



**City of  
Santa Clara**  
The Center of What's Possible

AGENDA ITEM #: 1

## AGENDA REPORT

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**Date:** July 9, 2019

**To:** City Manager

**From:** Acting Executive Assistant to the Mayor & City Council

**Subject:** Correspondence received regarding Item #1 on July 9, 2019 City Council Meeting Agenda

From Wednesday, June 26, 2019, at 12:00 p.m., through Tuesday evening, July 9, 2019, at 5:00 p.m., the Mayor and City Council Offices received the attached communications regarding Item #1 – Presentation on the Worker Cooperative Business Model.

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Genevieve Yip  
Acting Executive Assistant to the  
Mayor & City Council

*Documents Related to this Report:*

- 1) *Communications received*

*L:\Agenda Reports & Memos\Communications Received Memos\07-09-2019\Item1*

**POST MEETING MATERIAL**

7/9/2019

ITKM 1

Genevieve Yip

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**From:** Elizabeth Sarmiento <smartyardscoop@gmail.com>  
**Sent:** Monday, July 8, 2019 3:08 PM  
**To:** Mayor and Council; Manager; cityclerk@santaclaraca.gov; coop@asliceofny.com  
**Subject:** Letter of support for the Cooperatives Study Session, July 9  
**Attachments:** Smart Yards Co-op Letter of Support for Santa Clara City Council 09072019.pdf  
**Categories:** POST MEETING MATERIAL

Dear Mayor Gillmor and city colleagues,

Please see the attached letter of support for the Study Session regarding the cooperative business model planned for tomorrow, July 9th.

I look forward to working with you soon!

In Cooperation,  
Elizabeth



Elizabeth Sarmiento

Founder & Manager

**Smart Yards Co-op**

A Sustainable Landscaping Cooperative

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**Email: [smartyardscoop@gmail.com](mailto:smartyardscoop@gmail.com)**

**Phone: (650) 704-3462**

**544 Snyder Ave. Suite 101, San José, CA 95125**



# SMART YARDS CO-OP

## A Sustainable Landscaping Cooperative

544 Snyder Avenue  
San José, CA 95125

Phone (408) 883-5936  
smartyardscoop.com

### ADVISORY BOARD

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Bill Ribble

Dr. Liliana Rossmann

Gene T. Wodajo

Rob Yanagida

July 5, 2019

Mayor and City Council  
1500 Warburton Ave  
Santa Clara, CA 95050

RE: **Worker Owned Cooperative City Council Study Session**

Hon. Mayor Gillmor, Councilmembers, and City Manager

Imagine creating a fair share economic system for those who work on reducing water, energy and pollution to curb climate change by transforming our yards into beautiful outdoor living spaces for families, community, native flora and fauna and future generations to enjoy.

I'm founding member of Smart Yards: A Sustainable Landscaping Cooperative based in San José; board member of the Santa Clara County League of Conservation Voters since 2012, member of the Santa Clara Valley Water District Environmental and Water Resources Committee since 2014; and member of the Santa Clara Valley Cooperative Collaborative under the leadership of Richard Hobbs.

It's my honor to be part of these sustainable and economic empowering solutions and to be in action with the possibility of living in a culture of cooperative business models in Santa Clara County. It is inspiring to work with leaders and members of the community like Kirk Vartan, who is willing to share his business, and his vision with the workers by converting A Slice of New York into a worker-owned cooperative.

Congratulations! You are about to follow in the footsteps of the City of Berkeley and to make history in the issue of Cooperative business models. We are excited that you're hosting a Council Study Session about worker-owned cooperatives in July and are happy to support Kirk Vartan and everyone involved, including Project Equity, SELC, TeamWorks and Human Agenda in sharing the various benefits of worker-owned cooperatives.

The Smart Yards Co-op team and Smart Yards Co-op Education team is looking forward to attending the session on Tuesday July 9<sup>th</sup> and to working with you and the community at large on these efforts. Please reach out to me if we can help in any way and thank you for your leadership!

Cooperatively,

Elizabeth Sarmiento  
Founder and Manager, Smart Yards Co-op  
Email: [smartyardscoop@gmail.com](mailto:smartyardscoop@gmail.com)  
Phone: (408) 883-5936

7/9/2019

ITEM 1

**Genevieve Yip**

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**From:** Mo Manklang <mo@usworker.coop>  
**Sent:** Monday, July 8, 2019 2:55 PM  
**To:** Mayor and Council; Manager; cityclerk@santaclaraca.gov; coop@asliceofny.com  
**Subject:** In support of the Santa Clara Worker Cooperative Study Session  
**Attachments:** USFWC-Santa Clara Letter of Support.pdf  
  
**Categories:** POST MEETING MATERIAL

Dear Mayor Gillmor, Councilmembers, and City Manager Santana,

On behalf of the U.S. Federation of Worker Cooperatives and its membership, I'm writing in support of the study session on worker co-ops that will take place tomorrow. We applaud your efforts to learn about the worker cooperative model, and are happy to be a resource to the government in Santa Clara, as the national network of worker cooperatives and democratic businesses.

While still growing in the national dialogue, worker ownership is a vital solution for small businesses like A Slice of New York and others in the Santa Clara region, and we hope to work with you in the future to educate and develop resources on worker co-ops.

Attached is our full letter of support — again, thank you for your time tomorrow. Our board president, Ricardo Nuñez, as well as several of our members will be in attendance, and we look forward to hearing about the event afterwards!

Best,

Mo

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**Mo Manklang**

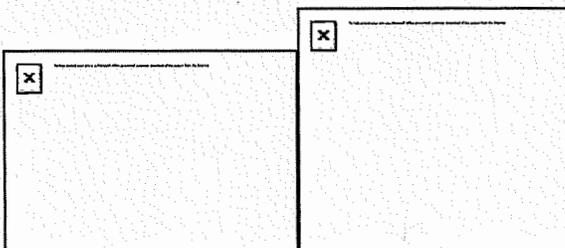
*Director of Communications | Director Comunicaciones*  
**US Federation of Worker Cooperatives**

[mo@usworker.coop](mailto:mo@usworker.coop)

**office:** 415.392.7277 x 6

**mobile:** 215.703.7325

**follow:** @usfwc | @momanklang | [www.usworker.coop](http://www.usworker.coop)



**Coming up:**

July 20 - Western Worker Cooperative Convening in the Bay Area

October 18-20 - Eastern Conference for Workplace Democracy in Baltimore

**Próximos Eventos:**

20 de julio - El Encuentro Occidental de Cooperativas de Trabajadores en el área de la Bahía

18-20 de octubre - La Conferencia Este para la Democracia en el Trabajo



July 5, 2019  
Mayor and City Council  
1500 Warburton Ave  
Santa Clara, CA 95050

Dear Mayor Gillmor, Councilmembers, and City Manager:

#### BOARD OF DIRECTORS

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*Administrative Assistant Operations Manager*

On behalf of the U.S. Federation of Worker Cooperatives (USFWC), the grassroots national membership organization supporting worker cooperatives, we enthusiastically support and applaud the City of Santa Clara in its exploration of the worker cooperative model as an economic development strategy. Our Federation represents more than 200 business and organizational members representing 6,000+ workers across the country. We organize through local cooperative networks, like the network you'll meet on July 9th, while building power with national and international partners to advance an agenda for economic justice rooted in community-based, shared ownership.

As we know you have now heard, our country is facing an important moment in the future of our small businesses. The "silver tsunami", a wave of thousands of baby boomers selling their businesses as they prepare to retire, is swiftly approaching, and we know that worker ownership is a strong and tested way of continuing these businesses that are the bedrock of Santa Clara.

In recent years we have seen an uprising in interest, from our grassroots community partners to policy-makers at all levels of government. One of the greatest hallmarks of this rising tide of worker ownership was the passing of the first ever federal level bill to focus on worker cooperatives: the Main Street Employee Ownership Act, which passed in August of 2018. This bill directs our government's Small Business Administration to educate their centers about worker cooperatives and to research effective ways to fund them. This bill was historic, and we hope that Santa Clara joins the first wave of local governments to lead the nation in educating, training, and providing funding toward worker co-op development.

Now in our 15th year, the USFWC has had a front row seat to see breadth and longevity of worker owned businesses. We know that there is a growing public desire for systematic economic change, and that cooperatives are a key solution to saving small businesses and local jobs, particularly in the low-wage retail and food sectors which employ some of our most insecure, high-turnover positions.

Worker cooperatives provide better-than-average wages, with the typical worker owner making \$15.82 an hour, not including patronage. Our recent study of the worker cooperative experience shows that the average worker has stayed at their job for 6 years, and are unlikely to seek another job in the near future. In an economy where CEOs typically make 303 times as much as their lowest paid employees, we aim to battle those inequalities with worker cooperativism, which typically has a 2-to-1 ratio in its top-to-bottom pay ratio.

As the lead of the USFWC's policy efforts, I am pleased to share that cities and states across the country are awakening to the many benefits of worker cooperatives. From Berkeley's recent dedication of \$100,000 toward worker cooperative development, to the \$3.609 million dollars allocated in New York City, there are many initiatives and projects already in motion, and now is the time to become a leader in this work.



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Laura Smoot  
Operations Manager  
Kate Barut  
Membership Coordinator  
Daniel Park  
Administrative Assistant  
Operations Manager

The USFWC is here to help - we look forward to partnering with the City of Santa Clara, and are prepared to offer assistance and perspective from our national lens to aid the work on the ground. We fully support A Slice of New York, our nonprofit partner Democracy at Work Institute, as well as our many members who we know will be present on July 9, including the Sustainable Economies Law Center, Niles Pie Company, and Teamworks, Arizmendi Association, the Network of Bay Area Worker Cooperatives.

We have staff dedicated to working with our local networks to ensure that we both support and celebrate the leadership of cities like Santa Clara in their efforts to support of worker co-ops. We trust that the July 9th study session is in the capable hands of our trusted partners, and are pleased to have provided advice, reports, and resources to be shared.

Worker ownership provides "future proofing" for the independent spirit and thinking that embodies small businesses in the U.S., and allows selling owners to protect their legacy while continuing to nurture new talent and ideas. The USFWC is here to support Santa Clara, its government, and its cooperative community in the long term, as we work together to support workers and the value that they create for the community.

Please do not hesitate to reach out to the USFWC - we are here to help.

Sincerely,

Mo Manklang  
Communications Director  
U.S. Federation of Worker Cooperatives  
[mo@usworker.coop](mailto:mo@usworker.coop)  
215-703-7325

7/1/2019

ITEM 1

**Genevieve Yip**

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**From:** Cortese, Dave <Dave.Cortese@BOS.SCCGOV.ORG>  
**Sent:** Wednesday, July 3, 2019 11:59 AM  
**To:** Mayor and Council  
**Cc:** cityclerk@santaclaraca.gov; Manager; coop@asliceofny.com  
**Subject:** Worker-owned Cooperative

**Categories:** POST MEETING MATERIAL

Dear Mayor Gillmor, Councilmembers and City Manager:

I have known Kirk Vartan for many years and have followed the successful conversion of his Santa Clara business into a worker-owned cooperative. It is great to see this business headquartered in Santa Clara; I was surprised to learn that this pizza shop was the only retail worker cooperative in the County of Santa Clara! I am familiar with the worker cooperative structure and was excited to hear of your intent to hold a Council Study Session on July 9th to further educate the public on this topic.

I am extremely supportive of this effort. Please let me know how we can help your efforts for employee ownership options. Perhaps you could share information after your session with my team so we can see how to best utilize this information at the County level. Worker cooperatives are a well-established business model that date back to the beginnings of the American labor movement. Worker rights and equity are very important to me, so anything we can do to further educate our businesses is a great thing.

Please know you have my full support and endorsement in further educating the community on worker cooperatives and how they can provide additional solutions to the looming threat of our retiring baby boomers, the loss of our small businesses, and the growing inequalities in our workforce. These are challenging times and we need to inform our local businesses on the many options they have.

Please reach out to me if I can help in any way. Thank you for your leadership!

Dave

**Dave Cortese**  
**Supervisor, Third District**  
**County of Santa Clara**  
**70 W. Hedding Street, 10th Floor**  
**San Jose, CA 95110**  
**T 408-299-5030 | F 408-298-6637**  
**[dave.cortese@bos.sccgov.org](mailto:dave.cortese@bos.sccgov.org)**  
**[www.supervisorcortese.org](http://www.supervisorcortese.org)**

7/9/2019

ITEM 1

Genevieve Yip

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**From:** Carolyn Berke <carolyn@nilesapie.com>  
**Sent:** Monday, July 1, 2019 6:57 PM  
**To:** coop@asliceofny.com; Mayor and Council; Manager; cityclerk@santaclaraca.gov  
**Subject:** In support of the July 9th worker cooperative study session  
**Attachments:** SantaClara-letterofsupport.docx

**Categories:** POST MEETING MATERIAL

July 1, 2019

Mayor and City Council  
1500 Warburton Ave  
Santa Clara, CA 95050

Dear Mayor Gillmor, Councilmembers, and City Manager,

I am the founding owner and current General Manager of Niles Pie Company, a worker-owned cooperative in Union City. In fact, our business got to know ASONY when we worked with Project Equity in 2017 as we converted from a sole proprietorship to worker-ownership.

I started Niles Pie in 2010 as many sole proprietor "mom-and-pop" businesses do – with a ton of hard work, fantastic community support, and a whole lot of luck. I worked long hours, called in favors that I wasn't owed, and did everything I could to get our little pie shop off the ground. We grew quickly and over the first 5 years had wonderful success. But I knew that our growth wouldn't be sustainable over the long haul without more management and more support.

What has made us an on-going viable business is that we were able to bring our staff together, provide training and support, and create a worker-owned cooperative. The vast majority of small businesses, in the low-wage retail and food sectors, can't possibly sell their businesses to their workers - because those low-wage workers just don't make enough money to afford to buy the business. Small business owners can't retire without closing shop. But together, workers form a knowledgeable base, with experience and exactly the right skills, and they can become a cooperative that they are particularly suited to manage. Niles Pie Company became a worker-owned cooperative because it just made the most sense for our business.

The Bay Area is at a cross-roads. Any small retail business owner will tell you horror stories of trying to hire and retain staff, because people just cannot afford to work in small retail businesses in our current economic climate. How do we retain the small businesses that are the cornerstones of our communities? How do we avoid giving way to un-rooted chains that have no personal ties to the neighborhood? One answer in the difficult search for solutions is worker-ownership. Our staff - our owners - learn financial and management skills that make them assets to the community. Their families become more embedded in the neighborhood. As a business, Niles Pie is on more secure footing with skilled worker-owners. And personally, I am very proud to be part of a team that is taking over management and ownership of the business I began.

I am excited at the work Kirk and Marguerite are doing, and very much looking forward to the July 9<sup>th</sup> study session. I'm very happy that the city of Santa Clara is investigating ways to participate in the innovative solutions to the business and economic challenges our Bay Area faces today.

Best Regards,

Carolyn G. Berke, Founding Owner

Niles Pie Company

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

32990 Alvarado-Niles Road, suite 960

*in the Dowe Business Park*

Union City, CA 94587

510-324-4743

Like us on [Facebook!](#)

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Shop hours: Mon-Fri 7:30 a.m. – 7 p.m.

Saturdays 8 a.m.-4 p.m.

July 1, 2019

Mayor and City Council  
1500 Warburton Ave  
Santa Clara, CA 95050

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Best Regards,

Carolyn G. Berke

Founding Owner, Niles Pie Company

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

EMAIL:

[mayorandcouncil@santaclaraca.gov](mailto:mayorandcouncil@santaclaraca.gov)

[manager@santaclaraca.gov](mailto:manager@santaclaraca.gov)

[cityclerk@santaclaraca.gov](mailto:cityclerk@santaclaraca.gov)

[coop@asliceofny.com](mailto:coop@asliceofny.com)

7/9/2019

ITEM 1

**Genevieve Yip**

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**From:** richardryanhobbs@gmail.com  
**Sent:** Monday, July 1, 2019 7:13 PM  
**To:** Mayor and Council  
**Subject:** Cooperative Study Session Letter of Support from Human Agenda  
**Attachments:** Human Agenda - Cooperatives Letter of Support Santa Clara City Council.pdf  
**Categories:** POST MEETING MATERIAL



1376 N. 4<sup>th</sup> Street Suite 100 San Jose, CA 95112 Tel. 408-460-2999  
[humanagendausa@gmail.com](mailto:humanagendausa@gmail.com) [www.humanagenda.net](http://www.humanagenda.net)

July 1, 2019

Santa Clara Mayor and City Council  
1500 Warburton Avenue  
Santa Clara, CA 95050

**RE: Worker Owned Cooperative City Council Study Session**

Hon. Mayor Gillmor, Councilmembers, and City Manager:

If the arc of history bends towards justice, the economy of the United States will bend toward more democratically run one-member-one vote worker-owned cooperatives.

Human Agenda applauds your decision to hold a one-hour study session on July 9, 2019 as well as community efforts to transform the local economy into a more cooperative profile.

I am the Executive Director of Human Agenda and the former Director of the Office of Human Relations of Santa Clara County. I also run my own business, the Law Office of Richard Hobbs, which I am working to convert to a worker-owned law practice this coming year.

We are living in the era of the most grotesque inequality in the history of the world. Eight human beings hold assets equivalent to what half of humanity owns. Taking baby steps to address this, among other activities, in the last few years Human Agenda

- Convened the Santa Clara Valley Cooperative Collaborative
- Helped incubate the Smart Yards Cooperative, a worker-owned cooperative converting water-guzzling lawns into native California gardens
- Converted its deportation defense legal collective, CLARO, into a cooperatively run and operated project of Human Agenda
- Received a small grant this coming year to develop a worker-owned cooperative of *promotoras* (Latina health educators) in Santa Clara and San Benito Counties
- Collaborated with TeamWorks and META, two large local Latina co-ops, and of course with A Slice of New York, an exemplary model co-op conversion

We fully support the efforts of Kirk Vartan, Project Equity, SELC, TeamWorks, and other agents to create stable local jobs, democratic practices, and enhanced economic security through employee ownership. As a model city in this valley please consider following the lead of New York City, Madison, Richmond, Berkeley and other jurisdictions that have dedicated time and resources to co-op development.

Sincerely yours,  
Richard Hobbs, Esq.  
Executive Director, Human Agenda

7/9/2019

ITEM 1

Genevieve Yip

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**From:** Rod <rod.cotton@att.net>  
**Sent:** Monday, July 1, 2019 7:41 PM  
**To:** Mayor and Council; Manager; cityclerk@santaclaraca.gov  
**Cc:** coop@asliceofny.com; santaclara@snapfitness.com; Patty Viafara; 'Hilary Abell'; rod.cotton@att.net  
**Subject:** Support for Workers CO-OPS in City of Santa Clara!  
**Attachments:** Snap Fitness 24-7 CO-OP letter-of-support-July-2019.docx

**Categories:** POST MEETING MATERIAL

Mayor and City Council  
1500 Warburton Ave  
Santa Clara, CA 95050

July 1, 2019

Dear Mayor Gillmor, Councilmembers, and City Manager:

I am with Snap Fitness 24-7 a Santa Clara business that puts its employees first.

Snap Fitness 24-7 in Santa Clara is dedicated to making a positive difference in our members and employee's lives. We do this in an atmosphere of support and fun that allows for an improved quality of life. We change lives by creating community, offering high quality health and fitness education and goal attainment assistance. We endeavor to do this in a prosperous, and joyful way.

Our organization has been following the conversion of Santa Clara's A Slice of New York for some time now. It is exciting to think that beyond the spirit of how we already run our business that the employees can also be partnered into a ownership stake that lets them be honored for their hard work. We look forward to creating the possibility for our staff to become worker owners.

A big opportunity lies ahead for cities that support retiring baby boomers who may have successful small business without a simple retirement transition plan that allows for the success of the company to continue after the founder/principle retires. The well-run City of Santa Clara has a chance to be proactive with its businesses to create an additional financial resource channel for transitioning of individually owned businesses to employee owned worker cooperatives, saving a city tax resource.

Snap Fitness 24-7 is extremely supportive of this effort. Please let me know how we can help your efforts for employee ownership options. We look forward to sharing this session with the larger community and other cities in the country.

We look forward to attending and participating in the session on July 9th, and please know you have our full support and endorsement in further educating the community on worker cooperatives and how they can provide additional solutions to the looming threat of our retiring baby boomers, the loss of our small businesses, and the growing inequalities in our workforce. These are challenging times, and we need to inform our local businesses on the many options they have, and the worker cooperative business model is a good one!

Please reach out to me if we can help in any way and thank you for your leadership!

Rod Cotton, Owner  
Snap Fitness 24/7 60 N. Winchester Blvd. Santa Clara, Ca. 95050  
408-260-1111 Club 408-655-6388 Cell [rod.cotton@att.net](mailto:rod.cotton@att.net)  
[www.snapfitness.com/santaclara](http://www.snapfitness.com/santaclara)

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Hilary Abell [hilary@project-equity.org](mailto:hilary@project-equity.org)

Patty Viafara [patty@project-equity.org](mailto:patty@project-equity.org)

Rod Cotton, Meditation Coach/Owner, Snap Fitness 24/7 60 N. Winchester Blvd. Santa Clara, Ca. 95050 408-260-1111  
Club 408-655-6388 Cell [rod.cotton@att.net](mailto:rod.cotton@att.net) [www.snapfitness.com/santaclara](http://www.snapfitness.com/santaclara)



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[coop@asliceofny.com](mailto:coop@asliceofny.com)

7/9/2019

ITEM 1

**Genevieve Yip**

**To:** Mayor and Council  
**Subject:** Letter of Support for Workers Coop Study Session

**From:** Nick Kaspar <[nick.kaspar@santaclarachamber.com](mailto:nick.kaspar@santaclarachamber.com)>  
**Sent:** Wednesday, June 26, 2019 12:59 PM  
**To:** Mayor and Council <[MAYORANDCOUNCIL@SantaClaraCA.gov](mailto:MAYORANDCOUNCIL@SantaClaraCA.gov)>  
**Subject:** Letter of Support for Workers Coop Study Session

Hello Mayor and Council,  
Please find the letter of support for the study session on Workers Coops held on July 9th. I look forward to attending and participating at the meeting.  
Thank you,

**Nick Kaspar** | President/CEO

Silicon Valley Central Chamber of Commerce  
Phone: (408) 940-5147 Email: [nick.kaspar@santaclarachamber.com](mailto:nick.kaspar@santaclarachamber.com)





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Advocate • Educate • Connect

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Mayor and City Council  
City Hall  
1500 Warburton Ave  
Santa Clara, CA 95050

**Re: Study Session on Worker Cooperatives**

Dear Mayor Gillmor and Councilmembers,

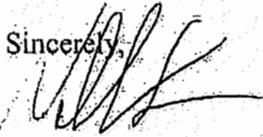
On behalf of the Silicon Valley Central Chamber of Commerce, formerly the Santa Clara Chamber of Commerce, we are proud to SUPPORT the Study Session on the worker cooperatives structure as a business structure.

While we realize this is one option out of many successful business structures, worker cooperatives are uncommon and often unknown in this region making education on worker cooperatives ever so important. We appreciate the City of Santa Clara leveraging its reach to inform businesses on alternative business structures and we would encourage more collaboration to further inform the public on business matters.

Please know that you have our support in further educating the community on worker cooperatives and how they can provide additional solutions for business owners looking to step away from their business without closing their doors.

We look forward to attending on July 9th and participating in the study session.

Sincerely,



Nick Kaspar  
President/CEO  
Silicon Valley Central Chamber of Commerce

7-9-19

ITEM  
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**Worker Cooperative Business Model**  
An Opportunity for Action

July 9, 2019

Kirk Vartan  
A Slice of New York  
Founder General Manager

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**Contributors**

Democracy at Work Institute  
TeamWorks  
project (EQUITY)  
Sustainable Economies Law Center  
Arizmendi Association of Cooperatives  
NOBANC  
SCEC  
SCEC

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**Goals for Today**

- Working knowledge of the worker cooperative business model
- Learn how other Cities have engaged, Berkeley being one!
- Provide specific examples of how Santa Clara can support employee ownership

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POST MEETING MATERIAL

A bit about coops in general:

**Consumer cooperative**  
Buying together

**Producer cooperative**  
Selling together

**Worker cooperative**  
Working together

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## Member Controlled

Coops are run by the democratic principle of "one member, one vote."

**Member-owned cooperative:**  
One member = One vote  
(Typically) Led by member-elected board of directors

**Investor-owned company (public company):**  
More shares = more votes  
Led by outside shareholder appointed management

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## Co-ops – A New (Old) Approach

Co-ops are just like any other business:

- They have managers
- They focus on profit
- General operations are the same

Key differences:

- Members participate in company governance (finance, strategy, etc.)
- Members are entitled to profits, based on work equity
- Member (owner) benefit is the priority; transparency

NOT FRINGE!!

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**Hilary Abell**



**project (EQUITY)**

Co-founder, Project Equity




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**Challenge/Opportunity**

**Silver Tsunami**



*"Trillions of dollars of business value are going to change hands in the next 10 to 20 years."*

Image: Brad Rypka, The Economist  
Quote: Bob Balaban, Headwaters MB, a Denver-based investment bank




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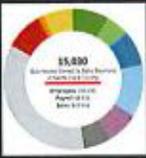
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**Local Implications**

About 10% of business owners plan to sell their business in the next decade. As most retire, our local business landscape is about to go through a dramatic shift.

**ONLY 15%** of businesses succeed to the next generation.



**BABY BOOMERS OWN ALMOST HALF OF ALL PRIVATELY-HELD BUSINESSES IN THE BAY AREA.**

**project (EQUITY)**




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## The Coop Conversion Solution

Adams & Chittenden Scientific Glass

CALIFORNIA SOLAR

F.E.E.D. SONOMA

Grant Cove Market

NILES PIE CO.

The Galley

Island Employee Cooperative

New Era Windows Cooperative

HAPPY EARTH CLEANING SERVICE

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### Why do businesses choose to convert?

**Four core reasons:**

1. As an **exit strategy** for the owner, whether leaving for retirement or other reasons
2. As a **component of the business' mission**, recognizing the employees as an important stakeholder group
3. To create **wealth-building opportunities** for employees, especially in lower-wage sectors
4. Because **it's good business**: employee-owned businesses have demonstrated their ability to be **more financially successful** than their peers, and to weather economic storms more effectively

project EQUITY

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## Carolyn Berke

Founder, Niles Pie Company

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**Niles Pie**



Union City, CA  
(Winckowski D-10)

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**Hilary Abell**      **Zen Trenholm**



**project (EQUITY)**  
Co-founder, Project Equity



Democracy at Work Institute  
*Feel better Zen!*  
Program Manager, Democracy at Work Institute

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**CITIES ADDRESSING SMALL BUSINESS CLOSURE**



**BOSTON**  
Boston integrated employee ownership supports into its Office of Economic Development including offering technical assistance and easing accessing to loans.



**MIAMI**  
Miami is funding 3 local groups to support businesses in exploring a transition to a cooperative form. They amended a CDIG-funded loan program to finance potential deals and will soon launch an awareness raising and business outreach campaign.



**LOS ANGELES**  
LA's Economic and Workforce Development Department is working with a local organization to use payroll protection funds to help employees buy their businesses. One Council district is also planning a data study and awareness campaign.

Democracy at Work Institute  
www.dawork.org

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**CITIES ADDRESSING THE RACIAL WEALTH GAP**



**CLEVELAND**

Cleveland used strong relationships with anchor hospitals and universities to generate procurement contracts for larger cooperatives in low income neighborhoods.



**DURHAM**

Durham is working to preserve legacy black businesses through a transition to employee ownership as part of a broader offering of supports to ensure shared prosperity for all citizens.



**MADISON**

Madison funded a multi-year worker cooperative development program and revolving loan fund through a university partner.

Democracy of Work Institute | www.dowinstitute.org

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**CITIES ADDRESSING IMMIGRANT EMPLOYMENT**



**NEW YORK**

New York is in the fourth year of funding an initiative that stimulates the creation of new worker cooperatives, especially with low income and immigrant workforces.



**PHILADELPHIA**

Philadelphia is training commercial corridor managers to speak with vulnerable small businesses about selling to their employees as an exit.



**MINNEAPOLIS**

Minneapolis funded an inventory of existing cooperatives and works with a fellowship of cooperative entrepreneurs who are immigrants and people of color. A local organization is also working with a national partner on a conversion strategy across the Twin Cities.

Democracy of Work Institute | www.dowinstitute.org

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**EFFECTIVE CITY TOOLS**

- 1 MARKET RESEARCH OF LEGACY BUSINESSES
- 2 AMENDING LOAN PROGRAMS TO FINANCE CONVERSIONS
- 3 TECHNICAL ASSISTANCE GRANTS
- 4 REDUCE BARRIERS TO CITY SERVICES AND PROGRAMS

Democracy of Work Institute | www.dowinstitute.org

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## Sue Lopez



Founding member/owner of 9<sup>th</sup> Ave Arizmendi Bakery (est 2000 in SF)  
Development Support Cooperative in Arizmendi Association (since 2016)



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## Ricardo Nuñez



Director of Economic Democracy, Sustainable Economies Law Center  
Board President, US Federation of Worker Cooperatives  
Board Member, California Center for Cooperative Development



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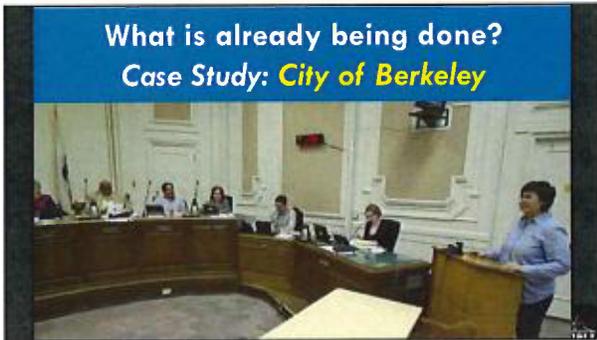
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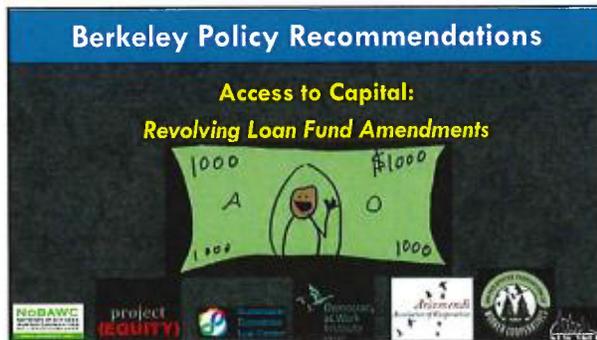
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## Berkeley Policy Recommendations

### Budget Allocation for Consistent Technical Assistance












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## Berkeley Policy Recommendations

### Accountability & Reporting

Here Comes the New Economy!










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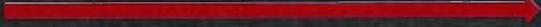
## City of Berkeley Timeline



**June 2019**

City of Berkeley Commits  
**\$100,000** to Worker  
Cooperative Development












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## Main Street Employee Ownership Act of 2018

**H.R. 5236**

**IN THE HOUSE OF REPRESENTATIVES**

**A BILL**

To equalize opportunities available to employees-owned business owners through Small Business Administration loan programs and for other purposes.

1. *Be it enacted by the Senate and House of Representatives*

2. *of the United States of America in Congress assembled,*

3. **SECTION 1. SHORT TITLE.**

4. *This Act may be cited as the "Main Street Employee*

5. *Ownership Act of 2018."*



**Provides directives to the SBA**

- Finance the transition of existing businesses to worker-owned companies.
- Training and education around worker cooperatives.
- Tracking funding and support provided to employee-owned businesses.

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## Rendell (Ren) Boguiren




Founding Co-op Member/Owner, ASONY  
Board Secretary/Company Officer, ASONY

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**Organizations Background**

As a long and storied company, we have a rich history and a strong commitment to our community. Today, we are proud to be a part of the [Organization Name] family, and we are committed to providing the highest quality products and services to our customers. We are also committed to providing a safe and healthy work environment for our employees.

**Location:** 1234 Main St, Anytown, CA 90210  
**Phone:** (555) 123-4567  
**Website:** www.anytown.com

**Our Commitment:** We are committed to providing the highest quality products and services to our customers. We are also committed to providing a safe and healthy work environment for our employees.

*"If you ask people to think and act like we do, you'll find that we're not just a business, there's a lot of more to that."*

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**turn it up Tong!**

**Jam 23**

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**NEW SGT**

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## Community Asks

**Direct the City Manager to** study these options, speak with local, regional, and national experts, and make recommendations for how the City could support employee ownership.

**Examples:** Education, Outreach, Technical Assistance, and Finance

- Council resolution supporting Worker Cooperatives
- Conduct outreach and education; engage business owners interested in conversion
- Market research and identification of legacy businesses: <10, 10-20, 20+ yrs old
- Work with co-op community to submit a grant application with matching funds
- Add a 2020 budget item to Economic Development for Worker Cooperative activities for \$150K+ (let's top Berkeley!)
  - Technical assistance grants for succession planning outreach and conversion support



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## Available Resources (just a few)

- Co-opLaw.org (a product of SELC)
- Think Outside the Boss Manual
- Democracy at Work Institute
- California Cooperative Development Center
- Sustainable Economies Law Center (SELC)
- National Cooperative Business Association
- US Federation of Worker Cooperatives
- US Solidarity Economy Network
- ICA Group
- Project Equity



© SELC

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## Additional Resources

- A lot of documents, resources, and information  
<https://drive.google.com/drive/folders/167Q8hDdA6v3Uas1f2eQ3ka8WArHau5VX> (<http://bit.ly/coop-info>)
- Berkeley Cooperative Funding:  
<https://www.ihaselc.org/berkeley-commits-two-years-of-funds-to-worker-coops>
- A Slice of New York (Santa Clara's own) - [asnny.com](http://asnny.com)
- Project Equity - [project-equity.org](http://project-equity.org)
- US Federation of Worker Cooperatives - [usworker.coop](http://usworker.coop)
- Democracy at Work Institute - [institute.coop](http://institute.coop)
- Sustainable Economies Law Center - [ihaselc.org](http://ihaselc.org)
- City of Berkeley - [cityofberkeley.info](http://cityofberkeley.info)



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## Backup Info



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## How Did ASONY Convert?



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## ASONY Process (high level)

1. Identified an internal Business Development team (culture)
2. Engaged Project Equity for conversion
3. Secured co-op legal and accounting resources
4. Created our company constitution (Operating Agreement)
5. Valued the company
6. Drew up legal documents, including a promissory note
7. Executed the transaction
8. Signed on new members

*This is a very collaborative, transparent, and inclusive process*



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## How Does It Work?



1. The sale is financed through company profits (leveraged buyout)
2. Owner holds 5 year note (can be private or financed)
3. Employees apply to become members (criteria)
4. Members elect a board for governance
5. Members and non-members work along side each other
6. Profit sharing (patronage) is "by right" → % contribution
7. Existing legal structures (e.g., LLC) are used



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## Co-op Challenges



1. Awareness (what's a co-op?)
2. Local resources/support (who do you turn to?)
3. Time to convert (it took us a year...goal of <6 months)
4. Cost to convert (expect \$5-40K – ultimately a % of value)
5. The majority of businesses do not understand co-ops yet
6. Traditional requirements not compatible (leases, CC)



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## ASONY Member Requirements

1. Been an employee of ASONY for a **minimum of 12 months**
2. Worked a **minimum of 1,200 hours**
3. On the schedule for at least **25 hours per week**
4. \$750 deposit (**\$3,000 total** membership fee)
5. Willing to work outside of shop hours (e.g., meetings, committees, etc.)
6. **Two year commitment**



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**WORKER CO-OP'S ACROSS THE U.S.**

WE ESTIMATE THERE ARE 357 WORKER COOPERATIVES AND DEMOCRATIC WORKPLACES WITH AN ESTIMATED\* WORKFORCE OF 6,833 AND AN ESTIMATED\* TOTAL GROSS REVENUE OF \$420,188,895

**15** NEW WORKER COOPERATIVES WERE STARTED THIS YEAR

**11** CONVENTIONAL BUSINESSES CONVERTED TO WORKER OWNERSHIP

**THE TYPICAL WORKER COOPERATIVE**

EMPLOYS **9.5** WORKERS, WHO MAKE **\$15.82** PER HOUR, AND WORK **30.35** HOURS PER WEEK

BRINGS IN AN AVERAGE OF **\$3,930,786** IN REVENUE EACH YEAR, AN AVERAGE PROFIT OF **\$150,075** AND ON AVERAGE HAS A PROFIT MARGIN OF **3%**

© 2014 DOW

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**EFFECTIVE EMPLOYEE OWNERSHIP STRATEGIES**

- 1 TRANSITIONS TO EMPLOYEE OWNERSHIP
- 2 ANCHOR INSTITUTION RELATIONSHIPS
- 3 PLACE-BASED CLUSTERS
- 4 SECTOR INTERVENTIONS
- 5 REPLICATION OF SUCCESS

Democracy at Work Institute

Democracy of Work Institute | www.dowinstitute.org

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**PRECEDENT RESOURCES**

<http://becomingemployeeowned.org/municipal-support/>

**BECOMING EMPLOYEE OWNED**

**NEW ORLEANS, LA**

**PHILADELPHIA, PA**

**ANN ARBOR, MI**

**SAN FRANCISCO, CA**

**INDIANAPOLIS, IN**

**BOSTON, MA**

Democracy of Work Institute | www.dowinstitute.org

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