

Worker Ownership RFP Questions and Responses

Updated August 23, 2023

1. **Question:** How do we deal with a start-up cooperative in terms of location? This could be especially important if 51% of the potential owners are not BIPOC (disadvantaged). They may be looking at a space in a QCT but can't actually sign a lease until all financing to start has been committed, presumably with the LOCAL Fund being part of the start-up financing package. We would assume that we can't disburse a grant to this start-up until we know they've signed a lease in a QCT. However, what about TA and training? Can we provide the start-up worker owners TA and training based on their intention to locate in a QCT?

City of Saint Paul Response: The start-up cooperative would be eligible for participation in the Worker Ownership Program if they:

- Are an established business (including start-ups) with business operations located within the City of Saint Paul, and either
 - Is located in a QCT, or
 - Meets the U.S. Small Business Administrations (SBA) definition of a disadvantaged small business, or (defined terms on page 9-10 of RFP)
 - Faces a financial hardship
2. **Question:** Page 7 of the RFP states "Small businesses located within qualified census tracts and disadvantaged businesses as defined by SBA can apply for a startup or expansion grant." Does this mean that the business has to be in a QCT AND be a disadvantaged business? Or that the business has to be in a QCT OR a disadvantaged business? Page 9 implies "OR" rather than "and".

City of Saint Paul Response: Small businesses located within qualified census tracts or disadvantaged businesses as defined by SBA can apply for a startup or expansion grant.

3. **Question:** Does a worker-owned conversion count as a business expansion or start-up, and is therefore eligible for a grant? Typically, a conversion occurs when the newly formed cooperative entity purchases either (a) the stock/ownership interest of the original company; or (b) the business assets (equipment, inventory, customer lists, etc.) of the original company.
 - Would the purchase of stock/ownership interest count as an eligible use of grant funds?
 - Would the purchase of business assets of the original company count as an eligible use of grant funds?
 - Would the purchase of additional equipment be eligible?
 - Would working capital for rent and/or payroll be an eligible use for either a conversion or a start-up?

City of Saint Paul Response: The worker-owned conversion would count as a business expansion. Yes, all listed potential expenses would qualify as eligible expenses.

- Would the purchase of stock/ownership interest count as an eligible use of grant funds? YES

- Would the purchase of business assets of the original company count as an eligible use of grant funds? YES
- Would the purchase of additional equipment be eligible? YES
- Would working capital for rent and/or payroll be an eligible use for either a conversion or a start-up? YES

4. **Question:** What is the definition of business expansion? Would adding additional employees be considered a business expansion?

City of Saint Paul Response: Business expansion definition includes, but is not limited to:

- Growing size of business
- Adding services or products
- Expanding ownership (number of worker owners, including transition/conversion to ownership model)
- Expanding into additional/more sectors.

5. **Question:** Regarding the stipends, would the stipends go directly to the individuals, or would the stipends go to the microbusiness who would then disburse them to the worker owners?

- Does the microbusiness already have to be in existence? Or can a group of up to 10 individuals looking to start a worker owner cooperative potentially qualify for the stipends?
- If the stipends do go directly to individuals, does each individual have to be living in a Saint Paul QCT to qualify? If yes, that would mean that perhaps some persons may get a stipend and others do not. Is that correct?
- If they do not live in a QCT, but are BIPOC, can they receive the stipend? Must the individual recipient also live in Saint Paul?
- If the microbusiness already exists and is located in a QCT, would the employees automatically qualify for stipends?

City of Saint Paul Response: The microbusiness can be a start-up/have intention to start-up. Stipends will go to micro business owners (not to individuals) to cover the businesses costs of their staff attending trainings, or mentoring sessions including modest recognition of the financial impact of time spent in the training (example, small financial payment to help address attendees parking, childcare, or transportation costs).

6. **Question:** The budget template asks for detailed budget information for 3 years.
- What period does year 1 mean? Assuming the contract starts in November 2023, should year 1 include the 12 months from November 2023 through October 2024, or should be for the remaining 2 months of calendar 2023?
 - Similarly, is year 2 the period from November 2024-October 2023 or calendar 2024. (And similarly for year 3.)

City of Saint Paul Response: The years will depend on when the contract is finalized. Year 1 starts when the contract is executed and goes for 12 months, and all spending must be complete by Sept. 30, 2026. For example, the years could be:

Year 1: Nov. 23-Nov. 24

Year 2: Nov. 24-Nov. 25

Year 3: Nov. 25-Sept. 26

7. **Question:** What does “commitment” mean in terms of the budget? For example, we understand that funds have to be committed by 12/31/2024 and disbursed by 9/30/2026. What does that mean for the budget given that we may be providing a significant amount of our technical assistance (including legal fees) in 2025 and 2026 to bring the projects to closure? How would we show that these budget funds were committed as of 12/31/2024?

City of Saint Paul Response: For purposes of Federal reporting, the City will consider all funds “committed” by 12/31/2024 once the City and the subrecipient have a signed subrecipient agreement. The subrecipient will not need to further “commit” the funds but will need to spend the funds by 9/30/2026.

Please see the RFP, pgs. 4-6 for a list of eligible and ineligible expenses (some types of legal fees and actions are not eligible).

8. **Question:** What does “commitment” mean for grant funds? Would an approval letter to a worker owned small business dated on or before 12/31/2024 and based on the formal approval of the Grants Review Committee and with the conditions of the final grant agreement be sufficient as a commitment?

City of Saint Paul Response: See response to previous question.