



## COMMISSION ON LABOR REGULAR MEETING

Wednesday, May 21, 2025  
7:00 PM

2939 Ellis Street, South Berkeley Senior Center, Dining Room

### AGENDA

#### Roll Call:

**Land Acknowledgement Statement:** *The City of Berkeley recognizes that the community we live in was built on the territory of xučyun (Huchiun (Hooch-yoon)), the ancestral and unceded land of the Chochenyo (Cho-chen-yo)-speaking Ohlone (Oh-low-nee) people, the ancestors and descendants of the sovereign Verona Band of Alameda County. This land was and continues to be of great importance to all of the Ohlone Tribes and descendants of the Verona Band. As we begin our meeting tonight, we acknowledge and honor the original inhabitants of Berkeley, the documented 5,000-year history of a vibrant community at the West Berkeley Shellmound, and the Ohlone people who continue to reside in the East Bay. We recognize that Berkeley's residents have and continue to benefit from the use and occupation of this unceded stolen land since the City of Berkeley's incorporation in 1878. As stewards of the laws regulating the City of Berkeley, it is not only vital that we recognize the history of this land, but also recognize that the Ohlone people are present members of Berkeley and other East Bay communities today. The City of Berkeley will continue to build relationships with the Lisjan Tribe and to create meaningful actions that uphold the intention of this land acknowledgement.*

#### Public Comment on Non-Agenda Matters

#### Minutes for Approval

*Draft minutes for the Commissions consideration and approval.*

- Minutes of March 19, 2025 Regular Meeting**  
**From: Commission Secretary**  
**Recommendation:** Approve the draft minutes of the March 19, 2025 Regular Meeting.

**Chairperson's Report:** *The Commission Chair may make announcements or provide information to the Commission in the form of an oral report. The Commission will not take action on such items but may request the items be placed on a future agenda for discussion.*

## Commission Action Items

*The public may comment on each item listed on the agenda for action as the item is taken up.*

2. City support for worker cooperatives
3. FY 2026 Commission on Labor Work Plan

## Presentations *(for information only, no final action taken)*

None

## Committee Updates

None

## Information Items: *All items for discussion only and no final action.*

4. Update on hiring in City of Berkeley Labor Standards Enforcement Unit
5. Update on Sweat Free Ordinance procurement report

## Items for Future Agendas

*These items are not scheduled for discussion or action at this meeting. The Commission may schedule these items to the Action Calendar of a future Commission meeting*

- **Discussion of items to be added to future agendas**

## Adjournment

### Attachments:

1. Draft of March 19, 2025 Regular Meeting Minutes
2. 2.9.2016; Resolution; City Council; 67374; Supporting Worker Cooperatives
3. 2.26.2019; Agenda Packet (Public); City Manager; REGULAR; Referral Response
4. 5.31.2022; Agenda Packet (Public); City Manager; REGULAR; Referral Response
5. FY 2025 Commission on Labor Work Plan

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This meeting will be conducted in accordance with the Brown Act, Government Code Section 54953. Any member of the public may attend this meeting. Questions regarding this matter may be addressed to **Emily Rose, Secretary, (510) 981-7551 [erose@berkeleyca.gov](mailto:erose@berkeleyca.gov)**.

Communications to Berkeley boards, commissions or committees are public record and will become part of the City's electronic records, which are accessible through the City's website. **Please note: E-mail addresses, names, addresses, and other contact information are not required but, if included in any communication to a City board, commission, or committee, will become part of the public record.** If you do not want your e-mail address or any other contact information to be made public, you may deliver communications via U.S. Postal Service or in person to the secretary of the relevant board, commission, or committee. If you do not want your contact information included in the public record, please do not include that information in your communication. Please contact the secretary to the relevant board, commission, or committee for further information.

Written material may be viewed in advance of the meeting at the Housing & Community Services Department, 2180 Milvia, 2nd Floor, during regular business hours or at the Berkeley Public Library, Shattuck/Kittredge Streets, during regular library hours at the Reference Desk. The Commission Agenda and Minutes may be viewed on the City of Berkeley website: <https://berkeleyca.gov/your-government/boards-commissions/commission-labor>.



COMMUNICATION ACCESS INFORMATION:

This meeting is being held in a wheelchair-accessible location. To request a disability-related accommodation(s) to participate in the meeting, including auxiliary aids or services, please contact the Disability Services specialist at 981-6418 (V) or 981-6347 (TDD) at least three business days before the meeting date. Please refrain from wearing scented products to this meeting.

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I hereby certify that the agenda for this regular/special meeting of the Berkeley City Commission on Commissions was posted at the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way, at the location of the meeting, South Berkeley Senior Center, as well as on the City's website, on **May 15, 2025**.

SECRETARY SIGNATURE

*Emily Rose*      May 15, 2025

**Secretary:**  
Emily Rose  
Health, Housing & Community Services  
Department  
(510) 981-7551  
E-mail: [ERose@berkeleyca.gov](mailto:ERose@berkeleyca.gov)

**Mailing Address:**  
Commission on Labor  
Emily Rose, Secretary  
2180 Milvia, 2<sup>nd</sup> Floor  
Berkeley, CA 94704

**Communications**

None



Health Housing and Community Services Department  
Housing & Community Services Division  
**Commission on Labor**

**COMMISSION ON LABOR  
REGULAR MEETING**  
Wednesday, March 19, 2025  
7:11 PM  
South Berkeley Senior Center  
2939 Ellis St, Berkeley, CA 94703  
**DRAFT MINUTES**

**Preliminary Matters**

**1. Roll Call**

Present: Arbaugh, Bowen, Delfin Polk, Flegel-Mishlove, and Phillips.

Absent: Scantlebury (excused)

Staff Present: Emily Rose

Members of the Public: 0

**2. Land Acknowledgement**

**3. Public Comments**

None

**4. Approval of Draft January 15, 2025 Regular Meeting Minutes**

Public Comment: 0

Action: M/S/C (Arbaugh/Delfin Polk) to approve the January 15, 2025 Regular Meeting Minutes.

Vote: Ayes: Arbaugh, Bowen, Flegel-Mishlove, and Delfin Polk. Noes: None. Abstentions: Phillips. Absent: Scantlebury (excused).

**5. Chairperson's Report**

**Action Items**

**6. 2025 Officer Elections**

Public Comment: 0

Action: M/S/C (Bowen/Arbaugh) to elect Commissioner Joey Flegel-Mishlove to the position of Chair of the Commission on Labor.

Vote: Ayes: Arbaugh, Bowen, Delfin Polk, Flegel-Mishlove, and Phillips. Noes: None. Abstentions: None. Absent: Scantlebury (excused).

Action: M/S/C (Arbaugh/Phillips) to elect Commissioner Avery Arbaugh to the position of Vice-Chair of the Commission on Labor.

Vote: Ayes: Arbaugh, Bowen, Delfin Polk, Flegel-Mishlove, and Phillips. Noes: None. Abstentions: None. Absent: Scantlebury (excused).

## **7. Recommendations to Council after Worker Cooperative Panel of Experts**

Public Comment: 0

Action: M/S/C (Arbaugh/Delfin Polk) to put the Worker Cooperative topic on the agenda for the next Commission on Labor meeting and invite staff from the City of Berkeley Office of Economic Development to attend and answer questions about the City's past and existing programs to support worker cooperatives. elect Commissioner Joey Flegel-Mishlove to the position of Chair of the Commission on Labor.

Vote: Ayes: Arbaugh, Bowen, Delfin Polk, Flegel-Mishlove, and Phillips. Noes: None. Abstentions: None. Absent: Scantlebury (excused).

## **Information Items**

### **8. REI Board Elections**

Public Comment: 0

## **Items for Future Agendas**

1. Action Item on FY 2026 Work Plan
2. Action Item on City support for worker cooperatives with staff attending from OED
3. Information on hiring in the City of Berkeley Labor Standards Enforcement Unit
4. Information item on the Sweatshop Free Ordinance

## **Adjourn**

Action: M/S/C (Arbaugh/Flegel Mishlove) to adjourn meeting at 8:33 PM.

Vote: Ayes: Arbaugh, Bowen, Delfin Polk, Flegel-Mishlove, and Phillips. Noes: None. Abstentions: None. Absent: Scantlebury (excused)

Approved: *Emily Rose*, Emily Rose, Secretary

RESOLUTION NO. 67,374–N.S.

SUPPORTING THE DEVELOPMENT AND GROWTH OF WORKER COOPERATIVES

WHEREAS, Berkeley and the San Francisco Bay Area have the highest concentration of worker-owned businesses in the United States; and

WHEREAS, worker cooperatives are owned and democratically governed by their members, provide wages and benefits above industry average, develop important leadership and management skills, and build wealth for low to moderate income residents; and

WHEREAS, worker cooperatives create and maintain quality, stable jobs in key industries throughout Berkeley, including food service, health care, manufacturing, and communications; and

WHEREAS, Berkeley is home to several well-known worker cooperatives including The Cheeseboard Collective, Missing Link Bicycle Cooperative, Inkworks Press, Heartwood Custom Woodworking, Cooperative Digital, Quilted, and Three Stones Hearth; and

WHEREAS, Berkeley-based Cheeseboard Collective is part of the Arizmendi Association, a network of six Bay Area cooperative bakeries which have over 160 members. Arizmendi Association bakers earn more than double the national median wage for bakers and receive health insurance, paid vacation and a share of all profits; and

WHEREAS, Berkeley ranked #10 among cities with the highest income inequality, with nearly 20% of its population living in poverty; and

WHEREAS, the worker cooperative sector is growing in other East Bay Cities, such as Oakland, Emeryville, and Richmond; and

WHEREAS, the United Nations declared 2012 the International Year of Cooperatives and encouraged governments “to establish policies, laws and regulation conducive to cooperative formation and growth”.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the Council recognizes the tremendous benefits of worker cooperatives and supports the development and growth of cooperatives.

BE IT FURTHER RESOLVED that the Council refers to the City Manager to develop a Worker Cooperative Ordinance for Council consideration to include the following proposals:

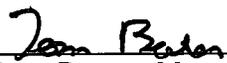
- 1) Revising the existing Buy Local contracting preference to include a specific percentage preference for worker cooperatives;
- 2) Revising the business permit application to allow registration as a worker cooperative;
- 3) Proposing business tax and land use incentives, and
- 4) Developing educational materials in coordination with community stakeholders.

The foregoing Resolution was adopted by the Berkeley City Council on February 9, 2016 by the following vote:

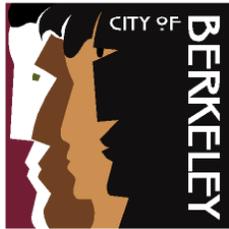
Ayes: Anderson, Arreguin, Capitelli, Droste, Maio, Moore, Wengraf, Worthington and Bates.

Noes: None.

Absent: None.

  
\_\_\_\_\_  
Tom Bates, Mayor

Attest:   
\_\_\_\_\_  
Mark Numainville, City Clerk



Office of the City Manager

INFORMATION CALENDAR  
February 26, 2019  
(Continued from February 19, 2019)

To: Honorable Mayor and Members of the City Council  
From: Dee Williams-Ridley, City Manager  
Submitted by: Jordan Klein, Economic Development Manager  
Subject: Referral Response: Supporting Worker Cooperatives

INTRODUCTION

This report responds to a referral adopted by City Council on February 9, 2016 to develop policies and programs to support worker cooperatives.<sup>1</sup> The Office of Economic Development, in coordination with community partners and other City departments, has developed new programs and analyzed potential policies that support worker cooperatives, and this report presents progress to date.

CURRENT SITUATION AND ITS EFFECTS

Worker cooperatives are valuable assets for local economies and communities. Owned and run by employees, these businesses typically provide higher wages, benefits, professional development, job security, and upward mobility for low to moderate income people. Also, these small businesses provide a diversity of locally owned services. A number of worker cooperatives located in Berkeley have become an integral part of the community's fabric, including The Cheese Board Collective, Biofuel Oasis, and Missing Link Bicycle Cooperative. When businesses are owned by workers, they create higher quality jobs, increase local reinvestment, and have demonstrable positive impact on business retention.<sup>2</sup>

Due to the general lack of familiarity with the cooperative business model, worker cooperatives can face a unique set of challenges, e.g., when obtaining a business license or permits, engaging with regulators, or pursuing financing. Worker cooperatives are at a disadvantage to conventional hierarchical business ownership models when it comes to accessing startup capital. Equity investors and banks tend to be unfamiliar with, and are often unwilling to invest in, cooperatives with multiple owners and unique governance models. According to United for a Fair Economy, "one of the main barriers

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<sup>1</sup> [Supporting Worker Cooperatives and Referral to City Manager to Develop a Worker Cooperative Ordinance](#), Item 27, Berkeley City Council Meeting, February 9, 2016.

<sup>2</sup> <https://auspace.athabasca.ca/handle/2149/3133>

to business ownership for people of color is access to start-up capital” and worker cooperatives make business ownership more accessible.<sup>3</sup>

The Office of Economic Development (OED) provides technical assistance and support to all types of businesses and organizations, including worker owned cooperatives. OED has also provided financial support to one of Berkeley’s cooperatives; Biofuel Oasis was awarded, and recently completed repayment of, a loan from the City’s Revolving Loan Fund.

Beginning in January 2019, OED is engaging Project Equity, a nonprofit organization that is dedicated to advancing worker cooperatives, to provide technical aid to businesses looking to transition to a worker-ownership model. OED is also working to increase staff capacity and knowledge of issues that specifically impact worker owned cooperatives to provide more targeted assistance going forward.

Project Equity will take a multi-phase approach to support Berkeley businesses interested in the worker cooperative ownership model. First, they’ll conduct a business retention data study, which will provide a better understanding of which of the City’s businesses are at risk of closure and may be candidates for conversion to worker ownership. Second, they’ll perform broad outreach and direct engagement to educate business owners about the worker cooperative model. OED will then subsidize the cost of working with up to four businesses to transition to worker ownership, including a feasibility study and transition plan.

In addition, Project Equity will prepare a communications plan, outreach and intake materials, educational materials for economic development professionals and regulators, and training for City staff on the worker cooperative model. See attachment 1 for a sample of the outreach and education materials Project Equity is deploying in Berkeley. In February 2019, OED and Project Equity will host a free training for staff from the City of Berkeley, neighboring municipalities, and other partners on providing support for worker cooperatives and how traditional businesses can convert to coops. Particular attention will be paid to succession planning for business owners who are wishing to retire and may want to sell their business to their employees. The communications and outreach for the program has already benefited from local media coverage in the San Francisco Chronicle.<sup>4</sup>

#### *Worker Cooperatives & the Revolving Loan Fund*

Sustainable Economies Law Center (SELC), an Oakland-based organization that advocates for policies that promote community reliance and economic justice, has

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<sup>3</sup> <https://institute.coop/news/creating-better-jobs-and-fairer-economy-worker-cooperatives>

<sup>4</sup> Otis Taylor Jr., [Nonprofit helps employees take hold of reins as business owners retire](#), San Francisco Chronicle, November 29, 2018.

recommended a number of amendments to the Berkeley Revolving Loan Fund Administrative Plan that would benefit worker cooperatives. These include:

1. Enable the use of loan capitol for conversion to worker ownership
2. Clarify and limit the personal guarantee requirement.
3. Establish a lending target for cooperatives.
4. Include worker-owned jobs as a selection criteria.
5. Reduce private dollars threshold for cooperatives.

SELC presented these recommendations at the November 29, 2018 Loan Administration Board (LAB) meeting. The LAB discussed the possible creation of a loan fund specifically for worker cooperatives. Worker cooperatives typically need training and technical assistance as a first step before accessing capital. It is not uncommon for loan funds earmarked for cooperatives to be underutilized, because the cooperatives were not "loan ready." The funding also require that applicants participate in business skills training through partnerships with existing cooperatives and other organizations. Applicants could additionally have a plan for reaching historically marginalized populations like people of color, immigrants, and low-income workers. The LAB will engage in additional discussions to determine the best approach for supporting worker cooperatives, and relay recommendations to the City Council.

#### BACKGROUND

The February 9, 2016 referral suggested policies and programs to support worker cooperatives, including the following:

1. Worker Cooperative Preference in Procurement and Contracting
2. Revise Business Permit Application to recognize Worker Cooperatives
3. Business Tax and Land Use Incentives
4. Developing Educational Materials

In January 2019, the Finance Department updated its business license application and renewal forms to better accommodate worker-owned cooperatives. Both forms have been modified to allow the principal(s) of a worker-owned cooperative to properly identify themselves and be recorded as such in the City of Berkeley business license system. In addition, OED is implementing new programs, as noted above, to provide focused assistance to worker cooperatives, educate business owners about the model, and increase capacity of economic development professionals and other staff to effectively serve cooperatives. There are other opportunities to support worker cooperatives by implementing some of the proposed measures and policies and modifying existing business practices.

During the past year, staff has consulted with and analyzed proposals from staff from Sustainable Economies Law Center (SELC) on how the City of Berkeley can adopt programs and policies to better serve and promote worker cooperatives. Most recently,

SELC attended the November 29, 2018 Loan Administration Board (LAB) meeting to discuss proposed changes to the Berkeley Business Loan program to support worker owned cooperatives. LAB members reviewed SELC's policy considerations and added an agenda item to a future LAB meeting to discuss amendments to the loan fund's Administrative Plan and application process.

The City's current Local Business Preference provides a five percent (5%) bidding preference on bid opportunities from \$100-\$25,000 to vendors operating businesses with a Berkeley street address. This preference is available to all Berkeley vendors, including worker-owned cooperatives that submit bids to provide goods, equipment, and non-professional services.

In March 2018, request for proposals (RFP) #18-11193-C was released to identify a firm to examine the City's procurement activities and identify disparities in the awarding of contracts affecting local, small, emerging, minority, and women business enterprises that could include worker-owned cooperatives. Price proposals received from six (6) respondents ranged from \$245,575 to well over \$400,000. Appropriated funding for the study exists in the amount of \$100,000. A full staff report on this project will be submitted to Council by March 31, 2019.

#### ENVIRONMENTAL SUSTAINABILITY

There are no identified environmental costs or opportunities associated with the subject of this report.

#### POSSIBLE FUTURE ACTION

City Council could consider expanding the Revolving Loan Fund to establish a separate capital base that is dedicated to funding worker cooperatives. Council may also consider modifications to the City's procurement process to increase the preference worker cooperatives.

#### FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

The establishment of a separate capital base dedicated to funding worker cooperatives would require a one-time investment that would likely fall within the range of \$100,000 to \$250,000. Additional staff analysis is required in order to determine the potential fiscal impacts of other possible future actions.

#### CONTACT PERSON

Jordan Klein, Economic Development Manager, 510-981-7534

Kieron Slaughter, Community Development Project Coordinator, 510-981-2490

#### Attachments:

1: Project Equity Outreach & Education Materials

# EXIT STRATEGY

## FOR YOUR BERKELEY BUSINESS

### Why should I consider converting my business?

You are able to create a flexible exit strategy and realize a fair sales price with tax advantages while taking care of your employees who helped build the business. Broad-based employee ownership sustains quality jobs, creates stronger businesses, and preserves your company's legacy.

### How are employee-owned businesses structured?

It is important to choose the form of employee ownership that is the best fit for you and your business. ESOPs and worker cooperatives have been around for decades. Worker coops are 100% employee-owned and have democratic practices such as majority board representation built into the structure. ESOPs can be fully or partially employee-owned, and Democratic ESOPs integrate employee voting and board representation.

### How does employee ownership work as an exit strategy?

An owner sells the business or its assets to a new employee owned business of which the employees are members. Or, in the case of an ESOP, sells the company shares to a trust that acts on behalf of the employees. This sale is typically financed by debt (non-voting equity is possible in a worker coop transition). Then, the newly employee-owned company pays down the financing out of future profits.



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

Realize market value with tax advantages.

Preserve your company's culture and its legacy in the community.

**A GREAT SOLUTION FOR BUSINESSES OF ALL SIZES!**

project  
**{EQUITY}**

Let us guide you through the process.

**PROJECT-EQUITY.ORG**

### BUSINESSES



- Higher productivity & growth
- Lower employee turnover
- Improved lifespan
- Owner receives market value

### COMMUNITIES



- Retain good businesses & jobs
- Experience greater civic engagement
- Circulate more money locally

### EMPLOYEES



- Enjoy better pay & benefits
- Build assets & equity
- Have a voice in key decisions
- Grow leadership skills

# UNDERSTANDING YOUR Page 6 of 6 SUCCESSION OPTIONS

OPTIONS	 PRESERVE LEGACY	 MARKET VALUE	 TAX BENEFITS	 EMPLOYEES RETAINED
Sell to Family	✓	?	?	?
Acquisition	?	?	✗	?
Employee Ownership	✓	✓	✓	✓
Close Down	✗	✗	✗	✗

**OVER 80%** of businesses listed with a leading broker never sell

## EMPLOYEE OWNERSHIP MYTHS

### Myth #1 – My employees can't run my company!

With employee ownership, the employees would not be running the company alone. Management would be in place and the transition process ensures time to train and/or hire leadership replacement.

### Myth #2 – My employees don't want to buy the company.

There would be many employee owners, versus just one or a handful. Responsibility and rewards are spread among all. No individual would buy the company alone.

### Myth #3 – My employees don't have enough money to buy the company.

In an employee ownership transition, there's not an expectation that the employees would bring the total amount of cash to the table to buy the business.

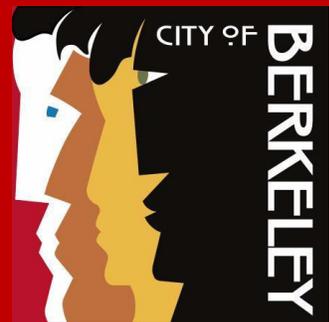
### Myth #4: I won't get a fair price if I sell to my employees.

Sellers who transition their companies to employee ownership will receive fair market value plus potential tax advantages, and we recommend getting a formal valuation as a first step.

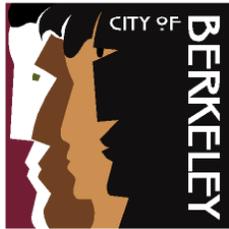
### Myth #5– It sounds hard!

Any business succession path takes effort. Project Equity helps with every step of the process.

**The City of Berkeley** has selected Project Equity for the important work of helping us retain local businesses based on their innovative model for sustaining small businesses in communities both locally and across the country.



Let us guide you through the process. [PROJECT-EQUITY.ORG](https://www.project-equity.org)



Office of the City Manager

INFORMATION CALENDAR  
May 31, 2022

To: Honorable Mayor and Members of the City Council  
From: Dee Williams-Ridley, City Manager  
Submitted by: Eleanor Hollander, Economic Development Manager  
Subject: Referral Response: Further Supporting Worker Cooperatives

INTRODUCTION

This report responds to a referral adopted by City Council on February 9, 2016 to develop policies and programs to support worker cooperatives.<sup>1</sup> This report provides additional information to the previous referral response on the same topic which was provided to the City Council on February 26, 2019, entitled *Referral Response: Supporting Worker Cooperatives*.<sup>2</sup> This report reviews the City's current activities to assist worker cooperatives as outlined in the original 2016 referral and 2019 referral response, and suggests additional strategies to expand efforts for cooperative conversion going forward. The program summary and recommendations for implementation were provided to the Land Use, Housing & Economic Development Policy Committee during the April 21, 2022 Small Business Listening Session (Attachment 1).

SUMMARY

A number of worker cooperatives are located in Berkeley are an integral part of the community's fabric, and many others are demonstrating transition to cooperative ownership's effectiveness as a succession planning approach for local serving businesses. The Office of Economic Development (OED), in coordination with community partners, and other City departments, have developed new programs and analyzed potential policies that support worker cooperatives. These include: providing technical assistance for succession planning and worker cooperatives conversions, revising the Revolving Loan Fund (RLF) lending criteria, reviewing the business tax and land use incentives for cooperative conversion, and developing educational materials for businesses considering conversion to a cooperative model.

Rather than developing a Worker Cooperative Ordinance for Council consideration, this report suggests continuing the work by creating a 'worker cooperative preference' in city

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<sup>1</sup> [Supporting Worker Cooperatives and Referral to City Manager to Develop a Worker Cooperative Ordinance](#), Item 27, Berkeley City Council Meeting, February 9, 2016.

<sup>2</sup> [Referral Response: Supporting Worker Cooperatives](#), Item 22, Berkeley City Council Meeting, February 19, 2019.

procurement and contracting, and providing additional loan funds and technical assistance resources for businesses to convert to worker cooperatives, is the most effective strategy to support cooperative conversion in Berkeley at this time.

In January of 2019, OED retained Project Equity, a nonprofit organization that is dedicated to advancing worker cooperatives, to provide technical aid to businesses looking to transition to a worker-ownership model. Project Equity has taken a multi-phased approach to supporting Berkeley businesses interested in the worker cooperative ownership model. In researching the desire for cooperative conversion in Berkeley, Project Equity identified that 1,200 of Berkeley's businesses may need succession planning over the next 15 years. Currently, 23 businesses in Berkeley have explored succession planning in consultation with Project Equity. Of those 23 businesses, 4 firms (17%) have or are currently transitioning to worker ownership. A summary of Project Equity's work to date is included as Attachment 1.

### CURRENT SITUATION AND ITS EFFECTS

This report responds to referral # PRJ-001-3072 that originally appeared on the agenda of the January 12, 2016 Council meeting (continued to February 9, 2016) and was sponsored by then Councilmember (now Mayor) Arreguin. The referral, *Supporting Worker Cooperatives and Referral to City Manager to Develop a Worker Cooperative Ordinance*, adopted a Resolution to support worker cooperatives, and referred to the City Manager to develop a Worker Cooperative Ordinance, that was to include:

1. Revising the City's existing Buy Local contracting preference<sup>3</sup> and adding a worker cooperative preference;
2. Revising the business license permit application to include cooperatives;
3. Incentivizing existing businesses to convert to cooperatives;
4. Creating business tax and land use incentives, and
5. Developing educational materials.

*Progress to date:*

*1. Revising the existing Buy Local contracting preference and adding a worker cooperative preference*

To better support worker cooperatives with a lack of access to capital, a *Worker Cooperative Preference in Procurement and Contracting* was implemented by the City's Finance Department and Berkeley's local vendor preference program has been revised and expanded. Starting January 1, 2022, the City provides a 5% bidding preference for goods up to \$100,000, for non-professional services up to \$250,000 and up to five additional points for scoring professional services Requests for Qualifications (RFQ) responses. This preference is available to all Berkeley vendors, including worker cooperatives that submit bids to provide goods, equipment, and non-professional services to the City.

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<sup>3</sup> City of Berkeley, [Local Vendor Preferences](#), 2022.

## 2. Revising the business permit application to include cooperatives

Staff has responded to this by revising the business license permit application to allow any new business applicant to register as a worker cooperative.<sup>4</sup>

## 3. Incentivizing existing businesses to convert to cooperatives

Two factors have been shown to increase successful conversion to cooperatives in Berkeley - increased technical assistance and improved access to capital.

OED currently provides technical assistance and support to all types of businesses and organizations, including worker owned cooperatives. As a direct result of this referral, first, OED worked to increase staff capacity and knowledge of issues that specifically impact worker owned cooperatives in order to provide helpful, targeted technical assistance to those curious about cooperative conversion. Second, Project Equity, a non-profit cooperative conversion consultant retained by OED, conducted a business retention data study in the city that provided a better understanding of which Berkeley businesses are at risk of closure and may be candidates for conversion to worker ownership. The team then performed broad outreach and direct engagement to educate business owners about the worker cooperative model. Through OED's partnership and contract with Project Equity, the team was able to subsidize the cost of working with (up to) four Berkeley businesses to transition to worker ownership, including the development of a feasibility study and transition plan for each client. To date, this work has produced impressive results; for example, *The Local Butcher Shop* participated in the Project Equity program and publicly announced their transition to a worker owned cooperative in October of 2021.<sup>5</sup> This allowed the business to continue and offered the chance for loyal employees to become worker-owners.

### *Technical Assistance*

Project Equity also assists with "Individual Action Planning" for business owners, which may include the development of a business plan, securing financing, hiring employees, understanding business taxes, organizational development, marketing, and customer analysis. Project Equity offered their suite of services to prospective clients, through door-to-door outreach (prior to COVID-19), mailings, and email blasts, social media ads, and targeted ads in *Berkeleyside*, online local media. In the first half of 2021, the Project Equity-led *Berkeleyside* display campaign had 488,944 visual impressions and 644 'click-throughs' indicating elevated interest among readers.

### *Access to Capital*

OED administers the federally-funded Revolving Loan Fund (RLF) and worked with the city's Loan Administration Board to revise the RLF's lending criteria to make the fund

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<sup>4</sup> City of Berkeley, [New Business License Application](#), revised January 1, 2022.

<sup>5</sup> *Berkeleyside*, [The Local Butcher founders are turning over the successful shop to their workers](#), October 21, 2021.

more accessible to worker cooperatives. The RLF now better supports worker cooperatives by; (1) enabling the use of loan capital for conversion to worker ownership, and (2) allowing a group of principals to produce 10% of the loan collateral equity for an existing cooperative (or a business converting to a cooperative) or 20% for a startup cooperative. The change to the RLF Administrative Plan included the creation or retention of worker-owned jobs as selection criteria and added a new goal of the RLF to allocate a minimum of 10% of the loan portfolio to worker cooperatives or businesses converting to worker ownership. These changes help support worker cooperatives' access to RLF funding by removing the requirement a personal guarantee for the loan application process, thereby lifting a large barrier to capital for worker cooperatives.

#### *4. Creating a business tax and land use incentives*

Based on feedback from clients, stakeholders and new businesses, one of the most effective approaches to incentivize support for worker owned cooperatives involves assisting businesses in navigating the permitting process. For existing businesses interested in conversion to worker owned cooperatives, ongoing technical support from organizations like Project Equity and their technical partner, the Sustainable Economies Law Center, will continue to be effective. At this time, staff doesn't recommend modifications to the business license tax structure or land use incentives as a strategy to support worker owned cooperatives. Instead, staff recommends the continuation of robust technical assistance programs both in house (led by OED's business services team) and with outside consultants, including Project Equity and their partners, to best help cooperative businesses navigate the permitting process successfully.

#### *5. Develop educational materials*

In addition to the targeted outreach and engagement, Project Equity prepared a communications plan, outreach and educational materials for economic development professionals and regulators, and led trainings for City staff on the worker cooperative model. The Sustainable Economies Law Center (SELC), subcontracted through Project Equity, provided legal assistance and lease negotiation expertise for existing cooperative business owners. SELC created videos and printed educational materials to support businesses with legal assistance for cooperative conversion, through the Resilient Communities Legal Café program.<sup>6</sup>

Throughout the pandemic, the team held regular 'Legal Cafes' and online webinars for Berkeley business owners interested in transitioning to worker owned cooperatives. Legal Cafés offer direct legal support to individuals and groups who are working to create new solutions or succession plans and have legal questions about worker cooperatives. Particular attention was paid to succession planning for business owners who are wishing to retire and may want to sell their business to their employees.

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<sup>6</sup> Sustainable Economies Law Center (SELC), [Legal Café Program Schedule](#), 2022.

## BACKGROUND

Worker cooperatives are demonstrated to be valuable assets for local economies and communities. Owned and run by employees, these businesses typically provide higher wages, benefits, professional development, job security, and upward mobility for low to moderate income people.<sup>7</sup> When businesses are owned by workers, they are also demonstrated to increase local reinvestment and have demonstrable positive impact on business retention.<sup>8</sup> Based on the report completed by Project Equity and presented at the LUHED Policy Committee's [Small Business Listening Session](#) of April 21, 2022 continued technical assistance programs are recommended to better assist in supporting worker cooperatives in Berkeley (Attachment 1).<sup>9</sup>

## ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identified environmental costs or opportunities associated with the subject of this report.

## POSSIBLE FUTURE ACTION

Staff recommends that the most effective tool to incentivizing cooperative conversions is to continue to provide high quality technical assistance directly to Berkeley's business owners. To the end, staff will work to use existing resources to augment the technical support and educational programming provided by Project Equity and their partners. In the near future, staff is planning to leverage remaining federal American Rescue Plan Act (ARPA) funding designated to support pandemic impacted small businesses with an augmented contract with Project Equity for technical assistance. Possible additional future actions may also include developing a more tailored local worker cooperative preference in the City's standard procurement and contracting practices.

## FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Staff will continue to implement the programs described above with existing resources.

## CONTACT PERSON

Kieron Slaughter, Office of Economic Development, (510) 981-2490.

### Attachment:

1. Land Use Housing and Economic Development (LUHED) Policy Committee, Small Business Listening Session Presentation, *Business Succession Planning: Providing Technical Assistance for Worker Cooperative Conversions*, April 21, 2022.

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<sup>7</sup> Fast Company, [More U.S. businesses are becoming worker co-ops: Here's why](#), May 21, 2018.

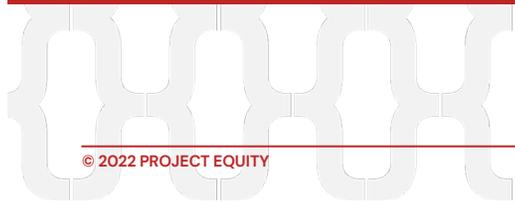
<sup>8</sup> Democracy at Work, [Creating Better Jobs and a Fairer Economy with Worker Cooperatives](#), 2014.

<sup>9</sup> City of Berkeley, [Land Use Housing and Economic Development Policy Committee Agenda & Minutes](#), Item 3, April 21, 2022.

# Berkeley as a national model for business retention through employee ownership

Project Equity presentation to City of Berkeley  
Land Use, Housing & Economic Development Committee

April 21, 2022



{ Project Equity }

# Agenda



Employee ownership and its benefits



Overview of Project Equity's engagement with City



How our process works & accomplishments



Recommendations & discussion of how to continue the momentum

{ Project Equity }

# What is employee ownership?



A proven business structure in which a broad base of employees owns the business where they work

# Benefits of employee ownership



## Benefits to businesses

- Higher productivity and growth
- Lower employee turnover
- Improved longevity, lasting legacy



## Benefits to workers

- Better pay and benefits
- Assets and business ownership
- Voice in key decisions



## Benefits to communities

- Increased local spending
- Heightened civic engagement
- Community wealth building

# Overview (more detail on slides to come)

## 2018-19

- One-year contract
- Small business support package
- Data analysis & awareness raising
- National press highlighting Berkeley's investment

## 2020-22

- Two-year contract
- Included subcontract to the Sustainable Economies Law Center for educational events and materials and legal work
- Continued demand for employee ownership technical assistance
- 5 Berkeley businesses completed or on track to transition to employee ownership

# Succession planning is needed to retain Berkeley's independently-owned businesses

**1,200** businesses in **Berkeley** are over **20** years old.



They account for **\$1.6B** or **60%** of small business revenue.



These businesses employ **1** in **3** workers.



**HALF** of all business owners in the US are looking to transition out in the next **5** years, yet, up to **85%** have no succession plan in place. **ONE-THIRD** plan to simply close their doors.

As their owners retire, how do we keep these businesses and jobs in Berkeley?

Statistics according to Barlow Research Associates and Securian Research.

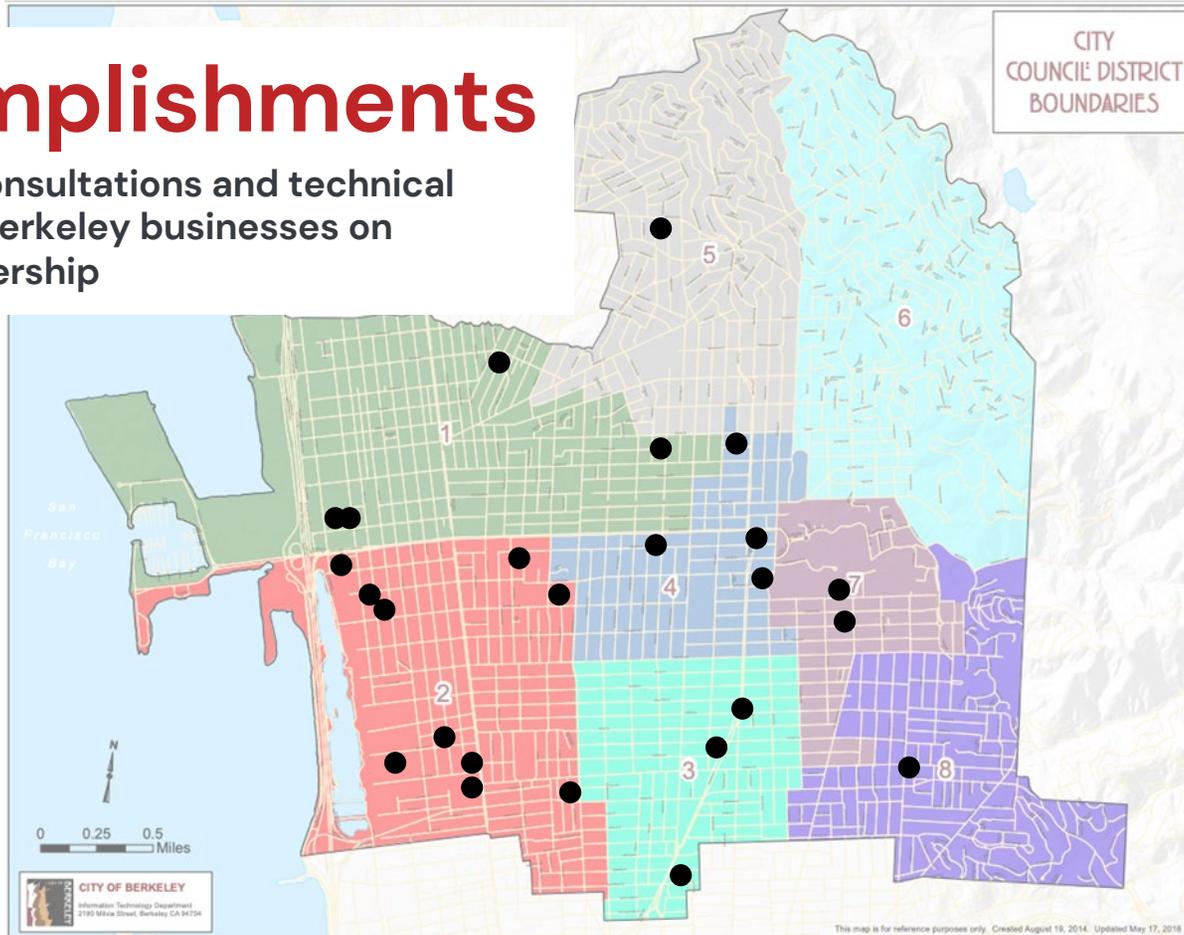


project  
**{EQUITY}**

© 2019 Multiplier on behalf of our program, Project Equity

# Accomplishments

One-on-one consultations and technical assistance to Berkeley businesses on employee ownership



# Accomplishments

One-on-one consultations and technical assistance to Berkeley businesses on employee ownership

## Accommodation and food services

- Restaurant diner
- Butcher shop
- Artisanal chocolate retail business
- Cafe and classical record shop

## Other services

- Window cleaning and gutter-washing business
- Plumbing and heating business
- Inspection and material testing service business

## Manufacturing

- Pasta making business
- Ghee-making business
- Organic nut butter manufacturing business
- Laboratory glassware manufacturing business
- Modular office privacy booth manufacturing business

## Arts, entertainment and recreation

- Gallery and framing business
- Yoga, dance, and movement service business

## Professional services

- Architect and contracting business
- Law firm
- Social and environmentally conscious business consulting
- Landscape architecture firm
- Technology services company
- Translation, interpretation, and transcription service business

## Retail and wholesale trade

- Windchime retail business
- Garden center and nursery
- Guitar retail and repair business
- Men's clothing and shoe retailer
- Urban farm and biodiesel station

{ Project Equity }

## Adams & Chittenden Scientific Glass

“When it came time for us to think about succession, the thought of finding someone to buy us out—given our distinct manufacturing niche—seemed improbable.”



Adams & Chittenden Scientific Glass manufactures laboratory glassware and glass tools for scientific and industrial uses. The business began in Berkeley, CA in 1993.

## The Local Butcher Shop

“Selling to the employees and sustaining the legacy—without having to change our employee structure, change any farmers or ranchers, and continue to keep our community serviced with well-sourced meat—was a no-brainer.”

– *Monica Rocchino, former owner*



The Local Butcher opened in Berkeley, CA in 2011 and provides seasonal, locally-sourced, sustainably-raised, fresh meat from trained chefs and butchers.

# Project Equity's Transition Process

## STEP 1 EXPLORATION

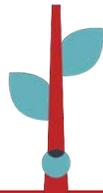
Are you curious to learn how employee ownership can fit your needs?



Free consultations  
Nearly 30 businesses  
across many sectors

## STEP 2 FEASIBILITY

Is employee ownership a solution for you and your business?



3-4 months  
8 Berkeley  
businesses

## STEP 3 TRANSITION

How will the sale be structured, and the employee-owned business function?



9-15 months  
5 Berkeley  
businesses

## { CLOSING THE SALE }

Are all the i's dotted and the t's crossed?

## STEP 4 THRIVE

How do the employee-owned business and its owners flourish?



2 years  
5 Berkeley  
businesses

# Accomplishments

Employee ownership transitions



ADAMS & CHITTENDEN  
SCIENTIFIC GLASS COOP



THE LOCAL

BUTCHER & MARKET

**Alternative**  
TECHNOLOGIES

Completing soon



Re-opened as  
Oceanview Diner

Announcing soon  
Local garden center in  
North Berkeley

# Accomplishments

## Webinars & educational events

- Employee ownership 101 for Berkeley small business owners | January 2022
- Employee ownership 101 for Berkeley small business owners | December 2021
- Employee Ownership Strategy: Unlocking the benefits for you and your employees | February 2021
- Berkeley Business Retention Information Session | September 2019
- Berkeley Business Success Forum | June 2019



# Accomplishments

## Webinars & educational events

- Online legal cafes
  - February 2022
  - November 2021
  - February 2021
  - May 2020
- Webinars
  - Subchapter T & how money Flows through a cooperative – March 2021
  - Raising Cooperative Capital – February 2021
  - Teach-in: California Entity Formation Options – Jan 2021
  - Coop Entity Formation for Entrepreneurs – April 2020
- Videos
  - [Subchapter T & How Money Flows Through a Cooperative](#)
  - [Introduction to Cooperative Governance and Management](#)
- Legal representation to worker cooperative clients



Sustainable  
Economies  
Law Center

# Accomplishments

Berkeley local & national press as model for innovation

## San Francisco Chronicle

BIZ & TECH

Employee ownership may help businesses stay open as Boomers retire



Marissa Lang

Feb. 17, 2017 | Updated: Feb. 19, 2017 12:04 p.m.



*edible* EAST BAY

**Berkeleyside**

THE DAILY CALIFORNIAN

## HUFFPOST

IMPACT

# This City Has A Radical Plan To Get Rid Of Bosses

As the baby boomers retire, Berkeley, California, wants them to sell their businesses to their workers.



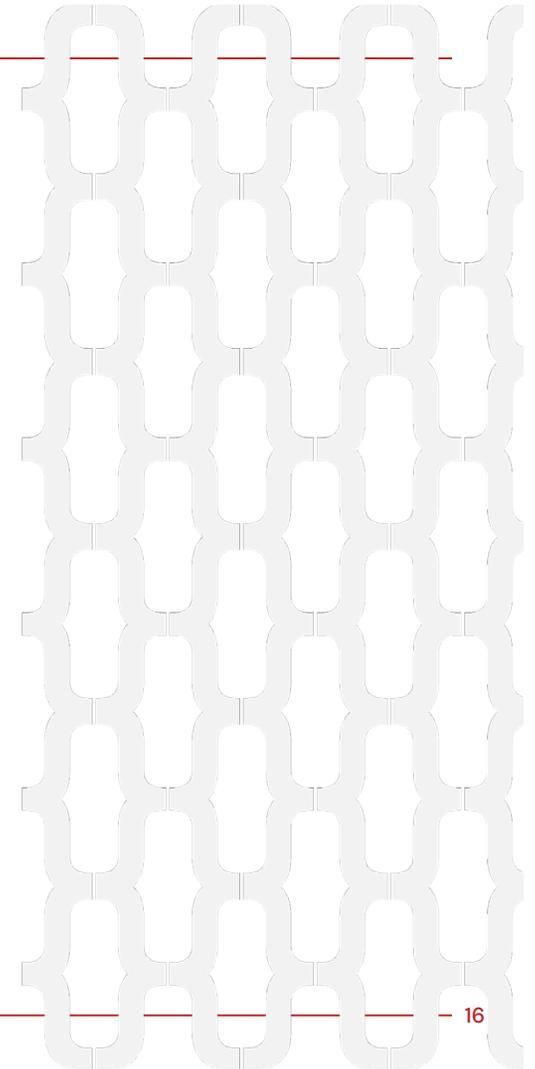
By Robert Raymond

May. 2, 2019, 05:45 AM EDT | Updated May. 3, 2019

## How do we build on this momentum?

We want your feedback on how we can help ensure this work continues. Here are our recommendations:

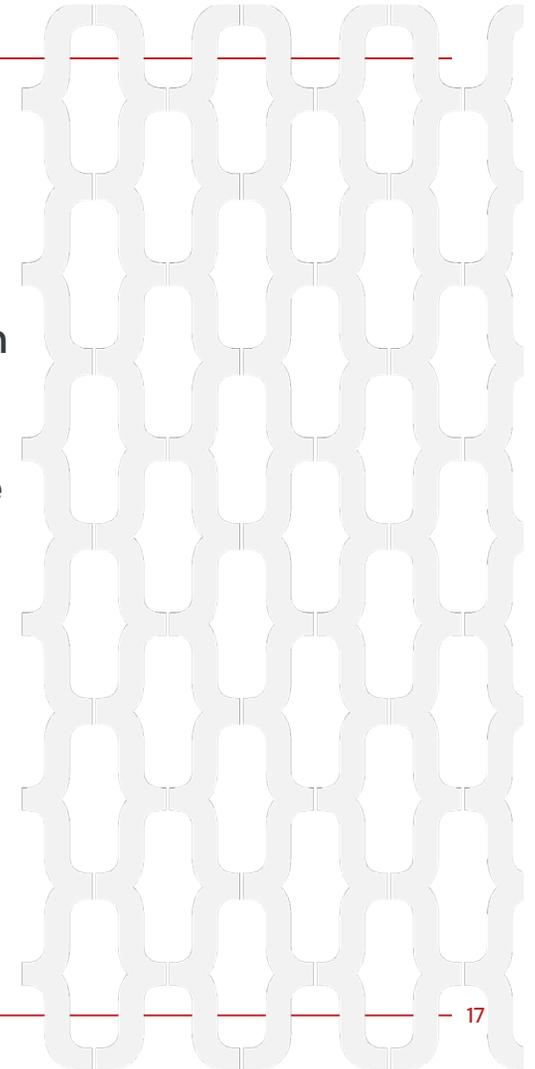
- ✓ Continued engagement with Project Equity for education and technical assistance (2 years, \$50,000 total)
- ✓ Project Equity continues as on-call advisor to businesses in Berkeley that want to transition
- ✓ We also develop and help implement strategies to institutionalize / embed employee ownership within City services (let's hear some ideas on this – next slide!)



## DISCUSSION

### How might we .....

- Measure business retention risk and business retention on an ongoing basis?
- Enable the OED team to find out within 3 clicks of a mouse if a specific business is 20+ years old?
- Ensure that all business-facing City employees know how and when to bring up business succession and employee ownership and who to refer them to speak with?
- Support Berkeley businesses on an ongoing basis to explore, assess, and execute an employee ownership succession?





# Questions & discussion

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# Thank you!

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Co-founder  
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{ Project Equity }

project-equity.org

WORK PLAN for Fiscal Year 2025  
Commission on Labor for the City of Berkeley

Research and gather information to report to City Council and support Commission's recommendations to City Council:

- a. Develop policies for recommendation to City Council in formal coordination with other City of Berkeley commissions to maximize the availability of subject matter experts and identify connections between labor and other relevant issues including, but not limited to, economic development and human rights.
- b. Examine City's policies and practices regarding workplace sexual harassment, and other forms of discrimination and harassment.
- c. Examine the University of California at Berkeley's policies and practices regarding workplace sexual harassment.
- d. Review and monitor Fair Workweek Ordinance implementation.
- e. Review the Community Workforce Agreement with the Alameda County Building and Construction Trades Council and examine opportunities for local workforce development
- f. Examine workforce development opportunities and the First Source Program
- g. Review and recommend updates to the Labor Bill of Rights.
- h. Examine development of the City of Berkeley Just Transition Residential Electrification Pilot Project.
- i. Examine and develop policies to promote employee ownership models of business.

Education:

- a. Facilitate education of workers in Berkeley about their rights and the process for addressing workplace sexual harassment.
- b. Facilitate education of children and young adults in Berkeley about the benefits and opportunities of organized labor.
- c. Facilitate workforce development pre-apprenticeship opportunities working with Berkeley Unified School District.

Local labor disputes:

- a. Hold public hearings on labor disputes as requested/required
- b. Submit recommendations to Council based on information gathered from both sides of disputing parties.