BRED
BALTIMORE ROUNDTABLE
FOR ECONOMIC DEMOCRACY

Three ways Baltimore City Council can support worker cooperatives

1. Help preserve legacy businesses by connecting owners and employees to BRED when a founder or family owner's retirement puts the future of the business in question.

City council members, through their work serving their constituents, know a lot about what's happening in their districts. With your ear to the ground, you can help put a conversion to worker ownership on the radar for owners and employees before a business is shuttered or hits the market.

With the right technical support from BRED, small businesses can be preserved for the next generation under democratic ownership that rewards employees for their work and honors the legacy of business creators, and preserves the fabric of Baltimore neighborhoods. You can be an ambassador to your constituents for this win-win solution. Let us know if materials from BRED, or a presentation to a community group or congregation in your district would be helpful!

2. Help existing worker co-ops stay resilient as engines of community wealth building, and encourage the formation of new ones, by creating a property tax exemption or credit for worker co-ops.

By exempting worker cooperatives from the payment of real property tax, the City Council can help existing cooperatives remain more economically resilient, while incentivizing the formation of new cooperatives. The potential impact is striking and immediate: our analysis of one cooperative, Red Emma's, which recently revitalized a decades-vacant complex of buildings on Greenmount Avenue through a $2 million development project, suggests that an exemption from property taxes would translate to an additional $1/hr in wages for all workers. Importantly, when a worker co-op makes a profit, those profits are shared equally by the worker-owners that made those profits possible. Those worker-owners are, overwhelmingly, going to be residents of Baltimore City — which means that the credits awarded will largely stay here, circulating economically through the community. Worker cooperatives are built structurally to advance the common good — first and foremost by advancing community wealth through broad, democratic ownership. Their structure — which subordinates the power of investors in favor of the democratic workplace — is uniquely suited to advance mission-driven businesses that serve their community for the long haul.

For worker cooperatives that rent their premises, most commercial leases are billed on a triple-net basis, making it possible for the cooperatives to apply for a credit based on the share of the property tax paid by their landlord and passed down to them as an expense. This allows a broader segment of the worker cooperative sector to benefit, while also creating an incentive for landlords to lease space to democratic workplaces.

Based on our cooperative census, our estimate of the amount of money retained by worker cooperatives under this exemption would in total be initially quite modest, just over $180,000 per year. This exemption would be the first of its kind in the country, putting Baltimore on the map for innovative policy support for worker cooperative development and retention.

3. Partner with BRED to advance worker cooperative conversion as a legacy business preservation strategy.

The "Silver Tsunami" is underway as the Baby Boomer generation retires. This generation owns a large share of the small and medium sized private businesses that make up a major part of the fabric of Baltimore's economy, especially at the neighborhood level — and national and state level statistics suggest that many, if not most, lack any kind of succession plan. This is a slow-moving crisis: jobs are lost, neighborhoods are destabilized, and community assets are stripped for parts by predatory equity investors or simply destroyed. But this crisis is also an opportunity: preserving legacy businesses through conversion to worker ownership is a tested strategy for empowering workers, honoring business founders, and keeping communities whole. The Baltimore City Council can advance the preservation of legacy businesses through worker ownership conversions with a unified strategy designed to align existing city business and economic development services along with an increase in the specialized technical capacity needed to source, vet, and close worker cooperative conversion transactions successfully on behalf of retiring owners and their employees.

An effective two-year pilot project could be developed in cooperation with relevant city agencies and departments for a cost of around $200,000/year — that level of funding would allow BRED to bring on an additional full time staff member dedicated to advancing legacy business conversions, while providing small grants to cover some of the costs of the legal and professional assistance needed in the typical conversion. In most scenarios, employees seeking to purchase their workplace from their employer often require the services of independent legal counsel, accountants, or other experts — but most employees do not have the personal financial resources ready to hand to cover the cost of these services, and BRED's ability to subsidize them is limited. That means that these costs need to be debt financed as part of the conversion, putting up an unnecessary barrier to the success of the newly converted business. Alongside this financial support, a clear mandate from the City Council to advance legacy business conversions would help enlist the expertise and support of agencies and departments across Baltimore City's government, helping develop more comprehensive pipelines of business conversion prospects, and bringing additional resources as appropriate into the mix in support of newly converted businesses. Through our national network, BRED is in a position to leverage best practices from other similar initiatives nationally, most notably New York City, which now has a decade of experience with the Worker Cooperative Business Development Initiative and the Owner 2 Owners program, combining technical assistance ecosystem funding with alignment of city capacity around worker ownership.