

May 12, 2022

The Honorable Eric Pratt
Chair, Omnibus Jobs, Energy and Commerce
Policy and Supplemental Appropriations
95 University Ave West
Minnesota Senate Building
St. Paul, MN 55155



The Honorable Mohamud Noor
Chair, Omnibus Jobs, Energy and Commerce
Policy and Supplemental Appropriations
379 State Office Building
St. Paul, MN 55155

Re: Funding to support community businesses/commercial shared ownership business models

Dear Chair Pratt, Chair Noor, and Conference Committee Members,

As the Conference Committee convenes to consider policies and programs for inclusion in the omnibus jobs, energy and commerce policy and supplemental appropriations bill, the Metropolitan Consortium of Community Developers (MCCD) urges you to include funding to support community businesses or shared ownership business models. Prior to the 2022 legislative session, MCCD brought together organizations across Minnesota working to support employee-owned businesses, cooperatives, and commercial land trusts to get feedback on a proposal (SF 4114/HF 3733) to support this work. Collectively, we strongly believe that shared ownership businesses provide an opportunity to strengthen and stabilize Minnesota's economy while also serving as a wealth building tool for Black, Indigenous, people of color (BIPOC), women, veterans, people with disabilities and low-wealth individuals.

Why Community Businesses/Shared Ownership Businesses provide a solution to many of our state's greatest economic challenges: In Minnesota alone, we have 52,000 businesses that are owned by baby boomers and 85% do not have a succession plan. The loss of these businesses will shake our economy, impacting 599,000 jobs and communities across our state. In Minnesota and beyond, transitioning these businesses to a community business model is emerging as a viable solution. Statistics show that nationally, if just 30% of all US businesses were owned by its workers, median Black household wealth would increase from \$24,000 to \$106,000. And average wealth of the bottom 20% of all households would quadruple. A prosperous BIPOC community in Minnesota is crucial to the overall economic success of our state and lowers the long-term need for social safety net spending.

Additionally, as you have heard in committee hearings, many BIPOC entrepreneurs and small business owners across the state face barriers to financing and traditional sole proprietor business opportunities, but by pooling resources, worker cooperatives or employee-owned businesses make business ownership attainable. MCCD is a Community Development Financial Institution (CDFI) that works closely with small business owners, and we know that burnout is real, shared ownership models can provide a better work-life balance and longevity of employees.

Currently, there is not a targeted state program to support these types of businesses. This includes technical assistance funding along with start-up or transition costs of a community business or shared ownership businesses. MCCD is encouraged to see a \$10 million set-aside funding program in Chair Noor's proposed bill to explicitly support these types of businesses. We hope that this game-changing funding will be included in your final omnibus bill.

As you approach negotiations, we hope that you continue to recognize the value that CDFIs and economic development organizations play in the strength and success of our state's economy. We look forward to collaborating with the committee to secure investments to support our collective work in the shared ownership space as the 2022 legislative session progresses. Please reach out to Kari Johnson (kjohnson@mccdmn.org), should you need any further information.

Sincerely,

Kari Johnson

Kari Johnson
MCCD | Co-Director of Public Policy & Field Building

Enclosed: SF 4114/HF 3733 Community Wealth Building Handout

A Case for the COMMUNITY WEALTH BUILDING GRANT PROGRAM

Shared ownership models, including employee ownership, cooperatives and commercial land trusts, are proven methods for economic recovery and growth. They retain and grow businesses and jobs, revitalize distressed areas, prevent displacement, and expand ownership opportunities for BIPOC and other underrepresented groups.

Shared Ownership Models



WORKER COOPERATIVES
& OTHER FORMS OF
EMPLOYEE OWNERSHIP



REAL ESTATE INVESTMENT,
SHARED SERVICES, OTHER
COOPERATIVE STRUCTURES



COMMERCIAL
LAND TRUSTS

Employee Ownership

In an employee-owned company, the workers—not outside shareholders—own all or at least a significant percentage of their workplace.

National Center for Employee Ownership

Why



DID YOU KNOW?

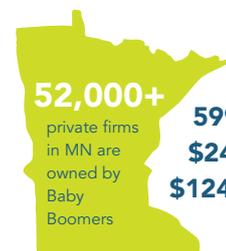
2021 study: if 30% of US business were owned by its workers, median wealth of Black households would increase from \$24,000 to \$106,000.

Average wealth of the bottom 20% would quadruple.

"Employee Ownership and Wealth Inequality, A Path to Reducing Wealth Concentration" Thomas Dudley, Eitan Rouen Sept 2021

Baby Boomer Opportunity

Baby boomer-owned businesses in 2012 employed 24.7 million people, generating \$5.14 trillion in sales.



599,000 employees
\$24 billion in payroll
\$124 million in revenue

Opportunity

**6 in 10 of these
businesses will be
listed for sale**



This is an opportunity to transfer wealth/ownership to BIPOC, women, low wealth and other underrepresented groups through a transition to employee ownership.



**Only 2 in 10 listed
business will
actually sell**

85% of owners have no succession plan.

Only 15% of businesses will pass to family members.

Data above developed by Project Equity using US Census and SBA data

HF 3733 | SF 4114



Metropolitan Consortium
of Community Developers

Cooperative

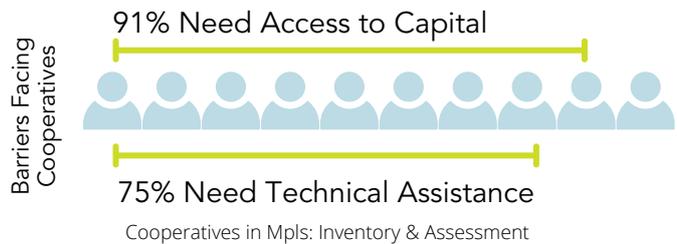
A cooperative is “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs through a jointly-owned and democratically controlled enterprise.”—International Cooperative Alliance

Local Glance



U of Wisconsin Center for Cooperatives

Minnesota has a strong history of cooperative models. But, a recent study showed the biggest barriers cooperatives face are start-up capital and technical assistance needs.



Commercial Land Trust

Similar to a housing land trust, a Commercial Land Trust (CLT) is a community-based initiative that works to provide permanently affordable commercial ownership opportunities by acquiring land and holding it “in trust” indefinitely for the benefit of the community, ensuring that the properties will always remain affordable for local business owners.

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In a survey of businesses conducted in November 2020, about a fifth of Black and Latinx business owners said they expected to close by mid-2020

[bloomberg.com/news/articles/2021-05-19/small-businesses-are-victims-of-gentrification-too](https://www.bloomberg.com/news/articles/2021-05-19/small-businesses-are-victims-of-gentrification-too), Willow Lung-Amam

Opportunity

Affordable real estate could help to prevent the wave of BIPOC owned business closures.

