

MUNICIPAL TOOLS

TO SUPPORT WORKER OWNERSHIP IN SAINT PAUL



Policy assessment and recommendations to advance
the City of Saint Paul's Shared Ownership Initiative

{ Project **Equity** }



SAINT PAUL
MINNESOTA

Project Equity is a national nonprofit focused on growing broad-based employee ownership in communities across the country. We envision a more equitable society where employee ownership is a preferred business model that strengthens small businesses, creates quality jobs and builds wealth for Black, Brown and low-income workers. To work toward that future, we partner with a variety of stakeholders: business advisors, anchor institutions, local governments, business and workforce support agencies and businesses before, during and after their transition to employee ownership.

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Introduction

Local businesses are the backbone of Saint Paul's economy: they carry its unique cultural character, animate its commercial corridors, employ residents and recirculate dollars to build wealth in their communities. Though they tend to be small, they play an outsized role in the city's economy and cultural vibrancy. Despite their importance, these businesses are at risk of closure: many have not recovered from the effects of the COVID-19 pandemic and **over half have owners at or near retirement age**, often without a clear succession plan to keep the business running, let alone locally owned.

This looming wave of retirements, often referred to as the **Silver Tsunami**, presents a **significant threat to Saint Paul's small business landscape**. With 53% of businesses in Ramsey County owned by individuals at or near retirement age, the risk of business closures not only jeopardizes approximately 70,000 jobs and \$12B in revenue (see Appendix B) but also endangers the cultural and social fabric of local communities. Without a viable succession plan in place, many of these businesses may be sold to outside buyers or close their doors altogether.

The consolidation or closure of these businesses risks widening wealth inequality in Saint Paul, particularly along racial lines. According to the **Prosperity Now Scorecard**, 40% of Black and 22% of Hispanic households in Saint Paul have zero net worth, compared with 14% of white households. Because business ownership is a **significant driver of overall wealth inequality**, the consolidation or loss of local businesses threatens to deepen existing disparities and exacerbate the risk of small business displacement—a burden that disproportionately affects Black, Hispanic, Asian and Native American communities.

In light of these intersecting challenges, **worker ownership offers a solution to keep businesses locally owned for the long term and build wealth for working people in Saint Paul**. Across its various forms and models, it enables retiring owners to preserve their legacy while ensuring that their businesses remain rooted in the community. Worker ownership not only stabilizes local economies by averting displacement and retaining quality jobs but also provides a pathway to business ownership for workers, often requiring little or no financial investment on the workers' part. By broadening access to shared ownership, worker ownership can be a powerful engine for building bottom-up wealth and reconnecting communities to the assets they help create.

Joining a growing list of localities that recognize the transformative potential of worker ownership, the City of Saint Paul has launched the **Shared Ownership Initiative**, aiming to leverage City resources to build wealth in historically marginalized communities through the support of worker-owned businesses and community-owned real estate. Saint Paul's Initiative, led by the **Office of Financial Empowerment (OFE)**, has begun by dedicating \$2.5M in American Rescue Plan Act (ARPA) funding

to [launch the LOCAL Fund](#), which will provide grants and technical assistance for worker-owned businesses and community-owned commercial real estate cooperatives. With strong support from Mayor Melvin Carter and Council President Mitra Jalali, Saint Paul is poised to become a leader in catalyzing worker ownership through targeted policies and continued funding.

This report, commissioned by the Office of Financial Empowerment and developed by Project Equity, evaluates the current landscape of support for worker ownership in Saint Paul and identifies opportunities for the City to employ targeted policies that can sustain and enhance this support. Informed by interviews with key stakeholders (see acknowledgements above), the report identifies near-term policy recommendations to advance the City’s ongoing work and gathers insights from other local governments’ efforts to support worker ownership. Transforming conventional economic development models to shift wealth and governance into the hands of workers—especially Black and Brown workers who have historically faced the greatest barriers to economic mobility—is a challenging and gradual process. Through supportive policies, targeted funding and robust programmatic support, however, the City of Saint Paul can accelerate this change. This report is intended to inform that work going forward.

Summary of recommendations

Saint Paul is already home to a robust ecosystem of organizations with expertise supporting new and existing worker-owned businesses. Under the leadership of Mayor Melvin Carter, the City of Saint Paul has begun to strengthen this ecosystem with the newly launched **Shared Ownership Initiative** and the ARPA-capitalized **LOCAL Fund**.

Outlined below are strategic recommendations for the City to sustain and enhance its current worker ownership efforts, focusing on deepening investments in existing programs while introducing a handful of targeted, high-impact initiatives. These recommendations are complemented by examples of successful efforts from other localities, demonstrating the range of policy levers available to municipalities.

Recommended strategies

(* indicates a new policy or program)

I. Raise awareness and create enabling conditions

- I.a. **Sustain and expand funding for the Shared Ownership Initiative** to gather and share resources, convene stakeholders and reach entrepreneurs and retiring business owners
- I.b. * **Establish tiered licensing fees based on business size, location and ownership structure** to encourage small and locally-owned businesses (e.g. transportation network companies licensing)
- I.c. * **Convene a local worker ownership stakeholders forum** to share best practices and deepen ecosystem partnerships

II. Expand affordable technical assistance

- II.a. * **Create a technical assistance subsidy** through grants or tax credits to offset the costs of starting or transitioning to a worker-owned business
- II.b. * **Include worker ownership resources and technical assistance partners in the Department of Planning and Economic Development's small business referral network**

III. Ensure access to capital

- III.a. **Further capitalize the LOCAL Fund with an annual general fund allocation or other recurring source** to ensure the Fund's sustainability
- III.b. **Expand the reach and impact of the LOCAL Fund** by capitalizing a low-interest revolving loan fund and easing access to existing external capital sources via credit enhancement or loan guarantees
- III.c. * **Conduct a gap analysis** to assess existing barriers and opportunities to enhance capital access for worker ownership

IV. Deepen internal city capacity

- IV. a. **Sustain and expand funding for the Shared Ownership Initiative** to ensure long-term staff capacity and develop cross-departmental awareness and initiatives

V. Create incentives for worker-owned businesses

- V.a. * **Add worker ownership to the City's procurement incentives matrix** for applicable City contracting and include in future vendor RFI survey
- V.b. * **Create a local small business anti-displacement fund** to offer low-interest loans for new or existing worker-owned businesses seeking to purchase real estate and to incentivize long-term affordable commercial leases

Assessment and Findings

What is worker ownership?

There are many ways that workers can participate as owners of the businesses where they are employed. Stock options, the most common form of employee ownership, are typically accessible only to management. In contrast, **broad-based worker ownership gives all workers who meet basic criteria the opportunity to become worker-owners.** In this report, we use the term “worker ownership” to refer to broad-based worker ownership.

The most common models are¹:

Worker Cooperatives	Employee Stock Ownership Plans (ESOPs)	Employee Ownership Trusts (EOTs)
<p>Worker cooperatives are 100% worker-owned companies governed by the people who work there.</p> <p>Workers pay a small equity buy-in to become members of the cooperative and earn a share of annual profits based on hours worked.</p> <p>Worker cooperatives have low setup and administration costs and can deduct profits shared as patronage.</p> <p>Best for businesses with 10+ workers, but appropriate for companies of all sizes.</p>	<p>ESOPs are qualified retirement plans used to transfer all or part of a company’s shares to a trust administered on behalf of the plan’s participants.</p> <p>Eligible workers earn shares as a retirement benefit without having to pay.</p> <p>ESOPs have high setup costs and administration costs, but carry significant tax benefits.</p> <p>Generally advisable for businesses with 40-50+ workers and \$2M in revenue.</p>	<p>EOTs are trusts that own all or part of a company’s shares and whose purpose is to benefit the company’s workers long-term.</p> <p>Workers don’t pay for their ownership benefits and receive a share of annual profits.</p> <p>EOTs have low set up and administration costs, but no tax benefits.</p> <p>Highly flexible model best for businesses with 10+ workers, but appropriate for companies of all sizes.</p>

¹See Project Equity’s [Three Flavors of Employee Ownership](#) for more information on each model.

Policy framework

Public policies are essential to dismantling barriers, fostering support and creating incentives that can accelerate the transition of local businesses to worker ownership. By addressing the systemic imbalances within an economic development system historically tailored to traditional business models, policy can level the playing field for alternative ownership structures, ensuring they have the resources and opportunities needed to thrive. This involves not just removing obstacles but actively reimagining an economic landscape where worker-owned businesses are fully integrated and supported.

Though there are many ways to organize and prioritize these policies, most current worker ownership policy frameworks² stress the importance of policy measures spanning **five key areas**:

I. Awareness raising and enabling conditions

Educate business owners, their advisors, employees, lenders and others about succession planning and worker ownership options and reduce administrative barriers

II. Affordable technical assistance

Subsidize worker ownership feasibility assessments and technical assistance for worker-owners

III. Accessible capital

Increase available capital and reduce barriers to financing worker-owned businesses

IV. Economic development programs

Embed education, technical assistance and capital access for worker ownership into government economic development programs

V. Incentives for worker-owned businesses

Establish tax credits, procurement opportunities, affordable commercial space and other financial incentives.

² See, for example: The Center for Community Wealth Building, [Creating a Robust Worker Cooperative Sector in Denver](#); NCBA CLUSA, [Policymaker's Guide](#); NYC NOWC, [Policy Platform](#); Project Equity, [Policy Priorities](#); Stacey Sutton, Cooperative Cities: [Municipal support for worker cooperatives in the United States](#); Urban Institute, [Employee Ownership NYC](#).

Federal policy

Worker ownership has been practiced for well over a century in the U.S., but policies intentionally designed to support worker ownership are relatively new. At the federal level, the first major policy came in 1974 with the [passage](#) of the Employee Retirement Income Security Act (ERISA), which enabled and regulated what is now the most prevalent form in the U.S.: Employee Stock Ownership Plans (ESOPs).

It wasn't until 2018 that federal legislation was enacted to support all forms of broad-based worker ownership, specifically targeting worker cooperatives and ESOPs. The [Main Street Employee Ownership Act](#) was crafted to better align the Small Business Administration (SBA) with worker-owned businesses by expanding access to 7(a) loans for shared ownership structures and integrating resources into the SBA's Small Business Development Center (SBDC) network. However, despite the SBA's recent amendment to its personal guarantee requirements for transitions to 100% ESOPs, the Act has largely fallen short of its goals. Worker cooperatives remain unable to access SBA 7(a) loans and SBDCs still lack a clear directive or centralized resources related to worker ownership.

The most significant federal policy for the worker ownership field, the [Worker Ownership Readiness and Knowledge \(WORK\) Act](#), was passed in 2022. First introduced by Senator Bernie Sanders in 2009, the WORK Act mandated the Department of Labor to create a [Division of Employee Ownership](#) to oversee and coordinate federal worker ownership initiatives across agencies and allocated \$50M over five years to grants for state or regional initiatives.

Opportunity

Saint Paul's Shared Ownership Initiative will be eligible to receive funding from WORK Act grants, which will be distributed from FY25-FY29, starting with \$4M the first year and increasing to \$16M in the last. Each grant is capped at \$300K in the first year, increasing to \$440K in the last. Considerations for the City of Saint Paul to pursue this opportunity include:

- These grants will require congressional appropriation—as of this report, Congress has yet to appropriate WORK Act funding
- State governments can apply for WORK Act funding to support their own programs or as sponsors on behalf of local governments or nonprofits
- If a state does not apply for WORK Act funding, local governments or nonprofit applicants may apply directly in subsequent years

Two currently introduced federal bills would further boost worker ownership: the [National Worker Cooperative Development and Support Act](#) and the [Employee Equity Investment Act](#).

Policy in Minnesota

While federal legislation has been slow and limited in its success, a growing number of states have enacted ambitious legislation to support worker ownership, including funding state Employee Ownership Offices, establishing tax credits to offset transition costs, creating incorporation statutes and a number of other supportive measures.³

At the state level, Minnesota has passed two related policies⁴:

Limited Cooperative Associations statute — Enabling conditions

Adopted in 2003, this statute ([Ch. 308B MN Statutes](#)) allows businesses to organize as Limited Cooperative Associations (LCAs), a specific type of cooperative entity that allows for outside investor participation, making them appealing for cooperatives looking to raise capital while maintaining their traditional cooperative principles and identity (see below for additional detail on worker ownership legal structures).

Community Wealth-Building Program pilot — Accessible capital

Established in 2023 with the passage of the Omnibus Jobs Bill ([SF 3035](#)), the [Community Wealth-Building Program](#), currently structured as a pilot and administered by the Metropolitan Consortium of Community Developers, provides low-interest loans for worker-owned businesses and community land trusts that are majority-owned by people who are Black, Indigenous, People of Color, immigrants, low-income, women, veterans or persons with disabilities.

It is worth noting that worker-owned businesses operate under various legal frameworks across the U.S., with each state offering different levels of support and recognition:

Employee Stock Ownership Plans (ESOPs) are authorized at the federal level under ERISA and can legally form in all fifty states.

Worker cooperatives can choose from a number of [different legal entity types](#), depending on the state in which they operate. In Minnesota, cooperatives are recognized under state law ([Ch. 308A MN Statutes](#)), giving businesses the option to incorporate as cooperatives alongside other entity types like LLCs and C corporations. However, Minnesota has yet to adopt a specific worker cooperative statute, already enacted in twenty other states, that would authorize the formation of worker cooperatives as a distinct and recognized legal entity.

³To explore enacted and proposed state-level worker ownership policies, see [Project Equity's comprehensive state policy database](#).

⁴A bill ([SF 4161](#)) to create a tax incentive was introduced in 2020, but did not pass. It would have provided a state income tax deduction for capital gains realized by an owner selling to their employees and would have created an interest

Employee Ownership Trusts (EOTs) are not a distinct form of legal trust but rather a type of purpose trust—a trust created to advance a particular non-charitable goal without the requirement of having identifiable beneficiaries. Ideally, EOTs would be established in perpetuity, allowing companies to operate for the benefit of their workers forever. However, state laws vary regarding purpose trusts and only a handful of states currently allow for perpetual purpose trusts. Minnesota law restricts purpose trusts to a term of 21 years ([MN Statutes § 501C.0409](#)), limiting the ability of EOTs to form in the state.

Though federal and state support is essential to expanding interest in and access to worker ownership, cities have a key role to play as well, particularly in connecting businesses with existing resources and growing the local ecosystem.

The sections on the following pages assess existing support for worker ownership in Saint Paul and recommend strategies for deepening and expanding the City’s support.

Recommendations on municipal programs and policies to advance worker ownership in Saint Paul

I. Raise awareness and create enabling conditions

Among the greatest obstacles to the widespread adoption is its relative obscurity. Raising awareness of worker ownership and its benefits through a wide range of trusted networks is key to ensuring that every entrepreneur, selling or retiring owner and employee can take advantage of it. To further create conditions that enable worker ownership, cities can reduce administrative and financial burdens of licensing or permitting worker-owned businesses.

Existing support in Saint Paul

[Nexus Community Partners](#), a nonprofit worker ownership developer and community-based organization in Saint Paul, hosts regular informational webinars and events for communities of color on a range of cooperative strategies and, in 2024, co-hosted the annual National Conference on the Black Cooperative Agenda in Saint Paul with the [Network for Developing Conscious Communities](#). [Cooperative Development Services](#) offers cooperative educational resources and classes, including a partnership with Minneapolis' CTAP to deliver a [free Coop Feasibility course](#).

The City's Office of Financial Empowerment has recently built on this, contracting with [Project Equity](#) to host webinars and conduct outreach. A group of community-based organizations have also recently launched the [Shared Ownership Collaborative](#), an initiative that will use worker ownership and other structures to build community-owned assets in BIPOC and low-wealth communities. To bring these and other key stakeholders together, the City of Saint Paul, Nexus Community Partners and Project Equity are jointly organizing the Shared Ownership Equity Summit in October 2024.

Recommendations

I.a. Sustain and expand funding for the Shared Ownership Initiative to gather and share resources, engage partners and reach entrepreneurs and retiring business owners

The City commits annual general funds (or identifies other sustainable funding streams) to ensure the long-term capacity of OFE's initiative. As needed, funding is increased to: offer free worker ownership classes (potentially in conjunction with Minneapolis' CTAP); host events and conferences; develop a resource hub and municipal landing page; and engage community-based organizations to reach communities that have historically been ignored or harmed by traditional economic development. *See examples from Chicago, New York and Madison on the following page.*

I.b. Establish tiered licensing fees based on business size, location and ownership structure (e.g., transportation network companies licensing)

In place of flat fees, the City establishes a progressive fee formula for some or all business licenses. The fees take a combination of size, location and ownership structure into account to encourage small and locally-owned businesses. Though we are unaware of any similar local initiative, Colorado has recently implemented this very amendment. *See Appendix C.ii. for details.*

I.c. Convene a local worker ownership stakeholders forum to share best practices and deepen ecosystem partnerships

The City convenes and sustains a regular forum for local stakeholders, including worker-owned businesses, service providers, financial institutions and other key partners, to exchange ideas and best practices, share resources and deepen partnerships across the ecosystem. OFE could establish this program directly or issue an RFP for a community-based organization to serve as the local backbone. *See examples from New York and Madison below.*

How other cities are doing this

Because they tend to already engage local businesses and entrepreneurs in a variety of contexts, cities are well positioned to expand awareness and education. Strategies include:

Creating a centralized resource hub

Under the banner of its [Employee Ownership NYC](#) initiative, the [City of New York](#) has implemented a number of innovative strategies to raise awareness of worker ownership models, including creating a centralized resource hub to disseminate information to businesses. [Owners to Owners](#), launched in December 2020 at the height of the COVID-19 pandemic, features a dedicated website and rapid response hotline that business owners can use to connect with local service providers to access transition resources and technical assistance. Other localities that have launched similar initiatives include [Chicago](#) and [Madison](#).

Partnering with local worker ownership organizations to fund outreach and pipeline development

The [City of Berkeley](#) boasts a strong track record of partnering with local service providers to enhance outreach efforts. In response to a 2016 City Council [resolution](#) calling on the City to advance policies and programs to support worker cooperatives, the City's Office of Economic Development launched its [ongoing partnership with Project Equity](#) in January 2019 to assess the potential impact of the small business closure crisis in Berkeley and implement outreach programs designed to raise awareness of worker ownership as a succession strategy. Since then, hundreds of businesses across Berkeley have been educated and Project Equity has facilitated the transitions of five local businesses. Other localities that have launched similar initiatives include [Los Angeles County](#) and [Chicago](#).

Tracking, celebrating and supporting key local businesses through legacy business programs, including succession planning services

Supporting long standing, locally-owned businesses is a key tactic to address the small business closure crisis. The [City of San Francisco's Legacy Business Program](#) has pioneered this strategy since launching in 2014. Through the program, businesses that have operated in San Francisco for 30+ years and have contributed to the City's history and culture can join the [Legacy Business Registry](#). Certified legacy businesses are eligible for dedicated grant funding and marketing and promotion assistance, as well as business support services to help owners establish succession plans and [explore transitioning to worker ownership](#). By collecting data from legacy businesses, the City can better target resources designed to support retiring owners. Other localities that have launched similar initiatives include [Boston](#), [Los Angeles](#) and [San Antonio](#). See *Appendix C.i. for more details*.

Local governments can further reduce barriers by ensuring that **applications and fees for licensing, permits and other administrative requirements** are worker-owned businesses-friendly (e.g., [Berkeley](#)).

II. Expand affordable technical assistance

Technical assistance tailored specifically to worker ownership is crucial to the successful launch and growth of worker-owned businesses. While there are specialized providers that focus on worker ownership, finding these legal, financial and operational resources can be challenging for owners and entrepreneurs. The often high cost of these specialized providers can also deter retiring owners or create barriers for resource-constrained entrepreneurs. Ensuring that technical assistance is both accessible and affordable is equally important for the long-term success and growth of existing worker-owned businesses.

Existing support in Saint Paul

Businesses in Saint Paul seeking worker cooperative technical expertise, whether for a start-up, the transition of an existing business or ongoing support for an established cooperative, can access services from several local providers. Three experienced local organizations in particular offer a range of cooperative-specific technical assistance:

- [Nexus Community Partners](#)
- [Metropolitan Consortium of Community Developers](#)
- [Cooperative Development Services](#)

There is a robust sector for ESOP-specific services, as their formation and maintenance require particular legal and accounting support to comply with federal regulations. The Minnesota Center for Employee Ownership maintains a [referral network of ESOP advisors](#) with legal, financial and accounting expertise.

Recommendations

II.a. Create a technical assistance subsidy through grants or tax credits to offset the costs of starting or transitioning to a worker-owned business.

The City maintains a referral list of approved providers and subsidizes the cost of feasibility assessments and transition or start-up costs to reduce the burden on businesses. Subsidies are capped per business and/or annually for each provider. *See examples from Berkeley, Chicago, Madison, Minneapolis and New York City on the following page.*

II.b. Include worker ownership resources and technical assistance partners in the Department of Planning and Economic Development's small business referral network.

The City leverages all existing small business engagement programs and partners to educate businesses on worker ownership and offer technical assistance referrals when appropriate. The City provides training for City staff and consultants that advise or conduct outreach to small businesses and maintains partnerships with local providers for referrals. *See examples from Chicago, Los Angeles County, New York City and Santa Clara on the following page.*

How other cities are doing this

Most U.S. localities with strong worker ownership technical assistance ecosystems have flourished with support from city or county governments. Strategies include:

Providing subsidies to reduce the cost of services

Cities can accelerate the growth of worker ownership by making it easier for business owners to explore the idea of selling to their employees. The [City of Minneapolis' Cooperative Technical Assistance Program](#) (CTAP) does this by connecting owners with providers offering a range of transition services and subsidizing the cost of accessing these services. Through CTAP, the City contracts directly with the providers to offer one-on-one services to new worker cooperatives and existing businesses interested in converting to a cooperative. Minneapolis businesses can also take advantage of a free feasibility training course and apply for grant funding through the program. Other localities that have launched similar initiatives include [Berkeley](#), [Chicago](#), [Madison](#) and [New York City](#).

Coordinating resources and referrals by including worker ownership education and technical assistance referrals in existing small business programs

Local governments are well-situated to facilitate access to resources within their local entrepreneurial ecosystems. For example, through its [Community Wealth Building Initiative](#), the [City of Chicago](#) has developed a [resource hub](#) with tools and information on community wealth-building models, including worker cooperatives, aimed at creating opportunities for low-income residents to build wealth through shared asset ownership. Through the hub, business owners and workers can access a centralized resource library covering a range of topics related to worker ownership transitions and can receive referrals for providers from a network of local and national partner organizations. Other localities that have launched similar initiatives include [Los Angeles County](#), [New York City](#) and [Santa Clara](#).

Committing funds to grow local technical assistance provider capacity

[New York City's Worker Cooperative Business Development Initiative](#) (WCBDI) leverages City Council funding to invest in the capacity of NYC's ecosystem of cooperative service providers to launch and scale worker-owned businesses. Housed in the Department of Small Business Services, WCBDI engages the existing ecosystem of cooperative developers in NYC to provide existing and aspiring business owners with essential resources, training and guidance on worker ownership. Since launching in 2014, WCBDI's nonprofit partners have helped launch more than 120 new worker cooperatives, facilitated the hiring of at least 1,000 worker-owners at new and existing cooperatives and provided technical assistance and educational services to thousands of businesses and community-based organizations. The initiative received a total of \$26.3M in funding from FY15-FY23. Other localities that have launched similar initiatives include [Chicago](#) and [Madison](#).

III. Ensure access to capital

Accessing adequate financial capital is a **challenge for many business owners, especially entrepreneurs of color**. These barriers become magnified for worker-owned businesses, which often struggle to secure small business financing due to their unique ownership structure. Lenders generally require a personal guarantee as collateral and often view worker ownership as riskier than traditional ownership structures. Although this perception is gradually shifting—with the emergence of dedicated funds and key institutions like the SBA revising lending criteria to better accommodate worker ownership—accessing capital remains a significant obstacle.

Existing support in Saint Paul

Several funds and lenders currently serve businesses in Saint Paul seeking capital to support a worker-owned business start-up, transition or expansion:

<p>LOCAL Fund, Worker Ownership</p>	<p>Capitalized by City of Saint Paul (\$1.25M in ARPA funds)</p> <p>Administered by Nexus Community Partners</p>	<p>Grants up to \$150K for worker-owned business start-ups (must be local and SBA disadvantaged) and for worker-owned business transitions or expansions (must be either SBA disadvantaged or in a Qualified Census Tract in Saint Paul)</p> <p>Grants up to \$30K to support existing worker-owned businesses recovering from COVID-19 impacts</p>
<p>Shared Ownership Fund</p>	<p>Capitalized by Minnesota DEED (\$3M in ARPA funds)</p> <p>Administered by Metropolitan Consortium of Community Developers</p>	<p>Loans \$50K to \$300K (at 4% interest) for worker-owned businesses that are at least 51% owned by persons who are Black, Indigenous, People of Color, immigrants, low-income, women, veterans or persons with disabilities</p> <p>Up to 15% of a loan's principal amount can be forgiven if the borrower has met all lending criteria, including creating or retaining jobs and being current with all loan payments, for at least two years</p>
<p>Worker Ownership Loan Fund</p>	<p>A program of Shared Capital Cooperative</p>	<p>Loans \$5K to \$550K for worker-owned business start-ups, transitions or expansions. Every lending coop is a governing member of Shared Capital Cooperative</p>

Recommendations

III. a. Further capitalize the LOCAL Fund with an annual general fund allocation or other recurring source to ensure the fund's sustainability

The City identifies a sustainable funding stream to ensure the continued availability and impact of this fund. Non-ARPA dollars will likely alleviate some of the restrictions and requirements that have limited the applicability of the LOCAL Fund in its initial capitalization. The City could allocate general funds, partner with the state to explore funding streams and engage with philanthropy to match public commitments. *See examples from Baltimore and Madison on the following page.*

III. b. Expand the reach and impact of the LOCAL Fund by capitalizing a low-interest revolving loan fund and easing access to existing external capital sources via credit enhancement or loan guarantees

The City augments the existing LOCAL Fund grant pool with worker ownership loans. The City either provides loans directly through a low-interest revolving loan fund (RLF), or makes existing loans more accessible by providing credit enhancement or loan guarantees. The City could apply for federal Economic Development Administration funding to capitalize a RLF. *See examples from Berkeley and Miami below.*

III. c. Conduct a gap analysis to assess existing barriers and opportunities to enhance capital access

The City commissions a comprehensive gap analysis to better understand existing barriers to and unmet demand for worker ownership-friendly capital in Saint Paul. Based on the findings, the City can develop interventions to tactically fill identified gaps and enhance capital access through credit-enhanced lending in partnership with local financial institutions, direct grant or loan programs or other strategies. *See [this example](#) of a small business capital gap analysis conducted for the Fresno region.*

How other cities are doing this

Local governments are helping to fill gaps in access to capital in a variety of ways:

Ensuring worker-owned businesses qualify for existing small business capital programs

Removing barriers that prohibit them from qualifying for existing lending programs is essential to ensuring access to capital for worker ownership transitions. The **City of Miami's** Economic Development Loan Fund (EDLF) was established to provide businesses with financial assistance to support the retention and creation of jobs for low-to-moderate-income residents. In 2018, the Miami City Commission **passed a resolution** amending the EDLF program to include financing for transitions to worker ownership. Using Community Development Block Grant funds, the City then contracted with local small business service providers to refer interested business owners to experts for targeted support. The **City of Berkeley** has launched a similar initiative.

Capitalizing local public banks that prioritize financial justice lending

Publicly-owned, democratically-governed banks [have the potential](#) to help bridge the financing gap. The [City of Los Angeles](#), following the 2021 adoption of a City Council [resolution](#) mandating that the City study the viability of forming a municipal bank, has taken a significant step toward making this strategy a reality. A [report series](#) exploring the impact of a hypothetical “Municipal Bank of Los Angeles” highlights how a city-owned bank could build community wealth by prioritizing worker ownership transitions in its lending portfolio. As a wholesale bank, Los Angeles’ public bank would provide capital to local banks, community development financial institutions (CDFIs) and loan funds that can then lend or invest in worker-owned businesses, dramatically [increasing capital availability](#). Other localities that are exploring similar initiatives include [Philadelphia](#) and [San Francisco](#).

Creating new grant programs or loan funds dedicated to worker ownership

Through the [Madison Cooperative Development Coalition](#) (MCDC) launched in 2017, the [City of Madison](#) is working to expand access to capital for employees seeking to buy a business from a retiring owner and workers seeking to launch a new cooperative. MCDC provides grants up to \$10K to cover technical assistance and business development services for cooperative start-ups and transitions, with \$140K in grants distributed [as of 2022](#). MCDC also offers two loan programs for worker cooperatives: a \$250K RLF managed by Shared Capital Cooperative and a loan match program that will match up to 50% of any loan provided through Kiva Madison. [Baltimore](#) has launched a similar initiative.

IV. Deepen internal city capacity

Effective governmental support for worker ownership hinges on sustained coordination and planning, including convening stakeholders, tracking progress, celebrating successes, connecting people with resources and ensuring continued funding. This work necessitates dedicated city staff and resources. At the federal level, the Department of Labor is launching a Division of Employee Ownership to oversee and coordinate federal initiatives across agencies, while a growing number of states (e.g., [Colorado](#), [Massachusetts](#), [Washington](#)) have established dedicated offices or programs. Many local governments are following suit by launching worker ownership-focused initiatives. With one or more permanent staff members dedicated to these efforts, cities can cultivate in-house expertise, manage programs, provide cross-departmental training, maintain online resources, organize events and secure additional state or federal funding.

Existing support in Saint Paul

Growing out of Mayor Melvin Carter's strong support for cooperatives, the City of Saint Paul has committed one full-time equivalent within OFE to support the City's shared ownership goals. Funded by a grant from Living Cities, this position oversees both the worker ownership and community ownership programs within the LOCAL Fund (see above) and the City's engagement of Project Equity to raise awareness, conduct a policy assessment (presented in this report) and host a convening dedicated to shared ownership that will gather key City leaders to embed a shared ownership strategy across City departments and programs.

Recommendations

IV. a. Sustain and expand funding for the Shared Ownership Initiative to ensure long-term staff capacity and develop cross-departmental awareness and initiatives

The City commits annual general funds (or identifies other sustainable funding streams) to ensure the long-term capacity of OFE's initiative. As needed, funding is increased to increase staff capacity to build awareness and coordination across key departments (e.g., conduct training for City staff, convene a committee with department directors or representatives, or present to City Council). *See examples on the following page.*

How other cities are doing this

Most cities with robust worker ownership programs have taken one of two approaches:

Creating a new worker ownership, shared ownership or community wealth building program with dedicated funding and staff to coordinate across departments, identify and manage grant opportunities and advocate for continued government support

In 2017, **City of Boston** Mayor Marty Walsh **launched** the City's **Worker Cooperative Initiative** (WCI) as a vehicle for fostering community wealth building and economic mobility through small business ownership. Embedded within the Department of Economic Development, WCI offered on-site technical assistance, education and training to both new and existing worker cooperatives, alongside low-interest loans and support navigating the City's procurement process. As of **early 2020**, six worker co-ops received funding through WCI. It is unclear if Boston's WCI is currently being funded or operated. Other localities that have launched dedicated new initiatives include **Chicago**, **Madison** and **New York**.

Including worker ownership in existing economic development or small business support program(s) by adding programming and dedicating staff to develop expertise and coordinate programs

The **City of Minneapolis** has made strides toward integrating targeted services for worker-owned businesses within its existing portfolio of small business support programs. Since its launch, the City's **Business Technical Assistance Program** (B-TAP) has provided free technical assistance and referral services to small and mid-sized businesses of all kinds in Minneapolis. In **response** to a 2016 study finding increased local interest in worker ownership models, however, the City created the **Cooperative Technical Assistance Program** (C-TAP) to expand and tailor its services for worker cooperatives. Housed within the City's Community Planning & Economic Development Department, C-TAP offers tools and resources to enable cooperatives to thrive, including an in-house coop training program, dedicated grants and technical assistance administered through partnership with local service providers. Other localities that have launched similar initiatives include **Berkeley** and **Denver**.

V. Create incentives for worker-owned businesses

Incentives can be a powerful tool for encouraging the successful launch and growth of all businesses. While cities often offer a variety of incentives to support local businesses—such as rental assistance, grants, tax abatements, procurement preferences and marketing support—few have tailored these incentives specifically for worker-owned businesses. This gap exists partly because they still represent a small percentage of businesses and because significant tax incentives for transitioning to worker ownership are available at the [state](#) and federal levels (both for [ESOPs](#) and [worker cooperatives](#)). However, many existing small business incentives, aimed at preserving local jobs, revitalizing main streets, preventing displacement and addressing inequality, could be more effective if they explicitly included worker-owned businesses.

Existing support in Saint Paul

The City of Saint Paul does not currently offer any specific incentives. It does, however, maintain small business programs and goals that align with worker ownership. The recommendations below suggest how the City could use existing procurement preferences to support worker-owned businesses and to address existing concerns over [community and small business displacement](#) through affordable commercial real estate.

Recommendations

V. a. Add worker ownership to the City's procurement incentives matrix for applicable City contracting and include it in future vendor request for information surveys

The City's Division of Procurement adds worker ownership to their matrix of recommended incentives for City contracting in professional services and applicable construction, materials and goods. The City also uses its vendor request for information (RFI) to survey existing vendors on their awareness of potential alignment. *See the example from Los Angeles County on the following page.*

V. b. Create a local small business anti-displacement fund to offer low-interest loans for new or existing worker-owned businesses seeking to purchase real estate and to incentivize long-term affordable commercial leases

The City capitalizes a loan fund available to businesses that are rent-burdened or otherwise at risk of displacement. Funds could be used for short-term rental assistance, incentives for landlords to offer long-term leases or as capital for businesses seeking to purchase or improve a property. The fund could be focused by geography, business type/age, owner or workforce demographics, ownership structure or other criteria. This could be coordinated with the existing LOCAL Fund's commercial real estate program, a future legacy business program, worker ownership wrap-around services or other small business preservation initiatives. *See examples from Boston, the City of Los Angeles and San Francisco on the following page as well as Appendix C.iii for more details.*

How other cities are doing this

Though most existing incentives for worker-owned businesses are provided through state and federal tax incentives, some cities have created specific incentives:

Ensuring existing preferred procurement programs allow worker-owned businesses to qualify and participate

Incentives to encourage participation from socially/economically disadvantaged businesses in public procurement, such as bidding preferences or set-asides, can [help to create](#) more diverse and equitable procurement systems. With the unanimous approval of a [motion](#) to create a countywide Worker Ownership Initiative (WOI) in September 2023, [Los Angeles County](#) is taking steps toward aligning its existing procurement preference programs with worker-owned businesses. Housed and developed by the County's Department of Economic Opportunity, the WOI will give majority worker-owned businesses a 15% bid incentive on public procurement contracts by including them in their [Social Enterprise Preference Program](#). The motion also directs the County's Internal Services Department to explore other potential incentives and strategies.

Offering rental assistance through a local legacy business program

The [City of San Francisco](#) launched its [Legacy Business Program](#) in 2014 to recognize and support long-standing local businesses that enrich the city's communities. As part of the program, the [Legacy Business Historic Preservation Fund](#) was established to provide financial incentives to landlords who commit to long-term leases with registered legacy businesses. Participating landlords are eligible to receive up to \$4.50 per square foot annually, up to 5,000 square feet per business, for extending leases to at least 10 years. Since its inception, the fund has distributed over \$2.7M in grants to stabilize nearly 180 legacy businesses and prevent their displacement. Other localities that have launched similar initiatives include [Boston](#) and [Los Angeles](#).

Appendices

Appendix A – Registry of worker-owned businesses in the Twin Cities

Below is a list of worker-owned businesses in Saint Paul and Minneapolis known to the authors of this report as of August 2024, including those included in registries maintained by [CertifiedEO](#), the [Minnesota Center for Employee Ownership](#) and the [US Federation of Worker Cooperatives](#).

Saint Paul based worker-owned businesses

ESOPs

American Engineering Testing	Engineering and inspections
Agility EMS	Engineering
Anchor Paper Company	Paper wholesale
City Auto Glass	Auto glass services
Ecolab Inc	Environmental consulting
EMA Inc	Utilities consulting and services
Oxygen Services Company	Gas and welding distribution
Reell	Engineering
TKDA	Engineering and planning
Viking Drill and Tool	Tool manufacturing

Worker cooperatives

The Improve Group	Research and consulting
Line Break Media	Video production and consulting
Terra Firma Building and Remodeling	Architecture and construction

Minneapolis based worker-owned businesses

ESOPs

Alliant	Engineering
Barr	Engineering
Braun Intertec	Engineering
Brin	Architectural glass
Collective Measures	Marketing and consulting
H2I Group Inc	Facilities design and installation
Haworth	Media consulting
Hell's Kitchen	Restaurant

ESOPs cont.

<u>Kurt Manufacturing Company</u>	Metal fabrication
<u>Media Loft</u>	Marketing and media consulting
<u>Metro Connections</u>	Event Planning
<u>Metro Sales Inc</u>	Office technology services
<u>Miller Dunwiddie</u>	Architecture and design
<u>Nelson-Rudie</u>	Engineering
<u>Northeast Bank</u>	Banking and financial services
<u>Precise Products Corporation</u>	Metal fabrication
<u>Preston Spire</u>	Marketing
<u>Room and Board</u>	Furniture retail
<u>RSP</u>	Architecture and design
<u>SEH</u>	Engineering and planning
<u>Split Rock Studios</u>	Exhibit design and fabrication
<u>Swanson & Youngdale</u>	Finishing construction
<u>Twin City Die Casting</u>	Metal fabrication

Worker cooperatives

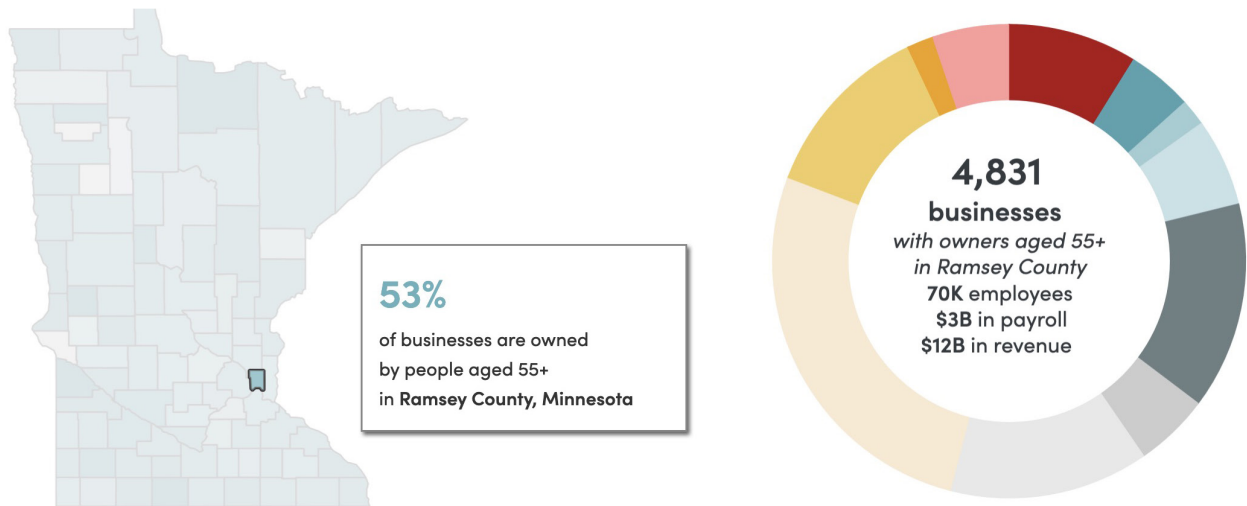
<u>Eastside Food Co-op</u>	Grocery retail
<u>Extreme Noise</u>	Music and record retail
<u>Happy Earth Cleaning Co-op</u>	Cleaning services
<u>Hard Times Cafe</u>	Cafe
<u>The Hub Bike Co-op</u>	Bicycle store and repair
<u>Matchbox Coffee</u>	Cafe
<u>Minnesota Translator & Interpreter Coop</u>	Translation services
<u>Racket</u>	News journalism
<u>Seward Café</u>	Cafe and event space
<u>Stylmark</u>	Architectural fabrication
<u>Whole Builders Cooperative</u>	Architecture and construction

Appendix B – The Silver Tsunami in Saint Paul

Businesses across the country are facing an unprecedented threat: **over half** of all privately held businesses have owners 55 or older. Project Equity has analyzed the potential impact of this so-called “Silver Tsunami” on communities across Minnesota. In Ramsey County, 53% of businesses are owned by individuals at or near retirement age, representing:



Baby boomers own half of the privately held businesses with employees in Minnesota



Industries		
Accommodation & food services	Health care & social assistance	Retail trade
Admin & waste management	Manufacturing	Transportation & warehousing
Arts & entertainment	Other industries	Wholesale trade
Construction	Professional services	

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Methodology > Source notes >

Appendix C – Further resources on recommended and future strategies

Included below are details on several strategies used by local or state governments to support businesses that are not strictly worker ownership-focused but have or could be used to support them and which could inform Saint Paul's efforts.

C.i. Legacy business programs

Over the past decade, a strategy has emerged to identify a subset of businesses that a locality wishes to preserve and more proactively support them with an array of tools: legacy business programs. Because a key differentiator between these businesses and large franchises or chain stores is their cultural specificity, this approach has emerged at the intersection of historic preservation and economic development. Starting in [San Francisco in 2013](#), local governments and cultural heritage organizations have partnered to identify key local business characteristics by geography, cultural assets, age, size and other characteristics. On the basis of those criteria, the lead organization (local government or nonprofit) creates a registry of legacy businesses to promote and celebrate them.

Programs vary in how they use this registry to support their businesses. Almost all offer promotional benefits, including spotlighting in social media, physical and online maps and guides and window stickers or storefront signs. [Cambridge](#) hosts an annual award ceremony and luncheon, [San Antonio](#) features a [narrative "museum"](#) and [Baltimore Heritage](#) produces short cultural history videos.

Some programs offer proactive or specialized technical assistance. [Long Beach](#) works with its legacy businesses to better access small business resources and grants, [San Francisco](#) offers support accessing city contracts, while [Boston](#) (and [San Francisco](#)) offers succession planning services including worker ownership resources and assistance to explore the feasibility of a transition.

Legacy business programs with significant funding often include dedicated grant opportunities. [Los Angeles Conservancy](#), serving legacy businesses across [Los Angeles County](#), offers a competitive \$5K general purpose grant program. Some localities have focused grant funding toward preventing legacy business displacement: [San Francisco](#) has allocated over \$1M per year since FY 2016-17 to its program, including rent stabilization grants for building owners as an incentive to provide affordable long-term leases to legacy businesses (\$4.50/sqft up to 5,000 sqft for a 10-year lease). The [City of Los Angeles](#) used \$3.6M in ARPA funds to offer grants (\$10K-20K, depending on business size) for rental assistance and COVID-19 recovery. See [Appendix C.iii](#) for details on related commercial rental assistance programs.

These programs can be used to offer a wide range of other tools to meet the particular needs of legacy businesses: [San Francisco](#) has modified its zoning requirements in certain corridors to prioritize and protect legacy businesses and [Boston](#) offers free legal consultation and a commercial lease toolkit to further avert displacement.

For a detailed discussion of the origins and impact of legacy business programs, as well as a catalog of existing programs, see Elizabeth Morton’s 2022 article, [“Legacy Business Programs: Emerging Directions.”](#) A 2022 [report prepared for the City of Los Angeles’ program](#) also offers a detailed synthesis of existing programs.

C.ii. Tiered transportation network company (TNCs) licensing fees

For businesses of all types, obtaining the necessary licenses is crucial for compliance with regulatory requirements. These licenses often come with annual renewal fees, which help cover the administrative costs of regulation. However, the structure and amounts of these fees can vary significantly depending on the license type and regulatory body. A common practice is to impose a flat fee, which can disproportionately impact smaller businesses by acting as a regressive tax. This issue has been particularly evident in the case of TNCs, which are licensed to operate ride-sharing businesses.

The rise of Uber and Lyft in the early 2010s prompted local and state governments to develop regulatory frameworks and licensing processes for this burgeoning sector. The high fees associated with TNC licenses have been manageable for the few, large operators dominant in the ride-sharing industry, but pose a substantial barrier to entry for emerging companies. This dynamic has made it increasingly difficult for smaller companies to compete with those that have dominated the market for the past decade.

In response to these challenges, Colorado has taken a significant step toward leveling the playing field. In May 2023, the state legislature passed [SB-23-187](#), a landmark bill that eliminates the previous flat TNC license fee of approximately \$110,000 and empowers the Public Utility Commission to establish a more flexible fee structure. The new legislation mandates that the fee structure consider various factors, including market share, company age, affiliation with existing taxicab or motor carrier businesses and “ownership structure.” Notably, the bill aims to support worker-owned businesses just as the [Driver’s Cooperative Colorado](#), a worker-owned ride-share company modeled on the success of the [Driver’s Cooperative](#) in [New York City](#), is being launched through support from the Rocky Mountain Center for Employee Ownership.

As Colorado’s Public Utility Commission is still in the process of developing this new fee structure, the full impact of this reform remains uncertain. Nevertheless, this move is expected to reduce the financial barriers for smaller ride-sharing companies, making it easier for them to enter the market and compete more effectively.

C.iii. Stabilized and subsidized commercial rent

In recent years, a number of U.S. cities have launched programs designed to help entrepreneurs start new businesses and grow existing businesses by assisting owners with finding, improving and affording commercial properties suitable for their ventures. For example, the [City of Boston’s SPACE Grants](#) initiative, launched in early 2023 with American Rescue Plan Act funding, provides aspiring and established business owners with grants of up to \$200K to fill vacant commercial space in the city. The grants can be used to

subsidize expenses associated with opening a brick-and-mortar location, such as rent, equipment and build-out costs, with a focus on activating vacant storefronts in the city's downtown and other commercial corridors. Boston's program specifically prioritizes supporting small businesses in industries most impacted by the COVID-19 pandemic, including arts and entertainment, childcare, fitness and wellness, food service and retail. Over two rounds of the program, 61 businesses in **Boston** have been awarded a total of \$7.4M in grants.

As with Boston's SPACE grants, many initiatives pair commercial property subsidies with wrap-around support services to help participating owners strengthen their core businesses. Aiming to revitalize historically disinvested commercial corridors across the city, the **City of Milwaukee's Brew City Match** program began in 2015 with a \$3.5M grant from the JPMorgan Chase Foundation to help local entrepreneurs find the right space for their business and access the necessary capital and technical assistance to open and sustain their business. After successfully applying, participating business owners receive one-on-one coaching to complete a business plan with relevant financial projections. Participants must have an approved business plan prior to being matched with an available commercial space. Once a participant has a business plan and is matched with a space, they are eligible to receive grants for property design and build out, equipment and technology, rent, marketing and other relevant expenses. Over four rounds of the program, Brew City Match has supported 170 businesses in Milwaukee, with the vast majority of awardees identifying as a Black, Indigenous, Person of Color and/or a woman entrepreneur. By combining commercial property support with hands-on technical assistance, Brew City Match and similar programs not only help businesses secure physical locations but also equip entrepreneurs with the skills and resources needed for long-term success.

Another common feature of municipal commercial real estate programs for small businesses is dedicated support for owners of commercial properties. The **City of Detroit's Motor City Match** program, for example, offers a **"building track"** for property owners with vacant commercial space available for lease. Owners in good standing with the City can apply to list available spaces on the program's **Make-a-Match Map**. Matchmaking opportunities with participating Motor City Match entrepreneurs are also provided to building owners to facilitate the leasing process. Motor City Match entrepreneurs that match with an available space can then apply for funding to subsidize pre-construction and architectural design services, build-out and renovation costs and other expenses. Property owners matched with a tenant are also considered for grants, financing and priority permitting with the City. Since launching in 2015, Motor City Match **has awarded** more than \$19M to 2,095 businesses, generating 168 new brick-and-mortar businesses with an additional 101 businesses under construction.

Such programs demonstrate how municipal investments in commercial property subsidies, paired with comprehensive support services, can create environments where small businesses can grow and thrive. While these programs do not target worker-owned businesses specifically, the principles behind these initiatives—connecting entrepreneurs with available commercial space, dedicated funding opportunities and wrap-around technical assistance—can easily be retooled toward strategies aimed at advancing worker ownership and preventing small business displacement. For additional examples, see similar programs offered by **Chicago, San Francisco** and **Washington, DC**.



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