

**APPLICATION FORM  
FINANCING FOR INDUSTRY PROGRAM**

**COMMUNITY INVESTMENT FUND  
THE HEADWATERS FUND OF HUMBOLDT COUNTY**

Use this form to begin applying for loan and/or grant project financing. Send or drop off two (2) copies of this application package to: Dawn Elsbree, Headwaters Fund Coordinator, 520 E Street, Eureka, CA 95501. Please also email this completed application to [delsbree@co.humboldt.ca.us](mailto:delsbree@co.humboldt.ca.us).

Before completing this form, you must read the *Overview and Application Instructions* for the “Financing for Industry Program” (available online at [www.theheadwatersfund.org](http://www.theheadwatersfund.org) under the Community Investment Fund section). It is strongly suggested that you contact the Coordinator in advance of submitting your application. Staff are available to guide you in the application process. As the Headwaters Fund is a public program, any funding application is available for review by the public.

Please type, word process (this form may be downloaded from our website) or print neatly.

**A. Applicant Information**

1. Date of application: October 13, 2010
2. Legal Name of Applicant: City of Arcata
3. Type of Applicant (specify City, Special District, Non-Profit, Joint Powers Authority, Assessment District, Redevelopment Agency, Mello-Roos Community Facilities District, or other (specify)): City of Arcata
4. Mailing Address: 736 F Street Arcata, CA 95521
5. Contact Person  
Name: Nicole Boyes Title: Redevelopment Project Coordinator  
Address (if different): \_\_\_\_\_  
Phone: 707-825-2036 Fax: 707-825-2042  
e-Mail: nboyes@cityofarcata.org

**B. Project Summary**

6. Name of Project: Foodworks Culinary Center Expansion Plan
7. Location/Address of Project (attach site map if applicable): 100 Erickson Court – See Attachment D
8. Brief Description of Project Seeking Headwaters Funding: Foodworks Culinary Center; Expansion of 9 monthly rental spaces, purchase and installation of a freezer/cooler, and a new hourly rental kitchen.
9. Project Start Date: February 31<sup>st</sup> 2010 10. Project End Date: June 30<sup>th</sup> 2012

11. Period grant will cover: Construction season 2011
12. Status of Project
- A. Is Technical Feasibility Study complete? No
  - B. Is Preliminary Design complete? Yes
  - C. Is Cost Analysis complete? No
  - D. Is Final Design complete? No
  - E. Have construction bids been submitted? No
  - F. What is the site control status? Building owned by the City of Arcata
  - G. Any other comments on project status? \_\_\_\_\_
13. Expected/determined level of required environmental clearance:
- A. Is a Notice of Exemption required? Yes – Use Exemption 15301 – Existing Facilities
  - B. Is a Negative Declaration required? No
  - C. Is an Environmental Impact Report required? No
14. What is the status of CEQA compliance (*Not Started/In-Progress/Adopted*; specify completion date if applicable)? N/A Exempt Completion date: 10/8/2010
- If completed, attach a date stamped copy of the Notice of Determination filed with the local County Clerk's office.*

### C. Project Financing

15. Requested Loan Amount: N/A 16. Requested Grant Amount: \$187,500
17. Estimated Loan Term: N/A
18. Source of Loan Repayment: N/A  
*Attach most current audited financial statement reflecting the loan repayment source*
19. Specify any outstanding debt secured by this repayment source: N/A
20. Loan Security (description and value): N/A
- 
21. Summary Project Budget: specify cost category (e.g. design, land, construction, equipment) and amount for each category: **See attachment C; Foodworks Expansion Funding Sources table.**
22. Total match amount: \$562,500 Cash match: \$562,500 In-kind match: \_\_\_\_\_
23. List all match/other funding sources for this project. For each source, list: **See attachment E**
- A. Amount committed or expected
  - B. Whether the amount is received, committed, application pending, or not yet solicited
  - C. Receipt date of funds (actual or expected)
  - D. Restrictions on funds (if any)

E. If appropriate, describe your plans for future fund raising.

#### D. Project Narrative

For this section, attach pages as needed up to a maximum of five pages (single-sided, 12 point font; number responses and include them in numerical order).

24. Describe the existing facilities and the need/problem. **See attachment A**
25. Describe the project (e.g. proposed changes/improvement). **See attachment A**
26. What are the project's goals and benefits? **See attachment A**
- Describe who will be the primary/major beneficiary of the project and why.
  - Describe and quantify, if possible, the economic benefit to the primary/major beneficiary and Humboldt County (e.g. jobs created, businesses retained). Explain how outcomes were calculated – e.g. explain how you estimated the number of jobs created by the project (be specific and state assumptions). Distinguish between jobs/economic impact during the project construction/set-up phase and the long-term.
27. Will any entity, other than the Applicant or another governmental entity, derive any special benefits or rights from the Project? (For example, will an entity own, lease, manage, operate, acquire the output of, obtain a priority right or other special arrangement with respect to, or otherwise derive a direct economic benefit from the Project. Priority rights or special rates and charges anticipated for a particular user or group of users should also be explained.) **See attachment A**
28. Provide a general timeline for the project, with major milestones noted. **See attachment B**
29. Describe the public support and opposition to this project. **See attachment A**
30. How will the project be sustained after the grant? **See attachment A**
31. Explain what would happen to the project if Headwaters Funds were not granted. **See attachment A**

#### E. Acknowledgement and Signature

I, the undersigned, have reviewed the Overview and Application Instructions for the Financing for Industries program of the Headwaters Fund's Community Investment Fund. I certify that I am an authorized representative of the Applicant, and that I have been authorized by the Applicant to execute this Preliminary Application for funding.

Signature: \_\_\_\_\_ Date: October 13, 2010  
Name (print): Nicole Boyes  
Title (print): Redevelopment Project Coordinator

## Project Narrative

24) *Describe the existing facilities and the need/problem.*

The Foodworks Culinary Center (FCC) is a business facility for food-based businesses located in northern Arcata on Ericson Court. It was established in July of 1992. The Foodworks Culinary Center is designed to facilitate small and start-up food manufacturing businesses in support of Arcata's niche foods sector. The facility offers monthly and hourly kitchen rentals, both cold and dry storage available on a monthly rental basis, and a warehouse with a receiving dock. The kitchens that are available to rent in the FCC are certified by the health department to reduce the startup barriers for new business.

Monthly rental kitchens are offered in various sizes to meet the varied needs of the businesses that operate in the FCC. The hourly rental kitchen, which is beginning to show some wear from its many years of use, is provisioned with commercial grade equipment including a commercial 6 burner range and oven, a two door convection oven, steam jacketed kettle, 32 quart mixer, stainless steel work tables, a Multivac (vacuum seal) machine and a three compartment sink. The hourly rental kitchen is available to use 24 hours a day, seven days a week. The hourly rental kitchen has been an important and vital part of Foodworks since its inception in 1992. It has fostered many small startup local businesses but after nearly 20 years of service the hourly rental kitchen is in need of an update. Updating, renovating and relocating the hourly rental kitchen within the existing FCC will breathe new life into the Foodworks facility allowing it to foster a new generation of entrepreneurs.

The facility was owned and operated by the Arcata Economic Development Corporation (AEDC) from 1992-2001. The City purchased the facility from AEDC in 2001 for \$1,600,000. Immediately upon acquisition the City entered into a long term lease with the College of the Redwoods (CR) to manage the entire facility, and to operate their satellite campus with an associated Culinary Academy. College of the Redwoods classrooms were located in space vacated by the relocation of Desserts On Us, and The Tofu Shop, both graduating tenants. The City assisted both businesses to build manufacturing facilities in the Aldergrove Industrial Park. Both businesses remain and the city is in the process of assisting Deserts On Us with their third expansion. On February 1<sup>st</sup> 2010 the City took over the management of the Foodworks Culinary Center from CR. College of the Redwoods has vacated three classroom spaces in the facility, leaving these spaces in need of renovations. CR remains a tenant as they continue to operate their Culinary Institute out of the facility.

There is a definite need for a new Freezer and Cooler, capacity is already an issue, and the current Freezer/Cooler is creating condensation inside the building. This condensation is a possible health concern. The Freezer and Cooler need to be placed outside the building. Without assistance the cost to move, expand, and upgrade the existing Freezer/ Cooler would not be cost effective. There is also additional space that would be available from redesigning the storage area in the warehouse. Redevelopment of these spaces would create 9 new monthly rental kitchen units. There are currently 16 businesses on the waiting list for these new monthly rental kitchen units. Most of the businesses on the list are current users of the hourly rental kitchen facility, and have been waiting for years for monthly rental kitchen units to be available. Getting into a fulltime space will allow the tenants to grow their businesses, and open up space in the hourly rental kitchen for new entrepreneurs seeking a venue.

This facility has graduated several businesses since its existence, as well as creating hundreds of jobs throughout the community. By improving the existing Foodworks facility the City of Arcata will increase the opportunities for more small scale food based business to establish themselves and grow. This grant will allow the City to improve the efficiency of the Foodworks facility as well as increase the opportunity for small business to utilize the unique facility. This will lead to the continued retention and growth of existing businesses.

25) Describe the project (e.g. proposed changes/improvement).

The City has worked for several months on the options available for improvements, expansion, and the best use of the Foodworks facility. These options have been researched and developed with a long-term strategy in mind. Three options were identified; no expansion, moderate expansion, and full expansion. In addition to those 3 options for the existing facility an additional expansion phase could include the construction of a new building on the site at some point in the future. This project will focus on using the existing structure and facilities that Foodworks already provides but making them more efficient and desirable for the tenants and the region as a whole. The City of Arcata Economic Development Strategic Plan (EDSP) 2010-2014 identifies four target industries that have significant growth potential for the City. Specialty agriculture, food and beverages were identified in the EDSP as well as identified as one of the targeted industries in the North Coast Targets of Opportunity report. Foodworks Culinary Center provides a facility where this targeted industry, for both the North Coast and the City of Arcata, can grow and flourish. The renovations planned for Foodworks will allow the facility to grow and expand while remaining up to date and viable into the future. The renovations will provide additional opportunities for local entrepreneurs and increase economic activity in the region as a whole.

On June 16th 2010, Council directed staff to implement the full expansion option and to pursue CDBG and Headwaters funding to complete the renovations of the Foodworks Culinary Center. The total cost for the renovation is estimated at \$750,000. The project is eligible for CDGB funds, and the Council authorized the use of \$294,500 of CDBG Program Income funds,

pending state approval, to the renovations. The Council also approved the use of City Industrial Park Funds in the amount of \$150,000 in the 2010 fiscal year budget to complete improvements included in the first phase of the renovation. On September 22<sup>nd</sup> 2010 the council authorized an additional \$118,000 of the City Industrial Park Funds for the remaining balance needed to complete the renovations.

The City Council authorized City Staff to apply for Headwaters grant funds to fund the remaining cost of the recommended full expansion plan. The proposed expansion plan is broken down into three phases for ease of implementation. The first phase identified is to complete maintenance and minor upgrades to the existing facility without any expansion. The cost of this is estimated at \$57,904; this includes installation of a card access system and replacing the locks, creating a recycle and trash area, separation of a shared electrical meter, hourly rental kitchen upgrade and repairs, and all of the necessary permits and engineering needed.

The second phase would include renovating the vacated College of the Redwoods (CR) spaces, warehouse improvements, a new Freezer/Cooler, and the necessary permits and Engineering needed to complete this project. The cost of this phase is estimated at \$336,000. Vacant former CR spaces would be renovated into additional kitchen space for new tenants. The warehouse needs improvements to the storage racks, and there is a need for individual separation of storage. A new 40 x 40 ft. freezer/cooler is planned. Capacity has also been taken into consideration with the expansion of new units. The estimated job creation would be 4-8 added persons by renting out the new monthly rental kitchen spaces.

The third phase includes the expansion of 4-5 additional new monthly rental kitchen spaces, and a new hourly rental kitchen. The total cost of this third phase is \$356,096, and the total cost for the full expansion with contingencies is estimated at \$750,000, however, the estimated job creation is calculated at a conservative 17 new jobs. This project will result in a fiscally sustainable facility that will continue to support economic development in the specialty food sector. The improvements to the new hourly rental kitchen, warehouse, and the construction of a new Freezer/Cooler will provide additional infrastructure support for the targeted specialty agricultural, food and beverage niche manufacturing sector.

26) What are the project's goals and benefits?

- Describe who will be the primary/major beneficiary of the project and why.
- Describe and quantify, if possible, the economic benefit to the primary/major beneficiary and Humboldt County (e.g. jobs created, businesses retained). Explain how outcomes were calculated – e.g. explain how you estimated the number of jobs created by the project (be specific and state assumptions). Distinguish between jobs/economic impact during the project construction/set-up phase and the long-term.

The projects goals and benefits are not only for helping establish new businesses; it also benefits the existing tenants in several ways. One of the overarching goals of this project is to reduce the costs to the tenants. Currently the tenants share a common area maintenance fee.

With an increase in the number of tenants, the shared maintenance fee will be reduced. There will also be other reduced cost for new and existing tenants, from things such as the ability to order bulk supplies, and shipping materials, as well as sharing shipping, and marketing cost. There are currently 16 businesses on the waiting list for these new monthly rental units. Most of the tenants on the list are current users of the hourly rental kitchen facility, and have been waiting for years for monthly rental kitchen units to be available. Getting into a fulltime space will allow the tenants to grow their businesses, and open up space in the hourly rental kitchen for new entrepreneurs seeking a venue. The facility also hosts College of the Redwoods (CR) Culinary School. Some of the hourly rental kitchen tenants will move into their own monthly rental kitchen space, this will free up some hourly rental kitchen capacity for new entrepreneurs graduating from the CR culinary School. A number of Arcata businesses over the years have taken advantage of the Foodworks facility and have since built their own space elsewhere, including Fish Brothers, Desserts on Us, The Tofu Shop, and Tomaso's Specialty Foods. Foodworks helps add to the unique image of the community as an area where entrepreneurs and innovative people live and prosper making this area a more desirable and attractive place to live and work.

Currently there are 27 businesses using the Foodworks Culinary Center, and 52 fulltime employees. This is a ratio of 1.93 employees per business. We used this ratio for our estimation of new employees, and with 9 new spaces multiplied by 1.93; the total would be 17.37 estimated new employees. Some of the new monthly rental kitchen spaces will be occupied by existing tenants; however they anticipate the ability to expand their businesses and employees having more space.

The Foodworks Culinary Center functions as economic development infrastructure in that it will be a lasting facility that will help to foster economic growth for small business in the region. It will be available to the current group of tenants as well as continuing to be refined so it can be a fixture in our community as we move into the future; providing interested and motivated citizens the opportunity to create a business and make a living. The proposed redevelopment of the Foodworks Culinary Center will increase the number of new business in the region by supporting entrepreneurship and innovation in one of the target industries for the region.

27) Will any entity, other than the Applicant or another governmental entity, derive any special benefits or rights from the Project?

No other entity will derive special benefits from this project.

28) Provide a general timeline for the project, with major milestones noted.

See Attachment B.

29) Describe the public support and opposition to this project.

The public support for this project has always been there since Foodworks started as an incubator project in 1992. The timelines are the only public oppositions to this project that the city staff is aware of; the possible tenants would like to see the project completed sooner. The City has held three public hearings in the past year regarding the proposed expansion; the City did not receive any negative feedback with the project.

30) How will the project be sustained after the grant?

On February 1<sup>st</sup> 2010 the City took over the management of the Foodworks Culinary Center. City staff has executed leases for all rentable spaces. City Staff will continue to manage the facility, providing space and opportunities for new and existing entrepreneurs at rental rates as economical as possible for the tenants. The existing cash flow from the operation of the facility provides adequate income to manage the building, and fund reserve accounts for maintenance of the building.

31) Explain what would happen to the project if Headwaters Funds were not granted.

If the Headwaters Funds were not available, the City would scale back the size of the project until alternative funding can be researched and awarded. This would conservatively add 2 years on to the time for which these businesses could be assisted. This would reduce the economic and entrepreneurial opportunities that the Foodworks facility provides for the region. The goal of the City is to provide support for entrepreneurship and innovation, business retention and creation, job retention and creation. The support of this project includes providing a location necessary for mobile food business, as well as a facility for startup businesses. If the City had to scale back the project then fewer businesses could move into monthly rental kitchens and fewer jobs would be created.

## Proposed Improvements Timelines

	<b>FY 2009 - 2010</b>	<b>FY 2010 -2011</b>	<b>Mid Year</b>	<b>FY 2011 - 2012</b>	<b>Grand total</b>
Access system and Locks	\$15,000	\$0	\$0	\$0	\$15,000
Recycling Area and Trash		\$20,000			\$20,000
Tempary Fence		\$3,200			\$3,200
AEDC Sub Meter		\$4,000			\$4,000
Rental Kitchen Upgrades		\$9,704			\$9,704
Engineering/Design/Permits		\$6,000	\$25,000		\$31,000
New Freezer / Cooler			\$200,000		\$200,000
Expansion of 4 Old CR space			\$65,000		\$65,000
Expansion of 4 new spaces				\$200,000	\$200,000
Warehouse Lockable storage areas				\$20,000	\$20,000
New Rental Kitchen				\$60,000	\$60,000
<b>Fiscal Year Totals</b>	<b>\$15,000</b>	<b>\$42,904</b>	<b>\$290,000</b>	<b>\$280,000</b>	<b>\$627,904</b>
Contingency		\$8,000	\$58,000	\$56,000	\$122,000
<b>Grand Totals</b>	<b>\$15,000</b>	<b>\$50,904</b>	<b>\$348,000</b>	<b>\$336,000</b>	<b>\$749,904</b>

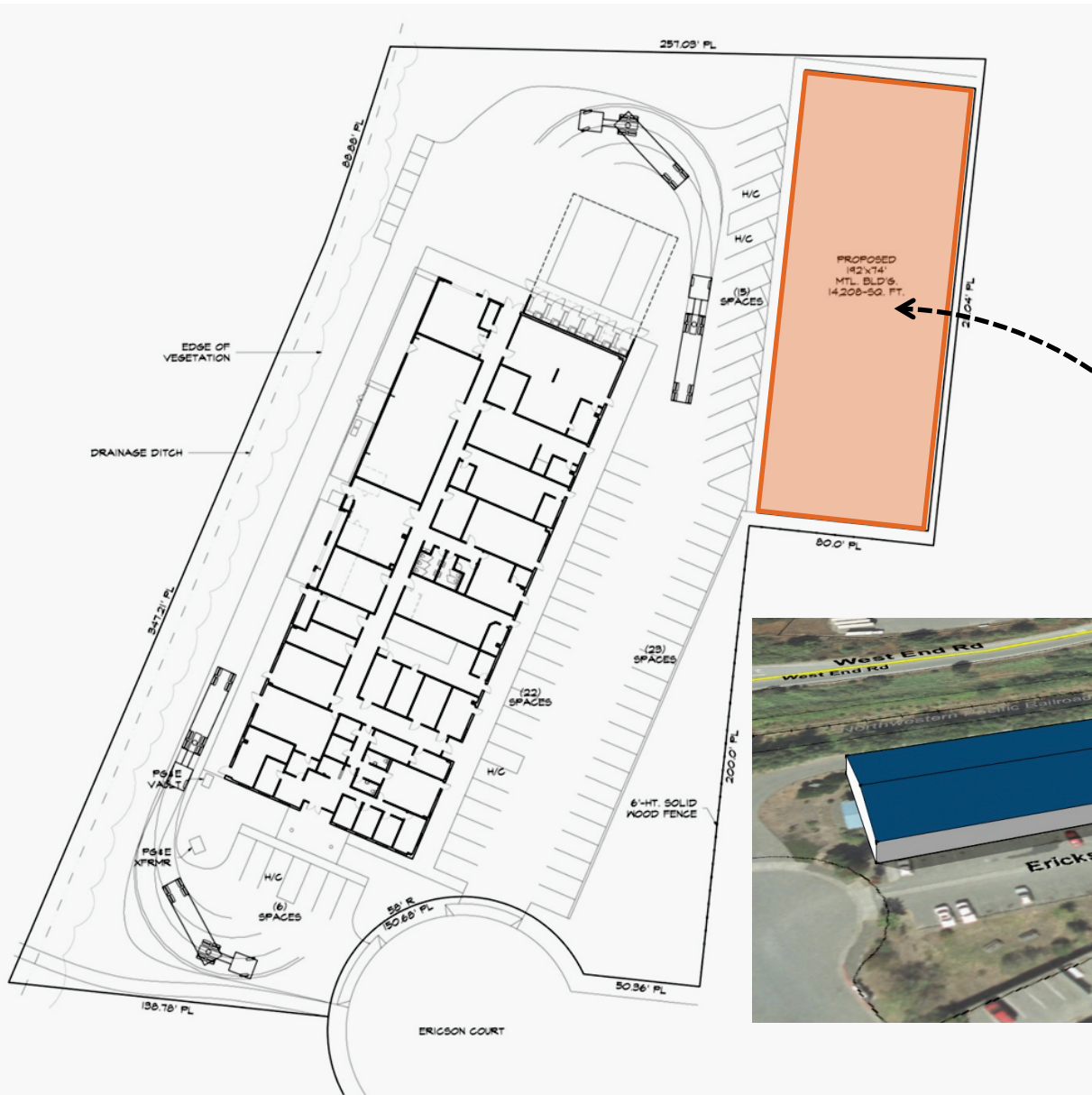
## Foodworks Expansion Funding Sources

	Industrial park fund (212)	CDBG Program Income	Headwaters Fund Grant	Totals
Access system and Locks	\$15,000			\$15,000
Recycling Area and Trash	\$20,000			\$20,000
Tempary Fence	\$3,200			\$3,200
AEDC Sub Meter	\$4,000			\$4,000
Rental Kitchen Upgrades	\$9,800			\$9,800
Engineering/Design/Permits	\$31,000			\$31,000
New Freezer / Cooler		\$40,000	\$160,000	\$200,000
Expansion of 4 Old CR space		\$65,000		\$65,000
Expansion of 4 new spaces	\$100,000	\$100,000		\$200,000
Warehouse Lockable storage areas	\$20,000			\$20,000
New Rental Kitchen	\$25,000	\$45,000		\$70,000
<b>Fundiung Source Totals</b>	<b>\$228,000</b>	<b>\$250,000</b>	<b>\$160,000</b>	<b>\$638,000</b>
Contingency	\$40,000	\$44,500	\$27,500	\$112,000
<b>Grand Total</b>	<b>\$268,000</b>	<b>\$294,500</b>	<b>\$187,500</b>	<b>\$750,000</b>

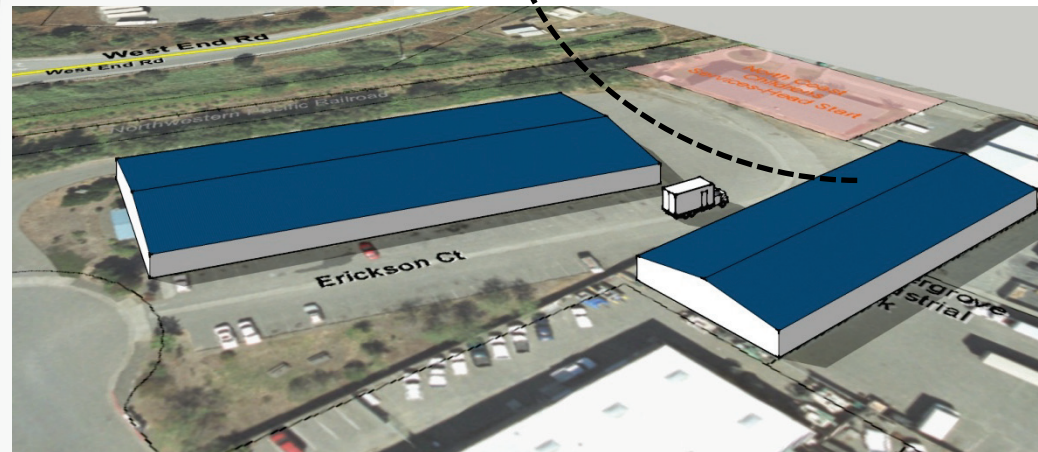
\* Actual line item expenses may vary from the funding source depending upon the availability of funds and funding restrictions



# Option IV: Future Expansion



Proposed Future Expansion 14,200 ft<sup>2</sup>



# Match Funds

<b>List all match/other funding sources for this project. For each source, list:</b>	<b>City of Arcata Industrial Park Funds</b>	<b>City of Arcata CDBG Program Income</b>
A. Amount committed or expected	\$268,000	\$294,500
B. Whether the amount is received, committed, application pending, or not yet solicited	Received	Pending
C. Receipt date of funds (actual or expected)	9/22/2010 (actual)	12/12010 (Expected)
D. Restrictions on funds (if any)	None	Job Creation (9)
E. If appropriate, describe your plans for future fund raising.		

**Attachment E**