

City of Santa Clara

Worker Cooperative Initiative Outcomes and Recommendations

Background

In June 2020, the City of Santa Clara engaged Project Equity to provide business support services to help the City understand the risk to business retention among established companies, and the potential future impact on jobs, business tax base, priority industry sectors, and economic development goals. The City then contracted with the Democracy at Work Institute (DAWI) to work in partnership with Project Equity, the Sustainable Economies Law Center (SELC), and the U.S. Federation of Worker Cooperatives (USFWC) to create and implement an educational and technical assistance program for business owners and employees. Additionally, the collaborative was asked to make recommendations to the City on how to support long-term citywide impact for its Worker Cooperative Initiative through updating policies, introducing new procedures or ordinances, and leveraging existing programs, staff, and funding to meet that goal.

This report provides a project summary, including outcomes, lessons learned, and recommendations for feasible and effective long-term municipal worker ownership support that aligns with the City's capacity and assets.

Scope of Services and Deliverables

DAWI and its partners implemented the contract in three phases: first developing foundational materials, building relationships, and conducting groundwork research; then conducting business ecosystem outreach and launching a series of educational and technical assistance events; and finally, through this report and accompanying presentation, developing recommendations for the long-term sustainability of the Initiative¹.

The expected outcomes at the culmination of this work included one hundred and fifty business owners (150) and/or workers reached, fifteen (15) business owners educated on the transition process and worker ownership structures, three (3) business-facing organizations partnered and trained to promote employee ownership, and three to five (3 to 5) city staff trained and equipped to maintain and increase City support for conversions to employee ownership.

Impacts and Outcomes

- 167 total registrations for info sessions and technical assistance workshops². 22 businesses and organizations registered for multiple events. This breakdown into the following categories:
 - Businesses (107)
 - Ecosystem organizations (46)
 - Service Provider Partner (12)

¹ The scope of services timeline was revised by negotiation with and authorization by the City of Santa Clara. This has been attached under Appendix A.

² The report filters out the City of Santa Clara and Worker Cooperative Initiative collaborative partners.

- Funders (1)
- PR/News/Media Organizations (1)
- Breaking down the 107 business registrations further by region:
 - Santa Clara (25)
 - Silicon Valley, not including Santa Clara (24)
 - Bay Area, not including Santa Clara or Silicon Valley (29)
 - California or outside: (29)
- Total aggregate confirmed attendance of 96 businesses and organizations³ recorded for all info sessions and technical assistance workshops
 - 58 unique businesses and organizations attended at least one event
 - 3 business attendees went on to consultation from events
 - 2 business service organizations attended and were subsequently interviewed in our discovery meetings
- 4 business facing organizations met with:
 - Silicon Valley Economic Development Alliance
 - Business Owners Space
 - Manufacture: San Jose
 - NOVAworks Job Center
- 7 city staff were trained on municipal approaches to supporting employee ownership conversions:
 - Jennifer Acuna, Management Analyst, Office of City Manager
 - Robyn Sahid, Assistant to the City Manager, Office of City Manager
 - Luis Haro, Deputy City Attorney, City Attorney's Office
 - Jonathan Veach, Assistant to the City Manager, Housing Division, Community Development Department
 - Kathleen Hughes, Senior Electric Division Manager, Silicon Valley Power
 - Michelle Iglesia, Municipal Services Division Manager, Finance Department, Business License Services
 - Jorge Gutierrez, City Services Representative, Finance Department, Business License Services

Separately, Project Equity conducted media outreach campaigns to build local business owner awareness of worker ownership as an exit option. They also served as the technical assistance referral partner for all the businesses and individuals we engaged through our education and training series. The following metrics provide a more complete picture of our combined efforts to build local market awareness and interest in conversions.

- **Project Equity** executed a marketing outreach campaign with digital advertising, regional business journal ad placements, and radio ad spots in partnership with KRTY-FM. Impression and engagements as of 5/31/21 are as follows:
 - Mobile campaign (digital ads) running Feb 15 - May 12
 - 625,414 impressions
 - 1,931 clicks to informational landing page

³ We believe this number is closer to 110 businesses and organizations however the attendance report from our July 14th event wasn't captured.

- Engagement by zip code: Highest engagement in 95110 and 95128; lower engagement in 94087
 - Continued August 1 - November 7 following agreed contract extension
 - Silicon Valley Business Journal digital ads running April 1-30
 - 19,600 impressions
 - 535 clicks to informational landing page
 - Continued in June following agreed extension
 - KRTY-FM radio partnership running July 1 through September 17, including
 - Broadcast assets: 60-second recorded commercials, morning show interviews
 - Digital assets: eBlasts to mailing list subscribers, web-banner listing on station website
- **Project Equity** had in-depth business consultations with 9 companies⁴ from February 2021 through August 2021 as a result of events, marketing, and other outreach activities related to this project.
 - 1 Santa Clara company will be starting a feasibility assessment to employee ownership
 - 1 Santa Clara individual interested in establishing a start-up cooperative business was referred to U.S. Federation of Worker Cooperatives for consultation
 - 1 Santa Clara company is in ongoing consultation and remains an active prospect for a feasibility assessment to employee ownership

Key Learnings

General Observations

- Older businesses have an outsized positive impact on Santa Clara's economy and community. While Santa Clara businesses that are over 20 years old and have employees represent 18% (1,138 businesses) of all local businesses with employees, they account for 57% of small business revenues and employ more than 1 in 3 of all workers⁵.
- Info session and technical assistance workshop attendees expressed verbal interest in both worker cooperative start up development as well conversions with at least one entrepreneur referred to the US Federation of Worker Cooperatives for support.
- For entrepreneurs and business owners, a key benefit of worker ownership they identified was attracting and retaining workers, particularly in relation to concerns about the rising cost of living.
- Mission College is investing in worker cooperative education.

Challenges

⁴ This includes three companies from San Jose and one company from San Mateo that had learned about the worker ownership option from our Santa Clara outreach campaign.

⁵ According to a Project Equity study. Measurements indicate total businesses included in the study and do not include nonprofits, publicly traded companies, franchises, public sector and related companies.

- COVID-19 presented significant challenges to business outreach; face-to-face engagement was precluded, and many small businesses were preoccupied with securing relief aid rather than considering their exit options.
- While legacy business preservation and worker ownership have been received well, these are largely new concepts in the business community and business services ecosystem, requiring longer timelines to build communication channels and for residents to feel comfortable to explore the option.
- The City does not have internal staff capacity to provide proactive and comprehensive small business outreach and support services, relying largely on service providers with a broader regional scope (and fewer relationships in the city) to meet local needs.

Strengths

- The Mayor, City Council, and City staff celebrate and embrace its small businesses and their impacts in the community.
- City leadership is supportive of the Worker Cooperative Initiative and is committed to exploring policy opportunities to retain and strengthen local small businesses.
- Municipal leaders throughout Silicon Valley demonstrated interest in learning about Santa Clara's Worker Cooperative Initiative by attending Representative Ro Khanna's town hall discussion on the topic in Fall 2020.
- Santa Clara's small business COVID relief grants serve as a model for directing additional aid and services to strengthen the City's small business community.

Opportunities

- There is potential to embrace a regional strategy for legacy business preservation and worker cooperative transitions that is aligned with many of the existing service providers' multi-jurisdictional mandates. As not all workers of Santa Clara businesses live in Santa Clara and not all businesses employing Santa Clara residents are located in Santa Clara, there are opportunities for regional collaborations to deepen and expand services for Santa Clara residents. Neighboring municipalities have a similar incentive to collaborate across city limits.
- Regional business connectors and service providers have expressed interest in supporting and communicating legacy business preservation and worker cooperative transitions.
- Entrepreneurs have contacted Project Equity for assistance, showing growing local interest in worker cooperative startups as well as conversions.
- There is potential for collaborating with Mission College to develop business referral channels.

Recommendations

The first year of the City's Worker Cooperative Initiative educated business owners, City staff, service providers, and community members on the benefits of worker cooperative transitions as a business succession plan. The City has invested in a resource portal on its website where business owners and workers can connect to qualified technical assistance and rewatch training videos.

We encourage the City to build on this momentum by continuing to support direct business owner and service provider education and outreach efforts. Continued awareness-raising around succession planning and the worker ownership transition option is important because owners often require multiple touchpoints before deciding to define their exit strategy; most workers are unaware of the cooperative business model and the services available to help them buyout their workplace.

The City can consider continuing its support by building internal capacity to provide small business outreach and support services, including legacy business promotion, basic transition information, and referrals for worker ownership transitions. As an alternative or adjacent strategy, the City can consider funding additional education, training, and direct business outreach efforts that are implemented in partnership with local and regional service providers. While challenging during COVID-19, we recommend future education and outreach efforts that include in-person events and outreach. Personal connection is often critical in making the case for succession planning and the worker ownership option for business owners or workers.

We also recommend several new approaches that leverage the City's strengths to extend and strengthen the initiative. The following recommendations address three opportunities that were identified through discussions with City and community stakeholders. They take City staff capacity into consideration and are listed in order from what we perceive to be lighter lifts to heavier lifts.

1. Institutionalize legacy business and worker ownership tracking and support
2. Leverage existing partnerships for deeper collaboration and greater impact
3. Incentivize worker cooperative transitions

Institutionalize legacy business tracking and support

Improve business license applications

The City can leverage its business license application to capture critical information and passively educate stakeholders about worker cooperatives in ways that can help strengthen its legacy business preservation and worker ownership support services.

Amend the City's [business license application](#) and renewal form to include these fields:

- Co-op Corp as an entity option
- Business start date
- Start date of current ownership
- Number of employees (if applicable), and
- Industry (consider using NAICS Codes)

Including "Co-op Corp" as an entity option in the Ownership section of the business license application will recognize and normalize worker cooperatives. It will also help track the growth of

the City's worker-owned businesses. The City could also consider including the question: "Does your business share ownership with your employees? If yes, in what form?" and provide a field for write-ins to indicate the City's interest in worker ownership and begin to better understand the various ways that some Santa Clara businesses share wealth or decision-making power with their workers. The [City of Berkeley's business license application](#), which was amended as part of its own worker cooperative initiative several years ago, can be a helpful example.

The other four recommended changes are intended to help the City track its legacy businesses over time and enable it and its partners to effectively target services. The business start date and start date of current ownership can help determine if an owner is reaching or at retirement age. The number of employees can demonstrate the impact of closures on livelihoods and the City's tax base while also providing a helpful data point for determining if the business is a good candidate for transitioning to a worker cooperative or other worker-ownership models. The description of industry will help target services specific to their industry. Making these changes to the business license application can help the City capture data on the back end to create and inform future legacy business services.

Promote and celebrate legacy businesses through a registry and marketing campaign

Santa Clara's Mayor, Council, and staff are enthusiastic supporters and champions of local small businesses. Elevating long-standing small business success stories and celebrating their unique contributions to their communities can be a strategy for encouraging public support for legacy business preservation.

We recommend that the City consider creating an opt-in Legacy Business Registry as both a marketing strategy to celebrate long-standing businesses and as a tool for capturing more specific data that is not otherwise easy to obtain through its business license applications.

The City of San Francisco's Legacy Business Program is a helpful example. In 2014, a report by the San Francisco's Budget and Legislative Analyst's Office showed that the closure of small businesses had reached record numbers. Seeking to assist the city's long standing businesses, San Francisco introduced the Legacy Business Program in two phases: The Board of Supervisors first passed an ordinance to create an opt-in Legacy Business Registry to vet and recognize its long-standing, community-serving businesses. The City then asked voters to create the Legacy Business Historic Preservation Fund to provide grants to both approved legacy business owners and property owners who agree to lease extensions with legacy business tenants. A Legacy Business Program manager position was then created within the Office of Small Business to assist owners in submitting applications and connect them to targeted resources and information.

Businesses apply to join the San Francisco Legacy Business Registry by furnishing contact information and a historical narrative detailing their ownership history and contributions to the community. If their applications are accepted, the businesses become eligible for grant funding, educational, and promotional assistance including tools and services to help them establish succession plans and explore a transition to employee ownership.

Data collected from legacy businesses helps the City of San Francisco better target services and track their needs. As more businesses join the registry, data on local legacy businesses becomes more comprehensive. This in turn reinforces the importance of legacy business services and encourages their inclusion in other economic and community development initiatives⁶.

Santa Clara can start by creating a legacy business brand with a web page on the City's website, a window sticker, and other cross-promotional incentives or tie-ins with other City and community programs. Additional grants and incentives similar to San Francisco's initiative are not required to launch the registry and can be developed over time as the city desires.

Leverage existing partnerships for deeper collaboration and greater impact

Inventory of non-traditional local assets

In our discovery phase, we surveyed key local and regional business support providers and connected them to the Worker Cooperative Initiative. In this process, we learned that many business connectors serve a broader ecosystem than just Santa Clara, making it challenging for them to target assistance to local businesses. However, we believe there are other non-traditional organizations and assets that, if identified and properly supported, can be resources in ensuring Santa Clara business owners receive succession planning and worker ownership transition support.

We recommend the City take a wider inventory of existing local assets that engage with or touch Santa Clara businesses outside of technical assistance or business coaching. This can include reviewing existing vendor procurement lists and partnering with organizations that hold business relationships as part of their community outreach programs such as Silicon Valley Power, Mission College, and community based organizations. For example, Silicon Valley Power might consider adding an opt-in option to receive information on succession planning and business continuity services in their online and printed materials directed to commercial clients.

A broader and deeper inventory can assist Santa Clara in building novel business outreach channels to support legacy business outreach and broader small business service provision should the City utilize these relationships for additional outreach initiatives. We recommend meeting with City staff that interface with small businesses in areas such as licensing, permitting, and procurement to develop a list of internal and external assets.

Encourage regional collaboration

Santa Clara is a leader in supporting both legacy business preservation and worker ownership in Silicon Valley. With the Worker Cooperative Initiative as a pilot model, the City can extend and expand its worker ownership support by encouraging a regional collaborative initiative with

⁶ The City of Long Beach has also recently established a [legacy business program](#) and maintains an ongoing [employee ownership initiative](#).

partners including peer cities, economic and workforce development organizations, and industry associations.

Santa Clara's community and economy are deeply connected with its neighbors. This is reflected in the regional mandate and purview of the area's business support infrastructure such as the Silicon Valley Economic Development Alliance and NOVAworks Job Center, and the recent branding transition of the Santa Clara Chamber of Commerce to the Silicon Valley Central Chamber of Commerce.

A regional initiative to promote legacy business preservation and worker ownership transitions can better reflect and leverage the priorities of this small business support infrastructure to reach more businesses, including those based in Santa Clara and those based outside the city that have Santa Clara residents as workers.

Trusted service organizations are critical in communicating the value and benefits of succession planning and worker ownership to business owners. In our conversations with regional economic and workforce development groups, we found willing partners in promoting and supporting the initiative. These include Silicon Valley Economic Development Alliance and NOVAworks Job Center. Where possible, they helped amplify the city's Worker Cooperative Initiative education and training webinars. However, these partners served a broader membership that made it difficult to exclusively target promotions to Santa Clara businesses.

A regional initiative that aims to equip businesses across the Silicon Valley area with the tools and information to preserve their legacy and sell to their employees can tap these organizations to act as communications conduits and advocates, identifying and connecting interested business owners with technical assistance. This would relieve the onus on Santa Clara to continue serving as the singular hub in the region for supporting this effort.

We recommend the City first encourage the Silicon Valley Economic Development Alliance (SVEDA) to facilitate roundtable discussions on regional efforts to support legacy business preservation and worker ownership transitions. Its mission to provide a "one-stop concierge" service for businesses and to coordinate city and county partners and resources for economic development makes it a clear hub to situate a legacy business preservation program. SVEDA can support the dissemination of worker ownership information with its 25 city and county members and can facilitate discussions to encourage and inspire other cities to develop programs similar to the Santa Clara's Worker Cooperative Initiative as well as additional resources such as regional marketing strategies or revolving loan programs to finance transitions.

We also recommend exploring ways to incentivize groups like Manufacture: San Jose with demonstrated models of business engagement to expand their scope to include Santa Clara businesses. As Project Equity's analysis identified, manufacturing is an important industry sector for legacy businesses at risk of closures. Encouraging and enabling Manufacture: San Jose to support Santa Clara manufacturing businesses could be significant. This may likely require

coordinating with the project's sponsors including the City of San Jose, CMTCC California's Manufacturing Network, and SFMade.

Santa Clara's efforts can be extended and strengthened through a regional approach to education, outreach, and coordinated service provision. This will increase resources and services for both local businesses and residents in the long run by bringing together other cities and economic and workforce development partners to center legacy business preservation and worker ownership transitions as critical tools for a sustainable and stable regional economy.

Incentivize worker ownership transitions

Santa Clara can build on its existing support to introduce incentives that can accelerate uptake of business transitions to employee ownership.

We recommend creating a dedicated funding pool that provides partial subsidies for feasibility studies and other technical and legal services. This can help the City generate success stories by encouraging small business owners and workers to explore an employee ownership transition.

We encourage a multi-use fund rather than specific allocations for separate uses as this gives the City flexibility to better meet changing needs. This recommendation builds from the lessons learned in working with the City of Berkeley. Berkeley subsidizes legal services for worker cooperative startups and conversions, education for City staff and the public, as well as outreach and feasibility studies for legacy businesses. However, since it is hard to predict the pace of demand for any of these services, some funds were left unused while others were nearly depleted. A joint funding pool that partially reimburses business owners and workers for a range of technical assistance services can avoid this. Santa Clara may consider encouraging a program in collaboration with other municipalities and organizations that is administered by a regional entity. In this way, the City can pool resources with its peers to launch a larger fund.

We recommend the following technical assistance services for partial subsidy:

- Worker ownership feasibility studies
- Cooperative conversion technical assistance
- Legal services
- Democratic management and governance training

There are broadly five stages of an employee ownership transition process. Business owners considering their succession options first **explore** a sale to their employees, next they **assess** if a transition is feasible financially, legally, and organizationally, and then advisors help **structure** the sale terms and any organizational or leadership changes. If everything is sound, they **complete** the transition and ongoing **support** is provided to the new worker-owners to address leadership and operational gaps while orienting management to new roles. Feasibility studies, conversion technical assistance, legal services, and democratic management and governance

training are all critical for helping owners and workers make the decision to transition while ensuring the business's success.

We emphasize feasibility studies as they are a crucial part of the assessment stage. A feasibility study evaluates the future viability of the company and its ability to support a proposed employee buyout transaction. Experienced professionals are invited to look at whether the value of the business will be enough to meet the seller's needs and advisors will propose the best legal structure for the sale to preserve value and maintain continuity. They will also examine the organizational capacity to take on new leadership and managerial responsibilities if the owner exits. A recommendation will either be made to move forward or to make changes that will increase company value and employee readiness.

Santa Clara can help incentivize business owners to consider a worker ownership transition as a viable exit strategy by providing a partial subsidy of fifty percent of the cost for obtaining a worker ownership feasibility study up to a certain dollar amount. States have passed more expansive versions of a subsidy, including Iowa which reimburses fifty percent of the cost (not exceeding \$25,000) incurred to obtain a feasibility study (this was primarily passed with Employee Stock Ownership Plan companies in mind). Incentivizing feasibility studies can also help the City stimulate local professional services providers to develop capacity and familiarity with employee ownership so they can adequately serve their clients. This in turn builds the pipeline of potential conversions as these service providers recommend employee ownership transitions to their clients as a viable option for exiting their businesses.

Conclusion

Santa Clara's Worker Cooperative Development Initiative introduced worker ownership to businesses, workers, and service providers leading to one business conducting a feasibility assessment for an employee ownership transition. A secondary outcome of the initiative was the growth of interest in legacy business preservation and worker ownership from regional service providers, creating opportunities for future county-wide collaborations. The City can build on this strong foundation by implementing the recommendations included in this report to support worker ownership, legacy business preservation, and a resilient and thriving local economy.

Appendix

- **A: Executive Summary of Worker Cooperative Initiative Recommendations**
- **B: Updated Scope of Services Agreement**
- **C: Registration and Attendee spreadsheets**
- **D: Final presentation slide deck and recording**

City of Santa Clara

Executive Summary of Worker Cooperative Initiative Recommendations

The first year of the City's Worker Cooperative Initiative educated business owners, City staff, service providers, and community members on the benefits of worker cooperative transitions as a business succession plan. The four following recommendations support the City to build on this momentum.

Continue supporting business owner and worker education and outreach

Support direct education and outreach efforts to ensure business owners and workers are aware of the cooperative business model and the services available to help them transition to worker ownership. The City can consider continuing its support by building internal staff capacity to provide small business outreach and support services, including legacy business promotion, basic transition information, and referrals for worker ownership transitions. Alternatively or adjacently, the City can consider funding additional education, training, and direct business outreach efforts that are implemented in partnership with local and regional service providers.

Institutionalize legacy business tracking and support

The City can amend its business license application to capture critical information to strengthen its future legacy business and worker ownership services. Include these fields: Co-op Corp as an entity option, business start date, start date of current ownership, number of employees, and industry.

Additionally, the City can consider creating an opt-in Legacy Business Registry as both a promotional strategy and as a tool for capturing more specific data that is not otherwise easy to obtain. Santa Clara can start by creating a legacy business brand with a web page on the City's website, a window sticker, and other cross-promotional incentives or tie-ins with other City and community programs.

Leverage existing partnerships for deeper collaboration and greater impact

Conduct an inventory of assets that engage with or touch Santa Clara businesses outside of technical assistance or business coaching such as reviewing vendor procurement lists and partnering with organizations that hold business relationships as part of their community outreach programs.

We also strongly recommend the City pursue a regional initiative with city and county partners to promote legacy business preservation and worker ownership transitions to leverage the existing small business support infrastructure to reach more businesses, including those based in Santa Clara and those based outside the city that have Santa Clara residents as workers. Encourage the Silicon Valley Economic Development Alliance (SVEDA) to facilitate discussions on regional collaborations.

Incentivize worker cooperative transitions

Create a dedicated multi-use funding pool that provides partial subsidies for feasibility studies and other technical and legal services to encourage small business owners and workers to explore an employee ownership transition. We emphasize feasibility studies as they evaluate the future viability of the company and its ability to support a proposed employee buyout transaction.



Sent Via Email: mhoover@institute.coop

Democracy at Work Institute
Attention: Melissa Hoover
1904 Franklin Street, Suite 400
Oakland, CA 94162

May 26, 2021

Re: Agreement for Services – Scope Adjustment Phase 1

Dear Ms. Hoover:

We are pleased with the progress the City of Santa Clara Worker Cooperative Initiative has made over the past several months. The Democracy at Work Institute team has been instrumental in the start-up including building content for our webpage, designing the initial kickoff event and building out an events calendar for on-going education, to name a few.

As contemplated upon contract execution, a few tasks associated with Phase 1 were deferred to Phase 2, while some Phase 2 items were accelerated. The attached scope of work outlines which tasks were modified. The total fee associated for Phase 1 work is \$15,000. Because Phase 2 items were completed during Phase 1 in place of the deferred items, it has been determined that the Phase 1 fee can remain the same.

Per Exhibit A, section 1.1 of the agreement, the order of tasks/phases may be modified upon mutual agreement by City and Contractor. If in agreement with the revised scope of work, please countersign in the space provided below and return to my attention. We look forward to continuing our work on the Worker Cooperative Initiative.

Best regards,

AGREED AND ACCEPTED:

Ruth Mizobe Shikada
Ruth Mizobe Shikada
Assistant City Manager

Democracy at Work Institute
BY: *Melissa Hoover*
Melissa Hoover
Executive Director

cc: Ruth Mizobe Shikada, Assistant City Manager
Zen Trenholm, Program and Policy Manager, Democracy at Work Institute

Attachment (1) – Revised Scope of Work

EXHIBIT A

SCOPE OF SERVICES

1. INTRODUCTION

- 1.1. Contractor shall provide support services to the City of Santa Clara (City) to help establish and implement a sustainable worker cooperative program to retain its legacy businesses through transitions to employee ownership. Contractor will train and equip City staff, develop foundational outreach materials and research, and execute an educational and technical assistance program for business owners and employees. Contractor will implement this approach in three phases as further detailed in Sections 2 through 4 below. The order of tasks/phases may be modified upon mutual agreement by City and Contractor.
- 1.2. To the extent not inconsistent with this Agreement between the City and Contractor including this Scope of Services, the City's SOQ 20-21-25 (including subsequent updates) and Contractor's proposal response dated October 21, 2020 are hereby incorporated by reference herein, and shall supplement this Scope of Services and be subject to the terms and conditions of the Agreement.

2. PHASE 1: FOUNDATIONAL MATERIALS AND RESEARCH

2.1. Requirements/Deliverables

- 2.1.1. Contractor shall consult with the City to determine the most effective way to support long-term citywide impact for this initiative.
- 2.1.2. Contractor shall make informational presentations on trends and best practices to City staff and elected officials on the worker cooperative business model.

2.2. Tasks

To accomplish the above, Contractor will build a strong foundation of knowledge and resources that supports the long-term success of the outreach and education program. This work breaks down in tasks as follows:

- 2.2.1. Groundwork: Review existing City programs, protocols, programs, and capacity to implement a sustainable employee ownership conversions program. Determine City staff points of contact and establish communication conduits and protocols, to periodically review and inform recommendations.
- 2.2.2. Training: Provide training to invited City staff on trends and fundamentals of employee ownership forms and conversions as a business retention and ownership expansion strategy. Will include assessment of the field and best practices deployed by cities and states around the country.
- 2.2.3. Strategy development: Present project plan and business outreach strategies to city contacts informed by Project Equity's market research study.
- 2.2.4. Web copy development: Develop web copy to promote the City's employee ownership initiative including benefits and resources available to business owners and employees, including calendar of

<p>Tasks 2.2.1 and 2.2.2 to be completed during Phase 2</p>
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events and info sessions, menu of resources, referral info for technical assistance providers, and intake form for inquiries.

3. PHASE 2: OUTREACH AND EDUCATION

3.1. Requirements/Deliverables

- 3.1.1.** Contractor shall conduct outreach to businesses including hosting informational sessions/workshops on the worker cooperative business model in partnership with Project Equity.
- 3.1.2.** Contractor shall provide technical assistance to businesses interested in pursuing a worker cooperative business model including but not limited to legal and educational services.
- 3.1.3.** Contractor shall project manage the education and training for business service providers, City staff, entrepreneurs, and the general public. Business owner outreach and education will be led by Project Equity.

3.2. Tasks

To accomplish the above, Contractor will undertake three activities to reach and educate business owners and business service providers, and to provide targeted technical assistance. Contractors will provide materials/messaging to support the City to promote these events through its channels:

- 3.2.1.** Informational sessions for business owners: Produce and promote a series of 2-3 informational events targeted to business owners, in partnership with Project Equity.
 - 3.2.1.1.** Coordinate with Project Equity to reach target segments of business owners as identified through their market research, and to offer these sessions as resources in their outreach to business owners.
 - 3.2.1.2.** Create sessions that feature invited business owners and converted businesses in similar industries to discuss their experience with transitioning to employee ownership. Topics will include worker cooperative and employee ownership options, business succession planning, conversions process. General approach will incorporate storytelling and examples, and supports for taking next steps.
 - 3.2.1.3.** Some events may be co-hosted with local and regional business service providers and/or business associations.
- 3.2.2.** Technical assistance: Develop and facilitate 3-5 technical assistance workshops and legal advice clinics for business owners and workers.
 - 3.2.2.1.** Workshop topics include but are not limited to worker cooperative fundamentals, employee ownership conversions process, democratic management and governance best practices, open book management, and financing.

3.2.2.2. Legal clinics will offer 1:1 advising on business legal questions about cooperative and employee ownership structures and the process of transitioning ownership.

3.2.3. Project management for ecosystem trainings: Manage the development and implementation of outreach and informational sessions to ecosystem partners, such as business service providers, city staffers, entrepreneurs and the general public.

3.2.3.1. Develop and maintain a project plan/timeline for engaging ecosystem partners.

3.2.3.2. Generate an ecosystem map of local and regional business service organizations to target for communications, events, trainings, and information. Work with City contacts to gather information on service provider partners.

3.2.3.3. Coordinate and host a targeted training event for business service providers and City staff who support businesses. The training will equip service providers and business-facing City staff with the information and tools they need to identify possible candidates for conversion, and effectively provide referrals and basic technical assistance.

3.2.3.4. Coordinate and host a virtual public event/informational session for entrepreneurs and the general public to promote the City's employee ownership conversions initiative.

3.2.3.4.1. The event will provide an overview of employee ownership and worker cooperatives and present transitions to employee ownership as a business retention strategy and succession plan option.

3.2.3.4.2. Attendees will leave the event with information on referral services, resources, and future learning opportunities.

3.2.3.4.3. Contractor will coordinate with Project Equity on business owner outreach.

Tasks 3.2.3 through 3.2.3.4.3. were completed during Phase 1, except for 3.2.3.3 which will be completed during Phase 2

4. PHASE 3: RECOMMENDATIONS FOR SUSTAINABILITY

4.1. Requirement/Deliverable

4.1.1. Contractor shall make recommendations to the City on how it can set up a sustainable worker cooperative program including, but not limited to, updating policies, procedures or ordinances, leveraging existing programs and staffing and funding needs.

4.2. Tasks

To accomplish this requirement, Contractor will undertake three tasks:

4.2.1. Data collection: Track and manage services and outreach efforts to

measure impact and outcomes. Contractor will utilize existing City systems or develop a data tracking system using City approved metrics. Contractor will furnish business data and information to the City throughout the contract and submit periodic reports.

- 4.2.2. Report and Recommendations:** Develop and present recommendations to the City for institutionalizing a long-term, cost-effective employee ownership support program. Contractor will develop and present a written report near the end of the project that includes:
 - 4.2.2.1.** Project summary, progress update, lessons and outcomes including additional status reports as requested
 - 4.2.2.2.** Recommendations for effective support of employee ownership that touch on City policy, procedures, and practices, consider existing programs, and enumerate likely funding sources and uses. Recommendations will be informed by foundational research, interviews with City staff and business service organizations, and data gathered from business owner outreach/education efforts
 - 4.2.2.3.** Presentation of this report and recommendations to City contacts and other invited City staff at a virtual meeting designed to identify and facilitate next steps implementing and institutionalizing support with the City.
- 4.2.3. Network:** As desired, Contractor will connect City staff to a national community of practice of city leaders implementing employee ownership conversion initiatives, via its SEED Fellowship program and the Workers to Owners collaborative. Contractor will invite City staff to participate in quarterly calls to share progress and learn about innovative approaches to business retention through broad-based ownership.

5. OUTCOMES

- 5.1.** The anticipated outcomes of this work include one hundred fifty (150) business owners and/or workers reached, fifteen (15) business owners educated on transition process and worker ownership structures, three (3) business-facing organizations partnered and trained to promote employee ownership, and three to five (3-5) City staff trained and equipped to maintain and increase city support for conversions to employee ownership.
- 5.2.** All deliverables, including project plans, background and mapping documents, marketing and outreach collateral, presentations and curricula, and period-end report and recommendations, will constitute a substantial knowledge base that supports the City's next steps.

A large, abstract teal graphic on the right side of the page, consisting of overlapping, rounded shapes in various shades of teal and light blue, creating a modern, organic feel.

2021 Worker Cooperative Initiative Final Report and Recommendations

Prepared for City of Santa Clara | October 2021

Democracy at Work Institute | Sustainable Economies Law
Center | Project Equity | U.S. Federation of Worker Cooperatives

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Participants

Please share:

- your name
- pronouns
- department
- position
- **one thing you're hoping to take from this presentation**



Agenda

1. Project Scope
2. General Observations
3. Challenges & Opportunities
4. Impact and Outcomes
5. Recommendations
6. Q+A

Project Scope

Educate and equip business owners and employees to explore transitions to worker ownership and provide recommendations for ongoing city support.

- ✓ **Phase 1:** Foundational materials, building relationships, and conducting groundwork research
- ✓ **Phase 2:** Business ecosystem outreach and launching a series of educational and technical assistance events
- ✓ **Phase 3:** Recommendations for the long-term sustainability of the Initiative.



General Observations

- ✓ Older businesses, legacy businesses have and outsized positive impact on Santa Clara's economy: just 18% of all local businesses with workers but generate 57% of revenues and employ more than 33% of all workers
- ✓ Interest in both start up development and conversions
- ✓ Few repeat attendees; value of continuing introductory sessions
- ✓ A key benefit of worker ownership articulated by owners: attracting and retaining workers
- ✓ Mission College is investing in worker cooperative education



Challenges

- ✓ COVID-19 presented significant challenges to business outreach
- ✓ Legacy business preservation and worker ownership are largely new concepts in the business community and business services ecosystem
- ✓ Limited City staff capacity to support comprehensive small business outreach and support services; region-focused service providers are key



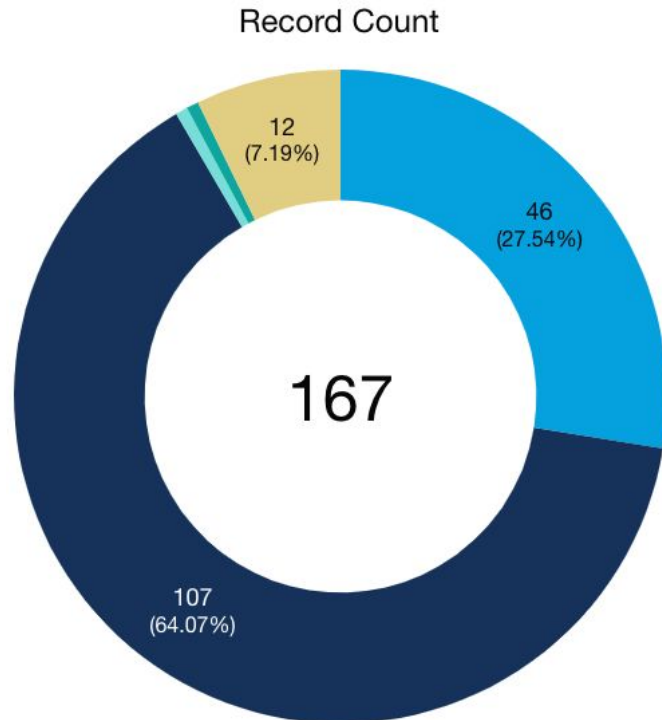
Strengths and Opportunities

- ✓ The City celebrates its small businesses and their community impacts
- ✓ City leadership is supportive of the Worker Cooperative Initiative
- ✓ Silicon Valley municipal leaders are also interested in the Initiative
- ✓ Potential to embrace a regional strategy for legacy business preservation and worker cooperative transitions
- ✓ Entrepreneurs have contacted Project Equity for assistance, showing local interest for worker cooperative start ups as well as conversions
- ✓ Potential for aligning with Mission College and exploring opportunities for collaboration and business referral channels



Impact and Outcomes

Individuals by Org Type



Account Record Type

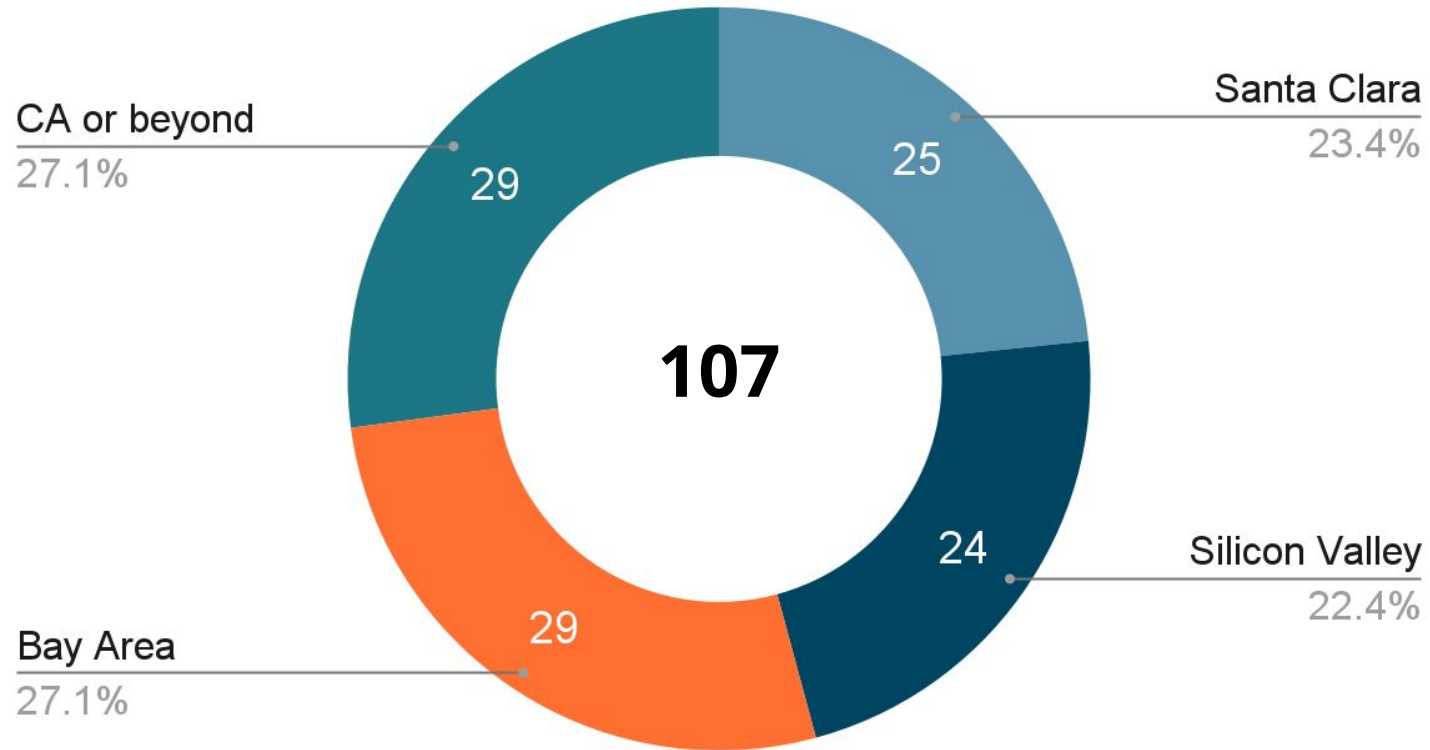
- Ecosystem Organization ●
- End Business Account ●
- Funder/Grant Maker/Revenue Partner ●
- PR/News/Media Organizations ●
- Service Provider Partner ●

96 (110)
Attendees



Impact and Outcomes

Location of business engagements



9 Business Consultations



Starting a feasibility assessment to employee ownership (Project Equity marketing)



Individual interested in establishing a start-up cooperative business (Event follow up)



Ongoing consultation and remains an active prospect for a feasibility assessment to employee ownership (Event follow up)



Build on momentum

Institutionalize legacy business and worker ownership tracking and support

Leverage existing partnerships for deeper collaboration and greater impact

Incentivize worker cooperative transitions

The background features a white space on the left and a teal triangle at the bottom left. On the right, there are overlapping, semi-transparent shapes in shades of teal and light blue, creating a layered, organic effect.

Building on momentum

Continue positive momentum

- ✓ The City of Santa Clara has built momentum and lasting assets around worker cooperatives and employee ownership:
 - A resource portal on its website
 - Pathways to qualified technical assistance providers
 - Recorded training and educational materials
- ✓ We encourage continued outreach and supporting efforts to educate area business owners and service providers.
- ✓ The City can continue to engage outside service providers as well as build internal capacities.



Additional approaches to strengthen and continue the initiative

- ✓ Prioritize lighter lift efforts to heavier lift efforts considering current staff capacity:
 1. Institutionalize how legacy businesses and worker ownership is identified, tracked, and utilize this information for programming.
 2. Maximize existing relationships between City offices, members of the public, and regional partners for impact through collaboration.
 3. Provide direct incentives and financial supports for worker cooperative transitions and technical assistance.





**Institutionalize
legacy business support**

Improve business license applications

- ✓ Amend the City's **business license application** to **capture information** and **build awareness** about worker cooperatives.
 - Include 'Co-op Corp' as an entity option,
 - Collect business start date,
 - Collect start date of current ownership,
 - Collect number of employees (if applicable), and
 - Collect a description of business activity.
- ✓ On renewal applications, the City could further collect information on additional forms of employee ownership and an 'opt-in' for additional information on transitions and succession through employee ownership.



Improve business license applications

- ✓ An example from the City of Berkeley which was amended as a part of their worker cooperative initiative.
- ✓ These data help **track adoption** of employee ownership and a means of **qualifying candidates** for transition.



Finance Department
Revenue Collection
1947 Center Street, 1st Floor
Berkeley CA 94704

For Office Use Only

Tax Code* _____ NAICS* _____

NEW BUSINESS LICENSE APPLICATION Reset Form

(Fillable form with auto calculations)

Please read all instructions on the other side of this form before completing this application.

***Attention: Information required on this form may be subject to public disclosure**

BLA- _____
 Payment Type: _____
 CK # _____
 Payment \$ _____



Promote and celebrate legacy businesses

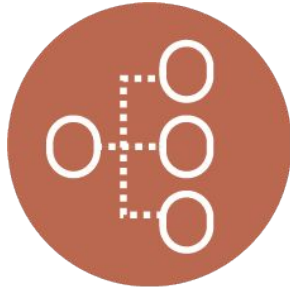
- ✓ **Legacy Business Registries** have been used by many municipalities to
 - Celebrate long-standing local businesses,
 - Elevate local small business stories, and
 - Capture data not otherwise available through license applications.
- ✓ The City of San Francisco started their Legacy Business program through legislative action and a public vote in 2014 in response to unprecedented small business closures.
- ✓ From launch, nomination, and notification, the process may **surface compelling stories** of local small businesses.
- ✓ Collected **data serves as basis** to target programs and develop services.



The background features abstract, overlapping shapes in shades of teal and light blue. A solid teal triangle is in the bottom-left corner. The rest of the background is white with soft, wavy, light blue and teal shapes that create a sense of depth and movement.

**Leverage existing
partnerships**

Inventory of non-traditional local assets



Community-serving Organizations

Mission College, Silicon Valley Power, etc.



Internal assets

Vendor lists, business permits, etc.



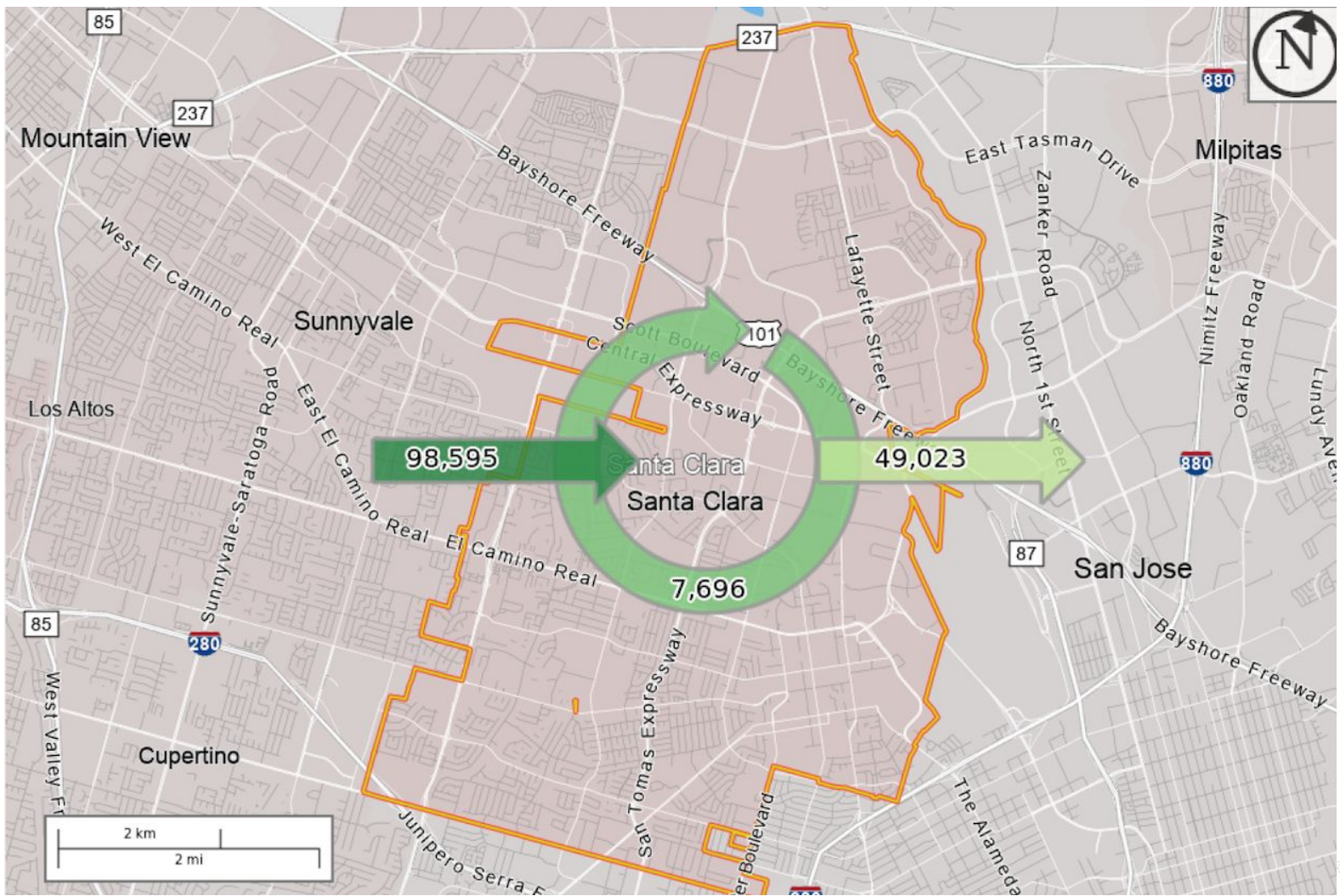
Powering The Center of What's Possible



Why encourage regional collaboration?

- ✓ Santa Clara's community and economy are **deeply connected** with its neighbors
- ✓ Key business support providers either have a **regional mandate** (e.g. Silicon Valley Center Chamber of Commerce) or focus on larger adjacent communities (e.g. Manufacture: San Jose)
- ✓ Many small businesses based in Santa Clara have **workers from outside the city** and **many small businesses based outside the city have Santa Clara residents as workers**
- ✓ A **regional initiative relieves the burden on Santa Clara** to continue serving as the singular hub in the region for supporting this effort





How to encourage regional collaboration

- ✓ Encourage the **Silicon Valley Economic Development Alliance** to facilitate roundtable discussions on regional efforts to support legacy business preservation and worker ownership transitions:
 - Connect SVEDA's 25 city and county members to worker ownership experts and resources
 - Explore potential regional collaborations around: marketing or revolving loan programs to finance transitions
- ✓ Explore ways to encourage **Manufacture: San Jose** to expand their scope to include Santa Clara businesses.





**Incentivize worker
ownership transitions**

Ongoing Investment in Technical Assistance is Key

- ✓ **Continue** and **expand** investment in technical assistance
- ✓ Create a multi-use TA fund that partially subsidizes:
 - Worker ownership **feasibility studies**
 - Cooperative conversion **technical assistance**
 - **Legal** services
 - **Democratic management and governance** training
- ✓ Ensure that funds are not earmarked for particular services, but pooled into a **multi-use** fund that is flexible enough to **respond to demand**
- ✓ Builds on **lessons learned from the City of Berkeley**, which provided a model for Santa Clara's initiative



Feasibility Studies Can Fuel Uptake

- ✓ Feasibility studies **evaluate** the **future viability** of the company and its **ability to support** a proposed **employee buyout** transaction
- ✓ Feasibility studies determine:
 - Business **valuation**
 - **Seller's** needs
 - **Organizational/workers'/buyer's needs and capacity** to step into leadership and management roles
- ✓ Recommendation: Subsidize 50% of the cost of a feasibility study, up to some dollar amount



Discussion

- *What resonated with you and why? What surprised you?*
- *Which of these are heavier or lighter lifts than we expected?*
- *Where do you have questions or concerns?*
- *What recommendation(s) will you take the next step on?*
- *How can we support your team when we present this to the EDCM in November?*





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