

## Cleveland Puts Green Business Co-Ops to Work on Revitalization

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Green-collar jobs are often touted as a way to help lift the U.S. out of its recession especially in



those areas hardest hit by the economic downturn. But progress on this front by most measures has been slow and scattered. Then there is the story of Cleveland, Ohio, which has woven a green business initiative into its economic development plan for the inner-city area called Greater University Circle, the six poor neighborhoods which surround Cleveland's University Circle area -- home to major institutions including University Hospital, Case Western University and Cleveland Clinic.

Key stakeholders have focused on greening elements of the supply chain of the anchor institutions, albeit incrementally, to bring jobs to the surrounding community which is beset with poverty, high unemployment and declining property values. Steve Dubb, Research Director of the [Democracy Collaborative](#) at the University of Maryland, described this initiative as he spoke at the Social Enterprise Summit held in San Francisco last week.

Two green businesses were launched in October 2009: [Evergreen Cooperative Laundry](#) and [Ohio Cooperative Solar](#). The laundry business targets healthcare facilities, and boasts highly efficient energy and water usage; and the solar company -- which turned a profit five months after launch, incidentally -- installs photovoltaic panels and provides weatherization services. A commercial hydroponic-vegetable greenhouse is slated to open soon as well, all part of a goal of creating 10 new green businesses resulting in at least 500 new jobs within five years.

The Evergreen Cooperative Development Fund, a revolving loan fund, will provide seed capital to future green businesses and a percentage of profits from each will be reinvested; each

employee will also share in ownership, receive a percentage of the profits and engage in a participatory management process.

Interestingly, the priorities of the anchor institutions and that of the Cleveland Foundation, the project champion, were not at all aligned at the start. But the dialogue illuminated something that appealed to both factions: The development of green community-owned businesses to support the anchor institutions.

Reducing carbon emissions was a major goal for the institutions of University Circle; alleviating poverty in the surrounding area was desired but not a driving force and skepticism existed about whether the initiative would create a charity, rather than a viable business network. Finding the nexus, however, was the result of a carefully planned, iterative process requiring input and expertise from many stakeholders.

The intersection of green business co-ops and economic development is still a relatively new construct in the U.S. Steve Dubb said that the key players looked to [Mondragon Corporation](#) in Spain, a cooperative comprised of approximately 250 businesses and 95,000 worker-owners producing sales over \$20 billion; it started in the 1950's in a then impoverished area in the Basque region still reeling from the dire effects of the 1936-39 Spanish Civil War. While not green-focused, Mondragon provided a framework for dealing with systemic poverty and for scaling small, worker-owned businesses.

Dubb explained that choosing which green businesses to seed and grow required a commitment to a rigorous due-diligence process. He said the endeavor needed a champion who had political clout and financial resources to seed the early stages; Cleveland Foundation took on that role and its initial step was arranging quarterly meetings with the anchor institutions. It then formed a 50-person community round table of leaders who engaged in facilitated discussions regarding what might be possible. This was followed by a strategic planning process that incorporated input from over 100 interviews conducted with decision-makers from area hospitals, universities, and community development organizations.

Once a list of potential green businesses was identified, other partners who had expertise in business planning, employee cooperatives, financing, workforce development, community land trusts and the [New Markets Tax Credit program](#) were brought in to further distill the options.

The financing package also had to have the buy-in from a handful of key institutions: Cleveland Foundation provided seed funding of \$750,000 for the laundry co-op, loan guarantees, staff assistance and contributed to the Evergreen Cooperative Development Fund; the City of Cleveland provided \$1.5 million of HUD Section 108 loans; ShoreBank hosted the revolving loan fund.

Given that universities and hospitals are wedded to a geographic area in ways many corporations are not, this project was considered a worthwhile investment of human and financial resources. Plus, the statistics Dubb presented are compelling: University Hospital alone spends \$800 million a year in goods and services with \$240 million now in northeast Ohio; another \$400 million is hoped to shift by the end of 2010.

The project was presented at the [Social Enterprise Summit](#): Because the green worker cooperatives are a form of a social enterprise, defined by the Social Enterprise Alliance as "a for-profit or nonprofit business whose products or services address critical social and environmental needs by using the marketplace to achieve their primary social or environmental mission." The Evergreen Cooperatives initiative, even in its early stage, certainly seems to have met those criteria.

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