



# Feasibility Study

## THE MADISON FOOD INNOVATION CENTER

@ *The Madison Public Market*

- > Workforce Training
- > Value-Added Production
- > Institutional Food Processing
- > Product Development & Testing
- > Industry Collaboration



07/04/17

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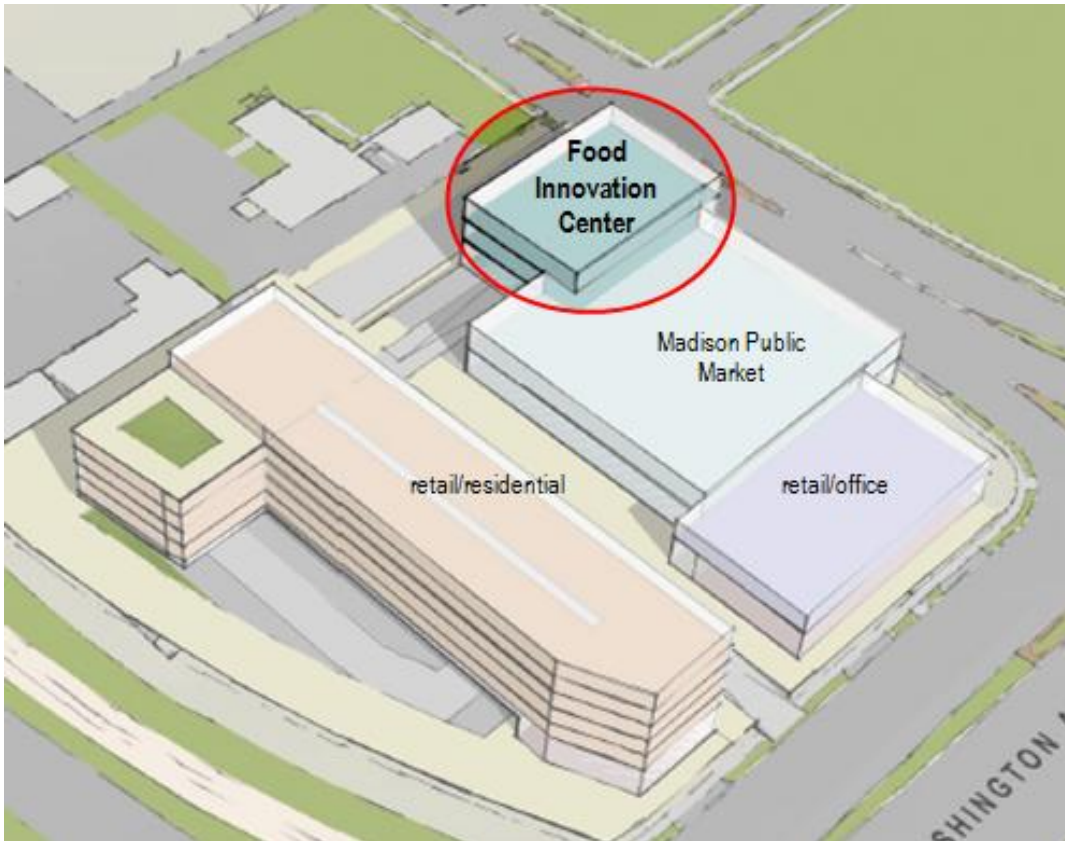
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## Executive Summary

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The Madison Food Innovation Center will be a regional center for food industry workforce training, processing, entrepreneurship, research, and collaboration. It will be a vital piece of food-based economic development infrastructure that focuses on scaling-up south-central Wisconsin's agriculture, food, and beverage sector to create jobs and grow new businesses. The Food Innovation Center will be located within the planned Madison Public Market, creating collaboration opportunities and efficiencies in construction and operations. The Public Market building as a whole is a \$14 million, 45,000 square foot facility that will include a variety of retail opportunities for food businesses, opportunities for startups, events, and community space. The Food Innovation Center will be built within the Public Market. The Food Innovation Center project will occupy 15,000 square feet of the Public Market Building and cost \$4.5 million to construct and equip. The City of Madison is partnering with public, private, and non-profit leaders and innovators in the food sector to design and implement the Madison Food Innovation Center project as part of the Madison Public Market.



Preliminary Site Plan Concept (Still in Development)

## Project Overview

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The City of Madison is making progress on plans for the Madison Public Market. The vision is to build a multi-use year-round facility that cultivates new food-based businesses and supports and grows the region's food system. Plans for the Madison Public Market will be finalized in 2017 and the project will break ground in 2018 and open in 2019. The total anticipated project cost is \$14 million. The City has budgeted \$5.25 million for this project and is working to secure private donations, tax credits, and state and federal grants support for the project. The Public Market will bring together an array of entrepreneurs, established businesses, partner organizations, customers, and food infrastructure together under one roof.

The Public Market will have many uses divided into two basic areas:

- **The Retail Market** – The core of the Public Market will be a 35,000 square foot space devoted to providing opportunities for food entrepreneurs to sell products to customers. This space will include a variety of options for potential vendors including small permanent stalls, larger retail storefronts with processing spaces, restaurant and café spaces, and opportunities for temporary and pop-up markets. Over one hundred prospective vendors have expressed an interest in retail vending space in the Public Market. This includes farmers, bakeries, butcher shops, coffee shops, brewers, chocolatiers, delis, value-added food product makers, arts/crafts makers, and others. Many of these are startup food businesses. The City has launched the "MarketReady Program" to provide a training, technical assistance, coaching, and micro-grant program for early-stage entrepreneurs interested in launching their business at the Public Market. The details of the retail space are described in the Public Market Business Plan.
- **The Food Innovation Center** – The second element of the project, and the focus on this report, is the Madison Food Innovation Center (FIC). Working with local partners, the Food Innovation Center will provide a vital piece of food-based economic development infrastructure for the region. The FIC will be a three-story 15,000 square foot space that incorporates a variety of uses, programs, and facilities. The overarching goal is providing infrastructure, services, and programming that strengthens the region's food system. This includes cultivating a stronger food workforce, connecting people to job opportunities in this industry, linking the region's farmers to buyers for their products, processing, and adding value to agricultural products grown in southern Wisconsin, and connecting products grown and made in Wisconsin to other larger markets in the Midwest including Milwaukee, Chicago, and the Twin Cities.

***The Retail Market will be entirely funded by the City of Madison, private donations, and tax credits. The City is seeking and Economic Development Administration Grant to support the Food Innovation Center, focusing on food processing and food-based workforce training.***

## Background

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Southcentral Wisconsin is one of the most diverse and abundant agricultural regions on the planet. Just west of Madison, the “Driftless Area” is national leader for organic farming, artisan-scale agriculture, and regionally-branded value-added food products. Just north of Madison, the “Central Sands” region is rich in specialty crops, including leading the nation in the production of cranberries. All around southern Wisconsin, artisan dairy production, cheese making, brewing, organic production, and specialty crops, and commodity farming abounds. South-central Wisconsin's food, agriculture, and beverage sector is large, diverse, and vertically integrated. It includes both commodity-scale production as well as artisan-scale agriculture and food.

Within the greater Madison region, the Agriculture, Food, and Beverage (AFB) sector employs 23,000 people. According to the Census of Agriculture, Dane County itself is Wisconsin's leading county for agricultural production and is in the top two percent nationwide for the value of agriculture products produced in the County. The region's strength as a global center for agriculture, food, and beverage sector was recognized by the Madison Area's designation for this sector by the Federal Investing in Manufacturing Communities Partnership Program (IMCP). The Madison Region is in the top third of seven out of 10 NAICS codes for AFB nationwide.

## Why this Facility is Necessary for Regional Economic Development

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### Positioning the Region's Food System for the 21<sup>st</sup> Century

Food and agriculture is a powerful economic driver for southern Wisconsin. This is reflected in the region's designation for this economic sector in the federal Investing in Manufacturing Communities Partnership (IMCP) program. Within the 14-county region designated by the IMCP Program, food production and processing provides 24,000 jobs. Within just Dane County alone, agriculture is a \$1.7 billion industry. More than agriculture, food service and food preparation are key growing employment sectors in the Madison area. According to projections published by the Wisconsin Department of Workforce Development, food production and food service will add approximately 7,000 jobs in Dane County between 2014 and 2024.

Southern Wisconsin has some of the most diverse and productive farmland in the world. Further, the region has a skilled food processing workforce, many large food processing companies, and a plethora of startup artisan food processing companies. Despite these assets, the region's food sector faces challenges. Within the last few years, several key large food companies in the region have announced large plant closures. This includes Kraft Heinz/Oscar Mayer in Madison, Tyson Foods in Jefferson, Monsanto in Middleton, McCain Foods in Fort Atkinson, Del Monte facilities in areas north of Madison, and others.

In Madison, the announcement of Oscar Mayer's closure was a major blow to the City. Oscar Mayer is a quintessential example of Madison's food history. Oscar Mayer started in Madison in 1919. According to historic articles, Oscar Mayer launched and grew the company in Madison because of a unique combination of a rich agricultural hinterland, a high quality local workforce, and the connectivity and proximity to major markets.

Oscar Mayer is closing its Madison facility this year, inflicting a major loss to Madison's economy. However, the core assets that drew Oscar Mayer to Madison remain intact. The challenge now is to reposition these assets to meet the changing preferences of consumers and the evolving makeup of the food market. Oscar Mayer was an icon of Madison's 20<sup>th</sup> century food economy. Today, the task before the region is to build the 21<sup>st</sup> Century food system.

That's where the Food Innovation Center comes in. The Food Innovation Center within the Madison Public Market is the vanguard of a regional economic development strategy to reposition and strengthen the South-central Wisconsin's powerful food sector for the future. This project is essential to responding to the changing consumer preferences and shifting landscape of the food economy. The Food Innovation Center will be the centerpoint of a regional effort to reposition the southern Wisconsin food economy for new opportunities. The Food Innovation Center and the larger Madison Public Market are the City's strategic response to the Oscar Mayer closure. This project is how the City intends to continue to create new companies and create new jobs in this key economic sector.

### **Documentation Demonstrating Demand**

As will be described below, the City is partnering with several key community organizations, businesses, and institutions on the Food Innovation Center project. There is strong interest and high demand for this facility and it will be well-used for workforce training programming, value-added product development, food processing to serve institutional buyers, and other uses. Attached to this feasibility study are a series of letters of interest and support from key partners, providing evidence of their interest and need for the space.

### **Relationships with Other Assets**

The Food Innovation Center is being designed in collaboration with community partners and will complement and amplify other related assets in the region. The Food Innovation Center will fill a needed gap in the region's food infrastructure and will be differentiated from other assets. Some of the other assets that the Food Innovation Center will relate to include the following:

- **The FEED Kitchen** – This is a 6,000 square foot commercial kitchen located one mile from the Food Innovation Center on Madison's northside. The FEED kitchen rents commercial kitchen space on an hourly basis to entrepreneurs making food products. FEED also runs some of its own programs including a bakery workforce



training program focused on skills development for formerly incarcerated individuals, and a food recovery program that collects food from local cafeterias that would otherwise go to waste and distributes it to those in need. FEED will be a key partner in the Food Innovation Center. The staff at FEED helped design the Food Innovation Center space. The FIC will provide space and services not currently being met at FEED including opportunities for expanded training programming, custom processing, and opportunities for larger-scale production that can't currently be accommodated at FEED

- **Commonwealth Development Incubators** – A local community organization operates two incubators in Madison called the Madison Enterprise Center and Main Street Industries. These incubators have several food businesses in them. The Food Innovation Center is not a traditional incubator, but rather a programmed space that can be used for numerous purposes. As such, the FIC will not compete with these incubators but will provide complementary space that tenants within the incubators can potentially use.
- **Madison College** – This is a regional technical college campus serving 40,000 students the Madison area. Madison College operates a culinary training program at their main campus on Madison's northside. The College has expressed interest in the Food Innovation Center and will partner with the City on programs and uses of the space.
- **University of Wisconsin – Madison** – UW Madison is a large research university with a full range of schools and colleges. It includes agriculture, food science, and a variety of related labs and programs that are potential partners with the Food Innovation Center. The City is working with the UW's Center for Integrated Agriculture Systems (CIAS) and the Center for Dairy Research (CDR) to help develop the programming and focus on the FIC.
- **UW Small Business Development Center** – UW Madison has a SBDC which serves many small food-based enterprises. The City has a close relationship with the SBDC and will look for ways to partner with them in the FIC project. There are two other SBDC offices serving the Madison Region. One is at UW-Whitewater and the second is at UW-Platteville.
- **The Wisconsin Innovation Kitchens (WINK)** – Located in the western part of the Madison Region, WINK is a food processing contract kitchen serving entrepreneurs in the area.

## Who Will Own the Facility

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The Food Innovation Center will be built as part of the Madison Public Market project. In total, the building will be approximately 50,000 square feet and will include the 15,000 square foot FIC space. The City will own the building. The programming of both the Public Market space and the Food Innovation Center space will be managed by the non-profit Madison Public Market Foundation. The City will have a master lease and an operating agreement with the Foundation that establishes this partnership.

Many key partners will work with the City on programming and operations of the facility, but the City will maintain authority over the equipment and facilities.

## Who Will Use the Facility

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The Food Innovation Center will be used by a variety of businesses and organizations. This is a list of users and partners and a description of their role. More detail is provided in the following section on how the facility will be used.

- **Public Market Foundation** – The Madison Public Market as a whole will be operated by a newly-formed non-profit Madison Public Market Foundation.
- **Public Market Vendors** – Small businesses operating within the Madison Public Market will be a key user group for the Food Innovation Center. They will use the facility to development projects, prepare food, conduct food processing, use storage space, and connect with resources and technology.
- **Food-Based Small Businesses** – The Food Innovation Center will be used by a variety of food-based small businesses, both with and without food vending space at the Madison Public Market. It will be a regional center for product development, product testing, and food processing. It will also be a place that connects farmers in the region with food entrepreneurs who may source produce from them. Further, it will be a place that helps restaurant access regionally-grown products.
- **FoodWorks** – As described later on, FoodWorks will be a key partner in the project as the operator of the workforce training programs and likely take on responsibility for coordinating and managing the Food Lab and processing Space.
- **FEED Kitchens** – FEED Kitchens is a commercial incubator kitchen located one mile from the Public Market / Food Innovation Center site. The FEED Kitchens is a key collaborative partner in the development of both the Food Innovation Center and the Public Market as a whole. The Food Innovation Center will be developed in partnership with FEED to complement and build-on FEEDs existing work.
- **Garver Feed Mill** – The Garver Feed Mill is a large-scale redevelopment project, also located one mile from the site, that is focused on creating processing space for second stage food companies. The tenants and operations of the Garver project will be coordinated with the Food Innovation Center. Tenants at Garver will likely be users of the services of the Food Innovation Center. Other early-



stage users of the Food Innovation Center may “graduate” over time to needed larger facilities that could be offered at the Garver project.

- **Dane County Farmers Market** – The Dane County Farmers Market (DCFM) is the nation’s largest producer-only farmers market and a beloved local institution. DCFM and its vendors will have opportunities to use the Food Innovation Center for value-added production and to make connections with larger-scale buyers.
- **Madison Metropolitan School District** – The Food Innovation Center will work with the Madison Metropolitan School District on the development and implementation of Workforce Training programs. MMSD is in the process of rolling out a major initiative called “Personalized Pathways” which designs curriculum that is connected with specific industries. Because food is a large employer and driver industry, there may be opportunities to partner with MMSD to offer educational programming and work-based learning opportunities at the Food Innovation Center. Additionally, the Food Innovation Center can provide space for processing local produce that can support MMSD’s Snack Program.
- **Healthcare Institutions** – Madison has numerous major regional healthcare facilities that are increasingly interested in using local produce in their food services. The Food Innovation Center will connect with these large institutions to help facilitate getting more local food into the institutional food system.
- **Madison College** – The Food Innovation Center will partner with Madison College’s Business and Applied Arts Programs, and particularly the Culinary Program
- **REAP Food Group** – REAP is a local non-profit focused on supporting the region’s food system. REAP will be a key partner and collaborator in the Food Innovation Center, and is currently a major collaborator with the Madison School District on innovative farm-to-school initiatives.
- **Willy Street Cooperative** – Willy Street Coop is a 30,000 member grocery coop with three stores in the Madison Area, with annual sales over \$40 million. The Coop has expressed an interest in working with the Food Innovation Center on processing and related programs, to support and align with their growing needs for off-site kitchen and processing operations.
- **Wisconsin Food Hub Cooperative** – The Wisconsin Food Hub Cooperative is a collective of farmers who have joined forces to scale up wholesale markets and sell products into grocery stores and other larger operations. They are a likely partner in the Food Innovation Center
- **Community Groundworks** – Located on Madison’s far northside, Community Groundworks is a national pioneer in the urban agriculture movement. The Food

Innovation Center will seek to partner with them to help showcase their work to the community and support their needs for processing.

- **University of Wisconsin-Madison** – UW-Madison is a tier 1 research and academic institution. The Food Innovation Center will foster opportunities to bring research activity at the University into the community and connect University research with business and commercialization opportunities. This will be accomplished through community partnerships with campus
- **StartingBlock Madison** – StartingBlock Madison is a new entrepreneurial center that will be built and open next year. StartingBlock's focus is primarily supporting and cultivating technology businesses but its mission is to provide broader support for entrepreneurship. StartingBlock will be in a new building located 10 blocks from the Public Market. As two regional centers for entrepreneurs, there will be a variety of partnership opportunities between the Food Innovation Center and StartingBlock Madison.

## How Will the Facility Be Used

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The Food Innovation Center, within the Madison Public Market, is being designed to harness southern Wisconsin's food industry assets to create jobs, cultivate new businesses, create new food products, add value to regionally-grown produce, train workers for growing occupations in the food sector, and build a more integrated regional food system. The specific programs that will be provided at the Food Innovation Center include the following:

- Testing and processing for food-based startups
- FoodWorks Workforce Training Programs
- The Madison Food Lab
- Intuitive Food Processing
- Collaboration and Office Space

### Testing and processing for food-based startups

The Food Innovation Center will be a space that regional food startups and small businesses can use to develop products, test ideas, prepare food, collaborate with experts, and use equipment. Because the project will be part of the Madison Public Market Building, the Food Innovation Center will have a built-in group of potential users who are Public Market Vendors. In addition, a variety of other small businesses and startups will have the opportunity to take advantage of the facilities and services offered at the FIC. Users will also have access to common areas, temporary coworking office space, and meeting rooms. Further, they will have opportunities to connect with the Food Innovation Center training programs, network with other food entrepreneurs, meet and finalize deals with farmers, etc.

## FoodWorks Workforce Training Programs

The Food Innovation Center will be the home for *FoodWorks*. *FoodWorks* is a food-based community organization that uses food's central role in our lives to create stronger community of food-based employees, employers, businesses, farmers, entrepreneurs, and our region's food-loving public. *FoodWorks* was created through a private-sector collaboration by two of Madison's most well-respected and innovative chefs and food business owners; Tory Miller (Owner of four acclaimed local restaurants) and Jonny Hunter (Founder of the Underground Food Collective, which operates multiple food businesses)

One of the core goals of *FoodWorks* is to create training programs focused on meeting the growing local needs for culinary industry workers. With City grant support, *FoodWorks* is launching a pilot-scale training program focused on developing a skilled workforce that is job-ready for positions in the food industry.

The Food Innovation Center at the Madison Public Market will become the venue for the workforce training programs developed at operated by *FoodWorks*. Plans call for two training programs tailored to the needs of the industry.

**FoodWorks First Course** – This is an intensive food-based job training program designed to teach unemployed and underemployed adults the basic, entry-level skills necessary to work in our region's professional kitchens. First Course is a unique 360° jobs training program that includes these features:

- **Partnerships** – the First Course Program will partner with existing organizations in Madison that currently serve communities suffering from high unemployment to identify motivated and eligible adults. These First Course partners will also help provide additional services and support to First Course students.
- **Intensive, Industry-Focused Training Program** - First Course will provide an intensive course in food service skills designed by and tailored to the real needs of our region's food-based employers. Students will pay a fair tuition to attend First Course, with subsidies and scholarships available. Successful completion in the program will ensure job placement at participating employers.
- **Ongoing Support and Job Connections** - since skills alone are often not enough, the First Course program will provide continued support, including job placement, employee and employer follow-up, and career counseling.

First Course will be an intensive, 8-week program designed to create the skills necessary for participants to be ready for a position in the culinary sector.

**FoodWorks Academy** – This will be a longer and more in-depth Program. *FoodWorks Academy* is a one-year intensive culinary school designed to provide talented, ambitious cooks with practical, real-world skills needed to succeed at our region's best restaurants. Similar to First Course, the *FoodWorks Academy* will focus on not only

developing skills, but also community partnerships and post-program services to help connect participants with jobs in the industry. As a one-year program, the Academy participants will go deeper in developing specific skills designed to meet industry needs. Built on Madison's leadership in the farm-to-table/Slow Food movement, two of Madison's most recognized chefs, Tory Miller and Jonny Hunter (Underground Food Collective), have designed a high-end, practical training that are often not well served by existing culinary programs. The Academy curriculum covers the cutting-edge of the food industry, including charcuterie; French, Spanish, Korean-fusion and "modernist" cuisine; "gastro-pub" food; fermentation; and craft cocktails. In addition to classroom training, students will get paid, on-the-job training from award-winning chefs by rotating through "internships" at a diverse range of the region's best restaurants.

The First Course Program and the Academy curriculum are designed to complement, not directly compete with Madison College's more traditional two-year culinary program. FoodWorks and Madison College envision a close partnership. Participants in the First Course Program or the Academy who are inspired to learn more and continue their culinary education may choose to continue their training by enrolling at Madison College. Likewise, students in the Madison College Culinary Program will have opportunities to supplement their formal culinary training by participating in classes or programs with FoodWorks.

The City is continuing to work with FoodWorks on the structure of this partnership. A detailed Letter of Intent of another form of agreement outlining the terms of how FoodWorks will use the space, rent structure, performance benchmarks, etc. will be negotiated and provided.

## **Intuitional Food Processing**

Partnering with REAP Food Group and a variety of local institutional food buyers, the Food Innovation Center will provide a facility designed to meet the region's growing needs for local food processing that connects with wholesale and institutional food buyers. The Food Innovation Center will include food processing space and facilities to scale-up the local food sector and connect regional farmers to opportunities for value-added production. For example, the Madison Metropolitan School District current offers a snack program that provides locally-grown produce to students. However, the processing is currently done by an out-of-state provider. Space at the Food Innovation Center could fill this gap, and the workforce for the processing could draw from the on-site FoodWorks training programs described previously. Madison has many large-scale food service operations including healthcare facilities, the University of Wisconsin, Madison College, Cooperative grocery stores, large companies with cafeterias, restaurant conglomerates, and residential care facilities. More or more of these companies and institutions are seeking opportunities to provide local food. However, the region currently lacks the processing capacity. The Food Innovation Center will help fill this gap by proving the space, the equipment, the connections to the farmers, and an embedded workforce needed to scale-up food processing for institutional needs. The

City is working with REAP Food Group to develop the plan for the institutional food processing component of the Food Innovation Center. REAP is a well-respected long-standing and successful regional non-profit that connects businesses and farms and focuses on finding ways to grow the local food economy.

The City is continuing to work with REAP on the structure of this partnership. A detailed Letter of Intent or another form of agreement outlining the terms of how REAP will use the space, rent structure, performance benchmarks, etc. will be negotiated and provided. As noted in the attached letter from REAP, the organization is very interested in the project.

## Collaboration Center

The Food Innovation Center will also be a new kind of community space focused on food, entrepreneurship, and sustainability. The Collaboration Space will take advantage of the activity, resources, entrepreneurs, and energy of the Public Market and the Food Innovation Center to support food connections throughout the Madison area. The space will feature a multi-tenant office space for non-profits and small businesses with relationships in the food, entrepreneurship, and sustainability sectors. This will include leasable small office suites, as well as a shared community conference room, office services, and other common areas. Tenants within the office space, as well as independent teachers, nonprofits, and passionate amateurs, can use the Food Innovation Center facilities to teach night classes for cooking, preservation, gardening, composting, etc. Organizations such as REAP Food Group, FairShare CSA Coalition, Dane Buy Local, Slow Food, neighborhood groups, and other non-profits, business organizations, and community groups will use the space for meetings, seed swaps, skill fairs, etc. Companies can also use the Collaboration Space for product launches, tastings, pop-ups, parties, and more. Some businesses and non-profits will have the option and may choose to lease a permanent office suite within the Collaboration Center, taking advantage of networks and operational efficiencies of moving into a shared facility that aligns with their business or organizational mission.

## MarketReady Program

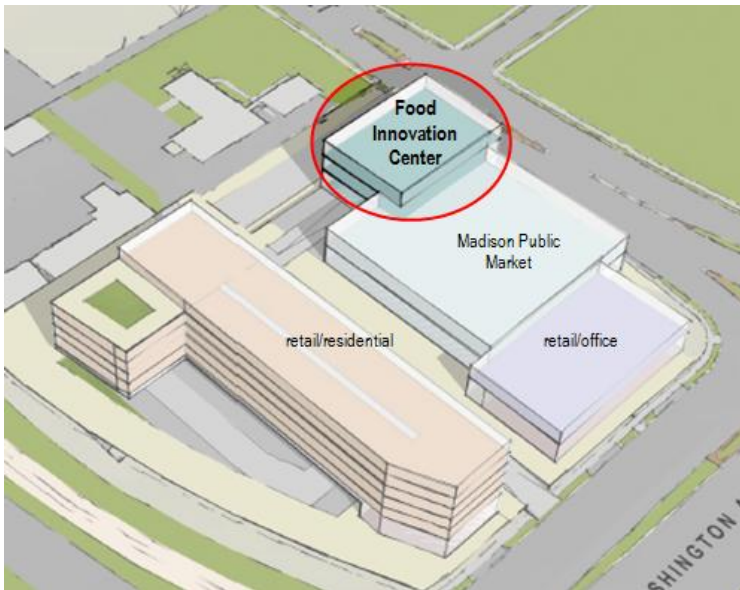
As part of this effort, the City has launched a new initiative called the “MarketReady Program.” This program is focused on providing training, technical assistance, and financial support for fledgling food entrepreneurs. The near term focus is cultivating new businesses who will utilize the Madison Public Market and the Food Innovation Center. The City has budgeted \$248,000 in City funds for this initiative. A central goal of the MarketReady Program is to support entrepreneurship opportunities for individuals who have the skills and the drive to start a business, but lack resources and support. The City has received 84 applications from entrepreneurs interested in participating. Of these applicants, 60% are people of color and/or first generation immigrants. Also 60% are female entrepreneurs. From these applicants, 30 businesses will be selected to receive a training curriculum, an assigned mentor who is an experienced food entrepreneurs, and

customized support for their business. This includes assistance with getting licensing and permits, writing a business plan, getting financing, developing a marketing strategy, etc. The City will select the first MarketReady Cohort in August 2017 and they will begin the program. In future years, the City expects to continue the program and it will be housed within the Food Innovation Center.

## How will the Facility be Operated/Managed?

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The Madison Public Market is planned to be a 45,000 square foot building. Within the Public Market, the Food Innovation Center is planned as a 15,000 square foot space that will be integrated into the Market on three floors. The Food Innovation Center will be an intensively-operated 24/7 facility and its use will be choreographed to maximize its use and output in a relatively small footprint space.

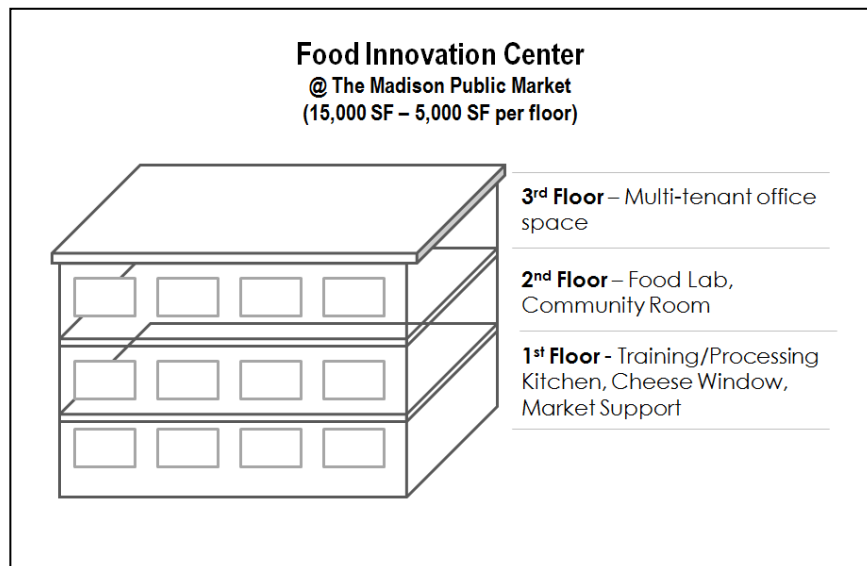


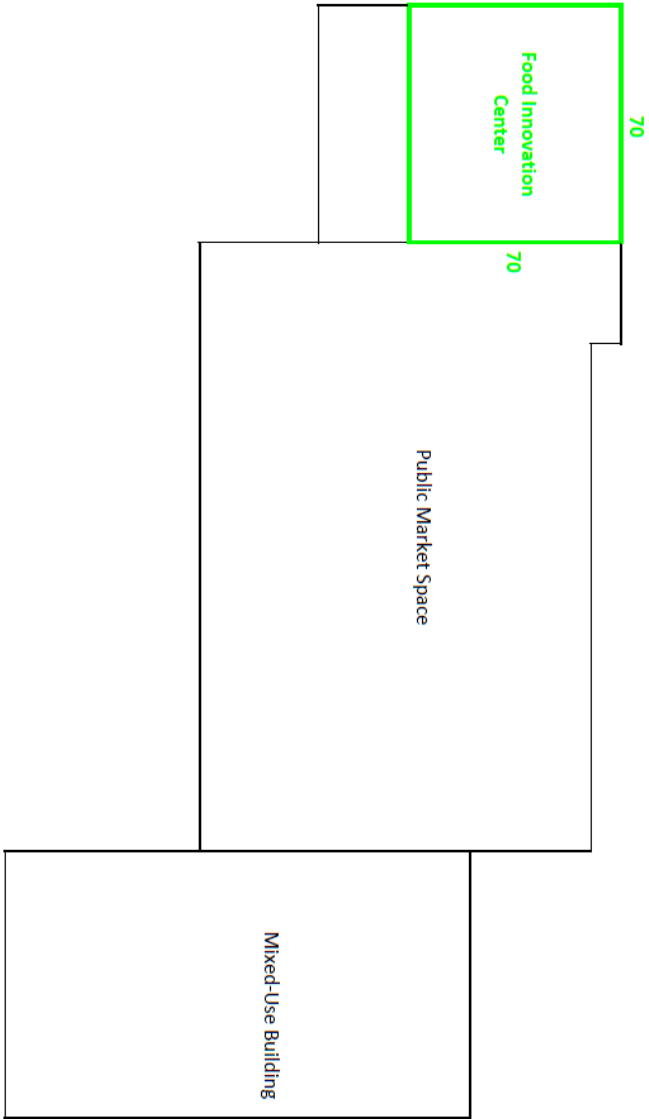




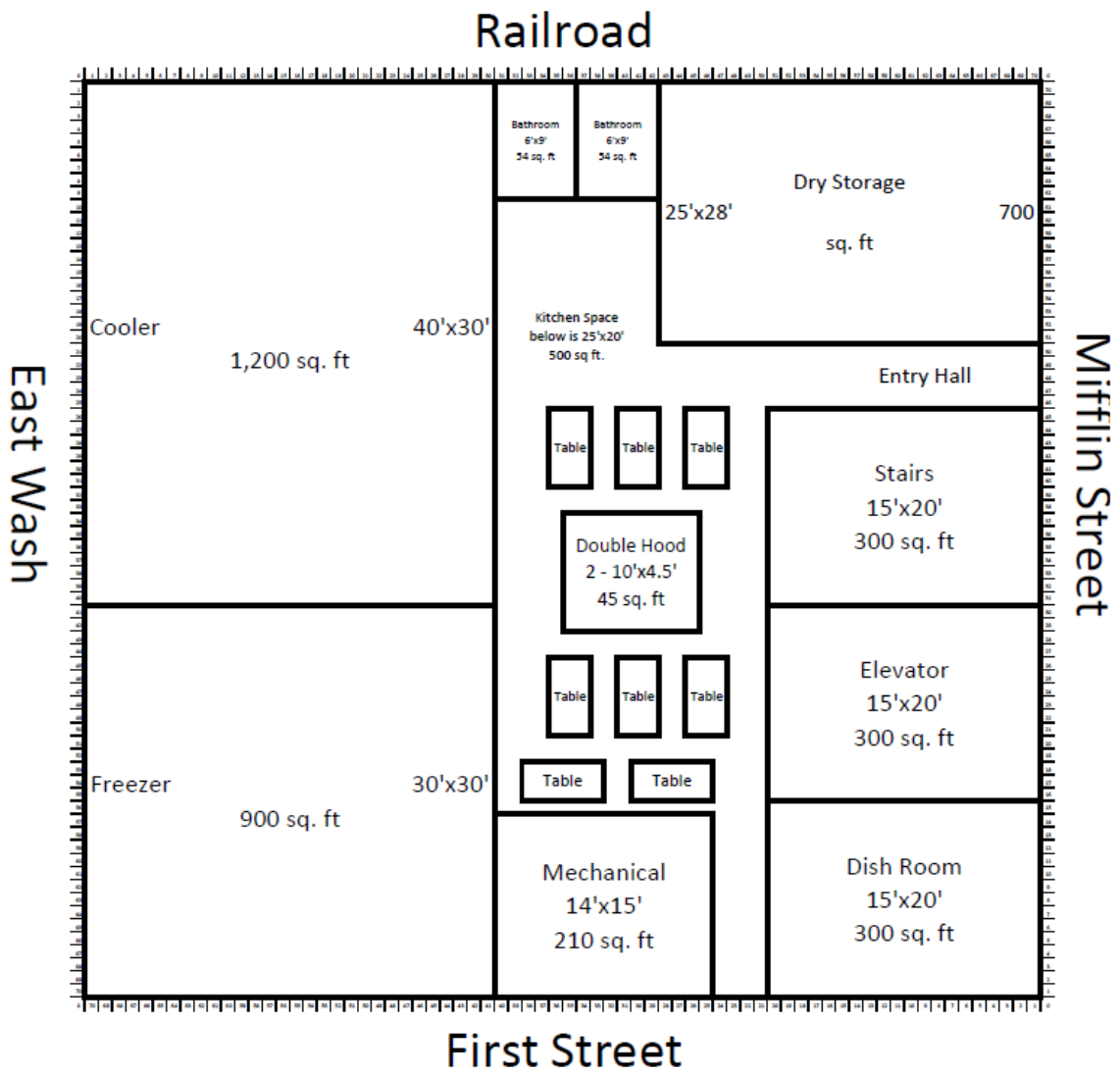


<b>Madison Food Innovation Center: Uses and Square Footages</b>				
Spaces within the Food Innovation Center	Square footage by floor			Description
	1st	2nd	3rd	
<b>Training/Processing Kitchen</b>	2,300			FoodWorks training programs, institutional food processing, catering, etc.
<b>Food Lab</b>		1,500		Nutritional testing, sensory testing, certifications, product development
<b>Community event room</b>		2,500		Space for community events, speakers, large training, seminars, etc.
<b>Community room</b>			500	Small conference room for neighborhood groups, non-profits, classes, etc.
<b>Collaboration Center Office Space</b>			4,000	Multi-tenant office space for non-profits and businesses with relationships to the mission of the Public Market
<b>Restrooms, storage, circulation, mechanicals, market support space</b>	2,200	1,000	500	
<b>Total SF by Floor</b>	5,000	5,000	5,000	
<b>TOTAL SQUARE FOOTAGE</b>			<b>15,000</b>	

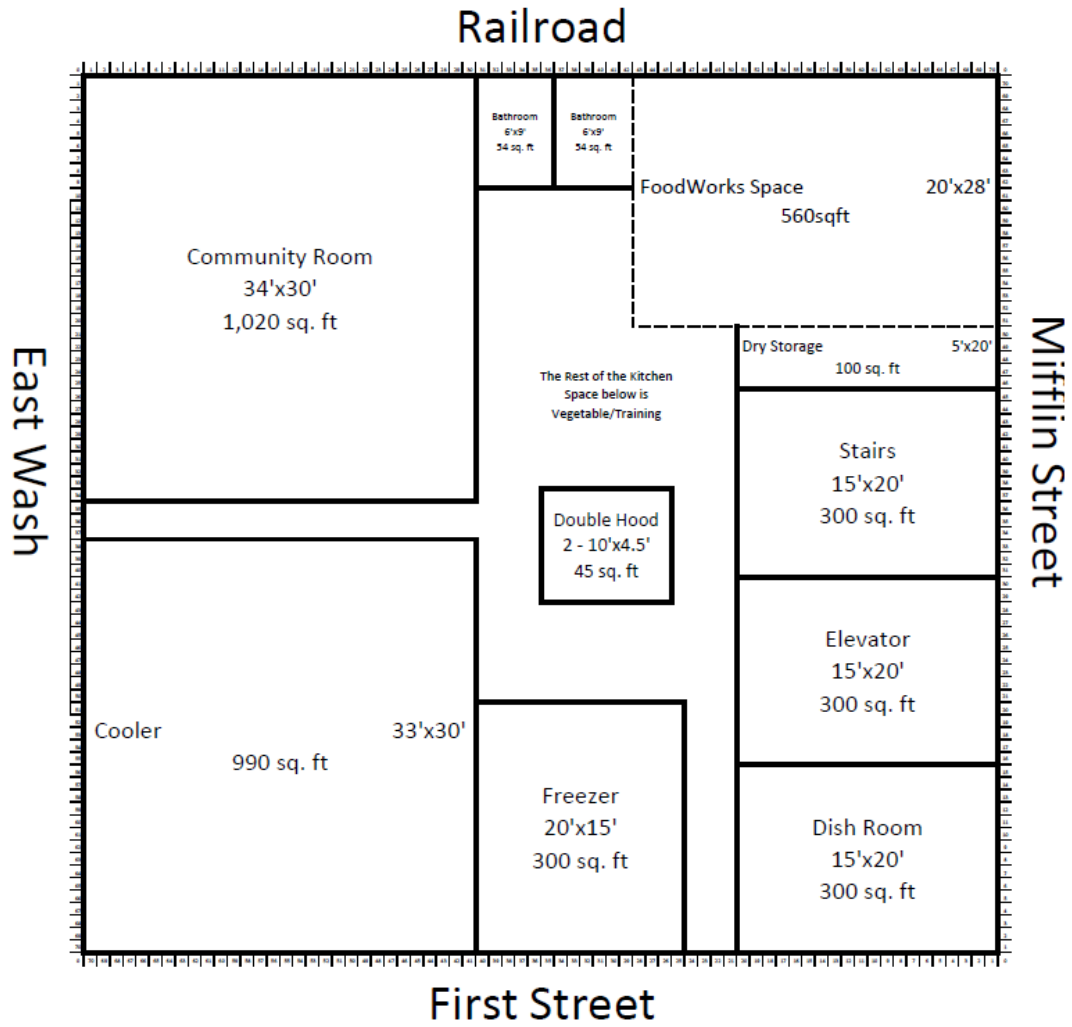




First Floor Layout



Second Floor Layout



## Project Cost

The total anticipated cost of the Public Market Project is \$14 million. Within this total budget, the cost of the Food Innovation Center is anticipated to be \$5.626 million.

### Food Innovation Center Budget

- **Building Construction: \$4,275,000** – The Food Innovation Center is planned to be a 3-story 15,000 Square Foot space within the Madison Public Market. The building is currently in the design stage and the Food Innovation Center will be designed and constructed as part of the overall Public Market project. Based on comparable projects, the anticipated construction cost for the project is \$285 per square foot. As such the construction costs for the Food Innovation Center space is **\$4,275,000**.
- **Development Soft Costs: \$299,250** – Because the Food Innovation Center is being constructed as part of the Madison Public Market building, there will be efficiencies in the soft costs for things like engineering fees, permitting, etc. The anticipated soft costs apportioned to the Food Innovation Center are 5% of the total construction budget or \$299,250.
- **Equipment: \$624,250** – The Food Innovation Center will include an array of specialized kitchen and processing equipment. The attached cut sheets provide a list and costs with the equipment that will go into the Food Innovation Center Space
- **Contingencies: \$427,500** – This assumes a 10% contingency based on the construction costs
- **Working Capital Startup Costs: \$200,000 (Not included in match or grant request)** – The Food Innovation Center will be part of the Madison Public Market operation. From an operational standpoint, the Food Innovation Center will break-even with revenues from programming and services covering operations costs. The project will require \$200,000 in working capital to cover costs in the first three years. This will include hiring staff, maintaining the facilities, marketing, administrative overhead, etc.

**FIC  
Sources and Uses Budget**

<b>Sources</b>	<b>Amount</b>	<b>% Total</b>
City of Madison Capital Budget	\$3,126,000	56%
EDA Grant	\$2,500,000	44%
<b>TOTAL SOURCES</b>	<b>\$5,626,000</b>	<b>100%</b>

<b>Uses</b>	<b>Amount</b>	<b>% Total</b>
Construction	\$4,275,000	76%
Soft Costs	\$299,250	5%
Equipment	\$624,250	11%
Contingency	\$427,500	8%
<b>TOTAL USES</b>	<b>\$5,626,000</b>	<b>100%</b>

As noted previously, the Food Innovation Center will be a 15,000 square foot space that is attached to the Madison Public Market building. The total anticipated project cost for the Public Market and the Food Innovation Center together is \$14 million.

**Operations**

The Food Innovation Center will be part of the Madison Public Market and operated with oversight from the Public Market Foundation. The Public Market Foundation is a non-profit organization that has a board of directors and will hire an executive director in early 2018. The Public Market Foundation will operate the entire Public Market and Food Innovation Center facility through a master lease and an operating agreement with the City of Madison. The City of Madison will continue to own the building and will maintain financial and operational oversight.

It is likely that the partner organizations listed previously will be directly involved in operations of the Food Innovation Center. As previously noted, FoodWorks will run the Workforce Training Programs. Other partner organizations may manage other elements of the operation. The Food Innovation Center will include opportunities to rent the kitchen and food facilities as well as offer contract services to businesses for processing, testing, and training programs. The office space will be leased to businesses and organizations at affordable rates and the event rooms will be available to rent for events. Operationally, the Food Innovation Center will earn revenue through its space and programming that is sufficient to cover its operating cost in three years.

## Revenue Source by Space:

The following describes revenues that will be earned by the Food Innovation Center. The intent is that when it reaches stabilization, the Food Innovation Center will be operationally self-sustaining with revenues equal to or exceeding costs by year three. A schedule for that is included in the pro forma that follows these descriptions.

### Production Kitchen

- Public Market Businesses** – One primary users of the production kitchen space will be vendors at the Madison Public Market. These businesses will have an option in their leases for their space at the Public Market to pay an add-on annual fee that will give them access to a certain number of hours within the Production Kitchen and access to storage and cooler space. This fee will vary based on level of usage. Public Market Vendors will have the option of paying a flat \$25 per month fee for access to use the FIC space, plus an additional \$12/hour. Based on the City’s surveys and interviews of potential public market vendors, the City anticipates that 20 Public Market vendors will utilize the Production Kitchen space. Again, based on surveys and interviews, the City conservatively estimates that each of these users will use the space for 20 hours per month. So, this will result in \$63,000 in annual revenue to the facility at stabilization.
- Other Businesses** – The City anticipates that approximately 15 additional businesses will use the Production Kitchen Space as well. These outside businesses will pay a slightly higher rate to use the facility, because they are not already Public Market tenants. The City anticipates charging a flat fee of \$100 per month to these businesses for access to the space plus \$25 per hour for time using the facility resulting in an additional \$24,000 of annual revenue. These business will likely use the facility an average of 20 hour per month

Summary of Revenue From Business Users*		
	Public Market Vendors	Other Businesses
Number of Users	20	15
Monthly Flat Fee	\$25	\$100
Annual Flat Fee	\$300	\$1,200
Hourly Rate	\$12	\$25
Ave Hours Per Month	20	20
Ave Hours Per Year	240	240
Ave Annual Hourly Revenue Per User	\$2,880	\$6,000
Total Ave Revenue Per Year Per User	\$3,180	\$7,200
Total Revenue to Facility at Stabilization	\$63,600	\$108,000
* Assumptions on number of users and rate structure are based on surveys and interviews with prospective users, as well as rates charged by comparable facilities in the region		



## Training Kitchen

- **FoodWorks Training Programs** – Foodworks will operate its 1<sup>st</sup> Course and Academy training programs at the Food Innovation Center. FoodWorks expects that this will be continuously run operation with six yearly cohorts in the eight-week 1<sup>st</sup> Course Program and one class per year in the FoodWorks Academy.
- **Institutional Food Processing** – As described above, one of the functions of the FIC will be to serve the growing demand for fresh local produce at large corporate, healthcare, and educational institutions. REAP Food Group will operate the institutional food processing function at the Food Innovation Center. REAP will manage developing the relationships with the insititually buyers and making the connections to farmers providing the produce. The processing will take in the training kitchen during overnight hours, counter-cyclical to the FoodWorks Program.

## Community room

- **Events** - The community room will be a 1,000 square foot space that is available for classes, trainings, meetings, and other events. The room will likely serve a variety of internal uses at the Food Innovation Center and will be available to the public and to businesses to rent for events. Based on competitive facilities in the area, the anticipated rate for paying outside uses is \$125 per hour, \$250 for a half day, and \$500 for a full day. The city anticipates approximately 50 annual one hour events, 10 annual half-day uses, and 10 annual full day uses resulting in total revenue of \$13,750.

## Collaboration Center

- **Tenant Rents** – The collaboration center will be a small, multi-tenant office space targeted toward non-profits and businesses with a mission or business focus that relates to the Food Innovation Center. The space will provide four 1,000 square foot suites and 1,000 square feet of shared facilities (copy room, reception, restrooms, break room). To recruit tenants that fit the mission of the space, the space will be provide at a below market rent of \$15 per square foot. So, if fully leased, the space will generate \$60,000 in revenue.

## Operating Costs:

The Food Innovation Center will benefit from operational efficiencies that come from being a component of the Madison Public Market as its umbrella operating entity. From a staffing perspective the Food Innovation Center's primary staff person will be the Food Innovation Center Director. This position will report to the Executive Director of the Madison Public Market Foundation who in turn reports to the Madison Public Market Foundation Board of Directors. Other operational costs will include maintenance,

clerical/legal/accounting, capital reserves for equipment replacement, insurance, permit and licensing fees, supplies, and utilities.

### **Permanent and Temporary Users, and Graduation Policies:**

The City envisions some users of the Food Innovation Center who will be long term permanent anchors at the facility. For example, there may be vendors at the Madison Public Market who use the Food Innovation Center on a weekly basis in perpetuity. At the same time, the FIC will function as a business incubator that provides services and facilities for early-stage businesses that will eventually invest and grow into their own space. The specifics of how many users will be permanent and how many will incubate out has not yet been determined. The goal, however, is for a mix of both.

**Food Innovation Center**  
**Preliminary Pro Forma**

<b>INCOME</b>	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>
Public market businesses	\$31,800	\$34,980	\$41,340	\$44,520	\$44,520
Other business users	\$54,000	\$59,400	\$70,200	\$75,600	\$75,600
FoodWorks training programs	\$17,500	\$19,250	\$22,750	\$24,500	\$24,500
Institutional food processing	\$17,500	\$19,250	\$22,750	\$24,500	\$24,500
Community room	\$6,875	\$7,563	\$8,938	\$9,625	\$9,625
Collaboration Center	\$30,000	\$33,000	\$39,000	\$42,000	\$42,000
Occupancy and scale-up schedule	50%	55%	65%	70%	70%
<b>TOTAL INCOME</b>	<b>\$157,675</b>	<b>\$173,443</b>	<b>\$204,978</b>	<b>\$220,746</b>	<b>\$220,746</b>
<b>EXPENSES</b>	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>
Personnel					
FIC Director	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000
Operations Coordinator (50% FTE)	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Fringe Benefits (25%)	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500
<b>Personnel Subtotal</b>	<b>\$ 137,500</b>	<b>\$ 137,500</b>	<b>\$ 137,500</b>	<b>\$ 137,500</b>	<b>\$ 137,500</b>
Non-Personnel					
Promotion	\$ 10,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Clerical/Legal/Accounting	\$ 25,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Insurance	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Permits/Licenses	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Net Utilities	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Garbage	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Maintenance Contracts	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Capital Reserve	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Supplies	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
<b>Non-Personnel Subtotal</b>	<b>\$ 90,000</b>	<b>\$ 72,000</b>	<b>\$ 72,000</b>	<b>\$ 72,000</b>	<b>\$ 72,000</b>
<b>Total Expenses</b>	<b>\$ 227,500</b>	<b>\$ 209,500</b>	<b>\$ 209,500</b>	<b>\$ 209,500</b>	<b>\$ 209,500</b>
<b>Net Operating Income (NOI)</b>	<b>\$ (69,825)</b>	<b>\$ (36,057)</b>	<b>\$ (4,522)</b>	<b>\$ 11,246</b>	<b>\$ 11,246</b>

## Future Phases and Expansion Opportunities

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The Food Innovation Center at the Madison Public Market will be the first phase in a long-range strategy to build and support food infrastructure in Madison. Part of the City's vision for its investment in creating the Madison Public Market is to foster the long term development of a "Market District" around the Public Market and a "Food Innovation Corridor" that stretches across Madison's Northside. These concepts have been embraced by local leaders and initial planning ideas are being discussed.

Immediately adjacent to the Public Market, the City owns and operates a 50,000 Square Foot Fleet Services Garage. This facility is planned to be vacated in 2021. The building includes large clear-span garage bays, multiple 25-foot overhead garage doors, and office space. Depending on the growth and success of the Food Innovation Center within the Public Market itself, the Fleet Services garage offers and opportunity for a major expansion. Initial discussions have focused on converting the Fleet Building into a regional food hub, that would include larger-scale food wholesaling businesses, good storage, and processing space. As the Public Market and the Food Innovation Center get designed, built, and begin operations, this concept of converting the Fleet Building into a regional food hub will continue to be explored.

## Expected Outcomes

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The Food Innovation Center will be a unique facility that combines facilities and services of a food processing space, a commercial kitchen, a workforce training center, and a business incubator. It will draw on the expertise of the region to operate each of these core functions.

Some similar facilities that were researched in the development of the Madison Food Innovation Center include:

- The Nordic Food Lab (Denmark)
- Chef's Steps (Seattle)
- The Rutgers Food Innovation Center (Rutgers University)
- The Oregon State Food Innovation Center (Oregon State University)
- Detroit Kitchen Connect at Eastern Market (Detroit, MI)

The Food Innovation Center will be a powerful catalyst for business development and job creation in the region. The City of Madison will carefully monitor and track how the facility is used and the job creation and investment it spawns.

There are several key ways:

**Workforce Training** – The workforce training programming at the FIC will help prepare unemployed and underemployed residents to fill needed positions in the food and culinary sector. Based on Department of Workforce Development, Dane County is

seeing rapid employment growth in food preparation occupations. Anecdotal information from food business owners verifies this and they are reporting extreme difficulty filling vacant positions. Because the workforce training programming at the Food Innovation Center is being led by provide businesses in the industry, it will lead directly to jobs for participant. Current estimates are that the Food Works Program will connect 75 participants per year to jobs

**Business Development** – The Food Innovation Center will also create jobs by helping accelerate the growth of small food based enterprises in Madison. The facilities and services offered at the FIC will help businesses scale-up operations, development products, and access new markets. The Madison region is flush with entrepreneurs starting food businesses. The Food Innovation Center will provide a key piece of infrastructure to help many of them grow. This will lead to new products, products that can be exported to other areas, and new jobs. As described previously, the FIC will be the home of the MarketReady Program, which the city is funding with \$248,000, and is a new program focused on supporting the creation of new and diverse food businesses.

**Value-added Food Processing** – Madison has a high unmet demand for locally grown food. On the supply side, the region has an abundance of local agriculture. On the demand, although many consumers and some restaurants are sourcing local produce, there is a large unmet demand for locally-grown products at a larger scale. The FIC will develop connections between larger restaurant groups and institutional food buyers to scale up local food system.

#### **How Return on Investment will be measured**

##### **Goal: Support New Food Businesses**

###### **Metrics:**

- Number of startup businesses using the facility per year
- Number of businesses that use the facility and graduate into new space within five years

##### **Goal: Food Sector Workforce Training**

###### **Metrics:**

- Number of participants in FoodWorks programs that use the space
- Number of FoodWorks program participants who are placed in jobs within 3 months of completing training

##### **Goal: Food Product Development**

###### **Metrics:**

- Number of new products developed at FIC

##### **Goal: Support Farmers and Value-Added Product Development**

###### **Metrics:**

- Number of agriculture producers from within the Madison Region who have a relationship with users of the FIC
- Total annual value of produce grown in the region that is processed at the FIC
- Number of large local institutions (hospitals, education facilities, companies, etc.) who are buying product through the FIC.