

Grand Traverse Regional Market Feasibility Study



Prepared for: Traverse Bay Economic Development
Corporation and Grand Traverse Regional Market Initiative

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Introduction

In December 2011, the Traverse Bay Economic Development Corporation, working in partnership with the Grand Traverse Regional Market Initiative, retained Market Ventures, Inc. (“MVI”) to conduct a feasibility analysis for creating a “food hub” within Building 58 of the Village at Grand Traverse Commons in Traverse City, Michigan. This initiative grew out of the Grand Vision process and its Food & Farming Network subgroup, which aims to increase the resilience and double the value of the region’s food and agricultural system by 2019.¹

The Grand Traverse Regional Market is envisioned as a professionally managed, multi-function facility that supports the production, retailing, storage, and distribution of locally grown and produced foods. The Regional Market is meant to benefit farmers throughout the region who need infrastructure for food production, year-round direct marketing, and distribution in order to meet the needs of local consumers and to tap new potential buyers.

The Village at Grand Traverse Commons, located on the west side of the Traverse City downtown area, is one of the largest historic preservation and adaptive reuse redevelopments in the country. Until the 1980s, Building 58 was used by the North Michigan Asylum for its food processing and storage needs. Today the three story structure is being used primarily as dry storage to support construction efforts elsewhere at the Commons. The developers of The Village and owners of Building 58, the Minervini Group, are partners in this planning process and interested in seeing the building used for food-related functions.²

MVI’s scope of services included these primary elements:

1. Market analysis (quantification of supply and demand)
2. Assessment of functions
3. Identification of preferred management and operations
4. Financial modeling
5. High level assessment of economic impact

Principle research methods included review of relevant reports, key informant interviews, focus groups of potential facility users, site inspections and tour of regional food offerings, secondary data analysis, and pro forma analysis. An Advisory Board guided the study (committee members are listed in Appendix A). This report includes the research findings, analysis, and recommendations.

This study was prepared by Ted Spitzer, President of MVI. MVI is a specialty urban planning and economic development firm that assists public, non-profit, and for-profit clients with planning, creating, and managing innovative food-based projects and programs, including food hubs, public markets and farmers’ markets. Information about MVI can be found at www.marketventuresinc.com.

1 <http://www.thegrandvision.org/food-farming-network> and <http://foodandfarmingnetwork.org/content/active-projects>

2 <http://www.thevillagetc.com/>

Rob Serrine, Community Food Systems Educator at MSU Extension, chaired the Regional Market Advisory Board and coordinated the study.

Development goals

Based on input from the Advisory Committee, the following goals are suggested to guide the planning, development, and operation of the Regional Market:

1. Raise income for the region's farmers and food producers
2. Increase availability and access to local foods for area consumers
3. Create a social space for the community
4. Create jobs
5. Encourage education and knowledge sharing

The development concept explored in this study sought to support these goals. The goals should guide both the development of the facility and its ongoing operations. In preparation for operations, specific metrics should be established to measure the Market's success in achieving these goals.

Definition of economic feasibility

In most communities, the initial costs of developing a public market, including land, are paid by public or philanthropic funds, with the assumption that the public market will not carry debt service. The test of economic feasibility therefore is whether the market can operate *without on-going subsidy* following a reasonable start-up period, typically chosen to be three years. The benefits of the market, including community revitalization, small business development, support of local agriculture, access to fresh foods, educational programming, and job generation, are usually seen as the "return" for the public or philanthropic investment. To be economically feasible, therefore, rents and other sources of earned income need to cover all of the market's cost of operations, including a cushion to pay for future capital maintenance needs.

Initial development concept

The Regional Market Advisory Board has been exploring the food hub idea for several years. According to the request for proposals for this feasibility study, the initial development concept is to re-use Building 58 at Grand Traverse Commons as a food production, storage, and distribution facility, a role it had played for decades as the central commissary for the 3,500 residents of the North Michigan Asylum. The 55,000 square foot, three story facility once had three working kitchens and 19 walk-in refrigerators, plus dry storage. While the building's structure appears sound, none of the refrigeration or cooking equipment remains.

Envisioned programmatic elements of the Regional Market include:

- Indoor farmers' market
- Shared commercial kitchen

- Certified commercial kitchens (for lease)
- Cold storage
- Education classes

The purpose of the feasibility study is to determine the preferred program, ownership and management structure, operating budget, and implementation strategy for the Regional Market based on the project's goals and the local opportunity.

Methodologies

MVI utilized a range of methods to test the concept's feasibility and develop an appropriate development and financial model, including:

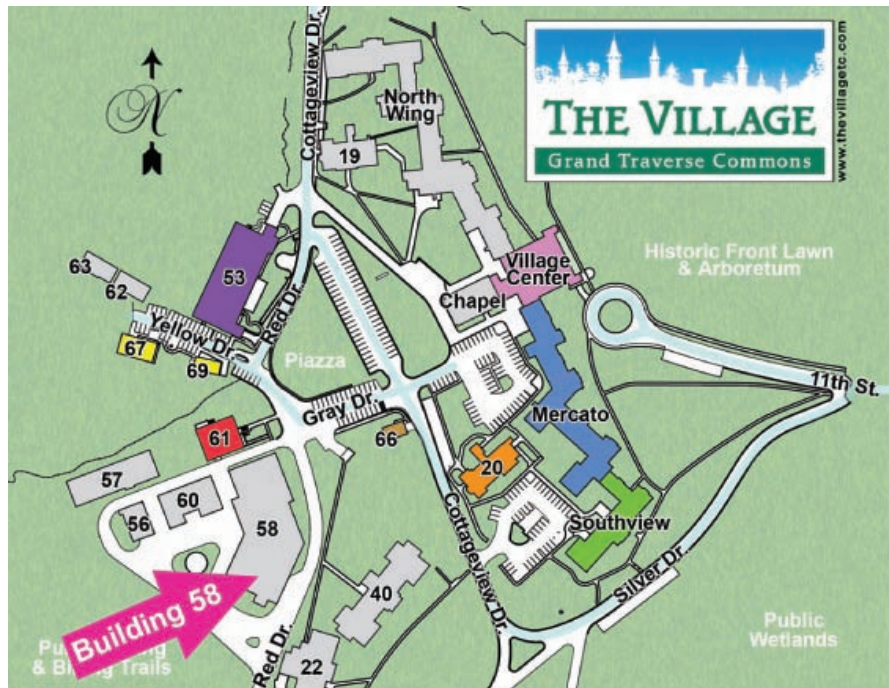
1. Key informant interviews and focus groups. Interviews were conducted with 60 people including farmers, food producers and distributors, retailers, food service operators, restaurateurs, local officials, educators, and representatives of various nonprofit organizations. A list of everyone interviewed is found in Appendix B.
2. Site observations. The consultant inspected the Village at Grand Traverse Commons, including the Mercato area and Building 58, on several occasions.
3. Advisory Board. The consultant met with the Advisory Board on several occasions to gather input and share research findings and preliminary recommendations.
4. Report and web site review. Several recent reports were provided to the consultant, including:
 - a. "The Michigan Farm Succession Study: Findings and Implications," Steve Miller and Susan Cocciarelli, Michigan State University, 2012
 - b. "Northwest Michigan's Farm Factor: Economic Impacts, Challenges, and Opportunities," Doug Krieger, Michigan Land Use Institute, February 2009
 - c. "Taste the Local Difference, Locally Grown Food: Let's Put Some on Every Plate!," Doug Krieger, Michigan Land Use Institute, February 2006
 - d. "Eat Fresh and Grow Jobs, Michigan," MLUI, September 2006
 - e. Michigan Good Food Charter
 - f. www.thegrandvision.org
 - g. www.localdifference.org
5. Data analysis. MVI collected and analyzed demographic and food consumption data, as well as data related to farming and specialty retail in the region.

Facility Analysis

The feasibility study assessed Building 58 at the Village at Grand Traverse Commons as the potential home for the Regional Food Market based on urban planning considerations such as location, proximity to other uses, and functionality, not on any architectural or engineering suitability or conditions.

Context

Building 58 is located on the southwest side of The Village complex (see map, right). Directly above it (Building 61) is a restored building that now has offices. Building 60, directly behind Building 58, is empty and has been considered as a potential brew-pub location. There is also a water tower behind Building 58. Munson Medical Center is located north of The Village property and The Barns and gardens operated by SEEDS are located to the south.



There are a number of existing uses at the Village which are supportive of the Regional Market concept as a place for food production and retailing. These include:

- Left Foot Charley urban winery
- Tastes of Black Star Farms (retail store with wines and spirits from Black Star Farms)
- Higher Ground Trading Company (small batch coffee roasting and coffee bar)
- Pleasanton Brick Oven Bakery
- Restaurants and other food retail
- The Village Farmers' Market (outdoors on the Piazza between Building 58 and the Mercato on Friday afternoons in season and indoors along the Mercato corridors on Saturday mornings in the winter). The outdoor farmers' market attracts about 12 farmers.

The Village also is home to a number of small, independent retailers and galleries, plus professional services and residents.

Facility

Building 58 was the central food production and storage commissary for the North Michigan Asylum and provided meals for 3,500 people daily. When it closed in the 1980s, the facility had three working kitchens and numerous storage rooms. Underground tunnels connected the commissary to other buildings throughout the complex. Photographs of Building 58 are found in Appendix C.

Building 58 is split between two local jurisdictions: Traverse City and Garfield Township.

According to floor plans provided by the owner, the three floors have a total area of 56,352 square feet. The floor plans can be found in Appendix D.

The facility is actually two connected buildings: the older one is square, three stories high, and has about 8,100 sf per floor. Columns are positioned at approximately 18' on center. A staircase and elevator is located at the center of this building.

The two-story second building, which was constructed later (likely in the 1950s), juts out from the original building and then angles back. The building includes:

- A loading dock on the back
- 29 storage rooms ranging in size from 130 sf to 1,470 sf. The total square footage of the storage rooms is 15,710 sf and the average square footage per room is 542 sf. The storage rooms have about 5,600 cubic yards of volume.
- Three kitchens of 3,600 sf, 1,600 sf, and 1,460 sf

According to the owner, the buildings are in solid condition and capable of adding additional floors. Asbestos was apparently utilized around pipes and in the cold storage rooms; at least some of this has been remediated. The plaster in nearly all of the walls of the newer wing contains asbestos, which will need to be addressed if the wall configurations are altered.

Importantly, the buildings are connected to city water and sewer.

Analysis

Building 58 was designed and used for food production and storage. While the costs of adding refrigeration and cooking capacity, as well as addressing any asbestos remediation or structural issues, are outside the scope of this study, the building appears to have the appropriate infrastructure to serve these purposes.

The vision for the Regional Market includes retail. Members of the Advisory Committee have suggested that the basement level could be the appropriate location for retail functions. This space poses a number of concerns, including low ceilings, lack of windows, and a challenging entrance façade. The front of the building (along Red Road) has a ground level entrance yet the façade does not provide a retail experience. Furthermore, because of the building's historic designation, it might not be possible to create a more compelling retail façade with larger doors and more windows.

Visibility and access to Building 58 are challenging. At this point, the Village has been

in operation long enough that it is likely well known to area residents. However, there is limited signage at the entrances to the Village and few visual clues about the retail and restaurant offerings within. The recent opening of Silver Lake Road at the southern edge of the property improves vehicular access to the site. Division Street, which historically divided the downtown from the asylum, has been identified as a barrier to development. Efforts are underway to improve connectivity across Division Street. The retail elements of the Regional Market will benefit from improved signage.

While Building 58 has a loading dock at the rear, the building is very close to the next building and the water tower. Apparently large trucks (semis) cannot access the building.

Parking represents a major challenge for the retail components of the Regional Market. The Village currently has a limited number of parking spaces and the pressure on these spaces will increase as more of the housing, office and retail elements of the entire complex are completed.

Uses at the Regional Market need to complement and not conflict with the other residents and businesses at The Village. This will preclude some food-related uses, such as a slaughtering facility (which has been identified as an infrastructure deficiency in the region). Most other food production and distribution uses should be fine as long as they do not create too much noise or odor. The developers are trying to create more density at The Village so they understand that this will increase traffic through the complex.

A geothermal heating and cooling system is planned for the Barns, also located on the property. A similar system for Building 58 could significantly reduce the cost of energy for the project, as well as reduce its environmental impact.

Demand Analysis

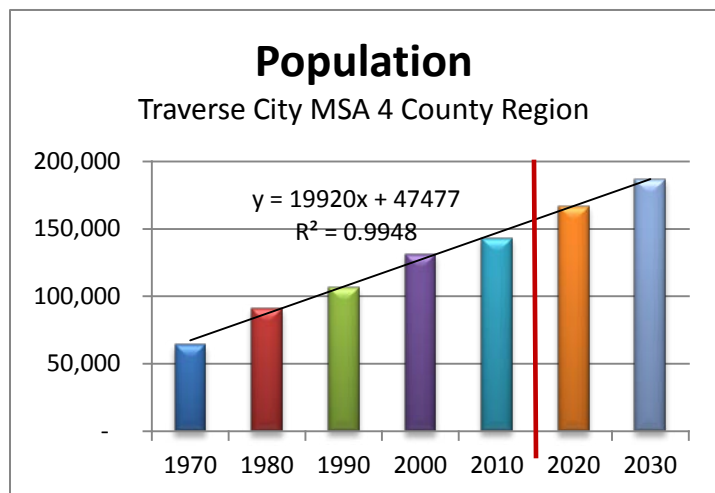
Demand analysis looks at who might purchase from the Grand Traverse Regional Market, including both consumers buying directly from farmers and food producers or other retailers, and wholesale buyers from the food service, grocery, manufacturing or emergency food sectors using products that are produced or stored at the Market. The purpose of the demand analysis is to determine likely buyers at the Regional Market and to identify the factors that will either encourage or discourage them from using the facility. Where possible, the demand analysis seeks to quantify the magnitude of potential demand from each of these sources.

Consumer demand

According to research that MVI has conducted at other public markets around the country, public markets attract a wide range of shoppers in terms of age, ethnicity, and income level. In general, families buy more fresh food than individuals or people living in unrelated households, and people with higher income levels (\$75,000 and above) are more frequent shoppers and spend more than people with lower incomes. The highest spending customer is typically a 40 to 55 year old woman. What is unique about public markets, however, is their ability to appeal to both the highest income shoppers and lower income shoppers. While higher income shoppers might be drawn by unique products and superior quality, lower income and elderly shoppers appreciate the ability to purchase smaller quantities, the ability to negotiate with empowered owners, ethnic specialties, and competitive prices. Many markets have programs to lower the cost of products for low income families, encouraging the use of food stamps, WIC farmers' market coupons, and "Double Bucks" to make local fresh food more affordable.

According to its management, the Mercato at Grand Traverse Commons is currently attracting customers from the region and tourists that match the profile of higher spending customers at public markets.

The four county region centered on Traverse City, which makes up the Traverse City Micropolitan Statistical Area (MSA)³, is expected to be the principal base of consumers for the Regional Market. This four county region includes Grand Traverse, Benzie, Kalkaska and Leelanau counties. To



³ Metropolitan and micropolitan statistical areas (metro and micro areas) are geographic entities defined by the Office of Management and Budget for use by Federal statistical agencies in collecting, tabulating, and publishing Federal statistics. A metro area contains a core urban area of 50,000 or more population, and a micro area contains an urban core of at least 10,000 (but less than 50,000) population. Each metro or micro area consists of one or more counties and includes the counties containing the core urban area, as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core. <http://www.census.gov/population/metro/>

explore the demographic composition of people who live in the region, data was collected from the 2010 American Community Survey for the Traverse City MSA.

According to the Census of Population, this area has seen continual and a fairly constant rate of population growth over the past fifty years (see chart “Population: Traverse City MSA 4 County Region”). In 1970, the region had fewer than 70,000 people. In 2010, the population for the four county region reached 143,372 people. If this population trend continues (as projected by the linear regression line), the region will have 167,000 people by 2020 and 187,000 by 2030.

While the region has a growing population, the absolute number of people is still fairly small compared to other places with indoor public markets. Although there are some fairly small communities around the country that have year-round indoor public markets, none have been built in recent decades. Rather, communities of this size typically have seasonal outdoor farmers’ markets and indoor “winter markets” that operate once per week or once per month.

The following chart shows some of the key demographic factors in the Traverse City MSA:

	Traverse City MSA	USA
Population 2010 estimate	118,500	
Racial diversity (% non-white)	5.2%	27.6%
Percent Hispanic 2010	2.2%	15.2%
Households 2010	59,457	
Average household size	2.38	2.57
Median age	43.6	37.2
Average household income	\$66,382	\$68,259
Household income >\$75,000/yr	16,837	
Household income >\$75,000/yr	28.3%	31.7%
Per capita income	\$27,416	\$26,059
Families below poverty line	11.2%	11.3%
Family households	66.4%	68%
Age 35-64	43.0%	39.7%
Bachelor's Degree	16.9%	15.8%
Master's, Professional or Doctorate	11.2%	8.9%

Compared to national means, the population has a lower average household income, as well as fewer households earning more than \$75,000 per year. Typically, this would suggest less likelihood to shop for specialty food items at a public market. However, the area has a larger percentage of people in the targeted 35-64 year old range and it has higher than typical levels of

educational attainment. These have been shown to be strong indicators of interest in higher quality, local foods.

According to its management, the Commons at Grand Traverse currently attracts many higher income women in this age range. Advisory Committee members noted that the west side of Traverse City generally has a higher income and more highly educated population and the Regional Market will be convenient for these potential customers.

In addition to local residents, the region is a major tourism destination. Tourists often seek out authentic public markets because they are unique places, offering a window into the culture of the region where they are located. As Americans have become more interested in food and cuisine, they are searching out public markets when they travel. Tourists are often well educated and higher income, and willing to spend significantly at a market. To be authentic, however, public markets must cater first and foremost to area residents, not tourists.

According to MLUI, the region attracts 1.4 million tourists annually, predominately during the summer months. Many of these tourist drive around the countryside and purchase agricultural products.⁴

Based on the size of the population and demographic profile, the Traverse City region will face challenges supporting a year-round, daily, multi-vendor indoor food market. Rather, the area is more likely to support additional or expanded seasonal farmers' markets and weekly or biweekly year-round indoor vending.

Retailers

Food retailers in the region are potential purchasers from the Regional Market on a wholesale basis. They might buy fresh food that is stored or minimally processed (washed, packed and graded) at the Market or they could buy foods that are processed at the facility.

According to the 2007 Economic Census, the Traverse City MSA includes 108 food and beverage stores (NAICS 445), of which 64 are grocery stores, 23 are specialty food stores, and 19 are beer and wine stores. The number of stores shrank from the previous five years, when the 2002 Economic Census counted 116 establishments (see chart "Number of Stores: Traverse City MSA").

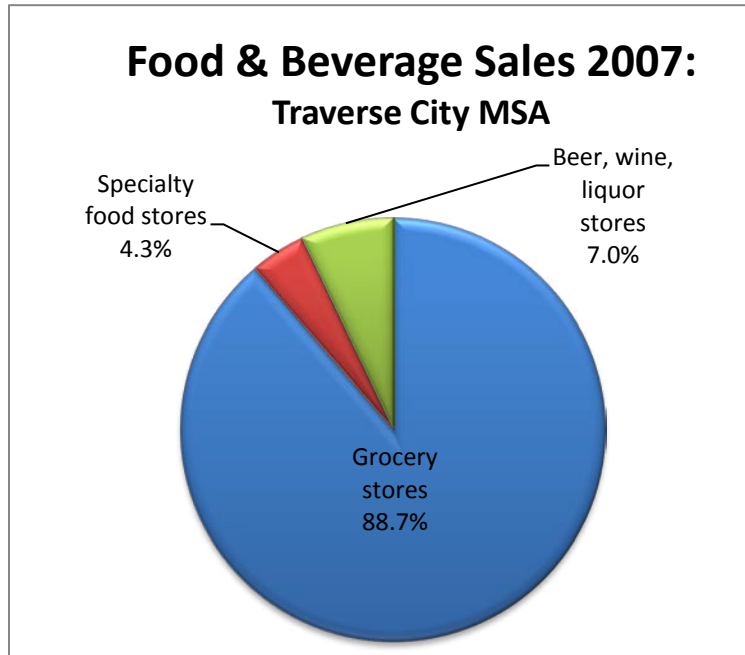


Based on sales, grocery stores dominate the region's food and beverage sector. Grocery

⁴ Doug Krieger, "Northwest Michigan's Farm Factor: Economic Impacts, Challenges, and Opportunities," MLUI, 2009, p. 3.

stores represent 89% of sales with total sales of \$256.3 million and average per store sales of \$4.0 million. Specialty food stores represent about 4% of sales in total, total sales of \$12.3 million, and average store sales of \$534,000. Beer, wine and liquor stores make up the remaining 7% of sales.

Based on these gross sales, industry data from the Food Marketing Institute (FMI) was utilized to estimate how much food is purchased by grocery stores from its suppliers annually.⁵ According to research conducted on the supermarket industry by FMI, grocery and perishable items represent 87.1% of store sales. Based on gross supermarket sales in the Traverse City MSA, supermarkets in the region sell approximately \$223.3 million worth of food. Using the industry's average gross margin of 29.3%, regional supermarkets buy \$157.9 million worth of food from their suppliers each year.



According to FMI, perishables account for 50.6% of a typical supermarket's sales. Using the standard gross margin of 29.3%, supermarkets in the region buy about \$91.7 million worth of perishable products from their suppliers. The following chart shows an estimate for the sales and wholesale purchases for each perishable category for grocery stores in the MSA, rounded to the hundred-thousand:

⁵ Food Marketing Institute, "Supermarket Sales by Department – Percent of Total Supermarket Sales" at <http://www.fmi.org/docs/facts-figures/grocerydept.pdf?sfvrsn=2> and "Marketing Costs" at <http://www.fmi.org/docs/facts-figures/marketingcosts.pdf?sfvrsn=2>

Supermarkets	% store sales*	Sales	Gross margin**	Wholesale purchases
Perishables	50.6%	\$ 129,700,000	29.3%	\$ 91,700,000
Produce	10.8%	\$ 27,800,000	29.3%	\$ 19,700,000
Dairy	8.7%	\$ 22,400,000	29.3%	\$ 15,800,000
Meat/Fish/Poultry	13.1%	\$ 33,500,000	29.3%	\$ 23,700,000
Bakery - in store	2.0%	\$ 5,100,000	29.3%	\$ 3,600,000
Baked Goods	3.2%	\$ 8,100,000	29.3%	\$ 5,700,000
Deli - Service	3.3%	\$ 8,500,000	29.3%	\$ 6,000,000
Deli - Self service	1.3%	\$ 3,400,000	29.3%	\$ 2,400,000
Frozen foods	6.7%	\$ 17,300,000	29.3%	\$ 12,200,000
Floral	0.2%	\$ 500,000	29.3%	\$ 400,000
*Source:	http://www.fmi.org/docs/facts-figures/grocerydept.pdf?sfvrsn=2			
**Source	http://www.fmi.org/docs/facts-figures/marketingcosts.pdf?sfvrsn=2			

MVI interviewed representatives from several prominent local grocery chains, including the owner of Oleson Markets, a produce merchandiser from Tom’s Grocery Stores, and the general manager of Oryana Food Coop. All three of these stores have noted rising consumer demand for locally grown products and have made purchasing from local sources a priority.

Oleson Markets has five stores and, like Tom’s, uses Spartan Foods as a principal distributor and marketing partner. The stores are geographically dispersed and there is no central commissary or distribution/trucking system between the stores. Oleson’s has developed relationships with farmers in the region, some longstanding, to supply products directly to their stores. However, without an internal distribution system, a farmer’s products can only be sold to the stores where he delivers. Oleson’s has its own herd of American Bison, started by the current owner’s grandfather. The animals are processed on the farm and sold exclusively at its stores. Oleson’s has found that local foods are not price sensitive and consumers have maintained demand as prices have risen.

Tom’s has six stores in the region, each approximately 35-40,000 square feet. They currently work with 8-10 farmers and are looking to expand their local program, particularly with more efficient delivery of local foods. Tom’s has a truck that circulates between the stores so a farmer can drop at one store and the products can be distributed to the others.

Oryana Coop is strongly committed to local food producers, particularly certified organic growers. They define local as the five county region. The Coop’s annual sales are approximately \$11 million and it purchases about \$1.2-1.5 million of fresh food each year. The manager noted that demand for local meat has grown rapidly. Oryana currently buys 12-20 head of cattle per year from five different farmers. Several chefs mentioned that they buy local products from Oryana because they receive a 16% discount. This can be cheaper than buying the products directly from the farmer. In this way Oryana is functioning like a “food hub” today.

All three supermarket representatives expressed support for the Regional Market. Their ideas for utilizing the facility included:

- Oleson's felt that locally grown **frozen** items would be in high demand, with a portion of their customers preferring out-of-season locally grown frozen foods to imported fresh products. They also noted a sometimes tight supply of **local meat and eggs**.
- Oryanna's expressed interest in a **hanging room** to store and age beef; there might also be some interest in butcher facilities since there is inadequate room for this at the store.
- Tom's expressed interest in **cold storage** items that could extend the availability of seasonal products, as well as more **leafy greens**.

The larger supermarket chains in the region, including Walmart and Michigan-based Meijer's, are also committed to local foods. The scale of their operations might make them less likely to utilize the Regional Market directly, particularly because Building 58 cannot accommodate semi trailers. They might be interested in carrying products that are produced or stored in the Regional Market, though.

Restaurants and Resorts

According to the 2007 Economic Census, the Traverse City MSA includes 320 restaurants (NAICS 722) with annual sales of \$203,221,000. The region has a number of high quality, independent restaurants that are committed to sourcing and utilizing locally grown items. The region also has several large resorts with major catering and special event operations.

Assuming food costs of 30%, these restaurants purchase approximately \$61.0 million in food each year. Of this, produce is likely to be about 20% of food purchasing (\$12.2 million) and meat is likely to be about 40% (\$24.4 million).

The restaurants want consistent access to local foods and many have developed direct relationships with farmers, who make regular deliveries to the restaurants. They like the direct interaction with farmers and the potential of finding new and unusual products. Those interviewed use Cherry Capital Foods, a recently established local foods distributor, to augment the products they buy directly from regional farmers.

Several of the restaurateurs expressed interest in meat-related facilities at the Regional Market, including an **aging room for curing meat** and a place to make **charcuterie**.

The region includes several resorts that have large food service operations. The largest, the Grand Traverse Resort and Casino, has food sales of \$10-14 million per year. Based on a 30% average food cost, the resort purchases \$3.0-4.2 million worth of food each year.

According to the director of food and beverage at the Crystal Mountain Resort and the executive sous chef at Grand Traverse Resort, the principal barriers to purchasing more local foods are the large volumes needed (particularly for banquets) and prices. They are willing to pay a little more for higher quality foods and are committed to local purchasing. The Grand Traverse Resorts' new ISO 14001 designation includes a local purchasing mandate of 5%.

The resorts see opportunities for education programs directed at guest at the Regional Market, perhaps tied into a culinary tourism package. Their customers are interested in local foods and are looking for unique experiences while on vacation.

The resort chefs expressed interest in charcuterie, local meats and cheeses, and access to local produce. They recognize that storage at the Regional Market could be important for produce. The resorts might also be interested in creating a line of specialty food products that carry the resorts' label.

Institutions

The project team identified several public and nonprofit institutions that are potential purchasers or project partners for the Regional Market, including area school districts, colleges, hospitals, and prisons.

Schools

Traverse City Area Public Schools is the largest public school district in the region, serving 1.3 million meals and purchasing about \$2.5 million in food each year. The district has 22 schools spread over three counties and, according to the food service director, food is served in 20 of the facilities. All of the facilities have operating kitchens although the staff currently does limited scratch cooking. The district does not operate a central commissary and does not have its own trucks to transport products between schools.

One of the major challenges facing food service directors is the low purchasing budget per meal served. The food cost for breakfast is currently \$0.79 per meal and the food cost for lunch is \$1.32. The district is pursuing grants to provide an additional 10 cents per meal that will be used to purchase foods from local sources. The director estimates that 3-4% of the foods purchased come from local sources.

The food service director identified **fresh greens** as a product he would like to purchase year-round from local sources. Another product of interest would be **frozen vegetable blends**.

Benzie County Central Schools and the **Frankfort-Elberta Area Schools**, which share a food service director, have an aggressive program to buy local foods. Total food service purchasing for the two districts equals about \$1.9 million. According to the food service director, she purchases 40 products from area farmers, including all local milk and 25% of her meat. Among the 3,000 children in the district, the schools feed 70-75% daily. She attributes the high participation to the use of local foods.

The Regional Market's cold storage and food processing potential could benefit these school systems. At present, the food service director of Benzie County purchases locally grown products at low prices during peak season and then freezes or processes those items in her school kitchens for use later in the school year. The Regional Market could be used to expand this practice if the cost of cold storage is not prohibitive.

Other food service directors in the region, including the directors from **Glen Lake Community Schools** and **Leelanau School District** who were interviewed, are attuned to the farm to school movement and would like to increase the amount of local foods in their meal programs. The small size of each district and the low food budgets make this challenging.

Traverse Bay Area Intermediate School District is the largest of 57 ISDs in the state with 16 independent K-12 districts that serve 24,000 students. The superintendent of the TBA ISD noted that healthy children and a strengthened economy are two primary concerns of the

organization. He would like to see fresh fruits and vegetables in every school district and more focus on healthy foods. The ISD does not do its own food service but rather contracts with Traverse City Area Public Schools to serve their 550 students (the ISD directly serves students with disabilities).

TBA ISD runs a culinary arts program for high school students at their facility by the Traverse City airport. The program is popular and there are currently 40 students on the waiting list. The superintendent expressed strong interest in **expanding the culinary arts program** at the Regional Market.

TBA ISD also runs Ace One and Two, education and training programs for mildly cognitively impaired young adults up to 26 years old. The superintendent was interested in exploring how these students could be engaged with food production at the Regional Market. The ISD can provide transportation and oversight.

Colleges

The Great Lakes Culinary Institute at Northwestern Michigan College prepares students for entry-level chef and kitchen management positions with a culinary arts program that is designed to be completed in 18 months. Located on the Great Lakes Campus, the Institute has four culinary labs and a 90 seat training restaurant. The program currently serves about 250 full time students and graduates about 30 students each year. According to the director of purchasing, the Institute has outgrown its current facilities.

The Culinary Institute aspires to be a leader in the local foods movement and aims to purchase 50% of its food ingredients from local sources; the director of purchasing estimates they are currently over 20%. They define “local” as grown in Michigan. The Institute currently buys from several national/regional food service companies, including Gordon Food Service, SYSCO, and Superior, as well as Cherry Capital Foods and directly from some farmers for herbs. SYSCO in particular has made a strong effort to source produce from Michigan.

Annual food purchasing is approximately \$300,000 for both the culinary arts program and the Haggerty Center catering facility downstairs. The Culinary Institute shuts down during the summer and students do internships, so there is limited demand for products during a significant portion of the local harvest season.

When considering the issues of purchasing more local products, one major concern is product consistency. The director of purchasing had a bad experience with local beef and it has made him more careful about depending on untested local sources.

Despite this experience, **proteins** are seen as the biggest opportunity for additional local purchasing. The Institute teaches charcuterie but the current kitchen is very small and can only accommodate 12 students. The Culinary Institute expressed some interest in holding **charcuterie or butchering classes** at the Regional Market. Another opportunity could be **cheese making and aging** at the Regional Market.

Since the Culinary Institute has outgrown its current space, the school would be interested in exploring additional **space for teaching, food production, and storage**. At the same time, there is currently a hiring freeze at the college so it is unlikely to expand.

Hospitals

Munson Medical Center, the largest employer in the region with nearly 4,000 employees, is located adjacent to the Commons at Grand Traverse. Munson is a community-owned hospital and operates six facilities around the region.

The cafeteria, which is operated under contract by Sodexo, serves 3-4,000 meals daily for employees and about 1,000 meals daily for inpatients (the hospital has 420 beds). Prices for employees are kept low; the highest priced option is a \$5.99 meal at the cafeteria's "Innovation" area, which is where local ingredients are utilized when available. The total food purchasing budget is about \$4 million.

Munson signed the Michigan Hospital Association pledge for purchasing at least 20% of their food from Michigan sources. This medical center purchases predominately from Gordon Food Service under a national food contract with Trinity Health. GFS provides a detailed report that identifies where their food comes from. Previous efforts to purchase foods directly from farmers led to some disappointments. Furthermore, Sodexo is very focused on food safety and traceability, as well as receiving products that minimize labor costs in the kitchen.

The hospital's vice president overseeing food and nutrition expressed openness and interest in being involved with the Regional Market but did not see clear linkages with their food service program. One potential area of involvement is with education: the hospital has eleven dietitians on staff and is expanding its employee wellness program.

Prisons

Pugsley Correctional Facility holds about 1,300 prisoners at their facility 25 miles southeast of Traverse City in Kingsley. Based on this population, they serve about 1.5 million meals annually. The total food purchasing budget is about \$1 million.

According to the correctional facility's food service director, they make buying locally grown or produced food a priority but do not have particular goals. The facility also produces food at its own farm, providing 20,000 lbs of produce annually for local food banks.

Food manufacturers

According to the 2007 Economic Census, the Traverse City MSA includes 25 food manufacturers (NAICS 25) with annual sales of \$447,686,000. This includes branches of large national manufacturers such as Sara Lee Baking Group and Coca Cola Bottling Company, some large local companies such as Leelenau Fruit Company which processes local fruit (primarily cherries), as well as many smaller firms.

Northwest Michigan has a number of successful specialty food producers and a growing body of wine makers. One interviewee currently represents 40 local specialty food producers and sells their products on-line at the web site www.MiFarmMarket.com. He said that all the food producers make their products in certified commercial kitchens. They anticipate growing to 80 producers soon. Based on his knowledge, access to certified commercial kitchens has not prevented local businesses from production.

Many people get involved with the specialty food business with little or no background in food production or marketing. The owner of one of the region's larger specialty food businesses

expressed concern that some kitchen incubators provide kitchen space for exceedingly low rental rates, which leads to distorted initial product pricing and unrealistic expectations about the real cost to run a successful specialty food manufacturing business once a business “graduates” from the incubator.

Emergency food providers

The Northwest Food Coalition is an umbrella organization for the five county region’s food pantries, soup kitchens, emergency shelters, and community meal programs such as Meals on Wheels. The coalition operates under the auspices of the Northwest Michigan Community Action Agency.

Food Rescue of Northwest Michigan is a three year-old program that distributes foods donated by 150 businesses to nearly 70 pantries within the five county region. Food Rescue operates as a program of Goodwill Industries of Northwest Michigan. They operate three refrigerated trucks and have three drivers. Major retailers such as Walmart, Sam’s Club, and Target donate surplus or about-to-expire products to Food Rescue for distribution. The trucks also visit local farms to pick up surplus products.

Goodwill has its own certified commercial kitchen which was originally intended for educational purposes. However, they found that nutrition education needs to take place at the schools or food pantries where low income families are visiting already.

Generally, the trucks pick up and deliver to the pantries or feeding programs on the same day. However, Food Rescue has need for pallet-friendly cold storage, which they could rent. The program director identified the need for **eight pallets of storage space**.

The Fresh Food Partnership is a small program that seeks to provide fresh foods to area pantries while supporting local farms. This year they purchased \$50,000 worth of foods from 30 farmers at fair market prices and distributed 60,000 lbs of produce. They operate with local grants and fundraisers. The organization does not have its own trucks so relies on farmers to deliver, although the office is used as a pick up space at times.

Cold storage is recognized as an issue for many food pantries, which are mainly in churches. The cost of energy is seen as a major barrier to maintain cold storage.

Conclusion

The following chart summarizes the major food buyers in the region and quantifies, where possible, the approximate amount being spent on food:

Category	Name	Meals served/year	Sales	Annual food purchasing	Annual fresh food purchasing
Institutions	TC Public Schools	1,300,000		\$2,500,000	
Institutions	Leelanau Public Schools	63,000		\$100,000	
Institutions	NWM College - Culinary Institute			\$300,000	
Institutions	Munson Hospital - cafeteria, patient	1,600,000		\$4,000,000	
Institutions	Pugsley Correctional	1,400,000		\$1,000,000	
Retailers	Grocery stores TC MSA		\$256,259,000	\$158,000,000	\$90,000,000
Retailers	Specialty food stores TC MSA		\$12,277,000	\$6,800,000	
Restaurants	TC MSA - NAICS 722		\$203,221,000	\$61,000,000	\$36,600,000
Food manufacturing	TC MSA - NAICS 311		\$447,686,000	\$116,000,000	
TOTAL				\$349,700,000	

While the demand for food is not a fixed number (a growing population increases demand; consumers can devote more or less of their wealth to food), these figures provide a reasonable approximation of the dollars flowing through the local food economy. Since there is about \$350 million of food being purchased in the region each year, the Regional Market need only capture a small percentage of the trade occurring in the region to be economically successful. Each sector explored above offers potential demand for products created or distributed from the Regional Market. Consumers are demanding more locally produced foods and the region's institutions, retailers, and restaurants are all seeking to buy more local foods. At the same time, there are numerous established and emerging competitors who are seeking to provide local foods to their customers.

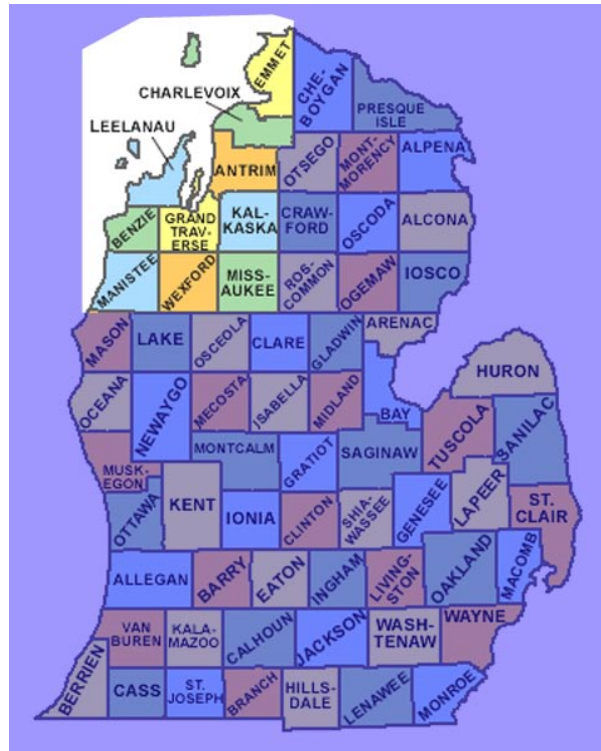
Supply Analysis

The supply analysis examines the sources of product that could be sold or produced at the Regional Market and the interest of farmers and food producers to utilize a Regional Market. This analysis looks at a ten county region around Traverse City, the area of which is less than a 50 mile radius from the center. The map on the right highlights the region and the chart below lists each of the ten counties, their size in square miles, and population.

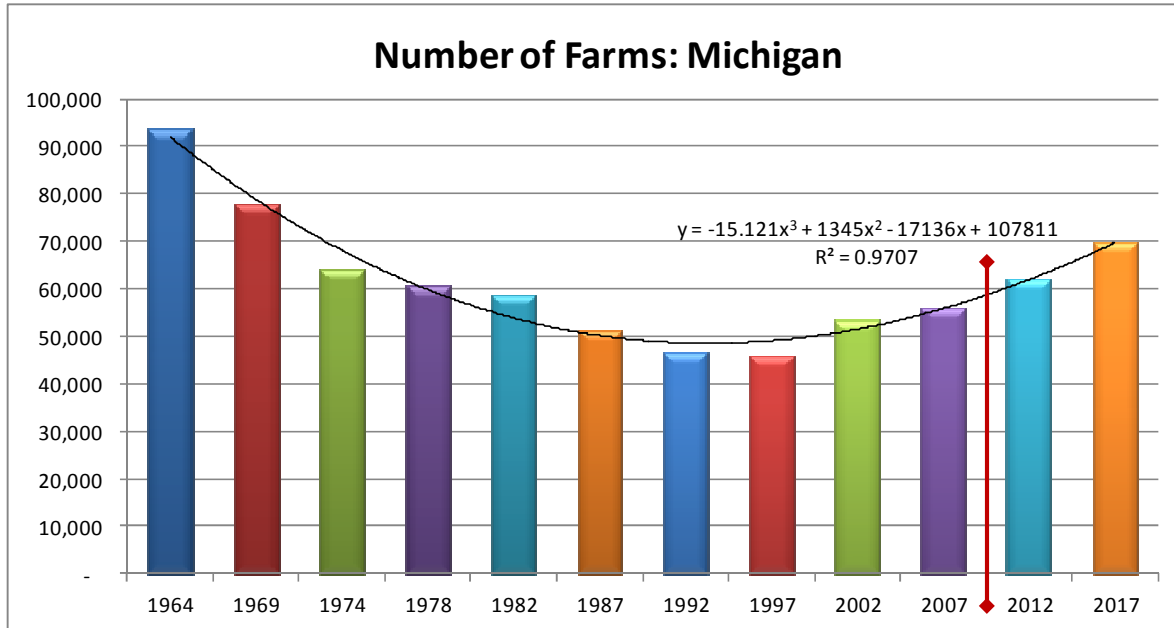
Regional farmers

Michigan has experienced a stunning reversal in the number of farms operating around the state. The chart labeled “Number of Farms: Michigan” shows the quinquennial Census of Agriculture counts between 1964 and 2007. The chart also shows projections for 2012 and 2017 based solely on the embedded polynomial trend line that fits the data quite closely.

After decades of decline, the number of farms bottomed out in the mid-1990s and has been climbing consistently since then. In part, these numbers could be affected by recent improvements in the counting of small farms but there have certainly been increases, particularly among smaller farms that utilize direct marketing outlets such as farmers’ markets and community supported agriculture. If these trends continue, the number of farms in Michigan will increase to nearly 70,000 by 2017, levels last experienced in the early 1970s.

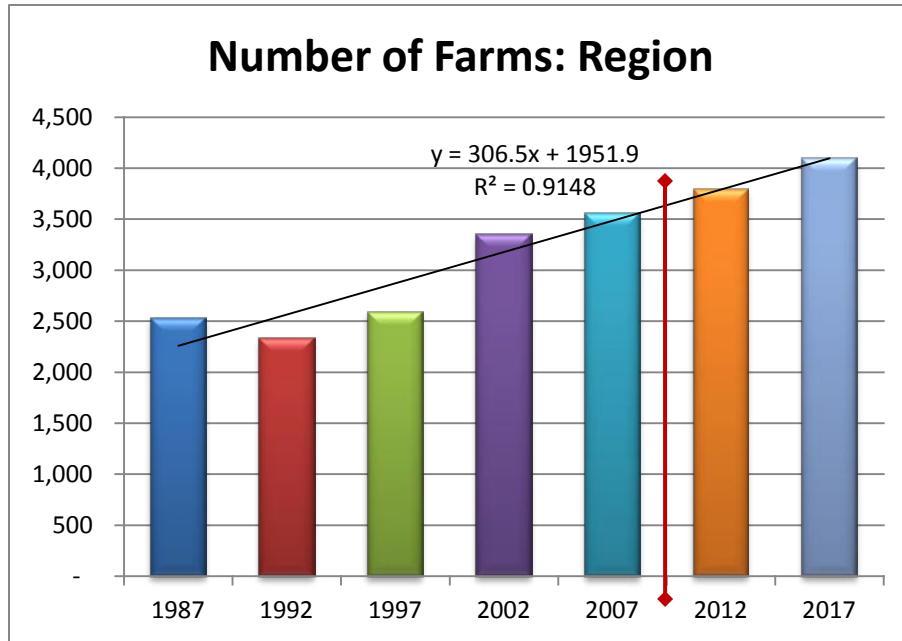


County	Sq. Miles	Population
Antrim	476	23,580
Benzie	320	17,525
Charlevoix	416	25,949
Emmet	467	32,694
Grand Traverse	464	86,986
Kalkaska	560	17,153
Leelanau	347	21,708
Manistee	542	24,733
Missaukee	565	14,849
Wexford	565	32,735
Total	4,722	297,912
Radius if area a circle	38.8	



Within the ten-county region there has also been a rapid increase in the number of farms. As of the 2007 census, there were over 3,500 farms in the region, up from a low of 2,400 in 1992. Using a (conservative) linear regression analysis starting in 1987, the number of farms can be expected to increase to about 4,200 in 2017 if present trends continue.⁶ One factor that will influence the continuation of this trend is the availability of marketing opportunities that will provide sales outlets for these farmers.

⁶ www.agcensus.usda.gov/Publications/2007/Full_Report/Volume_1,_Chapter_2_County_Level/Michigan

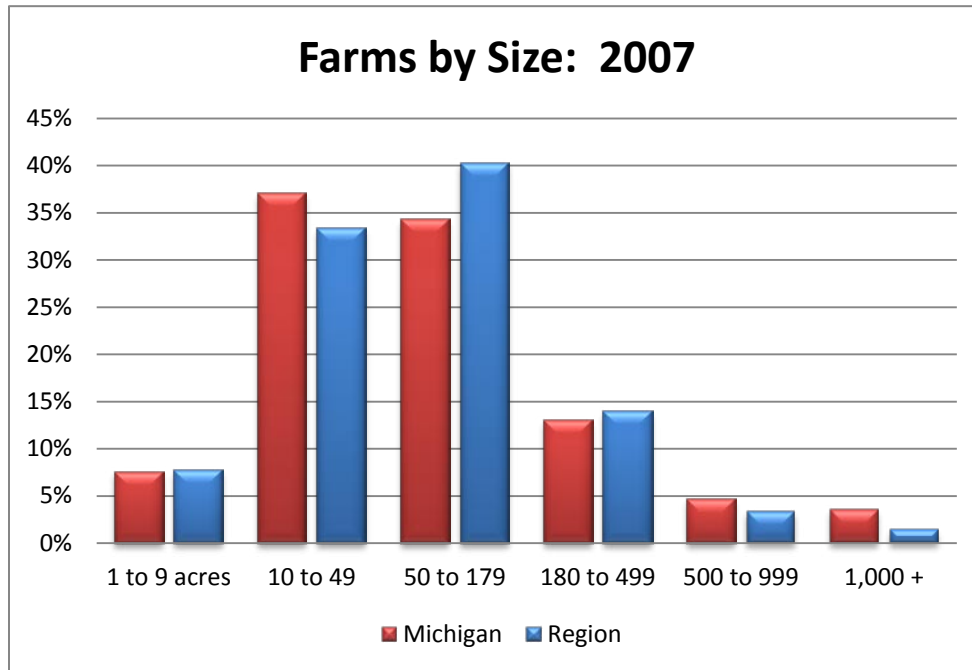


Not only has the number of farms increased, but the market value of products sold has increased substantially, as well. The change has been faster within the region than the state as a whole, although the average sales per farm within the region are about one-half the state's average:

Market Value of Agriculture Products Sold (\$1,000)		
	Michigan	Region
2007	\$ 5,753,219	\$ 193,739
2002	\$ 3,772,435	\$ 120,020
Change (2002-2007)	52.5%	61.4%
Average per farm 2007	\$ 102,710	\$ 51,188
Average per farm 2002	\$ 70,757	\$ 33,788
Change (2002-2007)	45.2%	51.5%

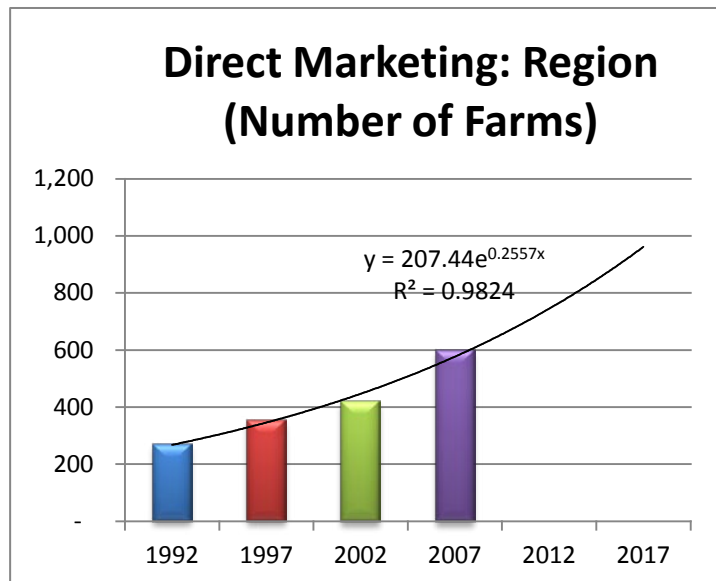
While the number of farms and the value of agricultural products have both increased, the land in farms dropped between 2002 and 2007 by about 24,000 acres (5% of the region's total). However, the land in farms had increased by about 33,000 acres between 1997 and 2002 so the net effect over the ten year period was a small (2%) increase of about 9,000 acres. Land for vegetable production increased significantly between 2002 and 2007, from 2,600 acres in 2002 to 5,500 acres in 2007, while the number of farms growing vegetables grew from 173 to 227 in this five year period. The number of farms with land in orchards and the acreage both increased between 2002 and 2007, from 575 farms and 34,779 acres in 2002 to 662 farms and 37,041 acres in 2007.

The region has more midsize farms proportionally than the rest of Michigan (50-179 acres) and very few large farms (more than 500 acres). These small to mid-size farms are more likely to need direct and local marketing infrastructure than large farms.



Agriculture is more important to the region than it is to the economy of the state overall. In 2002, agriculture accounted for 2.4 percent of all sales in the six-county region around Traverse City compared to 0.6 percent statewide, making agriculture **four times more important** to this region.⁷

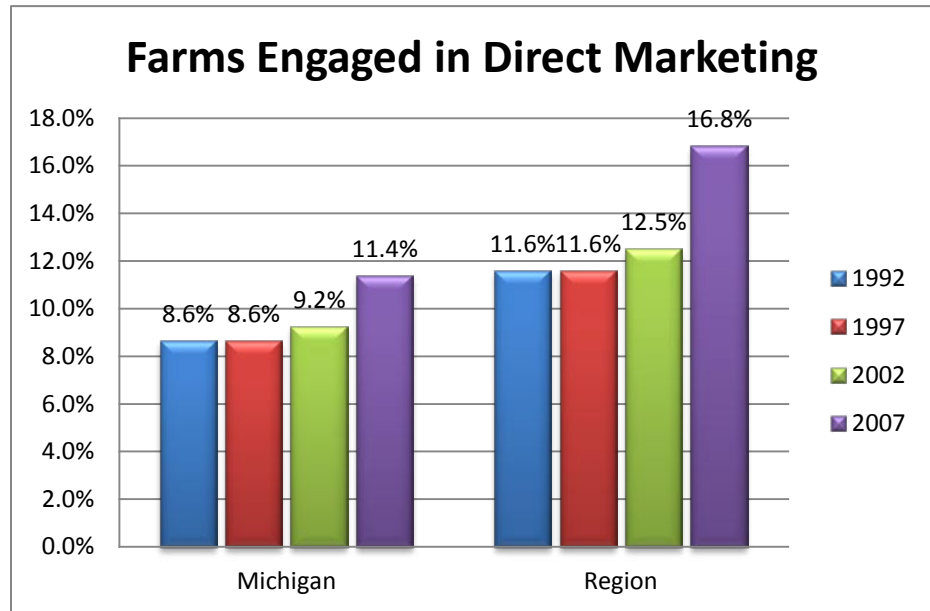
In 1992, USDA began tracking **direct marketing**, which it defines as “agricultural products sold directly to individuals for human consumption.” Direct marketing channels typically include farmers’ markets, U-pick operations, farm stands, and community supported agriculture (CSAs). Many farmers who engage in direct marketing are the type of small, retail oriented farmers who participate in public markets. 598 farmers in the ten county region reported direct marketing in 2007, up from 419 farmers in 2002 and



⁷ “Northwest Michigan’s Farm Factor” MLUI, February 209, page 17.

353 in 1997. The chart entitled “Direct Marketing: Region (Number of Farms)” shows the consistent increase in the number of farms in the region who participate in direct marketing. Based on the exponential trend line within the graph, there will be **364 additional farmers** in the region engaged in direct marketing by 2017, or nearly 1,000 farmers in the region doing some type of direct marketing. The trend line fits the data closely but with only four data points its predictive power is limited. The growth of farmers’ markets in the region suggests that future growth is expected. Conversely, this trend could be curtailed without new facilities, such as the Regional Market, to help farmers efficiently market their products year round and more days per week.

The percentage of farmers who utilize direct marketing is higher in this region than Michigan as a whole. The chart labeled “Farms Engaged in Direct Marketing” shows the percentage of farms in the region who report some amount of direct marketing. By 2007, 11.4% of Michigan farms in were engaged in direct marketing, while 16.8% were doing so in the Grand Traverse region.



In addition to the growth in the number of farmers doing direct marketing, there has also been significant increases in direct marketing sales. In 2007, farmers in the region reported direct marketing sales of \$4.4 million. Based on recent trends, this number should more than double by 2017.

Thirteen farmers from the region were interviewed individually and in focus groups to hear their perspectives on the Regional Market. The farms ranged from very small start-ups to multigenerational medium-sized farms. Some of the comments made by the farmers include:

- Need place to process larger harvests
- Might use the Regional Market to make value added products to expand their CSA share offerings, tool for tourism market
- Interest in cold storage, perhaps CSA pick up
- Need stronger Winter Market
- Interested in full-service processing facility (with on-site staff that makes products for them)

- Perhaps create a food hub brand under which a number of farmers could sell their products
- Farmers have a variety of processing needs: IQF, dehydrating, oil seed press, syrups, vegetable washing

The farmers interviewed expressed a range of different interests in how they might utilize the food hub; there was not a consistent request for any particular functions. Some are interested in food aggregation and distribution, others in value added production, and some in retailing.

Conclusion

Agriculture is an important part of the region's economy. According to the data, the area is going through significant changes as the number of farms has increased and there is more vegetable production. Many farms in the region utilize direct marketing and, based on recent trends, direct marketing sales will continue to increase sharply in the near future. This trend might slow down if there are not additional ways to market products directly to consumer, such as expanded winter market options or growth in farmers' markets.

The farmers interviewed expressed strong interest in the Regional Market but had many different perspectives about how it could help their business.

Comparable Facilities

There are no single facilities within the ten-county region that have the range of functions or programs as envisioned for the Regional Market. However, there are facilities and programs that share some characteristics or components of the Regional Market. This section of the report seeks to identify and describe these comparable facilities.

Farmers' markets

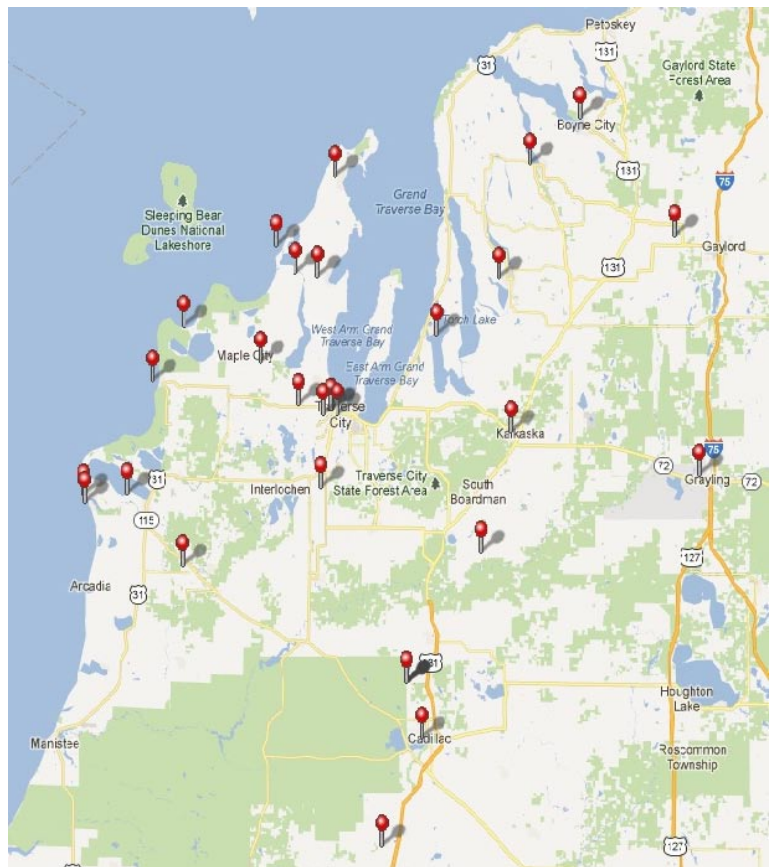
According to the USDA online database, there are 30 farmers' markets operating within 50 miles of Traverse City; the location of these markets can be seen on the map right.

Within Traverse City are the Sara Hardy Downtown Farmers' Market and The Village Farmers' Market. Sara Hardy is located on a parking lot across from Clinch Park in the downtown and sponsored by the Downtown Development Authority. The market operates on Saturdays from mid-May through October from 7:30 am until noon. Interviewees noted that the Market is full with farmers and very popular with consumers. The current site cannot be expanded and there is not adequate parking adjacent to the site.

The Village Farmers' Market operates on Friday afternoons from 2-6 pm in the open space between the Mercato building and Building 58 in an area referred to as the Piazza. According to interviewees, this market is less crowded than the downtown farmers' market and it has about a dozen vendors. The site does not have visibility from a busy road and parking is limited.

At the end of the outdoor season the Village Farmers' Market transitions to an indoor Winter Market, which takes place in the hallways of the Mercato, which is the building to the east of the Piazza. This site requires vendors to off-load all of their products and bring them into the building. There are typically only a few farmers selling fresh food at the Winter Market.

Key informants noted that there is more consumer demand for outdoor farmers' markets than the existing markets can supply.



Shared processing kitchens

There appear to be numerous commercial kitchens in the area being used to make specialty food products, including various kitchens that accommodate start-up producers on a rental basis. A new facility recently opened in the downtown. The state agency that regulates commercial kitchens does not keep records of joint-use facilities.

There is no formal kitchen incubator program in the region and some producers travel to Hart, Michigan to participate in The Starting Block, which is over 100 miles away.

Some food producers interviewed who have their own facilities expressed concern about the fairness of a publicly funded kitchen that might compete with their business.

Local food distribution

Locally grown foods are currently distributed by a number of large and small distributors. The biggest firms in the business, including Gordon Food Service and SYSCO, have programs to identify and promote their local growers, and provide information to buyers about which products they buy come from local farms or businesses. The region is served by independent food distributors based outside of the region, such as R. Hirt from Detroit, who carry a range of Michigan-grown and products sourced from national and international locations.

Cherry Capital Foods, based in Traverse City, was established in 2007 and works with farmers and food producers located only in Michigan. Many of the restaurants, resorts, retailers, and food manufacturers interviewed use Cherry Capital Foods for at least a part of their product sourcing. Cherry Capital has expressed interest in participating in the Regional Market and its leadership has been actively involved in the planning process.

Cold storage

The large fruit packing businesses, such as Leelanau Fruit Company, have significant cold storage capacity. One specialty food manufacturer mentioned that he buys thousands of pounds of fruit from the packing houses and they will store the product for months, allowing him to draw down from his purchase as needed. They charge \$0.01 per pound per month for every month the frozen fruit is stored by them.

Culinary and nutrition education

The Great Lake Culinary Institute at Northwestern Michigan College provides a range of cooking classes for professional and lay people. They provide ServSafe classes for food service workers and teach about HACCP.

Munson Medical Center employs 11 dieticians on staff. At one time the hospital had a demonstration kitchen but it was not adequately utilized and was eventually converted to another use. Hospital management suggested that Munson staff could be available to teach classes at the Market.

Regional Market Components

Development principles

Based on the project's goals as well as the research and analysis, the following principles are suggested to guide the development of the Grand Traverse Regional Market:

1. The Regional Market needs to be **diverse and flexible**. Due to the diversity of what is grown and produced in the region, the facility should accommodate many different forms of storage and processing. Furthermore, these needs will change over time so the Market should be designed for flexibility to meet the evolving needs of the regional food system.
2. Development of the Regional Market should be **phased**, not all designed and constructed at once. This will allow new elements of the project to be created as demand warrants and as capital dollars become available. Since the region's needs will likely change over time, phasing will allow emerging ideas to have space in the facility.
3. The Regional Market must be **operationally self-sufficient**. Following a reasonable start up period, income derived from the facility should cover all costs of operation. The Market should not rely on grant income or other forms of external subsidy.
4. To provide stability, the Market should be designed with **income from multiple sources** including kitchen and storage rental, office rent, and classes helping to support programs and provide low entry costs for start-ups and farmers.
5. The Regional Market should be infused with an **entrepreneurial attitude and approach**. The facility needs to attract entrepreneurs as users and be run by entrepreneurs who create, innovate, and invest their time and capital.
6. The Regional Market should play a role in **increasing access** of fresh local food to low-income, underserved regional residents.
7. The Regional Market should **complement and not conflict** with other Village functions.
8. Where possible, the Market should **leverage resources and partnerships** with organizations and programs within the region.

Program elements

Based on these development principles and the research findings, the initial development program is proposed to include the following components. These represent a partial build-out of Building 58, allowing more development in future phases:

1. **Storage/aggregation/distribution**. The research found demand for refrigerated and freezer storage at the Regional Market. Goodwill Industries needs space for eight pallets. The public schools expressed interest in storing products at the Regional Market as did one retailer and the resorts. Having multiple cold storage rooms allows different rooms to be maintained at different temperatures and humidity levels so products can have ideal storage environments.

2. **Food production and processing. Charcuterie and other meat processing**, including a smoker, generated the most enthusiasm and interest among potential facility users, including restaurant owners and resort chefs. This dovetails with the increased focus on pastured beef at MSU Extension's Lake City Research Center and increasingly sustainable beef production practices. Oryana expressed interest in doing some butchering at the Regional Market and storing products there.

A second area of interest is **specialty food production**. The resorts chefs expressed interest in developing their own line of bottled products as did several farmers.

There was interest expressed in a **commercial test kitchen**, where existing food producers could work on recipe development and scaling issues. This type of kitchen could be used for a variety of food processing or catering, and could function as a commercial test kitchen to support product commercialization for established food manufacturers.

While there are numerous licensed commercial kitchens in the region, there are no nearby **kitchen incubator programs** to support start-up entrepreneurs. The food processing kitchens could house an incubator program.

Interest was also expressed in washing/packaging/grading, dehydrating, and in IQF (Individual Quick Frozen) capabilities, as well as cheese production and aging, a grain mill, oil seed press, and mushroom production. A flexibly designed commercial kitchen could have space for all of these possibilities, or additional kitchen space could be added if tenants wish to rent space in Building 58 and fit out their own production areas.

Aquaponics could be integrated into Building 58. Aquaponics uses a symbiotic closed-loop system that cycles the same water between fish raised in tanks and plants raised in a water medium. The fish produce nutrients and CO₂ for the plants and the plants in turn purify the water and return oxygen to the fish. Interest has been expressed in creating an aquaponics business as part of the Regional Market. If a low cost source of warm water is available in the building (such as a heat loop system tied to a geothermal system), then the economics of an aquaponic system should be improved.

3. **Retail**. The ground floor of Building 58 faces significant challenges as a retail location, as described in the Facility Analysis, above. The best initial opportunities for retail at the Regional Market include expanding both the outdoor farmers' market and the indoor winter market rather than trying to create a daily permanent retail space within Building 58. The recommended approach is to create a new **farmers' market shed with removable or roll-up garage doors** in the open space between Pleasanton Bakery and Building 58. This approach will improve the existing outdoor farmers' market by making it easy for farmers to pull their trucks up to the shed and quickly begin selling, while providing protection for both farmers and customers during inclement weather. The winter market will be improved by removing it from the narrow corridors of the Mercato and making the Market visible and accessible at all times. The site is close enough that customers to the farmers' market are still likely to visit the Mercato as part of their shopping trip.

When the shed is not being used for the farmers' market, the space can be used for parking or special events.

Appendix E shows images of farmers' market sheds in other communities, including an historic shed in Kansas City that was successfully adapted with roll down glass garage doors.

Once the shed operates successfully, then the basement of Building 58 can be considered for retail space in a future phase.

4. **Education and events.** Education includes both professional training (particularly for food manufacturers and food handlers) and programs for children and the general public. The Traverse Bay Area ISD expressed strong interest in expanding its culinary program and having regular classes for school-age students at the Regional Market. There was also interest among the resort chefs to have culinary tourism events or classes at the Regional Market. Key informants expressed interest in having a hands-on teaching facility with multiple cooking stations. A demonstration kitchen could be built with adjustable height cooking surfaces so the classes could accommodate young children up to adults (a facility of this type is currently under construction at the Grand Rapids Downtown Market, which will have six cooking stations and a teacher's station).
5. **Office.** A cluster of small office spaces within the Regional Market could accommodate food-related businesses; the offices should be complemented with meeting rooms and presentation spaces. Ideally, the offices will house public, nonprofit and private businesses that have some connection to the regional food system. According to the leasing staff at the Village, there is strong demand for small (500 square foot) office spaces that have shared meeting rooms and offer support services.

Based on these programmatic opportunities and the spaces available within Building 58, an initial development approach is:

Function	Location	Area
Office	Entire third floor	8,100
Education	Partial second floor	3,000
Kitchen 1 & 2	Second floor	5,200
Storage rooms (7)	Second floor	3,280
Farmers' market shed	Exterior	5,000
Total		24,580

Another 8,000 sf could be devoted to an aquaponics operation, most likely using space in the basement.

The square footages will need to be refined as part of a program refinement and schematic design process but this provides an initial starting place for feasibility assessment purposes.

Organization

The organizational functions of a public market can be divided into three main categories: ownership, sponsorship, and management. These roles can be summed up as follows:

- **Owner:** the owner of the real property and facilities.
- **Sponsor:** the entity with legal and fiduciary responsibility for the public market. The sponsor works to ensure that the market meets its defined goals and that it operates in a business-like and financially prudent manner. The sponsor is typically responsible for setting policies, legal compliance, and overseeing management, as well as playing an important role in community and government relations, including partnership development.
- **Management:** management is responsible for operating the market on a daily basis. Management staff enforces market rules, recruits vendors and oversees leasing, oversees property management (stall assignment, cleaning, security), performs marketing and oversees educational activities, maintains good vendor and customer relations, works with project partners, and is responsible for financial management.

While the organizational functions can be divided into three distinct categories, in practice these functions can be done by three different entities, by one entity, or any combination thereof. Furthermore, there are examples of public markets around the country where each of these functions are performed by public, nonprofit or private sector entities.

Ownership

Building 58 is currently owned by the Minervini Group. They have expressed flexibility about different possible ownership structures and do not necessarily need to maintain ownership of the building.

An important consideration when determining ownership is access to development capital. Some funding sources will require the owner to be a private entity while others will require it to be a tax exempt nonprofit. It is worthwhile to postpone the decision about ownership until the project is further along and a financing plan is determined. Whatever structure is eventually selected, the owner should be willing to adopt the development principles described above.

Several farmers recommended that the business model should require investment by facility users in order to secure their serious participation. The ownership structure should consider different ways that facility users could make investments, whether in leasehold improvements or equipment purchasing, or through direct investment in the entire facility.

Sponsorship

The sponsor provides the consistent and long term leadership that will drive the Regional Market's success. The sponsoring organization should have the following characteristics:

- Ability to develop and operate the Regional Market with a dual focus on profitability and accomplishing the Market's mission
- Entrepreneurial in its approach to creating new value and sparking business enterprise
- Have access to adequate resources to create a strong, successful facility and make changes and additional investments, if needed
- Be representative and accountable to the region's food system actors, including regional farmers
- Knowledgeable about food production, distribution and retailing

Given the range of public and private organizations that have come together to plan the Grand Traverse Regional Market, a nonprofit corporate form offers a legal structure that both reflects these characteristics and can have a board of directors with people from various organizations. A new nonprofit corporation can easily be chartered in Michigan with an initial set of directors. This is a prerequisite for seeking tax exempt status from the IRS. Other communities have experienced difficulty in receiving tax exempt status for public markets recently because the IRS has become wary of granting tax exemption to organizations that receive most of their income from operations (such as rent) rather than from donations or from public sources even if the organization has an educational intent or other public benefit.

A second option is to make the Regional Market a program of an existing tax exempt nonprofit. It is critical that the existing organization have a similar mission and entrepreneurial organizational culture, as well as financial stability, so as to avoid conflicts in the future.

Finally, the Regional Market could be owned and operated by a private company made up of participating investors and have a board that reflected broader community interests. The low-profit limited liability company (L3C) is a recently created form of business entity that is meant to bridge the gap between nonprofit and for-profit companies. The form is meant to allow Program Related Investments by foundations yet operate with fewer restrictions than a nonprofit.

Management

The Regional Market will require professional staff to run the facility. A lesson from other public markets is that robust management is a key determinate of long term success. Public markets, particularly in their early years, do not run themselves. However, the cost of quality management can be substantial, which makes the economics of running a public market profitably quite difficult.

The farmers' market and winter market at The Village is currently run by staff from the Minervini Group. Since they are already experienced in this area and are co-located in the complex, one option to explore is having the Minervini Group oversee the property management and retail portions of the project. A Facilities Manager (potentially a Minervini Group employee or contracted by the sponsoring entity) could then oversee the shared commercial kitchens, educational programs and facilities, and storage components of the Regional Market.

The Facilities Manager should have an entrepreneurial background and approach so he/she can be most empathetic and helpful with other facility users. The Facilities Manager could be compensated, in part, by free use of the kitchens and storage facilities, in exchange for

running the facility and mentoring other users.

The ideal candidate to manage the Regional Market will have the following characteristics:

- Experience with food procurement, handling, manufacturing and processing, particularly in a business start-up/entrepreneurial setting
- Experience with farmers' markets, marketing, and property management
- Ability to develop good rapport and trust with farmers and small business owners
- Ability and willingness to enforce rules
- Financial management skills
- Strong communications skills that range from individual relationships with Regional Market participants and members of the public to the board of directors and media
- Ability to guide and motivate staff
- Ability to develop and lead partnerships with government, nonprofits, and area businesses
- Passion for supporting small businesses, farming, and food

The following staff positions are needed at the Regional Market. The cost of management has been estimated using comparable Traverse City wage estimates from the US Department of Labor, Bureau of Labor Statistics.

- Facilities Manager is a full time position. The salary is estimated at \$48,000 per year. Annual mean wages for Property, Real Estate, and Community Association Managers (Occupation code 11-9041) is \$41,010 and Food Service Managers (code 11-9051) is \$48,700.
- Farmers' Market Manager is paid \$15 per hour for 14 hours for each market day,
- Marketing/Education Coordinator (part-time) is budgeted at \$20,000 per year. Annual mean wages for Public Relations Specialists (Occupation code 27-3031) is \$51,550.
- Maintenance (part time) is budgeted at \$16,500 per year. Annual mean wages for Maintenance Workers, Machinery (Occupation code 49-9043) is \$33,240.
- Cleaning is budgeted at \$37,000 per year (1.5 FTE). Annual mean wages for Janitors and Cleaners (Occupation code 37-2011) is \$24,690.
- Bookkeeper (part time) is budgeted at \$17,000 per year. Annual mean wages for Bookkeeping, Accounting, and Auditing Clerks (Occupation code 43-3031) is \$33,840.

The chart below shows all the market personnel, with a total first year cost of \$207,717. By the fifth year, with a 3.0% annual raise and the addition of a second farmers' market day, the total personnel cost rises to \$243,627:

Personnel	
Facilities Manager	\$48,000
Marketing Coordinator (PT)	\$20,000
Farmers' Mkt Manager	\$10,920
Maintenance (PT)	\$16,500
Cleaning	\$37,000
Bookkeeper (PT)	\$17,000
Fringe benefits	\$37,355
Payroll tax	\$14,942
<i>Subtotal</i>	\$201,717

This analysis assumes that the Regional Market pays benefits for all employees at 25% of salary.

Financial Analysis

To be considered feasibility, all costs of operating the Regional Market need to be paid for by income to the facility. The following business model provides estimates of income from each of the Market's program elements, as well as expenses needed to operate the facility in a professional manner.

Income

Farmers' market shed

The following chart shows estimates for income from farmers selling at the proposed farmers' market shed. This model assumes farmers pay 5% of their gross sales in rent, a model used successfully at other farmers' markets around the country.

Farmers	Year 1	Year 2	Year 3	Year 4	Year 5
Operating days/week	1	2	2	2	2
Sales - high #	4	5	5	6	6
Sales - med #	10	12	14	16	18
Sales - low #	16	18	20	22	24
Total farmers	30	35	39	44	48
Sales - high \$	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126
Sales - med \$	\$600	\$624	\$649	\$675	\$702
Sales - low \$	\$300	\$312	\$324	\$337	\$351
Total daily sales	\$14,800	\$18,254	\$20,880	\$24,779	\$27,811
Rent as % sales	5.0%	5.0%	5.0%	5.0%	5.0%
Total daily rent	\$740	\$913	\$1,044	\$1,239	\$1,391
Vacancy					
Jan-Mar	60%	70%	60%	50%	50%
Apr-Jun	50%	65%	55%	45%	35%
Jul-Sep	15%	30%	20%	10%	0%
Oct-Dec	50%	65%	55%	45%	35%
Rent					
Jan-Mar	\$ 3,848	\$ 7,119	\$ 10,857	\$ 16,106	\$ 18,077
Apr-Jun	\$ 4,810	\$ 8,306	\$ 12,215	\$ 17,717	\$ 23,500
Jul-Sep	\$ 8,177	\$ 16,611	\$ 21,715	\$ 28,992	\$ 36,154
Oct-Dec	\$ 4,810	\$ 8,306	\$ 12,215	\$ 17,717	\$ 23,500
Total	\$ 21,645	\$ 40,341	\$ 57,001	\$ 80,532	\$ 101,230

The farmers' market shed can also accommodate craft vendors and prepared food vendors. The income assumptions for these classes of vendor include:

Crafts/Nonfood					
	Year 1	Year 2	Year 3	Year 4	Year 5
Operating days/week	1	2	2	2	2
Participants	10	11	12	12	12
Average daily sales	\$400	\$412	\$424	\$437	\$450
Rent as % sales	6.0%	6.0%	6.0%	6.0%	6.0%
Average rent/stall	\$24	\$25	\$25	\$26	\$27
Vacancy					
Jan-Mar	50%	70%	60%	50%	40%
Apr-Jun	35%	50%	40%	30%	20%
Jul-Sep	15%	30%	20%	10%	0%
Oct-Dec	25%	40%	30%	20%	10%
Rent					
Jan-Mar	\$ 1,560	\$ 2,121	\$ 3,178	\$ 4,091	\$ 5,057
Apr-Jun	\$ 2,028	\$ 3,535	\$ 4,766	\$ 5,728	\$ 6,742
Jul-Sep	\$ 2,652	\$ 4,949	\$ 6,355	\$ 7,364	\$ 8,428
Oct-Dec	\$ 2,340	\$ 4,242	\$ 5,561	\$ 6,546	\$ 7,585
Total	\$ 8,580	\$ 14,847	\$ 19,860	\$ 23,729	\$ 27,812

Prepared Food					
	Year 1	Year 2	Year 3	Year 4	Year 5
Operating days/week	1	2	2	2	2
Participants	4	6	6	7	7
Average daily sales	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126
Rent as % sales	10.0%	10.0%	10.0%	10.0%	10.0%
Average rent/stall	\$100	\$103	\$106	\$109	\$113
Vacancy					
Jan-Mar	70%	80%	70%	60%	50%
Apr-Jun	25%	40%	30%	20%	10%
Jul-Sep	15%	30%	20%	10%	0%
Oct-Dec	30%	45%	35%	25%	15%
Rent					
Jan-Mar	\$ 1,560	\$ 3,214	\$ 4,965	\$ 7,955	\$ 10,242
Apr-Jun	\$ 3,900	\$ 9,641	\$ 11,585	\$ 15,910	\$ 18,436
Jul-Sep	\$ 4,420	\$ 11,248	\$ 13,240	\$ 17,899	\$ 20,484
Oct-Dec	\$ 3,640	\$ 8,837	\$ 10,758	\$ 14,916	\$ 17,412
Total	\$ 13,520	\$ 32,939	\$ 40,548	\$ 56,680	\$ 66,574

Total	Year 1	Year 2	Year 3	Year 4	Year 5
Vendors	44	52	57	63	67
Rent	\$ 43,745	\$ 88,128	\$ 117,409	\$ 160,941	\$ 195,616

Total rent revenue grows from about \$44,000 in year one to \$195,000 in year five as the days of operation increase from one to two, the number of vendors increases, and sales increase. While feasible, this will require an aggressive effort to market the facility to both vendors and customers during this period.

Office rental

The third floor is envisioned as 500 square foot office suites. Based on 8,100 of gross area and 70% efficiency, there is 5,670 square feet of leasable area. Assuming rent is \$23.50 per sf (the median between the range of \$22-25 suggested by the Minervini Group), then total rent is \$133,245 in year one. Vacancy is assumed to be 40% in year one and drops to 15% by year five.

Shared kitchen rental

Assuming the two proposed shared kitchens are accessible 24 hours per day, then there are 1,440 hours of rentable time in the kitchens. In year one, hourly rent is budgeted at \$15 per hour and the occupancy rate is assumed to be 40%. The occupancy rates increase each year:

Shared commercial kitchen	Year 1	Year 2	Year 3	Year 4	Year 5
Hours per month	1,440	1,440	1,440	1,440	1,440
Occupancy rate	40%	45%	50%	55%	60%
Fee/hour	\$15.00	\$15.00	\$16.00	\$16.00	\$17.00
Income per year	\$103,680	\$116,640	\$138,240	\$152,064	\$176,256

Cold storage rental

Two types of cold storage are proposed: shared cold storage, where a user would rent space within a cooler or freezer by the square foot and not pay utility costs directly, and entire cold storage rooms, where the user would have her own room but would pay utility costs directly. This model suggests that 1,230 of shared cold storage be created and 400 sf of freezer.

The going rate for shared storage in Traverse City is \$15 per pallet per month for dry storage, \$20 for cold storage and \$25 for freezer, plus a \$20 in/out fee charged up front. Since a pallet is about 14 square feet (48” by 42”), the corresponding rates per square foot per month are \$1.07, \$1.43, and \$1.79. The chart below uses \$2.50 per sf per month for cold storage and \$4.00 per sf per month for freezer as an approximate of the local rates:

Shared cold storage rental	Year 1	Year 2	Year 3	Year 4	Year 5
Cold storage square feet	1,230	1,230	1,230	1,230	1,230
Freezer storage square feet	400	400	400	400	400
Monthly fee per sf cold storage	\$2.50	\$2.50	\$2.75	\$2.75	\$3.00
Monthly fee per sf freezer storage	\$4.00	\$4.00	\$4.25	\$4.25	\$4.50
Occupancy rate	40%	50%	60%	70%	80%
Income per year	\$22,440	\$28,050	\$36,594	\$42,693	\$52,704

A similar calculation is done for businesses that want to rent an entire cold storage space and pay the cost of utilities directly:

Cold storage rental	Year 1	Year 2	Year 3	Year 4	Year 5
Cold storage square feet	1,230	1,230	1,230	1,230	1,230
Freezer storage square feet	420	420	420	420	420
Monthly fee per sf cold storage	\$1.50	\$1.50	\$1.75	\$1.75	\$2.00
Monthly fee per sf freezer storage	\$1.75	\$1.75	\$2.00	\$2.00	\$2.25
Occupancy rate	30%	35%	45%	55%	65%
Income per year	\$9,288	\$10,836	\$16,160	\$19,751	\$26,559

Education

The economic model assumes the Regional Market will provide classes to facility users:

Education	Year 1	Year 2	Year 3	Year 4	Year 5
Classes per year	24	24	26	26	28
Students per class	15	15	16	16	17
Rate per class	\$75	\$75	\$75	\$80	\$80
Income per year	\$27,000	\$27,000	\$31,200	\$33,280	\$38,080

The Regional Market could also rent space to an educational organization, such as the TBA ISD, and the educational tenant could use the shared education and food production facilities on a part time basis.

Operating expenses (exclusive of rent)

The largest expense facing the Regional Market is labor (discussed above). The other major costs include utilities, waste hauling, and repair.

To estimate utilities, the model includes 20,000 sf of common area at \$2.25 per year, or \$45,000, plus the cost of operating 1,630 sf of shared cooler and freezer. According to industry standards, a 10x12 foot cooler will use 1,410 KWH/month and, based on TCPL cost per kilowatt hour of \$0.1035, the annual operating cost is \$1,752, or \$14.60/sf. The cost to operate a 10x12 foot freezer is \$5,052/mo or \$42.10/sf. Applying these costs per square foot to the 1,630 sf of shared cooler and freezer, the utility cost per year is \$34,797. These numbers could be significantly reduced with a geothermal system, which would benefit not only the Market but all of its users who pay for utilities directly.

Key operating expenses include:

Building 58	Year 1	Year 2	Year 3	Year 4	Year 5
Market operations					
Maintenance/repair	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
Personnel	\$201,717	\$222,953	\$229,641	\$236,531	\$243,627
Telephone/Web	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
Professional/legal fees	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753
Supplies	\$12,000	\$12,360	\$12,731	\$13,113	\$13,506
Utilities	\$79,797	\$82,191	\$84,657	\$87,196	\$89,812
Waste removal	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753
<i>Subtotal</i>	\$320,514	\$345,314	\$355,673	\$366,343	\$377,334

Profit and Loss Statement

Putting the income and expenses together, the following spreadsheet shows that the Market should break even in year three with \$25,000 set aside for an operating and capital reserve each year. This model assumes that there is no debt service on the real property or costs for any equipment in the facility.

Building 58	Year 1	Year 2	Year 3	Year 4	Year 5
Rental Income					
Outdoor market	43,745	88,128	117,409	160,941	195,616
Registration fees	2,800	3,325	4,070	4,625	5,460
Office rental	79,947	93,272	108,728	115,523	117,789
Shared kitchen rental	103,680	116,640	138,240	152,064	176,256
Cold storage - shared	22,440	28,050	36,594	42,693	52,704
Cold storage rental	9,288	10,836	16,160	19,751	26,559
Education	27,000	27,000	31,200	33,280	38,080
Gross Operating Income	288,900	367,250	452,400	528,877	612,463
Bad Debt Expense	8,667	11,018	13,572	15,866	18,374
Adjusted Gross Income	280,233	356,233	438,828	513,010	594,090
Operating Expenses					
Market operations	\$320,514	\$345,314	\$355,673	\$366,343	\$377,334
Insurance	\$18,000	\$18,540	\$19,096	\$19,669	\$20,259
Property tax	\$0	\$0	\$0	\$0	\$0
Marketing/Education	\$25,000	\$26,000	\$27,040	\$28,122	\$29,246
<i>Subtotal</i>	\$363,514	\$389,854	\$401,809	\$414,134	\$426,839
Net Operating Income	(\$83,281)	(\$33,621)	\$37,019	\$98,876	\$167,250
Capital reserve	\$25,000	\$25,000	\$25,000	\$30,000	\$30,000
Profit (Loss)	(\$108,281)	(\$58,621)	\$12,019	\$68,876	\$137,250

Key assumptions and notes:

Building 58	Year 1	Year 2	Year 3	Year 4	Year 5
Vacancy - office	40%	30%	20%	15%	15%
Base rent increase	0%	0%	2.0%	2.0%	4.0%
Bad debt expense	3.0%				
Market operations					
Maintenance/repair	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
Personnel	\$201,717	\$222,953	\$229,641	\$236,531	\$243,627
Telephone/Web	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
Professional/legal fees	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753
Supplies	\$12,000	\$12,360	\$12,731	\$13,113	\$13,506
Utilities	\$79,797	\$82,191	\$84,657	\$87,196	\$89,812
Waste removal	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753
Subtotal	\$320,514	\$345,314	\$355,673	\$366,343	\$377,334
Personnel					
Facilities Manager	\$48,000	\$49,440	\$50,923	\$52,451	\$54,024
Marketing Coordinator (PT)	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510
Farmers' Mkt Manager	\$10,920	\$22,495	\$23,170	\$23,865	\$24,581
Maintenance (PT)	\$16,500	\$16,995	\$17,505	\$18,030	\$18,571
Cleaning	\$37,000	\$38,110	\$39,253	\$40,431	\$41,644
Bookkeeper (PT)	\$17,000	\$17,510	\$18,035	\$18,576	\$19,134
Fringe benefits	\$37,355	\$41,288	\$42,526	\$43,802	\$45,116
Payroll tax	\$14,942	\$16,515	\$17,010	\$17,521	\$18,046
Subtotal	\$201,717	\$222,953	\$229,641	\$236,531	\$243,627
Annual raise	3.0%				
Fringe benefits	25%				
Payroll taxes	10%				
Utilities					
	SF	Rate/year	Total		
Common area	20,000	\$2.25	\$45,000		
Shared cooler & freezer	1,630		\$34,797		
Total			\$79,797		
Property Taxes					
		\$0.00	\$0		
Waste hauling/Recycling					
		Monthly fees	Total		
		\$500.00	\$6,000		
Expense inflator	3.0%				
Marketing inflator	0.0%	4.0%	4.0%	4.0%	4.0%

Benefit analysis

Development of the Grand Traverse Regional Market as proposed in Building 58 will bring a number of tangible benefits to the Village at Grand Traverse Commons, to Traverse City, and to the Lower Northwest Michigan region. These include:

1. **Creation of new businesses and support for existing farmers and food businesses.** The two proposed shared commercial kitchens will be available to a range of potential users, including start up and existing businesses. Based on the rapid growth of specialty food producers in the region and the emerging interest in value-added production in meat, dairy, and other sectors, there is likely to be strong interest in using these facilities. Assuming the typical user rents a kitchen for eight hours per week, the two kitchens have the capacity to serve 42 businesses each month. Based on the projected occupancy rates, the facility will serve 17 businesses in year one (40% occupancy rates) and increase to 25 businesses by year 5 (60% occupancy rate).

New businesses will also be created because of the farmers' market shed. The number of vendors (including farmers, crafters, and prepared foods) is estimated to grow from 44 in year one to 67 in year five.

2. **Sales of locally produced foods.** Sales at the Regional Market will occur at both the retail and wholesale level. Based on the projections for the farmers' market, retail sales are estimated at \$711,000 in year one when the market operates one day per week and grow to \$3.1 million by year 5 with two days of operation and increased numbers of vendors.

The cold storage rental and the shared kitchens also support the sales of local foods. Assuming a specialty food producer creates \$150 worth of product each hour in the shared kitchen, the annual value coming from the kitchens will be \$1.4 million in year one. If the hourly value increases to \$200 by year 5, the kitchens will create \$2.07 million worth of product in year 5.

3. **Jobs.** Jobs will be created in all aspects of the Regional Market. Based on reasonable estimates for numbers of employees at each stall, the farmers' market will create 11.1 FTE jobs in year one and grow to 51.5 FTE jobs by year five. This accounts for only the time the vendors are at the market, not their employment at the farm or making items for sale.

Assuming two employees per shift using the shared kitchens, the kitchens will account for 7.7 FTE in year one and increase to 11.5 FTE in year 5.

Market management accounts for 3.7 FTE jobs. Assuming 3 jobs per 1,000 sf, the office space will account for 24.3 FTE jobs. The chart below summarizes all the jobs created at the Regional Market:

Jobs	Year 1	Year 2	Year 3	Year 4	Year 5
Farmers' market	11.1	20.2	30.0	39.1	51.5
Shared kitchens	7.7	8.6	9.6	10.5	11.5
Office	14.6	17.0	19.4	20.7	20.7
Management	3.7	3.9	3.9	3.9	3.9
Total	36.9	49.7	62.9	74.1	87.5

4. **Education and knowledge sharing.** Phase 1 includes 3,000 sf of education and special event space in the Market. This space can be designed to accommodate a wide range of users. For example, a “kitchen lab/demonstration kitchen” could have adjustable height cooking surfaces so they can be used by young children all the way through adults. Education and events can be used to engage the community, draw in partners such as Munson Hospital and TBA ISD, and support programs in the public schools.
5. **Social space for the community.** The proposed farmers’ market shed and the education spaces will help activate the open space at the Village and can be used for numerous functions in addition to the farmers’ market.

Conclusion and Next Steps

The feasibility study found both demand and supply for a variety of potential food production, storage and distribution functions with the Grand Traverse Regional Market, as well as office and education space. The potential buyers and sellers interviewed expressed considerable enthusiasm for the Market. Given the magnitude of food sales in the region, the Regional Market need only capture a small market share to be economically successful. Furthermore, the region's growing population and burgeoning interest in local foods provides significant opportunities to incubate and support food businesses within a new facility.

While there are no comparable Regional Market facilities in the area, many of the individual functions envisioned for the facility are taking place in other places at some level, so potential users must alter their current practices to use this facility. In other words, success is not a foregone conclusion because the Market will fill an absolute void, but rather the combination and clustering of functions offers an opportunity to create a successful facility, building off of the area's existing businesses and resources.

Building 58 offers a compelling location for the Regional Market because of its previous use as a food production and storage facility, the existence of the outdoor farmers' market and indoor winter market, and the strong support from the building's ownership and management. There appears to be adequate space in front of the building for a farmers' market shed, which can offer year-round selling opportunities to area farmers within a compelling new space. The location faces some challenges as well, including limited parking, lack of visibility from a major thoroughfare, and tight spaces for truck delivery. These challenges will need to be addressed if the project moves into the predevelopment phase.

Given the relatively small size of the region's economy and the uncertainty associated with any new venture, as well as the potential for emerging opportunities, the project should be developed in phases. This will reduce initial development costs and allow the facility to grow deliberately over time, responding to needs and opportunities as they emerge.

The proposed Phase 1 elements for the Regional Market include two shared commercial kitchens, seven shared and leasable cold storage and freezer rooms, a year-round farmers' market shed, education and event spaces, and a series of small offices or suites. This approach offers a range of income sources and reasonable initial scale for the facility. According to the financial analysis, the Regional Market should operate in the black by the third year. Income comes from multiple sources and no single source accounts for more than about one-third of the total.

The proposed functions will meet the goals of the Regional Market as described at the report's outset, which are to:

1. Raise income for the region's farmers and food producers
2. Increase availability and access to local foods for area consumers
3. Create a social space for the community
4. Create jobs
5. Encourage education and knowledge sharing

While a properly designed and equipped facility is needed to accomplish these goals, the

project's success will hinge on the people who run the Market. The report describes the qualities that make an appropriate sponsoring organization, including an entrepreneurial disposition and ability to meet both financial and social goals. The Market also needs strong day-to-day management. The plan includes a full-time facility manager plus part time assistance with marketing, farmers' market management, maintenance, cleaning, and bookkeeping. The facility manager could be a food producer who receives compensation, at least in part, from free or discounted use of the facilities, again helping to infuse an entrepreneurial spirit into the Market's operations.

The Regional Market will offer important, tangible benefits to the region, including support of the area's farmers and food producers in terms of value added production, marketing, and distribution. The shared commercial kitchen will help launch new businesses and the retail facilities provide low cost places to sell products within unique facilities. The educational facilities can serve school-age children, tourists, farmers, and others, including patients and professionals from the medical community. The office space can bring together businesses connected to food and create new synergies and business opportunities.

Next steps

Appendix F includes a matrix that highlights key tasks in developing a public market. The development process is divided into three phases: feasibility, predevelopment, and construction/pre-opening. Within each phase, the various planning and development tasks are divided into 10 areas. Each task evolves from one phase to the next.

This feasibility study covered most of the tasks associated with the feasibility stage. However, a few tasks were outside the scope of this study, including the development budget, project finance/fundraising, and the ownership structure. If the farmers' market shed idea is pursued, then there needs to be site planning, schematic design work, and costing done on that element during the feasibility stage.

As the plans for the Regional Market take form, it will be very helpful to develop Letters of Intent (LOIs) with potential tenants, including several of the organizations interviewed as part of this study who expressed strong interest in being involved with the Market. LOIs will show potential funders that the Market has tenants on-board and will reduce the development risk.

The planning team will need to decide how much of the development work can be done by committee members and what elements need to be hired out or will come from donated professional services (such as legal work). This will influence the size of the predevelopment budget and responsibilities for next steps.

Appendix A. Advisory Committee

1. Rob Serrine, Chair, MSU Extension
2. Brian Bourdages, Traverse City and Garfield Township Recreation Authority; Grand Traverse Regional Conservancy
3. Chip Hoagland, Cherry Capital Foods
4. Deb McKeon, North Sky Nonprofit Network
5. Diane Conners, MLUI
6. Don Coe, Black Star Farms
7. Eric Patterson, Cook's House Restaurant
8. Evan Smith, Cherry Capital Foods
9. Jim Bardenhagen, farmer
10. Jim Sluyter, Michigan Land Use Institute
11. Kim Pontius, Grand Vision
12. Laura McCain, Food & Nutrition Services, Munson Medical Center
13. Phil Franzo, Traverse City Area Chamber of Commerce
14. Raymond Minervini, Minervini Group
15. Susan Cocciarelli, MSU Center for Regional Food Systems; NWM COG
16. Tricia Phelps, Minervini Group
17. Wendy Wieland, MSU Extension and NLEA

Appendix B. Interviews

Category	Name	Organization
Developer	Raymond Minervini	Minervini Group
Developer	Tricia Phelps	Minervini Group
Educator	Dean Haselton	NMC Culinary Institute
Educator	Michael Hill	TBA ISD
Farmer	Jim Bardenhagen	Bardenhagen
Farmer	Don Coe	Michigan Ag Commission and Blackstar Farms
Farmer	Mark Coe	Calvin Lutz Farms
Farmer	Clay Couterior	Sweeter Song
Farmer	Ken Engle	Engle Ridge Farm
Farmer	Michelle Ferrarse	Birch Point Farm
Farmer	Marty Heller	Farmer
Farmer	Dan Hubbell	Hubbell Farm Partnership
Food producer/Distributor	Jeff Hughes	Brownfood Farms
Farmer	Pam Schmidt	Bardenhagen
Farmer	Gabriel Shaw	Farmer
Farmer	Bernie Ware	Ware Farm
Farmer	Sandee Ware	Ware Farm
Farmer	Nic Welty	9 Bean Rows
Food producer/Distributor	Jill Bentgen	Mackinac Straits Fish Co.
Food producer/Distributor	Ed Girrbach	Great Lakes Potato Chips
Food producer/Distributor	Jason Gollan	Baker and consultant
Food producer/Distributor	Gerard Grabowski	Pleasanton Bakery
Food producer/Distributor	Chip Hoagland	Cherry Capital Foods
Food producer/Distributor	Mark Morrison	Gordon Food Service
Food producer/Distributor	Kim Pontius	Suttons Bay Trading Company
Food producer/Distributor	Ann Robinson	Honeyboy Bob
Food producer/Distributor	Rod Robinson	Honeyboy Bob
Food producer/Distributor	Evan Smith	Cherry Capital
Food Service/Restaurant	Jeff Ales	Sodexo/Munson Healthcare
Food Service/Restaurant	Jen Blakeslee	Cook's House
Food Service/Restaurant	Gary Derrigan	TCAPS
Food Service/Restaurant	Renee DeWindt	Frankfort-Elberta Area Schools
Food Service/Restaurant	Guillaume Hazael-Massieux	La Becasse
Food Service/Restaurant	Kristin Kitley	Crystal Mountain Resort
Food Service/Restaurant	William Matthews	Grand Traverse Resort
Food Service/Restaurant	Laura McCain	Munson Medical Center
Food Service/Restaurant	Paul Olsen	Mission Management
Food Service/Restaurant	Eric Patterson	Cook's House
Food Service/Restaurant	Chris Podges	Munson Medical Center
Food Service/Restaurant	Al Schmidt	Amical Restaurant
Food Service/Restaurant	Sam Hybels	Glen Lake Community Schools
Food Service/Restaurant	Dave Ruszel	Leelanau School District

Category	Name	Organization
Nonprofit	Brian Bourdage	Joint Rec committee and GT Regional Conservancy
Nonprofit	Susan Cocciarelli	MSU/NWMCOG
Nonprofit	Diane Conners	MLUI
Nonprofit	Cassidy Edwards	Fresh Food Partnership
Nonprofit	Trish Fiebing	Food Rescue of NWM
Nonprofit	Leah McCallum	Goodwell Industries of Northern Michigan
Nonprofit	Debbie McKeon	Northsky Nonprofit
Nonprofit	Connor Miller	Grand Vision
Nonprofit	Mike Powers	SEEDS
Nonprofit	Jim Sluyter	MLUI
Nonprofit	Wendy Wieland	MSUE and many other organizations!
Other	Ben Bifoss	Traverse City
Other	Patty Cantrell	Regional Food Solutions
Other	Mike Estes	Traverse City
Retailer	Scotty Bruce	MiFarmMarket.com
Retailer	Mike Esch	Tom's Grocery Stores
Retailer	Steve Nance	Oryana Coop
Retailer	Brad Olsen	Oleson Markets

Appendix C. Building 58 Photographs



Building 58 Loading Dock



Building 58 Kitchen 1



Building 58 Kitchen 1



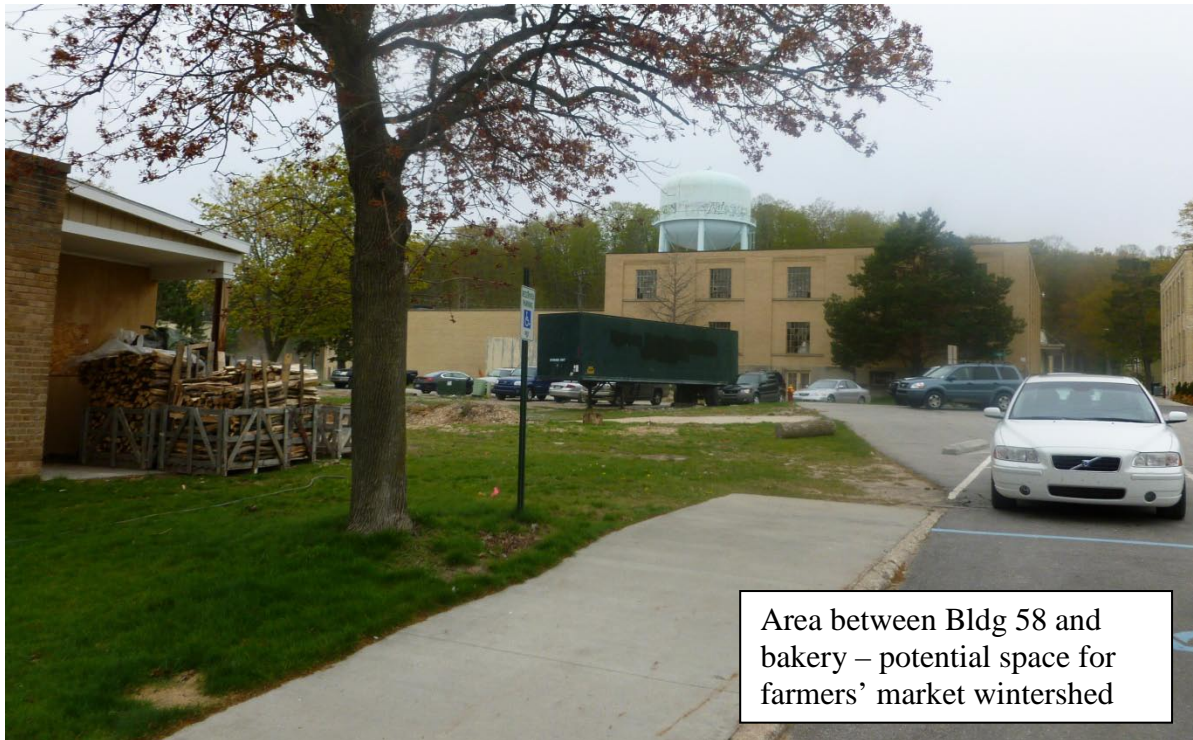
Building 58 Basement Entrance



Building 58 Top Floor

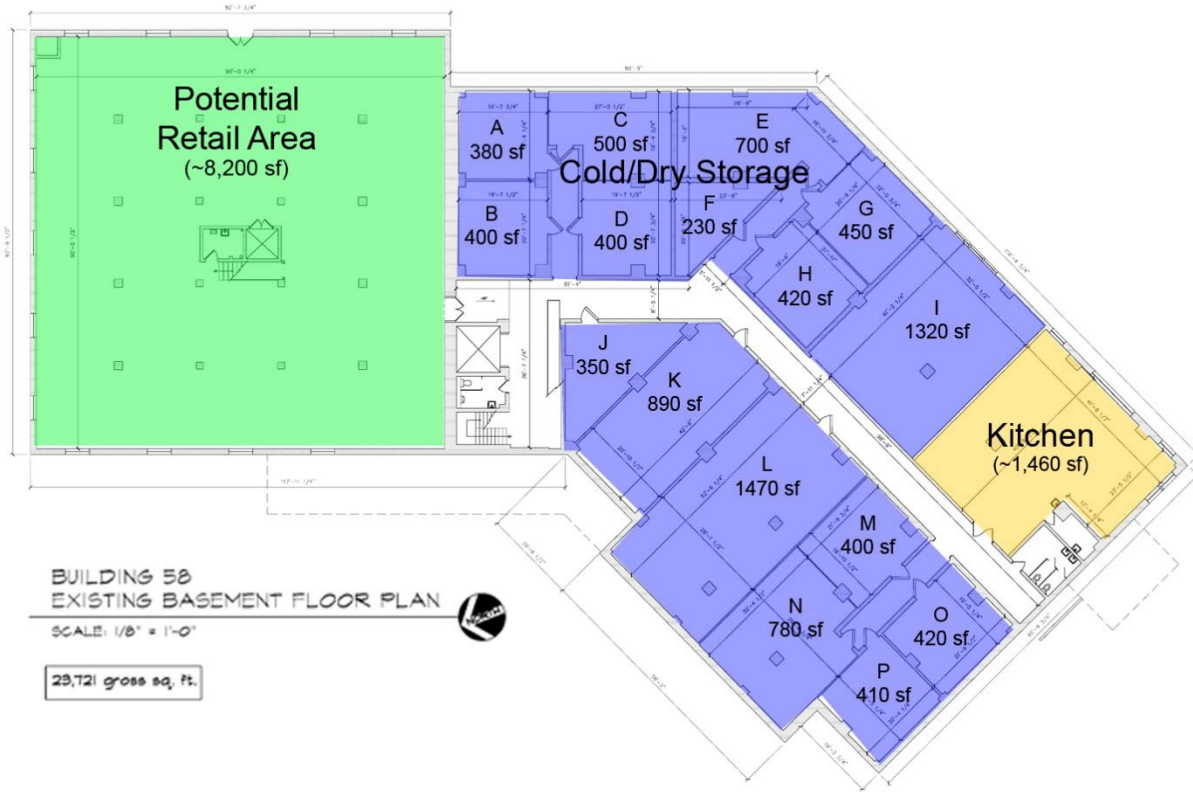


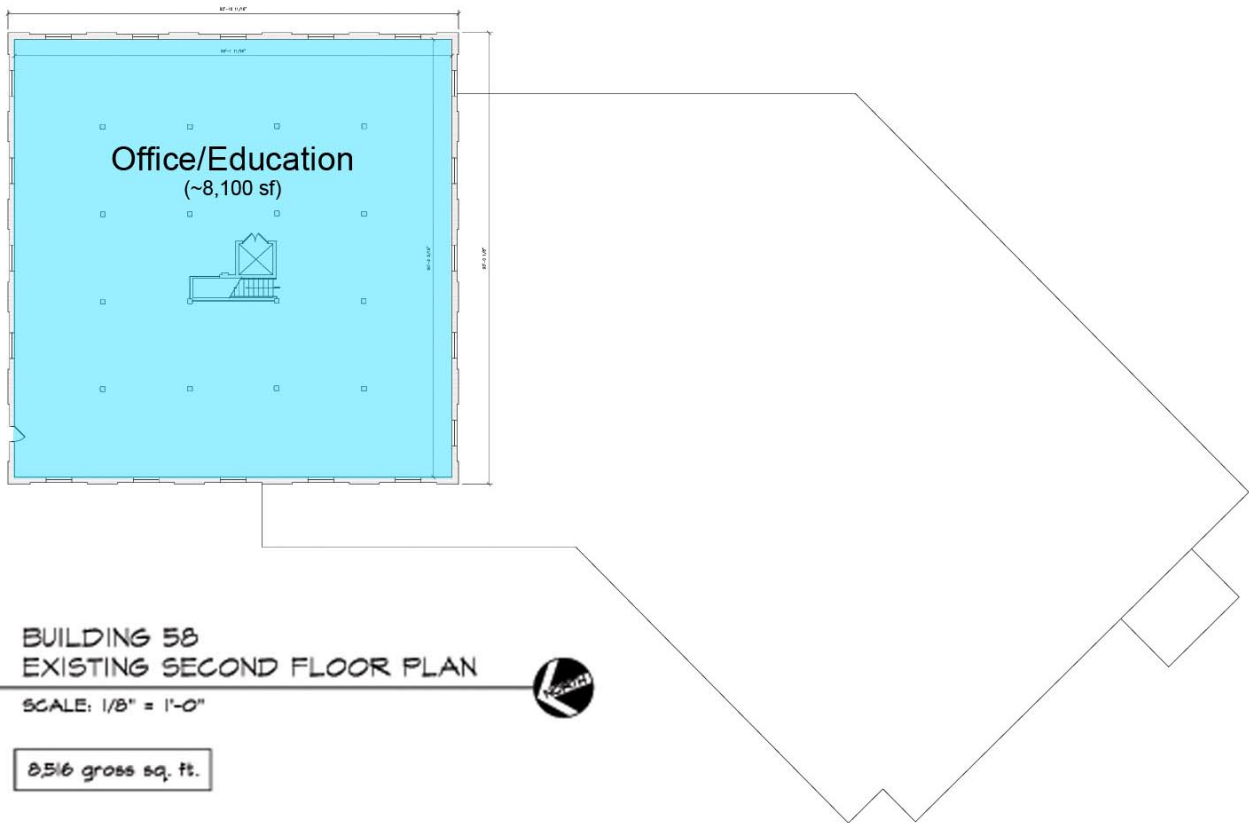
Building 58 behind Pleasanton Bakery



Area between Bldg 58 and bakery – potential space for farmers’ market wintershed

Appendix D. Building 58 Floor Plans





Appendix E. Farmers' Market Sheds



Findlay Market, Cincinnati



City Market, Kansas City



Mount Pleasant, SC

Appendix F: Public Market Development Phases

Tasks	Phase 1: Feasibility	Phase 2: Predevelopment	Phase 3: Construction/Preopening
1 Goals	Goal identification; assessment of potential impact	Goal refinement and adoption	Development of evaluation metrics
2 Marketing	Market research (demand analysis); sales potential	Public outreach; marketing strategy; creation of marketing materials (logo, web)	Marketing plan; grand opening plan
3 Program/ tenant mix	Vendor research (supply analysis); merchandising plan; identification of program elements	Tenant mix refinement; outreach to farmers and vendors; letters of intent; draft lease formulation; kitchen incubator planning	Leasing; stall design and merchandising; vendor training
4 Site	Site criteria; identification of viable sites	Site selection; procurement	Public approval process; Construction
5 Design	Schematic design concept; preliminary development budget	Architecture/engineering team selection; design development; development budget refinement	Construction drawings; tenant design criteria
6 Ownership & sponsorship	Ownership and sponsorship criteria; identify potential owners and sponsors	Organizational formation; board identification	Board orientation and training; policy formulation
7 Operations	Management plan; operating pro forma	Pro forma refinement; identify Market manager; draft Market rules	Create operating procedures; hire & train management staff; service contracts
8 Fundraising	Identify potential funders	Proposal development and solicitation; tax credits; secure funding	Additional fundraising, as needed
9 Partnerships	Identify potential partners	Partnership outreach and formulation	Partnership agreements/ implementation
10 Adjacent properties	Identification of key district issues (public streets; private property)	Strategy development	Strategy development and implementation