

Brooklyn Park Business Analysis

IDENTIFYING OPPORTUNITIES TO BUILD WEALTH THROUGH EMPLOYEE OWNERSHIP



The Landscape

Across the country, an unprecedented number of business owners are on the road to retirement, with most not knowing which direction to turn. Should I pass it down to my children? Sell to private equity? List it with a broker?

Nationally, 2.35 million owners are asking themselves these questions. The decisions will impact 24 million jobs and potentially reduce the municipal tax revenue that is generated through their \$5 trillion in combined sales¹.

The reality is that 80% of owners have no succession plan, and only 1/3 of listed businesses actually sell². As a result, businesses across the nation are closing their doors, often selling their assets to private equity.



NATIONALLY

2.35M businesses
are owned by BABY BOOMERS

This represents **24 million jobs** with
combined sales of **\$5 trillion**



TWIN CITIES METRO

26,180 businesses
are owned by BABY BOOMERS

This represents **319,400 jobs** with
combined sales of **\$82.64 billion**

80% OF OWNERS IN THE US HAVE NO SUCCESSION PLAN

Brooklyn Park Business Analysis

Looking at the local level, the numbers are not as striking, but could suggest that Brooklyn Park has some challenges ahead. An analysis of companies 10 or more years old revealed that 289 of the 1,169 privately-owned businesses fall into this category. This translates to 3,492³ jobs whose future employment is uncertain. If the average life of a business holds true at 15 years⁴, these numbers will continue to increase over time.

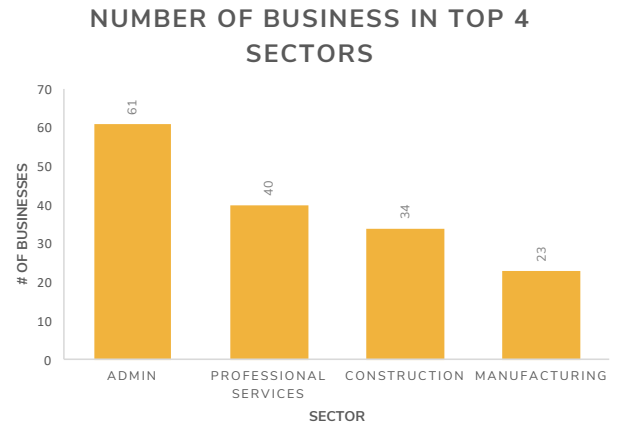
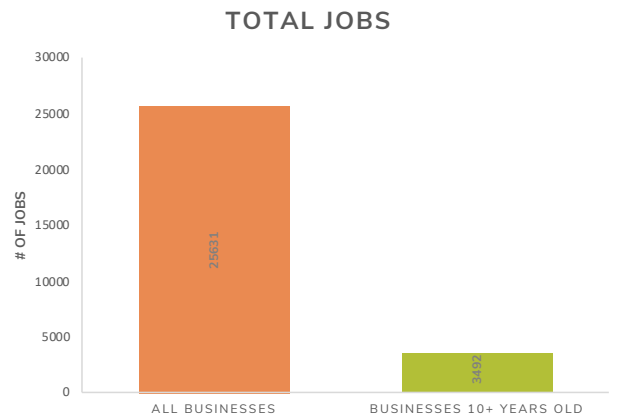
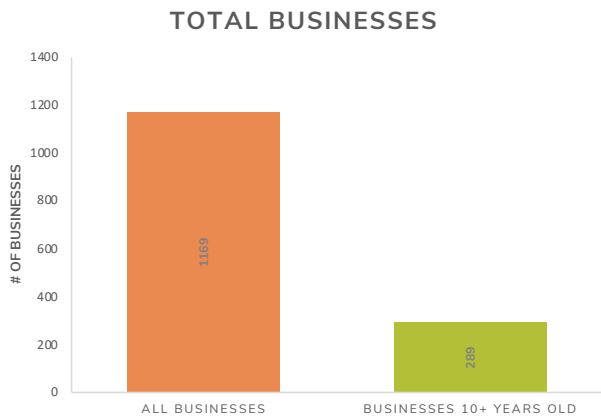
1 Steve Dubb, "Historic Federal laws give Employee-Owned Businesses Access to SBA Loans." Nonprofit Quarterly, August 2018.

2 Project Equity. <https://www.project-equity.org/communities/small-business-closure-crisis/>

3 Center for Urban and Regional Affairs, Brooklyn Park Landscape Analysis, January 2020.

4 <https://www.bbc.com/news/business-16611040>

KEY DATA POINTS



HIGHLIGHT ON MANUFACTURING

Manufacturing contributes 16 percent of Minnesota's GDP, and provides 322,000 jobs across the state. In Minnesota, manufacturing's average wage was 15 percent higher than the average for all industries. It has been demonstrated that for every 1 manufacturing job, 3.24 jobs are created in other segments of the economic⁵. For the state, manufacturing's direct and indirect employment accounts for 40% of all jobs statewide⁶.



OF FIRMS 10 + YEARS OLD

23 Manufacturing Businesses
1,240 Jobs
4,017 Associated Jobs
\$235,825,382 Gross Sales



EMPLOYEE OWNERSHIP IN MANUFACTURING

Household net worth is **\$27,000** higher than non-employee owners

Median income is **\$16,000** higher than non-employee owners ⁷

In Brooklyn Park, manufacturing accounts for the highest gross sales (\$263,869,885) and number of jobs (7,149) across sectors. Considering the additional jobs created as noted above, this translates to 23,163 jobs.

5 MN Department of Employment and Economic Development <https://mn.g12129/ov/deed/ed/minnesota-industries/manufacturing/impact/>

6 ibid

7 Employee Ownership & Economic Well-Being (NCEO 2017) <https://www.ownershipconomy.org/wp-content/>

The Employee Ownership Opportunity

While business ownership across sectors will be impacted by the high number of aging business owners and the lack of successions plans, there is a way forward. Employee ownership is being used locally and across the country to anchor business, grow jobs and build individual and community wealth. Increasingly, businesses are transitioning to employee ownership—where existing employees purchase the business and form a new employee-owned company. The strategy has proven to be good for business, good for workers and good for communities.

Employee ownership models, including Worker Cooperatives, Employee Stock Option Plans (ESOPs) and other customized worker-owned firms are a growing part of the business sector. Currently, there are 6,717 ESOPs with roughly 14 million participants in the US⁸. Worker Cooperatives are a small, but growing approach to worker ownership, with roughly 500 companies and \$505 million in gross sales. The worker cooperative model has shown to benefit communities of color, with a recent survey showing 57% of worker-owners being from people of color communities⁹.



[uploads/2017/05/employee_ownership_and_economic_wellbeing_2017.pdf](https://www.esopinfo.org/infographics/esops-in-the-us.php)

8 <https://www.esopinfo.org/infographics/esops-in-the-us.php>

9 Democracy at Work Institute 2019 State of Worker Cooperatives in the U.S

Moving Forward

Increasingly, the public sector is supporting worker ownership through policy shifts and investment. A few examples include the Mainstreet Employee Ownership Act, which directs the Small Business Administration to support both Worker Cooperatives and ESOPs through financing and technical assistance, the City of Madison, WI investment of \$5 million towards worker cooperatives, including both start-ups and business transitions to worker ownership, and finally the City of Minneapolis' Cooperative Technical Assistance Program (C-TAP) and \$100,000 budget allocation for cooperative businesses.

Using a tailored approach to policy and investments, employee ownership can be used to advance job retention, business growth and racial equity goals as articulated in Brooklyn Park's 2025 Community Plan¹⁰ and the 2040 Comprehensive Plan¹¹.

Tangible next steps may include:



Providing group training sessions on employee-ownership models for City of Brooklyn Park Staff and Economic Development Authority members.



Hosting seminars on business succession through employee ownership for local business groups.



Offering flexible resources to businesses, including funds to assess the feasibility of converting to employee-ownership.

Employee Ownership can transform communities. Beyond strengthening local and regional economies, business transitions to employee ownership redistributes resources and increases ownership opportunities. Ultimately, it is a powerful tool for building community wealth.

¹⁰ 2025 Community Plan's Goal 3: A balanced economic environment that empowers businesses and people to thrive and Goal 5: Partnerships that increase racial and economic equity empower residents and neighborhoods to prosper.

¹¹ 2040 Comp Plan 6.64.3 Explore platforms for promoting information on local ownership transfer and cooperative ownership models to businesses exploring ownership succession planning.

Appendix

SECTOR	# OF BUSINESSES (ESTABLISHED AT LEAST 10 YEARS AGO) ¹	# OF EMPLOYEES (ESTABLISHED AT LEAST 10 YEARS AGO) ¹	GROSS SALES ¹	ALL BUSINESSES WITHIN BROOKLYN PARK ²	ALL EMPLOYEES WITHIN BROOKLYN PARK ²	TOTAL GROSS SALES FOR ALL BUSINESSES ¹	AVERAGE HOURLY WAGE ²
Manufacturing	23	1,240	\$235,825,382	129	7,149	\$263,869,885	\$35
Professional, Scientific, & Technical Services	40	339	\$26,196,488	139	1,143	\$41,237,846	\$41
Wholesale Trade	16	98	\$38,499,784	104	1,336	\$44,646,650	\$36
Retail	16	242	\$64,263,321	151	4,186	\$116,481,341	\$17
Construction	34	354	\$69,841,785	N/A	N/A	\$84,297,986	\$37
Education	8	480	\$9,672,873	19	494	\$43,698,376	\$20
Other Services	27	176	\$18,298,085	137	779	\$28,682,735	\$19
Health Care and Social Assistance	15	150	\$5,223,064	169	4,553	\$16,496,615	\$20
Finance	19	60	\$5,520,429	51	474	\$12,900,642	\$46
Accommodation & Food Services	8	44	\$1,113,482	99	1,656	\$8,515,845	\$8
Real Estate	14	70	\$3,703,927	35	298	\$13,994,661	\$21
Administrative Support	61	123	\$12,133,188	89	1,286	\$37,681,080	\$22
Transportation & Warehousing	10	83	\$28,840,866	N/A	N/A	\$57,367,961	\$31
Information Technology	5	30	\$1,724,852	18	313	\$5,696,071	\$36
Arts	2	3	\$93,498	13	243	\$1,922,853	\$11
Mining & Utilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Management	N/A	N/A	N/A	16	1,721	N/A	N/A
All Businesses in Brooklyn Park	298	3,492	\$520,951,024	1,169	25,631	\$777,490,547	

SECTOR	ALL BUSINESS CLOSURES WITHIN BROOKLYN PARK ^{2*}	JOB LOSSES FROM BUSINESS CLOSURES WITHIN BROOKLYN PARK ^{2*}
Manufacturing	10	38
Professional, Scientific, & Technical Services		
Wholesale Trade	3	23
Retail	4	7
Construction	N/A	N/A
Education	1	4
Other Services		
Health Care and Social Assistance	13	138
Finance	3	23

SECTOR	ALL BUSINESS CLOSURES WITHIN BROOKLYN PARK ^{2*}	JOB LOSSES FROM BUSINESS CLOSURES WITHIN BROOKLYN PARK ^{2*}
Accommodation & Food Services	5	36
Real Estate	2	9
Administrative Support	N/A	N/A
Transportation & Warehousing	N/A	N/A
Information Technology	6	6
Arts	2	27
Mining & Utilities	N/A	N/A
Management	1	1
All Businesses in Brooklyn Park	50	312

	WHITE		BLACK		ASIAN		TWO OR MORE RACES / SOME OTHER RACE		LATINO	
	Total	%	Total	%	Total	%	Total	%	Total	%
Population of Brooklyn Park ³	38,122	48%	22,666	28%	14,011	18%	4,636	6%	5,806	7%
Unemployment in Brooklyn Park ^{*3}	684	3%	767	7%	202	3%	43	2%	70	2%
Jobs in Brooklyn Park (race of job holder) ⁴	23,880	76%	3,936	13%	2,852	9%	582	2%	1,324	4%

(*) - unemployment based on age 16+ and in the labor force

Data Sources:

- 1 Mergent Intellect Mergent, Inc. (n.d.). City of Brooklyn Park: Minority Owned Businesses. Retrieved January 9, 2020 <http://www.mergentintellect.com/index.php/search/index>
- 2 MN Department of Employment and Economic Development Quarterly Census of Employed Workers (QCEW) from 2018-2019, <https://apps.deed.state.mn.us/lmi/qcew/ResultsDisp.aspx>
(*) - Quarterly Census of Employed Workers (QCEW) from 2017
- 3 US Census Bureau, American Community Survey 2018 (5-Year Estimates) <https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>
- 4 Local Employment Household Dynamics, Brooklyn Park Worker Area Profile, 2017, <https://onthemap.ces.census.gov/>
- 5 MN Department of Revenue, Sales and Use Tax 2016 Statistics, <https://www.revenue.state.mn.us/sales-and-use-tax>