INTRODUCTION

Once home to a thriving manufacturing base and solid middle class, the East Side of St. Paul over the last decade has become a community with a faltering economic infrastructure. The often siloed approaches to workforce development, job creation and economic development have made moderate progress, but are failing to “right the ship” and produce the type of economic activity necessary to reverse the years of disinvestment and address increasingly entrenched racial and economic disparities.

This concept paper is intended to introduce a community wealth building framework and related strategies that challenge practitioners, community leaders and investors to think and act differently about community revitalization. To open up a dialogue around approaches working in similar communities across the country and propose a new way of doing business on the East Side and similar communities across the Twin Cities.

The information contained in the paper is a compilation of research in the fields of community economic development and community wealth building, information gathered through best practice site visits in Oakland, CA and Cleveland, OH conducted in the spring of 2015, interviews with practitioners, and the local knowledge and wisdom Nexus Community Partners has cultivated over the past decade working on the East Side.

A special thanks to the F.R. Bigelow, Mardag and Northwest Area Foundations for supporting this body of work. Also, many thanks to Ted Howard and the team at The Democracy Collaborative for their partnership with Nexus and for their groundbreaking efforts to elevate Community Wealth Building practices nationally.

Finally, much gratitude goes out to the leadership in Oakland, CA that generously hosted our group during the site visit in the spring. Your knowledge and commitment to the work provided a fresh and much-needed new perspective around strategies that hold promise for implementation on the East Side.

Elena Gaarder
Nexus Community Partners
The East Side is rich in social, economic and natural assets and home to diverse and entrepreneurial cultural communities and communities of color. Over the past five years, renewed attention has been geared towards leveraging the communities’ assets, as signaled by increased economic development related investments. Projects undertaken by Metropolitan State University, the Saint Paul Port Authority, Mississippi Market and culturally-based community development corporations have restored vacant and/or underutilized spaces, breathing new life into the East Side economy.

There is also energy building among cross sector partners to better align resources and push for systems change. Examples include the recently formed East Side Funders Group, which is a collaboration of partners working to leverage, influence and align around opportunities to increase economic vitality. Current members of the East Side Funders Group include F.R. Bigelow Foundation, McKnight Foundation, McNeely Foundation, Nexus Community Partners, Otto Bremer Foundation, Northwest Area Foundation, and The Saint Paul Foundation. The East Side Economic Growth Initiative (ESEGI) is a group of ten organizations working together to implement strategies that capitalize on the growing economic development momentum by targeting investments and creating new structures for community economic development.

As a result of the momentum being generated, jobs have been created, new businesses have launched and a local food economy is emerging. Yet despite incremental progress, the investments have yet to shift the economic realities of East Side households. At the same time new buildings are erected and jobs created along the East 7th Street and at Beacon Bluff, income and asset poverty remains high at 30% and 32% respectively. As training and credentialing partnerships are established, unemployment rates among working age African American males averages 27%, but in select census tracts the rate is an alarming 58-100%. This is compared to an overall 7% unemployment rate in St. Paul as a whole.

The demographic indicators suggest the current approaches alone will not yield the level of economic activity required to address the deeply rooted racial and economic disparities and to generate a thriving East Side economy.
A NEW APPROACH

To truly shift the economic landscape, we must move away from single-lane workforce development and job creation strategies and towards multi-lane approaches that address the entire ecosystem.

Fortunately, groups across the country are working to elevate a new economic framework that builds upon traditional approaches and incorporates key strategies that result in doing business in a more intentional and ultimately more effective way.

Community Wealth Building is a place-based, systems approach to community and economic development that ensures local and equitable ownership and control of wealth; develops mutually reinforcing economic enterprises; invests in assets that are anchored locally; and engages the procurement power of institutional partners.

It builds upon advances made in the fields of community economic development and asset based community development—in that it recognizes the power of people and place; but the framework has a more intentional focus on community-driven economic activities, as it creates economic connections and alignment among all players in the local ecosystem. As an economic development model, Community Wealth Building helps to counter the dominant economic narrative commonly associated with people of color: isolation, disenfranchisement, exploitation and gentrification. It also holds greater promise for multi-generational wealth creation, as it weaves together new models for business ownership and opportunities to gain (and pass on) knowledge around economic strategies that generate family and community wealth.

Community Wealth Building recognizes that key wealth drivers, when applied, have the power to shift the economic landscape and build lasting wealth. According to The Democracy Collaborative, key drivers for community wealth building include:

• Local asset development: Build multiple forms of community, individual and ecological wealth in one geography.

• Local ownership and control: Invest in local and broadly held ownership to maximize the recirculation of local dollars.

• Anchor procurement: Large institutional buyers like governments, hospitals, universities and other large for and nonprofit organizations have significant procurement power.

• New institutions and ecosystems of support: Build financial and support entities rather than isolated single enterprises.

• Collaborative and deliberate networks: A culture of collaborative work, with government at the table (but not always leading), must be fostered.

• Intentional inclusivity: Development must be done with and on behalf of those traditionally excluded in order to attain economic security.

Nexus Community Partners takes this a step further and acknowledges that the framework and drivers must also be grounded in culture, equity, mutuality, and stewardship:

Cultural practices hold solutions. Economic strategies must be tailored for the specific communities they are designed to benefit. Culture is a resource for creating and expanding wealth building options.

Equity must necessarily be the central lens for the work in order to take full advantage of opportunity structures, and truly eliminate racial and economic disparities. We all do better when we all do better.

Mutuality should be at the center of all partnerships and shared efforts. Understand that mutual care and responsibility are core ingredients to civil and communal life and work.

Stewardship moves residents to a place of being both consumers and producers in the economy. As stewards of local wealth, residents exercise roles of economic governance and responsibility.
COMMUNITY WEALTH BUILDING STRATEGIES AND NATIONAL MODELS

SO WHAT DOES THIS MEAN IN PRACTICE? AN EXAMINATION OF THREE MODELS HELPS TO GROUND THE FRAMEWORK AND SUGGEST OPPORTUNITIES FOR REPLICATION ON THE EAST SIDE. THE MODELS SELECTED ARE HIGHLIGHTED FOR THEIR ABILITY TO BE FLEXIBLE IN BOTH SCALE AND DEPTH AND THEIR POTENTIAL FOR REPLICATION ON THE EAST SIDE.

WORKER COOPERATIVES

Cooperative business models, where the business is owned by its members, hold a significant place in the United States economy. The International Co-operative Alliance defines cooperatives as “an autonomous association of persons united voluntarily to meet common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprises.” viii According to research conducted by the University of Wisconsin, there are roughly 30,000 cooperative businesses in the United States that collectively hold more than $3 trillion in assets, $652 billion in revenues and employ nearly one million people.ix While worker cooperatives comprise a small percentage of cooperatives,x the model is gaining traction as a means to provide stable employment and wealth building opportunities for people of color and other underrepresented groups. According to Dr. Jessica Gordon Nembhard, the author of one of the most significant bodies of research conducted on cooperative economics in the US African American communities, “Worker-owned businesses offer economic security, income and wealth generation, and economic participation to employees, as well as provide communities with meaningful and decent jobs and promote environmental sustainability.”xi A number of efforts across the country highlight the opportunities and potential of the model, especially when aligned with other asset building strategies.

EVERGREEN COOPERATIVES, CLEVELAND, OHIO

Created in 2008 by a group of institutional, philanthropic and government partners— including the Cleveland Foundation, Cleveland Clinic, Case Western Reserve University, University Hospitals, the City of Cleveland and The Democracy Collaborative—the Evergreen Cooperative Initiative is an effort to create living wage jobs and build wealth in low wealth communities around the Greater University Circle in Cleveland, Ohio.

“Rather than a trickle down strategy, it focuses on economic inclusion and building a local economy from the ground up; rather than offering public subsidy to induce corporations to bring what are often low-wage jobs into the city, the Evergreen strategy is catalyzing new businesses that are owned by their employees; rather than concentrate on workforce training for employment opportunities that are largely unavailable to low-skill and low-income workers, the Evergreen Initiative first creates the jobs, and then recruits and trains local residents to take them.” xii
Using place-based clusters and institutional engagement strategies, the Evergreen Cooperatives currently include three worker owned businesses (Evergreen Energy Solutions, Evergreen Cooperative Laundry and Green City Growers) that employ 115 people.

The hybrid approach developed by The Democracy Collaborative is built around a framework that leverages the resources and expertise of multiple partners, creating a system that moves beyond traditional workforce and job creation strategies by anchoring investments in a targeted geography. The model includes the creation of a new community wealth building institution, Evergreen Business Services, which ensures the effective management of the cooperatives, supports the development of additional cooperative businesses, mobilizes anchor institutions, provides training to cooperative members and leverages capital to grow sustainable business enterprises.

According to The Democracy Collaborative’s Ted Howard, “Evergreen is more than a business development effort; it is a community transformation strategy. The ‘Cleveland Model’ is based on the idea that a city can leverage the economic power of place-based anchor institutions like hospitals and universities that are highly dependent on public direct or indirect support. Each has committed to purchasing some part of its procurement requirements from the Evergreen network of businesses, thereby meeting its own needs at the same time support is given to the developing community-building complex.”

The Evergreen model also incorporates other more traditional asset building strategies, including homeownership. Currently, nearly half of all Evergreen worker owners have purchased previously foreclosed homes in the community over the last several years. The effort combines weekly payroll deductions, property tax abatements and training in partnership with the Cleveland Housing Network to create additional wealth building opportunities for cooperative members. Combined, the worker ownership and housing ownership efforts are transforming once blighted neighborhoods into thriving communities.

The Evergreen Model is being replicated in other parts of the country, including the Wellspring Collaborative in Springfield, Massachusetts and City First Enterprises’ Community Wealth Building Initiative in the Washington, DC metro area. With each replication, new lessons are emerging for other stakeholders interested in applying the model, including the importance of building institutions and ecosystems of support, the power of anchor procurement and the multiplier effects of local and employee ownership.

**Mandela Foods and Mandela Marketplace, Oakland, CA**

Opened in 2009, Mandela Foods is a worker owned grocery store that formed in response to the community’s desire to have access to

"WITH THE POWER TO CHOOSE THE PRODUCTS WE CARRY, WE INCREASINGLY PURCHASE FROM SUSTAINABLE PRODUCERS, LOCAL DISTRIBUTORS AND COOPERATIVE BUSINESSES." -Mandela Foods
fresh food and address health equity issues. The small but critically needed worker cooperative is part of a growing local food system that is being fueled by the efforts of cultural communities in West Oakland. Its development was supported by Mandela Marketplace, a local non-profit organization that uses a systems approach to address disinvestment and economic insecurity by focusing on community organizing, education, business cultivation, and ‘ladder-up’ financing, in order to provide community members with opportunities to develop, operate, and own the local economy and sustainable food system.xv

As a “Cultivator” or support institution, Mandela Marketplace operates a number of mutually reinforcing programs. Highlights include:

**FOOD FOR THOUGHT**

A study conducted using a 16-county region of Northeast Ohio suggests that meeting 25% of local demand with food from local/regional producers “could create 27,664 new jobs, provide work for about one in eight unemployed residents, increase annual regional output by $4.2 billion and expand state and local tax collections by $126 million”xvii On the East Side, meeting local demand with local producers could have significant impacts as well. A market study conducted in 2012 in the Dayton’s Bluff neighborhood revealed that there is a $15 million economic leakages related to food/beverage spending.xviii
Mandela Foods Distribution—supports local, under-resourced farmers by establishing an alternative distribution network that passes on wholesale prices to community retailers and institutions. As a result, small immigrant and people of color producers have increased revenues, positioning the businesses for future growth.

Ladder Up Financing—provides access to capital for business development through a number of sources, including the first ever FreshWorks Intermediary Loan, micro loans as a Kiva Zip Trustee and a loan loss reserve and loan fund through Farm Link.

Combined, the ladder up financing solves the problems related to the historical lack of access to credit and financing available to farmers, vendors, retailers, and distributors in underserved urban and rural communities. “Our provision of low and no cost financial tools, coupled with culturally-relevant technical assistance and counseling, will catalyze a locally owned and sustainably implemented local food system that builds health and wealth in our communities.”

By intentionally focusing on creating ecosystems of support, local ownership and control, cultural best practice and equity in the food economy, Mandela MarketPlace’s Community Wealth Building model has many relevant components that can be replicated on St. Paul’s East Side.

PROJECT EQUITY, OAKLAND, CA
Project Equity works to foster economic resiliency in low-income communities by demonstrating and replicating strategies that increase worker ownership. The organization is spearheading efforts to promote worker cooperatives as viable and sustainable business models by focusing on three primary pathways:

- Small-scale coop entrepreneurship, including piloting of the Worker Coop Academy;
- Incubating or accelerating scalable cooperatives; and
- Business conversions to worker ownership.

Project Equity believes that within the ecosystem of jobs and business, worker ownership is critical to large scale economic change. In 2014, the organization engaged cross sector stakeholders to create a blueprint for embedding worker ownership in the ecosystem. The Bay Area Blueprint envisions a system where cooperative businesses are considered alongside other business forms: government agencies support worker cooperative models through policies, services and incentives; schools offer courses in cooperative business structures; technical assistance is available to those interested in launching worker owned enterprises; and business conversions to worker ownership are seen as a viable option.

In April 2015, Project Equity released a publication aimed at educating and providing concrete information for business owners and employees around options for business conversions to worker cooperatives. The organization’s leadership has also contributed other resources to the field of worker cooperatives, including a report that details proven and emerging approaches to worker cooperative development.

Ultimately, Project Equity is working to build an ecosystem around worker cooperatives that focuses on stewardship, local asset development, local ownership and the creation of deliberate networks of support.
Baby boomers currently own two thirds of all businesses with employees, with trillions of dollars in wealth projected to be transferred over the next 10-20 years. Business conversions to worker cooperatives or other employee ownership models (rather than sales to private equity firms) could anchor assets locally and ensure multi-generational wealth for communities. The Ohio Employee Ownership Center, an organization focused on business conversions to employee ownership, has created 15,000 employee owners at a cost of only $772 per job created; in comparison, according to a study by Good Jobs First, state and local governments spend $456,000 on average in subsidies per job created.
SOCIAL ENTERPRISE

As unemployment and economic disparities in communities of color grow, stakeholders are using social enterprise approaches that blend traditional workforce and job creation strategies to create jobs, provide on the job training and generate income to support sustainable programming.

Social enterprise can be defined as “an organization or venture (within an organization) that advances a social mission through market-based strategies.”xxvi In communities where many people face significant barriers to employment (ex-offenders, homelessness, low educational attainment), social enterprises provide a triple bottom line approach to addressing employment disparities.

THE ROBERTS ENTERPRISE DEVELOPMENT FUND (REDF)

Formed in 1997, REDF is a California based non-profit organization that creates jobs and employment opportunities for people facing the greatest barriers to work by providing financing and extensive technical support to mission driven organizations.xxvii Since its inception, REDF has supported the creation of 60 social enterprises that collectively employ over 10,000 workers. According to Carla Javitas, President and CEO, social enterprise models yield positive social and tax benefits for workers; provide a quick and direct route to economic stimulus for communities, as workers are more likely to spend locally; and finally, ease the burden on local and state governments through tax savings realized from reduced institutionalization and safety net services.xxviii

An outcome evaluation conducted by Mathematica Policy Research of seven REDF supported organizations revealed that in the year after beginning work at a social enterprise job, employment increased from 18-51%, the percentage of income from government safety net programs decreased from 71 to 24% and the return on investment to society was $2.23 for every dollar spent on social enterprise. xxix

While the organization has focused on efforts based in California, REDF plans to take its work nationally. “By creating an eco-
system of social enterprises, funders, businesses, and government agencies, we know we can develop a national movement with the potential to create hundreds of thousands of jobs and fundamentally transform pathways into the workforce.”

**BETTER FUTURES MINNESOTA**

Better Futures Minnesota is a social enterprise established in 2007 by a group of Minnesota workforce, health care, housing, community corrections, and human services practitioners to intentionally engage and embrace high-risk adults, largely black men, living in chronic poverty with histories of incarceration, homelessness, persistent unemployment, behavioral health issues, and untreated physical health conditions. Using an Integrated Service Delivery model, Better Futures’ multidisciplinary framework that includes housing, jobs, health and coaching has served over 700 men since its inception.

The organization operates several revenue generating enterprises including deconstruction services, appliance recycling, for-hire supervised work crews and a building materials retail outlet. Combined, the social enterprises have employed over 550 men and earned close to $3.4M. President and CEO Dr. Adams states, “Better Futures Minnesota provides stacked benefits. Our outcomes have positive social, economic, and environmental impacts: we are employing a population who is often times left out of our workforce; the men we serve earn wages, pay taxes, contribute to the local economy, and are exposed to the idea of wealth creation through entrepreneurship; and our lines of business are consistent with environmental stewardship necessary to protect and sustain our environment.”

Ultimately, social enterprise models are a powerful tool in addressing racial and economic disparities and an effective way to leverage existing place-based assets. The model works to shift both nonprofit organizations and underserved residents away from dependency on government and towards becoming stewards of local and regional economies.

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**COMMUNITY WEALTH BUILDING EDUCATION**

The Learning/Action Lab for Community Wealth Building is a collaboration between by The Democracy Collaborative and the Northwest Area Foundation aimed at building wealth in Native American communities across Minnesota, South Dakota, Oregon and Washington. The Learning /Action Lab provides intensive training, advisory, education, and business development support around creating strategies that foster ownership of enterprise, increase access to local assets, and create and anchor jobs locally.

Participating tribal entities gain an understanding of core community wealth building values, principles and structures, including social enterprises, cooperatives and employee stock ownership plan (ESOP) companies.
CROSS SECTORAL PARTNERSHIPS

Working across sectors is not a new concept in the Twin Cities, with public, private, and philanthropic partnerships established in nearly every locality across the region. However, to create the conditions for community wealth building to occur in cross sectoral efforts, there must be intentionality and strategy around mutually reinforcing activities.

EMERALD CITIES COLLABORATIVE, OAKLAND CA

Emerald Cities Collaborative (ECC) is a national nonprofit network of organizations using an integrated approach to advance a sustainable environment while creating economic opportunities for all. ECC is transforming the energy efficiency sector in a high road way, by retrofitting building stock, creating high wage jobs, and revitalizing the local economies of metropolitan regions. ECC uses three mutually reinforcing strategies that focus on developing local assets and securing deep commitments to equity from its partners.

1. Collaborative Model: Efforts include leadership from government, labor, community, education and business to promote shared learning, bridge historical labor divides and produce sustainable outcomes.

2. Large Scale Retrofits: City-endorsed plans are developed to retrofit city buildings as well as other anchor institution facilities and affordable housing developments. Leadership from business, philanthropy, community development financial institutions, workforce investment boards and community leaders are integral to the development of the plans.

3. Community and Workforce Development: A core principal driving ECC is a commitment to ensuring that historically underrepresented groups benefit from investments in the green economy. Community Workforce agreements that include local hiring and high wages, as well as updated training and educational pathways are critical components of the work. The Building and Construction Trades Councils and affiliated unions must formally endorse ECC initiatives.

Emerald Cities (EC) Oakland grew out of the passage of Proposition 39, which provided state funding to retrofit California’s outdated school facilities. While the collaboration came together around a particular policy initiative, it was a vehicle for partners with existing relationships to drive an equity agenda that targets wealth building for communities of color and other underrepresented groups. According to Tara Marchant, EC Oakland Director, the components of the model (policy, commitments from elected officials, training and education, unions/trades, workforce/community workforce agreements and targeted procurement mechanisms) can be replicated for efforts within the green energy as well as other sectors, including healthcare and manufacturing. The key is to first build intentional relationships with cross sector partners, then target a specific policy initiative to leverage economic outcomes for communities.

A note on Anchor Partnerships

In the Evergreen Cooperatives and Emerald Cities Collaborative models, the involvement of anchor institutions has been a key driver for success. Collectively, hospitals and universities are responsible for more than $1 trillion of our nation’s $15 trillion economy, and employ roughly 8 percent of the national workforce. With Metropolitan State University, Regions and St. Joseph’s Hospitals all located on the East Side, tapping their combined procurement power for local benefit would yield significant economic outcomes.

Because of the diversity of players involved, cross sectoral partnerships have the ability to achieve greater economic impact when the key drivers of community wealth building are incorporated.
RECOMMENDATIONS

The themes emerging from the research suggest a number of policy and community wealth building practices, that when implemented, hold the potential to eliminate racial and economic disparities and generate lasting community wealth. The following recommendations focus on laying the groundwork for future success.

Build an infrastructure for worker cooperatives and social enterprise on the East Side. While laying a foundation to encourage the growth of the worker cooperative and social enterprise sectors has its challenges, it provides a long term solution to cycles of investment and disinvestment, as well as opportunities for local and broad based ownership.

- Expand opportunities for education, training and technical assistance for the creation of worker cooperatives and social enterprises with a focus on resources that are grounded in culturally-based best practices.

- Create dedicated sources of public and philanthropic support to finance worker cooperatives and social enterprises, including providing subsidies dedicated to job creation and grant funding to scale up technical assistance and related support activities.xxxix

Bridge community practitioners, anchor institutions, labor/union representatives, educators, policy makers and philanthropic partners. While efforts to bring all components of the ecosystem together requires time and resources, having broad and inclusive representation and commitment from all parties can achieve greater economic outcomes than efforts done with only one or two sectors represented.

- Convene a cross sector community wealth building roundtable that collectively defines goals and develops a set of reinforcing economic strategies, policies and investment commitments to guide future economic development on the East Side.

As leadership continues to wrestle with current challenges and works to craft solutions that create economic opportunities on the East Side, the report and recommendations are presented as a starting point for discussion. Consideration for Community Wealth Building strategies rather than single-lane workforce and job creation approaches may hold greater promise in returning the East Side to a thriving center of economic activity.
A NUMBER OF POLICY AND COMMUNITY WEALTH BUILDING PRACTICES, THAT WHEN IMPLEMENTED, HOLD THE POTENTIAL TO ELIMINATE RACIAL AND ECONOMIC DISPARITIES AND GENERATE LASTING COMMUNITY WEALTH.
For the purpose of the report, the East Side is defined as the Dayton’s Bluff and Payne Phalen neighborhoods of St. Paul.

Dayton’s Bluff Community Council (DBCC), Eastside Financial Center (EFC), Goodwill Easter Seals, Hmong American Farmers Association (HAFA), Latino Economic Development Center (LEDC), Merrick Community Services, Metropolitan State University, Neighborhood Development Alliance (NeDA), Nexus Community Partners, Urban Roots.

MN Compass profiles (August 2014) using American Community Survey data and CFED’s Asset and Opportunity Profile of St. Paul.


Adapted from content produced by The Democracy Collaborative.


Nexus’ Community Wealth Building framework was developed in partnership with members of the East Side Economic Growth Initiative (ESEGI)

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Emerald Cities include Seattle, Portland, Oakland, San Francisco, Los Angeles, Milwaukee, Providence, New York City, Cleveland and Atlanta.

http://emeraldcities.org/about/the-organization

http://emeraldcities.org/about/strategies

Technical support is provided to ensure procurement of goods and services from businesses of color and women owned businesses.

Interview with Tara Marchant, Emerald Cities Oakland Director, May 8, 2015.


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