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Increasing Living Wage Employment for Richmond Residents in Poverty

APPLIED POLICY PROJECT

Prepared for the City of Richmond Office of Community Wealth Building

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DISCLAIMER

The author conducted this study as part of a program of professional education at the Frank Batten School of Leadership and Public Policy, University of Virginia. This paper is submitted in partial fulfillment of the course requirements for the Master of Public Policy degree. The judgments and conclusions are solely those of the author and are not necessarily endorsed by the Batten School, by the University of Virginia, or by any other entity.

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HONOR STATEMENT

On my honor as a student, I have neither given nor received unauthorized aid on this assignment.



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KEY TERMS

ANCHOR INSTITUTION	Anchor institutions are nonprofit or public employers that are rooted locally in their communities through their invested capital and institutional missions. Universities, hospitals, and local government entities are examples of anchors.
LIVING WAGE	The use of the term living wage refers to the hourly wage an individual must earn to support a household if they are working full-time. The living wage calculation is an alternative measure of basic needs beyond the federal poverty threshold. It accounts for costs of working, such as childcare, transportation, and health care (MIT Living Wage Calculator, 2019).
OCWB JOB SEEKER	The term OCWB job seeker is used throughout this report to refer to any low-income individual who is seeking employment. It is assumed that individuals impacted by the policy options presented in this report are seeking services through OCWB, but may refer to any low-income individual seeking work.
WORKFORCE INTERMEDIARY	Workforce intermediary refers to any organization that addresses community workforce needs through employment support services, education, and training. Intermediaries utilize a dual approach by helping job seekers find jobs and employers find workers. In some instances throughout this report, OCWB is referred as the workforce intermediary, although other local entities may serve in this role, such as workforce investment boards, community colleges, or local nonprofits (U.S. Department of Labor, 2019).

EXECUTIVE SUMMARY

Among Richmond residents living below the poverty line, 34.1 percent are employed and 12.6 percent are unemployed. The jobs that are available to people with low skills and education do not pay enough to escape poverty. There is a mismatch between higher paying jobs and the skills and experience of the unemployed poor, and there are too few pathways to living wage jobs that account for the barriers of living in poverty.

The Office of Community Wealth Building (OCWB) is uniquely situated to recommend policy solutions to the City and can leverage OCWB workforce operations to help increase living wage employment pathways for low-income job seekers. This report proposes several policy options and analyzes them on the criteria of (1) cost, (2) effectiveness, (3) political feasibility, and (4) level of implementation burden. The following policy options are explored in this report:

1. Let Present Trends Continue
2. Create a Worker Cooperative Business Model
3. Formalize a Community Benefits Agreement Process
4. Create an Anchor-Based Subsidized Employment Program

This report recommends Option 2, create a worker cooperative business model. Worker cooperatives are a market-based approach to build community wealth by leveraging the purchasing power of local anchor institutions to invest in the local economy. Overall, Option 2 would be the most effective option for low-income residents to earn a living wage and build assets over time through employee ownership.

PROBLEM STATEMENT

Poverty is high and persistent in the City of Richmond. Among residents in the labor force that are below the poverty line, 34.1 percent are employed and 12.6 percent are unemployed, compared to an overall unemployment rate of 4 percent (see Figure 1). Since 2015, OCWB has focused on directing workforce, economic development, and education initiatives at the city-level as a step to help OCWB job seekers access higher wage employment (OCWB, 2016). At present, OCWB recognizes that Richmond's growing economic opportunity could be better utilized to help low-income residents build community wealth.

In the City of Richmond, there are too few pathways to living wage jobs for people living in poverty, both because the wages of jobs that are available to workers with low skills and experience do not pay enough to be financially stable, and there is a mismatch between higher paying jobs and the skills and experience of the unemployed poor.

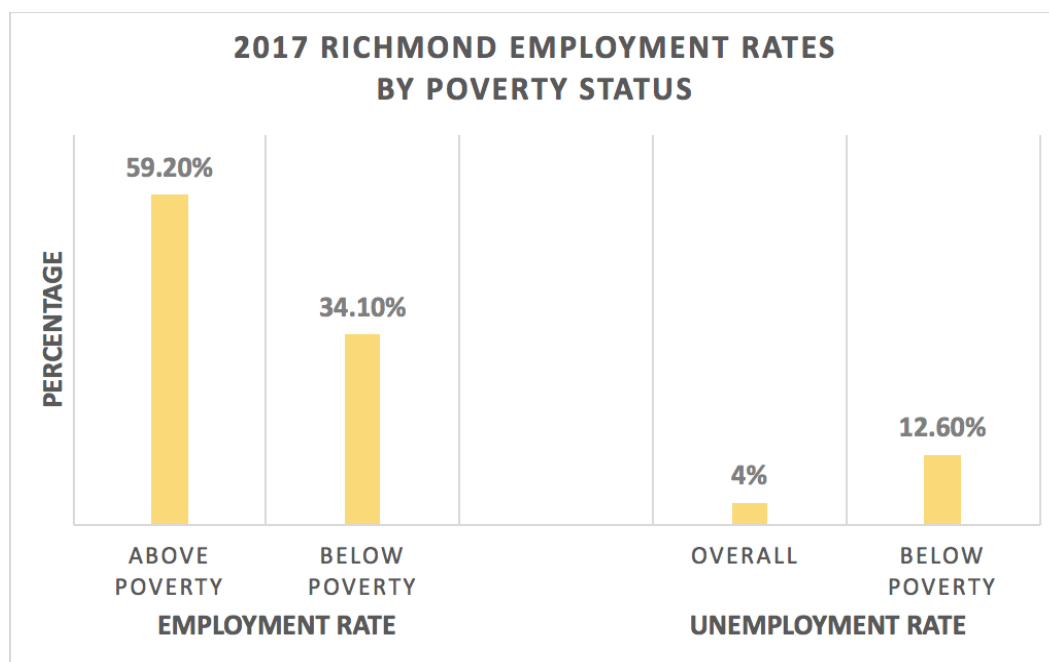


Figure 1: ACS 2017 (5-Year Estimates), U.S. Census Bureau

BACKGROUND

The following section provides an overview of OCWB and its workforce services and a description of poverty in Richmond.

THE OFFICE OF COMMUNITY WEALTH BUILDING

Overview

The Mayor's 2013 Anti-Poverty Commission report made a set of recommendations to both set up a framework for Richmond's poverty reduction initiatives and to consult the Mayor on anti-poverty policies. OCWB was established in the spring of 2014 and it is the nation's first city-operated Office of Community Wealth Building. OCWB aims to reduce poverty in Richmond by 40 percent by 2030. OCWB focuses on a comprehensive set of policy issues, such as workforce development, transportation, affordable housing, targeted economic development, and education (Mayor's Anti-Poverty Commission, 2013). Including City and Commonwealth funding, approximately 80 percent of OCWB's \$4.1 million budget is spent on workforce initiatives (City of Richmond, 2019). To this end, OCWB is working towards the following goal:

- ➔ Build the capacity of the Community Wealth Building Career Stations as a resource for job seekers and people with low wealth who want to explore entrepreneurship so that they have the necessary credentials and work experience to address each of the following components of OCWB's workforce innovation pillar:
 - Generate jobs
 - Improve access to local employers
 - Provide supportive services to help job seekers secure living wage jobs

OCWB Workforce Initiatives

OCWB operates the Community Wealth Building Career Station at Marshall Plaza and 2 Community Wealth Building Career Stations in the East End area of Richmond. The Career Stations assist residents seeking employment by offering classes, career planning, coaching, and training for occupations that are in demand locally (OCWB, 2019). Beyond job creation and improving access to local employers, OCWB provides job seekers support services that address barriers to employment, such as limited skills, education, and affordable childcare.

Community Wealth Building Framework

The OCWB framework uses the central founding principles of community wealth building established by The Democracy Collaborative to help transform Richmond's economy to one that is more inclusive. Developing strategies to build wealth in poverty neighborhoods can be achieved by anchoring jobs locally, increasing opportunities for asset ownership, and localizing hiring and investment (The Democracy Collaborative, 2014). The following list in the table below identifies 7 core drivers of community wealth building that guide how OCWB develops strategies to improve its workforce innovation initiatives.

7 Drivers of Community Wealth Building

Place	Mobilization and use of underutilized local assets for the benefit of all residents
Ownership	Promotion of broad-based, local ownership, rooted in cooperation and community
Inclusion	Focus on living wage jobs providing economic security for all families
Multipliers	Development of buy-local strategies to keep money circulating locally
Workforce	Connection of training to real jobs, focusing on barriers to employment
Collaboration	Cooperation between stakeholders—non-profits, philanthropy, and anchor institutions
System	Creation of institutions and support ecosystems to build a new normal for the economy

Table 1: Bonanno, Duncan, & Howard, 2016

Conclusion

The options investigated in this APP were selected by how well they might address the central principles of community wealth building and the components of OCWB's workforce innovation pillar outlined above. In the following sections, I present an overview of poverty and its associated barriers.

POVERTY IN RICHMOND

Poverty is pervasive in Richmond, where 1 in 4 residents currently live below the poverty line. This rate is twice the size of the national level (U.S. Census Bureau, 2018). Historically, the City of Richmond has experienced a high rate of poverty. Following a large decrease in the 1960s, the poverty rate has consistently remained over 20 percent for the last 30 years (U.S. Census Bureau, 2012-2016 ACS 5-year Estimates). Today, race and poverty go hand in hand in Richmond. Blacks make up 48.8 percent of the city's population, and 33.4 percent are living in poverty. Whites comprise 45.9 percent of the total population, but only 14.9 percent are living below the poverty line as is clear in Figure 4.

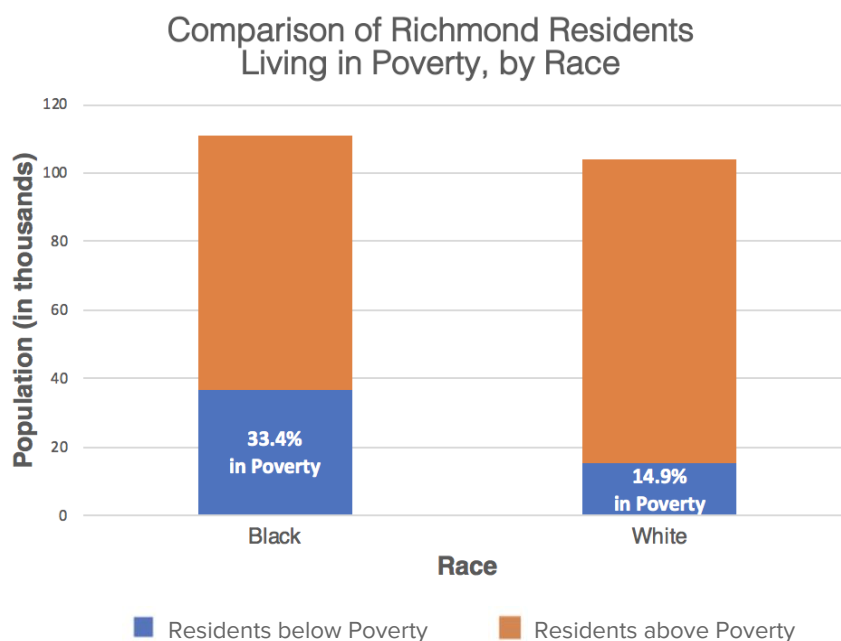


Figure 4: U.S. Census Bureau, 2017

Racial Disparities in Employment and Education

The unemployment rate in Richmond similarly varies by race. Blacks comprise the highest percentage of the labor force in Richmond at 47 percent, yet they have the lowest labor force participation rate compared to other races. The City of Richmond experiences higher than average unemployment rates for minorities when compared to regional, statewide, and national figures. For example, the overall unemployment rate was 4.7 for whites and 13.6 percent for African Americans in Richmond (U.S. Census Bureau, 2013-2017 ACS 5-year Estimates).

In addition, approximately 25 percent of the black population over the age of 25 does not have a high school diploma (Carter et al., 2017). Educational attainment has a huge impact on an individual's economic prospects. The poverty level for people with less than a high school education is 36.1 percent, compared to 6.4 percent for those with a bachelor's degree or higher (OCWB Annual Report, 2018). The compounding impact of poverty, low education attainment, and high unemployment make black Richmonders especially vulnerable to economic instability.

Geographic Disparity

The issue of poverty is also one of residential segregation within the City of Richmond. Over 25,000 people live in a concentrated handful of neighborhood tracts where the poverty rate is greater than 50 percent (Mayor's Anti-Poverty Commission Report, 2013). The poorest neighborhoods in Richmond are located in the east end and northern parts of the city, with some neighborhoods experiencing a poverty rate that exceeds 75 percent (Figure 5 below shows a poverty map of the population). These areas are also in predominantly African American neighborhoods (Hayter, 2015).

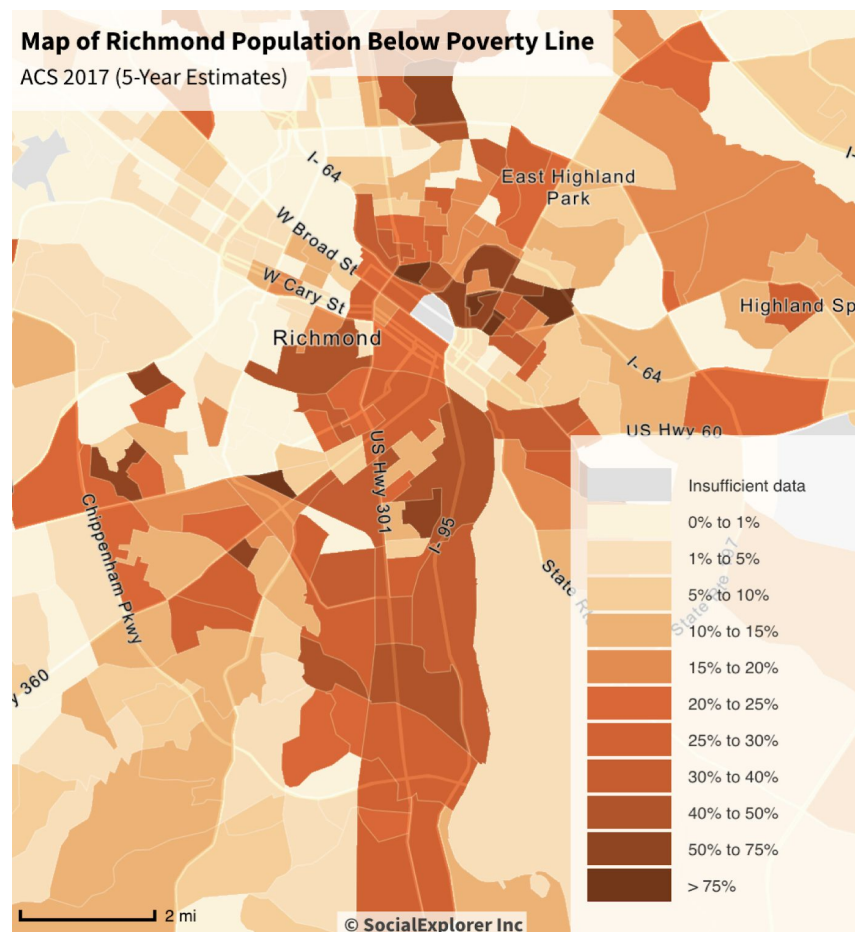


Figure 5: American Community Survey, 2017 (5-Year Estimates)

RELATED EVIDENCE

POVERTY: A BARRIER TO WORK

It is difficult for low-income job seekers to afford the costs of working if the majority of jobs they qualify for pay a minimum wage. The policy options in this APP will consider how poverty makes it difficult to invest in the assets necessary for higher paying jobs. Given that wage increases alone are not the only solution to reducing poverty, some of the following evidence can inform how solutions should also address the need to raise the skill and experience level of low-income workers so that higher paying jobs are attainable.

Limited Education and Skills

Many factors contribute to why people in poverty have had limited opportunities to get the education, skills, and experience needed to thrive in the labor market. Some barriers include a lack of technical skills, educational credentials, or other skills that people learn through formal work experience, such as interpersonal and other norm-oriented behaviors (Dutta-Gupta et al., 2016). Not having a high school diploma is one of the most common barriers to employment. The education level of the head of household is a strong indicator for a high risk of poverty. The poverty rate for families with a head of household with less than a high school diploma is greater than 40 percent, compared to 5 percent for families with a head of household with a college degree (Haveman et al., 2015).

Limited Social and Economic Resources

The social environment of poverty makes employment challenging for people that have been disconnected from the workplace for a long time. Personal and family difficulties are often tied to limited income, homelessness, and food insecurity. A lack of childcare affordability and transportation contributes to unemployment for those living in poverty as well. Complex life circumstances are highly likely for individuals with a criminal history, those who have exhausted public aid eligibility, and those with no recent work history (Haveman et al., 2015). A lack of income, social support systems, and complex personal difficulties make it challenging for individuals to access worthwhile job opportunities.

Wage Stagnation in Virginia

Wage stagnation is a barrier to escaping poverty because it is challenging to afford the costs of working in jobs that pay a poverty level wage. Inflation-adjusted earnings have dropped by approximately 13 percent since the federal minimum wage was last raised in 2009, and earnings have declined by over one-third since the minimum wage peaked in 1968 when the federal standard was \$11.38 in today's dollars (Manning, 2018). Virginia's minimum wage remains at the federal level of \$7.25 (U.S. Department of Labor, 2019). In addition, Virginia is a Dillon Rule state, which grants only narrow governing authority to cities. Approval from the General Assembly is required to change local laws. This law prevents Richmond from introducing wage-related

legislation that would impact workers beyond city government that make below a living wage (Virginia Places, 2019). Given the lower skill and education level of people living in poverty, many individuals work jobs that pay minimum wage, which makes it difficult to be financially stable, especially for households with children or other adults in the household that do not work.

ECONOMIC EFFECTS OF HIGHER WAGES ON POVERTY

Increasing wages may help spur economic activity and produce benefits beyond the worker's increase in earnings.

Paying higher wages may result in higher employee retention rates (Holzer & Martinson, 2005). In addition, poverty-wage workers bring home more than half of their weekly earnings, which they tend to spend more than households bringing home much higher incomes since essential spending needs can be met by income increases (Cooper, 2017). This suggests that income increases to poverty-wage workers may show a more noticeable effect in local economic activity.

Public assistance has contributed significantly to the decline in poverty but earned income directly benefits the worker.

The majority of the decline in poverty in recent decades can be accounted for by government safety net and income-support programs (Bivens et al., 2014). Nearly half of all wage earners in the bottom 20 percent are on some form of public assistance (Cooper, 2014). Additionally, higher wages decrease an individual's dependence on public assistance since increases in income will impact eligibility for public benefits programs. For people that work but still qualify for public assistance, it is ineffective for them to receive public assistance in the long-term since only a fraction of every tax dollar allocated to public assistance services directly assists individuals receiving aid, whereas 100 percent of wages directly benefit workers. The research supports the conclusion that earned income is an efficient and effective way for low income individuals to get out of poverty.

NOTEWORTHY NATIONAL MODELS

The following section provides an overview of a number of different economic development and workforce best practices to build community wealth. Each of the following models is explored to provide OCWB with strategies to root employer assets locally and to connect low income job seekers to employment opportunities that pay a living wage.

WORKER COOPERATIVES

Worker cooperatives are businesses that are owned and controlled by workers.

Worker cooperatives allow workers to benefit from profits more equitably by owning a share of business equity (Abell, 2014). This strategy builds on the place-based principle of community wealth building by connecting worker cooperatives with other businesses that have purchasing power, like local hospitals and universities, that can invest locally by purchasing from worker cooperatives.

The worker cooperative model is an emerging best practice in inclusive economic development.

There are over 30,000 cooperative businesses in the U.S. that employ over 1 million people. Since 2009, at least 10 communities have taken steps to use worker cooperatives as a strategy for inclusive economic development (Abell, 2014). However, limited data exists about outcomes on the effectiveness of worker cooperatives (See Appendix B for an overview of how local communities are using cooperative models to build assets for local residents in poverty).

Worker cooperatives bear risks, just like other entrepreneurial ventures do.

Similar to any kind of entrepreneurial undertaking, there are certain risks associated with worker cooperative investment. For example, initial contributions to develop the business are typically substantial, and this could be lost if the enterprise fails. The risk may be higher for public entities since investment capital for start-up funding is limited.

Nonprofits and local governments can play a unique role in worker cooperative development.

A nonprofit organization or an official community development entity typically incubates a worker cooperative. City governments can provide public financing to worker cooperatives, or through direct programmatic grants can provide educational, outreach, and technical assistance for worker cooperative development (Abell, 2014).

CASE EXAMPLE: Evergreen Cooperatives—Cleveland, Ohio

- Launched in 2008, Cleveland created 3 worker cooperatives that focus on energy-efficient installations, the supply of fresh produce to local grocers and food providers, and an energy-efficient laundry service for local anchor institutions.
- In 2016, the Evergreen Cooperatives generated \$6.3 million in revenue and provided living wage jobs for 120 people from low-income neighborhoods. Approximately 30 percent of workers have become owners (Evergreen Cooperatives, 2019).
- The success of EC is largely attributed to the formation of the Greater University Circle Initiative, which is a model for place-based development, led by local anchors, including the Cleveland Foundation, the Cleveland Clinic, University Hospital, Case Western Reserve University, and the City of Cleveland (Wang & Agoso Filión, 2011).

COMMUNITY BENEFITS AGREEMENTS

Community Benefits Agreements (CBAs) are a tool to engage communities in proposed land use changes to ensure that developers receiving large public subsidies are producing tangible public benefits as a result of their projects.

Traditionally, CBAs are legal contracts negotiated between a private developer and a coalition of community groups that desire specified public benefits that benefit the impacted community. In the CBA creation process, affected community residents and organized bodies can transparently negotiate an agreement, while also establishing the protocol to create a legal mechanism and community oversight for CBA enforcement (Larsen, 2009).

Many CBAs include local hiring and living wage provisions to create more opportunity for low-income residents that live near development project areas.

For example, the CBA for a current development project in Baltimore includes funding for an on-site Workforce Opportunities Center and the formation of a local hiring advisory committee to ensure compliance with the workforce goals included in the CBA (Fuld, 2017). In Los Angeles, the expansion project of the Staples Center in 2001 received an estimated \$70 million in public subsidies, and the CBA for the project is considered the first formalized CBA (Gross et al., 2005). The Figueroa Corridor Coalition for Economic Justice was formed as a response to news of the Staples Center development and a CBA was finalized in 2004 to include legally-binding local hiring and living wage requirements (see more community model examples in Appendix B).

STRENGTHS

- Helps overcome the legal challenge of ‘related’ public benefits and addresses enforceability by creating a legal contract between the community and the developer (Figueroa et al., 2013)
- Some research shows that in some cities, new development projects fail to generate quality jobs for local, low-income residents (Gross et al., 2005)
- CBAs are already being explored by many municipalities to create minority business development (Fairchild & Rose, 2018). To this end, many cities have already explored the legality of CBAs. This helps establish feasibility for the implementation of a CBA process.

WEAKNESSES

- Utilizing CBAs would require community leaders to consider a very broad set of populations in order for the process to be fully inclusive. This makes consensus decision making difficult and may lead to a CBA that is too broad and cumbersome to monitor (Gerber, 2007).
- Requesting a living wage in CBAs will add a burden to developers. This may result in increased costs to the government, such as developers requesting a larger subsidy to make up for lost profit from paying higher wages.
- Little evidence exists on whether local hiring and living wage provisions in CBAs are effective (Gerber, 2007).

SUBSIDIZED EMPLOYMENT PROGRAMS

Subsidized employment programs provide income support to people that cannot find jobs in the regular labor market.

Some subsidized employment programs are designed to provide short-term income when unemployment is relatively high, while other programs primarily seek to improve long-term employment outcomes among groups with high employment barriers, such as ex-felons and people with disabilities (MDRC, 2013). Some direct hiring and training costs can be offset with a wage subsidy. In addition, subsidized employment programs can help lower the financial risk of hiring for employers that have reservations about program participants compared to other general applicants.

Evaluations of subsidized employment programs show that they are effective at providing jobs in the short-term. However, they are less successful in the long-term at helping workers transition to unsubsidized employment, which indicates a need for more extensive support services.

Georgetown's Center on Poverty and Inequality reviewed over 25 rigorously evaluated subsidized employment programs that span over 40 years. Many evaluated programs came from the Temporary Assistance for Needy Families Emergency Fund, a national subsidized employment program that quickly placed thousands of people into subsidized jobs during the Great Recession. Nearly every one of the evaluations shows increases in the employment rate among participants in the subsidized program compared to control group members. Although the employment effect phases out after the program ends, the results showed that subsidized programs successfully target individuals who otherwise would not have worked.

STRENGTHS

- Workers in subsidized programs see skills gains and immediate earning increases compared to unsubsidized workers. Participants in a number of programs earned nearly \$4,500 more on average than control groups over 2 years (Maguire et al., 2010).
- Some evidence shows a decrease in public benefits utilization among some groups, increased educational outcomes among children of adult workers (Miller et al., 2008), and reduced recidivism (Redcross et al., 2012).
- Gains in employment and earnings fade when wage subsidies end, but programs with subsidies that last for more than 14 weeks are more likely to boost employment and earnings in the long run (Dutta-Gupta et al., 2016).

WEAKNESSES

- Employment rates and earnings of experimental and control groups in studies have shown to converge after the program ends, and long-term employment outcomes were no better than the control group.
- Some research suggests that workers with more serious barriers might require ongoing subsidies and other supports in order for traditional programs to be successful (Dutta-Gupta et al., 2016). This indicates that it might be hard for programs to be effective for more vulnerable job seekers.
- Research on the effectiveness of using the Work Opportunity Tax Credit (WOTC) to fund programs shows that the WOTC may be fairly inefficient since a large share of the subsidy value typically goes to employers that otherwise would have made the same hires without the subsidy (Dutta-Gupta et al., 2016).

LOCAL ECONOMIC OPPORTUNITY

The following information gives an overview of Richmond's projected growth and the landscape of existing and emerging local economic opportunity. This serves to help OCWB identify stakeholders and job areas with community wealth building potential.

The employment rate is expected to grow by 9.3 percent by 2024 in Richmond.

At present, Richmond's economy is strong and is growing. The level of economic activity among Richmond's thriving public and private sectors has led to a projected 9.3 percent growth in employment by 2024, which exceeds the national growth rate of 6.5 percent (Virginia Employment Commission, 2015). Richmond also has a thriving private sector. It is ranked second in the nation in terms of the number of Fortune 1000 companies in regions with populations of 1.5 million or less, and the area is home to 6 Fortune 500 companies (Hayter, 2015).

Anchor institutions in Richmond employ nearly 1 in 3 residents.

In the City of Richmond, anchor institutions, such as universities and hospitals, have operating budgets totaling over \$6.2 billion (Dubb & Rudzinski, 2016). It is estimated that local anchors employ nearly 1 in 3 Richmond residents. The following table displays the number of people employed by the top public and private anchor institutions in 2019.

ANCHOR INSTITUTION	NUMBER OF PEOPLE EMPLOYED
Commonwealth of Virginia	24,757
Virginia Commonwealth University (VCU) and VCU Health System	22,888
City of Richmond	10,316
Bon Secours Richmond Health System	7,136
University of Richmond	1,578

Table 2: Anchors Employing People in the Richmond Area (Greater Richmond Partnership, 2019)

Long-term industry growth projections include jobs provided by local anchor institutions

Healthcare and social assistance, construction, accommodation and food services, and retail trade industries are job industries that are projected to be in the highest demand in the City by 2024 (Virginia Employment Commission, 2019). Figure 3 below shows the industries that are expected to grow between 5 and 20 percent in the long-term.

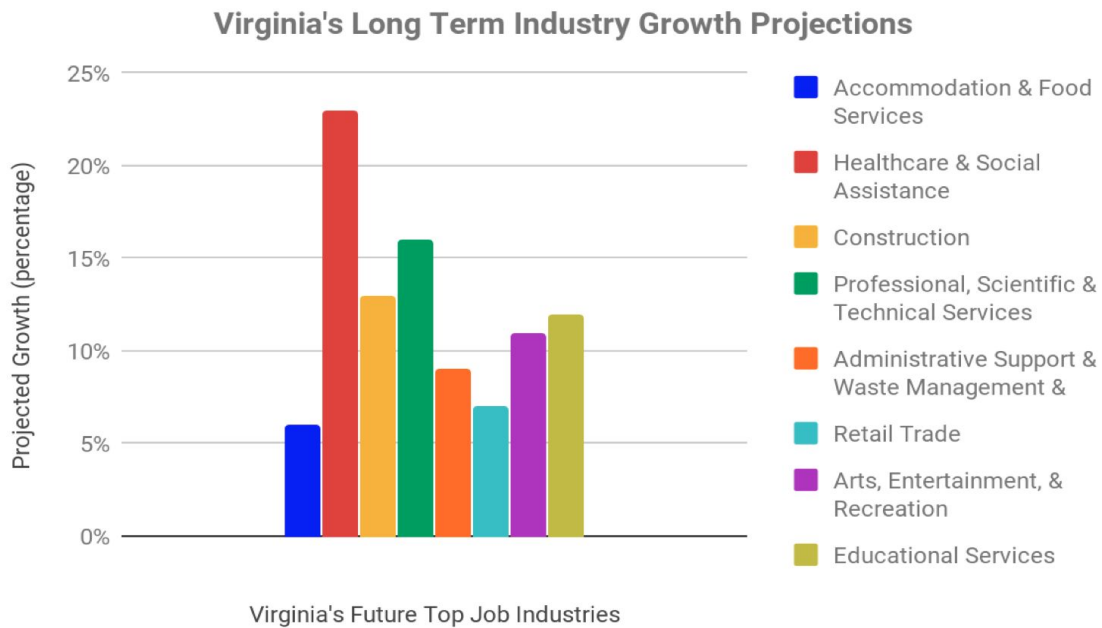


Figure 3: Top Growing Industries in Richmond and Virginia (VEC, 2019)

Conclusion

The information above may help OCWB frame how Richmond's projected growth, local anchor institution power, and emerging industries can be leveraged to localize investment and create pathways to living wage jobs through local hiring.

EVALUATIVE CRITERIA

In this section, I present the criteria used to evaluate each policy option. Methodically comparing each of the options based on the same established criteria allows for an evidence-based recommendation. The options will be evaluated using the following criteria:

COST

What are the total estimated annual costs to implement the policy option, and how much will it cost per job? This criterion will be quantified in **dollars** using a range of best estimates. It will consider who bears the burden for each cost, such as OCWB, the City of Richmond, local employers, and other stakeholders. See Appendix A for various assumptions and calculations used to estimate costs for each option.

EFFECTIVENESS

This criterion refers to whether the policy option effectively creates living wage jobs and if the option presents community wealth building opportunity. The effectiveness criterion has two subcategories:

- **Job Creation:** What is the estimated **number of jobs** the policy option creates?
- **Builds Community Wealth:** Does the policy option exhibit practices that build an inclusive, collaborative, and locally-controlled economy? Does the option provide job seekers with opportunities for asset ownership or upward mobility in their job path? This criterion will be measured by a **low, moderate, or high** level of effectiveness.

POLITICAL FEASIBILITY

Is the option politically feasible? This criterion will evaluate whether or not the proposed policy option will receive support from the stakeholders necessary for implementation. Political feasibility will be measured on a scale of **low, moderate, or high** anticipated support. The level of estimated political feasibility is informed by local stakeholder interviews, case studies, and interviews of individuals that have helped launch similar models in other communities.

IMPLEMENTATION BURDEN

Does the policy option pose a substantial burden to OCWB for implementation? This criterion will measure the level of involvement from OCWB and other necessary stakeholders. This criterion will be measured by whether there is an overall **low, moderate, or high** level of implementation burden.

POLICY OPTIONS & EVALUATION

This report presents 3 new policy options to address the problem of limited pathways to living wage employment for people living in poverty. The let present trends continue option evaluates OCWB's workforce services to provide a baseline for the other policy options. The primary goal of each policy option is to connect low-income job seekers to jobs that pay a living wage and provide skill and asset building opportunities.

OPTION 1: LET PRESENT TRENDS CONTINUE

OPTION 2: CREATE WORKER COOPERATIVE BUSINESS MODEL

OPTION 3: FORMALIZE COMMUNITY BENEFITS AGREEMENT PROCESS

OPTION 4: CREATE ANCHOR-BASED SUBSIDIZED EMPLOYMENT PROGRAM

OPTION 1: LET PRESENT TRENDS CONTINUE

Let present trends continue assumes no change in OCWB's dedicated staff time towards workforce operations. To this end, OCWB would continue career planning, coaching, and training for job seekers at the Community Wealth Building Career Station locations with no change. Given the relatively unchanged budget in the current fiscal year, this policy option assumes no new strategy to assist job seekers in finding living wage jobs that provide wealth building opportunity.

EVALUATION

COST

Approximately 80 percent, or \$3.28 million of OCWB's total \$4.1 million operating budget, is designated towards workforce operations. 372 job seekers receiving OCWB workforce services entered employment in FY 2018, costing an average of **\$9,140 per job** created.

EFFECTIVENESS

In 2018, 372 participants receiving OCWB's workforce services entered employment at an average wage of \$11.32 per hour (OCWB Annual Performance Report, 2018). This wage is significantly higher than the federal minimum wage, but below the living wage in Richmond, which is estimated to be \$13.23 for one adult without children (MIT Living Wage Calculator, 2019). Besides tracking the average wage, it is uncertain whether the jobs OCWB job seekers enter offer additional wealth building opportunity. Without a change to workforce operations, letting present trends continue is unlikely to provide job seekers with opportunities for asset ownership or upward mobility without adopting a new strategy. **No new jobs** are estimated beyond meeting last year's goal. Overall, this option has a **low/moderate** level of effectiveness.

POLITICAL FEASIBILITY

OCWB is a permanent City department that has received consistent and relatively increasing funding since its inception in 2014. The approved OCWB budget through FY 2020 has no substantial funding changes. This option has a **high** level of political feasibility.

IMPLEMENTATION BURDEN

Let present trends continue creates no new implementation demands on OCWB. No anticipated changes are expected for current staff responsibilities or in the number of stakeholders needed to continue operating workforce activities. However, with no new partnerships, OCWB staff bears the burden of implementation under this option. Overall, it has a **moderate** level of implementation burden.

OPTION 2: CREATE WORKER COOPERATIVE BUSINESS MODEL

Option 2 involves implementing a local, worker cooperative business model that provides goods or services demanded by a local anchor institution, such as energy efficient installation, laundry services, or food services. This policy option would build assets for low-income workers through a market-based approach and it would spur local economic investment by bridging local anchor institutions and social entrepreneurial activity. The worker cooperative would be modeled after the 3 Evergreen Cooperative businesses in Cleveland, Ohio. Each cooperative is rooted in green practices and technologies and leverages the annual business expenditures of local anchor institutions. Under this option, OCWB would need to identify a nonprofit entity to manage the business development process, and apply for public financing and philanthropic funding to launch the business. Further, a partnership with a local anchor would need to be formed in order to identify the service or good that could be provided by a cooperative.

EVALUATION

COST

The cost of this policy option ranges from **\$175,697-\$1,955,192 per year, or \$13,083-\$107,296 per job. Cost estimates for this policy option depend on whether the model requires significant capital investment to implement.** The estimated costs for a high capital model come from the Cleveland model, which invested heavily in equipment and facility construction. The lower cost estimate represents what a low capital model would cost if it focused more heavily on human capital and training costs. The following table shows the costs to the City of Richmond and the start-up costs required to launch a cooperative model.

COST ESTIMATE BREAKDOWN

<u>Total Average Annual Cost</u>	
• High capital model: \$1,955,192	• Low capital model: \$175,697
Start-Up Costs	
<ul style="list-style-type: none"> • High capital model estimate: \$107,296 per job (Camou, 2016) • Low capital model estimate: \$13,803 per job (OWN Rochester, 2019) 	
OCWB Staff Time	
<ul style="list-style-type: none"> • Year 1: \$57,900 • Average annual cost: \$14,475 	
Economic Development Staff Time:	
<ul style="list-style-type: none"> • Average annual cost: \$9,389 	

*See Appendix A for a detailed breakdown of estimated costs to stakeholders

EFFECTIVENESS

In the short-term, the worker cooperative model is not effective at creating a large number of jobs. I estimate that a worker cooperative in Richmond could produce **between 11-18 living wage jobs per year**, depending on the required capital investment. ***Initiatives with a larger initial capital investment will likely provide more jobs in the long-term compared to projects requiring lower capital investment to launch.*** Under this option, workers would make a living wage and worker ownership opportunity to build assets over time. Overall, this option has a **high** level of effectiveness.

POLITICAL FEASIBILITY

This policy option would advance OCWB's goal of increasing social enterprise opportunity and leveraging local assets through anchor partnerships. Based on stakeholder interviews, cooperative initiatives in other cities generally received substantial political support from city government officials, local foundations, and local institutions. In order to have a high likelihood of political feasibility, OCWB would need to identify a nonprofit entity that has the capacity and willingness to incubate a cooperative. Overall, this option has a **moderate/high** level of political feasibility.

IMPLEMENTATION BURDEN

Identifying start-up funding for this initiative and assisting with business development would create a substantial administrative burden on OCWB staff. The partnering anchor would also bear the burden of implementation depending on the logistics and transition time to adapt to a new model of procuring services. Further, this policy option would require a high level of commitment from the nonprofit incubating the cooperative, based on implementation time estimates from other communities. This policy option has a **moderate/high** level of implementation burden.

OPTION 2—WORKER COOPERATIVE

PRO

- Builds community wealth
 - Asset building through worker ownership
 - Creates inclusive market access for low-income workers
 - Roots anchor institutions locally
- Long-term effectiveness
- High likelihood for long-term revenue generation, potentially reducing costs

CON

- High start-up costs for high capital model
- Low job creation in the short-term
- High burden on implementing nonprofit and other stakeholders

OPTION 3: FORMALIZE COMMUNITY BENEFITS AGREEMENT PROCESS

Option 3 proposes the formation of a Community Benefits Agreement (CBA) process at the City level for substantial subsidized development projects. The process would include a series of collaborative meetings between key City staff and the developer receiving public subsidy to establish a CBA. A living wage and local hiring provision would be a fixed feature within the CBA in order to create living wage pathways for OCWB job seekers. The goal of this policy option is to increase inclusive hiring practices to ensure that low income local residents have access to jobs created from new development projects.

Other communities implementing CBA processes typically target projects that receive at least \$1 million or more in tax abatements. It is not uncommon for CBAs to request living wage and local hiring quotas, funding for training programs, and quotas for affordable housing development (Federal Reserve Bank of Minneapolis, 2007). In order to specifically target OCWB job seekers, the CBA could designate OCWB as the partnering workforce intermediary to provide workforce services and referrals to the employer for potential job candidates.

Overall, this option could serve as a targeted strategy to align the City's poverty reduction goal with new economic opportunities in Richmond. To this end, paying a higher wage for positions that typically pay the minimum wage may increase the likelihood that workers experience less burden maintaining employment if they can afford the costs of working. Further, jobs created from CBAs would occur on a rolling basis, and job availability would depend on the timeline and size of the development project, and whether available job opportunities match the skill qualifications of OCWB job seekers.

OCWB will have to weigh the trade-offs of setting local hiring and living wage provisions in a CBA. For example, ***the City cannot enforce living wage or local hiring requirements since development contracts are negotiated.*** Developers may also demand an increased subsidy if they agree to pay a living wage. OCWB should also consider how a partnership-based approach could be most effective so that developers are assured that jobs are filled by individuals that appropriately meet the skill qualifications for available jobs.

EVALUATION

COST

This policy option is estimated to cost **\$1,415,458 per year**, or **\$15,058 per job**, with the majority of costs incurred by developers paying towards a living wage provision in a CBA.

Costs to the City: Substantial OCWB staff time would be required to plan the CBA process, engage key City leadership, and seek appropriate City legal counsel. Beyond implementation, the City's Planning and Development Review Department would manage the process.

Costs to developers: A local hiring and living wage provision would increase the market price to developers if they are paying a higher wage for entry-level jobs that otherwise would pay a minimum wage. The number of individual CBAs is uncertain, given the variability of development size. The average cost to developers was based on Richmond's total project investment and commercial square footage in new developments over 2016-2017.

COST ESTIMATE BREAKDOWN

TOTAL AVERAGE ANNUAL COST: \$1,415,458	
ESTIMATED COST TO THE CITY OF RICHMOND: \$112,968 per year	
OCWB STAFF TIME	
<ul style="list-style-type: none"> Year 1: \$108,007 Average annual cost: \$50,100 	
CITY OF RICHMOND PLANNING AND DEVELOPMENT REVIEW STAFF TIME	
<ul style="list-style-type: none"> Average annual cost: \$46,800 	
CITY OF RICHMOND OFFICE OF THE CITY ATTORNEY STAFF TIME	
<ul style="list-style-type: none"> Average annual cost: \$16,068 	
ESTIMATED COST TO DEVELOPERS: \$1,302,490 per year	
<ul style="list-style-type: none"> Average annual cost per living wage job: \$12,438 Average cost per CBA: \$37,315¹ Annual total cost to developers: \$37,314 per CBA x 70 CBAs over 2 years on average / 2 	

¹ This assumes a 3 percent hiring quota within new development businesses.
See Appendix A for cost and hiring quota justifications.

EFFECTIVENESS

Implementing a CBA process is estimated to create an average of **94 jobs per year**. Estimates were modeled after CBAs from the City of Detroit's Community Benefits Ordinance, as well as other local hiring provisions in CBAs in other cities (City of Detroit, 2019; City of Baltimore, 2016). Opportunities for asset ownership or upward mobility for workers is low under this option, but a local hiring provision would be an inclusive economic practice that builds community wealth. Overall, this option has a **low/moderate** level of effectiveness.

POLITICAL FEASIBILITY

Forming benefits packages for subsidized projects are not new in Richmond, but they generally occur on an ad hoc basis and in a relatively unstructured manner. This option would require political support from City Council and developers. Formalizing a process would require some uncertainty because it would affect the market price of wages to developers. It is reasonable to assume some political support for this policy option would exist, but overall this option has a **low** level of political feasibility.

IMPLEMENTATION BURDEN

Taking the steps to establish a CBA process at the City level would require a substantial time investment from OCWB, especially in the first year for initial policy writing and planning with key City stakeholders. The level of implementation burden is higher for a developer, who otherwise would not have to consider specific costs associated with modifying hiring and wage practices in development projects. This policy option has a **high** level of implementation burden.

OPTION 3—COMMUNITY BENEFITS AGREEMENTS**PRO**

- Creates a significant number of jobs
- Relatively low administration cost to the City
- Builds community wealth
 - Expands OCWB goals to the City level
 - Formalizes inclusive hiring practices
 - Creates a role for large investors in City poverty reduction strategy

CON

- High cost to developers
- Unforeseen potential costs to the City
- High implementation burden on developers and City departments
- Low/uncertain political feasibility
- Not effective for worker asset and skill building

OPTION 4: CREATE ANCHOR-BASED SUBSIDIZED EMPLOYMENT PROGRAM

Option 4 proposes implementing a subsidized employment program at a local anchor institution. The program should target entry-level positions that are generally characterized by skill shortages and high turnover. Many entry-level jobs do not pay a living wage, so the goal of this policy option is to create a subsidized program that supplements entry-level jobs with a wage subsidy that boosts the job's hourly wage to a living wage (MDRC, 2013). The City has access to a few tax-based programs that offer either on-the-job training or wage subsidies to incentivize participating employers, such as the Work Opportunity Tax Credit (WOTC) and other on-the-job training subsidies (Virginia Employment Commission, 2019).

This policy option is modeled after the West Philadelphia Skills Initiative (WPSI), an anchor-driven job training program that provides a living wage and on-the-job training for jobs with defined pathways for upward mobility. This option would focus on linking existing workforce services to jobs at anchor institutions that are projected to grow in Richmond, such as healthcare, professional, scientific, or technical service occupations. Under this option, OCWB would collaborate with a partnering anchor institution to identify entry-level positions that are in demand and have an identified pathway for upward mobility. OCWB Career Stations would serve as the pipeline to refer potential employees and provide support services and training to prepare program participants for employment (see Appendix C for examples of subsidized employment implementation strategies).

EVALUATION

COST

Implementing a Subsidized Employment Program would cost a **total of \$272,921, or \$7,798 per job**. This model is scalable and could be replicated at more if multiple types of entry-level positions with upward mobility can be identified. The cost to implement this option is relatively inexpensive compared to the other policy options.

Cost to the City: This includes the opportunity cost of OCWB administrative staff time spent building a partnership with a local anchor and time spent structuring the program. OCWB career station staff would also be needed to implement training.

Cost to the anchor institution: Human Resources staff time would be spent on wage subsidy administration. The wage subsidy would offset potential increases to the equilibrium market price for employers. Further, anchor staff time may be offset by additional support provided by OCWB Career Station staff.

Wage subsidy cost to the federal government: The cost to the government from a wage subsidy, such as the Work Opportunity Tax Credit (WOTC), would be revenue that is forgone rather than appropriated funds. The employer would claim the WOTC equal to 40-50 percent of the eligible employee's qualified wages in the first year of employment (Central Virginia Partnership, 2019). ***Although the cost of the wage subsidy is incurred by the government, the subsidy may create savings to the anchor employer.***

COST ESTIMATE BREAKDOWN**TOTAL AVERAGE ANNUAL COST: \$272,921****OCWB STAFF TIME**

- Average annual cost: \$103,931 for OCWB admin time and 2 full-time Career Station staff

ANCHOR INSTITUTION STAFF TIME

- Average annual cost: \$8,648 for Human Resources Manager assigned to program

WAGE SUBSIDY COST TO THE FEDERAL GOVERNMENT

- Average annual cost: \$134,400 for a maximum credit of \$2,400 per employee

EFFECTIVENESS

This policy option is estimated to create **35 jobs** in the first year and is based on the Philadelphia WPSI model. This option builds community wealth by partnering with anchor institutions that are rooted locally, and it provides workers with opportunities to jobs that build skills and pay higher wages over time. However, effectiveness is relatively uncertain because available positions with career pathways would need to be identified in order to create a program. Overall, this policy option has a **moderate** level of effectiveness.

POLITICAL FEASIBILITY

Political feasibility will depend on subsidy availability and the partnering anchor's willingness to host a program. This option would require a substantial change to OCWB workforce staff composition by repositioning Career Station staff to implement new training, but this would likely be supported by OCWB if there the program offered employment opportunity for OCWB job seekers. Overall, this option has a relatively **low/moderate** level of political feasibility.

IMPLEMENTATION BURDEN

Creating a subsidized employment program would place the heaviest implementation burden on OCWB and the partnering anchor institution. Beyond the initial program design, anchor human resources staff time would need to be involved to launch the program and to manage subsidy-related logistics for program participants. Overall, this policy option has a **moderate/high** implementation burden level.

OPTION 4—SUBSIDIZED EMPLOYMENT PROGRAM**PRO**

- Low cost compared to other options
- Provides opportunities for skill building and upward mobility
- Creates a substantial number of jobs
- Scalable to other anchor institutions

CON

- May not guarantee living wage to worker
- Higher burden on the implementing anchor
- Potential risk to anchor if employees have low skills or high need for support services

OUTCOMES MATRIX

The following outcomes matrix summarizes how each option ranks against the evaluative criteria. Among the criteria, effectiveness is weighted most heavily. The estimates for cost and effectiveness are further described in Appendix A.

OUTCOMES MATRIX				
	COST (30%)	EFFECTIVENESS (40%)	POLITICAL FEASIBILITY (15%)	IMPLEMENTATION BURDEN (15%)
OPTION 1 Let Present Trends Continue	Baseline: No additional cost \$9,140 per job	• 0 new jobs projected beyond 372 goal	HIGH	MODERATE
		LOW / MODERATE wealth building		
OPTION 2 Create Worker Cooperative Model	Annual total cost: \$175,697- \$1,955,192 \$13,803 - \$107,296 per job	• 11-18 jobs per year • Long-term: 100+ per year	MODERATE / HIGH	MODERATE / HIGH
		HIGH wealth building		
OPTION 3 Formalize Community Benefits Agreement Process	Annual total cost: \$1,415,458 \$15,058 per job	• 94 jobs per year	LOW	HIGH
		LOW / MODERATE wealth building		
OPTION 4 Create Anchor-Based Subsidized Employment Program	Annual total cost: \$272,921 \$7,798 per job	• 35 jobs per year	LOW / MODERATE	MODERATE / HIGH
		MODERATE wealth building		

RECOMMENDATION & IMPLEMENTATION STRATEGY

1. LET PRESENT TRENDS CONTINUE

2. CREATE WORKER COOPERATIVE BUSINESS MODEL

2. FORMALIZE COMMUNITY BENEFITS AGREEMENT PROCESS

3. CREATE ANCHOR-BASED SUBSIDIZED EMPLOYMENT PROGRAM

RECOMMENDATION

This analysis recommends Option 2, create a worker cooperative business model. Each option brings a unique approach to create pathways to living wage jobs for low-income job seekers. However, after careful consideration of the criteria and prioritizing the effectiveness of each option, Option 2 has the greatest potential to build community wealth. Worker cooperative employment would provide workers a living wage and asset building opportunity through employee ownership. Further, this model has the potential for substantial job growth based on the revenue-generating structure of cooperatives and from growth trends experienced among worker cooperatives in other communities.

Some of the challenges associated with creating a worker cooperative are the high start up costs for a model that may require high capital investment, the relatively low number of jobs created in the short-term, and the implementation burden placed on the stakeholders needed for implementation. However, cost estimates from other models show that worker cooperatives requiring low capital investment are much less costly, and the cost per job is relatively similar to the other policy options presented in this report. Provided that OCWB can identify a nonprofit to implement the worker cooperative, political feasibility for Option 2 is high, especially among anchor institutions that are committed to local hiring and purchasing. The implementation burden across all policy options is relatively similar, but the burden on OCWB for Option 2 is relatively moderate compared to the other options.

Overall, Option 2 is effective at building community wealth on multiple levels. Employing low-income residents to meet anchor needs provides OCWB the opportunity to implement a policy strategy that invests in the local economy and provides living wage jobs for low-income residents.

IMPLEMENTATION STRATEGY

To implement Option 2, there are several steps the OCWB should consider to initiate the worker cooperative planning process. As a first step, OCWB would need to identify an organization to drive the business development process. In order for Option 2 to be politically feasible, the business development process must be insulated from bureaucratic and political pressure, which would be difficult to do if the worker cooperative remained a City-controlled initiative.

In order for the Cleveland Evergreen Cooperatives to be successful, Evergreen Business Services was created as a separate entity to perform operational roles related to the management and growth of the cooperative, such as human resources, finance, and marketing (Evergreen Cooperatives, 2019). Further, OCWB could serve as a workforce intermediary to assist the implementing nonprofit with training and support services that may be needed to assist job seekers. OCWB could also assist the City's Planning and Development Review Department in identifying and applying for public financing to launch the initiative.

Local anchor institutions such as Virginia Commonwealth University (VCU), VCU Health System, Bon Secours Health System, and the University of Richmond have purchasing power to leverage in the planning of a cooperative model. OCWB would need to identify a partnering anchor institution and a specific service or good regularly procured by that anchor in order to move forward with a business plan that connects a cooperative with an existing need. To determine which model is most feasible, OCWB and the necessary stakeholders would need to decide whether the business model requires a high or low level of capital investment. Case examples of either model can be found in Appendix B.

APPENDIX

APPENDIX A: Cost estimate description and calculations

OPTION 2: WORKER COOPERATIVE MODEL

OPTION 2: Create Worker Cooperative Business Model		
COST ASSUMPTION	ESTIMATE	COST DESCRIPTION
OCWB staff time	<ul style="list-style-type: none"> • Year 1: \$57,900 • Average cost beyond year 1: \$14,475 	Project management staff time spent forming a business and financing plan Source: City of Richmond; Time estimate from City of Cleveland
City of Richmond Management Analyst	\$27.84/hr @ 20 hours per week for year 1, then 5 hours per week annually, times 2 staff positions	
Planning and Development Review Department staff time	<ul style="list-style-type: none"> • \$9,389 per year 	Staff time spent creating financing deal for worker cooperative start-up funding
City of Richmond Community and Economic Development Analyst	<ul style="list-style-type: none"> • Year 1 & average cost beyond year 1: \$36.11/hr @ 5 hours per week x 52 weeks 	
Total start-up costs for worker cooperative business	<ul style="list-style-type: none"> • Low capital estimate: \$13,803 per job • High capital estimate: \$107,296 per job 	This cost accounts for public financing for start-up costs that would be incurred by a nonprofit to launch the cooperative Source: Camou, 2016; OWN Rochester, 2019; BLS CPI Inflation Calculator, 2019
TOTAL AVERAGE ANNUAL COST <ul style="list-style-type: none"> • High capital model: \$1,955,192 <ul style="list-style-type: none"> ○ \$107,296 per job x 18 projected jobs + OCWB time \$14,475 + Economic Development time \$9,389 • Low capital model: \$175,697 <ul style="list-style-type: none"> ○ \$13,803 per job x 11 projected jobs + OCWB time \$14,475 + Economic Development time \$9,389 		

Estimating Worker Cooperative Effectiveness

The first Cleveland Evergreen Cooperative employed 18 workers the first year and the Cooperatives now employ over 220 workers collectively (City of Cleveland, 2012; Evergreen Cooperatives, 2019). The low capital estimate is modeled after the OWN Rochester cooperatives and estimates 11 jobs in the first year. This model also predicts higher job creation in the long-term, with a goal of 150 employees over 5 years (OWN Rochester, 2019).

OPTION 3: COMMUNITY BENEFITS AGREEMENT

OPTION 3: Formalize a Community Benefits Agreement Process		
COST ASSUMPTION	ESTIMATE	COST DESCRIPTION
OCWB staff time	<ul style="list-style-type: none"> • Year 1: \$108,007 • Average annual cost: \$50,100 	<p>Opportunity cost of OCWB staff time spent forming a CBA process in year 1</p> <p>Source: City of Richmond Human Resources; City of Detroit staff</p>
City of Richmond Management Analyst	<ul style="list-style-type: none"> • Year 1: \$27.84/hr @ 20 hours per week x 2 staff positions x 52 weeks • Average cost beyond year 1: \$0 	
City of Richmond Community Program Manager	<ul style="list-style-type: none"> • Year 1 & average cost beyond year 1: \$50,100/yr for 1 full-time staff position 	OCWB Career Station staff time providing job seeker assistance for CBA developer job opportunities
City of Richmond Planning and Development Review staff time	<ul style="list-style-type: none"> • Year 1: \$23,400 • Average cost beyond year 1: \$46,800 	<p>Staff time spent on initial planning, and a full-time position to manage ongoing CBA activities</p> <p>Source: City of Richmond Human Resources; City of Detroit staff, City of Baltimore, 2016</p>
City of Richmond Planning Specialist	<ul style="list-style-type: none"> • Year 1: \$22.50/hr @ 20 hours per week for 52 weeks • Average cost beyond year 1: \$46,800 for 1 full-time staff person 	
City of Richmond Office of the City Attorney	\$16,068 per year	Staff time spent providing legal aid to the CBA process
City of Richmond City Attorney	<ul style="list-style-type: none"> • Year 1 & average cost beyond year 1: \$103.03/hr @ 3 hours per week 	
Estimated Cost to Developers	<ul style="list-style-type: none"> • \$12,438 per job • Developer CBA cost: \$37,314 	<p>The additional cost spent on paying a living wage for target OCWB job seekers</p> <p>Source: Venture Richmond, 2019; Camoin Associates, 2018; City of Baltimore, 2016</p>
<p>TOTAL AVERAGE ANNUAL COST: \$1,415,458</p> <p>TOTAL COST PER JOB: \$1,415,458 / 94 estimated = \$15,058 per job</p> <ul style="list-style-type: none"> • Annual City staff cost: \$50,100 + \$46,800 + \$16,068 = \$112,968 • Annual total cost to developers: \$1,302,490 • CBA cost to developer: \$37,314 x 70 CBAs over 2 years on average / 2 		

OPTION 3: COMMUNITY BENEFITS AGREEMENT**Estimated Cost Breakdown**

- **Average cost per job: \$12,438.40**
 - \$5.98/hr in additional wages (\$13.23 living wage - \$7.25 min wage) x 40 hours x 52 weeks
- **Average cost per CBA to the developer: \$37,314 per year**
 - Average development size = 1.35 million SF commercial space / 70 new developments = 19,286 SF, or 3 medium retail businesses
 - 3 medium retail businesses on average per developer x 30 employees x 70 developments = 6,300 new estimated jobs
 - 3 percent local hiring quota x 6,300 total employees = Approximately 189 living wage jobs
 - 189 jobs / 70 new developments = 2.7 OCWB jobs per development (rounded to 3)
- \$12,438 in additional wages per job x 3 OCWB jobs = \$37,314 per developer per CBA

Estimated Cost to Developers Description

- To estimate the total additional wages a developer would pay in a CBA, I calculate an estimated number of employers per development based on the average amount of new commercial space. Approximately 70 new developments with a total of 1.35 million square feet (SF) of commercial space were completed or underway between 2016-2017 (Venture Richmond, 2019).
- On average, each new development contains over 19,000 SF of commercial space. It is estimated that 6,000 SF of commercial space could hold a medium-sized restaurant or retail store, based on average square footage for commercial spaces. A business of that size that would employ an average of 30 employees (Camoin Associates, 2018).
- Given the average retail space size and the employee number estimate per business, each developer owns enough commercial space to occupy 3 businesses that could employ approximately 90 people. The total amount of new commercial space from 70 developments could produce approximately 210 businesses, with 6,300 total employees.
- To model additional wage costs to each developer, the hiring quota for OCWB job seekers will be set at 3 percent of total employees per business (see hiring quota justification in Table 3 below). Approximately 1 OCWB job seeker would be hired per business, for a total of 3 OCWB job seekers per development, based on the average business size. This option would create approximately 189 living wages jobs for OCWB job seekers over 2 years, based on the total estimated number of employees across 70 new developments.
- This option assumes that the jobs designated at each business will pay the minimum wage, given the education and skill level of target job seekers. This option also assumes that commercial use of new development space will be occupied by businesses that provide some sort of entry-level job, such as retail or accommodation and food services.
- The additional cost to the developer would be \$5.98 per hour worked per employee, which is the difference between a living wage and the minimum wage of \$7.25. The living wage in Richmond is approximately \$13.23 for one adult (MIT Living Wage Calculator, 2019).

OPTION 3: COMMUNITY BENEFITS AGREEMENT**Table 3: Hiring Quota and Cost Estimate Justification from a Case Example**

- Many CBAs that specify a local hiring quota require that local residents comprise 30 percent of local hires. They often also require designated funding for workforce training and services (City of Baltimore, 2016). This policy option targets job seekers living in poverty, so it is reasonable to assume that setting a hiring quota for OCWB job seekers would have to be much lower than the 30 percent average local hiring rate.
- Fiat Chrysler Automobiles of Detroit is currently expanding an assembly plant that is projected to cost \$2.5 billion. The project will create 5,000 new jobs, and Chrysler will receive \$12 million in tax abatement. Under the City of Detroit Community Benefits Ordinance (CBO), the developer proposed \$15 million, or 0.6 percent in specific workforce and education investments alone (City of Detroit, 2019).
- New development in Richmond between 2016-2017 represents a total investment of \$1.66 billion or an average of \$23.7 million per developer. If the developer expected to invest in workforce at a rate of .6 percent of the total project investment, each developer would spend an average of \$142,286 per development on workforce investments. This would mean that providing living wage funding to meet the local hiring quota would meet the level of investment seen in Detroit after 3-4 years, which would make the investment cost higher to developers beyond that time period.
- This estimate does not consider other potential benefits to the developer that could be gained in some other provision of CBA, such as increased tax incentives if the developer chooses to negotiate other provisions in a CBA in order to meet the 3 percent local hiring quota.
- Given the staff ratio of employees to OCWB employees in a business impacted by a CBA, and the ratio of total project investment to impact investments in Detroit, the hiring quota in a model CBA is set at 3 percent for this analysis.

OPTION 4: ANCHOR-BASED SUBSIDIZED EMPLOYMENT PROGRAM

OPTION 4: Create an Anchor-Based Subsidized Employment Program		
COST ASSUMPTION	ESTIMATE	COST DESCRIPTION
OCWB staff time	• Average annual cost: \$103,931	
City of Richmond Management Analyst	\$27.84/hr @ 10 hours per week for 16 weeks, then 3 hours per week for 36 weeks	Administrative staff time planning assumes 25 percent of time spent on program development for 4 months, then less time spent for the remaining first year for implementation support Source: City of Richmond Human Resources; Farrell et al., 2011
City of Richmond Community Program Manager	\$50,100/yr, for 2 staff positions	OCWB Career Station staff time implementing program Source: Western Philadelphia Skills Initiative model (WPSI)
Anchor institution staff time	• Average annual cost: \$34,590	
Anchor Institution Human Resources Manager	\$33.26/hr @ 20 hours per week x 52 weeks	Anchor institution staff time spent managing program partnership and tracking wage subsidy for compensation Source: Glassdoor, 2019; Farrell et al., 2011
Wage subsidy cost to the government	• Average annual cost: \$134,400	
Work Opportunity Tax Credit (WOTC)	\$2,400 per employee for an estimated 56 employees per year	Work Opportunity Tax Credit (WOTC) maximum credit per employee. Source: Central Virginia Partnership, 2019
TOTAL AVERAGE ANNUAL COST: \$272,921 Average cost per job: \$272,921 / 35 estimated jobs = \$7,798		

Estimating Subsidized Employment Program Effectiveness

- All individuals participating in the West Philadelphia Skills Initiative program were formerly unemployed and living in West Philadelphia's poverty neighborhoods. Given that the program focuses on residents from the West Philadelphia neighborhood into jobs in the area, it is estimated that Richmond could employ approximately the same average number of individuals per year.
- The population of the West Philadelphia area is roughly the same as the City of Richmond. Alternatively, Philadelphia is around 4 times larger than Richmond and WPSI estimates that it will serve around 250 individuals this year, so the estimate of 35 new jobs created is likely a reasonable estimate (WPSI, 2019; U.S. Census Bureau, 2013 ACS 5-Year Estimates).

APPENDIX B: Model Examples from other Communities**WORKER COOPERATIVE EXAMPLE****Owner Worker Network (OWN)-Rochester, New York**

- In 2016, Rochester's Office of Community Wealth Building began creating jobs for low-income residents by developing worker-owned businesses to bid for service contracts with major civic institutions through Owner Worker Network (OWN) Rochester. OWN Rochester is a non-profit cooperative business development corporation, which acts as a holding company to identify openings. Worker referrals are drawn from the city's anti-poverty initiative, a partnership of community-based workforce organizations.
- The City of Rochester has made the commitment to prioritize purchasing from worker cooperatives while also promising the award of 50% of economic development subsidies to worker-cooperatives. ENEROC is the first cooperative business in the OWN Rochester network. ENEROC provides high-quality energy-efficient installations and other services to Rochester's industrial, commercial, and residential contractors (OWN Rochester, 2019).
- In 2017, OWN Rochester invested \$76,468 in an energy efficiency installation cooperative that currently employs 8 people, and then \$70,000 in a custodial cooperative in 2018 that employs 3, for an average cost of \$13,803 per job (OWN Rochester, 2019)

WORKER COOPERATIVE EXAMPLE**Center for Family Life Co-Op-Brooklyn, New York**

- The Center for Family Life (CFL) is a nonprofit community organization that began incubating worker-owned cooperatives in 2012. CFL was awarded grant money from the "New York City's Worker Cooperative Development Initiative", which provides one year of training and technical assistance to groups that are interested in incubating worker cooperatives in local neighborhoods.
- At present, 5 five worker co-ops have been incubated through CFL, creating a total of nearly 150 jobs for local residents, with the majority being Latina immigrants (SCO Family of Services, 2017).

COMMUNITY BENEFITS AGREEMENT EXAMPLE

Port Covington CBA-Baltimore, Maryland

- A \$100 million Community Benefits Agreement was approved in 2016 in Baltimore for a \$5.5 billion waterfront development that will include a new headquarters for Under Armour, along with restaurants, stores, housing, and manufacturing space.
- The CBA includes \$25 million to train workers at a new training center and \$10 million in no-interest loans or other funding streams for minority- or women-owned businesses. The CBA also includes local hiring, workforce development and wage provisions, including hiring at least 30 percent of all on-site workers from the City of Baltimore, and 20 percent of work performed will be from clients in apprenticeship programs within the first 5 years of the project.
- The developer has also agreed to pay a minimum wage of \$17.48 per hour for all employees in all projects. Further, the CBA includes funding for oversight by a City auditor and the creation of a Port Covington Workforce Opportunities Center.
- In order to oversee compliance with local hiring goals, a local hiring advisory committee and a full-time staff person within the Mayor's Office of Employment Development will be formed with representatives from the Mayor's Office, other city agencies, workforce providers, and community representatives
- The agreement took 5 months to get signed and required multiple rounds of revisions and negotiations between the developer and a local coalition of neighborhood associations geographically close to the development (Fuld, 2017).

COMMUNITY BENEFITS AGREEMENT EXAMPLE

Community Benefits Ordinance-Detroit, Michigan

- Detroit passed a Community Benefits Ordinance in 2016 that requires a CBA for all subsidized projects that are \$75 million or more in value or receives \$1 million or more in property tax abatements or in value of city land sales or transfers.
- When a project meets one or more of these requirements, the Community Benefits Ordinance process begins with the City's Planning Department. The department reviews the project scope and defines the impact area, and the city organizes community meetings over a three month period through a Neighborhood Advisory Council.
- The process takes about three months, usually over 5-6 formal community meetings depending on the size of the project and the needs of the community. To date, there have been 9 CBO projects, with 81 Neighborhood Advisory Committee members engaging over 500 Detroiters across 54 meetings (City of Detroit, 2019).

ANCHOR-BASED EMPLOYMENT PROGRAM EXAMPLE

Step Up to UH-Cleveland, Ohio: Cleveland's University Hospital Health System's Step Up to UH program supports economic development in high poverty neighborhoods surrounding UH by training residents for open positions at the institution. Towards Employment is UH's external workforce development partner, providing recruitment and screening, job readiness, coaching, and soft skills training (Wright, Hexter, & Downer, 2016).

- **Results:**
 - Within 2.5 years, 200 community residents obtained living wage jobs at UH
 - Over 80 percent of pipeline graduates retaining their jobs a year after placement, compared to 66 percent overall.
 - After the implementation of the coaching program in 2013, the internal hiring rate rose from 32 percent to 39 percent.
- In addition to Step Up, UH's workforce development approach includes the pathways program, which focuses on current UH workers that are tied into career development and upward internal advancement.
- **Types of Hired Positions:**
 - Graduates are hired into environmental services, nutrition services, patient care assistant, operating room assistant, and medical assistant positions.

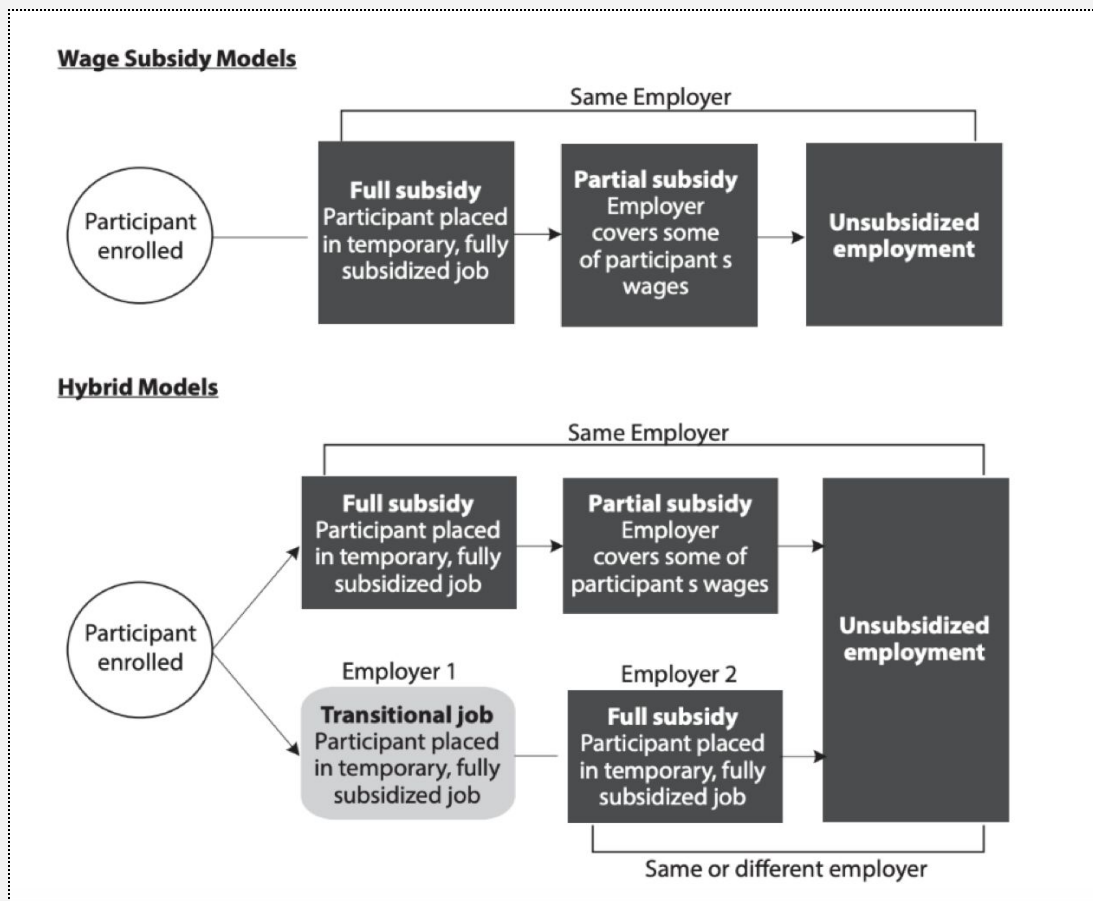
ANCHOR-BASED SUBSIDIZED EMPLOYMENT PROGRAM EXAMPLE

West Philadelphia Skills Initiative (WPSI)- Philadelphia, Pennsylvania: Launched in 2010, WPSI is a workforce intermediary embedded within the University City District, a nonprofit Business Improvement District. WPSI works with employers to connect local unemployed residents to available jobs at local anchor institutions.

- **Program structure:** WPSI takes job seekers from high-poverty neighborhoods and they utilize a cohort training model that focuses on specific open positions that have clear career pathways. The positions are typically high turnover and entry-level. Training cohorts are customized for each type of position and the program includes a 6-month "earn-and-learn" program with gradual wage increases. WPSI also partners with other agencies in Philadelphia's workforce system to create cohort training models for positions that require a specific professional credential.
- **Types of Hired Positions:** Certified medical assistant, patient sitter, in-patient clerk, desktop information technology support, field information technology support, security officers, landscapers, lab technicians, bike ambassadors, valet attendants.
- **Results:** A case study of the initiative found that 785 people have worked with WPSI since its inception, creating \$15.4 million in wages for previously unemployed residents. In 2017, 132 people were placed into jobs making an average hourly wage of \$13.57, and 88 percent are still in the same job after 3 months (University City District, 2019).

APPENDIX C: Potential Implementation Considerations for Alternative Policy Options**SUBSIDIZED EMPLOYMENT IMPLEMENTATION STRATEGIES****Wage Subsidy Model Structure**

Structuring a wage subsidy program can be flexible, giving employers the option to subsidize all or part of an employee's wage with government funds, with the option of decreasing the subsidy over time with a graduated approach. Full wage subsidies may be needed to incentivize employers to provide employment for individuals who do not yet have the skills they may regularly require of their unsubsidized employees, or to provide employment when demand for their service is smaller. The flow chart below outlines a traditional wage subsidy model and a number of hybrid models to consider.



Source: Bloom, 2015

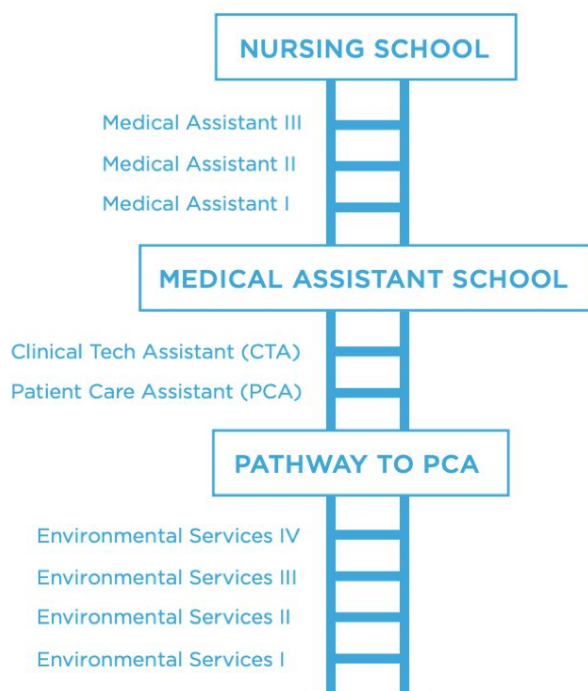
ANCHOR-BASED EMPLOYMENT IMPLEMENTATION STRATEGIES

Leveraging Job Opportunities at Anchor Institutions

There is a great deal of literature providing technical assistance on how hospitals and health systems can create jobs and careers in their local communities, through “outside in” and “inside up” approaches:

- **Outside In:** Creates specific entry points for candidates that face barriers to employment with an inclusive hiring pipeline that “screens in” candidates through a workforce intermediary, utilizes a cohort training model focused on specific positions, and develops a paid internship program with pathways to hire.
- **Inside Up:** Employs internal strategies to connect frontline workers to pathways for career advancement within the anchor institution by identifying entry-level positions that can connect to higher pay jobs with relevant skills, and investing in training programs that prepare workers to jobs that are connected to a career ladder of opportunities that enable upward mobility to higher-skill jobs with higher wages and benefits. The figure below shows a sample ladder of upward mobility for jobs that start as entry-level (Democracy Collaborative, 2016).

Possible Career Ladder: Patient Care



APPENDIX D: Interviews

I spoke to the following individuals in completing this analysis:

Reggie Gordon

Deputy Chief Administrative Officer of Human Services and former Director of OCWB

Evette Roots

Social Enterprise Specialist, OCWB

Kelvin Harris

Project Development Manager, OCWB

Pat Foster

Director, City of Richmond Office of Minority Business Development

Vicki Meath

Executive Director, Just Economics, Asheville, NC

Cheryl Groce-Wright

Executive Director, Neighborhood Resource Center of Greater Fulton, Richmond, VA

Juliellen Sarver

Founding Community Relations Manager, Stone Brewing Company, Richmond, VA

Sarah Steltz

Vice President of Workforce Solutions, University City District, Philadelphia, PA

David Ebersole

Director, City of Cleveland Department of Economic Development, Cleveland, OH

Kate Washington

CEO, OWN Rochester (Owner Worker Network), Rochester, NY

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