

**CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA**



Agenda Date:	February 6, 2023
Action Required:	Approve resolution
Presenter:	Chris Engel, Director of Economic Development, Yolunda Harrell - New Hill Development Corporation
Staff Contacts:	Chris Engel, Director of Economic Development Michael Rogers, City Manager
Title:	Appropriating funds in support of BEACON's Kitchen Project - \$500,000 (1 of 2 readings)

Background

New Hill Development Corporation (NHDC) is an African American-led nonprofit Community Development Corporation (CDC) formed in 2018 with the goal of strengthening the Black community in Charlottesville through financial coaching, entrepreneurial support, economic development and asset building. In 2019 NHDC conducted extensive community engagement as part of its process to create a Vision Plan for the Starr Hill neighborhood. Born out of that plan was the idea to create an incubator for Black-owned businesses. In 2020, NHDC began developing plans for the Black Entrepreneurial Advancement and Community Opportunity Network (BEACON). BEACON is a business incubator and accelerator to advance opportunities for Black entrepreneurs. Given the large number of restaurants and hospitality related entities in the Charlottesville area already, the decision was made to focus first on creating a shared-use commercial kitchen to be known as BEACON's Kitchen.

Discussion

Research has indicated that there is a robust local and regional food system centered around Charlottesville, supplied by over 4,500 local farming operations and covering 800,000 acres of vegetables, orchards, berries, and honeybees. However, there is no large shared-use commercial kitchens/processing facilities between Richmond and Roanoke where regional farmers can produce value-added products, avail themselves of co-packing services, and rent much needed dry, cooled, and frozen storage space. The absence of a fully equipped commercial kitchen facility is limiting regional farmers from increasing product production, manufacturing value-added products at scale, diversifying their product lines, and selling outside their local markets.

NHDC proposes to fill this gap by, renovating, and equipping a 11,300 square foot shared-use commercial kitchen serving restaurant, hospitality, as well as value-added producers in the area. The kitchen will include packaging equipment, as well as production equipment. When fully built out, it is expected that up to 16 food businesses will be able to operate simultaneously. NHDC has negotiated a long-term rental agreement at an ideal location for the kitchen in Kathy's Shopping

Center located at 221 Carlton Road in Charlottesville. While this project is led by the principals of NHDC, it is also supported by a strong team of pro bono professional advisors that include: an individual to serve as owner's rep during construction, an architect, a kitchen designer, a chef, a marketing and graphic design firm, a financial adviser, a grant writer as well as the Community Investment Collaborative and the Small Business Development Center. NHDC as a 501(c)3 nonprofit organization will oversee the project and operate the shared-use commercial kitchen.

BEACON's kitchen will be open to any interested member. However, analysis of other shared kitchens in Virginia indicates that 75% of its user-businesses will be owned by minorities and women. The kitchen will have 24-hour access and will use a monthly or hourly subscription model so that producers and small businesses can economically access just those services they need. This flexibility is important to producers with seasonal produce. It is also important for value-added product producers for whom developing a non-shared kitchen is cost prohibitive. Commercial real estate rental rates areas in Charlottesville are currently higher than many similar areas in the state and availability of space is very limited. It is estimated that using the BEACON model will save businesses approximately two-thirds of the costs associated with operating a stand-alone facility. We believe this approach will spur new value-added products, create new jobs, and develop additional markets for agricultural production in our area.

To better assess the impact of the facility, NHDC commissioned the Weldon Cooper Center at the University of Virginia to conduct an economic impact analysis. The study estimated that by the fifth year of operation 90 jobs would be created due to the facility and \$2.2 million local tax revenues would be generated annually as a result (Note: the study region included the City and the County of Albemarle and thus the revenues accrued solely to the City would be some portion of the total).

The funding needed to make this project a reality is estimated to be \$2.2 million. To date, this project has received early support from the Governor's DHCD Business Resurgence Award \$150,000 (October 2021), GO Virginia \$189,000 (June 2022), University of Virginia Economic Development \$10,000 (February 2022), Charlottesville Economic Development Authority pledge of \$25,000 matching funds for GO Virginia grant (June 2022 award), County of Albemarle Economic Development Authority pledge of \$25,000 for GO Virginia matching funds (June 2022 award), Letter of Commitment for a \$500,000 revolving loan from the Community Investment Collaborative (March 2022), Governor's Agriculture and Forestry Industries Development Fund – Infrastructure Grant Program with matching funds pledged by the Charlottesville Economic Development Authority of \$50,000 (December 2022) and \$200,000 in additional private pledges. The above amounts total over \$1.2 million, just over half of the estimated total needed for full funding. NHDC is actively seeking to raise additional funds to help close the funding gap. The Charlottesville Area Community Foundation is assisting. A funding commitment to the project by the City will be critical to unlocking additional grants as well as philanthropic funding. NHDC's operating pro forma for the kitchen includes sufficient working capital over the first five years to ensure the project stabilizes. Once stable the identified revenue streams are expected to cover expenses thus eliminating the need for ongoing financial support.

Staff believes this project has the potential to be transformative and should receive city support. It meets a recognized demand in a strong and growing sector of the economy. It promotes the opportunity for job and wealth creation particularly in the Black and minority business community. And it has a demonstrated positive return on investment to the City with an increase in business activity and local taxes generated.

Alignment with City Council's Vision and Strategic Plan

This action aligns with the Council's Vision for economic sustainability. This action aligns with the City Council's Strategic Plan Goal Four: A Strong Diversified Economy.

Community Engagement

The Vision Plan for the Starr Hill neighborhood had significant engagement from city residents, business leaders and local government representatives.

Budgetary Impact

There is no impact to the General Fund. What is proposed is a onetime investment with equal funding from the remaining ARP Revenue Recovery Contingency (\$250,000) and the City's Strategic Investment Account (\$250,000).

Recommendation

Staff believes this project represents a unique opportunity to grow the economy and assist in developing minority owned businesses. Should Council agree and wish to support the effort, staff recommends that the attached resolution signaling the City's intent to financially contribute to the project be approved and upon verification of similar support from private sources authorizes the City Manager to execute a grant agreement of up to \$500,000 with New Hill Development Corporation.

Alternatives

Attachments

1. Support of BEACON's Kitchen Project - RESOLUTION