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Food System Planning
for the Waukegan Food Ecosphere
Phase 1 Executive Summary
New Venture Advisors LLC
July 2020

INTRODUCTION

Purpose

This report contains the findings and recommendations from a preliminary assessment of the food system in Waukegan, Illinois and the surrounding Lake County region conducted by New Venture Advisors LLC in early 2020.

The assessment explored the need and support for a set of projects conceptualized beginning in late 2018 by Adelante Center for Entrepreneurship: a food hall, a kitchen incubator, and an urban farm with a market and café. Research implications would refine these business concepts for a feasibility study planned in a continuing phase of work.

Preface

As the research was concluding, the coronavirus disease (COVID-19) pandemic changed the economic and food system landscape abruptly and drastically. **The impacts of these changes are not reflected in the findings.** Adelante has already shifted its programming focus away from the retail food projects until customer and investor interest can be reliably assessed. The organization is pivoting toward programs to address food insecurity and delivery systems.

Adelante and New Venture Advisors will refocus the next phase of work to support this change in direction. The findings in this report may help in benchmarking and shaping Adelante's future role.

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GOALS & PROGRAM OUTLINES

Investment in three food businesses has been planned as a catalyst to spur community development and downtown revitalization in Waukegan. The goal is to make downtown more of a destination for people who conduct their business or go to the theater and would otherwise leave. It is also to promote food security throughout the region.

FOOD HALL

- Located downtown Waukegan at 202-210 N. Genesee St.
- Contains 4-6 stalls rented by restaurants and food retailers with a variety of concepts that appeal to local residents and transient workers
- Shared front-of-the-house dining area with a variety of seating options, outside patio, restrooms
- Shared back-of-the-house for deliveries, prep, scullery, storage

KITCHEN INCUBATOR

- Shared kitchen serving entrepreneurs from the local and surrounding communities who want to create a business in a shared space before investing in their own facility
- Adjoins the prep area of the food hall
- Adelante would offer incubation services to assist entrepreneurs in starting and scaling their businesses

FARM & MARKET/CAFE

- An aquaponic farm center operating as the "Farm on Sheridan" with a fresh food grocery + café and a job-training resource for the local community
- Located separately from the food hall, potentially on undeveloped land south of downtown

METHODOLOGY

Primary Research

Interviewed 12 local leaders to discuss the needs and opportunities in the food system, and how the envisioned enterprises and programming could address them.

Interviews covered a range of topics including community development, food access (grocery, restaurant, hunger relief), urban farming and workforce development.

Secondary Research

Analyzed detailed demographic and market data for the trade area from sources including public databases, syndicated research, and proprietary analyses.

Completed by Market & Feasibility Advisors, a collaborating partner of New Venture Advisors.

INTERVIEWS



Name	Title	Organization
James Gray	CEO	Calibrate Consulting
Ciere Boatright	VP Real Estate Dev't & Inclusion	Chicago Neighborhood Initiatives (CNI)
Victor Barrera	Economic & Community Development Director	City of North Chicago
Maribeth Roberti	Founder & CEO	Roberti Culinary Pathways
Anthony Morgan	Pastor	Christian Valley Missionary Baptist Church
Mary Carmody	President & Founder	North Chicago Community Center/ Midwest Veterans Closet
Eliza Fournier	Program Director	Windy City Harvest / Chicago Botanic Garden / Farm on Ogden
Angela Mason	AVP Community Engagement	"
Emily Webber	Manager Community Leadership & Investment	Lake County Community Foundation (Formerly of Liberty Prairie Foundation)
Rory Klick	Department Chair – College of Horticulture & Associate Professor	College of Lake County
Cheryl Besenjak	Executive Director	Growing Healthy People
Kevin Westing	Co-Founder	"

INTERVIEW FEEDBACK

In general, there is support for the proposed set of enterprises and no additional models were suggested as better alternatives. The need in the community – for food and grocery access, job and opportunity access – is clear to respondents, and they support undertaking these projects to address them. To initiate, grow and sustain all of the above, until the community is strengthened with individuals, families, workers, businesses, and programs that are self-sustaining, is a vision worth pursuing with a long-term focus.

A few cautions were consistently mentioned:

- First is the **limited incomes** of the local residential community to make purchases at a new market or restaurant, or to avail themselves of the business and workforce development programs offered through the farm and incubator.
- Second is the **need for leadership** and resources to catalyze greater collaboration and impact among the programs that already exist in the trade area, especially hunger, urban ag and workforce development programs.
- Third is the need for significant levels of well-planned **financial support** for Adelante to operate all three concepts so that residents can utilize and benefit from them.

DEMOGRAPHICS

The population in all Drive Time Markets is significantly younger, lower income and of Hispanic origin compared to national and regional averages. The population trend is declining slightly in these markets, counter to the 10-Minute Walk Time Market segment, Chicago and the U.S. which are projected to increase in size.

The population in the 10-Minute Walk Market, which is a segment of the Drive Time Markets, is younger and has smaller households on average, and a larger proportion of the population is African American. Population and median income in this market are expected to increase over the next 5 years.

Key Demographics	10 Min Walk	0-5 Min Drive	5-10 Min Drive	10-15 Min Drive	Total Trade Area	Chicago	U.S.
Population	3,141	27,532	70,481	66,065	165,302	9,601,766	
Population Change 2019-2024	+0.08%	-0.15%	-0.16%	-0.18%	-0.16%	+0.11%	+0.77%
Average Household Size	2.36	3.25	3.12	2.77	2.99	2.66	
Median Age	29.8	30.3	30.3	30.4	30.3	37.3	38.5
Hispanic Origin (Any Race) Population of Total	49.7%	66.2%	53.7%	21.9%	45.9%	22.9%	18.6%
African-American Population of Total	30.3%	19.7%	21.6%	17.5%	19.6%	16.6%	13.4%
Median Household Income	\$25,803	\$39,927	\$45,398	\$64,254	\$51,720	\$69,900	\$60,548
Median Household Income Change 2019-2024	+4.5%	+2.9%	+2.7%	+3.2%	+2.6%	+2.4%	+2.7%

- The Genesee address is the locus for walk and drive time markets.
- The 10-Minute Walk Time Market is a subset of the 0-5 Minute Drive Time Market.

RETAIL GAP ANALYSIS

\$24 million annually in potential sales is leaking to other trade areas. Some share of this could be captured by new offerings within the trade area.

More than half of this leakage (\$15 million) is to grocery and specialty food stores, and another \$5 million to restaurants, most notably from the 0-5 Minute Drive Time Market (which includes 10-Minute Walk Time Market).

Specialty food stores and special food services show leakage from every Drive Time Market.

Most of the combined leakage from all sectors is from the 0-5 Minute Drive Time Market (\$16 million).

There is no restaurant leakage outside the 5-Minute Drive Time Market.

Retail Opportunity Potential by Market Area and Category					
Retail/Restaurant Category	10 Min Walk Time	0-5 Min Drive Time	5-10 Min Drive Time	10-15 Min Drive Time	Total Opportunity Potential
Grocery Stores	\$1,014,130	\$10,092,221			\$10,092,221
Specialty Food Stores		\$498,334	\$2,374,031	\$2,524,261	\$5,396,626
Beer, Wine & Liquor Stores	\$230,016			\$752,148	\$752,148
Special Food Services	\$51,920	\$462,224	\$1,068,282	\$1,346,348	\$2,876,854
Restaurants/Other Eating Places		\$5,163,287			\$5,163,287
Total	\$1,296,066	\$16,216,066	\$3,442,313	\$4,622,757	\$24,281,136

MARKET ANALYSIS FINDINGS

- As expected, **income distribution in the trade area is widely asymmetrical**, with the closest market having less than half the median household income of the outer market.
- Yet there is enough retail leakage in the competitive commercial area to suggest that **new offerings can capture market share**, especially from the closest market segment. This segment is projected to increase in size and income over the next five years bringing more shoppers and spending to support new offerings.
- **New grocery stores, specialty food stores, restaurants and specialty food services** all show promise in serving the needs of the local market.
- **Low pricing** will be a key factor in attracting the closest markets, and transient daytime workers may be attracted with the right offerings for **lunch and snacks**.
- Outer destination markets are unlikely to visit the competitive commercial area for grocery shopping or dining, unless they contain very distinctive features, such as featuring **food trucks**.
- The **urban farm** component of the market/café may be a distinctive feature that will attract visitors from the outer markets.

***Note:** Findings are based on 2019 data and should be updated to reflect changing market conditions brought about by the coronavirus disease (COVID-19) pandemic.*

STUDY IMPLICATIONS

For the Food Hall

- Balancing act to determine the concepts that will appeal to the local residential population, the transient worker base and outer destination markets
- Combine affordable staple items with certain specialty foods at a higher margin
- Perfect experimental lab, enabling concepts to be rapidly tested, e.g. food truck court, outpost of the farm market
- Restaurant concepts will need to be highly unique in order to attract customers from the wider area

For the Kitchen Incubator

- Low level of reported interest in food business entrepreneurship should be investigated further
- If true, more likely to succeed if membership focuses on food hall tenants
- There is evidence of consumer demand for a wide array of business types that can make use of a shared kitchen space: new restaurants, caterers, food trucks, even as a production kitchen for packaged foods sold in specialty food stores

For the Farm & Market/Café

- Better grocery and foodservice options are needed, if affordable and SNAP benefits are accepted
- Staple food items like bread and milk, and grab & go meals, could meet the needs of the nearby market
- The food pantry aspect of the market did not come through as a clear need (pre-COVID)
- Aquaponic farm could focus on re-entering workforces and/or providing jobs for workers trained in other programs
- Explore if produce could be sold profitably to restaurants

For Adelante

- Adelante can play a key role in coordinating the resources, programming and commercial strategies of existing projects across Lake County:
 - community development
 - urban farming
 - workforce development
 - culinary training
 - food access
 - hunger relief
- Beginning this work is of equal importance to conducting further feasibility analysis for the three concepts

COVID-19 IMPLICATIONS

Based on the cautions raised in this research and the impacts of COVID-19, Adelante has already shifted its programming focus away from the retail food projects. The organization is pivoting toward programs to address food insecurity and delivery systems. The research suggests that this is likely to be important and necessary:

FOOD INSECURITY

- Median household income in the downtown area is about \$26,000
- This is 50% that of the entire trading area, 43% of the U.S. average, and at the poverty line for a family of four
- Increased food insecurity will likely be felt acutely in households already facing financial challenges

LEADERSHIP

- Respondents voiced the need for leadership and resources to catalyze greater collaboration and impact among the hunger programs that already exist
- Adelante can play an important role as a central aggregator of information and resources to identify and fill in gaps, coordinate the flow of resources to areas of need, and make each of the almost two dozen activated organizations more effective in responding to community needs

NEW VISION

- Food donations, low cost food options, and grocery and foodservice delivery service are needs Adelante has identified in the community
- Connecting resources to these needs will build the soft infrastructure—capacity and relationships—that supports the hard infrastructure Adelante aspires to bring to the food system
- This may take shape as a site-based **aggregation center** for food / farming donations and resources, distribution and supply chain development, and **app-based delivery systems**

NEXT STEPS

Scope of work in discussion for Phase 2:

1. Coach Adelante in revising its strategic vision and plan

- Vision, mission, guiding principles
- Objectives, strategies, programs
- Operating plan and required resources
- Potential funding sources

2. Index potential partners and collaborators

- Develop a comprehensive list of all companies, agencies and organizations working on similar issues in the Lake County food system and region-wide

3. Support Adelante in engaging community in new vision

- Facilitate outreach to Phase 1 participants to share findings and workshop new plans
- Facilitate roundtables or small group meetings with additional partners and collaborators to co-develop programming options
- Revise strategic plan based on community input

ORIGINAL WORK PLAN

Phase 1 included Opportunity Identification and Secondary Research

Opportunity Identification

- Interview stakeholders and influencers about the needs and opportunities in the local food system and get input on Adelante's hypothesized set of projects.
- This can sharpen the focus of the feasibility study and may lead to additional/different projects to include.
- Conclude with a clear set of projects (enterprises) to include and questions to be answered in the feasibility study.

Feasibility Study

- A feasibility study has two components: market study and business analysis.
- The market study uses primary and **secondary research** methods to evaluate the market and propose a set of operating models for each of the enterprises.
- Once the operating models are determined, we conduct business analysis which includes capacity and financial modeling.

Community Outreach

- Plans and visuals of the food ecosphere are shared with the community through live meeting(s).
- The purpose of these meetings is to get input from the community on the concepts proposed, gain their support as customers and contributors, and set the stage for City Council approval.

Operator Search

- If Adelante does not intend to run these enterprises directly, and if owner/operators are not identified in the feasibility or outreach phases, we can assist in conducting a formal operator search.
- A selection committee would be formed to issue an RFI, screen candidates, conduct interviews, select a preferred candidate and negotiate a letter of intent or MOU between the parties.

Business Plan

- The business plan takes the feasibility study to the next level of specificity and is written to reflect the vision of the operator(s).
- The business plan and financials will be suitable to present to potential lenders and investors.