



Photo courtesy of THE NEIGHBORHOOD VOICE

## THE EVERGREEN COOPERATIVES

### *A Collaborative Vision Emerges from the Rust Belt*

It is surely a case of poetic justice that one of the most promising models of locally based wealth building is incubating in an impoverished rustbelt community ravaged and abandoned by the global economy. Cleveland's Evergreen Cooperatives have emerged as a beacon of hope for civic leaders around the country searching for grassroots solutions to the crisis of poverty and hopelessness that has taken down their inner cities.

Evergreen also offers a way forward for a great diversity of communities to build resiliency and to redefine wealth through shared ownership of capital, a more creative use of internal assets, and through respect for the limits of the earth's regenerative capacities.



## BUILDING ON THE GREATER UNIVERSITY CIRCLE INITIATIVE

The Evergreen Cooperatives grew out of Cleveland's Greater University Circle Initiative, an anchor institution strategy spearheaded by the Cleveland Foundation aimed at breaking down the barriers between the major anchor institutions of Cleveland's Greater University Circle and surrounding communities. These neighborhoods are home to 43,000 people whose median household income is less than \$18,500. Unemployment rates are now well over 25 percent.

The focus of the Greater University Circle Initiative was initially on new, transit-oriented development and employer-assisted housing to encourage employees of local nonprofits to return to the neighborhoods. But true wealth building for the poverty-stricken community was proving elusive and strategists were looking for more transformative solutions. Out of this search the model of the Evergreen Cooperatives emerged.





## A “GREEN,” ANCHOR-BASED COOPERATIVE MODEL

The Evergreen Cooperatives initiative has its origins in an unusual partnership among the Cleveland Foundation, the Democracy Collaborative at the University of Maryland, the Ohio Employee Ownership Center at Kent State University, and the anchor institutions of Cleveland’s Greater University Circle.

Together these organizations collaborated on a business model that focused on stable wealth-building for residents of Greater University Circle:

- Leveraging procurement from local anchor institutions
- Catalyzing the development of a network of worker-owned, community-based businesses linked to that procurement system
- Ensuring each cooperative business would be the greenest in its sector



## LEARNING FROM THE MONDRAGON COOPERATIVES

Many aspects of the Evergreen Cooperatives are modeled on the Mondragon Cooperatives of Spain. A remarkable success story in worker-owned enterprise, established by an activist Catholic priest in 1956 with the goal of lifting the Basque region of Spain out of the poverty it experienced in the aftermath of the Spanish Civil War, Mondragon has grown into a network of over 120 worker-owned cooperatives generating more than \$20 billion in annual revenue and employing 100,000 workers. It is now Spain's fourth largest industrial and seventh largest financial group.

A number of trips to Mondragon were organized by the Cleveland Foundation to give community leaders a chance to observe first hand how a successful large-scale cooperative operated. Like Mondragon, Evergreen hopes to inculcate a culture of "solidarity," not as it is defined by the tired slogans of the communist era, but in the sense of a deep commitment to collective wealth creation and well-being.





# CAPITAL INSTITUTE FIELD GUIDE TO INVESTING IN A REGENERATIVE ECONOMY

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## AN EXTRAORDINARY VISION WITH SUSTAINABILITY AT ITS HEART

“What we have learned from Mondragon is a way of relating to capital, a sense of our responsibility as stewards of it,” says Ted Howard, cofounder of the Democracy Collaborative and a key Evergreen strategist. “That means preserving and enhancing it and passing it on to the next generation rather than maximizing short-term return, flipping ownership or breaking it up. It is an extraordinary vision with sustainability at its heart.”

Evergreen is also establishing an umbrella organization, modeled on Mondragon’s, to be the keeper of its “vision” and a source of continuity for all of its cooperative enterprises. “We will set up the mission at the top so it incubates the next generation of businesses,” says Lillian Kuri, one of the Cleveland Foundation’s in-house Evergreen strategists. “This structure will allow us to preserve the mission of Evergreen long after all of the founding people working on it are gone.”



## IDENTIFYING THE FIRST COOPERATIVE BUSINESSES

The first two Evergreen cooperative businesses — the Evergreen Cooperative Laundry and Ohio Cooperative Solar—were launched in October 2009. The third, Green City Growers, a hydroponic greenhouse —the largest to date in any downtown in the country—is slated for its first planting in the fall of 2011. The Neighborhood Voice, a not-for-profit community newspaper, will be a key vehicle for communicating the Evergreen vision.

The first for-profit Evergreen businesses were selected based on their potential to:

- meet the procurement needs of the local anchors
- employ, at maximum build out, at least 50 workers
- support workers at an hourly wage of at least \$10.50 plus healthcare
- operate in a sector where “green” credentials could be leveraged to competitive advantage
- be profitable enough to allow workers to accumulate at least \$65,000 into their personal capital accounts at the end of 8 years.





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## EVERGREEN COOPERATIVE LAUNDRY

Housed in a Leed Silver Certified building, the Evergreen Cooperative Laundry operates with state of the art water conserving equipment and far more energy efficiently than its competitors.

While the laundry earned almost \$1 million in revenues washing 1.9 million pounds of laundry in 2010, it has yet to break even due to the high-fixed costs of operation. But new customers are coming on board, and despite the challenges, morale remains high among laundry worker-owners. “Everyone at the laundry understands it is going to be a struggle to make this work,” says Medrick Addison, the laundry’s operations manager. “We talk a lot about it internally and remind ourselves that this could be pivotal to other cities facing poverty and foreclosures. We know how big this is.”



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## OHIO COOPERATIVE SOLAR

Ohio Cooperative Solar has already installed panels on the rooftops of the Cleveland Clinic, Case Western and University Hospital, and entered into service contracts and 15-year power purchase agreements with each of these anchor institutions. OCS is also installing panels on two of the municipal buildings in the city of Euclid. “Our business strategy is to get sufficient experience and certification through our PPA model to become a commercial contract installer where the host will own the equipment and we install for a fee,” says CEO Steve Kiel.

To keep workers employed year round, OCS has diversified into the weatherization business through the federal Low Income Home Energy Assistance Program for low income and disabled residents. OCS was profitable within the first five months of operation. At the end of the current fiscal year, approximately \$7300 of its profits, after meeting commitments to capital providers, will be allocated to each OCS employee owner’s capital account.





## GREEN CITY GROWERS

Green City Growers is Evergreen’s most capital intense project to date and perhaps its most ambitious — a 4.4 acre hydroponic greenhouse and 16,000-square-foot packinghouse located on 11 acres of land, a portion of which was a city-owned, land-banked “light” brownfield. When fully operational Green City Growers will produce 5 million heads of lettuce and 300,000 pounds of herbs annually, employing between 30 and 40 workers year round. It is expected to harvest its first crop in the spring of 2012.

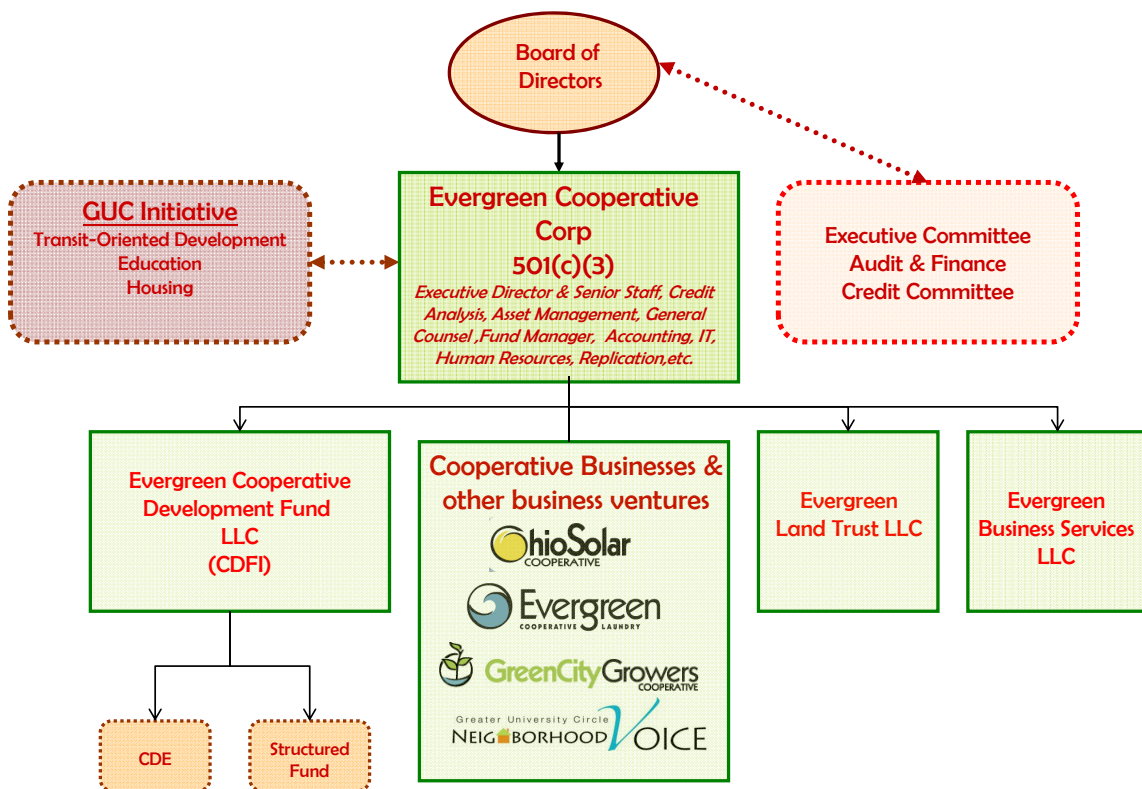
“We want this greenhouse business to be not only a good place to work in terms of financial success and career opportunities but also to be a company that helps people to be well physically, and where health and wellness is part of the business culture,” says CEO Mary Donnell. Plans are afoot to partner with a local foundation to ensure the surrounding community has affordable and easy access to produce grown in the greenhouse.



## NURTURING THE EVERGREEN VISION

In 2009 the Cleveland Foundation began exploring options to create the framework for a new independent legal entity, the Evergreen Cooperative Corporation. The ECC will be a 501(c)(3) “holding company” housing the for-profit coop enterprises, an Evergreen Business Services unit, the Evergreen Land Trust, and a restructured Evergreen Cooperative Development Fund.

A 15-member board of directors will govern the ECC, including anchor institution executives, representatives from Evergreen cooperatives, local and national financial institutions and investors, and the keepers of the vision including the Cleveland Foundation. The ECC will in turn be represented on the board of directors of each cooperative enterprise and will own 20 percent of each. Most critically, it will have the right to veto any cooperative’s attempt to exit the Evergreen system — either to sell out to a private interest or liquidate — or to engage in other activities that might put the entire system at risk.







## THE EVERGREEN CAPITAL TOOL

The new Evergreen Cooperative Development Fund will act as fund manager and aggregator for all cooperative enterprises and thus offers lenders and investors a means to invest in a portfolio of companies rather than assume the undiversified risk of a single startup or coop enterprise.

It will potentially “house” highly structured financings composed of a number of funding “layers” with a variety of risk return parameters: from philanthropic and government agency grants and credit guarantees; to foundation program- and mission-related investment notes that provide long-term patient capital; to shorter-term debt instruments offering higher rates of return to high net worth individuals; to standard, market-rate commercial debt. “There are many permutations of how this can work,” says Henry Lanier of Forsyth Street Advisors and a consultant to Evergreen, “but we can put it all in the box of the Evergreen Development Fund--we will have all the tools ready to receive the cash.”



## PROTECTING THE COMMONS

To ensure ongoing access to affordable real estate, the Evergreen Land Trust LLC will acquire land for existing Evergreen coops, and identify and acquire logistically advantageous sites for future enterprises. Cooperative businesses will lease land from the ELT but buildings will be owned and managed by the coops.

Separating land from building ownership provides a measure of protection for the Evergreen Cooperative Corporation from individual coop failure, explains John Emmeus Davis, a partner with Burlington Associates, a nationally recognized land trust consultancy. In the event of a business failure, the ELT will have the residual right to step in and buy the building out of foreclosure or to forestall foreclosure and intervene to slow down the seizure of the building. The ELT also protects Evergreen against attempts by an individual cooperative to “demutualize.”





## SHARING THE WEALTH

The CEO of an Evergreen coop can earn no more than five times the lowest earning entry-level employee and once employees pass their six-month trial period and are accepted as cooperative members, they receive a \$2 an hour raise and qualify for health care at no cost to them. Owner members must invest \$3000 into the cooperative, which they fund through a 50-cent per hour payroll deduction. Out of the percentage of each coop's profits that go to worker members, each worker is paid based on a formula that includes length of employment, annual hours worked, and salary. Twenty percent of profit payout to workers is made in cash and 80 percent in "capital credits."



## REDEFINING WEALTH BUILDING

Wealth building at Evergreen is not defined merely in terms of dollars saved in a worker's capital account. It is also about the empowerment workers experience being part of an enterprise that has as its goal both to heal the earth they inhabit and the fragile community in which they reside. "So many workers, without prompting, say how much they are attracted to this vision of being green and caring about the environment," says Ted Howard. "They have lived in these neighborhoods and seen the degradation and they are beginning to express themselves as leaders of renewal, as working for something that is inspiring hope. They are experiencing pride of place. This is about how we unleash the energy of people to become actors in history in their own lifetimes."





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## ON THE JOB TRAINING AND FINANCIAL COUNSELING

Evergreen takes advantage of slow times for on the job training and financial skills building. Each month all worker owners meet for an open book financial management discussion and business analysis session. In addition to free health care, worker owners have access to courses provided by the Ohio Employee Ownership Center in personal finance and skills training. OEOC credit counselors advise employee/owners on how to improve their credit scores and bankers visit coops to set up debit cards and checking accounts for workers. At OCS employee/owners are given advances against paycheck to clear up parking fines to ensure that every worker holds a driver's license. The coop has also hired attorneys to help negotiate child support agreements.





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## CULTIVATING RESILIENT LEADERSHIP

“We are like a close-knit family here and we all support each other,” says Loretta Bey, inventory manager at Ohio Cooperative Solar. “The wonderful thing about working for OCS is I get to make decisions within the company and grow with a company that is just starting off. I never got that opportunity before. Every Monday morning we have a meeting where we discuss the business financially. They don’t just make decisions without us, we get to take a vote.”

Although it is part of Evergreen’s strategy to hire experienced management to get its new enterprises off the ground, all senior managers are expected to come from internal promotion within three years of a company’s launch. It is thus essential to identify early and cultivate leadership from within. “We have to be able to give everyone a chance,” says OCS CEO Kiel, “you never know where you will find talent.” It is thus essential to cultivate leadership from within and identify it early.





## A MODEL ALIGNED WITH JANE JACOB'S FORMULA FOR A HEALTHY ECONOMY

The Evergreen Cooperatives are aligned with the principles of organic development and dynamic stability that renowned urban activist Jane Jacobs believed were critical for a healthy economy. In her book *The Nature of Economies* Jacobs likens economic systems to ecosystems: “The more different means a system possesses for recapturing, using, and passing around energy before its discharge from the system, the larger are the cumulative consequences of the energy it receives.” Just as a forest absorbs sunlight, converts it into energy, and passes it from organism to organism to process and recycle for use and reuse, Evergreen is harnessing the purchasing power of local anchor institutions, enabling viable economic, social, and environmental investments in an ever-expanding number of place-based businesses.



“Investing in a regenerative economy means investing ‘upstream,’ into projects such as the Evergreen Cooperatives. Capital does not naturally flow upstream, but like the nutrient restoring activities of the salmon teach us, investing upstream is essential to restore and retain system health.

“After 200 years of pressing for greater and greater efficiency, it is time we initiate a strategic shift on a massive scale, to investing in resiliency. Like the Mondragon coops in Spain before them, the Evergreen Cooperatives and their current and future capital sponsors are boldly leading the way.

“The great challenge before us is to unlock the human creative potential for hundreds of place-based Evergreens to flourish, thereby restoring much needed resiliency to our economic web.”

—John Fullerton, *Founder and President of the Capital Institute*



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