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Coworking Spaces: The Next Economy, Equity and City Policy

By

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THESIS

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ABSTRACT

This thesis examines how economic development trends have influenced the flows of capital in Sacramento, CA. By examining the phenomena of coworking, I hope to clarify the processes by which actors facilitate capital accumulation in an urban geography. I use two research strategies: 1) case study and 2) a quantitative analysis of tract level data. This thesis questions the common narratives around innovation and entrepreneurship by arguing that the coworking phenomena is a cover for precarity in neoliberal labor arrangements. The following research questions explore this proposition asking 1) To what extent does coworking alleviate or hinder the precarization of project-based work? 2) How does the geography of coworking intersect with the geography of urban inequality? 3) When viewed through the lens of urban economic development, what do coworking spaces tell us about capital investment into a neighborhood?

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INTRODUCTION

This study focuses on economic development policy that is meant to promote innovation, entrepreneurship, and social inclusion in Sacramento, California, from 2016-2020. This research argues that multiple public and private actors in Sacramento organize around new economic development tropes, work together to implement and disseminate popular policy models, like the Next Economy model, originally proposed and promoted by large national, public policy think tanks. At the municipal level, these actors work together to create the political, physical, and social spaces needed to support their own vision of economic development. Coworking spaces can be thought of as a pay for use model where a user pays a daily, weekly or monthly membership fee for access to different tiers of features. These office spaces offer additional perks such as high speed wi-fi, free coffee and an assortment of networking events. For example, one space in this study offers weekly yoga classes and art openings at the gallery located inside the coworking space. Other examples of events hosted at coworking spaces are pitch events, where entrepreneurs present ideas in front of an audience, hoping to be selected by a panel of judges, who will introduce the presenters to investors.

Coworking spaces are part of Sacramento's economic development as they are considered a key piece of the creation of a startup ecosystem that will 1) allow Sacramento to attract talent to the city, 2) offer low cost spaces for supporting the early stages of development of local start-up technology companies and 3) lower the barrier to entry into the field of high technology entrepreneurship as a means to create inclusive growth in the startup ecosystem. This study shows how, in Sacramento's policy sphere, an economic development plan based on a so-call Next Economy policy framework has favored the interest of local politicians and a cadre

of developers, but has not increased economic benefits for socially and economically disadvantaged neighborhoods in the city, as the official policy discourse originally claimed it would.

This paper is organized as follows. First, I review of the literature on the relationship between the Next Economy and coworking spaces. Second, I present the main findings from a set of interviews with coworking space owners, coworking space users, a policy maker, and document analysis to highlight the way in which various actors in the municipal policy process collaborate to create an economic development discourse and policy centered around innovation and entrepreneurship. With this as the background, the development of coworking spaces in Sacramento is seen part of the larger development process of Sacramento's innovation complex (Zukin, 2020), where metropolitan networks of economic, political, and cultural entrepreneurs actively promote urban innovation (p. 947). The innovation complex requires local elites, who, in attempts to replicate the spirit of Silicon Valley, create unofficial governance systems of public-private-non-profit partnerships bringing together city government, business, and NGOs. The paper concludes with a discussion about who has benefited from the development of Sacramento's innovation-centered development policy with a particular emphasis on its urban geography in relation to existing socioeconomic inequalities.

Literature Review

The Next Economy: definitions, concepts, and theories

Terms such as the Next Economy (NE), closely linked to technological innovation, are now being adopted by cities like Sacramento. These new ideas start as broad visions, promoted by policy consultants and top think tanks like the Aspen Institute. A form of policy diffusion (Berry and Berry, 1990) occurs where interest groups, policy entrepreneurs, and political actor

are influenced by each other, and some new policy idea becomes the fashion. In the case of Sacramento, at the time of my research, the policy meme being diffused was various Next Economy tropes. Despite proclamations by the city-funded Sacramento Urban Technology Lab (SUTL) that Sacramento is a, “living lab,” NE-informed policy was deployed with only a superficial examination of the place-specific existing needs and material conditions in Sacramento’s 119 neighborhoods. Within this narrative is the hope that digital technology, albeit some putatively democratized and civically driven version of it, would provide economic benefit for the socioeconomic development of all neighborhoods. This would occur, it was expected, via government and NGO intervention, which will bring technology to the people through the provision of spaces to learn digital skills, like coding, or to learn the skills of entrepreneurship.

What is the Next Economy? I first encountered this term when I was reading *Project Prosper*, a regional economic development plan for the Sacramento metropolitan area. I wondered how we would know when the economy has officially become the “next” economy? Paul Hawken (1983) defines the Next Economy as an amorphous firm-survival strategy, which arguably allowed small firms to thrive in the global economy of the 1980s. In its current iteration, the Next Economy is supposed to be a policy response to the changing nature of the firm and labor in the era of globalization. Accordingly, the Next Economy is an economy driven by exports, innovation, and opportunity (Katz, 2011; Vey et al., 2010). Undergirded by neoliberal rhetoric and jargon, the Next Economy emphasizes that state bureaucracy is too slow, too out of touch to be able to respond in a timely and efficient manner to the demands of the contemporary global economy and society.

This NE jargon is principally used by economic development consultants. Their prescription is that economic growth requires an agile state government that creates partnerships

with market-oriented institutions to leverage private finance and to make evidence-based investment decisions (Katz, 2011). Many municipalities have hired these consultants to serve as supposed “thought leaders” for economic policy development. The concept aims to build stronger regional economies focused on exports, innovation, and low carbon technology by connecting the “macro to the metro” (Katz, 2011). In other words, a local level economic development plan should focus on national level economic changes and build a local workforce that can respond quickly to those changes. This response is meant to “tap into the creative energy” found in US metropolitan areas via workforce training and thus create or take advantage of the opportunity-rich environments that allow for innovation and entrepreneurship. To further sell these policies it is suggested that they will be “inclusive” and thus provide further legitimacy to them. The response also happens, as argued by Bruce Katz, the main expert in the field, by embedding innovation and entrepreneurs in the market.

Next Economy (NE) concepts are evident in the strategic framework promoted by Sacramento’s regional non-governmental organizations’ (NGOs’) and city-funded initiatives, such as the Rapid Acceleration Innovation & Leadership In Sacramento Grant Program (RAILS). Table 1 shows how policy documents published by Project Prosper Framework and the RAILS Grant program articulate the application of the NE concept.

Table 1 About Here

Critical examination of the Next Economy discourse brings to the fore a homogenization of economic development plans that operate under the assumption that programs and policies promoting innovation and entrepreneurship when broadly applied, will improve economic outcomes for residents. When viewed as part of the Next Economy, coworking spaces are

believed to be places where economic growth opportunities can emerge. These opportunities include access to knowledge networks, education about how to start a business, and facilitating the contact between entrepreneurs and investors. By investigating two coworking spaces in Sacramento, the inadequacy of policy centered around innovation and entrepreneurship as a means to create an “opportunity rich society” (Katz, 2011) becomes apparent.

Other cities have adopted NE approaches to economic development, one such example is Pittsburg, PA, with initiatives like, AVENU. AVENU is a collection of work spaces that have a mission to support equitable business development in the city. This initiative formed as a merger between two coworking accelerators, StartUptown and Revv Oakland (Pittsburg Innovation, 2021).

Sacramento government’s embrace of the NE concept as a framework for its local economic development policy is seen in the city council adoption in January 2021 of *ScaleUp Sacramento, an Inclusive Economic Development Action Agenda*. According to the City Council Staff Report, *ScaleUp Sacramento* serves as the economic framework that guides the city’s prioritization of economic investments (City of Sacramento, 2021). The document is the city level version of the regional economic development plan, *Project Prosper*, and the two documents are intended to inform and align with each other (City of Sacramento, 2021). Interestingly, the term “next economy” is mentioned 32 times in the document. *ScaleUp* emphasizes continuous innovation to increase economic growth through alignment of programs and policies informed by the main drivers of success in the next economy. These drivers, as outlined in the document, include accelerating entrepreneurial activities; repositioning Sacramento’s economy towards high growth technology driven industries; developing institutional and financial resources to support the growth and scaling of these industries;

building the entrepreneurial ecosystem; increasing private sector leadership; and developing a higher risk tolerance (City of Sacramento, 2021).

In the Next Economy, economic growth centers around high skill jobs and an emphasis on people reaching their potential via entrepreneurship and high technological skills. What is lacking in conceptions and packaging of the Next Economy are deeper questions about how to reduce the individual costs workers bear when it comes to social reproduction and how spatial inequalities impact the success of such a concept. Crucially, what is missing in NE concepts is the reality facing the least educated segments of the labor force. A significant proportion of this segment of workers is, more often than not, members of ethnoracial minorities who will not or are not able to benefit from NE initiatives.

Coworking: general evolution, main issues, benefits/constraints

The current knowledge around coworking spaces and coworking space users is increasing as more research has appeared in the past five years. The literature seems to explore coworking as three things: a practice, a space, and an identity. As a practice, coworking is defined as working alongside others in a flexible workplace (Merkel, 2015); a way of working in which individual entrepreneurs gather in a place to create value while sharing information and wisdom, and cooperating in a chosen workspace (Uda, 2013). As space, coworking is defined as a place where there exists paid-for access to intentional professional network creation (Moriset, 2014), as well as microclusters that encourage and enable knowledge transfer (Capdevila, 2013), and spaces to do some work (Colleoni and Arvidsson, 2014). As an identity, coworkers are defined in the literature in a few different ways. The coworking wiki (2020) defines coworkers as independent professionals and those with workplace flexibility who work better together than alone. Coworkers are also seen in the literature on the one hand, as part of the precarious

workforce, fighting for their rights as a legitimate workforce (Merkel, 2019; Moriset, 2013), and on the other, as independent professionals who are merely using a space to complete work related projects (Spinuzzi, 2012). Coworking space advocates argue that the users of the space typically work in the cultural and creative knowledge work subfields such as PR and Marketing, consulting, web and graphic design, and IT (Deskmag.com). They may also be categorized as independent contractors. According to the Department of Labor, a person is an independent contractor if they are free from Supervision, Direction and, Control in the performance of their duties (DOL, 2021). Absent from this definition is the reality that independent contractors lack social protections afforded to full time employees, such as healthcare and retirement benefits, which are tied to full time employment and provided by the employer.

Research about coworking space users in Europe tends to situate them against a backdrop of increasingly precarious informal work arrangements to emphasize the tension between the freedom that comes with the temporary attachment to a company against the instability of having to work a series of temporary contracts. This way of working is found to create stress associated with unstable income that comes with the temporary and short term nature of contract work. Merkel (2018) argues that coworking should be viewed through the lens of informal work arrangements to understand the rise of coworking spaces. When viewed through such a lens, coworking spaces can be seen as a new self-help practice that creates an opportunity for freelance workers to organize and advocate for rights due to working in the same space. Such an opportunity is less likely if each worker is working in isolation at home. Other scholars have argued that coworking is explicitly linked to non-standard and creative work (Waters-Lynch, et al., 2016) that demands a new type of working space.

However, the European approach does not coincide with what is observed in the United States, where coworking spaces are seen as means to create connections that will further one's personal career goals (Grazian, 2019) through network connections, tacit knowledge exchange, and as a means to establish a professional identity (Waters-Lynch & Jason Potts, 2017; Capdevila, 2013). Literature based on American coworking spaces has an emphasis on how anti-workplace ideologies permeate the ethos of coworking, where the spaces are focused on conceptions of freeing oneself from the shackles of working in an office, 8 hours a day, day in and day out (Spinuzzi, 2012). Coworking space owners see these spaces as locales to foster a distinct entrepreneurial spirit rooted in creative industries (Gandini, 2015), such as visual designers, user experience designers, and interactive media developers. To the owners, coworking spaces are conceptualized as hubs of creative thinking and relationship building.

Studies about coworking spaces in the United States tend to neglect the economic and labor conditions under which coworking has developed. Instead, they focus on how coworking space users are more interested in developing personal, professional identities, building knowledge networks, and tapping into a vibe or energy allegedly fueled by creative collaborators. Garrett et al. (2017), for example, conducted semi-structured interviews, ethnographic observations, and email conversations with the users of a medium-sized coworking space in a mid-sized suburb in the Midwest. The authors found that belonging to a coworking space helped create a professional identity (p. 828) and combated feelings of social isolation that can arise from working at home. They found that users had a sense of ownership of the space and formed genuine friendships, which were hard to form in a traditional office environment. Spinuzzi (2012) explored how coworkers and coworking proprietors define coworking, who

coworks, and why they cowork. The author, however, found that the term “coworking” is too general and obfuscates the different motivations of actors who cowork.

Some analysts also see coworking spaces as strategic sites to make professional contacts and build networks, which Gandini (2015) conceptualizes as ‘relational milieus’ (p. 200). Gandini astutely finds that such actors in coworking spaces are double-sided economic subjects (p. 203); they are both precarious independent workers and entrepreneurs. They are always negotiating relationships. A coworker spends a significant amount of time “training for labor” (Standing, 2011), using the time to network, take classes or get certification in some new skill, all as a form of insurance policy that not only takes up energy and time but acts as an imaginary shield against insecure work arrangements. Accordingly, the independent professional can be seen as a “role model subject of contemporary capitalism” (de Pueter, p 2, 2014) by taking on risks and bearing the responsibilities once borne by the government or employer. The independent professional is engaged in the act of self-creation via risk taking, entrepreneurialism, and innovation. In a sense, where Polanyi (1944) saw the other side of the double movement as protective mechanisms put into place to insulate society against the destructive impact of market forces, the risk a coworking user takes on is, in fact, an absorption of that protective movement. Coworking spaces provide a space for these workers. In these spaces, they can take classes, network, and perhaps feel some sense of community support in this act of self-creation.

Proponents of coworking spaces in an economic development plan see coworking spaces as a means to create inclusive and equitable business development. Such development , the idea goes, will occur due to carefully planning locational clusters, in NE centered economic development practice, these are often called, Innovation Zones. Clusters are geographic concentrations of interconnected firms and institutions in a specific field (Porter, 1998). By

collocating coworking spaces, like Avenu in Pittsburg, PA by larger tech companies, for example, Facebook has a location in the Pittsburg Innovation District where Avenu is located, a collision of ideas will occur. The rationale for this style of planning and including coworking spaces in those plans is explained further by Porter (1998). In the case of Pittsburg and Sacramento the clusters examined are “Innovation Districts,” which impact a region's competitiveness in three ways: 1) increasing productivity of firms based in the area by coordinating with similar firms and by using other similar firms as a way to measure and motivate improvement, 2) driving the direction of innovation, which Porter argues, set the stage for future productivity. This is so because firms that are inside a cluster have a closer view of what is occurring within their industry, at least regionally. This allows for early learning about new technology, marketing, etc. Collocation inherent in clusters, facilitates this via face to face contact between firms, 3) clusters stimulate the formation of new businesses.

Geography of Coworking

A subset of coworking literature presents coworking spaces as a tool for economic development, or as a form of creative class placemaking (Brown, 2017; Jamel, 2018; Mariotti, et al, 2017). Utilizing Milan as a case study, Mariotti, et al. (2017) found that coworking spaces cluster around creative clusters similar to locational patterns of large service industry firms. This study, focused on the urban effects of coworking spaces, found that these spaces had little influence on the communities they were located in, arguing that actual relationships between internet technologies and urban forms are still weak. Similarly, in her study of coworking spaces located in small cities in England, Brown (2017) sought to understand the benefits, if any, between users of coworking spaces and the neighborhoods in which they locate. She found little evidence showing that the benefits of coworking reach beyond its immediate members or that

coworking creates linkages between coworkers and local communities. Other studies have found that coworking actors have been working to establish relationships with municipal policymakers in attempts to harness a vibe or cool energy, which aligns conceptions of creative classes' placemaking drive (Jamal, 2018).

When put together, these studies about coworking and literature about the Next Economy highlight the need for an interrogation of how NE tropes are being used in municipal policy development. Lacking in the literature is a critical examination of how NE informed economic development policy hinders or alleviates urban poverty. Based on the evidence in the literature and theories of NE economic development, questions remain unanswered. This brings me to my research questions. Three main research questions guided this study:

- 1) To what extent does coworking alleviate or hinder the precarization of project-based work?
- 2) How does the geography of coworking intersect with the geography of urban inequality?
- 3) When viewed through the lens of urban economic development, what do coworking spaces tell us about the movement of capital investment into a neighborhood?

These research questions were chosen based on reviews of existing literature about coworking, the Next Economy, and the geography of coworking spaces. With respect to the research question one, existing literature focused on European coworking spaces addresses issues of informality and precariousness within the subjects that use the coworking spaces studied. However, research about American coworking spaces is distinctly lacking in this regard. I developed research question two after noticing a lack of research around coworking spaces location effects. I was able to find a few studies connecting coworking to the development of industrial clusters, and a few studies concerned economic impacts of coworking spaces but no studies connected coworking and place based economic development strategies. Question two is

my attempt to reconcile this gap. Finally, question three attempts to facilitate understanding of capital flows into urban geographies, how those capital flows are influenced by government, private and NGO actors via zoning changes or subsidy creation. This question was developed due to my personal interest in capital accumulation, growth machine politics and the degree to which urban space development is influenced by civic boosters. In order to understand real estate and economic development in Sacramento, I chose coworking spaces as a vehicle for that understanding. Current literature about the next economy was the means to begin answering question three.

Methodology

This cross case, mixed methods design draws on interviews, document analysis, and quantitative and qualitative data collection and analysis. In this section, I discuss positionality, the research design, site selection, data collection, and data analysis.

Positionality

I'm a female, white, upper middle class, woman studying economic, and spatial inequality. I'm also a daughter of a social worker who advocated for HIV/AIDS positive Haitian sex workers in Rochester, NY. My early encounters with them led me to see a world outside of my upper class enclave.

I continued on, growing up with a specific kind of class consciousness, then Iraq happened, 9/11, and my angsty interest in neoliberal politics took a turn toward the economic. By 2008 I was working and living in San Francisco, the Great Recession sparked Occupy Wall Street and at that time I was, working at a Hedge Fund of all places. I could not tolerate the separation of my work identity and my activist identity. I dove head first into politics and ended up around some radical thinkers who taught me about the history of labor in SF. I kept working

odd jobs here and there while I finished community college. All around me, San Francisco was changing. The tropes of cheeky uniqueness were copied ad nauseum with each new cupcake café and bespoke barber shop I saw. Then there was all the tax breaks to build up the mid-market corridor as a tech hub. This while people slept on the street and were getting kicked out of SRO's.

This background brought me to UC Davis Community Development, I've continued to study economic inequality through my time here. I began to think about coworking as a type of country club, where people were denied access to an exclusive group. In this research I wanted to explore how and why these spaces have been developed. As a white woman, who presents as educated, I recognized that my positionality affected the information gathered in interviews. I was able to play a bit of a dumb fox, acting as if I was very much on board with the coworking project. However, this viewpoint I had of coworking hindered my ability to see coworking as anything other than a money making project for real estate developers. During this research, I had hoped to have more participation from the interviewees, however that was not the case.

Research Design

I choose a mixed methods strategy for two reasons; first, quantitative data was required to analyze the socio-demographic context of the areas where coworking spaces locate. In addition, I analyzed local business publications to see how the opening of coworking spaces was portrayed in local real estate development news. Second, I utilized semi-structured interviews to explore different actors' perceptions of their participation in the coworking project. At a deeper level, semi-structured qualitative interviews allowed me to further explore the themes found in the quantitative analysis. In sum, a mixed research design is the best way to investigate the intersection of coworking spaces, economic development policy, and local business and real

estate interests. The case study was bound by the location, topic and participants. The location is Sacramento, the capital of California, with approximately 500,930 residents. It is dominated by state government-related activities and, in terms of higher education is the site of teaching-oriented state university and has a mid-tier research university in an adjacent city. Further, it is in the wider commute zone of the San Francisco Bay Area. The case study is focused on the actors within policy and coworking spheres as a means to understand broader economic development policy discourse trends.

Site Selection

This study was limited to two coworking spaces. This was a matter of circumstance, only two coworking space owners were willing to speak with me. I selected spaces that were exclusively created for coworking, excluding spaces known as makerspaces focused on building or making objects using technological advances, such as 3D printers. I also excluded office-leasing spaces. It is important to note here that one year prior to this study, and before the spread of the Covid-19 pandemic, Sacramento had 12 coworking spaces. However, at the time of the study, only seven coworking spaces were in operation. See map in appendix. Arguably, this reduction was due to official policies restricting regular business operations and requiring people to remain in their homes, measures issued to counter the spread of the pandemic, for most of 2020. The two spaces in this study are the Downtown Coworking Space and the Northside Coworking Spaces. Each space has different characteristics, seen in table 2, and described below.

Table Two About Here

Participants

At the outset of the study, I aimed to get participants from the two coworking spaces in Sacramento. However, after sending out recruitment emails and calling owners, I ended up

interviewing only seven who actually responded: two coworking space owners, one employee of a coworking space and four coworking space users. I also wanted to interview someone in local government on the economic development side so I could understand how municipal policymakers saw coworking spaces fitting into any sort of economic development policy. I approached a Sacramento policymaker who I had previously met professionally as part of my work as an economic developer for the City of Woodland. He agreed to an interview. Ideally, I would have interviewed each coworking space owner, an employee of each coworking space, then two users of each space. One user would have been referred by the owner, the other user would have been found by me. This method would have created a form of validity check, where by asking the same questions to both users, I would be able to find gaps in sentiment about the coworking experience at a given space.

Table three About Here

The mean age of the participants is 41 years of age. Almost an even split occurs with the highest level of education attained with three participants holding a Bachelor's degree, three participants a Master's degree, one participant attained an associate's degree, and one participant completed some college and a technical degree in an unspecified field of study. Three participants reside outside of the city of Sacramento, with four participants residing in different neighborhoods within the City of Sacramento. Five of the participants identified as white or Caucasian, one identifying as Mexican, and one as African American.

Interviews

Due to COVID-19 restrictions, individual interviews were conducted remotely via Zoom over the course of three months. Each individual interview consisted of 18 questions. The topics

and a sample of the interview questions are in table 3. The questions were mainly focused on the role they hold in the coworking ecosystem.

Each interview was transcribed using the Zoom transcription. The interviews averaged 42 minutes with each transcript averaging around 14, double spaced pages. Once transcribed, I checked each interview for accuracy. Then I sent transcripts to the participants for further review of accuracy. I was hoping that this would create a more engaged research process between myself and the participants. However, no interviewees sent back any comments or acknowledged receipt of the interview transcript. Using NVivo, I conducted the first cycle of coding in order to detect any initial significant patterns or relationships. I started by reviewing the transcripts in relation to my three research questions. For coding, I looked for keywords and ideas conveyed. These keywords were, economic development, equity, inclusion, movement of capital, perception, precarity and work. I kept these keywords and connected them to my three research questions.

Table four about here

Local Publications on Coworking Spaces

Media documents reflect both the people who created the content and the people for whom the content is directed. I choose to look at local publications on Sacramento coworking spaces to attempt to understand what kind of messages were being telegraphed about Sacramento's coworking spaces. What was the presentation of coworking spaces? Was it positive? Negative? In what section of the newspaper were coworking spaces covered? By understanding the media narrative about Sacramento coworking spaces, I could then begin to identify who was and wasn't being covered. Using media documents provided additional information which helped answer my research questions. For example, there was no media

coverage about precarious work and coworking spaces, so that caused me to consider Sacramento media readers are not interested in coworking spaces as a solution to the problem of weak social protection for contract workers. My second research question concerned poverty alleviation and coworking, to be sure, there was only coverage about disadvantage and coworking as it pertained to building a workforce with digital skills. A few local articles towed the local party line that coworking spaces can serve to facilitate high technology skill building like coding. Finally, the bulk of local coverage about coworking spaces concerned capital influx to Sacramento, where coworking spaces are a part of a bigger vision for developing Sacramento real estate.

A keyword search for the terms, “coworking spaces” and “Sacramento” in Newsbank database, resulted in 27 articles about coworking in Sacramento. I used the same analysis process employed for the interviews to analyze the media documents as well. Document reviews situate coworking spaces inside of current economic development discourses happening in local real estate news. I conducted a first pass review (Bowen,2009) creating categories related to my research questions. Then I re-read the documents, pulling out themes that connected to codes used for the semi-structured interviews.

Quantitative Analysis

An important component of this study is the neighborhood composition where the coworking spaces are located. In order to build neighborhood profiles quantitative data was collected from 2010 and 2018 five year American Communities Survey(ACS). I selected ACS 2006-2010 because coworking spaces first appeared in Sacramento in 2006. I used ACS 2014-2018 to serve as an endpoint to the period under examination.

Dataset

The dataset is created to contextualize spatial inequality in Sacramento and understand the opportunity structures in the community. The IOD is constructed using data from the American Community Survey (ACS) and the Longitudinal Employer-Household Dynamics (LEHD) Origin-Destination Employment Statistics (LODES) data. I use the 5-year estimates from ACS, and combine multiple years of data for some of the other data sources. Each variable was chosen based off existing poverty research. The variables measure census tracts experiencing more, or less, opportunity relative to other tracts in the city. The variables and what they measure are listed below:

Findings

This section will now present the findings that emerged from the data collected and analyzed using the conceptual framework that was constructed for the purpose of this study.

The findings for each case study will be presented separate from one another within this section. First, the municipal policy context is presented, followed by each case.

Sacramento Municipal Policy Context

The City of Sacramento has experienced demographic changes from 2010 to 2018, the percentage of white residents has decreased from 39% in 2010 to 35.9 percent in 2018, while the share of Non-Hispanic Black residents has decreased from 12.7% in 2010 to 11.9% in 2018. The percentage of Hispanic residents in Sacramento has increased from 24.3% in 2010 to 27% in 2018, the percentage of Asian residents increased from 17.9% in 2010 to 18.1% in 2018.

Table five about here

Another variable examined to better understand Sacramento's population is median household income. In 2010 the median household income was \$53,420, then rose to \$62,409 in 2018, a

change of \$8,988. Comparatively speaking, the average median household income in California is \$75,235 and for the United States as a whole, the median household income is \$62,843. This indicates that Sacramento is an area of less income than the state as a whole, and median income levels are more aligned with those nationally.

In order to understand NE and coworking in the context of Sacramento, it is necessary to reconstruct the city's recent policy context. Over two mayoral administrations, former Mayor Kevin Johnson from 2008-2016 and current Mayor Darrell Steinberg 2016-present, the power of the mayor's office is evident. First through an attempt by former Mayor Kevin Johnson to enact a Measure L, which would have given him the ability to hire and fire the city manager, then through current Mayor Darrell Steinberg's support at the time of Measure L, indicating he would be more inclined to run for mayor if the measure passed (Garvin, 2014). The measure did not pass in 2014 and did not pass again, this time as Measure A, in 2020. Despite legislative defeat, Sacramento mayors have played a key role in the formation, and support of an assemblage of political elite to enact policy agendas.

Each mayor over the past decade has focused on a specific action plan, palatable to the voting public and actionable via consensus building. In 2008, Mayor Kevin Johnson was elected and championed keeping the Sacramento Kings basketball team in Sacramento. He also was the first Sacramento mayor to adopt the discourse of technology, innovation, and entrepreneurship as foundational to the city's economic growth. It is with the Johnson administration that Sacramento began to rebrand itself as an innovative city. Johnson's first term (2008-2012) was primarily focused on building relationships with councilmembers, promoting both a new Kings arena located in downtown, and Sacramento's green technology infrastructure.

In his January 28, 2016 State of the City Address, Kevin Johnson promoted three new policy agendas, 1) the creation of Innovation Zones in Sacramento, 2) the creation of an \$8.2 million “Innovation and Growth Fund” and 3) the establishment of the Mayor’s Office of Innovation. Each of these agendas were executed via partnerships with NGOs, institutions, real estate developers and media. Innovation Zones were shaped by tech founders and executives during an innovation roundtable held in March 2016. What Innovation Zones achieve and how that achievement is measured is vague at best. According to policy documents, Innovation Zones, enable entrepreneurs, startups and the innovation ecosystem. These zones are meant to signal a spatial reorganization of the city toward innovation. The creation of the “Innovation and Growth Fund” was meant to provide support for the financialization of development. The fund revenue was focused on three programs 1) Rapid Acceleration, Innovation, and Leadership in Sacramento (RAILS) grant 2) Local Investments and 3) Strategic Investments. The two coworking spaces in this study were recipients of the initial RAILS grant fund dispersal, which indicates an endorsement of such spaces as part of the innovation ecosystem.

The RAILS grant provides funds to startups to spur the creation of a Sacramento based innovation ecosystem. Grantees receive leadership training, opportunities to test out new ideas, and access to accelerators that will help the grantees scale ideas (City of Sacramento Staff Report, 2016). Accelerators support new firms through education, mentorship, and financing. Startups enter accelerators for a fixed-period of time, and as part of a cohort of companies. The experience is a process of intense, rapid, and immersive education aimed at quickly shortening the early learning phase of a firm by compressing years’ worth of learning into just a few months. The local investments program runs revenue through an economic development non-profit organization, who invest in a local venture fund.

Finally, strategic investments run much the same way, but rather than investing locally as venture capital, this revenue is invested in a nationally recognized venture capital fund. The staff report is adamant that by, “aligning the city with a prominent venture capital fund, the city demonstrates on a national stage its commitment to building a local innovation community” (pg. 3). I was unable to find any information about what nationally recognized venture capital fund, if any, the city invested local tax revenue into. The report goes on further to state that the city needs to show leadership in how a city government can aide in the creation of an entrepreneurial ecosystem. The presumption was that by doing so, capital will see Sacramento as more and more attractive to invest in.

The city sees the development of these programs as a chance to create a best practice for other local governments(p. 3). This is important, a best practice is an applied industry standard, assumed to have broad application and successful outcomes regardless of context because it is the “best.” Sure, it can be tailored a bit but at its core, the practices remain the same. Peck and Theodore(2011) argue that this type of best practice policy is part of a new economic development paradigm where the city itself becomes a site of policymaking best practice. Indeed this is reflected in Sacramento’s embrace of itself as a, “living laboratory.” It is tough to articulate but Sacramento’s self-branding as a “living laboratory” is a mimicry of larger cities that have been tangoing with entrepreneurs who have the capital backing to “move fast and break things.” An example of this is when autonomous cars were tested on the public streets of San Francisco, much to the dismay of city officials. When those companies were sued and fined, there was capital there to pay for any damages. In Sacramento, we see city officials getting ahead of such entrepreneurial activity by creating a regulatory framework to be a sort of copy of a

“living laboratory” city. The rub here, is that where San Francisco was concerned about public safety, Sacramento is using such language to drive capital investment into the city.

The establishment of the Mayor’s Office of Innovation is emblematic of institutional shift away from traditional economic development toward new economic development centered around innovation. These three agendas; Innovation Zones, The Innovation and Growth Fund and the Mayor’s Office of Innovation, mark the emergence of a Sacramento’s policy agenda centered on technology. Behind these new policy agendas is a cadre of political elite, real estate developers and NGO’s.. In a sense, Mayor Kevin Johnson served as a leader of a quasi-shadow government (Ponzini & Rossi, 2014) that set the city policy agenda. The 2016 State of the City reveals yet another actor in the development of city policy, coworking space owners.

Former Mayor Kevin Johnson’s speech praises connected nature of coworking spaces, urban real estate development and municipal image making. He stated,

I’m pleased to announce that...the team from Downtown Coworking Space, one of the most popular coworking spaces, is taking on an ambitious new project. They’re developing Input/Output or “IO” Labs. They’ll be taking over the historic First Northern Bank Building, 7 stories, right across the street from the arena. They will house 1,000 entrepreneurs all working to create the next Uber or Airbnb right here in Sac(Johnson,2016).

The policy agenda continued into 2017, with the inauguration of current Sacramento Mayor, Darrell Steinberg. Steinberg ran on a platform of inclusive growth and community wealth building. One mechanism for achieving those ideals is through a triple helix (Zukin, 2021) partnership between the city government, universities and business leaders. Included in this influential triple helix are real estate developers and pro-growth NGOs. Mark, a policymaker interviewed for this study, was hired during Johnson’s second term but stayed on through Mayor Steinberg’s first term. During his tenure, the policymaker sought to use coworking spaces to drive startup development. Mark stated,

you set up coworking spaces you work out deals with the high-end coworking spaces, where the city gets the rent the space or use the space. That's an opportunity for the city to have, you know, workshops around the Future of Work to bring the community to the space, so now they know they have an invitation into this exclusive world(June 2, 2021).

Mark's comment illustrates the need for government subsidies in the development of coworking spaces. There is also an issue of entry into spaces that are seen as exclusive. Without government intervention, would marginalized segments of Sacramento's population use the spaces? The spaces also seem to serve as a place to socially reproduce the Future of Work ideology. When asked about how coworking spaces fit into the Future of Work, Mark saw coworking spaces as, "instrumental to what the objectives, goals and success trajectory for innovation in the city." This comment is colored by a deal negotiated with UC Berkeley Skydeck to bring seven startups a year to coworking spaces in the city. However, that deal never materialized as the policymaker left his position and the deal sunset in December 2020. I did reach out to the founders of UC Berkeley Skydeck, they confirmed the deal did not materialize.

During Mayor Steinberg's tenure as mayor, the city's economic development agenda began to place greater emphasis on inclusivity and diversity. While those elements were there during Johnson's tenure, the focus was much more oriented toward creating the "right" business climate favorable to real estate developers and capital investment. This is not to say Steinberg wasn't continuing that trajectory, he was just less overt about it. Steinberg's campaign focus was on inclusion and diversity in Sacramento business development. While in office, his administration has attempted to build on the NE centered development the Johnson administration started.

In 2019, consulting firm, RW Ventures was hired for the development of an inclusive economic development strategy and action plan (City of Sacramento, 2019). Later that year RW

Ventures presented “Inclusive Growth in Sacramento Next Economy” slide deck to the city’s investment committee. In the slide deck there is a focus on both inclusivity in economic development and NE concepts of innovation, startups and market efficiency. In this presentation coworking spaces are specifically pointed to as a part of developing “specialized innovation hubs”, where coworking spaces foster connections between firms, investors and entrepreneurs (RW Ventures, 2019).

Startup space, lack of network connections are considered two of the barriers that serve to keep minority populations out of the technology sector. Coworking spaces are pitched as places for inclusive growth that address existing inequalities because they are seen as one way to reduce those barriers. Coworking spaces have played a role through both administrations, serving as both conduits for government subsidies and spaces where visions of diverse and inclusive business creation can occur. The city of Sacramento has created the RAILS grant as a means to provide government subsidies to underserved communities, where the funds will provide access to Sacramento’s innovation ecosystem.

Case 1: Stackspace Labs and Downtown Coworking Space

The Downtown Coworking Space (DCS) is located in the Historic First Northern Bank Building on 7th and J St in Sacramento’s Central Business District. DCS has the following amenities: Gym, Yoga room, Foosball and Pool, coffee, catered lunches, front desk receptionist, private offices, conference rooms as well as professional networking events. These amenities contribute to the feeling of the space. A feeling of casual professionalism, where you can stay for extended periods of time, driven by coffee and relaxed by yoga. Indeed, the space offers a wide assortment of classes that focus on mental wellbeing. On Wednesday mornings the Urban Hive holds yoga classes to allow for, “members a chance to re-center and re-focus on their creative

ventures(twitter, 2020). Another class offered is titled, “Meditate and Conversate.” These classes are for members only.

Memberships at the Urban Hive vary in price from \$395/month for a dedicated desk to \$1599/month to secure a private office for three people. The membership levels price points determine access to the different amenities the space has to offer. For example, everyone gets access to the kitchen but not everyone gets access to the meeting rooms. A key selling point for all price points is the look of the space, “dramatic industrial modern space with an art gallery...concrete floors, brick walls and soaring ceilings,” and the above mentioned amenities.

The demographics of this area reflect an opposite trend. Using ACS 2010 and 2018 data the eight census tracts around DCS, we can see the demographic changes. The white population in 2010 was 67.5%, while in 2018 the population was 60% white in those census tracts. The Non-Hispanic black population increased slightly from 11% in 2010 to 12% in 2018. Finally the Hispanic population rose from 6% in 2010 to 16% in 2018.

The median home value in the area dropped from \$482,200 in 2010 to \$380,933, which is unusual for California as a whole where home values are on the rise. This also contradicts the rise in commercial real estate values in the area(Hoffman, 2021). The employment mix in this area is 16% employed in Public Administration, 14% employed in Healthcare and Social Assistance and 11% employed in Profession, Scientific and Technical Services.

What is now an arts and entertainment district, where people flock to see the Sacramento Kings play, was once an ethnically diverse residential enclave, home to many small businesses(Joo, 2018). In 1960, redevelopment around the Capital began with the implementation of the California State Capital Plan (Lango,2018). This urban renewal, as it was known, was funded via the Housing Act of 1954. Originally intended to improve housing

conditions, this federal level funding gradually shifted towards funding major non-residential projects like the California State Capital Plan. New redevelopment laws gave government agencies the power to seize private properties for public use. This was done in the Central Business District near West End, via a Federal Blight designation. Such a designation freed up federal funds to raze the 42 blocks and make way for city beautification and placemaking of the Capital into a grand civic center (Wheeler and Beebe, 2011). By building commercial real estate, new higher tax revenue for the city was generated. Redevelopment continued for the area, with the development of the Downtown Plaza in 1971, a suburban type outdoor mall that was built to attract retail shoppers to shop downtown. After changing hands multiple times and dealing with reduced revenue, in 2015 the development was renamed Downtown Commons (DOCO).

In 2016 the Central City Specific Plan, near the Downtown Specific Plan, was developed to encourage mixed use development and to advance the development and use of the area surrounding the Golden 1 Center, a \$255 million entertainment complex financed by primarily by taxpayers and a few private investors (Sacramento Bee, 2016). After its completion in 2016, the area around the Golden 1 Center induced private investment totaling \$6.7 billion from its completion in 2016 to today (Hoffman, 2021). Real estate investment into the area has been a continued policy agenda through former Mayor Kevin Johnson's administration and into current Mayor Darrell Steinberg's administration. The DCS, plays a central role as a catalyst for real estate development in the area, at least in the media. "Major tech hub taking shape downtown" the headline read in the Sacramento Bee in February 2016, covering DCS's move into the historic First Northern Bank Building. Grand visions abound, "within the next three years [the owner's husband] envisions having 1,000 members." And "picture this: hundreds of entrepreneurs filling a downtown high-rise as they develop technologies in medicine, agriculture

and civic involvement.” The media position of DCS mirrors former Mayor Johnson’s promotion of DCS in his 2016 State of the City speech, emphasizing the use of a historic building as an anchor of tech driven economic futures.

The DCS was started in 2009 by a husband and wife team with deep roots in Sacramento. The space was originally located in midtown Sacramento, an area known for coffee shops and Victorian duplexes. Before starting the space, owner, Sarah, 46, was the design and marketing director for a local non-profit that built single family homes and communities. Her husband and business partner, was a consultant for the non-profit, providing guidance for residential and commercial real estate. All told, DCS has been in three different locations, the first location was located in Midtown Sacramento, the second location was in the Cannery, a commercial mixed use project, the third location is located in an historical bank building on 7th and J st.

The couple secured the midtown location through existing real estate connections. As Sarah tells it, “the owners of the company that I worked for reached out to my husband...we've got this building and [we asked ourselves,] what should we do with it?... And he [her husband]was like, ‘hey why don't we give this[open a coworking space] a try?’ And they [the building owners] kind of were like, you know, throw the keys bye bye”(June 4, 2021). The idea for using the building for a coworking space occurred to Sarah through a blog post about “not coworking but shared space” in Amsterdam and San Francisco. They had an inkling that the idea could work in Sacramento and it did. The business grew mostly via word of mouth and by 2015 DCS had 200 members. By 2017, DCS looked to find a larger space, this was not difficult due to the aforementioned relationships in real estate development. The owners were approached by the developer of the Cannery Business Park, a new development that follows adaptive reuse trends, where old buildings that have historical value are repurposed for a new use. This would

be the DCS second location, closing the midtown location and expanding into the bigger space in the Cannery.

In this case, the Cannery was, as indicated by the name, a fruit and vegetable cannery plant built in the 1900's (fulcrumproperty, 2021). When asked about securing the Cannery location, Sarah responded, "we found the location we're currently in...now [7th and J St.]. They [the developer of the Cannery] had reached out to us...to come to that space, and so we simultaneously did two construction jobs." The DCS spent \$1 million to redesign, remodel and ready the space as a coworking location, while at the same time, expanding into the second location on 7th and J St. When asked about how they secured the location at 7th and J street, Sarah answered, "our investor actually purchased our downtown location."

As indicated previously the City of Sacramento and local NGOs were on a mission to make Sacramento innovative. Another important finding is the interconnectedness of the DCS owners with the political elite and regional NGO's. In 2016, Sacramento Area Regional Technology Alliance (SARTA) voted to transition its assets to DCS's nonprofit foundation, Stackspace Labs and now does business as Stackspace Labs. This gives Stackspace Labs and DCS owners the ability to manage federal grants, as SARTA was a designated California iHub, which allowed SARTA to compete for federal dollars. Further connections emerge between GSEC and DCS, where GSEC civic boosters promote DCS as key to helping the city attract capital and talent.

Business composition

I asked Sarah about the specific groups of people who use the space and if there was target user of the space as a way to understand if the positioning of DCS in the media, mirrored users of the space Sarah responded,

startups in like the first tier funding[the first round of capital investment] to the second, to the third. Large companies, you know, like Eventbrite and Spotify to smaller companies that are just getting started no one's ever heard of. 10%-15% is you know your non-profits, your real estate, your attorney, your student teacher. And that(sic)[then] your remote worker who works for a company who might not fit into any of those...sectors(June 2, 2021).

This business mix is reflected in the literature and is typical of coworking spaces(Grazian,2019; Vidaillet & Bousalham, 2020). But the question is, is a coworking space enough to create and spark the startup ecosystem touted in the local media and planned out in City government documents? Through the support of regional NGOs, media and government funding, perhaps it is. The DCS's owners are intimately connected with leaders in city government and local NGOs. In an article from the LA Times about GSEC's plan to bring more startups to Sacramento, Barry Broome, President and CEO of GSEC, states that if a startup considering relocating to Sacramento isn't large enough for a dedicated office, GSEC ambassadors will visit DCS to show that Sacramento welcomes small startups as well as larger ones (Lien, 2017). It is not only the media and regional NGO's that support DCS, DCS also received funds in the form of a \$250,000 RAILS grant.

DCS and Economic Development

I asked Sarah about the RAILS grant and her impressions were fairly negative. Of the money received she said, "we received, you know, a chunk of money and that was put towards Stackpace, [It was] super challenging because we were promised that amount for every year going forward. By the second year, it was, "oh we've decided to take a different direction with this program" Bye bye funding." I probed further, asking if Stackpace had based operational expenses on the understanding that the money would be given annually. The answer was, yes and Sarah went on at length about the disconnect she perceived,

Some of these [official] programs [like the RAILS Grant] aren't very well executed, as far as like making sure that funding is actually going towards what it should be going to. We got it [the money], and it went right into our building. First, like the construction of the building which, to be honest, I mean our first floor that we did cost a million dollars and we were given \$250,000 (June, 2, 2021).

How the DCS spent the funds show investment in rehabilitation of a building that could draw more members by creating an architecturally interesting space. The 2017 RAILS Grant Program Evaluation Report shows the money being spent on other areas. According to the 2017 RAILS Grant Program Evaluation Report, twelve Key Accomplishments were achieved by DCS. To name a few (see full list in appendix):

- Executed agreements with multiple venture capital funds to fund up to 20 startups per year at \$1.7M that will call I/O Labs their home.
- Coordinated investment group for the purchase of the building
- Designed an Innovation Program (Private, Civic, and Social) that will offer graduate level accreditation through the University of the Pacific.

Sarah's understanding of what occurred with the grant money and what is shown in the evaluation report are two different things. One of the aims of the RAILS Grant is to, "achieve medium to long-term economic outcomes by increasing the capacity of Sacramento's innovation ecosystem and enhancing the conditions under which startup formation may occur" (innovatesac,2021). According to the website, the DCS accomplishments are vaguely in line with the purpose of the grant. According to Sarah, the money barely covered renovation expenses.

I spoke to Mark, the policymaker, about the selection process for the recipients, which was under way just before he started the job with the city,

Part of the challenge that arose was [that] the cohort were predetermined. So whoever within the city had already told people to apply, how much they were getting, so on and so forth. It still didn't fully make sense, because you know DCS was asking for you know \$500,000 of the \$1 million because they had grand plans of taking over everything. You

know, they were upset because they only got \$100,000, or whatever. After that first push for funding coworking spaces, literally the city's focus shifted(June 2,2021)

He continued to state how it, “didn’t make sense to just continue throwing money at the coworking spaces...for the city to keep giving them money.” The change the policymaker is talking about is the change in administration. The 2016 RAILS grant was created under one administration, where the 2017 RAILS cohort was chosen under current Sacramento Mayor, Darrell Steinberg. This speaks to who gets to do the appropriating of surplus, which the policymaker spoke about when asked who determined the 2016 RAILS grant recipients,

So yeah, so the gentleman that set up the mayor's office for Innovation and Entrepreneurship, (inaudible). He set up the office, set up the fund, set up the first round of RAILS, was super close to Mayor Johnson. So he kind of set everything into place. I’m sure, a lot of that stuff was negotiated between (inaudible) and Mayor Johnson before Steinberg took over, and before I came. Yeah, so then so, then the team that I inherited was already kind of in that process(June 2, 2021).

Users of the Space

The two DCS users I spoke to were either employed (i.e., they had a steady source of income as employees of a formal employer) and not independent contractors or they were supported by a spouse. According to literature American coworking space users seek out these spaces to combat isolation, separate work from home and create personal connections. The findings support previous research. Joe, stated, “the value add of the coworking space is that it was separate from home, so I had work time versus home time and I could separate those more clearly mentally.” Joe began to use the space after he started volunteering for a local civic organization that held its meetings at DCS. This was in late 2015 and he continued to work out of the DCS through the end of 2017. During this time, he worked with the civic organization, which was sponsored by Stackspace Labs, so he did not pay for it. Joe was also able to leave his

job at the state during this time so he could focus on the civic organization partly due to the sponsored workspace and partly due to his partner's ability to support the family on her income along.

Alex, reflected this as well, "I'm doing job applications, or if I'm able to acquire other contract work, I could utilize the space. Which to me, felt a lot more productive and beneficial than just trying to do that from home." Alex works as a researcher for a major university located close to Sacramento. She came to DCS shortly after graduation while she was working part time. Alex was able to afford the membership fees through volunteering a few hours a week in exchange for a membership. At that time, she recalled that memberships were around \$400 a month, "I couldn't justify spending [\$400] out of pocket, but I was like if it's free and I'm utilizing the space than it makes absolute sense." How that worked out for her was,

You get discounts on booking certain things, whether it's like a phone room or conference room or event space. It was, it was the full thing, so they had it worked out where you know, a certain number of you would essentially get credits, as if you were had a membership, and then you could use those credits to book rooms and things of that sort(May 27,2021) .

Case 2: S17 and Northside Coworking Space

Northside Coworking Space (NCS) is located in Del Paso Heights, a neighborhood located in Sacramento's northside. Using data from the 2010 and 2018 ACS, the eight census tracts surrounding show a community that is changing. In 2010 the white population was 32%, in 2018 there was a decrease to 24%. The non-Hispanic black and Hispanic populations have increased over this time period, increasing from 9% in 2010 to 10% in 2018 for the non-Hispanic Black population, and increasing from 44% in 2010 to 52% in 2018 for the Hispanic population.

Median home values for the area tell an interesting story as well, where for Sacramento city median home values rose, for the census tracts around the NCS, home values fell. In 2010, the median home value was \$ 217,650, in 2018, the median home value was \$ 213,683.

Like many African American majority neighborhoods in America, Del Paso's vibrant community was physically altered with the passage of the Federal Aid Highway Act of 1956. The act enabled construction of interstate highways, many of which either completely destroyed African American communities or created a permanent barrier between white and black neighborhoods (Archer, 2020). The social fabric of the community was destroyed, fracturing long established businesses, institutions and community bonds. Construction of Highway 160 in the 1950's diverted much of the traffic away from Del Paso Boulevard and onto the highway, which isolated the area from the rest of Sacramento. Residents of Del Paso Heights were impacted further by job loss due to the gradual decline of McClellan Air Force Base, which the Base Closure and Realignment Commission voted to close in 1995 (Sacramento Bee, 1999). The result is an economically depressed community. In 1994, Del Paso Special Planning District was established by the city. Special Planning Districts are a zoning ordinance tool that allows for some flexibility in land use. Specifically, it allows for unconventional uses outside of residential, commercial and industrial, such as an Arts and Entertainment District. However, this strategy did not help change the neighborhood's depressed economic conditions.

The Northside Coworking Space (NCS) was originally located in Downtown Sacramento and was founded and is run by Tina, a 56 year old, a real estate developer. NCS operates under the larger non-profit organization S17, which, "unites churches and faith communities with community development projects". S17 was started in 2011 and has an annual revenue estimated at \$70,783. Tina started the coworking component, NCS, in 2013 in midtown Sacramento. The

NCS was located in this space until 2019 when Tina chose a new location in Del Paso Heights. She states, “we had a church that owned a building there [the owner was] considering selling it and they offered to let us bring it back up.” How Tina came to the space, highlights the existing connections the owner had through her relationship to a faith-based organization. This social capital, the connection with someone who owned a building and was willing to cut Tina a deal, facilitated the development of the space in Del Paso Heights. What was an exciting time for NCS’s relocation, ended up being cut short; the NCS space itself did not survive the pandemic.

As the owner told me,

we moved in, let's see August of 2019. We completely redid the building, it was a 15,000 square foot building in Del Paso and we had the grand opening December 2019. We went off for the holidays, came back in January [and] we booked out every weekend for events through May. We hit the road running, things [were] super exciting. And then COVID shut us down(May19,2021).

A primary source of revenue for the NCS was the rental of the space for events, not revenue from coworking memberships.

when we started coworking does not make money. You barely break even, frankly, off coworking fees. You always have to have something else going on, so in that building the events were probably the most cash stable thing that was happening in that area. The building was so large that people would book events there (May 19,2021).

Not only was the COVID shutdown harmful for the NCS, it also meant the closure of a community gathering venue and the closure of a space that helped to build small businesses in Del Paso Heights.

Business Composition

Tina’s organization remained a faith based social enterprise with a focus on low-income communities in Sacramento. The organization focused a “lot on incubation [of businesses,] which is fun and exciting and it's ideation but the reality is that you get more traction out of

acceleration and working with people to actually build the product.” (Tina) In this way, the space differs from other coworking spaces, which focus on high tech and creative industries. Tina acknowledged this unprompted when asked about her member’s business mix,

we had things like coffee shops, we had people who had inherited their family’s lawn care businesses, and we’re trying to help them grow bigger [...] and we had a company that had commercial janitorial services. So you see how those are not really investor type. Those are the kinds of businesses, and food businesses and restaurants, things like that, and we had some clothing people who were creating you know clothing. But not a lot of technology. Right where everybody [was] focused. We were more products and service industry [type of businesses].(May 19, 2021)

NCS does not fit the idea of a coworking space, where people pay for access to a desk or conference room. As Tina described it, the space played multiple roles: a rental space for events, a rental of commercial spaces and least of all a coworking space. I asked the owner about how the focus on products and the service industry connected to the population of Del Paso. She categorized her work as seeking to have some social impact, stating that the businesses in the space were not, as she stated above, as attractive to investors as high-tech startups and innovation business conventionally associated with coworking spaces.

The roster of users of this space reflects the business mix in the area. According to the 2015-2019 American Communities Survey the top three employers provide around half of the local jobs. Retail (14 %), Construction (12%), and Health Care and Social Assistance (12%) are the leading industries providing employment in Del Paso Heights (Census.gov,2021). The area has a higher share of employees in retail compared to the city as a whole where Retail (3.8%), Construction(13.9%) and Health Care and Social Assistance (19%).

This is important because the nature of these fields tend to offer precarious, low-paid, dead-end type of jobs and characterized by unstable tenure and lack of labor benefits, such as healthcare. These industries disproportionally employ women and people of color (bureau of

labor statistics, 2018). The percentage of the population in the census tracts surrounding the NCS holding a Bachelor's degree or above is much lower than the city as a whole. In 2010, 7% of residents had a bachelor's degree or above, in 2018 12% of residents had a bachelor's degree or above. While this is a significant increase, in the eight census tracts where DCS is located, in 2010 22% of residents had a bachelor's degree or above and in 2018, that rose to 27%.

As a whole, these demographics in part explain the weak sociodemographic characteristics of Del Paso Heights and the increasing ethnoracial and geographical wealth gap in Sacramento.

NCS and Economic Development

When asked about how coworking spaces fit into the economic development of Sacramento Tina responded, "I don't think that coworking spaces are now much different than a Regis [an office space leasing company, colloquially known as "Regis"]. I think that we've evolved to a place where people need more than that, ...for it to cause the economic engine of Sacramento to grow." I asked her to elaborate. Did she see coworking spaces as a mechanism to reduce unemployment? Her response was to discuss the perceived impact of poverty, leaving my question unanswered.

[The]trauma of poverty it's a mindset that you get in after you've been in it for so long, and that has, you have to somehow change. My husband's a teacher and I go in and do entrepreneurship with his kids. And I walked him through kind of through a lean canvas and talk to them about how to dream 100% hundred percent when I say what's your dream? They don't have one. They don't know they can.(May 19, 2021)

This response is difficult to untangle, she seems to take on the role of a guide to her husband's students, showing them how to "dream." Implicit in her statement, is the role her expertise in small business development and how she can reach the target audience of low income community members. Rather than address how coworking spaces might help reduce unemployment, she

adopts a culturalist approach. The culture of poverty is what prevents people from making it in society. The solution is to change their culture, teach them, “how to dream” being a prosperous entrepreneur. As such, the structural conditions that create and perpetuate ethnoracial inequalities are left untouched. From this perspective, the individual’s responsibility alone is the only force for change.

The City of Sacramento agreed with her role of expert in small business development and awarded S17 Corporation, a \$57,000 RAILS Grant in 2016. The grant was awarded to S17 under the Acceleration Grant subcategory of the RAILS Grant. The Acceleration Grants’ purpose was to fund accelerator programs for, “social purpose entrepreneurs and small business owners and to support underserved entrepreneurs” (innovatesac,2021). I asked Tina about the grant and how the money was used, “we got our first grant [RAILS Grant] from that department [Office of Innovation and Economic Development]...the first year..[in] 2016. We were able to take that money and utilize it to accelerate. I forget it was 45 existing businesses with that and it worked.” According to city documents, the corporation started or accelerated 43 social enterprise businesses (innovatesac, 2021). Important to note, the 2016 RAILS funding went to Tina’s coworking space located in Midtown Sacramento, the coworking space in Del Paso Heights did not open until 2019.

This impacts the vision put forth by the city as coworking spaces serving as a means to lower the barrier to entry into high technology. Below is a list of the key accomplishments by NCS as reported in the 2016-2017 RAILS Grant Program Evaluation. It should be noted that all of these achievements are unrelated to the NCS.

Key accomplishments:

- Put on a six-week accelerator with 22 participants representing 19 different companies or ideas. As a result, two of these companies increased their local hiring and several others began generating revenue.
- Grant funding went toward outreach to underserved entrepreneurs through business training, mentor matching, and provision of coworking space.
- During this quarter, S17 Corporation hosted another accelerator with 23 entrepreneurs and granted 32 coworking memberships.
- S17 Corp. documented company success stories. One company, Catrina's Popcorn (www.catrinaspopcorn.com), received some press coverage for its social impact helping survivors of sex trafficking.
- Partnered with another company, Real Estate with Purpose, on Compassion Village around bringing local churches together to house tiny home villages for homeless individuals.
- Another company, Castle Services, has touted being able to hire 20 new employees as a result of what they learned. (innovatesac, 2021)

Through funding community-based initiatives, like Tina's Midtown coworking space, via the RAILS Grant, the city hopes to help entrepreneurs scale up their businesses and provide a mentorship system to foster a specific type of economic development which promotes entrepreneurship. In turn, this will spur job creation and enhance the city's rebranding as an innovative city. If a metric for accomplishment is innovation, one wonders what the city considers innovative? The accomplishments listed above, when viewed critically, it is difficult to identify any economically significant benefit was gained by the community. The first key accomplishment resulted in 2 businesses out of 19 increasing local hiring. That is about 10 percent of this tiny number of firms had some effect on local employment generation.

The target recipients of the 2016 RAILS Acceleration Grant were, "social purpose entrepreneurs and small business owners and to support underserved entrepreneurs." According to the key accomplishments, Tina's organization fits that criteria but when examined critically,

were private profits increased via real estate partnerships? As well, to what extent did this grant sustainable impact the underserved entrepreneurs it targeted?

Users of the Space

I was unable to interview any users of the NCS because of its closure in 2020. My interview with the owner suggests that operating in Del Paso was difficult and she was hindered in her ability to serve the population as well as she wanted to.

Discussion and Implications

This study looked at local, urban economic development by using a case study of two coworking spaces in Sacramento, California. The findings illustrate how municipal policymakers, regional NGO's and local media position coworking spaces as part of Sacramento's image as an emerging innovative city. The study shows that coworking spaces, despite official support, do not seem to have been an effective mechanism to promote innovation, creativity, entrepreneurship or substantial economic benefit for most community members. The findings suggest that one of the coworking spaces, the DCS, was part of this civic image making and there was a coordinated effort to include the space in civic boosterism by NGOs. While, there is a thin thread of socioeconomic betterment, via the RAILS grant objectives of creating new jobs and filling a local market need, without explicit strings attached to funding, the RAILS grant recipients used the money according to their own wishes and desires. For economic development policies to work they should be embedded in the particular circumstances, resources and needs at the neighborhood level, not built on the discourses of any given current economic development "best practice." As such, in this section I discuss cross case findings in relation to reviewed literature and offer suggestions for policymakers. I conclude with implications for future research.

Research Question 1: To what extent does coworking alleviate or hinder the precarization of project-based work?

This study did not reveal any significant findings in regard to the precarious workforce who I, based on my reading of the literature, assumed would be utilizing the space. I did not see in any official records or media coverage connections to innovative businesses accelerated via coworking spaces in Sacramento. Coworking spaces were less about creating any sense of solidarity (Merkel, 2018), and more about assisting users in reducing isolation and providing a separation between work and home. In the broader policy context of Sacramento, the spaces were not directly positioned as a means to alleviate or hinder the precarity of project based work but were part of the larger development of an innovation complex. In this regard, my initial conception of coworking spaces as some means to reduce the precarious nature of project based work was misguided. The city had a bigger idea to use an image of an experiential, tech friendly city to drive investment into city coffers. This is a losing battle considering Sacramento's economy is driven primarily by government, which is inherently not nimble, agile, or flexible in its response to changes in economic conditions. In Europe where there is a history of worker solidarity, coworking spaces can be sites of solidarity, as seen in the literature but it is not surprising in America, that coworking spaces would not be spaces to connect workers to advocate for changes to their labor conditions. Through decades of de-unionization, the idea that any class of laborer would work together to improve collective economic conditions is naive. Especially at the creative class level, where a large part of the work is reputation management and competing for the next payout via a lucrative client contract, one could not expect any true collectivism to occur.

Research Question 2: When viewed through the lens of urban economic development, what do coworking spaces tell us about the movement of capital investment into a neighborhood?

The findings illustrate how regional NGO's, media and elected officials in Sacramento created a policy structure to support innovation and entrepreneurship via the Innovation and Growth Fund. The funds the city earmarked for this initiative were disbursed via the RAILS Grant to support pre-selected local organizations, under the guise of an open application process.

Tina, the owner of NCS, used the funds to assist small businesses and get them off the ground, while the DCS invested in capital improvements for the 7th and J Street location. It is interesting to note that the DCS made an investment decision aligned with the adaptive re-use associated with creative class placemaking (Ponzini and Rossi, 2010). Given the media coverage surrounding the DCS, it seems that the space was perhaps part of an effort to improve the atmosphere of the Central Business District. Existing literature about the location of coworking spaces seems to suggest that the spaces have little impact on the surrounding community (Brown, 2017; Jamel, 2018; Mariotti, et al, 2017). My findings take existing literature further by considering how coworking spaces are positioned in the media and economic development discourse. I found that the media plays an important role in positioning the DCS coworking space as a lynchpin of creative class economic development. Indeed, this media coverage, arguably informed reinvestment decisions made by the owners. Furthermore, the owner of DCS was tightly connected with the political elite of Sacramento.

Conversely, there was no cadre of media and real estate developers promoting the NCS. This coworking space was totally ignored by the local media. NCS did use city money to help launch new, conventional service businesses, but not to reinvest in capital improvements or innovative business initiatives. The owner's perception of the position of NCS as outside the innovation complex was a reflection of the users of her space, mostly small, service, based businesses.

Both owners received city money earmarked to support the development of Sacramento's entrepreneurial and innovation ecosystem, two concepts that are frequently used by promoters of the Next Economy. The owners of the spaces both cited the need for the city to do more than develop coworking spaces. It seems that the city is trying to do that via the RAILS Grant but the implementation is falling short. Findings suggest this might be due to a prioritization of attracting capital, over community based economic development.

The overarching economic development policy through two Mayoral administrations has been active attraction of capital to the city. This was done via the financialization of development, where capital is privileged as a means to increase economic growth. The failed deal with UC Berkley Skydeck is one such example. As is the investment of general fund revenue into a nationally recognized venture capital fund. Taken together with the emphasis on developing the area around DCS, these findings suggest that areas such as Del Paso Heights, would not be included as a beneficiary of any capital inflow from deals negotiated between the city and private investors.

Research Question 3) How does the geography of coworking intersect with the geography of urban inequality?

Despite attempts via the RAILS Grant to promote entrepreneurship and innovation in both advantaged and disadvantaged areas of Sacramento, my findings show that heavily promoted coworking spaces, like DCS, backed by media and real estate developers, are located in gentrifying areas of Sacramento. Given the higher return on commercial real estate, capital investment is being driven towards areas targeted for commercial development, not for the development of higher poverty areas of Sacramento, such as the NCS in Del Paso Heights.

Ostensibly, coworking spaces in Sacramento are considered by policymakers as places of opportunity, Mark insinuated as much when he said that coworking spaces can play a very central role in equity and inclusion. Yet, by his own admission coworking spaces in Sacramento oftentimes feel very exclusive and required city intervention to invite diverse populations into these exclusive spaces. Social marginalization comes into play when talking about economic opportunity and a critical role economic development policy has is to create more economic opportunity for residents. This is especially critical for minority community members. It is impossible within this way of thinking, this model cannot address the problem.

Del Paso Heights, where NCS is located, is disadvantaged compared to the DCS 7th and J location, increasingly residents are rent burdened, the number of residents with bachelor's degrees is significantly lower than the city as a whole, and the median home value lags behind the city as well. While the goals of the city might be to create a city that works for all, this research suggest that the current policies result in winners and losers. The geography of coworking intersects with the geography of urban inequality in the uneven capital allocations which are shaped by highly connected real estate developers, regional NGO's and the political elite. The case of Sacramento sheds light on the uneven geography of policy generated by an overarching focus on innovation and technology.

Limitations and Recommendations for Future Research

Further research should be done to investigate the development of innovation complexes in mid-sized cities and what equitable economic outcomes occur, if any. This research ran into issues of reproducibility. In an ideal world, the research would have the same number of interview subjects at each level; three owners, three users, three employees and then 1 policymaker currently involved and perhaps a member of a local economic development NGO. I

would have not considered the precarization of work because it seems that is not a consideration for policymakers. I would ask more questions about equity and inclusion. There is a looming issue of access to technical skill sets like programming and continued racial discrimination in the labor market. Digital upskilling can be packaged and sold to communities across America but if the labor market continues to filter minority populations into low wage jobs, I don't see digital upskilling as a solution.

The current investigation was limited by the small case study, based on a narrow sample of informants and an examination of only two coworking space sites. The strengths of this research are, detailed review of official development documents and media reporting on coworking spaces. The conclusions presented in this study cannot be taken as generalizable and categorical, yet they clearly document the existence of certain relationships between government, media and regional NGO's.

Coworking spaces are not a vehicle for inclusive, opportunity creation. This study finds that coworking spaces in Sacramento are a small part of a larger scheme to attract outside capital. The main beneficiaries of the promotion of coworking spaces seem to be real estate developers and politically connected elite. Sacramento's experience with coworking spaces suggests that to build a startup ecosystem, there needs to be strong public private ties which poses questions about who controls investments and who benefits. Innovation is a discourse that brings skewed economic benefits.

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TABLES

Table 1.

Intersection between Next Economy Concepts and City Policy Framework and Programing		
Next Economy Concepts	Project Prosper Framework	RAILS Grant
Creating an opportunity rich environment	Improve access to necessary education and in-demand occupational skills, making digital skills a shared workforce development priority	Incubator and accelerator programs that provide mentorship, networking, and education to raise capital, grow their business, and create new jobs
Innovation	Support improvements to the business climate that increase innovation, university tech transfer, and business dynamism and scaling	\$1 million in grants annually to support the development of Sacramento's entrepreneurial and innovation ecosystem through "startup enablers"
Entrepreneurship	Identification of individual entrepreneurs and more standard small business formation	Educational programs training our next entrepreneurs in technology and business to build Sacramento-based startups

Table 2.

Coworking Space Characteristics	
Downtown Coworking Space	Northside Coworking Space
Amenities	Amenities
Gym, workout space	Event Space
Foosball & pool	Wi-fi
Social events	Creators Labs Solving Social issues
Catering	Professional Development Events
Front desk reception	Coffee
Private Offices	
Conference rooms	
Public and professional events	
Cost of Membership	Cost of Membership
Range from \$395/month- \$1349/month	\$100/month

Table 3.

Interview Participant Profiles							
Participant	Age	Race	Educational Attainment	Role	Occupation	Residence	Coworking Space Association
Sarah	46	Caucasian	Associates Degree	Owner	Owner of Coworking Space	South Land Park	Downtown Coworking Space
Tina	56	Caucasian	Master's Degree	Owner	Unemployed	East Sacramento	Northside Coworking Space
Eric	29	Mexican	Some College, Technical Degree	Employee	Community Curator	The Pocket	Oak Park Coworking
Joe	47	Caucasian	Master's Degree	User	State Employee	South Natomas	Downtown Coworking Space
Alex	34	White	Master's Degree	User	Reseracher	Oak Park	Downtown Coworking Space
Anna	31	Caucasian	Bachelors Degree	User	Producer	Arden Arcade	Creative Coworking Space
Catherine	32	Caucasian	Bachelors Degree	User	Journalist and Property Manager	Midtown	Midtown Coworking Space
Mark	50	African American	Bachelors Degree	Policymaker	Head of Strategic Initatives	Elk Grove	None

Table 4.

Interviewee Question Sample		
Role	Topics	Question Sample
Owner	Business Model Business Plan Economic Development	Could you tell me what revenue and financial sources did you plan to have? Did you plan to have any official financial or technical support? What need is your coworking space fulfilling? How do you see coworking spaces fitting into Sacramento's economic growth?
User	Precarity Expirence Coworking	I wanted to get a better understanding of how coworkers earn a living. Can you tell me a bit about your main occupation? How do you define it? What has been your experience with coworking been like? Why did you decide to cowork?
Employee	Economic Development Business Model	How do you see coworking spaces fitting into Sacramento's economic growth? Could you tell me about who uses the space?
Policymaker	Economic Development	In what ways do you see coworking as advancing inclusive growth goals of equity, and inclusion? Does the city consider any official financial and/or technical support for the development of coworking and coworking spaces in the city?

Table 5.

Race & Ethnicity in Sacramento, California
ACS 2010 & 2018 Data

coworking_space	% White 2010	% Black 2010	% Hispanic 2010	% Asian 2010	% White 2018	% Black 2018	% Hispanic 2018	% Asian 2018	% Change White	% Change Black	% Change Asian	% Change Hispanic
DCS Sacramento	32.5	9.5	44.3	8.1	24.1	10.7	52.3	7.7	-8.4	1.2	-0.4	8.0
	39.0	12.7	24.3	17.9	35.9	11.9	27.0	18.1	-3.1	-0.8	0.3	2.7
NCS	67.5	11.4	6.0	9.7	60.2	12.6	15.7	6.9	-7.3	1.1	-2.8	9.7

Map 1.

Coworking Space Locations in Sacramento



