A Report on the Cleveland Community Wealth Building Roundtable
December 7 – 8, 2007
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Cities across the country are home to a wide array of community wealth building institutions and programs. Over the course of the past year, we have profiled several of these communities as part of our "Community Wealth Cities" feature on Community-Wealth.org (see: http://www.community-wealth.org/strategies/cw-cities/index.html). But no city has yet attempted to create a comprehensive strategy and agenda that draws together many sectors, policies, and innovations to take community wealth building to scale.

What would such a citywide, multi-sector, wealth-building strategy look like? Can practitioners (from community development corporations, co-ops, land trusts, employee owned firms, and other institutional forms) work with local municipal government, the traditional business community, anchor institutions such as universities and hospitals, and foundations to create and implement a community wealth agenda? What would it take to develop a full-blown program that employs assets across many sectors to support individual and community wealth building, anchor capital and jobs locally, finance public services, and ensure local economic stability?

In May 2005, the Democracy Collaborative partnered with the Aspen Institute to organize a national conference on "Enterprising Organizations: New Asset-Based and Other Innovative Approaches to Solving Social and Economic Problems." The conference brought together leading practitioners, social entrepreneurs, national media, and funders to explore these issues at the national level.

To help promote and expand the community wealth concept, The Democracy Collaborative has begun to organize a series of Community Wealth Building Roundtables with local partners in various communities around the country. These dialogues focus on opportunities within the local area to strengthen the community wealth building field and to build greater support (among funders, city and state officials, and the media) for the broad range of individual and common asset-based innovations and policies.

On December 7 – 8, 2006, The Democracy Collaborative, the Ohio Employee Ownership Center, and the Aspen Institute Nonprofit Sector Research Fund convened a Roundtable in Cleveland, Ohio. The event, titled *"Building Community Wealth: New Asset-Based Approaches to Solving Social and Economic Problems in Cleveland and Northeast Ohio*," brought together national experts, local government representatives, and more than three-dozen community leaders in Cleveland to discuss community wealth issues and identify action steps toward developing a comprehensive strategy.

The fifty participants included representatives of the Federal Reserve Bank of Cleveland, the Ohio Public Employees Retirement System, universities, and employee-owned firms; directors of nonprofit community and economic development organizations such as community development corporations, housing land trusts, and community development financial institutions; the economic development director of the City of Cleveland and members of his staff; a director of the new veterans administration hospital to be established in the city; the treasurer of Cuyahoga County; and others of the public, private, philanthropic, faith-based and non-profit communities. Funding and other support for the meeting was provided by the Gund Foundation, the Cleveland Foundation, and the Sisters of Charity Foundation.

A full conference report is now being prepared and will be available in February 2007. In advance of that report, we offer below a brief synopsis of the meeting focusing in particular on the presentations that were delivered. A list of participants and the organizations they represented is attached as Annex I. Annex II provides an overview of Cleveland assets (totaling some $10 billion) which might be leveraged to support a comprehensive community wealth agenda. Annex III offers a set of 15 principles for a successful community wealth agenda suggested by Gar Alperovitz in his conference remarks.

Opening Addresses

Ted Howard, Executive Director of The Democracy Collaborative, began the conference with a presentation that explored three questions: What is a community wealth strategy? How do communities benefit from such programs? And how do various types of community wealth building models work? According to Howard, "At a time of ongoing government fiscal constraints, asset and wealth building strategies bring more dollars into the community by helping low-income individuals to save and reinvest in their communities, increasing the level of 'common' assets within a community that are locally owned; and leveraging funds from locally-based institutions (such as cities, counties, hospitals, and universities) for community-benefiting purposes." Howard also presented a survey of various institutional forms of community wealth building in Cleveland and the level of financial assets each type has accumulated. For example, the five largest credit unions in Cleveland hold $518 million in assets; Cleveland's 28 employee-owned firms represent a total value of $600 million; the city's three major universities have $1.7 billion in endowment assets. (See Annex II for a complete listing.)

Gar Alperovitz, the Lionel R. Bauman Professor of Political-Economy at the University of Maryland and a founding Principal of The Democracy Collaborative, gave the opening plenary address. Alperovitz noted that "Thirty-five years ago, no one knew how to set up a community development corporation, but now there are more than 4,000. There were virtually no employee owned companies in 1970, but now there are over 9,000. The question now is not how to do these things: it is how to take this expertise and use it as the basis for a new stage of development."

Alperovitz challenged the meeting to "make use of this launching pad." He suggested that "the combination of opportunity, in terms of local expertise, and the pressure of the fiscal limits will drive the next wave of initiatives. The money from Washington has dried up. There's no new money on the state or local levels. The constraints of our conventional economic development approaches are clear. And you can only get so far with attempts to attract new high tech industries because everyone else is trying to attract them. These are constrained options." Alperovitz argued that as traditional tax-and-spend policies become less financially viable, new strategies that focus on wealth building will gain more prominence. "If this option is the only one left that is real, this could be the logical place for the next political push. Most of the national New Deal reforms—social security, hour and wage laws—were developed first in cities and states. They laid the groundwork. It's possible this new group of wealth building strategies at the local and state levels may well open up the next stage—may well become the basis for the next big reform push."

He concluded by predicting that "one or two cities will catch this wave and create the next new economic paradigm." Cleveland, he suggested, had the opportunity to take the lead nationally and become the first city to develop such a strategy.

In the course of his presentation, Alperovitz also identified a set of 15 "Principles for a Successful Community Wealth Building Strategy." (See Annex III.)

Community Wealth Building Strategies from Around the Nation

The Roundtable's next session was devoted to a panel discussion of wealth building strategies being implemented around the country, and how such strategies might be used in the Cleveland context.

Heather McCulloch of Asset Building Strategies in San Francisco addressed the role of individual and family asset policy, providing an overview of a broad array of savings and investment strategies. "Our goal is to enable families of little wealth to build assets. A focus on individual and family assets has been in a silo, off to one side, but it is emerging into the mainstream of asset-building economic development movements. What has happened in the San Francisco Bay area is relevant to communities across the nation."

McCulloch offered a briefing on the range of individual and family savings strategies, including individual development accounts (IDAs), employer supported savings, HUD's Family Self-Sufficiency Program, Federal Home Loan Bank national savings programs, and Children's Savings Accounts, among others. On the housing front, investment strategies range from housing co-ops to land trusts to lease purchase (rent to own) to employer-assisted housing. McCulloch also discussed a range of ways for low-income people to build equity. For instance, Pacific Community Ventures, a California-based community development venture fund, made its investment in a firm contingent on that company developing an employee wealth-sharing plan. Upon exiting in 2005, 41 seamstresses at the Timbuk2 company collectively earned a pay-out of $1.2 million, 75% of which was reinvested in 401(k)s. Other California innovations include a Community Development Initial Public Offering (IPO) for the Market Creek Plaza in San Diego that was recently approved by the California Department of Corporations, and the Levi Strauss-funded Mission District Asset Fund in San Francisco.

Cicero Wilson, CEO of Mid-Bronx Desperados Corporation in New York City spoke about community development and the central role of faith-based institutions. Faith based institutions, he argued, "can amplify what you're doing. If you want to teach financial literacy or get people to sign up for IDAs, you can reach them by going through the congregations. This is where people seek education, contribute money, and go for guidance. Most churches give students who graduate from high school $100 to $500 for graduation. If you have an IDA program at the ready, you can encourage those students to deposit the money they receive in an IDA and have it matched. In the Bronx, there are five churches doing this."

Another example Wilson offered was related to community developments corporations (CDCs): "Our CDC developed a shopping center, which opened two years ago. Ninety percent of the workers at that shopping center come from the local community and walk to work. How were those workers recruited? Through the local church network. Congregations are programs for life."

Wilson concluded: "I believe Cleveland is a hot bed for this type of CDC. If you develop income but not assets, people leave the community as income goes up, and the community gets worse. To achieve your mission, you don't have a choice. You must build assets. You must develop long term leadership, and you need assets to do that. Without it, you have the boom and bust of community development: because the people who you help succeed leave, then drugs and crime grow back and the community crashes again. This is the cycle that faces so many CDCs over and over. The trick to avoiding this cycle is to anchor both people and institutions by building assets in the community."

John Logue, Director of the Ohio Employee Ownership Center at Kent State University, addressed the role of employee stock ownership plan companies (ESOPs). Today, Logue noted, 10.1 million employee-owners of over 9,000 ESOPs collectively hold $600 billion in equity nationwide. By contrast, "in 1975 there were perhaps 250,000 owners in a few hundred ESOPs." As Logue explained, from a community development perspective the most important thing to know about ESOPs is that they are a "tax advantaged way for family business owners to exit a business and anchor the future of the company in the community through employee ownership." In the state of Ohio, ownership succession has been a prime reason in fully 58 percent of all conversions of companies to ESOP ownership. Logue also called attention to a broad range of benefits that ESOPs provide, including anchoring capital in the community, securing jobs with better wages and benefits, increased reinvestment, tax base stabilization, increased home ownership, building wealth for working families, and increasing employee influence on the job.

Logue concluded by calling for a push to expand the employee ownership movement: "Employee ownership strategies should be integrated in state, city, and county economic development policy. Buy local campaigns can source to new ESOP companies. Public and private contracts should favor ESOPs firms. There needs to be local capital funds with favorable terms that support development and expansion of ESOP firms. Clearly there's a link with faith based movements here – because the influence is widely based; church economic development groups could start to spin off employee owned companies in real estate and property management, in security, and in recycling."

New Directions in Wealth Building in Cleveland

Following this first round of presentations and discussion, a number of community wealth sector leaders in Cleveland spoke about the local perspective on asset development and wealth building.

Cinthia Sledz, a county librarian, is a trustee on the Ohio Public Employees Retirement System (OPERS) pension board. OPERS manages over $70 billion in retirement funds, and in 2005 began targeting a small portion ($51 million) of its funds to invest private equity and venture capital in companies that operate primarily in the Midwest and Ohio. The first $51 million has already been placed, resulting in 1,160 jobs in Ohio. The effort has been so successful that the pension board is now looking to expand the program. Sledz suggested that non-traditional corporations – such as CDCs – might find ways to access these investments for their own efforts to build community wealth.

Dave Heim, CEO of Chilcote, an employee-owned (ESOP) company headquartered in Cleveland that employs 450 employees at eight locations in five states, spoke about the importance of employee ownership at his company. Since the ESOP was formed in 1984, it has paid out $20 million in retirement benefits to employees. For many current employees, the value of their ESOP account exceeds $100,000. Heim said he felt that ESOPs provided a way to avoid the "jobs at risk, communities at risk, retirement at risk, employees left behind economy."

John Anoliefo, CEO of the Famicos Foundation, a local community development corporation, and President of the Cleveland Neighborhood Development Council CDC association, noted that Cleveland CDCs "are doing a good job, but we still have some room for improvement. The funding base for CDCs is shrinking. With a population in Cleveland of 500,000 people and 50 CDCs in the city, there is a chance for aggressive competition with one another. That competition can be healthy, but it can also be a negative factor in getting things done in an orderly manner. Most of us depend on our CDBG (community development block grant) allocation. If you don't play your part well, you begin to lose your independence. This is one of those areas where we have work to do to free ourselves of the bondage of being dependent on city monies to make our payroll."

Linda Warren, CEO of Village Capital Corporation, a subsidiary of the local CDC intermediary group Neighborhood Progress, spoke about the role of community development financial institutions (CDFIs), both nationally and in Cleveland. Warren noted that at the national level CDFIs are working to create mortgage products to impede predatory lenders and develop alternatives to payday lenders.

Locally, Warren said, "Cleveland is in crisis. We have amazing assets and resources available, but it's really a taxing time right now. Are we a 'no growth' region or are we actually a 'shrinking region?' We are not able to sell housing because there are not enough people buying. We have abandoned properties and foreclosures. At some point it has to be that it's not OK to make money in that way. I don't ever remember Cleveland feeling as abandoned as it does today."

Brian Reilly, Cleveland's new Director of Economic Development, spoke about Mayor Frank Jackson's electoral pledge to focus on "the least of us." Reilly stressed the need to expand Cleveland's economic base, and urged the Roundtable participants to make concrete proposals for what they would like the city to do: "Give me actionable proposals. Help me help you. A lot of benefits can be realized if we align our efforts. Let's try to get everyone's agendas into city plans, so we can reinforce each other's work."

The issue, Reilly said, is creating community wealth, but "we haven't focused enough on this issue." He sought to dispel "fad-like notions that our goal should be attracting the creative class, or that the brain drain is our biggest problem." The issue, he argued, is that we need to focus on sustainable development and how to operationalize that: "How do we create a climate where we can have real outcomes – not just for redistribution but for building wealth."

The County, State, and Foundation Perspective

Two speakers – one from government, the other from the philanthropic sector – addressed the conference over lunch.

Jim Rokakis, Treasurer of Cuyahoga County, spoke about the growing foreclosure crisis in the county (which includes the city of Cleveland). "We can't talk about wealth building without talking about wealth stripping. We have the highest home mortgage foreclosure rate in the country." Rokakis pulled no puhches: "This crisis is a direct result of Wall Street actions. They have brought prices down on prime rate mortgages but the foreclosure rate on sub-primes is now 18% in Cuyahoga County. There are winners and losers, but they always win, so we have to keep the heat on."

Rokakis also urged participants to "put more hope and emphasis into our local public university, Cleveland State. Case Western Reserve University is a great institution, but it costs $40,000 a year. We need a working class university." Rokakis described an innovative county education fund where the county will put money into a scholarship program that could enable every student in the county to go to Cuyahoga Community College for free. "We're among the most expensive states in the country for higher education, but we need education for real economic development."

Rokakis also commented on the importance of state politics, where Democrats made major gains in the 2006 elections. "We have to spend more time in Columbus [the Ohio state capital] talking about these issues. It is a horrible place where your interests have been completely disregarded, but I am optimistic about the changes in this last election and what goes on there does matter. We have a new Governor, Attorney General, and Treasurer who want to work with us on problems. We need to work with them."

Robert Jaquay, Associate Director of the Gund Foundation, stated that Gund helped fund the community wealth roundtable to "broaden the conversation and deepen the work we do. While our resources aren't endless, the window is open to small scale economic development. We can convene forums, sponsor conversations, provide resources. We know that the work that you are doing is important and that this conversation is abiding and important."

Working Group Report-Backs

Following breakout sessions, three working groups reported back the results of their conversations. Each group was asked to identify potential elements of a comprehensive community wealth building agenda.

Among the issues identified for follow-up work were asset building, payday lending, joint purchasing, buy local campaigns, and increasing nonprofit self-generating income. Another identified priority was to develop policy options in these areas. A commitment was made by the CDCs in attendance to collaborate more closely on a range of issues. Additionally, the desire was expressed to continue this type of cross-sectoral dialogue by developing a process to facilitate further discussions on how to pursue community wealth building in Cleveland.

Closing Comments

Four participants were asked to conclude the Roundtable by reflecting on the presentations and discussion they had heard.

Amy Hanauer, Executive Director of Policy Matters Ohio, said the day had been "creative and provocative." In applying community wealth strategies to the situation in Cleveland, she said, "Everything that was discussed today that we care about - things like sustainable energy and land use that leads to neighborhood density and high performance buildings and renewable energy – things that we want, that we value, should be reflected in our investments. We can ask for investment policy that supports our values – for better, more anchored jobs and wages.

"We have a choice about policy. Today, we talked very little about unions, but it is important to remember that these were once very strong institutions that ensured that assets were distributed better. These institutions are weaker now because of deliberate policies that have weakened them. This is not the inevitable march of economic destiny. We could change those policies.

"Take that thought, and apply it to the forces that bear on the economic lives of people we represent. How do kids get access to adequate primary, secondary and post-secondary education? How do we get new housing that's structurally sound, decent and safe, and right in our urban neighborhoods? These are public assets. These are things that we value. We can promote our rights to these things; or, we can chose to let our assets float to create profits alone, profits that accrue to somewhere else, not to our community. It's a choice. We must leverage our assets."

Gerald Meyer of the Greater Cleveland Partnership, the local Chamber of Commerce organization, summed up by saying "I characterize myself as a practical guy. There are a lot of assets at the community level. But we don't talk about them the right way because we don't have the data we need. I'd like to take this to the next level through a combination of research and action. I would like to show that we have major assets in the community that constitute meaningful economic development and economic development potential. How many IDAs do we have? How much housing do community groups own? What's the value of the water system? If we can document the multipliers, maybe we'll get more attention, because when we add it up, it will be clear that it comes to a pretty sizable value.

"Business retention and expansion remains an area of great assets and insufficient attention. We tend to focus mostly on what we can create new, not how do we grow what's here. Growing the base may not be the big boom, but it's certainly a lot more stable."

Finally, Meyer said, "We must work together to promote the region positively, both to ourselves and to others. I'm glad we focused on the topic of wealth creation, not poverty. Our existing companies stay here for a reason. There are assets in this community. If we could get a group together we could move the agenda forward in a significant way."

India Pierce Lee, Program Director of the Cleveland Foundation, noted that "We must figure out how to connect the dots. This will take research, but we have capacity to do that research. We must align our strategies financially, but also intellectually. If we are serious about equity issues, then we have got to stop talking and start doing. We've been talking about this for years. Let's move this thing forward. There are lots of folks here at this table and beyond who want to do it."

Gar Alperovitz of the University of Maryland and The Democracy Collaborative remarked on the richness of the conversation throughout the day. "One thing in your favor is that you have tremendous assets in Cleveland. You have economic assets, and you also have people assets. The level of talent and experience in this room is terrific. You have an unusual opportunity in Cleveland to move the ball forward in a way that provides national leadership on these issues."

Next Steps

As indicated at the outset of this brief summary, a full report on the Cleveland Community Wealth Roundtable is now being prepared for dissemination.

We are now exploring the potential of developing a city, county, and state policy agenda, along with a set of public initiatives, that could advance the community wealth building dialogue and agenda in Cleveland and Northeast Ohio. Our hope is to devise and implement a process and work program with colleagues in Cleveland to create the nation's first comprehensive community wealth strategy.

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