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Evergreen Cooperatives Forge an Innovative Path toward High-Quality Green Jobs

April 15, 2010 By Andrea Buffa - Apollo News Service



How can we make sure green jobs are good jobs? One approach to this much discussed question is to make green jobs union jobs, which typically offer higher wages and better benefits than non-union jobs. Another is to require that contractors who receive public funding for green projects pay their workers family supporting wages and provide health insurance. In Cleveland, Ohio, a new and different path is being forged toward high-quality, green jobs — through worker-owned cooperatives, where the workers are not only being paid well, but also can accumulate wealth for themselves and their communities as partial owners of profitable green businesses.

“If you can link wealth building and ownership opportunities to the creation of green jobs, then you maximize benefits to workers and you stabilize communities,” said Ted Howard, founding executive director of The Democracy Collaborative at the University of Maryland and one of the architects of Cleveland’s groundbreaking Evergreen Cooperative Initiative.

The idea for the Evergreen Cooperative Initiative came out of a partnership between the Cleveland Foundation and several local hospitals and universities that are situated in the Greater University Circle area of Cleveland, a one-square mile area surrounded by neighborhoods where the unemployment rate is 20-25 percent and 30 percent of the residents are living in poverty. These groups realized that they could leverage the \$3 billion that local “anchor institutions” like University Hospitals, the Cleveland Clinic and Case Western Reserve University spend on goods and services every year to generate significant economic development for the 43,000 people who live in the surrounding neighborhoods.

As Howard described it, the plan was to secure procurement agreements from the anchor institutions, then to build up new small

businesses that could provide the anchors with goods and services. The businesses would be worker-owned cooperatives, so that their wealth would accumulate in the local community rather than being distributed out to shareholders; and they would be green, which would make doing business with them especially appealing to big institutions trying to reduce their carbon footprints.

While appealing, the proposal was also complex in several respects. The Initiative partners spent significant time and money interviewing the anchor institutions about what goods and services they would be interested in purchasing from the new cooperatives; determining which types of businesses would be profitable; developing business plans for the businesses with the most potential for profitability; and securing financing to get the businesses off the ground.

Luckily, the groups that were developing the Evergreen Cooperative Initiative, had a successful role model to turn to for inspiration as they went through various stages of project development: the Mondragon Corporation of Spain. Mondragon is the world’s largest industrial workers cooperative with annual sales of more than \$21.7 billion. Key leaders and partners in the Evergreen Cooperative Initiative as well as allies such as Cleveland’s economic development director, have visited Mondragon twice and are planning a third visit. Mondragon has also attracted the attention of the United Steelworkers, which announced in October 2009 that it plans to collaborate with Mondragon to establish manufacturing cooperatives in the U.S. and Canada.

“What’s really impressive about the Mondragon Corporation is that 50 years ago that region was poorer than Cleveland — it had lower education rates and a really high unemployment rate,” said Lillian Kuri, program director for architecture, urban design and sustainable development at the Cleveland Foundation. “By creating this network of cooperatives — they now have more than 100 co-ops and 120,000 employee owners — they really stabilized this region of Spain. It’s built on innovation, it’s built on democratic principles, and it’s built on real market forces. It’s sustainable.”

First Cooperatives Offer Laundry and Solar Panel Installation Services

The first two Evergreen Cooperative businesses, Evergreen Cooperative Laundry and Ohio Cooperative Solar, opened their doors in October 2009.

Evergreen Cooperative Laundry is the greenest commercial-scale healthcare bed linen laundry facility in Ohio. It currently has nine employees but plans to increase its workforce to 50 when operating at full capacity and processing 10 million pounds of linen every year. Its customers include Judson Retirement and McGregor Homes,



two large nursing homes in the local area. James Anderson, Evergreen Cooperative Laundry's CEO, says the company uses less water to clean linens than traditional laundries do (.8 gallons of water per pound of laundry compared to three gallons of water per pound), less energy to heat the water in the washers, less energy to heat the air in the dryers, and much less energy in the ironing process. The laundry facility is housed in a building that is applying for LEED Silver certification.

Anderson was initially skeptical that a green laundry could be profitable, but now other partners in the Evergreen Cooperative Initiative refer to him as a "tree hugger." "From a business perspective, clearly, being green is a difference maker," Anderson said. "While we paid some extra for the processes, the pay back is quick enough that it is not going to be an issue in terms of profitability... very early on I came to realize, after some initial skepticism, that we can do this [be a green business] and not pay the premium I initially thought it was going to require." In terms of the worker cooperative model, Anderson was never skeptical about its potential to help the businesses become highly successful and profitable. Due to his 20 years of experience working at employee-owned firms in the steel industry, Anderson knew that companies following this model tend to have lower turnover, lower absenteeism and higher productivity than firms in the same industry that are not fully owned and managed by their employees.

The other Evergreen Cooperative to go online in October 2009 was Ohio Cooperative Solar. Originally conceived of as a company that would install solar panels on the anchor institutions' rooftops, the

company also added weatherization work to its portfolio to make sure the jobs it created would provide year-round employment. Ohio Cooperative Solar has 14 employees and had already become profitable only five months after its launch. The company has weatherized 62 houses in low-income communities through Cleveland's Home Weatherization Assistance Program, and its first solar panel installation job is underway at the Cleveland Clinic. In May, it will install solar panels on the rooftops of the University Hospitals and Case Western Reserve, and it has been contracted to install panels on the city hall building and library in the nearby city of Euclid.

Ohio Cooperative Solar signs Power Purchase Agreements (PPAs) with the businesses on whose rooftops it installs solar panels. Under the PPAs, Ohio Cooperative Solar owns the solar panels and has long-term (15-year) access to the rooftops where the panels are installed. Ohio Cooperative Solar sells the businesses all of the renewable energy that is produced on their rooftops for a fixed rate of 12 cents per kilowatt hour. The businesses then get credit on their electricity bills for the power they're getting from the sun instead of from the grid. Ohio Cooperative Solar also gets paid by the local utility company when it produces energy that can help the utility meet its renewable energy goal under the state's Renewable Portfolio Standard (RPS). Ohio's RPS calls for utilities to source at least 12.5 percent of their energy from renewable sources by 2025, and there is a solar carve-out requiring that .5 percent of utilities' energy comes from solar energy sources.

A third Evergreen Cooperative business, Green City Growers, is set to launch

in 2010. It will be a large-scale, food production hydroponic greenhouse that will grow some four million heads of lettuce per year, as well as 300,000 pounds of herbs like basil. The idea is for the business to grow food locally that can be sold to the anchor institutions and other businesses rather than importing it from out-of-state. According to Kuri of the Cleveland Foundation, growing food in greenhouses in states with cold winters like Ohio can be expensive, but the Evergreen Cooperative Initiative plans to keep costs — and greenhouse gas emissions — down through the use of advanced energy sources like wind and geothermal as well as the use of LED lighting made specifically for greenhouses.

Pathways out of Poverty and Into Worker Ownership

The Evergreen Cooperative Initiative businesses' employees are recruited from economically distressed neighborhoods surrounding Cleveland's University Circle, and many of them have barriers to employment such as lack of a driver's license, previous incarceration, and little job experience. "They come to us with very little in terms of prior skills," said Steven Kiel, president of Ohio Cooperative Solar. "We try to find folks who have some sort of construction or deconstruction background, but we're also taking folks without skills and training them on the job. Some have had previous classroom training in green academies, but maybe there's been some time since they received that training. We provide on-site supervision for them to get the skills to do weather stripping, caulking, the blower door test, etc. We think the best learning environment is the working environment."

Evergreen Cooperative Laundry recruits its workers through a community nonprofit called Towards Employment, which offers an intensive four-week class to prepare trainees for the most challenging situations they might encounter on the job. After they've successfully completed the course, trainees qualify to apply for a job at the Evergreen Cooperative Laundry.

Workers at the laundry and the solar cooperative are considered temporary employees for their first six months. After six months, if they've proven that they have an interest in and aptitude for the work, they are invited to buy an employee share of the company and become a worker-owner. Since most employees don't have the \$3,000 that it costs to buy an employee share in the company, the businesses give each employee who's going to become a worker-owner a raise to bring his/her pay up to a living wage and then deduct \$.50 per hour for three years until the \$3,000 is paid off. Once the companies become profitable, the profits will be distributed among the employee owners and accrue in their ownership accounts.

"It's a great place to work and it isn't just a job," said Anderson of the Evergreen Cooperative Laundry. "At a minimum, you get paid a living wage, you get benefits, and you accumulate capital as a member of the cooperative, so that over eight years you will accumulate about \$65,000 in your account. On the employee involvement side of the business, you will be involved in purchasing committees, marketing committees, electing members of the board and so on, so there are financial rewards and employee engagement rewards."

Kiel of Ohio Cooperative Solar says one of the most exciting things he has experienced as part of the Evergreen Cooperative Initiative is seeing the positive effect of worker ownership on people who have generally had negative prior experiences with employment. "What this is offering them is a different employment experience where they get to vote, they have a say in what the business does and what policies

it develops. I'm beginning to see — six months into it — that this sense of pride coming from this sense of ownership manifests itself in different ways. It's really interesting to watch brand new people speak up and say, our uniforms need to be clean, and we need to turn off our cell phones at work."

In April 2010, the businesses will start offering no-cost health insurance to their employees, a policy that was implemented after interviews with prospective employees who said they wouldn't be able to take advantage of health insurance that had high co-pays and deductibles.

Next Steps: Scaling Up and Inspiring Others to Adopt the Model

While some might rest on their laurels after having created two new employee-owned green businesses, the groups involved with the Evergreen Cooperative Initiative are striving for more. "The next piece of work for us is, how do you scale this up so you can have a significant impact? Although launching three or four businesses is exciting, the unemployment rate in our target area is 25 percent, and we had over 500 applicants for a position we didn't even advertise," said Kuri of the Cleveland Foundation.

"In a neighborhood of 43,000 people, we really need to create thousands of jobs to reach a tipping point," added Howard of The Democracy Collaborative.

Toward that end, the goal of the Evergreen Cooperative Initiative is to catalyze the creation of up to ten new for-profit, worker-owned cooperatives over the next three to five years that will employ approximately 500 residents. Eventually, the Evergreen partners hope to go way beyond 500 jobs toward a number closer to 5,000. They also want to provide career ladders for employees by allowing them to advance into higher-level positions at other cooperatives that are part of the network.

A significant challenge will be finding financing for the new businesses. The Cleveland Foundation and other Evergreen Cooperative Initiative institutional partners have made grants totaling \$5 million toward a revolving loan fund, the Evergreen Cooperative Development Fund, which will provide low-interest, long-term financing to start up cooperative businesses. The businesses have also tapped state and local funding mechanisms including the New Markets Tax Credit Program, the HUD Section 108 Loan Guarantee Program, federal renewable energy tax credits and the Ohio Advanced Energy Fund among others.

Kuri says it was a struggle to raise capital for the first two businesses (more than \$3 million was raised for the solar company and \$5.7 million for the laundry) but that policy reforms could make financing much easier. For example, the New Markets Tax Credit program could be modified to make it easier to apply the program to job-creation projects rather than just to the real estate projects it currently serves. The Small Business Administration could start making loans to small businesses that are cooperatives. Federal renewable energy tax credits could be extended for more years and the Advanced Energy Program could be expanded. Modifications like these would also make it easier for other cities to duplicate the Cleveland model.

"Our fundamental commitment is to make a significant difference in the lives of the people here in Cleveland," Howard said. "But we also think there are broader national implications to what we're doing. Anchor institutions all around the country are trying to become more green, and our proposition to the institutions here in Cleveland is: do business with a worker-owned company, and you will be able to reduce your carbon more than with any competitor. There are 4,000 to 5,000 universities around the country that are major economic engines in their areas. By leveraging the purchasing and investments of these institutions, virtually any city in America could create new, local jobs and business opportunities for its citizens."