



# Austin Co-op Summit 2015

## Local Government Support for Cooperatives

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# Madison, Wisconsin

## **How is the City of Madison supporting cooperative development?**

In November of 2014, the City of Madison approved a budget initiative allocating \$5 million to cooperative development, where \$1 million would be available each year for five years starting in 2016. Madison's mayor, Paul Soglin, who is a long-time supporter of cooperatives, spearheaded the program, motivated by the work being done in New York City. City staffers are currently working with cooperative developers and other partners to figure out how to best allocate the funds. The diverse coalition of partners includes the University of Wisconsin Center for Cooperatives, the South Central Federation of Labor, and other Madison-based cooperative developers, unions, trade associations, finance institutions, and economic and community development groups. There is also strong interest from the many cooperatives in the City of Madison.

In the first year, the money will most likely be used to create a loan fund that will offer low- or no-interest loans to cooperatives for the following purposes: (1) financing conversions to cooperative ownership, (2) financing the creation of unionized worker cooperatives (3) providing start-up capital for cooperatives in all sectors, and (4) community problem solving through cooperative development. This last category would offer both loans and grants to address issues such as employment options for formerly incarcerated individuals or building wealth for workers in high-growth, low-income industries. The organizers are working now to determine how much of the money will be used for technical assistance and what other groups may donate to both the loan and technical assistance fund.

It is important to note, however, that while the funding has been approved, it is not guaranteed, and may be reduced or removed from the budget altogether.

Although this is by far the largest commitment of city resources to cooperative development, the budget initiative is not the first time Madison has supported cooperatives. In the late 1970's the City worked with a variety of groups to help the creation of Union Cab, a worker-owned cooperative and founding member of the US Federation of Worker Cooperatives. In 2012, the city sponsored a day-long cooperative development conference, and the city has also worked with developers to support the creation of a food cooperative in a low-income neighborhood.

## **Why does the city support cooperative development?**

While Mayor Soglin has been the driving force behind Madison's support of cooperatives, the city's interest in the cooperative model goes beyond his office. Madison is a progressive city that faces deep inequality issues, where much of the disparity falls on racial lines. Some of the city's current economic woes are the result of General Motors closing its Janesville plant, causing thousands of middle class jobs to disappear. The ripple effect went beyond the jobs at the plant itself, as many businesses in GM's supply chain went out of business as well. As traditional workforce development and social service efforts continue to help, legislators are looking for alternative solutions that can revitalize neighborhoods and actually help create wealth within communities that have been shut out of the rapid economic growth of the area. "We are changing the economic development model in a small way, and that's a good thing," says Ruth Rohlich, Business Development

Specialist in the city's Economic Development Division.

Madison's City Council members are excited about community wealth building initiatives that create locally rooted jobs that don't leave. For example, one alternative garnering attention is business incubators, which assist unemployed residents in starting a business to meet their economic needs instead of having to seek employment in traditional firms. Business incubators are one of the ideas being considered as part of the community problem solving arm of the cooperative development initiative.

Another reason the city is motivated to support cooperatives is to promote progressive policy that reflects Madison's values in the context of a conservative state government. Specifically, this work would bolster the labor movement in light of recently passed state legislation that is hostile to unions. Both the cooperative development community and the city see labor as a key partner in this effort.

### **What effect does the city's support have on cooperative development in Madison?**

Although its support of cooperatives has been limited so far, the city's approved budget initiative has incredible potential to enrich Madison's cooperative development ecosystem. Currently, cooperative developers are under-resourced and use their limited capacity to respond to the requests of cooperative businesses, members of the public, and other stakeholders. As a result, they are largely unable to take a proactive, community building approach to cooperative development.

A five-year funding initiative provides resources and awareness that would allow developers to be strategic and scale-oriented, to build relationships with community groups for deeper impact, and to innovate solutions to difficult issues facing the community. "With these types of funds and this level of awareness," says Anne Reynolds, Executive Director of the UW Center for Cooperatives, "we could work to ensure our public market is governed cooperatively, build a wireless co-op that provides residents an affordable alternative to the major carriers, or support existing community-based, grassroots cooperatives to revitalize the neighborhoods they serve." Furthermore, developers will ideally be able to leverage this public funding to find sustainable private funding for these efforts, and push for long-term policy supports, such as favorable procurement policies or preferences for social service cooperatives.

### **What challenges exist for cooperative development in Madison?**

The primary challenge now facing the city is how to use the approved funding effectively. The Mayor described the initiative as an "organized free-for-all." Those involved want to ensure the responsible, accountable use of taxpayer funds while allowing the money to be used creatively and support those groups on the ground, doing the work. It is also a challenge figuring out who to involve in what capacity. Should employee stock ownership plans, or ESOPs, be part of the initiative, for example? As major employers in the area, they provide employees with enhanced retirement packages, but often are not democratically run, tend to pay on the low end of living wage, and have a checkered past with the labor movement. The city and its partners will continue to face these difficult questions in developing an initiative that touches the work of so many groups and stakeholders in the city.

# Minneapolis, Minnesota

## How is Minneapolis supporting cooperative development?

Although the City of Minneapolis does not have a program dedicated to supporting cooperative development, it offers many small business services that are explicitly available to cooperatives. The toolbox of services includes site selection assistance, business consultation technical assistance, façade grants, financing programs, and more.

Over the course of the Minneapolis business and real estate loan program history, \$3.5 million have gone to cooperative businesses. Another \$850,000 in lending to co-ops is currently pending. Some of these loans have personal guarantees or real estate as collateral, but others require underwriting that most finance institutions, including community lenders, are unwilling to do. Even loan officers at the city have been hesitant to include these loans in the portfolio. "It takes a leap of faith," says Kristin Guild, Manager of Business Development in the Economic Policy and Development Department. "With training and education around how to evaluate a co-op's cash flow and organizational health in order to underwrite the loans, the loan program staff is becoming more comfortable with co-op deals, but up until recently they only approved the loans because management saw the value and wanted to take the risk."

Another city initiative that has strengthened cooperatives in Minneapolis is the Neighborhood Revitalization Program, a 20-year program that started in the early 90's. The program disbursed city and state funds to neighborhoods in Minneapolis and empowered them to develop and implement their own action plans for revitalization. Many Minneapolis neighborhoods decided to use the NRP resources to create a revolving loan fund specifically for commercial projects. As one example of the impact of this program for co-ops, in 2003, a local group working to open the Eastside Food Cooperative in Northeast Minneapolis applied for and received nearly \$500,000 in low-interest loans from five neighborhood associations. The Eastside co-op has been highly successful and has had a powerful and lasting effect on the neighborhoods' shared commercial corridor, while the repaid loan funds have become available for new projects.

## Why does the city support cooperative development?

Minneapolis has a rich history with cooperatives, boasting the highest density of food cooperatives of any metropolitan area in the US. As a result of its many well-known food cooperatives, people are familiar with the model. Leaders of the community, including city council members and other government officials, serve on the boards of these cooperatives. According to Kristin, "It is widely understood and believed here that local businesses reinvest locally. The people of Minneapolis recognize co-ops as an important part of a strong local economy."

Also, there has been increasing interest in community wealth building models. While Minneapolis has not yet pursued it in an intentional, coordinated way, the topic of community wealth building has been cropping up in neighborhoods throughout the city. One council member is hosting multiple events around community wealth building in his ward, featuring cooperatives such as Fair State Brewing Cooperative, which recently received a loan from the city to get started. These steps are laying the groundwork for a city-wide approach.

## **What effect does the city's support have on cooperative development in Minneapolis?**

The business supports offered by the city have allowed cooperatives to launch and grow, creating a thriving cooperative economy in Minneapolis. Over the past five years, each of the four food cooperatives in Minneapolis has expanded. Two of them have more than one location, and a new cooperative is being organized in the only part of the city that does not currently have one. Together, these food cooperatives have created hundreds of jobs.

While the city programs have been indispensable, both the development community and city staff acknowledge that Minneapolis can do more to develop its cooperative ecosystem, including raising awareness about cooperatives, revising regulations that are onerous for cooperative businesses, and making funding available for cooperative development. "Having the city celebrate its cooperatives in a public way is very powerful. It is important that we amplify the story of cooperatives in the city, spreading awareness of their impact to a much bigger audience. We need to work together to figure out how to collectively lift up the model," says Leslie Watson, a Consultant with CDS Consulting Co-op and President of the NorthEast Investment Cooperative in Minneapolis.

Leslie also suggests that the city provide guidance to cooperative developers who are trying to navigate the complexities of real estate acquisition and other processes. This type of support would have been particularly useful as she and the other co-owners of the North-East Investment Cooperative worked to purchase a run-down building and renovate it for commercial use. "We are keeping real estate in collective ownership as a long-term community development strategy that keeps people involved through their own buy in," Leslie explained. "We took an abandoned property, and from it we have a bakery, a bike shop, and a brewery. The city can support these types of efforts by shepherding us through this complex process." Furthermore, the city could make city-owned properties available for low or no cost when, like the NorthEast Investment Cooperative, they are to be developed for productive community use and held collectively by community members. Kristin is optimistic about the city increasing its commitment to cooperative development: "Although we've supported coops for decades now, we're at the cusp of a new era of greater understanding and support, particularly around asset building and worker cooperatives."

## **What challenges exist for cooperative development in Minneapolis?**

Despite having highly visible food cooperatives, there is still a lot of work to be done to educate Minneapolis residents and policy makers about the cooperative model and its benefits for the community, especially outside of the consumer co-op model.

Access to capital also remains an issue. The Northcountry Cooperative Development Fund, a national CDFI focused on cooperative investment that is based in Minneapolis, is a leading resource that has supported the development of many of the food cooperatives, but many finance institutions are still very hesitant to underwrite loans to cooperatives. Much of the financing assistance offered by the city goes through its partnership loan program, which reduces the risk and exposure of lenders in the area, making co-op deals more attractive. However, at the end of the day, it is not for the city to decide who is fundable, as the private finance institutions make the decision on whether to offer loans.

Furthermore, unlike New York or the San Francisco Bay Area, Minneapolis does not have a concentration of technical assistance providers to drive development of cooperatives across the different sectors, and nonprofit economic development organizations in the area have not yet embraced cooperatives as a strategy. As interest in the model grows, there is potential for the city to provide policy support or even funding, but the city would also need more cooperative development capacity on the ground.

# New York City, New York

## How is the New York City supporting cooperative development?

In June of 2014, the New York City Council voted to approve a \$1.2 million initiative to fund the development of worker cooperatives. The initiative was driven by council members and will be funded from City Council's discretionary funds, not the administration's overall budget. The funds for the program are being allocated among groups already developing cooperatives in New York City to build their capacity. The groups are also working to help business owners interesting in selling their businesses to their employees and to explore an anchor institution strategy. Coalition members include the New York City Network of Worker Cooperatives, Center for Family Life, Democracy at Work Institute, Green Worker Cooperatives, Make the Road NY, The Working World, ICA Group, CUNY Law, Urban Justice Center, Bronx Cooperative Development Initiative, New Economies Project, Workers Justice Project, and the Federation of Protestant Welfare Agencies.

In March of 2015, New York City continued its support of worker cooperatives, signing into law the first ever piece of city legislation to require a city's economic development arm to track municipal support of worker cooperatives. The bill was championed by Council Member Helen Rosenthal with support of Council Members Maria Carmen Del Arroyo and Carlos Menchaca. The bill, Intro. 423, will require the city to assess how it can better support worker cooperatives, as well as report on the number of city contracts awarded to worker cooperatives and the number of worker cooperatives that received assistance from the Department of Small Business Services (SBS).

One of the primary goals of SBS under this initiative is to build awareness of the cooperative model. "We provide education to all types of businesses," says Gregg Bishop, Deputy Director of SBS, "but before now we never mentioned worker cooperatives. We want to integrate this idea into our programs, especially to business owners who are succession planning and people coming to us looking to start a business."

SBS is also exploring a number of other ways it can support worker cooperatives. The agency plans to provide technical assistance to existing worker cooperatives and those who express interest in the model, using the coalition members as a referral service. It is also looking to reduce barriers for worker cooperatives, including the onerous documentation required to obtain a permit, where every owner must submit their personal financial statements. By adding more lenders to its network who understand the cooperative model, SBS also hopes to create greater access to capital for worker cooperatives in the city. On the workforce development side, the agency will work to match job seekers with opportunities at worker cooperatives.

Moving forward, the coalition of worker cooperative groups will seek additional policy changes to increase opportunities and lower barriers for worker cooperatives, including procurement preferences that will help worker cooperatives participate in the \$1 billion spent by the city annually on goods and services.

## Why does the city support cooperative development?

Since coming into office, Mayor Bill de Blasio has launched an agenda aimed at fighting inequality and spurring economic development that is inclusive of all the city's residents. The range of initiatives includes expanded sick days, funding to support the fair treatment

of tenants, shifting workforce development strategies, and the prioritization of affordable housing. At the signing of Intro. 423, Mayor de Blasio described the beneficial impact of worker cooperatives, and how they fit into his larger progressive agenda: “Worker cooperatives historically treat their employees with respect and ensure that all people who work in the firm are able to benefit from their hard work, something that we do not see enough of in this country. And worker cooperatives are inherently important allies and partners in the effort to fight growing income inequality, so this bill is near and dear to my heart.”

The worker cooperative model is also familiar to local policy makers, as New York City is home to the largest worker cooperative in the country. Cooperative Home Care Associates, based in the Bronx, has worked to create more dignified, higher paying jobs while having a positive impact on the health care industry at a national level. CHCA’s 2000+ home care providers’ wages and benefits have risen more than 40% in the past five years, and their turnover is 15% in an industry with 60%+ annual turnover. Other worker cooperatives in the area have also demonstrated how worker cooperatives can serve disadvantaged populations. The members of Sí Se Puede Women’s Cooperative – a 60-women cleaning company based in Sunset Park – have raised their wages and moved from a position of precarious employment to small business ownership, demonstrating how immigrants can use worker cooperatives to build wealth.

### **What effect does the city’s support have on cooperative development in New York City?**

The worker cooperative development initiative has greatly increased the capacity and the effectiveness of developers in New York City. “Being under a microscope for city government has made us more diligent. We are iterating and innovating much more rapidly than in previous years both because of the higher levels of funding and the increased scrutiny,” says Joe Rinehart, cooperative developer at the Democracy at Work Institute.

With this increased capacity, coalition organizations have supported the startup of 43 worker cooperative businesses since the initiative started in July 2014. Twenty-four of these businesses are moving forward towards launch. In total, 102 worker-owners are currently involved in these cooperatives, which will grow to 194 worker-owners (or workers on track to becoming owners) by the time the businesses launch. The coalition organizations have also been supporting the growth of existing coops as well as educating the broader entrepreneurship and business communities about worker-ownership. Furthermore, the support from city government has led to more visibility for worker cooperatives. More nonprofits and other community-based organizations are interested in using the worker cooperative model to meet their economic and community development goals.

### **What challenges exist for cooperative development in New York City?**

One of the difficulties facing cooperative developers in New York is the short-term nature of the funding initiative. Groups are accountable to meet deliverables in one year, yet cooperative development is generally a multi-year endeavor. Furthermore, while this initiative has raised the profile of worker cooperatives in the city, many agencies and policy makers are still very unfamiliar with worker cooperatives, and there are a number of regulations and reporting requirements for businesses that place a heavy burden on worker cooperatives.

From the perspective of SBS, one of the challenges of working with cooperatives is the small number of cooperative businesses that have a large enough workforce to take advantage of the agency’s programs. The agency is still unsure whether supporting worker cooperative businesses will bring about enough good jobs to make the investment worthwhile.

# Austin Co-op Summit 2015

The 3rd Annual Austin Co-op Summit will focus on “Cooperation among Coops” and “Local Government Support of Cooperative Businesses.” The keynote speaker is Brian Donovan, the outgoing director of the Austin Cooperative Business Association. Educational sessions will include presentations and discussions about: women in co-ops; mapping cooperation among co-ops in Central Texas; converting to a worker co-op, featuring worker-owners from Polycot Associates, who made the first worker co-op buyout in Texas; co-op skill building, including open-book accounting and planning for expansion; a round table discussion about local government support for cooperatives including city staff and co-op developers from Madison, Minneapolis, and New York; and a session for people interested in starting a co-op.



The ACBA grew out of two contributing organizations. The Austin Cooperative Think Tank (ACTT) which developed gradually beginning in 2010 with the mission of growing the Austin cooperative economy and officially began taking on projects in 2012, the International Year of the Cooperative. It finally solidified into the ACBA in June of 2013 when the NCBA agreed to fund the program with a grant supplemented by contributions from founding member cooperatives in Austin. The ACBA is dedicated to growing and strengthening the Austin-area cooperative community through increased consumer knowledge, inter-cooperative support and advocacy to make it easier to start and expand cooperatives.



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The Democracy at Work Institute advances the worker cooperative field in order to create a fairer economy and better jobs, build local wealth, and create meaningful change for underserved populations. Created by the US Federation of Worker Cooperatives, the Institute is the only national organization dedicated to building the field of worker cooperative development., and brings both a birds-eye view of the national stage and an experiential on-the-ground understanding of cooperative business. Through research, education and relationship-building, we are working to bring the worker cooperative movement to scale to effect transformative change for individuals and communities throughout the country.