

MEMO

November 10, 2020

To: Transition Team of President-elect Joe Biden

Subject: Cooperative Business Policy Recommendations for 2021

“Cooperatives are poised to help tackle the challenges facing our nation and the world as a proven strategy to empowering people and their communities to build a more equitable and inclusive economy.”
- Doug O'Brien, President and CEO, National Cooperative Business Association (NCBA CLUSA)

The cooperative community stands ready to partner with and support President-elect Biden and the new Congress as the country seeks to address unprecedented policy challenges related to the economy, society and the environment. With COVID-19 relief and recovery at the forefront, the follow policies reflect priorities within small business and housing policies.

Cooperatives have an extensive history of providing access to opportunity and promoting economic and social inclusion. Now is the time to address some of our nation's greatest challenges to build an economy that includes everyone, and cooperatives are an important tool to help Americans realize this goal.

First 100 Days Actions:

- Appoint proven leaders with cooperative experience in key positions within the Department of Agriculture, Department of Housing and Urban Development and Small Business Administration
- Fully fund the USDA Rural Cooperative Development Grant in the Biden Administration's FY22 budget proposal
- Begin a rulemaking process that amends regulations for 7(a) to allow co-ops to access SBA financing

Driving an inclusive economic policy agenda

In 2020, COVID-19 has made it clearer than ever that people who use businesses – as workers, consumers, or producers – should be given the chance to own and control those businesses, to have a greater say in how the business operates, and to realize more of the benefits created by the business. As our nation continues relief efforts and begins on the road to recovery, cooperatives offer a business solution that is good for workers, business and the local economy. Cooperatives build financial independence, increase ownership, and improve economic resilience. As a nation, we are at a moment of reckoning to address the systemic racial disparities in health, wealth, and education, and cooperatives are a proven solution to drive this change through entrepreneurial and homeownership opportunity.

Small businesses driving our economy and returning dignity to hardworking Americans

- Expand cooperative development: Cooperatives exist and thrive in nearly every sector of our economy. By creating a level playing field for co-ops, these businesses can help to empower people as the nation continues to weather and recover from the economic consequences of COVID-19. Compared to other business models, cooperatives have higher business survival rates, greater resiliency during economic downturns, lower workforce turnover, higher wages and spur further local investments—yet they do not always receive equal support from federal

programs. Technical assistance and financing are critical to helping people launch or grow their co-op.

- Expand and create new programs that provide critical technical assistance to support small business relief and recovery efforts.
 - Fully fund the U.S. Department of Agriculture Rural Cooperative Development Grant program. This program provides grants to cooperative development organizations to conduct feasibility studies, business planning and other activities to start-up, expand or preserve the business.
 - Establish a companion program that provides technical assistance to small businesses in communities greater than 50,000. These programs are necessary because while more than \$260 million is appropriated annually to the U.S. Small Business Administration for entrepreneurial development, these programs are inaccessible to cooperative businesses due to arcane and arbitrary regulatory burdens.

- Improve financing tools: Establish a robust program of financing tools to preserve small businesses owned by entrepreneurs nearing retirement, including resources directly available to buyers and to local and state governments to create loan funds. Steps should also be taken to reduce regulatory hurdles that bar co-ops from accessing SBA financing and create more financing options to employees and consumers looking to purchase a small business from a retiring business owner. For a strong emphasis on local economic development, these loans should include a forgiveness component if the business meets certain criteria toward community development under the new ownership, such as maintaining or increasing the number of jobs.

- The gig economy and platform workers: Establish new programs and policy to encourage and support worker ownership of platform businesses. It is imperative that policymakers address the changing nature of work in the 21st century to create an economy that enables workers to maintain dignity in their work and capture opportunities through ownership opportunities. As we rebuild in the wake of COVID-19, there is renewed opportunity to empower people to have greater ownership over their data, power over how that data is used, and share in the profits that it creates.

Homeownership creating economic and social mobility

Economic and social inclusion extend far beyond small businesses. An inclusive economy must also prioritize housing security and greater economic mobility through home ownership. The data is clear that the United States is experiencing an affordable housing crisis. In turn, cities across the nation are turning to cooperatives to provide home ownership to low-and-moderate income families. Over the past four decades, the U.S. Department of Housing and Urban Development (HUD) has shifted its policies away from, and Congress has reduced or eliminated funding for, cooperative housing. HUD should reform its policies to recognize the benefits of housing cooperatives and help low-income individuals and families shift away from a cycle of renting and on a path to ownership.

- Limited-equity housing cooperatives are effective in creating and preserving affordable housing by providing stability in housing costs. These types of co-ops offer a chance at homeownership and wealth-building to people for whom a conventional mortgage is out of reach. The ownership stake of limited-equity housing cooperatives allows residents to earn

limited equity on the unit and provide long-term housing stability, rather than facing the uncertainty of landlord's and the potential for extreme rent increases. As owners, cooperative members build community, the property is better maintained, is safer and is often the anchor of the community.

- Policymakers should provide robust funding for technical assistance, create a national revolving loan fund to finance pre-development costs to catalyze local ecosystems, and provide loan guarantees to secure the construction and long-term financing to support the establishment of cooperative housing and resident-owned communities for residents of multi-family housing units and manufactured housing communities.

Why cooperatives?

Cooperatives are user-owned, democratically controlled businesses such as farmer-owned co-ops, credit unions and rural electric cooperatives. Unlike other forms of businesses that are owned by investors, all of co-ops' income in excess of expenses and reserves are distributed to the members based on how much the member uses the business. So relative to other kinds of businesses, cooperatives provide relatively greater economic benefits to the communities and to the people that use the businesses. Cooperatives are formed for many reasons - such as to address market failure, community need, or to create competition. Regardless of the reason, the very structure of a cooperative requires it to be responsive to its member-owners and in turn to the local community.

One in three Americans is a member of at least one cooperative. These businesses generate \$75 billion in annual wages and \$650 billion in annual revenues. More than 100 electric cooperatives have innovated to provide broadband to their member-owners. Childcare cooperatives provide high-quality, affordable childcare solutions to parents in about 500 communities across the country.

For much more information on cooperative policies that can help build more inclusive economies, see this [report](#) authored by the Urban Institute resulting from 11 roundtables from around the country in 2019 and 2020.

Please contact Kate LaTour (KLaTour@ncba.coop), Director of Government Relations, with any questions.