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# FUNDAMENTALS OF FOOD BUSINESSES: COTTAGE FOOD TO FULL SERVICE

# INTRODUCTION

Overview on the various food business structures.  
From Cottage Food Law to full-service restaurants and everything in between.

This webinar will allow attendees to explore their ideas and think about different models for their food business dream and show steps to each as well as phasing from one to another.

The logo for the Economic Development Collaborative (EDC), featuring the letters "EDC" in white on a dark blue rectangular background.

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The logo for America's Small Business Development Center (SBDC) California, Los Angeles Network. It features the text "AMERICA'S SBDC CALIFORNIA" in blue and red, with a star above the "S" in "SBDC", and "LOS ANGELES NETWORK" below.The logo for the U.S. Small Business Administration (SBA), featuring the letters "SBA" in a stylized blue font with a red outline, and "POWERED BY" above and "U.S. Small Business Administration" below.

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# PRESENTER



## Kevin McVeary EDC SBDC Business Advisor

30 years experience opening/operating 22 restaurants across the country.  
Business Advisor for the SBDC since 2012.  
Founded RBC Consultants in 2010.

Specialty:  
Restaurants, Bars, Nightclubs, Events, and Food Services.  
General Business Guidance and Employee Recruitment and Retention.

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# ABOUT EDC

**The Economic Development Collaborative (EDC)** is a 501 (c)3 nonprofit committed to enhancing regional quality of life of the greater Ventura and Santa Barbara County area.

**EDC provides NO-COST business development services:**

- Business Consulting
- Low-Interest Lending
- Upskilling Opportunities
- Recovery Resources

**And strategic initiatives that support:**

- Economic Resilience
- Digital Equity
- Regional Industry Sectors

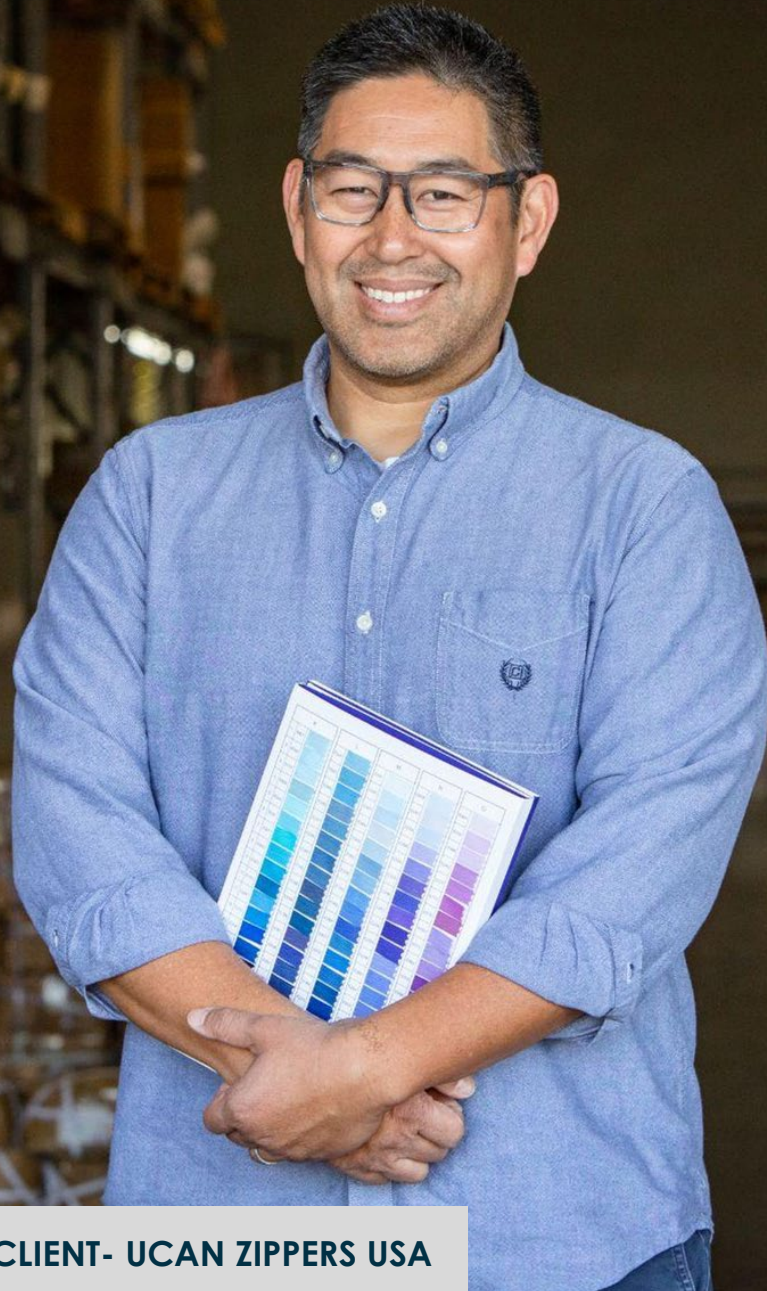


**EDC CLIENT- COMMUNITY CLAYWORKS**

# ABOUT EDC SBDC

The EDC Small Business Development Center provides **NO-COST direct business consulting** for businesses in Ventura, Santa Barbara and Los Angeles counties!

- **Advising topics include** start-up assistance, strategic planning, marketing & branding, e-commerce & social media, legal compliance, human resources, operational assistance, manufacturing assistance and more
- PLUS specialized consulting in international trade and technology innovation
- In 2025, the EDC SBDC team advised over 1,800 clients and facilitated access to over \$33M in capital infusion



EDC CLIENT- UCAN ZIPPERS USA

# Start Up Funding Reality Check

Startup businesses that have been in business for less than two years will not be able to get an SBA-backed loan

- How do we start up our dream food business without a loan?
  - Phase the business to get operational with lowest startup cost
  - Bootstrap
  - Savings/Home Equity
  - Friends and Family (either loans or investment/equity)





# COTTAGE FOOD LAW

- Cottage food law allows the Health department to certify home kitchens for shelf-stable products.
  - Direct Sales can occur:
    - From your home
    - At farm stands or Certified Farmers' Markets\*
    - At holiday bazaars or temporary events, bake sales, or food swaps\*

\*Direct sales may require additional permits.

# COTTAGE FOOD LAW

- Does your food item/concept fit in the cottage food law parameters?
- "Cottage food products" means non-potentially hazardous foods that are prepared for sale in the kitchen of a CFO (Cottage Food Operator). Foods containing cream, custard, or meat fillings are potentially hazardous and are not allowed in food preparation by a CFO.
- Can be a lower cost of entry to the food market. Food business can grow to commercial kitchen or brick and mortar when sales permit.
- Product labeling must state "Made in a Home Kitchen".



# HEALTH DEPARTMENT LINKS

## Ventura County:

<https://rma.venturacounty.gov/divisions/environmental-health/cottage-home-food-operations/>

## Los Angeles County:

<http://publichealth.lacounty.gov/eh/business/home-based-cottage-food.htm>

## Santa Barbara County:

<https://www.countyofsb.org/2022/Home-Kitchen-Operations>



# Microenterprise Home Kitchen (MEHKO)

## Operate a mini restaurant in your private home.

- Allows perishable food items.
- Cap of 90 meals per week and 30 meals per day.
- Limit annual revenue to \$100K
- May allow to act as commissary for food truck.
- Currently available in Los Angeles County and Santa Barbara County.



# SHARED KITCHEN

- A Shared Kitchen is a Commercial Kitchen that has been certified by the Health Department to operate as a Shared Kitchen.
- Ventura County allows restaurants to operate as Shared Permanent Food Facility.
- Santa Barbara County allows restaurants, churches, nonprofits, and schools to operate as shared or community kitchens
- LA County does not allow restaurants to operate this way.
- Check with your County Health Department for current rules and regulations.





# GHOST KITCHENS

- A Ghost Kitchen is a virtual concept (online) that operates in a Health Department approved kitchen space.
- This may be an existing restaurant that is offering a different concept/type of food under their existing Health Permit.
- Or an operator who is renting a Shared Kitchen space and operating under that kitchen's Health Department license and approved by the Health Department to do so.
- If operating in a Shared Kitchen they often must rent space during meal times that line up with their concept. Breakfast, Lunch, and/or Dinner.

# MOBILE FOOD OPERATIONS

- All options listed below must operate out of an approved Commissary Kitchen. These Commissary Kitchens often charge monthly rent.
  - Prep and storage of food must be done at the Commissary Kitchen.

## Examples of Mobile Food Operations:



Food Cart/Coffee  
Cart/Low-risk Fruit Cart



Food Trailer



Food Truck



# QUICK SERVICE RESTAURANT

- A brick and mortar location that is licensed by the Health Department.
- Customers order at a counter/register.
- May wait for food at the counter or be given a number for order to be called or run to their table.
- Many have limited table seating.
- Majority of sales may be to-go orders.
- Often smaller square footage than a full-service restaurant.
- Monthly rent is based on square footage; smaller square footage often means lower monthly occupancy costs.





# FULL SERVICE RESTAURANT

- Also a brick and mortar location approved by the Health Department
  - Customers are often seated by a host and waited on by a server.
- Often need more square footage than quick-service model
- Some have full-service bars, as well
- Have opportunity to sell more ancillary items to customers: Glasses of wine, appetizers, desserts, etc.
- Some concepts only work in full-service setting

# COST OF GOODS

**Cost of goods percentage is the costs associated with producing the product divided by the price the product is sold to the customer.**

- I keep labor, packaging, napkins, etc. separate from food costs, liquor costs, etc.
- If you put the paper plate cost in with food cost and your cost is high, you need to figure out if you have a food problem or a plate problem.
- Putting labor costs in food items has the same effect. I have never met a cook who makes one food item at a time. They often have multiple orders on the grill at the same time.

# TARGET COSTS

These are guidelines for costing your menu offerings for your food business:

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Food 25%

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Liquor 20%

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Beer 22%

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Wine 33%





# PROFIT AND LOSS

The following are guidelines for P&L projections.  
If you are profiting 5-10%, you are a successful food business.

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Food/Beverage Cost – 25%

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Labor Cost – 35%

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Occupancy Cost – 10%

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Controllable and Fixed Expenses – 20%

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**Profit – 10%**

# TRUTH IN ADVERTISING

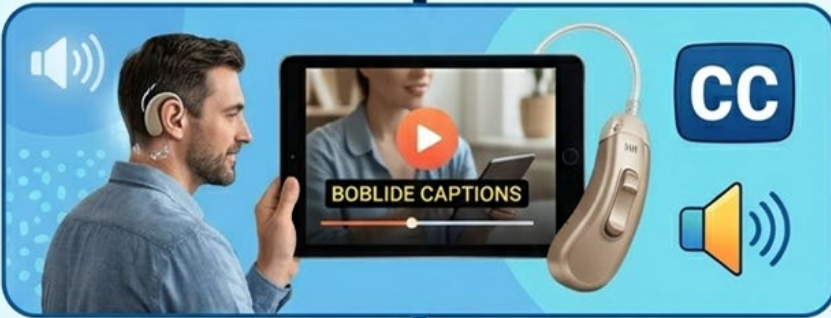
## Some legal considerations:

- Advertising must be truthful, and not misleading
- Must be able to substantiate all of your claims
  - \* Implied – Scope kills germs that cause colds
  - \* Express – Scope kills the germs
- Organic or natural, dairy free, etc. FTC has definition, so must be compliant
- Puffery – if no reasonable person would believe it, then fine.  
Ex: We are #1



# ADA COMPLIANCE FOR WEBSITE

- In California, if you are purely eCommerce there is no ADA issue.
- If you have a brick and mortar location and a website there may be some ADA accessibility requirements for website.
- This is just California. Need to check any other States you are operating in for their requirements for ADA.
- WCAG – Non-profit that creates accessibility standards for websites that businesses can adopt. Make your site compliant with WCAG 2.1AA  
<https://www.w3.org/WAI/standards-guidelines/wcag/glance/>



# INTELLECTUAL PROPERTY (IP)

## Copyrights (©)

- Pictures, photographs, videos, graphic images, blog posts
- Recipes – ingredient list not protected, procedure/instructions could be protected
- Must register to be protected. About \$55-65 per item.

## Trademarks (™)

- Brand name of product or service
- Do thorough trademark and business search name (USPTO.gov)
- Both in menu item names and name of business
- Unregistered protection - must be first to use it in that geographic space.
- Registration protection – government backed protection. Put in government data base. State level - \$75 for 5 years, Federal level - \$250-300 filing fee. Attorney fees are separate (\$1500-2500 estimate)

## Trade Secrets

- Ingredient list may be a trade secret. KFC as example.



# ANY QUESTIONS??

## **Any questions or clarifications?**

For confidential, specific questions please become a client on the EDC SBDC and schedule time to meet privately.

# NO-COST EDC SERVICES

## BUSINESS CONSULTING

Get hands-on, individualized advice from a local team of professional business advisors for launch, growth, expansion, innovation and more.

## LOW-INTEREST LENDING

Start or grow with affordable financing options with flexible terms for businesses who have not been able to get traditional bank loans.

## UPSKILLING OPPORTUNITIES

Remain competitive and retain talent with customized training classes for employees, small business owners and non-native English speakers.

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# NO-COST EDC SERVICES



Get connected today by calling our Business Assistance Line at [805.409.9159](tel:805.409.9159) or sign-up for your intake appointment by visiting [www.calendly.com/edc-sbdc](http://www.calendly.com/edc-sbdc)!

All services are available in English and Spanish. Visit [www.edcollaborative.com](http://www.edcollaborative.com) for more information!

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# CONÉCTESE HOY



¡Conéctese hoy llamando a nuestra línea de asesoría empresarial al [805.409.9159](tel:805.409.9159) o regístrese para hacer una cita en [www.calendly.com/edc-sbdc](http://www.calendly.com/edc-sbdc)!

Todos los servicios están disponibles en inglés y español.  
¡Visite [www.edcollaborative.com](http://www.edcollaborative.com) para recibir más información!

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*El Colaborativo de Desarrollo Económico está en colaboración con el Centro de Desarrollo de Pequeñas Empresas y se financia en parte a través de un acuerdo de cooperación con la Agencia Federal De Pequeños Negocios de Estados Unidos y de una subvención de la Defensora de la Pequeña Empresa de California.*