

# A Piece of the Action

## Woda Cooper's employee-ownership helps long-term planning

By Mark Fogarty

**A**ffordable housing specialist Woda Cooper Companies, Inc. not only has a new name and headquarters, it has a new ownership structure that may become a model for the industry.

For the past eight years, Woda Cooper (formerly The Woda Group, Inc.) has been in the process of switching from privately-held to employee-owned through an Employee Stock Ownership Plan (ESOP). Now, all three of its units have been merged into one company and have adopted the ESOP structure, making it the first vertically integrated affordable housing company in the country to do so.

According to partners Jeffrey Woda and David Cooper Jr., there are a couple of good reasons to operate as an ESOP. Not only does it incentivize employees to perform better since that will add value to their ESOP shares, but Woda and Cooper also are looking at the move as a key part of succession planning.

"It seemed like a good way to incentivize our employees to stay with us by getting a piece of ownership, as well as a retirement benefit," said Cooper.

But the move was also prompted by Cooper's and Woda's desire to keep the affordable housing development, construction and management company going long after the two partners are no longer around.

"Neither of us plan to go anywhere in the short-term," said Cooper. "But as we look to the long-term it's important to have a plan in place. We've seen other competitors sell the businesses and a lot of the people have been let go, the businesses have been downsized. We didn't want that to happen."

### One division at a time

Woda Cooper started the transition about eight years ago with one of its operating divisions, its management company. "About four to five years ago we added the construction company. At the beginning of this year we put the development company into the ESOP structure," said Cooper. The firm also has a new headquarters in Columbus, OH, to accommodate anticipated growth in the business.

"We would certainly hope the organization outlives



Partners David Cooper Jr., left, and Jeffrey Woda engage in dialogue with employees of the Woda Cooper Companies who now have a stake in the firm through an Employee Stock Ownership Plan.

Cooper and me personally," said Woda. "We think we are building something that's got a much longer lifetime than ours."

Employees retain salaries and bonuses they had before. How is the ESOP structured? "The way it works is every year the shares of the company are valued by a third-party based on the performance of the company," said Cooper. "The employees' length of time with the company and compensation level are factors in determining shares in the ESOP."

"If the company performs well, the employees are rewarded with a higher value of the shares. When that employee retires or other events occur, the company is obligated to buy those shares back from the employee."

### Employee response

What has employee reaction been like? "I think it's been going very well, it's been very well received by the employees," said Woda. Employees are automatically enrolled in the ESOP after one year. They can also participate in a company 401(k) plan.

Garrett LeDonne, vice president of development and IT, concurred.



Garrett LeDonne

LeDonne has been working at Woda Cooper for three years and has been in the ESOP for two.

He likes the ESOP because "it provides another potential source of income."

LeDonne, who evaluates the feasibility of future developments, helps prepare tax credit applications and then finds partners to finance them, as well as managing IT, is also in the company 401(k). "I appreciate having both of those options. It is a nice set-up."

Jonathan McKay, vice president of development at Woda Cooper, is also happy with the ESOP.

The one-year employee has just been enrolled in the program. He said, "The important thing about it is that it really has given everyone a vested interest in the success of the company."



Jonathon McKay

Since he already participates in the company 401(k) plan, he said the ESOP "provides supplemental retirement coming in.

"It allows me to feel secure and safe."

Woda Cooper has about 600 employees and around 325 properties in a 15-state footprint, Woda said. It was started in 1990 and was owned first by Woda and his mother and then Woda and Cooper before they started to implement the ESOP in 2009.

The ESOP helps keep those employees invested in the success of the developments.

"There's a different mindset that applies when you're working on something you own yourself versus work done on behalf of someone else's interest," said Cooper. "All of our employees understand we are going to own the



Cavalier Greene, an old Michigan school building converted into 40 apartments by Woda Cooper. The firm has about 325 projects under management.

properties they work on for a long time and so they handle things a little differently."

The company had some help in making the complicated switch from private to employee ownership.

"David (Cooper) is an attorney who used to work in the ESOP arena," said Woda. "That was very valuable. We had a much easier time than just two novices trying to do it without any prior experience."

Do the partners think the ESOP structure will work as a model for other affordable housing firms? They do.

"I believe you will see other organizations replicate or try to replicate what our organization has done," said Woda. "Employees really appreciate it more than being just an employee working for a for-profit developer."

"I think the structure makes a lot of sense for other companies," said Cooper. "It's an industry that's matured a lot and become a lot more complicated. It requires people with specialized expertise to be successful. If you want to build a business and do things first rate, you have to offer a future to the people you hire."

### New hometown

The move to the new headquarters has given Woda Cooper a new interest in doing Low Income Housing Tax Credit projects in Columbus.

"As we made our pitch to the city that we're an affordable housing developer in your backyard it only made sense then that we reinvest in the city we're developing in," said Woda.

But even the new headquarters has a connection to the partners' plan to keep Woda Cooper going for a long time to come.

"We had outgrown our former headquarters, so we had to make some changes," Woda said. "It's a more attractive workspace, to attract the next generation of employees with that succession attitude." **TCA**

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