

# Building Economic and Racial Equity in D.C. Through Cooperative Businesses

*Eva Seidelman with Louise Howells*

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## I. Introduction

The Community Development Law Clinic (CDLC) at the UDC David A. Clarke School of Law (UDC-DCSL), the District of Columbia’s public and public-interest focused law school, seeks to change structural economic and racial inequities within the District by representing low-wealth resident-led organizational clients that seek ownership and control over local housing, business, and community assets. The Clinic’s client base has always included some housing cooperatives, and those clients, with few exceptions, have succeeded in shifting an important capital asset into the hands of their low-wealth residents. A few years ago, working with a small group of activists, the Clinic began to explore cooperative business models as a means to address wealth disparities in D.C.’s low wealth communities, largely communities of color.<sup>1</sup>

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1. Seidelman had the opportunity to build on these fledgling efforts with the mentorship and support of UDC-DCSL Community Development Law Clinic Director Louise Howells and with assistance from J.D. students.

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The Clinic's focus on cooperative and publicly owned institutions fits well within USC-DCSL's LL.M. program in Clinical Education, Social Justice and Systems Change.<sup>2</sup> Furthermore, bringing commercial, worker, and economic empowerment cooperatives into the Clinic not only provides an important service to the community but also creates a rich learning experience for students enrolled in the Clinic.

## II. Inequality and Economic Development in the District of Columbia

Income inequality in the District of Columbia has remained one of the highest among large U.S. cities for nearly a decade, and new data shows that incomes are falling for already low-income households.<sup>3,4</sup> Inequality is exacerbated by the unusually high income of DC's wealthiest residents as compared to other large U.S. cities.<sup>5</sup> Furthermore, D.C. is arguably the nation's second most expensive city for renters, particularly families.<sup>6</sup> This crisis in income, housing, and wealth has disproportionately impacted low-income Black and Latino residents and immigrant communities.

Amid this crisis, the D.C. government has engaged in a traditional economic development strategy, which favors taxpayer subsidized developments that benefit large unaccountable companies with absentee owners over local, small business development and living wage jobs.<sup>7</sup> Given

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2. As an LL.M. candidate and Fellow in the CDLC, Seidelman pursued a systems change oriented approach to community economic development through a project aimed at supporting worker-owned and other cooperative businesses in the District. Her project, inclusive of Clinic clients, has brought concentrated energy to the examination of cooperatives and similar ownership models that might be better suited for a just and sustainable economy.

3. Peter Tuhs, *A City Breaking Apart: The Incomes of DC's Poorest Residents Are Falling, While Economic Growth Is Benefiting Better-Off Residents*, D.C. Fiscal Policy Inst. (Feb. 25, 2015), <http://www.dcfpi.org/wp-content/uploads/2016/02/2-24-16-Income-Inequality-Paper.pdf> ("Average income for the poorest fifth of DC residents fell to \$9,300 in 2014 from \$10,800 in 2007.").

4. *Id.* ("The average household income of the top 5 percent of DC residents was 52 times the income of the bottom 20 percent in 2014. That is the fifth highest gap among the 50 largest U.S. cities. This income gap has remained statistically unchanged since 2007.").

5. *Id.* ("DC's high-income households are among the wealthiest in the nation. The average household income of the top 5 percent of District residents is \$487,000, the third highest among large U.S. cities.").

6. Megan Bolton, MPP et al., *Out of Reach*, NATIONAL LOW INCOME HOUSING COALITION (2015), [http://nlihc.org/sites/default/files/oor/OOR\\_2015\\_FULL.pdf](http://nlihc.org/sites/default/files/oor/OOR_2015_FULL.pdf) (In 2015, D.C. had a housing wage of \$28/hour, the wage necessary to afford a two-bedroom apartment at fair market rent, while the minimum wage was \$9.50/hour through June 2015 and rose to \$10.50/hour in July 2015).

7. Greg LeRoy et al., *Shortchanging Small Business: How Big Businesses Dominate State Economic Development Incentives*, GOOD JOBS FIRST (Oct. 2015), <http://www.good>

D.C.'s income and wealth inequality issues, it is not surprising that Good Jobs First report ranked D.C. last (51 out of 51) in its state-by-state analysis, *Money for Something: Job Creation and Job Quality Standards in State Economic Development Subsidy Programs*,<sup>8</sup> since D.C. has practically no wage or job performance requirements for the employers it subsidizes. Furthermore, many of the city's job training programs have, in large part, failed to provide decent jobs to meaningful numbers of D.C.'s neediest, most impoverished residents, particularly African American returning citizens.<sup>9</sup>

### III. Cooperatives as a Systems Change Approach to Economic Empowerment

D.C.'s economy has grown exponentially over the last decade as it pursues traditional, top-down economic development strategies. For the wealthiest D.C. residents and dominant economic agents, the city's economic system is working quite well, despite growing inequality. However, the system is clearly broken for the city's poorest residents. Thus, changing existing business paradigms to empower low-wealth communities is imperative. Grassroots community organizations, and the CDLC through the law school's systems change approach, have realized the need to look beyond marginal initiatives such as job training programs and incremental wage increases within inherently inequitable business models. Changing business structures requires, among other shifts, a reduction in economic extraction and rent seeking, the practice of increasing wealth through exploitation of people and the environment.

According to Nobel Prize winning economist Joseph Stiglitz:

The word "rent" was originally used, and still is, to describe what someone received for the use of a piece of his land—it's the return obtained by virtue of ownership, and not because of anything one actually does or produces. This stands in contrast to "wages," for example, which connotes compensation

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jobsfirst.org/sites/default/files/docs/pdf/shortchanging.pdf (Employers with more than 100 employees were awarded 90 percent of economic development incentive program dollars, indicating a significant bias against small businesses. An analysis of more than 4,200 economic development incentive awards in fourteen states found that large companies received dominant shares, ranging between 80 percent and 96 percent of their dollar values. The deals, worth more than \$3.2 billion, were granted in recent years by programs that appeared to be equally accessible to small and large companies).

8. Philip Matera et al., *Money for Something: Job Creation and Job Quality Standards in State Economic Development Subsidy Programs* (Dec. 2011).

9. *Trained to Death and Still Jobless: A Case Study of D.C.'s First Source Law, Economic Development Policies, and the Marriott Marquis Jobs Training Program* (Organizing Neighborhood Equity (ONE DC) & Kalmanovitz Ctr. for Lab. & the Working Poor at Georgetown (Univ.) (June 19, 2015), [https://d3n8a8pro7vhm.cloudfront.net/onedctrac/pages/332/attachments/original/1434655058/ONE\\_DC-MarriottReport-1.pdf?1434655058](https://d3n8a8pro7vhm.cloudfront.net/onedctrac/pages/332/attachments/original/1434655058/ONE_DC-MarriottReport-1.pdf?1434655058)).

for the labor that workers provide. . . . The magnitude of “rent seeking” in our economy, while hard to quantify, is clearly enormous.<sup>10</sup>

Business ethics expert Marjorie Kelly describes the need for businesses and the economy at-large to shift from “extractive” to “generative” models that promote social missions and equity.<sup>11</sup> Furthermore, there is consensus within certain dissidents of the current system that low-wealth people must own and control the social and economic assets within the communities in which they work and live. Cooperatives provide the ideal business form to enable community-controlled assets.

A worker cooperative is a democratic enterprise that is owned and governed by its employees or those who provide labor to the business.<sup>12</sup> As such, worker-owned cooperatives can provide low-wealth people with a means to control economic assets in such a way that inherently reduces inequality and rent-seeking. Cooperatives of small businesses and/or independent contractors (economic empowerment cooperatives), such as production and marketing cooperatives, also empower the low-wealth owners of those enterprises and, ideally, their workers. Cooperatives are different than traditional shareholder-owned businesses in two primary ways: they typically distribute profits on the basis of “patronage,” including business or work contributed to the organization; and decisions are made on the principle of “one-member, one-vote,” as opposed to voting on the basis of financial interest.

Worker cooperative development has become an increasingly popular community wealth building, economic empowerment, and racial justice strategy nationwide. There are examples of low-wage workers in New York City who have seen their hourly wages more than double within a few years after forming worker cooperatives.<sup>13</sup> Other cooperatives have

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10. Joseph Stiglitz & Linda Bilmes, *The Price of Inequality*, VANITY FAIR (May 2012), <http://www.vanityfair.com/news/2012/05/joseph-stiglitz-the-price-on-inequality>.

11. Marjorie Kelly, *Living Enterprise as the Foundation of a Generative Economy*, in FRITJOF CAPRA & PIER LUIGI LUISI, *THE SYSTEMS VIEW OF LIFE: A UNIFYING VISION* (2014), <http://www.marjoriekelly.com/living-enterprise-as-the-foundation-of-a-generative-economy/> (“While extractive ownership involves governance by markets, with control by capital markets on autopilot, generative designs have mission-controlled governance, with control by those focused on social mission. While extractive investments involve casino finance, alternative approaches involve stakeholder finance, where capital becomes a partner rather than a master.”).

12. In some cases, they are owned by partners or members who perform labor or independent contractors who are not categorized as employees. See *Employment Law*, Co-opLaw.org, [http://www.co-oplaw.org/topics-2/employment-law/#Who\\_is\\_NOT\\_an\\_Employee](http://www.co-oplaw.org/topics-2/employment-law/#Who_is_NOT_an_Employee).

13. Eleanor J. Bader, *Sunset Park Women’s Cooperative Says Si Se Puede*, BROOKLYN RAIL, Sept. 3, 2010, <http://www.brooklynrail.org/2010/09/local/sunset-park-womens-cooperative-says-si-se-puede>. See also Priya Baskaran, *Introduction to*

trained marginalized workers and placed them in stable jobs that give them ownership and control over their working conditions.<sup>14</sup> Given such successes, there has been a resurgence of support for the cooperative business model among communities and institutions nationwide<sup>15</sup> and internationally.<sup>16</sup> Nearly 30,000 cooperatives employ over 2 million people in the United States. Of those, there are almost 300 worker cooperatives employing close to 7,000 worker-owners, according to the Democracy at Work Institute.<sup>17</sup>

In recent years, a number of D.C. grassroots organizations and community leaders with community development, racial and economic justice, and business backgrounds have started to build a fledgling movement to empower low-wealth communities of color through cooperative businesses. Cooperation DC, a new project of Organizing Neighborhood Equity (ONE DC),<sup>18</sup> has largely spearheaded D.C.'s worker cooperative movement, seeking to generate support, resources, and technical assistance for worker cooperatives, with a focus on low-income communities of color. The momentum has grown out of frustrations with current development models and recent successes with worker cooperatives in cities nationwide, particularly in urban centers like New York City.

The recent momentum is not new for the D.C. metropolitan region; in fact, it is a revival of the District's historic tradition of cooperative economics, particularly within the African American community, as

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*Worker Cooperatives and Their Role in the Changing Economy*, J. AFF. HOUSING & CMTY. DEV. L. 355 (2015).

14. Cooperative Homecare Associates in New York City ([www.chcany.org](http://www.chcany.org)) and Evergreen Cooperative Corporation in Cleveland ([www.evgo.com](http://www.evgo.com)) are two examples of large-scale worker-owned cooperatives that were formed to create stable, high-quality jobs for marginalized unemployed, underemployed, or exploited workers.

15. New York City is the most notable example of the rapid expansion of worker cooperatives. Given the past success of the Worker Cooperative Business Development Initiative, the Council of the City of New York and the Mayor agreed to allocate \$2.1 million to expand the initiative in the FY2016 budget. See N.Y.C. City Council, Press Release, Speaker Mark-Viverito, Mayor De Blasio and City Council Announce FY2016 Budget Agreement to Add More NYPD Officers in the Beat, Establish a Citywide Bail Fund and Create Year Round Youth Employment (June 22, 2015), <http://council.nyc.gov/html/pr/062215budget.shtml>.

16. Cooperatives play an essential role in equitable international development. The United Nations has promoted the model in various ways, including the creation of an International Day of Cooperatives through its Department of Economic and Social Affairs. See [www.un.org/development/desa/cooperatives/](http://www.un.org/development/desa/cooperatives/).

17. Democracy at Work Institute, *State of the Sector* (2015), [http://institute.usworker.coop/sites/default/files/resources/State\\_of\\_the\\_sector\\_0.pdf](http://institute.usworker.coop/sites/default/files/resources/State_of_the_sector_0.pdf).

18. Cooperation D.C., Organizing Neighborhood Equity (ONE DC), [www.onedonline.org/cooperation\\_dc](http://www.onedonline.org/cooperation_dc).

documented by scholars Dr. Jessica Gordon Nembhard<sup>19</sup> and Dr. Joanna Bockman.<sup>20</sup> The legacy has largely remained in the housing cooperative sector: the District is home to more than 100 housing cooperatives,<sup>21</sup> the vast majority of which serve low- and moderate- income families, particularly as a result of D.C.'s unique right-of-first refusal law, the Tenant Opportunity to Purchase Act.<sup>22</sup> Communities with housing cooperative experience have been instrumental in reviving the District's tradition of worker, producer, and consumer cooperatives.

Local advocates have galvanized support for worker cooperatives as they point to current examples of worker cooperative successes both elsewhere and at home. Brighter Days<sup>23</sup> is a worker-owned, collectively managed D.C. dog walking company that, since its founding in 2006, has been D.C.'s most well-reviewed dog care company in terms of customer service.<sup>24</sup> In 2015, entry-level worker-owners earned an annual salary of \$35,000 for less than forty hour work weeks, had access to health insurance, and received six weeks of paid vacation.<sup>25</sup> In contrast, employees at other D.C. dog walking companies earn less per hour and have no opportunity for paid vacation or benefits because a large percentage of the companies' income is allocated to management and non-worker company owners rather than to employees.<sup>26</sup>

In addition to Brighter Days, several D.C. cooperatives are in the early stages of development, including a health food eco-catering company owned by two women of color who plan to add additional worker-owners with growth, a largely low-wealth Latina women-owned childcare center, and multi-stakeholder taxi-cooperative.

19. JESSICA GORDON NEMBHARD, *COLLECTIVE COURAGE: A HISTORY OF AFRICAN-AMERICAN COOPERATIVE ECONOMIC THOUGHT AND PRACTICE* (Penn. State Univ. Press 2014).

20. Johanna Bockman, *Home Rule from Below: The Cooperative Movement in Washington, D.C.* in *CAPITAL DILEMMA: GROWTH AND INEQUALITY IN WASHINGTON, D.C.* (Derek Hyra & Sabhiya Prince eds. 2016).

21. Amanda Huron, *Creating a Commons in the Capital: The Emergence of Limited-Equity Housing Cooperatives in Washington, D.C.*, 26:2 *WASH. HIST.* 65 (2014), <http://static1.squarespace.com/static/51d8a4b2e4b0108eefe0b85a/t/54f9d705e4b0db83c308c56f/1425659653571/huron+washington+history+2014.pdf>.

22. D.C. CODE § 42-3404.

23. *Brighter Days*, [www.brighterdayscollective.com](http://www.brighterdayscollective.com).

24. Yelp, Brighter Days Dog Walking, <https://www.yelp.ca/biz/brighter-days-dog-walking-washington-2> (last accessed July 2, 2016).

25. July 30, 2015 email advertisement from Brighter Days member to CoopDC listserv.

26. Seidelman was employed by a dog walking company in 2010 that did not offer benefits or adequate income for its employees. The company kept a large share of the service charge paid by the customer. After speaking to employees of similar companies, she learned that what she had experienced was standard industry practice.

#### IV. Counseling Cooperatives in D.C.

##### A. Counseling Cooperatives in the Clinic

The CDLC has a history of counseling affordable housing cooperatives in D.C. but it recently expanded representation to cooperatives that seek to create decent jobs, encourage capital ownership, and promote workplace democracy. Cooperative representation has provided a rich and valuable pedagogical experience for students. Students are exposed to, and develop skills in, various business law practice areas, including complex business structures, and they learn the mediation skills required to represent multiple stakeholders prone to internal conflict and facilitate progress among several stakeholders. The following sections will discuss two cooperatives—a taxi cooperative and a worker-owned childcare center—that seek to empower low-wage workers and business owners. Each has a unique purpose and ownership model. The Clinic assisted the taxi cooperative during its start-up phase and plans to start working formally with the childcare cooperative founding members in the fall of 2016.

##### B. D.C. Taxi Cooperative

In the winter of 2014, the Clinic was approached by a group interested in reviving D.C.'s struggling taxicab industry and providing much-needed wealth and income to its taxi drivers.<sup>27</sup> The initiative arose as the livelihoods of the drivers, largely immigrant and Black, have been decimated by on-demand ride app companies such as Uber.

Although Uber considers itself part of the “sharing economy,” its drivers have no ability to share in the company's \$50 billion estimated net worth.<sup>28</sup> It is safe to say that the Silicon Valley based company's private shareholders live outside of the District and therefore contribute little to the wealth of District residents. Although tens of thousands of Uber drivers, deemed independent contractors, operate in the District, the company has not generated substantial income or wealth for its drivers who earn an average net hourly wage of less than \$10<sup>29</sup> after expenses (not counting the cost of their cars), which is less than D.C.'s \$11.50 minimum wage. Uber and Lyft also face a competitive advantage since they are largely exempt from the extensive regulations that apply to taxicabs, partly as a result of extensive lobbying, although they largely operate within the same market as taxis. Within D.C. alone, Uber has likely generated significant profits for its shareholders as part of its exploitative “rent-seeking” system

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27. 31 DCMR § 1613.2.

28. Paul R. La Monica, *Uber May Now Be Worth \$50 Billion*, CNN MONEY, May 11, 2015, <http://money.cnn.com/2015/05/11/investing/uber-50-billion-valuation/>.

29. *How Much Do Uber Drivers Really Make?*, UBER DRIVER DIARIES, Feb. 1, 2016, <http://uberdriverdiaries.com/how-much-do-uber-drivers-really-make/>.

of extracting commissions from its drivers, who are excluded from ownership rights and privileges.

D.C. has far more taxicabs per consumer than most other jurisdictions, creating a particularly difficult market for drivers who face competition from Uber and Lyft. D.C.'s taxi industry also differs from other metropolitan areas in that most drivers own their vehicles.<sup>30</sup> Although many taxicab owner-operators have formed worker-owned companies, close to one hundred separate taxicab companies<sup>31</sup> in the District and thousands of cabs contribute to an oversaturated market. While taxi drivers, particularly those who own their own vehicles, earn a larger share of the per-ride charges paid by consumers than Uber drivers, they have been reduced to picking up less than two rides per hour on average, according to informally reported estimates. In order to compete for the small pool of consumers who do not use digital dispatch/ride sharing apps, D.C. taxi drivers often work twelve to fourteen hours a day, seven days a week<sup>32</sup> to make ends meet in a city with a skyrocketing cost of living. The increased presence of on-demand ride apps, the density of taxi vehicles in the taxi market, and the lack of a common ride-sharing app for taxi drivers, among other factors, have all contributed to taxi drivers' loss of income and taxi industry owners' loss of wealth.

In order to revive the industry and improve the lives of taxi drivers, a group of small taxicab businesses, many of which are owned by drivers, and independent drivers realized the need to develop a joint digital dispatch app that would operate similarly to Uber and Lyft.<sup>33</sup> Within its mission to regulate and support the taxicab industry, the D.C. Taxicab Commission (DCTC) promulgated regulations that would require it to develop and help market a "universal" digital dispatch app that will be accessible to all taxi drivers.<sup>34</sup> In a creative move, the DCTC required that the app be licensed to and operated by a "co-op" company that must be owned, managed, and operated for the mutual benefit of its members, i.e., stakeholders in the D.C. taxicab industry.<sup>35</sup> Ideally, the company and the app will

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30. Marc Fisher, Ian Shapir & Annys Shin, *D.C.'s Cabbies Fear Being Pushed Out of Taxi Business*, WASH. POST, July 17, 2012, [https://www.washingtonpost.com/local/dcs-cabbies-fear-being-pushed-out-of-taxi-business/2012/07/17/gJQArTg5rW\\_story.html](https://www.washingtonpost.com/local/dcs-cabbies-fear-being-pushed-out-of-taxi-business/2012/07/17/gJQArTg5rW_story.html).

31. List of D.C. Taxi Cab Companies, D.C. Taxicab Comm'n, [http://dctaxi.dc.gov/sites/default/files/dc/sites/dc%20taxi/page\\_content/attachments/Copy%20of%20Copy%20of%20Taxicab%20Company%20Document-1jt%20%282%29.pdf](http://dctaxi.dc.gov/sites/default/files/dc/sites/dc%20taxi/page_content/attachments/Copy%20of%20Copy%20of%20Taxicab%20Company%20Document-1jt%20%282%29.pdf)

32. *Supra* note 18.

33. Martin Di Caro, *Coming for You Uber! DC Cab Companies Are Closer to Launching E-Hailing App*, WAMU 88.5, Oct. 30, 2015, [http://wamu.org/news/15/10/30/take\\_that\\_uber\\_dc\\_cab\\_companies\\_getting\\_closer\\_to\\_launching\\_e\\_hailing\\_app](http://wamu.org/news/15/10/30/take_that_uber_dc_cab_companies_getting_closer_to_launching_e_hailing_app).

34. 31 DCMR § 1612.

35. 31 DCMR § 1613.



generate income and wealth for taxi industry drivers and company owners, while improving customer service for consumers.

The Clinic had the opportunity to assist taxi industry stakeholders at the start-up phase of the co-op. Students had a rich pedagogical experience researching local business entity law and engaging in the drafting of complex bylaws that considered interests of drivers, small business members, and investors. They also solicited input and built consensus from stakeholders around bylaws provisions and engaged with DCTC officials to interpret and clarify regulations while educating prospective co-op members about the regulations. Furthermore, they had the opportunity to investigate anti-trust and securities law implications of multi-stakeholder cooperative ownership.

Clinic students were able to witness and reflect on the challenges associated with a project that required competitors to cooperate to further their joint economic interests. Taxicab owners were accustomed to a fiercely competitive market system in which they prioritized their own particular business's short-term interests, inadvertently at the expense of the industry's long-term survival. But given market forces, acting together became the only means by which to save their companies and the industry and improve drivers' lives. The project also demonstrated the need for a community-based technical assistance and conflict mediation organization that would bring the various stakeholders together to promote their values and create new systems while managing power dynamics. Furthermore, students realized the importance of developing organizational structures that would equitably build wealth for members by balancing the interests of investors with capital-poor workers.

### *C. D.C. Childcare Cooperative*

From 2006 to 2010, a racially, ethnically, and economically diverse group of residents of the Norwood at 1417 N Street NW, a seven-story eighty-four unit rent-controlled building in D.C.'s rapidly gentrifying Logan Circle neighborhood, engaged in a protracted organizing campaign to fight rent increases in the face of uninhabitable conditions and landlord neglect. The majority of the building's residents are low-wealth immigrant families, primarily from Central America. Strong leadership, creative organizing strategies, litigation, and perseverance enabled the residents to successfully purchase the building in 2011 under D.C.'s strong right-of-first refusal law, the Tenant Opportunity to Purchase Act. With subsidized loans from the D.C. Department of Housing and Community Development and other partners, the Norwood Tenant Association converted the building to an affordable housing cooperative known as 1417 N Street NW Cooperative (N. St. Cooperative), owned by its residents.<sup>36</sup> The Cooperative has successfully completed the renovation phase and residents are now enjoying much

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36. See *Norwood: An Affordable Cooperative*, [www.norwoodtenants.org](http://www.norwoodtenants.org).

improved housing conditions and amenities at an affordable rate. Most importantly, they have survived displacement due to gentrification and have remained in their homes and helped their community.

Because many of the N. St. Cooperative's Central American women have become empowered leaders and owners, they looked to the creation of an affordable childcare center within the building to serve resident families and the families within the surrounding community. While a challenging industry, there is need for affordable childcare, particularly within certain niches of the local market. In 2013, there were 26,500 children in D.C. younger than three, an increase of 26 percent over 2010, according to a study, but there were only enough licensed day-care centers and home-based programs to serve a quarter of those children.<sup>37</sup> Furthermore, D.C. has some of the least affordable childcare in the country and affordable childcare is especially inaccessible to low- and moderate-income families.<sup>38</sup>

Familiar with the benefits of the cooperative model, the N. St. Cooperative members decided to form a worker-owned cooperative childcare center that would ideally employ building residents and licensed childcare providers who seek dignified work and business ownership. The childcare cooperative will draw on experiences from childcare providers such as Las Semillitas in D.C. and Childspace, a worker-owned cooperative and nonprofit affordable childcare center in Philadelphia.

As of May 2016, a group of approximately ten women have regularly met for a number of months to understand cooperative decision making and discuss the childcare cooperative's business plan, as a result of the organizing efforts of N. St. Cooperative's Board President, Silvia Salazar, and with the help of students in the Social Enterprise Masters program at American University and Cooperation D.C., a project of Organizing Neighborhood Equity (ONE DC). The childcare cooperative is looking to find its niche by staying open evenings and nights because of the significant need for affordable overnight childcare accessible to restaurant workers, health care workers, and others.

The founding members of the childcare cooperative have engaged substantially and enthusiastically in the cooperative business planning process. The combination of the N. St. Cooperative's cooperative expertise and the outside childcare providers' childcare business expertise has led to a complimentary mix of talents. Additionally, more than a dozen

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37. Michael Allison Chandler, *Baby Boom in D.C. Creates Acute Need for More and Better Childcare*, WASH. POST, Nov. 14, 2015, [https://www.washingtonpost.com/local/education/baby-boom-in-dc-creates-acute-need-for-more-and-better-childcare/2015/11/14/05f07432-8b0a-11e5-9a07-453018f9a0ec\\_story.html](https://www.washingtonpost.com/local/education/baby-boom-in-dc-creates-acute-need-for-more-and-better-childcare/2015/11/14/05f07432-8b0a-11e5-9a07-453018f9a0ec_story.html).

38. Soumya Bhat, *Getting D.C. Back to Work Also Means Making Childcare More Affordable* (D.C. Fiscal Pol'y Inst. Sept. 11, 2012), <http://www.dcfpi.org/getting-dc-back-to-work-also-means-making-child-care-more-affordable>.

community supporters with expertise in organizing, cooperative businesses, and philanthropy have attended meetings to show support. The childcare cooperative will need to raise substantial funds but founding members and supporters are hopeful that goals will be met, given preliminary interest from local community development banks and local foundations.

The CDLC looks forward to providing legal assistance to the cooperative in the fall of 2016. Because the cooperative may decide to utilize D.C.'s new equity crowdfunding regulations to raise up to \$2 million from hundreds of small equity investments, its members will require counseling on securities law.<sup>39</sup> Furthermore, the cooperative may also form a worker-owned management company as a limited liability company or limited cooperative association in which worker-owners will make decisions on the basis of one-member, one vote and have equal ownership interests in the company in order to facilitate wealth building. The Clinic anticipates advising the cooperative on tax exemption, entity choice and structure, governance, and related matters.

### **V. Creating a Supportive Infrastructure Moving Forward**

Transitioning to a generative economy, inclusive of cooperative businesses that empower workers to own and control their economic livelihoods, is essential for social and racial justice, both nationally and internationally. However, examples of D.C.'s nascent cooperative businesses demonstrate that growing a cooperative movement requires an appropriately supportive local infrastructure. Growing a supportive ecosystem will involve building cooperative business development capacity and obtaining technical assistance from lawyers, business developers, accountants, and funders. In conjunction with the LL.M. systems change program, the CDLC has developed legal resources pertaining to D.C. cooperative law and other relevant issue areas and coordinated an extensive training for local lawyers, law students, and others interested in supporting local cooperatives. Similarly, Cooperation DC, a project of Organizing Neighborhood Equity (ONE DC),<sup>40</sup> worked with the Democracy at Work Institute<sup>41</sup> to host a series of training sessions and events to build local knowledge of cooperative development. This capacity building must be ongoing.

More importantly, the movement will need financial institutions and other non-traditional investors to specifically fund cooperative development. This may necessitate altering paradigms within current business financing to recognize social mission as much as or subordinate to financial return. D.C. is moving toward creating these institutions and models.

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39. 26 DCMR § 250.

40. *See* note 18.

41. Democracy at Work Institute, [www.institute.coop](http://www.institute.coop).

New equity crowdfunding regulations will enable small, community investors to more easily invest in cooperatives; a potential start-up loan fund will partner with the Working World,<sup>42</sup> a non-profit financial institution dedicated to funding worker cooperatives; and a movement to create a public bank will ideally be owned and financed by the D.C. government and circulate profits from D.C. revenue back into essential community economic development projects like cooperatives. Furthermore, these projects will need funding and other policy support from the D.C. government and local philanthropists. The strength of D.C.'s cooperative movement may be successful only if it can develop an amenable foundation among local institutions that will be patient and support its slow growth.

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42. The Working World, [www.theworkingworld.org/us/](http://www.theworkingworld.org/us/).