

Senate Jobs and Economic Growth  
Finance and Policy Committee  
95 University Ave West  
Minnesota Senate Building  
St. Paul, MN 55155



April 4, 2022

Dear Chair Pratt and Committee Members,

The Metropolitan Consortium of Community Developers (MCCD) is an association of 50 nonprofit organizations committed to expanding the wealth and resources of communities through housing opportunities and economic development initiatives. MCCD's mission to build strong and stable communities can only be achieved by addressing the inequities that have shaped housing and economic development policies at every level of government and that has prevented Black, Indigenous and People of Color (BIPOC) and other communities from achieving housing stability, accessing capital and wealth building opportunities.

As SF 4091 progresses through the legislative process, we request that the committee consider making key investments in CDFIs and non-profit economic development organizations that are uniquely positioned to support small, rural, and BIPOC owned businesses. The two areas we would like to highlight are:

1. **SF 4252 – Small Business Partnership Program:** the Department of Employment and Economic Development (DEED) does not work directly with business owners, and DEED relies heavily on non-profit economic development organizations and CDFIs as partners to deploy assistance funds and work directly with small businesses.

Throughout the pandemic, the statewide network of business advisors at these organizations stepped up during the pandemic to distribute over \$200 million in federal, state, and local aid to businesses, and worked with small business owners to adjust and adapt their business models to the ever-changing environment the past two years. This program helps leverage other public and private resources, while setting small businesses up for success for years to come.

2. **SF 4114 – Community Wealth Building Grant Program:** Many entrepreneurs and small businesses across the state face barriers to financing and traditional sole proprietor business opportunities or simply would prefer shared ownership to provide better work-life balance, which is why shared ownership models present a solution. Yet, there is not a targeted state program to support these types of businesses.

In Minnesota we have 52,000 businesses that are owned by baby boomers and 85% of these do not have a succession plan. The loss of these businesses will shake our economy, impacting 599,000 jobs. In Minnesota and across the country, transitioning these businesses to an employee owned business model is emerging as a viable solution. Nationally, if 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.

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

Sincerely,

Elena Gaarder  
President/CEO, MCCD  
3137 Chicago Avenue South  
Minneapolis, MN 55407

Enclosed:      SF 4252 Small Business Partnership Handout  
                    SF 4114 Community Wealth Building Handout

**Statewide Network of Organizations**

Growing and maintaining the network of non-profit economic development organizations and CDFIs is extremely important. Without these network of organizations Minnesota would not have been able to distribute hundreds of millions in economic relief.



**Business Advisor Technical Assistance**

Business advisors provide technical assistance to entrepreneurs that are Black, Indigenous, People of Color, women, veterans or people with disabilities. Support for new and existing businesses includes marketing, management, finance, strategic planning, COVID-19 relief assistance and accounting.



**3,500**

**BUSINESSES HELPED**

**\$40**

**MILLION**

On average 3,500 entrepreneurs or small businesses are helped and the program leverages \$40 million in private financing a year.

Last year's one-time funding increase allowed 37 organizations to receive funding compared to 14 in previous grant cycles.

**164% Increase**



The Small Business Partnership Grants have been around for 10+ years with out a base funding increase.



**Examples of Small Business Sectors Helped**

- Bakeries & Coffee Shops
- Restaurants & Breweries
- Construction Companies
- Health & Wellness Businesses
- Professional Services
- Pet Retailers & Services
- Arts & Entertainment
- Small Manufacturing Companies

**The Ask**

**Seeking one-time funding for current grantees = \$10 million for FY23 and then \$20 million in the base going forward.**

Kari Jonson  
 kjohnson@mccdmmn.org



**MCCDMN.ORG**

# 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?

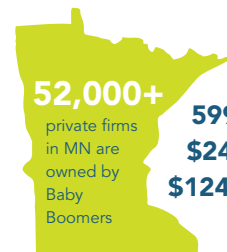
2021 study: if 30% of US business were owned by its workers, median wealth of Black households would increase from \$24,000 to \$106,000.

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

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

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



**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

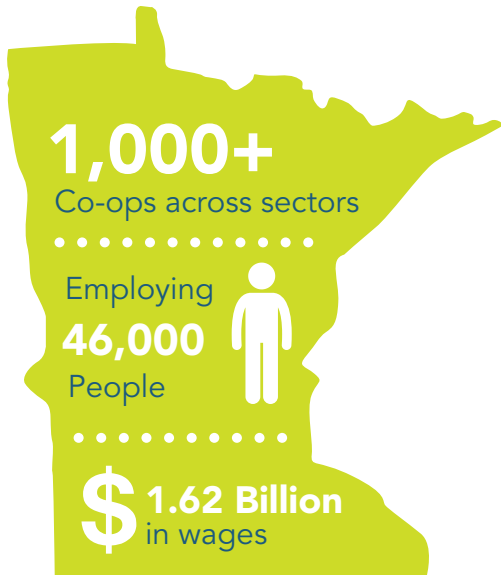


Metropolitan Consortium  
of Community Developers

# Cooperative

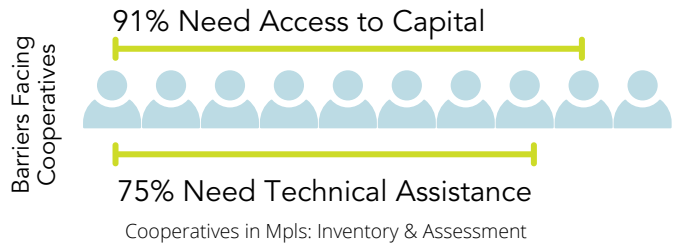
A cooperative is “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs through a jointly-owned and democratically controlled enterprise.”—International Cooperative Alliance

## 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.

