

COUNCIL
RESOLUTION
20170323-053



ECONOMIC
DEVELOPMENT
DEPARTMENT

Directive 1:

The City Manager is directed to develop recommendations for using Community Development Block Grant funding and other appropriate sources of funding to support local worker cooperatives, considering: areas of Austin in need of services (such as food deserts); how to best solicit proposals from worker cooperatives to address the needs of low-income residents; and plans to provide funding for new worker cooperatives providing services to low-income customers or in underserved areas.

Staff response:

- Cooperatives are eligible to receive CDBG funding if they meet eligibility and usage requirements
- Austin Strategic Housing Blueprint recognized cooperatives as an affordable housing option
- Down Payment Assistance Program is being updated to include cooperative housing developers
- Austin Strategic Housing Blueprint states that Federal funding should be focused to achieve housing goals
- Council Resolution 20170817-051 directed inclusion of cooperatives in several City housing programs

Staff recommendation:

- Policy changes are pending the City Manager's memo on Resolution 20170817-051

Additional resources required:

- No additional resource requirements have been identified at this time

Directive 2:

The City Manager is directed to ensure worker cooperatives can access SBP small business loans on the same basis as other comparable business entities by reviewing existing SBP loan program policies and making any necessary adjustments.

Staff response:

- Worker cooperatives are eligible to apply for Family Business Loan Program (FBLP) loans
- Must meet 4 criteria set by SBA
- Must meet all other FBLP lending criteria
- All individual members/owners must meet SBA criteria
- A representative must be designated to execute binding documents

Staff recommendation:

- No policy changes are required

Additional resources required:

- No additional resources are required

Directive 3:

The City Manager is directed to include worker, cooperative educational materials in SBP resources about how to start a business, and to incorporate into SBP online resources information about sources of funding that workers cooperatives can access.

Staff response:

- 2016 study found that cooperatives need the same assistance as all small businesses, with 3 exceptions:
 - Democratic governance and management
 - Capital structure dealing with profit sharing and member equity
 - Legal structures under which cooperatives can incorporate
- SBP's existing services meet most assistance needs of cooperatives
- Study recommended partnering with organizations that already provide training to cooperatives\

Staff recommendation:

- Contract with an experienced organization to provide coaching and training on cooperative-specific business needs

Additional resources required:

- \$50,000 to fund cooperative-specific coaching and training

Directive 4:

The City Manager is directed to develop recommendations for conducting outreach to existing small businesses in Austin to educate them on options for transitioning an existing business into a worker cooperative model (e.g. by selling the business to their employees) as a means of succession.

Staff response:

- In addition to information, business owners and their workers will need hands-on assistance to make the transition successful
- SBP's in-house business coach can provide assistance with basic business startup and management issues
- Workers will also need assistance from a cooperatives expert to develop the governing structures unique to cooperatives

Staff recommendation:

- SBP will inform its customer database, and conduct an advertising campaign
- A "How To" guide containing information on the steps required to transition a business to cooperative ownership will be developed
- Include the "How To" guide and assistance for transitioning an existing business to a worker cooperative in the contract for cooperative-specific services

Additional resources required:

- \$25,000 added to the recommended contract for cooperative-specific services

Directive 5:

The City Manager is directed to review City of Austin purchasing policies and identify any barriers for, worker cooperatives to receive City contracts; take necessary steps to remove those barriers; and advertise City of Austin procurement opportunities to worker cooperatives.

Staff response:

- City Purchasing policies contain no direct barriers that prevent worker cooperatives from competing for City contracts
- The City advertises solicitations and sends email notices to registered vendors
- Cooperatives may register to receive notices of City solicitations on the Vendor Connection website: www.ci.austin.tx.us/financeonline/vendor_connection/index.cfm

Staff recommendation:

- No policy changes are required
- SBP can outreach to cooperatives on registering and receiving solicitations

Additional resources required:

- Purchasing outreach can be included in the contract for cooperative-specific services

Directive 6:

The City Manager is directed to provide the City Council with a progress report within 120 calendar days.

Staff response:

- EDD requested an extension until completion of the FY2018 budget
- The report will be delivered to City Council on or around October 19th

Directive 7:

The Council directs the Economic Prosperity Commission to provide input to the City Manager concerning implementation of this resolution, and further, directs the City Manager to take cognizance of Recommendation Number 20170315-0036 while developing recommendations for Council, and to provide that the Commission a draft of the recommendations developed for Council no later than the Commission's last regularly scheduled meeting before the progress report is submitted to Council.

Staff response:

- The Economic Prosperity Commission's comments on the draft report will be included in the final report to Council

Questions or Comments?