



Department of Planning & Community & Economic Development

Economic Development Division

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Office of Business Resources

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To: Common Council, Economic Development Committee & Board of Estimates

From: Ruth Rohlich, Business Development Specialist

Date: June 3rd, 2016

Subject: Recommendation to accept the staff recommendation to select Madison Development Corporation to act as the loan manager and Cooperative Network to oversee the technical assistance providers for the Cooperative Enterprise Development Program; and, authorizing the Mayor and City Clerk to execute a contracts with each organization.
RFP 8516-0-2016-RR

The Office of Business Resources released RFP 8516-0-2016-RR to find an organization or organizations that will begin a loan fund and coordinate and provide technical assistance services for the Cooperative Enterprise Development Program.

The City requested proposals for an organization or multiple organizations to coordinate and administer technical assistance and/or loan funds to help support the creation and growth of business cooperatives (a.k.a. worker cooperatives).

Proposals were due on March 14th, 2016. The City received two proposals. Madison Development Corporation (MDC) proposed to provide loan services and the Cooperative Network (CN) proposed to provide technical assistance services.

The staff review team included Matthew Mikolajewski, Martha White and Dan Kennelly with Ruth Rohlich as the administrator of the program.

After reviewing the proposals, interviewing both organizations and support organizations, and a one-on-one interview with the principals from the Cooperative Network the staff team is recommending both organizations to work in partnership to provide services as outlined in RFP 8516-0-2016-RR, the Cooperative Enterprise Development Program.

The Cooperative Enterprise Development Program is a five year program with \$600,000 a year being allocated to help create new business cooperatives and convert businesses into worker cooperatives. This RFP was issued for the first two years of the project with reviews being done annually. If the project is meeting its intended goals there is the ability to contract both organizations for the remaining three years.

Madison Development Corporation (MDC)

Madison Development Corporation applied to administer the loan fund.

Madison Development Corporation has close to 40-years of experience managing community development revolving loan funds for small business start-ups and expansion. MDC has done cooperative loans in the past including loans to Union Cab, Willy Street Coop and two child care facilities structured as cooperatives.

MDC will contract and partner with a national cooperative lender, Shared Capital, which will expand their expertise and technical assistance in the creation and servicing of worker cooperative loans.

MDC expects their average loan size to be about \$50,000.

MDC has a strong network of other lenders, including commercial lenders, so they can recommend alternatives to the applicants if there are other programs that would better suit their needs.

MDC projects they will make five or more new loans per year in the first and second year (full calendar years). They would request that at least one new job be created for each \$25,000 to \$30,000 borrowed. This is in keeping with federal CDBG standards in lending.

They will also work to secure conversion projects. With conversion projects they would be counting jobs retained.

Cooperative Network

The Cooperative Network applied to coordinate a new program that will administer the technical assistance and do community organizing to help a variety of Madisonians create worker cooperatives.

The Cooperative Network will serve as the fiscal agent and umbrella organization for the Cooperative Enterprise Development Program while the various partner organizations work to build capacity in training and supporting cooperative businesses. It is the hope that by the third year of the program a new organization, the Madison Cooperative Development Coalition (MCDC), dedicated to the goals of the RFP will be up and running, however the Cooperative Network is able to extend their role as fiscal agent and umbrella organization beyond year two if need be.

The MCDC has been meeting as an informal organization to work with the support of the Cooperative Network to respond to the City's RFP. MCDC is made up of national and international cooperative experts like the Cooperative Network, UW Center for Cooperatives and MadWorC. But what was most exciting to the review panel was the strong partnerships being created with a wide variety of community groups including:

Black Chamber of Commerce
Freedom Inc
Interpreters' Cooperative of Madison

Centro Hispano
Heartland Credit Union
Latino Chamber of Commerce

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Latino Professionals Association
Northside Planning Council
SMART Local 18 and Local 565
ReSCI Consulting
WRTP/Big Step
Young Gifted and Black Coalition

IUPAT 802
Operation Welcome Home
South Central Federation of Labor
Workers Rights Center
UFCW 1473

These partnerships would help train and coordinate services to a very wide network of organizations that provide services with an emphasis on the trades, communities of color and organizations like the Workers Rights Center that works with individuals being exploited in their workplace.

These organizations would identify projects and support individuals creating business cooperatives as they work with groups like UW Center for Cooperatives and the Cooperative Network who will provide specific technical assistance.

The review team were concerned that the proposal did not more strongly address cooperative conversions as the Office of Business Resources (OBR) sees conversions as being a central part of this project. Conversions are when a business owner agrees to sell her business to the employees.

The review team requested an additional meeting with the Cooperative Network to discuss this. They explained that between their long history of technical assistance and the experience the UW Center for Cooperatives has in working with conversions they believe this work will occur naturally as the program grows. It was agreed that they will need to work closely with OBR to make clear goals around conversions and outreach to companies that are planning an ownership change.

Conclusion

The staff team agrees this combination of organizations is the right fit to create a strong and long lasting program supporting business cooperatives. They recognized the national attention this program is receiving and are excited about the possibilities. Issues regarding reporting and setting clear deliverables for the technical assistance will be worked out in the contract negotiation.

This project has the potential to be very impactful and ongoing support from OBR will be needed to make sure the City is engaged in making sure more businesses owners understand the impact of business cooperatives.

Regards,

Matthew Mikolajewski, Martha E. White & Dan Kennelly

Prepared By: Ruth Rohlich