



“Not just a job, but a future”

Goal of Evergreen family of worker co-ops is to help struggling neighborhoods prosper

By Dan Campbell, editor

Cleveland Rocks! — according to the theme song of the long-running Drew Carey TV comedy show. But not all of its neighborhoods rock equally, at least when it comes to jobs and economic opportunity.

The business district of downtown Cleveland has undergone a dramatic revival in the past 15 years or so, with popular new attractions such as the Rock and Roll Hall of Fame, the East 4th Street food and entertainment district and new downtown stadiums and an arena for its professional sports teams helping to lay to rest those put-downs about the city being “the mistake on the lake.” Yet the poor

neighborhoods that surround the University Circle area — the cultural center of the city — have not shared in this revival.

These neighborhoods are home to about 43,000 people, who suffer from an unemployment rate near 40 percent. The median annual income is less than \$18,500. Vacant lots, deteriorated buildings, water shut-offs and foreclosure signs are common here.

This contrasts sharply with University Circle, which has a vibrant core of major health, cultural and educational institutions, as well as some major international businesses that together employ tens of thousands of people in good-paying jobs.

“But University Circle has been radically disconnected from the poor neighborhoods surrounding it,” Ted

Howard, director of The Democracy Collaborative, told attendees at the 2010 ACE (Association of Cooperative Educators) Institute in Cleveland last summer. “So the question has been: How do we break down this barrier and create opportunity for the people of the surrounding neighborhoods?”

Laundry and solar co-ops launched

A key part of the answer, Cleveland is hoping, is a network of worker-owned cooperatives. The first two of these co-ops were launched in October of 2009. The Evergreen Laundry Cooperative is serving several large health-care institutions in the University Circle area, while Ohio Cooperative Solar is installing solar panels on the roofs of large institutions

Facing page: Worker-owners of the Ohio Solar Cooperative (OSC) have installed solar collector panels on the roofs of some of Cleveland's largest government buildings and hospitals. Photo courtesy OSC. Below: Medrick Addison (right) is a worker-supervisor who helps keep operations running smoothly at the Evergreen Laundry Cooperative. Bottom: The skyline of downtown Cleveland has undergone an economic revival in recent years, unlike some of its nearby neighborhoods. USDA photos by Dan Campbell.

and businesses.

Many of the worker-owners of these co-ops are people who in the past have had to struggle to find any kind of decent job, including some who have had to overcome records of incarceration and substance abuse. For them, just to find a steady job in their depressed neighborhoods is an accomplishment, let alone a job in which they are part owners and can accumulate equity. For them, these new co-



ops offer a second chance, not just for a job, but a future.

Next year, a third Evergreen cooperative, Green City Growers Cooperative, plans to break ground on one of the nation's largest urban food production greenhouses. The Neighborhood Voice, a free, student-operated online and print publication, is also part of the Evergreen family of cooperatives. It will publish monthly, reaching about 100,000 residents and employees in the Greater University Circle.

Ultimately, the hope is that there will be dozens of worker-owned co-ops operating under the Evergreen umbrella in Cleveland, transforming and lifting the economy in much the same way that the worker-owned cooperatives have done in the Mondragon region of northern Spain. There, the Basque people began 50 years ago with one small worker co-op and a handful of jobs. Today, it encompasses a

large, diverse network of worker co-ops that provide more than 100,000 good jobs, according to James Anderson of the Ohio Employee Ownership Center (OEOC), which helped spearhead the launch of the Evergreen project. He and Howard provided the ACE conference attendees with an overview of how it was done.

Planting seeds

In December 2006, The Democracy Collaborative — a research and policy center based at the University of Maryland that focuses on community wealth-building strategies — held a community-wealth roundtable in Cleveland to explore innovative ways to help break the cycle of poverty in the Greater University Circle area. It attracted 45 participants who represented a broad array of thinking and talents, including university faculty members, community development experts, leaders of Employee Stock Ownership Plans, chamber of commerce leaders and the CEO of a hospital, among others.

As a result of this meeting, the Cleveland Foundation — the region's largest philanthropy — asked Howard and his colleagues to help develop a new economic inclusion plan for the Greater University Circle area — one that would offer a different approach from the failed efforts of the past.

"We were lucky to have the Ohio Employee Ownership Center (OEOC) just down the road and access to low-cost capital, the lack of which is the biggest restraint on the spread of the co-op movement," Howard said. He recalled a conversation with the leader of an economic Empowerment Zone that had been created years earlier to direct more financial resources into the Greater University Circle area. Despite the expenditure of some \$34 million in these neighborhoods under that effort, "there was virtually nothing left behind afterward. It just didn't stick — it did not make a difference."

The consensus was to instead try attacking the problem with a business development strategy. "We wanted to create for-profit businesses, owned both by workers from the community and the institutions that are their customers," Howard said. These worker-owned businesses would pay living wages and offer the opportunity for wealth building through the accumulation of equity in the businesses.

"We wanted to root capital in the community so that it would not get up and leave. Worker-owners of a business are not going to offshore their own jobs," Howard said.

To help refine the strategy, 120 people were interviewed over the ensuing six months — most of them leaders of large institutions and businesses of the University Circle area who were eyed as the primary customers of the new co-ops. "It was determined that there was a huge economic opportunity

to source business locally. Evergreen emerged from this,” Howard said.

Institutional buying power key to strategy

When looking for someone to organize and launch the first Evergreen business, Howard recalled that the late John Logue, founder of OEOC said: “This project cannot be allowed to fail, so we must have Jim Anderson on board.” This was a tribute to the business acumen and organizational savvy of Anderson, who formerly led the Republic Storage system in Canton, Ohio, and had a long professional career working with employee-owned firms.

Anderson served as the CEO of the Evergreen Cooperative Laundry for the first year of the effort, but turned over the leadership role in August to a management team of co-op members, in keeping with a goal that the co-op should provide a career ladder that allows employees to climb into senior management.

The strategy from the start has been to focus on tapping the purchasing powers of the large institutions of University Circle. These “anchor institutions” purchase goods and services worth about \$3 billion annually (exclusive of payroll and construction). Yet, virtually none of their purchases were being made in the area. Buying locally was not a significant part of their institutional business model. So there was a huge untapped potential for them to do more business locally.

A parallel focus of this effort has been to launch “green” businesses that operate in an environmentally benign manner. Evergreen Cooperative Laundry, Anderson says, “is the greenest laundry in northeast Ohio, probably in the entire state.” Heat and water used in the operation is recycled, harsh chemicals are kept to a minimum and the operation is housed in a LEED (Leadership in Energy and Environmental Design) silver building — an internationally recognized “green building” certification system.

It took \$5.7 million to launch the

laundry co-op. Of that, about \$2.5 million was for equipment, \$1.5 million to refurbish the building and most of the balance was to cover the early operating losses. The business plan calls for the co-op to break even within 18 months, and it has been running ahead of schedule. The building is leased from



Evergreen does the majority of its business with large health-care institutions in the University Circle area.

Enterprise Cleveland, a local nonprofit, and the co-op has first right of refusal if there is a sale of the property.

The first \$750,000 raised for the Evergreen project came in the form of a long-term, 1-percent interest loan from the Cleveland Foundation. That money was then used to leverage the rest of the \$5.7 million. Next on board was the city of Cleveland, which provided a \$1.5 million loan from its Housing and Urban Development 108 funds.

“This gave the project legitimate legs, so we could go to other lending institutions,” Anderson recalled. “Those investments created credibility for us.”

The co-op then got more funds from two commercial banks and qualified for a \$250,000 loan from the Commonwealth Revolving Loan Fund (which had been established by the Ohio Employee Ownership Center at Kent State University). A New Markets Tax Credit allocation from US Bank was also negotiated.

The Evergreen Cooperative Development Fund was created as the financing entity for the family of co-ops. The plan calls for this fund to grow from \$5 million at present to about \$50 million. Evergreen Business Services is the corporate entity that supplies “back office” services to all the

co-ops; it houses the CEOs, human resources and finance offices.

Community on board

As the laundry co-op neared opening day “there was a lot of excitement in the neighborhood about it,” said Medrick Addison, a worker-supervisor with the laundry who was one of the first two employees hired. “There was also some negative feedback at first; but once people understood what we were doing, they got behind us.”

The desperate need for good jobs in the area was underscored by the co-op receiving about 500 applications for the first dozen jobs. “We pay a significantly higher wage” than for comparable jobs, Addison noted. Evergreen also provides its worker-owners with a no-cost health package.

The laundry currently employs about 25 people, but hopes to expand to 35 workers in the near future. Plans call for 50 workers to be co-op members by the time it reaches its “mature” level of operation, when it will be cleaning 10 million pounds of laundry annually.

Each new employee goes through a six-month trial period, after which the other members vote on whether to accept them into the co-op. “You have to prove yourself to your fellow workers, because you are essentially choosing to go into business with them,” Addison said. Once a worker becomes a co-op member, he or she qualifies for a \$2-an-hour bonus and for benefits.

When the business becomes profitable, 10 percent of profits will go back to the Evergreen Development Fund to help start other co-ops; 80 percent of the rest of the profits are to be distributed among the members, of which 20 percent is to be paid in cash.

Members have to invest \$3,000 for a share of co-op ownership, but they can pay that off at 50 cents per hour, deducted from their pay increase. As the company earns profits, earnings will be placed annually in worker capital accounts. The goal is to generate up to \$65,000 in co-op equity for a worker who stays on the job eight years. This

money belongs to the worker, and when they leave the company or retire, they take it with them.

New co-op business ideas are being developed, including: a worker-owned co-op that would refurbish houses in the neighborhoods; recycling companies; and a business to turn hospital medical waste into energy. “We want to keep the money circulating locally — to stop it leaking out of northeast Ohio,” Anderson said.

Keeping customers satisfied

The future success of the co-op rests with keeping customers satisfied — especially the large health-care institutions that account for most of its business. Whenever the co-op receives any kind of quality-control complaint, Addison personally visits the customer to find out what happened and ensure that the problem is addressed.

“If there is a problem for a customer, we do not let it fester — we get it fixed,” he said.

One seat on the board of directors of the laundry is reserved for a customer. The other directors include two co-op members and two more appointed by the Evergreen Cooperative Corporation, the co-op network’s “holding company.” No lenders sit on the board, and the bylaws have been set up to ensure that the co-op is never demutualized.

Many people in the area have been through various job-training programs in the past, only to find there were no jobs for them when they completed the training. So this project sounded much more attractive: a good job from day one. Training is still part of the picture, but it involves much more than simply how to do the work.

Worker training, provided by the Ohio Employee Ownership Center, includes personal financial literacy classes. Once that study is completed, the training shifts into basic worker co-op issues, such as knowing when a worker-owner needs to “wear the owner hat vs. the worker hat.” Training also includes business financial literacy. In all, it is about a one-year program,

Solar co-op will double Ohio’s PV-energy output

As of the summer of 2010, there were only two megawatts of installed solar power in Ohio. With just the orders it already has on its books, that total will be expanded by an additional three megawatts by 2012, thanks to the work of just one business: Ohio Cooperative Solar (OCS), a member of the Evergreen family of worker-owned co-ops.

OCS owns and/or installs photovoltaic (PV) solar panels on large institutional, government and commercial buildings. Customers of the co-op to date include Cleveland Clinic, University Hospitals, Case Western Reserve University, the city of Cleveland and the Cleveland Housing Network.

The co-op offers two types of contracts. It can sell and install the PV equipment to a building owner, who then is responsible for arranging tax



credits and working with its utility company and securing insurance coverage and maintenance service. Or the co-op will maintain ownership of the PV equipment and take care of all the related arrangements. It then sells the electricity via a power-purchase agreement. These typically involve a 15-year equipment lease arrangement.

The co-op has about 25 worker-owners at this time, but hopes to expand to 75 to 100 at maturity. The rules of membership, equity accumulation and most other bylaws are basically the same for the solar co-op as the laundry co-op.

A solar panel array that can generate 100 kilowatts of electricity costs \$500,000, installed. Proper installation is critical, so panels must be attached to the roof in a manner that stands up to high winds and winter conditions, and should avoid placements subject to shadowing.

When the weather doesn’t permit solar panel installations, workers keep busy doing home weatherization work. This program uses federal government assistance to help low-income and handicapped homeowners acquire new or repaired furnaces, hot-water heaters, wall/attic insulation and weather stripping/caulking for doors. There are 38 million qualified households nationwide, notes co-op CEO Stephen J Kiel.

The average low-income household spends about 17 percent of its income on energy, according to the co-op. After a home is weatherized, the average household saves \$350 in energy savings in just the first year. ■

with classes held every other week.

Calling the Evergreen effort both exciting and daunting, Anderson said that while it is worth celebrating key accomplishments to date, “it is way too early to celebrate” this effort as an ultimate success story. “We have miles to go.”

Ultimately, the success of worker co-

ops such as these depends upon building a culture of ownership, says Howard. Thus, he takes heart from a brief exchange heard after a group from Pittsburgh — including two union representatives from a laundry there — recently toured Evergreen. One of the union representatives said: “This laundry is sure superior to the one we

work for.” An Evergreen co-op member responded: “That’s the difference; we don’t work ‘for’ this business, we own it and we work for ourselves.”

Editor’s note: To view a video about Evergreen and learn more about this economic development strategy, visit: www.community-wealth.org.” ■

Urban farming strides forward with new greenhouse cooperative

If things go according to plan, Cleveland residents will soon be eating a lot more home-grown lettuce, herbs and spinach. As in about 5 million heads of lettuce and 300,000 pounds of herbs annually, grown in one of the economically depressed neighborhoods surrounding the University Circle area.

The newest addition to the Evergreen family of worker-owned co-ops is Green City Growers Cooperative, which plans to break ground this March on a five-acre hydroponic (meaning the crop is grown without soil) greenhouse operation, on 11-acres that will be one of the nation’s largest urban food production greenhouses. The co-op hopes to be growing its first crop by November 2011.

In addition to the greenhouse, the \$18 million project will include a 16,000-square-foot packing house. The greenhouse will have four separate climate zones, giving it the capacity to change its crop mix, depending on customer demand.

The project will include a 1.5 megawatt wind turbine that will provide about 40 percent of the operation’s annual power needs. Rainwater will be reclaimed from the roof, and dual layers of energy curtains on the roof and sidewalls will reduce its energy needs. Crops have been chosen that can be grown in colder temperatures than other hydroponic greenhouse vegetables, again lowering the energy demand.

As with the other Evergreen co-ops, the underlying goal of this business is job creation and wealth-building opportunity for the co-op members, but it will achieve this by providing healthy, locally-produced food for city dwellers.

Longer shelf-life

The co-op will grow varieties of specialty lettuce, not iceberg lettuce, and thus will not compete with area farmers. The crops grown by the co-op will instead reduce the amount of lettuce typically trucked in from 2,000 miles away. Not only will that reduce the carbon footprint of the food consumed, but it will provide local buyers with produce that has an extra seven days of shelf life.

Mary Donnell, who holds an MBA and a master’s degree in

horticultural science and has been working in the field for 20 years, is the project director (she will become the initial CEO once the co-op is in operation). She says the greenhouse operation will be a good fit for Cleveland, which is considered to be a national leader in the promotion of local food consumption and production.

Initial plans are to market the co-op’s produce to the food-service industry, area grocery stores and some of the major



Hydroponic lettuces are grown in greenhouses without the use of soil.

institutions in the University Circle area. The co-op will have 35 to 40 worker-owners, who will be hired from University Circle neighborhoods.

Some of the initial funds for the project came from a HUD grant and loan package, which targets the remediation of brownfield sites. When interviewed in late October, Donnell noted the final pieces of the financing picture were falling into place. If commercial-scale urban farming and food production continue to be a trend, Donnell recommends modifications be made to USDA programs so that the USDA can offer the same help to urban farmers as it does to rural farmers. ■