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# MINNESOTA SHARED-USE COMMERCIAL KITCHEN

## FINAL REPORT



## FOREWORD FROM AURI

The Agricultural Utilization Research Institute (AURI) is pleased to present this report on the dynamics of the shared commercial kitchen business model in Minnesota. As food entrepreneurs scale their businesses from cottage enterprises but before they need high volume contract manufacturers, shared-use commercial kitchens play a vital role in enabling safe, wholesale food production.

This work represents a highly collaborative effort. First and foremost, it would not have been possible without the research team leadership of CLUTCH and Food Works Group (FWG). AURI would also like to thank all the shared kitchen owners/operators, food businesses and ecosystem partners who took time away from their busy schedules to share their insights and perspectives.

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<b>I. EXECUTIVE SUMMARY</b>	<b>6</b>
<b>II. INTRODUCTION &amp; METHODOLOGY</b>	<b>8</b>
<b>III. TERMINOLOGY</b>	<b>9</b>
1. KITCHEN MODELS	9
2. CROSS-FUNCTIONS & CO-LOCATIONS	9
3. OTHER IMPORTANT TERMS	9
<b>IV. SUMMARY OF FINDINGS</b>	<b>11</b>
1. INTERVIEWS	11
2. FOCUS GROUPS	19
<b>V. CASE STUDIES</b>	<b>20</b>
CASE STUDY 1: CITY FOOD STUDIO	21
CASE STUDY 2: THE GOOD ACRE	22
CASE STUDY 3: HARMONY FOOD CO-OP	23
CASE STUDY 4: PI-CO.WORKS	24
<b>VI. NATIONAL PERSPECTIVES &amp; PRACTICES</b>	<b>25</b>
<b>VII. RECOMMENDATIONS &amp; FUTURE EXPLORATIONS</b>	<b>29</b>
<b>VIII. CONCLUSION</b>	<b>32</b>
<b>IX. APPENDIX</b>	<b>33</b>
A. PRELIMINARY FINDINGS PRESENTATION	33
B. SAMPLE INTERVIEW QUESTION BANK	35
C. FOCUS GROUP CONTENT	38
D. REFERENCES	38

## CONTENTS

# I. EXECUTIVE SUMMARY

The Agricultural Utilization Research Institute, in partnership with the Minnesota Department of Agriculture (MDA), commissioned CLUTCH and Food Works Group (FWG) to develop a better understanding of the shared commercial kitchen business model and its dynamics. The project team conducted a landscape analysis of the shared-use commercial kitchen industry throughout the state of Minnesota. The work consisted of interviews with key stakeholders, three regional focus groups, four case studies highlighting different operating models in urban and rural areas, and national best practices and perspectives on the industry at-large.

THE WORK PURSUED CLARITY AROUND AND ANSWERS TO THE FOLLOWING QUESTIONS:

- What is “broken” in the model for shared-use commercial kitchens?
- What factors contribute to the success or failure of these operations in Minnesota, and how do these challenges differ in rural and urban communities?
- What can we do at a state level to foster growth and development in this sector statewide?

What the project team uncovered is that the challenges in each region are unique and nuanced, and the solutions are not as straightforward as providing additional funding, changing policy, augmenting information, or developing a standard operating model; rather, solutions involve a combination of these resources along with a coordinated community of practice (COP). This COP should include the development of an industry task force dedicated to developing solutions specifically for the unique needs of the shared-use commercial kitchen.

EARLY RESEARCH VIA 30 INDIVIDUAL INTERVIEWS RESULTED IN THE FOLLOWING EIGHT CATEGORIES FOR DEEPER ANALYSIS:

- Index & Information,
- Resources & Risk Management,
- Regulation,
- Definition,
- Location,
- Utilization,
- Innovation,
- and Impact.

Unpacking these topics by way of three regional focus group discussions (with a total of 49 registered participants), along with follow-up one-on-one interviews, resulted in a clear need for incremental resource development; real-time index of available shared kitchen facilities throughout the state of Minnesota; a better understanding of kitchen facilities that might qualify for shared-kitchen use; and guidance on how to onboard an existing space for shared use. These resource gaps showcase the need for a Minnesota shared kitchen toolkit that provides operating practices, financial recommendations, and potential operating models, as well as candor and transparency about the purpose, intent, and profitability of shared-use kitchens regardless of structure or incorporation. At the conclusion of this exploratory phase, the project team had a more nuanced understanding of this industry and general consensus on what is necessary for the industry to succeed. Key findings include the following:

- Clarity for cottage producers and idle kitchen owners alike on what a shared kitchen is, and the regulatory and licensing requirements associated with establishing one.
- Comprehensive commercial kitchen directory that is updated in real time.
- Information bank for all regulatory, inspection, licensing and insurance requirements, clearly outlined on the city, county and state levels.
- Map of idle kitchen facilities that exist in many communities, such as faith-based and community centers, schools or closed restaurants.
- Existing funding opportunities that can support operating costs as well as capital investments.

The case studies in the report highlight four operating models that can be financially viable and sustainable, though not always exponentially profitable. These models include:

- developing a small for-profit business,
- a nonprofit,
- co-locating within an existing operation,
- and taking advantage of an under-utilized facility.

In addition to exploring different operating models within the state of Minnesota, the project team explored national perspectives, elevated best practices, highlighted efficiencies and innovations, and suggested opportunities for strategic partnerships within the larger food ecosystem.

Returning to the first two questions above: it is not that the model is broken, it is that there are several operating models that can be successful if they are given the right environmental factors and operating resources. And, while these factors present themselves differently in rural and urban communities, the need for resources, information, and collective action as a sector is not bound by urban and rural divides. Resources might vary, idle facilities might present themselves differently in form or function, but the opportunity to turn a church kitchen into a shared kitchen looks similar in Mora, Mankato, and Mendota Heights.

In reference to the third research question around action steps focused on fostering statewide growth and development of this sector, the project team identified short-, medium-, and long-term solutions-based recommendations. In addition the task force already mentioned, recommended actions include:

- developing incentive programs and financial services,
- updated index of kitchen facilities and potential facility core competency checklists,
- model policies and regulation language,
- communities of practice,
- integration with food business support services,
- and collaboration with employment and economic development programs, among others.

Finally, the project team developed an actionable framework with potential actors or partners, resource requirements, and suggested next steps intended to guide AURI and key decision makers in catalyzing this sector at a state-level. The following report provides more detailed information, insights, and recommendations in pursuit of this goal.



## II. INTRODUCTION & METHODOLOGY

The Agricultural Utilization Research Institute, in partnership with the MDA, commissioned CLUTCH and FWG a better understanding of the shared commercial kitchen business model with a particular focus on the dynamics that challenge the viability of these operations. Throughout this process, we developed recommendations that will help strengthen this segment of the food value chain in order to create a system that better supports scaling food businesses. Shared-use commercial kitchens (herein referred to as **shared kitchens** or **shared-use kitchens**) are needed for emerging food business entrepreneurs. FWG drew upon its seasoned work in this sector locally and nationally, including its development of different types of shared-use kitchens in communities across the country, to inform this assessment. This section provides a brief background on the methodology and process by which we determined the recommendations and projections contained in this document.

Our work began with an environmental scan and landscape analysis to understand current user demand and key environmental factors for past and present facilities and their operations. We looked closely at key industry stakeholders, including individuals and organizations, as well as regulators, funders, networks, and service providers. Herein we'll refer to these individuals and organizations as "**ecosystem stakeholder**" in urban, suburban, and rural communities throughout the state of Minnesota. Following the landscape analysis, FWG curated a list of interview targets for in-depth understanding of specific facility operations and the policy, systems and environmental (PSE) factors that affect their operations. Following these interviews, CLUTCH conducted focus groups and documented case studies in addition to national benchmarking, all of which are described in greater detail in this report.





### III. TERMINOLOGY

The Food Works Group has developed a list of standard terminology and definitions for readers to better understand what is being referenced. It is important to note that the writing and definitions in this document rely heavily on, and in many cases are directly derived from [The Shared Kitchen Toolkit by The Food Corridor](#). The first and most important question to answer is:

#### What is a Shared-Use Commercial Kitchen?

##### 1. KITCHEN MODELS

A **shared-use commercial kitchen**, or shared kitchen, is a food business (or nonprofit) with the exclusive purpose of providing commercial space and equipment to multiple individuals or business entities to commercially prepare or handle food offered for wholesale, resale or distribution. This includes, but is not limited to, the making, cooking, baking, mixing, processing, packaging, bottling, canning or storing of food. Such kitchens likely include multiple workstations, professional-grade equipment, freezer, cold and dry storage areas, and proper sanitation equipment. Shared kitchens can be licensed by a state department of agriculture or departments of health (state, county, or city).

Other emerging models include foodservice-focused facilities that provide affordable, low-risk space for entrepreneurs to test and grow new foodservice concepts. Ghost kitchens and cloud kitchens (defined below) or delivery-only restaurants can be co-located in shared-use commercial kitchens as a low-cost licensed commercial space to produce food and ready-to-eat meals available primarily through delivery.

Foodservice and retail facilities have special planning and management considerations but are valuable to consider as part of shared kitchen projects. Co-locating retail facilities with kitchen space offers a sales solution by providing space for new brands to be discovered by consumers. These facilities help drive customer demand by creating destination dining experiences through co-location and marketing buzz.

##### 2. CROSS-FUNCTIONS & CO-LOCATIONS

While some shared-use kitchens stand alone as independent operating spaces, others are co-located with another operation or are cross-functional to a commercial kitchen core operation. Food hubs, food banks and retail food cooperatives serve as springboards and platforms for some shared-use kitchens to thrive by way of shared services, shouldered overhead cost and revenue-generating activities.

For example, Sprout food hub and The Good Acre food hub boast kitchens that are co-located with their food hub operations; the Harmony Food Co-op community kitchen is adjacent to a food co-op and commissary kitchen operation; and several shared-use kitchens like Kindred Kitchen and Kitchen on the Bluff have operated as part of community organizations and nonprofits.

The benefits and challenges of co-locating and combining operations are discussed in greater detail later in this report.

##### 3. OTHER IMPORTANT TERMS

We also define common words used to describe programs, services, products and participants that may be referenced when talking about this project. Here are some general definitions for these frequently used industry terms:

**Kitchen User or "User":** Food businesses using the shared kitchen can look very different in terms of their production process, required hours and equipment, and food production techniques. This kitchen could serve the following types of food businesses (note this is not an exhaustive list): consumer packaged goods (CPG) food businesses, food trucks, caterers, prepared meals businesses, ghost kitchen restaurant operations and private chefs.

**Anchor User:** A kitchen user who uses a large number of hours per week or month, as well as storage spaces that generate revenue for the kitchen operator. They are usually considered a form of risk management because they are already a proven successful business who can drive traffic to a facility. They might have a different lease agreement than other tenants because they are not a completely brand new business and they might get a break by committing to a certain number of hours or length of contract.

**Point of Sale (POS) Space:** Space where individuals sell their food to customers. It can come in different formats like stalls or carts, can be permanent, semi-permanent or mobile, and can have varying food prep capabilities from light assembly or more extensive cooking. It can also be a space for the sale of CPG products, either from one business or multiple. Something like a food hall or food truck park adjacent to a shared kitchen, as well as a retail food co-op, would be examples of POS spaces.

**Consumer Packaged Goods:** Commonly referred to as “CPGs,” these are food products that are sold pre-packaged. Examples include jams, individually-packaged cookies, pickles, tortillas and kombucha.

**Demonstration or Teaching Kitchen:** A kitchen specifically set up with stations to offer hands-on classes or demonstration cooking classes. This can be a component of a larger complex to allow users to demonstrate product, pilot new offerings or include courses to a public audience as part of revenue streams. A kitchen specifically designed with stations set up for culinary workforce training programs would require each station to be able to support a set number of students to duplicate functions of an instructor or demonstrate skill sets.

**Incubator or Accelerator Kitchen:** Incubator kitchens are entrepreneurial support organizations with kitchen facilities that are focused on accelerating the growth of startup and emerging businesses for the benefit of the local economy, food system and/or underserved entrepreneurs. They are sometimes referred to as “culinary incubators” or “food business incubators.” The terms “shared kitchen” and “incubator kitchen” are often used interchangeably, but there is an important distinction — whether ecosystem services are provided. Incubators generally provide more support and education to entrepreneurs than a shared kitchen through classes, coaching, referrals, networking event, and mentoring opportunities.

**Community Kitchen:** The term “community kitchen” encompasses various concepts but is generally used to describe kitchens that serve the community at large (which may include food businesses) and are not for the exclusive use of for-profit businesses. The term also generally applies to community-based kitchen facilities found in community centers, schools, churches and other institutional or event spaces that may or may not meet all the standards for commercial food production. These facilities are generally operated by nonprofits or public entities. They often have a primary use such as meal services for children or food insecure populations, facilitating social enterprise programs, event rentals, community dinners, cooking and nutrition classes, and other food-related experiences for the general public.

**Food Production or Processing Space:** Next-stage food production or processing spaces typically offer a larger facility footprint, multiple larger production spaces or production lines, large-scale equipment and the mechanization for food manufacturing, packaging or fulfillment. A space like this can be a transition point between a shared kitchen and a co-manufacturer/co-packer (defined below), or in some areas, a smaller-scale co-manufacturer depending on the operating and billing structure. And storage capability tends to be warehouse-grade.

**Co-manufacturer:** A co-manufacturer is a third-party company contracted to manufacture a food product. They often oversee ingredient sourcing, processing, full-service cooking, as well as packaging and labeling. Other terms often used in conjunction with co-manufacturing include contract packers, contract packaging, co-packer, co-man, and contract-manufacturer.

**Packaging or Fulfillment Space:** Packaging and fulfillment spaces are intended to nest within or be adjacent to food production spaces such as shared-use kitchens. These spaces are dedicated to the post-production phase of food production, whether it be CPG products or ready-to-eat food products. The process, equipment and storage functions of these spaces look different depending on the product types, but usually there is a connection to storage or transportation/logistics nearby.

**Commissary, Food Truck, or Catering Kitchen:** This is a subset of shared kitchens where the users tend to be food trucks, ghost kitchens or catering businesses. The unique features of these types of shared kitchens typically include a truck washing/cleaning, parking or charging station on premise, and a layout that is conducive for easy on/off-loading of prepared food products for finishing off-site at an event or other location. Equipment also tends to be more conducive for larger-scale food production or batch cooking.

**Ghost or Cloud Kitchens:** This is another subset of shared kitchens where the users tend to be restaurant concepts (chains and independent brands/operators) or chefs operating without a brick-and-mortar dining location where a significant amount of food products are ready-to-eat for self-operated or third-party delivery services to end consumers.

**Under-utilized Kitchen Space:** This term refers to kitchen spaces or food facilities that are not being fully utilized or are not operating at full capacity. This could be a facility that is sitting idle or is not in use, or an operation that has additional capacity (space or time) to support additional users or functions.

## IV. SUMMARY OF FINDINGS

The project's research team, led by FWG in partnership with CLUTCH approached this work in multiple ways and through several key channels, namely primary and secondary research, community engagement (individual interviews and focus groups), and extensive review of existing online resources. These resources included local, state, and national level resources developed for the shared-use incubator and commercial kitchen industry, including online communities of practice and materials developed by other states' public agencies and food business communities. Preliminary findings revealed common themes, challenges/barriers and opportunities/innovations. These findings were presented as preliminary research to the MDA New Markets Leadership Team and the client in October 2022. The presentation itself is available in [Appendix A](#).

The preliminary findings from primary research and early-stage interviews seeded the regional focus group conversations, with key participants that included shared kitchen operators themselves in each of the three regions rising to the surface as operating models/facilities for further research and discovery. These facilities and their operating models became four case studies presented later in this report.

An overarching theme in the team's research was an apparent devotion to this important work. Across the ecosystem, from operators to observers, individuals who contributed to this research were steadfast in recognizing the collective action of diverse stakeholders in pursuit of policy and systems changes that improve the environment for food businesses to emerge, grow, and thrive in Minnesota. With these accolades come opportunities for improvements and innovations in the shared-kitchen industry as highlighted in the following findings and recommendations.

### 1. INTERVIEWS

Through this extensive local, regional, state and national research, FWG conducted 30 interviews totaling over 24 hours, focusing on tailored question banks to drive conversation based on the interviewee's role as a "kitchen owner or operator" or an "ecosystem player (regulator, funder, system lead)." Sample questions from these interviews are available in Appendix B. FWG approached this portion of the work with micro- and macro-perspectives on topics explored in further research, i.e., focus group discussions and recommendations addressed day-to-day operations as well as policy, systems, and environmental (PSE) changes. Subsequent interviews and focus group invitees expanded the circle to include other food ecosystem stakeholders and some shared kitchen users. FWG was careful to not lose sight of the project being driven by actionable items that move the needle for the kitchens themselves — and not directly for any food business(es) using them.

Concerns and areas for deeper analysis quickly became clear and were categorized into the following eight themes:

- a. **Index & Information:** While several sources for shared kitchen facility contact information exist, none are exhaustive. Keeping lists up to date is difficult, as is searchability.
- b. **Resources & Risk Management:** In addition to a comprehensive online listing of shared kitchens currently in operation, including key facility attributes and user preferences, there are gaps in state- and local-level resources for developing, operating, and sustaining shared kitchens. Furthermore, detailed licensing and regulatory information could be more robust for different food businesses as well as commercial kitchen operators seeking clarification as to whether their facility could be a shared-use space. In some cases, these resources are out-of-date or decentralized, or they simply do not exist. Existing resources can be difficult to find, and some (such as the Starting a Food Business Roadmap) could benefit from an update. There is a need for additional technical assistance (best practices, playbooks, pro formas) tied to shared-use kitchen facilities.
- c. **Regulation:** Navigating the path to licensure for kitchens as well as food businesses continues to be a challenge.
- d. **Definition:** There is a general lack of community knowledge regarding shared commercial kitchens: how to become one, who can use them, who must use them.
- e. **Location:** The density of kitchens is greater in and around the Twin Cities. Kitchens tend to be larger in size and number of users, and, on average, offer slightly more amenities, such as large storage capacity, than kitchens in more rural areas.

- f. **Utilization:** Unique and innovative facilities and operating models exist in both urban and rural parts of Minnesota but many facilities are underutilized based on proximity to a higher density of food business users (existing and potential).
- g. **Innovation:** Unrealized facility opportunities are often driven by a lack of knowledge on what's available, what qualifies a space for commercial production and what steps can be taken to transition a prospective space into a certified one.
- h. **Impact:** The opportunity to track impact metrics like incremental economic development, job creation and new business start-ups could unlock some incremental funding opportunities for capital and operating expenses.

The following sections unpack findings and observations in a way that categorizes the problem as an opportunity to direct attention, further research and resource allocations and begin to solve for any policy, system or environmental factors standing in the way. Potential solutions to these challenges, recommendations, and future explorations are outlined in a subsequent section of the report.

## A. INDEX & INFORMATION

Consensus was that shared kitchen facility contact information at a state level is incomplete, out-of-date and difficult to search. Kitchen operators, ecosystem players and entrepreneurs themselves continue to express a lack of information as one of the most critical needs for the statewide sector. Searchability, updated site and contact information and more detail on facility attributes, storage, dock access, kitchen layout, key equipment, etc., are just some of the missing content categories. In addition to information about open kitchen facilities, indexing and mapping idle kitchen facilities (either crowd-sourced or site information gathered by follow-up study/research) could offer a groundbreaking opportunity to bridge the gap between commercial kitchens that are currently supporting licensed food business and sites that have the potential to support the needs of emerging food businesses.

## B. RESOURCES & RISK MANAGEMENT

While decentralized access to resources and technical assistance like best practices, playbooks and pro formas exists across many different organizations, publications, websites and resource banks, the connectivity or centralization of these resources could benefit kitchen operators and users seeking information. Furthermore, there is an equally important opportunity to develop peer networks and founder-to-founder mentoring of past, present and future kitchen owners and operators.

Asset mapping of supplemental and supportive services that operate in tandem with shared kitchen operations could be an area for strategic partnership and better coordination as well. For example, there is a regional need for bulk/group purchasing for ingredients or bundled services within kitchens and across clusters of kitchens operating as shared-use spaces. This can improve access to wholesale channels and new customer acquisition at the local, regional and state levels (certain product categories/business types like CPG and prepared foods would be best suited for this). In addition, access to incremental staffing opportunities can allow emerging and scaling food businesses to seek incremental business opportunities with less risk than hiring new full- and part-time staff.

In the Minneapolis-St. Paul area, a workforce development/food production skills training program is being developed to create jobs for scaling food businesses. Several interviewees and subsequent focus group participants mentioned the need for next-stage manufacturing resources in the form of information on facilities, production equipment, fractional or flexible labor and other workforce development opportunities. They additionally stressed the importance of new kitchen owners/operators considering the possibility of developing scalable contract production spaces within their operations.

A Minneapolis-based owner/operator had the idea of developing a shared-use kitchen task force that could in turn help develop business support services for kitchen owners/operators, and function much like an "incubator." This team could offer their insights, experiences and professional network connections to develop programming for existing and burgeoning facilities.

They went on to suggest developing a toolkit to help new and pre- concept operations plan for the future, including:

- Understanding of operating models and lean staffing structures
- Baseline facility attributes/functions
- Predicted expenses (capital and operating costs)
- Revenue opportunities (rental and storage rates, utilities, and utilization rates)
- Operational triage of existing facilities, providing standard operating procedures (SOPs) and best practices
- General business planning like budgeting and financial planning tools
- Highlights on innovative operating models and co-locating kitchen models
- Facilitating candid conversations about the low profitability of shared commercial kitchens, regardless of structure or incorporation

*It is important to note current and former operators believe there should be compensation for this task force.*

Taking the toolkit idea a step further, developing a clearinghouse of service providers including equipment vendors, maintenance/repair contractors, refrigerated storage resources, and transportation services, could benefit the industry overall. A one-stop shop for information on kitchen-operation related services and service providers does not currently exist. Lastly on the topic of technical assistance and resources, a former member of Cargill's Pantry Collective initiative mentioned the industry's need for technological advancements in bookkeeping, food costing and operating cost management. Leveraging existing off-the-shelf tools and the power of food tech through Minnesota's robust food and agriculture sector will put the state in a better position to be able to solve some of these challenges on a larger scale.

Second to the need for resource development, the project team heard the need for candid, real conversation about the financial viability of the sector as it currently operates. From a financial standpoint, a shared kitchen owner/operator pointed out there is a reason we are seeing kitchens closing while chatter within the ecosystem is that the demand for kitchen space has never been greater. They qualified this statement by saying that cost-sharing and billing clients for their piece of the overhead operations is sustainable but likely will never be profitable, especially with a building loan payment or other costs of financing on the table.

"Demand has never been a problem. I just don't have the staff and capacity to manage the space," they went on to say. "When you're small, you have to have one person to do everything. Ideally we'd have a kitchen manager and I could be managing the facility and bringing in business. It's a tight-margin business and you need to make the right investments along the way when you can."

Other operators expressed frustration over the reality that splitting costs with kitchen users is operable but not profitable, and because of this, many for-profit ventures fail in the end. Sharing costs for the emerging food businesses, including shouldering the capital investment and overhead costs of production spaces while passing along some overhead expenses to the community of users, still does not cover the costs of building loans, ample operating teams and unpredictable maintenance costs.

All interviewees acknowledged the volatility and risk of the industry overall, citing high overhead costs as well as high failure rates paired with low operating (human) capacity, making it difficult for kitchen operators to hedge on small amounts of revenue to subsequently invest in staff or equipment.

## C. REGULATION

Navigating the path to licensure for kitchens as well as food entrepreneurs (FEs) continues to be a challenge. PI-Co. Works shared kitchen in Pine Island, Minnesota, for example, encountered significant challenges with the county department of health when coming online in 2019-2020. At that time, Goodhue County did not have a county-level person to license facilities. Jacob Peterson and John Mangouras at PI-CO.Works were forced to stop work on their kitchen renovation because they did not have plan approval from an inspector.

A kitchen operator at The Good Acre food hub's shared-use kitchen brought to our attention that at a federal level, shared kitchens are still a relatively new concept when it comes to Food & Drug Administration (FDA) registration. Therefore, it is not surprising that decisions on jurisdiction, and clear and accessible information on licensing at local and county-levels, are still evolving. In some communities, standards to define, regulate and support these groundbreaking facilities are just now being created.

A former food business owner mentioned that there is a lack of kitchen space which in turn is a barrier to transitioning cottage producers into licensed businesses. Several interviewees and focus group participants recognized a need for clearer process flow documentation education for licensing requirements so food businesses understand what is required of them and how they might go about documenting their production process in the kitchen they're pursuing. One interviewee went on to say that an intake process that allows food businesses to self-assess their readiness for next stage production and help them understand what aspects of their production need to be affirmed before pursuing a commercial kitchen space, could benefit both the business owners and the kitchens they are pursuing.

## D. DEFINITION

General lack of community knowledge regarding shared kitchens — how to become one, who can use them, who must use them — shows that knowledge is the gatekeeper to power when it comes to food businesses finding places to make their food products. Lack of clear direction on how to transition an idle kitchen space to one of shared use has some potential owners and operators sitting on the sidelines rather than moving toward opening their facility to more users.

This glaring topic in the shared-use kitchen conversation was brought to the project team's attention in several interviews — specifically, the lack of clear direction on regulation, oversight, and authority at a state level for moving under-utilized or idle facilities into shared use. The who, what and why of inspection is unclear to all stakeholders in the process, including food businesses, kitchens and regulatory bodies. For this reason, a delegation authority could be created for city and county licensing, educating the regulators, inspectors, and food businesses themselves on who has jurisdiction in different parts of the state. Unfortunately, in some parts of Minnesota, a licensing category does not exist so bringing idle commercial kitchens online to become viable places for shared production can be difficult.

Regulators and inspectors tend to follow regulations as written and may not be able to offer suggestions for setting a facility on a clear path to licensure due to a lack of capacity or subject matter expertise. The conversation could benefit by simply flipping to where regulation creates opportunities rather than barriers. Furthermore, a clear and concise checklist of sorts is needed for what prequalifies a space for food production so that, for example, a community center, town hall kitchen or similar building can become a viable option for shared kitchen use. Food-safe contact surfaces, National Sanitation Foundation (NSF) ware washing sinks, hand sinks and restroom access, refrigeration and temperature control solutions are just a few of the basic necessities of a kitchen. There are common misconceptions that a suitable food production space must have state-of-the-art equipment when really an idle space can have few "bells and whistles" and still be viable. One interviewee gave the example that in a rural town in northern Minnesota, population 156, there are four viable kitchen spaces for shared-use and/or licensed production: two church kitchens, one restaurant kitchen and one community center.



## E. LOCATION

Nuanced community needs can differ for many reasons, location deemed urban or rural is just one of them. Few project interviewees specifically identified challenges or opportunities within the industry based on population density or proximity to an urban area. Challenges and opportunities arose with more similarities than differences across the state. The differences in urban and rural sites came into conversation with regard to user demand and where there were facilities currently in operation, while few project participants highlighted striking disparities or differences in operating models based on the location of a kitchen.

While it appears the density of kitchens is greater in and around the Twin Cities, barriers to facility access exist statewide and present themselves in different ways. For example, a key stakeholder in the ecosystem believes that entrepreneurs need “accessible” spaces, where “access” refers to both the distance from their homes or public transportation hubs AND supply chain resources, such as product transportation or ingredient/finished product warehousing. These facility attributes can become part of a kitchen facility viability checklist per the Definition section above.

Even though population density might drive the need for multiple operations, in smaller rural communities with fewer resources for business incubation or food concept development a shared-use kitchen can be instrumental in developing a food entrepreneurship culture (not to mention food production points for food access and hunger relief opportunities as well).

Take for example Pelican Rapids, a federally qualified Opportunity Zone and culturally-diverse community of 3,200 people, whose nearest shared-use or community kitchen is 45 miles away. The Pelican Rapids community has been exploring the idea of building a community commercial kitchen for some time. In 2016, community members explored how the upper floor of their city hall could be transformed into a community commercial kitchen, to be used by area caterers and cottage food producers alike, as well as an event space with a capacity of up to 250 people. When it came to a vote before their city council, the project was not approved and the idea was put on the back burner. Several years later in 2020, a local foods workshop took place, and a committee was formed that commissioned a feasibility study performed by The Dahlseid Group (2020-2022), titled, “Pelican Rapids Community Commercial Kitchen, a.k.a. Friendship Kitchen.”<sup>1</sup> The study was supported in part by AURI and several other regional funders, including the West Central Initiative Foundation (WCIF). Some highlights from the study include:

- 218 potential food businesses were surveyed for the project and 18% (41) responded to the 7-question form. Of the 41 respondents, 24 currently own/operate a food-based business or have plans to open a food-based business in the future; and of those 24 current or prospective food business operators, 14 are interested (ranging from extremely interested to somewhat interested) in using a shared-use commercial kitchen, while 7 are not at all interested.

While the regional food ecosystem and community champions were behind the idea, there was variable interest and loose commitments by anchor users within the potential user community, causing concerns about operating revenue and cash flow. And further exploration was required regarding the ownership and operating models as nonprofit, city-ownership, and cooperative models were being considered. Finally, there was a clearly identified need for nearby food businesses to receive technical assistance and support in tandem with the kitchen operation itself.

For these reasons, a nine-member working group of community members was formed to meet monthly to move the project forward. Tasks include site selection, creating a development plan, and continued outreach to the Pelican Rapids and nearby communities.

Another unique and innovative facility and operating model that exists in rural Minnesota is PI-CO.Works. PI-CO.Works took a shuttered A&W restaurant in Pine Island, Minnesota, that had been vacant for eight years and turned it into a robust shared-use kitchen that is both financially sustainable and supports a community of nine active food businesses. It took the seasoned food business professionals eight months to receive license approval from MDA. PI-CO.Works purchased the building for \$100,000 in 2018, but they invested hundreds of thousands of dollars into facility improvements and equipment purchases to be up and running by 2021. Their facility offers a drive-thru window for Monday lunch and daily coffee service (using beans roasted onsite by one of their users). The facility also offers onsite pop-up dinner space, private chef dinners, and a food truck docking and charging space. PI-CO.Works is located on Highway 52 south of the Twin Cities, with proximity to major thoroughfares, and the mid-scale metropolitan areas of Rochester, Mankato and Twin Cities southeastern suburbs.

<sup>1</sup> Dahlseid, Joy. “Pelican Rapids Community Commercial Kitchen, a.k.a. Friendship Kitchen.” The Dahlseid Group, 2022. <https://pelicanmarketplace.com/the-friendship-kitchen/>

An interviewee seasoned in regional investment, with experience connecting businesses seeking manufacturing spaces with communities that house idle and underutilized spaces, mentioned the under-realized opportunities in rural Minnesota communities for next-stage food production and manufacturing facilities. Many communities/municipalities have buildings for sale or lease that can be transformed into shared kitchens or larger-scale food production spaces, with opportunities for workforce development, training and storage at rates lower than in urban areas. He also mentioned several potential incentive programs and financial services that can be further explored at the city, county and state levels.

These included:

- Developing a revolving loan fund.
- Offering forgivable debt services, no-interest payments or subsidized principal.
- Structuring performance-driven tax credits or grants for project or property investments based on key performance indicators (KPIs) such as jobs created or retained. Payouts could be scheduled based on meeting KPIs.
- Exploring how shared kitchens might qualify for existing grant programs.

## F. UTILIZATION

Utilization in the context of this report considers both the use of existing spaces, potential use of under-utilized facilities, and what needs to be considered when developing a user pipeline.

Some shared kitchen owner/operators are moving to a model of fewer users with higher-volume utilization. One owner/operator is pursuing a community of like-minded users who require similar levels of support, will utilize the facility similarly and create a shared community of practice. Three shared kitchen operators separately mentioned the need to understand and define culture, behavior expectations and facility user expectations on top of basic SOPs in order to create a facility and operation that is in best service to its community of users. This requires identification of the specific needs of hobby and lifestyle makers, for example, versus those of kitchen users working to grow and scale food businesses or pursuing acquisition by a larger company. When asked what the biggest facility gaps or operational challenges were, kitchen operators identified:

- Storage, especially temperature controlled and pallet-accessible spaces
- Loading dock access
- Modular equipment and different types of production spaces (at varying price points)

This is mentioned in conjunction with utilization; if a facility can expand and accommodate users, they are more likely to continue to produce their food products at that location. If one gives users room to expand in a space, whether in production footprint or storage capacity, they will likely stay for a while. Additional insights were provided by several interviewees correlating community population density, food business population density, and facility utilization and how new facility development (existing idle facilities and new builds) should consider the user pipeline when selecting and building out facilities. Facility utilization impacts revenue generation, and projecting user demand and commensurate revenue is key to developing an operating model that is financially sustainable. Additional conversations stemmed from utilization, including discussion around incremental revenue streams besides hourly kitchen rental and storage fees, such as contract delivery services.

## G. INNOVATION

Unrealized facility opportunities are largely due to lack of knowledge on what's available, what qualifies a space for commercial production, and what steps can be taken to transition a prospective space into a certified one. A former member of Cargill's Pantry Collective initiative cited university food service kitchens, especially those with self-operating models or regional food service management companies, as great opportunities to integrate entrepreneurship curriculum with underutilized food production spaces. They also mentioned faith-based centers, such as churches, active adult communities (communities age 55+) and private event venues as top prospects for innovations and strategic partnerships. In recent years conversations have turned toward church kitchens providing the greatest opportunities for conversion and expansion of the shared-use kitchen model since churches are often located in many (if not almost all) smaller, rural communities in Minnesota. While the facilities themselves are a legitimate and often under-recognized space for food production, the limitations on number of users, onsite storage capacity, and equipment tend to put a cap on the size of food business (by production volume and personnel) that can operate in this space. While church kitchens can be a great platform for product development and early-stage production, food businesses can quickly outgrow the opportunities offered to them in these facilities. Nevertheless, church kitchens can develop a network of smaller production spaces that could feed into large, shared kitchen facilities and create a pipeline of emerging food concepts in rural and other under-served communities.

### Other operations with synergy and potential included:

- Hotels
- Culinary and vocational training schools
- Golf course clubhouses
- Regional grocery prepared foods production sites or commissary kitchens

Public school kitchens were also assessed for their partnership potential and while deemed viable, present some additional things to consider such as time-of-day utilization and personal safety concerns with opening school spaces to the general public.

Another opportunity for innovation and unfulfilled need in the food business community is **next-stage manufacturing and production support**. A longtime kitchen owner asked, "We've done shared-use version 1.0, but what is version 2.0 of shared kitchens in Minnesota?" The topic of facilities and resources for next-stage manufacturing and production support came up several times in interviews and within Focus Group discussions but was not part of the scope of work for this study. AURI and MDA published a report on Minnesota's food and beverage manufacturing industry in 2022. This report discusses co-manufacturing and next-stage manufacturing in more detail; a link to this report can be found in the appendix resources.

One business broker in southeast Minnesota believes the financial incentives, or lack thereof, to make capital investments in this sector will continue to prohibit the viability of for-profit, shared kitchen operations. "Taking the building off the table," or even reducing capital and overhead expenses through incentive programs or tax credits, could take some of the pressure off operating revenue needing to cover both operating expenses, capital costs and debt service. The owner-operator model is often both a financial and operational challenge, so exploring alternative structures to ownership, operatorship, user or tenant structure and mix, will push innovation forward as new kitchens and production spaces come online.

A food hub staff member had multiple nuanced perspectives as the manager/operator of the nonprofit food hub's shared-use kitchen—as well as a former player in the food entrepreneur space in the Twin Cities. Given its cost to operate and maintain, her shared-use kitchen depends on its place within a larger nonprofit organization for viability and sustainability. They went on to say that the volatility of new and emerging food businesses is the crux of shared kitchen financial viability. One emerging food business (the kitchen) cannot hinge on the volatility of many emerging food businesses (the food business users). This individual believes strongly that there is a need to subsidize the kitchens themselves because they are integral to the success of the regional food business ecosystem.

The co-owner of a Twin Cities-based foods business and former operations manager of a next-stage food production space shared many of these same sentiments after operating a for-profit space. Unfortunately, the space they managed closed in 2022 due to several factors, one being operating and capital costs that surpassed operating revenue.

## H. IMPACT

Multiple seasoned shared kitchen owners/operators mentioned in one way or another the differing, and sometimes divergent, needs of food businesses that operate within these shared-use kitchens. One posed the question, “Are you making a business or a job for yourself and your staff?” Differentiating the needs of food businesses at different stages can result in the development of facilities that are built to serve food businesses differently from pre- concept to test, pilot and full implementation.

This operator went on to say that the sector itself in many ways is a “public service,” in that it is serving an area of great need in our food ecosystem. But it is not a money-making venture. Asking current and prospective operators their motives and goals for their facility is important. Is it a kitchen geared toward a certain community or meant to be low-price and accessible?

Or is it a space for scaling food businesses who need more mechanized production and fulfillment space? The operations manager of the closed space referenced above suggested that **the need is greater than ever for grant programs and other operating subsidies to continue to make kitchens solvent.** Grant programs should be developed specifically for shared kitchens because often it is the businesses that operate within these spaces that are eligible for funding rather than the kitchens themselves. And qualifying applicants should be both for-profit and nonprofit kitchen operations, with additional attention paid to kitchens that serve BIPOC communities or are owned and operated by women or people of color. Also, multiple interviewees cited that many shared kitchen operators have relied heavily at one time or another on supplemental income from other business ventures, spousal/partner income, or rent generated from sublets of a larger facility. These opportunities are not often realities in underserved communities.



## 2. FOCUS GROUPS

The Food Works Group project team facilitated three regional focus groups with a total of 49 registered participants. Each focus group built upon the Preliminary Findings shared the prior week with the client and key stakeholders. Each case study presented nuanced and unique insights into their region of Minnesota, as defined by north<sup>2</sup> (north of Hinckley), central (Hinckley south to the Twin Cities, including the metro area) and south (south of the Twin Cities). Each focus group included a [presentation](#) of preliminary findings prior to an interactive exercise using [Padlet](#). Each session's idea board can be found below in the [Appendix C](#).

The following reinforce the findings cited above, though some are novel concepts worth calling out explicitly:

- General confusion is experienced by multiple groups — cottage producers, business owners with part-time idle kitchens — about what a shared kitchen is, as well as the regulatory and licensing requirements associated with establishing one.
- There is a desire for an information bank where all regulatory, inspection, licensing and insurance requirements are clearly outlined on the city, county and state levels.
- There needs to be an exhaustive commercial kitchen directory that is up to date.
- Shared kitchens should consider posting a job board to advertise flexible support staff positions intended to serve as a wraparound resource to kitchen users needing labor support.
- Idle kitchens belonging to schools, churches and closed restaurants exist in many communities. There is clear interest in leveraging these spaces to create rentable shared kitchens.
- Funding an operation is much more difficult than funding buildout costs. There are fewer grant opportunities available to fund ongoing activities of a shared kitchen, like labor costs, than there are to fund overhead costs, like space acquisition and equipment purchases.
- Free kitchen use pilot programs, funded by external sources (i.e., grants), for new businesses could reduce barriers to shared kitchen usage and business growth.

Following the interviews and focus groups, the project team elevated four distinct facilities for a deep dive in the form of case studies. The following section details each case study by theme/ operating model, with the fleshed-out studies themselves cited within this report narrative.

<sup>2</sup> Since holding the Focus Group sessions, a survey was deployed by HTB Project Navigation, LLC (a partner to Short Elliott Hendrickson (SEH), who was commissioned by the City of Duluth and the Duluth Armory with funding from the EPA), to better understand the demand for and potential utilization of a shared kitchen and food hub facility in the Duluth area. The survey was shared with the community via different community partners & organizations, one of which was The Whole Foods Coop (WFC), a retail food co-op in Duluth proper. The co-op posted a social media message with a link to the survey on a Monday, and by the end of the day, the survey had received over 5,500 hits. Of 83 respondents to the food business/manufacturing section, 95% (or 78) respondents indicated that they would consider renting use of a kitchen if available at the Armory; and 38% would use the kitchen daily and/or weekly.



## V. CASE STUDIES

The project team identified each facility below with a corresponding model innovation that could, if supported with documented resources, best practices and technical assistance, develop early-stage turnkey resources to replicate similar facilities and operating models statewide; and tailor resources to support the establishment and sustainability of similar facility types. The project team studies the following facilities:

1. **City Food Studio, Minneapolis, Minnesota — Small Business Model**
2. **The Good Acre, Falcon Heights, Minnesota — Nonprofit Model**
3. **Harmony Food Co-op, Bemidji, Minnesota — Co-located Model**
4. **PI-CO.Works, Pine Island, Minnesota — Under-utilized Facility**

**Additional note:** The project team reached out to MSP Kitchenery in Plymouth, Minnesota, to highlight the operation as a "Scale & Growth Model" case study but were unable to connect with them for this purpose. The project team was able to interview MSP Kitchenery and they participated in the Central region focus group, so the report includes their perspectives. The project team believes their model that utilizes multiple kitchen site locations is one that could be effective elsewhere, has operational and financial benefits, and would be worth exploring further.



## CASE STUDY 1: CITY FOOD STUDIO

- **Location:** Minneapolis, Minnesota (central region)
- **Current number of kitchen users:** 30 per year
- **Full- and part-time staff:** One
- **Total square feet:** 4,000

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### INDEPENDENT SMALL-BUSINESS MODEL REQUIRES FLEXIBILITY, BUSINESS SAVVY

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Life is rarely easy for independent small business owners. That, at times, is the case for Journey Gosselin, who operates the shared kitchen at City Food Studio in Minneapolis. His is a venture rooted in passion for the city's food ecosystem and maker culture, but he's quick to point his attention to the business aspects of managing such a facility for his success in enabling local food entrepreneurs to open doors and create new opportunities. His kitchen provides both the space and the tools food entrepreneurs need, but it also offers the attention to the business practices that enable entrepreneurs to realize their aspirations.

As an independent small business, Gosselin's shared kitchen lacks financial support from an associated nonprofit or larger business entity. Because of this, he must be creative with facility design and the range of services he offers users in order to make the kitchen financially self-sustaining. Catering to different food businesses (food trucks, ghost kitchens, small CPGs) allows him to structure kitchen space in a way that minimizes fixed costs. When it comes to designing the space, flexibility is key in providing adequate facilities at times that match periods of high demand for various food entrepreneurs.

"There's always risk-sharing in a kitchen like this. It's sometimes difficult to know the exact risk you'll face in starting a food business, so we can help take on some of the financial risk to enable food entrepreneurs to invest with purpose," Gosselin said. "People have varying goals — some want to create a consumer product, while others want to operate a food truck or catering business for farmers markets. They're totally different businesses, and we strive to work with a variety of different food businesses. Risk mitigation is so important, and we help our kitchen users mitigate the risks of establishing their businesses so they can focus on doing what is necessary to accomplish their long-term goals."

[Explore the City Food Studio shared-use kitchen.](#)



## CASE STUDY 2: THE GOOD ACRE

**Location:** Falcon Heights, Minnesota (central region)

**Current number of kitchen users:** 22 active users, including seasonal users

**Full- and part-time staff:** One full-time, one part-time

**Total square feet:** 780, with access to shared food warehouse space

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### SHARED-USE KITCHEN THRIVES WITH NONPROFIT MODEL, UNIQUE FOOD INDUSTRY CONNECTIONS

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As a nonprofit, which is part of a larger organization working across the food and agriculture sectors, the shared-use kitchen at The Good Acre in Falcon Heights, Minnesota, offers unique benefits ranging from market access and delivery/receiving support to the availability of an on-site food storage warehouse. Kitchen users also have access to small business support services and educational workshops led by Kitchen Programs Manager Camille Mefleh.

Business development, scaling and accessing markets are challenges for the food entrepreneurs working in The Good Acre's shared-use kitchen. Though it doesn't offer financial support for building food businesses, the facility provides education and resources beyond kitchen access by way of food production and process improvements as well as regulatory and licensing support. This dedicated support Mefleh provides adds to The Good Acre's wide array of services, making the facility's model unique in what it offers.

"The Good Acre's whole vision is to connect different stakeholders in the food and farming community to each other and provide the resources and support they need. Our goal is to create a new food system that entails connections between consumers, farmers and makers," Mefleh said.

"We're able to offer incremental services to our kitchen users as a mission-driven component of our work. Our organization was established to support under-resourced farmers, and in turn food businesses that source from those farmers, with a holistic approach that includes low-cost space, shared services, and additional business support."

[Learn more about The Good Acre's shared-use kitchen.](#)





## CASE STUDY 3: HARMONY FOOD CO-OP

**Location:** Bemidji, Minnesota (north region)

**Current number of kitchen users:** Three; one restaurateur, one food truck operator and one food entrepreneur

**Full- and part-time staff:** One full-time, two part-time

**Total square feet:** 600

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### BEMIDJI KITCHEN INJECTS LIFE INTO LOCAL FOOD ECOSYSTEM WITH CO-LOCATION, MARKET ACCESS

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The Harmony Food Cooperative Community Kitchen opened in 2012 as a way for the well-established retail food cooperative to foster local food businesses. Now, the state-licensed, shared-use facility serves as a launching pad for nonprofit activity, fundraisers and educational opportunities for anyone with culinary business aspirations in the Bemidji area, including a local brewery and bakery.

Operating a shared kitchen within a retail food co-op store enables Harmony Natural Food Cooperative Product Manager Lisa Weiskopf to leverage both specifically designed space and staffing resources to manage the kitchen. Harmony's unique co-location inside a larger facility that offers other food services, support and market access for food entrepreneurs and consumers also provides market access opportunities for kitchen users' sales opportunities limited to outlets like farmers markets. With the right systems and infrastructure in place, Weiskopf aspires to broaden the influence of Harmony's unique operating model.

"We allow local community members the opportunity to have a food business. It offers folks the opportunity to develop a recipe and take it to the market. Then we offer the actual market," Weiskopf said. "We can operate the facility as a business and offer this opportunity for innovation in the food ecosystem. Access to our market plus existing underutilized infrastructure are huge to what we do."

[See more about the Harmony Food Coop's Community Kitchen.](#)



## CASE STUDY 4: PI-CO.WORKS

**Location:** Pine Island, Minnesota (south region)

**Current number of kitchen users:** Nine regular members who use the kitchen between 10 and 46 hours/week

**Full- and part-time staff:** Two; one business manager and one facility manager

**Total square feet:** 3,000

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### SHARED KITCHEN BREATHES NEW LIFE INTO IDEAL UNDERUSED FACILITY

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A building vacated after the closure of an A&W Drive-in restaurant was the opportunity John Mangouras and business partner Jacob Petersen needed to create a unique coworking and shared-use kitchen space for area entrepreneurs. Beyond a fully outfitted kitchen space that includes equipment like a 36-inch charcoal broiler, thermostatic griddle top, rotisserie cooker and 75-pound fryer, the duo offers the former drive-in's drive-thru window as a way for users to offer what they make in the kitchen direct to consumers.

By offering users a full complement of kitchen tools and utensils, the PI-CO. works shared-use kitchen supports the area food ecosystem by creating opportunities for novice food entrepreneurs to produce unique products and connect directly with consumers before they've acquired those tools themselves.

Future plans for community-supported events showcasing kitchen users' offerings will continue to drive organic growth, and Mangouras hopes the shared kitchen's place in the community will continue to evolve and yield more consistent year-round use of the once vastly underused kitchen space and the tools it contains.

"The innovative part of this facility is how many tools we have available for our clients to use. Our clients can walk into this kitchen with their product and get started right away. If this was in my neighborhood when I started my company, I'd be excited to start at our shared-use kitchen," said Mangouras, a former food entrepreneur himself. "The range of tools and facilities we offer minimizes overhead for food entrepreneurs, which makes it extremely alluring for them. If they have all of this at their disposal to create something new, we can continue to offer something our community and the food ecosystem are craving."

[See more about the PI-CO.works shared-use kitchen.](#)





## VI. NATIONAL PERSPECTIVES & PRACTICES

Current national perspectives and practices compelled the project team to raise up models, innovations, and best practices to consider when building-out an ecosystem that supports the expansion, efficacy and innovation of existing and burgeoning shared kitchen facilities. In pursuit of state legislative considerations, innovations in the private sector, local, regional and national resources to replicate and national best practice and standards to emulate, the project team cites the comprehensive list of resources compiled and partially authored by [The Food Corridor](#).

Included in this list are numerous [reports](#) that cover these topics on a larger scale and can provide national context to regional or state-specific shared-use kitchen conversations. The following section explores the key trends and best practices, which are seen in shared-use kitchens across the country and applicable to a diverse set of communities.

### 1. FACILITY TYPE

When there is a known need for shared-use kitchen space within a community, a decision must be made to either: (1) utilize existing idle kitchen space belonging to a community organization/business, or (2) build out a new commercial kitchen space. There are a number of benefits and drawbacks to each option:

TYPE	PROS	CONS
<b>IDLE KITCHEN</b>	<ul style="list-style-type: none"><li>• Avoids expenses associated with a new build</li><li>• Generates additional revenue for a local organization/business</li><li>• Relatively accessible rental prices possible</li><li>• Can determine actual interest in an eventual new build</li><li>• Already located in focal community</li></ul>	<ul style="list-style-type: none"><li>• May lack some necessary equipment</li><li>• Limited capacity and storage likely</li><li>• Availability depends on usage by kitchen owner/operator</li><li>• Wraparound services unlikely to be co-located</li></ul>
<b>NEW BUILD</b>	<ul style="list-style-type: none"><li>• Can be designed to fit precise equipment, storage, and capacity needs</li><li>• 24/7 availability possible</li><li>• Can be strategically designed to co-locate with highly demanded wraparound services and programming</li></ul>	<ul style="list-style-type: none"><li>• Extremely expensive investment</li><li>• Large financial losses likely within first several years of operation even if successful</li><li>• Higher rental prices likely</li><li>• Hard to guarantee interest expressed by makers will directly translate to usage</li></ul>

Rental logistics for idle kitchens in existing community buildings can be managed either by the facility operator or a third party service. If the operating entity has existing infrastructure for marketing, scheduling and billing (e.g., there are personnel and systems in place for renting other spaces within the facility) then renting directly without a third party involved in the leasing would likely be manageable. If an entity lacks the required staffing and infrastructure, e.g. a volunteer run organization, it may be favorable to involve a third party to manage regulatory requirements and form rental relationships.

The administrative structure of newly built shared commercial kitchens can vary as well with respect to operator type. While models have been developed by standalone for-profit companies, commercial kitchens are not very effective money makers so having a nonprofit operator is typically recommended. Nonprofit entities are eligible for a more diverse pool of funding sources, including grants, which can subsidize costs and translate to more accessible rental prices for a wider array of makers.<sup>3</sup>

<sup>3</sup> Meader McCausland, Dawn, and Rhonda Phillips, Ph.D. "Opening Community Facilities to Food Entrepreneurs." Guidance for Communities and Facility Operators, 2018, <https://drive.google.com/file/d/1C1W-fowG7x2KgthWoTBz8cHYCu5LzCQr/view>. Accessed 29 November 2022.

## 2. RENTAL PRACTICES

Facility operators can take strategic marketing measures to promote greater utilization of their shared kitchen space(s). If multiple kitchen types are available, offering simple prep/pack out spaces at a lower rate than those with more equipment and capacity can make rental more affordable and appealing to food truck businesses or makers requiring little to no cooking infrastructure on site. A volume pricing scheme that decreases hourly rental rate after reaching a threshold of booked hours (e.g., 20 hours/month) can incentivize both booking farther in advance and reserving more hours overall. Rental of less-popular time slots like late evenings and overnights can be incentivized via lower pricing as well. Similarly, creating a fee-based membership program where those who opt-in receive lower rental rates and automatic access to wraparound services can serve to strengthen businesses and promote rental by lower earning entrepreneurs.

The benefits of offering a membership program within a shared kitchen or incubator are numerous for the facility as well as for the entrepreneurs that take advantage. Having a fee-based member amenities package with a baseline of kitchen rental hours and storage included allows businesses to easily project and track costs. For the facility operator, such a program can promote higher kitchen and wraparound service utilization, thereby strengthening local food businesses and generating more revenue.<sup>4</sup>

When advertising a shared-use kitchen facility overall, it is important to mention and promote any membership program and benefits. In general, these advertisements should also include kitchen rental hours, available equipment and appliances, licensing and insurance requirements, as well as storage and kitchen types and the associated rental rates. Based on a 2019–2020 industry report,<sup>5</sup> 54% of facilities rent kitchens for \$20–25/hour before factoring in the aforementioned discounting structures. Over 40% of facilities charge between \$150–250 for dry storage and \$300–500 for cold storage — both on a monthly basis and per shelving unit.

Unfortunately, a key limiting factor of commercial kitchen rentability is the amount of storage space at users' disposal. For this reason, newly designed and idle kitchen facilities alike should maximize the dry, refrigerated, and frozen storage volume available. It is worth noting that commercial kitchen interest frequently increases in the summer months, so offering a wider range of hours during this time could be done to maximize potential revenue.

## 3. OPERATIONS & EQUIPMENT

When purchasing kitchen equipment for a shared facility, it is important to consider new and used options. While pieces of new equipment will have warranties and are unlikely to require repairs in the medium term, they can be significantly more expensive. Used equipment is guaranteed to be less costly, though it is almost sure to require more maintenance and repairs over time. Food business closures that resulted from the pandemic have created a surplus of quality, almost new equipment in the market. The new versus used decision should be made based on equipment availability, price and durability. It is wise to consult multiple dealers of new and used kitchen equipment to strike a balance between the desired quality and price range. A survey of shared-use kitchens across the country found that the following equipment items make facilities most attractive to potential users:

- Gas Ranges — 1–2
- Convection Ovens
- Combi-Ovens
- Deck Ovens
- Dough Sheeter
- Tilt Skillet
- Steam Jacketed Kettle
- Charbroil Grill
- Ice Maker
- Stand-mixer
- Vertical Cutter Mixer
- Automated Filling Machine (piston filler)
- Blast Chiller
- Dough Proofer
- Vacuum sealer
- Stainless Steel Tables — 8–10
- Full Size Baking Sheet Pans
- Rolling Sheet Pan Racks — Speed Racks — 6
- Rolling Storage Cages — 20+
- 30# Scale
- Floor mats
- 10' Separation Cubicles
- Small fridges for suites — 3
- Reach-in 2 door fridges — 2
- Smallwares

This list serves as a baseline for estimating equipment costs in cases where facility operators are unsure of the needs within their community of makers. Ultimately, it's important to consult food businesses interested in renting to determine any additional specialty equipment needs.

<sup>4</sup> *ibid.*

<sup>5</sup> Food Corridor, et al. "Shared-Use Kitchen Industry Report." Supply & Demand, December 2020, <https://www.thefoodcorridor.com/resources/>. Accessed 29 November 2022.



## 4. WRAPAROUND SERVICES & PARTNERSHIPS

Wraparound business support services can be large motivators for food entrepreneurs to become involved in a shared-use kitchen or incubator program. When determining services offered to a community of makers, it is vital to consider what resources are already available locally. In general, partnerships with other community organizations can alleviate the pressure of food business recruitment, marketing, legal/licensing services and more. The following list elevates partner types that should always be investigated at the local level:

- Local Small Business Development Centers
- Local food business social media groups
- Local economic development agencies
- Chambers of commerce
- Local business networks
- Culinary schools
- Workforce development programs
- Community development financial institutions
- Food hubs
- Farmers markets
- Producers networks
- Food policy councils
- Local Extension offices
- Microenterprise organizations
- Other shared-use kitchens

While attempting to forge partnerships with these entities, it is important to remember that clearly defined expectations and mutually beneficial arrangements will lead to the greatest chances of success and longevity. Only after these avenues are explored and partnership possibilities become clearer should the operating entity of a shared-use kitchen and/or incubator program consider what additional services, if any, they will provide internally.

## 5. FUNDING

As the social and economic benefits of shared-use kitchens become more widely understood, the sources and methods of funding available to such projects become more diverse. A recent report out of Michigan State University's Center for Regional Food Systems<sup>6</sup> walks through various methods of raising money, including the qualifications and limitations associated with various online platforms, as well as available sources of funding like grants and lending programs. The resources within this report include those that are geared toward food businesses and those that are intended to fund overall shared-use kitchen projects.

<sup>6</sup> Rahrig, Jamie, et al. "Funding Sources for Food-Related Businesses." Seventh Edition, April 2022, [https://www.canr.msu.edu/resources/food\\_business\\_funding\\_sources](https://www.canr.msu.edu/resources/food_business_funding_sources). Accessed 30 November 2022

## 6. IMPACT

There are numerous potential impacts a shared commercial kitchen facility can have on a community's culture, economy, and food ecosystem. It is a good idea to keep both the desired impacts and measurement methods in mind during the planning process. Tracking progress and success, whether in terms of food businesses or the community at large, is hugely important in the context of encouraging both participation in programming and support from stakeholders. Implementing tracking procedures early and revisiting them often is vital to communicating impacts clearly and accurately. Collecting the information and feedback necessary to understand impact can be done via surveys, as well as tracking program attendance, employment, sales, and more, in effort to monitor the following Key Performance Indicators (KPIs):

### BUSINESS IMPACT KPIS

- **Active business operations** (e.g., How many licensed food businesses are operating in a given area in relation to/in proximity to a shared kitchen operation?)
- **Business operations per capita** (e.g., How many licensed food businesses are there per capita, and in relation to the number of shared kitchens?)

### SUSTAINABILITY KPIS

- **Reduction of food waste at a local level** (e.g., How has the flow of food through the local ecosystem changed/become more efficient?)
- **Purchasing of local foods by makers and institutions** (e.g., How have local agricultural operations been included and affected?)

### SOCIAL IMPACT KPIS

- **Job creation and workforce development** (e.g., What/How many jobs were created and how has the local community been affected? Are there opportunities for growth/advancement?)
- **Representation of marginalized groups within the entrepreneurial ecosystem** (e.g., How have the demographics of successful entrepreneurs changed over time? Does this adequately reflect the identity of those in the surrounding community?)
- **Access to programming, services and/or healthy food for low-income individuals and households** (e.g., How has the standing of less wealthy community members improved? How has food security and education improved?)
- **Outcomes of food businesses, taking into account initial goals** (e.g., If a food entrepreneur set out wanting to own a brick-and-mortar establishment, did they ultimately accomplish that? How long did the process take?)

While this list does not include every possible metric, as they vary from community to community, it does include those commonly utilized in the context of shared commercial kitchen facilities and food business incubation. Each sample question is intended to get at the impact details of who, what and how.

Specifically in the context of food business outcomes, it is essential to consider the goals of each entrepreneur. Understanding a maker's vision for the future of their operation will help determine how they should be utilizing a shared-use commercial kitchen space as well as the wraparound services available. Depending on whether the end goal is creating a successful line of CPG products, establishing an event catering business, or creating a brick-and-mortar establishment, the timeline of shared kitchen usage and incubation will be different. When communicating impact, the percentage of makers who accomplish the goals they originally set out to achieve is a straightforward metric for success.

## VII. RECOMMENDATIONS & FUTURE EXPLORATIONS

As robust research and community engagement commences, the project team recommends the following areas for further exploration and resource allocation based on short, medium, and longer-term priorities.

SHORT TERM			
ACTION	POTENTIAL ACTORS & PARTNERS	RESOURCE REQUIREMENTS	NEXT STEPS
Develop a task force of Minnesota shared commercial kitchen founders and operators to respond to the needs of shared kitchens statewide.	AURI and others	Project champions (1-2 individuals / organizations), timeline, budget allocation.	Identify project champions, prospective members, requirements, and goals.
Develop a centralized, current, and regularly updated resource bank for shared kitchen operators in Minnesota that includes SOPs and best practices, equipment vendors, cold storage resources, transportation resources, & other service providers.	MDA, AURI, Naturally MN, task force	Web host and capacity to gather and update content.	Establish who owns this resource bank and how it is updated.
Develop Commercial Food Production Space Model Regulations that could be adopted by the relevant authorities throughout the state.	AURI, MDA, Minnesota Institute for Sustainable Agriculture (MISA), state, county, and city regulatory bodies, select others	Review public information related to bringing idle commercial kitchens online as rentable production spaces.	Create a clear and concise checklist of what prequalifies a space for shared-use and commercial food production for operators/facilities interested in exploring shared use.
Asset mapping of under- utilized existing commercial kitchens and unlicensed facilities that could be enhanced to meet community needs.	MDA, AURI, MISA, and others	Mapping tool and database to gather information on idle facilities.	As much as possible, identify idle kitchen facilities in existing public and private community buildings and assess them for their readiness to rent.
Develop a toolkit and a business-model specific playbook for emerging shared kitchens that can be matched to the unique needs of their community.	AURI, task force, and others	Engage task force to lead this effort and identify a platform for information gathering.	Define strategic partnerships and working group interest of community organizations that could aid in the compilation of existing materials and development of new materials.

MEDIUM TERM			
ACTION	POTENTIAL ACTORS & PARTNERS	RESOURCE REQUIREMENTS	NEXT STEPS
Explore different community-based, state-run or subsidized facilities for innovations and viable operating models on a national scale.	AURI, task force, and others	Identify facility types, operating models, and meeting the needs of scaling businesses (pre- concept through scaling to exit).	Commission follow-up research project to conduct site visits, interviews, supplemental research, and disseminate key learnings.
Establish opportunities for peer engagement, mentorship, training and networking in an effort to create active learning communities and communities of practice.	AURI, task force, and others	Engage task force to lead this effort.	Define intentions for peer groups/ community of practice development, identify methods for community engagement to bolster new shared commercial kitchens, and build resources for assessment and evaluation.
Better educate multiple stakeholders on licensing and inspection: who has jurisdiction, expectations of all parties, and why these measures are in place for health, safety, etc.	AURI, MDA, task force, select others	Engage task force to lead this effort.	Understand in greater detail what information is missing, decentralized, or incomplete with regard to licensing and inspection for: regulatory bodies, kitchen owners/ operators, individual inspectors, and food businesses at any stage of development.
Create and promote workforce training opportunities for kitchen managers and flexible production staff.	Summit Academy/ 4 Access Partners program, task force, select others	Integrate task force in supporting curriculum development, pilot projects, host training, and more.	Encourage the task force to engage with 4 Access Partners for project updates and to assess where it can best support existing work.

LONG TERM			
ACTION	POTENTIAL ACTORS & PARTNERS	RESOURCE REQUIREMENTS	NEXT STEPS
Minimize barriers to growth by creating affordable financing opportunities such as revolving lines of credit, tax credits, and economic development incentives for shared commercial kitchen development.	Task force, state government representatives, CDFIs, and other community-based lenders	Review what business incentives exist in similar sectors or industries.	Commission follow-up research project to conduct interviews, supplemental research, and disseminate key learnings. Examine how capital costs could be separate from operating costs, explore public and private sources.
Explore best practices and model innovations for establishing a retail, food hall, or pop-up restaurant element in tandem with shared commercial kitchens to provide incremental revenue and drive customers to food businesses.	Task force; existing kitchen operations with business-to-consumer (B2C) components	Collect information on existing kitchen operations with a business-to-consumer (B2C) component.	Commission follow-up research project to explore existing facilities for possible synergies between kitchens and customers.
Update and improve process flow documentation education for licensing requirements so food businesses understand what is required of them and how they might go about documenting their production process in the kitchen they're pursuing.	AURI, MDA, MISA, County and city delegated authorities	Review all existing regulatory and inspection information.	Create a triage or intake process that allows food businesses to self-assess their readiness for next stage production and helps them understand what aspects of their production need affirming before pursuing a commercial kitchen space.
Create infrastructure for next stage production/manufacturing support (co-manufacturing "light") to support the scaling up of food businesses and therefore profitability.	AURI, MDA, Naturally MN, NEON, many others	Review surveys previously conducted on this topic to understand key themes/gaps.	Explore strategic partnerships to build and operate facilities of this caliber; research production and processing facilities nationally for innovations such as equipment write-off partnerships with large food manufacturers, etc.
Develop a state run, incubator- like entity to support pre-scale businesses and get them to the "sweet spot" for shared-use kitchen rental.	AURI, MDA, Naturally MN, NEON, many others	Review frameworks for food incubator programs, especially those that involve a production facility.	Determine how to distinguish between pre-scale and scaling businesses with respect to commercial kitchen utilization and growth potential.
Involve the Minnesota Department of Employment and Economic Development (DEED) in exploring job creation and retention incentives and program support for shared kitchens and next stage food production facilities.	AURI, MDA, DEED, Naturally MN, task force, select others	Review existing DEED programs/grants to see where there might be opportunities for expansion into the food business or shared kitchen sectors.	Encourage the task force to engage with DEED to assess possible collaborations and new programming opportunities.

## VIII. CONCLUSION

The project team is pleased with, and grateful for, the level of engagement we received from study participants. The intent of the findings and recommendations within this report is to guide decision makers in their pursuit of uncovering fundamental limitations to the success of shared commercial kitchens and, in turn, provide AURI and other government and NGOs with catalyzing information to strengthen the food value chain with additional resource inputs. The project team strongly believes many limitations to the shared-use kitchen model are solvable. Furthermore, Minnesota's food and agriculture value chains benefit by removing these limitations to foster economic growth across the ecosystem, and particularly among shared kitchen operators and the food businesses that utilize them.



## IX. APPENDIX

### A. PRELIMINARY FINDINGS PRESENTATION

#### PROJECT OVERVIEW & METHODOLOGY

- General project description
  - a. Why, what & where
- What we did
  - a. Research national best practices, regional resources, local regulation
  - b. 28 interviews with tailored question banks
    - i. Preliminary findings reveal common themes, challenges & barriers, opportunities & innovations
- What's to come
  - a. Focus groups
  - b. Case studies
  - c. Final report

#### CHALLENGES & BARRIERS

- Decentralized business/commercial kitchen index & regulatory resources
  - a. Current indices of facilities is incomplete and out of date
  - b. Difficult navigating path to licensure for kitchens as well as food entrepreneurs (FEs)
- General lack of community knowledge regarding shared commercial kitchens
  - a. How to become one, who can use them, who must use them
  - b. Nuances and needs for a shared-use space (storage, building access, layout, equipment)
- Overhead costs are high, failure rates are high, and operating (human) capacity is low
  - a. Difficult for kitchen operators to also be owners and FEs themselves, creating culture of accountability, enforcing rules, providing TA, and creating community requires a team
  - b. Building a businesses that hinges on the volatility of FEs is risky
- Low profitability for shared commercial kitchens regardless of structure or incorporation
  - a. Splitting costs is operable but not profitable, for-profit ventures often fail
  - b. Business profitability scales with size, but kitchens are capped by time and space

#### OPPORTUNITIES & INNOVATIONS

- Retail, food hall, or pop-up restaurant element in tandem with shared commercial kitchens provides incremental revenue and drives customers to FEs (CPG, ready to eat)
- Toolkit for renting out commercial kitchens
  - a. Vacant restaurants, under-utilized kitchens
  - b. Facilities with kitchens can be commercialized and licensed
- Triage the FEs to help find the best kitchen (and supportive services) in your area
- Revolving line of credit, tax credits, economic development incentives for shared commercial kitchen development
- Peer networking is important as are learning communities for critical assessment by food business type
- Specializing kitchen facilities for food business type
- Next stage production/manufacturing support (co-manufacturing "light")

## AREAS FOR FURTHER EXPLORATION

- Outline innovative and viable operating models & facility key factors
- Workforce training for kitchen managers and flexible production staff
  - a. Summit Academy, 4 Access Partners program
  - b. Community Co-pack in Pacific Northwest
- Open-source resource bank + community platform
  - a. Who owns it, how is it updated, how is it unique for Minnesota
  - b. SOPs and best practices; equipment vendors, cold storage, transportation, & other service providers; bootcamps, annual convening
- Equity and access in the space
  - a. Vast majority of successful shared kitchen businesses have supportive income
  - b. Access to affordable financing continues to be a barrier to growth
  - c. Examine the building costs separate from operating costs
- Peer engagement/mentorship amongst Minnesota shared commercial kitchen founders/operators
- Methods of community engagement to bolster new shared commercial kitchens

## WHAT'S TO COME

- Focus groups
  - a. 1 per region, October 25–27 (registration required, no compensation)
  - b. Interactive virtual session
  - c. Participants will include ecosystem stakeholders
- Case studies
  - a. Target 1 per region
  - b. Opportunity to highlight unique operating models, provide facility insights, feature owner/operator stories
  - c. Identify best practices and themes
- Final report
  - a. Expected mid December 2022

## B. SAMPLE INTERVIEW QUESTION BANK

### QUESTION SET 1: SHARED-USE KITCHENS, COMMERCIAL KITCHENS

#### General Facility

1. Please introduce yourself and your business/organization/affiliation
  - a. Geography
  - b. User makeup
    - i. CPG
    - ii. Wholesale/bulk food production
    - iii. Caterers or private chefs
    - iv. Food trucks
    - v. Other (please specify)
  - c. Programs/services
  - d. Relationship to regional & local food ecosystem
2. Can you give us a brief overview of how you got started?
  - a. What organization/people lead the way/advisory committee?
  - b. How long was the launch process?
  - c. How did you determine what services to provide and more specifically how to best equip the facility for the needs of the community?
3. How do users hear about your kitchen?

#### Commercial Kitchen (Food Production Spaces & Storage)

1. Can you provide more details about your operation:
  - a. Size of overall space
  - b. Size of commercial kitchen
    - i. General layout and equipment
    - ii. Storage
      - Small format (walkins)
      - Large format (palletized)
  - c. Days & hours of operation
    - i. Restricted access (y/n)
  - d. Number of employees
  - e. Utilization
    - i. Number of users/renters
    - ii. Cadence/frequency
    - iii. User agreement terms and conditions
    - iv. Software/programs used for management (y/n)
2. Does your commercial kitchen operate in an owned, financed, or leased space?
  - a. Do you have any preferences or incentives to occupy or operate within this space?
3. Who has jurisdiction over your facility's licensing, inspections, etc.?
  - a. City, county, state

#### Business Services

1. Does your kitchen provide any marketing, sales, or distribution support services and what is the fee structure/earned revenue from these services? (cues — could be delivery services, online marketplace sales platform, etc)
2. Does your kitchen or affiliate organization(s) provide financial services, access to capital, or other funding opportunities?

## Community Services

1. Do you offer other programs and services (food and non-food activities) within your operation?  
(e.g., food shelf, workforce development)
2. What are the key metrics you would look at to evaluate the success of your facility and its support services?
  - a. food manufacturing job training/job creation;
  - b. upskilling/reskilling opportunities;
  - c. new sales and distribution opportunities;
  - d. economic development for scaling food businesses
  - e. resource for BIPOC owned/operated food businesses
  - f. other
3. What forms or measurement or data capture do you use to remit and record data from users/businesses?

## Successes/Challenges

1. What do you see as your greatest success as a shared kitchen?
2. What are the particular challenges faced by users of your kitchen? (cues — wait list, storage space, billing)
3. What are the biggest challenges for scaling food business users? (cues — co packing, cold storage, other facility needs)
4. What systems and operational support have you received to establish or improve your commercial kitchen operation?  
(cues — regulation, national best practices through community, online toolkits)

## Growth

1. What additional needs do you expect to have if/when you scale up, and what barriers do you face to doing so?
  - a. Equipment
  - b. Staffing
  - c. Facility space
2. What are the biggest challenges for your operation?
  - a. Regulation or certifications
  - b. Business/admin skills
  - c. Scaling-up production
  - d. Cold storage
  - e. Personnel
  - f. Financing
3. If you could restructure your operation (at no cost or operational implication!), what would you change?  
(cues — facility, equipment, fees, use agreement, additional services)
4. Do you have any materials you would be willing to share with us?
  - a. Guiding documents
  - b. Business agreements
  - c. Employee training manuals
  - d. Operations instructions
  - e. Floor plans
  - f. Job descriptions
5. What resources or communities of practice are you aware of or do you use in your operation?
6. Was there anything we didn't ask about that you think we should be considering or researching?
7. Do you have any advice or best practices to share that we have not yet discussed?

## QUESTION SET 2: ECOSYSTEM AT LARGE

1. Please introduce yourself and your business/organization/affiliation as it relates to shared-use commercial kitchen facilities?
2. How does your organization interface with shared kitchen facilities regionally and statewide (or nationally, if appropriate)?  
(cues — programming/business support services, investment, loans, promotions/sales, community engagement, other)
3. Tell us about the assets for food businesses in your region:
  - a. Current infrastructure, organization, programs, or services provided
    - i. shared-use commercial kitchens
    - ii. incubators or accelerators
    - iii. economic development organizations
    - iv. city/county support programs
    - v. private funds or philanthropy
4. Do you believe your region is sufficiently resourced in the following food production categories, and if not, where are there gaps:
  - a. shared-use commercial kitchen facilities
  - b. co-packing
  - c. value-added processing
  - d. centralized processing kitchen
  - e. wholesale storage (cold, freezer, dry)
  - f. other
5. What additional programs/services would be helpful to residents/small business owners (food production and distribution) in your community?
  - a. ingredient sourcing/group procurement
  - b. connecting with customers/wholesale buyers
  - c. workforce training
  - d. food access services (meals preparation, food pantry)
  - e. other
6. Are there kitchen facilities in your region or other parts of MN that support underserved communities? (cues — BIPOC entrepreneurs, food manufacturing job training/job creation, upskilling/reskilling opportunities, childcare, etc)
7. Are there incentives or existing programs that a shared-use commercial kitchen (or other like food-supportive facility) should explore as it adds on programs and services? (cues - tax incentives, new market tax credits, employment and economic development grants)
8. What resources or communities of practice are you aware of or do you use in your work that could support shared-use kitchens in your region?
9. Do you have any materials you would be willing to share with us?
10. Is there anything else you would like to share with us?

## C. FOCUS GROUP CONTENT

The following documents outline content covered in three virtual focus groups.

[Focus Group 1 — Northern Minnesota](#)

[Focus Group 2 — Central Minnesota](#)

[Focus Group 3 — Southern Minnesota](#)

## D. REFERENCES

The following resources are noted for reference and/or research purposes in the compilation of this project report.

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