



COUNCIL OF THE DISTRICT OF COLUMBIA

THE JOHN A. WILSON BUILDING
1350 PENNSYLVANIA AVENUE, N.W.
SUITE 102
WASHINGTON, D.C. 20004

ZACHARY PARKER
COUNCILMEMBER, WARD 5

COMMITTEE MEMBER
Facilities and Family Services
Health
Hospital and Health Equity
Housing
Transportation and the Environment

July 12, 2024

Nyasha Smith, Secretary
Council of the District of Columbia
1350 Pennsylvania Avenue NW
Washington, DC 20004

Dear Secretary Smith,

Today, I am introducing, Opening Worker-Ownership: A New Economic Resilience Strategy (OWNERS) Amendment Act of 2024. This legislation would direct the District's Department of Licensing and Consumer Protection (DLCP) to survey our business ecosystem and co-create a city-wide strategy for incentivizing and help District business owners sell to their employees—a process called a worker cooperative conversion. Please find enclosed a signed copy of the legislation.

In a city of skyrocketing costs, it has become all too common to see community businesses close: 58% of District businesses close within 5 years of opening, and that statistic climbs to 70% over 10 years.¹ Many businesses close because of rent increases or because a business owner is retiring or wants to move on without a succession plan. This closure crisis is an opportunity for DLCP to better understand why small businesses are struggling and to explore how the District can support them more effectively.

Evidence suggests that cooperatives can be more resilient than traditional business structures, even in economic downturns.² 10% of cooperatives fail after the first year, while 60-80% of traditional businesses fail after the first year. After 5 years, 90% of cooperatives are still in business, while only 3 – 5% of traditional businesses are still operating after 5 years.³ This is often because of the many people involved in starting a cooperative and the democratic systems that govern worker cooperative operations.

¹ Devon Delfino, Percentage of Businesses That Fail — and How to Boost Chances of Success, *Lending Tree*, April 8, 2024, available at <https://www.lendingtree.com/business/small/failure-rate/>.

² Benefits and Impacts of Cooperatives, Howard University Center on Race and Wealth, Jessica Gordon Nembhard, 2014, available at [GordonNembhard Co-op Benefits Final2014.pdf \(geo.coop\)](https://www.geocoop.org/wp-content/uploads/2014/03/GordonNembhard-Co-op-Benefits-Final2014.pdf).

³ World Council of Credit Unions, Statistical Report, 2007, available at https://www.woccu.org/documents/2007_Statistical_Report.

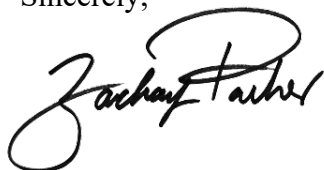
What is more, the District has a rich history of cooperative economics. Mayor Marion Barry made cooperative development a key feature of his economic development strategy, including a Commission on Cooperative Economic Development.⁴ In February 1980, he said:

*In Washington, as in every other major urban center in America, we have entire sections of our city which have been abandoned and neglected by the mainstream of economic activity... It is time for the citizens of these areas themselves to become owners and providers of the basic services needed for daily life. The cooperative movement is just what is needed to provide this opportunity... We shall encourage consumer groups to establish and operate consumer cooperatives that will enable consumers to provide themselves marketplace alternatives and to provide a competitive spur to profit-oriented enterprises.*⁵

Cooperatives and other forms of economic democracy have been key tactics of Black economic liberation and survival, in the District and beyond.⁴ This legislation would set the District on a trajectory to reinvigorate Marion Barry's economic legacy and building wealth directly within the communities that need it most.

I look forward to working with my Council colleagues and in the Executive to revive cooperative economics in the District and expand our city's economic development strategy. Please contact my Deputy Chief of Staff, Conor Shaw, at cshaw@dccouncil.gov if you have any questions about this legislation.

Sincerely,



Zachary Parker
Ward 5 Councilmember

⁴ Johanna Bockman, Home Rule from Below: The Cooperative Movement in Washington, DC, George Mason University, August 31, 2014, available at <https://acresofancestry.org/wp-content/uploads/2022/09/2014-Bockman-Home-Rule-From-Below.pdf>.

⁵ Library of Congress, Manuscript Room, Civil Rights During the Carter Administration, 1977-1981, Part: 1 Papers of the Special Assistant for Black Affairs, Section B, Microfilm: 23,401, Reel 11. PPDF newsletter, Vol. 1, No. 1, March 1980.



Councilmember Zachary Parker

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32

A BILL

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend the District of Columbia Consumer Protection Procedures Act to require the Department of Licensing and Consumer Protection to establish a program to survey the business ecosystem and create a city-wide strategy for helping District business owners retire and sell to their employees—a process called a worker cooperative conversion.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the “Opening Worker-Ownership: New Economic Resilience Strategy (OWNERS) Amendment Act of 2024”.

Sec. 2. The District of Columbia Consumer Protection Procedures Act (D.C. Law 1-76; D.C. Official Code § 28–3902) is amended by inserting a new section (3A) to read as follows:

“Sec. 3A. Potential Business Closures Survey and Worker Cooperative Report

“(a) For the purposes of this section, the term:

“(1) “Alternative ownership model” means private or corporate ownership that significantly shifts economic value and decision-making power toward non-investor stakeholders, including workers, producers, consumers, and community members;

“(2) “Asset opportunity” means an LLC registered in DC, often associated with ownership of a single property address, that has a property where either 1) a commercial or residential unit has been vacant or without construction permits for over a year, 2) the property is

33 behind on its property taxes, or 3) consistently has an fines levied on it by DLCP, DOH, DPW,
34 DOB, or other relevant city agencies (even if those fines are paid or contested);

35 “(3) “Coalition” means a diverse and multi-stakeholder of interests with
36 representation from local organizations and a group of at least 5 local residents;

37 “(4) “Collaborative grant” means a grant issued jointly to a Coalition or jointly to
38 three signer organizations

39 “(5) “Communicate and Follow-up” means use a combination of communication
40 methods to inform of events or opportunities at least 3 days ahead of the relevant moment,
41 including text, call/voicemail, mail, and flyers posted on poles in a relevant area;

42 “(6) “Community-ownership” means a project, wealth-building asset, coalition, or
43 business that is majority-controlled and majority-owned by its employees, residents, or an
44 equitable multi-stakeholder governance structure;

45 “(7) “Demonstrated community need” means a coverage gap of disproportionate
46 distance for critical community need, including grocery stores, farmers markers, or other points
47 of access to fresh food; childcare and senior care; and parks, libraries, or other low-barrier
48 gathering places.

49 “(8) “Informal trusted leader” means a hyper-local leader who is perceived to be a
50 trusted messenger in their immediate (<.5 mile) community, including pastors, volunteer cleanup
51 organizers, peace-advocates, candy ladies who take care of and feed youth in the community,
52 neighbors who flyer, text, or otherwise share information.

53 “(9) “Local economic infrastructure” means legal structures and entities to build
54 and facilitate technical, legal, social, and financial wealth of low-wealth DC residents, including
55 land banks, community-owned and mutual insurance, mutual credit cleaning, labor market apps

56 or websites for DC residents to post skills and employers to share gigs with a focus on in-
57 demand labor categories, investment marketplaces as a public service or community-owned
58 utility.

59 “(10) “Local entity” means an organization operating in the District in which
60 either 75% or more of its ownership, controlling interest, and membership are District residents
61 or the owners or members have consent or letters of support from at least 5 informal trusted
62 leaders;

63 “(11) “Potential business closure” means a business or asset where the ownership
64 or management of that business might be getting ready to retire, close or want to sell due to
65 insolvency, or had its rent recently increased by more than 10%;

66 “(12) “Worker cooperative conversion” means a business deal between the
67 owners of a business and the employees of that business where ownership sells the business to a
68 democratically-controlled entity owned by the employees, a Limited Cooperative Association, a
69 General Cooperative Association, or converts to at least 51% employee-control through a local
70 nonprofit developer, CDFI, or purpose trust that is worker-owned and democratically-controlled
71 provided they provide startup and ongoing technical and legal assistance;

72 “(b) By November 1, 2025, the Department shall conduct and release the results of a
73 survey of business owners, local entities undergoing worker cooperative conversions, and
74 employees. The survey shall seek to ascertain:

75 “(1) What business owners are interested in retirement, closing businesses, or
76 selling/buying businesses, and why;

77 “(2) What opportunities exist for the Department and other District agencies to
78 support worker cooperative conversions;

79 “(3) A list of asset opportunities and potential business closures that could
80 strengthen the economy if they were to go through worker cooperative conversions or be
81 converted to community-ownership, as well as a framework for regularly updating the list; and

82 “(4) A list of existing limited cooperative associations.

83 “(c) By March 1, 2026, the Department shall product a report detailing:

84 “(1) Policy recommendations that reflect input from at least 5 community
85 members, including at least 3 that focus on low-income and low-wealth workers from
86 historically marginalized, low-wealth, and under-invested communities;

87 “(2) The Department and other District agencies’ existing capacity for deal-
88 making, financing, and organizational policy;

89 “(3) The Department and the District’s strategy for engaging with the United
90 States Department of Labor's employee ownership office, qualified community members, local
91 legal foundations and organizations that could mobilize technical and legal capacity for business
92 deals, and regional experts on program development internal to the city/Department for worker
93 cooperative conversions; and

94 “(4) A long-term strategy for developing a robust cooperative and community
95 wealth building infrastructure in the District, including:

96 “(A) How the Department can help identify potential business closures or
97 asset opportunities that are good candidates for worker cooperative conversions and how to
98 notify and educate businesses about worker cooperative conversions, ideally during their
99 licensing and registration processes or tax-paying processes

100 “(B) How the Department and other agencies can make it easier, cheaper,
101 and less bureaucratic for coalitions to secure financing and buy asset opportunities, including

102 alternative ownership governance frameworks and new entities or simplified licensing
103 categories;

104 “(C) How the Department and other agencies can use collaborative grants
105 to support economic infrastructure or nonprofit purpose trusts;

106 “(D) Potential policy frameworks to support coalitions, community wealth
107 building, and alternative ownership models, such as a tax credit for worker cooperative
108 conversion feasibility studies, a tax credit for the transaction costs of a worker cooperative
109 conversion, expanded collateral guarantee programs to cover worker cooperative conversions,
110 government-provided bank accounts, land banks, community-owned insurance, revolving loan
111 funds, and mutual credit clearing;

112 “(E) How the District can expand worker cooperatives in high-demand
113 trades and skills with demonstrated First Source local labor shortages;

114 “(F) Ongoing back-office, accounting, insurance, payroll, technical
115 assistance, feasibility studying, and/or legal supports and systems needed for business-owners
116 looking to sell to their employees or communities and for the employees to be prepared to take
117 over the business and participate in workplace democracy;

118 “(G) Options for a process for the city to provide these ongoing supports
119 for Worker Cooperative Conversions, including letting intermediaries steward the process or act
120 as holding companies, provided that the intermediaries provide financial and technical assistance
121 and the deal converts to majority worker-ownership and worker-control within 10 years; and

122 “(H) Options for matching or investing in a fund for worker organizing
123 and technical assistance.

124 Sec. 3. Fiscal impact statement.

125 The Council adopts the fiscal impact statement in the committee report as the fiscal
126 impact statement required by section 4a of the General Legislative Procedures Act of 1975,
127 approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

128 Sec. 4. Effective date.

129 This act shall take effect after approval by the Mayor (or in the event of veto by the
130 Mayor, action by the Council to override the veto), a 30-day period of congressional review as
131 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December
132 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of
133 Columbia Register.