

Project Equity's launch year: Creating a Blueprint for Pathways to Ownership for Low and Moderate Income Workers in the SF Bay Area

Project Equity enables low-income communities to build economic resiliency by demonstrating and replicating strategies that increase worker ownership.

- During our launch year (2014), we are engaging cross-sectoral change makers in a 'Bay Area Blueprint' strategy that creates actionable feasibility studies and pilot projects across multiple pathways to ownership: small-scale coop entrepreneurship; incubating or accelerating scalable cooperatives; and business conversion to worker ownership.
- In the long run, we will focus where we see the greatest need and potential impact, most likely on developing scalable worker-owned coops that create at least 50-100 jobs each. Key to this strategy will be a shared services and coop development program encompassing multiple coops and characterized by excellence in both human and business development.
- By developing coops and engaging change makers, we will help build a local eco-system and a national field of effective worker co-op development.

BAY AREA BLUEPRINT PROJECT (April 2014 to March 2015)

EXECUTIVE SUMMARY: The Inner East Bay lacks training programs and job opportunities for Low-to-Moderate Income (LMI) workers to create their own stable, career-path employment. In 2014, Project Equity is leading a multi-stakeholder effort to address this problem through equal parts research and action, across three strategies for increasing worker ownership among LMI workers: **(1) Piloting a Coop Academy** to provide a workforce development training program for cooperative entrepreneurship, supporting LMI workers to launch worker-owned small business cooperatives in emerging industries; **(2) Creating an Opportunity Roadmap** to identify industry and business opportunities for creating *scalable* worker-owned businesses for LMI workers, and **(3) Developing an Opportunity Roadmap for Coop Conversions (Oakland Case Study)** to provide opportunity analysis and design an outreach campaign for business retention via conversion to worker ownership. Our primary partners in this effort are the East Bay Community Law Center's Green Collar Communities Clinic (GC3), the Sustainable Economies Law Center (SELC), Laney College, the Sustainable Business Alliance, and the U.S. Federation of Worker Cooperatives.

NEED: The Inner East Bay needs jobs and businesses that provide more stability and mobility LMI workers
In the corridor from Hayward to Richmond, there are more than 200,000 LMI workers, making up 47% of the workforce –significantly higher than the Bay Area average of 35%. Even with great success with workforce strategies like education and creating career pathways, there are not enough middle wage jobs to absorb these workers. For LMI workers, cooperative business development is a viable hybrid with local and national role models, and significant potential to be implemented at a larger scale.

PART (1): COOP ACADEMY: Program design, curriculum development, and pilot run for a "Coop Academy" for small business cooperatives and coop incubators in the Inner East Bay.

In the past 18 months, SELC and GC3 have delivered bilingual workshops and legal advice clinics on starting coops to over 480 LMI individuals in Richmond and East Oakland. We will expand and improve upon these efforts by **developing and piloting a three-phase, cohort-based training, coaching and technical assistance program** to support cooperative entrepreneurship, and growth of existing small business coops.

Phase 1: Workshops and Advice Clinics

SELC and GC3 will expand outreach to Richmond, Berkeley, Oakland, and Hayward.

Phase 2: Cohort- and classroom-based cooperative business training and coaching

This phase will serve an articulated need by previous workshop and clinic participants for management training and coaching support. Applicants must demonstrate a level of commitment and potential for creating a successful cooperative business plan. Project Equity will design the program and curricular framework, with input from both LMI workers and community groups such as Solar Richmond that support

cooperative development; SELC will develop the curriculum in accessible 'modules' that are appropriate to the cohort. SELC will deliver the classes with support from GC3 and Project Equity as needed.

Phase 3: Business / Co-op Coaching and legal representation

Project Equity will provide advanced business support and coaching for coops that seek to scale to 15-50 worker owners from low-income communities; GC3 will provide legal representation. Co-ops could be start-ups that have completed the Phase 2 classroom program, or existing cooperatives that want to grow.

Explore feasibility of incorporating worker-ownership into existing workforce development programs

SELC, GC3 and Laney College will develop recommendations for integrating modules of the Coop Academy into Laney's entrepreneurship and business programs, potentially as a new class or a certificate program.

PART (2): OPPORTUNITY ROADMAP FOR LARGER WORKER COOPERATIVES: A guide to "industries of opportunity" and a framework to assess fit of specific business ideas for incubating scalable cooperatives with significant participation within LMI communities.

The growing local interest in coop development to benefit LMI workers has the potential to have a lasting impact on our local economy, but organizations wanting to incubate worker-owned businesses are challenged by creating scale (50+ worker owners). This guide will provide a tool for selecting business types that both have growth potential and are a fit for community economic development goals.

First, we will create the framework to assess the fit of specific business ideas. Example criteria may include ability to create 50-100+ good jobs; minimum # of entry skill level jobs; on-the-job learning and career laddering; potential for anchor institution or "sweetheart client" contracts; capital requirements; time to job creation. Second, we will select 2-3 industries to study more deeply, by reviewing research on Bay Area industry opportunities, growth sectors, workforce trends, and government investment. We will assess needs and opportunities within the industry, and along supply chains, working with industry veterans and newcomers, as well as government and sector advocates, and engage LMI workers through focus groups. Utilizing the framework for 'fit' of businesses, we will identify 2-3 specific business ideas that are in industries of opportunity.

Our deliverables include a published guide covering: 1) industries of opportunity, 2) framework for assessing fit of specific business ideas, and 3) 2-3 business ideas that demonstrate the key elements of the framework; to be distributed to key stakeholders. Project Equity plans to incubate a network of scalable worker-owned businesses locally and will use this guide to identify the first businesses that we will develop.

PART (3): OPPORTUNITY ROADMAP FOR COOP CONVERSIONS: An Oakland case study of employee-ownership as a business retention strategy, including quantitative and qualitative research on Oakland businesses and design of an education and outreach campaign plan.

Employee-owned businesses are significantly more likely to grow¹ and retain jobs locally over time², so our business retention focus is on the opportunity to convert businesses—at time of sale—to worker ownership. Conversion to a coop or ESOP offers significant tax benefits by taking advantage of the IRC § 1042 tax-free rollover and has been demonstrated as a cost-effective job retention strategy³.

Through quantitative research, direct support from the City of Oakland, and conversations with industry / business groups, we will identify a superset of Oakland businesses that could be considering a sale in the next 1-5 years, and the subset of those with significant LMI worker employee bases. We will hold focus groups with LMI workers to inform this research. Focus groups through industry / business groups including the US Federation of Worker Cooperatives and the Sustainable Business Alliance will help us effectively design a

¹ <http://esoppartners.com/blog/bid/89319/> "better than 80 percent [of ESOPs] were equal to or superior to competitive industry peers in profitability, rate of capital investment and growth in employment."

² The #1 preventable cause of job loss is a lack of succession planning. Only 30% of family businesses succeed to the 2nd generation, and only 15% to the 3rd. Those that don't close are sold to out-of-state buyers or private equity firms that often relocate jobs or the entire business. NCEO: <http://employeeownership.blogspot.com/2013/09/why-should-economic-developers-care.html>

³ <http://backtofullemployment.org/2013/01/23/ownership-full-employment-and-community-economic-stability/>: The Ohio Employee Ownership Center has retained jobs at less than \$800 per job and helped stabilize thousands of jobs in Ohio cities.

campaign to educate and encourage business owners to consider a conversion strategy. Deliverables include 1) superset and subsets of Oakland businesses; 2) a ready-to-launch education and outreach campaign; and 3) a guide that other Bay Area cities can follow to research the conversion opportunity, and to localize the outreach campaign design.

OBJECTIVES

1. **Expand and strengthen pathways for upward mobility and access to economic opportunities for LMI workers:** The Blueprint creates stability, mobility and access for LMI workers through multiple pathways to quality jobs with ownership in cooperative enterprises.
2. **Meaningfully engage LMI workers:** LMI workers will actively participate in designing, piloting and evaluating the Coop Academy and in the Opportunity Roadmap discussions.
3. **Engage multiple sectors and a wide range of stakeholders:** Project partners represent the business, local government, nonprofit and cooperative sectors.
4. **Build capacity and momentum for change:** Our strategy represents an unprecedented level of multi-sectoral collaboration in the Bay Area to build a cooperative economy, especially one benefitting LMI workers. It is designed to generate capacity and momentum toward a more cooperative local economy.

INNOVATION

This project is innovative in seeking to optimize worker-ownership in our local region by exploring multiple pathways: through LMI workers' entrepreneurship, through CBOs incubating small business coops, through development of larger worker coops, and through retention of existing businesses via conversion to worker ownership. Perhaps most importantly, it creates a foundation for creating businesses with worker ownership *at scale*, expanding the focus from small-scale entrepreneurship to the 'sweet spot' of faster-growing businesses that are larger by design and have bigger impact on the local economy.

The project takes advantage of current interest in cooperatives and local ownership following the Great Recession. The next five years are critical for this strategy on a local and national level. In creating actionable feasibility studies across the spectrum of opportunity, the Blueprint approach paves the way for building successful cooperative businesses and systems change.

POTENTIAL FOR REPLICATION

This project is designed to create models for other communities in the Bay Area, using the inner East Bay as a case study. The Coop movement is particularly strong in San Francisco and in the East Bay, and cooperatives also exist in other parts of the Bay Area. We plan to publish a guide, host a webinar, and an in-person training to invite local governments, community based organizations and cooperative developers from around the Bay Area region to learn about the findings in the Blueprint and forge new partnerships. After evaluating the Blueprint strategy, we will also exploring adapting it for other regions.

PROJECT PARTNERS

Six partner organizations, representing three stakeholder groups (community-based organizations, business associations, community college) will collaborate on the Blueprint. Project Equity is the lead partner and will guide development of the Coop Academy, provide business consulting for Academy participants, and lead on implementation of the Opportunity Roadmaps for larger startups and conversions. The East Bay Community Law Center and the Sustainable Economies Law Center will lead on community outreach, legal advice, and project management for the Coop Academy and develop a legal guide for coop conversions.

Laney College will conduct the feasibility study of creating a cooperative enterprise class and certificate at the College. Two business associations, the Sustainable Business Alliance (SBA) and the US Federation of Worker Cooperatives (USFWC), will refer us to their member businesses for participation in focus groups and business ideation sessions. The US Federation of Worker Cooperatives will also identify member coops that can be service providers and mentors for the Coop Academy (Part 1) and link our coop conversion research to their national efforts on this important strategy.