

OWNING YOUR OWN JOB IS A BEAUTIFUL THING: Community Wealth Building in Cleveland, Ohio

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In September 2011, the U.S. Census Bureau released new statistics about poverty in the United States. According to the Bureau's analysis, fully 25 percent of very young children (below the age of five) in America are now living in poverty. Further, 46.2 million Americans lived in poverty in 2010, the highest number since the agency began tracking poverty levels in the 1950s.¹

Accompanying this growth in poverty has been the escalating concentration of wealth in American society. As frequently cited,

- The top 5 percent of Americans own 70 percent of all financial wealth.

¹ Carmen DeNovas-Walt et al., *Income, Poverty, and Health Insurance Coverage in the United States: 2010*. (Washington, DC: Sept. 2011). Available at <http://census.gov/prod/2011pubs/p60-239.pdf>.

- The top 1 percent of Americans now claim more income per year than the bottom 100 million Americans taken together. This growing inequality is particularly notable between racial-ethnic groups. The average family of color owns less than 10 cents for every dollar held by a white family.
- Two in five American children are raised in asset-poor households, including one-half of Latino and African American children.

The Census Bureau reports that even before the Great Recession hit, in 2007 Detroit had a poverty rate of 33.8 percent, Cleveland 29.5 percent, and Buffalo 28.7 percent. The level of pain in our smaller cities is even greater: in 2007, Bloomington, IN, led the list with a poverty rate of 41.6 percent. Dealing with the challenge of concentrated urban poverty necessitates, at bottom, a serious strategy to provide stable, living wage employment in every community and every neighborhood in the country.

Some of the most exciting and dynamic experimentation is occurring across America at the community level, as cities and residents beset by pain and decades of failed promises and disinvestment begin charting innovative new approaches to rebuilding their communities.

Even in economically struggling cities, “anchor institutions” such as hospitals and universities can be leveraged to generate support for community-based enterprise. An important example is taking place in Cleveland, OH, where a network of worker-owned businesses called the Evergreen Cooperatives has been launched in low-income, inner-city neighborhoods. The cooperatives will initially provide services to anchor institutions, particularly local hospitals and universities. Rather than allowing vast streams of money to leak out of the community or be captured by distant companies, local anchor institutions can agree to make their purchases locally. Already the “Cleveland model” has spread beyond Cleveland, with efforts now gathering early momentum in places as diverse as Amarillo, TX; Atlanta;

Milwaukee; Pittsburgh; Richmond, CA; Springfield, MA; and Washington, DC.

During the past few decades there has been a steady build-up of new forms of community-supportive economic enterprises. These ideas, now being implemented in communities across the country, are beginning to define the underlying structural building blocks of a democratic political-economic system—a new model that is different in fundamental ways from both traditional capitalism and socialism.

This approach is commonly known as “community wealth-building.” It is a form of development that puts wealth in the hands of locally rooted forms of business enterprise (with ownership vested in community stakeholders), not just investor-driven corporations. These anchored businesses (both for-profit and nonprofit) in turn reinvest in their local neighborhoods, building wealth in asset-poor communities. As such, they contribute to local economic stability and stop the leakage of dollars from communities, which in turn reinforces environmental sustainability and equitable development.

Community wealth-building strategies spread the benefits of business ownership widely, thus improving the ability of communities and their residents to own assets, anchor jobs, expand public services, and ensure local economic stability. The field is composed of a broad array of locally anchored institutions, such as hospitals and educational institutions that have the potential to be powerful agents to build both individual and commonly held assets. Their activities range along a continuum from efforts focused solely on building modest levels of assets for low-income individuals to establishing urban land trusts, community-benefiting businesses, municipal enterprises, nonprofit financial institutions, cooperatives, social enterprises, and employee-owned companies. Also included in the mix is a range of new asset-development policy proposals that are winning support in city and state governments.

These institutional forms of community wealth-building help a community build on its own assets. They make asset accumulation and community-shared ownership central to local economic development. In so doing, community wealth-building provides a new way to begin to heal the economic opportunity divide between haves and have-nots at its source: providing low- and moderate-income communities with the tools necessary to build their own wealth.

Although a strategy to scale up community wealth-building strategies will face many challenges, a pair of unusual openings exist that, if seized on, can greatly strengthen the effort. In particular, momentum and scale can be achieved by: (1) aligning wealth-building efforts with the growing movement among anchor institutions to participate in community-building and economic development, and (2) capitalizing on the growing interest in building local green economies and green jobs.

Anchor institutions are firmly rooted in their locales. In addition to universities and hospitals (often referred to as “eds and meds”), anchors may include cultural institutions, health care facilities, community foundations, faith-based institutions, public utilities, and municipal governments. Typically, anchors tend to be nonprofit corporations. Because they are rooted in place (unlike for-profit corporations, which may relocate for a variety of reasons), anchors have, at least in principle, an economic self-interest in helping to ensure that the communities in which they are based are safe, vibrant, healthy, and stable.

A key strategic issue is how to leverage the vast resources that flow through these institutions to build community wealth by such means as targeted local purchasing, hiring, real estate development, and investment. Importantly, within both the higher education and health care sectors, institutions are increasingly committed to defined and measurable environmental goals, such as shrinking their carbon footprints, that help reinforce a focus on localizing their procurement, investment, and other business practices.

Over the past decade a great deal of momentum has been built around engaging anchor institutions in local community and economic development. It is now widely recognized that anchor institutions are important economic engines in many cities and regions, including their role as significant employers. For example, a 1999 Brookings Institution report found that in the 20 largest U.S. cities, universities and hospitals accounted for 35 percent of the workforce employed by the top 10 private employers.²

The potential for anchor institutions to generate local jobs is substantial. The most straightforward way to create jobs is to shift a portion of their purchase of food, energy, supplies, and services to local businesses. Targeted procurement can create jobs directly and have multiplier effects in regional economies.

The University of Pennsylvania is a good example. In fiscal year 2008 alone, Penn purchased approximately \$89.6 million (approximately 11 percent of its total purchase order spending) from West Philadelphia suppliers. When Penn began its effort in 1986, its local spending was only \$1.3 million. Determining economic impact is an inexact science, but given that Penn has shifted nearly \$90 million of its spending to West Philadelphia, a very conservative estimate would suggest that minimally Penn's effort has generated 160 additional local jobs and \$5 million more in local wages than if old spending patterns had stayed in place.

Another innovative example of an anchor institution using its economic power to directly benefit the community is in Cleveland and its surrounding counties in northeast Ohio. In 2005, University Hospitals announced a path-breaking, five-year strategic growth plan called Vision 2010. The most visible feature of Vision 2010 was new construction of five major facilities, as well as outpatient health centers and expansion of a number of

² Ira Harkavy and Harmon Zuckerman, "Eds and Meds: Cities' Hidden Assets." (Washington, DC: Brookings Institution, 1999). Available at http://community-wealth.org/_pdfs/articles-publications/anchors/report-harkavy.pdf.

other facilities. Total cost of the plan was \$1.2 billion, of which about \$750 million was in construction.

In implementing Vision 2010, University Hospitals made a decision to intentionally target and leverage its expenditures to directly benefit the residents of Cleveland and the overall economy of northeast Ohio. For example, Vision 2010 included diversity goals (minority and female business targets were set and monitored), procurement of products and services offered by local companies, hiring of local residents, and other targeted initiatives. These goals were linked both to the construction phase and the ongoing operation of the new facilities once opened. By the conclusion of the project, more than 100 minority- or female-owned businesses were engaged through University Hospitals' efforts, and more than 90 percent of all businesses that participated in Vision 2010 were locally based, far exceeding the target. To realize its objectives, the hospital instituted internal administrative changes to its traditional business practices to give preference to local residents and vendors, and to ensure that its "spend" would be leveraged to produce a multiplier effect in the region. These changes have recently been implemented throughout the hospital's annual supply chain (beyond construction projects), with local purchasing targets now set for all purchases over \$50,000. Given that University Hospitals' annual "spend" is in excess of \$800 million, this should produce considerable local economic value and job creation in the region.

Another Cleveland effort—the Greater University Circle Initiative—involves the Cleveland Foundation, anchor institutions, the municipal government, community-based organizations, and other civic leaders. Over time, the Initiative has become a comprehensive community-building and development strategy designed to transform Greater University Circle by breaking down barriers between institutions and neighborhoods. The goal of this anchor-based effort is to stabilize and revitalize the neighborhoods of Greater University Circle and similar areas of Cleveland.

The Initiative works on a number of fronts: new transportation projects and transit-oriented commercial development; an employer-assisted housing program is encouraging employees of area nonprofits to move back into the city's neighborhoods; an education transformation plan designed in partnership with the city government; and community engagement and outreach efforts that promote resident involvement. The most recent strategic development was the launch in 2007 of an economic inclusion program known as the Evergreen Cooperative Initiative.

The Evergreen Initiative's audacious goal is to spur an economic breakthrough in Cleveland by creating living wage jobs and asset-building opportunities in six low-income neighborhoods with 43,000 residents. Rather than a trickle-down strategy, Evergreen 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. And rather than concentrate on workforce training for jobs that are largely unavailable to low-skilled and low-income workers, the Evergreen Initiative first creates the jobs and then recruits and trains local residents to take them.

Evergreen represents a powerful mechanism to bring together anchor institutions' economic power to create widely shared and owned assets and capital in low-income neighborhoods. It creates green jobs that not only pay a decent wage and benefits, but also, unlike most green efforts, builds assets and wealth for employees through ownership mechanisms.

The initiative is built on five strategic pillars: (1) leveraging a portion of the multi-billion-dollar annual business expenditures of anchor institutions into the surrounding neighborhoods; (2) establishing a robust network of Evergreen Cooperative enterprises based on community wealth building and ownership models designed to service these institutional needs; (3) building on the growing momentum to create environmentally sustainable energy and green-collar jobs (and, concurrently, support area

anchor institutions in achieving their own environmental goals to shrink their carbon footprints); (4) linking the entire effort to expanding sectors of the economy (e.g., health and sustainable energy) that are recipients of large-scale public investment; and (5) developing the financing and management capacities that can take this effort to scale, that is, to move beyond a few boutique projects or models to have significant municipal impact.

Although still in its early stages, the Evergreen Cooperative Initiative is already drawing substantial support, including multi-million-dollar financial investments from the federal government (particularly U.S. Department of Housing and Urban Development) and from major institutional actors in Cleveland.

The near-term goal (over the next 3–5 years) is to spark the creation of up to 10 new for-profit, worker-owned cooperatives based in the Greater University Circle area of Cleveland. Together, these 10 businesses could employ approximately 500 low-income residents. Each business is designed as the greenest within its sector in northeast Ohio. Financial projections indicate that after approximately eight years, a typical Evergreen worker-owner could possess an equity stake in their company of about \$65,000. The longer-term objective of the Evergreen Initiative is to stabilize and revitalize Greater University Circle's neighborhoods.

The first two businesses—the Evergreen Cooperative Laundry (ECL) and Evergreen Energy Solutions (E2S, formerly Ohio Cooperative Solar)—today employ about 50 worker-owners between them. Furthermore:

- ECL is the greenest commercial-scale health care bed linen laundry in Ohio. When working at full capacity, it will clean 10–12 million pounds of health care linen a year, and will employ 50 residents of Greater University Circle neighborhoods. The laundry is the greenest in northeast Ohio; it is based in a LEED Gold building, requires less than one-quarter of the amount of water used by competitors to clean each pound of

bed linen, and produces considerable carbon emission savings through reduced energy consumption.

- E2S is a community-based clean energy and weatherization company that will ultimately employ as many as 50 residents. In addition to home weatherization, E2S installs, owns, and maintains large-scale solar generators (panels) on the roofs of the city's biggest nonprofit health and education buildings. The institutions, in turn, purchase the generated electricity over a 15-year period. Within three years, E2S likely will have more than doubled the total installed solar in the entire state of Ohio.

A third business, Green City Growers (GCG), will be open for business later this year. GCG will be a year-round, large-scale, hydroponic greenhouse employing approximately 40 people year-round. The greenhouse, which is now under construction, will be located on 10 acres in the heart of Cleveland, with 3.25 acres under glass (making it the largest urban food production facility in America). GCG will produce approximately three million heads of lettuce per year, along with several hundred thousand pounds of basil and other herbs. Virtually every head of lettuce consumed in northeast Ohio is currently trucked from California and Arizona. By growing its product locally, GCG will save more than 2,000 miles of transportation, and the resulting carbon emissions, for each head of lettuce it sells. The region's produce wholesalers are enthusiastic because they will gain seven days more shelf life for the product.

Beyond these three specific businesses, the Evergreen Cooperative Corporation acts as a research-and-development vehicle for new business creation tied to specific needs of area anchor institutions. Through this process, a pipeline of next-generation businesses is being developed.

Virtually all of the financing of Evergreen is in the form of debt—a combination of long-term, low-interest loans from the federal government (such as HUD108) that focus on job creation targeted at low-income census tracts; tax credits (in particular, New Markets Tax Credit and federal solar tax credits); and

grant funds from the Cleveland Foundation and others that have capitalized a revolving loan fund (the Evergreen Cooperative Development Fund). The fund invests in individual Evergreen companies as deeply subordinated debt at a 1 percent interest rate. Recently, Evergreen has secured five-year below-market rate loans from “impact investors” who are willing to make a lower return in order to put their money to work to improve the Cleveland community. Evergreen has also succeeded in attracting some local bank participation, particularly for its solar company.

An anchor institution strategy like the one in Cleveland can be a powerful job creation engine, not simply by localizing production, but also by forging a local business development strategy that effectively meets many of the anchor institutions’ own needs, which the existing market may not be equipped to handle. Or, put more succinctly, anchor institutions have the potential to not only support local job creation, but also to shape local markets.

Ultimately, of course, the success of Evergreen will depend not only on Cleveland’s anchor institutions, its local philanthropy, and the support of the city government. The men and women who have become Evergreen’s worker-owners will determine the viability of the strategy. Keith Parkham, the first neighborhood resident hired in 2009, is now the managing supervisor of the Evergreen Cooperative Laundry. Says Parkham, “Because this is an employee-owned business, it’s all up to us if we want the company to grow and succeed. This is not just an eight-hour job. This is our business.” His colleague, Medrick Addison, speaks for many Evergreen worker-owners when he says, “I never thought I could become an owner of a major corporation. Maybe through Evergreen things that I always thought would be out of reach for me might become possible. Owning your own job is a beautiful thing.”

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