

FY  
**2020-2022**  
*WORKING TOGETHER*  
*ADDENDUM*



**NYC** Small Business Services | Mayor's Office of Contract Services

# INTRODUCTION

Mayor Bill de Blasio and the NYC Council launched the Worker Cooperative Business Development Initiative (WCBDI) in Fiscal Year 2015 (FY15) to support the positive impact worker cooperatives have on New York City. WCBDI was created to strengthen the existing ecosystem of cooperative developers in NYC, promote the creation of new cooperatives, and grow existing cooperatives.

In compliance with Local Law 22 of 2015, this report to the NYC Council includes a summary of the impact of services provided by WCBDI to worker cooperatives in the previous three fiscal years. The report outlines the obstacles that worker cooperatives encounter when competing for City contracts and recommends measures to lessen the effects of such obstacles and enhance the ability of worker cooperatives to compete for, and obtain, City contracts.

In addition to the already existing obstacles for worker cooperatives to compete for City contracts, COVID-19 has created challenges for these businesses that continue to shape the landscape of the sector. While these barriers to obtaining City contracts are not unique to worker cooperatives, they are more challenging given the shared ownership structure of these businesses. Each challenge, and the recommendations to address them, is set forth in this report along with a description of the initiative's success during fiscal years 2020-22.

FY



20



21

22

## PROCUREMENT INFORMATION CAN BE DIFFICULT TO UNDERSTAND

### CHALLENGE

Cooperatives report that information about government procurement contains technical language, which makes bidding for government contracts more complicated. Many cooperatives are owned by immigrants and people with Limited English Proficiency, which increases the probability that the language will be difficult to understand.

### RECOMMENDATION

Worker cooperatives should attend the NYC Department of Small Business Services (SBS)'s "Selling to Government" course, which is offered monthly to introduce businesses to government contracting, including how to find opportunities and understand procurement terminology. These courses are open to the public, with interpretation and translation of materials available upon request. A list of upcoming courses can be found at [nycsmallbizcourses.eventbrite.com](https://nycsmallbizcourses.eventbrite.com). SBS also provides one-on-one, tailored bidding assistance in entrepreneurs' preferred languages, using multilingual staff or interpretation. Additionally, the SBS website can be translated into dozens of languages and SBS provides interpretation at procurement events upon request.





## ***COOPERATIVES HAVE DIFFICULTY WINNING THEIR FIRST CONTRACT***

### **CHALLENGE**

Cooperatives report having difficulty securing their first public contract but recognize that having experience makes it easier to win bids.

### **RECOMMENDATION**

Worker cooperatives should make full use of free services provided by SBS to help businesses that are interested in local, state, and federal contracting. SBS specialists provide one-on-one assistance and training for any government contracting-related matter to increase the chances that a business will win their first contract. This includes, but is not limited to, promoting a business to government agencies or prime contractors, registering as a City vendor, and making sure that their vendor profile accurately describes their business. Many worker cooperatives may be eligible for Minority and Women-owned Business Enterprise (M/WBE) certification. The M/WBE certification program seeks to expand opportunities for women and minority business owners. SBS helps businesses one-on-one to successfully complete the certification application in person at SBS' network of NYC Business Solutions Centers (BSCs) located throughout the five boroughs and online during application workshops (upcoming events can be found at [nycsmallbizcourses.eventbrite.com](https://nycsmallbizcourses.eventbrite.com)). Benefits of M/WBE certification include:

- 1 Listing in the NYC Online Directory of Certified Businesses, a searchable list of City-certified businesses for City agencies and other buyers.**
- 2 Access to City agency contracts up to the M/WBE Small Purchase limit (currently \$500,000) without competition.**
- 3 Invitation to the Annual Citywide Procurement Fair which features more than 70 City and State agencies and public authorities offering contracting opportunities and other resources for City-certified businesses.**

## ***COOPERATIVES CANNOT ACCESS FUNDING NEEDED TO GROW THEIR BUSINESS***

### **CHALLENGE**

Cooperatives experience challenges getting the financing they need to grow their business. The city's worker cooperatives are largely made up of worker-owners from historically disadvantaged communities who often do not have strong credit scores. This lack of capital can create a cash flow strain when taking on government projects.

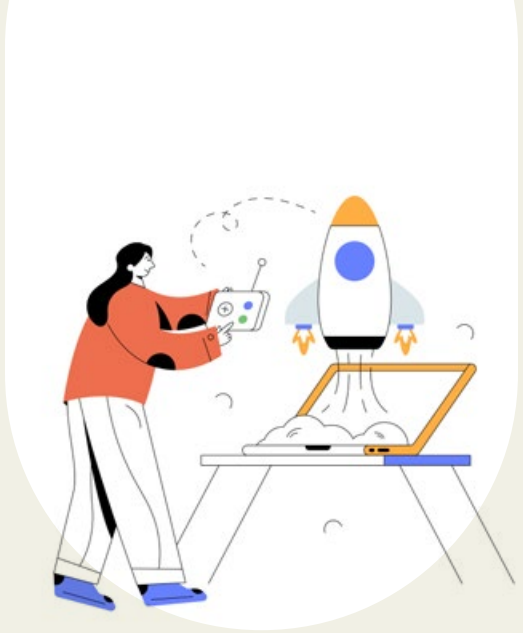
### **RECOMMENDATION**

SBS provides free financing assistance services through its network of BSCs across the five boroughs, connecting small businesses to more than \$40 million annually. Our team will assess the needs of businesses and increase their chances of getting funding. They can help worker-owners:

- 1 Identify the right financing options based on their credit and business needs.**
- 2 Build their loan application.**
- 3 Connect to a network of lenders in NYC.**

SBS also offers loans of up to \$1,000,000 at an annual interest rate of 3% through the Contract Financing Loan Fund for businesses that are applying for City contracts as a prime or a subcontractor.





FY2020-22 ACCOMPLISHMENTS

# MEASURING OUR SUCCESS

The WCBDI measures its success using four metrics on worker cooperative development.

The cumulative outcomes listed below were reported by WCBDI partners and summarize the activities conducted in fiscal years 2020-22.



**85**  
WORKER COOPERATIVES CREATED

A worker cooperative is a business owned and managed by its workers. In contrast to traditional companies, profits from worker cooperatives are distributed among “worker-members,” who make governance decisions using democratic principles on a one-member, one-vote basis. WCBDI encourages both the creation of worker cooperatives and the conversion of traditional businesses into cooperatives through specialized trainings and one-on-one services. Since creating a cooperative takes significant time and resources, WCBDI partners often work with worker-members for more than a year to either incubate or convert their business into a cooperative.

In FY2020-22, WCBDI partners helped 30 new worker cooperatives formally launch by helping them acquire a federal tax ID, formation documents, appropriate licenses and permits, and register as a New York State sales tax vendor when applicable. WCBDI also helped 55 worker cooperatives “soft launch” in FY2020-22. These worker cooperatives did not fully launch by completing the formal launch steps listed above but are in the process of registering their business and finding an appropriate legal structure. These businesses have tentatively determined their name, industry, and number of worker-owners and non-member workers.



**357**  
TOTAL HIRES

A worker-member is a person who owns a share of the worker cooperative, is a beneficiary of a trust, or controls the cooperative with other worker-members. A non-member worker is anyone who works for a worker cooperative but is not a worker-member. WCBDI helps worker cooperatives take on new worker-members and/or non-member workers through capacity-building services. Adding new worker-owners to an existing business can be a long process but encourages personal investment in the success of the business. This metric represents the total number of jobs created by WCBDI-supported cooperatives in FY2020-22 and reflects employment of worker-members and non-member workers.



**5107**  
ONE-ON-ONE SERVICES PROVIDED TO  
**508**  
BUSINESSES AND/OR COMMUNITY-BASED ORGANIZATIONS

WCBDI partner organizations provide one-on-one, specialized services focused on worker cooperative development to entrepreneurs planning to become worker cooperatives, businesses interested in converting to cooperatives, and existing worker cooperatives. These services cover a range of topics including bookkeeping, business plan development, financial planning, governance, marketing and market research, strategic planning, succession planning, and translation. One-on-one services allow cooperatives to continue growing and providing sustainable jobs for worker-owners. At the same time, WCBDI partners help other community-based organizations in New York City that provide business development services extend those services to worker cooperatives in their communities. These partnerships allow WCBDI to extend its impact and further strengthen New York City’s worker cooperative ecosystem.



**8984**  
EDUCATIONAL SERVICES PROVIDED

WCBDI hosts workshops, intensive academies, and networking events for current and prospective cooperative members. Educational services provided by WCBDI can be standalone workshops for anyone to attend, or a curriculum-based series of trainings that require an application. Events cover a wide range of business and cooperative management topics, such as bookkeeping, legal entity choice, computer skills, democratic decision making, and conflict resolution. Others aimed to connect worker-owners and cooperative developers with their communities to teach them about the cooperative model.

This metric represents the number of individuals who were involved in a series of curriculum-based workshops, conferences, lectures, and group trainings hosted by WCBDI in FY2020-22.

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**KEVIN D. KIM**

*COMMISSIONER*

**NYC Department of  
Small Business Services**

1 Liberty Plaza, 11th Floor,  
New York, NY 10006

**[nyc.gov/sbs](http://nyc.gov/sbs)**

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**LISA M. FLORES**

*CHIEF PROCUREMENT  
OFFICER & DIRECTOR*

**Mayor's Office of  
Contract Services**

253 Broadway, 9th Floor,  
New York, NY 10007

**[nyc.gov/mocs](http://nyc.gov/mocs)**