



## MEMORANDUM

**TO:** Mayor and Council

**FROM:** Kevin Johns, Director  
Economic Development Department

**DATE:** October 7, 2016

**SUBJECT:** Supporting Cooperatively Owned Businesses report

The purpose of this memo is to introduce the attached report, Supporting Cooperatively Owned Businesses. This study resulted from Council approved Resolution 20140612-072 directing the City Manager to convene stakeholders to develop recommendations that detail ways the City can promote the development of new and existing cooperatively owned businesses (coops).

After gathering input from stakeholders representing local cooperatively owned businesses, the Economic Development Department's Small Business Program (SBP) recommended hiring a consultant to identifying best practices used by other cities to support co-ops, and to make recommendations on City of Austin support for co-ops. Morningside Research was selected to conduct the study, which was completed in April of this year and has been reviewed by staff.

The final report details methods other cities have used to support coops – Burlington, Minneapolis, Madison, Denver, Cleveland and New York – which the City of Austin can use as models for promoting coops in Austin. Moving forward, the report will be used as a road map for integrating the needs of coops into our existing portfolio small business programs and services, and to develop new programs and services that address needs specific to coops.

If you need additional information please contact me.

xc: Elaine Hart, Interim City Manager  
Sue Edwards, Assistant City Manager  
Vicky Valdez, EDD Small Business Program Manager

SUPPORTING  
COOPERATIVELY OWNED BUSINESSES

City of Austin

April 20, 2016

**MORNINGSIDE**  
RESEARCH AND  
CONSULTING, INC

[www.morningsideresearch.com](http://www.morningsideresearch.com)

# SUPPORTING COOPERATIVELY OWNED BUSINESSES

City of Austin

April 20, 2016

Submitted by

Morningside Research and Consulting, Inc.

P.O. Box 4173

Austin, Texas 78765

Phone 512 302 4413 • Fax 512 302 4416

[www.morningsideresearch.com](http://www.morningsideresearch.com)

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# 1. PROJECT OVERVIEW

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## BACKGROUND AND PURPOSE

Since 2014, the City of Austin has been exploring ways to promote the development of new and existing cooperatively owned businesses (co-ops). Based on input from co-ops and other stakeholders, the Small Business Program in the City of Austin Economic Development Department issued a Request for Proposals (RFP) to conduct research on national best practices for governmental support of the creation and development of co-ops.

Morningside Research and Consulting was selected to conduct the co-op research for the City of Austin. As directed by the RFP, this report addresses the following topic areas:

- Governmental support of cooperatively-owned businesses, particularly support by municipal and local governments.
- Funding methods currently and potentially available to cooperatively-owned businesses, including any solution(s) to traditional lending guarantor requirements.
- Types of training used to promote the creation and development of cooperatively-owned businesses.
- Marketing strategies and techniques used for promoting the benefits of cooperatively-owned businesses to the public.

## DEFINITIONS

The following definitions and concepts are presented throughout the report.

### BEST PRACTICES

Programs and processes that are determined to be effective through experience or research may be deemed a “best practice” by a well-known, respected organization. However, no consensus currently exists on what criteria or indicators qualify a co-op practice as a “best” practice. During the research for this project, several interviewees were hesitant to use the term “best practice” since governmental support for co-ops is new and evolving. However, based on the information gathered, a number of practices were identified that can be considered emerging or promising practices for co-op support and development. In this report, the term “emerging practice” is used to identify innovative ways of supporting the development and growth of co-ops.

### TYPES OF CO-OPS

The International Co-operative Alliance defines a co-op as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.” Several different types of co-ops exist, as seen in Table 1.1 on the following page.

**Table 1.1: Types of Co-ops**

Co-op Type	Definition
Worker co-op	A business or organization democratically owned and controlled by its workforce.
Consumer co-op	A business or organization democratically owned and controlled by its customers to assure better prices or quality of goods and services.
Producer/Marketing co-op	A business or organization democratically owned and controlled by independent producers of similar products to utilize joint marketing and selling of products.
Co-op bank or credit union	A financial institution owned and managed by its members that have accounts with the bank.
Housing co-op	Home ownership democratically owned and operated by its residents to control housing and related community facility needs.
Purchasing co-op	An organization of businesses with the sole purpose of jointing purchasing services or supplies to lower operating costs.
Energy co-op/Rural electric co-op	Consumer-owned utilities.
Childcare co-op	Highly variable childcare co-ops providing services ranging from casual babysitting exchanges to preschools.
Artist co-op	Functions similarly to other types of co-ops, but with artisan specific benefits including marketing, shared work or gallery space, discounts on bulk purchasing of materials, and purchasing of expensive equipment to be shared.
Freelancer co-op	A co-op of freelancers utilized to assist members in finding clients and provide services to other freelancers.
Multi-stakeholder co-op	A business or organization democratically owned and controlled by two or more "stakeholder" groups such as workers, consumers, producers, volunteers or the general community members.

Sources: Co-opLaw.Org (<http://www.co-oplaw.org/>), the National Association of Housing Cooperatives (<http://coophousing.org/resources/owning-a-cooperative/buying-into-a-housing-cooperative/>), and the United States Federation of Worker Cooperatives (<https://usworker.coop/what-worker-cooperative-0>)

## METHODOLOGY

In order to identify emerging practices for co-op support and develop recommendations for the City of Austin, a questionnaire was developed for local co-ops, interviews were conducted with co-op stakeholders nationwide, and existing literature on co-ops was reviewed.

### LOCAL CO-OP QUESTIONNAIRE

The questionnaire for local co-ops in Austin was designed to seek input on emerging practices for co-op support by government organizations. The local co-ops that responded provided suggestions about local governments, organizations, and other co-ops across the United States to interview as well as information about their co-ops, the types of support and services that they needed as startup businesses and as they matured, the types of funding they receive, and the types of training and marketing that they have found useful and effective. The local co-op questionnaire instrument is shown in Appendix A and the results of the questionnaire are described in Chapter 2 beginning on page 4.

### INTERVIEWS

Municipal governments, co-op associations, and co-ops across the United States were contacted to identify emerging and promising practices for government support, funding, marketing, and training for co-ops. The interview process was very successful; interviewees were enthusiastic and willing to speak candidly and at length about their experience with co-ops. Emerging practices for co-op support are detailed in Chapter 3 beginning on page 8.

## LITERATURE REVIEW

In addition to interviews, a literature review of existing documents and reports related to co-op development was conducted. In addition to an extensive on-line research, interviewees often provided sources of relevant research. Emerging practices for co-op support identified in existing research are included in Chapter 3 beginning on page 8. The bibliography of sources is shown in Appendix B.

## FINDINGS AND RECOMMENDATIONS

Based on emerging practices for co-op support nationwide, recommendations on how the City of Austin can support co-op development and growth were developed in five categories: planning, funding, training, marketing, and other support. Many of the recommendations require collaborative partnerships with other City departments, other government agencies, community organizations, co-op associations, organizations already providing training and technical assistance to co-ops, business organizations, and established co-ops. The detailed list of findings, recommendations, and implementation plan for the City of Austin are found in Chapter 4 beginning on page 32.

## 2. QUESTIONNAIRE FOR LOCAL COOPERATIVELY OWNED BUSINESSES

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In order to begin to explore emerging practices for supporting cooperatively owned businesses (co-ops), local co-ops in Austin received an electronic questionnaire. The questionnaire was designed to seek input from local co-ops on where to direct research on emerging practices for co-op support nationwide. The local co-ops that responded provided useful information about local governments, organizations, and other co-ops across the United States to interview regarding the emerging practices for co-op support presented in Chapter 3 of this report.

The local co-ops that responded also provided information about their co-ops, the types of support and services that they needed as startup businesses and as they matured, the types of funding they receive, and the types of training and marketing that they have found useful and effective. The information received from the questionnaire is summarized here.

### QUESTIONNAIRE RESPONDENTS

The questionnaire was sent via email to 84 local co-ops. An original invitation to participate in the questionnaire was sent to co-ops on October 19, 2015. One reminder was sent on October 26, 2015, and a final reminder was sent on November 2, 2015. The questionnaire was closed for responses on November 2, 2015, at 5:00 p.m. The questionnaire was reopened for responses from December 17, 2015, through January 15, 2016, and during this time, City of Austin staff conducted additional follow-up by email and telephone to invite co-ops that had not responded to participate in the questionnaire.

In total, 31 responses to the questionnaire were received from 24 unique co-ops. One respondent did not specify their co-op. Respondents identified their co-ops as housing co-ops, worker-owned co-ops, consumer-owned co-ops, credit unions, agriculture and food production co-ops, retail, manufacturing, arts, education, a community center, and a cooperatively owned bicycle shop.

Credit unions and housing co-ops make up about half of the co-ops that did not respond to the questionnaire. Other non-respondents include food co-ops, web hosting co-ops, music and arts co-ops, childcare co-ops, recycling co-ops, and electricity co-ops.

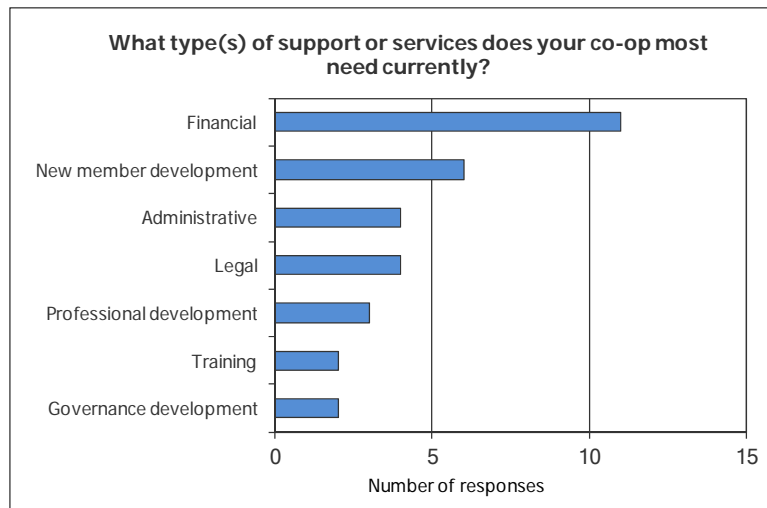
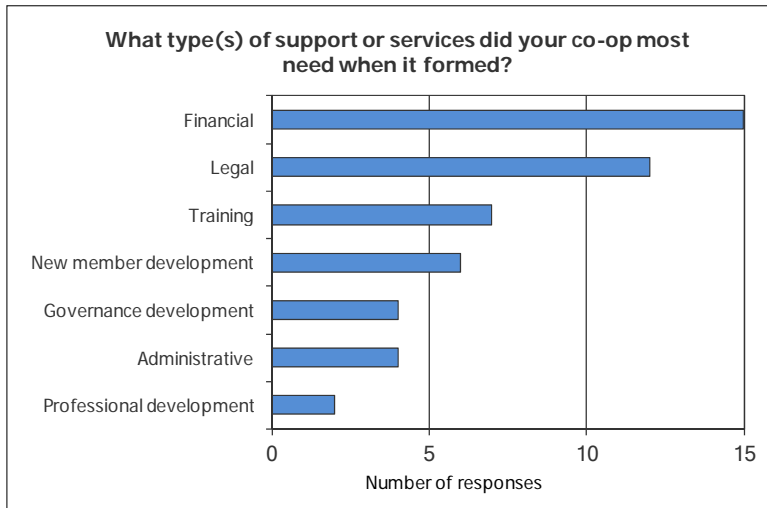
### LOCAL CO-OP SUPPORT AND SERVICE NEEDS

Local co-ops that responded to the questionnaire indicated that when their co-ops first started they primarily needed financial, legal, training, and new member development support and services. Respondents indicated that their needs for support and services have changed since their co-ops started. While financial needs and new member development are still frequently cited, legal and training needs become less important as co-ops mature.

Figure 2.1 shows local co-op needs for support and services when the co-ops formed and their needs currently.



**Figure 2.1: Local Co-op Support and Service Needs**

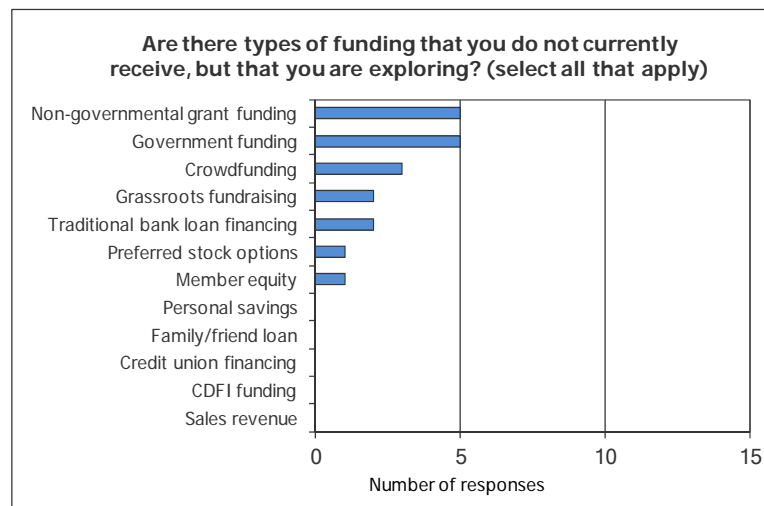
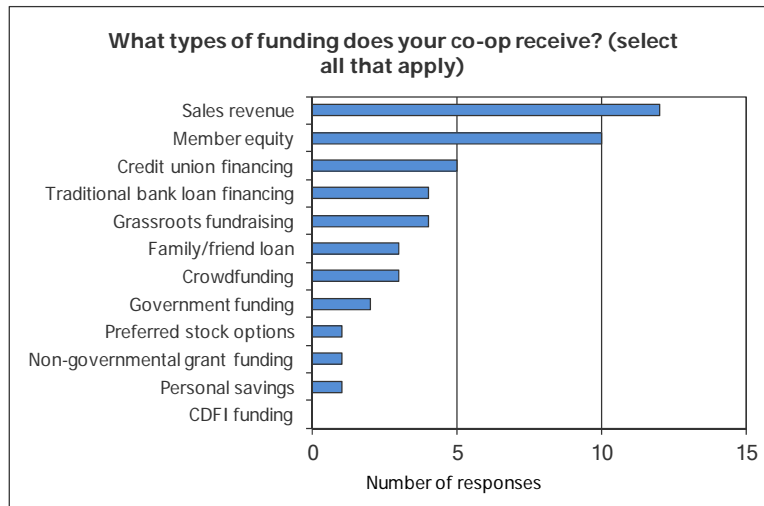


Many of the respondents listed other types of support and services that their co-ops needed as start-ups, including help with taxes and help with building maintenance. One respondent said that their co-op had a difficult time determining the legal filing status that was best suited for their co-op business. One respondent specified that educating the community on the benefits of co-ops would help meet their current need for expanding their membership base. Two respondents said that their co-ops currently need space to operate. One of these co-ops said that they have saved money in hopes of buying a building, but that they are being priced out of their neighborhood.

## FUNDING

Figure 2.2 shows the types of funding that local co-ops are currently receiving as well as the types of funding that they are exploring. Most of the co-ops that responded currently receive sales revenue and funding through member equity. Co-ops listed other sources of funding that they currently receive, including private loans and income from rent and tuition. Co-ops indicated that they are exploring funding through non-governmental grants, government funding, and crowdfunding, among other sources.

**Figure 2.2: Local Co-op Funding**



## TRAINING

Of the 11 co-ops who responded to a question about training, four indicated that general training and education on the co-op business model would be the best type of training to promote co-op creation and development. These co-ops believe the public generally lacks an understanding of what a co-op is and how co-ops can be viable business models. Other co-ops believe that training on democratic ownership (including power sharing, consensus training, and team building) is important for co-op creation and development. Co-ops also believe that general business skills training (including training on financing, developing projections, bookkeeping, and decision making processes) are valuable for co-ops. Co-ops also mentioned that peer learning from other co-ops here in Austin and across the United States and mentoring from long-standing members within their own co-ops are useful types of training.

About two-thirds of respondents reported being members of or utilizing training services provided by local or national co-op associations. Several co-ops mentioned that they have received or are aware of training provided locally by Cooperation Texas, a co-op association based here in Austin.

## MARKETING

Of the 17 local co-ops who responded to a question about marketing, five say that word of mouth has been an effective form of marketing. Four other co-ops say that marketing via social media and social media events has been effective. Other co-ops say that hosting events has been a successful marketing tool. One co-op says that the concept of “People, Planet, Profits”, or, the “triple bottom line” is an effective and easy to understand message for promoting co-ops to the public. Another co-op promotes the co-op business model, particularly messages about their member-composed board of directors, to the public. They often utilize content and messages provided by the National Cooperative Business Association (NCBA).

One co-op said that they would like to find some assistance or support with marketing. They have tried several forms of marketing including printed materials, email groups, conferences, and events, but that they have found these efforts to be unsuccessful.

### 3. EMERGING PRACTICES FOR SUPPORTING COOPERATIVELY OWNED BUSINESSES

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In order to identify emerging practices for co-op support, interviews were conducted with co-op stakeholders nationwide, and conducted a review of existing literature on co-ops. Emerging practices for co-op support found through the interviews and literature review include local government support of co-ops, sources of funding for co-ops, types of training that benefit co-ops, and marketing strategies for promoting co-ops to the public.

#### INTERVIEW PROCESS

Potential interviewees were identified through the questionnaire sent to local Austin co-ops and a review of existing literature on co-ops. Some interviewees were identified during the interview process through referrals from other interviewees. The following types of organizations were identified for interviews:

- Model cities: Cities that are currently providing support, including funding, to co-ops are referred to in this report as model cities.
- Co-op associations: Co-op associations are organizations that have co-ops as members or provide resources to co-ops.
- Co-ops: Co-ops in other cities that have received government support.

Sixty-six organizations were contacted to participate in an interview. The following types of organizations were contacted: 11 model cities, 49 co-op associations, and 6 co-ops. A total of 38 interviews were conducted with 35 organizations: 7 interviews with model cities, 30 interviews with co-op associations, and 1 interview with a co-op. Organizations were contacted between October 26<sup>th</sup> and November 20<sup>th</sup>, 2015, to attempt to schedule an interview.

#### LITERATURE REVIEW

In addition to interviews, a literature review of existing documents and reports related to co-op development was conducted. Interviewees often provided sources of relevant research. The bibliography of sources is shown in Appendix B.

#### LOCAL GOVERNMENT SUPPORT OF CO-OPS

Local government support of co-ops is an emerging practice in the United States. The cities discussed below were identified by interviewees and in the literature as cities that are actively engaged in co-op support and are listed in alphabetical order by city.

##### BURLINGTON, VERMONT

In 1999, the City of Burlington, Vermont, issued an RFP to develop a grocery store downtown in order to provide access to food for the large low-income and elderly populations in that area after two previously failed attempts in the 1980s. The City Market, Onion River Co-op was awarded the contract due to their flexibility in meeting city requirements and public needs. The city applied for U.S. Department of Housing and Urban Development (HUD) funding in order to conduct a market feasibility study for the downtown grocery store and was awarded \$9,000. The city assisted the co-op in applying for a grant from the HUD Brownfields Economic Development Initiative (BEDI) and the co-op was awarded \$600,000 to redevelop an abandoned property which was a former brownfield site. The city then offered the co-op a long-term (100-year) lease on the property and granted them the historic former police

station along with the land to preserve and renovate into a space for the new grocery store. The co-op was also awarded \$66,000 in HUD Community Development Block Grant (CDBG) funding and \$2 million from the city for construction financing, as well as a \$3 million loan backed by the United States Department of Agriculture (USDA) Rural Development Program.

#### CLEVELAND, OHIO

In 2005, the Greater University Circle Initiative was established with assistance from the Cleveland Foundation, a charitable community organization, to create a partnership between institutions and neighborhoods in a low-income community where some of Cleveland's largest "anchor institutions" were located. An anchor institution is a large organization, such as a hospital, museum, or university, and according to the literature, are "non-profit institutions that once established tend not to move location." As a result of the Greater University Circle Initiative's efforts, the Evergreen Cooperative Initiative was developed in 2007. The working group for the Evergreen Cooperative Initiative included the Cleveland Foundation, the Cleveland Clinic, University Hospitals, Case Western Reserve University, and the City of Cleveland with a mission to promote economic development in six low-income neighborhoods.

To support the creation of cooperatively owned businesses, the initiative sought to establish procurement relationships between co-ops and local anchor institutions. This resulted in the formation of the Evergreen Cooperative Corporation, the umbrella organization for the three Evergreen co-ops that were established between 2009 and 2011. The three Evergreen co-ops are all worker-owned co-ops and include Evergreen Energy Solutions, a solar energy company, Evergreen Cooperative Laundry, a commercial laundry company, and Green City Growers, an urban food growing company specializing in lettuce, greens, and herbs grown in a large-scale greenhouse.

Leveraging the anchor institutions as a customer base was designed to create a constant flow of revenue for local economies. The Evergreen Cooperative Initiative met to determine what local co-op businesses could best meet the procurement needs of anchor institutions with the expectations that these institutions would provide a certain amount of business to the new co-ops.

According to a City of Cleveland Department of Economic Development representative, the city has recognized worker co-ops as a good investment strategy for retaining businesses in low-income communities. The Evergreen co-ops established in Cleveland were focused on employing hard-to-employ populations in low-income areas, such as ex-offenders, enabling them to obtain gainful and meaningful employment.

To date, these three Evergreen co-ops have received assistance from the City of Cleveland totaling over \$22 million through the existing small business loan programs administered by the city, the Internal Revenue Service New Markets Tax Credit program, and HUD grants.

#### DENVER, COLORADO

To date, the City of Denver Division of Housing and Neighborhood Development (within the Office of Economic Development) has designated about \$2 million in HUD CDBG funding to purchase and renovate a building to help establish a co-op grocery store in an area of the city considered to be a "food desert", an area where residents are living without adequate access to healthy foods (i.e. fresh produce and meat). The city contracted with Re:Vision, a community organization focused on sustainability, which will operate the new food co-op. According to a representative from the City of Denver, all support for co-ops to date is based on how co-ops can support or improve neighborhoods or areas of the city. The city has sought to establish relationships with community groups to determine where needs and opportunities intersect.

The city is exploring new ways to support co-ops, including ensuring that their existing small business loan program can accommodate startup co-op businesses. The city is currently developing an agreement with the Rocky Mountain Farmers Union Foundation, which will develop a plan for how co-ops can serve low-income areas and access CDBG funds. City staff are also determining how to include co-op support initiatives in the City of Denver strategic plan. The city believes that inclusion in the strategic plan will help ensure that their goals of support for co-ops will be accomplished.

#### MADISON, WISCONSIN

The City of Madison, Wisconsin, is currently developing a program to support co-ops called the Cooperative Enterprises for Job Creation and Business Development. The project is scheduled to be funded \$600,000 per year for five years from the Capital Improvement Plan beginning in 2016. Half of this funding will go toward developing co-op technical assistance and creating a coalition of co-op development groups. The other half of the funding will be used to create a loan program that requires any co-ops that receive loans to also receive ongoing technical assistance and report designated metrics to the city biannually. The city also plans to incorporate co-op specific language into their existing small business program. In addition, Madison has designated \$300,000 from the Healthy Food Retail Program 2015 Capital Budget to provide a low-interest and partially forgivable loan to establish a co-op grocery store in a neighborhood with limited access to food. Madison is also exploring ways to allocate HUD CDBG funding to co-ops.

#### MINNEAPOLIS, MINNESOTA

The City of Minneapolis Community Planning and Economic Development department has worked to adjust existing small business loan and assistance programs to include co-ops. Through their loan programs, \$3.5 million has been distributed to co-ops and another \$850,000 is in the process of being approved.

In addition, in 2015 the Community Planning and Economic Development department launched an initiative to explore opportunities to utilize the co-op model in assisting low-income, minority populations. The co-op initiative falls under the Business Technical Assistance Program which is funded from both the City's general fund and CDBG funding. The co-op initiative only utilizes general fund dollars. The initiative will be implemented over a three-year period and consist of three phases. For the first year, the city has commissioned a Minneapolis cooperative report that is scheduled to be released in early 2016. While the process of rolling out this initiative will be flexible depending on progress and findings, the preliminary plan for the second year is to launch a technical assistance program and the preliminary plan for the third year is to begin offering grants and loans to co-ops.

Another source of assistance for co-ops in Minneapolis is the Neighborhood Revitalization Program (NRP) in the Neighborhood and Community Relations department, which distributes funding to neighborhood associations for revitalization efforts. The NRP is funded through Tax Increment Financing (TIF). Several neighborhood associations have used the funds to generate revolving loan funds for startup businesses. In 2003, five neighborhood associations together awarded a low-interest loan to a food co-op to establish The Eastside Food Cooperative in Northeast Minneapolis.

## NEW YORK CITY, NEW YORK

The largest municipal co-op initiative identified during the research for this report is the New York City Worker Cooperative Business Development Initiative enacted to support the expansion of worker co-ops throughout the city in an effort to help low-income and minority residents become business owners and promote workplace democracy. The program is administered by the New York City Department of Small Business Services using City Council discretionary funds. In Fiscal Year (FY) 2015, \$1.2 million was awarded to 11 organizations that provide resources to co-ops and assist in co-op development. This program resulted in the creation of 21 new co-ops within New York City and assisted another 26 co-ops with expansion efforts. In addition, existing small business resources provided by the Department of Small Business Services were modified to include co-op education and resources. For FY 2016, 13 organizations will be granted \$2.2 million to continue their work. New York City also designated June 21, 2014, to be Worker Cooperative Appreciation Day and enacted an amendment to city administrative code on March 18, 2015 to track the number, total dollar value, and percentage of city contracts awarded to worker co-ops.

## OAKLAND, CALIFORNIA

In September of 2015, the Oakland City Council signed a resolution to support the development and growth of worker co-ops to address income inequality through the creation of quality jobs. This includes modifying existing small business resources and referrals available at the City of Oakland Business Assistance Center to be specific to worker co-ops startups and existing businesses that might consider converting to the co-op model. This resolution helped to raise public awareness of co-ops.

With this show of support given by the Oakland City Council, the Sustainable Economies Law Center in Oakland, California, is working on developing a city ordinance for the promotion of worker co-ops.

## SUMMARY OF LOCAL GOVERNMENT SUPPORT OF CO-OPS

Table 3.1 provides an overview of the co-op initiative in each of the cities discussed above.

**Table 3.1: Local Government Support of Co-ops**

City	Co-op Support	Time Frame	Criteria/Description	Funding Allocated	Funding Source	Program Outcome
Burlington, Vermont	In-kind contribution	One-time co-op assistance	Property acquisition assistance -Granted a 100-year lease -Bequeathed former historic police station	Not applicable	Not applicable	1 cooperative funded/assisted
	Grant and Financial Assistance		Funding utilized for: -Redevelopment of abandoned and underused industrial and commercial facilities -Feasibility study -Construction financing	Grant and funding values of: -\$600,000 -\$9,000 -\$66,000 -\$2 million	Funding utilized from: -HUD Brownfields Economic Development Initiative (BEDI) -HUD CDBG program -One other HUD program -One other source from the City of Burlington	
	Guaranteed Loan		Percent guaranteed and funding usage unknown	\$3 million	USDA Rural Development Program, Business and Industry Guarantees	



**Table 3.1: Local Government Support of Co-ops (continued)**

City	Co-op Support	Time Frame	Criteria/Description	Funding Allocated	Funding Source	Program Outcome
Cleveland, Ohio	Loan Programs	One-time co-op assistance	15-year low interest loans	Loan values of: -\$1.5 million -\$200,000	Funds utilized from: -Economic Development Authority Loan -Ohio Stimulus Loan Fund	2 cooperatives funded/assisted
	New Market Tax Credit Programs		Tax incentive program geared towards assisting businesses and low-income communities	Loan values of: -\$5 million -4.5 million -\$9 million	Funding utilized from: -US Bank CDE -Evergreen Cooperative Development Loan Fund -HUD 108 Loan -Shorebank Loan -Keybank Loan	3 cooperatives funded/assisted
	Grant and Financial Assistance		Funding utilized for redevelopment of abandoned and underused industrial and commercial facilities	\$2 million	HUD Brownfields Economic Development Initiative (BEDI)	1 cooperative funded/assisted
Denver, Colorado	Grant and Financial Assistance	One-time co-op assistance	Funding utilized for the construction financing including property acquisition and building renovations	\$2 million	HUD CDBG program	1 cooperative funded/assisted

**Table 3.1: Local Government Support of Co-ops (continued)**

City	Co-op Support	Time Frame	Criteria/Description	Funding Allocated	Funding Source	Program Outcome
Madison, Wisconsin	Cooperative Enterprises for Job Creation and Business Development Program	Starts in 2016	Loan program criteria: -Must be receiving ongoing technical assistance -Bi-annual reporting on cooperative economic impact -Funding to be utilized for capital expenditures or to augment buy-in	\$300,000 per year for 5 years	Funding to be utilized from the City of Madison Department of Planning, Community, and Economic Development Capital Improvement Plan	Starts in 2016
			Infrastructure and technical assistance: -Will incorporate language into the City's current Small Business Programs -Work to create a coalition of cooperative support and development groups	\$300,000 per year for 5 years		
	Grant and Financial Assistance	Planning stages	Percentage of City of Madison CDBG funding is currently allocated for economic development work to target opportunities for people of low-income and the City is currently exploring opportunities to use this funding for co-op development	Planning stages	HUD CDBG program	Planning stages
	Allied Drive/Verona Road Grocery Initiative	Starts in 2016	Low-interest and partially forgivable loan to be utilized for acquisition of property or working capital	\$300,000	Funding to be utilized from the Healthy Food Retail Program 2015 Capital Budget	1 cooperative funded/assisted

**Table 3.1: Local Government Support of Co-ops (continued)**

City	Co-op Support	Time Frame	Criteria/Description	Funding Allocated	Funding Source	Program Outcome
Minneapolis, Minnesota	City of Minneapolis Community Planning and Economic Development Department co-op initiative	1 year	<p>3-year program that started in 2015</p> <p>First Year - Commissioned Minneapolis Cooperative Report that is scheduled to be released February 2016 (still not released as of April 2016)</p> <p>Second Year (Preliminary Plan) - Technical Assistance Program:                      -Business consultation                      -Technical assistance                      -Site selection assistance</p> <p>Third Year (Preliminary Plan) - Grant and Loan Program</p>	Information not provided	General fund HUD CDBG program	Assistance program not yet funded
	City of Minneapolis business and real estate loan program	Unknown	Adjusted existing small business loan programs to include cooperatives	Funding values of -\$3.5 million distributed -\$850,000 pending distribution	Unknown	Unknown
	Neighborhood Revitalization Program	One-time co-op assistance	Funding is distributed to neighborhoods for revitalization efforts and five neighborhood associations collaborated to distribute a low-interest loan to fund a food co-op	\$500,000	Tax increment financing (TIF) revenue	1 cooperative funded/assisted

**Table 3.1: Local Government Support of Co-ops (continued)**

City	Co-op Support	Time Frame	Criteria/Description	Funding Allocated	Funding Source	Program Outcome
New York City, New York	New York City Worker Cooperative Business Development Initiative	2 years	<p>11 organizations received funding in 2015 to engage in:</p> <ul style="list-style-type: none"> <li>-Research</li> <li>-Community outreach</li> <li>-Technical assistance provision</li> <li>-Low interest loans and financing for startup expenditures, expansion, or working capital and must be couple with technical assistance</li> </ul> <p>13 organizations to be funded in 2016 with a focus on:</p> <ul style="list-style-type: none"> <li>-Conversions</li> <li>-Integrating worker cooperative practices into the existing Small Business Department</li> </ul>	<p>Funding values of:</p> <ul style="list-style-type: none"> <li>-\$1.2 million in 2015</li> <li>-\$2.1million in 2016</li> </ul>	New York City Council discretionary funds	<p>Launched 21 new cooperatives</p> <p>Assisted 26 existing cooperatives</p>
	Worker Cooperative Appreciation Day	Passed June 21, 2014	Acknowledgement of benefit of worker cooperatives and work being done in New York City to foster their growth	Not applicable	Not applicable	Increased public awareness of worker co-ops
	Worker Cooperatives Local Law number 2015/022	Passed March 18, 2015	Amendment to New York City administrative code	Not applicable	Not applicable	Tracking of the number, amount, and percent of contracts awarded to worker co-ops by New York City
Oakland, California	Oakland City Council Resolution	Passed September 2, 2015	Resolution to support worker cooperatives and tailor the City's Business Assistance Center resources for worker cooperatives and provide referrals to technical assistance providers	Not applicable	Not applicable	Increased public awareness of worker co-ops

## FUNDING FOR CO-OPS

The model cities, co-op associations, and co-op interviewed for this report all discussed emerging practices for funding co-ops that address challenges that co-op startups face. Co-op associations discussed methods such as leveraging capital from co-op member equity, finding investors, partnering with private institutions to find loan and grant funding, direct public offerings including crowdfunding, and local Main Street programs. Model cities are providing co-ops access to small business loans and utilizing federal and state funding sources to support co-ops.

### CHALLENGES FOR CO-OP STARTUPS

Interviews with model cities, co-op associations, and the review of existing literature on co-op development indicate that co-ops may be unable to access traditional business loans and federal and state policy also may create barriers to co-op funding. Interviewees also indicated that access to funding for mature co-ops is more readily accessible than for startups. In most cases, mature co-ops are more likely to receive funding from traditional banks.

**ACCESSING TRADITIONAL SOURCES OF CAPITAL.** Since co-ops share ownership and are structured differently than traditional businesses, they face different challenges in accessing traditional sources of capital for startup and ongoing operations. Traditional businesses typically use three basic sources of capital: internal equity (capital provided by the owners of the business), debt (loans), and outside equity (outside investors). Outside investors usually provide investments in exchange for ownership or shares in the business, which is difficult for co-ops since they are democratically owned by members.

Co-ops face obstacles similar to any startup business when applying for loans. Generally, banks view loaning money to any startup business as a risk. Due to a general lack of knowledge and understanding of the co-op business model, banks may consider co-op startups as even more of a risk. Co-ops typically utilize internal equity from the initial group of owners to start the co-op. Although starting a business based on member equity alone may be challenging, member equity grows over time as co-ops attract new members. Once a co-op is established and has a large group of members, member equity can provide leverage for accessing loans from banks.

**LEGAL INCORPORATION.** Co-op associations and the literature on co-ops discussed challenges that co-ops face when legally incorporating and choosing a legal structure under which to operate. The type of entity that co-ops must choose for incorporation varies from state to state. Texas statutes do not include a specific co-op incorporation option. Many co-ops choose to form as a limited liability company (LLC) and operate democratically, but co-op associations feel that having a designated legal entity type for co-ops helps co-op operations. Co-op associations also believe that there should be specific incorporation options for each type of co-op (worker co-op, consumer co-op, etc.) with clearly defined rules. For example, the State of Pennsylvania allows for incorporation as a co-op, but according to co-op associations, nothing in the statute prevents other business types from filing as a co-op.

### NON-GOVERNMENT SOURCES OF FUNDING FOR CO-OPS

The co-op associations and peer co-ops interviewed and the existing literature on co-op development identified funding options for co-ops outside of traditional business loans including member equity, investors, private institutions including credit unions, and direct public offerings.

**MEMBER EQUITY.** According to interviews with nine co-op associations and a research study on co-ops, co-ops have utilized member equity to raise capital through a variety of methods such as direct member loans and investment shares for members. Member loans are a way to obtain additional investments from co-op members in order to

fund startups or new business endeavors. The co-op members work collaboratively to determine the terms and interest received from any member loans.

**INVESTORS.** Co-ops have sought ways to raise capital from investors without giving up ownership of the co-op. One way is to create different types of membership. These differing membership levels may allow limited additional voting rights related to mergers, acquisitions, or the dissolution of the co-op. In addition, these memberships can offer dividends, which may incentivize people to invest. Interviewees indicated that working with local investment groups, such as Local Investment Opportunity Networks (LIONS) can be an effective way to attract investors from the community.

**PRIVATE INSTITUTIONS.** Most (20) of the co-op associations that were interviewed discussed partnering with private institutions who are involved in the co-op movement or who have goals that align with the co-op movement, to find loans and grant funding for co-ops as an alternative to traditional lending. Community development financial institutions (CDFIs) and credit unions are among the private institutions specifically mentioned by co-ops and in existing literature on co-op development.

Both the existing literature and interviewees discussed working with community development financial institutions (CDFIs) as a viable source of funding to help fund co-ops in underserved markets. CDFIs support the growth of economically disadvantaged communities through tailored resources, innovative programs, and access to financing by investing federal funds together with private sector capital. The federal Riegle Community Development and Regulatory Improvement Act of 1994 established the CDFI fund in order to assist in economic revitalization efforts in low-income communities. CDFIs come in a variety of forms such as banks, credit unions, loan funds, microloan funds, or venture capital providers; there are 968 certified CDFIs across the country that can assist co-ops located anywhere in the United States. Interviewees identified the following CDFIs specifically as potential sources of funding for co-ops: Capital Impact Partners, Cooperative Fund of New England, Local Enterprise Assistance Fund (LEAF), Shared Capital Cooperative (formerly known as Northcountry Cooperative Development Fund), and Craft3.

According to co-op associations, credit unions are the least involved type of co-op in the co-op movement. Credit unions are typically more conservative lenders than other banks because they are more strictly regulated. Federal law specifies that credit unions can only lend a business an amount up to 12.5 percent of the assets of that business. Recent federal legislation has proposed raising that cap to 27.5 percent. Despite this obstacle, credit unions and co-ops are finding ways to work together.

Equal Exchange, a cooperatively owned fair-trade coffee, tea, and chocolate distributor, has partnered with Eastern Bank, a well-established credit union, to create a customized Certificate of Deposit (CD) account. By investing in the CD, customers agree to pledge their CD as collateral for a loan that Eastern Bank is making to the Equal Exchange Co-op. Here in Austin, the 4th Tap Brewing Co-op has secured a U.S. Small Business Administration (SBA) loan underwritten by Amplify Credit Union.

The private institutions that were identified during interviews as potential sources of funding for co-ops or partners that could help facilitate access to funding are listed in Table 3.2.

**Table 3.2: Potential Private Funding Sources**

Private Institution	Website
Cooperative Development Foundation - Bowers Fund	<a href="http://www.cdf.coop/bowersfund/">http://www.cdf.coop/bowersfund/</a>
Southern Grassroots Economies Project - Southern Reparations Fund	<a href="http://sgeproject.org/about/southern-reparations-loan-fund/">http://sgeproject.org/about/southern-reparations-loan-fund/</a>
Food Cooperative Initiative Loans and Grants	<a href="http://www.foodcoopinitiative.coop/resources/loans">http://www.foodcoopinitiative.coop/resources/loans</a>
National Cooperative Bank	<a href="https://www.ncb.coop/">https://www.ncb.coop/</a>
The Working World	<a href="http://www.theworkingworld.org/us/">http://www.theworkingworld.org/us/</a>
The ICA Group	<a href="http://ica-group.org/">http://ica-group.org/</a>
National Cooperative Business Association CLUSA International	<a href="https://www.ncba.coop/">https://www.ncba.coop/</a>
Northwest Agriculture Business Center	<a href="http://www.agbizcenter.org/">http://www.agbizcenter.org/</a>
Beneficial Bank	<a href="https://www.thebeneficial.com/">https://www.thebeneficial.com/</a>
Northwest Cooperative Development Center	<a href="http://nwcddc.coop/">http://nwcddc.coop/</a>
Fund for Democratic Communities	<a href="http://f4dc.org/">http://f4dc.org/</a>
New England Grassroots Environment Fund	<a href="https://grassrootsfund.org/">https://grassrootsfund.org/</a>
Opportunity Finance Network	<a href="http://ofn.org/">http://ofn.org/</a>
Ohio Employee Ownership Center	<a href="http://www.oeockent.org/">http://www.oeockent.org/</a>
CoBank	<a href="http://www.cobank.com/">http://www.cobank.com/</a>
Massachusetts Growth Capital Corporation	<a href="http://www.mcdcc.com/">http://www.mcdcc.com/</a>
Capital Impact Partners	<a href="http://www.capitalimpact.org/">http://www.capitalimpact.org/</a>
Cooperative Fund of New England	<a href="http://www.cooperativefund.org/">http://www.cooperativefund.org/</a>
Local Enterprise Assistance Fund (LEAF)	<a href="http://leaffund.org/">http://leaffund.org/</a>
Shared Capital Cooperative (formerly known as Northcountry Cooperative Development Fund)	<a href="http://sharedcapital.coop/">http://sharedcapital.coop/</a>
Craft3	<a href="http://www.craft3.org/">http://www.craft3.org/</a>
Eastern Bank	<a href="https://www.easternbank.com/site/personal/banking/savings_cd/pages/eqalexchange.cd.aspx">https://www.easternbank.com/site/personal/banking/savings_cd/pages/eqalexchange.cd.aspx</a>
Amplify Credit Union	<a href="https://www.goamplify.com/">https://www.goamplify.com/</a>

**DIRECT PUBLIC OFFERINGS.** Alternative financing options, such as crowdfunding or direct public offerings, were identified by interviewees as a creative way to raise capital for social enterprises such as co-ops. Websites such as Lendsquare, Indiegogo, Kiva Zip, CuttingEdgeX, and Kickstarter, allow organizations to appeal directly to a large number of people to raise money.

Using the crowdfunding website Kiva Zip, TeamWorks House Cleaning, located in Los Altos, California successfully obtained a loan of \$5,000 which secured new equipment and assisted with marketing and expanding the management capacity of the co-op. Two additional co-ops used another site, Indiegogo, to raise funds for their co-ops: CERO, an energy and recycling co-op based in Boston, Massachusetts, raised \$16,950 to purchase the necessary trucks and equipment needed to get the co-op started. Red Emma's, a co-op café and bookstore in Baltimore, was able to raise \$30,445 within two months, which helped them relocate to a bigger space.

Real Pickles, an organic fermented food co-op based in Greenfield, Massachusetts, utilized CuttingEdgeX to raise \$500,000 for their community investment campaign, which helped to convert their business into a worker co-op. People's Community Market, a food co-op in Oakland, California, successfully pursued direct public offerings which raised over \$1.1 million from over 400 California residents purchasing shares in the company.

**MAIN STREET PROGRAMS.** The National Trust for Historic Preservation, a nonprofit organization, operates the National Main Street Center which works with programs in 46 states and more than 1,400 communities nationally on historic preservation and downtown revitalization. Each local program is managed differently depending on available resources. The North Carolina Main Street Program is a state program under the North Carolina Main Street Center within the North Carolina Department of Commerce that allocates \$1 million every year to be distributed to active main street communities with populations less than or equal to 50,000. Eligible businesses in North Carolina main street communities are given \$25,000 for every permanent employee position retained or created. After qualifying for the program, the State of North Carolina contracts with the local municipality and awards the funds. The local municipality then contracts with the business and distributes the funds to the recipients after the work is completed. These funds are available for building improvements and architectural development and have been utilized by Company Shops Market, a co-op in Burlington, North Carolina, which received \$200,000 from the program. In addition to this funding, the co-op utilized a bank loan backed by the USDA Rural Development Program that guaranteed 80 percent of a \$1.1 million loan. The co-op space was created by renovating a historic building which also gave them access to Federal Historic Preservation Tax Incentives Program tax credits.

#### PUBLIC SOURCES OF FUNDING

Model cities are exploring ways to provide co-ops access to public small business loans and ways to utilize state and federal funding sources to support co-ops. While this is a relatively new approach for local governments, the United States Department of Agriculture (USDA) Rural Business-Cooperative Service has been offering both financial and technical assistance for the development of rural co-ops for at least 20 years.

**SMALL BUSINESS LOANS FOR CO-OPS.** Two of the model cities interviewed want to ensure that co-ops have access to existing small business loan programs administered by the city. The City of Minneapolis is adjusting its small business loan program to include language specific to co-ops. The City of Denver has determined that nothing prevents co-ops from accessing their small business loan program as long as city staff is educated on the co-op model and co-ops are aware of the small business loan program as a resource.

Other cities have created loan programs specific to co-ops to provide alternatives to traditional lending. The City of Madison administers food retail forgivable loans to address food desert areas of the city and is looking to develop a



more robust revolving loan fund specifically for co-ops. New York City is working with private organizations that help provide co-ops with financing for co-op startup expenditures, expansion, and working capital coupled with technical assistance.

**FEDERAL AND STATE FUNDING SOURCES.** Most of the cities interviewed that are providing funding to co-ops (Burlington, Cleveland, Denver, Madison, and Minneapolis) are utilizing funding available from the HUD CDBG. As required by HUD, cities must use at least 70 percent of the federal CDBG funds they receive for activities that benefit low- and moderate-income persons. Denver and Cleveland have both formed partnerships with local nonprofits and community groups that serve low-income populations in order to access CDBG funds to start new food co-ops in low-income areas in each city. Burlington, Vermont, awarded CDBG funds to an existing food co-op to help build a downtown grocery store and make quality food more accessible to low-income individuals. The City of Minneapolis Community Planning and Economic Development Department co-op initiative is utilizing CDBG funds to help explore options to support minority-owned businesses in low-income populations through co-op development, while Madison is currently exploring new options for utilizing CDBG funding to help support co-ops.

Other state and federal funding sources identified during interviews and in the literature as potential sources of funding that local governments could use for co-op development are listed in Table 3.3 on the following page.

**Table 3.3: Potential State and Federal Funding Sources for Co-op Support**

State and Federal Sources	Website	Availability	Funding Awarded in Texas		Includes Co-op Specific Language
Federal Historic Preservation Tax Incentives Program	<a href="http://www.nps.gov/tps/ta-x-incentives.htm">http://www.nps.gov/tps/ta-x-incentives.htm</a>	City of Austin Planning and Zoning Department	Texas Historical Commission	Statewide	No
Internal Revenue Service New Markets Tax Credit	<a href="https://www.irs.gov/pub/irs-utl/atgnmtc.pdf">https://www.irs.gov/pub/irs-utl/atgnmtc.pdf</a>	Funding awarded to certified Community Development Entities by the Community Development Financial Institution Fund	Dallas Development Fund	Dallas	No
Small Business Association (SBA) Intermediary Lending Pilot Program	<a href="https://www.sba.gov/about-sba/sba-initiatives/intermediary-lending-pilot/intermediary-lending-pilot-program">https://www.sba.gov/about-sba/sba-initiatives/intermediary-lending-pilot/intermediary-lending-pilot-program</a>	Funding awarded to SBA approved intermediaries	Grand Central Texas CDC	Austin	No
State Buy Local Grants: (i.e. Buy Local, Buy Wisconsin Grant Program)	<a href="http://datcp.wi.gov/Business/Buy_Local_Buy_Wisconsin/BLBW_Grants/">http://datcp.wi.gov/Business/Buy_Local_Buy_Wisconsin/BLBW_Grants/</a>	Funding awarded directly to applicants	Texas Department of Agriculture - Go Texan	Statewide	No
U.S. Department of Agriculture Rural Cooperative Development Grants	<a href="http://www.rd.usda.gov/programs-services/rural-cooperative-development-grant-program">http://www.rd.usda.gov/programs-services/rural-cooperative-development-grant-program</a>	Funding awarded to nonprofit corporations and institutions of higher learning	University of Texas-Pan American Texas Rural Cooperative Center	Statewide	Yes
			San Benito Economic Development Corporation	San Benito	
U.S. Department of Agriculture Rural Economic Development Loan and Grant Program	<a href="http://www.rd.usda.gov/programs-services/rural-economic-development-loan-grant-program">http://www.rd.usda.gov/programs-services/rural-economic-development-loan-grant-program</a>	Funding awarded to local utility organizations	None	None	No

**Table 3.3: Potential State and Federal Funding Sources for Co-op Support (continued)**

State and Federal Sources	Website	Availability	Funding Awarded in Texas		Includes Co-op Specific Language
U.S. Department of Agriculture Socially-Disadvantaged Groups Grants	<a href="http://www.rd.usda.gov/programs-services/socially-disadvantaged-groups-grant">http://www.rd.usda.gov/programs-services/socially-disadvantaged-groups-grant</a>	Funding awarded to directly co-ops and co-op development centers	University of Texas Rio Grande Valley	Brownsville Edinburg Harlingen	Yes
U.S. Department of Agriculture Value Added Producer Grants	<a href="http://www.rd.usda.gov/programs-services/value-added-producer-grants">http://www.rd.usda.gov/programs-services/value-added-producer-grants</a>	Funding awarded directly to applicants	Capstone Plants Inc.	Grand Saline	Yes
			Covarrubias Farms, LTD (dba Del Ray Farms)	Dell City	
			Rio Farms Inc.	Monte Alto	
			Texas Grassfed Association	Haslet	
			Yard to Market Cooperative Association	Austin	
Yaupon Holly Tea, LLC	Houston				
U.S. Department of Housing and Urban Development Low-Income Housing Tax Credit	<a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equality/lihtcmou">http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equality/lihtcmou</a>	City of Austin Neighborhood Housing and Community Development Department	Texas Department of Housing and Community Affairs	Statewide	No
U.S. Department of Labor Workforce Investment Act Programs	<a href="http://www.dol.gov/recovey/implement.htm">http://www.dol.gov/recovey/implement.htm</a>	Not applicable	Workforce Solutions Capital Area	Austin	No
U.S. Department of Treasury Community Development Financial Institutions (CDFI) Fund	<a href="https://www.cdfifund.gov/Pages/default.aspx">https://www.cdfifund.gov/Pages/default.aspx</a>	Funding awarded to community development financial institutions to be used for loans for community development projects.	ACCION Texas, Inc.	Statewide	No
			Houston Metropolitan Federal Credit Union	Houston	
			Promise Credit Union	Gulf Coast Area	

**Table 3.3: Potential State and Federal Funding Sources for Co-op Support (continued)**

State and Federal Sources	Website	Availability	Funding Awarded in Texas		Includes Co-op Specific Language
U.S. Department of the Treasury State Small Business Credit Initiative	<a href="https://www.treasury.gov/resource-center/sb-programs/Pages/ssbci.aspx">https://www.treasury.gov/resource-center/sb-programs/Pages/ssbci.aspx</a>	Funding awarded to Community Development Financial Institutions	Texas Department of Agriculture, Capital for Texas Program	Statewide	No
U.S. Economic Development Administration Grants	<a href="http://www.eda.gov/funding-opportunities/">http://www.eda.gov/funding-opportunities/</a>	Not currently receiving funds	Brooks Development Authority	San Antonio	No
			Capital Area Council of Governments	Austin	
			City of Canyon	Canyon	
			City of Hondo	Medina County	
			City of Prairie View	Prairie Vie	
			City of Rio Grande	Rio Grande	
			Economic Development Foundation of Brenham	Brenham	
			Deep East Texas Council of Governments	East Texas	
			Greater Laredo Development Foundation	Laredo	
			Gulf Coast Economic Development District	Gulf Coast Area	
			Southwest Key Programs	Austin	
			TexAmericans Center	New Boston	
			University of Texas at San Antonio	San Antonio	
			Village of Salado	Salado	

## OTHER SUPPORT FOR CO-OPS

### PROVIDING LOCATIONS FOR CO-OPS

In order to incubate new co-ops, some of the model cities are exploring ways to ensure that co-ops have space to operate. The City of Burlington, Vermont, granted a new co-op grocery store a long-term (100-year) lease on an historic former police station property to provide a stable location for the co-op to operate. The City of Denver provided about \$2 million in CDBG funds to purchase and renovate a building for a new co-op grocery store that will serve a low-income area of the city and address food access issues.

### UTILIZING ANCHOR INSTITUTIONS TO CREATE A CUSTOMER BASE FOR CO-OPS

Model cities, co-op associations, and the literature on co-ops describe the anchor institution model for supporting co-op development. Agreements between co-ops and anchor institutions, such as museums, hospitals, and universities, can secure purchasing for co-ops and create a viable market and customer base for co-ops.

### AMENDING PROCUREMENT POLICIES

Some of the associations interviewed discussed the importance of fostering procurement policies or arrangements between local municipalities and co-ops in order to create a market for co-ops and give them the same advantages that other businesses get. New York City has enacted an amendment to the city administrative code to track the number, total dollar value, and percentage of city contracts awarded to worker co-ops.

## TRAINING FOR CO-OPS

The model cities, co-op associations, and the co-op interviewed all discussed emerging practices for co-op training. Model cities are in the process of modifying their own small business programs to include co-op education and partnering with existing co-op training entities to create an ecosystem of support. Co-op associations discussed the various training needs of co-ops during the different stages of business development and identified the organizations engaged in training co-ops.

### CO-OP TRAINING NEEDS

Most interviewees indicated that co-op startups require the same kind of assistance that all small businesses need; however, three main differences were identified. Specifically, co-ops need knowledgeable assistance from providers to educate them about: 1) democratic governance and management, 2) capital structure dealing with profit sharing and member equity, and 3) legal structures under which they could incorporate. The choice of legal structure for co-op formation varies from state to state. Some states have a specific co-op legal entity and others do not. Other options include incorporating as a partnership or another type of corporation and choosing a tax status such as tax-exempt or forming an S or C corporation. Additionally, some defined legal structures are specific to certain types of co-ops and are not applicable to others.

When converting an existing mature business into a co-op, operational training is not a significant need since the business is already in existence. However, training with a focus on culture and the co-op model is needed after conversion. Interviewees universally agreed that on-going technical assistance is vital for co-op growth and expansion. Specific training needs include:

**GENERAL BUSINESS SKILLS TRAINING.** An economic basis behind new startup co-ops is important. Co-ops are businesses and therefore require the same general business training that all small businesses need. Co-op owners need to have basic financial literacy and may require assistance with other areas such as business planning and marketing. This lack of experience and knowledge is a distinct barrier to many co-ops and often poses a more significant barrier to co-op success than financing.

**TRAINING ON THE CO-OP MODEL.** In addition to general business training, interviewees identified some specific areas that require attention as well. Education on the social enterprise aspect of co-op philosophy, democratic governance and management, capital structure such as profit sharing and member equity, and legal structure are the main topics identified by co-op associations. The literature emphasized the importance of fostering a collaborative internal culture through training and education both as a co-op is established and as it matures and grows.

**CONVERSION OF EXISTING BUSINESSES.** Many of the interviewees believe that the conversion of existing businesses into worker co-ops, in which the business is sold to its existing employees to be operated as a co-op, is a great option for business owners without a succession plan or as a way to assist low-income communities. One interviewee indicated that after a business is formally converted into a co-op there is ample time to educate the new worker-owners and alter the culture of the business. They also noted that changing the culture may take years and is an ongoing process after transition that requires professional educators or culture consultants with decades of experience. New York City and the City of Madison plan to include conversion training in their co-op development programs.

**INITIAL AND ONGOING TECHNICAL ASSISTANCE.** Based on the experience of the co-op associations interviewed, co-ops require technical assistance and business planning from trained experts and professional service providers who understand the cooperative business model both as they are formed and as they continue to grow and expand. For example, co-ops need access to knowledgeable lawyers to help them decide what type of entity to form and how to navigate through the various legal issues of co-op creation, such as developing articles and bylaws, specifying fiduciary responsibilities, and creating funding agreements. New co-ops also need access to accountants and financial planners who can assist with the financial structure of the co-op and help train members on reading financial documents, understanding the financial status of the co-op, tracking financial information, administering benefits, paying payroll and taxes, developing the capital structure, budgeting, and developing and monitoring performance metrics.

One interviewee noted that co-ops often plateau at certain stages of growth due to a lack of strong governance and management structures, indicating that additional training on democratic governance and management is needed. Creating a strong leadership ladder for the development and cycling of leadership within the co-op can be an effective way to combat this problem. Facilitated strategic planning can also assist with the expansion of co-ops.

**PEER LEARNING.** One of the most effective practices for co-op training cited by interviewees was utilizing peer learning to pass on acquired skills to new members and startup co-ops. Linking startup co-ops with existing co-ops, co-op associations, and training organizations in the same field helps give them access to a larger knowledge base that can help them make informed business decisions based on the collective experience of their peers. The Arizmendi Association of Cooperatives, an association of local cooperatively owned bakeries in San Francisco, California, was identified by co-op associations as having an effective hands-on training program for worker co-ops using an incubated co-op model that allows new co-ops to learn by doing. Similarly, another effective practice is to

place new or prospective co-op owners on existing committees in other established co-ops in order for them to gain experience with the co-op model from real life experiences.

For established co-ops, having their current member base serve as peer mentors to assist with hiring and training new staff was also identified by interviewees as an effective practice.

#### LOCAL GOVERNMENT SUPPORT

Four cities discussed customizing their existing small business education and training programs to include co-ops and one has already incorporated co-op specific material into their programs. New York City is currently providing funding to local and national organizations that provide training to co-ops; Madison is developing a five-year initiative that will also look at funding existing co-op technical assistance providers.

Table 3.4 shows a list of organizations that provide education and training resources to co-ops that were identified during the research process for this report.

**Table 3.4: Organizations with Education and Training Resources for Co-ops**

Organization	Location	Training/Education/Resources Provided	Website
Academy.coop	Online	<b>Free online courses:</b> -Introduction to worker co-ops -Worker co-op legal issues -Worker co-op finances	<a href="http://www.academy.coop/">http://www.academy.coop/</a>
CDS Consulting Co-op	National	<b>Business planning assistance</b> <b>Business coaching</b>	<a href="http://www.cdsconsulting.coop/">http://www.cdsconsulting.coop/</a>
Cooperation Texas	Texas	<b>Business consultation</b> <b>Education/training:</b> -Business plan development -Democratic governance and management -Finance -Legal assistance -Marketing assistance -Meeting facilitation and conflict resolution	<a href="http://cooperationtexas.coop/">http://cooperationtexas.coop/</a>
Cooperation Works!	National	<b>Business plan development</b> <b>Feasibility analysis</b> <b>Operational training</b>	<a href="http://www.cooperationworks.coop/">http://www.cooperationworks.coop/</a>
International Cooperative Alliance	International	<b>Training on networking:</b> -Forum for discussion/exchange of issues/experiences between specific fields -Sharing of co-op education and training materials	<a href="http://ica.coop/">http://ica.coop/</a>
National Co+op Grocers	National	<b>Business improvement assistance</b> <b>Expansion and new store development services</b>	<a href="https://www.ncg.coop/">https://www.ncg.coop/</a>

**Table 3.4: Organizations with Education and Training Resources for Co-ops (continued)**

<b>Organization</b>	<b>Location</b>	<b>Training/Education/Resources Provided</b>	<b>Website</b>
National Cooperative Business Association	National	<b>Technical assistance</b> <b>Education on the following:</b> -Co-op model -Financial/legal structure -Marketing -Strategic sourcing -Succession planning (co-op conversion)	<a href="https://ncba.coop/">https://ncba.coop/</a>
North American Students of Cooperation	National	<b>Resource library</b> <b>Development Assistance/Education:</b> -Administration/management -Business plan development -Capacity building -Dynamic facilitation -Maintenance planning	<a href="https://www.nasco.coop/">https://www.nasco.coop/</a>
Sustainable Economies Law Center	California	<b>Education on the following:</b> -Cooperativism -People and Culture -Business Development -Cooperative Development <b>Cooperative and business law</b> -Governance, management, and leadership <b>Legal assistance</b> <b>Resource library</b>	<a href="http://www.theselc.org/">http://www.theselc.org/</a>
The ICA Group	National	<b>Business planning and feasibility studies</b> <b>Education/training on the following:</b> -Democratic management/governance -Financial performance	<a href="http://ica-group.org/">http://ica-group.org/</a>
The University of Texas-Pan American Texas Rural Cooperative Center	Central Texas	<b>Technical assistance:</b> -Business plans -Capitalization plans -Feasibility studies -Marketing plans -Organizational plans	<a href="http://portal.utpa.edu/utpa_main/ce_home/red_home_2011/trcc_home">http://portal.utpa.edu/utpa_main/ce_home/red_home_2011/trcc_home</a>
The University of Wisconsin Center for Cooperatives	Madison, Wisconsin	<b>Research/resource library</b>	<a href="http://www.uwcc.wisc.edu/">http://www.uwcc.wisc.edu/</a>
The Working World	International	<b>Business plan development</b> <b>Technical assistance</b>	<a href="http://www.theworkingworld.org/us/">http://www.theworkingworld.org/us/</a>
U.S. Federation of Worker Cooperatives/Democracy at Work Institute	National	<b>Education/training:</b> -Business development -Communication strategies/meeting facilitation -Financing -Legal structure -Strategic planning <b>Research/resource library</b>	<a href="http://institute.coop/">http://institute.coop/</a>



**Table 3.4: Organizations with Education and Training Resources for Co-ops (continued)**

Organization	Location	Training/Education/Resources Provided	Website
Arizmendi Association of Cooperatives	California	<b>Support services:</b> -Accounting assistance -Legal assistance -Education	<a href="http://arizmendi.coop/">http://arizmendi.coop/</a>
California Center for Cooperative Development	California	<b>Education/technical assistance:</b> -Business plan development -Co-op governance and finance -Marketing strategies	<a href="http://www.cccd.coop/">http://www.cccd.coop/</a>
Cooperative Development Institute	Northeast United States	<b>Education/Training:</b> -Business plan development -Co-op model and governance -Feasibility analysis <b>Technical assistance:</b> -Business expansion -Crisis assessment/conflict resolution -Financing/fiscal administration -Membership/organizational development -Strategic planning	<a href="http://www.cdi.coop/">http://www.cdi.coop/</a>
Green Worker Cooperatives Network	New York City, New York	<b>Education:</b> -Democratic decision-making -Environmental performance -Finance -Interpersonal communications -Marketing -Sales fundamentals -Team management <b>Training and support services:</b> -Graphic design -Legal incorporation -Website development	<a href="http://www.greenworker.coop/coop-academy/">http://www.greenworker.coop/coop-academy/</a>
Network of Bay Area Worker Cooperatives	San Francisco Bay Area, CA	<b>Worker co-op education</b> <b>Networking between startup and veteran co-ops for mentoring</b> <b>Resource library</b>	<a href="http://www.nobawc.org">http://www.nobawc.org</a>
Northeast Cooperative Council	New England New York Pennsylvania	<b>Education:</b> -Leadership training -Co-op governance and decision making -Fiduciary responsibilities -Succession planning	<a href="http://cooperatives.dyson.cornell.edu/necc/index.php">http://cooperatives.dyson.cornell.edu/necc/index.php</a>
Northwest Cooperative Development Center	Oregon Washington Idaho Hawaii	<b>Business/strategic planning</b> <b>Feasibility assessment/analysis</b> <b>Organizational development/co-op education</b> <b>Research/resource library</b>	<a href="http://nwcddc.coop/">http://nwcddc.coop/</a>
Ohio Employee Ownership Center	Ohio	<b>Education</b> -Business planning -Co-op model and governance -Financial literacy -Market analysis <b>Technical assistance</b>	<a href="http://www.oeockent.org/">http://www.oeockent.org/</a>

**Table 3.4: Organizations with Education and Training Resources for Co-ops (continued)**

Organization	Location	Training/Education/Resources Provided	Website
Philadelphia Area Cooperative Alliance	Philadelphia, Pennsylvania	<b>Leadership development/training</b>	<a href="https://www.philadelphia.coop/">https://www.philadelphia.coop/</a>
Pinchot University	Seattle, Washington	<b>Education:</b> -Co-op history and management -Legal, governance, and finance considerations	<a href="http://pinchot.edu/academics/certificate-cooperative-management/">http://pinchot.edu/academics/certificate-cooperative-management/</a>
Project Equity	San Francisco Bay Area, California	<b>Business development</b> <b>Legal assistance</b>	<a href="http://www.project-equity.org/">http://www.project-equity.org/</a>
The University of Alaska Center for Economic Development, Alaska Cooperative Development Program	Alaska	<b>Education:</b> -Organization -Development -Management <b>Technical assistance:</b> -Business planning/board training -Situational analysis	<a href="http://www.cooperationworks.coop/about/members/alaska-cooperative-development-programuniversity-alaska-center-economic-development">http://www.cooperationworks.coop/about/members/alaska-cooperative-development-programuniversity-alaska-center-economic-development</a>

## MARKETING FOR CO-OPS

The model cities, co-op associations, and co-op interviewed all discussed emerging practices for the marketing of co-ops. In general, most cited a lack of public knowledge of the co-op business model and a need for increased education and marketing efforts to existing businesses, startups, and the general public.

### CO-OP MARKETING STRATEGIES

Interviewees discussed the various marketing strategies for co-op promotion that have been successful for co-ops to date, including advertising the community-building aspects of the co-op model, highlighting the products and services that co-ops provide, and focusing advertising on increasing membership.

**ADVERTISE THE COMMUNITY-BUILDING ASPECTS OF THE CO-OP MODEL.** Several of the co-op associations interviewed discussed the benefits of increasing public awareness of the community-building aspects of the co-op business model such as creating local jobs, buying local, providing living wages, and democratic ownership. Some co-op associations mentioned partnering with neighborhood associations and community groups to conduct community outreach about the benefits of establishing new co-ops in specific neighborhoods, especially in low-income areas. Co-op associations discussed group marketing among co-ops in the same area as a method of sharing marketing costs and generating public awareness of the different co-ops in the area.

**HIGHLIGHT THE VALUE OF CO-OP PRODUCTS AND SERVICES.** Co-op associations also discussed the need for co-ops to find a good balance between marketing the co-op model and marketing the actual products and services that the co-op provides, just as any business would. One co-op reported having success in utilizing a variety of platforms such as social media, local news outlets, magazines, blogs, and websites to market their products and services as well as the fact that they are a co-op.

**ATTRACT NEW MEMBERS.** Several co-op associations stressed the importance of focusing marketing on attracting new members and growing the co-op. One local Austin co-op association noted that the Cabot Cheese and Ocean

Spray co-ops have had success in attracting new members by profiling existing members/owners in advertisements and putting the concept of membership/ownership at the forefront of national-level marketing campaigns. Local co-ops, including Wheatsville, are using this model here in Austin.

#### LOCAL GOVERNMENT PROCLAMATIONS

New York City and the City of Oakland are generating public awareness of co-ops by officially declaring their commitment to worker co-ops.

**NEW YORK CITY WORKER COOPERATIVE APPRECIATION DAY.** New York City designated June 21, 2014, to be Worker Cooperative Appreciation Day as an official proclamation of support of worker co-ops. In addition, a new amendment to city administrative code was passed in New York City on March 18, 2015 requiring the city to track the number and percentage of city contracts awarded to worker co-ops and the total dollar value of those contracts.

**OAKLAND CO-OP PLEDGE.** The Oakland City Council offered a public display of commitment to worker co-ops by signing a resolution to support the development and growth of worker co-ops and pledging to offer tailored resources and referrals for worker co-ops at the city Business Assistance Center.

## 4. FINDINGS AND RECOMMENDATIONS FOR SUPPORTING COOPERATIVELY OWNED BUSINESSES IN THE CITY OF AUSTIN

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### PURPOSE

The findings, recommendations, and implementation plan presented below are based on the emerging practices for cooperatively owned business (co-op) support identified during a review of existing research on co-ops and interviews with local governments, co-op associations, and peer co-ops.

While some local government efforts to support co-ops are specific to certain types of co-ops (for example, New York City is focusing support on worker co-ops), all of the recommendations presented in this report could be beneficial to all types of co-ops in Austin.

### FINDINGS

Local government support of co-ops is a new and emerging practice. All of the local governments interviewed are exploring ways to support co-ops or have recently implemented plans for co-op support. In addition to support that local governments are providing or planning to provide, additional opportunities for local support of co-ops were identified by co-op associations, peer co-ops, and existing research on co-ops. The research for this report identified emerging practices for co-op support in the areas of funding, training and education, and marketing strategies that are effective for promoting co-ops to the public.

### POTENTIAL OPTIONS FOR CO-OP SUPPORT IN THE CITY OF AUSTIN

Table 4.1 shows a full list of emerging practices identified for co-op development and growth through existing research on co-ops and interviews with co-op associations, local governments who are providing co-op support, and peer co-ops.

All of the emerging practices listed in Table 4.1 could be potential options for co-op support in the City of Austin. One additional emerging practice identified during the research process that is not feasible for the City of Austin and not included in Table 4.1 is the Main Street Program. In some states, The National Trust for Historic Preservation Main Street Program distributes funding for Main Street programs, which is then distributed to local Main Street communities for community and economic development projects. In Texas, the National Trust for Historic Preservation Main Street Program (Texas Main Streets) is operated by the Texas Historical Commission as a self-help model in which cities who are accepted into the program provide their own funding. Since Texas Main Streets does not distribute funding, it is not feasible for co-ops in Austin to receive funding from Texas Main Streets.

**Table 4.1: Potential Options for Co-op Support in the City of Austin**

Category	Emerging Practices for Co-op Development and Growth	Sources
Funding	Utilize HUD Community Development Block Grant (CDBG) funding to support co-op startups	City of Burlington, Vermont City of Cleveland, Ohio City of Denver, Colorado City of Madison, Wisconsin City of Minneapolis, Minnesota
	Provide loans to co-ops using existing small business loan programs	City of Minneapolis, Minnesota City of Cleveland, Ohio City of Denver, Colorado (exploring)
	Create a co-op specific loan program	City of Madison, Wisconsin
	Assist co-ops in applying for HUD Brownfields Economic Development Initiative (BEDI) Grants	City of Burlington, Vermont
	Provide funding to co-ops from the Internal Revenue Service New Markets Tax Credit Program	City of Cleveland, Ohio
	Use member equity (such as direct member loans or investment shares for members) as a source of capital for co-ops	Co-op associations Existing literature
	Use direct public offerings (such as crowdfunding) as a source of capital for co-ops	Co-op associations Peer co-ops
	Attract investors (such as Local Investment Opportunity Networks) as a source of capital for co-op startups	Co-op associations Existing literature
	Look to private institutions (such as community development financial institutions across the U.S. and credit unions) as a source of capital for co-ops	Co-op associations Existing literature
	Provide funding to neighborhood associations to distribute to co-op startups in specific neighborhoods	City of Minneapolis, Minnesota
Foster procurement policies or arrangements between city government and co-ops	New York City, New York	

**Table 4.1: Potential Options for Co-op Support in the City of Austin (continued)**

Category	Emerging Practices for Co-op Development and Growth	Sources
Training	Provide funding to organizations that provide resources, training, and technical assistance to co-ops	New York City, New York City of Madison, Wisconsin
	Incorporate co-op specific language into existing small business resources/training	City of Madison, Wisconsin
	Provide access to general business skills training for co-ops	Co-op associations Existing literature
	Provide access to training on the co-op business model (co-op philosophy, democratic governance, and profit sharing)	Co-op associations Existing literature
	Provide education on the conversion of existing small businesses to the co-op model	Co-op associations Existing literature
	Facilitate peer learning opportunities for co-op startups to learn from established co-ops	Co-op associations Existing literature
Marketing	Declare official support for co-ops	New York City, New York City of Oakland, California
	Advertise the community-building aspects of the co-op model	Co-op associations Existing literature
	Advertise the products and services that co-ops provide	Co-op associations Existing literature
	Focus marketing on attracting new members	Co-op associations Existing literature
Other Support	Provide locations for co-ops to operate	City of Burlington, Vermont City of Denver, Colorado
	Foster relationships with anchor institutions (such as universities and hospitals) to provide a customer base for co-ops	City of Cleveland, Ohio

## RECOMMENDATIONS AND IMPLEMENTATION PLAN

Recommendations on how the City of Austin can support co-op development and growth are shown below in five categories: planning, funding, training, marketing, and other support. Each recommendation includes implementation steps, potential collaboration partners, and suggested performance metrics for monitoring implementation. The time it may take to implement each recommendation is estimated as either short-term (within 6 months), medium-term (6 to 12 months), or long-term (more than 12 months).

The recommendations are based on the emerging practices for co-op support shown in Table 4.1. While all of the recommendations could potentially be implemented by the City of Austin, many require collaborative partnerships with other City departments, other government agencies, community organizations, co-op associations, organizations already providing training and technical assistance to co-ops, business organizations, and established co-ops.

### PLANNING

In order for the City of Austin to consider implementing any of the recommendations, it is necessary to first set goals for what the City would like to achieve by supporting co-ops and develop targets for program outcomes.

#### **PLANNING RECOMMENDATION 1: ESTABLISH GOALS, PERFORMANCE METRICS, AND A BUDGET FOR SUPPORT OF CO-OPS BY THE CITY OF AUSTIN.**

##### **Implementation Steps:**

- Short-term: Decide on an approach to providing co-op support. Decide on the scale of the effort, including a budget.

##### **Collaboration Partners:**

- City of Austin Economic Development Department
- Austin City Council
- Local co-ops

##### **Performance Metrics:**

- Plan for co-op support approved by Economic Development Department and City Council
- Number of number of new co-ops formed
- Percentage increase in the number of new co-ops formed

### FUNDING

The City of Austin should explore state and federal funding sources for co-ops, including U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funding, which has been used by local governments to support co-ops. Table 3.3 beginning on page 22 shows a list of potential state and federal sources of funding for the City of Austin to explore utilizing to provide funding to co-ops. Since The City of Austin Small Business Program (SBP) already operates a small business loan program, it is not recommended that the City create a loan program exclusive to co-ops, but that the City ensure that all small businesses, including co-ops, can access the existing program.

## **FUNDING RECOMMENDATION 1: EXPLORE WAYS TO UTILIZE HUD CDBG FUNDING TO SUPPORT CO-OPS.**

### **Implementation Steps:**

- Short-term: Meet with City of Austin Neighborhood Housing and Community Development to discuss options for using CDBG funding for co-ops.
- Short-term: Identify areas of Austin in need of services (such as food deserts).
- Medium-term: Solicit proposals from co-ops to determine how co-op products and/or services can help low income residents.
- Long-term: Provide CDBG funding for establishing new co-ops in low-income or underserved areas.

### **Collaboration Partners:**

- City of Austin Neighborhood Housing and Community Development
- Community organizations that serve low-income areas and populations

### **Performance Metrics:**

- Percentage of CDBG funds used for new or existing co-ops
- Community impact of new co-ops (numbers served, jobs created, jobs sustained)

## **FUNDING RECOMMENDATION 2: ENSURE THAT CO-OPS CAN ACCESS SBP SMALL BUSINESS LOANS.**

### **Implementation Steps:**

- Short-term: Review existing SBP loan program policies to determine whether they can be accessed by co-ops.
- Medium-term: Make any necessary adjustments to SBP small business loan policies to ensure that co-ops have access.

### **Collaboration Partners:**

- City of Austin Economic Development Department

### **Performance Metrics:**

- Dollar amount loaned to co-ops
- Percentage of total loan program dollars loaned to co-ops

## **FUNDING RECOMMENDATION 3: EXPLORE UTILIZING OTHER SOURCES OF STATE AND FEDERAL FUNDING THAT THE CITY OF AUSTIN RECEIVES TO SUPPORT CO-OPS.**

### **Implementation Steps:**

- Short-term: Identify which City of Austin departments administer the funds identified in Table 3.3 beginning on page 22.
- Medium-term: Collaborate with other City of Austin departments that receive state and federal dollars on ways that the funds can be used to support co-ops.

### **Collaboration Partners:**

- City of Austin departments that receive state and federal dollars



**Performance Metrics:**

- Amount of state and federal funding that the City of Austin distributes to co-ops
- 2. Number of local Austin co-ops receiving state and federal funds distributed through the City of Austin

**TRAINING**

Research on emerging practices for co-op support identified many organizations that provide a wide variety of training, education, and technical resources that promote the creation and development of co-ops. The City of Austin should partner with these organizations, some of which are located here in Austin, rather than delivering training to co-ops directly. Table 3.4 beginning on page 27 shows a list of organizations that already provide training, education, and resources to co-ops. SBP should incorporate information specific to co-ops into existing small business training and provide co-op startups with information on knowledgeable technical assistance providers, alternate sources of funding, and peer learning opportunities.

**TRAINING RECOMMENDATION 1: PROVIDE EDUCATION ON THE CO-OP BUSINESS MODEL TO ALL BUSINESSES ACCESSING SBP SERVICES.****Implementation Steps:**

- Short-term: Include education on the co-op model as an option for all individuals accessing SBP resources on how to start a business.
- Short-term: Develop a list of co-op associations and other organizations who provide training to co-ops such as those shown in Table 3.4 beginning on page 27 to include in SBP online resources.
- Short-term: Add 'co-op' as a type of business on SBP materials and web pages.
- Short-term: Provide online list of co-op associations and organizations who provide resources to co-ops to all individuals accessing SBP services.
- Long-term: Conduct outreach to existing small businesses in Austin to educate them on conversion to the co-op model (i.e. selling the business to their employees) as a means of succession or staying in business.

**Collaboration Partners:**

- Co-op associations
- Organizations that provide training and technical assistance to co-ops
- Chambers of Commerce
- Business associations
- Merchants associations

**Performance Metrics:**

- Number of co-ops accessing SBP services
- Number of businesses converting to co-ops

**TRAINING RECOMMENDATION 2: PROVIDE ACCESS TO EDUCATION ON SOURCES AND TYPES OF FUNDING AVAILABLE TO CO-OPS.****Implementation Steps:**

- Short-term: Incorporate information into SBP online resources on sources of funding that co-ops can access (member equity, investors, private institutions, and direct public offerings).

- Short-term: Provide an online list of co-op associations and organizations who provide resources to co-ops (including those listed in Table 3.4 beginning on page 27) to all individuals accessing SBP services.
- Short-term: Develop a list of co-op associations and other organizations who provide training to co-ops such as those shown in Table 3.4 beginning on page 27 to include in SBP online resources.
- Short-term: Add 'co-op' as a type of business on SBP materials and web pages.
- Short-term: Provide online list of co-op associations and organizations who provide resources to co-ops to all individuals accessing SBP services.
- Long-term: Conduct outreach to existing small businesses in Austin to educate them on conversion to the co-op model (i.e. selling the business to their employees) as a means of succession or staying in business.

**Collaboration Partners:**

- Co-op associations
- Organizations that provide training and technical assistance to co-ops

**Performance Metrics:**

- Number of co-ops accessing SBP services

**TRAINING RECOMMENDATION 3: PROVIDE CO-OPS ACCESS TO AVAILABLE TRAINING AND TECHNICAL ASSISTANCE OPPORTUNITIES.**

**Implementation Steps:**

- Short-term: Initiate conversations with the co-op associations and training providers listed in Table 3.4 beginning on page 27 that provide education, training, and technical assistance to co-ops.
- Medium-term: Work with co-op associations and training providers to develop a list of technical assistance providers such as lawyers, financial advisors, and accountants who are knowledgeable about providing assistance to co-ops.
- Medium-term: Incorporate list of co-op technical assistance providers into SBP online resources.
- Medium-term: Develop and secure a budget for co-op training.
- Long-term: Develop an RFP for co-op training providers.
- Long-term: Contract with co-op training providers to provide training in Austin.

**Collaboration Partners:**

- Co-op associations
- Organizations that provide training and technical assistance to co-ops

**Performance Metrics:**

- Percentage increase in funding for co-op training
- Contractual funding provided to co-op associations and training organizations
- Number of co-op training courses
- Number of individuals attending co-op training courses
- Satisfaction with co-op training
- Number of co-ops accessing training through SBP

#### **TRAINING RECOMMENDATION 4: FACILITATE PEER LEARNING OPPORTUNITIES FOR CO-OP STARTUPS.**

##### **Implementation Steps:**

- Short-term: Develop a list of established local co-ops to include in SBP online resources and encourage co-op startups to contact existing co-op to establish peer learning relationships.
- Medium-term: Plan or sponsor events that connect co-op start-ups with established local co-ops.

##### **Collaboration Partners:**

- Established local co-ops

##### **Performance Metrics:**

- Number of existing co-ops that participate
- Number of individuals exploring the co-op model who participate

#### **MARKETING**

An official declaration of support for coops and partnering with coop and community organizations would demonstrate the City of Austin's support for coops and work toward promoting the community-building aspects of the co-op business model to the public. Other marketing recommendations below are related to funding and training. The City of Austin could provide support to co-ops by marketing opportunities to do business with the City to co-ops as well as market existing general business skills training provided by SBP to co-ops.

#### **MARKETING RECOMMENDATION 1: MARKET EXISTING SBP GENERAL BUSINESS SKILLS TRAINING TO CO-OP STARTUPS.**

##### **Implementation Steps:**

- Short-term: Amend SBP marketing/education/training materials to clarify that co-ops need and have access to the same general business skills training that SBP currently provides.

##### **Performance Metrics:**

- Number of co-ops accessing SBP general business skills training resources

#### **MARKETING RECOMMENDATION 2: PROMOTE THE LOCAL, COMMUNITY-BUILDING ASPECTS OF THE CO-OP MODEL TO THE PUBLIC.**

##### **Implementation Steps:**

- Short-term: Develop a list of local community organizations, such as local nonprofits, neighborhood associations, and merchants associations who can help promote the community impact of co-ops to the public.
- Medium-term: Work with community organizations to develop marketing materials to promote the potential community impact of new co-ops.

##### **Collaboration Partners:**

- Community organizations
- Local nonprofits
- Neighborhood associations
- Merchants associations

**Performance Metrics:**

- Number of people served by co-ops
- Number of jobs created/retained by co-ops

**MARKETING RECOMMENDATION 3: MARKET BUSINESS OPPORTUNITIES WITH THE CITY OF AUSTIN TO CO-OPS.****Implementation Steps:**

- Short-term: Review City of Austin purchasing policies and determine whether there are any barriers for co-ops to receive City contracts.
- Medium-term: Advertise City of Austin procurement opportunities to co-ops.

**Collaboration Partners:**

- City of Austin Purchasing Department
- Co-op associations

**Performance Metrics:**

- Number of people served by co-ops
- Number of jobs created/retained by co-ops

**MARKETING RECOMMENDATION 4: DECLARE OFFICIAL SUPPORT FOR CO-OPS.****Implementation Steps:**

- Short-term: Declare official City of Austin support for co-ops by preparing a resolution for adoption by the City Council.

**Collaboration Partners:**

- City of Austin Economic Development Department
- Austin City Council

**Performance Metrics:**

- Number of new co-ops formed
- Percentage increase in the number of co-ops operating in the City of Austin

**OTHER SUPPORT**

Other ways that local governments are supporting co-ops include encouraging anchor institutions to create a customer base for co-ops and providing locations for co-ops to operate.

**OTHER SUPPORT RECOMMENDATION 1: CONSIDER THE ANCHOR INSTITUTION MODEL FOR SUPPORTING CO-OPS.****Implementation Steps:**

- Short-term: Identify anchor institutions in Austin.
- Medium-term: Communicate with anchor institutions to gauge interest in procurement arrangements with co-ops.
- Long-term: Facilitate discussions between anchor institutions and co-ops.

**Collaboration Partners:**

- Anchor institutions in Austin such as the University of Texas, Seton Healthcare Family, and St. David's Healthcare.

**Performance Metrics:**

- Number of anchor institutions participating
- Number of co-ops contracting with anchor institutions
- Number of co-ops formed under the anchor institution model

**OTHER SUPPORT RECOMMENDATION 2: PROVIDE LOCATIONS FOR CO-OPS TO OPERATE.****Implementation Steps:**

- Short-term: Identify opportunities to provide space to co-ops through special leases, renovations, or assistance in purchasing property.
- Medium-term: Identify funding sources to procure space.
- Long-term: Market opportunities to co-ops.

**Collaboration Partners:**

- City of Austin Office of Real Estate Services
- City of Austin commercial real estate partners

**Performance Metrics:**

- Square footage of space provided to co-ops.

## APPENDIX A: LOCAL COOPERATIVELY OWNED BUSINESS QUESTIONNAIRE INSTRUMENT

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Attached is the questionnaire sent to local cooperatively owned businesses in Austin.



## Local Co-op Questionnaire

**The Small Business Program in the City of Austin Economic Development Department is conducting best practices research on cooperatively-owned businesses. The research is focused on identifying best practices related to supporting the development and growth of cooperative businesses in the City of Austin.**

**As a member/owner of a cooperatively-owned business in Austin, your perspective is very valuable. It is expected that the questionnaire will take approximately 15 minutes to complete. The questionnaire will close at midnight on Friday, January 15th, 2016. Thank you for taking the time to participate!**

**If you have any questions about this questionnaire, please contact Jesse Jenkins by phone at 512.302.4413 or email at [jjenkins@morningsideresearch.com](mailto:jjenkins@morningsideresearch.com).**

1. Please list the name of your co-op.

2. Please indicate the year that your co-op was established (please enter all 4 digits).



## Local Co-op Questionnaire

3. How many owners does your co-op have?

- 0-10
- 10-20
- 20-30
- 30-40
- 40-50
- 50-100
- 100+

Other (please specify)

4. How many employees (full-time and part-time) does your co-op have?

- 0-10
- 10-20
- 20-30
- 30-40
- 40-50
- 50-100
- 100+

Other (please specify)



5. Please indicate your co-op type. (select all that apply)

- Housing
- Financial
- Worker
- Food
- Retail
- Manufacturing
- Consumer
- Other, please specify.

6. Are your co-op's membership and/or services targeted to a particular location, purpose, or segment of the population?

- Yes
- No



## Local Co-op Questionnaire

7. If yes, please describe.

8. When your co-op first formed, what type(s) of support or services did your co-op most need? (select all that apply)

- Financial
- Legal
- Administrative
- Governance development (e.g., setting up Board of Directors)
- Professional development
- New member development
- Training
- Other, please specify.

9. What type(s) of support or services does your co-op most need currently? (select all that apply)

- Financial
- Legal
- Administrative
- Governance development (e.g., training for Board of Directors)
- Professional development
- New member development
- Training
- Other, please specify.

10. What types of training best promote the creation and development of co-ops?

11. What types of training are currently available to co-ops locally in Austin? (please list all types available that you are aware of)

12. Are you a member of or have you utilized local or national co-op associations or organizations that provide training or services to co-ops?

- Yes
- No



## Local Co-op Questionnaire

13. If yes, please list the association(s) and/or organization(s)

14. Of these associations and/or organizations, which have been most helpful in the establishment and/or development of your co-op?

15. What types of services or support have been most helpful in the establishment and/or development of your co-op?

16. What marketing strategies and messages have been successful in promoting the benefits of your co-op to the public?



## Local Co-op Questionnaire

17. What types of funding does your co-op receive? (select all that apply)

- Government funding
- Traditional bank loan financing
- Sales revenue
- Community Development Financial Institution (CDFI) financing
- Credit union financing
- Crowdfunding
- Family/friend loan
- Personal savings
- Member equity
- Non-governmental grant funding
- Grassroots fundraising
- Preferred stock options
- Other, please specify.

18. Are there types of funding that you do not currently receive, but that you are exploring? (select all that apply)

- Government funding
- Traditional bank loan financing
- Sales revenue
- Community Development Financial Institution (CDFI) financing
- Credit union financing
- Crowdfunding
- Family/friend loan
- Personal savings
- Member equity
- Non-governmental grant funding
- Grassroots fundraising
- Preferred stock options
- Other, please specify.

19. Do you know of any cooperative businesses in other cities that receive governmental funding (loans or grants) for development, training, or marketing?

- Yes
- No



## Local Co-op Questionnaire

20. If yes, please list the name(s) of the co-op(s) and the city in which they operate.

21. Which local co-ops are you currently supporting or collaborating with? Please list the names and type of co-op.

22. Do you know of any co-ops (local or national) that have gone out of business in the last 3-5 years?

Yes

No



## Local Co-op Questionnaire

23. If yes, please list the names and types of co-op.

24. If yes, in your opinion, why did these co-ops fail?



## APPENDIX B: BIBLIOGRAPHY OF EMERGING PRACTICES FOR COOPERATIVELY OWNED BUSINESS SUPPORT

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