



# Worker Ownership Strategy City of Boston

MEMO

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# Introduction

This memo offers recommendations to support the City of Boston's exploration of worker owned cooperatives and employee owned firms. The memo is for review by the City of Boston's NLC Fellows - Chief Joyce Linehan, Trinh Nguyen, Director of Workforce Development, and John Smith, OED Policy Analyst - and related City staff. A majority of the proposed strategies have already been discussed with the City, or are currently being implemented by City staff. This memo is meant to serve as a touchstone to inform future conversations.

## Recommendations

### Community Partnerships and Capacity Building

#### Goals

The City of Boston has transparent and collaborative processes for developing Worker Ownership strategies. The City is a proactive partner in resourcing the capacity of community and sector leaders to engage in the design, implementation and evaluation of these precedent setting programs.

#### Strategies

##### Worker Ownership Advisory Council

Establish a multi stakeholder Advisory Council to help set public goals and guide the City's cooperative business support strategies. Program specific Working Groups can be held within a broader Advisory Council structure. Consider tasking the Advisory Council to support the City in the development of a Worker Ownership Plan and program strategy.

##### Racial Equity Lens

Ensure that all worker ownership initiatives are developed and assessed through a racial wealth equity lens. Ensure accessibility and proactive recruitment for our City's most economically disenfranchised residents, including but not limited to people with criminal records, undocumented residents, non English speakers, veterans, youth and young adults, seniors, and people with disabilities.

## Collaborative Fundraising

Develop a local and national private fundraising strategy to supplement existing City funding to support private sector and nonprofit partners who help co-design and implement parts of the City's cooperatives strategy. Consider co-hosting with community partners a webinar for national funders, opened by Mayor Walsh, featuring NLC Fellows. Consider co-hosting a similar event for local foundations, funders and investors.

## Co-op and Employee Ownership Education

### Goals

City is driving a highly visible and distributed conversation about the potential role of co-ops in Boston economic future. Policies and resources are aligned to make Boston the known national standard bearer for municipal support for urban worker ownership.

### Strategies

#### Public Education Campaigns

Develop a municipal public awareness campaign to educate Boston residents and business owners about worker owner cooperatives and employee owned companies. Consider a municipal resolution declaring a Co-op Week or Day, tied to live events and media strategies to stimulate a citywide conversations about the benefits and opportunities from cooperative, worker owned firms.

#### Workshops

Begin to host workshops on co-op development and employee ownership conversions through partnerships with leadership in the worker ownership sector. Target educational outreach using existing business owner data and through partnerships with business associations and enterprise incubation and technical assistance programs.

## Employee Ownership and Social Enterprise Certification

### Goals

City develops a formal program to certify and support worker owned cooperatives, employee owned companies and social enterprises.

## Strategies

### Boston Worker Ownership Center

Form a program within the City of Boston's Office of Small Business Development to provide resources and referrals to the public, and to manage Certification program.

### Boston Worker Co-op Certification Program

Form a two tiered certification for (1) Worker-Owned Cooperatives and (2) Worker Centered Firms. Align municipal resources to prefer designated companies in procurement and contracting, access to capital and support for technical assistance and business supports.

## Public Procurement

### Goals

The City approaches its purchasing and contracting capital as a public good, focused on generating quality jobs and community wealth in Boston's working class communities of color. Boston Worker Co-ops and Worker Centered Firms, in addition to W/MBE's, receive access to procurement / bidding supports and preference in contracting decisions.

### Strategies

#### City Procurement Working Group

Convene a multi-stakeholder working group to review and analyze municipal procurement data to identify opportunity sectors for Boston based, minority and worker owned enterprises. Use Working Group to develop collaborative strategies to recruit, convert or seed Boston worker co-ops to meet municipal demand. Develop goals for the percentage of procurement contracts that are awarded to worker owned enterprises, and incorporate into broader municipal contracting goals.

#### Preferred Procurement

Develop co-op specific outreach strategies and procurement supports (bid coaching, 1-on-1 assistance etc.) to increase pipeline of worker owned companies able to bid for procurement contracts. Create new procurement policies and criteria to favor Worker Owned Cooperatives and other social good companies.

## Anchor Institution Engagement

Partner with community organizations to engage nonprofit hospitals and universities, as well as major corporations to encourage MBWE and Worker Ownership goals and preferences in procurement processes. Consider soliciting specific PILOT contributions to resource new or existing worker co-ops to fulfill the procurement needs of participating anchor institutions.

## Financing Cooperatives

### Goals

City of Boston plays a central role in leveraging public financing dollars to build a robust public-private capital ecosystem to meet the continuum of financing needs by LMI owned co-ops. Dedicated public capital is allocated specifically for the worker cooperatives.

### Strategies

#### Nonprofit Fund Partnerships

Develop a partnership with Cooperative Fund of New England to co-invest with, or participate in, a new Boston focused collateral and loan guarantee pool for worker cooperatives and conversions. Explore the formation of a collaborative financing pool to assist WMBEs and worker cooperatives purchase commercial real estate.

#### Boston Local Development Corporation

Integrate co-op lending as an explicit goal within BLDC's promotional language and lending strategies. Explore participation in co-op focused lending pools in addition to direct loans. Focus product development on loan guarantees and pre-development loans, in addition to financing to support employee ownership conversions.

#### Community Development Block Grants

Allocate CDBG funds for financing and loan guarantees for startup co-ops and co-op conversions. Explore seed funding a financing vehicle with the ability to deploy small business grants, guarantees, equity and mezzanine instruments, in addition to traditional debt.

## Small Business Administration Partnerships

Develop partnerships with SBA's small business succession program to identify capital sources to support potential employee ownership conversions.

## Municipal Bank

Join other major US cities that are exploring the feasibility of a municipal public bank. Evaluate public bank models and proposals to assess implications for worker owned cooperative lending.

## Technical Assistance

### Goals

The City funds and supports a robust co-op technical assistance ecosystem. Entrepreneurs interested in cooperative ownership forms have full access to relevant education, training, mentors and content expertise as a standard feature of small business development resources supported by the City. Cooperatives development is integrated into broader business management education, ranging from small business training centers to MBA programs.

### Strategies

#### Co-op Consultants

Include co-op experts within the City's pool of business development consultants. Integrate co-op and worker ownership expertise as a desired qualification for technical assistance providers.

#### Convening and Training Business Developers

Develop and fund a pilot program with co-op sector leaders to convene and introduce Boston's business technical assistance community to cooperatives and conversions. Provide tools and resources to help programs integrate cooperative models within their menu of business structures that entrepreneurs can pursue. Explore a City supported Community of Practice program to provide ongoing engaging and support for business developers in the field.

## Co-op Technical Assistance Funding

Dedicate annual funding to make grants to support nonprofit Co-op Technical Assistance providers and collaboratives. Develop RFP's for collaborative programs that include community based partners and culturally competent providers.

## Workforce Development

### Goals

The City's workforce development strategies include support for training employees to become cooperative business owners and entrepreneurs. Workforce development funds are strategically deployed to assist new, existing and converted co-ops to grow the skills, effectiveness and capacity of employee-owners.

### Strategies

#### Neighborhood Jobs Trust

Include co-op ownership and entrepreneurship training as an eligible workforce skills development area. Target outreach to worker co-ops and co-op educators to apply for NJT Funding.

#### Youth Training and Development

Integrate cooperative entrepreneurship training into municipal youth oriented workforce development programs, including Youth Options Unlimited Boston and the Boston Youth Fund. Consider collaborations with BPS and Community Colleges to explore the development of student run co-op incubators as an educational, workforce development and job creation strategy. Consider opportunities to expand Youth Lead the Change's Participatory Budgeting process to identify youth led co-op proposals to receive support through a youth co-op incubator or access to other City worker ownership support programs.

#### State and Federal Workforce Funds

Identify and publicize state and federal workforce funds that worker owned cooperatives can use to subsidize on the job training and cooperative skills development.

## Conversions

### Goals

City of Boston helps co-design, participate in, and fund a multi-stakeholder employee ownership conversion program to popularize conversions as a common exit strategy for retiring small business owners.

### Strategies

#### Targeted Outreach

Utilize City of Boston's existing small business data and other available data sets to establish a universe of small business owners to target for ownership conversion education.

#### Pipeline Partnerships

Engage individuals and organizations that serve existing small business owners to participate as outreach and recruitment partners with City of Boston's Conversion Collaborative. Consider public and private partners, including but not limited to Main Streets Directors, Greater Boston Chamber of Commerce, local business associations, business brokers, valuation firms, small business TA providers, accountants, lawyers and other professional service providers.

#### Conversions Collaborative

Develop an RFP to fund an ownership conversion collaborative to work with the Office of Small Business Development's Worker Ownership Center to launch a public conversions program. Co-design and coordinate citywide recruitment, technical assistance, workforce training and financing for conversion projects.

## Policy Reforms

### Goals

Pass model policies that make the City of Boston the most "co-op friendly" city in the country. Create a regulatory environment that favors worker-owned businesses and allows the sector to thrive as growing trend within Boston's diverse business landscape.

## Strategies

### Worker Ownership Policy Working Group

Form a multi-stakeholder policy development table to solicit, organize and evaluate potential city and state policy reforms to help scale worker owned firms as a prominent and preferred enterprise model in Boston. Consider tasking the working group to help draft a public facing report that includes an analysis of the current worker ownership ecosystem and policy landscape, and a set of policy recommendations and priorities for the City and State.

### Identified Policy Reform Needs (City and/or State)

#### *Income Tax*

- Provide personal income tax and corporate tax benefits to certified worker cooperatives and employee owners
- Provide tax benefits on ordinary income and capital gains to business owners who sell to their employees

#### *Labor*

- Right to Own policies gives workers facing a change of ownership or closure of a firm the first refusal in putting together a worker-owned alternative
- Wage Theft to Equity policies allow wage theft victims to convert their awarded damages into partial or full equity ownership in violating companies

#### *Land Use*

- Property tax alleviation for commercial real estate owners providing below market rent for co-op tenants
- Development incentives or requirements for affordable commercial leases set aside for WMBE and worker owned firms

#### *Program Codification*

- Statutorily define criteria for worker cooperative certification program
- Create formal and permanent funding structure for a City's Worker Ownership Center and programs

#### *Procurement*

- Allow preference in public procurement for co-ops, worker centered firms, social enterprises

- Provide procurement preferences to vendors that purchase from worker co-ops

*Technical Assistance*

- Join New York City and Madison in establishing a budget line item and multi-year funding commitment for worker cooperative technical assistance and ecosystem funding in Boston

*Workforce Development*

- Jobs Not Jails - Justice Reinvestment Act allows for savings from criminal justice reforms to be directed towards worker cooperative development by returning citizens

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