

OFF THE CUF

By Mark Foggin

# RECIPE FOR GROWTH

Kitchen incubators give food entrepreneurs something that's often difficult to find in New York: a licensed commercial kitchen at affordable rates. City economic development officials should support efforts to create more of them

**EVEN IN A TIME OF ECONOMIC CONTRACTION, CERTAIN THINGS HOLD TRUE.**

For instance, we all have to eat. And in New York City—a foodie town with a huge immigrant population who hunger for the delicacies of their home countries—that need will always foster invention. If you've got a good recipe and know how to reach your target market, business opportunities beckon. Indeed, the city is home to a growing number of entrepreneurs who are trying their hand at food manufacturing and catering, from high-end chocolates and gourmet pickles to empanadas and Indian sweets.

But while all new businesses in the five boroughs encounter formidable challenges, food entrepreneurs often face a unique problem: finding affordable space in a licensed commercial kitchen.

A number of entrepreneurs in the food industry today work out of their kitchens at home. But to grow, these entrepreneurs typically need larger ovens, more counter space and additional storage capacity. Most importantly, health regulations require that food products be made in licensed commercial kitchens. The problem is that few of these nascent businesses have enough revenue coming in to justify a full-time licensed facility.

To solve this problem, many have turned to kitchen incubators: small spaces with shared ovens, ranges and industrial mixers that entrepreneurs can rent just when they need it—a few hours one week, a full shift later that month. These shared spaces have already helped many local entrepreneurs to get to the next level. In the future, they could pave the way for the next Goya Foods or Golden Krust—New York City startups that grew into industry titans—to emerge. Yet city and state economic development agencies have been slow to embrace the concept, and the city is just scratching the surface in terms of the number of entrepreneurs being served at these incubators.

There's little doubt about the promise of food manufacturing businesses. Even as overall manufacturing employment in New York City has sharply declined over the past several decades, food production has held relatively steady. Some sub-sectors, like specialty and ethnic foods, have actually grown. A study conducted in 2007 for the city's Office of Industrial & Manufacturing Businesses found that there are more than 900 food production firms in the city employing over 16,000 New Yorkers. The study estimated that another 2,500 New Yorkers were self-employed within this field, suggesting that there are large numbers of entrepreneurs trying to break into the industry and become the next group of full-fledged firms. If even a modest number of them succeed, it will mean more tax revenue for the city and good-paying entry-level jobs for its residents.

The chief obstacle for so many of these fledgling firms is a lack of affordable space. This isn't a huge surprise. Renting a kitchen isn't like renting an of-

ing demand for rental kitchen space among small food entrepreneurs—ABC worked with Katherine Gregory, a former restaurateur who has set up four incubators in New York over the past decade, to establish an incubator in their facility during off-hours. Gregory currently rents space to 45 entrepreneurs at Mi Kitchen, offering eight-hour shifts as the cooks need them in a fully-equipped kitchen for less than \$200. Some rent one shift a month; others are there several nights a week.

"I would have never been able to launch my business had Mi Kitchen not existed," says Jessamyn Waldman, who owns Hot Bread Kitchen and has been baking her artisanal breads at Mi Kitchen about one evening a week for the past year. This summer, as she expands her wholesaling business to include farmers' markets and community supported agriculture sites, she will be using the kitchen about three evenings a week.

Not every entrepreneur who contacts Gregory is ready to rent space at Mi Kitchen, even if they think

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office, where you can just plug in your computers and go. Kitchens aren't cheap to rent or maintain. And then there are the ovens, mixers and other equipment. Most start-up producers—who may still be experimenting with their recipes and are, by definition, not operating at scale—can't afford the expense.

That's where kitchen incubators have been so valuable. While New York City does not currently boast a large number of kitchen incubators, the ones in operation offer clear lessons about what works and what doesn't, and how additional incubators could offer more value for new food businesses with big dreams but limited means.

Mi Kitchen es su Kitchen is a haven for start-up food entrepreneurs in Long Island City. It's located inside the union-affiliated Artisan Baking Center (ABC) which, by day, is a four-galley, 5,000 square foot training kitchen where entry-level restaurant workers hone their skills. After realizing that its space was unused at night and on weekends—and that there was an increas-

ing demand for rental kitchen space among small food entrepreneurs—ABC worked with Katherine Gregory, a former restaurateur who has set up four incubators in New York over the past decade, to establish an incubator in their facility during off-hours. Gregory currently rents space to 45 entrepreneurs at Mi Kitchen, offering eight-hour shifts as the cooks need them in a fully-equipped kitchen for less than \$200. Some rent one shift a month; others are there several nights a week.

"I get three or four phone calls a day from people looking for space," she says. "But in order to be able to start here, they need to be incorporated and to have insurance." Gregory points them in the right direction for both. Once they address those needs, she can assist them to develop their business plans, scale up their recipes, determine how to price and market their products, and—critically—prepare for health inspections.

Some of the city's other kitchen incubators have chosen to skip the value-added services available at Mi Kitchen, offering a simpler relationship that still supports small, growing businesses. The Women's Housing and Economic Development Corporation (WHEDCo) operates a kitchen incubator with four modestly sized 1,000 square foot kitchen spaces in the ground floor of their South Bronx housing complex. WHEDCo rents out the spaces to four small but established businesses, none of which is big enough—at least not yet—to have its own independent kitchen.

But rather than rent by the hour or by the shift, as the startups at Mi Kitchen do, these producers have signed on with WHEDCo for two or three years at a time. This gives the businesses an affordable, well-managed space in which to grow. And it gives WHEDCo a steady set of tenants that provide a reliable revenue stream and require minimal administrative attention. Meanwhile, WHEDCo has been able to place some of its clients from their other social service programs into jobs with these entrepreneurs.

Empanada maker Ramon Acevedo is one of WHEDCo's tenants. Before arriving at the incubator in 2005, he was borrowing space overnight in a bakery in Woodhaven, near his home. "When my apartment

entrepreneurs annually, fewer than half of whom are new each year. At least one of the incubators—WHEDCo's space—is full and isn't taking on any new tenants at the moment. And the kitchen at Kingsborough is almost exclusively for the college's students; it doesn't advertise its space outside the university. (It is unknown how many food entrepreneurs are using spaces through private, one-off arrangements in bakeries and restaurants across the city, as Acevedo did before finding space at WHEDCo.)

With as many as 2,500 food entrepreneurs in the city, these facilities are only serving a fraction of the need. Yet it's not hard to understand why there aren't more incubators in the city. Not every commercial

While several food entrepreneurs owe their success to the affordable and often flexible space that kitchen incubators provide, there are only four of these facilities around the five boroughs today. All together, these incubators serve only about 60 entrepreneurs annually, fewer than half of whom are new each year.

started smelling like empanadas, it was time to get a space," he recalled recently.

Today, Acevedo's company, Rasol Food, employs eight people at the WHEDCo facility and produces about 20,000 mini empanadas a day for sale to local Colombian bakeries. And he expects to add another half-dozen jobs this summer when he expands his operation to supply a Colombian restaurant chain that is opening its first location in New York. Acevedo, who arrived from Colombia as a teenager in 1968, started Rasol after a career working in restaurants. He already knew the ins and outs of the food industry and needed little hand-holding. But he couldn't do without the critical ingredient WHEDCo provided: affordable space.

#### HUNGRY FOR MORE

While entrepreneurs like Acevedo owe their success to the affordable and often flexible space that kitchen incubators provide, there aren't many of these facilities around the five boroughs today. In my research, I have identified just four: Mi Kitchen Su Kitchen; WHEDCo's; one run by Kingsborough Community College (a small shared commercial kitchen used almost exclusively by students) in Sheepshead Bay; and Kitchen For Hire (a small for-profit commercial space in Prospect Heights).

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kitchen with underutilized space is willing to take on the work of managing the hectic schedule of an incubator. It takes a good deal of effort to cultivate a stable of tenants that will fill up the available slots—especially for those renting at irregular intervals. And the additional business assistance services require specialized knowledge.

Another challenge is just getting the word out. Right now, each incubator markets its own services—to the extent that they do at all—individually. Many food entrepreneurs simply have no idea that the incubators even exist. The lack of information is particularly acute among the city's immigrant communities.

Geographic accessibility is another factor. "I've got so many people telling me they need space way out in Brooklyn or up in the Bronx," says Katherine Gregory of Mi Kitchen. Because entrepreneurs often use incubators at night after leaving their full-time day jobs, she says that "people need kitchen spaces closer to where they live and to where their customers are."

#### SETTING THE TABLE

New York could clearly benefit from additional incubators and better marketing for those already in existence. Fortunately, there are some good ideas on how to achieve this. One comes from the New York Industrial Retention Network (NYIRN), which submitted a pro-

posal last year to the city's Department of Small Business Services to develop a "how-to" package for existing commercial kitchens to become mini-incubators. It would target bakeries and other companies which currently have kitchens that aren't being used around the clock. Information on what equipment would make their kitchens attractive to entrepreneurs, best practices for tenant selection and how to properly insure their operations would be provided. For less than \$50,000 the user-friendly guides could be developed, posted on a website and promoted through direct outreach to kitchen facilities.

The idea smartly leverages existing kitchen spaces with unused capacity—a boon to kitchen owners, many

of whom run their own small businesses or non-profits and could use an additional revenue stream. It doesn't even require entrepreneurs to make a significant capital investment, and what modest amount might be needed—perhaps an extra mixer or range top—is borne by the kitchens themselves and amortized with the income from rent they charge entrepreneurs.

"It's a smart idea for the city to support incubators because doing so doesn't pick individual entrepreneurs as winners and losers," says NYIRN Executive Director Adam Friedman. Rather, he says, encouraging the creation of incubators creates an environment in which entrepreneurship can flourish generally in the food sector.

*Off the CUF* commentaries are published each month by the Center for an Urban Future (CUF). Alternatively written by outside experts and CUF staff, the commentaries aim to highlight critical opportunities and challenges facing New York and other cities, and generate fresh ideas for policymakers, business leaders and nonprofit practitioners.

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#### CUF Recommends

New York Industrial Retention Network and Fiscal Policy Institute, "More Than A Link In The Food Chain," February 2007.

New York Industrial Retention Network, "Baked In New York," February 2002.

Center for Integrated Agricultural Systems, "Research Brief #54: Community kitchens: key elements of success," 2001.

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