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*photograph by Marshall Clarke*

Three years ago, Ted Howard got a call from the Cleveland Foundation, a community foundation that pools the city's philanthropic resources and gives out grants for local projects. Like Baltimore, Cleveland had fallen a long way since its mid-century glory days. For the last several years, the Great Lakes burg has been dueling with Detroit and Buffalo for the title of poorest big city in America.

The folks at the Cleveland Foundation had been following Howard's work at the Democracy Collaborative, a research and policy center at the University of Maryland, College Park, that fosters what Howard calls "wealth-building opportunities" for the poor. And they wanted his help.

Urban economic redevelopment strategies have generally used either corporate tax breaks or job training programs to lure industry, Howard says. Neither has been particularly effective long-term. “There’s a growing sense that the approaches we’ve been using have hit a dead end,” he says. “We’ve got to get outside of this box we’re in and [move] toward a new strategy.”

Today, Howard splits his time between his office in College Park and Cleveland, where the foundation has named him a senior fellow for social justice. He and his team have set out to create jobs by tapping in to the vaunted knowledge economy inside once-prosperous cities—institutions such as universities and hospitals that are what he calls economic “anchors.”

“These great urban areas with terrific infrastructure and extraordinary cultural and historical assets—they’re sort of just being thrown away,” Howard says. “I don’t think our country can afford to throw away our great cities, nor the people in them.”

**Q Talk to me about the Democracy Collaborative.**

**A** We were founded about ten years ago. Our interest is in how you strengthen democracy at the community level, in neighborhoods and cities. Frankly, we’re very concerned about the future of our democracy, particularly because there’s a growing wealth inequality in the United States. Political theorists of the left and right disagree on many things, but one thing they agree on is when you get such concentrations of wealth, it becomes seriously corroding of democratic life. How do you expand wealth-building opportunities for those tens of millions of Americans in low- and moderate-income communities who have been left out of the American promise? We’re very interested in this idea of how you create jobs, the kind that stay rooted somewhere and really rebuild the economy in some of our great cities, Baltimore being one.

**Q Let’s talk about the work of the Democracy Collaborative in Cleveland.**

**A** Our task was, how do we actually create jobs that are meaningful—that are good, living-wage jobs that have benefits—and how do we anchor them in some of the poorest and highest unemployment areas in the city? [Our answer was to] start companies that are attached to the procurement opportunities that come through the big anchor institutions—big, nonprofit institutions like universities, hospitals, cultural institutions, and the like. These kinds of facilities are called anchors because, unlike major corporations, they don’t get up and leave. You know, Johns Hopkins is going to be where it is in Baltimore in a hundred years. It’s not gonna move its whole campus over to China. Here in Cleveland, just three of the largest institutions—the Cleveland Clinic, University Hospitals, and Case Western Reserve University—annually spend \$3 billion on goods and

services. Almost none of that spending, however, is done locally. This project is designed to capture some of that spending, drive it into the community, then link it to the build-up of new small businesses that are cooperatively owned and green.

**Q Tell us the story about the Evergreen laundry.**

**A** The Evergreen Cooperative Laundry is one of a number of companies that we're starting. There's another one called Ohio Cooperative Solar. There's a large food production greenhouse called Green City Growers. You think of a laundry, you tend to think of a small dry cleaning facility. This is an industrial, commercial-scale laundry doing 10 to 12 million pounds of bed linens for hospitals and nursing homes. It's about a \$6 million a year operation, and it will employ fifty people when fully operating, all of whom will be the owners of the laundry. There are no outside investors; it's all owned internally.

**Q How does a co-op function?**

**A** Well, when you're hired, you're hired first as a temporary worker for about a six-month period, and during that time, you're getting performance reviews. At the end of that period you're invited to become a member of the co-op. You immediately get a raise of a couple dollars an hour, and from your salary, 50 cents every hour is deducted and put into your account. At the end of three years, you've invested \$3,000 of your own money. That's your share of the company. Then, each year the company turns a profit, dividends are allocated to everyone's account. The projections from our business plan—which we think is quite conservative—are that at the end of eight years as an employee, you will have a \$65,000 ownership stake in the company. When you leave, you can take that with you.

The other piece is, you're playing two roles. When you're on the line doing the laundry, you've got your worker hat on; you've got to run the machines, you've gotta do a job. But then sometimes you put your owner hat on. Every month, the whole company gets together, and there's open-book financial management. You look at your income, your profit and loss, and you start to make decisions. "Is this the time for us to get a raise? If we do get a raise, what happens to the capital of the company? Maybe it's better to defer that." So you are making the democratic decisions in the company. It's very different than just clocking in at 9 and leaving at 5. This is now your company. Your livelihood is dependent on making this work.

**Q This is a model that's almost antithetical to what most people think of as American business. The way we look at them, [businesses] are structured in a very hierarchical way. Top down.**

**A** You know, we're so used to checking our democratic rights at the door when we enter the workplace. Working for somebody and being told what to do, it's almost hard to

conceive that you can actually have democracy at the workplace. In fact, there are worker cooperatives all across the country that are very successful. You've got almost ten thousand companies in America that have significant worker ownership, and some of them are heartily democratic. There have been some serious academic studies that show that both worker co-ops and employee-owned firms are more productive than similar companies in their sector. They tend to retain their employees longer so they're more profitable, and they lead to greater outside accumulation because the employees have a stake in the company.

**Q It cost \$6 million to build the cooperative laundry facility, right? Where does that money come from?**

**A** This is really to the credit, first and foremost, of the Cleveland Foundation. The foundation said, We're going to put \$3 million into a fund to help seed a group of companies that start to employ people locally. Of that \$3 million, we took \$750,000 and dedicated it to the Evergreen Cooperative Laundry. We then leveraged an additional \$5 million from [the United States Department of] Housing and Urban Development, and a long-term, twenty-year loan through the city of Cleveland. We got a couple conventional bank loans. We put in something called a New Markets Tax Credit.

The greenhouse deal—which is a 5-acre urban food production greenhouse, the largest urban greenhouse in the country; it will grow 800,000 heads of lettuce—will cost \$14 million. And where we got that was about \$1 million of grant money. We got \$1 million of the stimulus bill, a grant from the Department of Energy that's going to allow us to erect a 250-foot-tall, 1.5-megawatt wind turbine in the heart of the city to help generate power for this. Ten million dollars for brownfield redevelopment are going into this deal. So local philanthropic dollars can be used to leverage sources of money that don't generally make their way into the low-income community, and that's part of the formula here.

The other thing—we've gotten investments from the anchor institutions. Ohio Cooperative Solar is doing 100-kilowatt solar panel installations on the roofs of the hospitals and universities. We own the panels, and the university or the hospitals buy the energy from them. But to get that company going, the three large institutions each put a quarter of a million dollars into the pot, because they thought it was a good way to begin to diversify their energy sources and become greener.

**Q So you have three worker-owned industries that employ how many people at the moment?**

**A** The greenhouse has yet to break ground, so we only have a couple people that are developing it. At the laundry we've got ten to fifteen people, and we'll eventually get fifty. Ohio Cooperative Solar, I think, is about fifteen right now; it will eventually hit a hundred employees. So we're ramping up the scale as we go.

**Q All right. So these three industries will employ a hundred and fifty people. Maybe two hundred. But there are tens of thousands of people who are living in poverty in our cities.**

**A** Our target in the next three years is to get to five hundred jobs in the inner city area. However, the neighborhoods we're working in have 43,000 residents. Unemployment is over 25 percent. So five hundred jobs isn't a solution. The larger vision we have is, over this next ten to fifteen years, can we create five thousand or even ten thousand jobs through this strategy? And I think we can, and in fact I think that the strategy can be disseminated throughout the state of Ohio. There's a huge market that's available through these local institutions if we can focus their purchasing locally and bring them on as partners.

**Q What do you think this means, not just economically but politically?**

**A** I think the level of pain in our urban areas among low- and moderate-income people is so extraordinarily high that, unless we're just going to write off thirty or forty million Americans, we've got to find some new approaches. Broadening ownership of capital is a winning formula—not the only answer, but it's a winning formula for helping to expand the assets of individuals and also to anchor the companies in localities, because if you and I own a big company together in Baltimore, and we live near the company and work there, there's no way we'd vote to send our jobs overseas.

I mean, it could be labeled socialist. [But] some people say, you're trying to make everybody a capitalist by giving them an ownership stake. I don't know what the right label is. A colleague and I wrote an article about this strategy and its implications for *The Nation*, a very progressive magazine. The day after it appeared, there was a very long and extremely favorable article about the Cleveland model and Evergreen in *BusinessWeek*. The *BusinessWeek* reporter said, "When's the last time that *The Nation* and *BusinessWeek* ever agreed on anything?" I think there's something here that makes sense to people. It crosses some sort of divide.

**Q I wish there was a way the thing could move quicker than it does, to get more people to work.**

**A** God knows with the level of pain and distress in our communities, we need tens, hundreds of thousands of jobs created every year. On the other hand, it's taken decades for our cities to get into terrible shape. It's going to take a long rebuilding process to get out.

 *On the air: Listen to a podcast of the full interview with Ted Howard at [www.steinershow.org](http://www.steinershow.org) or tune in to The Marc Steiner Show on WEAA 88.9 FM on April 1.*

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