

WNC Farmers' Market Master Plan



Business & Development Plan

June 25, 2015

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Executive Summary

To prioritize and guide investments in the Western North Carolina Farmers' Market ("WNCFM"), the North Carolina Department of Agriculture and Consumer Services retained a consultant team led by Market Ventures, Inc. to develop a master plan for the state-owned and operated 36 acre facility. This plan is meant to guide investment over a 20 year period. During Phase 1, the consultant team performed extensive public engagement, market research, survey of facility conditions, and operations review. Key elements of this Phase 2 report include development and design principles, description of program elements, partnership opportunities, facility improvements, operations and management plan, and operations pro forma.

Master plan goals

As part of Phase 1, MVI recommended the following goals to guide the redevelopment of the WNC Farmers' Market:

1. Upgrade the infrastructure and facilities at the WNC Farmers' Market to support the evolving needs of Western North Carolina farmers, food wholesalers, and consumers
2. Maximize the sale and promotion of North Carolina-grown and produced foods, particularly through direct sales
3. Improve access to fresh, healthy foods for local consumers and businesses, including underserved area consumers
4. Create and sustain jobs and entrepreneurship opportunities

These goals provide the basis for the following recommendations.

Design and development principles

The proposed development principles are:

1. **Increase efficiency of wholesaling** by modernizing and expanding facilities while reducing barriers to trade.
2. **Enhance the retail experience** to attract more local consumers and visitors by making the Market a more comfortable place for pedestrians, providing a wider range of fresh and value added products, and reducing the Market's industrial feel.
3. **Highlight and support North Carolina farmers** and encourage sales of regionally grown and produced products.
4. **Upgrade facilities to modern standards**, ensuring code compliance and improving energy efficiency while meeting emerging food safety requirements.
5. **Allow phased implementation** and minimize disruption to operations.

Program elements

Wholesale warehouses

The Market's four produce distributors who operate in the permanent wholesale warehouses are a key component of the WNCFM, providing small and medium scale buyers with consistent, year-round access to fresh fruits and vegetables. The distributors operating out of the warehouses face significant challenges:

- Deferred maintenance and substandard refrigeration systems
- Buildings do not meet modern food handling standards (cold chain compliance, adequate loading docks, cleanable surfaces)
- Not energy efficient
- Lack of product diversity
- No value added production

Permanent warehouses should continue to be a central part of the WNCFM. The consultant team recommends the following strategy to strengthen the warehouse businesses:

- Capture the growing demand from Asheville area restaurants, institutions and independent buyers for local and high quality products by modernizing the WNCFM warehouse facilities, lowering barriers to trade, expanding the number of wholesale businesses, and increasing the range of products offered for sale.
- Brand WNCFM as the premier source of local, sustainable, and high quality foods for wholesale buyers.

To accomplish this strategy, the following approach is recommended:

- Create new, larger warehouses that meet emerging food handling standards, industry practices, and energy efficiency standards.
- Diversify the product mix with other Western North Carolina farm products, including meat, poultry and dairy.
- Add two to three new permanent wholesalers.
- Encourage value-added production within the warehouses in order to increase economic activity, add value to locally grown foods, and create jobs.
- Implement strict quality control standards for both the facilities and products.
- Pursue partnerships and local food buying agreements with area schools and institutions.

Truck sheds

The WNCFM includes five truck sheds, including Truck Shed 1 which is devoted to North Carolina farmers. There is currently inadequate space for North Carolina farmers to sell directly during peak harvest periods. Other challenges with the truck sheds include:

- Decreasing sales volumes among the resellers
- Inadequate signage for the sheds, the individual businesses, and the products
- Insufficient quality control
- Congestion caused by trucks conflicting with cars and farmer vehicles parked in circulation lanes
- Roofs not wide enough to provide adequate weather protection
- Resellers selling on a retail basis, attracting more cars to the sheds and causing conflicts with the designated retailers in the Retail Buildings

The consultant team recommends the following strategy to strengthen the truck shed component of the WNCFM:

- Enhance facilities as a sales outlet for North Carolina growers
- Build brand awareness that WNCFM is a premier source to buy directly from regional growers
- Discourage retail sales in the wholesale sheds but create a distinct retail farmers' market operation elsewhere on the campus
- Improve space utilization to provide more room for farmers to sell directly during peak harvest periods (this was the top farmer focus group request)
- Increase quality control through stepped up inspections and fines
- Improve signage of both businesses and products

To accomplish this strategy, the following approach is recommended:

- Expand Truck Shed 2 by making it longer and widening the roof
- Install operable glass garage doors on part of Truck Shed 2 to create an enclosable indoor winter market shed
- Create a separate retail farmers' market facility near the Retail Buildings
- Improve signage, quality control, and origin labeling
- Maintain space management flexibility so North Carolina farmers have preferential access to direct marketing opportunities during harvest periods
- Perform maintenance on Truck Sheds 4 and 5 to maintain their function as zones for outdoor fresh product sales

Shared cold storage

Both farmers and WNCFM resellers expressed strong interest in a shared cold storage facility at the Market. Cold storage facilities need to be actively managed to maintain cleanliness, product integrity, and security.

Retail and restaurant

The retail components of the Market face a variety of challenges, including:

- Vendors in the Retail Buildings report declining sales and a reliance on sales to tourists
- There is a limited range of local and specialty foods available, with most of the focus on fresh produce and dairy items, and almost no food to eat on premises
- The merchandising is generally weak, with old display cases and rudimentary fixtures
- It is unclear where one business stops and another starts, with limited business signage
- The buildings do not accommodate any cooking except for the deli space (currently vacant)

Resellers in the Truck Sheds currently sell to retail consumers, although in the past this practice was not permitted. This has led to conflicts with the vendors in the Retail Buildings.

The consultant team recommends the following strategy to strengthen the retail and restaurant sales at the WNCFM:

- Create an improved retail experience by maintaining the core local fresh foods but expand with greater diversity of products and higher quality products and presentations.
- Brand the retail components of the WNCFM as the premier year-round location in Western North Carolina to buy local foods from farmers and purveyors.
- Expand the specialty and prepared food offerings at the Market.
- Target three core audiences:
 - Local consumers who have higher income, are more educated, and are likely to be “foodies”
 - Local consumers from lower income households who receive government assistance such as WIC, SNAP and other programs
 - Tourists to the Asheville area

To achieve this strategy, the following changes are proposed:

- Upgrade a portion of the Retail Buildings to accommodate value-added production and cooking
- Increase the transparency into the Retail Buildings
- Broaden the range of fresh, specialty, prepared food, and nonfood vendors in the Retail Buildings

- Adjust the layout inside the Retail Buildings so vendors have optimally sized stalls for their businesses and the central aisle is narrower
- Add an outdoor customer seating area
- Require all eligible vendors to take SNAP (food stamps)
- Create a second restaurant opportunity on Brevard Road by relocating the administrative offices to elsewhere in the Market and creating a brew-pub or other restaurant concept at that site
- Create outdoor seating areas for the Moose Café and for the proposed new restaurant
- Encourage the garden center to upgrade its own facility within the current footprint
- Create a separate retail farmers' market shed and special event space

The following chart suggests a preferred mix of vendors for the Retail Buildings with a range of fresh, specialty, prepared food and nonfood vendors. This mix of vendors is based on both the experience of other successful retail fresh food markets and the results of the market research in Asheville.

Rather than using a common stall size for all vendors, the retail buildings should be designed with greater flexibility to provide vendors the optimal size for their businesses.

Education and events

To meet the Market's educational mission and reinforce its position as a locus of the local food movement, the WNCFM needs facilities to house educational programming, such as a demonstration kitchen or hands-on teaching lab. The Market also needs to increase its management capacity to run programs and expand its partnerships with organizations and individuals in the region who can offer educational programs.



Partnership opportunities

Partnerships offer a key strategy for achieving the Market's goals. As institutions and businesses have become increasingly interested in fresh, healthy and local foods, the opportunities for partnerships with wholesale/retail farmers' markets have grown. Some key organizations that could become partners for the WNCFM include area hospitals, schools and

colleges, restaurants, greenways, and marketing organizations such as ASAP (Appalachian Sustainable Agriculture Project).

Facility improvements

Proposed wholesale zone improvements include:



Key site improvements include:

- Removing Truck Shed 3
- Extending the width and length of Truck Shed 2
- Replacing the Small Dealers Building with a new, modern three story Warehouse Building that includes upper level offices (both Market administration and tenants), a main level for fresh food distributors, and a lower level for shared cold storage, waste management, value-added production, and additional warehousing

Construction can be phased so the distributors have uninterrupted operations.

Recommended improvements in the retail zone include:



Key improvements include:

- Increasing the transparency of the Retail Buildings by adding glass to the existing roll-up garage doors or other glazing system
- Creating an enclosed market hall in about 6,400 sf of the southern section of Retail Building B that includes cooking capacity and HVAC
- Creating an outdoor seating terrace adjacent to the market hall component
- Redesigning the interior to meet the proposed tenant mix plan with the appropriate square footage for each type of vendor
- Upgrading the building with LED fixtures, which will improve the quality of lighting and lower operating costs
- Improving signage for both the building and individual vendor stalls
- Creating a new indoor/outdoor event center at the new property created by in-fill
- Relocating the Administrative Building and creating a pad for a new restaurant/brew pub
- Creating outdoor seating for the Moose Café
- Relocating the gatehouse closer to the wholesale zone
- Upgrading sidewalks between the retail areas, garden center, and restaurants
- Upgrading the landscaping

Based on construction square foot cost estimates for similar types of warehouse and retail facilities, a ROM (rough order of magnitude) construction budget is \$27.0 million for all of the wholesale zone improvements and \$10.2 million for the retail and campus-wide improvements.

Operations and management plan

No changes to the Market's operating schedule are needed although all tenants in the Retail Buildings need to be open during advertised hours.

Tenants in the Retail Buildings should be offered multi-year leases rather than daily permits and they should be required to make improvements to their merchandising and signage. Wholesale tenants should be offered leases of no more than five years duration before the new warehouse facilities are constructed, and the leases should include the landlord's right to relocate. Longer leases might be warranted following redevelopment if tenants make significant investments in their facilities.

The rules document should identify three classifications for vendors selling in the Truck Sheds: farmer, farmer-dealer, and reseller. These classifications should reflect priorities in terms of space allocation and rental fees. Signs should be placed at each vendor stall that clearly designate the seller's classification, as well as the business name and telephone number. All products offered for sale on a retail basis should have origin labeling and clearly marked prices.

The marketing function needs to address a variety of objectives, including:

- support the Market's mission of encouraging sales of North Carolina grown products
- build awareness and positive impressions about the Market among the targeted wholesale and retail customers
- inform the public about the Market's events, cooking classes and other programs, and space rentals
- position the Market to attract high quality tenants to fill vacancies
- build community support and goodwill

The marketing budget needs to substantially increase to meet these objectives and support the necessary rebranding of the Market.

Operations pro forma

At present, gross sales in the Market are estimated at \$59.7 million yet rents and gatehouse fees, which equal \$868,000, represent only 1.45% of gross sales. Following implementation of the master plan, warehouse rents are recommended to increase as follows:

- Garden center: \$5.00/sf from \$1.66/sf
- Restaurant: \$15.00/sf from \$13.00/sf
- Wholesale buildings: \$9.00/sf from \$4.63/sf

Truck Shed daily fees are recommended to increase as follows, which are still substantially below the rates charged at other NC state farmers' markets:

- North Carolina farmers: \$12/day in-season, \$8/day off season
- Out-of state farmers: \$18/day in season, \$16/day off season
- Resellers: \$20/day

Retail rents are currently the equivalent of \$15.30/sf and all businesses are charged the same daily fee. The consultant team recommends charging different rents based on the category of products sold, with \$14.00/sf for staple foods, \$20.00/sf for specialty foods, \$49.50/sf for prepared foods, and \$22.50/sf for nonfoods.

Based on these rents, total income is projected to increase 81% from FY14 levels, from \$1.21 million to \$2.19 million:

Income	FY2014	Proposed	Change	Change
Gate fees	\$77,226	\$77,226	\$0	0%
Truck sheds	\$308,792	\$748,944	\$440,152	143%
Retail Buildings	\$220,320	\$319,550	\$99,230	45%
Leases (warehouses, restaurant)	\$261,620	\$657,780	\$396,160	151%
State appropriation	\$338,962	\$338,962	\$0	0%
Events/education	\$5,921	\$48,750	\$42,829	723%
<i>Subtotal</i>	\$1,212,842	\$2,191,212	\$978,371	81%

The proposed expense budget includes a 15% increase in personnel costs in order to have the resources for quality control inspections, increased maintenance, cleaning, security and marketing/education.

The proposed expense budget also includes a 50% increase in maintenance and repair expenditures in order to maintain the new investment and ensure high quality, code compliant facilities, plus a 20% increase in waste removal and supplies to account for higher volumes of products moving through the Market. Finally, the budget includes an increase from \$17,800 to \$70,000 for marketing and education expenses, reflecting the need to rebrand the Market and attract new customers.

Expenses	FY2014	Proposed	Change	Change
Personal Services	\$891,354	\$1,025,000	\$133,646	15%
Maintenance & Repair	\$134,197	\$201,000	\$66,803	50%
Advertising	\$17,799	\$70,000	\$52,201	293%
Insurance	\$30,145	\$45,000	\$14,855	49%
Waste removal	\$18,703	\$22,000	\$3,297	18%
Other services	\$68,402	\$68,402	\$0	0%
Supplies	\$32,123	\$39,000	\$6,877	21%
Property/Other	\$15,118	\$15,118	\$0	0%
<i>Subtotal</i>	\$1,207,841	\$1,485,520	\$277,680	23%

In total, operating expenses increase from \$1.21 million to \$1.49 million, an increase of \$278,000. Achieving these income and expense projections will result in positive net income for the Market.

Conclusion

The master plan provides a pathway to reverse negative sales trends for WNCFM vendors, achieve higher sales of North Carolina farm products, expand the customer base, provide fresh, healthy foods to low income consumers, and improve an important tourism destination.

Implementing the WNCFM master plan will require overcoming various challenges, such as raising the funds needed for construction, maintaining continuous operation during construction, increasing rents, and coordinating tenant investments into their facilities.

Introduction

To prioritize and guide investments in the Western North Carolina Farmers' Market ("WNCFM"), the North Carolina Department of Agriculture and Consumer Services ("NCDA&CS") retained a consultant team led by Market Ventures, Inc. of Portland, Maine, to develop a master plan for the state-owned and operated 36 acre facility. This plan is meant to guide investment over a 20 year period. The master plan was developed in two phases, with a report for each phase. During Phase 1, the consultant team performed extensive public engagement, market research of supply and demand, survey of facility conditions, and operations review. The results of that work were compiled in the Phase 1 report, which includes a description of the master plan process and methods. The Phase 1 report concluded with a summation of the Market's Strengths, Weaknesses, Opportunity and Threats (SWOT). The SWOT analysis is attached as Appendix A to this report.

Key elements of Phase 2 included:

1. Creation of proposed development and design principles
2. Description of program elements and expansion opportunities that meets the needs of current tenants and customers as well as potential users
3. Partnership opportunities
4. Facility improvements
5. Operations and management plan
6. Operations pro forma

At the project onset, NCDA&CS created an Advisory Committee to provide feedback to the consultant team and share their knowledge and experience. The committee met at key times during the planning process to review findings and recommendations. A list of Advisory Committee members is found in Appendix B.

Consultant team

The consultant team was led by Market Ventures, Inc. of Portland, Maine, and included Ted Spitzer, President, and Senior Associates Hugh Boyd, FAIA, of Hugh A. Boyd Architects. MVI was supported by local subconsultant Architectural Design Studio of Asheville, which was responsible for the facility assessment and provided input into landscape architecture and planning.

Master plan goals

As part of Phase 1, MVI recommended the following goals to guide the redevelopment of the WNC Farmers' Market:

1. Upgrade the infrastructure and facilities at the WNC Farmers' Market to support the evolving needs of Western North Carolina farmers, food wholesalers, and consumers

2. Maximize the sale and promotion of North Carolina-grown and produced foods, particularly through direct sales
3. Improve access to fresh, healthy foods for local consumers and businesses, including underserved area consumers
4. Create and sustain jobs and entrepreneurship opportunities

These goals provide the basis for the following recommendations.

Design and development principles

The consultant team proposes the following set of development and design principles, which derive from the market research and relevant experience with other similar farmers' markets. These principles are meant to form the core strategies for increasing both wholesale and retail trade at the WNCFM in a manner that supports North Carolina farmers and meets the master plan goals.

The proposed development principles are:

1. **Increase efficiency of wholesaling** by modernizing and expanding facilities while reducing barriers to trade.
2. **Enhance the retail experience** to attract more local consumers and visitors by making the Market a more comfortable place for pedestrians, providing a wider range of fresh and value added products, and reducing the Market's industrial feel.
3. **Highlight and support North Carolina farmers** and encourage sales of regionally grown and produced products.
4. **Upgrade facilities to modern standards**, ensuring code compliance and improving energy efficiency while meeting emerging food safety requirements.
5. **Allow phased implementation** and minimize disruption to operations.

These design principles were used to develop the program and proposed facility improvements.

Program elements

Based on the results of the market research, the facility analysis, relevant experience with other similar wholesale/retail farmers’ market facilities, and the design and development principles, the following presents a recommended program for the WNCFM that meets the needs of current tenants and customers as well as potential users.

Wholesale warehouses

The Market’s four produce distributors who operate out of the wholesale warehouses are a key component of the WNCFM, providing small and medium scale buyers with consistent, year-round access to fresh fruits and vegetables. While locally grown foods represent only a portion of the items that move through the warehouses on an annual basis, the distributors buy from many area farmers and are a reliable source of fresh produce.

As noted in the Phase 1 facility analysis, the produce warehouse buildings face important challenges:

- Warehouses have deferred maintenance and substandard refrigeration systems
- Buildings do not meet modern food handling standards (cold chain compliance, adequate loading docks, cleanable surfaces)
- Not energy efficient

The four current leasehold businesses focus almost exclusively on fresh produce and do not carry substantial quantities of other locally produced and desirable fresh foods such as meats, poultry, and dairy items. Unlike some other similar farmers’ market facilities, the warehouse businesses do not do any value added production, which can both increase the value of local foods and create more jobs.

The following chart shows the gross square footage of each of the warehouse buildings according to blueprints examined by ADS Architects and the square footage for the warehouse tenants according to their leases. The Small Dealers Building is currently vacant.

	Gross SF	Current leased SF
Warehouse 1	27,664	20,492
Warehouse 2	10,630	7,822
Small dealers building	14,960	-
Total	53,254	28,314

The warehouse tenants were provided a short written survey and asked to identify their desired square footage as part of rebuilding of the warehouses. The three tenants in Warehouse 1 indicated a desire for 18,000 to 27,000 square feet; the tenant in Warehouse 2 did not respond.

Strategy

Permanent warehouses should continue to be an important part of the WNCFM. The consultant team recommends the following strategy to strengthen the warehouse businesses:

- Capture the growing demand from Asheville area restaurants, institutions and independent buyers for local and high quality products by modernizing the WNCFM warehouse facilities, lowering barriers to trade, expanding the number of wholesale houses, and increasing the range of products offered for sale.
- Brand WNCFM as the premier source of local, sustainable, and high quality foods for wholesale buyers.

Approach

To accomplish this strategy, the following approach is recommended:

- Create new, larger warehouses that meet emerging food handling standards, industry practices, and energy efficiency
- Diversify the product mix with other Western North Carolina farm products, including meat, poultry and dairy
- Add two to three new permanent wholesalers
- Encourage value-added production within the warehouses in order to increase economic activity, add value to locally grown foods, and create jobs
- Implement strict quality control standards for both the facilities and products
- Pursue partnerships and local food buying agreements with area schools and institutions

Truck sheds

The WNCFM includes five sheds, including Truck Shed 1 which is devoted to North Carolina farmers. The overall size of each shed, the individual stall size, and the number of stalls is listed below:

Building	Area	Stall size	Stall SF	Spaces	Total SF
Truck 1	10,000	12.5x25	312.5	32	10,000
Truck 2	23,544	12.5x18	225	49	11,025
Truck 3	6,875	12.5x25	312.5	22	6,875
Truck 4	12,315	12.5x25	312.5	38	11,875
Truck 5	17,500	12.5x25	312.5	56	17,500
<i>Total</i>	70,234			197	57,275

The Western North Carolina farmers interviewed for the master plan who currently use the sheds stressed their importance as a large volume marketing outlet for the farmers' products. Some farmers sell directly themselves while others utilize resellers who are at the Market daily during harvest periods.

The research determined that there is currently inadequate space for North Carolina farmers to sell directly during peak harvest periods. Other challenges with the sheds include:

- Decreasing sales volumes among the resellers
- Inadequate signage for the sheds, the individual businesses, and the products
- Insufficient quality control
- Congestion caused by trucks conflicting with cars and farmer vehicles parked in circulation lanes
- Roofs not wide enough to provide adequate weather protection
- Resellers selling on a retail basis, attracting more cars to the sheds and causing conflicts with the designated retailers

In a focus group with resellers, the group expressed strong interest in installing enclosable sides or garage doors to create an indoor “winter market.”

Strategy

The consultant team recommends the following strategy to strengthen the truck shed component of the WNCFM:

- Enhance facilities as a sales outlet for North Carolina growers
- Build brand awareness that WNCFM is a premier source to buy directly from regional growers
- Discourage retail sales in the wholesale sheds but create distinct retail farmers’ market operation elsewhere on the campus
- Improve space utilization to provide more room for farmers to sell directly during peak harvest periods (this was the top farmer focus group request)
- Increase quality control through stepped up inspections and fines
- Improve signage of both businesses and products

Approach

To accomplish this strategy, the following approach is recommended:

- Expand Truck Shed 2 by making it longer and widening the roof
- Install operable glass garage doors on Truck Shed 2 to create an enclosable indoor winter market shed (see photos, right and below, of garage doors installed on existing shed at City Market in Kansas City)
- Create a separate retail farmers’ market facility



near the Retail Buildings

- Improve signage, quality control, and origin labeling
- Maintain space management flexibility so North Carolina farmers have preferential access to direct marketing opportunities during harvest periods



Shared cold storage

Both farmers and WNCFM resellers expressed strong interest in the availability of shared cold storage at the Market. This service is provided by market management at the Ontario Food Terminal in Toronto, where farmers and Market tenants can rent space by the pallet position within an 80,000 sf cold storage facility. The facility offers an important service to users and provides significant positive cash flow to the Market.

Cold storage facilities need to be actively managed to maintain cleanliness, product integrity, and security. Ideally, the Market should offer coolers set at different temperatures to meet the needs of various types of products. By creating several units, the Market can power some facilities down during low demand periods and therefore save on operating costs.

Retail and restaurant

The two Retail Buildings contain over 24,000 square feet of space, divided into 73 stalls that are 10 feet wide by 20 feet deep. Retail Building A also has an enclosed deli space with cooking hoods (the only cooking facilities in the buildings):

Building	Area	Stall size	Stall SF	Spaces	Total SF
Retail A	12,000	10x20	200	32	6,400
Retail A - Deli			1,300	1	1,300
Retail B	12,384	10x20	200	40	8,000
Total	24,384			73	15,700

Many retailers occupy more than one stall. Currently the Retail Buildings house 21 vendors in 68 stalls.

One vendor has been part of the Market since it opened nearly 40 years ago and one-third have been at the Market at least 15 years. Another third have been at the Market a year or less. The average tenure is 9.7 years.

In addition to the retail buildings, the Market is home to a popular restaurant, the Moose Café, which occupies 5,200 square feet and has its own entrance on Brevard Road. The restaurant was constructed in 1986 and partially renovated in 2014.

The garden center, occupied by Jesse Israel & Sons, was constructed in 1982 and includes a standalone building with a ground floor of 6,570 square feet and a 600 square foot mezzanine. The garden center has a 1,400 sf greenhouse and 21,000 sf of outdoor space for plants and planting materials.

The retail components of the Market face a variety of challenges, including:

- Vendors in the Retail Buildings report declining sales and a reliance on sales to tourists
- There is a limited range of local and specialty foods available, with most of the focus on fresh produce and dairy items, and almost no food to eat on premises
- The merchandising is generally weak, with old display cases and rudimentary fixtures
- It is unclear where one business stops and another starts, with limited business signage
- The buildings do not accommodate any cooking except for the deli space (currently vacant)
- Resellers in the Truck Sheds currently sell to retail consumers, although in the past this practice was not permitted. This has led to conflicts with the vendors in the Retail Buildings, who believe that retail should be limited to their buildings. The resellers do not label the origin or price of products.

While many retail tenants have sold at the Market every day for years, they are offered only daily rental agreements. Since the tenants have no leasehold rights and no assurance that they will be in the Market long enough to recoup investments in their stalls, tenants have not purchased high quality display fixtures, which contributes significantly to the impermanent feel of the Retail Buildings.

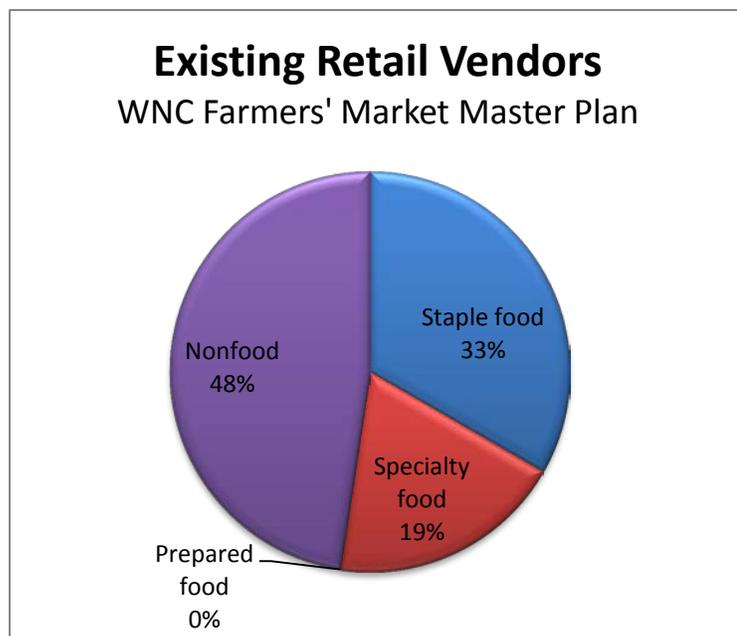
Unlike the tenants in the Retail Buildings, the garden center business has a multiyear lease with NCDA&CS.

The current retail vendors are listed in the following chart, categorized by their primary products into one of four typical retail indoor market categories: staple foods, specialty foods, prepared foods, and nonfood items:

Retail A & B	Stalls	Category	Products
Cavazos Produce	4	Staple	Produce, honey
Coates Produce	10	Staple	Produce, ham, molasses, honey, jams
Kenneth Jarvis	6	Staple	Produce, dried fruits & nuts, honey, jams
Michael Daughtery	1	Staple	Seafood
Ralph & Betty Ascione	5	Staple	Produce, home-canned goods
Teague's Country Corner	5	Staple	Produce, eggs, cheese, bacon, honey, jams
Whitts Produce	8	Staple	Produce, honey, baskets
Jonny Pz Closet	1	Specialty	Cheese, antiques
Mountain Sunshine Farms	6	Specialty	Cheese, eggs, baked items, baskets
Ruby's Apple Wood Fudge & Crafts	1	Specialty	Fudge, wreaths, crafts
Three Cowgirls	2	Specialty	Wine, beef, ice cream
Cara's Corner	4	Nonfood	Bee keeping supplies, soaps, lotions
Element Tree	1	Nonfood	Candles
Friends and Fiberworks	2	Nonfood	Yarn, handmade items
Linda Brown	1	Nonfood	Plant stands and pots
Locally Grown	2	Nonfood	Jewelry and craft items
Pop Embroidery	2	Nonfood	Embroidered items, embroidery
Real Time Pain Relief	1	Nonfood	Pain medicine
Smoky Mtn. Creations	4	Nonfood	Shirts, tourist items
Susan Davis	1	Nonfood	Painted gourds
Wildree	1	Nonfood	Soaps, other items
TOTAL	68		

In terms of the number of different vendors, the Retail Buildings are dominated by the nonfood vendors, who represent 48% of all vendors. As the chart labeled “Existing Retail Vendors” shows, staple foods represent one-third of the businesses and specialty foods 19%. There are currently no prepared food vendors.

While staple food vendors represent only one-third of all the vendors in Retail Buildings A and B, they rent more stalls than the other vendors. The following chart, entitled “Existing Retail Stalls: WNCFM Master Plan,” shows the allocation of stalls based on the four



product categories. Staple foods represent the largest share with 57% of all stalls. Nonfood represents 28% of stalls and specialty food is only 15% of stalls.

Strategy

The consultant team recommends the following strategy to strengthen the retail and restaurant sales at the WNCFM:

- Create an improved retail experience by maintaining the core local fresh foods but expand with greater diversity of products and higher quality products and presentations.
- Brand the retail components of the WNCFM as the premier year-round location in Western North Carolina to buy local foods from farmers and purveyors.
- Expand the specialty and prepared food offerings at the Market.
- Target three core audiences:
 - Local consumers who have higher income, are more educated, and are likely to be “foodies”
 - Local consumers from lower income households who receive food stamps (there are 20,572 active Food & Nutrition Services cases in Buncombe County¹) and are eligible to utilize Double Bucks
 - Tourists to the Asheville area



Approach

To achieve this strategy, the following changes are proposed:

- Broaden the range of fresh, specialty, prepared food, and nonfood vendors in the Retail Buildings by (1) adopting leasing targets for both the number of businesses and the number of stalls in each category, and (2) actively recruiting vendors that fit the targets.
- Increase the transparency into the Retail Buildings through the introduction of windows on the roll down garage doors or another glazing system.
- Upgrade a portion of the Retail Buildings to accommodate value-added production and cooking. This should have the benefit of increasing the number of jobs in the Market, increasing vendors’ sales and profitability, and providing more unique products to

¹ Accessed at <http://www.ncdhhs.gov/dss/stats/fsp.htm> 2/3/2015

customers.

- Add an outdoor customer seating area.
- Require all eligible vendors to take SNAP (food stamps).
- Create a second restaurant opportunity on Brevard Road by relocating the administrative offices to elsewhere in the Market and creating a brew-pub or other restaurant concept at that site, which is a high value location.
- Create outdoor seating areas for the Moose Café and for the proposed new restaurant.
- Encourage the garden center to upgrade its own facility within the current footprint.
- Create a separate retail farmers' market shed and special event space.

The following chart suggests a preferred mix of vendors for the Retail Buildings with a range of fresh, specialty, prepared food and nonfood vendors. This mix of vendors is based on both the experience of other successful retail fresh food markets and the results of the market research in Asheville. Furthermore, this mix offers targets for leasing, not a mandatory division of vendors. In practice, vendors often offer more than one product as part of their business (as is currently the case in Retail Buildings A and B) so the important issue is providing customers a diverse and complete range of product offerings.

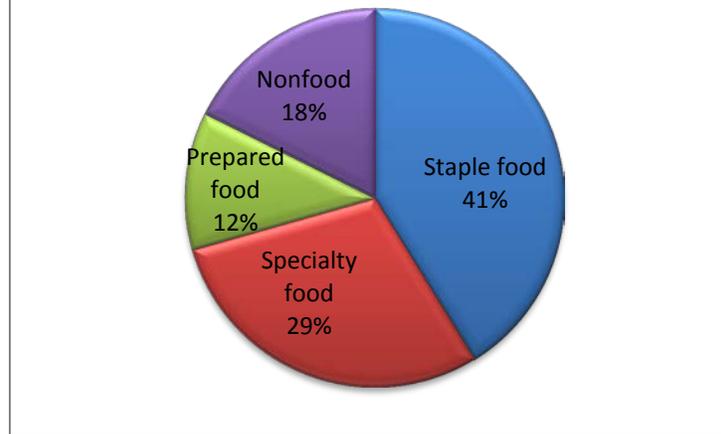
The proposed targets for the distribution of different types of vendors are provided in the pie chart below:



The proposed targets for the distribution of stalls are provided in the pie chart below:

Retail Stalls Target

WNC Farmers' Market Master Plan



Rather than using a common stall size for all vendors, the retail buildings should be designed with greater flexibility to provide vendors the optimal size for their business. The following chart suggests an average square footage for each type of vendor, with the notion that vendor stalls will be designed for the vendors' individual needs. The total square footage is approximately the same as the retail space now utilized in Retail Buildings A and B:

	Existing Vendors		Proposed		
	Vendors	Stalls	Vendors	Ave SF	Total
Staple food	7	39	8	625	5,000
Dairy	0	-	1	450	450
Meat/Poultry	0	-	2	450	900
Produce	6	38	4	800	3,200
Seafood	1	1	1	450	450
Specialty food	4	10	13	512	6,650
Bakery	0	-	2	500	1,000
Candy/chocolate	1	1	2	350	700
Cheese	2	7	2	600	1,200
Coffee/tea	0	-	1	400	400
Deli	0	-	1	600	600
Ice cream	0	-	1	350	350
Specialty food/Spices	0	-	2	600	1,200
Wine/beer	1	2	2	600	1,200
Prepared food	0	0	4	350	1,400
Carry out/deli	0	0	2	350	700
Local/ethnic	0	0	2	350	700
Nonfood	10	19	6	350	2,100
Flowers	1	1	1	500	500
Crafts/gifts	6	9	4	300	1,200
Retail	3	9	1	400	400
TOTAL	21	68	31	489	15,150

Education and events

To meet the Market’s educational mission and reinforce its position as a locus of the local food movement, the WNCFM needs facilities to house educational programming. The Market also needs to increase its management capacity to run programs and expand its partnerships with organizations and individuals in the region who can offer programs.

Many similar markets around the country have created demonstration kitchens that provide lecture-style environments to show people how to cook. These facilities can be designed for television or video broadcast. They are often popular with local chefs and other food professionals, whose presence can strengthen the Market’s reputation.

Some markets have created hands-on training facilities that can educate cooking professionals (such as school food service workers) as well as children and adults about food and nutrition. Rather than watching someone cook, these cooking “labs” provide multiple cooking

stations so students can learn through doing, often in small teams. These facilities will be popular with both local residents and visitors.

The Market would benefit from indoor and outdoor event space. Event space will enhance the Market's existing event programs and provide the opportunity to create additional events which can be attractive to both local residents and tourists.

Support services

The WNCFM office is currently located at a standalone building at the Market's entrance on Brevard Road. The building was constructed in 1982 and contains 4,600 sf on one floor. According to the ADS facility analysis, the building is adequate for its current use and in need of some refurbishment.

The site where the office is located offers a prime location for an income-generating function, such as a restaurant or brew pub. Ideally the office function can be relocated to an upper level at a building near the center of the Market, freeing up the current site for future development.

The consultant team recommends that the gatehouse function be relocated to a space closer to the wholesale zone. The current location of the gatehouse impedes trade and causes backups onto Brevard Road.

ATMs should be located in the Market's retail sections.

There should continue to be bathrooms in each zone around the Market.

The Market should maintain its centralized waste management system. Improvements could include a cover and increased capacity for recycling and composting.

If the Market is able to increase retail sales, it will also need additional customer parking. Parking around the Retail Buildings needs to be maximized and there should be signs directing customers to the parking in the rear of the buildings.

The Market is strongly in need of a signage system that clearly identifies each building and directs customers to the retail and wholesale zones.

Partnership opportunities

Partnerships offer a key strategy for achieving the Market's goals. As institutions and businesses have become increasingly interested in fresh, healthy and local foods, the opportunities for partnerships with wholesale/retail farmers' markets have grown. Some key organizations that could become partners for the WNCFM include:

Hospitals

As a consequence of the Affordable Care Act and other changes in the health care system, hospitals have become increasingly interested in wellness initiatives that include a healthy foods component. Innovative programs such as "Prescription Bucks" provide coupons issued by hospitals that can only be spent on fresh foods at farmers' markets. The WNCFM should be an attractive partner for hospitals because it is accessible by bus and open daily, year-round.

Partnerships with hospitals or other health care providers will be enhanced if the Market creates a demonstration kitchen or other facilities to provide nutrition and cooking education. Registered dietitians and other health care providers provide a good source of educators to teach classes at the Market's kitchens.

Colleges and schools

The WNCFM can develop multifaceted partnerships with educational institutions that include sources of supply for food service (particularly a local foods purchasing initiative), educational programming, internship opportunities for students, and research activities. Already the WNCFM has developed a partnership with Warren Wilson College for food waste composting. The Market is ideally positioned to support farm-to-institution programs once the wholesale facilities meet food handling standards.

Area colleges also provide a source for small business development training and marketing support. Business students could assist independent small business owners with marketing, branding, accounting, and a range of other business technical assistance.

Restaurants

Partnerships with area chefs and restaurateurs can encompass educational, promotional and local foods purchasing initiatives. Chefs often teach popular classes and can be a good source of instructors for the Market's demonstration kitchen. The participation of high profile chefs will help strengthen the Market's reputation among area "foodies," who have been identified as a key customer demographic for the Market, as well as tourists.

Marketing

"Got to be NC" is the official statewide marketing program for products that are grown, raised, caught or made in North Carolina. Opportunities for strengthening the Market's

utilization of this program should be explored.

ASAP (Appalachian Sustainable Agriculture Program) has achieved significant success promoting regionally produced food among consumers and supporting small growers. A partnership between WNCFM and ASAP around promotion and marketing could benefit both entities and strengthen the regional food system.

Greenways and trails

In September 2012, Buncombe County adopted the Trails and Greenways Master Plan and identified the Bent Creek/Brevard Road Greenway corridor (which encompasses the WNCFM) as a priority. Expanded pedestrian linkages on Brevard Road will help improve the retail environment at the Market and tie it closer to the West Asheville community. Therefore, where feasible and mutually beneficial, the WNCFM should work to improve bicycle and pedestrian access to the retail portions of the Market and evaluate potential greenway alignments.

Facility improvements

To accommodate the proposed programmatic elements, the consultant team identified the following site- and facility-related improvements, which are presented graphically on aerial maps of the Market.

Wholesale zone

The recommended improvements in the wholesale zone include:



Key site improvements include:

- Truck Shed 3 is removed.

- The width of Truck Shed 2 is extended with 34' wings so all trade can happen under cover. These two wings add 20,400 sf of rentable space.
- Truck Shed 2 is extended (once Warehouse 1 is removed) by 175', creating a 24,500 sf addition.
- The Small Dealers Building is razed and replaced by a new, modern Warehouse Building that is 110' wide and 504' long, The new building is three stories tall:
 - The upper level has offices for Market management and tenants, and is estimated to contain approximately 10,000 sf
 - The main floor contains 55,440 sf and is divided into (36) 14' wide bays
 - The lower level has shared cold storage, waste management, and leasable space within 48,360 sf

Construction sequencing will be very important in order to keep all tenants operating and minimize disruptions. The drawing shows the suggested two phase construction phasing.

- Phase One: the Small Dealers Building is razed and about two-thirds of the new Warehouse is constructed, along with the two new "wings" of Truck Shed 2. The tenants in Warehouse Buildings 1 and 2 are then relocated to the new warehouse. The Market office is relocated to the upper floor of the new Warehouse.
- Phase Two: Warehouse Buildings 1 and 2 are razed. Truck Shed 2 is extended. The final one-third of the new Warehouse is constructed.

Retail zone

The recommended improvements in the retail zone include:



Key improvements for the Retail Buildings include:

- Increasing the transparency of the Retail Buildings by adding glass to the existing roll-up garage doors or other glazing system
- Creating an enclosed market hall in about 6,400 sf of the southern section of Retail Building B that includes cooking capacity and HVAC
- Creating an outdoor seating terrace adjacent to the market hall component
- Redesigning the interior to meet the proposed tenant mix plan with the appropriate square footage for each type of vendor
- Upgrading the building with LED fixtures, which will improve the quality of lighting and lower operating costs
- Improving signage for both the building and individual vendor stalls

Other key improvements for the retail zone include:

- Creating a new indoor/outdoor event center at the new property created by in-fill
- Relocating the Administrative Building and creating a pad for a new restaurant or brew pub
- Creating outdoor seating for the Moose Café
- Relocating the gatehouse
- Upgrading sidewalks between the retail areas, garden center, and restaurants
- Upgraded landscaping

Construction budget (ROM)

The consultant team used construction square foot cost estimates for similar types of warehouse facilities to create a ROM (rough order of magnitude) construction budget. The budget is divided between the Market's wholesale and retail zones. The warehouse estimate of \$180 per sf includes the cost of refrigeration systems; the refrigeration systems could be part of the construction or they could be installed afterwards by the warehouse tenants.

Wholesale Zone Improvements	SF	Rate	Total
New Wholesale Building, Phase One			\$15,400,000
Demo of Small Dealers Bldg	7,480	\$6	\$44,880
Demo of Truck Shed 3	6,875	\$3	\$20,625
Construction (2/3 of bldg, 3 floors)	83,920	\$180	\$15,105,600
Site work, storm drain relocation			\$250,000
New Wholesale Building, Phase Two			\$6,100,000
Demo Wholesale 1	27,644	\$4	\$110,576
Demo Wholesale 2	10,630	\$4	\$42,520
Construction (1/3 of bldg, 2 floors)	29,880	\$200	\$5,976,000
Truck Shed 2 Expansion			\$4,200,000
Shed expansion	24,500	\$120	\$2,940,000
Roof extensions	20,400	\$60	\$1,224,000
General repairs & refurbishment			\$1,300,000
Truck Shed 1	10,000	\$9	\$90,000
Truck Shed 2	23,544	\$5	\$117,720
Truck Shed 4	12,315	\$30	\$369,450
Convert bathrooms to maintenance			\$200,000
Truck Shed 5	17,500	\$5	\$87,500
New insulated roofs, fascia	63,359	\$7	\$443,513
Total - Wholesale Zone			\$27,000,000

Retail Zone Improvements	SF	Rate	Total
Retail Buildings			\$1,800,000
Seating terrace	2,000	\$100	\$200,000
Market hall	6,400	\$250	\$1,600,000
Gatehouse relocation			\$30,000
Demolition	184	\$40	\$7,360
Construction	100	\$200	\$20,000
Sidewalk upgrades			\$100,000
New 6' concrete walks & steps			\$66,000
ADA ramps			\$40,000
Event center			\$4,100,000
Event center	16,000	\$250	\$4,000,000
Parking & site improvements			\$80,000
Restaurant/brewpub			\$500,000
Demo of admin building	4,600	\$8	\$36,800
New restaurant pad	8,500	\$50	\$425,000
Parking & site improvements			\$45,000
General repairs & refurbishment			\$3,200,000
Garden center	6,570	\$100	\$657,000
Retail A&B	18,624	\$80	\$1,489,920
Moose Café (partial)	3,200	\$200	\$640,000
New insulated roofs, fascia	31,026	\$13	\$403,338
Campus-wide improvements			\$500,000
Landscaping & security system			\$150,000
Storm drainage system			\$250,000
Paving & parking improvements			\$120,000
Total - Retail Zone			\$10,200,000

Operations and management plan

Operating schedule

The WNC Farmers' Market is open 24/7, which serves the needs of wholesalers and farmers who make very early morning deliveries and retailers and restaurants that are open into the evening. No changes to the Market's operating schedule are needed.

The Market advertises the Retail Buildings as being open from April through October from 8 am to 6 pm and November through March from 8 am to 5 pm. It was noted that some individual vendors set their own hours within the retail buildings and some are there only a few hours a week during the winter, even though they leave their displays in place. As improvements to the retail buildings are made, the Market should enforce hours of operation among vendors. The posted hours represent a promise to customers that they will have the full retail experience when they shop at the Market. Breaking this promise by having some vendors closed represents a betrayal of trust and undermines the Market's credibility, serving to drive customers away and leading to a downward spiral of sales for all vendors.

Staffing

The Market will benefit from increased attention on quality control, maintenance and cleaning. Resellers who participated in the focus group mentioned that quality has deteriorated in the Market because there is no longer a consistent USDA inspector to examine items offered for sale. The resellers expressed interest in having the Market take a more aggressive role again with quality control. Due to intense competition from supermarkets and other places to buy fresh foods, quality control is a critical issue if the Market wants to improve its image as a reliable place to buy high quality foods. To reinforce the desired branding standard of high quality foods, a quality control officer is needed to continually inspect goods offered for sale throughout the Market. This person needs the authority to require sellers to remove from sale substandard products and to fine repeat offenders.

Product quantities and prices

Reliable data on prices and volumes of products at the Market are important to track sales trends. In place of the gatehouse, other means to capture product flows and prices are needed, using electronic recordkeeping technology.

Leases and rules

To encourage vendor investments in their stalls and in recognition of the long tenure of many vendors in Retail Buildings A and B, the Market should replace daily permits with multiyear leases. These leases should stipulate operating hours and have penalty provisions for vendors who do not comply with Market rules. The leases should also stipulate minimum standards for signage, display fixtures, and merchandising in order to increase the customer experience.

By contrast, the leases offered to the wholesale tenants are too long in duration since they do not require any tenant investment and they do not provide the landlord with the right of relocation, which will be needed to implement the master plan. Wholesale tenants have recently been offered five year leases with one option of five years, thereby giving the wholesale tenants the right to ten uninterrupted years at the Market. The leases should not be longer than one term of five years, although it would be beneficial to have the tenants on month-to-month agreements during the master plan implementation period.

Once the new warehouse facilities are constructed, the leases should stipulate tenant investments that share the cost of developing the warehouses with the state. The leases should require tenants to maintain the facilities in high quality condition and meet all applicable health and product handling requirements.

The rules document should identify three vendor classifications for vendors selling in the Truck Sheds: farmer, farmer-dealer, and reseller:

- The farmer classification is reserved for farmers selling only what they grow.
- Farmer-dealers are bona fide farmers from the region who sell a combination of what they grow and products from other farmers in the region.
- Resellers are permitted to sell agricultural products from any source.

These classifications should reflect priorities in terms of space allocation and rental fees. Farmers should be given priority access to spaces in the Market and should pay the lowest fees. Resellers should receive the lowest priority and pay the highest fees. The meaning and purpose of the classifications should be communicated to Market customers through signage and places such as the Market's website.

Signs should be placed at each vendor stall which clearly designate the seller's classification, as well as the business name and telephone number. All products offered for sale on a retail basis should have origin labeling and clearly marked prices.

As noted in the Phase 1 report, the Market rules state: "The Market Manager may deny the privilege of operating on the Market to any person who violates these guidelines and rules, or who otherwise takes actions which are determined by the Market Manager to be detrimental to the Market." This statement and others in the rules document provide the Market Manager with the clear authority needed to address rule breaking at the Market. In order to prevent vendors from possibly circumventing this authority, a formal, written appeals process should be instituted that allows vendors to challenge a management decision in writing only. In order to make a written appeal, the vendors must first comply with the Manager's initial directive.

Waste management

The Market's existing, centralized waste management system reflects national best practices. To improve the system, the master plan calls for integrating the waste management into the lower level of the expanded warehouse building. Additional hours of operation should be added to meet tenants' needs.

Marketing

Strategic marketing initiatives are needed to fulfill the proposed business strategies and branding for both the wholesale and retail components of the Market.

Based on the results of the Internet survey, most local residents define "local" as either within 100 miles (33%), within 50 miles (24%), or as North Carolina and adjacent states (27%). Only 8% define local as grown in North Carolina. The marketing should focus on the Market's role as a regional institution, which includes farm products from adjacent states while simultaneously emphasizing the products that are grown close to Asheville.

The marketing function needs to address a variety of objectives, including:

- support the Market's mission of encouraging sales of North Carolina grown products
- build awareness and positive impressions about the Market among the targeted wholesale customers (restaurants and institutions) and retail customers (high income local residents, "foodies", and low-income nearby residents)
- inform the public about the Market's events, cooking classes and other programs, and space rentals
- position the Market to attract high quality tenants to fill vacancies
- build community support and goodwill

The Market's marketing program should not attempt to create sales for individual vendors or fulfill the marketing needs of each vendor. Tenants need to take responsibility for converting potential buyers into regular customers. Each individual business within the Market needs its own marketing plan and marketing resources. Furthermore, marketing cannot overcome deficiencies such as vendors not being open for business during posted hours, weak customer service, or low quality merchandise.

The marketing program should build from the Market's existing marketing methods, which include:

- Highway signs around Asheville which direct customers to the Market
- The large sign at the Market's entrance on Brevard Road which includes a digital component to display text messages
- Events at the Market, including a BBQ Cookoff and Bluegrass Jam in April, the popular Herb Festival in May, and single agricultural product-themed events in May

through September (Vidalia Onion Day, Blackberry Day, Watermelon Day, Tomato Day, and Apple Day)

- Participation in events at other locations, such as the Blue Ridge Horticulture Show in April, Tourism Days at various state Welcome Centers, and the Home Show, Mission Hospital Health Fair, UNCA Health Fair, and the Mountain State Fair
- Daily radio reports and segments on commodities and Market vendors
- TV and print advertising, including travel guides
- Website and Facebook
- Presentations to schools, civic associations, tourist groups, as requested

The marketing budget in FY2014 was \$22,799, a substantial increase from \$10,613 in FY2011 but well below what is needed to effectively rebrand the Market and reintroduce it to the community once the master plan changes have been made. The proposed marketing and education budget is \$70,000 per year.

Leasing/recruitment

If the wholesale buildings are reconstructed as proposed, there will be room for additional wholesale tenants. The Market should undertake an aggressive leasing program to attract new businesses to the Market that meet the branding strategy. This entails searching for wholesalers who will expand the product mix at the Market, including items other than fresh produce, who will do some value-added production in the Market, and who are seeking to serve area restaurants and institutions.

An aggressive recruitment effort will also be needed to attract retail vendors who meet the proposed tenant mix plan for Retail Buildings A & B. Leasing decisions should be guided by tenant selection criteria, which build off of the Market's mission and the desired merchandise mix. Recommendations for tenant selection criteria include:

1. Meet tenant mix plan (which includes proposed percentages of staple foods, specialty foods, prepared foods, and nonfoods/services)
2. Quality and affordability of proposed products and services, including innovative, locally sourced or produced items
3. Owner's product knowledge and passion, involvement in daily operations, and focus on customer service
4. Appeal to a wide range of consumers, including upper and lower income area residents and tourists
5. Financial capacity and willingness to invest in displays and merchandising
6. Quality of business plan and references

7. Number of jobs likely to create

Once the tenant selection criteria are established, a scoring system should be developed as a tool to evaluate vendor proposals.

Operations pro forma

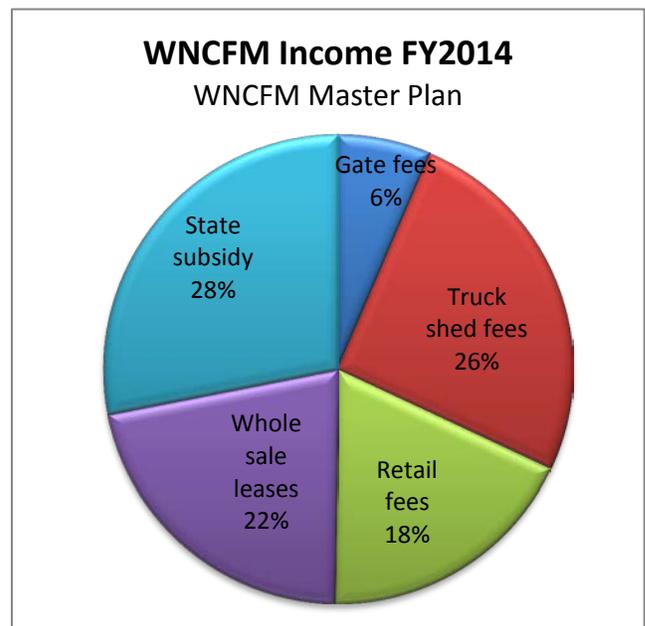
The financial goal for the WNCFM is to derive enough income from rents, fees, events, and other sources needs to be sufficient to pay the cost of operations. Furthermore, the Market requires adequate resources to operate the facility so that farmers and other tenants can achieve high sales.

Income

Income to WNCFM presently comes from five primary sources:

- Daily fees charged to farmers and resellers in the Truck Sheds
- Daily fees charged to vendors in the Retail Buildings
- Leasehold rents collected from warehouse tenants, the garden center and restaurant
- State appropriation
- Gatehouse fees

WNCFM Income	FY2014	FY2014
Gate fees	\$77,226	6%
Truck shed fees	\$308,792	25%
Retail rents	\$220,320	18%
Wholesale leases	\$261,620	22%
State appropriation	\$338,962	28%
Other	\$5,921	0%
Subtotal	\$1,212,842	100%



Gross sales compared to rents

Market management and the consultant team performed an analysis of gross sales at WNCFM based on data for packages sold, annual average wholesale and retail prices, and estimates for the percentage of goods sold at the wholesale or retail level. According to gatehouse receipts, over 3.6 million packages flow through WNCFM annually. The top commodities are:

- plants/flowers at 1.46 million packages
- tomatoes at 330,000 packages
- cantaloupes at 300,000 units

- watermelons at 299,000 units

The total wholesale value of these commodities sold at WNCFM is estimated at \$28.96 million and the retail value at \$21.38 million, for a total of \$50.36 million. These figures do not include sales at festivals (such as the Herb Festival) and sales in the retail buildings and restaurants, which are estimated at \$9.36 million. Total gross sales at the WNCFM therefore equal approximately \$59.7 million per year.

Source	Annual sales
Wholesale commodities	\$ 28,960,000
Retail commodities	\$ 21,400,000
Festivals	\$ 3,500,000
Retail	\$ 3,110,000
Restaurant	\$ 2,750,000
Total	\$ 59,720,000

Daily fees, rents, and gatehouse receipts were about \$868,000 in FY14. Dividing this number by total gross sales, fees and rents equal only 1.45% of gross market sales. This represents such a small percentage of gross sales that rents can be higher without undermining the viability of the Market businesses. Furthermore, the lack of rental revenue has resulted in inadequate resources to perform management tasks that can boost sales, such as quality control inspections, maintenance, and marketing. Higher rents – if utilized to address critical Market management functions – should lead to higher sales.

Potential leasehold rents

According to a survey of warehouse rents in Asheville commissioned by the NC Department of Administration in 2013, warehouse rents range from \$5.00/sf to \$9.00/sf.² Due to the age and condition of the existing warehouses, rents for these buildings has been set at \$4.63/sf in the new, proposed leases. Rent for the garden center lease is \$1.66/sf (which includes the building and land) and the restaurant is \$13.00/sf.

Replacing the existing warehouses with modern, efficient facilities that conform to best practices will provide the opportunity for increased sales, and therefore it is reasonable to charge higher rents. Finally, increased rental revenues are proposed to be used by Market management to increase quality control, maintenance, and marketing, thereby leading to higher sales.

Following implementation of the master plan, leasehold rents are recommended to increase as follows:

- Garden center: from \$1.66/sf to \$5.00/sf
- Restaurant: from \$13.00/sf to \$15.00/sf
- Restaurant pad: \$5.00/sf

2 Steitler Properties, “Complete Rental Appraisal Analysis & Summary Report: 540 Brevard Road, WNC Farmers’ Market Wholesale Fruit & Vegetable Produce Building 1 Unit D – Rental Analysis”, May 3, 2013.

- Wholesale buildings: from \$4.63/sf to \$9.00/sf

Since there will be additional warehouse square footage and a second restaurant is added, the impact to revenue is significant. This analysis assumes that the garden center and both restaurants are leased, while there is 20% vacancy in the warehouses:

Facility	Leased sq. ft.	Current rent/sf	Current annual rent	Proposed rent	Proposed sf	Vacancy	Annual rent
Garden Center	28,280	\$1.66	\$47,040	\$2.50	28,280	0%	\$141,400
Restaurant	5,000	\$13.00	\$65,000	\$15.00	5,000	0%	\$75,000
Restaurant pad				\$5.00	8,500	0%	\$42,500
Wholesale bldg	24,562	\$4.63	\$113,722	\$9.00	55,400	20%	\$398,880
	<u>57,842</u>		<u>\$225,762</u>		<u>97,180</u>		<u>\$657,780</u>

In this scenario, rental income from the leasehold tenants increases \$432,000 per year.

The new warehouse is proposed to include shared cold storage on the lower level. This can represent a significant source of additional revenue for the Market. At the Ontario Food Terminal, for example, the 80,000 sf of shared cold storage operated by Market management provides \$1.5 million in gross revenue and net income of \$700,000. For purposes of this analysis, it is assumed that net income from the cold shared storage will equal \$8.00/sf in rent.

Potential Truck Shed income

At present, the WNCFM charges North Carolina farmers and resellers who sell under the Truck Sheds a daily fee of \$8.00 per day in-season and \$6.00 per day in the off season. The fee for out-of-state farmers is \$11.00 per day. The truck sheds generate annual income of about \$309,000.

The other NC state farmers' markets charge significantly higher daily fees and they have graduated fees scales for North Carolina farmers, out-of-state farmers, and nonfarmers (resellers).

NC State Farmers' Market	NC Farmers	Out-of-state farmers	Resellers
WNCFM	\$8.00	\$11.00	\$8.00
Raleigh	\$15.00	\$30.00	\$30.00
Greensboro	\$6-15.00*	Double the NC farmer rate	\$30.00

* Depends on location

The proposed rates for WNCFM are:

- North Carolina farmers: \$12/day in-season, \$8/day off season
- Out-of state farmers: \$18/day in season, \$16/day off season
- Resellers: \$20/day

The proposed rates for WNCFM are lower than the other state farmers' markets but represent a significant increase from their present low levels. As with the warehouses, higher rents are justified in part because of the elimination of gate house fees and in part because more resources for critical management functions will lead to higher sales.

Sellers in Truck Shed 2 currently utilize much larger spaces than sellers in the other sheds yet pay the same daily fees. The redesign should include consistent size spaces.

The chart below estimates annual income based on the proposed expansion of Truck Shed 2 and elimination of Truck Shed 3. The average rents per day reflect a mix of in-season and off-season rates and a mix of farmers and resellers:

Location	SF	Stalls	Ave. rent/day	Vacancy	Income
Truck Shed 1	10,000	32	\$11.00	35%	\$82,368
Truck Shed 2	36,044	80	\$15.00	35%	\$280,800
Truck Shed 4	12,315	38	\$19.00	40%	\$155,952
Truck Shed 5	17,500	56	\$19.00	40%	\$229,824
Total	75,859				\$748,944

Potential retail rents

Vendors in Retail Buildings A & B are currently charged a daily fee, like the Truck Shed vendors, and do not have leasehold rights. However, many of the retailers have been at the Market on a daily basis for years. In fact, the average tenure for the retail vendors is 10 years. Furthermore, all vendors are charged the same daily fee per stall regardless of what they sell.

At present, vendors in the Retail Buildings pay \$9.00 per stall per day. Since there are 68 stalls in the two buildings, the annual rent potential is \$220,320. This equates to \$15.30/sf:

Current rent - Retail Buildings	
Stalls	68
Stall rent/day	\$9.00
Days/year	360
Annual rent potential	\$220,320
Total Leased SF	14,400
Rent/sf	\$15.30

As described in the Program Elements section of the report, the consultant team recommends altering the tenant mix over time to reflect a more diversified mix of merchandise that will appeal to the targeted consumers. Tenant layout can be improved by reducing common areas and increasing the amount of rentable space. A new market hall component will allow additional cooking within the Market and a new outdoor eating terrace will boost sales of prepared and specialty foods.

The consultant team recommends restructuring the retail rents to reflect best practices of similar retail facilities. Proposed changes include:

- Replacing daily permits with multiyear leases
- Charging different rents based on products sold, with lower rents for fresh, staple foods and higher rents for prepared foods and nonfood items
- Basing retail rents on a reasonable percentage of the sales potential for each type of product

The following chart shows the preferred mix of tenants, the average stall size and total area devoted to each product type, and then estimated gross sales per square foot for each category. These sales potentials reflect experience with other similar retail markets in other communities combined with the research into sales potential in Asheville. The column labeled “Rents as % Sales” reflects a reasonable percentage of gross sales that can be devoted to rent based on the profitability of each category. The column labeled “Derived rent” is the product of “Gross sales” times “Rents as % sales.” The column labeled “Derived rent/sf” represents “Derived rent” divided by “Leasable area.”

Preferred mix	Vend ors	Ave sf	Leasable area	Est. sales/sf	Gross sales	Rents as % sales	Rent	Rent/sf
Staple food	8	625	5,000	\$350	\$1,750,000	4.0%	\$70,000	\$14.00
Specialty food	13	512	6,650	\$400	\$2,660,000	5.0%	\$133,000	\$20.00
Prepared food	4	350	1,400	\$550	\$770,000	9.0%	\$69,300	\$49.50
Nonfood	6	350	2,100	\$300	\$630,000	7.5%	\$47,250	\$22.50
Total	31		15,150		\$5,810,000		\$319,550	\$21.09

This approach to rent results in *lower* rents for staple food vendors (their rents drop from \$15.30/sf to \$14.00/sf) and higher rents for the other vendor categories. The overall impact is total annual rent rising from \$220,320 to \$319,550.

Potential events income

The proposed event and education facility provides the opportunity to generate income from these activities, as well as events that take place elsewhere on the WNCFM property.

The following chart projects potential income from classes that take place in a demonstration kitchen, small-scale events, and larger scale events:

Space	Events/ year	Average attendance/ event	Annual participants	Net income/ participant	Income
Demo kitchen classes	100	15	1,500	\$10.00	\$15,000
Events - small	50	75	3,750	\$5.00	\$18,750
Events - large	<u>10</u>	300	3,000	\$5.00	<u>\$15,000</u>
Total	160				\$48,750

Total income

Aggregating these rent projections, total income is projected to increase 81% from FY14 levels, from \$1.21 million to \$2.19 million:

Income	FY2014	Proposed	Change	Change
Gate fees	\$77,226	\$77,226	\$0	0%
Truck sheds	\$308,792	\$748,944	\$440,152	143%
Retail Buildings	\$220,320	\$319,550	\$99,230	45%
Leases (warehouses, restaurant)	\$261,620	\$657,780	\$396,160	151%
State appropriation	\$338,962	\$338,962	\$0	0%
Events/education	\$5,921	\$48,750	\$42,829	723%
Subtotal	\$1,212,842	\$2,191,212	\$978,371	81%

Expenses

WNCFM's current annual operating budget is \$1.21 million. The largest share of expenses is personnel, at 73.8% (\$891,400), followed by maintenance and repair at 11.1% (\$134,200).

The proposed budget includes a 15% increase in personnel costs in order to have the resources for quality control inspections, increased maintenance, cleaning, security and marketing/education.

The proposed budget also includes a 50% increase in maintenance and repair

expenditures in order to protect the significant capital investment and to maintain high quality, code compliant facilities. There is a 20% increase in waste removal and supplies to account for higher volumes of products moving through the Market and higher insurance costs because of higher value buildings. Finally, the budget includes an increase from \$17,800 to \$70,000 for marketing and education expenses, reflecting the need to rebrand the Market and attract new customers.

Expenses	FY2014	Proposed	Change	Change
Personal Services	\$891,354	\$1,025,000	\$133,646	15%
Maintenance & Repair	\$134,197	\$201,000	\$66,803	50%
Advertising	\$17,799	\$70,000	\$52,201	293%
Insurance	\$30,145	\$45,000	\$14,855	49%
Waste removal	\$18,703	\$22,000	\$3,297	18%
Other services	\$68,402	\$68,402	\$0	0%
Supplies	\$32,123	\$39,000	\$6,877	21%
Property/Other	\$15,118	\$15,118	\$0	0%
<i>Subtotal</i>	\$1,207,841	\$1,485,520	\$277,680	23%

In total, operating expenses increase from \$1.21 million to \$1.49 million, an increase of \$278,000 or 23%.

Conclusion

Benefits

Implementation of the master plan will lead to a wide array of benefits, including reversal of negative sales trends for WNCFM vendors, higher sales of North Carolina farm products, expansion of the customer base, sales of fresh, healthy foods to low income consumers, and improvement of an important tourism destination.

As presented at the beginning of this Phase 2 report, the master plan followed five development principles. As enumerated below, the master plan achieves these five principles in a variety of ways:

1. Increase efficiency of wholesaling by reducing barriers to trade

- Replacement of outdated warehouse facilities with modern, code compliant efficient buildings
- Less vehicular congestion through the removal of Shed 3 and expansion of Shed 2
- Relocation of the gate house
- Increased management resources for quality control, maintenance, and marketing

2. Enhance the retail experience to attract a wider variety and more local consumers and visitors by making the Market a more comfortable place for pedestrians, providing wider range of fresh and value added products, and reducing the Market's industrial feel.

- Improvements to the Retail Buildings, including creation of an indoor market hall that includes food production and cooking, a new outdoor seating terrace, increased transparency into the buildings, and a broader selection of fresh, specialty and prepared foods
- New sidewalks and ADA compliant ramps
- Creation of a welcome center in place of the gatehouse
- New restaurant/brew pub on Brevard Road

3. Highlight and support North Carolina farmers and encourage sales of regionally grown and produced products.

- New fee structure and space assignment that favors North Carolina growers
- Lower retail rents for vendors selling fresh, staple foods
- Expanded marketing budget and education facilities that will promote local foods
- Partnerships with area institutions and local foods buying initiative

4. *Upgrade facilities to modern standards, ensuring code compliance and energy efficiency while meeting emerging food safety requirements.*

- Replacement of outdated warehouse facilities with modern, code compliant efficient buildings
- Introduction of shared cold storage
- Creation of market hall component with Retail Building B

5. *Allow phased implementation and minimize disruption to operations.*

- Retail and wholesale zones can be redeveloped at different times
- Construction phasing for the new warehouse allows existing warehouse businesses to stay in continual operation

Challenges

Implementing the WNCFM master plan will require overcoming various challenges, including:

- **Continuous operations:** While the phasing plan seeks to minimize disruption and expedite construction, the need to keep all businesses in operation during construction will inevitably create tensions during the construction period.
- **Increased rents:** Rents are proposed to increase for most tenants to provide sufficient resources for operations and marketing. While this will increase operating costs for many tenants, the increased sales potential should more than compensate for the proposed higher rents.
- **Cost of construction; unknowns:** With an estimated construction cost of \$37 million in 2015 dollars plus soft costs and unknown costs, implementing the master plan requires substantial public investment.
- **Tenant investments:** The implementation of the master plan should be a public-private partnership, with Market leasehold tenants making significant investments into their facilities. These might include new refrigeration systems and fit-out of their warehouses and retail spaces. Sources of affordable capital or loan guarantees might be needed for some tenants, as well as tenant allowances. Even with this support, every existing tenant might not be in a financial position to invest so the Market could experience some turnover as a result of master plan implementation.

Next steps

When NCDA&CS decides to move forward with master plan implementation, some next steps include:

- Continued outreach to Market tenants, farmers, the local community, partners, and

potential new tenants to gain their feedback and suggestions for strengthening the master plan, as well as build support for the project.

- Prepare a full development budget, including soft costs.
- Retain an experienced architecture and engineering team to refine the schematic design, conduct design development, prepare construction drawings, and oversee construction.
- Refine the leasing, business, and operating plan, working closely with the design team.
- Raise funds to cover the development budgets.

Given its size, history, and prime location, the WNC Farmers' Market has the potential to become a stronger asset for regional farmers and the community. The Market can play a central role in promoting the purchase and consumption of North Carolina farm products and provide substantial benefits in terms of job creation, expanding access to fresh foods for underserved residents, and serving the emerging needs of the state's farmers and food producers. This master plan provides a path forward to realize that vision.

Appendix A. SWOT analysis

The SWOT analysis (Strengths – Weaknesses – Opportunities – Threats) seeks to concisely state the WNC Farmers’ Market’s existing strengths and weaknesses, and to reveal the opportunities for redevelopment and any potential threats to its future. This analysis concludes the Phase 1 research tasks and sets the stage for the development principals, program, and phasing options that will be explored in Phase 2.

1. Strengths

- a. Site
 - i. Location: highway access, visibility from main road
 - ii. Size and infrastructure: 36 acres, number and variety of buildings and sheds
 - iii. Public transportation (bus stop on Brevard Road in front of Market)
- b. Operations
 - i. Enthusiastic/committed management
 - ii. Open daily, 24/7
- c. Retail
 - i. Many annual visitors, including tourists
 - ii. Successful Herb Festival brings many locals
- d. Wholesale
 - i. Serves many farmers; some move substantial quantities through Market
 - ii. Well known among NC farmers
- e. Partnerships (compostable waste with Warren Wilson College)
- f. Existing marketing infrastructure such as “Got to be NC” marketing program

2. Weaknesses

- a. Site
 - i. Congestion; car/truck conflicts; challenge to circulate large trucks around sheds
 - ii. Lack of sidewalks and pedestrian connectivity
 - iii. Topography – makes functions disconnected, challenging for events
 - iv. Lack of signs
 - v. Limited parking spaces around sheds; customers don’t know about parking in rear of retail buildings
 - vi. Gate house (confuses retail customers, barrier to deliveries, traffic backs up)
 - vii. Waste handling area uncovered
- b. Retail
 - i. Retail buildings have industrial feel, not a retail experience

- ii. Few windows, people think closed in winter
- iii. Confusing entrances
- iv. Daily rentals discourage investment
 - v. Display cases are old and poorly lit, merchandising generally weak
 - vi. Merchandise mix geared to tourists (t-shirts and souvenirs), not locals
 - vii. Lack of foods to eat on premises
- viii. Limited brand identities; cannot tell where many businesses stop and start
- ix. All vendors not open during operating hours
 - x. Wide center aisle makes market look empty when few customers
 - xi. Sales decreasing
 - xii. Not attracting younger demographic
 - xiii. Low rents (\$10/day in season; \$8/day out of season)
- c. Wholesale
 - i. Truck shed 1 small, narrow, poorly lit
 - ii. Truck shed 2 has near-permanent vendors
 - iii. Wholesale houses in need of significant upgrades
 - iv. Open docks not cold chain compliant
 - v. Narrow docks
 - vi. Tenants cannot get third party certification because of facility deficiencies
- d. Marketing
 - i. Unclear brand identity – what does WNC FM represent? A “farmers’ market” but not only farmers, not all local
 - ii. Limited marketing budget and functions
- e. Operations
 - i. Cleanliness
 - 1. Shed vendors
 - 2. Trash area (not covered, effluent issue)
 - ii. Rents
 - 1. Low rents, Market operates at a loss
 - 2. Don’t differentiate between farmers and dealers, in-state and out-of-state growers
 - iii. Management
 - 1. No written appeals process

3. Opportunities

- a. Site
 - i. New usable 1 acre parcel from construction fill
 - ii. Elimination of gatehouse could provide competitive advantage over Columbia State Farmers' Market and Atlanta Farmers' Market
 - iii. New nearby Asheville Outlet Mall
- b. Retail
 - i. Strong demand for local foods, consumers and large scale buyers
 - ii. Tailgate markets opened seasonally, weekly, short hours, mainly outdoors without infrastructure
 - iii. City, region population growth and growing fresh food demand
 - iv. Close proximity to West Asheville neighborhood, which is becoming younger and active lifestyle
 - v. Create market hall component of a Retail Building with appropriate space for cooking and value-added products
 - vi. SNAP/EBT programs, Double Bucks
- c. Wholesale
 - i. Restaurants increasingly interested in local foods
 - ii. Interest in shared cold storage
 - iii. Potential for value added processing
 - iv. WNCFM could consolidate products from emerging regional food hubs
- d. Supply
 - i. Production expansion and long growing season
 - ii. Strong farm tradition; farmers used to transitions
 - iii. NC farmers investing in hoop houses, season extension, dairy
 - iv. Growth in direct marketing
 - v. Potential addition of processing facilities for meat and poultry
- e. Event and education space, demo kitchen or cooking lab
- f. Replace office function with income producing activity at Market entrance
- g. Shift responsibility for upgrades to leasehold tenants – require improvement plan and proof of financing as condition of lease renewal
- h. Partnerships
 - i. Hospitals, schools (particularly if have education and event facilities), foundations

- ii. Regional infrastructure supporting small farmers and food producers (eg Blue Ridge Food Ventures)

4. Threats

a. Retail

- i. Expansion and improvement of supermarkets around Asheville
- ii. Expansion of tailgate markets
- iii. Fewer customers buying large quantities of produce for canning

b. Wholesale

- i. Drop in historical wholesale business: supermarkets and other large buyers no longer buying from FM but rather contracting directly with GAP certified farmers or using only HACCP facilities; fewer roadside stands
- ii. New federal regulations (Food Safety Modernization Act) incompatible with Market vendors' operating practices
- iii. Product prices higher than competing facilities (Columbia, Atlanta)

c. Supply

d. Drop in number of farms

e. Competition

- i. Columbia, Atlanta Farmers' Markets recently upgraded; more convenient for some Western NC growers
- ii. Numerous food distributors come to Asheville area from large region

Appendix B: Steering Committee

Name & Title	Organization
Kenny Barnwell, Owner	Kenny Barnwell Orchards
Michael Coates, Owner	Coates Produce
Sarah Graham, Director of Planning & Economic Dev	Southwestern Commission
Charlie Jackson, Executive Director	Appalachian Sustainable Ag Project (ASAP)
Larry Jones, Owner	Jones Farm
Peter Marks, President	Seed Programs International
Travis Nix, Manager	Helena Chemical Company
Jimmy Page, Owner	JMJ Tomato
Chuck Pickering, Executive VP	Biltmore Company
Tim Richards, Program Office	Community Foundation of WNC
Debra Sloan, Agribusiness Development	NCDA&CS
Karen Smith, Chief Planner	NC Dept of Commerce
Doug Sutton, WNCFM Manager	NCDA&CS
LT Ward, Vice President	WNC Communities
Mark Williams, Ag Economic Development	Henderson County
Bill Yarborough, Special Assistant to the Commissioner	NCDA&CS
Kent Yelverton, Project Manager	NCDA&CS