



# Downtown Economics

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*Ideas for Increasing Economic Vitality in Community Business Districts*

## Role of Cooperatives in Community Economic Development

By Kristy SeBlonka \*

*The local grocery store owner is retiring, but larger grocers haven't shown any interest in locating in the town. Could a consumer cooperative help the community retain a store?*

*People like to shop locally, but main street stores are having difficulty providing goods at prices competitive with big box stores. Could local store owners form a purchasing cooperative to increase their buying power?*

*The community would like more owner-occupied housing, but housing prices are too high for lower income people. Could a limited equity housing cooperative address the need?*

*Janitorial workers are underpaid and mistreated by the cleaning company that serves the city. Could a worker cooperative help provide jobs that pay a living wage and build leadership and respect among workers?*

Community economic development (CED) practitioners have many tools in their toolbox. Cooperatives are another tool to address complex rural and urban needs. Cooperatives can help retain or recapture community control of development by mobilizing multiple residents. Cooperatives are a means to obtain a "critical mass" of local resources and provide community goods and services. Cooperatives also build democratic leadership grounded in the local community and distribute profits equitably among members.

### What is a Cooperative?

A cooperative is a type of corporation with distinct principles reflected in their legal structure. Cooperatives require democratic member control, economic participation by their members and the distribution of profits to members based on use (rather than investment).

A cooperative is a form of ownership that can be applied to a broad range of businesses. In Wisconsin,

cooperatives are incorporated under Chapter 185 and must include five or more adult owners. There are currently over 850 cooperatives in the state. Between 1999 and 2006, cooperatives grew in number, membership, employment, and gross sales (Wisconsin Cooperative Statistics 2006).

### What do CED practitioners know about cooperatives?

In Fall 2007, a survey was conducted of 71 public sector planners and other CED staff working for municipalities throughout Wisconsin. Results included the following:

- Over 50 percent of respondents knew of cooperatives in their community, but nearly one-third were unaware of their presence.
- Approximately 40 percent of respondents reported they currently work and/or previously have worked with cooperatives.
- Over 30 percent of respondents did not know whether cooperatives qualified for their programs.



Just Food Co-op, Northfield, MN

- Overall, cooperatives (and nonprofits) were less likely to qualify for program assistance than other types of businesses (corporations, LLCs, sole proprietorships, or partnerships).

#### **Yahara River Grocery Cooperative**

Citizens of Stoughton, Wisconsin a city of just over 12,500 people, were disappointed when they found out the small independent grocery store that served the community was going to close. As a result, citizens began to meet and formed the Yahara River Grocery Cooperative in 2006. The cooperative started a membership drive in 2007 and raised over \$100,000 in only four months. The new store opened in March 2008 in a renovated historic building on Main Street. It currently has over 550 members. See their website at [www.yaharagrocery.coop](http://www.yaharagrocery.coop) for more information.

#### **What can CED practitioners do to enable cooperatives along with other business types?**

The results of the survey suggest that many practitioners are not very familiar with cooperatives and therefore may not be able to include cooperatives among the tools they discuss within their communities. CED practitioners can do the following:

- Increase municipal awareness of cooperatives. Write articles about cooperatives in neighborhood and municipal newsletters.
- Meet with cooperatives in or near your municipality to learn how they operate and what their needs are. Consult the Wisconsin Cooperative Directory at [www.uwcc.wisc.edu/wiscdir/wiscdir06.pdf](http://www.uwcc.wisc.edu/wiscdir/wiscdir06.pdf).
- Educate cooperatives about the role of planning and CED staff. Make sure cooperatives fit within guidelines of programs and are specifically mentioned among business types that qualify for assistance.
- Contact a person knowledgeable about cooperatives to conduct a workshop for municipal staff about cooperative development. This may be a USDA representative, the University of Wisconsin Center for Coops, or a cooperative development organization such as

Northcountry Cooperative Development Fund or Cooperative Development Services.

- Incorporate cooperatives in neighborhood and community plans. Assess whether local ordinances encourage or discourage their formation. For example, zoning may need to be changed to allow housing cooperatives in many communities.
- Meet with nonprofits or other partners who provide business development programs with municipal funds. Assess whether cooperative development could be incorporated into their training programs.

CED practitioners who are more familiar with cooperatives will be prepared to support cooperative development as another way to mobilize community resources for a variety of needs. In Wisconsin, nearly a third of cooperatives are agricultural, but many are not and may operate in both urban and rural areas. There is a great potential for the growth of non-agricultural cooperatives in rural areas, which are often under served in terms of goods and services (Bhuyan et al. 1998). By pooling their resources in a cooperative, these communities may be able to retain access to a grocery store, pharmacy, or other business. Furthermore, cooperatives develop local leadership and build broad-based wealth—skills that can help communities meet future challenges.

Also see related article on community owned stores in the December 2004 edition of Let's Talk Business/Downtown Economics:  
<http://www.uwex.edu/ces/cced/downtowns/ltb/lets/1204ltb.html>

#### *Sources:*

Bhuyan, Sanjib, et al. "Non-Agricultural Cooperatives in the United States: Roles, Difficulties, and Prospects." Agricultural Economics Report No. 388. Fargo: North Dakota State University, Department of Agricultural Economics (1998).

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