

Background

Senior nutrition programs are facing a crisis due to the United States experiencing a rapid increase in the aging population. The US Census estimates that there will be 55 million seniors in 2020 and predicts that people over age 65 will outnumber those under age 18 by 2035. The Government Accountability Office estimates that 83% of low income, food insecure seniors do not receive the home delivered meals they need, and 16% of seniors are reported to be food insecure.

Senior nutrition program services are proven to make a difference in the lives of the homebound elderly and disabled. These programs provide nutritious meals that have been shown to improve mental and physical self-rated health status, and decrease feelings of isolation and loneliness, among other measures. In addition, the nutritional status of seniors is improved among meal recipients and the incidence of falls are reduced.

Yet, senior nutrition programs are being faced with challenges that prevent them from serving seniors who are in most need these services. Despite the increased need, the Administration for Community Living (ACL). Process Evaluation reported that 49% of senior nutrition programs are more likely to modify their menus, 47% have reduced staffing, over 30% have reduced the number of congregate meal program operating days per week, and 39% of home delivered meal programs are shifting to delivering frozen meals due to limited funding and rising operation costs.

Challenges

1. Decreased revenues from donations

Private donations are used to supplement funding from federal, state, and local sources for senior nutrition programs. Donors are often motivated to contribute to social service programs because these gifts have tax benefits. The Tax Cut and Jobs Act of 2017 affected how taxpayers can deduct charitable contributions from their income. Taxpayers are no longer able to deduct charitable contributions unless they exceed the standard deduction of \$12,000 for a single person and \$24,000 for a married couple. State and local tax deductions have been



capped at \$10,000, decreasing the ability of the middle class to exceed the standard deduction threshold, thereby reducing their income reduction benefit. When taxpayers observe the results of the tax law in their 2018 tax returns, charitable organizations will likely see a reduction in donations from middle class donors. In fact, the Association for Healthcare Philanthropy reported that 30% of charitable organizations predict a decrease in donations. Senior meal programs that depend on donations would be impacted the most from this decrease in private donations.

2. Decreased funding from federal and state governments

Federal and state allocations are an important source of funding for many senior nutrition programs. Despite a 9% increase in the 2018 federal budget for home delivered meal programs, total federal spending for nutrition services for older Americans has fallen from approximately \$25 per older adult in 1990 to \$12 in 2013. According to the Consumer Price Index Inflation Calculator, spending would need to be over \$37 per older adult to keep up with inflation. Nevertheless, with reduced funding from federal and state governments, despite the increasing number of older adults who qualify for senior nutrition services, many programs have already reduced the number of eligible seniors served in congregate and home-delivered meal programs.

3. Challenges: Increased food costs

Increasing food costs is another challenge faced by home-delivered meal programs. A survey conducted by Mathematica Policy Research found that average food costs in 2015 were \$11.06 per meal. This cost was calculated based on the expense of purchased food, payments to meal provision subcontractors or vendors, paid labor, the value of volunteer labor, and donated non-labor resources. Food costs vary depending on a number of factors, including whether meals are produced in a central or off-site kitchen, if a vendor or restaurant prepares meals, the location of the program (i.e., rural, suburban, or urban), and the size of the organization. In general, food costs are lower for large programs that serve more than 1,000 meals per week, programs with food prepared in central kitchens, and programs located in southern states.

Currently, food costs are increasing faster than the rate of inflation. The overall rate of inflation for 2018 was 1.52%, while the rise in food costs was at 2.12% per year.

4. Competition from for-profit meal delivery programs

Senior nutrition programs also face increasing competition from for-profit vendors that provide home-delivered meals. These services are appealing to seniors who may attach social stigma to receiving meals from a home-delivered or congregate meal program. In addition, seniors are often unaware of their eligibility to participate in senior nutrition programs.

This competition comes from a variety of sources. One source is home-delivery meal services such as MagicKitchen.com and Silver Cuisine by bistroMD. Seniors are attracted to the appeal of “chef-prepared meals”, “discounts for seniors,” and the ability to self-select meals. Although promotions and discounts are offered, these services are costly, ranging from \$8-\$17 per meal with an additional delivery fee. Mom’s Meals offers similar meal options, but seniors may be eligible to receive financial assistance from government programs such as Medicare or Medicaid, local Area Agencies on Aging, and health insurance plans. With any service provider,

the meals are prepared, packaged, and frozen in central commercial kitchens and shipped frozen to the recipient, who must store and heat the meals before they can be eaten. Other sources of competition are restaurant-delivery services, such as Grubhub, DoorDash, Uber Eats, and home preparation meal kit services, such as Blue Apron, Hello Fresh, and Plated.

Faced with these challenges, how can senior nutrition programs sustain their operations to provide services to the typical client who is physically and socially more vulnerable than a representative sample of those their age? Several organizations such as the ACL Business Acumen Initiative, the Aging and Disability Business Institute, and the HCBS Business Acumen Center, along with the Meals on Wheels America report, *Dispelling Myths: Supporting Public Policy for Greater Impact and Sustainability* suggest that 501(c)3 non-profit local nutrition programs pursue entrepreneurial enterprises to build diverse and sustainable funding sources. Senior nutrition programs can rent their cooking facilities on a part-time basis when kitchens are not in use (during the kitchen’s off days, on weekends and during off-hours) to food entrepreneurs needing a place to prepare food products.

Shared Use Kitchens

Shared kitchens or food incubators are legally licensed commercial kitchens used by local food entrepreneurs, caterers, food truck operators, and others who produce value-added food products without having to invest in owning and operating a commercial kitchen. In 2016, there were over 200 shared kitchens and food incubators located in 39 states. The popularity of these ventures is the result of an increased interest in locally sourced and produced food products, the growing shared economy, and the popularity of entrepreneurship. Although typically found in urban areas, shared kitchens are also found in rural, tribal, and suburban areas. Shared kitchens are seen in a variety of formats, including kitchens found in stand-alone facilities, community centers, and housing developments. They are financed by individuals, grants, loans, corporate sponsors, and investors.

Advantages of Shared Kitchens for Senior Nutrition Programs

In addition to providing a source of revenue, shared kitchens provide benefits to the community and may also increase the visibility of a senior nutrition program. Shared kitchens support local farms, assist community entrepreneurs, build economic opportunities, create jobs, and can assist in revitalizing communities. Providing space for food entrepreneurs is an especially valuable resource in rural areas that have limited commercial food preparation facilities.

Developing a Shared Kitchen to Generate Revenue for Senior Nutrition Programs

Senior nutrition programs will need to evaluate the opportunities and the challenges presented by sharing their kitchens. While this revenue stream enhances sustainability, a lack of knowledge about the suitability and management of shared use rentals can present challenges.

All food provided to vulnerable senior populations served by congregate and home-delivered meal programs must be safe to consume. Programs must comply with local sanitation regulations to maintain food safety and comply with licensing requirements. If a program uses a vendor to prepare their food, the vendor may have additional requirements to maintain kitchen sanitation. Any renter who uses the kitchen must maintain the same level of sanitation. The senior nutrition program should train any renter on these standards and perform regular inspections to assure compliance with the regulations.

Senior nutrition programs who rent to food entrepreneurs are at risk of losing flexibility for the use of their own kitchen. When considering sharing a kitchen, programs would need to evaluate the days and times they could commit to an outside entity using their kitchens. Entrepreneurs may require food preparation times that conflict with the peak hours required by the program to prepare their congregate or home-delivered meals. Some food entrepreneurs or caterers may only require short term or

seasonal rental space, or need a kitchen for special events and require a flexible schedule. Others, such as preparing foods for a farmers' market, might require the use of a kitchen on the same day every week. Those preparing products from locally grown foods may only need a kitchen seasonally. Depending on the space available in a senior nutrition program facility, pop-up restaurants might also be an opportunity for sharing a kitchen and serving meals.

If renters wish to rent the kitchens during off-hours, security might become an issue, especially if the kitchens are located in buildings that house administrative offices. Renters would need to be provided with a key or access code to enter the building during off-hours. It might be beneficial for the senior nutrition program to hire an on-site assistant who would oversee the kitchen. An assistant could add value to the facility's professional reputation in the food entrepreneur community, while at the same time being available to assist the food producers with food preparation and cleaning. Assistants are particularly useful when multiple renters use the kitchen.

Some senior nutrition programs use food service management companies to produce meals in their kitchen. Such programs would need to examine the existing vendor contract to determine if sharing the kitchen would violate the contract or require modifications to the contract.

Senior nutrition programs would need to inventory their equipment to determine if the equipment meets renters' needs. If cooking and storage equipment is not commercial quality, it needs to be reliable and capable of accommodating extra use. Programs may need to consider investing in specialized equipment to meet the needs of renters or permitting the renters to bring in their own equipment.

For example, storage capacity may be a challenge for senior nutrition programs. The senior nutrition facility must have sufficient cold, freezer, and dry storage for its own program, while also being able to meet the needs of food entrepreneurs. Storage must be secure and designated space must be identified so that

no confusion arises about food and supplies. Renters will need storage space for ingredients, special equipment, and finished products. If a facility has extra cold, dry, or freezer storage space, but has limited equipment, the facility might consider renting excess storage space to generate additional income.

In general, while commercial kitchens are not always required, food entrepreneurs look for kitchens that have a stove with 6-8 burners and a chargrill or flat top, a commercial oven (such as a double stack convention over, a baking deck over or a convention oven), a commercial refrigerator, and a commercial freezer with dedicated space for storage, as well as dry storage such as metal shelf units, cupboards or subdivided closets.

Most food businesses, unless covered by Cottage food laws, are required to obtain a license to prepare foods for sale. To be licensed, the food must be prepared in an approved commercial kitchen. Depending on the locale, the kitchen must be inspected by an appropriate state or local government agency. The agency would determine if there are adequate sinks, proper ventilation, cleanable surfaces, adequate refrigeration, and pest control to accommodate the additional food service operation. They would also assess the condition of key equipment, sanitation policies, and other food safety practices. Fire inspectors, building inspectors, city zoning regulators, and others may also have additional requirements. Programs and renters would need to check state and local licensing regulations to determine if the renter could operate under the senior nutrition program's license.

Kitchen upgrades may be needed if kitchens are older, especially if newer, better equipped kitchens are available to rent in the area. An assessment of plumbing and electrical capacity will be needed to determine if the kitchen can accommodate increased use and additional equipment. Any upgrades may require compliance with newer building and safety regulations. Costs to upgrade smaller kitchens found in faith organization facilities and community kitchens can range from \$5000 -

\$10,000 and up.

Upgrades to equipment could be financed through grants, loans, donations, or crowdfunding campaigns. If only limited upgrades are needed, a program might consider offering rented space to a food producer who doesn't need extensive upgrades to operate and expand sharing when the program is able to finance the needed changes.

Other factors to consider include parking and loading and unloading space for renters. Coordination of deliveries to the senior nutrition program and the renters will be necessary to avoid confusion. If senior nutrition program staff is needed to accept deliveries for the renters, an additional rental charge would be warranted.

Before embarking on a shared kitchen endeavor, programs would need to research the needs of food businesses looking for rental space. The resource, *Shared Kitchen Toolkit*, provides guidance for conducting local market research, such as surveys, meetings, and interviews with food entrepreneurs. A visit to other shared kitchens could help senior nutrition programs learn about services offered to, as well as charges levied on, renters. Such visits can also shed light on how the senior nutrition program might offer unique opportunities based on its location, equipment, amenities, and availability.

The senior nutrition program would need to calculate how much to charge those who are interested in renting the program's facilities. Rental fees for shared kitchens are based on the demand for kitchen rentals, the desirability of the kitchen, its availability, rental rates, sanitation and licensing requirements, competition, and marketing. Since most senior nutrition programs are tax-exempt, they would need to consult with an accountant and lawyer to assess tax implications on their non-profit status and tax reporting requirements would need to be followed.

Setting Up a Shared Kitchen: Steps to Consider

The resource, *Opening Community Facilities to Food Entrepreneurs: Guidance for Communities*

and Facility Operators, suggests additional steps for a community facility, like a senior nutrition program, to follow to set up a shared kitchen.

1. Determine rental rates for use of the kitchen

Based on the initial environmental assessment, senior nutrition program kitchen operators should gather information about the rates other shared kitchens are charging. Rates are usually charged per hour of use and range from \$10 - \$40 per hour that include specific timeframes for set-up, product preparation, and clean-up. Well-equipped kitchens with special equipment might charge higher rental rates than basic kitchens. Options for contracts might include hourly, daily, or monthly rates, package rates, and/or lower rates for off-peak times. Longer leases or regularly scheduled rentals can be charged by the month, while occasional users are best charged by the hour.

The rental agreement should also include fees for the application, cancellation, cleaning, special equipment, on-site equipment storage, deliveries, and deposits. The lease should also stipulate what supplies are included in the rental fee. Storage fees should be added, and rental fees should also account for any additional expenses required to add security and administrative oversight.

2. Develop scheduling and billing systems

Scheduling and billing for kitchen rentals can present logistical issues for a facility. Online resources are available that can assist a senior nutrition program with these tasks. Software providers such as GigaBook can manage scheduling. The Food Corridor is a full-service online automated management system that integrates scheduling, billing, and food service management.

In addition, monitoring kitchen use by renters is necessary to maintain the facility's food safety and licensing status. Use can be monitored by providing access codes or cards, maintaining a login sheet, and/or having monitoring cameras to document kitchen use.

3. Develop policies and procedures to manage the rentals

Operational guidelines are needed to be sure the kitchen continue to operate to meet the needs of the facility, as well as those of the renters. Issues such as prohibited activities (i.e., selling products out of the senior nutrition program's facility), emergency protocols, lease termination policies, and preferred communication methods between the program and the renter should be addressed by having written policies and procedures. Day-to-day tasks must be identified for both parties. Policies must be written regarding sanitation standards and be clearly communicated to the renter. Procedures must be initiated by the facility to enforce implementation of sanitation requirements. Equipment maintenance needs to be scheduled and renters need a procedure to notify the facility if equipment fails. Facility staff should conduct an orientation so that renters are aware of all policies and procedures.

Direct management of a shared kitchen by the senior nutrition program provides the greatest income potential. However, if the facility has limited expertise or non-professional staff to manage rental contracts, the program may hire third-party organizations to handle all aspects of shared kitchen management, such as entrepreneur recruitment, scheduling, and billing. An advantage of hiring a management company is that a monthly income is guaranteed since the company would pay a monthly fee to the facility. The Food Corridor is an example of a third-party management company. Other options for kitchen management are Kitchen Connect programs, local entrepreneurial support organizations, microenterprise organizations, and small business development centers. These programs support and facilitate development and maintenance of shared kitchens by providing training, education, and grant funding. Examples of Kitchen Connect programs are Detroit Kitchen Connect, Kitchen Connects GSO, and Iowa Kitchen Connect.

4. Protect your facility

Facilities need to protect themselves against property damage, theft, fire, food and physical safety. Use of secure entry systems and security

cameras can protect against misuse of the facility. The senior nutrition program will need to have property and liability insurance and should require renters to carry liability insurance that lists the facility as the insured. Security deposits also help to mitigate losses due to renters' malfeasance.

5. Market your facility

Senior nutrition programs looking to share their kitchens will need to advertise their resources to food entrepreneurs. Advertising can be done on the program's webpage, through social media, classified ads, and community

resources such as culinary schools, farmers markets, and extension offices. Examples of how to market a kitchen can be found at Shared Dream Kitchen and The Kitchen Door.

In the current environment, senior nutrition programs are challenged to provide services to the growing number of seniors who are more vulnerable to food insecurity when public and private funding for programs is dwindling and competition from for-profit food programs is increasing. Senior nutrition programs have an opportunity to achieve sustainability by participating in the shared kitchen movement.

RESOURCES

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