



Salem

Community Food Study



March 2017

Prepared for:

City of Salem

Summary

Background

For many years, the Portland Road Corridor has experienced economic decline, including depreciating property values, vacant and underutilized properties, and lack of new investment. In 2013, Salem's Urban Renewal Agency (Agency) directed staff and the North Gateway Redevelopment Advisory Board (NGRAB) to identify strategies that increase economic activity and jobs in the Corridor. The research associated with that process found that the area's residents must travel beyond the corridor for their daily needs and that there is strong community desire for increased food access and investments that can provide central gathering spaces. It led to the *Portland Road Action Plan*ⁱ (2016), which identified opportunities to support and grow small business activity, provide small, flexible industrial/commercial space, increase retail, restaurants, and other affordable food options. The hypothesis was that new food businesses could capitalize on the Corridor's existing local demand, access to major roads, and the existing base of food production industries. Several vacant and underutilized sites were identified for possible Agency investment.

The *Action Plan* recommended conducting a feasibility study to evaluate the need for a public market, food incubator, and/or food hub, as opportunities for increasing food access, jobs, and economic activity.

Purpose

The purpose of this document, the *Community Food Study*, is to advance the goals of the *Action Plan* by assessing the level of public support, business interest, and economic feasibility for specific food-related business concepts in the North Gateway Urban Renewal Area and citywide.

While these needs and opportunities are supported by initial market data and outreach completed in the *Action Plan*, the Community Food Study includes more detailed analysis and community outreach to determine if the project components (Public Market, Incubator, and Food Hub) are mutually exclusive or complementary, and whether each should be advanced for further conversation. Outreach in this phase of study included more direct communication with residents, including Spanish speakers, to clarify the market for each.

The *Action Plan* provided direction on the three distinct concepts evaluated in this study, evaluated in three sections of this report:

- 1) **Part 1: A food business incubator and/or commercial kitchen concept** that would nurture the development of new companies, helping them thrive and grow during the startup period when they are most vulnerable. Many programs provide clients with a range of services including production facilities, business support services, and other

resources tailored to young firms. This study explores the need for, and potential functions of, a business incubator to determine whether the concept warrants additional research toward implementation.

- 2) **Part 2: A public market** concept that would be a year-round permanent destination where local and regional food producers, artisans, and other businesses could bring their products and sell them directly or indirectly to consumers. A public market also serves as a venue and gathering place for the community and increases access to healthy food for the surrounding community. This study uses data and interviews to clarify what kind of public market might be viable, so that later analysis can provide a deeper assessment of financial feasibility.
- 3) **Part 3: A food hub** concept that would aggregate local agricultural products for retail and institutional sales and could provide other support services and roles. This concept is explored in a separate report completed by University of Oregon's Community Service Center and Kim Hanson Consulting. Key findings and models from the report are included in the executive summary.

Some of the analysis and recommendations from both reports overlap, including recommendations to evaluate "hybrid" models that incorporate elements of a food hub, public market, and incubator. Salem's Urban Renewal Agency and the project advisory committee will consider these findings when evaluating further study and investment, including possible site acquisition and development.

Investment Goals

The City's priority for the Community Food Study, as stated in the *Portland Road Action Plan*, is to focus on each concept's potential to increase economic activity and revitalize the Portland Road Corridor (including by evaluating end uses for specific opportunity sites). A viable business concept would need to be both financially feasible and in support of the City's investment goals:

- 1) Catalyze development in the Portland Road Corridor.
- 2) Encourage the growth of small, food related businesses and entrepreneurs in the Corridor.
- 3) Expand access to fresh, affordable, food for neighborhood residents and employees. Create a destination for residents and employees with gathering space, food, and other goods.
- 4) Attract people from outside the area with unique offerings of food, kitchen space, training/education, events, goods and/or services; strengthen Corridor identity.
- 5) Support the local economy by providing access for farmers to larger retail and institutional markets; strengthen connections among growers, producers, and processors; raise awareness for the value of locally grown/processed foods

The City does not have the resources to invest in these projects on its own. If the food concepts evaluated in this report are proven viable and partners are identified, it is possible that Salem's Urban Renewal Agency could provide support with North Gateway Urban Renewal Area (NGURA) grant funding, loans, property acquisition, and/or other development support on a site on the Corridor. If successful, it could trigger other development activity on the Corridor and support other *Action Plan* goals, including more housing and commercial and retail activity.

Key Findings

Our analysis found demand for each of the three concepts identified above. Our preliminary findings suggest that the most viable option for the Portland Road Corridor would likely be a hybrid “marketplace” that combines elements of the incubator, retail, and food hub concepts. The following sections summarize our key findings for the three main concepts. We also include an evaluation of different models based on the City’s Investment Goals and recommended next steps for the City.

Business Incubator and Commercial Kitchen

Business incubators nurture the development of new companies, helping them survive and grow during the startup period when they are most vulnerable. Incubator programs provide client companies with a range of services, including access to production facilities, business support services, and other resources tailored to young firms. This report considers stand-alone commercial kitchens (without auxiliary services) as an additional business concept.



Kitchen Cru in Portland, OR. Photo credit: Kitchen Cru



La Cocina, San Francisco. Photo credit: Lea Suzuki, San Francisco Chronicle

Who might use an incubator or commercial kitchen and how?

Incubator: Startups. Services offered by food business incubators would fill a gap of business support services (e.g., planning, financing, space, marketing) that currently exist in Salem.

Commercial Kitchen: Startups and existing businesses. Evidence and anecdotal observations suggest that a community commercial kitchen would generate considerable interest from food startup entrepreneurs (e.g., small-scale bakers or people making value-added products such as prepared foods). A kitchen could serve as an ongoing space for production or for overflow space in times of peak production.

What is the landscape of existing facilities for food entrepreneurs in Salem?

Incubators: lack of services in Salem. Currently there are no food business incubators in Salem. Many of the food-specific industry resources are located in Portland or elsewhere. In addition, our project did not clearly define the specific needs for local startups, given the difficulty in reaching these populations.

Commercial Kitchens: cannot accommodate need, opportunities for expansion. There are several kitchens that can be rented out by the hour in Salem. Interviews with representatives from these kitchens revealed that some of the existing commercial kitchen spaces receive more inquiries than they can accommodate for shared kitchen space, and some existing facilities are using the bulk of the space for their own food business needs. Conversations with some commercial kitchen operators identified opportunities for expansion and enhancement of space and services. There is also some indication of need for specialized production space, such as food packaging and processing for specific products (e.g., meat and dairy), though more study would be needed to determine the best way to meet these needs.

Potential to serve non-English speaking entrepreneurs. Previous studies on the commercial kitchen landscape in the Mid-Willamette Valley found that since many people work out of licensed domestic kitchens, there is less need for public investments in commercial kitchen projects. However, in terms of access to business development resources, interviews with organizations working with food startups in Oregon and Washington indicated there are large barriers to entry for non-English speaking entrepreneurs in the food industry. Commercial kitchen incubators across the country have found success in attracting and serving immigrant and refugee communities who may have reservations about going through the process of licensing their home kitchens. This may indicate that a commercial kitchen on Portland Road could be a boon for the large Latino community in North Salem.

Summary: Incubator and Commercial Kitchen Findings

Our research found potential latent demand for both a business incubator and a commercial kitchen. However, of the incubator and commercial kitchen concepts, our outreach found that a business incubator would best meet the City's goals and have a greater chance at leveraging the work of existing business support agencies. Salem's business support agencies provide

guidance to new entrepreneurs and small business owners, such as the Small Business Development Center, MERIT, Salem Ambassadors, SCORE, and the Strategic Economic Development Corporation (SEDCOR). However, while SEDCOR and Oregon Department of Agriculture provide some support to local startups, there is no local organization focused on the needs of startup food businesses, including advice or expertise on production, permitting, marketing, and legal requirements specific to the industry. An Incubator could help to fill this gap. In particular, our analysis and community conversations found that this type of a facility could be useful to connect business startups with new markets and support growth of new food manufacturing businesses. The City or Urban Renewal Agency could evaluate potential support of a commercial kitchen project if a developer came forward with a proposal.

Public Market

A public market is typically a year-round, permanent facility where local businesses sell food or craft items. Public markets take a variety of forms; each market is a unique reflection of its city and neighborhood. If located in the Portland Road area, such a concept could support small businesses, help to revitalize the Corridor, and expand food access. Other projects that could meet the goals of a public market could include a food hall, commercial condominiums organized around a common space.



Rochester Public Market in Rochester, NY. Photo credit: Max Lent



Milwaukee Public Market in Milwaukee, WI. Photo credit: Alexander Howard

What are the food access challenges in the Portland Road area?

Lack of nearby food purchasing options. Previously, the 2016 *Portland Road Action Plan* identified food access challenges on the Portland Road Corridor. The nearest supermarket to the Corridor is Roth's (1.4 miles away from the intersection of Portland Road and Bill Frey Drive) and the nearest discount grocery store is Walmart (over three miles away). Given the lack of food options on the Corridor, most residents leave to meet their daily needs, which can be inconvenient and costly. To understand the Corridor's food access challenges, the City conducted a survey of residents in Fall 2016 that garnered 222 respondents, 96 of which were from Spanish speakers. The survey identified the following issues related to distance of grocery options:

- Thirteen percent of North Salem respondents reported grocery stores are “hard to get to.” This compares with 8 percent of respondents overall.
- Eighteen percent of all respondents and more than 25 percent of Spanish speakers reported walking to the grocery store occasionally. Census data show that 18 percent of North Salem residents do not have access to a car.

Price of food is a big concern. The survey also asked residents about the factors that influence their food purchasing choices. Price came up repeatedly as a driver of food purchasing decisions:

- Pricing is the main factor residents consider when choosing where to buy food. Overall, about one third (32 percent) of respondents indicated that the price of fresh fruits and vegetables were a key reason why they did not buy more.
- The majority of respondents on Portland Road (72 percent of Spanish vs 51 percent English speakers) cited low prices as the most important determinant for grocery store choice.

What are gaps in the existing supply of grocery stores and food providers on Portland Road?

Lack of both groceries and prepared food. The 2016 *Portland Road Action Plan* found that because the Corridor lacked supermarkets, specialty food stores, and restaurants, residents spent a combined \$8.4 million on groceries and prepared food per year outside of the Corridor. In addition to a desire for a full-service grocery store, most respondents in the *Action Plan* and Food Study outreach said they would like to see more prepared food options in the area.

What would make a public market successful? What would be promising target markets?

A public market must balance the needs of consumers (who want low prices) and business owners (who want to make a living). A successful business concept along Portland Road should respond to the demographics of the area while still being a viable concept for small business owners. A partnership with a food bank or other nonprofit might help the market compete on price with discount grocers.

A public market could attract customers from both within and outside of the Corridor. The preliminary outreach with potential customers and vendors suggests that having a variety of prepared food vendors featured in one location at the public market could be a significant draw, particularly for the area’s workforce. A review of best practices showed that promoting the market’s unique elements, such as ethnic food vendors, hard to find products, and telling the community’s story can help markets succeed in drawing people from outside the area.

Potential visitation and spending. We developed a baseline visitation estimate based on local demographic data and consumer preference assumptions from business plans for other similar public markets. While this is a preliminary estimate that deserves more analysis if this concept advances, we find potential visitation of 180,000 to 260,000 visitors per year and a total of about \$4.3 million to \$5.5 million in consumer spending.

Are vendors interested?

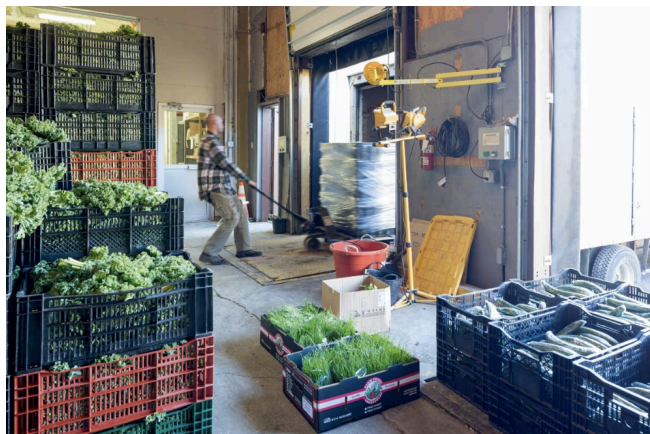
Yes – Aaron Reber Consulting discussed the public market with proprietors of mobile food carts (snacks), food trucks, bakeries, and other food related businesses located in North Salem and downtown. Business owners along the Corridor were enthusiastic about the concept of a public market or similar concept. About two-thirds of businesses surveyed replied that they may be interested in participating. Vendors were interested in concepts like a food hall, mercado, or public market. The majority favored a market location on Portland Road.

Summary: Public Market Findings

There is clear demand for community-oriented retail concepts along Portland Road that strike a balance between price, convenience, and novelty. The Community Food Survey found that Spanish speakers indicated specific interest in a public market to provide additional food options and a social gathering place for the community. Our analysis found that the major demand segments include: residents, employees, and people willing to travel for local produce, specialty prepared foods, and groceries and other unique offerings (food trucks or ethnic foods).

Food Hub

As defined by the USDA, a food hub is centrally located facility with a business management structure facilitating the aggregation, storage, processing, distribution, and/or marketing of locally/regionally produced food products. If located on the Portland Road Corridor, a food hub could improve access to fresh, local produce for residents while simultaneously helping Mid-Willamette Valley (Marion, Polk, and Yamhill) farmers strengthen their businesses.



Field Goods Food Hub in Athens, NY. Photo credit: Adam Friedberg.

What is the level of interest among producers and institutional buyers in using food hub services, and if so, for what services?

High interest from institutional food buyers and moderate interest from food producers. Kim Hanson of Kim Hanson Consulting and OSU Extension conducted interviews with thirty institutional buyers and fifteen small farmers to gauge interest in a food hub. Food buyers expressed interest in a food hub, and producers, while less interested overall, were receptive and curious. When interviewed, 85 percent of buyers stated they were interested in buying from a food hub and 53 percent of producers thought a food hub was a good business model; an additional 27 percent said “maybe” and requested more information.

Overlapping interest in aggregation, distribution/ transportation, and a mechanism for better connecting buyers and producers. While institutional buyers and producers differed on their interest in many potential services that a food hub could offer, the majority of both groups shared some similar interests:

- Aggregation services were supported by 100 percent of buyers and 64 percent of producers.
- Distribution/ transportation services were supported 69 percent of buyers and 64 percent of producers.
- Conversations with food buyers and producers revealed a lack of connections within the Mid-Valley food system that, if cultivated, might benefit both buyers and producers. Many buyers and farmers thought that a food hub could help strengthen connections between buyers and producers.
- Large numbers of buyers and producers agreed that a food hub could also be useful in creating a local food label (e.g., Mid-Valley Grown) to encourage greater identification with regional food production and to establish an area-wide definition behind the otherwise nebulous term “local.”

What does consumer demand for local products in the Mid-Willamette Valley look like?

Steady or slightly lagging interest in local food. While 56 percent of institutional buyers said they experienced increasing interest from their customers in local food, anecdotal evidence suggests that overall, the level of energy surrounding local food in Salem and Marion County lags compared to other areas of the Willamette Valley. Producers felt that the community was not aware or interested in the benefits of local food purchasing. A food hub could help spark increased awareness of local food, which has the potential to increase the overall demand for local products. At the same time, if consumer demand is weak, it may be difficult for a food hub to generate sufficient operating revenue.

What opportunities exist to supply a food hub with agricultural products from the Mid-Willamette Valley (Mid-Valley)?

Strong agricultural base. Compared to the rest of the region, Marion County is in a favorable position to capitalize on small-scale farms to promote a shift toward a stronger local foods system. Marion County (which is 38 percent farmland) contains a greater portion of the entire Willamette Valley’s farmland (14 percent) than any other county except Clackamas and Lane.

Opportunity to capitalize on food exports and increasing local food availability. A few agricultural products stand out as potential areas for growth, both for export and for increasing the availability of affordable locally grown food in the Mid-Valley region. These products include cattle, chickens, wheat, barley, and orchard products. It is possible that a food hub could assist with meat processing, food storage, and—to capitalize on the wheat production—flour milling. At the same time, a food hub might help bolster Marion County’s declining vegetable production.

What else should the City of Salem and its partners take into consideration when assessing the feasibility of a food hub concept?

Lack of a champion. For a food hub to operate, there must be a local champion driving the effort. So far, no organization has stepped forward with an interest in developing a food hub.

Price point. Producers identified price as the biggest potential barrier to participation in a food hub because a low price point could bar profitability.

Location. Interviewees thought a food hub should be situated near the I-5 Corridor with easy access for large delivery vehicles. Portland Road offers good access to I-5.

Summary: Food Hub Feasibility Findings

Supply system: Marion County has a strong supply-base of many food products, but much of this food is not reaching local consumers. A food hub could strengthen connections in the Mid-Valley local food system.

Demand for services: There is widespread interest in the services a food hub could provide and a great need to better support the Mid-Valley producers and local food buyers. However, buyers and producers may have different expectations of a food hub, and consumer demand may be lower than desirable.

Other considerations: At present, no “champion” has volunteered to spearhead the effort of creating and operating a food hub in Salem; additional work would also be needed to understand alignments between the needs of producers and buyers.

Potential Food System Support Models

A thorough examination of the three concepts under consideration in the Community Food Study has yielded six potential models for further consideration. They include hybrid models combining several of the concepts as well as ideas for investments in existing facilities.

Exhibit 1. Summary of Possible Models

	Concept	Example	Market Niche	Challenges
Standalone Commercial Kitchen	Provide a rental kitchen for startup and established businesses that does not include wraparound services.	Cherry City Cake Supply	Startup and established businesses.	Difficult to sustain from kitchen fees alone.
Food Business Incubator	Identify partner organizations who can provide wraparound services to startups, including business development support and physical space/equipment (e.g., a commercial kitchen).	KitchenCru (PDX), La Cocina (San Francisco)	Startup businesses, could be focused on Latino-owned businesses.	Requires a “champion” to lead the development of an incubator.
Food Hub Services	Identify partner organizations who can build supply chain relationships to increase availability of Mid-Valley products in the Mid-Valley. This could involve the development of a physical space, or simply the strengthening of existing infrastructure and relationships.	Coordinate with distributors, producers, buyers. GrowFood Carolina	Local-focused distributors and institutional buyers.	Requires a “champion” to begin making connections.
Public Market or Food-Based Retail	Invest in existing infrastructure to create new market location with space for local food vendors. Could include social gathering, activities programming, childcare, and parking.	Olympia Public Market, Pike Place Market	Capitalize on the location by offering convenience goods and prepared foods. Consider community desire for ethnic restaurants and the area’s higher percentage of Latinos.	Capital expenses for public market can be considerable and may lead to difficulties with financial sustainability. Need strong, motivated, and entrepreneurial champion and/or anchor tenant.
Investments in Existing Food Markets	Assist local market partner businesses in improving exterior aesthetics, adding signage, and expanding store footprint and offerings.	Work with Fruteria La Cabana, Businesses at Plaza Del Sol	Likely geared toward existing Latino markets, which primarily serve Latino residents.	
Marketplace Plus (retail space plus incubator or food hub services)	Invest in “market hall” set-up with commercial kitchen and retail space for incubator clients. Could also include food hub elements such as a delivery service and space for food storage/aggregation.	Sprout!, Worcester Food Hub; Boston Public Market	Wide range of target markets. Aimed at food entrepreneurs, local and nonlocal residents.	Capital expenses for public market can be considerable and may lead to difficulties with financial sustainability.

Other Models to Consider

While our analysis provides insight into the six models listed above, other models may also be useful to consider for the North Gateway Urban Renewal Area including:

- A mobile/pop-up market program.
- North Gateway farmers' market.
- A “seconds” market that accepts donations of imperfect produce or food nearing its expiration date.
- A community cooperative/buying club (such as Bountiful Baskets, an affordable food buying club operating elsewhere in Salem).
- A food processing facility (likely meat or dairy).

Exhibit 2. Models Evaluated by City Investment Goals

	Catalyze development	Encourage business growth on the Corridor	Expand food access for neighborhood	Attract people to the area	Strengthen food economy connections
Standalone Commercial Kitchen Incubator		*		*	*
Food Hub Services	*	*		*	*
Public Market	*	*	*	*	*
Investments in Existing Food Markets			*	*	
Marketplace Plus (<i>retail space plus incubator or food hub services</i>)	*	*	*	*	*

Source: University of Oregon Community Service Center and ECONorthwest assessment

Recommendations

At this time, we recommend that the City work with its partners to identify a strong champion for capital investment and operations before additional refinement of the concepts.

Portland Road

- Continue conversations with Pedro Mayoral at Fruteria La Cabana regarding possible relocation or expansion of the market to address community goals.
- Work with local developers to brainstorm ideas and educate about existing city and urban renewal incentives.
- Consider incorporation of food business models into Corridor redevelopment projects. For example, the retail portion of the Epping property (a vacant four-acre site on Portland Road) could include microbusinesses with a central gathering space.

- Continue to explore feasibility of a public-private partnership at the former state police facility.
- Continue conversations with Marion-Polk Food Share about opportunities to leverage existing City investment in the Food Share’s commercial kitchen to support local food entrepreneurship. This could include exploring additional opportunities for the Food Share’s existing mobile food delivery program.

Citywide

Conduct further outreach to confirm interest and refine scope/role of food hub, including its relationship to other concepts (such as an incubator or public market); identify potential partners, including lead.

- To explore the possibility of addressing critical needs for food businesses, MERIT will convene with other business support organizations (including SBDC and the Oregon State University Extension) to identify possibilities for collaboration. Our research found that to advance this concept, it is critical that the City identify a project champion who is willing to secure funding for the ongoing operations of the facility.
- Work with local business support organizations, including SEDCOR, to continue conversations on shared actions to support startups and specifically, better identify the pipeline of food startup businesses.
- Consider whether the City is interested in engaging in a campaign with local food advocates to promote local food.
- Convene local producers and distributors in additional conversations to explore the feasibility of a Food Hub. Consider working with University of Oregon’s Community Service Center, which has some capacity through the Economic Development Administration University Center to facilitate economic development projects.
- Follow up with NEDCO about partnership possibilities and interest in expanding its restaurant incubator in Salem.

Report Overview

This study evaluates each model based on its ability to meet these criteria. It is organized into the following sections:

**Part 1:
Business Incubator/
Commercial Kitchen Analysis**

Purpose
Methods
Demand assessment
Supply: Competition Assessment
Market Opportunity

**Part 2:
Public Market
Analysis**

Purpose
Methods
Customer Demand Assessment
Supply: Competition Assessment
Market Opportunity

**Part 3:
Food Hub Analysis**

Purpose & Methods
Food Supply System
Food Hub Demand
Other Considerations
Preliminary Assessment of
Feasibility
Next Steps &
Alternative Options

*This work was completed by
University of Oregon's
Community Service Center
and Kim Hanson Consulting.*

This report also includes a comprehensive appendix, starting on page 67.