

**Alchemist CDC’s:**

***Alchemy Kitchen* Business Plan**

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# Executive Summary

*Alchemy Kitchen* is envisioned as a food business incubator dedicated to providing training, business support resources and commercial kitchen space for under resourced entrepreneurs developing food businesses. By providing start-up food entrepreneurs with needed business resources to overcome common hurdles we will help support success. *Alchemy Kitchen* is a project of Alchemist Community Development Corporation (“Alchemist CDC”), a 501(c)(3) nonprofit, and aligns with our mission to support Sacramento area residents in their efforts to create vibrant, equitable, healthy and diverse communities.

*Alchemy Kitchen*’s target participants will be under resourced food entrepreneurs. We will also target small- and mid-size local farms looking to expand their offerings with the self-development of value-added products or to market their raw farm products directly to incubator businesses for processing. Alchemist CDC is uniquely positioned to create this project given our strong existing connections with farmers and solid reputation in the Sacramento region for improving equitable access to healthy foods. Sacramento is an ideal location for this endeavor due to its current emphasis on local food consumption and strong entrepreneurial spirit of a burgeoning Cottage Food industry, yet, there exists an underutilization of local foods and lack of shared-use commercial kitchens.

*Alchemy Kitchen* -is a multi-phased project with business curriculum development, student training and support occurring during the first phase. This first phase will be the creation of *Alchemist’s Microenterprise Academy* (*AMA*) covering a wide range of topics related to running successful food business and will include the following objectives: (a.) network development and strengthening, (b.) business-training curriculum development, (c.) application criteria and student selection for pilot cohort, (d.) food trailer operation with training program graduate rotation and mentoring, and finally (e.) Phase 1 data collection and evaluation for program refinements.

*Alchemy Kitchen*’s second phase will center on the design, build-out, and full operation of the commercial kitchen and storage space. Phase 2 will include advanced mentoring, and facilitation of business support—such as ingredient sourcing, marketing and distribution, access to capital services. Phase 2 will expand our target to appeal to a much broader community with offering market-rate rental opportunities for usage of the commercial kitchen.

The first commercial kitchen location for the *Alchemy Kitchen* incubator program will be located at the Franklin Boulevard *Mercado*. In addition to housing a commercial kitchen, the *Mercado* will be an open-plan market with multiple food and other vendors under one roof. This effort will grow out of a pilot project to begin building community interest through the use of stationary food trailers until Mercado is built-out. We anticipate the Mercado, and our commercial kitchen, will begin full operations in 2020. As we further develop expertise, and if new opportunities arise to expand to additional locations, we envision a future phase of operating a network of commercial kitchen facilities serving different, culturally diverse sets of communities within the greater Sacramento area.

Our program is being primarily modeled after four successful nonprofit food business incubators: *La Cocina*, *El Pájaro*, *TPSS Community Kitchen* and *Portland Mercado*. Alchemist CDC is working with the leadership of these nonprofits to develop policies and procedures based on lessons learned and best practices. Program oversight of the *Alchemy Kitchen* project will be provided by Executive Director Tiffany Rosso. While day-to-day implementation will handled by Alchemy Kitchen Project Manager, Jacob Sacks, and Alchemist Microenterprise Academy Project Manager, LaTisha Sohai. A Kitchen Manager will be hired once Phase 2 construction is complete to oversee kitchen operations and maintenance. Likewise, once Phase 2 construction is complete, an Events Manager will be hired to coordinate *Alchemy Kitchen* promotional and fundraising events.

We will leverage our existing network of social service organizations to gain referrals and reach program participants. While under resourced entrepreneurs will be the target population for the *AMA* program, we plan to engage a diverse audience for overall project support. Beyond program participants, we will engage with community and business partners and potential funders. We will also conduct public outreach through various events and develop a regional brand for products made in our kitchen, allowing easier access to markets for program participants.

Alchemist CDC has secured a significant start-up grant, which will fund Phase 1 program development and implementation. Once Phase 2 construction is complete, our program will have a built-in revenue generation system, through kitchen space rental. This will cover a significant portion of costs, but Alchemist CDC will continue to seek diverse grant and donation funding to support the program.

# Business Description and Vision

Alchemist CDC has developed program framework for *Alchemy Kitchen*—a food business incubator, which will address the main barriers to success for emerging food businesses, including access to commercial kitchen space, gaps in regulatory or business management knowledge, and a general lack of connections. We will accomplish this by providing a commercial kitchen space, as well as comprehensive business development services through a business training program that will include business advising, marketing support, and facilitating distribution and sourcing connections. We will assemble a local team of mentors composed of successful food entrepreneurs and industry experts to assist *Alchemy Kitchen* participants with recipe development, business licensing and environmental health compliance, insurance, and cash-flow management.

The overall project will be managed under the governance of Alchemist CDC and will be guided by an Advisory Committee. Advisory member representation will include a diverse array of industry experts such as influential Sacramento food players, financial institutions, business community, and educational institutions.

*Alchemy Kitchen*’sgoal is to create the environment for under resourced food entrepreneurs to become economically self-sufficient. By providing affordable access to a commercial kitchen space as well as business support services, we will provide participants the needed resources to support their business development. Our ultimate vision is that as under resourced individuals grow their entrepreneurial businesses to sustainability, they will accumulate wealth and achieve personal economic stability.

While addressing the needs of food entrepreneurs, our project will simultaneously benefit local[[1]](#footnote-2) farmers, providing additional avenues for sales of their products to be processed locally. From our existing partnerships with farmers, which have been cultivated through our work at farmers’ markets, we will develop a network from which *Alchemy Kitchen* food businesses will be able to source local farm products.

Growing out of our work with farmers’ markets, food access and economic development, in 2015 Alchemist CDC began exploring the idea of creating a food business incubator primarily serving under resourced food entrepreneurs. Our strong existing connections with farmers, and solid reputation in the Sacramento region for improving equitable access to healthy foods, make this endeavor a logical evolution for the organization.

## Alchemist CDC—Background

Alchemist CDC is an organization dedicated to the intersection of equitable food systems and economic development. We are ever evolving as we find new methodologies that deliver the greatest change and the largest impact on our region. Alchemist CDC has learned from each experience how to best broaden our effect.

Alchemist CDC has over 10 years of experience creating more equitable food access and community development in Sacramento. Alchemist CDC’s first programs involved setting up *Urban Farm Stands* to bring local produce to underserved neighborhoods. The *Urban Farm Stand* model was developed in response to residents expressing a need for improved access to healthy food in their neighborhood after the closure of a major grocery store left the area with no source for fresh produce.

After five years of operating *Urban Farm Stands*, Alchemist CDC evolved its program focus to make existing farmers’ markets more accessible and equitable. After working with California State Assembly legislative staff and advocacy organizations to provide input on the Assembly Bill 537 - Farmers’ Markets: Electronic Benefit Transfers rulemaking that passed in late 2010, we began facilitating the use of *Supplemental Nutrition Assistance Program (SNAP)* benefits (known as *CalFresh* in California, and previously known as *Food Stamps*) at farmers’ markets in the greater Sacramento area in 2011. *CalFresh at Farmers’ Markets: Connecting Families to Farmers* remains Alchemist’s largest program. We currently operate Electronic Benefits Transfer (EBT) processing systems at 10 Sacramento area farmers’ markets.

By accepting *CalFresh* benefits at farmers’ markets, using a wireless EBT point of sale device and scrip system, Alchemist provides under resourced families with access to fresh, local, high-quality produce. This program also connects local farmers to additional revenue.

In conjunction with this program, we also facilitate the use of *Market Match* incentives. *Market Match* provides a dollar-for-dollar match when *CalFresh* customers spend their benefits at participating farmers’ markets. This incentive helps stretch a *CalFresh* user’s tight food budget, increases their access to healthy foods, and builds the habit of shopping for and eating fresh produce.

Alchemist CDC’s farmers’ market programs have made a huge impact on the community. The program has grown each year, resulting in more spending on fresh, healthy, local produce. In fact, in the United States in FY2017, Alchemist CDC's partner markets accounted for 1.6% of SNAP (also known as food stamps) spent at all farmers’ markets nationwide! Our markets contributed a significant portion of the $15.69 million of SNAP funds spent at farmers' markets, despite only accounting for 11 of the 3,642 farmers' markets (0.3%) that accept SNAP.

In 2016, Alchemist CDC was awarded a USDA *Local Food Promotion Program* planning grant to begin the research and conceptual planning of a food business incubator. Through this planning process, we partnered with University of California, Davis (UC Davis) to conduct a feasibility study (a copy is attached as Exhibit 1 in the appendix). The feasibility study has found ripe conditions for this project. It concluded:

*“[T]his project has great potential. It could improve the existing infrastructure and strengthen value-based supply chains for local foods. It can provide consumption gains for underserved communities and productivity gains and increases in asset value for local producers recruited and trained from these communities. Establishing self-sufficient local food businesses that empower entrepreneur-minded minorities with access to limited resources can strengthen their unique marketable skills, increase the revenue stream to local business and income of local employers overall, and ultimately contribute to a more equitable local food system and economic growth in the greater Sacramento region.”*

As part of the planning process, Alchemist CDC also worked with Capsity, Inc. (a California Benefits Corporation, which runs a successful co-working space and business incubator) to collaborate and guide us in creating a business plan for our Incubator. The planning grant allowed us to assess and assemble partners, and establish a pathway to project implementation.

# Definition of the Market

The Sacramento region is one of the largest agricultural producers in the nation, with 1.5 million acres of regional farmland. However, despite the abundance of locally grown produce and a branding campaign touting the city of Sacramento as “*America’s Farm-to-Fork Capital*,” there are limited resources that support the creation and consumption of locally produced food products. Despite an abundant and diverse array of food grown in the region, **only two percent** of the food consumed in the region comes from local sources, as determined by Sacramento Area Council of Government’s (SACOG) *Rural Urban Connection Strategy*. (Food consumption estimates –SACOG Food Calculator, 2012) Additionally, there are few resources to assist small food related businesses seeking to grow. This is especially true for low-income populations.

Sacramento is also home to a federally designated *Promise Zone* area that encompasses some of the economically hardest-hit neighborhoods in the nation, with unemployment and poverty rates of over 19% and 34% respectively. (Sacramento Promise Zone Fact Sheet, 2016) *Alchemy Kitchen* will focus on under resourced food entrepreneurs and will recruit heavily from the Sacramento Promise Zone and its residents.

While Alchemist’s food access work has increased access to healthy foods by connecting families to local produce, there continues to be areas in our community that have limited access to, and consumption of, locally grown and produced healthy foods. This limitation was noted in findings from partnership projects, led by Valley Vision and SACOG, which identified additional ways to support the agricultural sector and increase access to and consumption of locally grown produce. As a result of these collective efforts, two plans were developed: *Next Economy: Workforce Development Recommendations for the Agriculture and Food Industry Cluster (*March 2014) and *Sacramento Region Food System Action Plan* (2015). These reports demonstrated not only the need to support our local farms and improve access to healthy foods, but also the importance of creating opportunities for local food production as a means to improve access, while also creating jobs.

Burgeoning food businesses represent a large source of potential for increasing local food production and creating jobs. There are currently over 200 registered home-based food businesses in Sacramento County. However, California State Assembly Bill No. 1616 - Food Safety: Cottage Food Operations, which allows food entrepreneurs to cook and sell out of their homes, has severe limitations capping growth based on annual sales and in distribution methods. In order to overcome these restrictions, a business needs access to commercial kitchen space, which would allow them to operate beyond the strict revenue and product limitations of the Cottage Food regulations, and produce on a scale that allows economically sustainable growth. Additionally, two California state bills signed into law in late-2018 (SB946 and AB626) expanded the ability of micro-entrepreneurs to sell foods. However, these laws have similar limitations and restrictions to the Cottage Food law, and will require growing food businesses to use licensed commercial kitchens to overcome these limitations.

Sacramento currently has only one shared commercial kitchen designed specifically to rent to food businesses. The demand for this type of space far outweighs the current supply. Accordingly, Alchemist CDC envisions a neighborhood satellite system of commercial kitchens linked through a common program designed to develop successful businesses. We anticipate our kitchen at the Mercado will be the first, and will serve as a pilot as we develop our incubator program.

Access to commercial kitchen space is not the only hurdle for small food businesses. Other common barriers include gaps in regulatory or business management knowledge, and a general lack of connections, which prevent them from growing and becoming more profitable. *Alchemy Kitchen* is designed to help food entrepreneurs overcome the hurdles they face and guide businesses to success, and to incorporate new lessons into improved systems of incubation, acceleration and support.

# Description of Services

*Alchemy Kitchen* will be rolled out in phases. Phase 1 will include the development and strengthening of our network of relationships needed to support the project. We will also create and test the business training component of our project. Phase 2 will include beginning the *Incubator Program*, including the opening of our commercial kitchen and the full implementation of all components of *Alchemy Kitchen*.

In Phase 1, Alchemist CDC will develop *Alchemist’s Microenterprise Academy* (*AMA*)—a 10-week food business training program, with an emphasis on low-income participants. We will build off the curricula of other successful food business incubators upon which we are modeling many aspects of our project (*La Cocina*, *El Pájaro*, *TPSS Community Kitchen* and *Portland Mercado* (attached in the appendix as Exhibit 2 is an informational sheet with more information on each model)), and tailor them to fit Sacramento and our participants. The *AMA* program will include food safety instruction, food business permitting education and facilitation, legal requirements instruction, business finance lessons, sourcing and distribution information, and marketing support. We will utilize professional volunteers to guest lecture various lessons that may be outside of our areas of expertise. Our Advisory Committee will assist with the selection of these guest lecturers.

A major component of *Alchemy Kitchen* will be building off of the existing relationships we have with over 100 local small- and mid-sized farmers to develop and maintain a directory of local agricultural product suppliers from whom our participating food businesses can source raw ingredients (attached in the appendix as Exhibit 3 is a list of farmers whose contact information we possess, which will be the base of a full directory). Alchemist’s ability to connect with the farmers at the markets to educate them on the opportunities available to sell their products to local food businesses in *Alchemy Kitchen* gives us a comparative advantage. This at-market outreach and technical assistance will be the most effective way to connect with farmers, since we are meeting them at their place of work. We will encourage every business in our *AMA* program, and all of the businesses using *Alchemy Kitchen*, to utilize this directory for local sourcing and will facilitate connections and meetings. We will also educate farmers and food businesses participating in *Alchemy Kitchen* about the opportunities of using cosmetically challenged, but otherwise sound, products (also known as “seconds”). This will provide additional revenue channels for farmers and reduce food waste.

We will additionally assist businesses in *Alchemy Kitchen* who make products that are *CalFresh* eligible in setting up direct-marketing channels to sell to low-income consumers, such as through our *CalFresh at Farmers’ Markets* program.

*AMA* students will receive financial literacy training and access to funding institutions. As we discuss business structures, business finances, financial management, and business plan development, we will also educate participants on options for accessing start-up capital. Through the receipt of the *Promise Zone Financial Institution Partnership* grant (discussed in more detail below in Financial Management), Alchemist CDC is partnering with ten financial institutions who can provide a further range of financing options. Further, California Capital Financial Development Corporation is a partner in the Mercado project and provides financial literacy guidance as well as small business loans. California Capital is a nonprofit with over thirty years of experience providing capacity-building programs through business training, education, resources, one-on-one counseling, and access to capital for entrepreneurs. Each of California Capital’s programs are carefully designed to meet the needs of the communities they serve, and are consistent with their mission to offer a wide range of flexible financial products and services to increase economic opportunities for underserved communities.

After the *AMA* curriculum is fully developed, we will recruit and train our first cohort of community-based entrepreneurs. We will recruit participants through our network of partner social service and economic development organizations who work with low-income populations. We will also further develop partnership channels with local labor workforce programs such as Sacramento Works, Sacramento County Department of Human Assistance Business Improvement Center, SCORE Sacramento, California Employment Development Department and others to garner referrals to our program.

This timeline allows us to develop the “soft” infrastructure of our program and test the *AMA* business training component of the project first, creating the framework for one of the most important parts of the *Alchemy Kitchen* program. By piloting *AMA* in Phase 1 with a small cohort (less than 20 students), we will receive valuable feedback for adjusting and improving the program to ensure relevance and effectiveness for a much larger roll-out in Phase 2.

Phase 2 program implementation will begin after the full build out of the commercial kitchen. Once build out is complete, we will be able to accommodate an increased number of participants in *Alchemist’s Microenterprise Academy* and the *Incubator Program*.

As part of the feasibility study, we conducted surveys and focus groups from three primary groups expected to utilize *Alchemy Kitchen*: food entrepreneurs from Sacramento’s cottage food industry, food truck operators, and local small- and mid-sized farmers. These surveys and interviews indicated interest and need for this type of project in the Sacramento region, and the feedback directly shaped our plans for *Alchemy Kitchen*. We will build out the kitchen based on this feedback as well as the information and feedback received from equipment lists and interviews of our four primary incubator kitchen models.

When our kitchen opens, we will accept small cohorts of food businesses to continue to receive training, helping them grow and find more success. Businesses will be separately admitted into this *Incubator Program*, which will provide kitchen access and advanced support and mentoring. *AMA* program graduates will be well positioned to apply to the *Incubator Program*. *Alchemy Kitchen* businesses will have access to our commercial kitchen at a subsidized rate. In line with our mission, Alchemist CDC will seek to serve mostly under resourced entrepreneurs. As a nonprofit organization, Alchemist CDC has a competitive advantage through our ability to receive grant funding to serve this population.

We will also rent out the kitchen space to businesses not in our *Incubator Program* at a market rate. This market rate usage will help subsidize the cost of the *Alchemy Kitchen* incubator rate. Having market rate clients can create further synergies. Existing food businesses can share their expertise and contacts, and serve as mentors for the program participants. Our kitchen will run 24/7 to maximize its utilization and sustaining revenue generation potential. In addition to renting the kitchen space for use, food businesses will also have access to cold, dry and freezer storage areas for rent.

Businesses in the *Incubator Program* will develop customized benchmarks related to economic self-sufficiency and long-term sustainability, and a plan for eventual graduation out of the *Alchemy Kitchen* program.

In addition to training and developing businesses, *Alchemy Kitchen* will develop a regional brand and labeling program, which businesses will be able to use for umbrella marketing. We will partner with grocery stores and farmers’ markets to create designated displays of products created in our kitchen. This will have the dual benefit of assisting *Alchemy Kitchen* businesses through increased sales and markets, while also providing greater exposure for and awareness of the *Alchemy Kitchen* program. We will cultivate relationships with major distributors and the public to inspire confidence in our brand. As our brand develops trust, fledgling food businesses will benefit from their affiliation with the brand, and will have easier access to opportunities not available to other start-up businesses.

As the businesses in *Alchemy Kitchen* become successful and grow, they will hire workers and create jobs. After the first two years of building business capacity, we will begin to graduate businesses out of *Incubator Program*. Businesses meeting benchmarks related to economic self-sufficiency and long-term sustainability will scale up and out of the *Alchemy Kitchen* program. Benchmarks will be developed, based on those used by our incubator models, and refined as we develop more experience. Subsidized-rate businesses will graduate to their own facilities or to become market rate clients of *Alchemy Kitchen*. Market rate clients will graduate to their own facilities (i.e. opening a restaurant, establishing their own production and packaging facility, etc.). Graduated businesses will also reinvest into the program by becoming mentors for future *Alchemy Kitchen* businesses.

While Phase 2 while likely begin with a kitchen located in one area of Sacramento, another facet of the project will look to the future with the goal of replicating the project in locations that will better serve other sections of the Sacramento Promise Zone, and potentially satellite kitchens in other areas of Sacramento. As we increase our expertise in this field, and new opportunities arise to expand to additional locations, we envision a Phase 3 of operating a network of commercial kitchen facilities and business training support services.

## Evaluation Strategy

We will track participant demographic data, jobs and businesses created, hours of technical assistance given, kitchen hours rented, mentor hours volunteered, capital dollars facilitated, CalFresh sales of products made in *Alchemy Kitchen* at our partner farmers’ markets, demographics of participants, and number of local farms whose products are used by *Alchemy Kitchen* businesses.

As we develop our model, we will continue discussions with UC Davis to develop evaluation systems and methodology that can contribute not only to providing comprehensive measurement tools for our project, but also to provide measurement data that can benefit the region as a whole.

# Site, Organization & Management

## Site

We believe the first location for a commercial kitchen as part of our *Alchemy Kitchen* project will be located within the Franklin Boulevard Mercado. However, this location will not be fully built until at least 2020. Thus, as detailed above, we are going to implement the *Alchemy Kitchen* project in phases. Before our fully operational kitchen at the Mercado is open, we will develop the *AMA* business training program and utilize several existing kitchens across Sacramento to place *AMA* participants to begin production. There are several community centers which have commercial kitchen facilities, and Alchemist CDC is in the process of working out arrangements to have access to these facilities at designated times. Prior to the opening of our kitchen at the Franklin Blvd. Mercado, we will build the *Incubator Program* around this rotating schedule.

This arrangement will be temporary until we are able to co-locate our kitchen inside the Mercado project being developed by Franklin Neighborhood Development Corporation (FNDC). Franklin Neighborhood Development Corporation is the community development wing of the Franklin Boulevard Business Association (FBBA). FBBA was founded in 1985 and recently has prioritized revitalizing the Franklin Blvd. business corridor, working with the 600 businesses and 160 property owners they represent, including hundreds of Latino-owned and/or operated enterprises. FNDC is pursuing the revitalization of the Franklin business corridor and neighborhoods by increasing the district’s vitality and the economic prosperity of its members via community economic development. The historically underserved Franklin district is predominantly a Hispanic/Latino community, with approximately 48% of the residents being Latino, 21% of whom speak little to no English. 70% of the district’s residents are low to moderate-income.

FNDC is in the midst of creating a project, within which *Alchemy Kitchen* will exist. FNDC and Alchemist CDC have signed an MOU to pursue this partnership (attached in the appendix as Exhibit 4). FNDC is creating a multi-tenant public Mercado. Modeled on a similar project in Portland, the Mercado will be an open plan market with multiple food and other businesses under one roof. In front, it will have a food trailer plaza. This plaza will house four to eight food trailers, whose tenants will come from *Alchemist’s Microenterprise Academy* program graduates. The plaza will include public gathering space for eating, socializing and events—a type of space that the district is currently lacking. The Mercado will also house a shared commercial kitchen space, which will be run by Alchemist as part of *Alchemy Kitchen*. FNDC commissioned a feasibility study for their Mercado, which indicated project viability (attached in the appendix as Exhibit 5).

Due to the longer-term of construction timelines for the Mercado project, FNDC may create the food trailer plaza first to generate excitement and momentum for the Mercado project. If this path is taken, pilot tenants of the food trailer plaza will come from graduates of the Phase 1 *AMA* program. Alchemist will work closely with the pilot food trailer businesses to ensure they are following the training concepts and industry best practices presented in *AMA*. Based on the experiences of these pilot businesses, we will learn in real time what modifications need to be made to the *AMA* program. After this experience, we will easily be able to accept additional food businesses into the improved training program.

When the Mercado is fully built, we will open our commercial kitchen and begin Phase 2. When fully operational, we expect to have at least 30 businesses at any given moment using kitchen facilities run through *Alchemy Kitchen* at the Mercado.

As mentioned above, as we develop expertise and a fully operational Mercado and *Alchemy Kitchen* program, we will look to the future with the goal of replicating the project in a location that will better serve other sections of the Sacramento Promise Zone, and potentially satellite kitchens throughout Sacramento. We have had early discussions regarding the Del Paso area of north Sacramento as a potential location for Phase 3 expansion.

Capsity, a partner on the planning grant for this project, is exploring properties in the Del Paso Boulevard/Arden Way area of north Sacramento in partnership with the Sacramento County Public Library, who is seeking expanded space and programs in this area. The Library recently instituted a *Library of Things* program in which they rent household items and machinery. In Capsity’s conversations with the Library, they have expressed interest in a mixed multi-use library space with public-private partnerships. This could include anything from a café run by *Alchemy Kitchen* graduates to having an independently-run kitchen on site, which could collaborate with the *Library of Things* program.

Alchemist CDC has also partnered with California Urban Partnership (CUP), who is also investigating opportunities for creating a commercial kitchen and incubator in the Del Paso Heights neighborhood of Sacramento. CUP develops technology, joint venture, and policy solutions to build economic security in communities of color. CUP has identified the creation of a food business incubator as a priority project.

## Organization and Management

Alchemist CDC’s Executive Director, Tiffany Rosso, will oversee the project and supervise Alchemist CDC employees working on the project. Ms. Rosso will coordinate and facilitate the connections with our model incubators (*La Cocina*, *El Pájaro*, *TPSS Community Kitchen* and *Portland Mercado*), to learn best practices for *AMA* and *Incubator Program* development. She will manage partnerships, and play a lead role in assembling and coordinating the Advisory Committee and pool of mentors to assist *Alchemy Kitchen* participants. She will help facilitate site selection and build-out of the commercial kitchen and oversee its creation and implementation management. Ms. Rosso will also develop additional funding and sustainability strategies to ensure financial sustainability of the project. Davida Douglas, the Programs and Operations Director, will assist with program supervision and management.

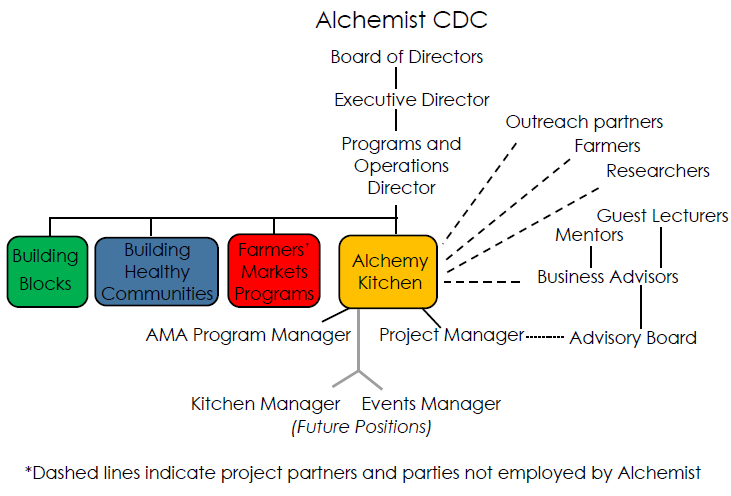
Jacob Sacks is the Project Manager for *Alchemy Kitchen*. As Project Manager, he will work on finding kitchen locations for the incubator project. He will also assist LaTisha Sohai with the development and implementation of the *AMA* program. He will also perform research and project management to assist with the creation of the commercial kitchen facility. He will work with our model incubator partners, FNDC and construction professionals, to secure the plans, equipment and final build-out of the kitchen. He will also track and report evaluation data.

LaTisha Sohai is the Alchemist’s Microenterprise Academy Program Manager. In this role she will develop the *AMA* curriculum, working with our model incubators and Advisory Committee. Once the curriculum is developed, she will facilitate the business training program. She will oversee outreach, recruiting entrepreneurs to participate in the program, and applicant screening. She will also work with the Farmers’ Market Coordinator to create a directory of farmers for developing procedures and facilitating sourcing connections between incubator businesses and local farmers.

Alchemist CDC will hire a Kitchen Manager to oversee operations inside the kitchen (a job description for this position is attached in the appendix as Exhibit 6). The Kitchen Manager will work with the Project Manager to develop kitchen rental and usage guidelines. Once the commercial kitchen is built, the Kitchen manager will be in charge of kitchen management. The Kitchen Manager will provide orientation and training for kitchen users. The Kitchen Manager will also coordinate scheduling for businesses using the kitchen and ensure proper use and maintenance of kitchen facilities. The Kitchen Manager will also provide technical assistance to businesses to assist them with increasing production and maintaining records and food safety licenses and certifications. The Kitchen Manager will also manage inventory, janitorial operations, and assist with billing.

Alchemist CDC will also hire an Events Manager (a job description for this position is attached in the appendix as Exhibit 7). The Events Manager will develop an array of events designed to engage the public with Alchemy Kitchen, showcase businesses, and further develop our brand. These will include pop-up dinners, cooking classes, and pop-up marketplaces. The Events Manager will also help catering businesses in *Alchemy Kitchen* secure clients and event opportunities.

Figure 1: *Alchemy Kitchen* Organizational Chart



Mentors

Advisory Board

Business Advisors

Guest Lecturers

Outreach partners

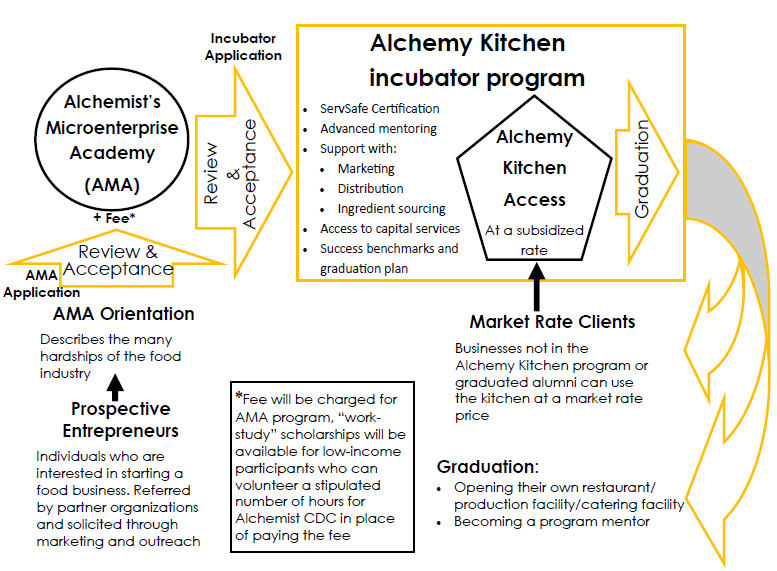
Researchers

Farmers

# Development of Policies and Procedures

The flow of *Alchemy Kitchen* users is outlined in Figure 2 below:

Figure 2: Flowchart of *Alchemy Kitchen* Program Participants



## Application Procedure and Policies

Interested food entrepreneurs will be able to apply to the *AMA* program. Prior to submitting an application to participate in *AMA*, prospective applicants will be required to go to an information session. The information session will be designed to highlight the hardships of the food business industry. It will designed to be sobering so that only seriously committed individuals apply to the *AMA* program.The application for the *AMA* program will be simple and designed to be accessible to our target participants. The application will ask the applicant to explain their interests in beginning a food business. This question will allow responses from various mediums (written, video, powerpoint, etc.) to cater to a broader array of applicants beyond those who are especially skilled with the written word. Part of the application will disclose that a focus of the *Alchemy Kitchen* program is to serve food entrepreneurs from low-income backgrounds or historically disenfranchised populations, we will ask applicants to simply self-identify if they belong to one of these groups. Applications will be available for submission online, in person or by mail. Applications will be reviewed by the Project Manager and Executive Director. Priority will be given to applicants with a clear business vision and applicants from our target participant groups. We will charge a fee of $200 for the *AMA* program to increase commitment and reduce attrition. If a fee is charged, we will offer scholarships for those who are unable to pay, however, in order to receive a scholarship, applicants will be required to have a discussion with Alchemist CDC leadership to discuss the realities that starting a business will require some start-up capital and whether the applicant is well positioned to consider beginning a business. In the future we may offer scholarships which can be taken in exchange for volunteering a set number of hours with Alchemist CDC.

Graduates of the *AMA* program will be able to apply to the *Incubator Program.* The application for the incubator program will be much more detailed than the application for the *AMA* program. However, assistance will be offered to interested applicants to complete their application. Applicants interested in becoming *Incubator Program* participants will complete a written application, which will be available for submission online, in person or by mail (example applications from our models are attached in appendix as Exhibit 8). In Phase 1, applications will be reviewed by the Project Manager, AMA Program Manager and Executive Director. In Phase 2, applications will be reviewed by the Project Manager, AMA Program Manager and Kitchen Manager. Applicants meeting all the requirements and criteria for acceptance (see below) will be invited for an interview. The Project Manager, Kitchen Manager and at least one member from the Advisory Committee will comprise the interview panel.

We will assess income levels as part of our application and screening process to ensure the majority of the businesses admitted into the *Incubator Program* are owned by low-income individuals at the time they are accepted into our program. If an applicant meets criteria to be accepted, we will ask for backup documentation (e.g., bank, paycheck records, acceptance into social service program, etc.) to verify they qualify as low- to moderate-income. Or, if an applicant is refereed to us by a partner organization who has already assessed and can verify low-income status, that will suffice. All application information will be held in a secure place at Alchemist CDC’s office to protect confidential information. Applicants will be made aware of our policies to protect their sensitive data before submitting such information.

## Acceptance Policy

Applicants to the *Alchemy Kitchen Incubator Program* will be evaluated on three main criteria: business competence, entrepreneurial spirit, and strength and viability of product. Businesses who have completed the *AMA* program will be given priority as they will have completed a business plan, which demonstrate business competence. Applicants must be able to demonstrate knowledge and proficiency with business concepts, marketing and a plan for business management. Entrepreneurial spirit will be evaluated by an applicant’s enthusiasm, history, record of persistence, and innovative thinking. Finally, applicant’s products will be evaluated to ensure they are able to compete in the marketplace, are well-made and likely to succeed. Applicants will be ranked and cohorts of varying size will be admitted into the *Alchemy Kitchen* program based on capacity.

## Kitchen Policies

Every kitchen user will sign a Kitchen Use Policy Agreement (example Kitchen Use Policy Agreements from our models are attached in appendix as Exhibit 9). The Kitchen Manager will ensure kitchen policies are followed and will establish consequences for failing to adhere to the policies. If a business routinely fails to adhere to the policies, they will face expulsion from the *Alchemy Kitchen* program and discontinued use of our facilities.

## Graduation Policy

After the first two years of growing the capacity of these businesses, our goal will be to graduate at least three businesses out of the program each year. Businesses will be graduated when they have reached economic self-sufficiency and sustainability, and are able to thrive without the supports of the *Alchemy Kitchen Incubator Program*. Benchmarks will be developed, based on those used by our incubator models, and refined as we develop more experience. Subsidized-rate businesses will graduate to their own facilities or to become market rate clients of Alchemy Kitchen. Market rate clients will graduate to their own facilities (i.e. opening a restaurant, establishing their own production and packaging facility, etc.). Graduated businesses will also reinvest into the program by becoming mentors for future *Alchemy Kitchen* businesses.

# Marketing and Sales Strategy

This project will be marketed to a diverse array of audiences including program participants, community and business customers, and potential funders.

As a nonprofit with over a decade of experience working with underserved populations, we have developed a partner network of social service and economic development organizations, which help low-income populations in various ways. We will utilize this network to advertise the opportunities available at *Alchemy Kitchen* and recruit participants for *AMA* and the *Incubator Program*. We will also further develop relationships with local labor workforce programs such as Sacramento Works, Sacramento County Department of Human Assistance Business Improvement Center, SCORE Sacramento, California Employment Development Department and others to garner referrals and ask that they advertise our program.

We will also advertise *Alchemy Kitchen* at our partner farmers’ markets. These highly visible, public events will be able to reach both potential incubator participants and the general public. At the farmers’ markets, we serve a large number of low-income *CalFresh* recipients, some of whom may be potential entrepreneurs seeking to start a food business. Additionally, the public nature of farmers’ markets makes this an ideal space to advertise our program to the general public, especially a subsection of which has demonstrated a special interest in food.

The Mercado will provide an ideal venue to engage the public and market our project to the greater community. As mentioned, we will hire an Events Manager who will develop events designed to engage the public with *Alchemy Kitchen*, showcase businesses, and further develop the regional brand. These will include pop-up dinners, cooking classes, and pop-up marketplaces. We believe sales for businesses in our program will be enhanced by their connection to *Alchemy Kitchen* and the positive social mission of the project.

As discussed above, *Alchemy Kitchen* will develop a regional brand. Businesses in our program will be able to place themselves under this umbrella brand, allowing for easier access to markets. Dedicated *Alchemy Kitchen* displays at farmers’ markets and grocery stores will assist *Alchemy Kitchen* businesses with sales and further develop the umbrella brand. As our brand develops trust, fledgling food businesses will benefit from being under it and will have access to increased opportunities not available to other startup businesses.

Finally, this business plan will be used as a base document to draft appeals to potential funders. We will be able to utilize the business plan to easily pull relevant sections and expeditiously write funding proposals. Having a clear road map for each part of our program will aid us in developing proposals. We have also developed a presentation to introduce potential funders and partners to our program, and will be able to modify it to best appeal to the given audience.

# Financial Management

*Alchemy Kitchen* is a unique project because it has revenue systems built into the design in order to ensure long-term sustainability. Further, if we embed our project into a larger retail- based project, such as the Mercado, we create mutually supportive project components. However, in order for the program to reach a point of revenue generation and self-sustainability, there are several start-up costs, which will require upfront investment. As a nonprofit organization, Alchemist CDC has a competitive advantage through our ability to receive grant funding for these start-up costs as we create and scale-up the *Alchemy Kitchen* project. We have already received a number of grants to allow us to perform the work of developing Alchemy Kitchen.

In late 2016, we received an 18-month USDA Local Food Promotion Program planning grant of over $71,000 to conduct a feasibility study, develop this business plan, and plan for the creation of Alchemy Kitchen. In early 2018, *Alchemy Kitchen* was chosen as a recipient project for Whole Foods 5% Day in which 5% of a selected day’s total sales (over $12,000) was donated to the project. Finally, in March 2018 *Alchemy Kitchen* was awarded a grant facilitated by the Sacramento Promise Zone of $137,500 from ten different partner financial institutions. These financial institutions contributed amounts ranging from $2,000 to $25,000 and have each expressed interest in continuing involvement in the project.

The grant funding received will allow us to begin Phase 1 of our project. Additionally, some of the funding we have received will be used towards Phase 2 commercial kitchen build out. While funding for complete build out has yet to be secured, Alchemist CDC and Franklin Neighborhood Development Corporation are exploring diverse funding sources, such as:

* Federal grants, including:
* Department of Health and Human Services- Community Economic Development Grant (max. $800,000 over 5 years)
* Economic Development Administration Assistance Program - EDA’s Public Works and Economic Adjustment Assistance grant (max. 80% of constructions costs)
* Department of Agriculture- Local Food Promotion Program Implementation Grant (max. $500,000 over 3 years)
* Local grants, including
* Sacramento RAILS grant (max. $250,000)
* Sacramento County TOT Grant Program
* California Strategic Growth Council Transformative Climate Communities grant
* Foundation grants
* Corporate sponsorships
* Capital Campaign
* Development Loans

Once our incubator kitchen is built, we will be able to have a steady income stream and be less reliant on grant assistance. By charging kitchen users for kitchen time and storage rental, *Alchemy Kitchen* will follow a social enterprise model, with earned income reinvested into our programs that work with start-up food businesses and advance the social mission and the financial sustainability of the project. While we do not anticipate that these rental fees will cover the entire costs of the program (as we will continue serving low-income participants), it will contribute a reasonable amount. Understanding the importance of long-term sustainability, Alchemist’s staff and board are constantly developing and implementing plans to diversify our funding sources. We are confident we will be able to increase our programmatic and organizational sustainability through a combination of strategies:

1. Strengthening both board and staff’s fundraising capacity through professional development opportunities;
2. Building and sustaining relationships with local foundations;
3. Developing stronger ties to local corporations and small businesses, and strengthening relationships with banking institutions seeking to support economic development in our community, including investments which meet the objectives of the Community Reinvestment Act;
4. Working with *Alchemy Kitchen* businesses to carry out special events in order to bring in additional revenues. Once the Mercado is built, the Mercado space can be used as an event venue to host food-centric events to promote and support *Alchemy Kitchen*;
5. Expanding our individual donor cultivation activities; and
6. Exploring additional earned income strategies, such as facilitating ServSafe licensing classes, etc.

We believe that through a robust fundraising plan, Alchemist CDC will be able to sustain, expand, and scale the *Alchemy Kitchen* program to effectively serve the community for the long-term.

Additionally, we utilize volunteers and partner organizations extensively in all of our programs. Developing these volunteer networks and partnerships with other organizations that have similar missions will help us achieve long-term sustainability, as they reduce program operating costs through reduced labor expense and resource sharing.

## Income and Expense Calculations

### Operating Expense Calculations

See Alchemy Kitchen 5 Year Budget Projection Spreadsheet

### Phase 2 Income Generation Calculations

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Rent | Number of uses | Annual Income | Assumptions |
| Kitchen Rental (subsidized rate) | $15.00 per hour | 36 hours a day | $197,100.00 | 2 stations with full use between 6am-midnight |
| Kitchen Rental (market rate) | $20.00 additional revenue ($35 per hour) | 6 hours a day/half the year | $21,900.00 |  |
| Dry/Cold/Freezer Storage | $20.00 per month | 30 users per month | $7,200.00 |  |
| Events and classes |  |  | $20,000.00 |  |
|  |  | T**otal Income** | $246,200.00 |  |

1. For this project, we have created a “Sacramento Adjacent” definition of local. Local will be any product from Sacramento or any adjacent county (Amador, Contra Costa, El Dorado, Placer, San Joaquin, Solano, Sutter, Yolo) [↑](#footnote-ref-2)