



Shared
Equity in
Economic
Development
Fellowship



**Shared Equity in Economic Development (SEED) Fellowship
Technical Assistance Panel Visit**

December 2018



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

Who we are



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 is made
possible with support from**



CitiCommunityDevelopment.com



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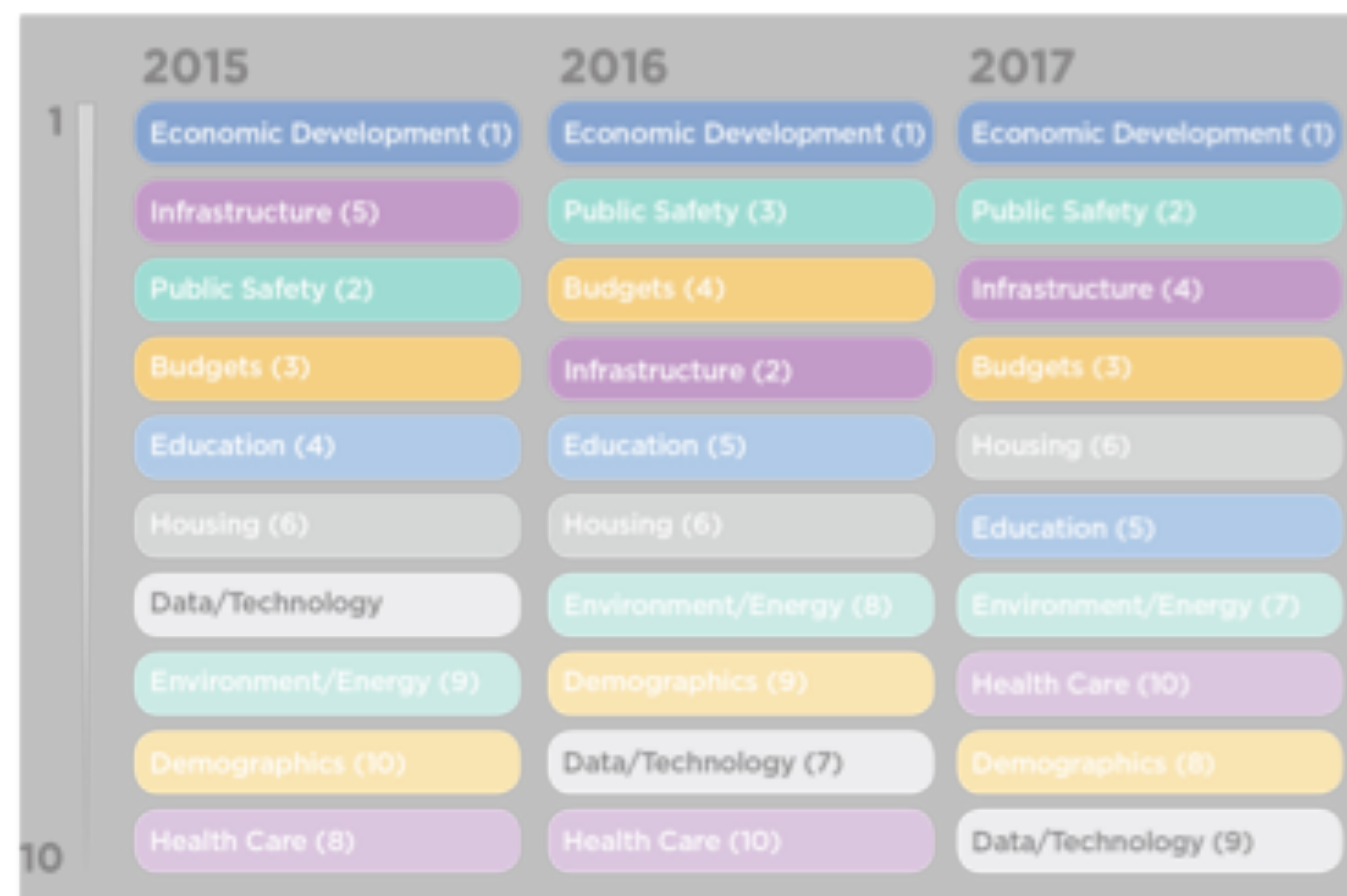






TOP 10 ISSUES OVER THE LAST FOUR YEARS

Number in parantheses indicates previous year's rank.

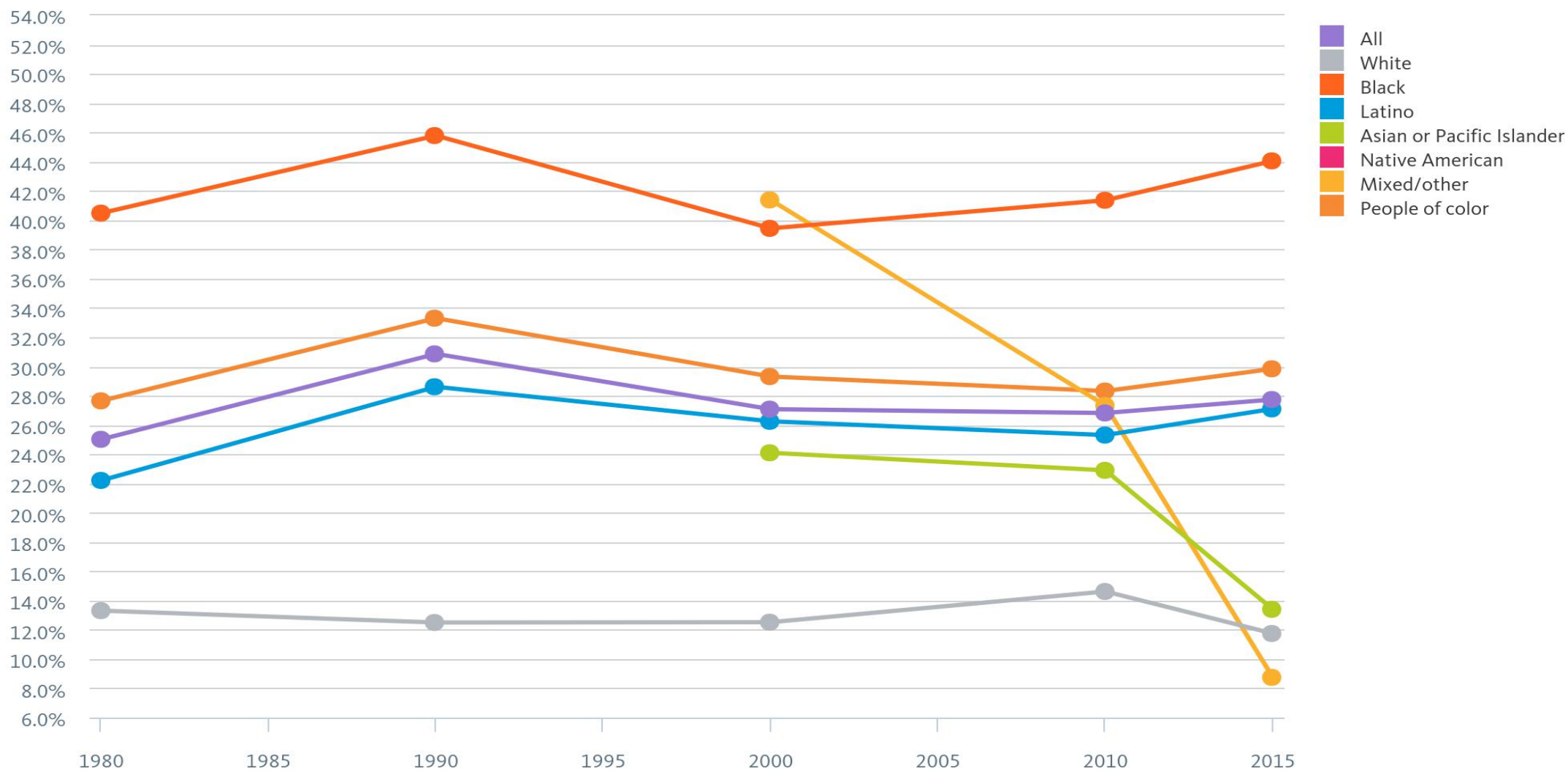


2018



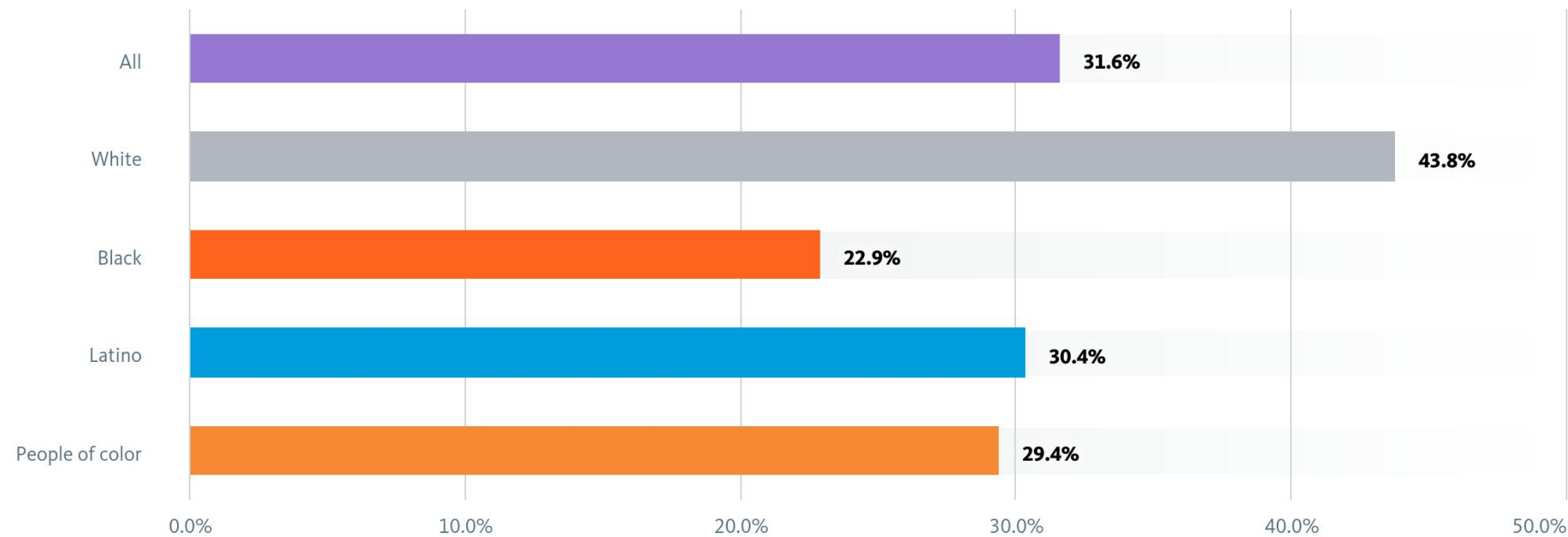
POVERTY BY RACE/ETHNICITY

Percent people below poverty by race/ethnicity: Miami City, FL, 100%, 1980-2015



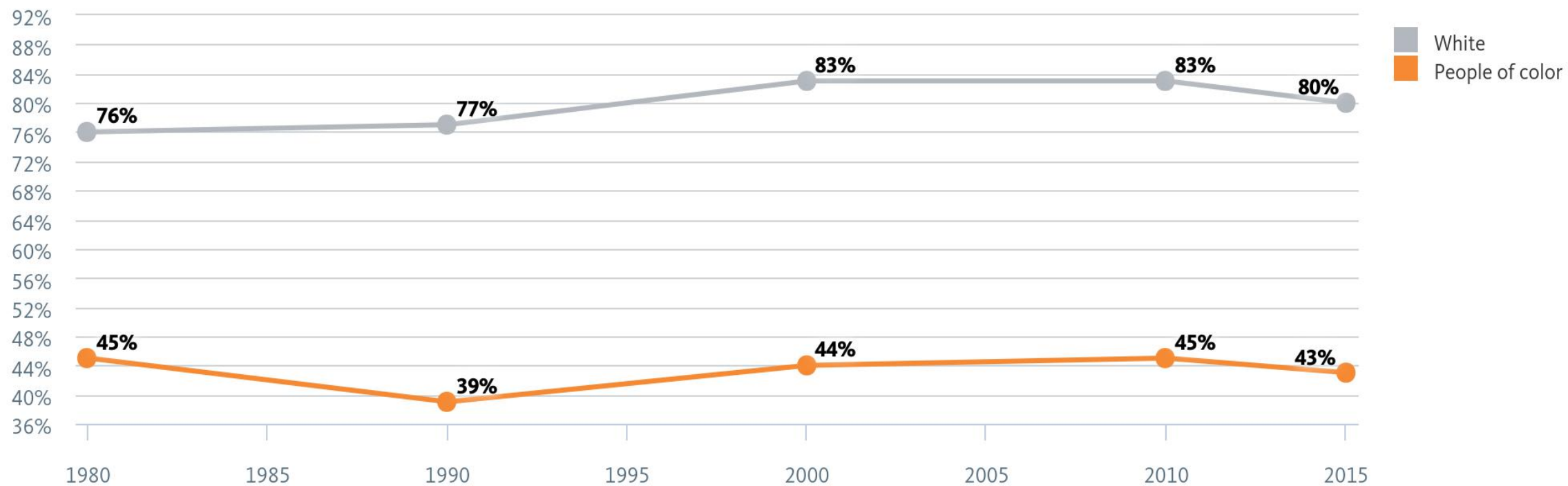
OWNER OCCUPIED HOUSEHOLDS

Percent owner-occupied households by race/ethnicity: Miami City, FL, 2015



WORKER EARNINGS

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

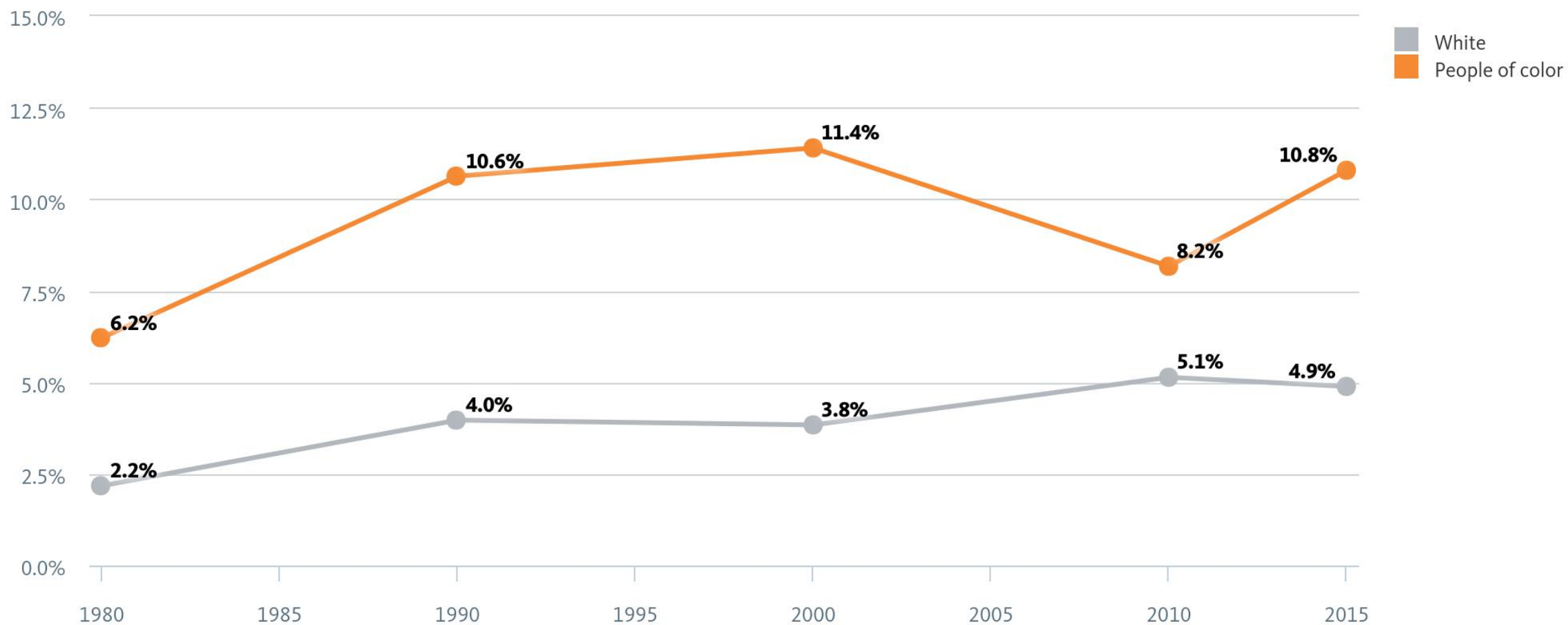


IPUMS

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

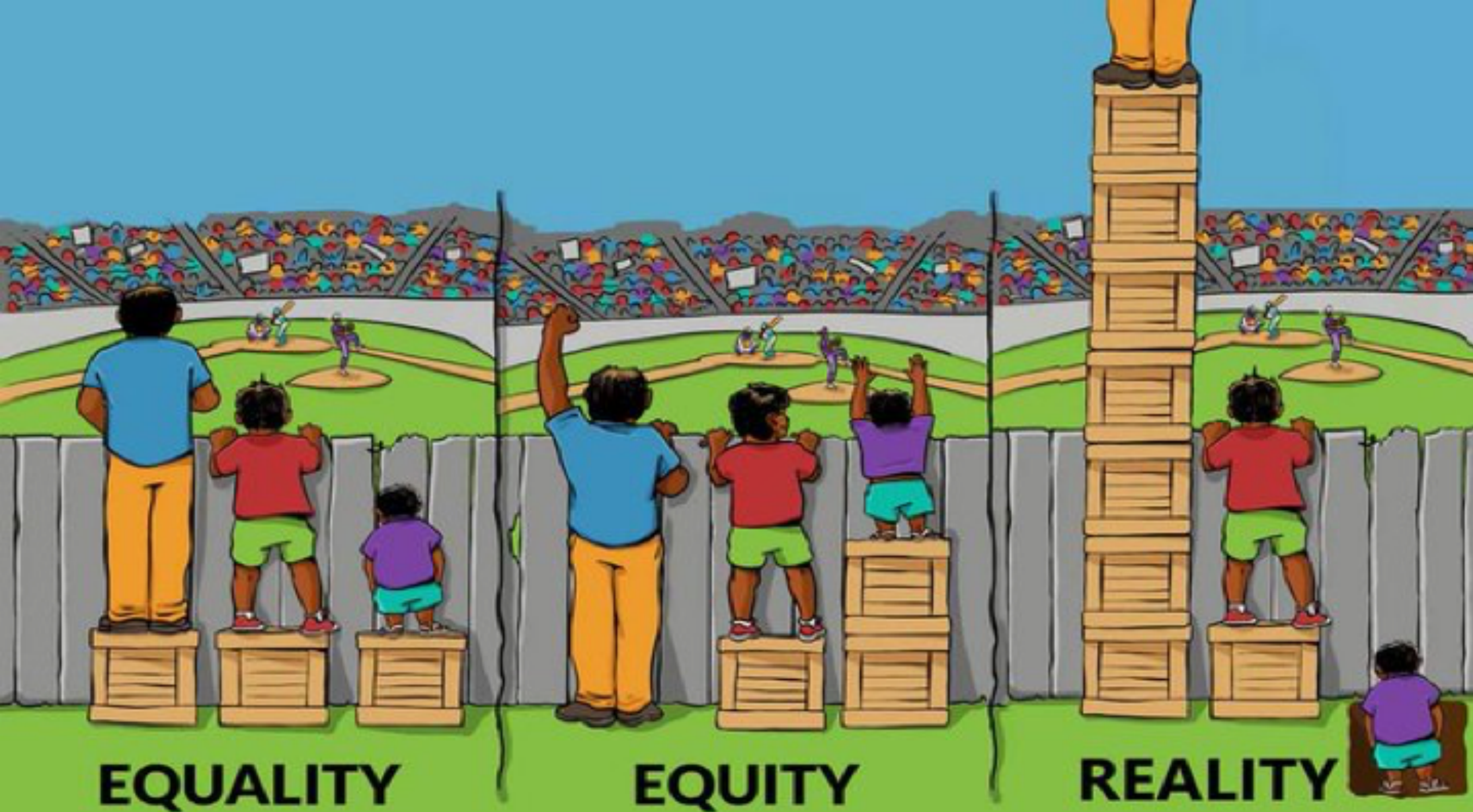
UNEMPLOYMENT RATE

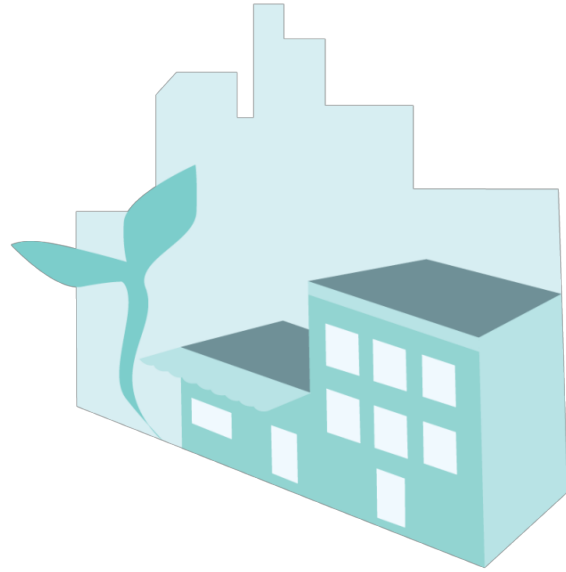
Unemployment rate by race/ethnicity: Miami City, FL, 1980-2015



IPUMS

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





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.

Twin Pressures: Racial Wealth Gap and Small Business Closure Crisis

Figure 1: Median Share of Total Assets Invested in Financial and Business Assets

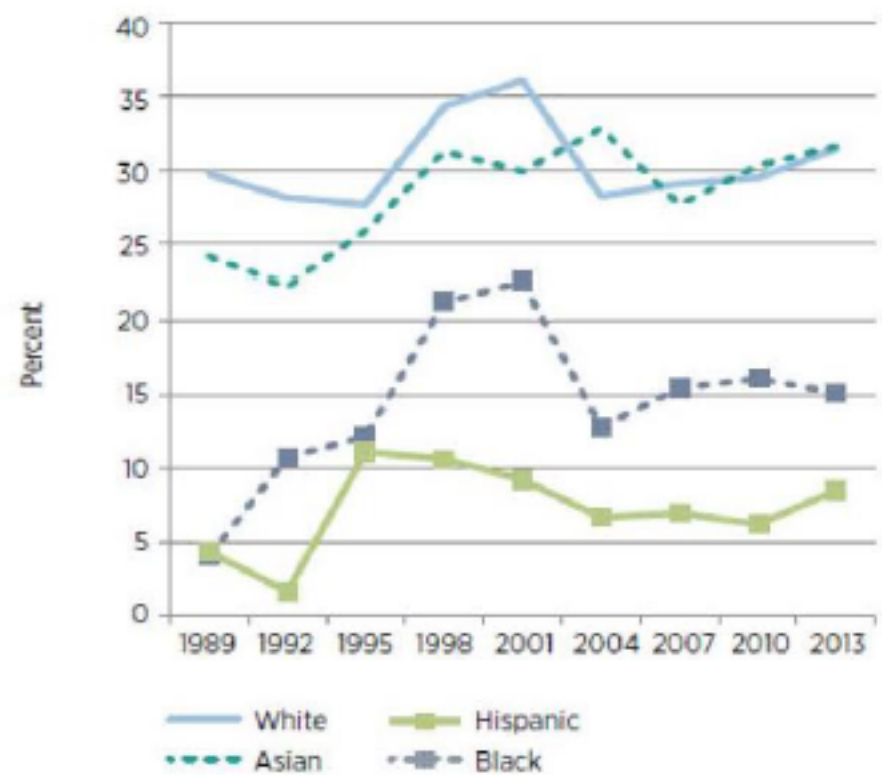


Image credit: *Bridging the Divide*, Aspen FIELD, 2017.
Reproduced from *The Demographics of Wealth*, St. Louis Federal Reserve, 2015

\$10 Trillion in assets
will transfer in the next 20 years

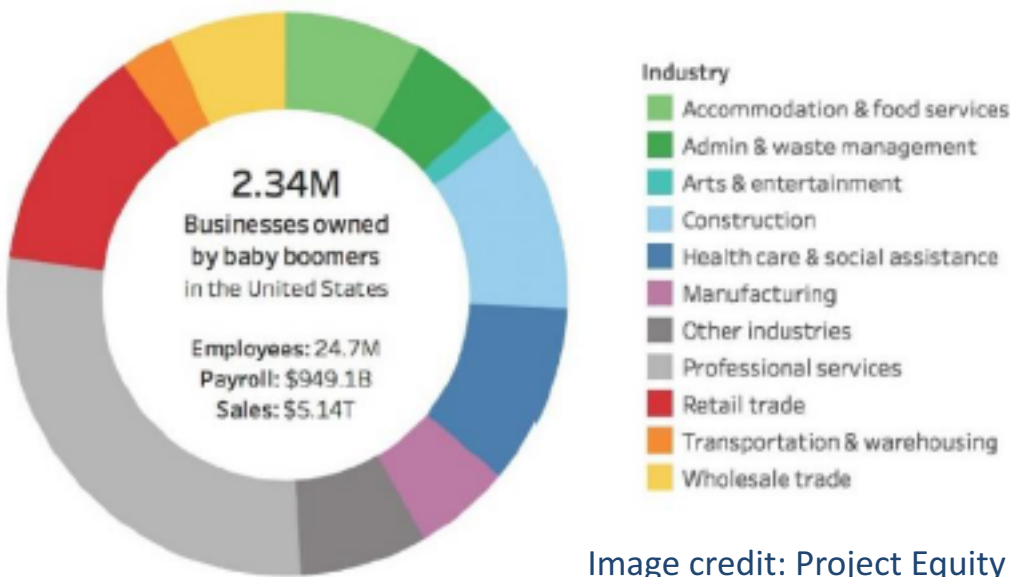


Image credit: Project Equity

Have succession plan: 17%
Successful family transfer: <15%



Advisory Panel

Yvonne Boye, Director, Office of Neighborhood and Economic Development, Department of Commerce, City of Philadelphia, PA

Rob Brown, Director of Business Ownership Solutions, Cooperative Development Institute, Northport, ME

Christina Cummings, Assistant Director, Economic Development, Department of City Planning, City of Atlanta, GA

Deborah Giles, Director, Department of Equal Opportunity and Equity Assurance, City of Durham, NC

Randi Mason, Vice President of Economic Development, Invest Atlanta, Atlanta, GA

Patty Viáfara, Client Services Manager, Project Equity, Miami, FL



Agenda

1. General Observations
2. Challenges and Opportunities
3. Refining the Problem Statement
4. Target Identification and Ecosystem Capacity
5. Proof of Concept: Methodology and Implementation
6. Conclusions
7. Homework

General Observations



- Miami has a rich entrepreneurial ecosystem and is a destination for private investment
- Legacy businesses are cultural assets, adding to unique character of neighborhoods attracting tourism and economic activity
- Increased cost of living makes it challenging for long term businesses to remain in the city
- Diverse demographic and economic needs call for a a partnered approach
- Very distinct differences in economic development opportunities for these diverse neighborhoods

Challenges

- Miami has a diverse small business sector that will require many different approaches
- There is little expertise in employee ownership to date among TA and capital providers
- City has incomplete knowledge of their businesses' demographics; relies on TA partners to inform them of small business needs and services
- Gentrification is a challenge that the City of Miami may not be able to address fully through solely a legacy business conversion initiative
- A legacy business retention strategy will require a diverse coalition of partners

Opportunities & Strengths

- A welcoming city that celebrates and embraces cultural diversity
- City staff and city partners are committed to institutionalize equitable economic opportunities in the small business ecosystem
- The city's Economic Development Loan Fund ("EDLF") Program was recently amended to utilize CDBG funding to provide loans to businesses transitioning to employee ownership
- There is support for new strategies to increase entrepreneurial activity, especially in low-income neighborhoods
- There are potential new partnerships with post-secondary or other anchor institutions
- The new Mayor brings new opportunities for collaboration with non-traditional partners



Refining the Problem Statement



Miami SEED Fellows Problem statement

The City of Miami is an ethnically diverse community with businesses that are of great value to their specific communities.

Businesses are at risk of disappearing due to gentrification and cost increase in specific areas throughout Miami. There is a tremendous need for a sustainable economic solution that will create wealth opportunities for minority and low-income individuals.

The City of Miami seeks to address this by assisting in creating a sustainable employee to owner conversion that supports owners in selling to their employees as their succession plan.



Miami SEED Fellows Goals statement

Our goals:

Identify interested business owners through a marketing and education campaign

Develop and support a comprehensive network of partnerships

Connect owners to specialized TA and resources

Restating the problem will help better meet goals

There's an easier way to state the problem that speaks to and aligns the interests of diverse business owners, neighborhoods, and the city:

- Owners “leave money on the table” by closing and liquidating business; they don't understand all options for securing maximum profitable retirement
- LMI workers lack opportunities to build wealth while owners struggle to attract and retain the best talent
- Poor business retention erodes thriving neighborhoods and diverse business corridors

Result of more strategic messaging

- The business owners you hope to recruit for conversion will be more receptive to this framing of the challenge and opportunity
- A strategically tailored messaging of the challenge and opportunity will improve efforts to build an expanded, committed, knowledgeable, and diverse coalition of partners

The real impact of preserving legacy businesses

- Exiting business owners see full reward for their risk and entrepreneurship
- Minority LMI workers expand opportunities for good jobs and wealth creation
- Neighborhoods anchor assets and diversify wealth; cities thrive

Elements of a strong foundation needed to achieve these impacts

Advisory Group

- Expand key community stakeholders and practical implementers

Education, outreach and marketing campaign plan

- Roles, responsibilities, timelines, and goals for all partners mutually defined and agreed
- Informed by data

Budget for this initial work

- For campaign and advisory group

A Mother's Care Learning Center

305-696-3802

**Target Identification
and Ecosystem Capacity**



The target focus: a successful proof of concept business conversion

Getting to an early win – how to find businesses that will have desired impact:

- Focus on neighborhoods with higher business density
- Focus on businesses that employ low to moderate income individuals NOT JUST businesses in LMI communities or with LMI owners
- Don't turn away businesses that do not fit your profile; build a big pipeline

What makes for a good conversion?

Commitment to the Transition

- Owner interested in seeing the business continue to thrive
- Company already has committed employees

Business in Strong Financial Health

- Owner pays himself a livable wage
- Business is generating a profit
- Business has reasonable expectation of continued growth
- In business for at least three years

Approach to conversion

Size of Business: 5-10 employees

- Management power sits with one person (owner)
- Will need subsidized or free services:
 - pro-bono legal
 - financial due diligence
 - on-going TA post transaction
- Requires stronger TA support due to time constraints on manager

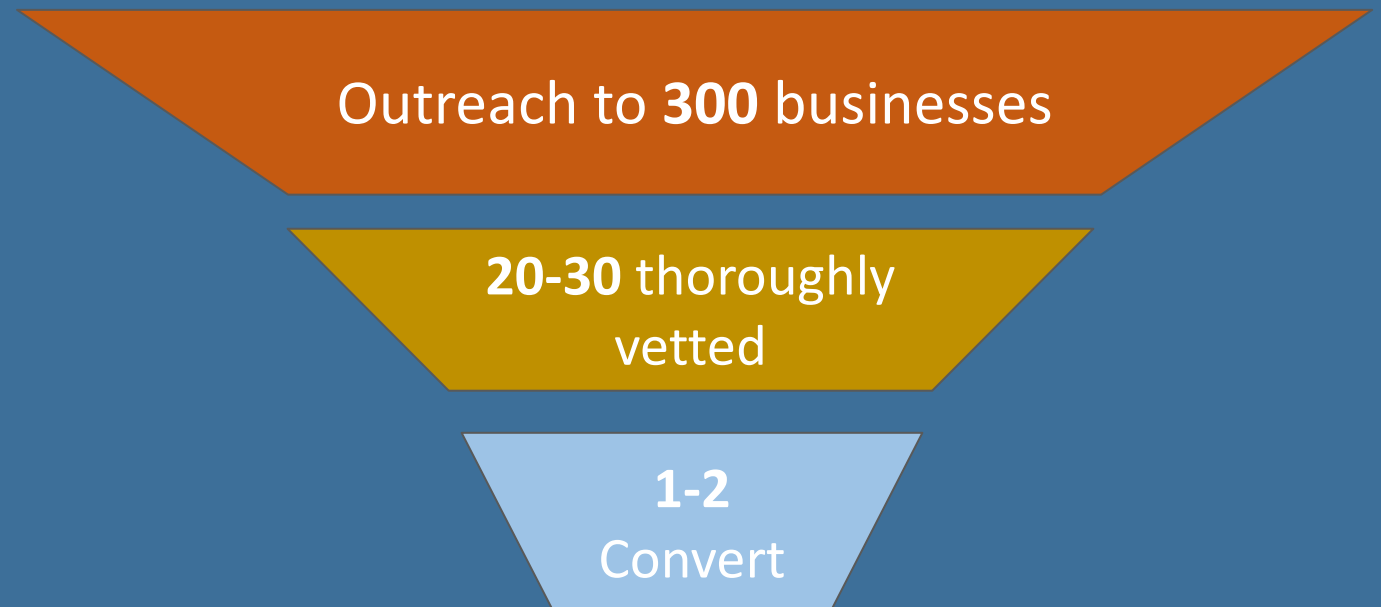
Approach to conversion

Size of Business: 11-30 employees

- Likely to have non-owner management that can continue after owner exit
- Likely able to pay for some cost of conversion services
- Books may be better organized and company information may be more accessible

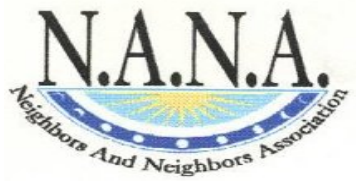
Pipeline and Metrics

- Pipeline will develop as the result of a data-informed outreach plan
- Data analysis will guide the creation of the target business profile for Miami



Partnerships and Roles

Partner	Role
City of Miami	Convenes partners and advisory group
TA and Capital Providers	Identify businesses; participate in messaging; educate businesses; support deals
Business Associations	Intros to right people to do exit planning; identify small businesses; convene a small focus group of businesses
Universities	Research, data collection and education
Advisory Group	Representatives of all partner types. Define where initiative belongs, who rolls it out. Will eventually need a dedicated person to work on it. Identify who is training TA providers. Align business-facing communications approach focused on exit planning.



OUTREACH AND TECHNICAL ASSISTANCE

BUSINESS ASSOCIATIONS

COLLEGES AND UNIVERSITIES

CAPITAL PROVIDERS





Proof of Concept: Methodology and Implementation

Goals of a proof-of-concept approach

Demonstrate value to:

Business owners

- Compensate for true market value of their business

The neighborhood

- Empower workers with the skills and capital to scale the business post-conversion

The City

- Retain business assets, jobs, talent, and culture
- Build capacity and ecosystem
- Create a model for regional & national replication

Recommendations

- Develop a strategic Miami-specific outreach and marketing plan that aligns with target audiences
- Prioritize data collection to inform plan
- Determine how the strategy will be implemented: In-house? Through an RFP? By the Advisory Group?
- Define the timeline & metrics

Education, marketing, and outreach



- Clearly identify the target audiences for the program: businesses, business connectors, TA providers, lenders, other stakeholders, etc.
- Develop an outreach and marketing strategy that leverages partners and aligns with target audiences.
- Work with the most appropriate partner to reach each intended audience
- Tailor messages for specific audiences

Marketing Methods



The RULE of 7:
Returns on Repetition

- “Rule of Seven” marketing principle: you must contact your buyers a minimum of seven times in an 18-month period
- Each audience will respond differently
- A combination of marketing approaches are needed for each audience:

Flyers

Seminars / Workshops

Websites

Social
Media

Neighborhood
Enhancement Teams

Billboards

Blogs

Videos

Events

Radio

Op-Eds

Press Releases

Data Collection

- There is a lack of data on local business demographics, particularly in target neighborhoods
- Meet with local universities to discuss opportunity for a data collection project in the target areas
- See what data resources are already available in-house:
 - Business licenses, utility bills, planning, zoning, etc.
- Look for external data sources:
 - TA providers, micro-enterprise lenders, grant sub-recipients, state economic development agencies, chambers, etc.

Relevant Data to Collect

Data points to consider, but not limited to:

Demographics	Name	Address	Zip	Contact
Sources	Census Tracts	Ethnicity of business owner	Age	Gender
Entity Form	Primary Commodity Code: SIC or NAICS	DUNS Number	Annual Revenue	Number of Employees
Length of business operation	Property Ownership	Certification Status: with city, county, state		

After the data is collected and aggregated, the project team can build a model business profile specific to Miami that is best positioned for an employee buyout.

Implementation

- Economic development capacity at the city may be limited for this project; needs more exploration.
- Options to consider for initial implementation:
 - **In-house** - The city designs and leads the process
 - **External Consultant** - A qualified economic development consultant with local and technical expertise is chosen through RFP process to design the implementation strategy
 - **Advisory Group** - Serves as the implementation lead, with clearly defined roles

Timeline & Metrics

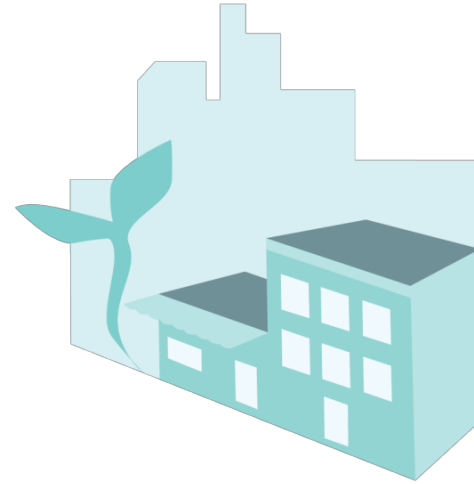
- Identify goals that are attainable within the next 6 months
 - Expand the Advisory Group
 - Identify data sources
 - Identify target businesses
 - Identify key TA / capital providers and gaps
 - Understand the potential pipeline size and yield
- Start long range planning to sustain these efforts after the fellowship
- Build towards a conversion of a business, which could take 9 months - 2 years to complete

Next Steps: Homework

**Next Check-In: Mid-Year Retreat
March 6-8, 2019**

Homework

1. Meet with college/university partners to discuss data collection and analysis
2. Identify and meet with missing partners to invite to your Advisory Group through an ecosystem analysis
3. Create an education, outreach and marketing outline with roles, responsibilities, timelines and goals
4. Define a budget and potential resources for the education campaign
5. Decide who will act as the convener and implementation lead for this stage of the work:
 - a. In-House: Assign a city staff to oversee and design
 - b. Consultant: Develop an RFP for an external consultant to lead design
 - c. Advisory Group: Choose a coordinating entity as the implementation lead



Shared Equity in Economic Development Fellowship



Democracy at Work Institute
US FEDERATION OF WORKER COOPERATIVES

Thank you to the following people for assisting our panel:

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