REQUEST FOR COUNCIL ACTION

CITY COUNCIL MEETING DATE:

AUGUST 1, 2017

TITLE:
ADOPT A RESOLUTION SUPPORTING DEVELOPMENT AND GROWTH OF WORKER COOPERATIVES IN SANTA ANA

CITY MANAGER

RECOMMENDED ACTION

1. Adopt a resolution supporting the development and growth of worker cooperatives in the City of Santa Ana.

2. Direct staff to evaluate and provide recommendations on how the City can incentivize and assist in enabling the formation of worker cooperatives.

DISCUSSION

Worker cooperatives are businesses owned and operated solely by its workers. These businesses provide local goods and services, stable jobs for residents, and offer new economic opportunities for lower income workers in the City. A worker cooperative is different from a typical business structure in that the profits are shared amongst the owners and each worker has an equal vote in the direction and actions of the business.

There exist several barriers to the development of worker cooperatives which include: lack of public awareness of its benefits; limited technical support in forming, operating, or converting existing businesses to a worker cooperative; difficulties obtaining financing for cooperative formation or conversion; and high startup costs (permit fees, license fees, lease rates) that many small businesses experience in California.

Municipalities such as Oakland, Berkeley, and Austin have approved resolutions supporting the development of worker cooperatives in their respective cities. As local municipalities look for new and strategic forms of community economic development efforts, Santa Ana has the opportunity to be a leader in Orange County to support and reduce barriers for the development and future of a cooperative economy in the City.
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According to ESRI data, Santa Ana’s current median income is $54,640 in comparison to Orange County’s median income of $81,194. Lower wage workers typically cannot afford to quit their jobs and become small business entrepreneurs, but could become co-owners through a cooperative conversion. Worker cooperatives enable workers in the community to gain important business and leadership skills and assists individuals with significant barriers to employment. By promoting and supporting Worker cooperatives, Santa Ana is creating a key job retention strategy for local community wealth building.

Many business owners do not have succession plans and communities should be prepared for the impending retirement of these businesses. Many times, these businesses close or relocate out of the area impacting the local residents that work there. By supporting the development of worker cooperatives, these businesses can take advantage of a new business structure that enables the workers to become owners and keep their jobs and the business in the City.

At the May 15th Economic Development, Infrastructure, Budget and Technology Council Committee meeting, the Committee introduced the concept of a worker cooperative and recommended staff to research and meet with local stakeholders. City staff is currently working with local stakeholders, like Santa Ana Building Healthy Communities, who are actively engaging and incubating local worker cooperatives in the City. Their focus is on addressing local issues such as food insecurity, wage inequality, and other positive health outcomes for Santa Ana’s residents.

Upon City Council approval of the Resolution, staff will continue to collaborate with local organizations in evaluating and developing recommendations on how the City can incentivize and support the formation of local worker cooperatives. Evaluating the City’s procurement policy, license and fee structure, and the Community Development Block Grant (CDBG) small business grant program are some of the elements that will be discussed with the local stakeholders. Recommendations will be provided for City Council consideration.

STRATEGIC PLAN ALIGNMENT

Approval of this item supports the City’s efforts to meet Goal #3 Economic Development, Objective #1, (Implement a comprehensive Economic Development strategy to ensure that Santa Ana is a City with a vibrant business climate that is accessible, user-friendly and welcoming to all residents and visitors), Objective #5, Strategy C (Develop a knowledge base to foster economic development by actively partnering with non-profit organizations).

FISCAL IMPACT

There is no fiscal impact associated with this action.
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[Signature]
Robert Cortez
Acting Executive Director
Community Development Agency

Exhibits: 1. Resolution
RESOLUTION NO. 2017-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA ANA SUPPORTING DEVELOPMENT AND GROWTH OF WORKER COOPERATIVES IN SANTA ANA

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SANTA ANA AS FOLLOWS:

Section 1. The City Council of the City of Santa Ana hereby finds, determines and declares as follows:

A. The City of Santa Ana has the desire to become the first City in Orange County to support small business development through local Worker Cooperatives.

B. Small businesses are the foundation of the City and the City's well-being is inextricably linked to a strong business environment.

C. Community economic development is a goal and a priority for the City and the City will work aggressively to encourage businesses to grow and prosper that provide living-wage jobs, reduce unemployment, and improve the quality of life for its residents.

D. A Worker Cooperative is a business owned and operated solely by its workers.

E. Worker Cooperatives provide local goods and services, stable jobs, and economic opportunities for lower income workers.

F. Worker Cooperatives build local leadership and business skills and assists individuals with significant barriers to employment.

G. Worker Cooperatives keep wealth and jobs local and positively impacts those affected by local inequities.

H. The City needs to recognize and prepare for the impending retirement of many business owners that do not have succession plans and without these succession plans could close, sell and relocate out of the community.

I. Conversions to Worker Cooperatives is a strategy to help anchor businesses in the community, preserve jobs, and create local wealth.

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J. Community organizations, such as Santa Ana Building Healthy Communities, are currently engaging and incubating local Worker Cooperatives with a focus on addressing local issues like food insecurity, wage inequality, and other positive health outcomes for residents.

Section 2. Recognizing the importance of supporting local Worker Cooperatives, the City Council directs staff to review city procurement policies and provide recommendations to include incentives for local Worker Cooperatives.

Section 3. Recognizing that local Worker Cooperatives, like all small businesses, require economic incentives for long term successful outcomes, the City Council directs staff to review the business license fee structure to consider reduced rates for Worker Cooperatives.

Section 4. Recognizing that local Worker Cooperatives do not have the same access to financial support as other small businesses, the City Council directs staff to review the Community Development Block Grant Micro-enterprise Small Business Incentive Program and provide recommendations to include funding for Worker Cooperatives.

Section 5. Recognizing that community support and participation is the key ingredient to successful community economic development, the City Council directs staff to work collaboratively with local community stakeholders to develop recommendations for the possible development of a local Worker Cooperative business ordinance.

Section 6. This Resolution shall take effect immediately upon its adoption by the City Council, and the Clerk of the Council shall attest to and certify the vote adopting this Resolution.

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ADOPTED this ____ day of ______________, 2017.

Miguel A. Pulido
Mayor

APPROVED AS TO FORM:
Sonia R. Carvalho
City Attorney

By: _______________________
Ryan O. Hodge
Assistant City Attorney

AYES: Councilmembers ________________________________

NOES: Councilmembers ________________________________

ABSTAIN: Councilmembers ________________________________

NOT PRESENT: Councilmembers ________________________________

CERTIFICATE OF ATTESTATION AND ORIGINALITY

I, Maria D. Huizar, Clerk of the Council, do hereby attest to and certify the attached Resolution No. 2017-______ to be the original resolution adopted by the City Council of the City of Santa Ana on August 1, 2017.

Date: ________________

________________________________
Clerk of the Council
City of Santa Ana

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