“For Benefit” Businesses and Community Economic Development Considerations

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Known for its local focused and socially-missioned economy

- #1 Happiest Small City in the U.S. – March 2011 Gallup
- Top 10 City for the Next Decade – Kiplinger’s Personal Finance, June 2010
- 2nd Lowest City Foreclosure Rate in the U.S. in 2010 – RealtyTrac March 2011

Source for map: www.vermontproperty.com/vermontmaphp
Socially-missioned or focused enterprises (can be for profit, non-profit, public sector or a new “alternative” organization) conveying positive externalities for community economic development processes and outcomes.

Church Street Marketplace is an example of a sustainable project that over time has become a central feature of downtown Burlington for residents, people in Northern New England, and tourists. It’s a joint effort, across all sectors...
THE EMERGING FOURTH SECTOR

ORGANIZATIONS CATEGORIZED BY PURPOSE

- maximize financial benefit to owners
- maximize social benefit

PRIVATE SECTOR
For-Profits
- Cause-Related Marketing/Purchasing, Ethics, Transparency, Corporate Social Responsibility, Corporate Philanthropy, Environmental Sustainability, Community Relations, Socially Responsible Investing, Stakeholder Accountability, Social Auditing, Employee Ownership

FOURTH SECTOR
- Blended Value Organizations
- Chaordic Organizations
- Civic/Municipal Enterprises
- Common Good Corporations
- Community Development Corps
- Community Interest Corporations
- Community Wealth Organizations
- Cooperatives
- Cross-Sectoral Partnerships
- Ethical Social Institutions
- Faith-Based Enterprises
- New Profit Companies
- Non-Profit Enterprises
- Social Businesses
- Social Economy Enterprises
- Social Enterprises
- Sustainable Enterprises

Emerging Hybrid Models
Convergence Toward a Fourth Sector

INCOME
- earned
- contributed

Source:
http://www.fourthsector.net/learn/fourth-sector

Types of alternative structures for promoting community economic development

- Low profit limited liability corporations (L3C)
  - Vermont first in US to pass legislation
  - Can operate in any state
  - 8 other states have passed legislation + two tribes

- Combines a return on investment with positive social goals
  - Program related investments (foundations)
  - Hybrid with nonprofits

Other states: IL, LA, ME, MI, NC, RI, UT, WY

Americans for Community Development formed to promote legislation across U.S.
Verdict still out on both these types

Controversy over fiduciary responsibility

There are “certified” benefit corporations (not the same), Seventh Generation, etc.

Same as traditional corporations, with a purpose that includes creating a positive impact on society/community

Accountability (including to the community not just shareholders)

Transparency (including social environmental performance)

Benefit corporation legislation
Community-owned businesses

- Organizing to become community entrepreneurs
- Motivated by mission not just profit
- Typical types include
  - A. cooperatives
  - B. community owned corporations
  - C. small ownership groups
  - D. investment fund

City Market is a cooperatively owned downtown grocery store, with a long history of collaborating with the City and others, and recently named one of the most successful grocery co-ops in the U.S.

Restaurants, retail, service and other community-owned businesses are emerging...
Employee-owned businesses

- Preserves local jobs and ownership
- Continuity of businesses
- Improves performance
- Quality of employment environment
- Connection to community

Vermont Employee Ownership Center helps to transition to employee stock ownership programs or worker cooperatives

Fewer destructive exits from a community

Vested organizations tend to be tightly connected to their host communities
Intervale, a 350-acre “breadbasket” farm incubator in the city spawns not only local food but also local businesses and jobs.

- Gardener’s Supply 100% employee-owned.
- Started in Burlington.
- Helped with social mission of reclaiming flood plains for generation of other businesses and nonprofits.
CED benefits

- Include the ability to attract like-minded enterprises
- Locally focused economy brings together the dimensions of socially responsible enterprises for long-term wealth generation

When Burton Snowboards needed to find a new home, Burlington was a natural fit, given the like-minded companies and organizations already there with a reputation for social responsibility.
What can be done...

- Supportive policy at the local and state levels to facilitate for benefit businesses
- Spreading the word about the CED impacts of a locally focused for benefit enterprise approach

Trust, reciprocity, and support is fostered...

...the foundations of good community development practice