

THE PENNY ICE CREAMERY

By Ginger McNally, National Federation of Community Development Credit Unions

THE PENNY ICE CREAMERY

Santa Cruz, California

SECTORS: Food Processing and Retail

WEBSITE: www.thepennyicecreamery.com

OWNERSHIP TYPE: Limited Liability Company (LLC)

YEAR FOUNDED: 2010

NUMBER OF STAFF: 17 (there were 3 employees nine months ago)

TOTAL REVENUES: \$54,000/month (approximately)

BARRIERS TO CAPITAL: Start-up, limited collateral

STRUCTURAL LINKAGES TO CAPITAL: Loan guarantee through American Recovery and Reinvestment Act¹, business plan training through Small Business Development Center.²

SOURCES OF CAPITAL: Owner Equity, Investors, SBA loan

SPECIAL INTEREST: Commitment to environmental sustainability; support for local small and organic farmers, thank you call from Vice President Joe Biden.

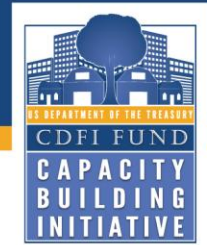
IMPACT/OUTCOMES: The loan permitted the start-up of a successful small business with a strong commitment to environmental sustainability. Loan proceeds were used for extensive leasehold improvements made to LEED standards. The business created 17 new jobs.

The Penny Ice Creamery opened in August 2010 in Santa Cruz, CA. The only artisan ice cream shop in the area, Penny makes small batches of delicious ice cream from scratch using local, seasonal, sustainably grown, and organic ingredients. Flavors change daily, with nine rotating flavors including specialties like Olive Oil Sea Salt with Chocolate Ripple, Burnt Cinnamon, and Cardamom Pistachio Chocolate Chip.

The operations of The Penny Ice Creamery promote the sustainability of the business, the community, and the environment, with strict attention to resource use, minimizing their carbon footprint, and striving toward a goal of zero waste. All paper products are 100% recycled and biocompostable. Because the

¹ The American Recovery and Reinvestment Act of 2009 has three goals: Create new jobs and save existing ones; Spur economic activity and invest in long-term growth; Foster unprecedented levels of accountability and transparency in government spending. (Source: www.recovery.gov)

² The Small Business Development Center is a partnership between the Small Business Administration and a local college and aims at giving educational services for small business owners and aspiring entrepreneurs. (Source: www.sba.gov)



owners recognize that much of the environmental impact of their food product takes place before it reaches their kitchen, they work hard to be responsible in purchasing of raw ingredients.

Prior to opening their doors, the business partners, Kendra Baker and Zachary Davis, worked closely with the local Redevelopment Agency to completely remodel an older Spanish Colonial Revival building to convert it from the 1920's layout as a doctor's office to a fully equipped specialty food production and retail business, including a pasteurization "clean room" built to the specifications of the CA Department of Food and Agriculture. The remodel was completed following LEED standards. They also worked with the Small Business Development Center at Cabrillo College to develop a business plan prior to approaching investors and financial institutions.

The business was launched with a \$40,000 investment by the owners, as well as \$60,000 from investors, all of whom were family or friends. A critical component of the business start-up was a \$250,000 Small Business Administration 7(A) loan with a 90% guarantee under the American Recovery and Reinvestment Act. As Zachary Davis describes, "Starting in June 2009, I went to all of the local banks and credit unions in town plus (a national bank) and only two places would sit down and talk with me about my business idea. Of these, (a small local bank) was the most encouraging, so I went with them. Although it took almost nine months to complete the whole process, the ability to get a loan was huge in our success. The loan guarantee was also critical – the bank told us in no uncertain terms that without the guarantee, they wouldn't have made us the loan."

Because getting a loan was so important to realizing the dream of their food-based business, Zachary decided to create a video thank you letter which he shot over a 24 hour period on his iPhone and edited in iMovie with musical accompaniment provided by Kendra's husband. The video was released on YouTube on October 28, 2010, was picked up by Salon.com, the Huffington Post, and the official White House Twitter feed. Setting off a flurry of local news, Congressman Sam Farr visited the shop and on November 10, The Penny Ice Creamery received a call from the White House to schedule a time to talk with Vice President Joe Biden. Mr. Biden called Kendra and Zachary the next day to thank them for letting the White House know how the economic stimulus funds helped their business. By November 15, the video thank you letter had reached 47,000 viewers and Zachary and Kendra were invited to sit with First Lady Michelle Obama during President Barack Obama's State of the Union address in January 2011.

The unexpected national attention helped galvanize sales which have increased almost monthly since the small, specialty food producer with a glass-walled kitchen opened in August 2010. As Zachary says, "We really wanted people to be able to see the process, from cracking the eggs to measuring ingredients to cooling the ice cream to the required temperature." Although some expenses have been higher than expected and the owners spend many hours every day at the shop, they are pleased that their customer base and sales continue to grow and that people love their ice cream.