

# In the RI restaurant scene, it's not always survival of the tastiest

*Seven Stars Bakery growth comes at a cost to other small businesses in RI*



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Every action prompts another action. That is how it is with small food businesses as they seek to grow in Rhode Island.

Take Guy Hanuka and his [Buns Bakery](#). He launched the sale of his baked goods at the beginning of the 2020 COVID pandemic. He posted photos of his babka and challah on social media. People placed their orders.

He did his baking and packaging at [Hope & Main](#), the culinary business incubator and commercial kitchen in Warren. He delivered them at designated drop-offs in city parks or parking lots.

Hanuka's business grew as weekly farmers' markets returned and he set up tables at several. Eventually, he got some wholesale accounts and even started shipping nationwide on [Goldbelly](#), the online store.

That growth prompted a move into a larger kitchen on Royal Little Drive in Providence, home of landlord Ron Ronci's Ron's Pastry

Gourmet and other businesses. The rent was more, but so were his sales. He built his team up to 11 employees who weekly produce 800 babka, 500 to 600 loaves of challah and 1,000 savory pretzels.



Back in early 2020, Bun's Bakery's Guy Hanuka selects an order from the bags in the back of his car to be delivered to a customers at the pickup point at Lippitt Park in Providence. *Sandor Bodo, The Providence Journal, File*

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## Buns Bakery on the move

Now Hanuka has to move again. This time he isn't sure how he will pay for the build-out at his newly leased, 15,000 square-foot space in East Providence. A commercial freezer alone costs north of \$100,000.

The space will allow him to grow Buns Bakery. But it's big, so he will also lease out space to other small baking businesses. But there are no traditional bank loans available without collateral, he has found.

While he would qualify for a [Small Business Administration](#) loan, the timeline is too slow for his need to get up and running quickly.



Guy Hanuka has a lot of work ahead to make his new production location in East Providence ready for his Buns Bakery.  
*David DelPoio, The Providence Journal*

Hanuka decided to turn to crowd-funding. He launched a [Buns Rescue GoFundMe campaign](#) for \$150,000. But even this is not ideal. Asking for help makes him uncomfortable. But with a deadline and the possibility of construction delays, Hanuka found it his only choice.

Even with a successful crowd-funding campaign, he fears he may have to shut down his business for months during construction. He has to add vent hoods and contractors can't start until August.

Buns Bakery and the other three businesses on Royal Little Drive - Top This! Pizza Crusts, Malted Barley and Go Teff - must relocate July 1. All were tenants at will with no lease.

## **Seven Stars Bakery finds a new location**

Seven Stars Bakery has leased the large space at Royal Little Drive so they can grow. With 170 employees and five cafes, they have outgrown their commissary at Hope Artiste Village in Pawtucket.

[Seven Stars owners Bill and Tracy Daugherty](#) have their own pandemic story. They bought an old Pawtucket mill building in early 2020. They had to put a pause on the renovations during the shutdown. By the start of 2022, they found the cost to renovate

the building was out of their reach. Proceeding would put their business at risk, they said.

The Daughertys began looking for new space to grow, touring more than 30 buildings. There may be a lot of vacant buildings, but they don't come outfitted for food businesses, or with a loading dock.



Sarah Williams, head baker of Seven Stars Bakery, will help set up their new commissary kitchen in Providence. *Sandor Bodo, The Providence Journal, File*

The Daughertys, too, have deadline pressure. They signed their lease in Providence, but now need to do their own construction. They need to have it ready for the busy holiday baking season.

"As perfect as this building is, artisan bread and pastry making are different," said Bill Daugherty. They will need to make renovations for all parts of their baking business, including milling their flour.

## **This is how one action, prompts the next. There simply aren't enough kitchens to go around**

I asked Lisa Raiola about the financial challenges facing small, local artisan food businesses. As founder and president of Hope & Main, small food companies are her business. Helping them succeed is her passion.

She and husband Waterman Brown bought an old school building in Warren to create Hope & Main. Since 2014, they have launched 450 businesses and 45% of them are still in business.

The big problem is that when a company outgrows Hope & Main, they need a place to graduate. Rhode Island has not invested in next-stage infrastructure for food production, she said.

"We risk losing all of these fledgling businesses we've worked so hard to incubate," Raiola said.

She explained that in most cases, their volume is too small to outsource production to a specialist who will use their recipes and package the product.

The only alternative is to find a bigger production space. Those are few and far between. Ghost kitchens for restaurants aren't the same thing, she said.



A Bun's Bakery babka is a special artisan pastry. *Sandor Bodo, The Providence Journal, File*

So the businesses have to start from scratch, building a kitchen and facility, and that costs big bucks.

"A build-out of their own production space is out of reach for an early-stage food company," Raiola said. "A condo-type of production space in a shared-use facility is ideal. But these spaces really don't exist in Rhode Island."

## **How can these food artisans that Rhode Islanders love to support get to the next level?**

Raiola asks, "Where are the tax incentives for food companies that have already committed to Rhode Island and have proven their potential?"

Successful food companies have come out of Hope & Main right from the start. They include Backyard Food Co. The owners, Matthew McClelland and Louby Sukkar, we're growing their own tomatoes and peppers for sauces and condiments. They pinned



their hopes on Wholly Jalapenos, Apple Butter and Red Pepper Relish.

Their 30-item organic line now includes barbecue sauces. They were just named Whole Foods Supplier of the Year for the North Atlantic Region. They use production facilities in Lincoln and nearby Massachusetts to produce their products, which are available in 800 grocery stores.



Guy Hanuka at his new location in East Providence. *David DelPoio, The Providence Journal*

Chi Kitchen also grew at Hope & Main. Its Fermented Sesame Slaw recently won a Gold Award from the Specialty Food Association in the Pickles & Olives category. Owner Minnie Luong built out her own space at the Lorraine Mills in Pawtucket to produce her products, including her signature kimchi.

Soon, plant-based food truck Basil and Bunny will open a restaurant at Unity Park in Bristol.

There are so many more artisans ready to grow. The question is, where?

"Why can't we create something like a first-time homebuyers program for good-bet food businesses?" Raiola asked. "Imagine how this sector will flourish, and the thousands of food manufacturing jobs we will create in Rhode Island."

But for Hanuka, there's no talk about politics. It's about saving those 11 jobs and what he calls "his beautiful business," built in the U.S.A., far from his native Israel.

Until there are more resources for the small businesses in the food world, they will keep depending on crowd-funding to get over the humps. The question is, will it be enough? Hanuka wonders.

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