Coworking Spaces in Mid-Sized Cities: An Innovative Approach to Local Economic Development

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Introduction

The rise of the knowledge-based economy is changing how employment is organized in cities around the world. Not only is this phenomenon occurring spatially, as knowledge and creative industries take over downtown buildings, often reclaiming spaces once used by urban manufacturers (Madanipour, 2011), but it is also altering the ways in which workers are organizing themselves inside of these urban work spaces. In the early 2000s, the first coworking spaces began to emerge (Spinuzzi, 2012); coworking spaces (CWS) were initially created by digital workers in Silicon Valley eager to reduce overhead costs and share ideas outside of traditional offices (Botsman, 2015). Nearly two decades later, the coworking movement has grown exponentially, and includes entrepreneurs, freelancers and designers from diverse sectors (Deskmag, 2013, 2015).

As the knowledge economy grows and the coworking movement takes hold in cities around the world, less is known about how this economic change is unfolding in mid-sized cities.

The knowledge-based economy is flourishing in large urban centres. Big cities are home to vast pools of talent, research-intensive universities and vibrant cultural institutions that together serve to attract knowledge and creative workers (Florida, 2002; Gertler, 2003; Vinodrai, 2010). As such, it is not surprising that CWS have experienced significant growth in larger cities (Deskmag, 2013, 2015) where coworking provides low-cost office space for start-ups, skill-building workshops and the ability to network across public and private sectors (Surman, 2013). As the knowledge economy grows and the coworking movement takes hold in cities around the world, less is known about how this economic change is unfolding in mid-sized cities.

Historically in Ontario, an industrial manufacturing base defined most mid-sized city (MSC) economies. One only needs to consider the steel industry in Hamilton, food processing in Kitchener-Waterloo or auto manufacturing in Windsor to understand how the manufacturing economy has shaped these cities for generations. As the economy evolves, diminishing the reliance that Ontario’s MSCs have on traditional manufacturing, there is an opportunity to explore strategies that MSCs can use to foster local economic development and attract knowledge-based industries. The story of failing manufacturers, prolific suburbanization and ailing downtown cores has become all too familiar in small and mid-sized cities across North America (Burayidi, 2013; Filion, 2004; Robertson, 1999). However, despite these challenges, there has also been a steady increase in the number of coworking spaces opening in MSC downtowns -- of Ontario’s 40 CWS, 24 are located in MSCs. Recognizing this phenomenon, this paper will analyze the role that coworking spaces can play in fostering local economic development in the downtowns of Ontario’s mid-sized cities.

Methods

To explore this topic, 23 semi-structured interviews were undertaken with coworking leaders, economic developers, planners, civic leaders and developers across Ontario’s mid-sized cities. An e-survey was also sent to coworking leaders in all of Ontario’s MSCs, and of 24 CWS, a total of 18 responses were received. Site visits and follow up phone calls were held in several MSCs and a provincial workshop was hosted in downtown Guelph to share and refine findings. While the case study area for this project included CWS in all of Ontario’s MSCs, and this discussion paper will draw from these broader findings, it will specifically highlight three CWS located in downtown Guelph, Hamilton and St. Catharines. Each example represents...
a different type of successful CWS governance model: for-profit, non-profit and cooperative.

For the purposes of this study, a MSC is defined as a location with a population of 50,000-500,000 (Bunting, Filion, Hoernig, Seasons, & Lederer, 2007; Seasons, 2003), and coworking is defined as a shared, membership-based workspace. Before outlining the findings from the case study cities, this paper will: highlight the history of downtown decline in MSCs, discuss the current climate of economic development in MSCs, and briefly outline the rise of the coworking movement. From this foundation, research findings will offer policy recommendations that consider the important role that CWS can play in the landscape of local economic development in MSCs.

**Downtown decline and local economic development**

The last several decades have posed unique challenges for mid-sized cities. Historically, downtowns in MSCs were the primary location for civic life and commercial activity, but the rise of mid-twentieth century suburbanization created alternative locations of commerce outside of core areas (Bunting et al., 2007; Burayidi, 2013; Filion, 2004; Filion & Hammond, 2008; Robertson, 1999). Downtown decline has been acutely felt in small and mid-sized cities, and has resulted in storefront vacancies and a growing negative public perception of downtowns. Despite the implementation of extensive revitalization strategies – ranging from the creation of Business Improvement Areas (BIAs) (Briffault, 1999; Gomez, Isakov, & Semansky, 2015; Perez, Hernandez, & Jones, 2003) to significant ‘one off’ public investments, such as performing arts centres and sports arenas (Burayidi, 2013, 2015; Filion & Hammond, 2008; Walker, 2009) – to bolster the downtown economy, core areas of MSCs continue to experience decline.

Recent trends that look beyond traditional approaches to economic development favour the creation of public-private partnerships, networking and broad-based coalition building to foster economic activity in cities. The advent of this “third wave” approach to economic development (Blakely & Leigh, 2010; Bradshaw & Blakely, 1999) is happening because cities are benefiting from engaging non-traditional actors, and considering the role of non-traditional or community-based (Bramwell, 2012; Pierre, 2011) actors in urban affairs. Moreover, there are emerging signs in Ontario of the provincial *Growth Plan of the Greater Golden Horseshoe* (Ontario, 2006) beginning to positively sway the planning paradigm in MSCs in favour of downtown renewal (Jamal, 2015). Through provincially mandated targets to grow population and employment numbers by 2041, MSCs in the Growth Plan area have collaborated with citizen, developer and local business communities to update their planning policies, generate downtown
action plans, and create targeted incentive programs to attract private investment to their core areas.

The rise of coworking

It was not until after the global economic downturn in 2008 that the number of CWS began to grow exponentially (Deskmag, 2013, 2015). The growth of the coworking movement is tied to clusters of precariously employed freelancers, entrepreneurs, designers and other creative and knowledge workers sharing space as a means to defray rental costs (Avdikos & Kalogeresis, 2016; Merkel, 2015). As the number of coworkers continues to grow, CWS are becoming increasingly diverse and reflective of the members that they serve. As curated, amenity-rich, programed work places, CWS are filling an important economic niche in cities.

The coworking movement can also be considered in relation to the advent of the sharing economy and the growing popularity of collaborative consumption (Belk, 2014; Botsman & Rogers, 2010; Johal & Zon, 2015). Described as a “disruptive innovation” (Johal & Zon, 2015, p. 14) collaborative consumption has normalized peer-to-peer sharing of such things as homes (Airbnb), cars (Uber) and offices. Coworking challenges traditional office environments by allowing innovation and collaboration to occur in flexible, unstructured spaces that are organized largely around the individual, rather than the organization (Schmidt, Brinks, & Brinkhoff, 2015).

Deskmag, a global coworking publication, has documented the meteoric growth of the global coworking movement. In 2013, Deskmag reported 2078 CWS globally (2013), by 2016, this number had jumped to 7800 CWS with 510,000 coworkers (2015). The 2017 forecast predicts this will rise to over 14,000 CWS with 1 million coworkers (Deskmag, 2017). Not only is this movement growing rapidly, but 49% of new CWS had

Case-Studies

The rise in coworking and its impact on local economies has been under-examined in economic development literature. The following three case studies aim to illustrate the diversity of the coworking movement across three Ontario MSCs and highlight the role that coworking spaces, and their leadership, can play in local urban affairs.

Cowork Niagara

Cowork Niagara, established in 2014 in downtown St. Catharines, describes its CWS as a cooperative coworking space for independent or self-employed knowledge workers. As a cooperative, every coworking member becomes an owner of the CWS – allowing coworkers a vote and agency on how the CWS operates. Not only is the CWS run as a cooperative, but Cowork Niagara’s founder describes how it has become “a hub and resource centre for social enterprise and cooperative businesses in the region”. With 45 members, Cowork Niagara is focused on providing services to its members to foster their growth and development. This includes running a Freelancer Lab, and partnering with local businesses and software groups to offer training to its members. Cowork Niagara also has established a fulsome partnership with the local downtown Business Improvement Area (BIA) wherein the BIA is a member of the CWS and they jointly advertise and run events for local businesses.

CoMotion on King

CoMotion, located in Hamilton, is a network of coworking spaces in the city’s downtown core. The founder describes their spaces as providing “a new way of working that combines the infrastructure of a traditional office with the flexibility and modern vibe of a coffee shop.” CoMotion on King, has over 60 coworkers and 50 organizations housed in their CWSs. With a diverse membership representing designers, digital workers and social enterprises, CoMotion on King is the largest of CoMotion’s three spaces, and is actively recruiting coworkers in all sectors. This CWS relies on membership fees and event rentals to fund its operation, and due to increased demand, has recently opened a second site called CoMotion 302 and is set to launch CoBuild, a coworking space for makers – a ‘do-it-yourself’ space where people share ideas, equipment and technology – in a 55,000 square foot industrial building. When asked about the role that CoMotion plays in the local economy, the co-founder said “We do not have a lot of large enterprises in Hamilton… We provide an alternative to traditional office spaces… [We have] overflow space for existing firms and out of town firms see it as a cool urban environment, similar to Toronto, so they can offer their commuting employees an alternative office location in Hamilton.” Not only is CoMotion providing office space to commuters, but it is also supporting local economic development, “We support and pump out small businesses. The nature of work is changing and today’s ‘solopreneurs’ can become tomorrow’s small to medium sized businesses in Hamilton.”

CoMotion on King. Photo by Nick Tolentino from Piranha Studios
taken over a location that had been vacant for over six months, and 61% of spaces indicated that they plan on expanding by adding extra desks, moving to a larger location or adding a new location in the coming year (Deskmag, 2015).

The case for coworking in mid-sized cities

These three examples of CWS in MSCs begin to illustrate the benefits that coworking offers smaller urban centres. CWS are attracting and retaining knowledge workers, by offering flexible, affordable and programmed workspaces. Moreover, through dedicated support to entrepreneurs and new enterprises, CWS also have the potential to become feeder systems to the local business community. The three case study areas all have founders who remain actively involved with the space, forging relationships, generating partnerships and attracting new members. This has proven to be integral to their success.

However, because coworking is such a new concept, coworking leaders across MSCs identified a number of universal challenges including: the need for a broader understanding of the coworking model; rising rents in gentrifying downtowns; and the ongoing need to attract new members. One coworking leader shared “we are continually concerned about our rent going up. If it did, it could put us out of business.” Another respondent indicated that in smaller cities, “people don’t even know what coworking and collaboration
means”. When asked what supports are required to foster continued growth of CWS in MSCs almost all coworking leaders identified enhancing current partnerships with government and local groups as key to their success. While this is occurring through cross-promotion of events with BIA, co-hosting events with other citywide business groups and engaging local post-secondary education institutions, all coworking space leaders identified the need for additional financial and in-kind support from municipalities and business leaders to solidify their model.

When specifically asked about the role that CWS can play in local economies, coworking leaders shared the following responses:

- “Coworking offers the key to revitalizing large, underutilized spaces downtown.”
- “There is a lot of empty [commercial] space downtown. However, there is little in the way of high quality, affordable office space [provided by coworking].”
- “Like many other mid-sized towns we have high unemployment, so advancing entrepreneurialism with social impact [through coworking] is making a big difference”.
- “[Coworking] allows new companies to try our city and give their businesses an opportunity to grow here using our services”.
- “Coworking spaces are fantastic for the economics of mid-sized cities, they provide an ecosystem for small businesses to flourish, grow and succeed in ways that are not possible working alone”.
- “Our members spend cash downtown. When they grow too big, they move into other spaces in town”.

The rise of the coworking movement in mid-sized cities presents an innovative approach to local economic development. Community groups, the emerging benefits of CWS are becoming increasingly evident. Kitchener, arguably located in one of the strongest start-up areas in the country, has begun to capitalize on this by formalizing their support for coworking in the Downtown Action Plan, and creating a specific financial incentive to keep newly incubated businesses in the city’s core.

As coworking emerges in more MSCs, and the presence of knowledge workers on downtown streets and occupying downtown real estate begins to provide a boost to the local economy, there will be continued opportunities for municipal leaders to support the growth of CWS. The supports provided to start-ups and entrepreneurs, through networking and workshops, can cultivate and help retain the knowledge-based economy in MSCs. In the longer term, coworkers, as well as the organizations and businesses they create, can help build the local economy in MSCs. Indeed, coworking leaders are acting as informal economic developers in MSCs, attracting, retaining and cultivating new businesses, creating new collaborations and fostering social enterprises in their cities.

**Policy implications**

In summary, the rise of the coworking movement in mid-sized cities presents an innovative approach to local economic development. While this will require support from government representatives, business leaders and

**Tools for practitioners**

This research has led to three key recommendations for municipalities to consider with respect to coworking spaces. First, learn about the coworking model and find innovative ways to support coworking. In Kitchener, there is a strong partnership between the municipality and coworking spaces. Not only is support for CWS written into the Downtown Action Plan, but the creation of the “Landing Pad” incentive program offers landlords financial support to renovate second storey downtown
buildings for new businesses that are emerging from incubator, accelerator and coworking spaces. This policy innovation was driven by coworking leaders.

Secondly, partnerships are essential to successful coworking spaces. In downtown Barrie, The Creative Space, launched a “SmOffice” program with support from a range of municipal government and business sponsors. The goal of the program is to attract two local and one out-of-town entrepreneur who will receive free office space and business incubation services for a year. Partnerships lead to win-win outcomes for both CWS and cities. In downtown Guelph, the United Way and the Guelph-Wellington Community Foundation supported 10 Carden Shared Spaces by investing in community bonds to help purchase a new building. At its core, coworking is an inherently collaborative movement, and the benefits of fostering innovative partnerships cannot be overstated.

The final recommendation is for CWS leadership, non-member groups and individuals to find opportunities to engage. This could include: CWS staff and board members sitting on local committees; co-hosting events in the CWS, attending community events, and inviting local employers to take out coworking memberships for their staff. Coworking has proven to foster new ideas and build new networks – concepts that could benefit community groups, local businesses and municipal governments.

Conclusion

The rise of the coworking movement, and its support of the twenty first century knowledge-intensive economy, is becoming increasingly evident. As the number of coworking spaces grows in cities around the world, there has been a parallel uptake in CWS in smaller urban centres. Through an examination of the role of CWS in Ontario’s MSCs, this paper recommends strategies to support their non-traditional approach to local economic development. The history of failed manufacturing and urban decline in Ontario’s MSCs pose challenges to local economic developers. As the economy shifts toward knowledge-based industries, the tie between coworking and creative workers cannot be ignored. As such, this research offers the view that support for coworking spaces outside of larger urban centres can serve as a means to both attract, cultivate and retain the knowledge-based economy in mid-sized cities.
References


