



Shared
Equity in
Economic
Development
Fellowship



City of
Philadelphia

Shared Equity in Economic Development (SEED) Fellowship
Peer Exchange Panel Visit

September 2018



Who are we?



CITIES STRONG TOGETHER

The **National League of Cities (NLC)** is dedicated to helping city leaders build stronger, equitable, sustainable and inclusive communities.



Democracy at Work Institute

US FEDERATION OF WORKER COOPERATIVES

The **Democracy at Work Institute (DAWI)** was created by the U.S. Federation of Worker Cooperatives (USFWC) to expand worker ownership in a movement that is adequately supported, effective, and strategically directed

**The SEED Fellowship
made possible with
support from**



CitiCommunityDevelopment.com

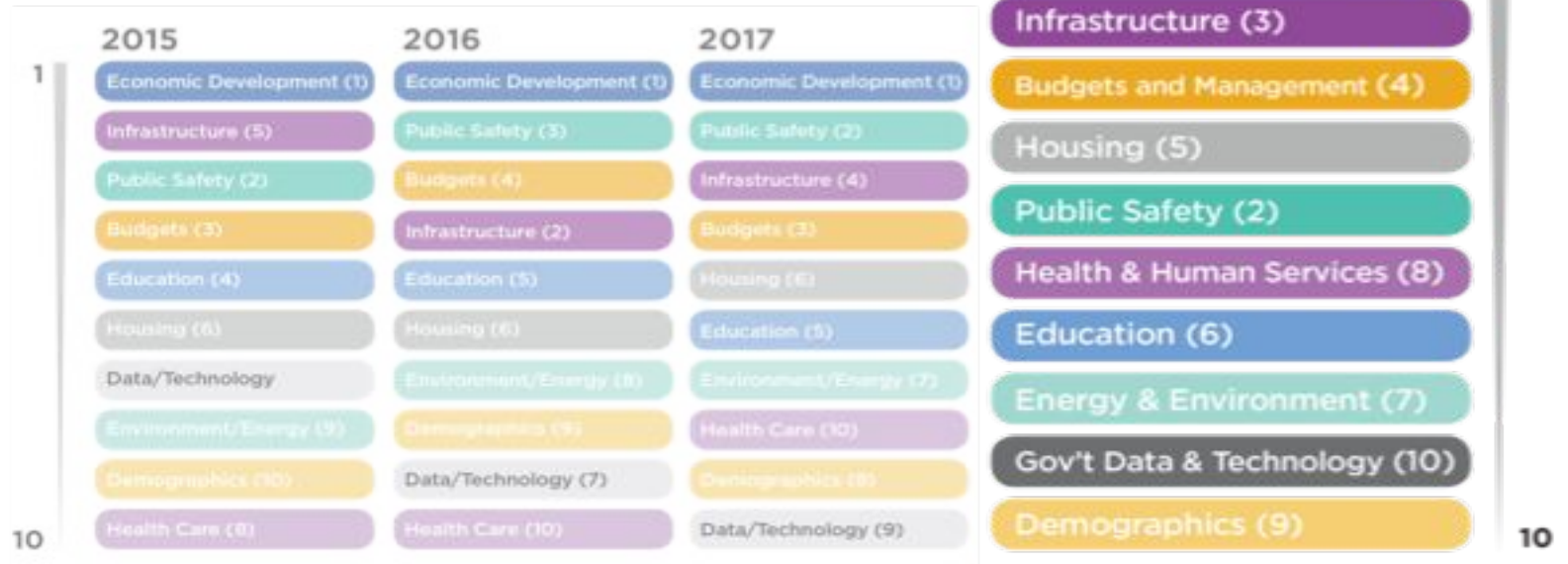


**W.K.
KELLOGG
FOUNDATION™**

State of the City

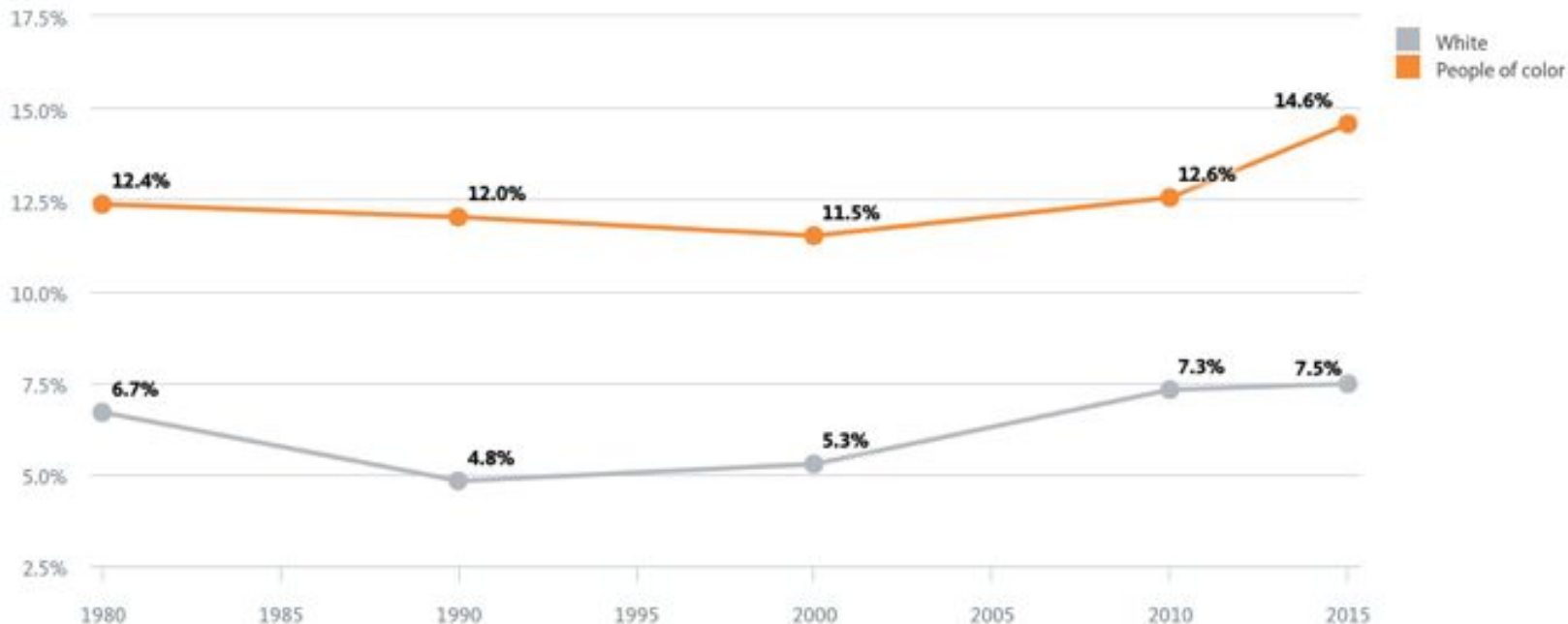
TOP 10 ISSUES OVER THE LAST FOUR YEARS

Number in parantheses indicates previous year's rank.



Philadelphia Unemployment

Unemployment rate by race/ethnicity: Philadelphia City, PA, 1980-2015

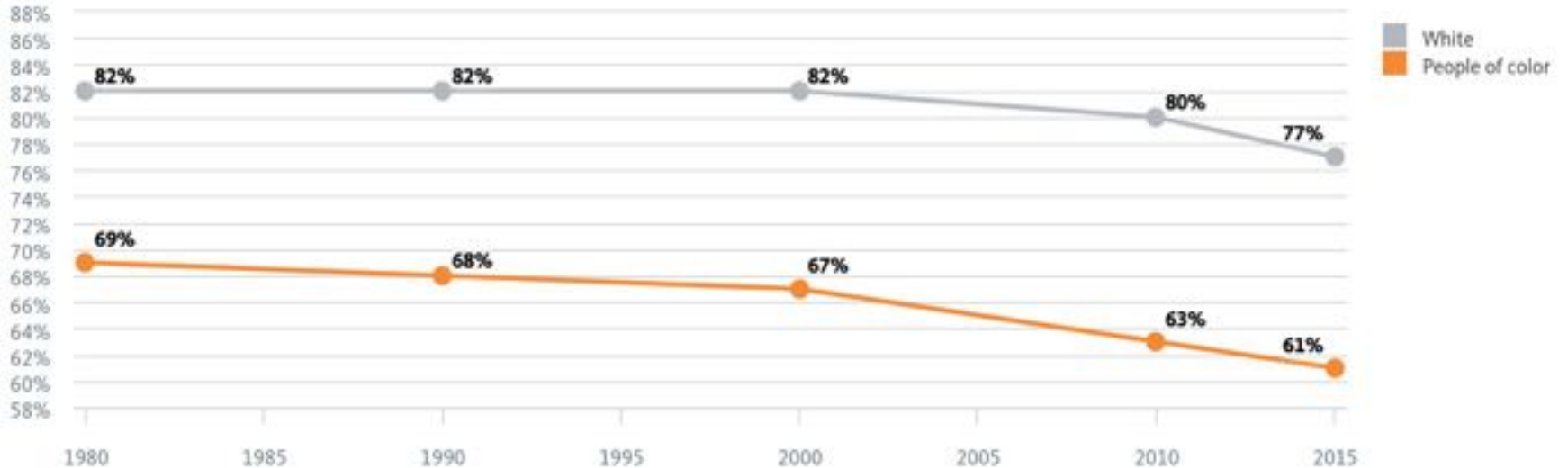


IPUMS

PolicyLink/PERE National Equity Atlas, www.nationalequityatlas.org

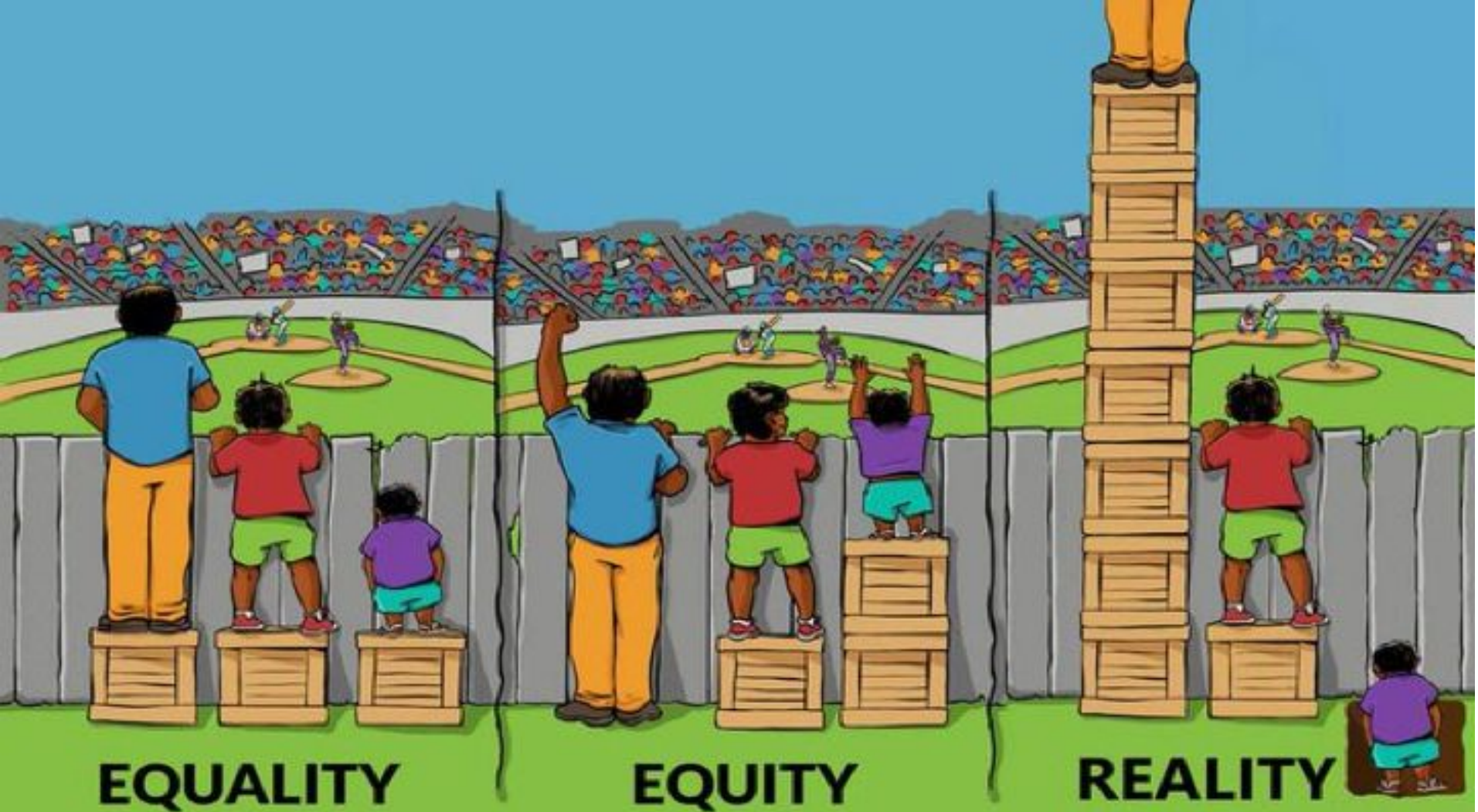
Philadelphia Pay Disparity

Share of workers earning at least \$15/hour by race/ethnicity: Philadelphia City, PA, 1980-2015



IPUMS

PolicyLink/PERE National Equity Atlas, www.nationalequityatlas.org



EQUALITY

EQUITY

REALITY



Shared Equity in Economic Development

Fellowship

The Shared Equity in Economic Development Fellowship (SEED)

is a partnership between the **National League of Cities** and the **Democracy at Work Institute** that convenes and equips city leaders with tools, resources, and expertise to build equitable economies using democratic business ownership through a year long program of leaderships development, peer-to-peer learning, and strategy design support.





PHILADELPHIA'S PROBLEM STATEMENT



1. **Philly commercial corridors and small businesses** are vulnerable
 - impending wave of Boomer **retirements**
 - **increasing attractiveness** to large businesses entities
2. Securing broadly shared prosperity means **preserving existing businesses and encouraging employee investments**
 - with over 88 commercial corridors
 - address succession planning in targeted commercial corridors
3. An **employee ownership strategy**
 - converting existing businesses to worker-owned cooperatives and
 - establish new worker-owned co-ops

Advisory Panel



Advisory Panel

La-Tasha Best-Gaddy, Chief Strategist, Infinity Bridges, Inc.,
Durham, NC

Maggie Cohn, Loan & Outreach Officer, Cooperative Fund of New
England, Boston, MA

Ocie Irons, Deputy Director at Center for Community Based
Enterprise, Detroit, MI

Roberto Tazoe, Assistant Director City of Miami Dept. of
Community & Economic Development

Reese McCranie, Deputy Chief Equity Officer for the City of Atlanta
Mayor's Office of Equity, Diversity and Inclusion

Ruth Rohlich, Business Dev. Specialist City of Madison, WI

AGENDA

1. General Observations
2. Challenges & Opportunities
3. Data Research & Outreach
4. Partnerships
5. Financing & Funding
6. Conclusions
7. Homework

GENERAL OBSERVATIONS

- A long history of employee ownership
- Majority-minority city with 65% of residents being non-white
- In 2016, job growth outpaced both New York City and the national average
- Stable and growing industries include healthcare, retail and hospitality, manufacturing and logistics
- Passionate city staff committed to intentional support of shortchanged communities
- The city focuses on 88 commercial corridors out of over 200 with 13 being actively funded
- Integrated public transportation system
- Neighborhoods with strong pride and unique identities
- Homogenized communities
- Visible differences of wealth & poverty
- Strong commitment to arts & culture

CHALLENGES

- Rate of poverty is 25% and half of that is deep poverty
- Small businesses expressed that there is significant red tape in attaining city services
- Lack of data on the market potential for conversions
- Need for data on larger problem around potential business closures and impact on workforce, wealth disparity
- Retail businesses may not be ideal for conversions
- Disparate partners in need of a centralized convener
- Lack of city understanding of employee ownership and its impacts

OPPORTUNITIES & STRENGTHS

- City has infrastructure and capacity with commercial corridor managers who are knowledgeable and maintain strong relationships with small businesses
- Commercial corridor managers are representative of the communities we visited
- CDCs have a strong connection to small business ecosystem
- Department of Commerce has robust resources, staff and capacity to do economic development work compared to other cities of same size
- Philadelphia can leverage their involvement in PolicyLink's All-In Cities Anti-Displacement Policy Network
- Strong support from Mayor and City Council on moving an equity agenda forward
- Philadelphia has strong cooperative development capacity
- City has begun organizing the lending ecosystem through the Philadelphia Business Lending Network

Research & Outreach

Identifying Ideal Businesses for Conversion

(Determine viability for conversions)

- 5 or more employees (10-100 employees is ideal)
- More than \$200K in annual general reported earnings
- Market research and business conditions (retirement, succession planning, employee willingness)

**Research &
Business
Outreach
Strategy**



Research & Business Outreach Strategy

Gathering Data

- Target 13 business corridors which receive city-funding and work with business corridor managers to ID specific areas/corridors that would meet criteria for ideal conversion
- Prioritize diverse business corridors with minority-owned/female-owned businesses
- Partner with Chamber of Commerce reps/peer-to-peer on collecting data street by street in identified corridors with input/guidance from business corridor managers
(Business Walk e.g. City of Madison done by volunteer community stakeholders)
 - DATA TO COLLECT:
 - Age of business (years in operation)
 - Plans for retirement/exit strategy
 - Ownership structure
 - Number of employees
 - Total annual revenue

BUSINESS WALK

COMMUNITY BLUEPRINT SERIES



PARK STREET CORRIDOR

The City of Madison hosted the first Business Walk on Park Street and Regent Street during the Park Street Corridor Walk on April 18, 2018. Madison Gas and Electric, Madison College, Workforce Development Board of South Central Wisconsin, and South Metropolitan Business Association also supported this program. A business walk is an economic development initiative that, in a short amount of time, allows local leaders to get the pulse of how a business community is doing. The premise behind each walk is to target the successes and obstacles the local business community faces, track that information, and provide assistance.

In total, 39 business and civic leaders visited 146 businesses in three hours. Of those 146 businesses, 47 businesses requested and received follow-up assistance.



**Educational
Material**
*(two-prong
approach)*



**Educational
Material**
*(two-prong
approach)*

1. Targeted Approach 13 corridors funded by the city

Provide those businesses that are viable conversion candidates with more in depth information on succession planning.

- Benefits of transitioning businesses to employee-owned cooperatives
- Examples of successful conversions
- Economic impact to community, business legacy retention, employee support, and timetable.
- Offer to provide free Technical Assistance if necessary, particularly in the early stages of exploration

2. City-wide Approach

Produce marketing material to create community awareness introducing business succession through employee ownership as a means to retain vital businesses and jobs.

Capacity Building

- Mayor's Office (preferably) to create an advisory board composed of City staff, T/A providers, local CDCs, CDFIs, representatives from successful worker cooperatives, and private lenders.
- Dept. of Commerce to convene regular staff meetings for members of the co-op ecosystem to follow up on the current progress and to coordinate next steps.
- Match T/A providers with individual businesses.
- SEED Fellows convene regular meetings with their peers to review impacts, progress and build alignment

Partnerships

Partnerships

Value

- Leverages expertise and resources of others
- Accelerates pathway to outcomes
- Improves stakeholder buy-in

Partnerships will give Commerce the benefit of the expertise developed by other organizations and individuals beyond its current capacity.

By developing meaningful partnerships Commerce can save time and money compared to going it alone.

In combination these benefits create the opportunity for accelerating achievement of program outcomes. Moreover, credible and meaningful partnerships improve stakeholder buy-in and confidence in program implementation.

Partnerships

Categories

- Research
 - Universities, Business Associations
- Education
 - Nonprofits, Professional Service Providers
- Funding
 - Credit Unions, Foundations, CDFIs
- Technical Assistance
 - Nonprofit Organizations, Co-op Developers

The areas for which you may want to explore and build partnerships are based on the panels conversations with stakeholders and Host City Fellows. The degree to which any category takes priority over another is dependent upon the goals / outcomes of the Host Fellows' project. Given here are a few examples of the types of organizations that might be prospective partners. Research and Funding will be discussed from the other Host City Fellows.



Research

- City of Philadelphia Human Services Department
- City of Philadelphia Department of Commerce
- Corridor Managers (Business Walk)
- Haverford College, University of Penn Law School, Drexel University, Temple University
- Center City Proprietors Association

Partnerships



Philadelphia
Area
Cooperative
Alliance



JTGOLDSTEIN
ACCOUNTANTS & BUSINESS ADVISORS



Partnerships

Education

- JT Goldstein
- Philadelphia Area Cooperative Alliance
- ACANA CDC
- Keystone Development Center Co-Op
- Wanderwell Consulting
- United States Federation of Worker Cooperatives



Partnerships

Funding

- American Heritage Credit Union
- United Bank of Philadelphia
- Women's Opportunity Resource Center
- Univest Bank and Trust Co.
- Keystone Development Center Co-Op
- Citizens Bank
- Finanta



WANDERWELL

Partnerships

Technical Assistance

- Philadelphia Urban League (Entrepreneurship Center)
- Women's Opportunity Resource Center
- Wanderwell
- Wharton Small Business Development Center
- SCORE Mentors Philadelphia
- The Enterprise Center

Financing & Funding

Financing and Funding



- Identify funding needs and existing services
- Research & reach out to new partners to identify and build capacity
- Implement an education plan for financial partners about coop conversions

Financing and Funding

Cooperative Lending

- Business Purchases for Conversions
- Related Costs

Technical Assistance

- Cooperative Developers
- Cooperative Management Training
- Decision Making & Conflict Resolution
- Financial Literacy

Programmatic Support


- Feasibility Studies
- Education
- Research
- Planning



WORKERS TO OWNERS

EMPLOYEE OWNERSHIP CONVERSION OVERVIEW

Converting a business to employee ownership is a practical solution for ownership succession, job stabilization, and employee retention. The process takes an investment of resources and experienced professional assistance to ensure long-term benefits. The conversion process is unique for each business, but generally has five stages.

Stage	Summary	Estimated time	Estimated cost
 Explore	Key stakeholders learn the conversion process	  Varies	\$0
 Assess	Professionals assess financial and legal feasibility	 12 months	\$10,000
 Structure	Seller structures the deal Buyers structure any changes	 6 months	\$25,000
 Complete	The business legally changes hands and loans are drawn	 3 months	\$25,000
 Support	Employees build ownership culture with outside support	 Ongoing	\$50,000

Many steps in the process require specialized technical assistance. Local conversion guides should join the Workers to Owners collaborative to learn and partner with an experienced pool of professionals.

Workers to Owners | Becoming Employee Owned www.BecomingEO.org | conversions@institute.coop.



Financing
and
Funding

Financing and Funding

What funding is available?

- From within the city budget
- From funding partners/lenders/foundations
- From non-traditional sources: Unions, Goodwill, National Urban League
- Angel investors that are mission aligned (and will not demand high ROI)

What funding partners already work with the city? Network of 39 lenders in the Philadelphia Business Lending Network (“Capital Consortium”)

Identify other potential lenders not already partnering with the City: Micro lenders, CDFIs, Credit Unions

Identify foundations that might fund TA needs: Community First Fund, Citizens Bank Foundation, Philadelphia Foundation

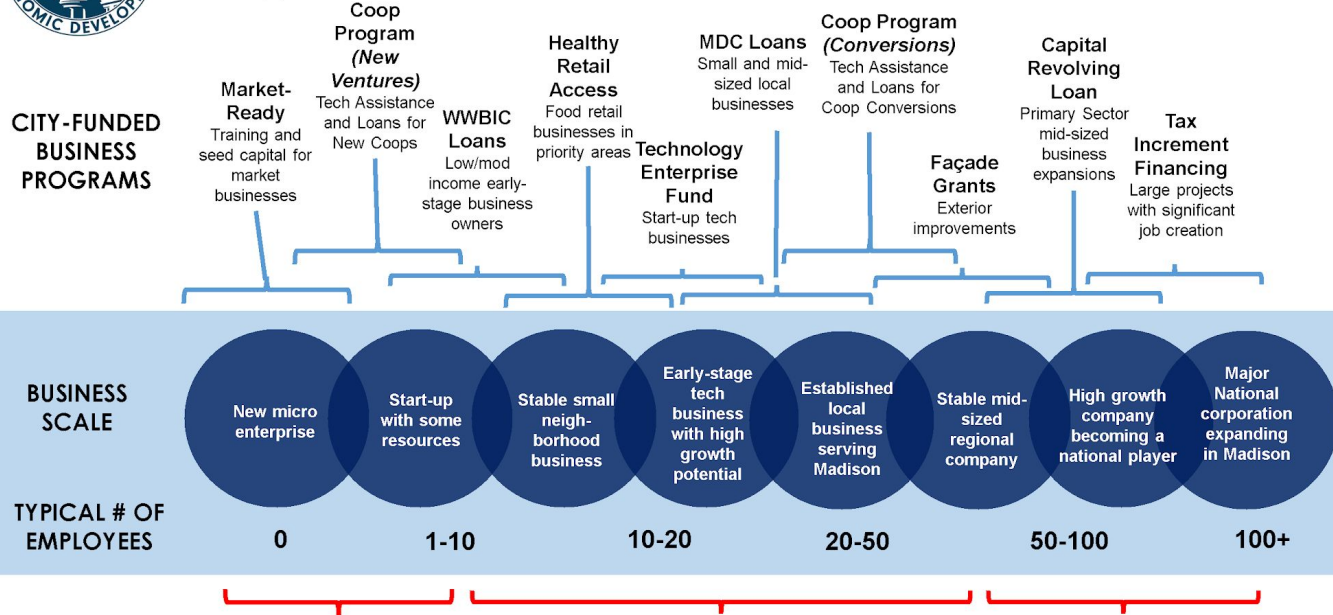
General gap in funding for early stage work: Feasibility studies for individual businesses, business appraisal, legal services

Collateral gap for purchasing the business from owners



CITY OF MADISON Programs Providing Financial Assistance to Businesses

Created: 2/8/18



GAPS AND CHALLENGES

- SMALL:** Limited direct support for very small micro-businesses
- MID:** All programs are specific to a geography or business type
- LARGE:** Very specific restrictions and guidelines and barriers to entry

POTENTIAL SOLUTIONS

- SMALL:** Kiva City Program; Expand MarketReady Model to different formats
- MID:** Expand Jobs TIF Program to make it accessible to Mid-Sized businesses
- LARGE:** Review policies and potentially update Cap Revolving Loan Program and Jobs TIF Guidelines.

Questions? Contact:
Ruth Rohlich
City of Madison
Office of Business Resources
rohlich@cityofmadison.com
608-267-4933

Financing
and
Funding

Financing and Funding

What funding can be (re)directed or expanded to integrate employee ownership into existing services?

- Identify CDFIs in current partnerships with the City that may be willing to make first and riskier loans
- Identify other business services offered by the City or other partners where financing could allow for cooperative focused services

Example: The City of Boston committed funds to contract with 2 co-op developers to provide TA services to co-op businesses in line with TA support provided to other small businesses through the Office of Economic Development

Financing and Funding

Implement an education campaign for financing partners

Provide education on cooperatives to existing lending partners:

- **Example:** Bring in expertise: The City of Madison brought in Capital Impact Partners to train a community development lender on cooperative lending; CIP agreed to be partner on loans as appropriate and to serve as mentor/trainer to the group

Identify and recruit other available resources:

- **Example:** DAWI for training on conversion financing; PACA on cooperatives, cooperative structure

**NEXT STEPS:
HOMEWORK**

**Next Check-In: Mid-Year Retreat
February 2019**

HOMework

1. Define a clear statement of goals, long term impact, and outcomes that will help refine Philadelphia's project scope
2. Gather data on commercial corridor market conditions and business demographics that will enable a more strategic rollout in select corridors
3. Conduct an ecosystem mapping of prospective partners among technical assistance providers, funders, research and education institutions in order to build a targeted support network
 - a. Set dates for conducting exploratory sessions with these prospective partners
4. Meet with the Philadelphia Business Lending Network to identify gaps and challenges to understand where the players are in small and mid-range financing and the potential for allocating funds to co-op lending
 - a. Develop a flow chart of the lending ecosystem (similar to City of Madison)
5. Plan a city-wide educational campaign for city departments, TA providers, financing and funding partners on co-ops and co-op conversions as a tool to increase economic opportunities



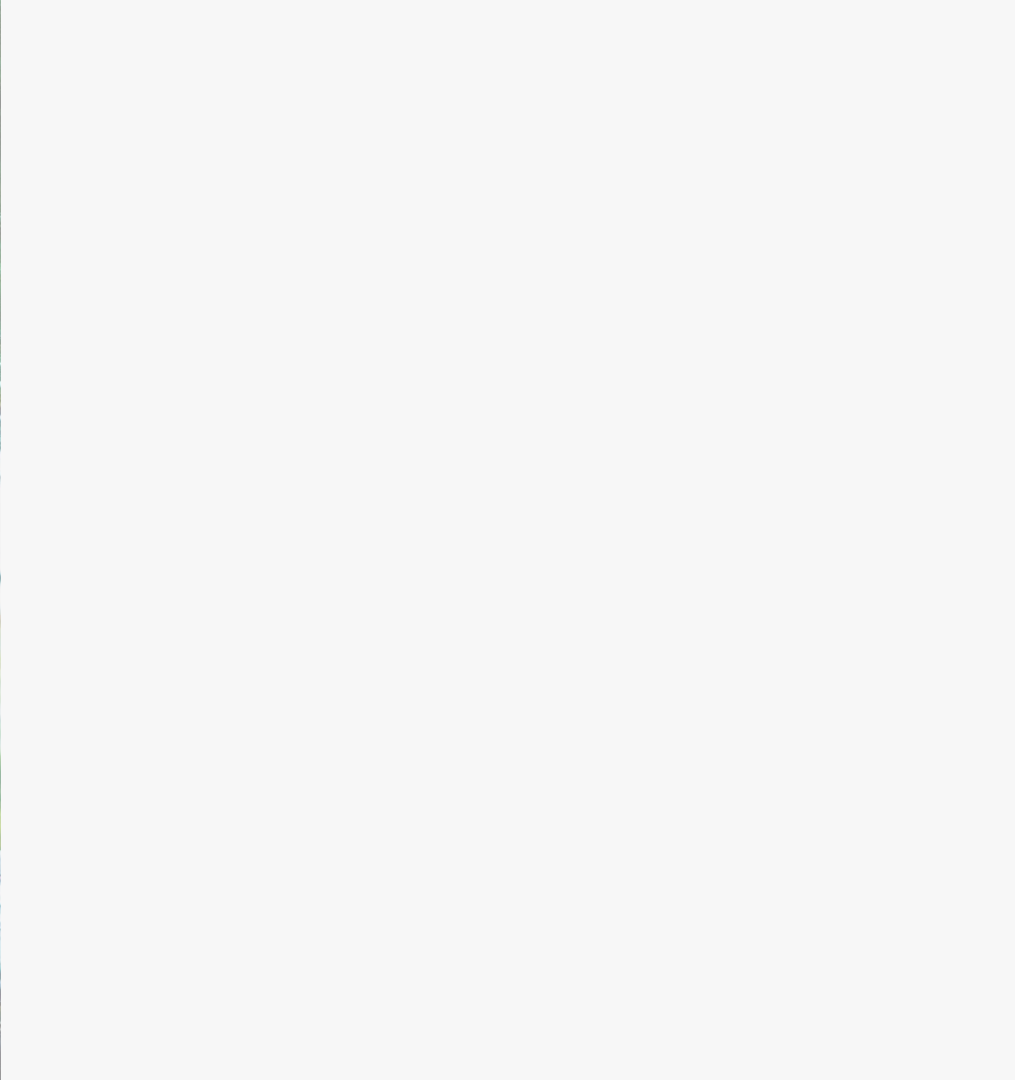
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WHAT IS A LEGACY BUSINESS CONVERSION?

