




Office of the City Manager

September 13, 2023

To: Honorable Mayor and Members of the City Council

From:  Dee Williams-Ridley, City Manager

Subject: Update on the City's Partnership with Project Equity including Support for Employee Ownership and Succession Planning for Berkeley's Businesses

This memo provides an update on the Office of Economic Development's work to advance employee ownership and succession planning in Berkeley in partnership with Project Equity.

Partnership with Project Equity

In December of 2018, the City of Berkeley [launched the state's first city-funded initiative](#) to build awareness of employee ownership and support local businesses to transition to employee ownership if desired. Project Equity conducted an analysis of the opportunity for employee ownership in Berkeley. The 2019 analysis found that 1,200 businesses in Berkeley are over 20 years old, and together they account for \$1.6B or 60% of small business revenue and 1 in 3 jobs in the city.

Project Equity worked in Berkeley to build awareness of employee ownership as a succession plan, employee engagement and retention, and business competitiveness strategy and notified every Berkeley small business (with 50 or less employees and 7 years or older) with a letter in their annual Business License renewal materials (delivered via US Mail in December 2019).¹ The City also bolstered marketing with educational events and webinars for business owners including participation in the first *Employee Ownership Equity Summit* hosted by Project Equity in February of 2023. The Summit brought together 150 leaders from cities across the U.S. and from local government, non-profits, and the private sector to learn how to unlock the power of employee ownership in their communities. The City of Berkeley was highlighted in the Summit's [Toolkit for Building Resilient Local Economies with Employee Ownership](#) (page 18) as an example of a national leader and innovator in advancing employee ownership.

¹ The City achieved national and local press highlighting what the "silver tsunami" would mean for legacy businesses and Berkeley's unique response, see articles published March-May 2019 in the *San Francisco Chronicle*, [East Bay Express](#), [Daily Californian](#), [Nonprofit Quarterly](#), [Huffington Post](#).

As a result, hundreds of businesses across Berkeley have been educated on employee ownership and by March 1, 2023 the first cohort of five Berkeley companies have transitioned to employee ownership including [Adams & Chittenden Scientific Glass](#), 2471 Eighth Street, [Alternative Technologies](#), 1050 Heinz Avenue, [The Local Butcher Shop](#), 1600 Shattuck Avenue, [Oceanview Diner](#), 1807 Fourth Street, and [Westbrae Nursery](#), 1272 Gilman Street.

As of September 2023, Berkeley has the highest percentage of worker cooperatives per capita (1.14%) than any other city in the U.S.

Building on Success

To build on this foundation and momentum, OED will continue in partnership with Project Equity.² In the next project phase, Project Equity will provide the following to the City: (1) business support services to the City of Berkeley to help the City retain businesses through Employee Ownership Transition and (2) underwrite regional ecosystem development support to neighboring cities and partners including the East Bay Economic Development Alliance (EDA) and the East Bay Small Business Development Center (SBDC) and (3) evaluate the feasibility of a multi-city or regional approach to employee ownership transition support and succession planning.

Together the City, in partnership with Project Equity, can retain thriving local businesses, support local quality jobs and wealth building opportunities, and continue to build a more resilient economy in Berkeley through employee ownership.

If you have any questions about this project, please reach out to Kieron Slaughter, Office of Economic Development, at (510) 981-2490 or kslaughter@berkeleyca.gov.

ATTACHMENT

1. *Boosting Your Local Economy with Employee Ownership, A Session for Economic Developers & Government*, presentation by Kieron Slaughter, City of Berkeley and Sarah McBroom, Project Equity, February 7, 2023.

cc: Eleanor Hollander, Economic Development Manager
LaTanya Bellow, Deputy City Manager
Anne Cardwell, Deputy City Manager
Farimah Brown, City Attorney
Mark Numainville, City Clerk
Matthai Chakko, Assistant to the City Manager
Jenny Wong, City Auditor

² City of Berkeley contract *Worker Owned Cooperative Business Support Services*, executed July 6, 2023, funded by the American Rescue Plan Act (ARPA).

EO

SUMMIT



EMPLOYEE OWNERSHIP

Oakland, CA | February 7-9

Equity Summit



2023

BOOSTING YOUR LOCAL ECONOMY WITH EO

A session for economic developers & government

Session speakers



Sarah McBroom

Sr. Manager, Regional Engagement
Project Equity



Kieron Slaughter

Chief Strategist, Economic Innovation
City of Berkeley, Office of Economic
Development



Pair and share

For 5 minutes discuss with the person next to you

What is most important to you as an economic developer or government leader in your community?

What are your biggest goals?

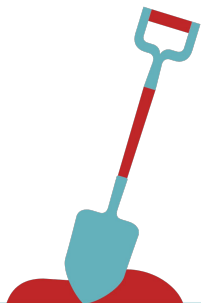
What are some of the biggest challenges in your job and in your local economy?



How economic developers & local municipalities can advance EO

How we build resilient local economies with **Employee Ownership**

STEP 1



Assess the opportunity

STEP 2



Build awareness

STEP 3



Demonstrate impact

STEP 4



Embed into systems

Example tactics to advance EO

STEP 3

Assess the opportunity



- Understand readiness factors
- Analyze business data
- Survey business owners
- Identify legacy businesses
- Map regional partners

STEP 2

Build awareness



- Learn about the benefits of EO
- Use your platform to talk about EO
- Host an educational event
- Tell stories of EO in your field or region

STEP 3

Demonstrate impact



- Subsidize EO feasibility assessments
- Contract with EO experts for technical assistance
- Support access to capital
- Facilitate an anchor institution strategy

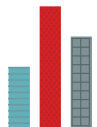
STEP 4

Embed into systems



- Train your team on EO
- Incorporate EO into roles within your org
- Incorporate EO into a succession planning, employee engagement, or small business touchpoints
- Create incentives or supportive public policy for EO

How we can help



Analyze your business data

to better define the business retention and resiliency risk in your community.



Collaborate with us on a local awareness building informational campaign

Project Equity can offer messaging, customizable content, and materials you can share on your platforms. You have the platform and the relationships, and we bring the communications expertise and support to implement.



Co-host a webinar or event with us

to educate local businesses on employee ownership, train your team on how to talk about employee ownership, or educate local business-serving organizations (like lenders, exit planners, SBDCs, or workforce boards) on how it works

How we can help



Refer business owners

to schedule a call with one of our advisors (which your team is welcome to join). Local organizations or government agencies can contract with EO experts like Project Equity to provide technical assistance to businesses interested in a transition and can also invest in our Employee Ownership Catalyst Fund to help finance local transitions.



Partner with us to review your local programs and policies

and create recommendations on how to embed employee ownership into local systems to support small business employee ownership.

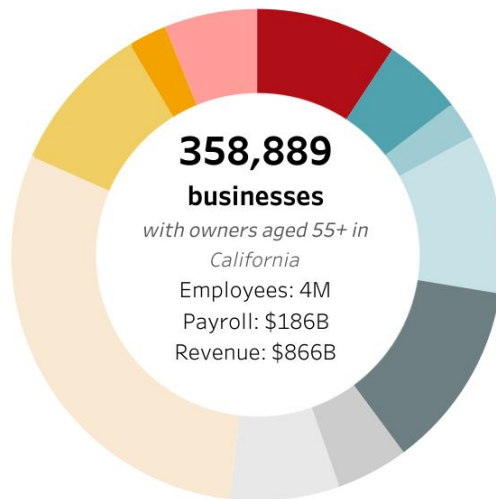
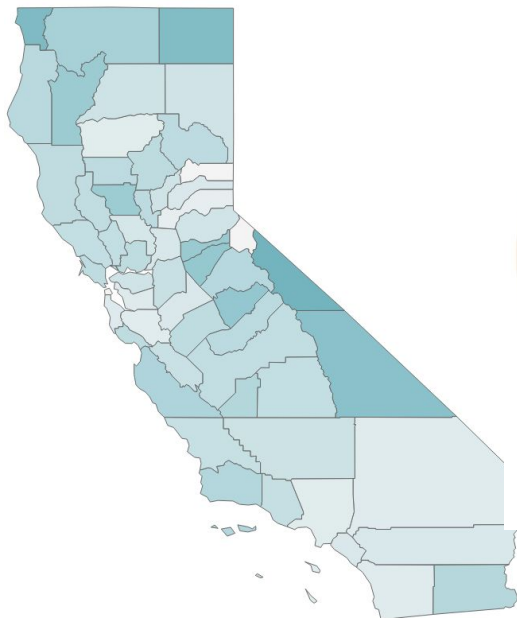


Economic development case study

City of Berkeley, CA

Silver Tsunami

50% of businesses in California are owned by people aged 55+



Industries

hover over a donut slice to see data

- Accommodation & food services
- Admin & waste management
- Arts & entertainment
- Construction
- Health care & social assistance
- Manufacturing
- Other industries
- Professional services
- Retail trade
- Transportation & warehousing
- Wholesale trade

What will happen to these businesses, jobs, and revenue when these owners retire?



This is the question the City of Berkeley economic development team was wrestling with in 2018 when they developed an innovative solution to turn this small business closure crisis into an opportunity to build a more resilient local economy.

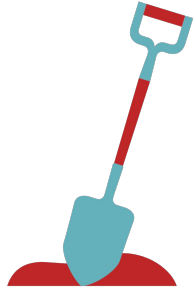
Berkeley's answer

If we help retiring business owners sell their businesses to the employees, we can preserve those businesses while building quality jobs and pathways to wealth for the employees.

- Staff identified a number of projects to be implemented beginning in 2018 specifically designed to improve the City's services for small businesses. These projects would be implemented with existing staff and budget resources, and they correspond directly to the needs of businesses and with the strategic priorities in the City's draft strategic plan. Small Business Support Package launched.
- The Berkeley economic development team worked with the city council to [launch the state's first city-funded initiative](#) to build awareness of employee ownership and support local businesses to transition to employee ownership as part of the City's Small Business Support Package.
- Since then, hundreds of businesses across Berkeley have been educated on employee ownership and a first cohort of companies has transitioned to employee ownership.

STEP 1

Assess the opportunity



- Project Equity analyzed small business ownership data and coordinated with the economic development team to understand the business retention risk in the city
- The analysis included the number of small businesses at risk by industry and the contribution the businesses made to local jobs and revenue

Assess the opportunity

Build awareness

Demonstrate impact

Embed into systems

The analysis confirmed that succession planning is needed to retain Berkeley's independently-owned small 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}

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Our research indicates

- 1,200 businesses in Berkeley are over 20 years old
- They account for \$1.6 billion or 60% of small business revenue
- These businesses employ 1 in 3 people

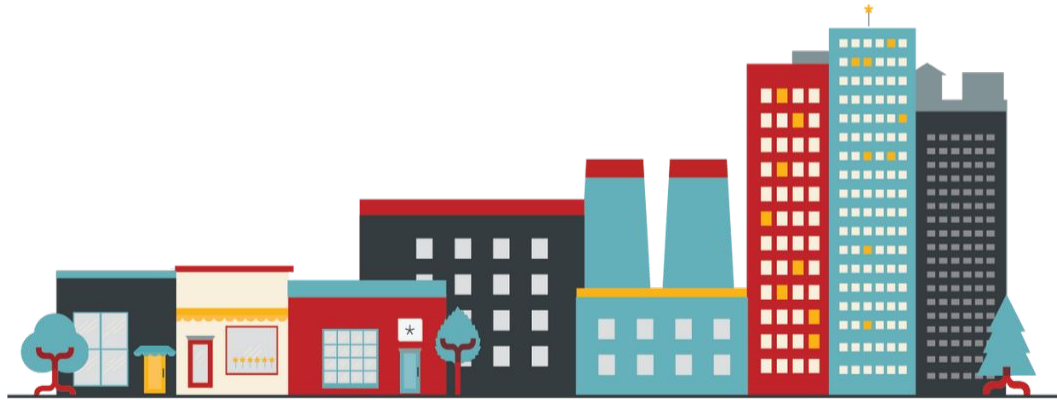
Yet, the reality is

- Half of all business owners are looking to transition out in the next 5 years
- Up to 85 % have no succession plan
- 1/3rd plan to close their doors

Conclusion

Succession planning is needed

to retain Berkeley's independently owned small businesses



STEP 2

Build awareness



- The economic development team partnered with Project Equity to build awareness of employee ownership as a succession, employee engagement and retention and business competitiveness strategy.
- We built awareness through press releases, web pages, direct mail, local advertising, word of mouth and educational events.
- Notified every small business (50 or less emp. / 7 years or older) with a letter with their Business License renewal.

Assess the opportunity

Build awareness

Demonstrate impact

Embed into systems

Berkeley received local & national press

San Francisco Chronicle

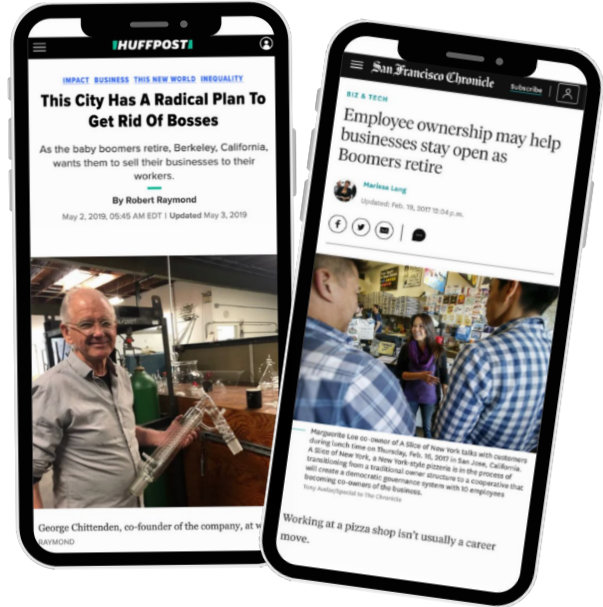
HUFFPOST

NPO
NONPROFIT QUARTERLY

Berkeleysiuc

edible EAST BAY

THE DAILY CALIFORNIAN





Educational events & webinars

- 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*
- Legacy Small Business Education Training for Local Government Staff | *February 2019*

STEP 3

Demonstrate impact



As a result of the pilot, Berkeley is beginning to **demonstrate impact** through a cohort of businesses within various sectors completing a transition

Assess the opportunity

Build awareness

Demonstrate impact

Embed into systems

One-on-one EO consultations and technical assistance

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

Employee ownership transitions



STEP 4

Embed into local systems



- To make EO widely known and grow the number of employee-owned enterprises, EO must be embedded into existing, local programs and regional systems
- The City of Berkeley and Project Equity have collaborated to has plant the seeds of this process and hope to begin exploring regional approach to employee ownership transition support and succession planning

Assess the opportunity

Build awareness

Demonstrate impact

Embed into systems



Questions