

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON COMMERCE AND ECONOMIC
DEVELOPMENT

Room 400, City Hall
Philadelphia, Pennsylvania
Monday, October 24, 2016
1:30 p.m.

PRESENT:

COUNCILMAN CURTIS JONES, JR., CHAIR
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN ALLAN DOMB
COUNCILMAN DEREK S. GREEN
COUNCILWOMAN HELEN GYM
COUNCILMAN DAVID OH
COUNCILWOMAN CHERELLE L. PARKER
COUNCILMAN AL TAUBENBERGER

BILL 160709 - An ordinance amending Chapter
17-100 of The Philadelphia Code, entitled
"Procurement Contract," by further providing
with respect to the Local Bidding
Preference...

RESOLUTION 160701 - Resolution authorizing the
Committee on Commerce & Economic Development
to hold hearings regarding the development of
co-ops in the City of Philadelphia...

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COUNCILMAN JONES: Good afternoon, everyone. Sorry for the delay. We are now opening up for the hearing on Commerce and Economic Development Committee.

Joining me at the table is, to my right, Councilman Oh, Councilman Green, Councilwoman Parker, Councilman Taubenberger, and Councilman Domb. Seeing that we have a quorum, we will start.

Will the Clerk please read the order of the bills -- the title and resolution numbers of the bills and resolutions.

THE CLERK: Bill No. 160709, an ordinance amending Chapter 17-100 of The Philadelphia Code, entitled "Procurement Contracts," by further providing with respect to Local Bidding Preference, including but not limited to provisions concerning penalties, requirements necessary for certification and re-certification, and further providing

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2 for the relationship between prime
3 contractors and subcontractors; and

4 Resolution No. 160701, a
5 resolution authorizing the Committee on
6 Commerce & Economic Development to hold
7 hearings regarding the development of
8 co-ops in the City of Philadelphia and
9 initiatives to support their growth.

10 COUNCILMAN JONES: Thank you,
11 Ms. Williams.

12 I have a written statement that
13 Councilwoman Blondell Reynolds Brown, who
14 is the author of one of -- of the bill,
15 would like read into the record. She is
16 in traffic on the Turnpike doing the good
17 fight from Harrisburg to Philadelphia,
18 and you guys who have served up there
19 know how that can be.

20 So her opening remarks goes as
21 follows:

22 Good afternoon to my
23 colleagues, Chairman Jones, and the City
24 Council Committee on Commerce and
25 Economic Development. Also good

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2 afternoon and thank you to everyone who
3 has stepped away from their busy lives to
4 join us here today.

5 I would be remiss not to offer
6 a very special thank you -- you know
7 that's Councilwoman Reynolds Brown,
8 remiss -- not to thank the Administration
9 and the Commerce Department and the
10 Procurement Department for all of their
11 hard work throughout this process.

12 Bill No. 160709 co-sponsored by
13 my colleague Councilwoman Sanchez changes
14 the criteria used to certify local
15 business entities in the City of
16 Philadelphia. The goal of this
17 legislation is to ensure that businesses
18 that become certified as local business
19 entities, therefore, become eligible for
20 a local bidding price preference, having
21 a strong connection with the City of
22 Philadelphia either through their
23 business headquarters or through their
24 employment in City residents.

25 Philadelphia suffers from a 25

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2 percent poverty rate and a 6.9 percent
3 unemployment rate. Therefore, if the
4 City provides price preferences to local
5 business entities, those preferences
6 should go to truly "local businesses,"
7 those that are either headquartered in
8 Philadelphia or employ our citizens.
9 This legislation works to achieve this
10 goal.

11 Again, thank you to the
12 Administration and the Department of
13 Commerce and the Procurement Department
14 for all your hard work on this
15 legislation.

16 End of letter.

17 With that, would any of my
18 colleagues like to have an opening
19 statement before we begin testimony?

20 (No response.)

21 COUNCILMAN JONES: Seeing none,
22 Ms. Williams, will you please read the
23 names of the first witnesses to testify.

24 THE CLERK: The first panel to
25 testify on Bill No. 160709 will be Trevor

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2 Day and Iola Harper.

3 COUNCILMAN JONES: Are Mr. Day
4 and Ms. Harper here? Yes. I see them.
5 Come on up to the table.

6 (Witnesses approached witness
7 table.)

8 COUNCILMAN JONES: I'd like to
9 say good afternoon and thank you for your
10 patience.

11 COMMISSIONER DAY: Good
12 afternoon.

13 MS. HARPER: Good afternoon.

14 COUNCILMAN JONES: Pull the mic
15 to you, and whatever order, begin your
16 testimony. State your name for the
17 record, please.

18 MS. HARPER: Sure. Iola
19 Harper, Office of Economic Opportunity.

20 I'd like to say greetings to
21 Chairman Jones and members of the
22 Committee on Commerce and Economic
23 Development. My name is Iola Harper and
24 I am Deputy Commerce Director for the
25 Office of Economic Opportunity for the

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2 City of Philadelphia. I am here this
3 afternoon to give testimony in support of
4 Bill 160709, which seeks to tighten the
5 qualifying criteria for businesses
6 seeking a Local Business Entity
7 certification.

8 The business case underlying my
9 support is simple. Local matters.
10 Ensuring every business that receives the
11 Local Business Entity designation is
12 legitimately local is much like ensuring
13 that minority, women, and disabled
14 designations are legitimate as well.
15 Without tightening the checks and
16 balances, we potentially lose the many
17 associated benefits. Local businesses
18 recirculate a greater share of every
19 dollar back into our local economy,
20 resulting in a more equitable
21 distribution of opportunity and wealth.
22 Local businesses create more quality jobs
23 and greater stability for the residents
24 of our city. Without question, financial
25 opportunity and stability invite the

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2 levels of social, civic, and innovative
3 engagement that great neighborhoods and
4 great cities are made of.

5 I have spoken personally with
6 Commissioner Day to discuss the potential
7 impact of this amendment on the minority,
8 women, and disadvantaged businesses that
9 OEO serves. We have agreed to work
10 together on communicating the benefits of
11 this certification to the OEO firms and
12 to also examine ways to align the LBE
13 certification process so that it
14 complements the MBE, WBE, and DBE
15 certification process, with the goal of
16 removing duplicative certification
17 requirements. I'd like to thank
18 Councilwoman Blondell Reynolds Brown for
19 introducing legislation that supports our
20 collective desire to create an economy
21 that works for everyone.

22 Thank you for the opportunity
23 to speak in support of this effort, and
24 I'm happy to answer any questions that
25 you might have.

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2 COUNCILMAN JONES: So, first of
3 all, welcome on board.

4 MS. HARPER: Thank you very
5 much.

6 COUNCILMAN JONES: And you done
7 did it now. So we welcome your
8 commitment to the City.

9 If it's okay with the panel,
10 I'd like to allow the other panelist to
11 testify before we open up for questions.

12 Seeing no objection, begin your
13 testimony, please.

14 COMMISSIONER DAY: Good
15 afternoon, Chairman Jones and members of
16 the Committee. I am Trevor Day,
17 Procurement Commissioner for the City of
18 Philadelphia, and I am pleased to appear
19 before you to testify in support of Bill
20 No. 160709. Councilwoman Blondell
21 Reynolds Brown has proposed and
22 introduced this bill in order to refine
23 the local business preference for City
24 contracts.

25 Many cities, counties, and

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2 states have instituted preference
3 programs for local businesses in their
4 procurement decisions as a means of
5 supporting and growing their local
6 economies. Likewise, this is true for
7 the City of Philadelphia.

8 Under the City's current
9 program, the Procurement Department
10 reported a high level of awards to LBE
11 businesses, with 68 percent of
12 Procurement's total contract dollars
13 awarded in 2015. This bill, however,
14 would strengthen the program to focus on
15 certifying businesses that have a
16 significant local presence. No longer
17 could a large business that locates in an
18 office with a few employees in
19 Philadelphia be certified as local. The
20 changes being proposed will focus the
21 program on businesses that are
22 Philadelphia businesses in the truest
23 sense.

24 I thank Councilwoman Reynolds
25 Brown for introducing this bill to refine

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2 and focus the local business preference
3 certification requirements and for
4 working with the Administration to make
5 sure it can be implemented efficiently
6 and effectively. The Procurement
7 Department fully supports this bill. I
8 greatly appreciate the opportunity to
9 speak with you today in support of
10 efforts like this.

11 I'd be happy to answer any
12 questions that the members may have.

13 COUNCILMAN JONES: Thank you so
14 very much. A couple of questions. Has
15 this been vetted legally? Are we in
16 solid legal grounds to have a
17 Philadelphia preference?

18 COMMISSIONER DAY: Well,
19 there's an existing Philadelphia local
20 preference program. So I think the basis
21 for this is there.

22 COUNCILMAN JONES: As a
23 precedent.

24 COMMISSIONER DAY: Yes.

25 COUNCILMAN JONES: How would

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2 the certification process happen?

3 COMMISSIONER DAY: The
4 certification process?

5 COUNCILMAN JONES: Yes. At
6 what level -- so, for example, if I'm
7 Wawa, how do you determine whether or not
8 local or not local versus what we used to
9 have, Tastykake?

10 COMMISSIONER DAY: Right. So
11 there's requirements within the bill.
12 Businesses have to be in business for 18
13 months. They have to be valid with their
14 business taxes, licenses, et cetera. And
15 then once they meet the qualifications as
16 outlined in the bill, we would qualify
17 them or not qualify them as local.

18 COUNCILMAN JONES: Are you
19 going to do that with existing staff?

20 COMMISSIONER DAY: Yes.

21 COUNCILMAN JONES: Okay. How
22 much business do we do now and how would
23 that shift upon the passage of this bill
24 from outside of Philadelphia businesses
25 to local -- and you don't need to have an

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2 economic study. Just a guess.

3 COMMISSIONER DAY: So
4 generally, I mean, that's looking to the
5 future and sort of anticipating how this
6 bill is going to change a future award.
7 So I can't necessarily answer about
8 future. I can talk about --

9 COUNCILMAN JONES: Let me
10 rephrase it. How much business do we do
11 locally now versus companies that are
12 located outside of the City of
13 Philadelphia?

14 COMMISSIONER DAY: Okay. So
15 for Procurement contracts, we typically
16 average around 68 to 69 percent of our
17 contract dollar awards being awarded to
18 local businesses.

19 COUNCILMAN JONES: Okay.
20 Councilman Taubenberger.

21 COUNCILMAN TAUBENBERGER:
22 Question, you just brought it up. I'd
23 just like to know if you thought about
24 the answer. This probably will not
25 happen, this scenario that I'm about to

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2 give, but I'd like to ask the definition,
3 because that might happen. Wawa, for
4 example, would you consider them a local
5 business or not under the definition of
6 the bill?

7 COMMISSIONER DAY: Under the
8 definition of the bill? We have staff
9 that sort of look through the
10 application. So if they applied, we
11 would look at what they submitted for
12 their application, and if it met the
13 criteria, then we would find them as a
14 local business. If they didn't meet the
15 criteria, then we would not find them
16 certified as local business.

17 COUNCILMAN TAUBENBERGER:
18 Getting back to the Wawa scenario once
19 again. Probably will not happen. I
20 don't think we're going to buy hoagies in
21 any very large amounts, but because their
22 corporate headquarters is in
23 Pennsylvania, yet most of their -- many
24 of their operations are actually in
25 Philadelphia, with many, many

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2 Philadelphia residents working for them.

3 What are your thoughts on that, your
4 thoughts?

5 COMMISSIONER DAY: So my
6 understanding of this legislation is that
7 it takes a narrower view of sort of the
8 local business entity, but something like
9 a Wawa would likely fit within that
10 criteria. But, again, we'd have to look
11 at what they submitted and review that
12 and determine whether that's the case or
13 not.

14 COUNCILMAN TAUBENBERGER: Okay.
15 The next question I had would relate to
16 subcontractors, and if you could speak to
17 the requirements your office is
18 discussing currently with regard to
19 subcontracting.

20 COMMISSIONER DAY: Can you be
21 more specific?

22 COUNCILMAN TAUBENBERGER: Well,
23 many times a company will hire another
24 contractor to do a specific part of the
25 job. How do they fit into this

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2 definition of the law? Well, I guess the
3 key question is, must the subcontractor
4 apply?

5 COMMISSIONER DAY: So --

6 COUNCILMAN TAUBENBERGER: Or
7 does he get it under definition because
8 the contractor has it?

9 COMMISSIONER DAY: So like with
10 any contract, so the work must be done by
11 51 percent of the locally certified
12 company. So whether that's a prime
13 contractor or a subcontractor, that would
14 still apply.

15 COUNCILMAN TAUBENBERGER: Okay.
16 That answers my question at the moment.
17 I appreciate it.

18 Mr. Chairman, I am finished.

19 COUNCILMAN JONES: Thank you.

20 The Chair now recognizes
21 Councilman Domb.

22 COUNCILMAN DOMB: Thank you,
23 Mr. Chairman.

24 And good afternoon. Just a
25 quick question. I'm 100 percent in favor

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2 of buying everything in Philadelphia, but
3 here's one concern: If you have some
4 sort of a procurement for a service or a
5 product and there's only one company in
6 Philadelphia that qualifies and everyone
7 else is out of the City, how do we keep
8 the bidding competitive?

9 COMMISSIONER DAY: I think
10 that's a good question. You know, there
11 is -- I believe through the regulation,
12 there is a determination that the
13 Procurement Commissioner could waive the
14 LBE requirement. So I think that's
15 something that would come into this
16 scenario.

17 COUNCILMAN DOMB: It may not
18 happen, but I just want to make sure that
19 we have some sort of -- I don't want to
20 be paying a lot of money because one
21 company is in Philadelphia while we could
22 save money somewhere else dramatically.
23 All things being equal, I'd rather be in
24 Philadelphia, but I don't want to
25 overpay.

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2 COMMISSIONER DAY: Yes. I

3 agree.

4 COUNCILMAN DOMB: Okay. Thank

5 you.

6 COUNCILMAN JONES: Councilman

7 Green.

8 COUNCILMAN GREEN: Thank you,

9 Mr. Chair.

10 I just had a quick question. I

11 know the Procurement Department as well

12 as the Administration has gone through a

13 process of reevaluating how we do

14 procurement and looking at this concept

15 of best value. I'm just curious in

16 reference to the best value concept, how

17 does this new law impact that in any way?

18 Any comments you may offer.

19 COMMISSIONER DAY: I think

20 that's something that needs to be

21 determined. I mean, best value is not

22 currently a law, so I think that would

23 need to be included in the proposal for

24 the draft legislation.

25 COUNCILMAN GREEN: So you're

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2 saying going forward with the proposed
3 legislation regarding best value, we need
4 to incorporate this concept of a
5 local-based business enterprise that
6 Councilwoman Brown has submitted?

7 COMMISSIONER DAY: Yes.

8 COUNCILMAN GREEN: Okay.

9 COUNCILMAN JONES: Thank you,
10 Councilman.

11 The Chair recognizes Councilman
12 Oh.

13 COUNCILMAN OH: Thank you very
14 much, Mr. Chairman.

15 Two questions. You had just
16 mentioned a waiver, the Commissioner is
17 able to waive. Where is that in the
18 bill?

19 COMMISSIONER DAY: I believe
20 it's in the bill. If it's not in the
21 bill, I can look at it and get back to
22 you.

23 COUNCILMAN OH: Okay. Well,
24 I'm looking at the bill and I do see
25 something about waiving provisions. The

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2 bill is like three pages. Could you take
3 a look at it now and let me know, is
4 there a clause that allows the
5 Commissioner to waive the LBE or not?

6 COMMISSIONER DAY: So there are
7 accompanying regulations. So that may be
8 in the regulations, and I can send those
9 to you if you'd like.

10 COUNCILMAN OH: Okay. Because
11 from what I can tell, there can be a
12 written waiver of the provisions of
13 Section 19-506(2) to expressly authorize
14 the Revenue Department to share with the
15 Department all information in its
16 possession concerning the business
17 entity, including any information that
18 would otherwise be confidential. But in
19 answer to Councilman Domb's question in
20 terms of competitiveness and pricing, I
21 didn't see that there was -- and I might
22 have missed it. I didn't see that there
23 was a waiver in the legislation.

24 COMMISSIONER DAY: I don't see
25 it either.

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2 COUNCILMAN OH: Okay. In any
3 circumstances do you believe that the
4 bill, if passed, that somehow in the
5 regulations that the Commissioner would
6 be able to waive the preference?

7 COMMISSIONER DAY: I can send
8 you a copy of the current regulations.

9 COUNCILMAN OH: But this would
10 amend the regulations, right? I didn't
11 see anything about amending any waiver.
12 Do they waive now? Are there waivers
13 being issued now?

14 COMMISSIONER DAY: My
15 recollection is that there is an ability
16 to do that. It has not been -- to my
17 knowledge, the Procurement Commissioner
18 has not waived historically any bids
19 under that regulation.

20 COUNCILMAN OH: Okay. So could
21 I ask that you just provide that to the
22 Chairman, number one, can the
23 Commissioner waive the legislation?
24 Number two, under what circumstances?
25 Because that doesn't appear to be in the

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2 legislation, so it must be a reg or a
3 practice. And has the Commissioner ever
4 waived the -- you're saying no. So there
5 is an ability, I understand you're
6 saying. You may not be 100 percent
7 familiar. I certainly am not. But
8 you're saying you believe there is an
9 ability to waive, but historically it
10 hasn't been done. That's what I'm
11 getting so far.

12 COMMISSIONER DAY: Correct.

13 COUNCILMAN OH: Okay. So I'd
14 just like to know for my own sake if the
15 legislation is being waived or not, and
16 that will be very helpful.

17 COMMISSIONER DAY: Sure.

18 COUNCILMAN OH: The second
19 thing is, could you explain, because I
20 think I understand but I'm not 100
21 percent sure, Section 12, Certified
22 Subcontractors, that the Department,
23 through regulations, shall determine how
24 a certified LBE subcontractor makes a
25 prime contractor eligible for the LBE

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2 preference. At a minimum, the certified
3 subcontractor must perform at least half
4 of the value of the project or contract.

5 So it sounds like to me that if
6 we have a local contractor, we have a
7 non-local contractor who then brings on a
8 subcontractor to do 51 percent of the
9 work of the value of that contract, that
10 they are now eligible to compete with the
11 local contractor. And I can understand
12 why that is, but could you explain to me
13 what the thought process behind that.

14 COMMISSIONER DAY: I can't
15 explain the thought process behind the
16 current regulation because I wasn't in
17 place when that was created. So I can
18 explain it to you what my understanding
19 is.

20 So essentially, yes, if you
21 have a local contractor and you have a
22 non-local contractor who has a
23 subcontractor that is certified as an LBE
24 and they're performing more than 50
25 percent of the work, then, yes, the

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2 non-local contractor could be awarded the
3 LBE preference.

4 COUNCILMAN OH: Okay. So in
5 fairness, I know you didn't write this
6 legislation, but I think the Department
7 will interpret the legislation in its
8 regulations and its implementation, and
9 I'm just curious about how you read that.

10 Because, Mr. Chairman, what I'm
11 reading is that we have a legislation,
12 we're passing a law that gives a
13 preference to a local business, but a
14 non-local business can hire
15 subcontractors and be on equal footing.
16 I would think that an out-of-town
17 contractor or business would be
18 disadvantaged to the local business but
19 advantaged amongst others by the fact
20 that they hired local subcontractors, but
21 it seems to put them on equal footing.
22 Is that how you see this or not?

23 COMMISSIONER DAY: I mean,
24 you're still looking at the prices that
25 they're submitting. So they're on equal

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2 footing on the preference, if the
3 subcontractor is a certified local
4 subcontractor and the prime is a
5 certified local contractor.

6 COUNCILMAN OH: Yes, but if the
7 prime is not a certified local
8 contractor, then they are being put on
9 equal footing with the local contractor.

10 COMMISSIONER DAY: Yes, but you
11 still have to look at the pricing and to
12 see which vendor submitted the lowest
13 pricing.

14 COUNCILMAN OH: So then where
15 does LBE play a role in this?

16 COMMISSIONER DAY: It's just as
17 you described.

18 COUNCILMAN OH: It's a
19 preference.

20 COMMISSIONER DAY: Yes.

21 COUNCILMAN JONES: So is there
22 a percentage?

23 I'm sorry, Councilman.

24 COMMISSIONER DAY: So the
25 percentage is for anything under a

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2 million dollars, there's a 10 percent
3 percentage preference and over a million
4 dollars it's a 5 percent percentage
5 preference.

6 COUNCILMAN OH: So I'm just
7 going to explain that my concern comes
8 out of the fact that with our
9 women-owned, minority-owned businesses,
10 and persons with disabilities, there have
11 been a lot of complaints about waivers,
12 waiving different rules and/or
13 preferences and other things like that.
14 My concern is -- I understand why we're
15 giving a local preference, because the
16 folks are here, they pay rent, they pay
17 real estate taxes, they hire usually
18 local people, they contract, things like
19 that. And so we're trying to give them
20 an advantage in pricing. Is that a
21 serious advantage or is it just kind of
22 an optional thing that we may waive or
23 may not waive? In other words, is it a
24 solid benefit to the local business?

25 COMMISSIONER DAY: It is a

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2 solid benefit. I don't know of any time
3 that it's been waived.

4 COUNCILMAN OH: Okay. Thank
5 you very much.

6 COMMISSIONER DAY: Sure. I
7 also don't know of a scenario where the
8 subcontractor was a certified local
9 subcontractor and they were awarded the
10 work. So generally it's the prime
11 contractor that's being certified and
12 then they're being awarded the work.
13 There is regulation around that, but I've
14 never seen that scenario play out.

15 COUNCILMAN OH: I guess we'll
16 continue on and figure out how this
17 works. Thank you.

18 COMMISSIONER DAY: Sure.

19 COUNCILMAN JONES: On
20 Councilman Oh's line of thinking, million
21 dollar contract, do landscaping. In one
22 instance one of them is not headquartered
23 in Philadelphia. Let's say that's Home
24 Depot. And then the Three Stooges
25 General Contracting Company comes up.

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2 How do you -- so how much of a factor is
3 that? You still have the option to look
4 at quality.

5 COMMISSIONER DAY: We currently
6 don't. I mean, there's qualifications
7 within the bid. So long as both entities
8 meet those qualifications, then we're
9 looking at price and the preference
10 accompanied with that.

11 COUNCILMAN OH: Can I make a
12 point?

13 COUNCILMAN JONES: Yeah, on
14 your point.

15 COUNCILMAN OH: I'm sorry. So
16 I'd just like to in response to that, not
17 in response to your question, but simply
18 saying that it depends on how the bid is
19 written. So the higher the quality and
20 the higher the specification, then you
21 can certainly add in the quality to the
22 pricing. But if the bid is just low
23 bidder, without any specifications of the
24 quality or standards, then it's kind of
25 just whoever comes up.

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2 COMMISSIONER DAY: Absolutely.

3 COUNCILMAN JONES: So if we're

4 talking about pencils, that's one thing.

5 If we're talking about art and design,

6 you may write the RFQ or RFP or bid to

7 give greater weight to that --

8 COMMISSIONER DAY: Yes.

9 COUNCILMAN JONES: Okay. Got

10 it.

11 COMMISSIONER DAY: So there are

12 requirements within each bid. So at a

13 minimum, everybody that is considered for

14 award must meet the minimum

15 qualifications.

16 COUNCILMAN JONES: Got it.

17 Councilman, are you done?

18 COUNCILMAN OH: I'm done.

19 Thank you.

20 COUNCILMAN JONES: No problem.

21 The Chair recognizes Councilman

22 Green.

23 COUNCILMAN GREEN: Thank you,

24 Mr. Chair.

25 Just a quick question, Mr. Day.

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2 I wanted to follow up on your comments
3 about waiving, that you said there are
4 provisions to waive some of the
5 provisions, but from your experience,
6 that has not occurred.

7 COMMISSIONER DAY: That's
8 correct.

9 COUNCILMAN GREEN: Can you give
10 some context as to why that has not
11 occurred?

12 COMMISSIONER DAY: I don't --
13 having been in the job for nine months, I
14 can't speak to sort of prior to that. I
15 think we are looking at the quality of
16 the vendors and there may be a scenario
17 that has not come up to date where the
18 qualification is going to determine -- or
19 make a change in determination of award.
20 I mean, I can't exactly -- there's a
21 specific example that Councilman Domb
22 presented, but there hasn't been a
23 situation that's presented itself to me
24 to warrant that.

25 COUNCILMAN GREEN: So there

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2 basically would not, from your background
3 and understanding, there wouldn't be a
4 need to do a waiver.

5 COMMISSIONER DAY: There
6 wouldn't --

7 COUNCILMAN GREEN: There would
8 not be a need to do a waiver.

9 COMMISSIONER DAY: Yes. That's
10 correct.

11 COUNCILMAN JONES: Councilwoman
12 Parker.

13 COUNCILWOMAN PARKER: Yes.
14 Thank you, Mr. Chairman. I'll be very
15 brief.

16 I'm looking at your testimony,
17 and I appreciate the line, it says, No
18 longer could a larger business that
19 locates an office with a few employees in
20 Philadelphia be certified as local. And
21 one of my observations since becoming a
22 member of this body is that Philadelphia
23 has a ton of bills, rules, regs on the
24 books already, and sometimes the
25 challenge is with enforcement. So tell

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2 me, if you will -- and I read the
3 penalties that Councilwoman Reynolds
4 Brown has included in her legislation,
5 and I appreciate her taking the
6 leadership on this effort, but tell me,
7 if you will, about enforcement, our
8 ability to enforcement, the staffing that
9 goes into it, any costs, if you want to
10 make a note of those.

11 COMMISSIONER DAY: Okay. So
12 the Procurement Department has two or
13 three employees that have the ability to
14 inspect for local business preferences.
15 So that may be something as reviewing an
16 application and ensuring that it complies
17 with the regulation to doing site visits
18 and they're not -- we don't call the
19 businesses up and say, Hey, we're coming
20 out at this time, this date, this time.
21 It's a spot check, random, to ensure that
22 they're operating a business at their
23 location.

24 COUNCILWOMAN PARKER: So when
25 you're trying to enforce sort of other

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2 bills that we have enacted into law, tell
3 me, if you will, what would be the ratio
4 like? Like how many of these inspections
5 could one employee do? That's what I'm
6 trying to see. What's the workload or
7 the caseload like?

8 COMMISSIONER DAY: They're not
9 just handling this.

10 COUNCILWOMAN PARKER: Right.
11 And they're doing other things, right.

12 COMMISSIONER DAY: Right.
13 Yeah. Yeah.

14 So let me continue with sort of
15 an explanation. So the changes in
16 legislation -- and we've talked with
17 Councilwoman Reynolds Brown and her
18 office -- really aligns with information
19 that businesses are ready and annually
20 sort of report. So it makes compliance
21 an easier thing to do, because
22 essentially this legislation will sort of
23 mimic information that they're already
24 providing to the Revenue Department.

25 COUNCILWOMAN PARKER: No; I

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2 think that's great, and I just really
3 wanted to hear you say on the record that
4 from an administrative capacity, you
5 don't see any challenges facing the
6 Department as it relates to enforcement.

7 COMMISSIONER DAY: Not
8 currently, but, you know, again, when
9 this gets ruled out and if there are an
10 interpretation or regulations get created
11 and things change, that could change.

12 COUNCILWOMAN PARKER: Thank
13 you, Mr. Chair.

14 COUNCILMAN JONES: Councilwoman
15 Parker, just for the record, we are a
16 litigious city, so we don't need a real
17 reason to sue about anything. So they
18 get sued a great many times on bid
19 outcomes often.

20 Right?

21 COMMISSIONER DAY: Yeah. We
22 get challenges quite frequently.

23 COUNCILWOMAN PARKER: And I
24 just wanted to say for the record,
25 Mr. Chairman, and I agree with you

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2 wholeheartedly, but when we went through
3 our MBE/WBE hearings early on, the
4 challenge for us was enforcement and it
5 was the capacity of the City to have the
6 staffing necessary to check on those
7 issues. So that's why that's always
8 something that's going to sort of come to
9 mind for me.

10 COUNCILMAN JONES: You're
11 right. If there's a law and no
12 enforcement, is there really a law.

13 COUNCILWOMAN PARKER: Right.

14 COUNCILMAN JONES: Councilman
15 Domb.

16 COUNCILMAN DOMB: Thank you,
17 Mr. Chairman.

18 Just to follow up on my
19 question earlier. In the spirit of the
20 bill, which is a good bill, and amendment
21 to the bill, would it make sense -- when
22 you only have that one bidder, that
23 usually means that the bid proposal is
24 too stringent, I would think. So would
25 it make sense in the case when you have

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2 one that we ask you to rebid it,
3 relooking at the specs and trying to
4 bring more people to the table so we can
5 get the best possible price?

6 COMMISSIONER DAY: We can
7 always rebid and try and source more
8 competition. Absolutely.

9 COUNCILMAN DOMB: Is that
10 covered in this?

11 COMMISSIONER DAY: It's not a
12 discretion of this bill. That's a policy
13 that -- the City always has the policy of
14 rebidding the items that we've put out
15 for bid.

16 COUNCILMAN DOMB: Okay. Thank
17 you.

18 COUNCILMAN JONES: Councilman
19 Taubenberger.

20 COUNCILMAN TAUBENBERGER: Just
21 to follow up with that scenario that
22 Councilman Domb has just given. How
23 often -- with the exact scenario that he
24 had asked, how often does that happen,
25 that a matter is rebid?

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2 COMMISSIONER DAY: I have
3 conversations about that relatively
4 regularly, and there's decisions to rebid
5 or not rebid, and part of it is how
6 quickly do we need the contract in place,
7 what's the price increase from one year
8 over the last contract. There's a
9 variety of issues that come into play.

10 COUNCILMAN TAUBENBERGER: Okay.
11 That's your methodology, but what would
12 the number be approximately? I'm not
13 going to nail you for one.

14 COMMISSIONER DAY: So there's
15 different reasons for rebidding. And so
16 we may make an award off of the original
17 bid and then there may be a section of
18 the bid that we didn't award and then
19 we'll rebid that section. So it's hard
20 to -- I would guess 30 percent, something
21 like that.

22 COUNCILMAN TAUBENBERGER: A
23 guess would be fine with me. Okay. I
24 get it. Okay.

25 Mr. Chairman, thank you.

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2 COUNCILMAN JONES: You're
3 welcome.

4 The Chair also recognizes the
5 presence of Councilwoman Helen Gym.
6 Would you like to -- do you have any
7 questions?

8 COUNCILWOMAN GYM: No.

9 COUNCILMAN JONES: Very good.

10 So if there are no more
11 questions for this panel, Ms. Williams,
12 would you read the names of the next
13 witnesses to testify.

14 THE CLERK: The next panel of
15 witnesses to testify on this bill will be
16 Steven Scott Bradley, Saleem Chapman,
17 Hanford Jones, and Reverend Holston.

18 COUNCILMAN JONES: Please
19 approach the witness table. Thank you
20 for your patience. If you have written
21 testimony, would you please provide it.

22 (Witnesses approached witness
23 table.)

24 COUNCILMAN JONES: Have a seat,
25 pull the mics to you, state your name for

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2 the record and begin your testimony.

3 MR. JONES: Mr. Bailey's name
4 was called first, but I'll go. My name
5 is Hanford Jones, retired from the
6 Minority Business Enterprise Council.

7 On the spirit of this bill,
8 Councilman Jones and members of the
9 Committee, on the spirit overall of the
10 bill, I would support it. However, I
11 would really like to see this same
12 concentrated effort that the Council is
13 using to support people who already had
14 100 percent of the marketplace. This
15 just solidified them keeping that by
16 having the 191 zip code.

17 AP and JPC are my boys. I know
18 the Petrongolo family real well. They
19 came to my mom's funeral. But every one
20 of they trucks got New Jersey tags on
21 them, every one of them, and they're a
22 LBE. So what's the purpose? You get
23 your trucks' tags from where you really
24 from. They don't have Pennsylvania tags
25 on they trucks. Every piece of their

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2 equipment got New Jersey, but they're
3 LBE.

4 So I would hope that this
5 Council takes very seriously the point
6 that this bill as long as it's been in
7 law and this addition to the LBE that's
8 been the law hasn't helped a black firm
9 be a prime at all. Minorities? Maybe,
10 yes. Females? Absolutely. Non-minority
11 females. But black business people,
12 trust me, check the records, I read this
13 stuff and eat it. No black person has
14 been helped by this 10 percent
15 preference. You got to bid as a prime,
16 number one, and we're not bidding as a
17 prime, because the marketplace is stacked
18 with people who have had these jobs
19 forever, and we're not going to waste
20 time trying to bid against a guy whose
21 won the same job 40 times already.

22 So please consider having a
23 very similar bill especially for those
24 people who rode on the back of the bus.
25 I ain't that old. I can remember those

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2 days. And more people are winning off of
3 LBE who rode in the front of the bus. So
4 where are we with this economic
5 development inclusion if the people who
6 had the advantage sitting on the front of
7 the bus still have the advantage going to
8 the back off of work with the City? It's
9 not fair, but it can be if you make it
10 for blacks and other minorities, same
11 preference.

12 Right now I can't go to Prince
13 George's County, Maryland as a certified
14 firm. I can't go to Montgomery County,
15 Maryland as a certified minority
16 business, because they have a restriction
17 that you have to have a zip code in
18 Prince George's County, Maryland or in
19 Baltimore City, Maryland or in Montgomery
20 County, Maryland. That's where I came
21 from in terms of my knowledge about this
22 industry back in '77.

23 So other jurisdictions in
24 America on the East Coast are restricting
25 blacks and minorities from competing in

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2 their jurisdictions because they have a
3 local preference, minority business local
4 preference. And we need to look at
5 something like that, not at the
6 subcontractor level but at the prime
7 contracting level. Please consider it.
8 It is mostly -- it is deeply needed.

9 We're not getting no work as
10 primes, and this local preference for
11 MBEs in particular, blacks in particular,
12 would be a big help changing the
13 environment of who this City government
14 pays checks to for work completed. We're
15 getting paid by the majority people.
16 We're not getting paid by the City. You
17 got to be a prime contractor. Well, 90
18 percent of all blacks who are getting
19 work on a City contract, 99 percent, are
20 as subcontractors.

21 Please let's up our game and
22 allow for a bill like this to be
23 instituted for black businesses and
24 minority businesses and women businesses.

25 Thank you.

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2 COUNCILMAN JONES: Thank you,
3 Mr. Jones. And we're going to ask the
4 Procurement Commissioner to provide the
5 Chair, not at this point but before we do
6 final passage, how many minority, female,
7 disadvantaged firms have taken advantage
8 of the local preference that is currently
9 on the books so that we can measure that
10 to see how it translates to those
11 communities. Thank you.

12 MR. CHAPMAN: Good afternoon.
13 My name is -- thank you for the
14 opportunity to address you today. My
15 name is Saleem Chapman.

16 COUNCILMAN JONES: Can you pull
17 that closer, sir.

18 MR. CHAPMAN: And I am the
19 Policy and Advocacy Manager at the
20 Sustainable Business Network of Greater
21 Philadelphia, or SBN. SBN is a
22 non-profit member organization for
23 locally owned businesses committed not
24 just to profit but to making a positive
25 social and environmental impact through

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2 their business. Our mission is to create
3 an economy in the Philadelphia region
4 that is based on those same principles,
5 one that is locally based, socially
6 equitable, and environmentally
7 sustainable.

8 I am here today to speak in
9 support of Bill No. 160709. As presently
10 constituted, the local business entity,
11 or LBE, is not achieving its objectives.
12 Less than 15 percent of registered LBEs
13 have their principal place of business in
14 Philadelphia. Streamlining the LBE
15 certification process will better
16 position local businesses to compete for
17 City funding projects.

18 Buying close to home is more
19 than a feel-good measure. Research has
20 well documented that spending done
21 locally generates a greater economic
22 return versus absentee ownership. Local
23 businesses recirculate money in the
24 community through City taxes, wages, and
25 the purchase of goods and services from

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2 other local businesses.

3 This multiplier effect has a
4 tremendous impact on employment outcomes.
5 Small local businesses are the largest
6 employer nationally and locally. In
7 Philadelphia, locally owned businesses
8 create more than six out of ten jobs, and
9 just SBN members alone are creating more
10 than 4,000 workers in the region.

11 Nationally if local independent
12 businesses retain their 1990 market
13 share, it would create 200,000 new small
14 businesses, generating nearly 300 billion
15 in revenue and employ more than 1.6
16 million workers.

17 This economic analysis belies
18 the reality that the Philadelphia economy
19 will continue to lag because too little
20 money is being spent -- not because too
21 little money is being spent, but as a
22 result of where that money is being
23 directed. In a city that is majority
24 minority, in a city with high poverty,
25 unemployment, low median household wage,

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2 and vast depths in wealth, the economy
3 cannot reach its full and true potential
4 unless minority, women, and
5 disabled-owned businesses are reaching
6 their full and true potential.

7 Jobs and business creation
8 through entrepreneurship has the greatest
9 potential to revitalize these distressed
10 communities. Minority-owned and
11 disabled-owned businesses continue to be
12 the engine of employment for
13 socioeconomically challenged populations,
14 particularly those locked out of
15 traditional job opportunities. The
16 importance of entrepreneurship in
17 distressed communities make investing in
18 minority, women, and disabled-owned
19 business vital to the City's continued
20 economic resurgence.

21 Procurement offers an
22 opportunity to close the economic loop
23 and spread the wealth among entrepreneurs
24 who better represent the demographics of
25 our city. Significant barriers, however,

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2 still confront the ability of minority,
3 women, and disabled-owned businesses to
4 gain a fair share of contracts with the
5 City and limit their inclusion in the
6 local economy. I want to note that the
7 disparity ratio is on an upward tick.
8 This ratio compares to utilization of
9 minority, women, and disabled-owned
10 businesses on City contracts to the
11 availability. An overall ratio of less
12 than one percent means that we are not
13 using minority, women, and disabled-owned
14 businesses in parity with their
15 availability.

16 The City must spend money in
17 ways that matter, in ways that address
18 complex and longstanding needs. An
19 effective LBE certification, coupled with
20 the efforts of the Office of Economic
21 Opportunity, will be a powerful tool to
22 increase diversity among City vendors.

23 While SBN applauds this effort
24 to improve the LBE certification, we
25 consider it one of several critical

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2 improvements needed to increase small
3 business participation in the procurement
4 process.

5 Thank you for the opportunity
6 to appear before this Committee, and I
7 would look forward to answering any
8 questions you may have.

9 COUNCILMAN JONES: Thank you
10 for your testimony. Stick around. We're
11 going to ask questions, but we'd like the
12 whole panel to submit their testimony
13 before we begin.

14 REVEREND HOLSTON: Thank you,
15 Councilman Jones and all Councilpeople of
16 this Commerce Committee. My name is
17 Reverend Gregory Holston. I am the
18 Pastor of New Vision Church here in Broad
19 and Westmoreland Streets in Philadelphia.
20 I'm also the Co-Chair of POWER's Economic
21 Dignity Team. POWER is Philadelphians
22 Organized to Witness, Empower, and
23 Rebuild, representing 50-plus houses of
24 faith across the City of Philadelphia,
25 representing about 50,000 individuals.

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2 I guess the questions and
3 statement I'd like to make really is
4 around how this bill effectively deals
5 with the 26.3 percent of people in the
6 City of Philadelphia that live in
7 poverty. How does it directly affect and
8 move people in some of our zip codes
9 which are now -- some have 50 to 60
10 percent of the people unemployed and with
11 a 50 to 60 percent poverty rate,
12 particularly in the community that I
13 pastor in, 19140, which has those levels
14 of poverty.

15 How does this bill with 12.3
16 percent of the people in the City of
17 Philadelphia in deep poverty, 185,000
18 people living in deep poverty, for an
19 individual making \$5,500 less -- \$5,500 a
20 year, a little more than \$100 a week, how
21 this bill will transform and change their
22 lives.

23 I'm unclear exactly how it
24 happens. I believe and I support the
25 bill in spirit, but I don't understand

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2 how it exactly does that. So let me give
3 you one possible way, if it's not already
4 in the bill, and I might have missed it.

5 The way you guys, the Council,
6 City Council, has addressed contracted
7 workers and subcontracted workers by
8 demanding anybody who deals business with
9 the City of Philadelphia to pay
10 contracting and subcontracting workers at
11 least \$12 an hour is the way you have
12 addressed the issue in contracts. Do we
13 do the same thing in procurement? Do we
14 say to the people who buy from the City,
15 do we say, That company, you must pay
16 your workers \$12 an hour if you want to
17 buy from the City of Philadelphia? If we
18 don't do that, I would suggest by the
19 leverage and power of the procurement
20 process and simply the weight of all of
21 the procurement we do, we could
22 significantly move the citizens of
23 Philadelphia to a higher wage through
24 this process and really directly
25 transform and change the lives of people

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2 locked in poverty each day in the City of
3 Philadelphia.

4 So I put that out more as a
5 question, because I didn't see it and I
6 might have missed it, because I'm not
7 good at reading bills, but I just really
8 wanted to hear your thoughts on that.

9 COUNCILMAN JONES: Pastor, you
10 didn't miss it. It isn't in there. So
11 one of the things that -- and I'm not the
12 author of this legislation, but speaking
13 to the spirit of what I believe the
14 intentions are, that you almost have to
15 do a little at a time. And what do I
16 mean by that? So we did the airport.

17 REVEREND HOLSTON: And thank
18 you guys for that. Appreciate that.

19 COUNCILMAN JONES: We brought
20 it up to 12. We're now looking at 15.
21 We're looking at subcontractors. Former
22 Councilman Goode looked at the loophole
23 of non-profits, closed that loophole,
24 make sure that under participation that
25 they would be a part and held

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2 accountable, because a lot of our
3 money -- so you can't take it in a big
4 gulp. We take individual pieces. So we
5 don't want to overreach, because once you
6 do, you misstep and sometimes you wind up
7 getting challenges and stuff. But as I
8 hear from the City Solicitor's folk who
9 have talked to the -- that we're on solid
10 ground with this.

11 And so you raise an interesting
12 point about the subcontractors, but if
13 somebody sells us this pencil and they're
14 from Peru, how do we -- so we want the
15 local preference to be Bic, or whoever
16 makes pencils these days, to be local so
17 that it is within our bailiwick. But a
18 lot of our commodities don't come from
19 here.

20 REVEREND HOLSTON: I would just
21 simply say I believe in the local piece.
22 I like the local piece. I want to see
23 local companies be able to have the
24 opportunity and the preference in the
25 City of Philadelphia to buy from the

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2 City -- or to sell to the City. But if
3 they're right here, why can't we simply
4 say, Okay, are you paying your workers
5 \$12 an hour? I mean, they're right here
6 in the City.

7 COUNCILMAN JONES: Right.

8 REVEREND HOLSTON: If they're
9 right here, are you doing that? And to
10 buy from -- I mean to sell to the City,
11 to sell to the City, we mandate that you
12 pay your worker that or you go somewhere
13 else and you just simply don't sell to
14 the City.

15 COUNCILMAN JONES: The Mayor
16 just signed into law, Councilwoman right
17 there, a bill to raise the rates to \$15
18 an hour. Wasn't that signed already,
19 Councilwoman?

20 REVEREND HOLSTON: Yeah;
21 correct me if I'm wrong.

22 COUNCILWOMAN GYM: Thank you
23 very much, Councilman.

24 COUNCILMAN JONES: Is it 13?

25 COUNCILWOMAN GYM: Well, it's

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2 prevailing wage, which varies across
3 industry and per job, but what it does
4 is, it has targeted industries. So it's
5 the largest institutions that aren't
6 currently covered by the existing
7 prevailing wage laws. So it's limited to
8 hospitals, universities, airports, ports,
9 stadium and convention center. But I
10 think what Reverend Holston is asking for
11 is something significantly broader around
12 subcontracting for anyone who receives
13 contracts through Procurement, and my
14 understanding was I thought that the
15 prevailing wage might -- I mean, I know
16 it applies to the airport workers, but I
17 would probably have to defer to other
18 experts.

19 COUNCILMAN JONES: So we'll
20 take a look at your suggestion, and as we
21 find loopholes, we try to close them and
22 want to work with you to do that.

23 REVEREND HOLSTON: Thank you so
24 much. Appreciate it.

25 COUNCILMAN JONES: No problem.

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2 Are there questions for this
3 panel?

4 (No response.)

5 COUNCILMAN JONES: Seeing none,
6 thank you for your testimony.

7 Are there any other witnesses
8 to testify on this?

9 (Witness approached witness
10 table.)

11 MR. ALI: Thank you,
12 Councilman.

13 COUNCILMAN JONES: State your
14 name.

15 MR. ALI: Thank you,
16 Mr. Chairman and members of this
17 Committee. My name is Jihad Ali. I'm
18 here to testify in support of Bill
19 160709. I would just like to give you my
20 experience in dealing with the local
21 business enterprise, the local business
22 designation.

23 You know, when the Procurement
24 Commissioner testified, he's speaking
25 from his department, because if you look

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2 at the Redevelopment Authority, the
3 Redevelopment Authority deals mainly with
4 developers and subcontractors. And
5 through the work of this Council and
6 particularly Councilman Goode,
7 Councilwoman Jannie Blackwell, we passed
8 a bill in 2010 called 1029-AA, which
9 required the Office of Housing and
10 Community Development to disclose how
11 they were utilizing their -- awarding
12 their contracts and utilization of MBEs,
13 WBEs. So one of the things -- so since
14 2010, we get these reports on an annual
15 basis, and one of the things that's
16 revealed in these reports -- keep in mind
17 the Redevelopment Authority normally lets
18 \$300 million in contracts. So for the
19 past five years, they have spent \$1.5
20 billion. And I would tell you today if
21 you look at their reports and the
22 utilization of local businesses, it is a
23 loophole, and it becomes a loophole to
24 sidestep the MBE requirement. Because if
25 you look at the Redevelopment Authority

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2 and the Office of Housing and Community
3 Development, developers will anecdotally
4 let firms signify themselves as LBEs.

5 And so somewhere along the line -- I know
6 Ms. Harper is new, but the other Director
7 of Office of Economic Development, they
8 certainly dropped the ball, because the
9 Department has representatives mainly in
10 every department. So it's almost ironic
11 that they would be allowing this when
12 it's clearly contradictory to the law.
13 So we would need to tighten that up.

14 And then when you keep in
15 mind -- you know, you're talking about
16 all these departments, and if the
17 Procurement Commissioner has a
18 regulation, you can believe the majority
19 contractors, who are the guys making
20 anywhere from \$20 an hour to \$150 an hour
21 with their employees, they are looking
22 for loopholes. And what really concerned
23 me about this bill is the language,
24 because from all my history coming down
25 here in Council, I know the most

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2 important language is "shall," "may not"
3 in the bills. So in this section in
4 Section 3(b), I'm concerned that where it
5 says the Commissioner shall certify a
6 business. Does the business have to have
7 everything in that section down to
8 Section C before he goes to one of the
9 three of the following? That's something
10 I would like you to look at.

11 And the other thing in the
12 Penalties section, under the current
13 bill, under the Penalties section of this
14 bill as it is now, it says the business
15 entity that fails to continuously satisfy
16 the requirements set forth will be
17 ineligible to receive a bid. Why can't
18 we -- I would suggest that we strike that
19 word "continuously" and just leave it
20 that fails to satisfy the requirements of
21 the bill, because if it's continuously,
22 we've already given them a green light to
23 keep doing it, and it could be a bill for
24 \$100 million. They don't need to do it
25 again. They've already gotten us.

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2 So thank you for allowing me to
3 put that on the record, but I think as
4 Councilman Oh said, you have to expect
5 loopholes to be in this. In the example
6 that they talked about, from my
7 understanding of development and
8 contracting, if a subcontractor is doing
9 50 percent or 51 percent, he's a joint
10 venture partner. So you can see how that
11 will play out as Procurement starts
12 awarding bids.

13 Then another thing, when we
14 have to -- we can't have bids coming
15 in -- I was surprised to see the
16 Procurement Director here along with OEO,
17 because all the bids -- I regularly read
18 all those bids. I see bid after bid.
19 MBEs are zero, zero, zero. How are they
20 awarding this stuff? If we have so many
21 requirements for MBE/WBE participation,
22 what are they awarding it from?

23 The other panel, Hanford Jones,
24 he talked about the Petrongolo family.
25 Well, the Petrongolo family has a line of

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2 credit of \$500 million. They have three
3 firms, AP, JPC Group, and PCI. They
4 dominate everything, and regularly you
5 see their -- their MBE in local business
6 are trucking firms, somebody that tow the
7 trucks. We don't see participation on
8 the trades.

9 So those are the things that I
10 think that this panel, you need to be
11 able to look at and make sure that we
12 close the loopholes.

13 Thank you for allowing me to
14 testify.

15 COUNCILMAN JONES: Thank you,
16 Mr. Ali, for your testimony, and we're
17 looking hard at the word "continuously"
18 at this point.

19 MR. ALI: Thank you.

20 COUNCILMAN JONES: Thank you,
21 sir.

22 Are there any others to testify
23 on this bill?

24 (No response.)

25 COUNCILMAN JONES: Seeing none,

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2 we would like to take a brief recess into
3 the public meeting for Bill No. 160709.

4 We will briefly recess the
5 public hearing, go into our public
6 meeting to consider an action to be taken
7 on Bill No. 160709.

8 The public meeting and motion
9 for this bill, the Chair recognizes
10 Councilwoman Parker for a motion on Bill
11 No. 160709.

12 COUNCILWOMAN PARKER: Thank
13 you, Mr. Chairman. I move that Bill No.
14 160709 be reported from this Committee
15 with a favorable recommendation and
16 further move that the rules of Council be
17 suspended to permit first reading of this
18 bill at the next session of Council.

19 (Duly seconded.)

20 COUNCILMAN JONES: It has been
21 moved and properly seconded that Bill No.
22 160709 be reported from this Committee
23 with a favorable recommendation and
24 further moved that the rules of Council
25 be suspended to permit first reading of

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2 this bill at our next session of Council.

3 All those in favor will signify
4 by saying aye.

5 (Aye.)

6 COUNCILMAN JONES: All those
7 opposed?

8 (No response.)

9 COUNCILMAN JONES: The ayes
10 have it and the motion carries. Bill No.
11 160709 will be reported from this
12 Committee with a favorable
13 recommendation, with a request that the
14 rules of Council be suspended to permit
15 first reading at our next session of
16 Council.

17 This ends the meeting and we
18 will reconvene our public hearing.

19 Will the Clerk please read the
20 title of the next bill.

21 THE CLERK: Resolution No.
22 160701, a resolution authorizing the
23 Committee on Commerce and Economic
24 Development to hold hearings regarding
25 the development of co-ops in the City of

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2 Philadelphia and initiatives to support
3 their growth.

4 COUNCILMAN JONES: Thank you,
5 Ms. Williams.

6 Will the author of the bill
7 offer opening remarks.

8 COUNCILMAN GREEN: Thank you,
9 Mr. Chair.

10 When I decided to run for City
11 Council, I often talked about how poverty
12 is the number one issue here in the City
13 of Philadelphia, and one of the best ways
14 to address poverty is entrepreneurship.
15 But entrepreneurship is not just starting
16 a business and you keeping profits. You
17 can also be an entrepreneur in the social
18 perspective, and that's why I look at
19 co-ops, which are organizations where
20 people come together that are jointly
21 owned and work collectively to share the
22 benefits, not for themselves but with
23 others.

24 And so I look at cooperatives
25 and co-ops as a great opportunity to

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2 address poverty here in the City of
3 Philadelphia, because not every person
4 has their own resource to start a
5 business, but may need some help from
6 other people. I mean, we live here in
7 the City of Philadelphia, in the
8 Commonwealth of Pennsylvania, and when
9 you look at that word "commonwealth,"
10 you're talking about the greater good.
11 And wealth is also how we have riches,
12 but how do we benefit those riches to all
13 people in our city? So I look at
14 cooperatives as that type of enterprise.

15 And when I think about this
16 hearing and some of the genesis of this
17 hearing, it brought back to this spring
18 when myself and Councilwoman Gym had a
19 chance to go to PACA at their conference
20 at Temple University to talk about co-ops
21 and give some of the personal stories
22 that we both had with cooperatives. And
23 for me, I didn't really realize that
24 co-ops had been part of my family since
25 before I was born. In 1938, my

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2 grandfather was able to purchase a farm
3 outside of Greenville, North Carolina
4 between Ayden and Grifton, and at that
5 time, it was very difficult for black
6 children to go to school, because they
7 had to work the farm in the morning and
8 by the time they finished working the
9 farm, they couldn't walk to school. So
10 my grandfather, with other black farmers
11 in the community, were able to pool
12 resources together to purchase a bus so
13 that their children go to South Ayden
14 colored school.

15 So that's really my first
16 experience with co-ops. And then when I
17 flash forward about 65 years later, I
18 live in Mount Airy and my son attended
19 Childspace, which is a co-op. I see
20 Childspace raising their hand. So while
21 my son was at Childspace, the Director of
22 Childspace at that time on Germantown
23 Avenue, Edie, said, Derek, Sheila, I
24 think there's something that you may want
25 to look into in reference to Julian, that

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2 he may be on the autism spectrum. And it
3 was because of her thoughts and by her
4 being a trained caregiver that we were
5 able to get my son diagnosed and found
6 out he was autistic, and now he's in high
7 school at this point.

8 So when I look at co-ops, it's
9 not just an opportunity to provide people
10 a way to get out of poverty. It's also
11 going to help people get an education and
12 also, flash forward now, help families
13 who are dealing with all kinds of issues
14 and diseases like autism.

15 So I think co-ops are a very
16 important aspect. I think this hearing
17 is very important, so we can talk about
18 what the City of Philadelphia can do to
19 help cooperatives do more in the City of
20 Philadelphia to help raise people up out
21 of poverty and we can work collectively
22 for our common good.

23 COUNCILMAN JONES: Well, thank
24 you, Councilman Green --

25 (Applause.)

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2 COUNCILMAN JONES: -- for
3 raising the issue of this ability to
4 really pool resources and change lives.

5 So, Ms. Williams, can you
6 please read the name of the witnesses to
7 testify.

8 Councilwoman. I'm sorry.

9 COUNCILWOMAN GYM: Thank you so
10 much. No. I was just also wanting to
11 say thank you to the Committee on
12 Commerce and Economic Development and
13 especially to the co-sponsors of the
14 resolution to really open up the
15 hearings.

16 I just wanted to echo
17 Councilman Green's extremely eloquent
18 statements about the role of co-ops and
19 in particular about the diversity of
20 co-ops that we have here today. They
21 represent all different sectors of our
22 communities, society, and our economy,
23 all of our neighborhoods. And, you know,
24 to some extent, I think many of them came
25 together through recognition of urgent

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2 social and community-based needs and
3 often come together through social
4 enterprise and networks that really
5 pulled together, but as they have
6 continued to grow and develop and to some
7 extent as our attention has for too long
8 moved away from some of the more creative
9 ways in which communities are adjusting
10 to significant need that is not
11 necessarily being noticed or met by
12 larger enterprises, the co-ops are
13 increasingly becoming important and a
14 foundational economic venture for the
15 City. And I do want to echo Councilman
16 Green that this is an enormously valuable
17 hearing that will help us understand what
18 it is that co-ops need in order to be
19 fully supported and the resources that
20 they need in order to really thrive.

21 So thank you very much.

22 COUNCILMAN JONES: Thank you,
23 Councilwoman.

24 (Applause.)

25 COUNCILMAN JONES: The best

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2 part of this job is learning from other
3 colleagues on areas of interest that they
4 are passionate about.

5 So, Ms. Williams, can you read
6 the names of the witnesses to testify.

7 THE CLERK: The first panel of
8 witnesses will be Peter Frank, Sam
9 Rhoads, Donna Nuccio, and Karen Fegely.

10 (Witnesses approached witness
11 table.)

12 COUNCILMAN JONES: Thank you
13 all for your patience, and I see you
14 brought a few friends, who have been
15 patiently waiting. So would you make
16 sure you bring the mic to you. Good
17 afternoon. State your name for the
18 record and we can begin testimony.

19 MR. FRANK: Good afternoon. My
20 name is Peter Frank and I'm the Executive
21 Director of the Philadelphia Area
22 Cooperative Alliance. Thank you,
23 Chairman Jones and the members of the
24 Commerce and Economic Development
25 Committee, for this incredible

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2 opportunity to testify on the benefits of
3 cooperatives in Philadelphia.

4 My organization, PACA,
5 represents existing cooperative
6 businesses throughout Philadelphia and
7 supports the development of new
8 cooperative businesses ranging from small
9 neighborhood preschools to worker co-ops
10 in industries that typically have low pay
11 and difficult working conditions, to food
12 co-ops that anchor commercial corridors,
13 to housing co-ops and credit unions as
14 well.

15 There are over 170 co-op
16 businesses in the Philadelphia area, with
17 at least two in every councilmanic
18 district. PACA works directly with 20
19 existing co-ops that operate in
20 Philadelphia whose combined membership is
21 over 16,000 and growing by about 16
22 percent a year. Their combined payroll
23 and benefits is over \$15 million per
24 year, and that number is also growing.
25 We are also working with 24 start-up

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2 co-ops in the City and building a
3 pipeline of future co-op entrepreneurs.

4 There are many community
5 benefits for co-ops. They provide access
6 to essential services when other
7 businesses are unable or unwilling to
8 serve their communities. They build
9 community wealth for low-income
10 communities. They address social issues
11 and have a mission beyond the services
12 they provide. But they don't rely on
13 charity to serve their communities. The
14 business is the engine that fuels the
15 social purpose for which they exist.

16 What unites all co-ops is that
17 they are community owned and controlled.
18 Community ownership of cooperative
19 businesses ensures that they survive and
20 thrive for generations by staying
21 relevant to the needs of the communities.

22 We're here to share real
23 examples of how co-ops are already
24 serving Philadelphia, how co-ops are
25 forming to serve the needs of immigrants,

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2 returning citizens, and low-income
3 communities of color. You'll hear from
4 Mexicon, an immigrant-owned construction
5 company here in Philadelphia. You'll
6 hear from Childspace, a worker co-op day
7 care business with three locations in
8 West and Northwest Philadelphia. You'll
9 also hear from Weavers Way co-op, a food
10 co-op that has vitally served their
11 Northwest Philadelphia community for
12 decades.

13 We're also here to share some
14 examples of how other cities are
15 effectively investing in co-ops. Our ask
16 to support -- for support from the City
17 is based on emerging best practices from
18 these other cities.

19 The potential for growth is
20 huge. In the last couple of years, we
21 have seen significant interest from
22 people looking to start a co-op to
23 address a community need or societal
24 issue. Unfortunately, there are
25 inadequate resources available to support

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2 these co-op entrepreneurs. PACA is doing
3 our best to serve them, but the demand is
4 much greater than what we and other local
5 co-op business developers can offer.

6 I also want to acknowledge that
7 existing City programs for small business
8 development have supported some co-ops in
9 Philadelphia, which you'll hear about in
10 a moment. These kinds of supports that
11 we are asking for are complementary to
12 what is already available to all small
13 businesses in Philadelphia and is
14 targeted at what we know holds people
15 back from opening co-op businesses in
16 their communities.

17 Specifically, we are seeking up
18 to \$2 million a year over a five-year
19 period to fund technical assistance for
20 start-ups and expanding co-ops, educate
21 business owners about the potential to
22 sell their business to their workers as a
23 succession plan for retirement, and to
24 create a revolving loan fund that can
25 fill the gap in financing that is

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2 available to co-ops. We're also
3 interested in exploring procurement
4 opportunities for co-ops from the City as
5 well as other anchor institutions like
6 hospitals and universities.

7 Funds for technical assistance
8 would be particularly focused on
9 immigrant populations, returning
10 citizens, and communities of color and
11 low-wealth communities. The co-ops would
12 be provided with free or low-cost support
13 for the development of business plans,
14 feasibility studies, market studies,
15 capitalization plans, corporation
16 documents, and legal fees, including --
17 and also leadership training, project
18 management, and unique co-op governance
19 training.

20 Profitable businesses close
21 every year because retiring business
22 owners fail to adequately plan for the
23 future ownership of their businesses.
24 These businesses could be sold to their
25 employees by forming a worker cooperative

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2 or an employee stock ownership plan.

3 This ensures that jobs are retained and
4 that the businesses continue to operate
5 here in Philadelphia.

6 We are seeking to establish a
7 low-interest revolving loan fund
8 dedicated to co-op start-ups for people
9 who are typically excluded from access to
10 finance. This will require technical
11 assistance to be part of the lending
12 process, which is necessary to assure
13 that proper planning needed for the
14 success of the co-op is made available.

15 We look forward to working with
16 City Council and the City agencies to
17 invest in Philadelphia's neighborhoods
18 and build wealth for those who need it
19 the most through cooperative business
20 development.

21 Thank you.

22 (Applause.)

23 COUNCILMAN JONES: Thank you.

24 MR. RHOADS: Good afternoon,
25 Mr. Chairman and members of the

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2 Committee. My name is Sam Rhoads and I'm
3 Executive Vice President of PIDC. I'm
4 especially pleased to be here and
5 represent PIDC in front of this Committee
6 on the important topic of cooperatives.

7 PIDC is Philadelphia's economic
8 development corporation formed over 50
9 years ago as a public-private
10 partnership, with the important mission
11 to retain and grow employment throughout
12 every neighborhood of the City. Over
13 that period of time, we have brought
14 significant focus to stimulating
15 investment of scarce resources, including
16 specifically flexible financing and
17 complex real estate assemblage into
18 Philadelphia. While PIDC is historically
19 associated with the industrial sector and
20 often identified with larger projects,
21 the fact is that the large majority of
22 our transactional volume, over 75
23 percent, relates to support of small
24 businesses, with a focus on minority and
25 women-owned businesses in low-income

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2 neighborhoods.

3 Towards that end, PIDC has
4 developed a series of flexible financing
5 products aimed at encouraging the small
6 businesses that are the engine of our
7 economy to grow and thrive in our
8 communities. These products include
9 contract lines of credit, capital project
10 loans, and working capital and equipment
11 financing. This array is designed to
12 accommodate any range of needs, from real
13 estate acquisition and development to
14 working capital for operating businesses.
15 The common denominator of our financing
16 is capital that takes higher risk
17 positions than ordinary financing
18 institutions will accommodate, often at
19 lower rates.

20 The result offers multiple
21 impact points for the City's economy:
22 support of a Philadelphia-based
23 entrepreneur or a cooperative, adaptive
24 reuse of vacant or blighted property,
25 leverage of private investment that our

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2 neighborhoods would not otherwise
3 receive, employment opportunities in both
4 construction and operations, and
5 realization of a project that might not
6 otherwise occur but for our financing.

7 PIDC has deployed these tools
8 over many years to neighborhood grocery
9 stores in general and to cooperatives in
10 specific. Over the last several years,
11 we have had the opportunity to provide
12 flexible gap financing to Weavers Way in
13 the Northwest section of the City and
14 Mariposa in West Philadelphia.

15 Currently, we are working with the
16 Kensington co-op in hopes of helping them
17 to realize their vision and bring
18 important resources to their community.

19 Because of co-ops' innovative
20 ownership structure, obtaining private
21 debt and equity for new development can
22 pose a significant, if not prohibitive,
23 challenge. In each case, our flexible
24 financing tools in combination with
25 multiple resources, including The

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2 Reinvestment Fund, were able to
3 facilitate completion of the project,
4 eliminate blight by putting vacant
5 property back into use, create
6 neighborhood jobs, and provide fresh
7 healthy produce.

8 In closing, we very much
9 appreciate and support the spotlight that
10 you are shining on cooperatives as an
11 important grassroots neighborhood
12 development strategy. We look forward to
13 working with the Administration and City
14 Council in PIDC's traditional role of
15 facilitating investment into our
16 communities.

17 Thank you.

18 COUNCILMAN JONES: Thank you.
19 We'll hold questions until the entire
20 panel testifies.

21 MS. NUCCIO: Good afternoon,
22 Councilmembers.

23 COUNCILMAN JONES: Good
24 afternoon.

25 MS. NUCCIO: My name is Donna

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2 Leuchten Nuccio and I am the Director of
3 Healthy Food Access at Reinvestment Fund.
4 Reinvestment Fund is a national community
5 development financial institution, or
6 CDFI, founded in Philadelphia over 30
7 years ago. We integrate data, policy,
8 and strategic investments to improve the
9 quality of life in low-income
10 neighborhoods. Using analytical and
11 financial tools, we bring high-quality
12 grocery stores, affordable housing,
13 schools, and health centers to the
14 communities that need better access,
15 creating anchors that attract investment
16 over the long term and help families lead
17 healthier, more productive lives. Since
18 1985, we have put 1.8 billion to work for
19 communities, including 5.4 million
20 invested in seven food retail
21 cooperatives in the Philadelphia metro
22 area.

23 In 2004, Reinvestment Fund
24 created the Pennsylvania Fresh Food
25 Financing Initiative in partnership with

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2 The Food Trust and the Greater
3 Philadelphia Urban Affairs Coalition,
4 with the intent to bring fresh and
5 healthy food to communities across the
6 Commonwealth. This successful program
7 funded more than 88 stores, including
8 cooperatives, small format, rural
9 groceries, and large urban supermarkets,
10 and it paved the way for the next decade
11 of local and federal initiatives, which
12 replicated the Pennsylvania model of
13 bringing flexible capital to support food
14 retail businesses in underserved
15 communities. To date, Reinvestment Fund
16 has invested over 250 million in food
17 businesses, including cooperative
18 groceries.

19 I am also a personal supporter
20 of food co-ops. As a graduate student at
21 the University of Pennsylvania, I was
22 fortunate to have Mariposa as my local
23 neighborhood co-op. Now I look forward
24 to the opening of the Ambler Weavers Way
25 location, which will be in an area that

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2 is currently a food desert and in my
3 neighborhood. I choose to shop at co-ops
4 because they are mission-driven, high
5 quality, and build wealth in my
6 community, and at Reinvestment Fund we
7 invest in co-ops because they are an
8 important part in efforts to increase
9 equitable access to healthy food in
10 underserved neighborhoods.

11 A cooperative business is, by
12 its nature, community led, rooted in
13 place. The industry also has a long
14 history of providing high-quality jobs
15 and investing back into communities. I
16 can confidently say we have seen
17 established cooperatives like Mariposa
18 and Weavers Way become cornerstones in
19 their neighborhoods and anchors of
20 community revitalization. In my position
21 I also see new cooperative efforts
22 underway throughout the City,
23 representing more than 1,000 City
24 residents as member owners. These new
25 businesses will increase access to

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2 healthy food, many of them serving
3 residents of the City's food deserts.

4 While the community-based
5 nature of cooperatives gives them unique
6 strength, they also have specific
7 challenges. As a lender, I would like to
8 touch on a few of them that I see every
9 day, challenges at the intersection of
10 food retail and cooperative enterprise.

11 Food retail is an industry with
12 incredibly thin margins, and in 2008,
13 Reinvestment Fund completed a case study
14 which found that compared to suburban
15 locations, there are demonstrably higher
16 costs to create and operate urban
17 supermarkets. With such an unforgiving
18 business model, it can be difficult to
19 cover the high capital costs of
20 development with traditional debt
21 financing, even under the best
22 circumstances.

23 For cooperatives, there are
24 even greater hurdles, starting with the
25 organizing process, which takes enormous

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2 human and financial capital, recruiting
3 leadership, understanding the market,
4 business planning, navigating a real
5 estate market. These are expensive and
6 time consuming. Like all start-ups,
7 co-ops struggle to find the kind of early
8 stage capital that can support these
9 efforts. Uniquely for co-ops, their
10 capital and risk is distributed among
11 their member ownership. Imagine when
12 it's your neighbor's hard-earned money
13 that you're asking for to support a
14 business that may not have a finalized
15 business plan or asking your spouse that
16 you'd like to help pay for a food retail
17 market study for your neighborhood.

18 In addition to the start-up
19 costs, financing a new cooperative comes
20 with the concerns of all new businesses.
21 But instead of one owner providing the
22 leadership and financial buy-in, there's
23 a board and an entire community of member
24 owners to which they are accountable. A
25 shared model of management and equity is

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2 a strength, but it also adds to the
3 complexity of financing the business.
4 Co-ops also rely on member loans, which
5 means they often require grant or
6 flexible loan sources to prevent the
7 cooperative from becoming overburdened by
8 debt. Right now there are few such
9 sources of investment, of which
10 Reinvestment Fund is proud to be one, but
11 with greater City support for co-ops
12 through grants and technical assistance,
13 co-ops will be stronger and better
14 prepared to receive the kind of financing
15 and assistance that Reinvestment Fund has
16 to offer, and we urge City Council to
17 consider such measures.

18 Reinvestment Fund is gratified
19 to see the progress cooperative efforts
20 have made as a result of our grant
21 capital, flexible debt, and technical
22 assistance over the years, but with City
23 support, lenders like Reinvestment Fund
24 can leverage that investment and do more.
25 Our local economy and neighborhoods will

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2 benefit from a more supportive
3 environment for cooperative enterprises.

4 (Applause.)

5 COUNCILMAN JONES: Thank you.

6 So just real quick, from the
7 financial/funding side of it, what types
8 of structures legally do you invest in
9 and what are you looking for by way of
10 collateral and/or some surety of
11 repayment?

12 MR. RHOADS: I can start on
13 that specifically in a couple of the most
14 recent cases. We have co-invested
15 together with The Reinvestment Fund.
16 It's been on a secured basis and often
17 subordinated to private financing ahead
18 of us. So it's very much a typical PIDC
19 type structure. So the co-op is pulling
20 together their membership equity or
21 loans, raising grants. And so that's
22 forming the equity basis of the project.
23 Hopefully they're going out and through
24 traditional means obtaining bank
25 financing. That's left, in the couple of

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2 the instances that we've seen, gaps of 20
3 to 40 percent of the capital stack still
4 and we come in on a subordinated
5 position, often together with The
6 Reinvestment Fund to fill that.

7 MS. NUCCIO: That's exactly
8 right. We've worked with PIDC on a
9 number of cases. We have, in addition to
10 provide debt financing, which is the
11 majority of our work, we have had some
12 grant dollars through the Pennsylvania
13 Fresh Food Financing Initiative. We no
14 longer have those grant dollars. We
15 continue to revolve the debt that was
16 provided to us through that program, so
17 we are able to be more flexible than we
18 typically are in other asset classes, but
19 we continue to provide collateralized
20 debt.

21 COUNCILMAN JONES: And I'll
22 turn it over to the author of this
23 legislation, because he has some specific
24 things in mind, but out of curiosity, the
25 co-ops' missions that you funded are

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2 ranging from what to what? So are we
3 talking about co-ops in real estate,
4 co-ops in food, co-ops in what
5 commodities?

6 MR. RHOADS: From PIDC's
7 perspective, primarily food. We are
8 financing from time to time child care,
9 and I'd have to look in to see whether
10 they have cooperative structures or not.
11 Often they do, so I wouldn't be surprised
12 if we found some cooperatives there too.

13 MS. NUCCIO: I know
14 Reinvestment Fund has invested in other
15 cooperatives. I am most familiar with
16 our food work, and we've done the most
17 financing of food cooperatives.

18 COUNCILMAN JONES: Thank you.
19 Councilman Green and then
20 Councilwoman.

21 Oh, you didn't testify? Oh,
22 Karen. I'm sorry. We don't want to
23 forget you, Karen, ever.

24 MS. FEGELY: Thank you. Thank
25 you.

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2 Good afternoon, Chairman Jones,
3 Councilman Green, members of the
4 Committee. My name is Karen Fegely and I
5 am Deputy Commerce Director for the City
6 of Philadelphia. I am here today to
7 provide testimony on behalf of the
8 Administration regarding this resolution
9 introduced to further the discussion on
10 the development of co-ops.

11 The Department of Commerce
12 recognizes co-ops as contributing
13 businesses in neighborhoods around the
14 City. As such, all of our resources and
15 services are available to the Co-op
16 Association, individuals representing
17 existing co-ops, and those in creation.
18 Our business service managers have
19 provided assistance regarding access to
20 locations and financing and technical
21 assistance. Our commercial corridor
22 resources have also been used to provide
23 grant funds for building improvements.
24 So collaborating with PIDC and TRF, we've
25 worked with Weavers Way on their

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2 Germantown Avenue location, Mariposa,
3 their Baltimore Avenue commercial
4 corridor store, and we're currently
5 working with the Kensington food co-op as
6 they prepare to open at Frankford and
7 Lehigh.

8 As the number and variety of
9 co-op industries grow, Commerce will
10 continue to provide support, as we will
11 for any and all Philadelphia businesses.

12 I am interested in exploring
13 with PACA the consulting expertise that
14 would be recommended to promote more
15 employee ownership as a succession
16 planning strategy. An employee stock
17 ownership plan allows employees to take
18 an ownership interest in the company, and
19 this could potentially address the need
20 that many businesses have for succession
21 planning while creating financial
22 empowerment or even wealth for some of
23 Philadelphia's workforce.

24 So I look forward to working
25 with our friends on City Council and the

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2 community and those working in this field
3 already to better understand the
4 opportunity to promote this business
5 structure. Overall, we will continue to
6 explore strategies to provide support or
7 incentives such as the Sustainable
8 Business Tax Credit passed by Council to
9 impact enterprises, including
10 cooperatives, enterprises that operate
11 with a triple bottom line with profit,
12 people, and planet.

13 Thank you for inviting me to
14 testify here today, and I'm happy to
15 answer any questions.

16 COUNCILMAN JONES: Thank you.

17 We'll start with the author of
18 the legislation. And I recognize
19 Councilwoman Blackwell has joined us back
20 after taking a brief break.

21 COUNCILWOMAN BLACKWELL: Thank
22 you.

23 COUNCILMAN GREEN: Thank you,
24 Mr. Chair.

25 I just have a couple of

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2 questions to members of the panel.

3 Mr. Frank, in your testimony
4 you laid out a lot of different
5 information and ideas. Would it be
6 possible for you, as we are going into
7 the fall season and getting ready for the
8 budget process in the spring, to be able
9 to lay out some of those requests in kind
10 of a one-pager that you could submit to
11 the Chair so that we can use that for our
12 discussion as we go into the budget
13 process next year, specifically in
14 reference to some of the benefits of the
15 \$2 million per year over five years for
16 technical assistance, the information
17 regarding an employee stock ownership
18 plan for succession planning for co-ops,
19 as well as the information revolving loan
20 funds -- a revolving loan fund for
21 co-ops, and if you could talk about maybe
22 in that one-pager the type of co-ops that
23 can benefit from those type of options.

24 MR. FRANK: Absolutely, and
25 that is the plan, to continue working to

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2 flesh out those ideas with you all, but
3 also with some of the people on the
4 ground who are already doing community
5 economic development who are eager to
6 support cooperatives, so CDCs, social
7 service agencies that have been coming to
8 us as well. So we're working in
9 partnership with them throughout the City
10 who could really implement something like
11 this.

12 COUNCILMAN GREEN: So that
13 would be great if you could provide that
14 type of information as you're putting
15 together your research. Maybe by the end
16 of the year you can submit that to the
17 Chair, so that way we can have that as we
18 go forward into 2017.

19 MR. FRANK: Absolutely.

20 COUNCILMAN GREEN: Ms. Nuccio
21 from The Reinvestment Fund, I know The
22 Reinvestment Fund has been a very
23 interesting institution, having known
24 Jeremy Nowak for a number of years. It's
25 a combination of finance entity and also

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2 public policy institute. It kind of
3 wears a lot of different hats, from the
4 times we worked with Ira Goldstein from
5 The Reinvestment Fund and prior to
6 lending issues to the work regarding
7 schools and also food financing that you
8 talked about with the Fresh Food
9 Financing Initiative.

10 Considering the Reinvestment
11 Fund has been so creative, have there
12 been any thoughts of ideas, considering
13 that Mr. Frank talked about a loan fund,
14 being able to provide any type of loan
15 guarantee to funds that could be used for
16 a revolving loan fund or have you done
17 that in the past with other type of
18 initiatives that The Reinvestment Fund
19 has been involved in?

20 MS. NUCCIO: I will have to get
21 back to the Committee on that. I know
22 personally we have not provided
23 guarantees for any of our food work, but
24 I do not know across the board other
25 types of asset classes.

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2 COUNCILMAN GREEN: Okay. The
3 reason I raise the issue of guarantees, I
4 know that the City and even PIDC, we have
5 a limited amount of dollars, but there
6 have been some conversations that I've
7 been having with some friends I have who
8 are investment advisors for foundations,
9 and there are many foundations they don't
10 do anything with their corpus or their
11 principal and only invest in the
12 earnings. So some of them are now
13 looking at how can we do more from a
14 social enterprise perspective, and that
15 can be an opportunity where you have
16 foundations and investment advisors who
17 are advising foundations saying, Let's do
18 something more than just use our
19 earnings, and if there's a way that can
20 be combined with some type of loan
21 guarantee, that can start to create a
22 process for a loan fund that Mr. Frank is
23 talking about.

24 MS. NUCCIO: We have received
25 PRIs, or program-related investments,

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2 from foundations, in which we then take
3 that capital and reinvest it into the
4 community and it is a loan to us, so that
5 it returns the capital to that
6 institution.

7 COUNCILMAN GREEN: Mr. Rhoads,
8 you wanted to jump in?

9 MR. RHOADS: Yeah. I'm sorry.
10 Likewise, PIDC does operate small
11 business revolving loan funds that are
12 available to cooperatives, and they are
13 available on flexible below-market terms
14 so they fill that capital stack. And in
15 addition, like The Reinvestment Fund,
16 we've been working with foundations and
17 other entities to invest into our CDFI
18 specifically to stimulate investment into
19 small businesses in the neighborhoods,
20 and that includes grants that we would
21 use to -- excuse me; grants into us that
22 we would then use to capitalize these
23 revolving loan funds and technical
24 assistance.

25 COUNCILMAN GREEN: You must be

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2 clairvoyant, because you're reading my
3 questions from afar. I'm not sure if
4 you're one of Stan Lee's new avengers or
5 defenders. But I wanted to raise that
6 point about has there been any
7 conversations with PACA in reference to
8 how PIDC can help, maybe having some type
9 of conference with PACA members to talk
10 about some of those loan funds that you
11 talked about in your testimony?

12 MR. RHOADS: We haven't had any
13 specific conversations, but we'd be very
14 happy to sit down with anyone at any time
15 to talk about the different tools that we
16 have, make sure that everyone understands
17 what's available.

18 COUNCILMAN GREEN: Because I
19 think that could be an opportunity,
20 because I think one of the challenges
21 I've seen from my years working in the
22 public sector, we have a lot of different
23 initiatives, but many people don't know
24 about them. So maybe that could be an
25 opportunity for collaboration between

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2 PIDC and PACA to have some type of
3 workshop, conference, discussion, and
4 invite various cooperatives, some more
5 established, like Weavers Way, or smaller
6 ones to learn about some of the resources
7 that PIDC has.

8 MR. RHOADS: We'd be happy to.

9 COUNCILMAN GREEN: Ms. Fegely,
10 I wanted to talk briefly, I know we've
11 had some conversations about some of the
12 initiatives I've been working on, and I
13 know Jonathan Snyder from the Commerce
14 Department is not here, but I believe you
15 probably have some familiarity with the
16 Capital Consortium. Has there been any
17 thought -- and I just thought about this
18 as we were having today's hearing -- for
19 an ability of having some of the
20 community development financial
21 institutions, like TRF and other CDFIs,
22 to provide information about the Capital
23 Consortium to PACA and other cooperatives
24 about this new initiative? I know it's
25 still very new and we're looking trying

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2 to provide additional resources and get
3 the word out about the Capital
4 Consortium, but I think that's another
5 opportunity to grow the capacities of
6 co-ops. So could you give a brief
7 synopsis on the Capital Consortium,
8 because I'll be introducing a resolution
9 for hearings on that shortly.

10 MS. FEGELY: Yes. I'll be glad
11 to. We're trying to get the word out.
12 The Capital Consortium is a new
13 initiative housed in Commerce, but it's
14 really a consortium of different lenders
15 around the City. So there's a number of
16 community development financial
17 institutions as well as some banks signed
18 on, and they sort of agreed to review
19 loans together. So it's kind of a single
20 door entry for anyone, any business
21 seeking financing. It's certainly
22 available to any co-op. I know you're on
23 our mailing list, so hopefully you've at
24 least seen this, but we can definitely
25 explore it further and have a

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2 conversation.

3 What I am not sure of and we'll
4 have to look into is -- TRF and PIDC
5 obviously understand co-ops and if they
6 get an inquiry from a co-op, that's fine.
7 I don't know if there's an issue like if
8 a co-op goes to any traditional lender or
9 any of the other CDFIs, if they handle
10 them differently. Maybe there's some
11 more education we can do around that, but
12 happy to have those conversations.

13 MR. FRANK: One thing that
14 becomes an issue for co-ops is the
15 requirement from personal guarantees when
16 you have 1,000 owners that can't all
17 personally guarantee a loan for a co-op,
18 but this is why we have a representative
19 board of directors. Reinvestment Fund
20 understands that, PIDC understands that,
21 but many, many others don't. So that's
22 a --

23 MS. FEGELY: So the Capital
24 Consortium could be a way to educate a
25 bunch of people at once. So we can set

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2 that up.

3 COUNCILMAN GREEN: Yeah. I
4 think that would be a good opportunity,
5 because generally the way the Capital
6 Consortium works is kind of like a
7 Lending Tree for small businesses here in
8 the City of Philadelphia, where a number
9 of community development financial
10 institutions and banks and some credit
11 unions have come together to create a
12 uniform application, and so if you're a
13 business or an entity like a cooperative,
14 you would submit information through the
15 Capital Consortium. Commerce receives
16 that information and then sends it out
17 through the CDFIs and banks in the
18 Consortium, and they respond back to the
19 potential borrower based on their
20 interest in that credit. So it's almost
21 like a Lending Tree type of initiative.

22 We've been working on this
23 since applications started in July.
24 There will be some additional
25 opportunities going forward in the new

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2 year, but I think having a conversation
3 between maybe PACA and maybe Jonathan
4 Snyder from the Commerce Department,
5 because, Mr. Frank, you're right,
6 cooperatives have unique dynamics.
7 They're different than traditional
8 credits, but I think CDFIs, because they
9 are a little bit different than your
10 traditional financial institutions, could
11 provide that opportunity.

12 One last question for
13 Ms. Fegely. On Page 2 of your testimony,
14 you talked about exploring opportunities
15 for succession planning, like the
16 employee stock ownership plans that
17 Mr. Frank talked about. Could that
18 exploring opportunities also possibly
19 engage or -- could you expand the
20 exploring opportunity concept to also
21 talk about technical assistance and how
22 Commerce could be supportive?

23 MS. FEGELY: Yeah. Absolutely.
24 I mean, I think that's what we're really
25 talking about, is technical assistance

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2 and how it's delivered and whether --

3 Commerce puts out an RFP annually to fund

4 non-profits who provide technical

5 assistance to small businesses and in the

6 RFP we always look for someone to tell us

7 what the need is and/or what their niche

8 is. I mean, there's lots of people that

9 provide technical assistance to

10 businesses. So the City can only fund a

11 limited amount. We want to hear from

12 that community what the real need is and

13 maybe some emerging industries, emerging

14 trends. And so both the need for

15 start-ups for co-ops, I can understand

16 how there's specific assistance that

17 would be needed around that. I mean,

18 that would be one position. Also the

19 need for succession planning is an issue

20 for all industries and all businesses,

21 and co-ops wouldn't necessarily be the

22 only answer to that, but it certainly

23 could be one of them.

24 So I think it would be

25 appropriate for the Commerce Department

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2 to have conversations about how we can
3 support more of that kind of technical
4 assistance.

5 COUNCILMAN GREEN: Thank you,
6 Mr. Chair.

7 COUNCILMAN JONES: Thank you,
8 Councilman.

9 I don't know in what order --
10 Domb was first? Councilman Domb.

11 COUNCILMAN DOMB: Thank you,
12 Mr. Chairman.

13 And good afternoon. Sam, this
14 question is for you. I know PIDC has a
15 great program, Goldman Sachs 10,000 Small
16 Businesses. It's a great program,
17 tremendously successful. I know a lot of
18 people have taken it and they've done
19 exceptional progress and done very well.
20 Is there an opportunity to duplicate that
21 program for co-ops?

22 MR. RHOADS: Well, co-ops --
23 that's interesting. Certainly co-ops,
24 heads of co-ops, could go through that
25 program. That program very specifically

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2 itself is the product of a substantial
3 investment by Goldman Sachs in a
4 nationwide curriculum that they've
5 developed and rolled out and selected
6 cities, including, thankfully,
7 Philadelphia. So I think that level of
8 intensity would be difficult to recreate
9 just for co-ops, but, one, that program
10 is available to co-ops and, secondly,
11 there are -- PIDC also does have a series
12 of workshops on the technical assistance
13 side, and as was pointed out earlier by
14 Councilman Green, we could focus that --
15 or maybe it was the Chair -- we could
16 focus that on co-ops and develop
17 something around them and some of the
18 issues that they face specifically.

19 COUNCILMAN DOMB: Here's the
20 point: Goldman Sachs might just like
21 this idea of getting involved in co-ops
22 and might want to do a program nationwide
23 and helping co-cops like they helped
24 other small businesses, with a specific
25 focus on co-ops. So if we have a contact

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2 at Goldman Sachs, I'm happy to help, but
3 I would contact them and see if they want
4 to use Philadelphia as a pilot to help
5 teach us how to finance, market, price,
6 everything in a co-op and teach
7 everything we need to know to make these
8 co-ops more successful and help them.

9 MR. RHOADS: Sure. And we can
10 do that, yes.

11 COUNCILMAN DOMB: I'll be happy
12 to help you with that if you need my
13 help.

14 MR. RHOADS: Thanks.

15 COUNCILMAN JONES: Thank you,
16 Councilman.

17 Councilman Taubenberger.

18 COUNCILMAN TAUBENBERGER:

19 Mr. Chairman, thank you very much.

20 I'm new around here. One of
21 the great things about this job -- and I
22 love every second of it -- I learn things
23 every day. And because of this bill and
24 this hearing, I was delving in a little
25 deeper about co-ops. Coming from a

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2 degree in agriculture at Penn State
3 University, I'm familiar with Ocean Spray
4 and Land O'Lakes and there's probably
5 some others. On the food side, there's
6 Shop Rite. These are some really
7 interesting -- Ace Hardware. Actually
8 some of this information I'm giving is
9 because I Googled all of this, not that
10 I'm any brighter, but I realize I got
11 power here. It's a little tiny computer,
12 which is very powerful.

13 The AP, the Associated Press,
14 also a co-op, started in 1846. So these
15 things actually work. Little known fact.

16 (Applause.)

17 COUNCILMAN TAUBENBERGER: You
18 can't argue much with an organization
19 that's been around for 170 years.

20 Also a small telephone company,
21 Pioneer Telephone Company. Doesn't mean
22 much to anyone around here, Oklahoma,
23 started in 1953. I think I get this very
24 clearly, and I thank you all for
25 participating.

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2 I do have a question for Sam
3 Rhoads and anyone else that wants to
4 chime in. We recently lost some
5 companies, a major company, for example,
6 in my neck of the woods in Northeast
7 Philly, Nabisco. They closed up.
8 Employees had nowhere to go. If the
9 employees wanted to, how difficult would
10 it have been to open that up as a co-op?
11 Not necessarily the specific of that
12 company, but something like it, large
13 company. They pull out. We have a
14 trained workforce. The equipment is
15 here. And, you know, when you look at
16 some of these big companies, if you offer
17 them a decent deal about the equipment,
18 they can't take all this stuff with them.

19 How difficult would it have
20 been to start a co-op in Nabisco?

21 MR. RHOADS: Well, that's an
22 awfully good question. I'm not sure I'm
23 the most qualified in this room to answer
24 that, but I would say that -- I mean,
25 just as a general matter, and I think the

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2 Councilpeople up here are aware of this,
3 when a company is having difficulties,
4 one of the things that they very often
5 explore is some sort of employee buyout.
6 I mean, that's often something that's
7 happening as things are heading south. I
8 don't know in that specific -- I believe
9 that in that specific case, that was
10 something that was explored and I think
11 it didn't come together. I don't know
12 anything about the details.

13 COUNCILMAN TAUBENBERGER:

14 You're not sure if it was offered or not
15 in Nabisco's case?

16 MR. RHOADS: Right.

17 So I do think that's an option
18 for those companies, but I don't know
19 whether you have more specific knowledge.

20 MR. FRANK: There are some
21 examples. In Chicago, New Arrow Windows
22 was a worker co-op that formed after the
23 window company closed for no good reason
24 than they were -- the business owner
25 wasn't making as much profit as he wanted

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2 to, and the workers organized with the
3 support -- technical assistance providers
4 that provided the loan, the education on
5 how to train someone to go from becoming
6 a worker to an owner. That's a process.
7 So you need the technical assistance as
8 well as the capital. They already know
9 how to work the machines. They already
10 know how to run the business.

11 COUNCILMAN TAUBENBERGER: A
12 trained workforce is very, very
13 important.

14 MR. FRANK: It's hard to do,
15 but I would say it's much easier to save
16 a business through a co-op conversion
17 than it is to start a new business from
18 scratch. The success rates would be much
19 higher. But it can be done. And
20 actually on a panel -- one of our
21 panelists is going to speak specifically
22 about conversions through ESOPs and
23 worker ownership coming up.

24 COUNCILMAN TAUBENBERGER: Just
25 one last point of this. Long ago and far

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2 away in a different life I was a salesman
3 for Schmidt's Beer in Philadelphia.

4 Well, we were all stunned when it was
5 sold. They kept salesmen on a little
6 longer, not much longer, but the brewers
7 and the truck drivers and the guys that
8 actually worked in the brewery, they lost
9 their jobs, and a couple of them were
10 talking -- this is now 25, 30 years
11 ago -- Hey, how about if we kind of
12 pooled some things and bought this
13 ourselves and kept either the brand or at
14 least the machinery around and started
15 our own beer. Okay. You sold the label,
16 but maybe we'll brew our own beer. The
17 guy even had an example, maybe we'll call
18 it Liberty Bell Beer or Eagle Beer. But
19 the fact is, sometimes there's a will to
20 do it, but nobody knew where to go. And
21 this is way before I was involved in
22 politics and government. I mean, no one
23 knew where to go.

24 So I think having that as an
25 offering makes a lot of sense, and I am

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2 very, very interested, because, you know
3 what, we are America's largest poorest
4 city, but co-ops may help us in a great
5 deal in areas we never expected. It's
6 used in agriculture all the time. It's
7 used where my parents came from in
8 Germany for wine cooperatives. They're
9 all small vineyards, so small they
10 couldn't do it on their own, but when
11 they cooperate, they become a major
12 region of Europe, and they've done it,
13 and I've seen how that was done. So I'm
14 all ears and I want to work with you.

15 MR. FRANK: Thank you.

16 (Applause.)

17 COUNCILMAN JONES: Thank you.

18 The Chair recognizes

19 Councilwoman Parker.

20 COUNCILWOMAN PARKER: Thank
21 you, Mr. Chair, and I'll be very brief.

22 Let me just state for the
23 record that I love the concept of co-ops,
24 because it turns that old argument
25 regarding the tragedy of the comments

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2 upside down. I mean literally. It does.

3 And with that in mind, I'm thinking about

4 some issues that we've talked about here.

5 One very important to me, the issue of

6 retirement security, retirement security,

7 building wealth and ownership.

8 Retirement security, building wealth and

9 ownership. And there have been some

10 nations -- and I know the United States,

11 we like to be first in everything, but,

12 you know, we really also learn a great

13 deal from Argentina, South America in

14 terms of homeownership. They have turned

15 some communities around through the use

16 of co-ops, particularly as it related to

17 issues involving housing.

18 In addition to that, I

19 needed -- and I hate to embarrass him if

20 he's here or if he's watching. For the

21 Weavers Way folks who are here, I had the

22 great honor of representing Weavers Way

23 when we were on Ogontz Avenue and

24 Germantown Avenue for many years, but

25 Andrew Lamis, Andy Lamis. I don't know

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2 if you know him as professor and/or
3 attorney, but he has been one of your
4 greatest cheerleaders and he hammers it
5 into the psyches of his students. So I
6 wanted you to just note that for the
7 record.

8 Questions. And, Peter, I don't
9 know if you can answer this for me. This
10 is sort of just very technical. Do we
11 have any data to show what other cities
12 are doing to support co-ops? Is there
13 sort of any chart from -- I don't know if
14 we can find one, be it the National
15 League of Cities or is there anything
16 with the NCSL that could show you what
17 may be the top 10 and/or 15 and how are
18 they exploring the use of co-ops,
19 particularly in dealing with
20 gentrification and ownership and land
21 ownership?

22 MR. FRANK: One of the
23 panelists coming up is going to speak
24 about what's going to be going on in New
25 York as a more recent example of a city

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2 investing in co-op business development.

3 They have a program where they've

4 invested the first year 1.2 million and

5 they doubled that to over 2 million the

6 second year, specifically for worker

7 co-op development to address poverty.

8 And in that first year, they tripled the

9 number of worker co-ops, because there

10 is -- I think my interpretation of that

11 is that there was a pent-up need and

12 demand for technical assistance. In year

13 one, those resources were available, and

14 there are now over 20 new co-ops that

15 formed in that first year, 170 new worker

16 owners.

17 So we look at New York City as

18 a really great example. We're also

19 looking at Madison, Wisconsin has

20 invested \$5 million in co-op development.

21 Rochester, New York is talking about

22 this, Richmond, Virginia. There's a lot

23 more around the country, and we can

24 certainly share a lot of that

25 information. Like I said, these are best

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2 practices that are really emerging, and
3 we don't need to be the guinea pigs
4 trying to do this for the first, but we
5 can learn from other folks that have been
6 doing it maybe two, three, four years
7 ago.

8 COUNCILWOMAN PARKER: I'm happy
9 to hear you say that, because that idea
10 and concept of best practices, I don't
11 know that sometimes -- we don't realize
12 we don't have to reinvent the wheel. We
13 can just see what some other folks have
14 done, particularly as it relates to
15 investments and using different funds
16 that the City has control of as a tool to
17 make investments in economic engines,
18 potential economic engines like co-ops.

19 Let me ask you this: Do co-ops
20 automatically qualify -- this is a
21 technical question I just don't know the
22 answer to. Do they automatically qualify
23 for the Sustainable Business Tax Credit?
24 Is that an automatic? Any sort of
25 trigger just based on the definition?

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2 MR. FRANK: I don't know which
3 one is exactly what, but I would guess
4 that food co-ops certainly would.
5 They're sustainable businesses. So
6 co-ops can be any industry, from Ocean
7 Spray to beer to manufacturing to day
8 care. I think several of them would, but
9 I would imagine that several of them
10 would not.

11 COUNCILWOMAN PARKER: And,
12 Karen, let me just ask you. So I know
13 about the work and it was mentioned
14 earlier in West Philadelphia. Obviously
15 I'm familiar with Weavers Way. Does
16 Commerce have someone who is like
17 assigned, specifically assigned, who
18 deals with the issue of co-ops or whose
19 bailiwick does that fall under within
20 Commerce?

21 MS. FEGELY: We don't have a
22 specific co-op assignment, no. So, I
23 mean, it would be in Neighborhood
24 Business Services.

25 COUNCILWOMAN PARKER: Okay.

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2 Let me say a special thanks to Councilman
3 Derek Green for his leadership in this
4 area. And when we think about sort of
5 responsible social investment and we
6 become very creative in thinking about
7 investment tools, we should think about
8 places where public dollars, particularly
9 pension dollars, the issue of retirement
10 security, healthcare benefits, we have to
11 be creative. So I want to thank you for
12 bringing this issue up for us to review.

13 COUNCILMAN JONES: Thank you,
14 Councilwoman.

15 Councilman Oh.

16 COUNCILMAN OH: Thank you very
17 much, Chairman.

18 Could you state what it is that
19 you would like to see the City of
20 Philadelphia do particularly for co-ops
21 in Philadelphia?

22 MR. FRANK: Sure. So
23 specifically we're looking for the City
24 to help fund technical assistance. This
25 could be in the form of grants to

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2 business development organizations like
3 CDCs as well as other social service
4 agencies. So technical assistance is to
5 me the biggest gap.

6 There are some -- I do believe
7 that there are some gaps in financing
8 that in conversation with the rest of my
9 panelists, we can hone in on exactly what
10 that is. But also there's an opportunity
11 for the succession plan, for converting
12 businesses where the owners are retiring
13 to convert it to worker ownership. So
14 that's -- investing in that opportunity.

15 And I think to speak to the
16 previous session about procurement, there
17 are some opportunities there as well that
18 we'd like to explore, not only just
19 procurement from the City but also from
20 the anchor institutions.

21 COUNCILMAN OH: Why technical
22 assistance as opposed to capital?

23 MR. FRANK: Well, starting a
24 business is hard and I think especially
25 if we're talking about using this as a

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2 tool to address poverty, that we want to
3 really put support behind these future
4 owners of those businesses to make sure
5 that they're going in with a solid
6 business plan, because you're putting
7 your money and your neighbor's money at
8 risk and if we're trying to -- by
9 starting a co-op, you're trying to build
10 an institution that's going to serve your
11 community for generations. If you get
12 that started on the right foot, it can
13 return that investment over and over and
14 over again. So that's -- and we see
15 particularly with co-ops the need for
16 more leadership that's more distributed
17 throughout the community and the owners
18 than other forms of business. So that's
19 where my organization, we have a
20 leadership training program that has been
21 really important to supporting some local
22 co-op leaders. So that's some of the
23 technical assistance we're talking about.

24 COUNCILMAN OH: What type of
25 dollar figure are you talking about?

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2 MR. FRANK: Overall looking at
3 the New York City experiment is really
4 what we're basing a lot of this off of is
5 between \$1 and \$2 million, and that could
6 include funds for a revolving loan fund
7 as well.

8 COUNCILMAN OH: Anybody else?
9 If you want money, now is your time to
10 speak up. You should speak up now.

11 MR. RHOADS: We could always
12 use money.

13 COUNCILMAN OH: Okay. I raise
14 the money issue just because while I do
15 understand the need for technical
16 assistance, since many of the co-ops are
17 not as profit-producing models as other
18 businesses, I would think that obtaining
19 capital is more challenging for co-ops
20 than for a business plan that produces a
21 way to return the loans and other things.
22 So co-ops seem like something that the
23 government through public dollars would
24 support. And at least from what I have
25 read about New York, Madison, and some

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2 things in other parts of the country,
3 they seem to be kind of focusing on how
4 to address the emerging and growing
5 co-ops that are, I guess, a result of the
6 generation of people that are coming out
7 trying to address these problems. But
8 I'm not exactly clear, having been on the
9 board of a commercial bank, small
10 commercial bank, how the dollars will go
11 once you got your business plan, you got
12 your group together, how the dollars --
13 if you're doing something more than --
14 you know, a lot of good-minded people may
15 not have a lot of money available trying
16 to do something. What are the models?
17 For example, I ask because I have PIDC
18 sitting here, and I don't know that there
19 is or has been a program developed around
20 financing some of these co-ops since
21 we're not interested in profit, we're
22 just interested in public service.

23 MR. RHOADS: I think I would
24 add a couple things there. One is, there
25 really is no magic or not a lot of new

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2 moves in the paint on financing.

3 Philadelphia is blessed with a couple of

4 things. One is a tremendous cooperative

5 environment here in Philadelphia and the

6 other is that I think we're really

7 blessed with flexible financing funds

8 between The Reinvestment Fund, PIDC, the

9 various tools that we have to bring to

10 bear. I think we're actually very strong

11 and much stronger than most of the cities

12 that were mentioned here in terms of the

13 available resources for small business

14 financing, including specifically

15 cooperatives. That I think we're fairly

16 strong on. And even having said that,

17 we're happy to drill down further.

18 I think you put your finger and

19 this panel is putting their finger on the

20 two primary issues, which is technical

21 assistance. Technical assistance, a lot

22 of cooperatives are new or start-up type

23 companies. Like any newer start-up type

24 company, as you know, it's a very, very

25 difficult space to be. A lot of

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2 start-ups go out of business about as
3 quickly as they go into business. They
4 need a lot of support, and technical
5 assistance is something that in and of
6 itself is not revenue generating. It
7 needs to be grant sourced. Also because
8 of, on the financing stack, jumping back
9 to actually doing the renovations and
10 ramping up on inventory and so on,
11 because of their structure and because
12 their finance equity is very hard to
13 find, so they also very much rely on the
14 foundation world in the Philadelphia
15 community and really, frankly, their
16 members to pull together that financing.
17 So I think those are the two most
18 complicated parts.

19 COUNCILMAN OH: Is there any
20 idea that PIDC would somehow collect
21 funds to distribute to The Reinvestment
22 Fund, for example? Is that a process
23 that is part of the PIDC role?

24 MR. RHOADS: Well, we co-invest
25 in companies. So we don't need to give

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2 each other money. We're both the bank.
3 So if we have a client, a borrower, a
4 co-op, then we'll each provide our
5 various products in to make the capital
6 stack work.

7 COUNCILMAN OH: The reason I
8 ask is because you have an EB-5
9 capability that they do not have. You're
10 able to obtain overseas investment
11 dollars to possibly -- if PIDC chose to
12 do it, which I don't know that it does
13 choose to do it, but other cities choose
14 to take overseas investment dollars to
15 distribute out for more higher risk or
16 social good type activities that
17 traditional banks and, quite frankly,
18 folks with money, old money who don't
19 like to separate themselves from their
20 money, they don't put money into arts
21 economy, into technology, into social
22 media. So the EB-5 and overseas
23 investment fund puts money into our
24 communities for these type of things.

25 Does PIDC have any intention of

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2 creating some program of receiving
3 overseas investment funds to distribute
4 for this type of work?

5 MR. RHOADS: The funds that
6 we've capitalized for small businesses,
7 we have a variety of resources that come
8 into PIDC that capitalize that. The EB-5
9 is not one that we've used or lends
10 itself readily to small business
11 financing or co-op financing. Typically
12 it's going into the larger project
13 element of our portfolio. But we do have
14 other resources that are, frankly, more
15 flexible than the EB-5 and so, therefore,
16 more appropriate to that kind of use.

17 COUNCILMAN OH: I'm not clear
18 on if that is the exact case or not, but
19 we could take that discussion elsewhere.
20 I mean, I'm not trying to challenge
21 you --

22 MR. RHOADS: We're happy to
23 discuss that.

24 COUNCILMAN OH: Yeah. I
25 understand that PIDC does small business

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2 and it does like major projects, 75
3 million, 100 million, and that's where
4 EB-5 money has gone, but EB-5 money can
5 be used for many things, including the
6 funding of non-traditional entities like
7 cooperatives or arts economy or other
8 things and has been successful at doing
9 that. I don't know that that's where
10 PIDC is at. I'm just curious if that's
11 where we are in this discussion.

12 MR. RHOADS: You're right, it
13 is a flexible source of funds in terms of
14 not being highly restrictive that way.
15 The market tends to restrict it in a lot
16 of different ways, and I'd be happy to
17 talk with you offline about what's the
18 most appropriate use. But we're always
19 trying to explore the most flexible use
20 of those dollars.

21 COUNCILMAN OH: Thank you.

22 I'm sorry. Did you have
23 anything, Reinvestment Fund?

24 MS. NUCCIO: No. I was just
25 going to add that I think that from the

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2 capital point of view, there is financing
3 available. It's really that equity piece
4 of the capital stack that's the hardest
5 to find. And so like unlike some
6 businesses that are able to take a few
7 years of losses in order to cover debt
8 service, we don't see that in the
9 cooperative space, and that's usually the
10 biggest obstacle to overcome.

11 COUNCILMAN OH: Is that
12 overcome by something like a guarantee
13 fund?

14 MS. NUCCIO: It's overcome a
15 lot of times by grant funding and the
16 need to source other types of equity
17 besides traditional debt and member
18 loans.

19 COUNCILMAN OH: All right.
20 Thank you very much.

21 Thank you, Chairman.

22 COUNCILMAN JONES: Thank you,
23 Councilman Oh.

24 Councilman Green.

25 COUNCILMAN GREEN: Just to

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2 follow up, we've had some conversation
3 about the success of cooperatives, and it
4 is a new entity that you're creating.

5 And I'm just reflecting on my experience
6 as a small business lender with Meridian
7 as well as an attorney where I've
8 represented various small businesses.

9 Mr. Frank, can you talk about
10 your experience on the success rate of
11 cooperatives compared to more traditional
12 business enterprises?

13 MR. FRANK: Sure. So there is
14 some research more internationally than
15 in the US. We do not fund a lot of co-op
16 research locally unfortunately, but we're
17 looking to do that.

18 Internationally there are -- it
19 is looking like co-ops do have a higher
20 rate of success than other forms of
21 business. Anecdotally I can speak to.
22 When you're working with your community's
23 dollars, there is a lot of pressure to
24 keep it going and there's a lot more
25 owners to share the risk and the reward

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2 and the burden to try to keep it going.
3 So during times of recession, these
4 co-ops can be more flexible to survive
5 the times, because they don't -- they're
6 not needing to maximize profit. They're
7 there to maximize service, so they're
8 going to do what they can to survive.

9 COUNCILMAN GREEN: And as a
10 member of Weavers Way for a number of
11 years, I can relate to some of the
12 challenges that the institution has had
13 over the years, but when you look at
14 where it is now, it has dramatically
15 bounced back from some of those earlier
16 challenges and even was able to take a
17 vacant storefront, Caruso's Market, and
18 turn it into what is Weavers Way in
19 Chestnut Hill, which is phenomenal.

20 COUNCILWOMAN PARKER: Thank
21 you.

22 Are there any other questions
23 from any other members?

24 (No response.)

25 COUNCILWOMAN PARKER: With that

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2 being said, thank you so much for your
3 testimony.

4 We're going to ask the Clerk to
5 read the names of the next panel.

6 THE CLERK: The next panel will
7 be Esteban Kelly and Julia Francois.

8 (Applause.)

9 (Witnesses approached witness
10 table.)

11 COUNCILWOMAN PARKER: Just
12 please state your name and the
13 organization you're representing for the
14 record before your testimony.

15 MR. KELLY: Esteban Kelly from
16 the U.S. Federation of Worker Co-ops.

17 DR. FRANCOIS: Julia
18 Jean-Francois from Center for Family Life
19 in Brooklyn, New York.

20 COUNCILWOMAN PARKER: Please
21 proceed.

22 DR. FRANCOIS: Good afternoon,
23 Councilmembers. Thank you so much for
24 listening to our presentations today. My
25 name is Dr. Julia Jean-Francois and I'm

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2 Co-Director at the Center for Family Life
3 in Brooklyn, New York and I'm actually a
4 proud native Philadelphian, coming back
5 to Philadelphia today. So it's great to
6 be back.

7 Ten years ago, the Center for
8 Family Life launched an initiative to
9 provide technical support to cooperative
10 business develop -- to develop
11 cooperative businesses in a low-income,
12 largely new immigrant community in Sunset
13 Park, Brooklyn. Ten years later, the
14 numerous businesses that we've helped to
15 incubate have generated much more
16 actually at this point than \$8 million to
17 low-income workers through dignified work
18 in safe, well-paying jobs. The women and
19 men who participate in Sunset Park-based
20 cooperative businesses like the We Can Do
21 It, Si Se Puede Cleaning cooperative, the
22 Beyond Care Child Care cooperative, the
23 Golden Steps Elder Care cooperative,
24 Trusty Amigos pet care cooperative,
25 United Handyman or Sunset Scholars

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2 tutoring cooperative have not only found
3 a path to income generation, but they've
4 also found a path to leadership
5 development. Through their work as
6 cooperative executives, many have become
7 respected civic leaders in our community.
8 Cooperative business owners, families,
9 and children are strengthened not only by
10 the income generated by the cooperatives,
11 but also by the confidence, self-esteem,
12 and hope in the future that is achieved
13 when men and women develop a successful
14 small business. Women and men in
15 cooperative businesses find a platform to
16 build assets and to build a business that
17 can grow to help many others in the
18 community in the future.

19 Four years ago, the New York
20 City City Council took the bold step to
21 allocate significant discretionary
22 funding to a group of not-for-profit
23 cooperative development organizations
24 and, in so doing, has greatly increased
25 the number of cooperative businesses

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2 operating today in New York City. These
3 cooperatives engage hundreds of
4 low-income workers in businesses that
5 generate a fair wage and are organized by
6 contracts that uphold the dignity and
7 value of workers.

8 In Fiscal Year 2016, the New
9 York City Council allocated over \$2
10 million to continue this effort.

11 Further, they have passed legislation
12 that holds the New York City Department
13 of Small Business Services accountable
14 for tracking the numbers of cooperative
15 businesses that they assist and that hold
16 contracts with city government agencies.

17 A decision by the Philadelphia
18 City Council to allocate funding to
19 cooperative businesses could support
20 funding for technical assistance to
21 Philadelphia residents who seek to launch
22 cooperatives, funding to aid in the
23 conversion of existing small businesses
24 to cooperatively owned and operated
25 businesses, and a cooperative loan fund,

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2 among other things.

3 Given the tangible and profound
4 impact that the development of
5 cooperative businesses has had in New
6 York City, I'm honored to be here today
7 to recommend that Philadelphia City
8 Council joins New York, Madison,
9 Wisconsin, and many other municipalities,
10 large and small, that support legislation
11 and initiatives that increase the numbers
12 of cooperative businesses in the United
13 States and provide opportunity and income
14 security for so many worker owners.

15 Thank you.

16 (Applause.)

17 COUNCILMAN JONES: Thank you
18 for your testimony.

19 MR. KELLY: Good afternoon.

20 COUNCILMAN JONES: Good
21 afternoon. Thank you for your patience
22 as well.

23 MR. KELLY: Yeah, of course.

24 Thank you for the privilege of
25 testifying today. My name again is

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2 Esteban Kelly and I'm the Executive
3 Director for the U.S. Federation of
4 Worker Cooperatives. We are the only
5 national grassroots membership
6 organization specifically for worker
7 cooperatives in democratic workplaces in
8 the country. We advance worker-owned,
9 managed, and governed workplaces through
10 cooperative education, advocacy, and
11 development. Our Federation represents
12 over 160 businesses and organizational
13 members, and that represents over 500
14 workers across the country within our
15 organization. We actually consider
16 ourselves another form of organized
17 labor.

18 Our worker co-ops earned 400
19 million in earned revenue, and we
20 organize through local cooperative
21 networks while building power with
22 national and international partners to
23 advance an agenda of economic justice,
24 rooted in community-based shared
25 ownership.

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2 I live in West Philadelphia and
3 I'm joined today by some members of our
4 Federation's Board of Directors, which is
5 100 percent democratically elected by our
6 members. Our Board is two-thirds
7 comprised of immigrants and people of
8 color, which is representative of the
9 leadership of the worker co-op sector.
10 The worker co-op workforce is 60 percent
11 people of color and about 68 percent
12 women. The current swell in new
13 cooperatives comes from people who have
14 traditionally been excluded and exploited
15 by our economy and who are using
16 cooperatives to opt in to our economy by
17 creating their own jobs and becoming
18 business owners.

19 Six years ago I was one of
20 those people. I joined together with
21 five friends to form a worker cooperative
22 training and consulting business to
23 support organizations, including
24 cooperatives, whose missions are to
25 advance economic justice. It's called

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2 AORTA, which is short for the
3 Anti-Oppression Resource and Training
4 Alliance. Together, the six of us had a
5 clear vision, an abundance of leadership,
6 and a growing client base, but we, even
7 with our extensive pedigree of college
8 and graduate degrees, struggled to access
9 the technical assistance needed to
10 cooperatives necessary to incorporate and
11 launch our business. It took us four
12 years to do so given the minimal supports
13 that exist to fund technical assistance
14 and legal support.

15 As the Executive Director of
16 the U.S. Federation of Worker Co-ops, I
17 work to make it easier for cooperative
18 businesses to start and to thrive, but
19 there's still so much work to be done. I
20 hear stories every day from converting
21 businesses, start-ups, and incubated
22 projects about how challenging it is to
23 source the necessary technical assistance
24 to launch and grow their businesses.

25 Cooperatives need support, like

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2 any business, with the development of
3 business plans, feasibility studies,
4 market analysis, capitalization plans,
5 incorporation documents, and legal fees
6 and project management. They also need
7 unique assistance with governance,
8 training, and leadership development
9 that's specific to this business model.

10 Additionally, traditional
11 leaders avoid our businesses because they
12 aren't familiar with them, and often
13 require that every worker in the
14 cooperative cosign as a guarantor, which
15 is a prohibitive barrier for most of our
16 businesses. Yet what we know is that
17 worker co-ops have a massive impact on
18 local communities, fundamentally altering
19 the structures of extraction that siphon
20 wealth off of communities. Instead,
21 worker co-ops build community wealth.
22 They offer not only jobs, but good jobs,
23 jobs with dignity, jobs where the workers
24 drive the priorities of the business and
25 make all the decisions for how to

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2 allocate earnings and distribute them to
3 workers, their families or their local
4 communities.

5 When the businesses or the
6 economy are not doing well, the workers
7 come together to decide how to endure.
8 Oftentimes instead of firing workers,
9 they'll share in a collective pay cut or
10 halt new initiatives for the sake of
11 preserving reliable incomes and
12 stabilizing their families.

13 Co-ops, as the UN declared in
14 2012, build a better world. Even Pope
15 Francis has cited cooperatives as a key
16 economic strategy for eradicating poverty
17 and establishing responsible, sustainable
18 economic livelihood around the world. In
19 his native country of Argentina,
20 cooperatives now account for 10 percent
21 of their whole country's GDP, a
22 productive democratic workforce.

23 What makes cooperatives so
24 beneficial as a business model that
25 serves communities? Well, worker co-ops

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2 have proven to be an effective tool for
3 creating and maintaining sustainable
4 dignified jobs, generating wealth,
5 improving the quality of life of workers,
6 and promoting community and local
7 economic development, particularly for
8 people who lack access to business
9 ownership or even sustainable work
10 options. According to United for a Fair
11 Economy, one of the main barriers to
12 business ownership for people of color is
13 access to start-up capital.

14 Secondly, worker cooperatives
15 build local wealth. At a worker co-op,
16 profits do not go to direct investors,
17 but instead go directly to the workers.
18 As a result, the money stays grounded in
19 the local economy, building community
20 wealth in the process. With ownership in
21 the hands of workers who are usually
22 living and spending locally, these
23 companies stay connected and accountable
24 to their communities.

25 Third, worker cooperatives

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2 create quality jobs. Workers have a
3 meaningful role in their business and
4 they contribute to and benefit from the
5 success of the companies that they
6 co-own. Jobs at worker cooperatives tend
7 to be longer term, offer extensive skills
8 training, and provide better wages than
9 similar jobs in conventional companies.
10 Furthermore, worker cooperatives offer
11 opportunities for greater participation
12 in management and governance decisions
13 that help the business to succeed.

14 Last, worker cooperatives
15 create meaningful change for underserved
16 populations. The New York Times itself
17 concluded by placing workers' needs ahead
18 of profits, they address the root causes
19 of economic disparity. More than half of
20 worker co-ops in the U.S. today were
21 designed to improve low-wage jobs and
22 build wealth in communities most directly
23 affected by inequality, helping
24 vulnerable workers build skills and
25 earning potential, household income and

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2 assets.

3 In light of this, the U.S.

4 Federation of Worker Co-ops has counseled

5 many cities, from Boston to Oakland to

6 Cleveland and Minneapolis to support and

7 invest in cooperative development and

8 jobs that will stay in their cities for

9 the long term. In Austin, Texas;

10 Rochester, New York; Madison, Wisconsin;

11 and New York City, millions of dollars

12 have supported new business development

13 for cooperatives, including through

14 procurement policies, technical

15 assistance funding, and access to

16 capital.

17 Earlier this month I spoke with

18 the U.S. Department of Commerce in

19 Washington who, along with the Census

20 Bureau, USDA, Department of Housing and

21 Urban Development, Labor, and Development

22 of Energy, are part of an interagency

23 working group on cooperative development.

24 Cooperatives have emerged as

25 the chosen model for public support in

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2 the private sector and the superior small
3 business model here and throughout the
4 world. As the poorest major American
5 city, I know how much Philadelphia has to
6 gain from adopting the cooperative model
7 as a cornerstone of revitalizing our
8 neighborhoods going, as our model
9 aspires, farther, faster, and together.

10 Thank you.

11 COUNCILMAN JONES: Thank you
12 for your testimony.

13 (Applause.)

14 COUNCILMAN JONES: So this is a
15 cooperative support group too, because
16 they clap at each other's comments.

17 So Councilman Green.

18 COUNCILMAN GREEN: Thank you,
19 Mr. Chair.

20 Dr. Jean-Francois, I just
21 looked at your testimony, and what struck
22 me was considering we're in a shared
23 economy with Uber and Lyft and Airbnb and
24 HomeAway, does that provide opportunities
25 for using this new technology but from a

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2 co-op perspective? And I was thinking
3 about some of the different entities you
4 talked about in Sunset Park. Do you
5 think that's an opportunity as well?

6 DR. FRANCOIS: That's a
7 wonderful question and actually a project
8 that I didn't have a chance to talk
9 about. We're working in collaboration
10 with funding from Barclays Bank and also
11 The Robin Hood Foundation to develop an
12 app that will be able to provide online
13 booking and on-demand services. We're
14 working with a group called CoLab that is
15 presenting that technology. It's
16 actually a project that there's a lot of
17 interest in across the United States for
18 co-ops all around, but I think it will
19 enormously increase the access and the
20 ability for people to use cooperatives as
21 an alternative to Handy or TaskRabbit or
22 other kinds of groups like that. So it's
23 an excellent point, and will be launched
24 on November 11th in a soft launch, the
25 software product.

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2 COUNCILMAN GREEN: And as a
3 follow-up, are you familiar with
4 cooperatives in just a pure tech space
5 where there are people who are part of a
6 cooperative where they've come up with
7 different apps to other codes and other
8 technologies, that they provide access to
9 those technologies to other cooperatives,
10 other people, not so much as an ownership
11 perspective for themselves but as a part
12 of a co-op organization in the technology
13 space?

14 DR. FRANCOIS: Well, that's
15 precisely the concept behind this product
16 that we're developing. It will be open
17 sourced. So any group that is operating
18 in the United States can use it and
19 tailor it for the local conditions. So
20 we're thinking to pilot it first in New
21 York City and then we're thinking about
22 Oakland, but we would love to consider
23 Philadelphia, of course, as well as part
24 of that initiative.

25 COUNCILMAN GREEN: Thank you.

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2 DR. FRANCOIS: Sure.

3 COUNCILMAN JONES: Thank you.

4 Councilman Oh.

5 COUNCILMAN OH: Thank you very
6 much. I do have to leave, Mr. Chairman.

7 I just wanted to kind of just
8 put out and make the observation -- and
9 maybe everybody knows this, maybe they
10 don't, but many of the businesses,
11 particularly Asian businesses like
12 Chinese and Koreans, are cooperatives,
13 and the thing about it that's just kind
14 of interesting to me -- and it includes
15 African and Jamaican -- that their
16 financing has been cooperatives, and
17 there are all different types of systems,
18 because they could not get loans from the
19 bank, they didn't have credit history and
20 other things. And so looking at how the
21 money is used to finance the cooperative
22 is also kind of an interesting thing
23 that's been a workable situation for
24 decades and decades and decades in
25 America right here in Philadelphia. So

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2 different models, very interesting, and
3 maybe that could be kind of capsulized
4 into other types of methods of funding.

5 Thank you.

6 COUNCILMAN JONES: Councilman,
7 is the correct pronunciation khe (ph).

8 COUNCILMAN OH: Yes. So the
9 ghe (ph) actually -- I'm sorry, the
10 ghe -- is a situation where, for example,
11 50 people get together and they each put
12 in \$1,000. They don't ever get paid
13 back. They just put in \$1,000 or \$2,000
14 every month. They get together, decide
15 which business they're funding, and it
16 just goes around, and everybody will get
17 a turn eventually.

18 COUNCILMAN JONES: In another
19 life when I ran PCDC, I was exposed to
20 that concept, and I'm looking for loan
21 documents, I'm looking for -- but it was
22 based on character and it was based on a
23 handshake and trust and relationships,
24 which I found fascinating.

25 COUNCILMAN OH: One of the

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2 things that turned out from that is the
3 first Chinese bank in Philadelphia,
4 because when the other banks would not
5 loan to the businesses, the Chinese bank
6 would loan to the Chinese businesses
7 because they knew the infrastructure of
8 how these cooperatives, partnerships, and
9 other businesses worked. So they went
10 from loan clubs, financing clubs to
11 commercial entities, and once the
12 businesses got loans, they eventually
13 went to the big banks for the lower
14 interest rates.

15 Thank you very much.

16 COUNCILMAN GREEN: Just to
17 follow up on Councilman Oh's comment,
18 this is a concept that's been used in
19 multiple communities. I think you made
20 reference to -- both of you said Korean
21 and also Asian communities. And then I
22 spoke earlier about my father's
23 background, but my mother's family is of
24 Asian descent. So that's why I've
25 learned a lot of that type of cooperative

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2 economics as well.

3 COUNCILMAN JONES: Thank you,
4 Councilman.

5 This has been very
6 enlightening.

7 Are there any questions for
8 this panel?

9 (No response.)

10 COUNCILMAN JONES: Seeing none,
11 Ms. Williams, can you call up the next --
12 thank you for your testimony -- the next
13 group to testify.

14 (Applause.)

15 THE CLERK: The next panel of
16 witnesses will be Teresa Mansel, Javier
17 Hernandez, and Jon Roesser.

18 COUNCILMAN JONES: So we're
19 losing members, so if we could -- we only
20 need one, that's right. It's not a bill.

21 (Witnesses approached witness
22 table.)

23 COUNCILMAN JONES: Welcome.
24 Thank you for your patience. Please pull
25 the mic to you and begin your testimony.

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2 State your name for the record as well.

3 MS. MANSEL: My name is Teresa
4 Mansel. I am currently the Director at
5 Childspace West day care center in West
6 Philadelphia. I am also --

7 COUNCILMAN JONES: Where's the
8 location?

9 MS. MANSEL: Mill Creek, West
10 Philly.

11 I'm owner and Board President
12 of Childspace Management Group, which is
13 a worker cooperative that operates
14 high-quality child care programs in the
15 City of Philadelphia. I was one of three
16 mothers who opened the first Childspace
17 Center in 1988 in Mount Airy. Our second
18 center opened in 1992 in Germantown, and
19 in 1999 a third center was opened in West
20 Philadelphia. All three centers are
21 Keystone Star rated, the Commonwealth's
22 highest quality level a child care
23 program can achieve. Childspace
24 currently serves over 200 middle and
25 low-income children from infants to

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2 school age. There are 50 employees, and
3 fifteen are worker owners.

4 After a year on the job,
5 employees are given the option to join
6 the co-op and become a worker owner. One
7 share of stock is purchased for \$5. A
8 membership fee of \$245 is paid over the
9 next year through payroll deduction.

10 Each member receives one vote on Board
11 matters. The Board meets monthly and is
12 open to all employees. Financial
13 information and reports from Board
14 committees are shared with the
15 membership.

16 Worker owners participate in
17 corporate governance and management in
18 ways they never imagined they could. The
19 Childspace model has enabled women of
20 color who work in an industry notorious
21 for its low wages and limited career
22 advancement to develop skills that allow
23 them to gain the self-confidence to
24 become an officer of the company or chair
25 of a Board committee. And because we are

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2 the only worker-owned child care business
3 in the country, Childspace owners are
4 often asked to tell their story of what
5 it means to be a member of a co-op and
6 how it has impacted their lives.

7 Voting to offer healthcare
8 benefits, voting to expand operations,
9 and voting on pay increases are some of
10 the decisions owners make for the good of
11 the business and for the good of our
12 employees. Establishing the policies
13 that govern the organization are what
14 owners say is most important to them.
15 This is reflected in our low staff
16 turnover rate, which is an important
17 indicator of high quality in child care.

18 It was evident from the outset
19 that education held a key to our success.
20 Childspace provided and continues to
21 provide training and education
22 opportunities to current and potential
23 owners. The knowledge gained while
24 learning to operate the business, along
25 with being a democratically managed

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2 workplace, carries over into their lives
3 as parents and citizens, enriching the
4 community in which they live.

5 Educating our employees on
6 policy and advocacy work around issues
7 affecting the child care field as well as
8 workforce issues are also important to
9 Childspace's ongoing commitment to
10 educating our members and employees. Our
11 worker owners have come before this
12 Council to advocate for paid sick time,
13 high-quality pre-K, and now for your
14 support of cooperatives.

15 Childspace is committed to
16 continuing education for owners through
17 technical assistance training and
18 professional development opportunities so
19 we continue to develop the necessary
20 tools to make informed decisions
21 regarding our business. However, being
22 in an industry with a very low profit
23 margin, we are limited in the amount of
24 funds we are able to dedicate to this
25 aspect of our work. We have pieced

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2 together funds for educating members, but
3 it is challenging to find a consistent
4 source of revenue. Childspace would
5 welcome the opportunity to receive
6 technical assistance from experts in the
7 cooperative field at a reduced rate or
8 for a nominal fee, which would allow us
9 to redirect financial resources to
10 enriching programs for the children that
11 we serve.

12 A cooperative business such as
13 Childspace is unable to go to a
14 commercial bank or credit union and
15 obtain a loan or a line of credit without
16 each worker owner guaranteeing the loan,
17 even though we are a \$2 million business.
18 A friendly financial option would help
19 during times when cash flow is
20 compromised, such as what we experienced
21 eight years ago during the state budget
22 impasse.

23 Authorizing the Committee on
24 Commerce and Economic Development to hold
25 hearings regarding the development of

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2 co-ops in the City and how to support
3 their growth will enable more of us to
4 tell our story and allow you to delve
5 deeper into the positive ways
6 cooperatives impact our lives.

7 We're proud to be a part of
8 this growing cooperative movement in
9 Philadelphia, and I appreciate your time.

10 Thank you.

11 (Applause.)

12 COUNCILMAN JONES: Thank you
13 for your testimony.

14 Please begin yours.

15 MR. HERNANDEZ: My name is
16 Javier Garcia Hernandez. I am one of the
17 co-owners of a general construction
18 company that's called Mexicon that is
19 operated by immigrant workers from
20 Mexico. We have been in operation for
21 over two years and now we employ 20
22 workers. We have been in the process of
23 starting our co-op because we know that
24 for us to stay working together, we have
25 to help one another sustain our business.

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2 One of the reasons as to why a
3 co-op model would be to our benefit is,
4 first, the cost of doing business is so
5 high, that only together we're able to
6 manage.

7 Insurance: We pay about \$3,000
8 worth of insurance in order to operate in
9 the City of Philadelphia. They require
10 that we have a general liability, auto
11 liability, and workers' compensation.

12 Equipment: We're constantly
13 buying equipment to do our work, and much
14 of the equipment that is needed is so
15 expensive, especially when it comes to
16 safety equipment to protect ourselves
17 from getting injured.

18 The City bureaucracy: The cost
19 of getting permits, taxes, licenses, and
20 dealing with the Parking Authority, the
21 Philadelphia Parking Authority, often
22 adds to our cost of operating by
23 approximately \$1,000 a month.

24 Worker protection: As a co-op,
25 we look after our own safety and

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2 financial security. We care about each
3 other. Aside from being a co-op, we are
4 more like a family. We were working for
5 other companies where we felt exploited,
6 underpaid, and exposed to dangerous
7 working conditions, which was one of the
8 biggest reasons that led us to form our
9 co-op or begin working for ourselves.
10 Working for ourselves, no one yells at
11 us, shouts or asks us to do unsafe work.
12 We are able to protect ourselves.

13 Second, by working as a co-op,
14 we provide a better service to our
15 customers and our community. As workers
16 who own our business, we have an
17 incentive to do better work. It is our
18 reputation on the line. And each of us
19 is responsible for the quality of our
20 work, of which we own and are proud of.
21 As a result, the demand for our services
22 has increased and our clients refer us by
23 word of mouth. We have experienced this
24 phenomenon with homeowners and investors
25 that we have been working throughout the

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2 Philadelphia area. We are proud to say
3 that we're booked for the next five
4 months with work for over 20 workers.

5 Creating a co-op, it seems like
6 our only way out of poverty. We are
7 recent immigrants, with no credit or
8 other financial support. We don't have
9 the extended families that we can reach
10 out for help or a rich friend that can
11 lend us financial support. At Mexicon,
12 we are building a family so we can take
13 care of each other. We want to continue
14 working together, and we thank PACA for
15 the generous support in helping us
16 organize our group by providing technical
17 support and assistance and their
18 willingness to help us design a business
19 plan by trainings and a working model
20 that will not only benefit my co-workers
21 but our broader community as well.

22 We are in the beginning stages
23 of forming our co-op and are in need of
24 much help and support. We hope that you
25 can help us sustain our business by

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2 providing support to start-ups like mine
3 and other existing cooperative
4 businesses. We hope that you can provide
5 support to groups like PACA so they can
6 continue to provide support to us and
7 many other co-ops. We hope that in the
8 future we can reach out to you or those
9 that you support and ask for financial
10 help to fund our projects. Every year we
11 flip many houses for investors, but yet
12 we cannot work on our apartments or our
13 own projects, as we continue to pay high
14 rent and being gentrified out into other
15 neighborhoods.

16 When I see my co-workers
17 desperate for work to put food on the
18 tables to feed their families, I think of
19 the power of co-ops. I am grateful to
20 PACA for helping us organize our co-op.
21 They have opened their doors for us to
22 grow by supporting our co-op. And I know
23 there are other groups like mine out
24 there who want to start co-ops and need
25 access to business support and money for

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2 start-ups. I am here to ask for your
3 help. I am here to ask you to keep our
4 family working together in what I believe
5 is the most equitable and sustainable way
6 of doing business in our community, one
7 in which not only I benefit but those
8 around me also benefit. Like a rising
9 tide that lifts all boats, we go up
10 together, we grow together as a co-op,
11 like a family.

12 And I thought of something
13 while I was sitting. If I can make a
14 suggestion, we can begin by fixing the
15 vacant properties that the City of
16 Philadelphia owns.

17 Thank you.

18 COUNCILMAN JONES: Thank you
19 for your testimony.

20 (Applause.)

21 MR. ROESSER: Good afternoon,
22 Councilman.

23 COUNCILMAN JONES: Good
24 afternoon.

25 MR. ROESSER: My name is Jon

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2 Roesser. I'm the General Manager for
3 Weavers Way Cooperative Association.
4 Weavers Way operates cooperatively owned
5 natural foods grocery stores in Mount
6 Airy and Chestnut Hill. We also run two
7 farms, one at Saul High School for
8 Agriculture in Roxborough and the other
9 at Awbury Arboretum in Germantown. We
10 publish the Shuttle, which is our
11 community-owned monthly newspaper, and
12 work with an affiliated non-profit, Food
13 Moxie.

14 Weavers Way has annual revenue
15 of approximately \$22 million and employs
16 a staff of about 170. We are owned by
17 over 6,100 households, most of them who
18 live around our stores in Northwest
19 Philadelphia, though some live in other
20 parts of the City or in the near suburbs.

21 Weavers Way was founded in 1973
22 to address a need to provide reasonably
23 priced good quality produce for a group
24 of neighbors in Mount Airy. From our
25 beginning, we have existed not for

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2 profit, but to meet the needs of our
3 members.

4 Our emphasis today is primarily
5 to provide our members as well as our
6 non-member shoppers, as our stores are
7 open to all, with high-quality natural
8 groceries, with a particular emphasis on
9 locally grown and produced foods. Our
10 vendors include local farmers, bakers,
11 meat purveyors, cheese makers, and others
12 who are reinvigorating Philadelphia's
13 long tradition of food production.

14 We operate our cooperatively
15 owned businesses on a triple bottom
16 line - people, planet, profit. So all of
17 our business decisions must make good
18 financial sense, but they also must make
19 good sense for our community and for our
20 environment. It is why we don't sell
21 cigarettes and do not offer plastic
22 shopping bags. It is why much of our
23 produce is grown organically and why we
24 launched Food for All, our needs-based
25 discount program.

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2 Because our business does not
3 operate for profit, any year-end profits
4 get returned to our members through a
5 patronage rebate, a dividend of sorts
6 paid back to our member owners based on
7 their patronage over the fiscal year.

8 The difference between a
9 cooperatively owned business such as ours
10 and a similar business that's privately
11 or publicly held is simple, but
12 important. We exist to meet the needs of
13 our member owners. We are not obligated
14 to out-of-town owners or shareholders
15 concerned with maximizing profit.

16 Operating our business as a
17 cooperative requires a certain level of
18 transparency. We are obligated to share
19 with our members how we are meeting our
20 triple bottom line through monthly
21 reports to our Board of Directors, which
22 is democratically elected by our
23 membership, and through biannual
24 membership meetings and a year-end
25 report.

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2 Because co-ops do not operate
3 our businesses for profit, we do not have
4 access to the venture capital available
5 to for-profit enterprises. This makes
6 starting a co-op or growing an existing
7 co-op more difficult than it would be if
8 we operated for profit.

9 We do, however, have the
10 advantage of community ownership. This
11 allows us to raise capital from our
12 members and to tap into various community
13 resources. Part of that has for us
14 historically involved close relationships
15 with local community leaders, civil
16 servants, and political leaders.

17 We are so thrilled to be part
18 of the fabric of our neighborhoods. We
19 firmly believe that Northwest
20 Philadelphia is a better place to live
21 because of our stores and the services we
22 provide our communities. We are also
23 very interested in growing the
24 cooperative economy in Philadelphia, both
25 by expanding our own business and by

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2 helping other cooperatives get started
3 and grow.

4 Weavers Way is ready, willing,
5 and able to partner with City Council in
6 any efforts you undertake to assist in
7 the expansion of cooperatives in our
8 amazing city.

9 Thank you for your time and
10 thank you for taking a leadership role in
11 developing co-ops.

12 COUNCILMAN JONES: Thank you so
13 much.

14 (Applause.)

15 COUNCILMAN JONES: Just for
16 purposes, again, how long has Weavers Way
17 been around?

18 MR. ROESSER: Since 1973.

19 COUNCILMAN JONES: Okay. All
20 right. Thank you.

21 Councilman Taubenberger.

22 COUNCILMAN TAUBENBERGER:
23 Mr. Roesser, just a note. I was actually
24 looking at trying to educate myself and
25 using my little powerful tools here.

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2 When you do pull up United States
3 cooperatives and you get very large --
4 the Land O'Lakes, you get also Ocean
5 Spray. You also mention Weavers Way,
6 which I think is a compliment to you.

7 (Applause.)

8 COUNCILMAN TAUBENBERGER: To
9 make the top list on anything is rather
10 important, and I would look forward at
11 some point in the near future to meet
12 with you and take a tour of your
13 facilities and so on, if you would like
14 me to do so. I would love to do it.

15 MR. ROESSER: Thank you. I
16 would love for you to do so, yes.

17 COUNCILMAN TAUBENBERGER: Well,
18 I'm coming.

19 I do have a question for
20 Ms. Mansel. Ms. Mansel, I'm very
21 impressed on how you started your day
22 care cooperative, but what model did you
23 look at? Was this something you always
24 had in mind as far as a cooperative?

25 MS. MANSEL: We created the

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2 model.

3 COUNCILMAN TAUBENBERGER: You
4 created it?

5 MS. MANSEL: Yes. It was
6 myself and another woman, who used to
7 work for another organization that was
8 here in the City that focused on co-ops.
9 So it was working with co-ops. So we had
10 babies who were about the same age and
11 there wasn't much infant care going on,
12 so we said, You know what, let's start
13 our own day care center, but let's make
14 it a worker co-op, and we figured out
15 through -- her husband was an attorney,
16 so we were able to figure out how to set
17 the business up to make it work.

18 COUNCILMAN TAUBENBERGER: All
19 on your own? I mean, you came up with
20 the idea of the cooperative aspect?

21 MS. MANSEL: Yes.

22 COUNCILMAN TAUBENBERGER: I
23 know what the need was, but you came up
24 with the model and how it worked and what
25 the cost would be?

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2 MS. MANSEL: Yeah. Because our
3 goal was to empower women who were
4 traditionally in that job to be their own
5 owners, business people, and to raise
6 them up in their communities.

7 COUNCILMAN TAUBENBERGER: I get
8 the goal and the need. I get that very
9 clearly from you. But really I'm really
10 amazed and astounded that you did this on
11 your own as far as the governance is
12 concerned.

13 MS. MANSEL: Well, we worked
14 with PACE, through that organization. So
15 we knew the co-op model. We knew what
16 cooperatives were. We had been working
17 with cooperatives that were converting
18 the A&P supermarkets to O&O stores,
19 owner-operated stores. That was a while
20 ago. I'm dating myself.

21 COUNCILMAN TAUBENBERGER: Okay.
22 I would just have to say from this side
23 of the table, I'm very in awe and
24 inspired by what you have just said.

25 MS. MANSEL: Thank you very

1 10/24/16 - COMMERCE - BILL 160709, ETC.

2 much.

3 COUNCILMAN TAUBENBERGER:

4 That's some soul searching, a lot of
5 energy, a lot of support. So thank you.

6 MS. MANSEL: Thank you.

7 (Applause.)

8 COUNCILMAN TAUBENBERGER: You
9 help make this city a better place.

10 That's a fact.

11 MS. MANSEL: I'm sorry?

12 COUNCILMAN TAUBENBERGER: I
13 said you help make this city a better
14 place.

15 MS. MANSEL: Thank you very
16 much.

17 (Applause.)

18 COUNCILMAN TAUBENBERGER:

19 Mr. Chairman, thank you.

20 COUNCILMAN JONES: Thank you,
21 Councilman.

22 Councilman Green.

23 COUNCILMAN GREEN: Thank you,
24 Mr. Chair.

25 Mr. Roesser, I want to somewhat

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2 congratulate you on your somewhat newer
3 position. I know Glenn Bergman. I don't
4 see him as much in the gym like I used to
5 at Fit Life, but I know he's doing great
6 things.

7 Earlier I talked about what
8 Weavers Way has been able to do over the
9 years. I talked about Caruso's Market.
10 But also I wanted to state for the record
11 I was the President of East Mount Airy
12 Neighbors, and we years, years ago before
13 my time used to own Mount Airy Times
14 Express, and that was the main
15 publication in the community. And then
16 when some of our papers were no longer
17 publishing, Weavers Way through the
18 Shuttle stepped up to increase the
19 circulation to keep information in the
20 community. I always love reading in the
21 Shuttle about the various disputes on the
22 work requirement or non. I know that's a
23 longstanding conversation within the
24 organization, as well as what products
25 should or should not be in Weavers Way as

1 10/24/16 - COMMERCE - BILL 160709, ETC.
2 well as some of the great recipes and
3 such.

4 So I wanted to just publicly
5 thank Weavers Way for increasing the
6 publication of the Shuttle as a way to
7 get communication into the community.

8 Two quick questions for
9 Mr. Hernandez regarding Mexicon. I'm
10 very interested in the organization.
11 When I worked for Councilwoman Marian
12 Tasco, we for a number of years had been
13 dealing with some of the challenges
14 regarding day laborers at the Home Depot
15 on the Boulevard. And so we had worked
16 with Friends of Farm Workers, National
17 Day Laborers Organization, as well as
18 Juntos to try to come up with a way of
19 addressing some of the issues between
20 Home Depot and also day laborers and
21 people just trying to make a living, and
22 I didn't really think about cooperatives
23 until you talked about that in your
24 testimony. So I think that would be a
25 great opportunity for some of the men who

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2 are serving as day laborers, if they
3 could come together as a cooperative.
4 Because I did try to organize and are
5 trying to organize with some of those
6 groups that I mentioned, but having a
7 cooperative would be a way to make it
8 easier for them to negotiate with Home
9 Depot and the property owner of that
10 location to try to find a location on
11 site so they could engage in employment
12 to feed their families in a way that
13 works with the community.

14 MR. HERNANDEZ: If I may, I'm
15 happy to tell you that they are actually
16 in the stages as well of forming a co-op
17 either way, Philadelphia Workers
18 Alliance. So we've been meeting with
19 them. PACA has been helping us. We had
20 a few meetings through our 20 book clubs,
21 and they're also making some good
22 progress, thanks to the people in the
23 room. I believe there's a way for them
24 to protect themselves as well.

25 We were part of -- when the

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2 police officers were being called by Home
3 Depot to come and arrest the workers, we
4 were there as well and as working with
5 Juntos and other groups. But I remember
6 that.

7 COUNCILMAN GREEN: Right.

8 Thank you. That's good to hear.

9 And then, Ms. Mansel, thank you
10 for the work at Childspace and helping us
11 to found Childspace. As I testified
12 earlier, the influence it has had in our
13 family, but I'm also quickly curious in
14 reference to is Childspace participating
15 in the Administration's pre-K initiative?

16 MS. MANSEL: We did up until it
17 was time to make a decision about whether
18 or not we were going to participate in
19 the initial offering. The worker co-op
20 voted not to do it at this time. We're
21 at a point where we actually were able to
22 make a small profit. So the worker co-op
23 decided we're going to use the money that
24 we made to stabilize -- continue to
25 stabilize the business, have a fund,

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2 rainy day fund, if you will, and then the
3 next cycle we'll probably tap into the
4 pre-K.

5 COUNCILMAN GREEN: Well, I'm
6 not sure if there's any representatives
7 from the Administration here, but I think
8 it still would make a lot of sense for
9 Childspace if not working -- not going
10 into the pre-K initiative in reference to
11 receiving funds, but at least from a
12 technical assistance perspective,
13 considering you have Public Health
14 Management Corporation working with the
15 Urban Affairs Coalition, considering your
16 experience as a co-op, that may be an
17 idea for some of the day care providers
18 as they're growing and receiving some
19 assistance from the pre-K initiative,
20 some of the technical assistance that
21 could be provided by Childspace could
22 help them grow and they may think of
23 should we form a co-op.

24 MS. MANSEL: Yeah. Childspace
25 does work with the Southeast Regional Key

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2 to provide technical assistance and
3 business training for child care
4 programs, and we'll continue to do that
5 and hopefully expand on that as well.

6 The technical assistance part that
7 Childspace is in need of mostly is the
8 co-op training. So organizations like
9 AORTA and PACA can provide those kinds of
10 leadership training and technical skills
11 that we need to grow our business and
12 what that's going to mean. But, yeah,
13 Childspace has been around long enough
14 and is very intertwined in the
15 Commonwealth and the programs that they
16 offer, and we've partnered with the City
17 of Philadelphia to do Head Start programs
18 as well. So I think you're absolutely on
19 point with that with the technical
20 assistance.

21 COUNCILMAN GREEN: Okay. Thank
22 you.

23 MS. MANSEL: Thank you.

24 COUNCILMAN JONES: Thank you so
25 much for your testimony and insights to

1 10/24/16 - COMMERCE - BILL 160709, ETC.
2 the different varying ways people got
3 started in co-ops, and I'm beginning,
4 like my author of this resolution, see
5 how it can really touch different aspects
6 of it. So I appreciate your testimony.
7 Thank you so very much.

8 Ms. Williams.

9 MS. MANSEL: Thank you for the
10 opportunity.

11 MR. ROESSER: Thank you,
12 Councilman.

13 COUNCILMAN JONES: The last
14 panel to testify?

15 (Applause.)

16 THE CLERK: The last panel of
17 witnesses to testify will be Saleem
18 Chapman, Paula Paul, and Lucia Esther.

19 (Witnesses approached witness
20 table.)

21 (Applause.)

22 COUNCILMAN JONES: Thank you
23 all for your patience. Please approach
24 the witness table, pull the mic close to
25 you, state your name for the record, and

1 10/24/16 - COMMERCE - BILL 160709, ETC.

2 then begin your testimony, please.

3 MR. CHAPMAN: Hi. My name is
4 Saleem Chapman and I'm the Policy and
5 Advocacy Manager of the Sustainable
6 Business Network of Greater Philadelphia.

7 You guys have my written
8 testimony, so I think the best thing I
9 can add, in the interest of time, is just
10 to really focus on that at SBN we're
11 really committed to looking at how
12 business can be an agent of change, and
13 we look at worker ownership and
14 cooperative development as a cornerstone
15 of that initiative.

16 If you look at our vision for
17 the Philadelphia economy, which we term
18 the Good Economy 2020, you will see that
19 there are a number of initiatives that
20 will move us forward in that direction.
21 Although co-ops are not listed there
22 explicitly, this certainly falls
23 underneath our continued commitment to
24 explore innovative practices to build
25 wealth in the region.

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2 But that being said, at the end
3 of the day, at SBN we never do anything
4 unless there's a viable business case to
5 do it. And so the important thing to be
6 made is that co-ops simply aren't just a
7 social equity endeavor, that they have
8 been shown to increase worker -- the
9 productivity of businesses and decrease
10 the turnover of businesses, both of which
11 allow businesses to be more viable. And
12 so it isn't just always when we talk
13 about the triple bottom line, it isn't
14 always just feel good, although we do
15 like to feel good about the work that we
16 do, but really it's always a viable
17 business and economic case as to why we
18 need to do these things. And I know that
19 the City would not be remiss in the
20 investment that they would put into
21 cooperative development, because we've
22 seen that these things can contribute an
23 economic return multiple times over the
24 initial investment.

25 Thank you.

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2 COUNCILMAN JONES: And thank
3 you for going around talking to
4 Councilpeople to enlighten us on the
5 types of impacts that these businesses
6 can have. Members of our staff and you
7 have been very helpful.

8 MR. CHAPMAN: Thank you.

9 COUNCILMAN JONES: Thank you.

10 MS. ESTHER: Good afternoon,
11 Council.

12 COUNCILMAN JONES: Good
13 evening.

14 MS. ESTHER: Good evening. My
15 name is Lucia Esther and I'm Chair of the
16 West Powelton/Saunders Park RCO. And it
17 was a very enlightening hearing. We
18 thank you for having it. And we see that
19 in our neighborhood in West Philadelphia,
20 we have a lot of empty storefronts. So
21 finding occupants for them, the co-op
22 would be a good way to do that. They're
23 having a little more emphasis on arts or
24 small things that are not traditional
25 types of businesses that could get

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2 together and start out as the seed group
3 and then later on grow into something
4 bigger. And we see that co-ops as being
5 a means of getting the community involved
6 with it, finding an interest that many
7 neighbors might have, whether it's a
8 community garden and turning that into a
9 cooperative or a means of employing
10 people who have started giving up on
11 looking for jobs and a means for
12 activities for the youth.

13 So we thank you very much, and
14 I know it's been a long day. And you can
15 read our statement.

16 COUNCILMAN JONES: I think your
17 point about the storefronts that are
18 vacant on some of these commercial
19 corridors is a point not heard from yet
20 today. So thank you for that.

21 MS. ESTHER: Yes. Because now
22 that we're -- even the new building and
23 the developers are the CMX-2 business of
24 having commercial first and then two or
25 three apartments up above, they are not

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2 renting the storefronts. They're there
3 and they're empty, and then -- but
4 families down on the first floor of a
5 commercial street, which kind of blocks
6 the activity along the street so that you
7 don't have shops to kind of go in and out
8 of, and we're trying to have more
9 activity on the street to sort of reduce
10 the crime level.

11 COUNCILMAN JONES: You're
12 absolutely right. Thank you so much.

13 MS. ESTHER: Thank you.

14 MS. PAUL: Thank you. Good
15 afternoon to this Committee of the
16 Council of Philadelphia. Thank you for
17 this opportunity to speak before you. My
18 name is Paula Paul. I'm representing
19 POWER, Philadelphians Organized to
20 Witness, Empower, and Rebuild. And at
21 this point, I'm going to go with Reverend
22 Holston's figures in terms of the size of
23 our organization, 55 congregations
24 referencing 50,000 individuals. We are
25 an inter-faith organization from across

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2 the City, intentionally bringing people
3 together across race, faith, income, and
4 neighborhood to work for social,
5 economic, and racial justice. We touch
6 each of Philadelphia's ten Council
7 districts and a majority of
8 Philadelphia's 44 zip codes. My
9 congregation is Saint Benedict
10 Church/Saint Athanasius Parish in West
11 Oak Lane.

12 POWER is working to transform
13 Philadelphia into a city that works for
14 all of us. Currently we have three main
15 areas of activity: jobs, which also
16 include a partnership with EQAT, Earth
17 Quaker Action Team with our campaign of
18 Power Green Jobs; education; and criminal
19 justice reform. On behalf of POWER's
20 Economic Dignity Team, I am here today to
21 support cooperative development as a way
22 to bring community wealth and jobs to our
23 neighborhoods.

24 As a result of a
25 POWER-sponsored poverty summit in the

1 10/24/16 - COMMERCE - BILL 160709, ETC.
2 spring of 2016 and a Black Work Matters
3 Report, a ten point program was adopted
4 to address the unconscionable levels of
5 poverty in Philadelphia. Philadelphia is
6 the poorest big city in the United
7 States. More than one in four
8 Philadelphians live below the poverty
9 line of \$24,000 a year for a family of
10 four, and of these households, 12.7
11 percent live in deep poverty, which is
12 defined as a household income of less
13 than \$12,000. The multifaceted ten point
14 POWER program includes raising the
15 minimum wage, unionization of service
16 jobs, a public work bank, and development
17 of co-ops.

18 POWER included co-ops in its
19 ten point program to address poverty and
20 bring opportunity to our neighborhoods
21 for the following reasons:

22 The mainstream economy has not
23 worked for many of our fellow citizens.
24 While Philadelphia's official
25 unemployment rate stands at 6.3 percent,

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2 only 52 percent of adults in the City
3 actually have a job. Finding few
4 opportunities for jobs, many young people
5 end up in prison for drug-related
6 activity. Philadelphia has the highest
7 rate of incarceration in the nation.

8 Co-ops provide another way for
9 people who are left out of the mainstream
10 economy to come together, get training,
11 and develop businesses that provide jobs.

12 Co-ops create and maintain
13 sustainable, dignified jobs, particularly
14 for people like returning citizens and
15 immigrants who do not have other work
16 options.

17 Historically, co-ops have been
18 a way for marginalized communities to
19 bring jobs and services to underserved
20 populations. In the depression, many
21 African American farmers formed co-ops as
22 a way to save their farms and increase
23 production.

24 Co-ops build local wealth. As
25 a worker co-op, profits do not go to

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2 distant investors, but instead go
3 directly to workers and owners. As a
4 result, the money stays grounded in the
5 local economy, with the workers living
6 and spending locally.

7 Co-ops build skills and
8 participation in the workforce.

9 Co-ops are a way for business
10 owners who want to retire to transfer
11 their assets to their employees, thus
12 keeping their businesses alive and
13 thriving in their communities.

14 In closing, POWER urges this
15 Council to support cooperatives in two
16 concrete ways. First, provide technical
17 assistance to help cooperatives get off
18 the ground.

19 Second, create a revolving loan
20 fund for co-ops. One of the main
21 barriers to business ownership for people
22 of color is access to start-up capital.
23 Therefore, a revolving loan fund could
24 make the difference between a success and
25 a failure.

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2 Thank you for the opportunity
3 to submit this testimony in support of
4 cooperative development. We hope you
5 share our conviction that the growth of
6 the co-op sector is vitally important in
7 making Philadelphia a city of opportunity
8 that works for all.

9 Thank you.

10 (Applause.)

11 COUNCILMAN JONES: Thank you
12 all for your testimony today.

13 I'm going to close out with
14 Councilman Green, the author of this
15 resolution.

16 COUNCILMAN GREEN: Thank you,
17 Mr. Chair.

18 I just want to thank all the
19 people that came out to testify today and
20 those who supported this initiative. I
21 think this is the beginning of an ongoing
22 conversation regarding how we can use
23 co-ops as a way to address poverty in our
24 city. There are a lot of different
25 tools. Some focus on workforce, some

1 10/24/16 - COMMERCE - BILL 160709, ETC.
2 focus on entrepreneurship or some focus
3 on social entrepreneurship. So I think
4 we need to look at all of these tools to
5 try to lift more people out of poverty to
6 create a better common good for our city.

7 So thank you.

8 COUNCILMAN JONES: Thank you.

9 (Applause.)

10 COUNCILMAN JONES: Such an
11 enthusiastic group.

12 This concludes the business of
13 the Commerce and Economic Development
14 Committee for today. Thank you very much
15 for all in attendance. We will stand at
16 recess to the call of the Chair.

17 (Committee on Commerce and
18 Economic Development concluded at 4:20
19 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter, and that this is a true and correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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