# Higher Ground Urban Farm

*Northside Town Center*
*1865 Northport Drive*
*Madison, WI 53704-3089*

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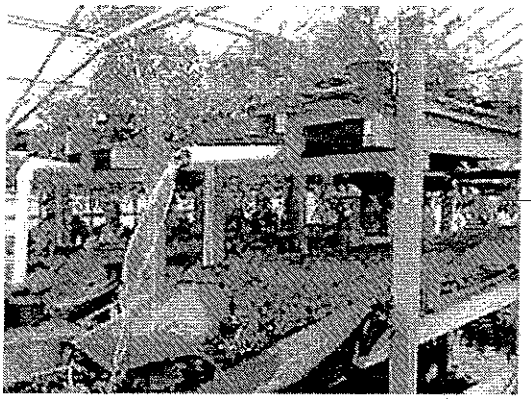
***Economic Development Grant Program***
***Community Development Block Grant Recovery (CDBG-R)***

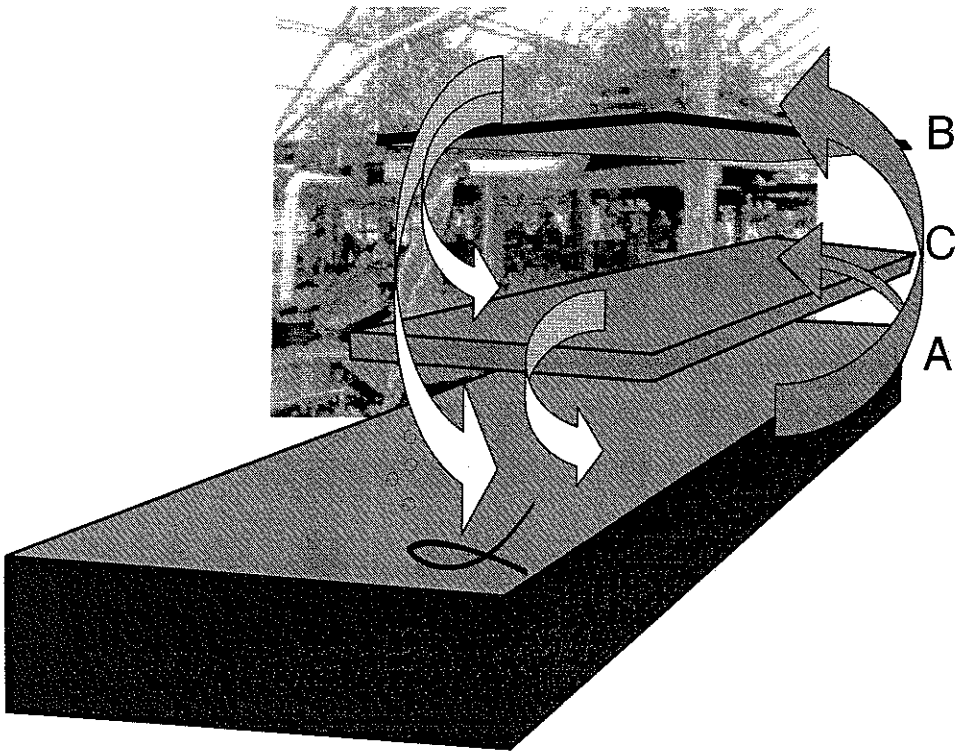
*Higher Ground Urban Farm, Inc.*
*incorporated as a 'C' corporation in the State of Wisconsin 1/27/09*
*FEIN: 26-3447897*
*WI DFI Corp ID# H046238*
*Sales Tax Acct: 456-1026827254-03*
*DUNS: 829 539 324*

## *Higher Ground Urban Farm Summary*

*Higher Ground Urban Farm* is a collaborative urban farm. Its main site will grow food sustainably in a protected greenhouse environment in Madison, Wisconsin, utilizing renewable energy resources to offset the cost of growing in the winter months. Using intensive production methods such as closed-system, plant filtration aquaculture and vermicompost-based soil, HGUF will produce greens, herbs, fish and fruits for existing local groceries, culinary arts programs, cafes and delis in Madison, WI.



Aquaponic System, Growing Power, Inc. 2009

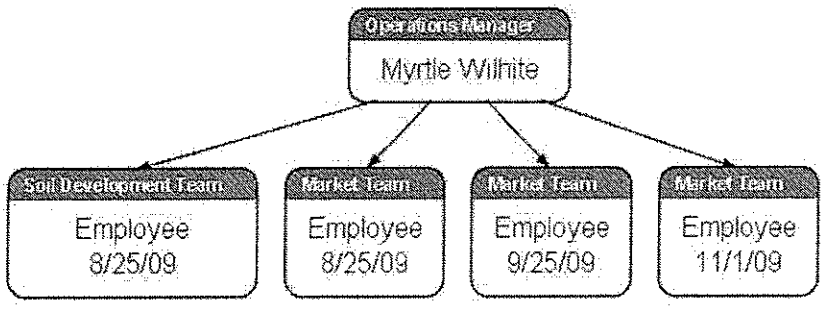



A = Fish Raceway; B = Balcony Fruits & Greens; C = Mezzanine Watercress Filtration

## *Program Design*

*Higher Ground Urban Farm (HGUF)* is applying to the Community Development Block Grant Office to create new employment for ethnic minorities experienced in agriculture who might find barriers to employment in other settings. HGUF is a sustainable, green business committed to breaking the connection between fossil fuels and food, and building the connection between people, their food and their community. HGUF is not a demonstration project or a make-work opportunity; it is the future of our food security.

Funding obtained from CDBG-R would be used to employ 4 people in permanent full time positions beginning in the fall of 2009. Tracking and verification of employment would be easily accomplished through assessment of Wisconsin Employment records such as uc-101, compiled quarterly.




Recruitment will target Northside Madison neighborhoods with residences located within 2 miles of the Northside Town Center, seeking persons comfortable with the physical aspects of agriculture and open to learning non-chemical, least-invasive techniques.

If CDBG-R funds are granted, the support will allow HGUF to expand capacity to reach significant market production by the winter of 2010. This is important because food producers require the capacity for consistent overproduction to ensure meeting the wholesale food buyers' volume needs. Small producers often get pushed aside, losing market share permanently, when their more fragile production systems fail due to insufficient personnel to allow for assured, on-time production levels. Without CDBG-R funding, very conservative hiring and boot-strap strategies will diminish the ability of HGUF to capture and maintain markets.

Because HGUF's application to CDBG-R is not typical (usually funding non-profit organizations), it seems worthwhile to consider some of the concerns that may arise while reviewing this application:

1. *Business Viability*. Urban farming, although not well understood, is far more profitable per square foot than well-run traditional farms. Gross income at

Growing Power's Milwaukee farm is $200K per acre[1], while a well-run traditional organic farm grosses closer to $20K per acre[2]. Although input costs are somewhat higher (mostly utilities), the fuel cost to transport product to market is much lower in urban farming, with food being delivered in a higher physical and nutritional state with less transit time. Adding renewable energy sources to this mix will improve the viability of the business as traditional energy resources rise in cost.

2. *Urban Farming is Worthy of Support*. Higher Ground Urban Farm meets the CDBG goals of energy efficient business development and new green job creation for low to moderate income persons. HGUF meets those targets by efficiently producing food that travels a short distance to market year round. By providing funds for employment, capital previously allocated to payroll will be shifted to improve the energy efficiency and conservation of the farm. Greenhouses can be constructed to a higher standard of thermal control (eg. triple wall polycarbonate panels), thus reducing utility costs, and increasing the stability of the farm as a business. CDBG-R funds will simply boost the ability of this business to provide permanent green jobs, local food and energy conservation well into the future.
3. *For profit corporation vs Non profit organization*. Reinvested profits benefit the community, and should not always be looked at as greed. Madison needs social entrepreneurs to run successful businesses that reinvest into their companies wisely, invest in their employees, and support their local communities while producing a valuable product. Food security is lessened when the production of food relies on charitable donations to sustain the business of production.
4. *Commitment to Renewable Energy*. HGUF received a Focus On Energy Feasibility Grant (3/09) to study the return on investment for adding renewable technologies to greenhouse agriculture. This collaborative study will help inform the farm as to which technologies are most worthwhile financially.
5. *Stability of Northside Town Center (NTC) site*. The NTC may be designated as the site for a new Veterans Administration Call Center, with the decision pending as of 8/15/09. The needs of that large undertaking will determine exactly where the farm will be located, but it will not displace the farm from the NTC site. Mr. Don Bruns has entered into a 10 yr lease agreement with HGUF, and is committed to facilitating a satisfactory arrangement on the NTC property.
6. *Funds acquisition*. HGUF is eligible for funding from a variety of sources because it is:
   a. a financially sound small business in an urban setting (eligible for Small Business Association loans),

[1] Personal communication, 2009, Will Allen, CEO, Growing Power, Inc. Milwaukee, WI.
[2] Personal communication, 2009, Trisha Bross, Luna Circle Farm, Rio, WI.

b. a production farm (eligible for Farm Service Agency operating loans),
c. run by a business entrepreneur with a successful track record of financial management of a multi-million dollar group of linked corporations (EB Inc d/b/a A Woman's Touch (retail); Lotions Ltd (wholesale); EmmaRuth, Inc. (product development); and Sexuality Resources, Ltd (not-for-profit educational organization) with solid, established relationships with local banking institutions (Monona State Bank, Summit Credit Union, Associated Bank).
d. backed by the excellent credit history of Myrtle Wilhite, as well as her personal finances. MW has committed $10,000 to the pre-development phase and education, in addition to committing $25,000 in start-up costs. She will also personally back the business loan with her personal finances and guarantees.

7. *Markets for Farm product*. Everyone eats food 365 days per year. The hardest aspect of developing this farm has not been finding wholesale markets; it has been not to be overwhelmed by the need. With very little effort, the Williamson Street Grocery Coop, MATC Culinary Arts Program, Hamann Charcuterie, Bunky's Café, Manna Café, and the Seafood Center have all expressed interest in HGUF products, and have shared their wholesale pricing and volume levels to help develop the projected income for HGUF.
   During the summer months when existing local growers take primary vendor positions, non-unique crop production will be reduced, and systems upgraded and maintained for the fall. That production which remains will keep the living systems functioning, and product harvested will be sold through the Northside Farmer's Market directly to the public. Fish production will continue year-round, as there is very little local competition currently.
8. *Urban Farming Expertise*. It is as valuable to public health and food security that business people run farms as it is for individuals to become farmers. Myrtle Wilhite is an experienced gardener, life-long learner, accomplished business person, and graduate of Growing Power's Commercial Urban Agriculture 2009 program. This program is an intensive 5 month, 3 days per month, farm/business start-up curriculum which includes days of detailed business prep work, and days of hands-on apprentice workshops. HGUF is fully supported and technically advised by Growing Power, Inc. It is also indirectly supported by local produce farmers Robert Pierce, Half the 40 Acres, McFarland WI and Trisha Bross of Luna Circle Farm, Rio, WI.

## *Qualifications of Staff*

Founder Myrtle Wilhite MD MS is a physician-accountant-farmer with 13 years of retail and wholesale business management accounting experience, and a recent

graduate of the 2009 Commercial Urban Agriculture business start-up training program at Growing Power, Inc. in Milwaukee, WI (www.growingpower.org). As an employer, she has provided Dane County with stable, moderate income jobs with 100% company-paid dental and health benefits, and she manages the finances of a complex business structure profitably in the midst of very difficult financial times.

## *Outcomes*

Four permanent full-time team positions will be funded by CDBG-R funds by the end of 2009. Although there will be significant cross training, there are three main categories of expertise: soil development, fish management and the green market team.

These positions will include company-paid health insurance through Group Health Cooperative. A truly sustainable business model cannot continue the façade that health insurance is an optional personal expense. The inclusion of health insurance increases the value of employment and job satisfaction, while reducing preventable sick days and preventing untreated occupational injuries that diminish work capacity. While this appears to diminish net pay, experience has shown that employees *highly* value this benefit as they cannot buy it affordably as an individual/family in the current marketplace.

## *Budget*

The following four pages show two projections: the first two pages are without CDBG funding, while the second two include the CDBG grant in the amount of $139,400. The projections include a first year budget including profit & loss and cash flow analysis, a quarterly assessment of that first year 2009-2010, and a three year projection. With regard to sales projections, fish harvest is delayed 9 months because of the time required to grow the fish to market size, while greens, herbs and fruits are available as finished product within 1-3 months of start-up, depending on the crop.

*Non-CDBG Funded Budget*

Generally, the budget of a non-CDBG funded farm focuses resources on payroll, production costs, and utilities. In this scenario, the utilities costs would be higher, because the cost of more efficient infrastructure would be diverted to lower cost, less efficient structures (double wall, insufflated plastic greenhouses) to preserve operating capital. Production will be lower because the labor is limited to two full-time employees. Although passive technologies will be employed, renewable technology investment and efficiencies would be added later, if at all, when reinvestment funds develop. Production would be expected to be more fragile, although isolated "low-tech" systems at Growing Power are highly productive and successful under this bootstrap scenario.

For the non-CDBG funded budget, the budget assumes a 200K business loan 4.5-5.5% with a 5 year term. Approximately $80-100K would form the basis for complete infrastructure costs (greenhouses w/raceways and cleaning facilities), with the remaining $100-120K as an operating loan. The payroll for employees on this budget only allows for 1 employee at $12.50/hour + payroll expenses, and health insurance coverage.

**One** employee would be funded thus:

| | |
|---|---|
| FTE hourly wage ($12.50/hour) | 26,000 |
| Health Insurance ($375-425/month): | 4,500-5,100 |
| Payroll taxes (employer portion): | 3,900 |
| Total per FTE position: | 35,000 |

*CDBG Funded Budget*

For the CDBG funded budget, funds previously allocated to payroll are shifted to support the infrastructure budget which dramatically increases the energy efficiency and food production of the facility. Employee turnover would be expected to be lower, and recruitment of vocationally invested employees should improve. The Focus On Energy feasibility data (see appendix) would be easier to collect, and facilitate implementation of cost-effective renewable add-ons in 2010 to further reduce the utility costs. Production is more stable and at a higher level, garnishing benefit in higher cash flow and better ability to meet the existing and growing market need.

For a CDBG funded project, the budget maintains the 200K business loan, but increases infrastructure spending up front to more efficient triple-wall polycarbonate structures. These structures are much more climate controlled, resilient to winter snow loads, and durably tamper-proof, providing a much more secure environment in which to control production. In 2010-2011, to reduce fuel delivery costs HGUF would buy an electric **Vantage Greentruck** from Ozee Cars, Stoughton, WI. In 2011-2012, because of the improved financial stability of the business, major reinvestment into renewable technologies (offset by FOE grants as well as tax credit rebates) would allow for a further decrease in energy use. In 2012 a small investment in renewable improvements would be made, allowing for a small improvement in utility costs.

The payroll for employees on this budget *with* CDBG funding allows for 4 employees at $12.50/hour + payroll expenses, and full health insurance coverage.

**Four** employees would be funded thus:

| | |
|---|---|
| FTE hourly wage ($12.50/hour) | 26,000 |
| Health Insurance ($375-425/month): | 4,500-5,100 |
| Payroll taxes (employer portion): | 3,900 |
| Total per FTE position: | 35,000 |
| **Four** employees: | 140,000 |

# Non-CDBG First Year Monthly Cash Flow Projections

| Year (2009-10) | | August | September | October | November | December | January | February | March | April | May | June | July | Annual Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gross Sales** | | 1 | 1 | 1 | 8000 | 12800 | 17920 | 18278 | 21020 | 29428 | 30017 | 30617 | 31229 | 199313 |
| Projected Growth Rate From Previous Period | | (0.80) | 0.00 | 0.00 | 0.00 | 0.60 | 0.40 | 0.02 | 0.15 | 0.40 | 0.02 | 0.02 | 0.02 | |
| Sales Tax @ N/A | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | | | |
| **Net Sales** | | 1 | 1 | 1 | 8000 | 12800 | 17920 | 18278 | 21020 | 29428 | 30017 | 30617 | 31229 | 199313 |
| Costs of Goods Sold | 25800 | 1 | 1 | 1 | 4800 | 7680 | 10752 | 10967 | 12612 | 17657 | 18010 | 18370 | 18738 | 119588 |
| **Gross Profit** | | 0 | 0 | 0 | 3200 | 5120 | 7168 | 7311 | 8408 | 11771 | 12007 | 12247 | 12492 | 79725 |
| **General Operating Expenses:** | | | | | | | | | | | | | | |
| Office Expenses | 50 | 30 | 30 | 30 | 30 | 39 | 47 | 47 | 51 | 61 | 62 | 62 | 63 | 551 |
| Advertising | 20 | 12 | 12 | 12 | 12 | 16 | 19 | 19 | 20 | 24 | 25 | 25 | 25 | 221 |
| Utilities | | 300 | 300 | 700 | 1250 | 1500 | 2500 | 3000 | 2000 | 1250 | 500 | 400 | 400 | 14100 |
| Licenses | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 600 |
| Mailing Expenses | 25 | 15 | 15 | 15 | 15 | 20 | 23 | 24 | 25 | 30 | 31 | 31 | 31 | 276 |
| Professional Fees | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 240 |
| Insurance | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 6000 |
| Rent | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repairs / Maintenance | 50 | 30 | 30 | 30 | 30 | 39 | 47 | 47 | 51 | 61 | 62 | 62 | 63 | 551 |
| Health Insurance (company paid) | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 4800 |
| Payroll (Employees) | 2167 | 2167 | 2167 | 2167 | 2167 | 2167 | 2167 | 2167 | 2167 | 2167 | 2167 | 2167 | 2167 | 26000 |
| Officer Salaries | 1387 | 1387 | 1387 | 1387 | 1387 | 1387 | 1387 | 1387 | 1387 | 1387 | 1387 | 1387 | 1387 | 16640 |
| Payroll Taxes @ 15% of Payroll | 533 | 325 | 325 | 325 | 325 | 325 | 325 | 325 | 325 | 325 | 325 | 325 | 325 | 3900 |
| Bank Charge | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 60 |
| Miscellaneous | 200 | 40 | 40 | 40 | 40 | 64 | 90 | 91 | 105 | 147 | 150 | 153 | 156 | 1117 |
| Depreciation / Amortization | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 120 |
| Extraordinary Expenses | | | | | | | | | | | | 0 | | 0 |
| Loan Interest Expenses | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 10992 |
| **Total Operating Expenses** | | 6206 | 6206 | 6606 | 7156 | 7456 | 8505 | 9008 | 8032 | 7353 | 6608 | 6513 | 6518 | 86168 |
| **EBT** | | (6206) | (6206) | (6606) | (3956) | (2336) | (1337) | (1696) | 376 | 4418 | 5399 | 5734 | 5974 | (6443) |
| Other Expenses | | | | | | | | | | | | | | |
| Other Income | | | | | | | | | | | | | | |
| **Net Profit** | | (6206) | (6206) | (6606) | (3956) | (2336) | (1337) | (1696) | 376 | 4418 | 5399 | 5734 | 5974 | (6443) |

## Cash Flow

| | | July | August | September | October | November | December | January | Febrary | March | April | May | June | Annual Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net Profit** | | (6206) | (6206) | (6606) | (3956) | (2336) | (1337) | (1696) | 376 | 4418 | 5399 | 5734 | 5974 | (6443) |
| + Depreciation / Amortization | | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 120 |
| **Total Non-Interest Liabilities** | | | | | | | | | | | | | | |
| + Change in Non-Interest Liabilities | | | | | | | | | | | | | | |
| - Loan Principal | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 34836 |
| + Paid In Capital | | 10000 | 10000 | 5000 | | | | | | | | | | |
| - Increase in Capital Spending | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1200 |
| **Total Other Business Assets** | | | | | | | | | | | | | | |
| - Fixtures | | 100000 | 20000 | | | | | | | | | | | 120000 |
| - Increase in Renewable Technology | | | | | | | | | | | | | | |
| **Cash Flow** | | (99199) | (19199) | (4599) | (6949) | (5329) | (4330) | (4689) | (2617) | 1425 | 2406 | 2741 | 2981 | (162359) |
| **Cash On Hand @ the end** | 200000 | 100801 | 81602 | 77003 | 70054 | 64724 | 60395 | 55705 | 53089 | 54514 | 56919 | 59660 | 62641 | 37641 |

# Non-CDBG Quarterly and Yearly Cash Flow Projections

| | Year (2009-10) | | | | | Year (2010-11) | Year 2011-12) | Year (2012-13) |
|---|---|---|---|---|---|---|---|---|
| | Q 3 | Q 4 | Q 1 | Q 2 | Annual Total | | | |
| **Gross Sales** | **3** | **38720** | **68727** | **91863** | **199313** | **318901** | **478352** | **578805** |
| Projected Growth Rate | | | | | | 0.60 | 0.50 | 0.21 |
| **Net Sales** | **3** | **38720** | **68727** | **91863** | **199313** | **318901** | **478352** | **578805** |
| Cost of Goods Sold | 2 | 23232 | 41236 | 55118 | 119588 | 191341 | 287011 | 347283 |
| **Gross Profit** | **1** | **15488** | **27491** | **36745** | **79725** | **127560** | **191341** | **231522** |
| **General Operating Expenses:** | | | | | | | | |
| Office Expenses | 90 | 116 | 159 | 187 | 551 | 717 | 896 | 990 |
| Advertising | 36 | 46 | 64 | 75 | 221 | 287 | 358 | 396 |
| Utilities | 1300 | 5250 | 6250 | 1300 | 14100 | 14664 | 14664 | 12153 |
| Licenses | 150 | 150 | 150 | 150 | 600 | 600 | 600 | 600 |
| Mailing Expenses | 45 | 58 | 80 | 93 | 276 | 358 | 448 | 495 |
| Professional Fees | 60 | 60 | 60 | 60 | 240 | 240 | 240 | 240 |
| Insurance | 1500 | 1500 | 1500 | 1500 | 6000 | 8000 | 8160 | 8568 |
| Rent | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repairs / Maintenance | 90 | 116 | 159 | 187 | 551 | 2717 | 3396 | 3753 |
| Health Insurance (company paid) | 1200 | 1200 | 1200 | 1200 | 4800 | 9600 | 14400 | 15912 |
| Payroll (Employees) | 6500 | 6500 | 6500 | 6500 | 26000 | 52000 | 76960 | 80808 |
| Officer Salaries | 4160 | 4160 | 4160 | 4160 | 16640 | 16640 | 16640 | 29120 |
| Payroll Taxes @ 15% | 975 | 975 | 975 | 975 | 3900 | 7800 | 11544 | 12121 |
| Bank Charge | 15 | 15 | 15 | 15 | 60 | 78 | 98 | 108 |
| Miscellaneous | 120 | 194 | 344 | 459 | 1117 | 1786 | 1822 | 2205 |
| Depreciation / Amortization | 30 | 30 | 30 | 30 | 120 | 120 | 120 | 120 |
| Extraordinary Expense | | | | | | | | |
| Loan Interest Expenses | 2748 | 2748 | 2748 | 2748 | 10992 | 9448 | 7395 | 5226 |
| **Total Operating Expenses** | **19019** | **23117** | **24393** | **19638** | **86168** | **125056** | **157741** | **172815** |
| **EBT** | **(19018)** | **(7629)** | **3098** | **17107** | **(6443)** | **2505** | **33599** | **58707** |
| Other Expenses | | | | | | | | |
| Other Income | | | | | | | | |
| **Net Profit** | **(19018)** | **(7629)** | **3098** | **17107** | **(6443)** | **2505** | **33599** | **58707** |

## Free Cash Flow

| | Year (2009-10) | | | | | Year (2010-11) | Year (2011-12) | Year (2012-13) |
|---|---|---|---|---|---|---|---|---|
| | Q 3 | Q 4 | Q 1 | Q 2 | Annual Total | | | |
| **Net Profit** | **(19018)** | **(7629)** | **3098** | **17107** | **(6443)** | **2505** | **33599** | **58707** |
| + Depreciation / Amortization | 30 | 30 | 30 | 30 | 120 | 600 | 600 | 600 |
| **Total Non-Interest Liability** | | | | | | | | |
| + Change in Non-Interest Liabilities | | | | | | | | |
| - Loan Principal | 8709 | 8709 | 8709 | 8709 | 34836 | 36394 | 38447 | 40615 |
| + Other Income | | | | | | | | |
| - Increase in Capital Spending | 300 | 300 | 300 | 300 | 1200 | 0 | 0 | 1200 |
| **Total Other Business Assets** | | | | | | | | |
| - Fixtures | 120000 | 0 | 0 | 0 | 120000 | | | |
| - Increase in Renewable Technology | | | | | | | | 10000 |
| **Free Cash Flow** | **(122997)** | **(16608)** | **(5881)** | **8128** | **(162359)** | **(33289)** | **(4248)** | **7492** |
| **Cash On Hand @ the end** | **77003** | **84193** | **75721** | **85131** | **37641** | **4352** | **105** | **7597** |

# CDBG Supported First Year Monthly Cash Flow Projections

| Year (2009-10) | | | August | September | October | November | December | January | February | March | April | May | June | July | Annual Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gross Sales** | | | 1 | 1 | 1 | 17500 | 28000 | 30800 | 33880 | 37268 | 52175 | 33914 | 34592 | 35284 | 303416 |
| | Projected Growth Rate From Previous Period | | (0.80) | 0.00 | 0.00 | 0.00 | 0.60 | 0.10 | 0.10 | 0.10 | 0.40 | (0.35) | 0.02 | 0.02 | |
| | Sales Tax @ N/A | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | | | |
| **Net Sales** | | | 1 | 1 | 1 | 17500 | 28000 | 30800 | 33880 | 37268 | 52175 | 33914 | 34592 | 35284 | 303416 |
| Costs of Goods Sold | | 42000 | 1 | 1 | 1 | 10500 | 16800 | 18480 | 20328 | 22361 | 31305 | 20348 | 20755 | 21170 | 182050 |
| **Gross Profit** | | | 0 | 0 | 0 | 7000 | 11200 | 12320 | 13552 | 14907 | 20870 | 13566 | 13837 | 14114 | 121366 |
| **General Operating Expenses:** | | | | | | | | | | | | | | | |
| | Office Expenses | 50 | 30 | 30 | 30 | 30 | 39 | 41 | 43 | 45 | 54 | 45 | 45 | 46 | 478 |
| | Advertising | 20 | 12 | 12 | 12 | 12 | 16 | 16 | 17 | 18 | 22 | 18 | 18 | 18 | 191 |
| | Utilities | | 300 | 300 | 700 | 1250 | 1500 | 2500 | 3000 | 2000 | 1250 | 500 | 400 | 400 | 14100 |
| | Licenses | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 600 |
| | Mailing Expenses | 25 | 15 | 15 | 15 | 15 | 20 | 20 | 21 | 23 | 27 | 22 | 23 | 23 | 239 |
| | Professional Fees | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 240 |
| | Insurance | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 6000 |
| | Rent | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Repairs / Maintenance | 50 | 30 | 30 | 30 | 30 | 39 | 41 | 43 | 45 | 54 | 45 | 45 | 46 | 478 |
| | Health Insurance (company paid) | 1600 | 800 | 1200 | 1600 | 1600 | 1600 | 1600 | 1600 | 1600 | 1600 | 1600 | 1616 | 1632 | 18048 |
| | Payroll (Employees) | 8667 | 4333 | 6519 | 8667 | 8667 | 8667 | 8667 | 8667 | 8667 | 8667 | 8667 | 8667 | 8667 | 97519 |
| | Officer Salaries | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Payroll Taxes @ 15% of Payroll | 1300 | 650 | 978 | 1300 | 1300 | 1300 | 1300 | 1300 | 1300 | 1300 | 1300 | 1300 | 1300 | 14628 |
| | Bank Charge | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 60 |
| | Miscellaneous | 200 | 40 | 40 | 40 | 40 | 64 | 70 | 77 | 85 | 119 | 78 | 79 | 81 | 814 |
| | Depreciation / Amortization | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 120 |
| | Extraordinary Expenses | | | | | | | | | | | | 0 | | 0 |
| | Loan Interest Expenses | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 916 | 10992 |
| **Total Operating Expenses** | | | 7711 | 10625 | 13895 | 14445 | 14745 | 15757 | 16270 | 15284 | 14594 | 13775 | 13694 | 13713 | 164506 |
| **EBT** | | | (7711) | (10625) | (13894) | (7445) | (3545) | (3437) | (2718) | (377) | 6276 | (209) | 143 | 401 | (43140) |
| | | | | | | | | | | | | | | | |
| Other Expenses | | | | | | | | | | | | | | | |
| Other Income | | | | | | | | | | | | | | | |
| **Net Profit** | | | (7711) | (10625) | (13894) | (7445) | (3545) | (3437) | (2718) | (377) | 6276 | (209) | 143 | 401 | (43140) |
| | | | | | | | | | | | | | | | |

| Cash Flow | | July | August | September | October | November | December | January | Febrary | March | April | May | June | Annual Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net Profit** | | (7711) | (10625) | (13894) | (7445) | (3545) | (3437) | (2718) | (377) | 6276 | (209) | 143 | 401 | (43140) |
| + Depreciation / Amortization | | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 120 |
| **Total Non-Interest Liabilities** | | | | | | | | | | | | | | |
| + Change in Non-Interest Liabilities | 130195 | 130195 | | | | | | | | | | | | 130195 |
| - Loan Principal | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 2903 | 34836 |
| + Paid In Capital | | 10000 | 10000 | 5000 | | | | | | | | | | 25000 |
| - Increase in Capital Spending | | 2000 | 2000 | 2000 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 6900 |
| **Total Other Business Assets** | | | | | | | | | | | | | | |
| - Fixtures | | 100000 | 20000 | | | | | | | | | | | 120000 |
| - Increase in Renewable Technology | | 30000 | | | | | | | | | | | | 30000 |
| **Cash Flow** | | (2409) | (25518) | (13787) | (10438) | (6538) | (6430) | (5711) | (3370) | 3283 | (3202) | (2850) | (2592) | (79560) |
| **Cash On Hand @ the end** | 200000 | 197591 | 172074 | 158286 | 147849 | 141311 | 134881 | 129170 | 125801 | 129084 | 125882 | 123032 | 120440 | 120440 |

# CDBG Funded Quarterly and Yearly Cash Flow Projections

| | Year (2009-10) | | | | | Year (2010-11) | Year 2011-12) | Year (2012-13) |
|---|---|---|---|---|---|---|---|---|
| | Q 3 | Q 4 | Q 1 | Q 2 | Annual Total | | | |
| **Gross Sales** | 3 | 76300 | 123323 | 103790 | 303416 | 485466 | 728199 | 881121 |
| Projected Growth Rate | | | | | | 0.60 | 0.50 | 0.21 |
| **Net Sales** | 3 | 76300 | 123323 | 103790 | 303416 | 485466 | 728199 | 881121 |
| Cost of Goods Sold | 2 | 45780 | 73994 | 62274 | 182050 | 291280 | 436919 | 528672 |
| **Gross Profit** | 1 | 30520 | 49329 | 41516 | 121366 | 194186 | 291280 | 352448 |
| **General Operating Expenses:** | | | | | | | | |
| Office Expenses | 90 | 110 | 142 | 135 | 478 | 621 | 776 | 858 |
| Advertising | 36 | 44 | 57 | 54 | 191 | 248 | 311 | 343 |
| Utilities | 1300 | 5250 | 6250 | 1300 | 14100 | 14664 | 13931 | 10775 |
| Licenses | 150 | 150 | 150 | 150 | 600 | 600 | 600 | 600 |
| Mailing Expenses | 45 | 55 | 71 | 68 | 239 | 311 | 388 | 429 |
| Professional Fees | 60 | 60 | 60 | 60 | 240 | 240 | 240 | 240 |
| Insurance | 1500 | 1500 | 1500 | 1500 | 6000 | 6500 | 7000 | 12000 |
| Rent | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repairs / Maintenance | 90 | 110 | 142 | 135 | 478 | 2621 | 3276 | 3620 |
| Health Insurance (company paid) | 3600 | 4800 | 4800 | 4848 | 18048 | 18048 | 22560 | 24929 |
| Payroll (Employees) | 19519 | 26000 | 26000 | 26000 | 97519 | 122479 | 128603 | 154603 |
| Officer Salaries | 0 | 0 | 0 | 0 | 0 | 20800 | 31200 | 35360 |
| Payroll Taxes @ 15% | 2928 | 3900 | 3900 | 3900 | 14628 | 18372 | 19290 | 23190 |
| Bank Charge | 15 | 15 | 15 | 15 | 60 | 78 | 98 | 108 |
| Miscellaneous | 120 | 174 | 282 | 237 | 814 | 1302 | 1952 | 2362 |
| Depreciation / Amortization | 30 | 30 | 30 | 30 | 120 | 120 | 120 | 120 |
| Extraordinary Expense | | | | | | | | |
| Loan Interest Expenses | 2748 | 2748 | 2748 | 2748 | 10992 | 9448 | 7395 | 5226 |
| **Total Operating Expenses** | 32231 | 44946 | 46148 | 41181 | 164506 | 216452 | 237741 | 274765 |
| **EBT** | (32230) | (14426) | 3182 | 335 | (43140) | (22266) | 53539 | 77684 |
| Other Expenses | | | | | | | | |
| Other Income | | | | | | | | |
| **Net Profit** | (32230) | (14426) | 3182 | 335 | (43140) | (22266) | 53539 | 77684 |

| | Year (2009-10) | | | | | Year (2010-11) | Year (2011-12) | Year (2012-13) |
|---|---|---|---|---|---|---|---|---|
| **Free Cash Flow** | Q 3 | Q 4 | Q 1 | Q 2 | Annual Total | | | |
| **Net Profit** | (32230) | (14426) | 3182 | 335 | (43140) | (22266) | 53539 | 77684 |
| + Depreciation / Amortization | 30 | 30 | 30 | 30 | 120 | 600 | 600 | 600 |
| **Total Non-Interest Liability** | | | | | | | | |
| + Change in Non-Interest Liabilities | 130195 | 0 | 0 | 0 | 130195 | 9205 | | |
| - Loan Principal | 8709 | 8709 | 8709 | 8709 | 34836 | 36394 | 38447 | 40615 |
| + Paid in Capital | 25000 | 0 | 0 | 0 | 25000 | | | |
| - Increase in Capital Spending | 6000 | 300 | 300 | 300 | 6900 | 0 | 0 | 1200 |
| **Total Other Business Assets** | | | | | | | | |
| - Fixtures | 120000 | 0 | 0 | 0 | 120000 | | | |
| - Increase in Renewable Technology | 30000 | 0 | 0 | 0 | 30000 | 40000 | 10000 | 30000 |
| **Free Cash Flow** | (41714) | (23405) | (5797) | (8644) | (79560) | (88855) | 5692 | 6469 |
| **Cash On Hand @ the end** | 158286 | 174186 | 166276 | 149642 | 120440 | 31585 | 37277 | 43746 |

## *References*

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**Information regarding product markets:**
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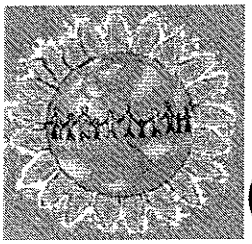

# Growing Power, Inc.

Jay Salinas, Co-Director
Growing Power, Inc.
5500 W. Silver Springs Drive
Milwaukee, WI 53218
414-527-1546

6/30/09

To the City of Madison CDBG Commission:

I am writing in full support of the funding application for CDBG-R funds from Higher Ground Urban Farm, Inc. My support is based on: 1) the viability of urban farming as a business, and 2) my personal experience with Myrtle Wilhite as a member of the 2009 Commercial Urban Agriculture (CUA) Training Program.

First, urban farming is profitable because food is grown in high density (per sq/ft) and transported to the consumer who lives nearby. Rising fuel costs only enhance the financial success of this farming model. Our successful experience at Growing Power in Milwaukee is reflected in our gross farm income of $200,000 per acre per year, well above well-run organic ground farming models which gross $20,000 per acre per year. Urban farming is at the core of our sustainable future, but it isn't going to just happen: you will need to support it in your community for it to become a reality.

Secondly, Myrtle Wilhite is an experienced business entrepreneur who demonstrated all of the skills necessary to create, operate and support an urban farm venture. Not infrequently, participants in our CUA program are excited about the idea of becoming a farmer, but few of them have the life skills necessary to develop and drive a business. I found Dr. Wilhite to be a well-organized, curious, experienced professional with sufficient training to learn the many facets of urban farming. I personally feel that the ability to run a successful business is more important than simply becoming a farmer. Well-run urban farms hire *many* farmers, and their skill to grow food reaches back into their communities and homes as life skills that they will never lose.

Finally, as I understand your program vision, you are committed to enhancing "innovative… community systems… that meet essential health and human needs". Urban farming is all of that. Food, because it is fundamental, is unique in its ability to affect social change. Dr. Wilhite plans to target her hiring to ethnic minorities with recent experience in domestic farming. This utilizes their core competency in farming while providing stable, moderate income employment with health and social benefits. We utilize this approach in Milwaukee, and benefit both from dismantling cultural barriers and by learning new farming techniques from our employees.

I wish you the best of luck in your evaluation process. Please call me if you would like further supportive information for Higher Ground Urban Farm.

Sincerely,

Jay Salinas

# Appendix

## Background

Although more than 80% of people want locally produced food[3], most food grown in Dane County is fed to farm animals, not people[4]. Although year-round food production has been a proven reality for more than a decade at Growing Power, Inc. of Milwaukee, WI, little of that produce or technical methods have trickled west to Madison. For example, despite a strong local-produce focus, more than 90% of produce at the Williamson Street Grocery Coop is shipped in from Florida, California or Mexico from the months of November thru April[5].

## Mission Statement

Higher Ground Urban Farm's mission is to sustainably produce nutritionally superior food which is sold within 10 miles of production. Sustainable means:

- Producing food of nutritional value,
- Producing food using renewable or non-polluting waste energy resources,
- Producing food reliably, increasing local food security,
- Creating a work environment that is healthy for employees,
- Creating green jobs employing persons who live within 2 miles of the farm, and
- Absorbing food waste streams, and controlling output pollution, such that the net balance improves the general environment of the community where the farm exists.

## Higher Ground Urban Farm Goals

All goals of HGUF stem from a model of internal and external sustainability: creating a business that is as good for the environment and community as it is healthy to work in. HGUF strives to:

a) produce food sustainably—using local inputs and organic farming methods; utilizing simple techniques to maximize growing area and reduce expensive labor tasks,
b) produce food collaboratively—working with private and public organizations to demonstrate that healthy food can be harvested from small urban spaces,
c) produce food where local markets already exists—lowering transportation costs and increasing local food security,
d) produce food reliably—running the farm as a business, not a charity, to ensure that food is locally available because cost of production is

[3] *Consumer understanding of buying local.* An industry report series by the Hartman Group, Inc. Feb, 2008, pg 4.
[4] Wisconsin Agricultural Statistics—2008. United States Department of Agriculture & National Agricultural Statistics Service.
[5] Personal communication with Williamson Street Grocery Cooperative produce buyer Mr. Andy Johnson, 2/19/09.

measured and used in pricing, in an environment that controls weather and pest damage, and

e) produce food in a thoughtful fashion—designing systems ergonomically to maximize labor production and minimize occupational hazards; mitigating common environmental degradation issues with recycled outputs.

## *Goals Achieved*

HGUF has met the following business goals:

1. *Work with other businesses to enhance bee health*. Two HGUF apiaries have been established collaboratively in private and public partnerships (3/09). One is at Olbrich Botanical Gardens in Madison (3 hives), and one is at Luna Circle Farm, an organic vegetable farm near Rio, Wisconsin. The goal for these hives is to maximize the health of this precious wild resource (Olbrich & Luna Circle), and to begin limited public exposure to the process of keeping bees (Olbrich).
2. *Build soil*. Working collaboratively with Barb Pratzel and the staff of Manna Café, over 5000lbs of pre-consumer food waste has been collected and composted from 1-6/09. Because consumer food waste collection, compost, and worm castings are the basis of the soil production for non-chemical input greenhouse work, collection and production has been as high as feasible prior to the construction of the HGUF greenhouses.
3. *Focus on Energy Feasibility Study*: HGUF applied for (1/09) and received funding for a grant entitled *Feasibility of Solar Water Heat and Electric on Urban Agriculture Greenhouses* (3/6/09). Specialists from Growing Power (Jay Salinas), Solar certified installation (Cardinal HVAC, Keith Ouimette), and renewable system evaluation (Full Spectrum, Mike Joyce), have committed themselves to helping to assess the most cost-effective and best return-on-investment technologies to reduce the fossil fuel input required for winter time greenhouse food production.
4. *Business pre-development*. All of the corporate details relating to business foundation have been completed, and the farm finances are currently being tracked in QuickBooks accounting software.

## *Location*

After an exhaustive real estate assessment, it was determined that despite the very small footprint of an urban farm, the initial farm site purchase could not be financially supported with commercial real estate prices, and that available contaminated (brownfield) properties required such extensive cleanup as to drive the initiation of production activities well into the future.

As the focus shifted to leaseable properties, Don Bruns of the Northside Town Center—an enthusiastic supporter—has stepped forward and committed an acre of

asphalt or rooftop (depending on structural assessment) in a 10 year lease arrangement with HGUF. Final site planning will be completed by 8/10/09, with construction of greenhouses to be completed by 10/1/09.

## *Products Plan*

1. *The method of production is intriguing*. Although the technology is readily available, the combination of old techniques with new technologies makes this farm concept very appealing. Vertical greenhouse food production is ten times more profitable per square foot than well run organic produce farms, and people are excited to hear about their food grown locally in an integrated, sustainable fashion.
2. *Products are high quality, and highly desired*. One taste of these delicate greens, fresh herbs, or fine fruits, all grown in high-quality soil in the middle of winter in Wisconsin, and you've made a customer for life. Add lake perch—the type of fish favored by Wisconsinites for fish-fries but no longer available wild-caught due to low natural populations—and you have a local delicacy. Comparing existing urban and rural farms, integrated, sustainable food production makes more financial sense in urban settings.
3. *Urban production has advantages*. There are also some distinct advantages available to urban growers that are not available to rural growers. First and foremost, most food consumers live in or near larger urban settings, so it makes the most financial sense to grow food where the consumers are. Despite the higher land costs, the substrates (food waste for composted soil production, spent oil waste for low cost energy resource), local labor, and lower transportation costs to market all favor urban production.
4. *Urban production has disadvantages*. The major disadvantages of urban farming lie in its:
    a. unfamiliarity,
    b. zoning discrimination,
    c. need for high-priced commercially zoned land, and
    d. need for consistent education and community outreach.

Although many people are interested in urban food production, many people also might not want what they consider to be a "typical farm operation" in their backyard. Fortunately, urban farming is unlike "conventional" high-production feedlot farming, and even smells from composting are easily technically managed in a neighborly fashion. Instead, visitors to Growing Power's urban farm are captivated by the interior organization of the greenhouses, fish raceways, and market processing facilities.

5. *Competitive advantage.* Currently, there is only one winter grower of hoop house spinach (Snug Haven), and this vendor does not currently sell in the Madison market except at high-end restaurants because they can receive much higher prices. This leaves the Madison market virtually empty of local

competition from November to April. The competition isn't against local seasonal summer producers; it's against the large farms of Salinas valley in California.

6. *Why will people buy*. Everyone is a consumer in the food market, and many already indirectly pay the transportation costs required to ship food. Given the dramatic interest in local food, which exceeds the demand for organic food, the markets for Higher Ground have been easy to find.
7. *Legal Protection*. Although it might seem odd, it is a fact that so little local production of food occurs for 7 months out of each year, that additional farms could start up within every ten miles, and there still would be room for food to be shipped in from elsewhere. There is no need to legally protect these existing technologies/techniques.
8. *Danger of obsolescence*. Food will never become obsolete, although better ideas on how to grow it can always improve production practices. As technologic applications improve, growing methods will improve and become more cost effective, allowing more people access to technologies that will help improve the health of the global environment generally.