

City of Cincinnati



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David S. Mann
Councilmember

April 23, 2021

MOTION

I move that City Council consider the request from Co-Op Cincy to provide \$50,000 from ARP for a revolving loan for technical assistance for the businesses that are going through the process of exploring a transition to worker ownership through Co-op Cincy's Business Legacy program.

Councilmember David Mann

Statement:

See details attached



We are requesting \$50,000, to be allocated to the Cooperative Capital revolving loan fund (one-third) and to the technical assistance for the businesses that are going through the process of exploring a transition to worker ownership through Co-op Cincy's Business Legacy program

(two-thirds). To date, every dollar in the local loan fund has leveraged roughly three dollars from a national loan fund, meaning that it has 4 times the impact here in Cincinnati.

Funding for the Business Legacy program has the potential to have an even greater multiplier effect. In 2020, Co-op Cincy became the third co-op developer in the Seed Commons network to access a multi-million dollar fund designed to finance conversions of local businesses to worker ownership.



Co-op Cincy is creating an economy that works for all, by developing an integrated network of community-driven, worker-owned cooperative businesses in Cincinnati. The majority of the people who are creating and/or already own the co-ops in the network are BIPOC (Black, Indigenous and People of Color).

Cincinnati cooperatives are supported in part by access to capital through the Cooperative Capital revolving loan fund, which breaks down the biggest barrier to cooperative business development.

The Business Legacy Fund is Co-op Cincy's new program to address the small business closure crisis, caused by a wave of upcoming retirements and exacerbated by COVID-19. The program supports

businesses by transitioning them to employee ownership: preserving jobs, building wealth for our communities, and ensuring business owners' legacies and retirement funds. Co-op Cincy is educating new audiences in Southwest Ohio about the power of the co-op model to preserve businesses and jobs, while broadening ownership. Our work will include marketing, outreach and partnership development, and will culminate in the launch of an innovative search fund acquisition model.



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Through a sophisticated combination of financing and technical assistance, it is now within reach for Cincinnati's retiring business owners to preserve their legacy and ensure their retirement, through a sale to their employees.

Through the Business Legacy program, Co-op Cincy will preserve at risk jobs, create new pathways to cooperative ownership for historically marginalized workers, and ultimately strengthen our communities. Co-op Cincy is the only organization in Greater Cincinnati with experience with this strategy.

Before COVID-19, approximately 6,000 small businesses in Greater Cincinnati were at risk of closing in the next 10-15 years. The pandemic is expected to exacerbate the wave of business owners 55 and over who retire without the opportunity to maintain their legacy and preserve their employees' jobs. When faced with the choice to take on more debt, or retire earlier than expected, many who might have closed in 5-10 years might instead close in a matter of months. In addition, younger owners may also choose to close up shop when the Paycheck Protection and other subsidized loans and grants dry up.

A February 2021 Federal Reserve Bank survey showed that **30% of small businesses said they will not make it to the end of the year without additional government assistance**, and 80% of small businesses said that they are currently struggling financially even after the last round of government relief. As of October 2020, 44% of small businesses across the United States have over \$100,000 in debt which is up 13% from 2019.¹

Black and Hispanic owned small businesses have been hit especially hard during the pandemic and only 12% of those who applied for forgivable, low-interest loans from PPP received them.²

It is with this backdrop that we note that black-owned businesses already accounted for only 2% of all small businesses, and retiring owners are less likely to find a buyer within the African American community. This dynamic has the potential to exacerbate racial disparities in small business ownership. Recently, Co-op Cincy forged a partnership with *the Chamber's Minority Business Accelerator, African American Chamber of Commerce, the Greater Cincinnati Microenterprise Initiative and All-In Cincinnati* to expand the organizations reach even deeper into the community of business leaders of color, and ensure that retiring business owners of color have an opportunities to transition their businesses to worker ownership.

Supporting the Co-op Cincy Cooperative Capital and transitions program is a long-term investment in our communities.

¹

Kristopher J. Brooks. "9 million U.S. small businesses fear they won't survive the pandemic." CBS News. February 10, 2021. <https://www.cbsnews.com/news/small-business-federal-aid-pandemic/> 2

Color of Change and Unidos. "Federal Stimulus Survey Findings." April-May 2020. <http://publications.unidosus.org/bitstream/handle/123456789/2051/UnidosUS-Color-Of-Change-Federal-Simulus-Survey-Findings.pdf?sequence=1&isAllowed=y>