through referrals from CMWDB and culinary schools, students and workers can be “placed” at The Kitchen, where they can work for one business, rotate amongst the users, and/or serve as the “staff” for a co-packing service. Through on-the-job experience, trainees can earn stackable digital badges, which are described in strategy 7, demonstrating competencies in cooking, baking, batch making, and service. By qualifying as a training provider, The Kitchen is eligible for the trainee’s tuition voucher, which can pay for supervision, while the trainee becomes eligible for wraparound services to ensure their success. Following completion, businesses at The Kitchen and/or Skowhegan can be the first to interview graduates.
5. **Sponsor a hospitality apprenticeship or pre-apprenticeship.** Registered apprenticeships provide 2,000 hours of on-the-job training plus 144 hours of classroom instruction. HospitalityMaine, the trade association for Maine’s restaurant and lodging industry, has developed a registered apprenticeship program in the culinary arts that trains workers to become chefs as well as food & beverage managers. National data shows that once apprentices complete their program, these employees have a 92% retention rate.

Pre-apprenticeships are similar in nature but provide exploratory career experience of a less intensive nature, e.g., job shadowing. Successful pre-apprentices are guaranteed an employment interview with a HospitalityMaine member, and if accepted, qualify for advanced placement into a registered apprenticeship program.



Source: HospitalityMaine

6. **Provide customized cohort training.** Customized training is organized around hard skills proposed by an employer or consortium. Following recruitment, employers commit to 1) hire/pre-screen candidates so that trainees flow straight into a job, or 2) interview all candidates who complete training for available opportunities. The workforce system provides case management to trainees, ensuring effective support along the transition to employment. Such training could result in credit or non-credit certificates. The Maine Community College System has worked with Hospitality Maine to develop a culinary bootcamp in an accelerated 4-day format. Participants are paid for their time. After registering on Maine Job Link, graduates are available to be interviewed by HospitalityMaine members for current jobs in the industry. Competencies include ServSafe certification, basic knife skills, stocks and sauces, vegetable prep, protein prep for beef, pork, chicken, and seafood, and basic cooking skills, including sauté, grill, roast, poach, and braise. This bootcamp is also a registered pre-apprenticeship program.
7. **Provide short-term training for incumbent workers.** Incumbent worker training is a variation of customized training for the existing workforce of employers, with priority to entry-to-midlevel employees who can advance in place. Advancement can include a change in job title and/or compensation or an increased skillset that enhances their likelihood of progression. The workforce system works with employers to identify appropriate opportunities, e.g., digital badge, certificate, or degree completion, and to support employees as they navigate training. For example, the Maine Community College system has developed over 20 digital badges in the culinary arts from pastissier to customer service excellence. Digital badges are evidence-based micro-credentials awarded to students who demonstrate mastery of a set of competencies. Through a 50/50 cost sponsored by the Harold Alfond Center for the Advancement of Maine's Workforce, instruction can be provided by community college staff, a qualified contractor, and/or a manager of an established business approved as an adjunct instructor.

Through creative sectoral partnerships, the Skowhegan region can create a seamless continuum of training opportunities to build the food industry's workforce, including externship, pre-apprenticeship, apprenticeship, customized training, and short-term incumbent training. This ecosystem can help workers envision a pathway toward a bright future beyond their current job. As they advance along their career pathway, workers gain an increasing set of competencies accompanied by promotions, wage increases, and benefits. In addition, they may also choose to take a fork in the road to launch their own food enterprise.

## Key Takeaways

**Food industry.** Over the last 10 years, the region's food industry, which accounts for 25% of jobs, has grown 36%, far outpacing a 17% decline in other sectors.

**Workforce recruitment:** Food industry employers face challenges recruiting for food prep and production workers along with line cooks, head bakers, brewmasters, and chefs.

**Skills gap.** Hard skills in demand include on-the-job production experience as well as food safety, inventory management, technology, and math skills. Soft skills in every category are in demand.

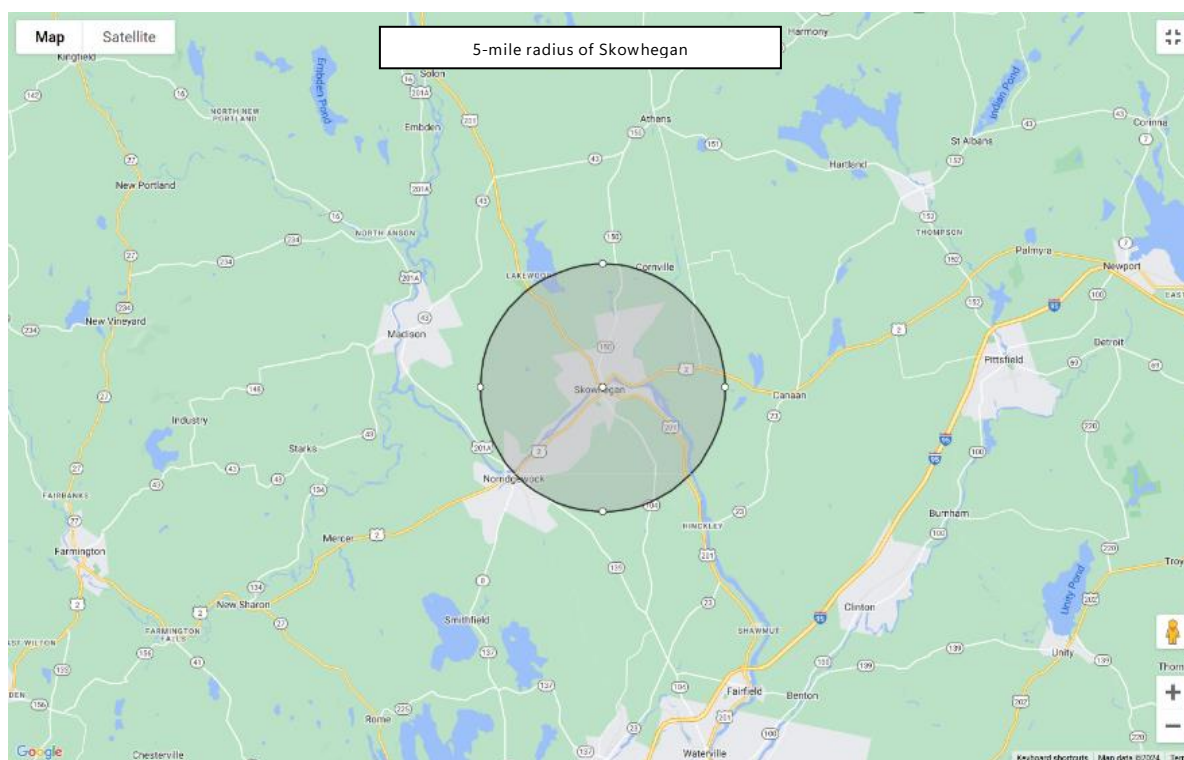
**Benefits.** While employers offer a safe, positive, mission-driven culture, they face challenges offering such tangible benefits as competitive wages, health insurance, and retirement.

**Regional solutions.** Through creative sectoral partnerships, the Skowhegan region can create a seamless continuum of training opportunities to build the food industry's workforce, including externship, pre-apprenticeship, apprenticeship, customized training, and short-term incumbent training. This ecosystem can help workers envision a future beyond their current job.

# MARKET DEMAND FROM CONSUMERS

## Trade area

With exceptions, food is classified as a convenience product that consumers will not travel more than 20 minutes to purchase. In fact, research shows that 93% of consumers typically travel 20 minutes or less to make everyday purchases.<sup>8</sup> Thus, the market of consumers within a 20-minute drive time of Skowhegan were mapped. This radius, which will be referred to as the trade area, includes all of Skowhegan plus portions of Canaan, Cornville, Lakewood, Madison, Norridgewock. This area is considerably small than the Skowhegan ESA, as the ESA encompasses retailers offering comparison goods, such as automotive, home goods, and specialty retail, for which consumers purchase less frequently and are willing to travel a greater distance.



A total of 10,176 consumers live within the trade area. These consumers earn a median household income of \$50,901, which is slightly less than the town or county, but 34% below the state.

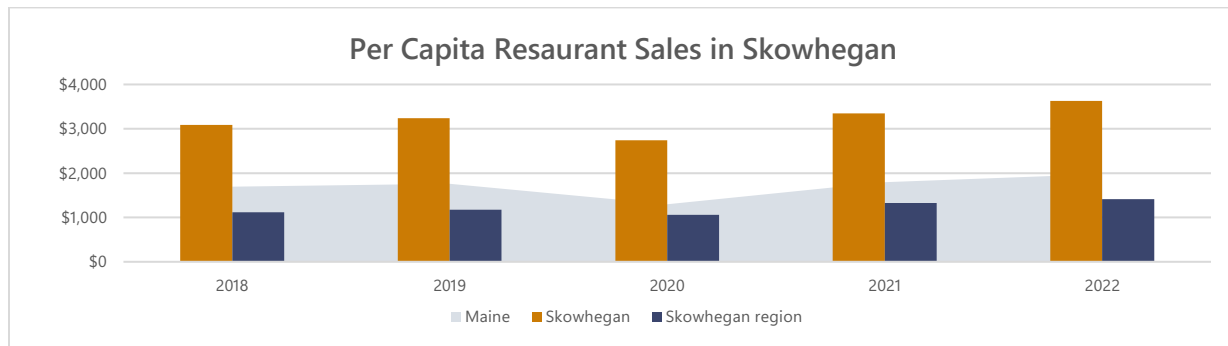
### Comparison of the trade area with the town, region, and state (2023)

	Trade Area	Town	County	State
Median household income	\$50,901	\$52,542	\$53,527	\$68,320
Median age	45.9	45.4	46.9	45.6
College Educated	25.7%	22.3%	19.7%	37%
Growth rate (2020-2022)	N/A	0.5%	1.2%	1.9%

Source: 2018-2022 American Community Survey<sup>9</sup>

## Restaurants

Another indicator of the food scene's vitality is sales at restaurants. Restaurant sales, however, are not differentiated between residents and tourists. To control for this difference, sales are compared on a per capita basis with Maine, the region, and the town. While the region is capturing only 66% of expected sales, Skowhegan more than makes up this difference, attracting 83% more than expected, even when adjusted for household income. This saturation not only attracts residents and visitors from outside the region but serves as a source of innovation, inspiring potential entrepreneurs to launch innovative food products and restaurant concepts.



Source: Maine Department of Labor

## Lifestyle characteristics

Tapestry Segmentation developed by Esri classifies U.S. neighborhoods into 14 LifeMode groups and 67 distinct consumer segments.<sup>10</sup> Characteristics include information on age, income, housing, occupation, and education along with consumer preferences around technology, shopping, entertainment, recreation, and civic involvement. Based on Tapestry Segmentation, 100% of the trade area can be classified into four distinct consumer segments. Findings include the following:

**Buy Local:** Two segments comprising 70% of the trade area – Small Town Sincerity and Heartland Communities - demonstrate a strong preference for supporting civic causes and local businesses. Therefore, food producers will want to incorporate storytelling into their labels, social media, and websites that emphasize their local roots.

**Food preferences:** These segments, along with Senior Escapes, demonstrate a preference for local and/or healthy food choices. All segments, however, are budget conscious, which may constrain their willingness to pay a premium for local food. Therefore, producers may want to focus on direct-to-consumer sales, which would enable them to price products according to local expectations while still earning a premium.

**Outdoor Recreation:** Every consumer segment enjoys recreating outdoors, including gardening, walking, hunting, and fishing. These trends could support 1) development of foods compatible with an outdoor lifestyle, such as healthy snacks on-the-go; 2) development of products that incorporate locally sourced ingredients; and 3) development of outdoor events and festivals with a food theme.



## Small Town Sincerity

Miles  
Miles



TAPESTRY  
SEGMENTATION  
[esri.com/tapestry](https://esri.com/tapestry)

### DOMINANT TAPESTRY SEGMENT



1,676 households are *Small Town Sincerity*

37.6% of households are in this segment

**Small Town Sincerity:** *Hometown LifeMode*

Small Town Simplicity includes young families and senior householders that are bound by community ties. The lifestyle is down-to-earth and semirural, with television for entertainment and news, and emphasis on convenience for both young parents and senior citizens...

[Learn more...](#)

### ABOUT THIS SEGMENT



Small Town Simplicity features a semirural lifestyle, complete with domestic trucks and SUVs, ATVs, and vegetable gardens.



Price-conscious consumers that shop accordingly, with coupons at discount centers.



Community-oriented residents. More conservative than middle-of-the-road.



Many residents favor convenience over cooking - frozen meals and fast food.



Rely on television or newspapers to stay informed. Watch NASCAR and college football and basketball on TV.

### ABOUT THIS AREA

#### Household Type:

Single Family

#### Employment:

Svcs; Prof

#### Median Age:

45.9

#### Median Household Income:

\$50,901

#### Education:

38.4% College degree (2+ years)



### KEY FACTS FOR THIS AREA

Click facts to 'Explore for more' details

10,176

Population

4,457

Households

2.22

Avg Size  
Household

54

Wealth  
Index

122

Housing  
Affordability

18

Diversity  
Index

\$158,511

Median Home  
Value

-0.15%

Forecasted Annual  
Growth Rate



## Key Demographic Indicators

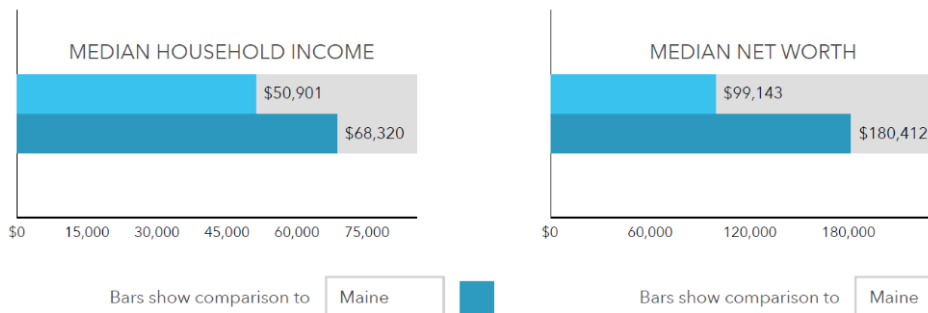
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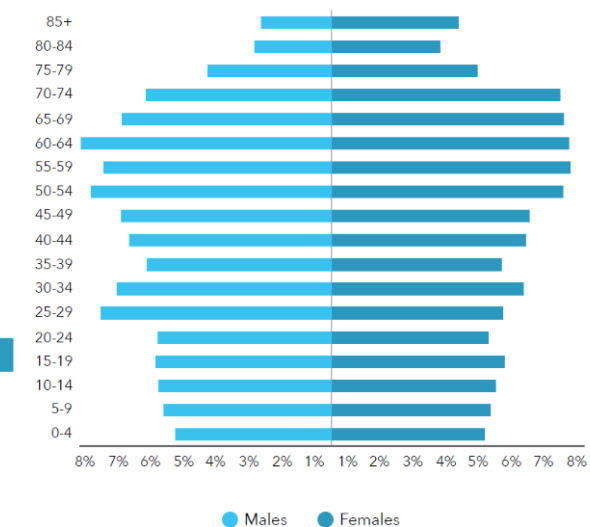
### INCOME AND NET WORTH

Net worth measures total household assets (homes, vehicles, investments, etc.) less any debts, secured (e.g., mortgages) or unsecured (credit cards) for this area.



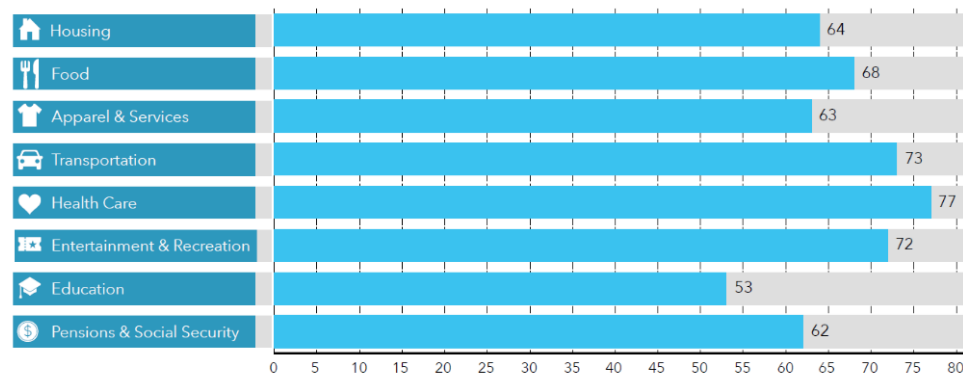
### AGE BY SEX

Median Age: 45.9



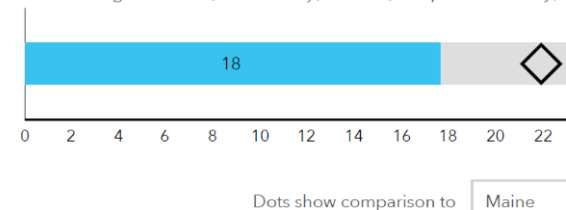
### AVERAGE HOUSEHOLD BUDGET INDEX

The index compares the average amount spent in this market's household budgets for housing, food, apparel, etc., to the average amount spent by all US households. An index of 100 is average. An index of 120 shows that average spending by consumers in this market is 20 percent above the national average.



### DIVERSITY

The Diversity Index summarizes racial and ethnic diversity. The index shows the likelihood that two persons, chosen at random from the same area, belong to different race or ethnic groups. The index ranges from 0 (no diversity) to 100 (complete diversity).





## Key Demographic Indicators

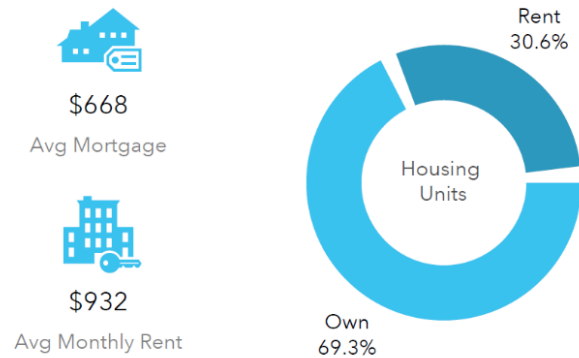
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### HOUSING

Mortgage, rent and home value are estimated by Esri. Housing type is from the Census Bureau's American Community Survey (ACS).

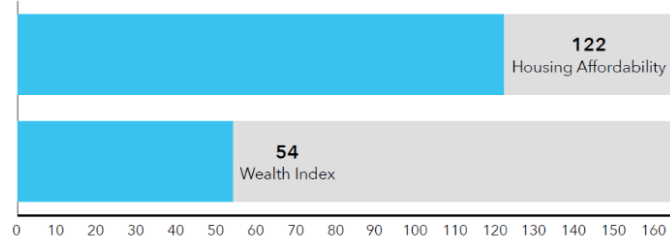


**Typical Household Type:** Single Family

**Median Home Value:** \$158,511

### ESRI INDEXES

Esri developed these indexes to display average household wealth and housing affordability for the market relative to US standards.



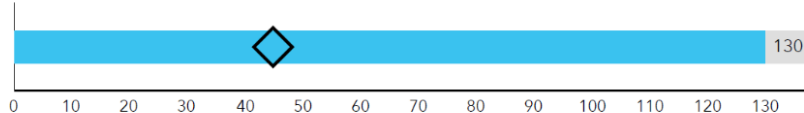
### LANGUAGE

American Community Survey (ACS) population by language estimates are based on a rolling sample survey spanning a 60-month period (2017-2021).

Population by Language	Age 5-17	18-64	Age 65+	Total
English Only	1,341	5,683	2,255	9,279
Spanish	0	81	26	107
Spanish & English Well	0	81	25	106
Spanish & English Not Well	0	0	1	1
Indo-European	6	38	228	272
Indo-European & English Well	6	29	228	263
Indo-European & English Not Well	0	9	0	9
Asian-Pacific Island	0	15	15	30
Asian-Pacific Isl & English Well	0	15	0	15
Asian-Pacific Isl & English Not Well	0	0	0	0
Other Language	0	0	0	0
Other Language & English Well	0	0	0	0
Other Language & English Not Well	0	0	0	0

### POPULATION DENSITY

Average density (population per sq. mile) is displayed relative to the US or State average.



Dots show comparison to

Maine





<b>Tapestry Group</b>	<b>Small Town Sincerity</b>	<b>Heartland Communities</b>	<b>Southern Satellites</b>	<b>Senior Escapes</b>
<b>Concentration</b>	37.6% of households	33% of households	17.7% of households	11.7% of households
<b>Median Age</b>	41	43	41	56
<b>Household type</b>	Young families & single seniors	Married couples with no children	Married couples with no children	Married couples without children & single seniors
<b>Tenure</b>	Mix of single-family homes, apartments, & mobile homes	Mostly homeowners	Mix of single-family homes & mobile homes	Mix of single-family homes & mobile homes
<b>Education</b>	High School diploma	High School diploma	High School diploma	High School diploma
<b>Income</b>	> 70% of trade area < 60% of state	100% of trade area ~75% of state	>110% of trade area ~80% of state	>80% of trade area ~65% of state
<b>Civics</b>	Community-oriented with local ties	Patriotic support for local businesses & civic causes	Prefer country living	Members of AARP and veterans' clubs
<b>Food preferences</b>	Some maintain vegetable gardens while others prefer convenience over cooking	Prefer buying local	Prefer low-cost family restaurants and drive-ins	Health-conscious consumers who buy specialty foods & diet supplements
<b>Shopping</b>	Price-conscious consumers who shop with coupons and avoid debt	Budget-savvy consumers who always buy American	Walmart shoppers who prioritize cost over quality or brand loyalty	Consumers who spend within their means without carrying debt
<b>Technology</b>	Connected but keep their landlines and rely on TV & newspapers for info	Have internet & cell phones but rely on TV & newspapers for info	Late adopters who rely on TV for news	Light use of internet. Rely on TV & newspapers for info
<b>Entertainment</b>	Enjoy outdoor activities, such as hunting & fishing as well as watching live sports	Enjoy gardening & walking for exercise plus hunting, fishing, & U.S. road trips	Focus on DIY projects as well as hunting & fishing	Enjoy guided U.S. travel as well as gardening, fishing, boating, & watching TV

## Kennebec Valley Tourism

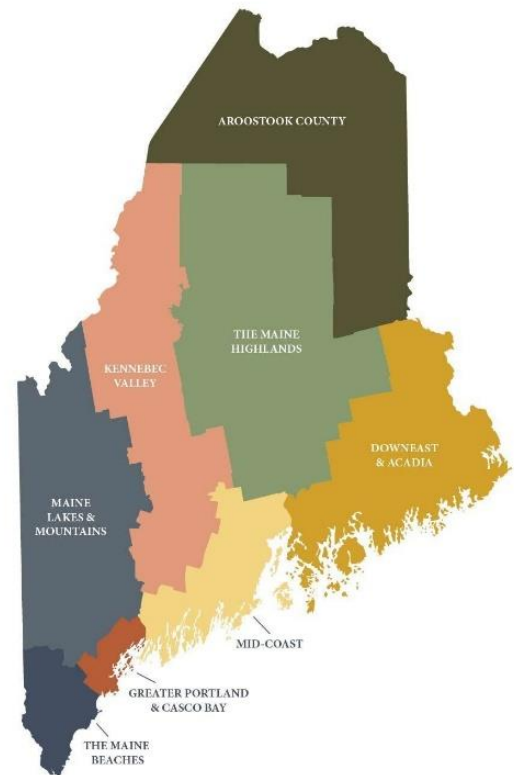
On an annual basis, Maine attracts 16 million visitors. In 2023, 5.7%, or 905,000, visited the Kennebec Valley, up 9% from 2022. With an average trip length of 5.3 nights, visitors spent \$554 million, for a total economic impact of \$826 million.<sup>11</sup>

Maine enjoys a remarkable repeat visitation rate of 70%, due in part to those who own camps and second homes in the region. Popular vacation home areas near Skowhegan include the Belgrade Lakes and Carrabassett Valley. These areas, along with tourists visiting for a more limited period of time, could form a viable secondary market for products and services hosted by The Kitchen as well as other regional culinary and agritourism attractions and activities.

Indeed, the top visitor activity in the Kennebec Valley is food and beverage. This includes those motivated to choose a destination based on culinary tourism as well as those who include local food as part of their itineraries. Top food & beverage activities in the Kennebec Valley include the following:<sup>12</sup>

- 32% Eating lobster
- 28% Visiting a craft brewery
- 24% Consuming local Maine food
- 23% Eating other local seafood
- 21% Enjoying unique Maine food and beverage
- 19% Enjoying local food at fairs & festivals
- 16% Visiting farmers markets
- 7% Eating farm-to-table cuisine
- 6% Five-star dining

Visitors, who earn 60% more than residents, can serve as a new customer base for programs that locals might take for granted, such as cooking classes, pop-ups, tastings, product launches, farm-to-table dinners, open farm days, and foodie tours. By connecting with makers, visitors, particularly those who own second homes, could become repeat, long-term, and loyal customers of CSAs, farmers markets, and on-site retail opportunities offered at The Kitchen.



"In Skowhegan, there is always a cool local event worth checking out. In March, Maine Maple Weekend heralds the end of winter at the area's many sugar houses. July brings the Kneading Conference and Artisan Bread Fair; in early August, the Skowhegan State Fair will open its gate for the 204th time. Labor Day weekend offers a chance to raise your glass at the Skowhegan Craft Brew Fest. Even in February, fun beckons all at Somerset SnowFest, featuring the unique sport of skijoring.

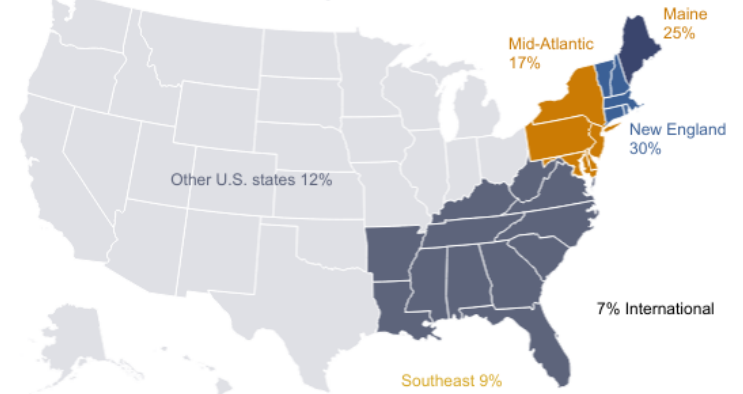
Part of Maine's original foodie scene, Skowhegan is now home to a local farm-to-table movement in part due to the success of Maine Grains and the Skowhegan Farmers' Market. Skowhegan has been recognized for its very walkable downtown area featuring small cafés, shops, and businesses housed in beautiful and well-maintained buildings that speak to the town's history." Visit Kennebec Valley

# Visitor Profile

## Top Activities

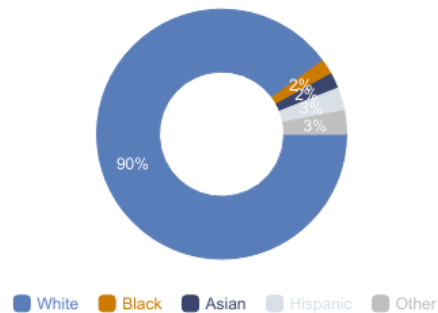


## Origin of Visitors

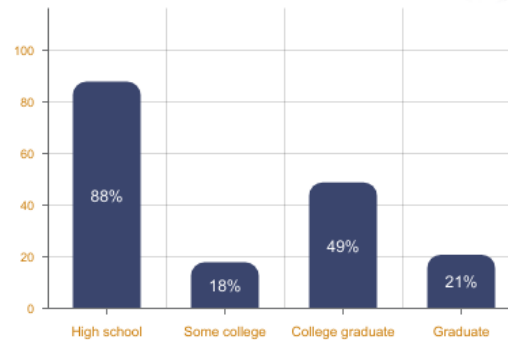


## Demographics

### Race & Ethnicity



### Educational Attainment



## Key Takeaways

**Trade Area:** Food is classified as a convenience product that consumers will not travel more than 20 minutes to purchase. This trade area incorporates Skowhegan plus portions of Canaan, Cornville, Lakewood, Madison, Norridgewock.

**Consumer Demographics:** A total of 10,176 consumers live within the trade area, earning a median income lower than the town, county or state.

**Restaurants.** On a per capita basis, Skowhegan is already capturing 83% more restaurant sales than would be expected for a town of its size, offering a robust market for new products and restaurant concepts.

**Lifestyle Characteristics:** Collectively, consumer segments within the trade area demonstrate a preference toward buying local, healthy food, and outdoor recreation activities, which can inspire the development of new products and services.

**Tourism:** On an annual basis, 5% of Maine tourists visit the Kennebec Valley region, spending \$553 million.

**Culinary Tourism:** Food and beverage is the top visitor activity in the Kennebec Valley. Visitors, who earn 60% more than residents, can serve as a new customer base for special events that locals might take for granted.

## SERVICE PROGRAMMING

Nationwide, shared-use kitchen incubators provide a variety of services to help food businesses startup and scale. See chart below. The top service is help with licensing and certifications, which is a threshold requirement for launching a food business. The second is business counseling, which is a service that can be provided throughout the life cycle of the business.<sup>13</sup>

What services do you provide to your members or tenants?

Licensing/certifications	61%
Business counseling	52%
Branding/marketing	31%
Product development	30%
Help finding buyers	23%
Help obtaining financing	19%
Cooperative purchasing	17%
Staffing	11%
Distribution/logistics	11%
Co-packing	9%
Packaging	8%
Other	5%
Job training	4%

Source: Econconsult Solutions (2020)

Services can be provided through two strategies: 1) in-house with existing personnel; or 2) through partnerships with external agencies. Public and private agencies in Central Maine and beyond can play a critical role in supporting the individual users of the Kitchen, including the needs described below. These needs can be met by a variety of agencies and organizations that operate at the local, regional, and statewide levels.

**Access to Capital:** Food startups need access to capital in the range of > \$25,000 for both fixed and variable costs. Fixed costs may include licenses; liability insurance; financial management tools, e.g., QuickBooks and Point-of-Sale system; tabletop displays, such as a banner; and/or a vehicle, such as a food truck. Variable costs may include wages; contractual services, e.g., graphic design, bookkeeping, and website development; food and packaging supplies; and marketing materials, such as business cards. While some entrepreneurs can bootstrap expenses, others need access to microloans from conventional and alternative lenders. Beyond the startup phase, other agencies provide capital to innovative, scalable companies, including grants (Maine Technology Institute) and venture capital (Maine Angels, Maine Venture Fund).

**Business Counseling:** One-on-one advising is available from both paid professionals and volunteer mentors with food industry experience. Appointments, which can be held in-person or virtually, are typically free and confidential. Advisors may offer assistance on a wide range of topics, such as business strategy, marketing, and financial management, or specialize in one subject area.

**Culinary Arts:** Short-term and long-term educational programming in the culinary arts is available from schools, community colleges, and universities. These institutions can 1) generate referrals, i.e., recent graduates interested in becoming food entrepreneurs; 2) provide training in food safety, e.g., ServSafe, HACCP; 3) offer courses in culinary specialties, e.g., as baking; and 4) provide access to a skilled labor pool. Short-term training can result in micro-badges and certificates, while long-term programs award 2-year and 4-year degrees in culinary arts, nutrition, and/or food science. Other food entrepreneurs may benefit from short and long-term programming in marketing and business.

**Food Safety:** Certification in food safety is a threshold competency to produce in a shared kitchen environment. The *ServSafe*® program provides training and certification to food service managers and producers. Hazard Analysis Critical Control Point (HACCP) is a protocol system that results in the identification and management of biological, chemical, and physical hazards that affect food production. The development and approval of HACCP plans can be a prerequisite to wholesale distribution at the regional and national level.

**Entrepreneurial Training:** A variety of agencies and organizations offer short-term entrepreneurial training in marketing, finance, and operations. Most programs are not industry-specific, i.e., they provide training in cohorts to entrepreneurs from a variety of industry sectors. As a result of COVID-19, many programs offer live, virtual and hybrid formats as well as one-off workshops that do not require a long-term commitment. Besides valuable content, training programs provide access to a network of skilled mentors who can help businesses scale.

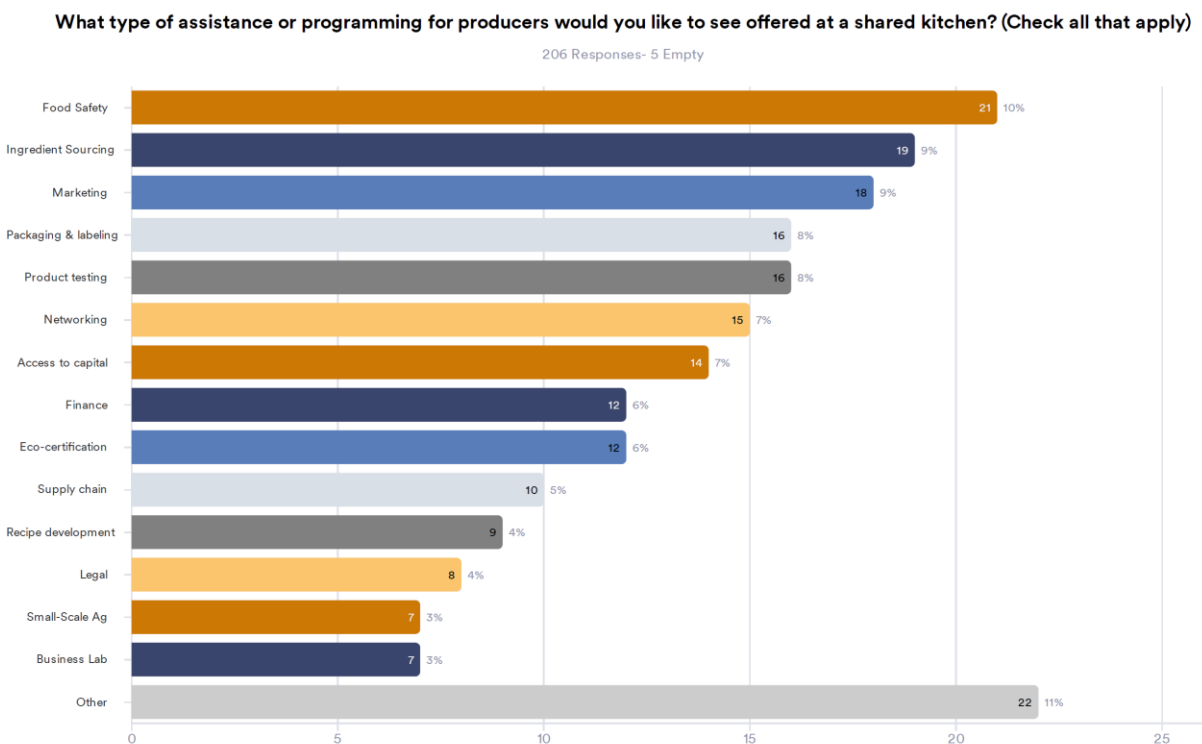
**Marketing:** Membership in local and statewide organizations can provide businesses with valuable visibility in a crowded marketplace, including directories and networking opportunities. Through Maine Made, the state provides affordable branding for artisanal products with a recognizable logo, website, and exhibit opportunities at the annual New England Products Trade Show.

**Licensing:** State agencies ensure that food produced at home, shared, and commercial environments are safe to eat. The Maine Department of Agriculture, Conservation, and Fisheries licenses over 7,000 food producers per year while the Maine Department of Health and Human Services licenses caterers and mobile vendors.

**Product and Process Development:** The University of Maine's School of Food and Agriculture is home to a state-of-the art facility that provides technical assistance to help food producers develop, scale, and improve their products. Its commercial kitchen includes a pasta maker, meat chopper, dehydrator, blast freezer, steam cooker, cheese making, and packaging equipment. For a fee, services include sensory evaluation, analytical consulting, product development, and applied research. For a fee, the Maine Manufacturing Extension Partnership is available to provide technical assistance on process improvement, including the efficient design, layout, manufacturing, and packaging of products.

**Sourcing:** Research shows that consumers are willing to pay a premium for products made with quality local ingredients that have a compelling story to share. Procuring a year-round supply of local ingredients at wholesale prices is a challenge for any Maine food company. Relationships with local farmers, fishermen, and processors is an important first step that can be enhanced through connections with industry associations, producer networks, and Cooperative Extension staff.

The Kitchen survey asked all respondents about the type of service programming that should be provided at the facility. The top response was food safety training, followed by help with local sourcing. Compared to business assistance services, such as counseling, training, and networking, there are comparatively few resources that directly assist food businesses in the areas of top interest. Food safety training is primarily offered by educational institutions as part of the training of culinary arts students, while local sourcing assistance can be provided by food industry associations. In addition, the University of Maine Cooperative Extension offers assistance in both areas. Other identified needs that can be fulfilled with expertise from UMaine includes product testing, packaging and labeling, and recipe development. Needs that can be fulfilled locally with technical assistance from Skowhegan's entrepreneurial ecosystem include marketing, networking, access to capital, legal, finance, and a business lab for food & beverage companies. There is also interest in small-scale agriculture, which would require access to fertile land in a separate location from 185 Water Street.



## Potential Partnerships for Service Programming

Organization	Access to Capital	Business Counseling	Culinary Arts	Food Access	Food Safety	Entrepreneurial Training	Marketing	Networking	Licensing	R&D	Real Estate	Sourcing
Farmers Markets				✓								✓
Skowhegan Chamber of Commerce							✓	✓				
Skowhegan Community Food Cupboard				✓								
Central Maine Growth Council	✓					✓		✓			✓	
Coastal Enterprises, Inc.	✓	✓				✓						
Kennebec Valley Community College			✓		✓	✓						
Kennebec Valley Council of Governments	✓											
KV Connect								✓				
Food Industry Associations				✓			✓	✓				✓
Maine Angels	✓											
Maine Center for Entrepreneurs		✓				✓		✓				
ME Dept of Agriculture, Conservation & Fisheries	✓				✓		✓		✓			
ME Dept of Economic & Community Development	✓	✓					✓					
Maine Grocers & Food Producers Association				✓			✓	✓				✓
Maine Department of Health & Human Services					✓				✓			
Maine Manufacturing Extension Partnership					✓					✓		
Maine Small Business Development Centers		✓				✓						
Maine Technology Institute	✓									✓		
Maine Venture Fund	✓											
New Ventures Maine		✓				✓						
SCORE		✓				✓				✓		
Somerset Public Health			✓	✓								
Somerset Economic Development Corporation	✓	✓										
Somerset Career & Technical Center			✓		✓						✓	
Town of Skowhegan	✓								✓		✓	
University of Maine Cooperative Extension						✓				✓		✓
University of Maine School of Food & Agriculture					✓					✓		



## Key Takeaways

**Partnerships:** Service programming can be provided in-house with existing personnel or through partnerships with external agencies.

**Service Programming:** Top areas of interest are food safety training and local food sourcing. Compared to business assistance, resources available to assist Kitchen users are state and regional actors. Other specialized needs that can be met by state actors are product testing, packaging and labeling, and recipe development.

**Local programming:** Needs that can be fulfilled locally with technical assistance from Skowhegan's entrepreneurial ecosystem include marketing, networking, access to capital, legal, finance, and a business lab for food & beverage companies.

# FINANCIAL PLAN

## Startup Costs

Typical startup costs for a shared-use commercial kitchen incubator include acquisition of land and buildings; architectural and engineering fees for siting, designing, and permitting; building construction and renovation; installation of equipment; and pre-launch costs, such as staffing. If not covered by investment, such as a grant, these costs must be amortized into a loan, with the debt service paid from operating revenue. Nationwide, 60% of shared-use kitchen incubators have received at least one grant to support capital and/or operating costs.<sup>14</sup>

Renovation costs can be substantial. Upgrading utilities, for example, involves demolition of walls, floors, and ceilings, modernization of wastewater, gas, and electrical systems to code, and reconstruction to a warm shell. The recent renovation of a 1970's warehouse to accommodate Fork Food Lab, a commercial kitchen incubator in Portland, cost ~\$200 per square foot. Using this benchmark, the renovation of The Kitchen at 185 into a modern facility could cost \$2 million.

## Expenses

Nationwide, the largest components of the operating budgets for shared-use kitchens include mortgage/lease costs (30%), staffing (26%), and utilities (18%). For the average kitchen of 5,000 square feet, operating costs are less than \$100,000. With a building twice the size of the typical incubator, The Kitchen can expect to have higher operating costs, depending on the number of users as well as whether renovation costs are amortized into an annual expense. According to the Food Corridor, 80% of kitchen facilities have budgets of less than \$500,000.<sup>15</sup> Thus, the practical operating budget for planning purposes is \$200,000-\$500,000. Below is a list of expenditures and sources of revenue.

**Fixed Costs.** The following costs are expected to remain relatively stable as usage increases.

- **Debt service** covers the principal and interest on a commercial loan for building renovation. Skowhegan intends to compete for grants that cover 100% of construction costs.
- **Insurance**, estimated at \$650 per month, can be addressed with a Business Owners Policy that bundles a variety of components, such as general liability, workers' compensation, property coverage, and business liability.
- **Personnel** includes salaries, benefits, and payroll taxes. At the startup stage, two full-time staff are recommended.
  - ✓ **General Manager** could be focused on the macro level aspects of the facility, including partnerships that facilitate marketing, member recruitment, special events, and service programming.
  - ✓ **Operations Manager** could be focused on the micro level or internal aspects of the facility, including member services, onboarding, and kitchen operations.

- ✓ **Additional staff**, budgeted at \$18 per hour, could be focused on event planning, social media promotion, and other marketing functions.
- **Security**, estimated at \$250 per month, covers ongoing costs for building security, such as surveillance cameras and 24/7 access.
- **Subscriptions**, estimated at \$500 per month, cover monthly costs for a Point of Sale (POS) system as well as software from The Food Corridor to manage billing and scheduling.

**Variable Costs.** The following costs will grow with increasing usage of the facility.

- **Kitchen maintenance**, estimated at \$3,000 per month, is a diverse category that covers the following.
  - ✓ **Licenses and permits** for health inspections, food processing, and alcohol.
  - ✓ **Sanitation** includes routine daily cleaning of equipment, prep surfaces, and floors.
  - ✓ **Waste management** includes grease trap pumping, trash, composting, recycling, and pest control.
  - ✓ **Equipment maintenance** covers deep cleaning, servicing, and repair.
- **Advertising**, estimated at \$500 per month, covers social media advertising to promote member recruitment and special events, including a newsletter. This cost is expected to rise over time.
- **Kitchen Supplies**, estimated at \$3,000 per month, covers continuous replacement of kitchen small wares, e.g., dishes, and consumables, e.g., hair nets.
- **Utilities**, estimated at \$3,000 per month, includes costs for electricity, gas, water, sewer, stormwater, telephone, and internet.

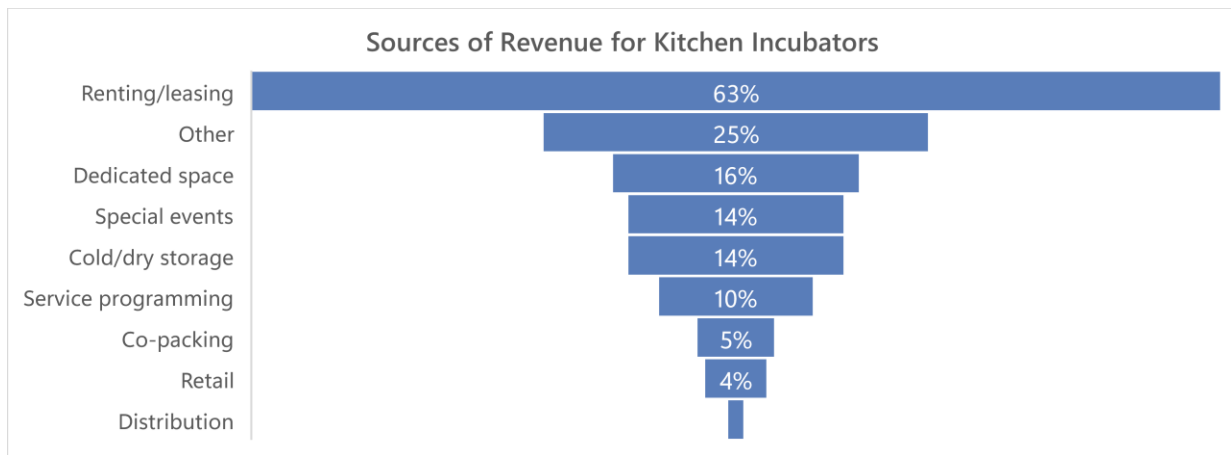
### Exclusions

- **Routine office expenses**, such as computer hardware and software, postage, and travel have not been estimated.
- **Property maintenance** includes building repairs to roofing, siding, and systems as well as landscaping, snow removal, and parking lot resurfacing. One thousand per month has been set-aside for capital expenses.
- **Property taxes** are unlikely to be assessed, given nonprofit ownership.
- **Depreciation** of either building or equipment have not been incorporated into this model.

## Revenue

**Renting/leasing** is the monthly or hourly charge for kitchen use, typically at a set number of hours to accommodate the diverse needs of scaling companies. Nationwide, this source of revenue is an incubator's largest, including membership and hourly rentals. About 75% of incubators have fewer than 30 members.<sup>16</sup> Because The Kitchen at 185 will be twice the size of the typical incubator, the number of users at buildout will also be larger.

Below is a summary of typical sources of revenue for an incubator and whether they have been factored into the The Kitchen's pro-forma.



Source: Econconsult Solutions (2020)

**Dedicated space** is the monthly charge for exclusive use of dedicated production space not shared in common with others. No private spaces are included in the budget or the facility layout.

**Special events** is the net ticket revenue from events hosted by the facility or its businesses. This is differentiated into cooking classes as well as large events open to the public. No Cost of Goods has been estimated for events.

**Cold/dry storage** is the additional monthly charge to users for extra cold and dry storage shelving. A charge of \$25 per month has been included in the budget.

**Service programming** are nominal fees charged to entrepreneurs for participating in training opportunities offered in-house or by external partners. These events will be offered for free.

**Co-packing** is a service where products are processed and packaged for third party brands. Users could be charged a flat fee of \$500-\$1,000 per day plus the Cost of Goods, e.g., bottles, labels, etc.

**Retail** is a service fee of .05%-1% charged to food businesses for selling their products through an in-person or online marketplace hosted by the facility.

**Distribution** is the service fee charged to food businesses for distributing their product to wholesale customers. Because this service constitutes its own enterprise for an incubator at a more advanced stage of development, it is not included as a potential source of revenue.

**Operating subsidy** is private, state and/or Federal grant money expected to subsidize operations. This subsidy is estimated at \$250,000 per year.

**Assumptions.** Since the majority of an incubator's revenue is based on charges to users, estimating usage is the most important factor in building a viable financial model. This revenue is calculated as follows:

$$\text{Rental/Leasing Revenue} = \# \text{Users} * (\text{P/T fee}) + \# \text{Users} * (\text{F/T fee}) + \# \text{Users} * (\text{seasonal fee}) + \# \text{Users} * (\text{hourly rate})$$

For the Startup stage, the level of usage is based on two thirds the level of interest expressed in the The Kitchen survey. For the Buildout stage, the level of usage is based on growth constrained by the building's physical capacity.

**Revenue Assumptions for Financial Modeling**

	Basis	Startup ( Year 1)	Buildout (Year 5)
<b>Users</b>		<b>20</b>	<b>39</b>
Part-time year round	\$400/month	4	8
Full-time year round	\$800/month	2	4
Seasonal (6 months)	\$500/month	4	6
Hourly (4-hour min)	\$25/hour	10	21
<b>Co-packing service</b>	\$500-\$1,000/per day	5	10
<b>Cooking classes</b>	\$25/class	480 people/year	995 people/year
<b>Special events</b>	\$1,000 each	12 events/year	25 events/year

## Break-Even Analysis

During Year 1, The Kitchen at 185 will break even, with a slight profit. This is largely due to the anticipated operating subsidy. Without this subsidy, the facility could post a loss of \$250,000. By Year 5, the facility could post a net income of ~\$100,000-\$200,000 by diversifying revenue, such as launching a distribution service, raising co-packing rates, taking a percentage of retail sales, and/or attracting corporate sponsorships.

## Economic Impact

The potential economic impact of The Kitchen at 185 includes 1) direct jobs, wages, and sales associated with businesses; 2) indirect benefits associated with business-business spending; and 3) induced benefits associated with income spent by workers in the local economy. Indirect and induced benefits are added together to estimate the total economic impact.

Assuming the buildout stage in Year 5, these impacts will be generated by 39 businesses based at The Kitchen in a typical year. At full capacity, the facility will generate an annual economic impact of 67 jobs and \$4 million in sales. When multiplier effects are added, The Kitchen will generate a total annual economic impact of 107 jobs and \$7 million in sales. These estimates are based on regional multipliers for Maine's food industry from the U.S. Bureau of Economic Analysis.

### Annual Economic Impact of The Kitchen at 185

	Jobs	Sales
Direct Impact	67	\$4,050,000
Total Economic Impact	107	\$7,024,410

In addition, it is estimated that 2-3 businesses per year will graduate from The Kitchen, establishing their own storefronts, restaurants, and production facilities. These graduates will generate an additional economic impact in the form of jobs, wages, sales, and private investment.

## Key Takeaways

**Construction Cost:** Renovation of 185 Water Street into The Kitchen could cost over \$2 million.

**Investment:** The financial model assumes that The Kitchen will secure grants for 100% of renovation costs along with 5 years of an operating subsidy.

**Staffing:** At the startup stage, The Kitchen should consider hiring a General Manager and an Operations Manager plus two additional staff.

**Leading Expenditures:** The most volatile variable costs are utilities, kitchen supplies, kitchen maintenance, and property maintenance.

**Leading Revenue Source:** Leasing to users is the most critical component of the revenue model. Cooking classes, special events, and co-packing can generate additional revenue.

**Utilization:** At the startup stage, The Kitchen may host up to 20 users, which could grow to 40 at the buildout stage.

**Break-Even:** Due to the operating subsidy, The Kitchen may break-even in Year 1.

**Buildout:** By Year 5, The Kitchen may generate a net profit of \$100,000-\$200,000 per year.

**Economic Impact:** At the buildout stage, The Kitchen could generate a total economic impact of 107 jobs and \$7 million in sales.

**Graduates:** 2-3 businesses per year may graduate to their own storefronts, restaurants, and production facilities, generating additional jobs, wages, sales, and private investment.

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- <sup>13</sup> Kitchen Incubators (2020).
- <sup>14</sup> Ibid.
- <sup>15</sup> Ibid.
- <sup>16</sup> Ibid.