



Bangor Central Kitchen Market Analysis and Financial Plan

Presented to the City of Bangor, Maine



October 2023

ParasScope

Acknowledgements

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EXECUTIVE SUMMARY

Located at 50 Cleveland Street, Bangor Central Kitchen is an 18,167-square foot building that served as the officers' club on the former Dow Air Force Base (1947-1968). Turned over to the city in 2016, the facility is envisioned to become an **incubator** with a shared-use commercial kitchen, event space, and offices to serve entrepreneurs in the Greater Bangor region. Locally, residents, service providers, and potential users desire a shared-use kitchen that is also a community asset, incorporating space for **culinary arts instruction, special events, retail, and local food access** for producers and consumers alike.

Bangor's food scene is growing – as demonstrated by per capita restaurant sales **2.5 times** the norm and food industry employment increasing at **3 times** the rate of the rest of the economy. The tight real estate market, however, constrains expansion, setting the stage for Bangor Central Kitchen to become an incubator for innovative food products and restaurant concepts. Food, however, represents a convenience product that consumers will not travel **more than 20 minutes** to purchase. This trade area of **~70,000** incorporates all of Bangor plus 14 communities, boasting residents who are **younger, better educated, and higher income earners** than those in the city and region. In addition, three consumer segments totaling one third of the trade area demonstrate a **distinct preference for local food**.

Potential users of Bangor Central Kitchen include producers of **consumer-packaged goods, mobile vendors, and chefs and caterers** who are willing to travel up to **90 minutes** to use the facility. By fundamentally lowering the entry cost to food production, users will be able to sell food on day one of their membership. 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 supply chain management**.

Renovation of Bangor Central Kitchen could cost over **\$3.5 million**. The financial model assumes that the City can secure **grants for 70% of renovation costs**, with \$1 million already attained. At the startup stage, Bangor Central Kitchen should consider hiring a General Manager and an Operations Manager. The most volatile variable costs are **utilities and maintenance**.

Under the financial assumptions model, Bangor Central Kitchen may require an **operating subsidy of \$200,000** per year during its startup phase. By Year Three, the facility could **break-even**. By Year 5, the facility could generate a **net profit of \$265,000** per year.

By the buildout stage, Bangor Central Kitchen may generate a total economic impact of **105 jobs and \$7 million in sales**.

BACKGROUND

Located at 50 Cleveland Street, Bangor Central Kitchen is an 18,167-square foot building that served as the officers' club on the former Dow Air Force Base (1947-1968). Turned over to the city in 2016, the facility is envisioned to become an incubator with a shared-use commercial kitchen, event space, and offices to serve entrepreneurs in the Greater Bangor region. The purpose of this report is to outline a plan for the viability and sustainability of such a facility from a market perspective.

Since the 1960's, incubators have helped launch businesses in a variety of industry sectors. Incubators provide affordable space, mentoring, and resources to facilitate the startup of early-stage companies. According to the National Incubation Association, 65% of startups fail within the first five years. According to the National Restaurant Association, the failure rate for restaurants is even higher – 80%. But when startups are launched in an incubator, their success rate increases to 87%.

The Bangor region is already home to several incubators, including the Bangor Innovation Center, UpStart Center for Entrepreneurship, Foster Center for Innovation at the University of Maine, and the Rize CoWorking & Collaboration Space. A shared-use kitchen incubator can generate the following benefits for both entrepreneurs and the community:

Entrepreneurs

- Access to a fully licensed and permitted **commercial kitchen** at less than market rates.
- Access to specialized manufacturing and packaging equipment that can increase **economies of scale**.
- **On-site coaching and mentoring** from staff, experts, and experienced food entrepreneurs.
- **Connections** with farmers, fishermen, buyers, and distributors.
- Opportunity to build a **local following** and track record critical to qualify for a commercial loan.

Community

- Opportunity to **sample** new food products and restaurant concepts.
- Access to **local food** grown, raised, harvested, and/or processed in Maine.
- Opportunity to participate in **cooking classes** led by local experts.
- Opportunities to **meet the makers** through markets and workshops.
- Structured pathway to **economic mobility**, particularly for women and persons of color.
- **Diversification** of the region's economy.
- Increase in the long-term **success rate** of local businesses that will eventually fill the region's villages and downtowns.

METHODOLOGY

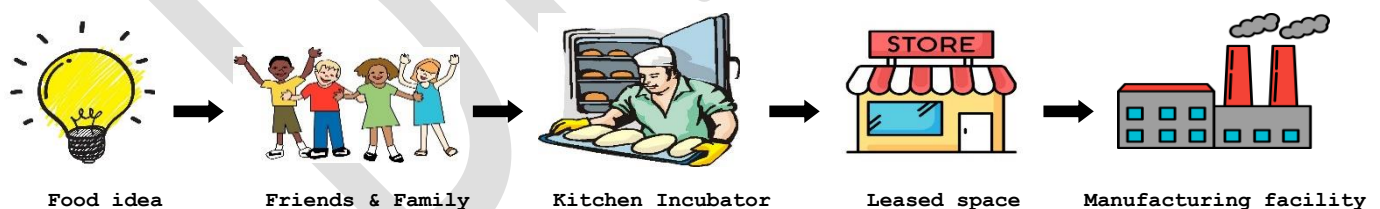
The methodology for this report consists of three primary data sources:

- **Survey of potential users** conducted from June 21-July 21, 2023, including caterers, mobile vendors, and food producers within a 90-minute radius of Bangor. Hereinafter, this will be referred to as the BCK survey.
- **Research on local conditions** in the Bangor region from public data sources, including the commercial real estate market, other commercial kitchens, and the region's food production industry.
- **Research at the national level** on best practices for shared-use commercial kitchens, including revenue models, pricing structure, and service programming.

VALUE PROPOSITION

The central value proposition of a kitchen 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 a kitchen 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.

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.¹ 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 Halcyon Grange: <https://www.halcyongrange.org/>.
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. For example, see Korean Dad in Veazie.
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 Pemberton's Gourmet Foods: <https://pembertonsgourmetfoods.com/small-batch-co-packing/>.
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.

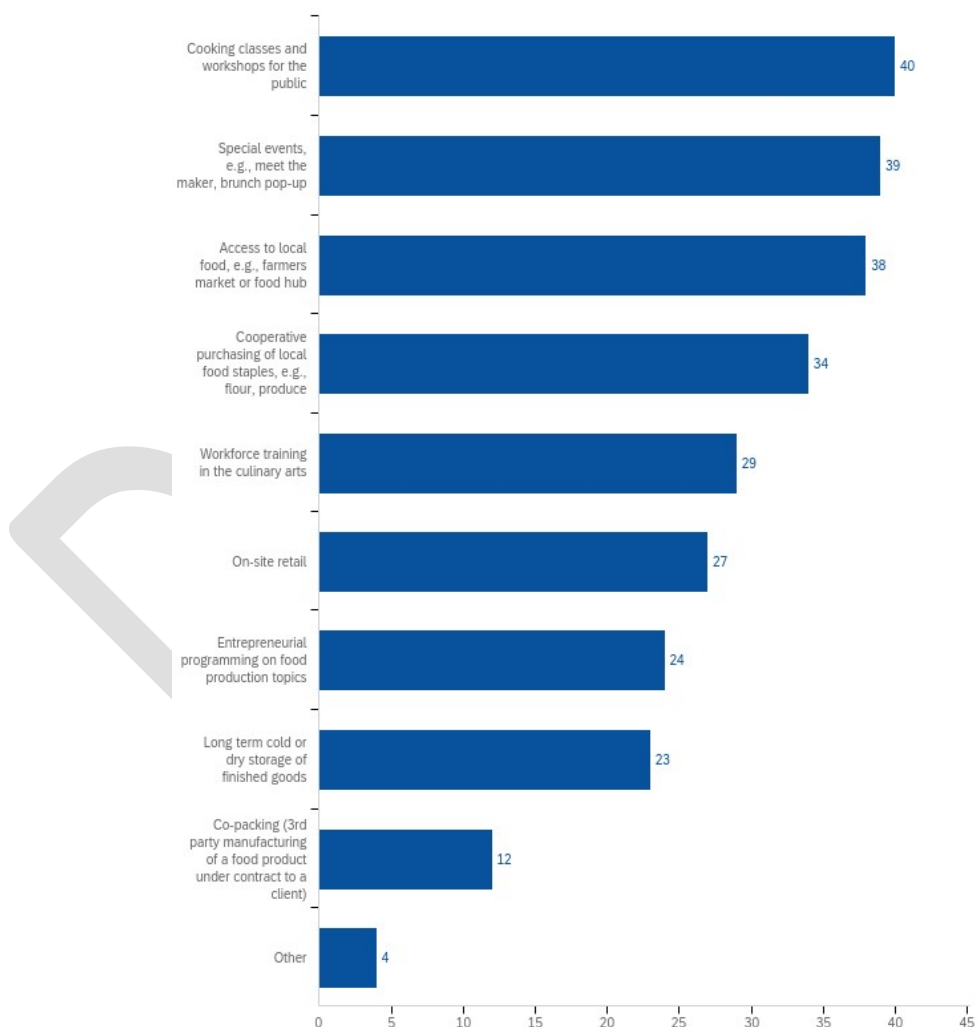


Source: Local Food Alliance

LOCAL VISION

Nationwide, commercial kitchen incubators have stated that their primary mission is *assisting early-growth businesses* (51%) and *strengthening the local food economy* (18%).² Locally, interested parties have weighed in with their votes. The BCK survey attracted 74 responses from both potential users (53%) and others (47%), including service providers, food producers, and consumers. All respondents were asked what activities or services they would like to see offered at Bangor Central Kitchen beyond space. The top vote getter was cooking classes for the public (40), followed by special events (39), local food access (38), cooperative food purchasing (34), culinary arts instruction (29), on-site retail (27), and entrepreneurial programming (24). These responses indicate the desire for a shared-use kitchen incubator that incorporates space for culinary arts instruction, special events, retail, and local food access for both producers and consumers, such as a food hub, farmers market, or food pantry.

Besides space, what activities or services would you like to see offered at Bangor Central Kitchen?



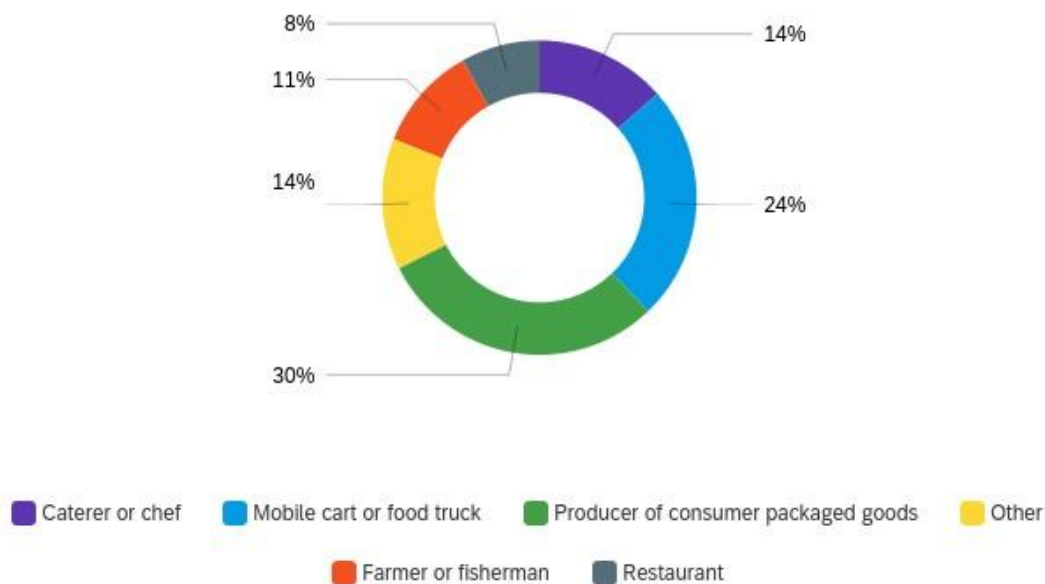
MARKET DEMAND FROM POTENTIAL USERS

Types of Users

Of 74 respondents, a total of 39 people classified themselves as potential users of Bangor Central Kitchen. Of potential users, 65% indicated that they were *interested* or *very interested* in renting space at the facility. User types include the following:

- **Consumer-packaged goods (CPG)** (30%) includes users producing shelf-stable, refrigerated, and/or frozen products offered direct-to-consumer or wholesaled to markets.
- **Mobile vendors** (24%) include food trucks and food carts that offer fresh food-to-go. About 24% of potential users fall into this category.
- **Chefs or caterers** (14%) include users preparing fresh food for social events, such as corporate parties and weddings. They may also wish to host “pop-up” restaurants for a day, such as brunch.
- **Farmers and fishermen** (11%) includes those who want to add value to raw inputs they grow, raise, or harvest themselves.
- **Restaurants** (8%) are established businesses looking to develop a product line they do not have the space to produce in-house.
- **Other** (14%) includes educators who want to offer cooking or nutrition classes for consumers, workers, and/or entrepreneurs.

What type of potential user are you?



Potential User Profile



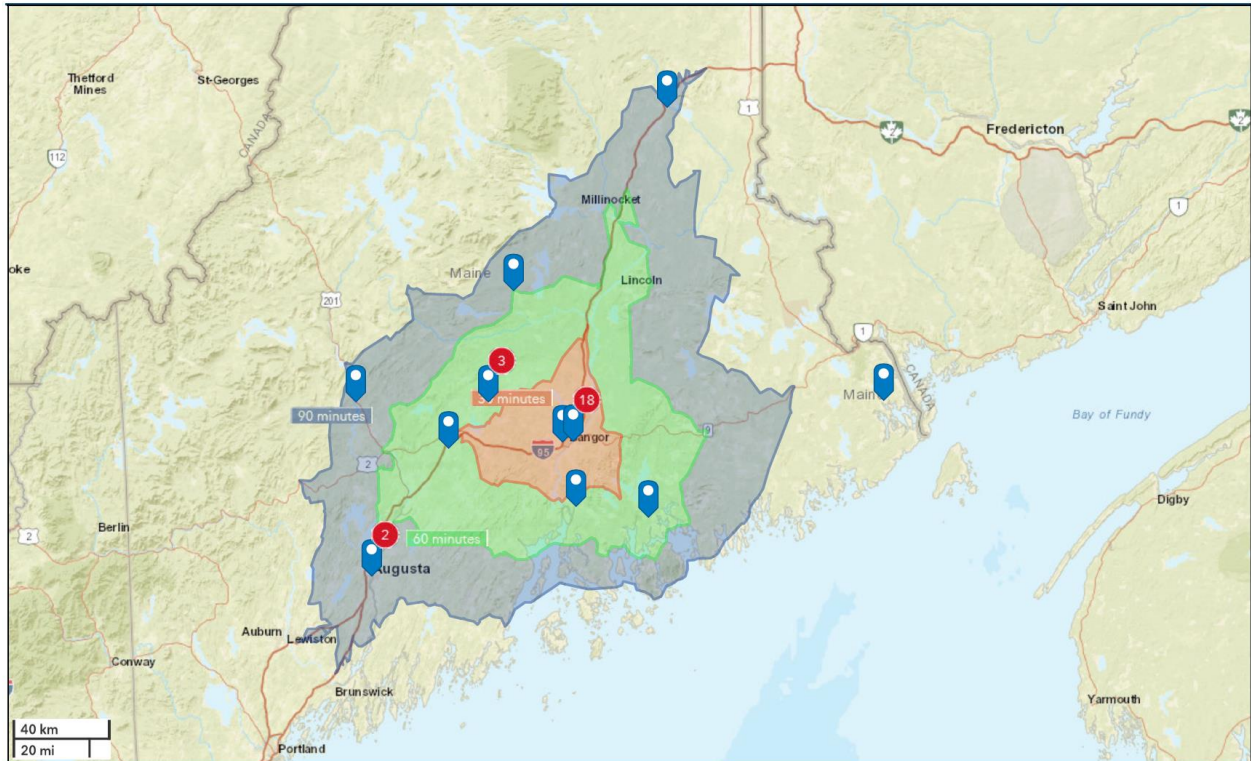
Holli and David Allen launched the Maineiac Snack Shack in 2023. Their food truck offers a diverse product line specializing in Mexican cuisine as well as classics like grilled cheese, hot dogs, baked goods, and even shaved ice. *"We love to cook," says Holli. "I have always cooked for family and friends. When we lived in Colorado and Nevada, we had friends who encouraged us to try to sell our food. I was even a 'lunch lady' for the last few years in Hampden. Finally, we decided, 'Let's just do it!'"* From a renovated cargo trailer, the Maineiac Snack Shack has taken flight, with their most popular menu items - chicken and steak burritos, attracting regular customers from as far as Bar Harbor to their regular stop on the Bangor waterfront. While they currently prep savory items in the truck and sweet ones in a fully licensed home kitchen, access to a larger facility like Bangor Central Kitchen would help them address a variety of needs: more floor space, elimination of greywater, and year-round production. In the winter, for example, they hope to produce prepared meals-to-go. In the long term, Holli and David dream of owning their own a piece of property where they could create a permanent food truck court or row with fire pits, lights, and a genuine family-friendly vibe. For the Allen family, their food truck is already a family affair, with a gluten-free menu that even their daughter can enjoy.



Geographic Catchment Area

The following map illustrates the distribution radius of respondents who classified themselves as potential users of Bangor Central Kitchen: 50% were located within a 30-minute radius of the city, 19% within 60 minutes, and 14% within 90+ minutes.

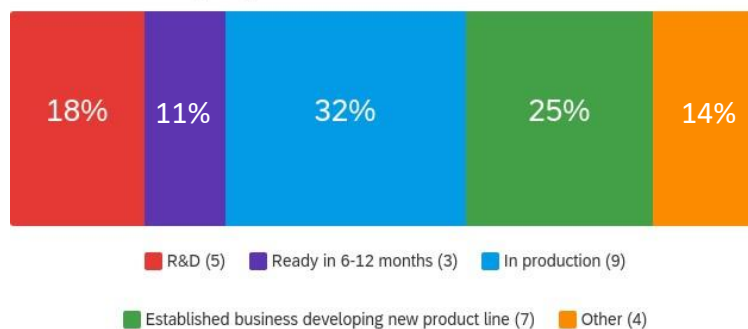
Radius of Potential Users by Drive Time



Business Life Cycle

Of potential users, the vast majority, 71%, are already in production, including established businesses looking to expand. Of the 29% not in production, 18% are engaged in research and development, and 11% plan to be ready in 6-12 months.

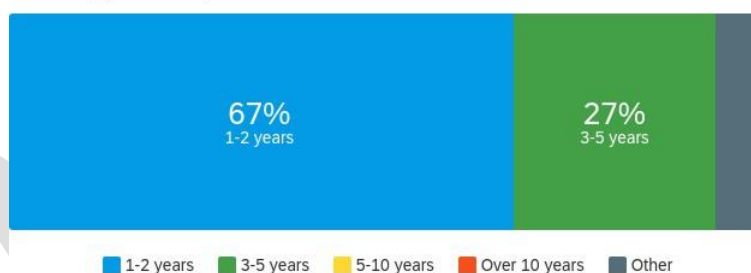
What is the current stage of your business?



Business Tenure

Of those in production, most potential users, 67%, are startups that have only been in business for 1-2 years. Another sizable segment, 27%, are established businesses that have been in production for 3-5 years. This diversity bodes well for creating a collaborative mix of new and experienced entrepreneurs.

How many years have you been in business?



Annual Sales

Virtually all potential users, 94%, are very small businesses earning less than \$100,000 in sales. In fact, 67%, earn less than \$50,000. Just one potential user, a food truck, reported over \$100,000 in sales. Whether sales are constrained by lifestyle goals or lack of access to efficient infrastructure is unknown.

What are your annual sales?



Employment

Of potential users, nine businesses reported that they employed 18 full and part-time workers, including themselves. This works out to two employees per business.

Product Line

Nationwide, the top 10 products developed at shared-use commercial kitchens include ready to eat foods, baked goods, prepared meals, sauces/spreads, jams/jellies, spices/rubs, chocolates, pickled/fermented foods, vegan products, and nuts/seeds/snacks.³

Locally, the interests of potential users align with national trends. See BCK Survey results at right. 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 that are wholesaled to markets require that 1) the producer is USDA-certified and 2) the facility is USDA-certified. These requirements hold true even if the final product includes meat that has already been USDA-inspected. In addition, the equipment must be dedicated to meat production, and not shared with other products. Also, the facility must dedicate an office for occasional use by the USDA inspector.

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

Fermentation also 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.

Plant-based producers will be reluctant to share equipment with producers that incorporate animal products.

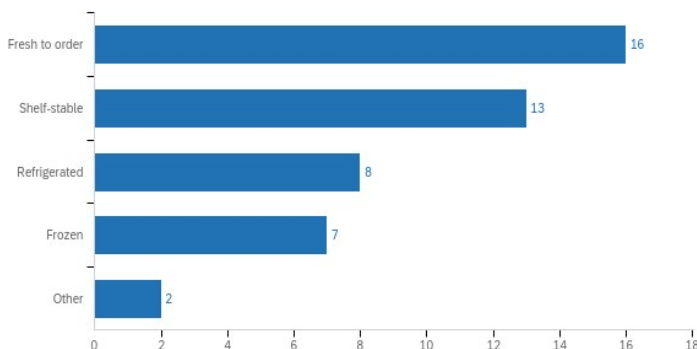
Gluten-free certification requires dedicated equipment with physical separation from other producers.

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

What is your product line? Check all that apply.

Bakery goods	14
Meat, poultry, and fish products	10
Condiments, such as sauces and jams	8
Fruits and vegetables	8
Catered, fresh, or prepared meals to go	5
Beverages	4
Gluten-free	4
Fermented	4
Plant-based meat or dairy	3
Other	2
Dairy	1
Total	63

In what format do you plan to offer your products?

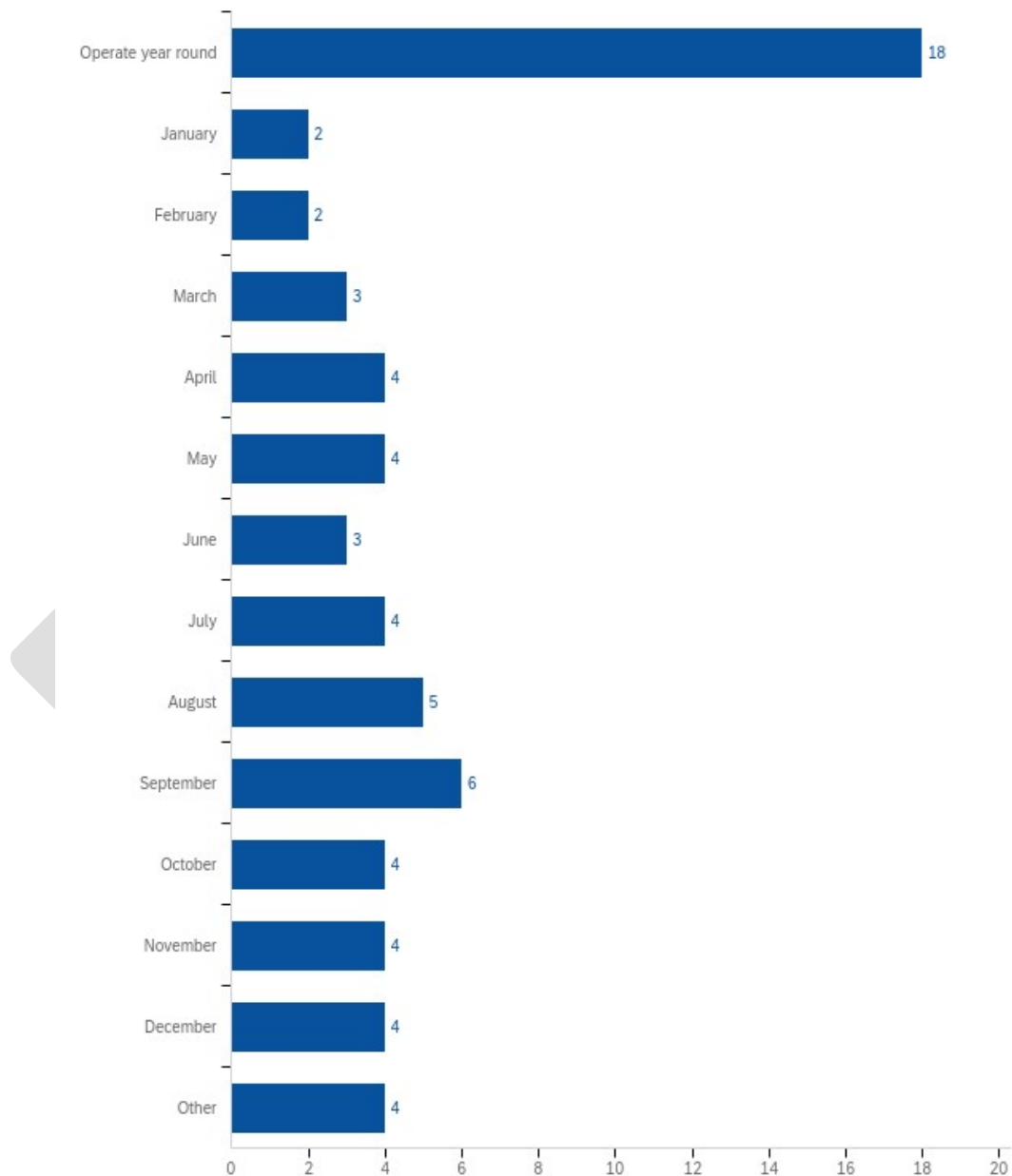


Product Format. There is a more or less even distribution of products that will be made fresh to order, shelf stable, and frozen/refrigerated.

Usage

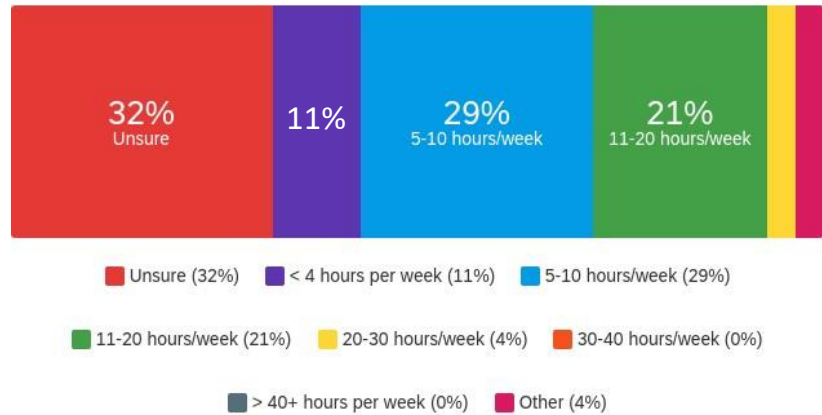
Seasonality. In terms of seasonality, about half of potential users intend to operate year-round. This level of seasonality could be due to a variety of factors: the product line relies on Maine ingredients timed to coincide with the state's short growing season; the primary selling channel for the business 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. Whether potential users want to scale or could scale to year-round production is unknown.

How often would you use the facility?



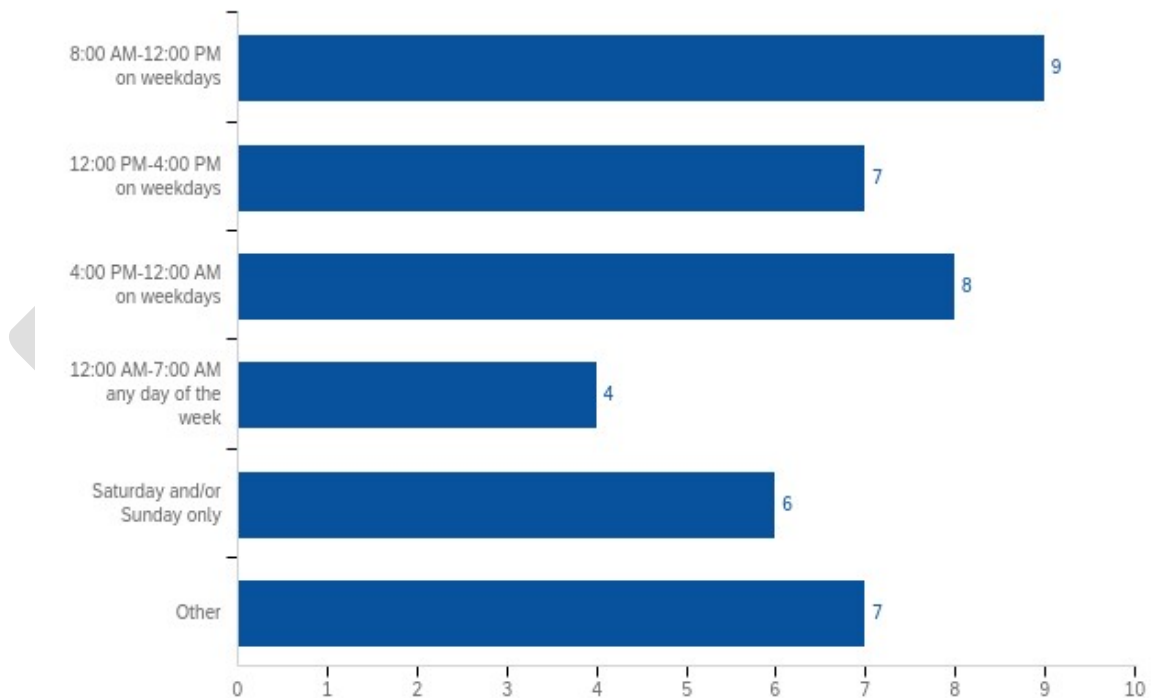
Frequency. In terms of weekly usage, one third of potential users are unsure of their total hours. Another third plan on just 5-10 hours per week. The last third plan on 11-30 hours per week.

How many hours per week would you use the facility?



Time of Day. In terms of daily usage, there is an even spread across daytime hours, including 8AM-Noon, 12PM-4PM, and 4PM-midnight. Another segment plans to work weekends only and another group, overnight or early morning. The *other* category includes caterers with unpredictable hours.

What time of day would you be likely to use the facility?



Amenities

Equipment. Nationwide, over 50% of shared-use commercial kitchens offer refrigerators, freezers, ovens, stoves, mixers, and food processors along with more typical amenities like prep tables, sinks, shelves, utility carts, and dishwashers.⁴ More specialized equipment desired by at least three potential users of Bangor Central Kitchen include dough sheeters, deep fryers, vacuum or heat sealers, proofers, blast chillers, smokers, dehydrators, pressure canners, and meat grinders.

What type of equipment do you need at Bangor Central Kitchen to produce your primary product?

Standard oven	20
Cold storage	18
Standard range	17
Commercial mixer	17
Dry storage	16
Food processor	15
Blender	12
Dough sheeter	9
Deep fryer	9
Vacuum or heat sealer	7
Proofer	6
Microwave	6
Pressure cooker	5
Grill	5
Flat top griddle	5
Smoker	4
Dehydrator	4
Blast chiller	4
Pressure canner	3
Other	3
Meat grinder	3
Ice cream maker	2
Filler	2
Deli slicer	2
Continuous feed floor juicer	1
Tilt skillet	0
Steam kettle	0
Air fryer	0

Food Truck Amenities. The BCK Survey was distributed to 170 mobile vendors within a 90-minute radius of Bangor, including food trucks and food carts. In total, eight mobile vendors expressed interest in renting space at Bangor Central 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 dish pit, electrical hook-up, freshwater fill-up, and greywater disposal were either *must have* or *nice to have* amenities desired by over 50% of respondents.

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

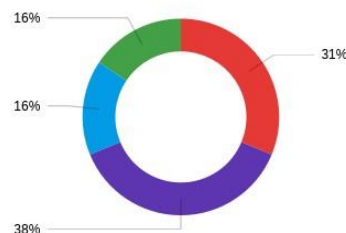
	Must have	Nice to have	Not necessary
Prep space	67%	11%	22%
Dish pit	44%	11%	44%
Cold storage	33%	44%	22%
Electrical hook-up	33%	33%	33%
Freshwater fill-up	22%	44%	33%
Grey water disposal	22%	44%	33%
Dry storage	11%	67%	22%
Secure overnight parking	11%	22%	67%
Bagged ice	9%	36%	55%

Revenue 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.

What type of rate structure would you like to see offered at Bangor Central Kitchen?



Hourly at the market rate. The national average is \$25 per hour.

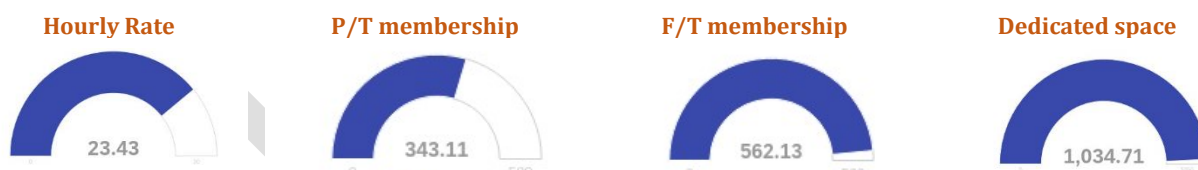
Part-time membership, up to 20 hours per week at a flat rate (\$400-\$600 per month)

Full-time membership with unlimited access (\$800-\$1,000 per month)

Other

The BCK Survey asked potential users what type of rate structure they preferred: over half, 54%, preferred a monthly membership at a flat rate with an inclusive number of hours while 31% preferred an hourly fee at market rate. The *other* category supported a mix of options. Overall, only one potential user indicated a need for dedicated full-time production space.

Willingness to Pay. Potential users were asked how much they would be willing to pay - for an hourly rate (\$25/hour), monthly part-time (\$400-\$600) and full-time membership (\$800-\$1,000), and dedicated space.



Locally, potential users of Bangor Central Kitchen are only willing to pay rates that are far below market. This is likely due to the part-time nature of most of the businesses, which are generating less than \$50,000 in sales per year. However, charging users \$23.43 per hour for a maximum of 10 hours per week would still generate ~\$900 per user per month.

Comparison of willingness to pay with regional and national averages

	National Average (incubator)	Fork Food Lab (incubator)	Bangor Market (real estate)	Willingness to Pay (BCK Survey)
Hourly rate	\$25	\$20	Not applicable	\$23.43
Monthly F/T rate	\$1,775	\$1,280	\$2,500	\$562
Annual rate	\$21,300	\$14,400	\$30,000*	\$6,744

*Based on 2,000 square feet at \$15/SF, exclusive of utilities and maintenance

Key Takeaways

Users: Potential users of Bangor Central Kitchen include producers of consumer-packaged goods, mobile vendors, and chefs and caterers.

Distance: Although most potential users live within a 30-minute radius, some are willing to travel up to 90 minutes to use the facility.

Sales: Most potential users are startups with current sales of less than \$50,000 who plan to produce year-round.

Frequency: Usage would be spread evenly throughout the day in the following time slots: 8AM-Noon, 12PM-4PM, and 4PM-Midnight.

Product lines: Baked goods represent the top product line of interest, followed by products that incorporate meat, poultry, and fish.

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

Fee structure: The majority of potential users support the concept of a membership fee versus an hourly rate.

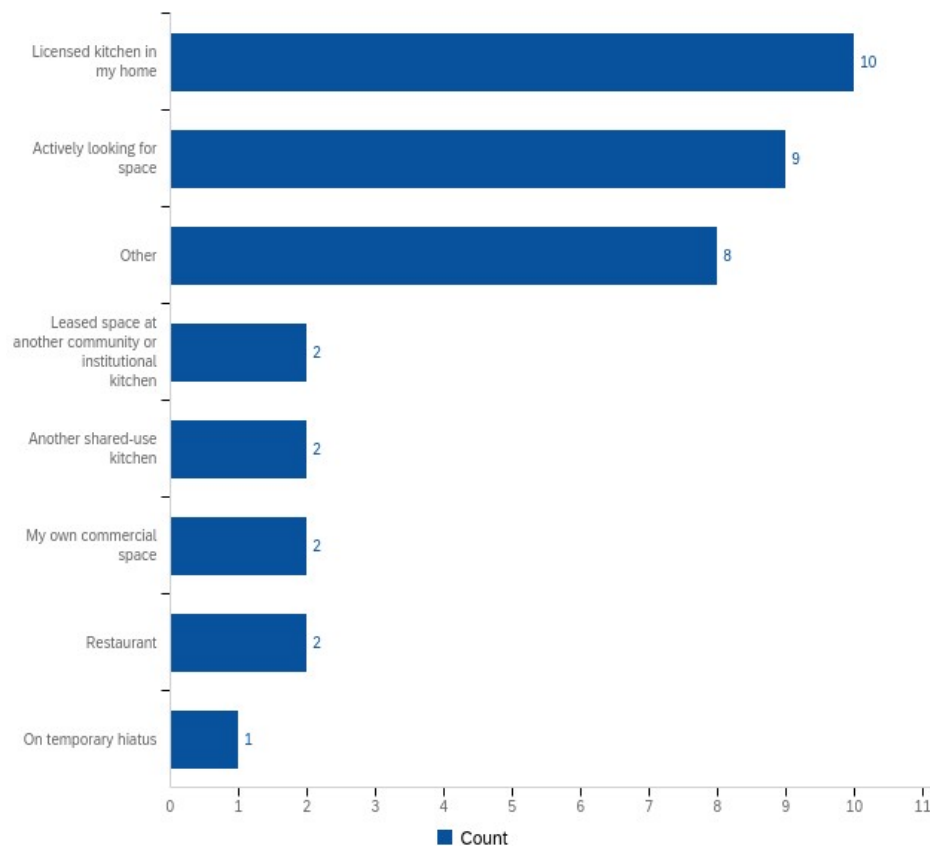
Willingness to Pay: The most that potential users would be willing to pay is ~\$23 per hour or ~\$550 for a full-time membership. This represents 20% of the cost of a commercial lease, 30% of the national incubator average, and 50% of a Fork Food Lab membership.

More than half of potential users, 54%, plan on producing from 5-30 hours per week. If they were charged what they are willing to pay, \$23 per hour, at 10 hours per week, they would end up paying over \$900 per month.

MARKET SUPPLY OF KITCHEN SPACE

In terms of market supply, there are several competitors for kitchen space, including 1) home kitchens, 2) commercial real estate market, and 3) other community kitchens in the region. Potential BCK users were asked where they currently produce food. The top response was the home kitchen. A similar segment is actively looking for space, presumably in their local commercial real estate market.

Where do you currently produce food?



Potential users were asked about their level of satisfaction with their current place of production. Almost half, 48%, were *neutral* on this question, and 44%, *unsatisfied* or *very unsatisfied*. The balance, 8%, were *satisfied* or *very satisfied*.

How satisfied are you with your current place with your current place of production?



Home Kitchens

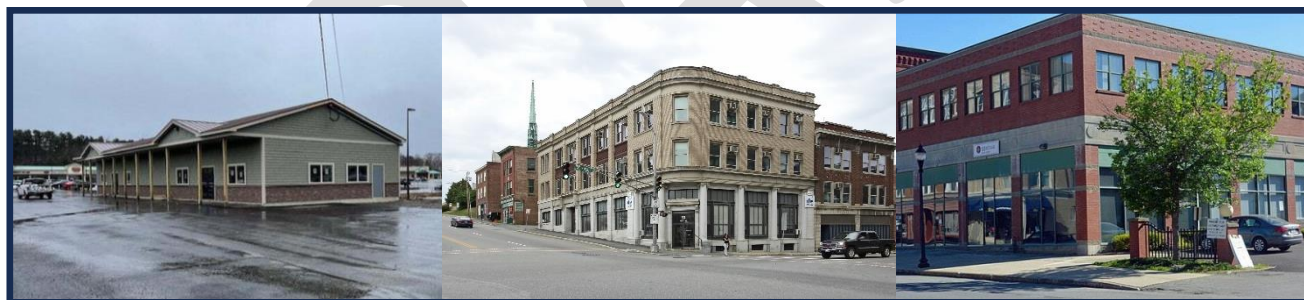
Dreams begin at home. Over 1,700 residents hold a state license to process food at home. Products must be shelf stable, while those requiring refrigerated or frozen storage must be produced in a commercial facility. About 35% of Maine's home kitchens are located within a 90-minute radius of Bangor. All of these producers were invited to participate in the BCK survey.

Of potential users, 28% produced food at home. Half of these were *unsatisfied* or *very unsatisfied* with the arrangement, which is a greater proportion than users of other types of spaces. For home kitchens, the primary reason for dissatisfaction is that their production space is too small. Thus, home kitchen producers represent a viable potential market of users for Bangor Central Kitchen.

Commercial Real Estate Market

Another competitor for kitchen space is the local real estate market. 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 building expenses are extra.

Despite the pandemic, the availability of commercial space in the Bangor region in 2022 was extremely tight, with vacancies for industrial space at 2% and retail, 5%. Below is a snapshot of the smallest retail properties available for lease in Bangor during the week of July 21, 2023. Annual lease rates for these spaces range from \$32,000-\$52,000, with a lease term of 1-5 years.⁵



867 Broadway
1,800-2,115 SF at \$18 per SF

33 State Street
3,500 SF at \$20 per SF

175 Exchange Street
3,500 SF at \$15 per SF

This 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 Bangor Central Kitchen as an affordable midpoint in the journey from basements, barns, and kitchens to storefronts, restaurants, and production facilities.

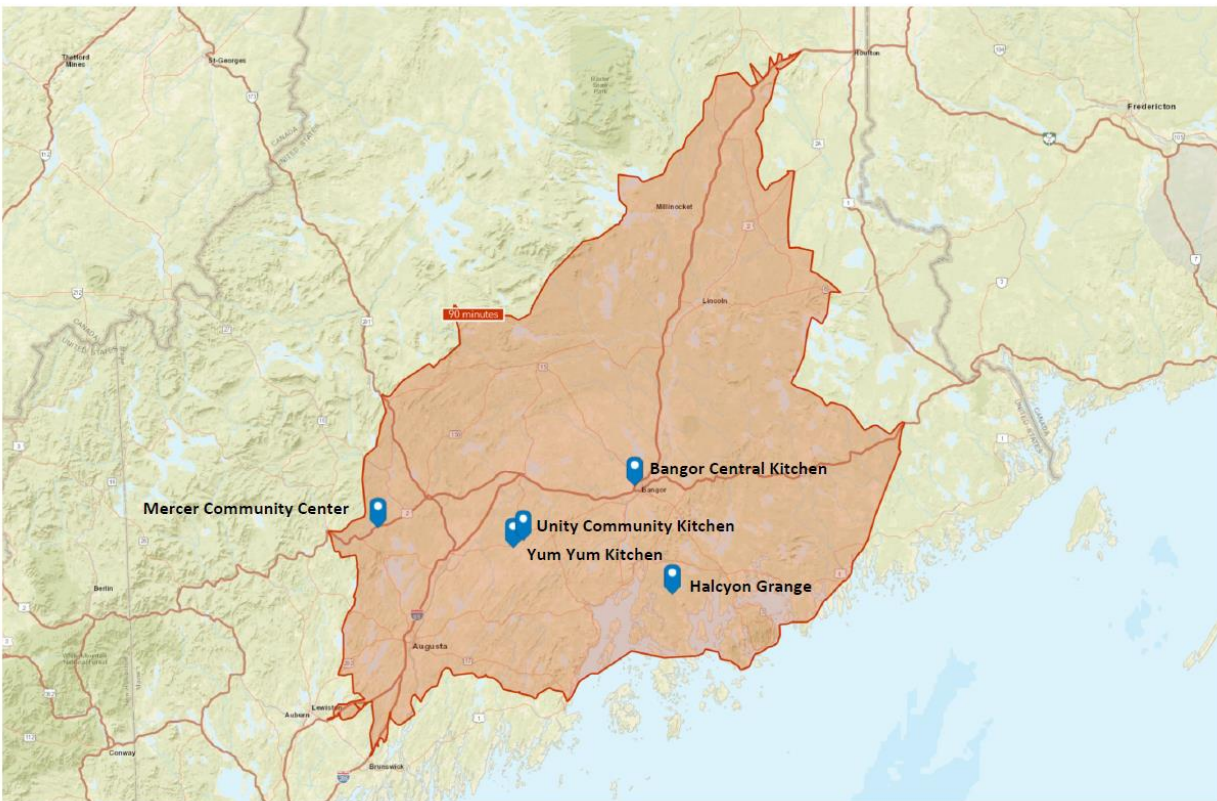
Before beginning production, most incubators require liability insurance, ServSafe certification, and a state and local license. This threshold is far easier to manage than the risk of a commercial loan. Thus, a fully renovated and permitted space at Bangor Central Kitchen would not only lower the entry 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 the following, track record, and capital that enable them to scale into the local commercial real estate market.

Community Kitchens

Another option for producers are community kitchens that actively market their availability on the Internet. Four facilities are located within a 90-minute radius of Bangor: three within ~35 miles of Bangor, and another, 73 miles. Operating details are described below.

- **Multi-uses:** Three facilities are community centers that also offer function space.
- **Square Footage:** Kitchens range in size from 300 to 500 square feet.
- **Rates:** Rates range from \$10 to \$30 per hour.
- **Simultaneous users:** All kitchens can accommodate only one user at a time.

Community Kitchens Within a 90-Minute Radius of Bangor



Community Kitchens within 90 minutes of Bangor

	Halcyon Grange	Mercer Community Center	Unity Community Center	Yum Yum Kitchen
Ownership	Non-profit	Municipal	Non-profit	For-profit
Location	1157 Pleasant Street Blue Hill, ME 04614	1015 Beech Hill Road Mercer, ME 04957	32 School Street Unity, Maine 04988	133 Back Troy Road Troy, ME 04987
Contact	(207) 460-9933	(207) 587-2911	(207) 948-9005	(207) 948-3500
Website	halcyongrange.org	mercermaine.com	unitybarnraisers.org	yummyumkitchen.net
Miles from Bangor	31	73	34	32
Type of facility	Community Center	Community Center	Community Center	Residence
Kitchen size	TBD	400 SF	325 SF	500 SF
Maximum users	1	1	1	1
Rates	\$40 < 4 hours \$75 > 4 hours	Long term lease Negotiable rent	\$25 per hour	\$30 per hour \$200 per day
Extra cost	Function hall		Function hall Storage at \$30/month	Storage
Other features		24/7 access		24/7 access
Amenities				
Storage	Refrigerator Freezer	Double Refrigerator Freezer	Refrigerator Freezer	Refrigerator/Freezer
Prep	2 stainless steel tables Baking rack	Stainless steel island	Limited prep space	4 Work areas Baking rack
Production	Gas stove -10 burners -2 Ovens Stand mixer Coffee pot	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 Dishwasher	1 three-bay sink 1 handwashing sink	1 three-bay sink Dishwasher	1 three-bay sink

Given the market supply, Bangor Central Kitchen will 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.
- **Offer both shared and private kitchen space**. Nationwide, one third of shared-use kitchens offer dedicated space to at least one user.
- **Accommodate complementary food uses**, such as a food hub. 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 kitchen incubator in Eastern Maine, with no comparable competitor except for Fork Food Lab in Portland, located two hours south.

Key Takeaways

Competition: There are several competitors for kitchen space, including home kitchens, commercial real estate market, and community kitchens in the region.

Home Kitchens: There are ~600 residents within a 90-minute radius of Bangor who hold a license to process food at home. This represents the largest market of potential users.

Commercial real estate: The availability of commercial space in Bangor is extremely tight, with vacancies for industrial space at 2% and retail, 5%.

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 Bangor Central Kitchen could begin selling on day one of their membership.

Community kitchens: There are four community kitchens within a 90-minute radius of Bangor, all of which permit only one user at a time.

Competitive advantage: Compared to other facilities, Bangor Central Kitchen could offer both shared and private kitchen space, accommodate other complementary food uses, offer 24/7 access, and provide walk-in cold and dry storage.

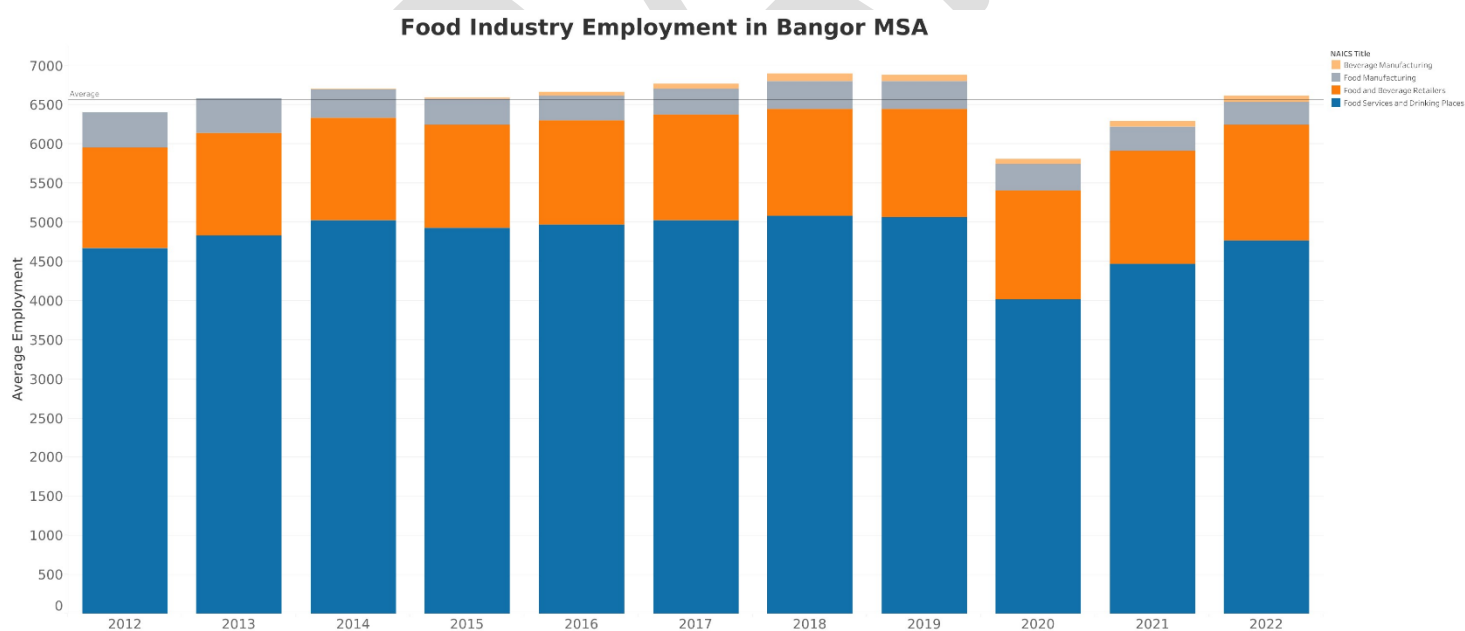
MARKET DEMAND FROM CONSUMERS

The Region

With respect to the region's food industry, there are several geographies to consider: 1) market of potential users; 2) market of employers; and 3) market of consumers.

A Metropolitan Statistical Area (MSA) is comprised of a core urban area with at least 50,000 people along with adjacent suburbs defined by the distance people are willing to commute to work. The Bangor MSA is comprised of all the cities and towns in Penobscot County. The furthest point in Penobscot County is 90-minutes from Bangor. Thus, the availability of other shared-use kitchens within a 90-minute radius of Bangor was considered as a driver of entrepreneurship. But employers also compete for the time and talent of potential entrepreneurs: 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.

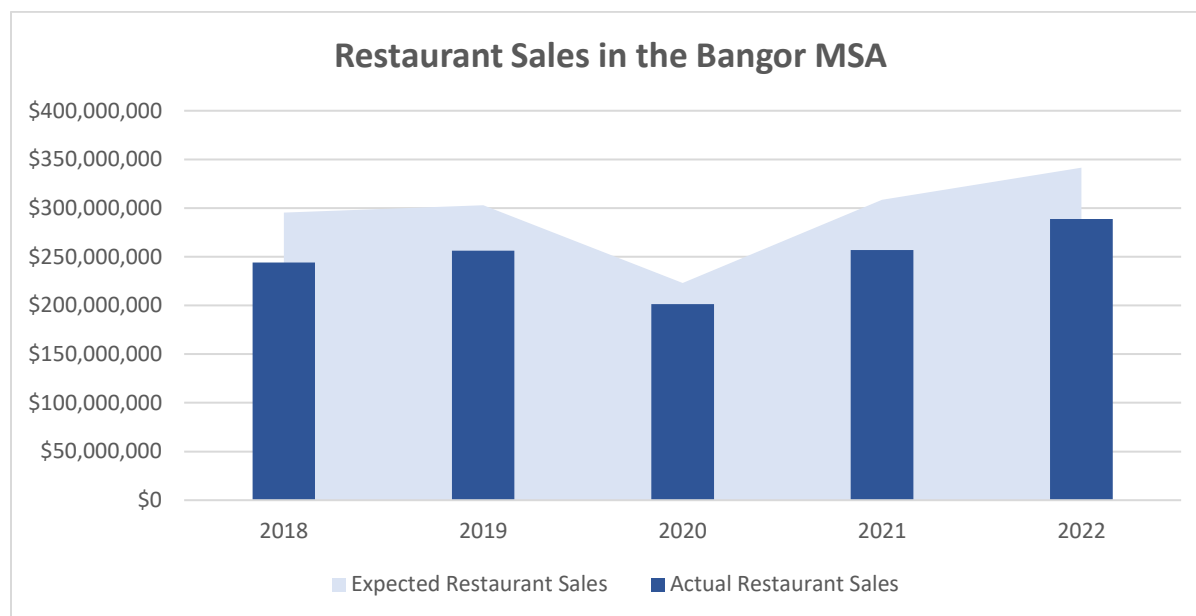
The food industry in the Bangor MSA is comprised of 10,000 jobs, which represents 14% of the region's employment. The food industry is comprised of food and beverage manufacturing (19%), food retailers (15%), and eating and drinking establishments (65%). Over the past 10 years, the region's food industry has grown 7%, compared to 2% for employment in all industries. Although the sector's employment peaked in 2018, it is still larger than before the pandemic. Within the industry, employment among retailers increased 21%, food and beverage manufacturing, 11%, and eating and drinking establishments, 3%. 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 Labor⁶

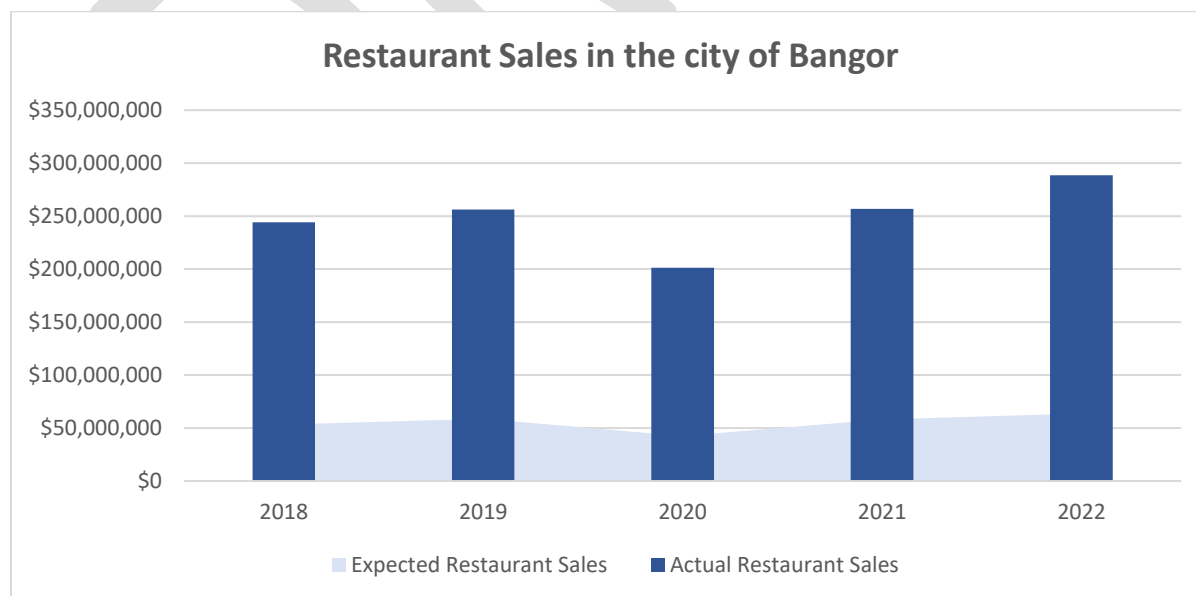
Beyond employment, another indicator of the food scene's vitality is food sales. Sales includes food purchased for *consumption at home* as well as *food consumed away from home* at cafeterias and restaurants. The most recent data on local purchasing trends is based on retail sales taxes. Since most food purchased from retailers is not taxable, however, the most reliable indicator 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 among Maine, the region, and the city. When per capita sales in the Bangor MSA are compared with Maine, there is plenty of room to grow: there is a \$53 million deficit between actual sales and expected sales, indicating an opportunity for food entrepreneurs to meet this gap.



Source: Maine Revenue Services⁷

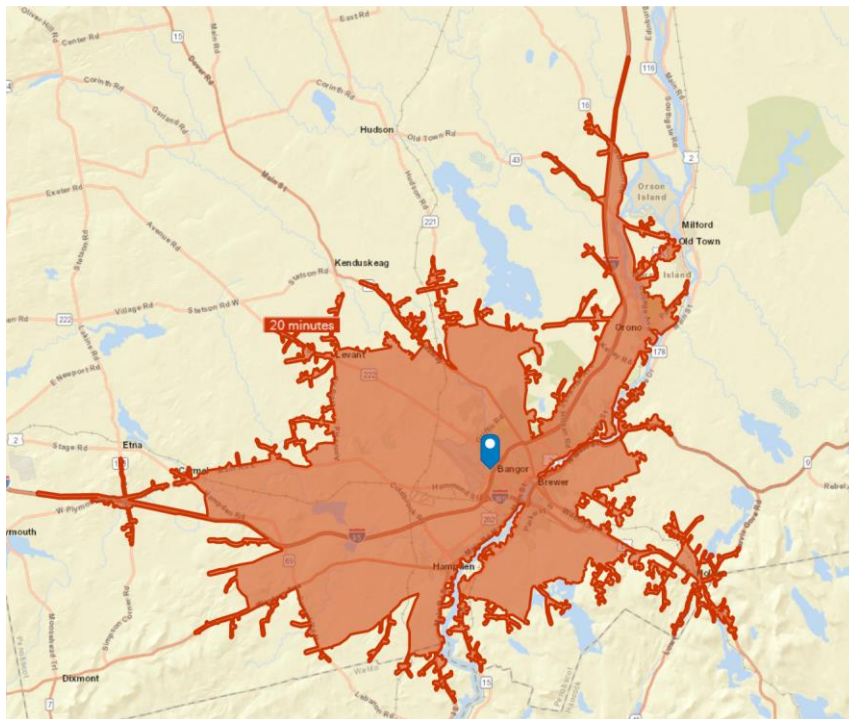
On the other hand, restaurant sales in the city of Bangor are saturated. When per capita sales in Bangor are compared with those in Maine, there is a surplus of \$225 million. This vitality, however, does not necessarily indicate a loss of opportunity. The city of Portland, for example, boasts a surplus in restaurant sales of \$284 million. This vitality has landed Portland at #1 as the nation's Restaurant City of the Year (Bon Appetit, 2018). Thus, saturation not only attracts both residents and visitors from outside the region but serves as a source of innovation that can achieve national acclaim. Bangor Central Kitchen can serve as the incubator for innovative food products and restaurant concepts.



Source: Maine Revenue Services⁸

The Community

Trade Area for Bangor Central Kitchen



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, a percentage that increases to 97% in urban areas.⁹ Thus, the market of consumers within a 20-minute drive time of Bangor Central Kitchen were mapped. This radius, which will be referred to as the trade area, includes all of Bangor and portions of 14 communities, including Brewer, Alton, Dedham, Eddington, Glenburn, Hampden, Holden, Kenduskeag, Levant, Newburgh, Orono, Orrington, Veazie, and Winterport.

A total of 70,712 consumers live within the trade area. These consumers earn a median household income of \$60,651, which is 113% of the city's median, 102% of the region's median, and 89% of the state's median. With a median age of 38.8 and a college attainment rate of 44%, this population is also significantly younger and better educated than residents of the city, region, or state.

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

	Trade Area	City	MSA	State
Median household income	\$60,651	\$53,596	58,985	\$68,320
Median age	38.8	40	42.5	45.6
College Educated	44%	41%	34%	37%

Source: Esri Business Analyst¹⁰

Tapestry Segmentation developed by Esri classifies U.S. neighborhoods into 14 LifeMode groups and 67 distinct consumer segments.¹¹ 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, 75% of the trade area can be classified into seven distinct consumer segments. Potential users of Bangor Central Kitchen may consider using Tapestry Segmentation to determine which consumer groups to target through their products as well as the means to reach them. For example, several consumer segments comprising one third of the trade area demonstrate a preference toward local food, including In Style, Green Acres, and Emerald City. According to a panel survey by Statista (2018), the consumer group most likely to purchase local food (42.5%) is aged 50-64 or earning the region's median income (27.7%).¹²



Predominant Consumer Base

Tapestry Group	In Style	Set to Impress	Old & Newcomers
Concentration	17.9% of households	14.6% of households	14.4% of households
Age range	Early 40's	20-34	Late 30's
Household type	Married couples & singles	Mobile singles	Singles
Tenure	Urban homeowners	Urban & suburban renters	Urban & suburban renters
Education	College-educated	College students	Some college
Income	130% of area median	60% of area median	80% of area median
Civics	Generously support charities	Maintain close connections with family	Volunteer for charities
Food preferences	Prefer organic foods, including growing their own vegetables	Favor quick meals on the run	Meals include convenience, frozen and fast food
Shopping	Consumers who invest in home remodeling & maintenance	Image conscious consumers who prefer name brands but buy generic	Price aware coupon clippers who are open to impulse buys
Technology	Highly connected to smart phones	Rely on cell phones social media, gaming, and streaming	Prefer cell phones to landlines
Entertainment	Actively support the arts, theater, concerts, and museums	Enjoy concerts and night clubs	Enjoy movies, surfing the Internet, listening to country music, and reading the paper



Tapestry Group	Green Acres	College Towns	Emerald City	Great Outdoors
Concentration	7.1% of households	7.1% of households	7% of households	7% of households
Age range	Mid 40's	Early 20's	Late 30's	Late 40's
Household type	Married couples without children	Single and non-family households	Single and non-family households	Married with children
Tenure	Homeowners	Renters	Urban renters & homeowners	Homeowners in small towns
Education	College educated	Enrolled in college	College-educated	Some college
Income	150% of area median	65% of area median	100% of area median	100% of area median
Civics	Active in their communities and social organizations	Busy with studying and/or working for a college	Liberal contributors to NPR & PBS	Members of AARP and veterans' clubs who support civic causes
Food preferences	Prefer growing their own vegetables	Limited disposable income	Foodies who cook adventurous meals using local and organic foods	Prefer home-cooked meals
Shopping	Cautious consumers who prefer quality and durability along with DIY projects	Thrifty shoppers who dress to impress and prefer green products	Careful researchers who buy natural & green products	Consumers who focus on DIY gardening, auto, and home projects
Technology	Use technology as a tool but for entertainment	Rely on cell phones for every aspect of life versus doing things in person	Rely on cell phones and use the web for networking and shopping	Light use of internet for shopping
Entertainment	Pursue outdoor living, e.g., sports, hunting, fishing, hiking and camping.	Enjoy outdoor activities along with movies and going out for drinks	Enjoy art galleries, museums, and concerts	Enjoy such outdoor activities as hiking, hunting, fishing, & boating

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.¹³

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 Greater Bangor and beyond can play a critical role in supporting the individual users of Bangor Central 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.

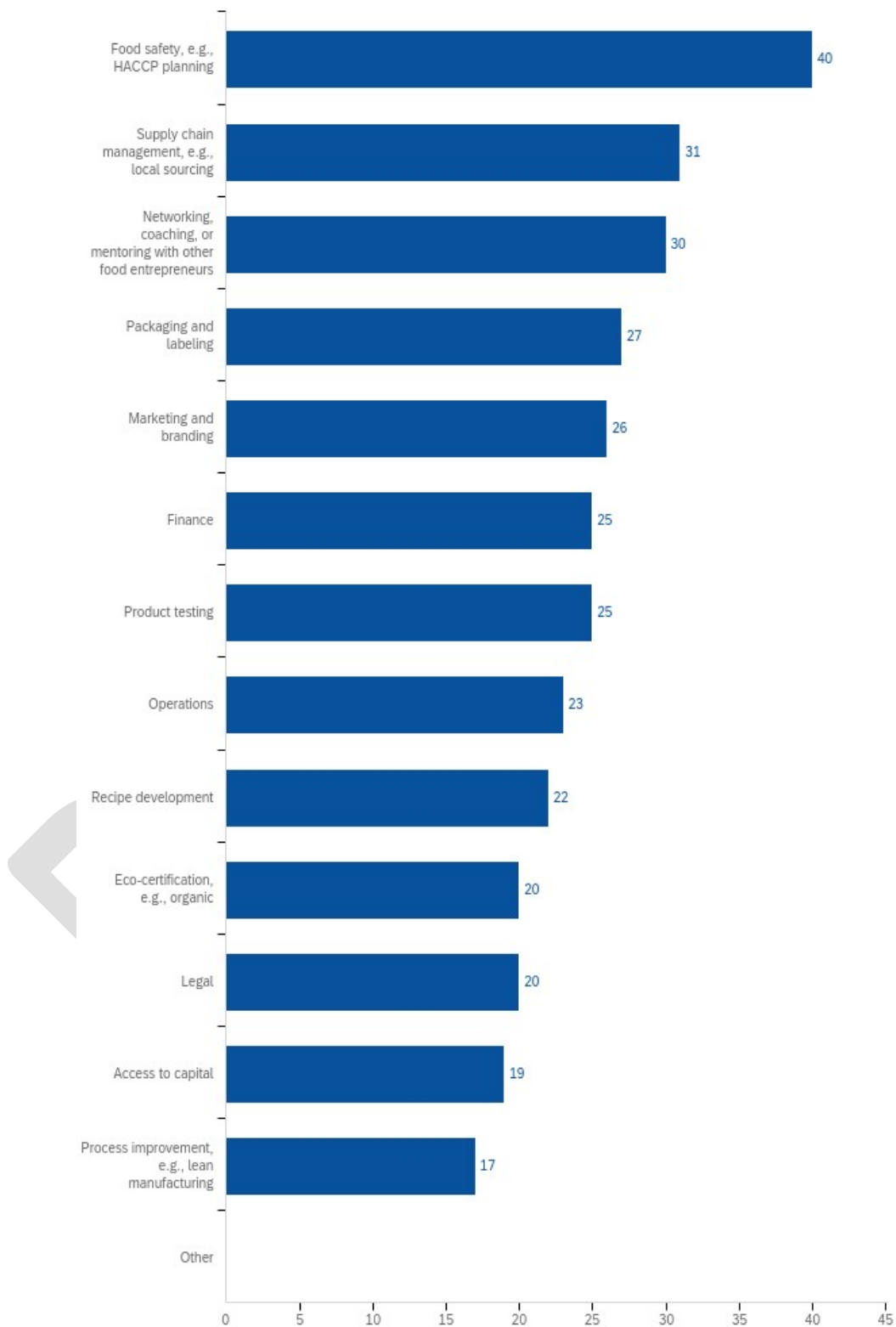
Licensing: State agencies ensure that food produced at home, shared, and commercial environments are safe to eat. The Maine Department of Agriculture, Conservation, and Fisheries licenses over 7,000 food producers per year while the Maine Department of Health and Human Services licenses caterers and 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 BCK Survey asked all respondents about the type of service programming that should be provided at Bangor Central Kitchen. The top response was food safety training, followed by help with local sourcing and supply chain management. 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.

What type of assistance or programming would like to offered at Bangor Central Kitchen?



Potential Partnerships for Service Programming

Organization	Access to Capital	Business Counseling	Culinary Arts	Food Access	Food Safety	Entrepreneurial Training	Marketing	Licensing	R&D	Sourcing
Bangor Farmer's Market				✓						✓
Bangor Region Chamber of Commerce							✓			
Bangor Region Food Pantries				✓						
City of Bangor	✓	✓						✓		
Coastal Enterprises, Inc.	✓	✓				✓				
Eastern Maine Community College			✓		✓	✓				
Eastern Maine Development Corporation	✓	✓				✓				
Food Industry Associations				✓			✓			✓
Maine Angels	✓									
Maine Center for Entrepreneurs		✓				✓				
Maine Department of Agriculture, Conservation & Fisheries	✓				✓		✓	✓		
Maine 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		✓				✓				
MaineStream Finance	✓	✓								
Maine Technology Institute	✓								✓	
Maine Venture Fund	✓									
New Ventures Maine		✓				✓				
SCORE		✓				✓			✓	
University of Maine Cooperative Extension						✓			✓	✓
University of Maine School of Food & Agriculture					✓				✓	
United Technologies Center – Region 4			✓		✓					
Upstart Maine						✓				

Key Takeaways

Food Scene: The region's food industry is comprised of 10,000 jobs, including food and beverage manufacturing, food retailers, and eating and drinking establishments.

Growth: Over the past 10 years, the region's food industry has grown 7%, compared to 2% for employment in all sectors.

Vitality: On a per capita basis, the city of Bangor attracts almost 2.5 times the restaurant sales than would be expected for a geography of its size.

Trade Area: Food is classified as a convenience product that consumers will not travel more than 20 minutes to purchase. This trade area incorporates Bangor plus portions of 14 communities.

Consumer Demographics: A total of 70,712 consumers live within the trade area, earning a median income lower than the state's but higher than the city or the region. This population is significantly younger and better educated than residents of the city, region, or state.

Consumer Psychographics: Three consumer segments totaling one third of the trade area demonstrate a preference toward local food - In Style, Green Acres, and Emerald City.

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 supply chain management. Compared to business counseling, training, and networking, there are comparatively few resources that directly assist businesses in these areas.

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.¹⁴

Bangor Central Kitchen is several stages beyond ground zero: The City of Bangor owns the land and building, hazardous materials have been removed, and design/engineering has been funded. In addition, Bangor has secured a \$1 million Congressional earmark for renovation.

Nevertheless, 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 Bangor Central Kitchen into a modern incubator could cost north of \$3.5 million.

To facilitate the renovation, below is a description of State and Federal grants that could support startup costs, such as renovation, equipment, and/or staffing.

Potential Grants for Bangor Central Kitchen

Agency	U.S. Department of Commerce, Economic Development Administration
Program	Public Works Grant
Dollar Range	\$100,000-\$30 million
Cycle	Submissions welcomed at any time
Eligibility	Universities, nonprofits, and units of local, county, and state government
Goals	Help distressed communities revitalize, expand, and upgrade physical infrastructure through business expansion, economic diversification, and job creation.
Activities	Construction and renovation of public facilities, including fixed equipment. Business incubators require a feasibility study.
Example	Peekskill Commercial Kitchen Food Incubator in New York www.eda.gov/news/press-release/2022/12/21/us-department-commerce-invests-24-million-support-food-infrastructure
Agency	U.S. Department of Agriculture, Agricultural Marketing Service
Program	Local Food Promotion Program
Dollar Range	\$100,000-\$750,000
Cycle	Annual
Eligibility	Local governments, nonprofits, universities, and agricultural producer groups
Goals	Support the development, coordination, and expansion of enterprises that engage as intermediaries to increase access and availability of local food products.
Activities	Marketing, equipment, and personnel associated with the processing, aggregation, distribution, and storage of local food.
Example	Fork Food Lab in Portland, Maine https://www.ams.usda.gov/sites/default/files/media/FY2021LFPPDescriptionofFundedProjects.pdf

Agency	U.S. Department of Agriculture, Rural Development
Program	Rural Business Development Grant
Dollar Range	\$10,000-\$500,000
Cycle	Annual
Eligibility	Universities, nonprofits, and units of local, county, and state government
Goals	Training and technical assistance for small rural businesses with > 50 workers and \$1 million in sales located in areas > 50,000 population.
Activities	Rural business incubators, including feasibility studies, entrepreneurial training, and building construction and renovation.
Example	Cache Business Resource Center Kitchen Incubator in Utah https://www.rd.usda.gov/newsroom/success-stories/tech-college-supports-kitchen-incubator-jump-start-business
Agency	U.S. Department of Health and Human Services, Administration for Children & Families
Program	Community Economic Development
Dollar Range	\$100,000-\$800,000
Cycle	Annual
Eligibility	Community development corporations
Goals	Improve economic self-sufficiency in low-income communities with high unemployment and poverty rates thorough business development and job creation.
Activities	Business startup and expansion activities, including the development of restaurants, commercial kitchens, and agricultural initiatives.
Example	Food Fort Commercial Commissary in Columbus, Ohio https://www.acf.hhs.gov/ocs/map/ced-map-current-grantee-locations
Agency	Northern Border Commission
Program	Catalyst Program
Dollar Range	\$500,000-\$3 million
Cycle	Annual
Eligibility	Nonprofits, and units of local, county, and state government
Goals	Revitalize infrastructure in the Northern Forest region, including diversification of business enterprises that capitalizes on natural, cultural, and economic assets.
Activities	Non-infrastructure projects, such as job training, entrepreneurial and small business development; infrastructure projects, such as construction and renovation of public facilities, systems, and structures to catalyze economic development.
Example	Taproot Farm & Environmental Education Center in New Hampshire https://www.nbrc.gov/userfiles/files/2022%20SEID/State%20EID%20Award%20Summary%20for%20Website-NH%20CORRECTED%2020221020.pdf
Agency	Maine Rural Development Authority
Program	Rural Manufacturing and Industrial Site Redevelopment Program
Dollar Range	\$500,000
Cycle	Monthly
Eligibility	Units of local government
Goals	Grants for the rehabilitation, revitalization and marketing of manufacturing and industrial sites in Maine.
Activities	Building acquisition, construction and/or renovation.
Example	https://www.mainerda.org/projects/
Agency	Maine Technology Institute
Program	Cluster enhancement and capacity-building
Dollar Range	To be determined
Cycle	Periodic funding available, typically > \$100,000
Eligibility	Nonprofits, universities, and other public and private agencies
Activities	Non-infrastructure and infrastructure projects that facilitate the startup and scaling of innovative businesses in the state's targeted industry sectors.
Example	Various accelerators and incubators funded through the PRIME fund https://www.maine.gov/governor/mills/news/governor-mills-announces-56-million-maine-jobs-recovery-plan-grants-support-maine

Operation Costs

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 3.6 times the size of the typical incubator, Bangor Central Kitchen can expect to have substantially 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 \$500,000.¹⁵ 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. It is assumed that 70% of the \$3.5 million renovation will be covered by State and/or Federal grants, including the Congressional earmark. The monthly debt service on a \$1 million loan with a 10-year term at 6% interest is \$11,102.
- **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**, budgeted at an annual salary of \$58,000, 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**, budgeted at an annual salary of \$45,000, could be focused on the micro level or internal aspects of the facility, including member services, onboarding, and kitchen operations.
- **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, covers 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 \$2,000 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.

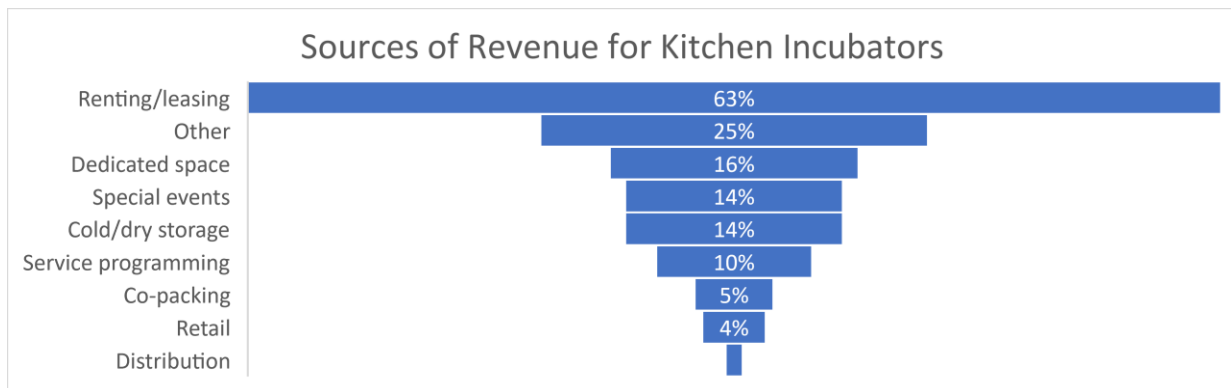
Exclusions

- **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. It is assumed that these expenses will be absorbed into the City's annual budget.
- **Property taxes** are unlikely to be assessed, given municipal 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.¹⁶ Because Bangor Central Kitchen will be over three times the size of the typical incubator, the number of users at buildout will also be larger.

Below is a summary of the typical sources of revenue for an incubator along with a description of each.



Source: Econconsult Solutions (2020).

Dedicated space is the monthly charge for exclusive use of dedicated production space not shared in common with others.

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 for extra usage has not been calculated.

Service programming are nominal fees charged to entrepreneurs for participating in training opportunities offered in-house or by external partners.

Co-packing is a service where products are processed and packaged for third party brands. 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.

Retail is the service fee 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.

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 half of the level of interest expressed in the BCK Survey.

For the Buildout stage, the level of usage is based on growth.

Revenue Assumptions for Financial Modeling

	Basis	Startup (Y1)	Breakeven (Y3)	Buildout (Y5)
Users				
Part-time year round	\$500/month	12	17	25
Full-time year round	\$900/month	2	5	10
Seasonal (6 months)	\$500/month	4	6	10
Hourly (4-hour min)	\$25/hour	20	29	41
Dedicated space	\$1,200/month	2	3	5
Cooking classes	\$25/class	336 people/year	484 people/year	1,194 people/year
Special events	\$1,000 each	6 events/year	18 events/year	41 events/year
Service programming	\$10/person	6 events/year	12 events/year	12 events/year
Retail	1% of annual sales	\$1.5 million	\$2.3 million	\$4 million

Break-Even Analysis

During Year 1, Bangor Central Kitchen is expected to lose ~\$205,000. This loss could be lessened by the procurement of additional grant funds to cover renovation and/or operations. By Year 3, the facility could break-even, with underutilized capacity available to accommodate churn, i.e., businesses starting up and graduating from the facility. By Year 4, Bangor Central Kitchen could post a profit of ~\$130,000, which would allow the facility to hire additional staff. By Year 5, the facility could post a profit of ~\$265,000.

Economic Impact

The potential economic impact of Bangor Central Kitchen 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 45 businesses based at Bangor Central Kitchen in a typical year. At full capacity, the facility will generate an annual economic impact of 65 jobs and \$4 million in sales. When multiplier effects are added, Bangor Central Kitchen will generate a total annual economic impact of 105 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 Bangor Central Kitchen

	Jobs	Sales
Direct Impact	65	\$4 million
Total Economic Impact	105	\$7 million

In addition, it is estimated that three businesses per year will graduate from Bangor Central 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 Bangor Central Kitchen could cost over \$3.5 million.

Investment: The financial model assumes that the City can secure grants for 70% of renovation costs, with \$1 million already attained.

Grant Opportunities: There are 5-7 State and Federal grants that could substantially subsidize startup and operation costs.

Staffing: At the startup stage, Bangor Central Kitchen should consider hiring a General Manager and an Operations Manager.

Leading Expenditures: The most volatile variable costs are utilities and maintenance.

Leading Revenue Source: Leasing to users is the most critical component of the revenue model. Cooking classes, special events, service programming, and retail can generate additional revenue.

Utilization: At the startup stage, Bangor Central Kitchen might host 20 users, which could grow to 50 at the buildout stage.

Startup: During the startup stage, Bangor Central Kitchen may require an operating subsidy of \$200,000.

Break-Even: By Year 3, Bangor Central Kitchen could break-even.

Buildout: By Year 5, Bangor Central Kitchen could generate a net profit of \$265,000 per year.

Economic Impact: At the buildout stage, Bangor Central Kitchen could generate a total economic impact of 105 jobs and \$7 million in sales.

Graduates: Three businesses per year will graduate to their own storefronts, restaurants, and production facilities, generating additional jobs, wages, sales, and private investment.

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- ³ Ibid.
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- ¹⁴ Ibid.
- ¹⁵ Ibid.
- ¹⁶ Ibid.