

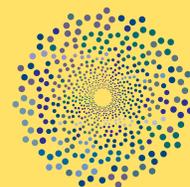
# Cities Building Community Wealth

## AS

cities struggle with rising inequality, widespread economic hardship, and racial disparities, something surprising and hopeful is also stirring. In a growing number of America's cities, a more inclusive, community-based approach to economic development is being taken up by a new breed of economic development professionals and mayors. This approach to economic development could be on the cusp of going to scale. It's time it had a name. We call it community wealth building. ●

**NOVEMBER 2015**

By Marjorie Kelly and Sarah McKinley  
Research assistance Violeta Duncan



**DEMOCRACY  
COLLABORATIVE**



# In

cities across the nation, a few enjoy rising

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affluence while many struggle to get by. This situation is created in part

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by the practices of traditional economic development. Current trends

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threaten to worsen, unless we can answer the design challenge before us.

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Can we create an economic system—beginning at the local level—that

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builds the wealth and prosperity of everyone? The cities profiled here

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show the way forward. Economic development professionals and mayors

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are working in partnership with foundations, anchor institutions, unions,

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community organizations, progressive business networks, workers, and

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community residents. What's emerging is a systems approach to creating

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an inclusive, sustainable economy where all can thrive. The work is place-

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based, fed by the power of anchor institutions, and built on locally rooted

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and broadly held ownership. It's about **building community wealth.** ●

## The Democracy Collaborative

The Democracy Collaborative, a nonprofit founded in 2000, is a national leader in equitable, inclusive, and sustainable development. Our work in community wealth building encompasses a range of advisory, research, policy development, and field-building activities aiding on-the-ground practitioners. Our mission is to help shift the prevailing paradigm of economic development—and of the economy as a whole—toward a new system that is place-based, inclusive, collaborative, and ecologically sustainable.

### Authors

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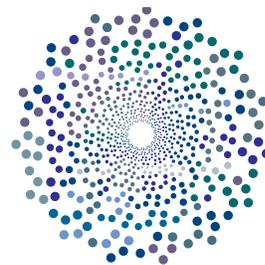
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# Welcome

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I've just returned from Bilbao, Spain, leading a workshop on community wealth building for a variety of city government and philanthropic leaders from many countries, where I was heartened by the level of enthusiasm for this idea. Here at The Democracy Collaborative, we've been talking for more than a decade about community wealth building as a promising new approach to economic development. But today interest is growing exponentially, particularly among city leaders. This interest is increasing for good reason. Or perhaps I should say—for depressing reasons.

In cities across the country, we're today witnessing a "return of concentrated poverty that is racial in nature," The Century Foundation reported recently. For a time America thought it had begun to solve the problem of inner-city poverty. But it's back with a vengeance. Since the year 2000, the number of people living in high-poverty ghettos and slums has nearly doubled, now standing at close to 14 million people. This is no accident, but is instead the consequence of deliberate policy choices. Some of the most troubling of those policy choices have been about economic development, which has contributed to the conditions of economic exclusion in communities where African-American men like Freddie Gray and Michael Brown lived, and where they lost their lives at the hands of police.

We're moving rapidly toward becoming a nation with a majority of people of color. Many cities are already there—including Chicago; New York; New Orleans; Newark, New Jersey; Oakland, California; Philadelphia; Richmond, Virginia; Rochester, New York; and the city where I live, Cleveland, Ohio. It's not a coincidence that these are also among the 20 Cities Building Community Wealth profiled in this report. In these and other cities, we find a new breed of mayors and economic development professionals, leading the way toward a new paradigm of economic development. They're beginning to build a new kind of economic system, one that is inclusive and sustainable, one that's built on the foundation of locally rooted and broadly held ownership. In cities like these, we're seeing an emerging new vision of an economy that is aimed at creating thriving communities where all can prosper.

The seeds of this promising new approach are growing in a landscape of devastation, where our economy today is failing the majority of its people. Democracy cannot thrive in such a landscape. As leaders intensify their search for alternatives, cities building community wealth show there is another way.

*Ted Howard*

*President, The Democracy Collaborative*

*Cleveland, Ohio*



# Preface

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**T**his report invites us to imagine: What would happen if economic developers, city managers, mayors, and other caretakers of local economies thought differently? How might local economies be different, if these city economic development leaders discarded the complex algorithms they use in deal making, if they stopped focusing on abstract inputs and outputs, and instead focused on people and community?

Too often in economic development, we look mostly at data: We understand the educational attainment of a city's workforce; we focus on buildable space; we consider connectivity to transit systems; we measure exports or count square feet of green space. But people and communities are often only referenced as units of measure, or as inputs to make businesses and economies thrive. In many cities, this type of thinking has led to increasing disparities in wealth and prosperity. It has led to certain neighborhoods and populations thriving, as others remain in the shadows, struggling. Yet our frameworks seem to miss this. Economic development operates on an implicit assumption that everyone benefits from a city's prosperity and economic growth. But that's a sad fallacy.

There are other fallacies in the traditional approaches of economic development. Like the emphasis on strong downtown development and vibrant commercial districts. Or the belief that big business drives employment and economic growth. These are the very approaches that are failing to reach many of the communities most in need of economic opportunity.

There are communities leading the way to a new paradigm of economic development. These communities are putting people first and pushing equity, inclusion, and sustainability to the fore. They're creating land trusts to ensure equitable development without displacement. They're creating jobs and wealth through ownership models like worker-owned cooperatives, where the notion of maximizing shareholder value has been replaced with a commitment to workers and often the environment. They're also looking to anchor institutions as sources of local jobs, and as economic engines that can invest in local businesses and direct purchasing to businesses owned by people of color, women, and immigrants.

This new approach to economic development puts people and community first, and focuses on creating broadly held wealth. The Democracy Collaborative has coined the term "community wealth building" to describe this approach to systems-level change to create a more inclusive economy.

This report showcases successful approaches from cities around the country. At this time of growing inequality, it's time for people-focused economic development that leads to true community wealth building.

*Shawn Escoffery*  
*Surdna Foundation,*  
*New York, New York*

# Table of Contents

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<b>3</b>	<b>Welcome, by Ted Howard</b>	
<b>4</b>	<b>Preface, by Shawn Escoffery</b>	
<b>6</b>	<b>Summary and Introduction</b>	
	The design challenge before us,	
	The drivers of community wealth building	
	A powerful alternative to development as usual	
	Two approaches to economic development	
	The seeds of a new community-based economy	
<b>17</b>	<b>Part I: Defining the New Approach</b>	
	<b>The Seven Drivers of</b>	
	<b>Community Wealth Building</b>	
	The power of common language	
	Defining community wealth building	
	Seven drivers that build community wealth	
<b>25</b>	<b>Part II: Why Change</b>	
	<b>The Seven Drivers of Traditional</b>	
	<b>Economic Development</b>	
	Signs of progress, and retreat	
	Benefits of adding community wealth drivers	
	Currents of failure	
	The incentives wars	
	The seven drivers of traditional economic development	
<b>35</b>	<b>Part III: Why Now</b>	
	<b>A Historic Moment</b>	
	A new wave of progressive mayors	
	Capital flight and the limited city	
	A third force in municipal economic development	
	The seedbed of a new progressive movement	
	A desperate need for alternatives	
<b>43</b>	<b>Part IV: How to Do It</b>	
	<b>Six Strategies for Building</b>	
	<b>Community Wealth</b>	
	Anchor procurement strategies	
	Financing strategies	
	Enterprise development and retention strategies	
	Land and real estate strategies	
	Ecological resilience strategies	
	Workforce development strategies	
	Getting started	
<b>52</b>	<b>Part V: Where It's Headed</b>	
	<b>Going to Scale or Remaining Marginal</b>	
	Challenges of this work	
	Opportunities at hand	
	Design for catalyzing the new paradigm	
	How community wealth building can fail, and	
	how it can succeed	
	A need to come together as never before	
<b>66</b>	<b>Part VI: Twenty Cities Building</b>	
	<b>Community Wealth</b>	
	Austin, TX.	Newark, NJ.
	Boston, MA.	New Orleans, LA.
	Burlington, VT.	New York, NY.
	Chicago, IL.	Oakland, CA.
	Cleveland, OH.	Philadelphia, PA.
	Denver, CO.	Pittsburgh, PA.
	Kansas City, MO.	Portland, OR.
	Keene, NH.	Richmond, VA.
	Madison WI.	Rochester, NY.
	Minneapolis, MN.	Seattle, WA.
<b>75</b>	<b>Notes</b>	
<b>85</b>	<b>Index</b>	
<b>87</b>	<b>Interviews Conducted</b>	



# Summary & Introduction

## Sí Se Puede!

**Christina, an immigrant from Mexico** and a single mother, for years struggled to make ends meet house-cleaning. Then she became a worker-owner at Sí Se Puede!, a cooperative in Brooklyn, and her wages jumped from around \$7 to \$20 an hour. Now she can do jobs in three to five hours and make the same amount she used to make working twelve hours. Christina also has a more flexible schedule, allowing her to spend more time with her family. Sí Se Puede! was launched by

The Center for Family Life, a program of SCO Family of Services, which took up the cooperative model as a way to create good jobs, after twenty years of traditional approaches to creating job readiness. Since launching Sí Se Puede! in 2006, the center has created other worker cooperatives doing handiwork, childcare, and painting. To build on these successes, the center joined a coalition, led by the Federation of Protestant Welfare Agencies, which worked with city council leaders, in a campaign that resulted in New York City allocating millions to develop worker cooperatives: \$1.2 million for 2014-2015 and \$2.1 million for 2015-2016. A new law also requires the City's economic development arm to track the level of municipal contracts awarded to cooperatives. These moves are part of Mayor Bill de Blasio's quest to address economic inequality, which he calls the most important issue of our time.



Sí Se Puede! worker-owners in action.

**Photo c/o The Working World, Creative Commons licensing**

# Dudley Street Neighborhood Initiative

## When the nonprofit Dudley Street Neighborhood

**Initiative** (DSNI) celebrated its 30th anniversary in April 2014, it attracted as a keynote speaker one of the most influential people in Boston city government—John Barros, Chief of Economic Development, appointed by the new mayor, Martin Walsh. Barros, the son of Cape Verdean immigrants, was coming home that day, for only months earlier he'd been the executive director of DSNI. Indeed, Barros had been part of DSNI since he was seventeen, when he held a board seat designated for youth. DSNI traces its roots to the 1980s, when it organized a “Don’t Dump on Us” campaign to get Bostonians to stop dumping garbage in the low-income neighborhood of Roxbury, where houses were often burned by their own landlords. DSNI persuaded the city to adopt the community’s plan for revitalizing the area, and to grant DSNI the power of eminent domain. That enabled the nonprofit to consolidate vacant land into a community land trust, where the community owns the land and residents own affordable houses that the organization developed. Now Barros is bringing this



John Barros, right, and a Roxbury resident at the 2012 DSNI Annual Meeting.

**Photo by Travis Watson c/o the Dudley Street Neighborhood Initiative**

grassroots experience into city policy. In the early months of the new administration, the City increased its outlay to help struggling neighborhoods develop, created its first urban farm,

launched an office of financial empowerment, and planned a new, inclusive innovation district for Roxbury. The rise of people like John Barros is a sign of a new era of economic development, in which leaders have direct experience in community-based approaches to addressing inequality.

# Portland Development Commission

“A Tale of Two Cities” was the title of a presentation given at a 2014 Social Capital Markets conference by Kimberly Branam, deputy director of the Portland (Oregon) Development Commission (PDC). People tend to see Portland as a utopia, she explained. “But that doesn’t tell the whole story, particularly for communities of color and neighborhoods outside the core of the city.” Between these disadvantaged areas and the hipster areas, there are “massive and persistent disparities” in income and wealth, she said. “The investments we’ve made at PDC have contributed to those disparities.” She’d found that unless the City was intentionally inclusive of low-income neighborhoods, the benefits of economic development would not trickle down. To begin to change, the PDC worked with community partners in low-income areas, such as the nonprofit Native American Youth and Family Center, to launch a Neighborhood Prosperity Initiative in 2011. Six districts were created in areas with high concentrations of people of color and high poverty. In each district, community members created a vision for improving their local commercial areas, to foster economic opportunity and neighborhood vitality. Each district was given \$1 million over ten years by the PDC to bring these visions to fruition. While the sums are relatively small, the initiative is an important pilot in what Branam called “community-led development.” “They literally are making the decisions on how to spend the funds,” she said. The City is modeling an approach to development that is both inclusive in its aims and participative in its methods.



Residents of the 42<sup>nd</sup> Avenue district of the Neighborhood Prosperity Initiative discuss visions for their community.

**Photo by Michael DeMarco, c/o Our 42nd Avenue**

## Summary & Introduction

**S**tories like these are only a few among many playing out around the nation, emblematic of the new players and approaches of community wealth building. These stories matter, because they tell us that—in the interstices of the economic challenges visited upon so many American cities—promising alternatives are emerging. These stories are like seeds of nourishment sprouting on vacant land. They tell us that across the United States, in more places than most would imagine, a new kind of economy is beginning to appear. It's an economy that, because of its fundamental design, tends naturally to create inclusion and prosperity for many, not simply for the few.

### The design challenge before us

**W**e see this new kind of economy in the story of Christina, who can more easily make a decent living cleaning houses.

The reason is that, as a worker-owner, she's in control of her economic fate. Concern for her well-being is designed into the purpose and ownership of a worker-owned cooperative.

We see it in the story of the residents living in the Dudley Street community land trust. These low-income families are able to enjoy safe, attractive homes in a once-blighted neighborhood, because creating such an environment for them is the aim of a community land trust. It places ownership of land in community hands, and ownership of homes in family hands. Keeping homes affordable in perpetuity is built into its ownership design.

We see this new economy being supported by economic development in the pioneering experiments of Portland, New York, and Boston, where the prosperity of once-marginalized individuals and families is at the core of new strategies.

These approaches show us that there are pathways that can take us beyond the economic hardship facing so many Americans. Those hardships are indeed substantial, and have been getting worse. An August 2015 study by The Century Foundation reported that—after a dramatic decline in concentrated poverty between 1990 and 2000—poverty has since reconcentrated. Nationwide, the number of people living in high-poverty ghettos and slums has nearly doubled since 2000.<sup>1</sup>

More broadly, the last three decades have seen wages essentially stagnate for the bottom 80 percent of Americans, even as the income of the top 1 percent has more than doubled. Today, close to half of all children up to the age of five live in low-income families. And African-Americans and Latinos are more than twice as likely to live in poverty as non-Latino whites. This picture becomes more troubling when one realizes that most babies born in the U.S. today are children of color. We are only three decades away



A blighted home in West Baltimore, the neighborhood in which Freddie Gray was arrested by the Baltimore Police. A 2015 Century Foundation study reports that the number of people living in high-poverty slums has nearly doubled since 2000.

**Photo by Patrick Semansky, c/o the Associated Press**

from becoming a nation where the majority will be people of color. Youth, of all ethnicities and races, are also struggling—with too many facing a future of poor employment prospects, or for many, no jobs at all.<sup>2</sup>

The American economy is failing the majority of its people. This trend threatens to worsen, unless we can answer the design challenge before us. Can we find ways to include those now excluded from economic well-being? Can we design an economic system—beginning at the local level—that builds the wealth and prosperity of everyone?

The answers are beginning to appear in cities nationwide—in the tools and approaches of community wealth building, as they are wielded by cutting edge city economic development professionals. This work is only beginning to be widely recognized as a cohesive field. Yet as this report shows, it is in fact a coherent, systemic approach to economic development—one that embodies a powerful set of common drivers, and offers a broad set of powerful strategies.

## The drivers of community wealth building

**A**mong the drivers of building community wealth is **broad-based local ownership**—as seen, for example, in cooperative development as a way to create jobs for those with barriers to employment. Beyond New York, we see this at work in Cleveland, where The Democracy Collaborative, in partnership with the Ohio Employee Ownership Center and others, worked with The Cleveland Foundation to help launch the Evergreen Cooperatives, which aim to draw in people of color from the inner city as worker-owners. The Evergreen Cooperatives were, in critical early stages, aided by financing approved by the City of Cleveland through Tracey Nichols, the director of economic development.<sup>3</sup> Inspired in part by Cleveland, city government support for cooperative development is rapidly expanding. Cities such as Rochester, New York, and Richmond, Virginia, are aiming to create networks

of worker-owned enterprises. Other cities, such as Austin, Texas; Madison, Wisconsin; and Richmond, California,<sup>4</sup> are building technical assistance ecosystems to support cooperative development.<sup>5</sup>



Residents celebrate the University Circle district, a central focus of the Greater University Circle Initiative. Developed by The Cleveland Foundation, the City of Cleveland, and multiple anchor institutions, this place-based urban revitalization strategy is a collaborative project to promote economic inclusion, community engagement, physical development, and institutional partnerships.

Photo by Colin Tomele, Creative Commons licensing

Another form of community-based ownership is municipal ownership, as in Austin, where the city-owned Austin Energy has contributed tens of millions to the general fund. The city is now launching the city-owned [re]Manufacturing Hub, where companies will transform recyclable materials into new products.<sup>6</sup>

Another key driver of building local wealth is the **multiplier effect** of anchor procurement. Rather than trying to attract companies, this approach keeps dollars spent by cities and large anchor institutions circulating locally. In 2014, the nonprofit World Business Chicago, with support from the mayor's office, launched Chicago Anchors for a Strong Economy (CASE), helping locally owned businesses succeed by connecting with anchor institutions.<sup>7</sup> Similar efforts are underway in Philadelphia, Baltimore, New Orleans, and Cleveland.

Also central to community wealth building is the driver of **inclusion**, the opening up of economic opportunity and voice to previously excluded social groups. This is at work in strategies like participant-led development—such as Portland’s Neighborhood Prosperity Initiative. A related approach is participatory budgeting, where residents help make decisions in economic development—underway in places as diverse as Keene, New Hampshire; Vallejo, California; Chicago; New York; and San Francisco.<sup>8</sup>

The ultimate aim is creating a new system, where concern for broad prosperity is built into the core design.

Another important strategy of inclusion is the participatory process involved in community benefits agreements (CBAs), where local community groups, sometimes with the support of city government, work to create contracts with local developers, requiring them to hire locally, create living wage jobs, or contribute in other ways to community benefit. One example is the CBA in which Boston’s Northeastern University committed to purchasing 15 percent of its goods and services from Boston-based, minority- and women-owned businesses.<sup>9</sup>

Creating **systems of support** for locally and inclusively owned enterprises is still another driver—as seen in incubators and accelerators that support social enterprises, cooperatives, local businesses, or enterprises owned by women and people of color. In Cincinnati, where a police shooting of an unarmed African-American man led to riots a decade ago, the

unrest led the mayor and other civic leaders to join together, in work led in large part by The Greater Cincinnati Foundation, to address the underlying economic root causes of the unrest. The result was the launch of a Minority Business Accelerator. It has since created thousands of jobs and become a national model.<sup>10</sup>

**Workforce development** is another important driver. While traditional training focuses on individual skill building, that approach too often spills trainees into an economy without jobs for them. Community wealth building takes a system approach, closing the loop by linking training to actual employers. While this approach is not new, it is gaining momentum, with more programs today recognizing the need to bring employers to the table. A leading example is the ManufacturingWorks program, a workforce center supported by the City of Chicago, which has connected more than 3,000 job-seekers with high-quality jobs in manufacturing. The program was spearheaded by the Chicagoland Manufacturing Renaissance Council, a collaborative effort led by high road economic development professional Dan Swinney, which also includes unions and a manufacturers association, and is run in partnership with Instituto del Progreso Latino.<sup>11</sup>

The ultimate driving aim of community wealth building is creating a new **system**—a new normal of political-economic activity, where concern for broad prosperity is built into the core system design. For example, among financial institutions that tend more naturally to deliver local benefit are community development financial institutions (CDFIs), community banks, and city-owned banks. City banks—in the mold of the state-owned Bank of North Dakota, which helped that state fare well in the financial downturn—are well suited to building a system with democratic, local accountability. The city council in Santa Fe, New Mexico is exploring the concept, with other campaigns at earlier stages in Seattle, Philadelphia, Boston, and Washington, D.C.<sup>12</sup>

Common to all these approaches is a commitment to **place**—which is a foundational driver. Also important is working through **collaboration**, with many parties at the table, together aiming to create community benefit. Among the many other strategies used toward these ends are deployment of community land trusts and land banks, strategies to expand local impact investment, development of local food systems, and community approaches to climate change mitigation and adaptation.

### A powerful alternative to development as usual

**T**he various drivers and strategies of building community wealth are elements of an emerging new framework for inclusive economic development. It's a framework that offers a powerful contrast to the traditional practices that are failing so many communities. While a promising number of economic development professionals are taking up elements of this new framework, traditional approaches still predominate, and are in fact resurgent in many communities. Those traditional approaches rely on a set of drivers that work—mostly unconsciously—toward a very different set of outcomes.

Traditional economic development is too often captured by the demands of major corporations and site development consultants. The **place** that drives such players is in reality no place at all, for they embody a worldview of a generic, commodified economy, where firms are objects to be lured from place to place by the \$80 billion in incentives given annually by cities, states, and counties.<sup>13</sup> The **system** that is supported in this way is one of wealth inequality, where most assets are owned by the few. The **ownership** driver is absentee ownership, with most incentives flowing to corporations owned outside the community. **Inclusion** is lacking, with benefits flowing to a financial elite—since ownership of publicly traded firms is overwhelmingly concentrated among those in the top 10 percent of society.<sup>14</sup> Inadvertently,

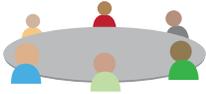
The system that is supported by traditional economic development is one of wealth inequality, where most assets are owned by a financial elite.

but pervasively, incentives tend to neglect local firms, which can too often be driven out of business. Thus traditional approaches operate the **multiplier effect** in reverse: taxes are extracted from local firms and residents and given to corporations whose ownership is not local, even as local schools and parks suffer cuts in funding. Missing throughout is the driver of **collaboration**, with little transparency or democratic public input into development decisions.

In its **workforce** drivers, traditional economic development focuses on counting the number of jobs created, but too rarely tallies whether these are living wage jobs, or whether they go to those with barriers to employment. Traditional approaches also fail to subtract jobs destroyed when Main Street retailers quietly close their doors—or when firms outsource manufacturing and other work abroad, or move operations out of the community.

The mindset missing in traditional approaches is commitment to place, and a recognition that economic entities can be designed to benefit community. Community wealth begins with a devotion to place, and with a respect for all those who live in a place. It keeps money circulating locally by developing local assets and keeping ownership locally rooted, and, ideally, broadly held. The aim isn't just jobs but good jobs, and where possible an ownership stake—espe-

## Two Approaches to Economic Development

Drivers	Community Wealth Building	Traditional Approach
 <p>Place</p>	Develops under-utilized local assets of many kinds, for benefit of local residents.	Aims to attract firms using incentives, which increases the tax burden on local residents.
 <p>Ownership</p>	Promotes local, broad-based ownership as the foundation of a thriving local economy.	Supports absentee and elite ownership, often harming locally owned family firms.
 <p>Multipliers</p>	Encourages institutional buy-local strategies to keep money circulating locally.	Pays less attention to whether money is leaking out of community.
 <p>Collaboration</p>	Brings many players to the table: nonprofits, philanthropy, anchors, and cities.	Decision-making led primarily by government and private sector, excluding local residents.
 <p>Inclusion</p>	Aims to create inclusive, living wage jobs that help all families enjoy economic security.	Key metric is number of jobs created, with little regard for wages or who is hired.
 <p>Workforce</p>	Links training to employment and focuses on jobs for those with barriers to employment.	Relies on generalized training programs without focus on linkages to actual jobs.
 <p>System</p>	Develops institutions and supportive ecosystems to create a new normal of economic activity.	Accepts status quo of wealth inequality, hoping benefits trickle down.

cially for those with barriers to employment, but also for all Americans in need of good jobs.

Community wealth building is a systems approach, with various drivers working together. Locally owned enterprises are linked to large-scale demand through anchor procurement. Institutions like loan funds and accelerators, as well as new positions and departments in city government, help to support locally and inclusively owned firms. Worker and employer needs are matched. In these various drivers and strategies—linked training, anchor demand, support institutions—the emphasis is on creating a system to support a locally rooted economy. The aim is creating the institutions that lead to a new normal of political-economic activity, a new system.

## A new community-based economy

The emergence and growth of community wealth building may signal the beginning of a new community-based era for our economy, growing at the local level. This new era finds its impetus in widespread concern about wealth inequality, which is driving the emergence of a new class of forward-thinking mayors and economic development directors, in cities like New York, Seattle, Boston, Cleveland, and elsewhere. This movement is also being driven by a widening set of community-based players.

Traditional economic development has tended to involve two players, the city and the business community, in an arrangement where the city has often been the subordinate partner, subject to the demands of business. Cities themselves have unthinkingly contributed to their own disempowerment in their focus on the “job count,” which puts business in the lead, even when the jobs created are of low quality. This balance of power begins to shift, however, when others come to the table demanding accountability, good jobs, and community benefits. The potentially momentous advance of community wealth building is that it brings this “third player”—the combined,

collaborative force of anchor institutions, citizen groups, philanthropy, nonprofits, and locally owned businesses—to the table. Much of this work began by pushing back against business, yet today these players are focusing forward, proactively shaping the direction of local economic development.<sup>15</sup>

Because of city vulnerability to capital flight, it was long believed that jobs and wages could be regulated only at the state and federal level. This was the view of the “limited city,” where officials at the municipal level could influence business solely by giving subsidies.<sup>16</sup> But potentially, we are on the cusp of a movement away from the limited city—toward a new concept of the empowered city, where city leaders work with a broad polity toward the ideal of an inclusive community where all can prosper.

A new economy is growing at the local level.

There is no guaranteed road map to the inclusive city. No cities, in their entirety, are there yet. The tools of community wealth building are not yet sufficient to get us there. They have major challenges and limitations. Yet new avenues to advance are opening.

We offer this report in the belief that cities today face a moment of historic opportunity. Cities building community wealth could become the places where we begin to create a profoundly different kind of economy, both inclusive and sustainable. Yet the opportunity of the present time could also be lost. History might veer in far more troubling directions. Ours is a fragile moment.

At this threshold time, this report seeks to describe the system of community wealth building, to showcase its successes, to explore the weaknesses that might keep it marginalized, and to suggest what it would take for it to become the dominant paradigm of economic development in America.



**Community wealth building** is a systems approach to economic development that creates an inclusive, sustainable economy built on locally rooted and broadly held ownership. This framework for development calls for developing place-based assets of many kinds, working collaboratively, tapping large sources of demand, and fostering economic institutions and ecosystems of support for enterprises rooted in community. The aim is to create a new system that enables inclusive enterprises and communities to thrive and helps families increase economic security. ●

# Part 1: Defining the New Approach. The Seven Drivers of Community Wealth Building

**L**anguage is a potent force. Recent decades have seen new phrases catch fire—“impact investing,” “microfinance,” “green building”—that have helped entire communities define their work in shared terms. Common language builds a sense of unity.

## The power of common language

**I**n 2005, The Democracy Collaborative coined the phrase “community wealth building” to describe a range of strategies that share important principles. As then Research Director Steve Dubb wrote in *Building Wealth: A New Asset-Based Approach to Solving Social and Economic Problems*, these strategies “change the nature of asset and wealth ownership,” anchor jobs in community, and “make communities more stable and economically viable.”<sup>17</sup>

At that time, a decade ago, the phrase “community wealth” was so uncommon it almost invariably appeared within quotation marks. Today, a Google search identifies 129,000 entries using the term, with many groups in some way self-identifying as building community wealth. The number grows daily.

Last year in Richmond, Virginia, Mayor Rev. Dwight C. Jones established the nation’s first city Office of Community Wealth Building. The Denver Foundation hosted Community Wealth Building conferences in 2013 and 2014, which have spawned the Community Wealth Building Network of Metro Denver. In Washington, D.C., a funders collaborative created a Community Wealth Building Initiative that launched a worker-owned company. In Jacksonville, Florida, former Mayor Alvin Brown convened a Community Wealth Building Roundtable to explore approaches to tackling poverty.

Building community wealth is an umbrella term for economic development activities aimed at inclusive prosperity. A key focus is *community*, which connotes both a geographic place, and a sense of connectedness. It signifies something profoundly different from an economy indifferent to people and place.

Who owns wealth, who controls it, who benefits from it—these issues are core to every economy.

A second pivotal term is wealth. Who owns *wealth*, who controls it, who benefits from it—these issues are core to every economy. When wealth is rooted in community, held locally and inclusively, the foundation of a truly democratic economy is laid. It is an economy that, in its normal functioning, tends to benefit all community members. *Building* this kind of economy is what economic development in a democracy is naturally about.

As a great wave of hopeful activity rises in cities today, that activity needs a unifying name. We suggest this activity is all about *building community wealth*.

The field is not yet unified in its embrace of this language. We live instead with a “proliferation of different terms today,” as Emily Kawano of the U.S. Solidarity Economy Network told us. There’s the solidarity economy, the new economy, the caring or sharing economy, and words like green or local. “How do you navigate all that?” she asked.<sup>18</sup>

## Defining community wealth building

Community wealth building does not attempt to answer all the questions of terminology. What it does offer is precision in one area, which is economic development. What community wealth building signifies is this: *a systems approach to inclusive, community-based economic development, based on local and broad-based ownership.*

We offer the following as a fuller definition:

Community wealth building is a systems approach to economic development that creates an inclusive, sustainable economy built on locally rooted and broadly held ownership. This framework for development calls for developing place-based assets of many kinds, working collaboratively, tapping large sources of demand, and fostering economic institutions and ecosystems of support for enterprises rooted in community. The aim is to create a new system that enables inclusive enterprises and communities to thrive and helps families increase economic security.

Embracing place means including the whole community—not simply the affluent sections.

In dozens of interviews, we found a surprisingly wide shared understanding of *community wealth*, as well as a generally positive view of the phrase. “People like the sound of asset-building,”<sup>19</sup> one person said. “The most important thing about it is the stickiness of wealth and capital,” said Victor Rubin, vice president for research of PolicyLink. He added that it “has to be about more than income; it has to

be about assets and wealth.”<sup>20</sup> Tracey Nichols of the City of Cleveland said the language of community wealth building “helps business realize that until we have everyone working, then we’re not a robust economy.”<sup>21</sup> Lew Daly, director of policy and research at Demos, told us, “I prefer the term community wealth building to localism.” If we’re ever to achieve the aim of shared prosperity on a broad scale, he added, we must recognize that democratic control is at the heart of it: “Without democratic control of the economy, we don’t have democracy.”<sup>22</sup>

When Mayor Jones in Richmond established the Office of Community Wealth Building, a city newsletter explained how they understood the term. It’s “intended to show we are taking a positive approach,” they wrote, “building on assets, resources, and potential already present.” The term “community” indicates “we care not just about a few but about everyone,” they said. “Building wealth” is what “will allow families and households to escape poverty not just for a few months or years but in a lasting way.” There’s more to wealth than money, they added. “We are concerned with the development of all forms of capital in a community”—physical, human, social, and more.<sup>23</sup>

## Seven drivers that build community wealth

More than a label, community wealth building is also a *framework*. It has multiple drivers that work together to create a system that delivers the outcome sought: an inclusive, sustainable community economy where all can prosper—particularly those normally excluded. This system can be defined as having seven key drivers: place, ownership, multipliers, collaboration, inclusion, workforce, and system.

### 1. Place

Community wealth building develops under-utilized local assets of many kinds, to create maximum benefit for local residents.

Community wealth building begins with loyalty to geographic place. If globalization is the hallmark of today's mainstream economy, relocalization is the hallmark of the alternative. Globalization works well for capital, which can move across borders with a computer keystroke. But the real economy of jobs and families and the land always lives someplace real. The real economy is place-based. And a real place is more than a free market of footloose players, where firms are like objects that can be moved anywhere. Cities and towns are places that people care passionately about, where working collaboratively for the common good instinctively makes sense. Local communities are where building a new economy naturally begins.

For disadvantaged populations, place can literally be a matter of life and death. In the Glenville neighborhood of Cleveland, for example, where the population is largely African-American, the average life expectancy of a male is 64 years. Just eight miles east in the white suburb of Lyndhurst, average male life expectancy is 88 years. Embracing place means including the whole community—not simply the affluent sections.<sup>24</sup>

In contrast to luring companies from elsewhere, building community wealth is about developing under-utilized local assets of many kinds—social networks, the built environment, cultural riches, local ecology, anchor institutions—and doing so in a way that the wealth stays local and is broadly shared.

Developing assets is different from delivering social services. It's a shift from reducing poverty to building wealth. When families possess assets—skills, social networks, a home, savings, an ownership stake in a business—they are better able to withstand shocks like unemployment or illness. They can plan for their future, send a child to college, and feel secure in retirement. A job may start or stop. Assets yield greater stability and security. As Boston's John Barros told us, "It takes a job to get out of poverty, but it takes assets to keep you out of poverty."<sup>25</sup>



Seattle's publicly owned market, the Pike Place Market, is home to over 200 small business, 250 artisans, and 80 farmers. Serving the community is the aim of this market, an aim that is made possible by its municipal ownership structure.

**Photo by Jason Dorn, Creative Commons licensing**

What's true for families is true for communities. Jobs may be drawn into a community but leave without warning. "There's nothing worse than a company that you've worked with for ten years just leaving because the incentives wore off," said Tracey Nichols of Cleveland. "But having the community own the enterprise, it will always be there."<sup>26</sup>

## 2. Ownership

Community wealth building promotes local, broad-based ownership as the foundation of a thriving, resilient local economy.

Having the community own the enterprise: this is another vital element of community wealth building. As Ed Whitfield, co-managing director of the Fund for Democratic Communities, said to us, "the essential tool is transferring ownership, so the benefit of the surplus stays in the community."<sup>27</sup> Ownership of assets is the foundation of every economy, for it determines who has control and who receives the lion's share of benefits. In the words of Justin Huenemann, executive

## The seven drivers of community wealth building

**1. Place:** Leverages many kinds of assets rooted in community, for maximum benefit of local residents.

**2. Ownership:** Promotes local, broad-based ownership as the foundation of a thriving, resilient local economy.

**3. Multipliers:** Encourages institutional buy-local strategies to keep money circulating locally.

**4. Collaboration:** Brings many players to the table, including nonprofits, philanthropy, anchor institutions, and cities.

**5. Inclusion:** Aims to create inclusive, living wage jobs that help families from all walks of life enjoy economic security.

**6. Workforce:** Links training to employment and focuses on jobs for those with barriers to employment.

**7. System:** Develops new institutions and support ecosystems, to create a new normal of political-economic activity. ●

director of the Notah Begay III (NB3) Foundation, a focus is needed on “the democratization of ownership.”<sup>28</sup> The goal is to create an economy where wealth is broadly held and locally rooted over the long term, so income recirculates locally, creating stable prosperity.

Community wealth building deploys a whole spectrum of inclusive ownership models. At the non-inclusive end of the spectrum we see absentee-owned firms. Corporations with shares trading on public stock markets are inherently absentee-owned. Inclusiveness has more of a chance with locally owned firms. When money is spent at locally owned firms, studies show that revenue recirculates locally at least three times as much.<sup>29</sup>

Local ownership is vital. But local ownership by a few wealthy families only gets us part of the way toward broad prosperity. More inclusive are firms owned by women and people of color, who have traditionally been excluded from asset ownership. Still another consideration is a longer time horizon. When local owners retire or sell, how do those firms stay local?

Social enterprises are likely rooted in community over the long term, for they have a primary mission of providing social benefit, and many are owned by nonprofits and unlikely to be sold. Some social enterprises create jobs for those with barriers to employment, like Pioneer Human Services in Seattle, which runs enterprises providing training for those with criminal histories.<sup>30</sup>

Also inclusive are firms with employee stock ownership plans (ESOPs), which allow founders to exit their ownership by selling to employees—who are likely to remain loyal to place over the long term, since employee-owned companies are typically locally owned. Sellers enjoy substantial tax savings in the process. ESOPs are companies in which ownership is broadly distributed among employees, who own shares of a pension plan that, in turn, owns part or all of the company. ESOPs have been shown to create greater income and wealth for employees, as well as greater productivity and effectiveness for enterprises. Employee ownership also offers greater job satisfaction and protection against layoffs.<sup>31</sup>

Still more inclusive are cooperatives, where all members have one share and one vote. Particularly valuable for job creation are worker-owned cooperatives, where workers are the ones who control the company and elect the board. When employees not only have a job but an ownership stake, they enjoy greater control of their economic fate. Cooperatives are often thought of as small, but they can be quite large. Cooperative Home Care Associates in the Bronx, New York—the nation’s largest worker-owned cooperative—employs 2,300 (90 percent of them women of color) and brought in 2013 revenues of \$64 million.<sup>32</sup>

Municipally owned utilities are enterprises literally owned by the entire community. Close to 90 percent of all water systems are owned by municipalities and nonprofits.<sup>33</sup> Among electricity providers, 61 percent are publicly owned.<sup>34</sup> Again, these can be quite large; the Los Angeles city-owned power utility, for example, in 2013 had revenues of \$3.2 billion.<sup>35</sup> In recent years, more communities have become interested in forming their own public utilities, because of benefits such as lower rates, commitment to local communities, greater accountability, and more responsive local decision-making.<sup>36</sup>

### 3. Multipliers

Community wealth building encourages institutional buy-local strategies, by cities and anchor institutions, to keep money circulating locally.

While ownership shapes the skeleton of enterprise, demand is its lifeblood. Community wealth building asks: Where is the large-scale demand that can drive the growth of local, inclusive enterprise? What kind of demand cares about place?

A critical force generating momentum for local enterprises is the purchasing power of anchor institutions, like nonprofit and public hospitals and universities, which are rooted locally and have missions of service. Other types of anchor institutions include museums, community foundations, and local government. When anchors deploy their economic power to strengthen local enterprises, especially inclusive enterprises, they are engaging in what The Democracy Collaborative has termed an “anchor mission.” An

anchor mission consciously links the well-being of an institution and its community.

Support for an anchor mission has grown over the last decade among nonprofit hospitals and universities, which together represent well over \$1 trillion in economic activity, about 7 percent of GDP.<sup>37</sup>

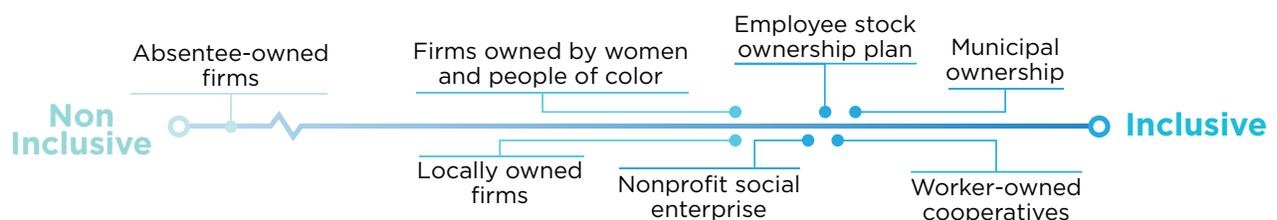
The procurement, hiring, and investment practices of anchor institutions represent a potentially enormous source of economic development support, which cities like Cleveland, Chicago, Baltimore, and New Orleans are beginning to tap. For instance, when anchor procurement supports locally owned businesses, cities enjoy a powerful multiplier effect, keeping money circulating locally. Over the past decade, more than two dozen studies have shown that local businesses generate two to four times the multiplier benefit, compared to non-locally owned firms. As author Michael Shuman observes, that means that every dollar shifted to a locally owned business generates more income, more jobs, higher local tax revenues, and greater charitable contributions.<sup>38</sup>

### 4. Collaboration

Community wealth building brings many players to the table, creating community-based collaboratives that include nonprofits, philanthropy, anchor institutions, cities, local businesses, and local residents.

In traditional economic development, collaboration involves the two traditional players of city government and the private sector. Community wealth building is more broadly collaborative—involving

## Inclusive Ownership Spectrum



## Areas extending greater opportunity to people of color enjoy longer periods of growth and shorter downturns.

nonprofits, philanthropy, anchor institutions, community residents, local businesses, and workers.

“What’s happening in New York City is fascinating, and I think it’s the way things might happen in the future,” Melissa Hoover, executive director of the Democracy at Work Institute, said to us. “What it looks like from the outside is that the City authorized \$1.2 million for cooperative development [for 2015, increased to \$2.1 million for 2016]. What really happened is that grassroots organizations had been working toward this for a long time.” The City’s allocation was encouraged by these nonprofits, and went to fund their work. The process, in short, was highly collaborative.

Among cities taking seriously the power of collaboration is Philadelphia. When the mayor in 2013 created a new anti-poverty office, the Office of Community Empowerment and Opportunity (CEO), the initiative embraced the philosophy of “collective impact,” said CEO Executive Director Eva Gladstein. In creating and implementing its action plan, CEO involved close to 200 stakeholders in meetings, focus groups, and interviews.<sup>39</sup>

### 5. Inclusion

Community wealth building deliberately aims to create inclusive, living wage jobs that help families from all walks of life enjoy economic security.

Inclusion lies at the heart of community wealth building, adding a driver lacking in much of economic development. Economic inclusion is the opening up of economic opportunities to previously under-

served social groups. It requires creating targets and indicators—as well as participative processes—to ensure that disadvantaged individuals and communities can participate in a meaningful way in the economy.

Consider the seeming success of the innovation economy in Pittsburgh, a former Rust Belt city which in recent decades has enjoyed a resurgence in health-care, education, and technology. The City now offers good white-collar jobs and cultural amenities.<sup>40</sup> It’s seen as a “turnaround city,” William Generett, CEO of Urban Innovation21, told us. “But it’s been a very uneven transformation.” The poverty rate among working-age African-Americans remains the highest among the nation’s 40 largest metropolitan areas. “This population has not connected to the new economic drivers,” he said.<sup>41</sup>

To spread the wealth of the technology sector to disadvantaged communities, in 2007 Generett created Urban Innovation21, a consortium of 20 businesses, nonprofits, and government organizations, using business incentives, grants, internships, and training programs. It’s the kind of experiment in inclusion that deserves emulation.

Urban Innovation21 has worked with unions and others to launch an employee-owned commercial laundry, still in development. It’s a wealth-building strategy that takes inclusion into the realm of asset ownership; as Generett said, it goes “beyond the traditional activities that have been used in low- and moderate-income communities,” such as low-income housing and social services.<sup>42</sup>

Inclusion is both a moral imperative and an economic one. Research shows that areas extending greater economic opportunity to people of color enjoy longer periods of growth and shorter downturns.<sup>43</sup> Inclusion is particularly powerful when combined with anchor strategies.

### 6. Workforce

Community wealth building links training to employment and focuses on jobs for those with barriers to employment.

# Benefits of Inclusive Ownership

## Higher Pay by Co-ops

Median Income



By becoming a part of the Prospera house-cleaning cooperatives, the median income for worker-owners jumps from \$24,000 to \$40,989.

Source: Jessica Gordon Nembhard, *Benefits and Impacts of Cooperatives* (Howard University and CUNY: Washington, DC and New York, NY), February 2014.

## Cheaper Utilities

Cost of Electric Bill

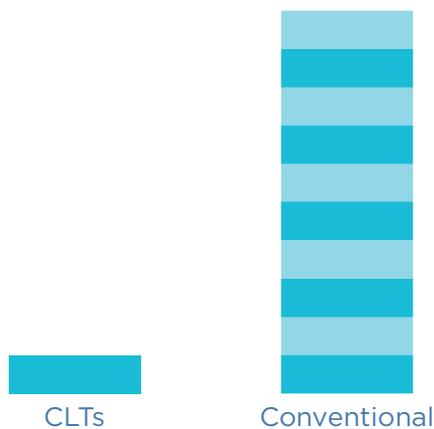


Municipally owned utilities charge lower rates: Residential users of publicly owned utilities in 2014 paid 13% less for electricity than users of investor-owned utilities.

Source: American Public Power Association, "Public Power: Shining a Light on Public Service," APPA, September 2014.

## Lower Foreclosure Rates

Foreclosure Rates

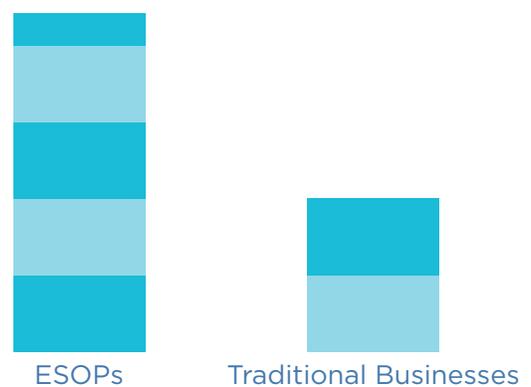


At the end of 2010, the foreclosure rate for community land trust homeowners was 0.46%, which was one-tenth the rate for conventional homeowners, 4.63%

Source: Emily Thaden, "Stable Home Ownership in a Turbulent Economy," *The Housing Fund and Vanderbilt University*, July 2011, posted by Lincoln Institute of Land Policy.

## Larger Retirement Accounts

Retirement Account Size



According to a 2015 article by NCEO, employees at ESOP companies have 2.2 times larger retirement accounts than those in traditional companies.

Source: National Center for Employee Ownership, "Are ESOPs Good Retirement Plans?" NCEO, June 22, 2015.

These institutions are designed to support communities, not to extract profits from them.

If worker ownership is a key long-term goal of community wealth building, workforce participation is often a more immediate step toward prosperity. Economic development professionals serving an entire city do not have the luxury of focusing solely on ideal models. They face the tough job of helping those with barriers to employment find good work, and helping low-income workers move up.

Bringing a community wealth frame to workforce development means two things. First, adding a systems approach means linking training to the needs of employers and anchor institutions, and creating support services. Second, it means being intentionally inclusive—deliberately reaching out to communities of color and those with employment barriers.

A good example is University Hospitals (UH) in Cleveland, which developed the Step Up to UH program to create a pipeline for hiring residents of neighboring low-income African-American communities. The program includes training and wrap-around support services to ensure long-term success.<sup>44</sup>

A different systems approach to workforce development deploys anchor support for social enterprise. For example, the nonprofit Momentum in Minneapolis operates three social enterprise businesses that provide transitional employment and job training for those facing barriers to employment, such as felony convictions or substance abuse history. One enterprise is Second Chance Recycling, which has contractual arrangements with Hennepin County and the City of Minneapolis to divert recyclables from the waste stream, including more than 40,000 mattresses annually.<sup>45</sup>

## 7. System

Community wealth building develops new institutions and supportive ecosystems, aimed at creating a new normal of political-economic activity.

Beyond time-limited programs, the aim of community wealth building is creating a new system. It does this by building institutions that stand over the long term, creating an ecosystem of support for a thriving local economy. This includes examples like New York City funding the ecosystem supporting cooperative development, Richmond creating a new Office of Community Wealth Building in city government, Cleveland launching a network of worker-owned companies, or North Dakota creating the state-owned Bank of North Dakota (BND). With the support of BND, locally owned banks of small and medium size have been able to extend their lending capacity; 83 percent of all deposits in the state, compared to 29 percent nationwide, are managed by community banks. Community banks, in turn, support local business—lending four times as much to small business as the national average.<sup>46</sup>

These institutions are designed to support communities, not to extract profits from them. They show how—from enterprise ownership up to the banking system—we can design for the outcomes we desire.

The seven drivers of community wealth building work together. Starting with a devotion to a place, this approach builds on local assets of many kinds. It recognizes that if wealth is to stay local, enterprises must be owned locally. These enterprises are supported through the power of anchor institution procurement, keeping money circulating locally. This is accomplished through collaborative efforts involving many players, including government. At the heart of it all is an inclusive focus on the needs of low-income families, people of color, and those with barriers to employment. The end goal is a new system that helps broadly held community wealth to flourish.

## Part 2: Why Change? The Seven Drivers of Traditional Economic Development

**E**ach of the seven drivers of community wealth building has its counterpart in traditional practices of economic development—practices which have in part contributed to the economic problems we face today, such as growing inequality and economic insecurity. There isn't a unified story that can be told about municipal economic development, however, because the field is evolving in contradictory ways. There are promising currents of innovation, with more cities adopting community wealth building practices. Yet there is also new research showing that many cities are moving backward, abandoning innovations to revert to traditional practices. Here, we examine signs of both progress and retreat, and discuss how community wealth approaches build on the best of what's emerging.

One important change in economic development is the accelerating search for alternative approaches. Jeff Finkle, president and CEO of the International Economic Development Council (IEDC)—the primary membership organization for economic development professionals in the United States and beyond—told us that for 2015, “One of the things that made it into our strategic plan was the issue of equity.”<sup>47</sup> Equity was also a major focus at the January 2015 meeting of the Mayor's Innovation Project, run by the Center On Wisconsin Strategy at the University of Wisconsin.

Also in 2015, there was a meeting of the Environmental Protection Agency's Office of Environmental Justice—with hundreds of urban planners and developers in attendance—where much discussion focused on “equitable development.” According to Carlton Eley, the EPA professional who brought this concept into mainstream planning, what distinguishes equita-

ble development is thinking critically “about how we meet the needs of underserved populations upfront, rather than treating their needs as an afterthought.”<sup>48</sup>

June 2015 saw the Aspen Institute Community Strategies Group host a practitioners' conference called Rooting Opportunity: Doing Economic Development Differently, which The Democracy Collaborative helped shape. That event showcased key learnings from the multi-year project called WealthWorks, funded by the Ford Foundation, which developed and tested community-based approaches to building wealth in high-poverty rural areas—an example of how new approaches to economic development are emerging spontaneously in multiple places.<sup>49</sup>

### Signs of progress, and retreat

**B**eyond the search for new alternatives, there are other signs of progress. For example, providing tax incentives to lure companies from one locale to another, or to stop them from moving, is now widely condemned by policy analysts and many economic developers. More state and local governments now attach job quality requirements to incentive packages. The notion of good jobs and high-road development has received increased attention in development circles, as have community benefits agreements (CBAs) and living wage laws, with \$15 an hour minimum wage laws enacted in cities like Seattle, San Francisco, Los Angeles, and New York.

In recent decades, city economic development has been described as embracing so-called “third-wave” strategies, which focus on developing local firms—an approach that is an important step in building community wealth. This notion of three waves of strategies has been adopted by many scholars. First wave strategies are about attracting firms through

incentives. Second wave strategies focus locally, aiming to retain and expand existing firms. Third wave strategies emphasize community development, small business development, and microenterprise; some scholars see the third wave also including strategies that further social justice, redistribution, and ecological sustainability. While these three waves evolved consecutively, in practice all three sets of strategies are often used simultaneously.<sup>50</sup>

If progress has clearly been made, at the same time a more troubling story is also unfolding. In a 2012 study published in *Economic Development Quarterly*, authors Jeffrey Osgood, Susan Opp, and R. Lorraine Bernotsky examined data compiled by the International City/County Management Association on strategy evolution from 1999 to 2009. Looking at all cities above a population of 10,000, and counties above 50,000, they found the use of some community wealth building strategies in economic development declined substantially from 1999 to 2009, including:

- Support for community development corporations declined from 51 percent to 32 percent.
- Community development loan funds dropped from 54 percent to 21 percent.
- Job training dropped from 58 percent to 30 percent.

The study found that, in general, less than a quarter of local governments in 2009 were pursuing small business development activities. At the same time, governments had dramatically increased their use of incentives—from 56 percent using them in 2004, to close to 90 percent by 2009. More troubling still, fewer were measuring their effectiveness. While 57 percent measured the effectiveness of incentives in 2004, less than one-third did in 2009. As the authors observed, the field seemed to be returning to “the old adage of ‘Shoot anything that flies: claim anything that falls.’”<sup>51</sup>

But it’s also important to remember the larger economic context in which these trends appear. “Reduced budgets for economic development has a whole lot

less to do with priorities at the local level and a whole lot more to do with the Great Recession,” commented Ron Kelly, vice president for technical assistance and training with the Center for Regional Economic Competitiveness. Certain economic development trends are heading in a troubling direction not because of bad faith on the part of city government, but because development professionals find themselves trapped in difficult circumstances. And there may have been some relief since 2009. Kelly said that the trends noted above were among the reasons that the Small Business JOBS Act of 2010 included \$1.5 billion for the U.S. Treasury’s State Small Business Credit Initiative, to boost small business lending.<sup>52</sup>

## Benefits of adding community wealth drivers

If signs of progress in economic development are mixed, the same can be said of strategies considered leading edge. Among the most celebrated strategies today are cluster development, value chain mapping, workforce development, the creation of incubators, and entrepreneurship programs. As subsets of these, one can add economic gardening and technology-sector cultivation.<sup>53</sup> While such approaches hold promise, they also can be enhanced by the addition of community wealth drivers.

Consider, for example, economic gardening and tech sector cultivation. As pioneered thirty years ago by Chris Gibbons, business director of Littleton, Colorado, economic gardening is today widely embraced. Its aim is to develop local businesses most likely to grow rapidly, with a focus on companies with annual revenues of \$1 million and larger, and between 10 and 100 employees. Based on MIT research by David Birch, Gibbons saw that mid-size firms, more than mom and pop operations or startups, were the most likely to create middle-class jobs. He focused the city on helping these firms grow. And in the 25 years following, Littleton’s population increased by one-quarter, while the number of jobs tripled.<sup>54</sup>

So far so good. Yet economic gardening contains a key pitfall, which is also common to the tech sector: what happens when these companies truly succeed, and a city finds itself home to the next Google? The result can be an increase rather than a decrease in wealth inequality.

This is evident in Silicon Valley, where growing high-tech wealth enriches an elite, but fails to touch neighboring low-income areas. In East Palo Alto's Ravenswood School District, for example, 93 percent of the 4,200 students qualify for free or reduced-price lunches. And in Silicon Valley in general, the ever-rising cost of rent is bringing food insecurity to more families, with one in three children facing hunger throughout the year.<sup>55</sup> Across the Bay Area and Silicon Valley, the tech boom is also forcing many families from their homes through gentrification. In San Francisco alone, more than 2,000 eviction notices were filed in 2015—a 55 percent jump from 2010 figures.<sup>56</sup>

Even those lucky enough to land jobs with tech firms may find themselves tossed aside in the not-so-long run. When these and other fast-growing companies need to raise capital, or to sell so founders can retire, ownership typically shifts to private equity, to public markets, or to corporations owned outside the community. The result is often layoffs, or a downward squeeze on wages. Headquarters can be moved or manufacturing outsourced. Local communities lose out.

Cities may create jobs in the short run, while in the long run they nurture a new corporate elite that can ultimately turn around and demand concessions. A case in point is Twitter—one of the most successful of fast-growth firms—which threatened to leave San Francisco a few years ago, until city leaders scrambled to grant it \$22 million in tax breaks, even as the city cut the budget for public parks. Twitter did this as it was on the verge of bringing in over \$1 billion in investments.<sup>57</sup>

If approaches like economic gardening and tech sector cultivation added the community wealth driver of local and broad-based ownership, they could keep



Unrest in Ferguson, Missouri after the death of Michael Brown, a black youth killed at the hands of the Ferguson Police Department.

**Photo by loavesofbread, Creative Commons licensing**

ownership rooted in the community over the long term—and help low-income families thrive.

Community wealth ownership strategies can also help combat gentrification. One strategy is to use community land trusts to keep homes affordable, even as real estate prices climb. This is being done in Austin, Texas, where the Guadalupe Neighborhood Development Corporation has developed a land trust to prevent people of color from being priced out as neighborhoods become hipper and whiter. This enabled Mary Ybarra, for example, to buy a land trust home for \$150,000 in 2012, at a time when nearby homes were going for \$350,000.<sup>58</sup>

In terms of enterprise support, one city strategy is to support firms transitioning from founder ownership to other local ownership, or to employee ownership. Indeed, a massive opportunity to do so is looming, with the coming wave of Baby Boom entrepreneur retirements. Baby Boomers own nearly 4 million businesses. Many of these owners have done no succession planning, which is the number one cause of job loss. Fewer than one in seven of these firms are predicted to pass to family members.<sup>59</sup>

One example of supporting a transition to employee ownership is the early-stage initiative called Project Equity in the Bay Area. The Cities of Oakland and Richmond and the County of Alameda supported a grant request for the Bay Area Blueprint, a year-long project that enabled Project Equity, the



Residents of San Francisco's Mission District protest rapidly rising rents. Across the Bay Area and Silicon Valley, the tech boom has resulted in gentrification, forcing many families from their homes.

**Photo by Steve Rhodes, Creative Commons licensing**

Sustainable Economies Law Center, and the East Bay Community Law Center to launch a Worker Co-op Academy and funded Project Equity's feasibility studies for scalable cooperative startups and conversions of local worker-owned firms.<sup>60</sup>

If locally and broadly rooted ownership is one driver lacking among emerging best practices, another is inclusion. Consider entrepreneurship development. Kimberly Branam, deputy director of the Portland (OR) Development Commission (PDC), told us the story of how the City developed its Startup PDX Challenge, to encourage high-growth entrepreneurs. "We created the first publicly backed seed fund in the country" for the technology and software industry, she said, with the PDC putting in \$750,000 and raising additional dollars to create a \$2 million fund. Recipients competed to receive up to \$50,000 in

funding, plus mentoring and other assistance. When the first cohort was in place, "we looked around the room at the CEOs of these emerging entrepreneurial companies, and they were largely white men," Branam said. "We identified the need for more inclusive high-growth and innovation economy strategies."

The result was a 2014 Startup PDX Challenge aimed at attracting women and people of color. One winning company, for example, was Design+Culture Lab, a social enterprise focused on transforming urban neighborhoods through spatial design strategies that address racial and ethnic inequality.<sup>61</sup>

## Currents of failure

While city economic development has its promising currents, it has other, deeper currents of failed approaches. Nowhere is this better demonstrated than in cities like Ferguson, Missouri, Baltimore, Maryland, and countless other communities where African-Americans have died at the hands of city police. In the wake of racial unrest in these and other cities, critics have pointed to the roots of the troubles in government policy. If the proximate cause of these deaths was police action, the deeper causes included economic development practices.

After the death of Freddie Gray in Baltimore, Emily Badger wrote in the *Washington Post* about the "long, painful, and repetitive history" of policies that led to inner city poverty. One era's redlining by banks was replaced by another era's predatory lending. The same low-income communities scattered in the name of "slum clearance" and "urban renewal" in the 1950s and '60s later suffered from gentrification. Deindustrialization and globalization destroyed blue-collar jobs, as low-income area schools suffered under-funding. Again and again it was "government policies," Badger wrote, "that have undermined the same people and sapped them of their ability to rebuild."<sup>62</sup>

In a similar analysis, *The Atlantic* looked at Ferguson—where riots broke out after Michael Brown was

shot by police—showing how city economic development practices weakened economic security in this majority black city. The City gave generous tax breaks to Emerson Electric, a Fortune 500 company, and balanced the municipal budget by extracting millions in fines and fees from its poorest residents. Issuing thousands of citations each year, Ferguson’s police helped the City collect \$2.64 million in fines and court fees—the third largest source of City income, greater even than revenue from property taxes.<sup>63</sup> Black families were particularly vulnerable, as “black residents were twice as likely to be searched and twice as likely to be arrested as whites,” author Walter Johnson reported.<sup>64</sup> A Justice Department investigation later found these practices unconstitutional.<sup>65</sup>

The struggles of Ferguson’s community of color also trace their sources to laws early in the 20<sup>th</sup> century mandating racial segregation of neighborhoods, and to the movement of whites to suburbs after World War II. In both cases blacks were isolated and left behind. As urban renewal began, some of the city’s oldest black neighborhoods were bulldozed, replaced with office buildings and highways for white middle class commuters. In recent years, as Ferguson issued tax increment finance (TIF) bonds in efforts to make the city a regional destination, it did not design the development to benefit existing residents.

They remained physically cut off from the planned retail and residential corridor. “To get from the neighborhood where Michael Brown died to downtown Ferguson,” wrote Johnson, “one has to travel a long, undeveloped stretch of Ferguson Avenue,” which often lacks sidewalks. Residents must walk on the shoulder, putting them at risk of receiving citations for “manner of walking in the roadway”—a common ticket in Ferguson, issued to pedestrians who are disproportionately black. What’s more, when a TIF-financed development failed to perform as planned in Ferguson, it was residents who absorbed the blow. Struggling cities like Ferguson are legally obligated to pay their Wall

Street investors before putting money into schools, parks, and social services.<sup>66</sup>

Similarly, the loss of locally owned community banks—systematically acquired by large banks—contributed to the lending practices that have decimated the wealth of black communities across the country. In a 2009 lawsuit against Wells Fargo, Baltimore claimed the bank’s practices drove hundreds of homeowners into foreclosure, costing the city tens of millions of dollars in taxes and city services. Among Baltimore properties foreclosed by Wells Fargo from 2005 to 2008, half still stood vacant by summer 2009, and close to three-quarters of those were in predominantly black neighborhoods. *The New York Times* cited Beth Jacobs, a top Wells Fargo loan officer, describing how the bank saw the black community as rich territory for subprime mortgages, and how loan officers pushed customers into subprime mortgages when they could have qualified for prime loans.<sup>67</sup> In the provocative terms of blogger Marc Belisle, “Wells Fargo Is Baltimore’s Real Looter.”<sup>68</sup>

## The incentives wars

No discussion of the problems of traditional economic development would be complete without a look at the practices around incentives, in which corporations have succeeded in winning more than \$80 billion from cities, counties, and states each year, through tax breaks, cash payments, buildings, and other concessions made to lure companies from one community to another, or to stop companies from moving.<sup>69</sup> A particularly troubling example was seen in 2013 in Seattle, when Boeing threatened to move production of its 777X airliner out of the area, unless given concessions by employees and the state. It wasn’t company hardship that drove these demands, for Boeing that year brought in a massive \$87 billion in revenue, with \$5 billion in net earnings.<sup>70</sup> Plus it had a record backlog of \$400 billion in plane orders. Yet the company extracted an unprecedented \$8.7 billion in subsidies—the largest tax

giveaway by any state in the nation's history.<sup>71</sup> Why did employees and the state cave in to Boeing's demands? The reason was that twenty-one other states were courting Boeing, trying to lure the company away.<sup>72</sup>



Workers at Boeing were pressured into concessions, as Washington State officials were similarly pressured into extending \$8.7 billion in incentives to the company, to prevent the company from moving production. The reason Boeing won this unprecedented package: twenty-one other states at the time were trying to lure the company away from Seattle.

**Photo c/o The Associated Press**

The tale doesn't end there. Boeing's board in late 2013 voted to raise its dividend to stockholders by 50 percent, and approved an additional \$10 billion in stock buybacks—another form of payout to stockholders (and top executives).<sup>73</sup> In essence, this multinational transferred wealth from workers and residents to a financial elite. And governments in twenty-one states assisted it in doing so.

This tale is far from unique. Nearly every municipality in the country engages in the incentives wars. Indeed, as Greg LeRoy of Good Jobs First told us, "the really expensive incentives deals have surged dramatically since 2008." Demand is up, in the form of anxious officials desperate for deals, while the supply of deals has been depressed since even before the Great Recession, he explained. The upshot is that companies dangling large numbers of dollars or jobs, or possessing a famous company name like Boeing,

Tesla or Amazon, "are in the catbird seat," LeRoy said; they're able to call the shots with city officials.<sup>74</sup>

There are as many signs of backward as of forward movement in economic development today. To a disturbing extent, municipal economic development remains captive to failed notions of what works. The field—not uniformly, but substantially—can be said to depend upon a set of traditional drivers of development that contrast with the drivers of community wealth building.

## Seven drivers of traditional economic development

### 1. Place

Traditional economic development aims to attract and retain firms using incentives, which increases the tax burden on local residents and decreases services.

When cities give incentives to attract firms, "You get companies that are not committed to the places where they're operating," said Stacy Mitchell of the Institute for Local Self-Reliance.<sup>75</sup> This approach to economic development not only harms the community sacrificing tax revenues, it also hurts neighboring communities that lose companies and jobs. The main winners are corporations themselves.

Mitchell noted the damage can be seen in the retail sector, where the dramatic growth of mega-retailers in recent decades has gone hand in hand with the decline of independent, locally owned firms. Tens of thousands of locally owned businesses have disappeared since the early 1990s. To a disturbing extent, this die-off was a product of incentives given to attract absentee-owned big box stores.<sup>76</sup>

Kimber Lanning of Local First Arizona told us the story of a locally owned bookstore in her community driven out of the area, when the city gave subsidies for a Borders Books to move in across the street. "How are they taking my tax revenue as a small, local business and giving it to big box stores to put me out of business, and calling that growth?" she asked. "Why do they get to count all the jobs created, without subtracting all the jobs destroyed?"<sup>77</sup>

A study by business professor Nathan Jensen of George Washington University found that, for a controversial Kansas incentive program, in the six years after incentives were awarded, firms receiving them generated slightly fewer jobs than comparable firms receiving none.<sup>78</sup> Nonetheless, incentives cost states and cities massive amounts in lost taxes, with Oklahoma and West Virginia, for example, giving up amounts equal to one-third of their entire budgets.<sup>79</sup> Good Jobs First found that the City of Memphis chose to avoid its municipal pension obligations—owed to firefighters, teachers, and city employees—as it granted tax abatements to companies like Nike and International Paper, and took on large debt obligations for companies like Electrolux and Bass Pro.<sup>80</sup>

## 2. Ownership

Traditional economic development supports absentee and elite ownership, often harming locally owned family firms.

When economic development aims to support “business” in some generic sense, it fails to recognize that different kinds of ownership lead to differing levels of wealth and economic security. As locally owned companies have declined, and large corporations with publicly traded ownership have grown, the laser focus on maximizing profits and minimizing expenses has contributed to the broad flattening of wages and the hollowing out of the middle class. As Justin Huenemann of the Notah Begay III (NB3) Foundation told us, “When you have outside ownership where real assets are owned outside the community, then decision-making, politics, and power is held outside the community.”<sup>81</sup>

One example is the loss of locally owned banks, and the massive growth of big banks. In 1995, mega-banks with more than \$100 billion in assets controlled just 17 percent of banking assets, yet today they control 59 percent. One in four locally owned banks has disappeared since 2008.<sup>82</sup> Kimber Lanning notes that Arizonans now deposit 96 percent of their

## The seven drivers of traditional economic development

- 1. Place:** Aims to attract and retain firms from outside the community using incentives, which increases tax burden on local residents and decreases services.
- 2. Ownership:** Supports absentee and elite ownership, often harming locally owned family firms.
- 3. Multipliers:** Less attention to whether money is leaking out of community.
- 4. Collaboration:** Decision-making led primarily by government and private sector, excluding local residents.
- 5. Inclusion:** Key metric is number of jobs created, with little regard for living wages or who is hired.
- 6. Workforce:** Generalized training programs without focus on linkages to actual jobs.
- 7. System:** Unable to resist pressure to support status quo of wealth inequality, hoping benefits trickle down. ●

money in non-local banks. Of that, 75 percent is in three large banks, and those banks have little or no local decision-making on lending. In 2014, she said, big banks had only a 17 percent loan approval for small business, and most of those were franchised concepts. A key reason is loan decisions were often made in the bank’s home state, by people unfamiliar with local markets, who didn’t know local business owners. In Lanning’s words, the “relationship between business owner and local banker is the difference between thriving communities and those that are stifled and slow to grow.”<sup>83</sup>

### 3. Multipliers

Traditional economic development pays less attention to whether money is leaking out of the community.

Anchor institutions—such as hospitals, universities, and arts institutions—are the largest employers in 66 of the nation’s 100 largest inner cities.<sup>84</sup> Non-profit hospitals and universities alone account for 6 percent of GDP.<sup>85</sup> When economic development fails to tap these powerful sources of local hiring and purchasing power, cities allow massive amounts of money to leak out of the community. Matching anchor institutions with local suppliers and vendors is potentially a significant driver of local growth. Yet according to the study by Osgood, Opp, and Bernotsky, in 2009 vendor/supplier matching was used as an economic development strategy by less than 6 percent of municipalities.<sup>86</sup>

When cities instead direct their purchasing dollars and incentives to corporations owned outside the community, they send the multiplier effect spinning in reverse. Rather than having dollars recirculate locally, dollars rapidly leave the community. In subsidizing Wal-Mart, cities are subsidizing Walton family billionaires, while local residents receive low-wage, part-time jobs with few benefits. Low-wage firms are again subsidized by taxpayers through food stamps, Medicare, and other aid, to the tune of nearly \$153 billion a year.<sup>87</sup> The aim of extracting wealth is designed into the DNA of publicly traded firms. They are “extractive models,” said Stacy Mitchell.<sup>88</sup> Mark Pinsky, president of Opportunity Finance Network, commented, “I love the term ‘extractive.’ It’s an accurate picture of reality.”<sup>89</sup>

### 4. Collaboration

Traditional economic development uses decision-making led primarily by government and the private sector, excluding local residents.

When collaborative approaches are used in traditional economic development, the players are often

limited to two: government and the private sector. Lacking a seat at the table, local residents—particularly low-income residents and people of color in inner cities—have little opportunity to be heard.

This was the case in Baltimore, for example, where many years of low-road development helped create the poverty in which Freddie Gray grew up. An analysis by Good Jobs First showed that as the City transformed Baltimore’s Inner Harbor into a popular tourist destination and redeveloped the downtown, residents had little input. A key vehicle for revitalization was the Greater Baltimore Committee, made up of CEOs of the city’s largest businesses. As the City disbursed billions of dollars in public subsidies, community groups had few tools to ensure that development provided opportunities for all, as the records of the Baltimore Development Corporation are secret and exempt from the Maryland Public Information Act. Throughout the three-decade period of the tourism district’s development, the City failed to enact job quality standards.<sup>90</sup> A United Workers and National Economic & Social Rights Initiative study found that “all but three of the city’s non-managerial tourism jobs pay less than the federal poverty line for a family of four.”<sup>91</sup> Today, nearly one in four Baltimore City residents live in poverty.<sup>92</sup>

The frequent phenomenon of gentrification is another sign of the absence of residents collaboration in development processes. A powerful example is San Francisco’s Mission District, where luxury condominiums are replacing rent-controlled apartments in this working-class Latino neighborhood. In an area historically home to large families of Mexican and Central American immigrants, one-bedroom apartments now list for \$3,800 a month. Having failed to sufficiently incorporate the voices of these residents early on, City officials now face widespread protest. Residents held a sit-in in front of City Hall in May 2015, and community organizers are urging home buyers not to deal with eviction properties. As *The New York Times* reported, “The tension in the community can be viewed on almost every block.”<sup>93</sup>

## 5. Inclusion

Traditional economic development relies on the key metric of number of jobs created, with little regard for living wages or who is hired.

Often the aim of traditional economic development is the creation of jobs, and mayors proudly tout high job figures when a big company comes to town. But these tallies often fail to recognize whether these are living wage jobs, or whether they go to those with barriers to employment. When locally owned companies expand employment, “it’s not a front page story or groundbreaking news,” said Jeff Finkle of IEDC. “Neither politicians nor newspaper do a very good job of saying these new jobs are amazing.”<sup>94</sup>

While strategies like enterprise zones target distressed areas, studies show that many workers employed through these programs do not live in the zones, and those in the zones who do find jobs may not be the poor or unemployed that the programs are designed to help.<sup>95</sup> Tech-sector companies—so assiduously sought by many cities—often fail to be inclusive in their hiring. Facebook in 2013 hired just seven black employees, out of more than 1,200 new hires, according to an Equal Employment Opportunity Commission filing. At Google, African-Americans make up just 2 percent of employees, and Latinos 6 percent.<sup>96</sup>

To a large extent, traditional economic development does not seriously target inclusion. The focus tends to be on the broad regional economy, with a presumption that benefits will trickle down to those in need. But that’s often not the case. Instead of benefiting from economic development in recent years, high-poverty areas have fallen further behind. The Century Foundation reported in August 2015 that the country is witnessing “a nationwide return of concentrated poverty that is racial in nature.” After a dramatic decline in concentrated poverty between 1990 and 2000—leading to a sense that urban decay was receding—poverty has since reconcentrated. In Detroit, for example, a huge swath of neighborhoods transformed into high-poverty tracts. Nationwide, the number of people living in high-pov-

erty ghettos and slums has nearly doubled since 2000. And 90 percent of these neighborhoods are in the nation’s metropolitan areas. These neighborhoods, the report said, are in large measure the “predictable consequences of deliberate policy choices.”<sup>97</sup>



When Baltimore transformed the Inner Harbor into a tourist destination, residents had little input, and the City failed to enact job quality standards. One study found that most of the city’s non-managerial tourism jobs pay less than the federal poverty line for a family of four.

**Photo by Joseph Gruber, Creative Commons licensing**

## 6. Workforce

Traditional economic development relies upon generalized training programs, with too little focus on linkages to actual jobs.

As David Portillo of The Denver Foundation said to us, “All this money gets thrown at workforce training, but only 10 percent of our training retains jobs after the second year, and those are usually very low-paying jobs.”<sup>98</sup> As state and local workforce training receives billions in funding from the federal government, little is known about how many participants get jobs as a result, according to the Department of Labor’s Office of Inspector General. An extensive *New York Times* analysis found that after training, “many graduates wind up significantly worse off than when they started—mired in unemployment and debt from training for positions that do not exist, and they end up working elsewhere for minimum wage.”<sup>99</sup>

Until recently, federal workforce development strategy focused on individual skill development, with few linkages to actual employment. That may change, with the new Workforce Innovation and Opportunity Act of 2014, which took effect in July 2015. There is a stronger emphasis on aligning training with employer needs, based on the recognition that a skilled workforce is the best asset for any community economy. Among best-practice examples of this approach are “sector strategies,” where workforce centers help private sector employers link to the workers they need, as they help the unemployed find work.

This direction holds promise. Yet one study of Chicago’s decade-old Sector Centers found they often faced conflicting demands: should they serve the desire of employers to hire the best, or the needs of the disadvantaged who are hard to employ?<sup>100</sup> A rare group achieving both goals is the Chicagoland Manufacturing Renaissance Council. Led by high road economic development professional Dan Swinney, this collaborative approach involves unlikely allies, including the City of Chicago, labor, and manufacturing groups. Other cities will likely need to forge similar paths, if they are to link training to actual employment.

Jobs “created” through incentives are often simply moved from place to place.

## 7. System

Traditional economic development is often unable to resist pressures to take steps that support the status quo of wealth inequality, as it continues to hope that benefits will trickle down.

A root problem with the traditional approach to economic development is its unwitting support for the status quo of wealth inequality, which can be the

result of pressures to bring jobs in, pressures from corporations demanding subsidies, competition with other cities and states, and other forces difficult to counter. At other times, it’s not pressure that’s at work but instead an unconscious and seemingly benign worldview, which embraces the aim of growing the local economy by supporting traditional firms, in the hope benefits will trickle down. But when most assets are owned by the few—and those few are generally white—this approach works against broad prosperity, instead supporting the wealth of an elite.

Just as community wealth building supports a systemic alternative, Melissa Hoover said to us, traditional economic development “is also an ecosystem, but one that operates on different principles.”<sup>101</sup> If ownership and banking are parts of this system, also important is investing. “Most Americans are not allowed to invest in local business,” writes Michael Shuman. Out of the sum total of stocks, bonds, mutual funds, pension funds, and life insurance funds held by households, he observes, “not even 1 percent of these savings touches local small business.” The result is that local businesses are severely under-capitalized.<sup>102</sup> Firms with shares trading on Wall Street are over-capitalized, with too many dollars chasing too few investments, which leads to bubbles.

Economic development plays into this system when it rewards corporate relocations, which result in throwaway cities. Jobs “created” are often simply moved from place to place, and the benefits fail to reach inner cities and people of color.

While city economic development has evolved over the years, it remains far less effective than it could be. We can see this dynamic operating on a large scale in the fact that since 2009, 95 percent of all income gains have gone to the wealthiest 1 percent, while poverty is reconcentrating and growing in urban areas nationwide.<sup>103</sup> If economic development in a democracy is about building an economy where all can thrive, the evidence indicates that traditional approaches are not working.

## Part 3: Why Now? A Historic Moment

**Y**ou can feel the tow of the tsunami,” said Sandy Wiggins. “There’s a great wave rising, and you can feel the power of it, even though it’s just beginning.” Wiggins was talking about rising interest in impact investing and other efforts to build local, sustainable economies, which he sees as poised for massive growth. Wiggins has seen such a wave build before. As chair of the U.S. Green Building Council, he watched—and helped lead—as green building grew into a major national trend.<sup>104</sup> Today he’s board chair for the Business Alliance for Local Living Economies, a field he senses is similarly ready to take off.

Hilary Abell, the former executive director of Prospera (formerly Women’s Action to Gain Economic Security), a network of housecleaning cooperatives owned by low-income Latina women, commented that cooperatives are today enjoying interest she has not seen in her lifetime. There is “immense momentum” in this space right now, she said. “I think it’s pretty straightforward,” she added, coming out of frustration “about the way our economy has been owned and managed. There’s a lot of interest in alternative kinds of ownership models.”<sup>105</sup>

“There’s definitely a change and a shift taking place,” Kali Akuno of Cooperation Jackson (Mississippi) told us. “There’s a major transformation. It’s still not coming together in a coherent way. But a lot of that is just a matter of time. In my world, things that were disconnected are starting to be connected.”<sup>106</sup>

Beyond this grassroots perception of change welling up, another hopeful sign is the growing dialogue on inequality, a topic on the national agenda in a way it hasn’t been in decades. Pierre Clavel, professor emeritus of city and regional planning at Cornell University, noted that inequality has been “virtually

ignored in policy discussions nationally since at least the 1940s.” Politicians who raised the issue, he wrote, “could be effectively silenced by accusations of ‘class warfare’ and references to communism.”<sup>107</sup> Yet today, the issue of inequality is so glaring that it’s being taken up by politicians at all levels, with President Obama calling it the “defining challenge of our time”<sup>108</sup> and Federal Reserve Chairwoman Janet Yellen stating that “the gap between rich and poor now ranks as a major concern in the minds of citizens around the world.”<sup>109</sup> Even Standard & Poor’s has weighed in on the dangers of inequality, in a move unusual for a credit rating agency. “The current level of income inequality in the U.S. is dampening GDP growth,” the firm said in a 2014 report.<sup>110</sup>

Both political parties, as they moved toward 2016 presidential elections, were talking about inequality.<sup>111</sup> Among Democrats, community wealth solutions were being put on the table. In just one example, employee ownership was advocated by the Center for American Progress, in a report on “inclusive prosperity” by Lawrence Summers, former director of the National Economic Council.<sup>112</sup>

More broadly, capitalism as a system has been facing growing questioning in the mainstream. In 2013, the Academy of Management—an organization of 18,000 faculty, students, and researchers in management studies—held their annual meeting with the theme, “Capitalism in Question.”<sup>113</sup> In 2012, Klaus Schwab, chairman of the World Economic Forum—the annual gathering of corporate and financial leaders in Davos, Switzerland—declared flatly, “Capitalism in its current form no longer fits the world around us.”<sup>114</sup>

### A new wave of progressive mayors

**T**he most exciting action remains at the local level, where an important trend is the rise of progressive mayors. New mayors brought in

by the 2012 election included Boston's Martin Walsh, Minneapolis's Betsy Hodges, Seattle's Ed Murray, Santa Fe's Javier Gonzales, and Rochester's Lovely Warren, to name a few. As these mayors took their seats in 2013, only four of the nation's 30 largest cities had Republican mayors.<sup>115</sup> Mayoral elections of 2015 [results were not yet available as we went to press] promised little difference in that count. Today's growing body of progressive mayors—and the economic development professionals they're empowering—are a seedbed for profoundly new approaches for our economy.

Consider, for example, Pittsburgh's Bill Peduto, who previously as council member authored the city's responsible banking law and pushed for local hiring in the construction of a new arena. "My challenge in today's economy is how to get good jobs for people with no PhDs but with a good work ethic and GEDs," Peduto told a reporter in 2013. "How do I get them the same kind of opportunities my grandfather had? All the mayors elected last year are asking this question." They all ran on similar platforms, he observed. "There wasn't communication among us. It just emerged organically that way." They had all faced the reality of growing economic disparities, he said. "A lot of us were underdogs, populists, reformers, and the public was ready for us."<sup>116</sup>

The dean of this rising class of mayors is New York City's Mayor Bill de Blasio, for whom the quest to address economic inequality was his signature campaign issue. In his 2015 State of the City Address, he spoke of New York's long and proud history "as a city that unleashed human potential." That spirit is "at risk today," he continued, invoking "the single mother in Coney Island, working two jobs" and barely scraping by, "the fast food worker in Washington Heights" worried about paying rent. He spoke of a vision of "One New York, rising together... a city where everyone has a shot at the middle class."<sup>117</sup>

## Capital flight and the limited city

Rising local government concern about income inequality marks a historic shift, for theorists long agreed that inequality couldn't be solved locally. But today "cities are the main innovators," wrote University of Virginia law professor Richard Schragger, in a 2009 article in *Harvard Law Review*. In an age of global capital, when nation-states "seem to have less influence over capital flows," he wrote, a "reassertion of place" is occurring. Alongside a "denationalization" underway, the city is rising as an important economic unit. The economy is becoming both global and local.<sup>118</sup> Benjamin Barber, in his 2013 book, *If Mayors Ruled the World*, observed that mayors are responding to transnational problems more effectively than nation-states, which remain mired in ideological infighting. In this time of peril, he wrote, "If we are to be rescued, the city rather than the nation-state must be the agent of change."<sup>119</sup>

As cities rise in significance, economic power within them is shifting. Traditionally, there were only two players in city economic development—business and the private sector—with cities the weaker of the two, beholden to the demands of business. This was the picture of the "limited city" articulated in Paul Peterson's 1981 book, *City Limits*, which, as Schragger observed, "still dominates the literature on urban power."<sup>120</sup>

The issue was mobile capital, also called "capital flight": the ability of business to leave one community and move to another. "Mobile capital drives the law and politics of local government," Schragger wrote, creating a set of "local political pathologies," which revolve around government subsidizing private enterprise. In *City Limits*, Peterson argued that if cities regulated or taxed businesses too much, businesses would flee. If cities tried to aid disadvantaged families through "redistributive policies," Peterson said, this would only increase the city's "attractiveness as a residence for the poor," and lead to municipal bankruptcy. His analysis reflected a broad post-New Deal consensus that regulation of economic inequality belonged at the national or state level, not the level of the city.

# Collective Impact Hastens Community Wealth

Eva Gladstein, Executive Director of the Mayor's Office of Community Empowerment and Opportunity, City of Philadelphia

It's not every city that has an office with the title, Mayor's Office of Community Empowerment and Opportunity. But in Philadelphia, the mayor understood that moving the needle on poverty was integral to the city's success. In 2013, Mayor Michael Nutter created a new office that would align anti-poverty resources with wealth-building opportunities such as food access and asset building. He appointed Eva Gladstein as executive director, tasking her with overseeing implementation of the Shared Prosperity Philadelphia Plan, a common agenda to "to knock down systems-level barriers to opportunity," which had left 28 percent of the population in poverty. Gladstein has made significant progress in reducing the worst poverty rate among the nation's ten largest cities—in two short years, poverty has fallen to 26 percent<sup>1</sup>

In starting this initiative, Gladstein's office engaged nearly 200 stakeholders and experts in a series of meetings, focus groups, surveys, and interviews. Sectors engaged included government, philanthropy, academia, business, and residents, with Gladstein's office acting as a hub to coordinate this citywide effort to address poverty. In the collaborative spirit of community wealth building, Gladstein has explicitly adopted a framework of "collective impact." The plan emphasizes a citywide learning community, a shared vision and measurement system, and continuous communication among many stakeholders. This has led, as Gladstein told us, to a "continual feedback loop" of "multiple players and strategies that reinforce each other."<sup>2</sup> Eva and her team are focusing on anchor procurement and employer-linked workforce training for people with barriers to employment. They have also begun exploring how to expand the impact of community land trusts for city residents.

1 Mayor's Office of Community Empowerment and Opportunity, *Shared Prosperity Philadelphia*, Philadelphia, PA: City of Philadelphia, 2013.

2 Interview with Eva Gladstein, Nov. 18, 2014.



Gladstein's efforts are joined by several local-first initiatives. Tapping the power of anchor procurement and hiring, the City of Philadelphia has a First Source hiring policy, requiring that businesses with City government contracts consider Philadelphians registered with the public workforce agency first for any new jobs.<sup>3</sup> The City is also using its financing power to build local business; the Philadelphia Industrial Development Corporation deployed \$110 million in federal New Markets Tax Credits between 2008 and 2012.<sup>4</sup> ●

*Eva Gladstein with Mayor Michael Nutter and City officials at the signing of an executive order to establish the Mayor's Office of Community Empowerment and Opportunity.*

**Photo by Kait Privitera, c/o the City of Philadelphia, PA**

3 Department of Commerce, City of Philadelphia, *Workforce Development*, City of Philadelphia, no date, <http://www.phila.gov/commerce/businessSupport/Pages/Workforce.aspx>, accessed Aug. 2015.

4 Philadelphia Industrial Development Corporation, "Leveraging Federal Funding for Philadelphia," *Philadelphia Industrial Development Corporation*, no date, <http://www.pidcphila.com/initiatives-projects/innovations-in-finance/leveraging-federal-funding-for-philadelphia>, accessed Aug. 2015.



Mayor Bill de Blasio signs legislation allocating \$1.2 million to support worker-cooperative development.  
Photo c/o Green Worker Cooperatives

Peterson's picture of the limited city resonated with that time. He was writing in 1981, three years after Cleveland became the first city since the Great Depression to default on its debts, having lost substantial population after a mass exodus of business. New York was then considered to be in irreversible decline, having lost substantial population—nearly a million people in two decades—and narrowly avoiding default in 1975. In that period, cities were weak, and business held the power. Peterson declared such a power imbalance natural and, in effect, eternal.

For many in economic development, he seemed to have articulated an iron law of development policy. Giving subsidies to business and creating business-friendly environments were the primary policies cities could use.

But in the following decades, the situation changed. Schragger saw a new "regulatory localism" emerging, which indicated city economic policy was "less constrained than usually thought." He pointed to early use of clawbacks, in which companies failing to deliver on promises were required to return subsidies (a promising if still too-infrequently used tool). The year 1994 saw the first local living wage law

campaign, in Baltimore. Today, more than 120 cities have some version of a local minimum wage or living wage law.<sup>121</sup> The year 2001 saw the first Community Benefits Agreement (CBA), and today these are widely used—at high-profile projects like the Staples Center in Los Angeles—to assure that developments bring community benefits. Other new tools were ordinances against big-box stores and chain stores.

Community campaigns drove all these successes. Urban development politics was taking on a new shape. It had not two sides but three—business interests, city government, and the community. In Schragger's terms, economic development now had a "third player" at the table.

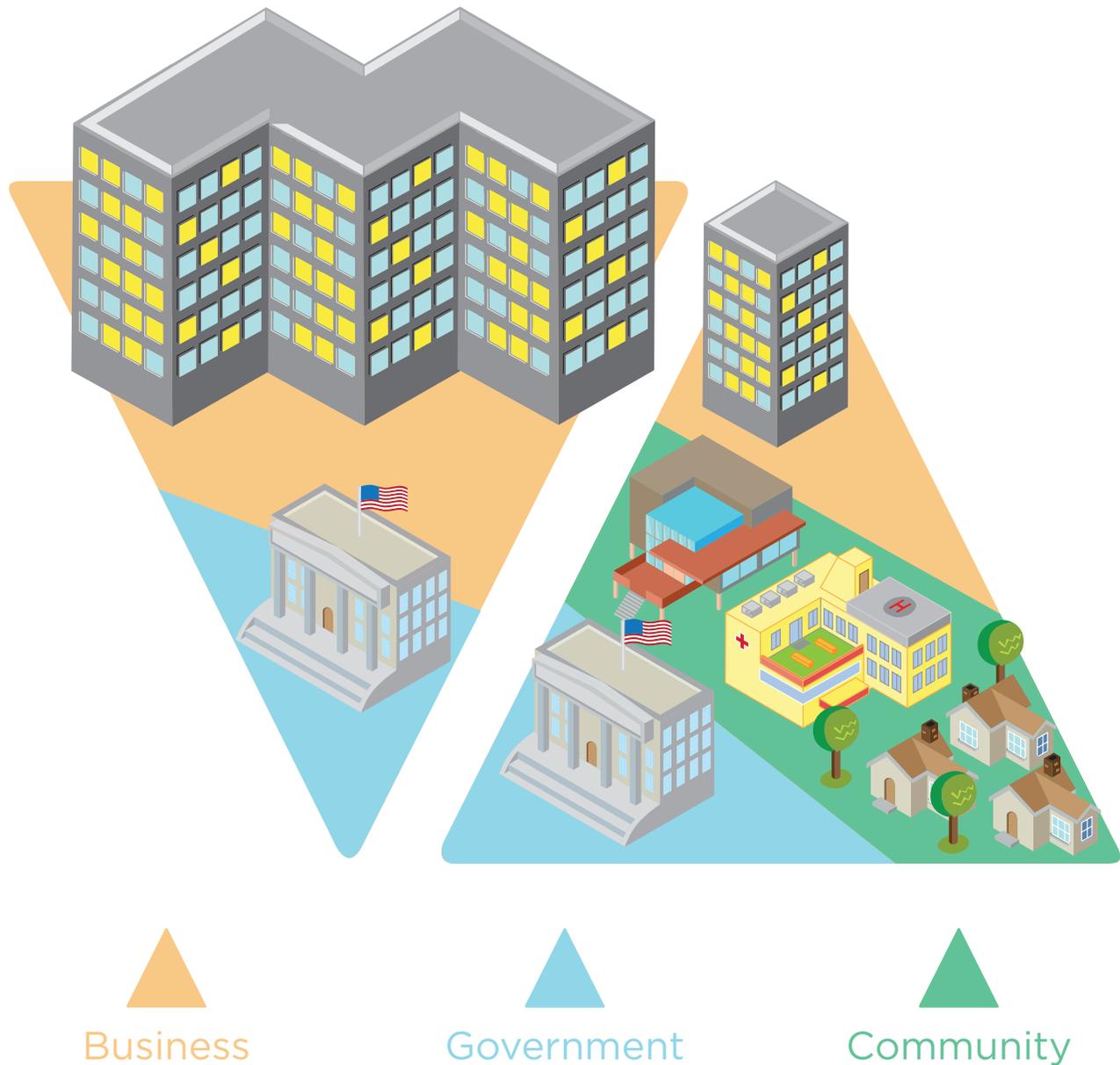
## A third force in municipal economic development

**I**n the early days, that third player was made up of a potent, if relatively narrow, group—nonprofits, activists, and unions, sometimes allied with small local business. Yet in more recent years, the collection of community-based economic actors has expanded in reach and power. Today it might be called a substantial and growing third force.

Among new players are anchor institutions, which are the antithesis of mobile capital. When University Hospitals (UH) in Cleveland, a major nonprofit medical center, was planning to spend \$1.2 billion to build five medical facilities between 2005 and 2010, it worked closely with the Mayor's Office and local building trade unions to craft its Vision 2010 program. The medical center set out to procure 80 percent of the \$1.2 billion locally and regionally, but in fact achieved 92 percent regional deployment. In the five years of Vision 2010, UH created more than 5,000 jobs, and pioneered a new normal for how business should be conducted by the area's large anchor institutions.<sup>122</sup>

Universities are also beginning to look at aligning operations to benefit the places they call home. In 2014, The Democracy Collaborative convened a cohort of presidents and executives from six univer-

## A Balancing Third Force in Economic Development



Traditionally, economic development involves two players: the city and the business community, in an arrangement where the city is often the subordinate partner, subject to the demands of business. The balance of power shifts when the community comes to the table demanding accountability, good jobs, and community benefits. In a potentially momentous shift, community wealth building brings a powerful “third force” to the table, in the combined, collaborative force of anchor institutions, resident groups, philanthropy, nonprofits, workers, unions, and locally owned businesses.

sities—Drexel, Rutgers University–Newark, SUNY Buffalo State, University of Memphis, University of Missouri, St Louis (UMSL), and Cleveland State—interested in developing a framework for measuring and enhancing their community impact. Across the nation, anchor strategies for economic development are being convened by mayors in cities like New Orleans, Baltimore, and Chicago.<sup>123</sup>

Other players long committed to their communities include the nation’s thousands of community development corporations (CDCs)—nonprofit organizations focused on revitalizing low-income neighborhoods, which grew out of the civil rights movement of the 1960s.<sup>124</sup> Also to be counted are the country’s 1,000 community development financial institutions (CDFIs)—providing financial services to those underserved by mainstream banks. Since the start of the modern CDFI movement in the 1970s, CDFIs—with federal government and impact investor support—have seen assets more than triple in a decade, to \$64 billion.<sup>125</sup>

Among additional economic players with a mission of community service:

- **Cooperatives.** These are enterprises owned by workers, producers, or consumers they serve. According to the most recent census of cooperatives, conducted in 2009 by the University of Wisconsin, the nation’s nearly 30,000 cooperatives had total assets of more than \$3 trillion.<sup>126</sup>
- **Municipally owned enterprises.** Most prominent among them are the nation’s more than 2,000 community-owned electric utilities, serving more than 47 million people. These power companies in 2013 brought in revenues of \$55 billion, contributing roughly \$3 billion to cities’ general funds.<sup>127</sup>
- **Employee-owned businesses.** Employee Stock Ownership Plans (ESOPs) now cover 10 million employees. And 30 to 40 percent of these enterprises are 100 percent owned by employees. ESOPs have assets in excess of \$1 trillion.<sup>128</sup>
- **Progressive local business networks.** Campaigns like Small Business Saturday,

promoting local purchasing, are being led by groups like the Business Alliance for Local Living Economies (BALLE) and the American Independent Business Alliance. Michelle Long, BALLE’s executive director, notes that “What BALLE does is catalyze the creation of new networks of businesses in different communities, and strengthen them with tools and resources.”<sup>129</sup> Members of the American Sustainable Business Council have made a commitment to sustainable economic development.

- **Community foundations.** Some of these foundations’ most exciting new work connects to city government—like The Greater Cincinnati Foundation (GCF) investing \$500,000 in a loan fund to help grow minority businesses, started with the mayor’s office and others. GCF is among an “Innovative 30” community foundations taking up impact investing and economic development, profiled in a 2014 report by The Democracy Collaborative.<sup>130</sup>

## The seedbed of a new progressive movement

**A** great wave is indeed rising. Taken together, these many players represent a single, growing force for building community wealth.

When these community-based players work collaboratively with mayors and economic development leaders, something bigger becomes possible. Something powerful begins to catch hold. Cities are the intersection, the nexus where the inclusive economy can begin to rise.

“The idea of the ‘progressive city’ has fascinated for over a century,” writes Cornell’s Pierre Clavel. Detroit, Toledo, and Cleveland fought streetcar monopolies in the early 1900s. In the 1970s, Berkeley radicals proposed a city takeover of the public utility and succeeded in achieving rent controls. Boston built an early trust fund for affordable housing, while Chicago saved factory jobs with industrial retention measures. But from the 1970s to the present, Clavel says, “progressive city cases have demonstrated the possibility of exceptions, but not much more than that.”<sup>131</sup>

## Promoting Local, Living Economies

Baye Adofo-Wilson, Deputy Mayor for Economic and Housing Development, City of Newark

“The Local Living Economies Movement is about: Maximizing relationships, not maximizing profits,” Judy Wicks has written.<sup>1</sup> She is one of the founders of the Business Alliance for Local Living Economies, a national organization devoted to enhancing local economies, where Baye Adofo-Wilson served on the board of directors. Following his 2014 appointment to the post of Deputy Mayor for Economic and Housing Development for the City of Newark, New Jersey, Wilson says he took inspiration from Wicks in helping Mayor Ras Baraka create a unique Valentine’s Day sale for land.

The date was Feb. 14, 2015. The idea was celebrating relationships. The city sold 100 lots for \$1,000 each to any couple—of any sexual orientation—willing to build and live in a home on the land for at least five years. “We are observing Valentine’s Day with creativity and a commitment to Newark’s couples, by offering them opportunities to achieve their American dream of home ownership,” Baraka wrote. “At the same time, we are turning vacant lots into homes that strengthen our communities, replacing blight with development.”<sup>2</sup> As Wilson said, “you had to be a couple and a family, and that was the only condition.”

That colorful gesture was one among many steps the City is taking in its ongoing revitalization. After decades of population loss, Newark has in recent years been regaining population, in large part because of an influx of immigrants. Today, close to 80 percent of Newark residents are people of



color.<sup>3</sup> The city has been undergoing significant development, yet unemployment stands at 19 percent, and median household income is just \$33,000. In efforts to ensure that development benefits residents, the City enacted a first source local hiring ordinance, requiring businesses contracting with the City to employ Newark residents in 40 percent of jobs.<sup>4</sup> “We are definitely localists,” Wilson said, and much of development decision-making is “based on how to build local economies.”<sup>5</sup> ●

*Photo: The City of Newark in 2015 held a Valentine’s Day Land Sale, in which the city provided forgivable loans to couples purchasing homes in neighborhoods targeted for revitalization. The city sold 100 lots for \$1,000 each to any couple—of any sexual orientation—willing to build and live in a home on the land for at least five years.*

**Photo c/o the City of Newark, NJ**

1 Judy Wicks, “Local Living Economies: The New Movement for Responsible Business,” *Sustainable Business Network of Philadelphia*, unpublished, undated paper, <http://www.sbnphiladelphia.org/images/uploads/Local-LivingEconomies.pdf>.

2 Naomi Nix, “Valentine’s Day Deal: Newark Selling Sweethearts Vacant Lots for \$1,000,” *NJ Advance Media for NJ.com*, Feb. 9, 2015, [http://www.nj.com/essex/index.ssf/2015/02/valentines\\_day\\_deal\\_buy\\_vacant\\_land\\_for\\_1000\\_with.html](http://www.nj.com/essex/index.ssf/2015/02/valentines_day_deal_buy_vacant_land_for_1000_with.html).

3 “Opportunity Network: Jobs and Community Development for the 21st Century,” *Institute for a Competitive Inner City*, April 2015, [http://www.icic.org/ee\\_uploads/publications/OppNewark\\_06\\_April.pdf](http://www.icic.org/ee_uploads/publications/OppNewark_06_April.pdf).

4 City of Newark, “Hiring of Newark Residents By Contractors or Other Persons Doing Business with the City of Newark,” Jun. 2003, <https://index.ci.newark.nj.us/dsweb/Get/Document156762/First%20Source%20Ordinance.pdf>.

5 Interview with Baye Wilson, Feb. 27, 2015.

The force now building at the city level is potentially something larger. It may well represent the seeds of a new progressive movement. It has thus far failed to be recognized as such, because it represents social change profoundly different from the past. It's arising not at the federal but the local level. It's less about regulation than asset building—and not just financial assets, but a whole range of diverse kinds of community assets. It's not initiated solely by government but is collaborative. It's a different kind of movement, with different kinds of players, aimed at reshaping the fundamental design of the economy. It is, at root, a movement to enable communities to control their own economic destiny.

## A desperate need for alternatives

If this groundswell of activity is hopeful, the reasons behind it are not. Innovative economic approaches are being sought because communities are desperate for alternatives to business as usual.

Even with the end of the Great Recession and the recovery long declared, many Americans see little evidence of recovery in their own economic fate. A troubling one in four U.S. jobs pay less than poverty-level wages.<sup>132</sup> Real wages for the bottom 80 percent of Americans have remained essentially stagnant for 30 years—even as the income of the top 1 percent has more than doubled, from roughly 10 percent of all income in 1980 to more than 22 percent in 2012.<sup>133</sup> Today, a greater proportion of Americans live in poverty—a staggering 45 million—than in the late 1960s. Children fare worst of all, with close to half of all children up to the age of five living in low-income families.<sup>134</sup> While families struggle to make ends meet, they are also crushed by outsized and costly debt burdens, since close to 56 percent of consumers have sub-par credit scores.<sup>135</sup>

The true reality of the crisis in many ways remains obscured. The news media reported a national unemployment rate of 5.1 percent in August 2015, yet this figure fails to add in the longer term unemployed and discouraged workers who have ceased looking for

work. When those who've been discouraged for less than a year are included, unemployment comes in at more than 10 percent. When the long-term discouraged are included, the full unemployment rate stands at 23 percent, according to Paul Craig Roberts, former assistant secretary of the U.S. Treasury and former associate editor of the *Wall Street Journal*.<sup>136</sup>

America's inner cities show the scars. The Institute for a Competitive Inner City (ICIC) looked at the inner cities of 339 cities nationwide with populations over 75,000. Between 2000 and 2011, 90 percent of these inner cities saw increased poverty and unemployment.<sup>137</sup>

Inequality strikes people of color particularly hard. African-Americans and Latinos are more than twice as likely to be living in poverty as non-Latino whites.<sup>138</sup> In terms of assets, the picture is bleaker. For households of color, 61 percent are poor in liquid assets.<sup>139</sup> Between 2007 and 2010, white family wealth fell 11 percent; but fell a stomach-churning 44 percent for Latino families and for Black families, 31 percent.<sup>140</sup>

The urgency of the need for alternatives becomes starker when we consider that most babies born in the U.S. are children of color. We are only three decades away from becoming a nation where the majority of population is people of color, and many cities are already there. People of color represent close to two-thirds of the population in Chicago and New Orleans. Large cities like New York, Philadelphia, Cleveland, and Richmond, Virginia are also now "majority-minority" cities.<sup>141</sup>

The American economy is failing the majority of our nation's people—a trend that threatens to worsen, unless we can answer the challenge now before us: Can we find a way to include those long excluded from economic prosperity? Social safety nets and end-of-pipeline solutions like regulation and taxes are no longer enough. Our challenge today is one of design. Can we design an economic system that, through its normal functioning, builds the wealth and prosperity of the many, not just the few?

## Part 4: How to Do It. Six Strategies for Community Wealth Building

**F**or cities, the economic challenges our nation faces are not abstractions but urgent realities. This has led cities to experiment with a wide array of strategies to build community wealth. Here, we look at some of the best strategies—each of them deploying multiple community wealth drivers.

We look at six broad categories of strategies: anchor institution procurement; financing; enterprise development and retention; land use and real estate strategies; and ecological resilience strategies. We offer a few examples of each, showing how city governments are supporting these efforts. At the end of this section, we look at steps to getting started.

### I. Anchor procurement strategies

Conscientiously directing the substantial resources of locally rooted nonprofit institutions such as hospitals and universities—as well as community foundations and city governments—is a key strategy to drive equitable development.

**Increasing local procurement by City government:** In 2015, the City of New Orleans passed an ordinance establishing a goal for public spending, as well as private projects using public funding or incentives, to source at least 50 percent of goods and services from locally owned businesses, 35 percent of which must be certified socially and economically disadvantaged businesses. The City is developing a plan to encourage local hospitals to adopt similar local procurement plans, including potentially supporting the development of cooperatives to address areas of unmet demand.<sup>142</sup>

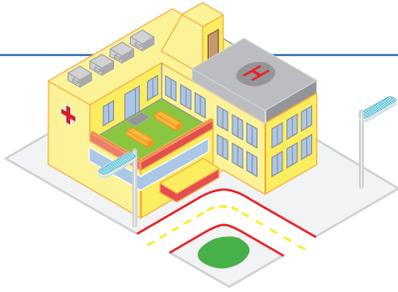
**Creating collaboratives to encourage local anchor procurement:** In Chicago in 2014, the city and county government helped launch an initiative

called the Chicago Anchors for a Strong Economy (CASE), with a mission of connecting the city's anchor institutions to local suppliers. The initiative collects data on anchor purchasing needs and then coordinates opportunities to increase local procurement. At the same time, CASE, in partnership with merchant bank Next Street, works with local businesses to help them scale operations to meet these needs. CASE aimed to work with 100 local businesses in its first year.<sup>143</sup>

In New Orleans, projects receiving public funding must source 50 percent of goods locally.

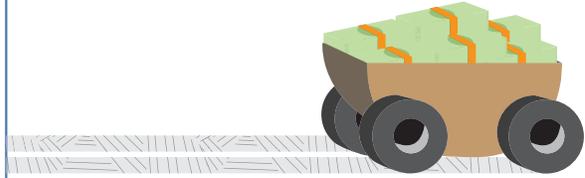
**Using community benefits agreements to create anchor procurement commitment:** Boston's Northeastern University, as part of a large-scale real estate development initiative, agreed to seed a \$2.5 million local economic development revolving loan fund. The purpose of the fund is to enable local businesses to expand, building their capacity to do business with the university. This initiative, finalized in a contractually binding community benefits agreement, was shepherded by a City Council member, who worked closely with the university and the community. In the CBA, Northeastern committed to purchasing 15 percent of its goods and services from Boston-based, minority- and women-owned businesses. It also will directly

# Six Strategies



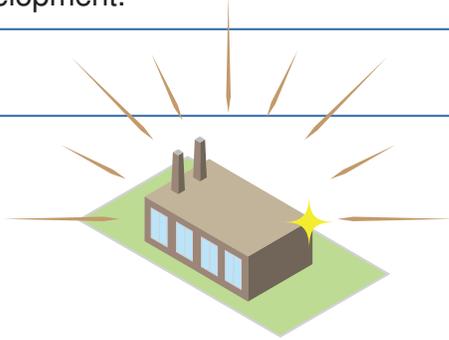
## ANCHOR PROCUREMENT

Locally rooted nonprofit institutions (including hospitals, universities, community foundations, and governments) consciously direct resources to drive equitable development.



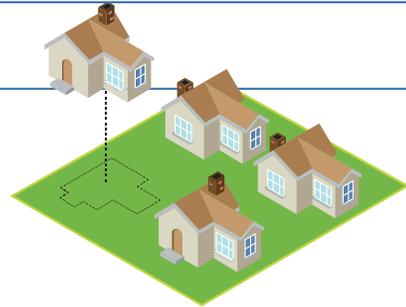
## FINANCING

In partnership with CDFIs, foundations, banks, and impact investors, cities create loan funds, make equity investments, and introduce responsible banking ordinances.



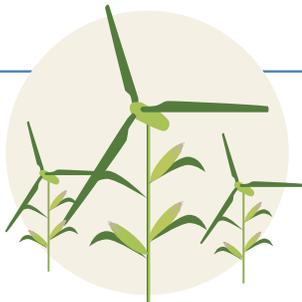
## ENTERPRISE DEVELOPMENT

Cities build infrastructure for inclusive enterprises by supporting cooperative development, conversion to employee ownership, and incubator and accelerator creation.



## LAND USE & REAL ESTATE

Partnering with others, city governments support equitable land development through urban gardens, community land trusts, and land banks.



## ECOLOGICAL RESILIENCE

Cities pair workforce and ecological goals as they promote energy efficiency, foster renewable energy, recycle materials, and create food hubs.



## WORKFORCE

Cities consciously link workforce development efforts to employers, especially for residents with barriers to employment, creating pipelines for employment.

contract more than 50 percent of workers for the development from Boston; 40 percent will be people of color and 10 percent women.<sup>144</sup>

## 2. Financing strategies

Access to capital is critical to building healthy local economies but is often a challenge in communities not well served by traditional lenders. Many players can come together to support community capitalization, and many kinds of tools can be used by cities, including investments into CDFIs, creating city loan funds, and offering equity investments and loan guarantees. Municipal governments have introduced responsible banking ordinances that leverage city deposits to encourage responsible banking in low-income and minority communities. Some are exploring city-owned banks.

**Doing direct city lending:** In September 2014 the City of Denver's Office of Economic Development (OED) made a Community Development Block Grant Section 108-guaranteed loan for \$1.2 million to the local nonprofit Re:Vision, to help purchase property for what is expected to be the new Westwood food cooperative. Located in a food desert where residents have high rates of obesity and poverty, the cooperative will function as a food hub and neighborhood grocery store. It will buy surplus food from resident immigrant families growing in backyard gardens, helping them earn extra income. As the OED explained, "This community wealth building approach is truly unique as it creates a for-profit business, owned by the people growing the food, and then shares the profits with the community it serves." The loan is part of the OED's citywide Neighborhood Marketplace Initiative, aimed at improving business districts in targeted neighborhoods.<sup>145</sup>

**Partnering with CDFIs:** The City of Seattle's Community Power Works program is a partnership with a local CDFI, Craft3 (formerly ShoreBank Pacific), designed to help residents finance home energy upgrades. Launched in 2010 when the City received

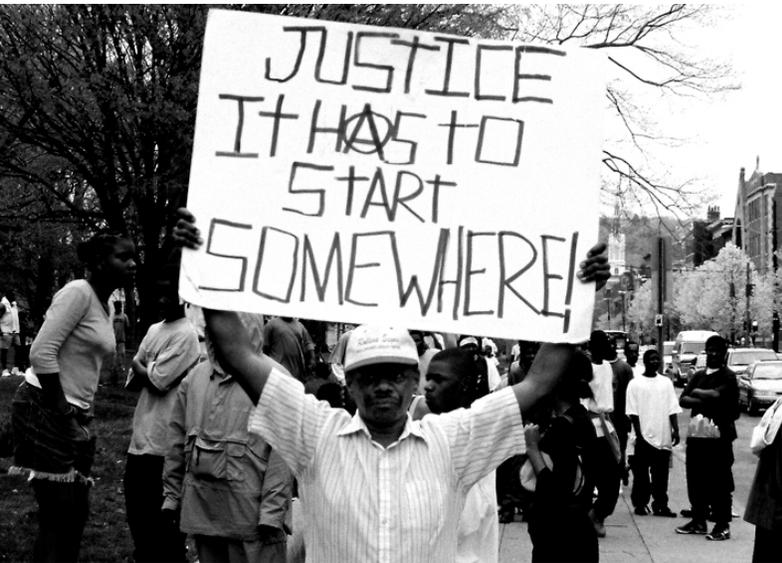


The López family stands in front of their backyard garden, which produces hundreds of pounds of food in a summer. Soon, they will be able to sell their surplus to the Westwood Food Cooperative, along with 300 other families participating in Re:Vision's community urban farm program. The City of Denver helped finance this cooperative.

**Photo by Jess Elysse, c/o Re:Vision**

a \$20 million grant from the U.S. Department of Energy, Community Power Works is a one-stop-shop for energy efficiency upgrades, including assessments, financing assistance, and connections to local contractors. Working closely with the City, Craft 3 offers loans from \$1,000 to \$50,000, which can be paid back in installments on energy bills. To date, nearly 3,000 homeowners have taken advantage of Craft 3's low-interest loans, providing nearly \$40 million dollars of work to local energy contractors. Overall, Community Power Works reports that the project has employed more than 700 workers, 95 percent of whom are local. The program is now being rolled out on a larger scale.<sup>146</sup>

**Leveraging capital to support local enterprise:** The City of Cleveland has been integral to the success of the three worker-owned Evergreen Cooperatives, leveraging state and federal funds to support the project. With the start-up of the first cooperative, Evergreen Cooperative Laundry, the City leveraged \$1.5 million in Empowerment Zone/HUD 108 funds and



In response to unrest in Cincinnati after an unarmed black youth was shot in 2001, a community taskforce was formed to address the underlying economic causes of racial disparities. A resulting collaborative, led by The Greater Cincinnati Foundation and supported by the City, created the Minority Business Accelerator to grow businesses owned by African-Americans.

Photo by Ryan Thomas, Creative Commons licensing

included \$200,000 in a City of Cleveland EDA Title IX Working Capital Loan. A few years later, to support Green City Growers, the most recent cooperative enterprise, Cleveland leveraged more than \$10 million in city and federal funds.<sup>147</sup>

### 3. Enterprise development and retention strategies

Cities have a key role in creating the infrastructure to support enterprises that are locally and broadly owned. They can, among other activities, support the development of cooperatives; encourage existing businesses to convert to employee-ownership; and create incubators and accelerators that help businesses and social enterprises to grow.

**Supporting the development of cooperatives:** In Madison, Wisconsin, a long-time hub of cooperatives, the City has made a preliminary commitment to spending \$1 million a year, over five years, to establish new worker cooperatives. The city is looking to use some of that \$5 million to develop a revolving

loan fund, managed by a local CDFI or credit union, to provide capital for cooperative start-ups and conversions and is expected to set aside the remainder as technical assistance funds.<sup>148</sup>

**Encouraging companies to convert to employee ownership:** Bay Area cities of Richmond and Oakland, California, supported the Bay Area Blueprint, aimed at integrating employee ownership at all levels of the jobs ecosystem. The project was led by the nonprofit Project Equity, in collaboration with the Sustainable Economies Law Center and the East Bay Community Law Center and other nonprofit organizations, businesses, and local governments. The plan focuses on starting and scaling up local cooperatives, as well as converting existing businesses to employee ownership. Project Equity is now launching a Cooperative Business Incubator that supports companies through all phases of a worker cooperative conversion.<sup>149</sup>

**Creating business incubators and accelerators:** In response to unrest in Cincinnati after the shooting of an unarmed black youth in 2001, community leaders convened a taskforce to address racial disparities in the city. A resulting collaborative, led by The Greater Cincinnati Foundation and supported by the City, created the Minority Business Accelerator to grow businesses owned by African-Americans. The Accelerator, now housed in the Cincinnati USA Regional Chamber, works to build the capacity of these businesses and to connect them to local demand. Since 2003, the accelerator has created nearly 2,000 jobs. The City of Cincinnati is now an investor in the accelerator's new L. Ross Love GrowthBridge Fund, which provides direct lending to local companies owned by African-Americans and Latinos.<sup>150</sup>

### 4. Land and real estate strategies

Working together with others, city governments can support a number of community wealth building strategies in land and real estate. Chief among these

## Up From the Grassroots

John Barros, Chief of Economic Development, City of Boston



As the 14-year-old son of immigrants from Cape Verde, John Barros got his first taste of economic development as he joined his aunt in attending community meetings in the Roxbury neighborhood of Boston. Before long, he became at age 17 the first young person elected to the board of the Dudley Street Neighborhood Initiative (DSNI), and found himself at the center of the organization's nationally celebrated work in organizing low-income community members to reclaim and rebuild the once-devastated neighborhood. A book, several films, and countless articles have been created celebrating DSNI's work in launching a community land trust that redeveloped housing on burned and empty lots, while it kept those homes permanently affordable as Boston real estate prices climbed. Ultimately Barros became executive director of DSNI. And from there, he was handpicked in February 2014 by Boston Mayor Martin Walsh for the newly created post of Chief of Economic Development for the City.

In his new post, he has been focusing on ensuring equal access to employment for all Bostonians, building pathways to careers, and supporting small businesses, particularly women- and minority-owned businesses. Barros has been working closely with Mayor Walsh to develop a new innovation center in the neighborhood of Roxbury, where 89 percent of residents are people of color and a

third of residents live under the poverty line.<sup>1</sup> "It's a first attempt to create a cluster of innovation technology in those [low-income] communities," Barros said, "to make sure that every neighborhood is part of our new knowledge economy." Boston has also recently launched a new office of financial empowerment, "to complement the work we're doing around small business in neighborhoods," he said. As a strong proponent of participatory practices in all City engagements, Barros expressed concern about "the threat of displacing a community as you create and think about place-making." The City's aim, he emphasized, is "to make sure that we're doing place-making with communities and not despite communities." And that means that communities "participate in the conversation and talk about what this place should and could be," he said.<sup>2</sup> ●

*John Barros (middle) with Chris Jones (right), Executive Director of the Dudley Street Neighborhood Initiative; and Dr. Xavier de Souza Briggs of the Ford Foundation (left).*

**Photo by Travis Watson, c/o the Dudley Street Neighborhood Initiative**

1 Keane Bhatt and Steve Dubb, *Educate and Empower: Tools for Building Community Wealth*, Takoma Park, MD: The Democracy Collaborative, Aug. 2015, p. 87.

2 Interview with John Barros, Oct. 15, 2014.



Students at the Austin Polytechnical Academy, a partnership among Chicago Public Schools, local manufacturers, the Chicago Teachers Union, and the Austin community, learn a new skill.

Photo by Brett Swinney, c/o Manufacturing Renaissance

strategies are community land trusts (CLTs), where the land is held in trust while houses are individually owned. Similarly, land banks bring vacant and blighted lots under the control of a public authority to redevelop the land for productive uses.

#### **Development without displacement:**

Burlington, Vermont's community land trust (CLT) is one of the country's oldest, formed in the 1980s during Mayor Bernie Sanders' administration, with \$200,000 in seed money from the city's Community and Economic Development Office. Originally conceived as a means of keeping an influx of wealthy landowners from driving up housing costs, the trust keeps home purchase costs at below-market rates for low-and-moderate-income residents. Champlain Housing Trust currently provides affordable housing for more than 2,500 households.<sup>151</sup>

**Cultivating urban gardens:** The City of Providence, Rhode Island is working in a partnership called Lots of Hope that will convert vacant lots to urban farms. Partners include the Rhode Island Foundation and the Southside Community Land Trust. The City leases lots to the land trust at

low cost, which are then subleased to residents and community organizations for farming. Lots of Hope provides access to locally grown, fresh food in food desert neighborhoods, and improves access to green space in environmentally at-risk communities. The program is being financed by a \$50,000 grant from the Partners for Places initiative (with a matching grant from the Rhode Island Foundation), a collaborative designed to catalyze sustainability partnerships between local governments and local foundations. The Urban Sustainability Directors Network helped launch the fund in 2012.<sup>152</sup>

**Reclaiming blighted properties with land banks:** To consolidate some of the city's 40,000 vacant lots, the City of Philadelphia in 2013 created a land bank—a public authority that streamlines the purchasing of tax delinquent properties and keeps them out of the hands of speculators. With a starting budget of \$4 million, the land bank now holds title to 8,000 blighted properties. It has brought together a coalition of city agencies, nonprofit community groups, and local businesses to develop a plan to turn these lots to productive community use.<sup>153</sup>

## **5. Ecological resilience strategies**

Vital to the ecological transition our economy needs are sectors such as green energy and local food systems. Cities are supporting such projects in ways that combine business incubation, linking supply chains, and creative financing, as well as land and real estate development and reuse.

**Enhancing energy efficiency and creating inclusive jobs:** Clean Energy Works in Portland, Oregon, is a program launched in 2009 to retrofit homes to be more energy efficient while creating high-quality jobs. Led by the City of Portland Bureau of Planning and Sustainability, in partnership with community organizations and utilities, the program includes a priority set by the Mayor that all new jobs created should go to low-income people and women of color. The program, which has since become

a standalone nonprofit, finances energy-efficiency upgrades through a revolving loan fund, initially funded using Recovery Act funds from the Energy Efficiency and Conservation Block Grant (EECBG) program, with other City resources. In 2010, the City received a \$20 million grant from the US Department of Energy to expand the program statewide. More than 500 loans have been made, and over \$6 million invested in businesses, 23 percent of which went to women- and minority-owned businesses. More than 400 workers have been employed.<sup>154</sup>

**Supporting a healthy food system through food hubs:** The Fifth Season Cooperative in La Crosse, Wisconsin is a pioneering multi-stakeholder food hub, started with the help of Gundersen Lutheran Health System, the University of Wisconsin-La Crosse, and three public school systems, which serve as anchor institution buyer members. The cooperative has many kinds of members, including producers, distributors, buyers, and workers. Fifth Season provides technical assistance to help its producers and processors grow. It also ensures that the vast majority of what the buyer pays goes to the producer. The Cooperative was started in 2010 with funding from Vernon County's Economic Development Association (VEDA), via a state grant, as well as money raised from selling stock to local residents.<sup>155</sup>

**Fostering clean energy through publicly owned electric utilities:** In Burlington, Vermont, the city-owned electric utility—the Burlington Electric Department (BED)—is moving toward becoming one of the greenest utilities in the U.S., announcing in 2014 that Burlington was the first city to supply residents with 100 percent renewable energy. As a result, BED reports that annual electricity consumption in 2013 was less than in 1989 and that energy efficiency investments have saved Burlington consumers more than \$10.1 million in retail electric costs annually.<sup>156</sup> Similar moves are possible at other community-owned electric utilities, of which there are more than 2,000.

## 6. Workforce development strategies

Linking workforce development efforts to employers, especially for residents with barriers to employment, is key to community wealth building. Cities are helping workforce strategies in a variety of ways.

Clean Energy Works in Portland does energy-efficiency retrofits while directing jobs to those in need.

**Creating pipelines for employment in anchor institutions:** New Orleans Works (NOW) is a workforce initiative led by the Greater New Orleans Foundation and supported by the City. It is also a local site of the National Fund for Workforce Solutions, which has sites in more than 30 cities, each seeking to help low-wage workers advance through employer engagement. NOW seeks to build long-lasting partnerships between employers, trainers, and workers to create a jobs pipeline that helps low-skilled workers advance and helps businesses compete. The initiative focuses on the health care sector, with partners that include Ochsner Health System, the Southeast Louisiana Veterans Healthcare System, and Delgado Community College. They together train workers for medical assistant positions, and provide wrap-around services to help participants succeed. In 2014, NOW's work resulted in pay raises for more than 400 Ochsner medical assistants.<sup>157</sup>

**Connecting workforce development and employers:** The Chicagoland Manufacturing Renaissance Council is a regional strategic collaborative started in 2005 to help rebuild Chicago's manufacturing base, and connect to those needing

jobs. The collaborative engages many partners, including the City of Chicago, community leaders, labor, education, and business and manufacturing groups. Its signature programs include: the Austin Polytechnical Academy, a partnership among Chicago Public Schools, local manufacturers, the Chicago Teachers' Union, and the Austin community that trains students; ManufacturingWorks, an employer-demand-driven workforce center endorsed by the City of Chicago, which has resulted in an estimated additional annual payroll of \$25 million and 828 new manufacturing jobs;<sup>158</sup> and the Austin Manufacturing Innovation District, started with a \$1.25 million grant in 2012 from the City of Chicago, which connects training, research, development, and hiring activities in Chicago's Austin neighborhood.<sup>159</sup> This model is already being replicated in San Francisco and the Bay area, with interest growing in New York, Newark, Detroit, and Baltimore.

## Getting started

Given the wide variety of possible strategies, how can cities know where to start? While there is no single pathway to building community wealth, there are a few key steps common to most projects.

### 1. Identifying roles

Because community wealth building is inherently collaborative, it begins by identifying the organizations that will play key roles. There are three basic roles cities play in collaborations—supporter, convener, or catalyst.

As a supporter, a city funds an initiative run by someone else or otherwise gives it momentum. One example was New York City's decision to allocate millions to fund nonprofits to develop cooperatives. A convening role is about pulling people together, while also not actually running the initiative. For example, in Jacksonville, Florida, the previous mayor, Alvin Brown, in 2014 convened a roundtable of civic leaders, and later created a 14-member taskforce to

oversee a Community Wealth Building Initiative to help businesses sell to anchor institutions. Yet the real force behind the initiative was ICARE, the Interfaith Coalition for Action, Reconciliation, and Empowerment, a faith-based community organization working to create quality jobs as a way to address inter-generational poverty.<sup>160</sup>

A catalyst role is when a city is an instigator, getting projects off and running. In Richmond, Virginia, Mayor Dwight Jones created the new Office of Community Wealth Building so it could play a role as catalyst—leading other city agencies and organizations to work together toward addressing wealth inequality. Whatever the role of the city, its presence in community wealth building collaborations can be transformative.

## Getting Started



## 2. Inventorying assets

Because the purpose of community wealth building is to develop place-based assets, a critical early step is to identify assets and how they can be leveraged. Grounded in the work of John L. McKnight and John P. Kretzman of the Asset-Based Community Development Institute in Chicago, the mapping (or inventorying) local assets approach helps to shift the focus of community revitalization efforts away from a deficit model, which highlights what is wrong and what is needed, to a model based on community strengths, which lifts up what is possible and what exists.<sup>161</sup> Local assets can take many forms, including strong community organizations, social networks, cultural history, natural resources (such as parks and waterfronts), built infrastructure, and human capital. Also important are local institutions—such as churches, foundations, and nonprofit hospitals and universities. A good way to get started is to survey the community through interviews with key stakeholders who can identify assets and areas of opportunity.

## 3. Determining demand

A key driver in community wealth building is tapping into large sources of demand. Once a city has inventoried community assets, it can select the most promising opportunities by analyzing what kind of demand exists. What are large, local anchor institutions buying, and which purchases might be directed locally? What are the major economic trends and consumer interests driving future opportunity? A feasibility or market study can identify and prioritize potential business opportunities and determine how to fill market gaps with local enterprise development and support. Such a study should include a general economic analysis, to situate opportunities within a broad perspective.

## 4. Fostering collaboration

With assets and demand analyzed, a city or organization is in a position to bring together the right

players—including the City, nonprofit organizations, anchor institutions, philanthropy, and residents. Given the budgetary constraints most cities face, working collaboratively is critical, as it brings multiple resources to bear. It is important to create space to build trust, outline roles, foster communication, and articulate the mutual self-interest of all parties. This can be done through group visioning sessions or roundtables, or through creating a council, workgroups, or an advisory committee with clearly assigned tasks.

## 5. Planning your approach

After opportunities have been identified through the feasibility study, the next step is to select the strategy suited to address local needs. Strategies can be combined. Anchor institutions, financing, enterprise development and retention, land and real estate, local energy and food systems, and workforce development are like tools on the workbench, many of which can work together to build wealth. In its best forms, community wealth building employs planning approaches that closely involve the community, so that development is done with local residents, rather than to them.

## 6. Evaluating your outcomes

Community wealth building evolves through various stages—planning, incubation, start-up, growth, and so on. These stages can take more time and effort than is often realized. Incubation of businesses, for example, can take five years (or longer), and requires a good deal of training and education. At each stage it's important to ask: What worked? What didn't? Who benefited? Mistakes will happen, but can serve as learning opportunities. Also critical is learning from other communities about their mistakes and successes, to shorten your community's learning curve.

## Part 5: Where It's Headed. Going to Scale or Remaining Marginal

**F**or several decades we have been conducting an economic-policy experiment in state and local governments, and now it's time to stop the testing because the results are clear: the dominant paradigm, incentive-fueled competition among these governments, does not create economic prosperity." So wrote Mark Funkhouser, former mayor of Kansas City, Missouri, and current publisher of *Governing* magazine. He argued that now is the time for "testing and developing a new paradigm for economic development, one that channels capitalism's strengths while protecting the commons and producing a more broadly shared version of prosperity."<sup>162</sup> That paradigm, he wrote, is "called Community Wealth Building."<sup>163</sup>

We hope that a growing number of people agree. But let's not sugar coat this. Despite the multiple benefits of these new approaches, they also bring multiple challenges. If the practices of community wealth building hold promise as an emerging system, much of the work still remains nascent, scattered, small scale, and disconnected. Even those who favor this work too often misconceive it as being only about cooperatives. "Emergent" is a good term for this approach.

In many ways, this movement stands at a crossroads. Community wealth building can remain marginal, or go to scale. Here we explore both possibilities.

### Challenges of this work

**Lack of understanding.** A recurring challenge leaders identify is a need for education and skill building. As Denver-based cooperative attorney Linda Phillips told us, "There's a yearning for the model, but people just don't know about it or how they can use it." She emphasized that colleges need to create educational material on cooperatives. "And coopera-

tive development organizations need more funding for public awareness campaigns."<sup>164</sup>

**Limits of existing leadership.** Enabling community members to claim economic power means developing their capacity, and that's labor-intensive, because target populations have traditionally been left out of leadership positions. Even leaders with experience often have expertise only in certain specialties, but lack a systemic perspective. On top of that, as Hilary Abell said, "The culture of a typical nonprofit is different from the culture of a typical business, so when nonprofits get involved in developing businesses, they often need to bring in new skillsets and shift their day-to-day culture."<sup>165</sup>

**The power of vested interests.** Denise Fairchild of the Emerald Cities Collaborative summed up a major challenge: "The vested interest of legacy industries wants to hold on to the old paradigm and has the money to influence the politicians and the public through mass media."<sup>166</sup> Large corporations receiving millions of dollars in incentives will continue to demand these. Site location consultants will help them do so. These players will not simply disappear.

**Lack of funding.** Alicia Philipp of The Community Foundation for Greater Atlanta said, "the biggest hurdle is the money, because it's very expensive when you're investing in the long-term growth of employees to become owners."<sup>167</sup> Without sufficient capital, community wealth building will stay small.

**A perception of inherent small scale.** Even those engaged in community wealth building think in terms of silos and small scale; they often *don't* think in terms of creating an entirely new economy based on new principles. If all we create are more worker-owned companies and anchor procurement projects, we've failed. Those won't alter the trends.

We need to shift the entire local system and its outcomes. The biggest challenge is for the field to expand its vision—to dare to imagine becoming big enough that we are no longer simply a nice alternative, but are becoming the system itself.

At a more granular level, the reality of many of these challenges has been seen in the development of the Evergreen Cooperatives in Cleveland, where our organization has long been and remains involved. Among many challenges confronted and lessons learned:

- The importance of champions in positions of government and at institutions.
- The need to assemble multiple kinds of funding—philanthropic, government, private investment—to capitalize enterprise.
- The need for continual employee-owner training, along with wrap-around services for the disadvantaged.
- The difficulty of weighing the need for experienced management with the desire to develop leadership within disadvantaged populations.
- The push and pull of running a successful business versus advancing the community.

As Bill Generett of Urban Innovation21 in Pittsburgh observed, “All this takes time. It can be resource heavy. In a nutshell—it’s patience, it’s resources, it’s being willing to accept when mistakes are made. But more importantly, you need to learn from mistakes. And then stay the course.”<sup>168</sup>

## Opportunities at hand

If these challenges are real, equally real are opportunities that represent potential momentum for scale. Below are a few of these:

### **The clout of community-based players.**

The general public tends to overlook how large the community-based economy is. The country’s 30,000 cooperatives have assets of more than \$3 trillion. Nonprofit hospitals and universities together in 2015 held assets of \$2 trillion. One could add in municipally owned electric utilities, CDFIs, and the pension

The field could benefit from a regular census of the community-based economy, the economy beyond Wall Street.

funds of state, city, and county governments. As a whole, community-based assets total many trillions of dollars.<sup>169</sup> The field could benefit from a regular census of this kind, to create awareness there is a substantial economy beyond Wall Street, an economy rooted in place. There is also growing interest among players like nonprofit hospitals and universities in deploying their resources to benefit local communities.

**Growing interest in place-based impact investing.** A sophisticated group of players is building the infrastructure to enable local investing to flourish. The field of “impact investing”—investing for financial return and community impact—is being advanced by the Global Impact Investing Network, among others. Conferences in this field, like Social Capital Markets conference, attract thousands. New platforms, funds, and organizations for community investing appear regularly. With the 2015 release of rules by the Securities and Exchange Commission implementing the JOBS Act, ordinary (non-accredited) investors will be able to invest in startups, small businesses, and equity crowdfunding.<sup>170</sup>

**New nonprofit hospital mandate to consider the social determinants of health.** The Affordable Care Act contains requirements for nonprofit hospitals to help in developing local economies. The law requires these hospitals to conduct regular community health needs assessments and report on community benefits. As studies have shown, socioeconomic factors contribute more to

health than access to healthcare. As the president of the Robert Wood Johnson Foundation has written, “We know that a child’s life expectancy is predicted more by his ZIP code than his genetic code.”<sup>171</sup> Chief among the social determinants of health is poverty, which correlates more with poor health than access to care does. The nation’s 3,000 nonprofit hospitals are, in effect, being pushed to recognize their role as anchor institutions, and to address the root causes of poor health by creating economic opportunity for the disadvantaged. City leaders can help move hospitals, as Chicago is doing with its CASE initiative.<sup>172</sup>

**The stormwater management crisis.** This growing crisis is the result of aging infrastructure that forces wastewater and sewage overflow into waterways, increasing health risks. The EPA estimates national water infrastructure capital needs for the next twenty years at \$600 billion.<sup>173</sup> It’s not clear where these funds will come from, and many communities show a lack of urgency around this issue. But the public health crisis cannot be denied. Every year, sewer overflows contaminate U.S. waters with 860 billion gallons of untreated sewage.<sup>174</sup> According to the U.S. EPA, up to 3.5 million people annually fall ill from swimming in such waters.<sup>175</sup> If even a portion of remediation expenditures was directed toward locally rooted businesses, potential benefits would be large. Prince George’s County, Maryland, for example, is supporting the creation of a business aimed at becoming worker-owned, which will maintain green infrastructure to absorb water runoff before it reaches the sewers. Initially small, the business is expected to employ up to 40 within five years, with additional expansion possible.<sup>176</sup>

**Baby Boom entrepreneur retirement.** As mentioned earlier, the retirement of Baby Boom business owners presents an opportunity to transition millions of companies to worker ownership. Bob Balaban of Headwaters MB, a Denver investment bank, observed that “trillions of dollars of business value are going to change hands in the next ten to twenty years.”<sup>177</sup> Cities can help these businesses become

## Affordable Care Act shifts focus from volume to value

In addition to requiring hospitals to conduct community health needs assessments, the Affordable Care Act (ACA) also calls for a shift in Medicare and Medicaid reimbursement for hospitals—with a goal of incentivizing quality care (value) over the quantity of care (volume). This shift represents a potentially substantial opportunity for economic development.

Until the Affordable Care Act was passed, nearly all Medicaid and Medicare payments were tied to volume—better known as “fee for service.” Fee-for-service rewards providers based on how many patients they see or procedures they perform, regardless of results. Today, already 20 percent of Medicare reimbursements have shifted to value-based systems. In January 2015, the Centers for Medicare & Medicaid Services called on hospitals to increase that 20 percent to 50 percent by 2018. The implication is that health care providers, provided they wish to have financially sustainable operations, will be forced to make fundamental changes in operations to improve health outcomes for vulnerable populations, particularly low-income and elderly patients. And because factors other than healthcare delivery (such as poverty and environmental conditions) drive the overwhelming majority of health outcomes, hospitals are being forced to consider how to address these larger health drivers.<sup>1</sup>

This opens up the opportunity for community economic development professionals to help hospitals think more seriously about the social determinants of health, such as poverty and lack of economic opportunity. Hospitals can be encouraged to direct more resources to addressing problems upstream, addressing the roots of poverty within the community. ●

1 “Better Care. Smarter Spending. Healthier People: Paying Providers for Value, Not Volume,” U.S. Department of Health and Human Services, January 26, 2015, from <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2015-Fact-sheets-items/2015-01-26-3.html>, accessed September 15, 2015. See also: Risa Lavizzo-Mourey, “Why Health, Poverty and Community Development are Inseparable,” in Nancy O. Andrews and David J. Erickson, *What Works for America’s Communities: Essays on People, Place & Purpose*, San Francisco, CA: Federal Reserve Bank of San Francisco and Low Income Investment Fund, 2012, pp. 215-225.

employee owned. Federal tax incentives make this beneficial to the selling owners.

**The transition to green energy.** The Clean Power Plan by the Obama administration requires states to develop clean power plans, which could do for the energy sector what the Affordable Care Act is doing for the health sector: push utilities to think about community impact. Community wealth building strategies can include community-owned solar, and worker-owned or municipally owned energy efficiency services. One example is Sonoma County, California, where a group of cities and towns together formed a locally controlled power provider, delivering 100 percent renewable energy, at 20 percent below regular rates.<sup>178</sup>

## Design for catalyzing the new paradigm

Such opportunities encourage the field to think big—imagining how various trends might coalesce to take community wealth building to a new scale. Also necessary are many steps to change economic development as usual. Below, we look at pathways that cities and others can follow to shift toward community wealth building.

### Add community wealth drivers to existing work

Community wealth building need not be adopted in any complete form. It's simply a different way of thinking, and its drivers can be applied to many existing approaches. As was mentioned earlier, economic gardening can benefit from incorporating local, broad-based ownership. Tech sector cultivation could add the driver of inclusion. Workforce development can add drivers of ownership and inclusion, working with or helping create social enterprises that hire those with barriers to employment. Anchor purchasing and hiring can be added to many approaches. Cluster development approaches could add inclusive, local ownership. A city could build an inclusive alternative energy system, for example, or a food hub cooperative that helps local agriculture flourish.



Worker-owners of the New Era Windows Cooperative celebrate their reclaimed factory and jobs, regained four years after their former employer, Republic Doors and Windows, closed its doors due to bankruptcy. With the coming wave of Baby Boom entrepreneur retirements, the nation faces an opportunity for a large-scale transition to employee ownership.

Photo c/o The Working World

Other players can also add community wealth building drivers to enhance their work.

- **Cooperative developers** can work with city government, and can partner with anchor institutions, bringing large-scale demand to cooperatives.
- **Local business networks** can embrace the employee ownership transition, to keep companies locally owned long term.
- **Impact investors**, when faced with a lack of local investment opportunities, can work collaboratively with technical assistance providers to create or expand local businesses. Impact investors can also emphasize place and inclusion—looking not only internationally, but closer to home, helping tackle inequality in America.
- **Community development corporations**, in their housing development work, can add workforce and ownership drivers. For example, Bickerdike Redevelopment Corporation in Chicago created Humboldt Construction Company, a social enterprise subsidiary that provides union construction jobs and contracting services for Bickerdike construction projects.<sup>179</sup>

“We need a law that prohibits corporations from extracting bribes from government.”

—Mark Funkhouser,  
*Governing* magazine

### Shift the use of incentives

A key move is ending abuses in using incentives to lure corporations. A first step is attaching safeguards, such as online reporting of costs and benefits, claw-backs (money-recapture provisions), living wage requirements, and local hiring covenants. Good Jobs First already publicizes data through its Subsidy Tracker database. This activity to make abuses visible may soon gain momentum, thanks to August 2015 rules by the Governmental Accounting Standards Board requiring that state and local governments report on revenue lost to economic development tax breaks.<sup>180</sup> Citizen groups can use this data to publicize misuses, and to push for more dollars spent building the local economy.

Greg LeRoy, executive director of Good Jobs First, recommends other reforms. Among them:

- Allow school boards to control their share of property tax abatements by having a full voting seat on any board that diverts tax revenue from schools.
- Register and regulate site location consultants, like other lobbyists.
- Create a federal “carrot” to end interstate piracy.<sup>181</sup>

On this last point, LeRoy said that the federal government could stop states from poaching companies from each other, virtually with a pen stroke. It could reward localities that agree to stop pirating with additional Community Development Block Grants from the Department of Housing and Urban Develop-

ment—similar to how highway funds were used to persuade states to raise legal drinking ages. As LeRoy pointed out, solutions are not complicated; what’s needed is political will.<sup>182</sup>

Mark Funkhouser of *Governing* magazine suggested a more fundamental reform, which is to recognize relocation incentives as illegal bribery. He wrote: “We need a national law that prohibits corporations from extracting bribes from state and local governments and bans governments from donating tax dollars to private entities—a sort of domestic equivalent of the Foreign Corrupt Practices Act, which prohibits American companies from bribing foreign governments.”<sup>183</sup>

Ultimately, the goal is not only to stop inappropriate incentives, but to redirect dollars to building community wealth. This could include shifting incentives toward inclusively owned companies, and to groups building local business capacity. It can include using incentives to create good jobs, and access to jobs for those with barriers to employment.

### Support inclusively owned enterprises

Cities like New York and Austin have passed legislation supporting worker cooperatives—with Madison on track to do so in 2015. Portland, Oregon has helped women and people of color launch businesses. Beyond a focus on individual businesses, a key driver is building support ecosystems, which include networks, business incubators, and financing mechanisms. In Buffalo, New York, the city’s small business development center is partnering with a local nonprofit, People United for Sustainable Housing (PUSH), to ramp up worker co-op development.<sup>184</sup>

Cities could also create municipally owned enterprises, or encourage the creation of social enterprises, to perform city tasks—recycling, insulating homes, installing solar, and so on. Such efforts need not remain modest. In Canada, the 2015 Québec provincial budget allocated \$100 million over five years for development of the “social economy,” which encompasses cooperatives and social enterprises.<sup>185</sup>

# Substantial Community-Based Assets

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## ESOPs

In 2012, the 6,908 businesses with Employee Stock Ownership Plans accounted for \$1.1 trillion in total assets, distributed among 13.8 million participants.

Source: NCEO, "A Statistical Profile of Employee Ownership: Estimated Number of ESOP Plans, Number of Participants, and Plan Asset Value (2012 data)," NCEO, March 2015.



## Nonprofit Hospitals & Universities

As of 2015, 3,690 higher education institutions held assets of \$639 billion and 718 nonprofit hospitals held assets of \$1.38 trillion.

Source: National Center for Charitable Statistics, "NCCS All Registered Nonprofits Table Wizard," Urban Institute, 2015. <http://nccsweb.urban.org/tablewiz>.



## Cooperatives

The University of Wisconsin's Center for Cooperatives reported in 2009 that there were nearly 30,000 cooperatives owning total assets of more than \$3 trillion.

Source: Steven Deller, Ann Hoyt, Brent Hueth, Reka Sundaram-Stukel, Research on the Economic Impact of Cooperatives, University of Wisconsin Center for Cooperatives, 2009.



## Community Investment Institutions

The 880 community investment institutions (which include CDFIs, credit unions, and loan funds) in the U.S. held assets totalling more than \$64.3 billion in 2014.

Source: US SIF, *Report on US Sustainable, Responsible and Impact Investing Trends, 2014*, The Forum for Sustainable and Responsible Investment, 2014.



The Champlain Housing Trust, with the active support of the City of Burlington, purchased and renovated what was once an unsavory tenement building across from City Hall into 34 affordable apartments with street level commercial space.

**Photo c/o Champlain Housing Trust**

To grow existing businesses that have inclusive ownership, cities can make support services—such as small business and workforce development programs—more explicitly available. Emily Kawano of the Wellspring Collaborative in Massachusetts noted that such services in some cities are not readily available to cooperatives or worker-owned firms.<sup>186</sup>

Investing in business accelerator programs for social enterprises is another approach—replicating the approach of REDF in California. This nonprofit, created by George Roberts, one of the founders of the private equity firm KKR, has helped advance more than 60 social enterprises. These have employed 10,000 people—primarily those with barriers to employment. In 2015, REDF was awarded a two-year, \$7 million grant from the federal Social Innovation Fund to take its work national.<sup>187</sup>

#### **Encourage the flow of local capital**

Cities can take launch revolving loan funds, or retool existing loan funds to finance cooperatives and ownership conversions. Ron Kelly with the Center for Regional Economic Competitiveness said more states and cities are also becoming venture capital inves-

tors.<sup>188</sup> For example, Philadelphia’s economic development agency provides capital at low cost to small- and mid-sized businesses, as well as to businesses owned by women, people of color, and the disabled.<sup>189</sup> When Minneapolis and St. Paul built light rail, they worked with the regional planning agency to create a \$4 million revolving loan fund, the Ready for Rail program, which has made more than 200 no-interest loans to small businesses impacted by construction; nearly two in three of these loans went to businesses owned by people of color.<sup>190</sup> In a more recent move, Madison, Wisconsin is developing a revolving loan fund, to be managed by a CDFI or credit union, to provide capital for cooperative start-ups and conversions.<sup>191</sup>

Cities can also work with banks and foundations to catalyze local lending. Minneapolis is helping to increase lenders’ comfort with cooperatives by providing training to the City’s Business Development office on how to evaluate a cooperative’s financial health.<sup>192</sup> Chicago supports small businesses through the Chicago Microlending Institute, which trains lenders to make targeted loans to the city’s smallest businesses; the institute also operates a \$2 million loan fund, seeded with \$1 million from the City. The institute is run by the nonprofit Accion Chicago, in collaboration with Citi and the Searle Funds at Chicago Community Trust.<sup>193</sup>

Yet another method is to direct city and state pension funds to local investing. New York City uses Economically Targeted Investments—drawn from city worker pension funds—to support affordable housing.<sup>194</sup> The Retirement System of Alabama since 1990 has invested \$5.6 billion, or 10 percent of the corpus of the pension fund, to spur economic development within the state.<sup>195</sup>

One city using many of these approaches is Burlington, Vermont, which has operated a revolving loan fund since 1984.<sup>196</sup> When Burlington helped create the Champlain Housing Trust (formerly the Burlington Land Trust)—the nation’s largest community land trust—the City provided a \$200,000 seed grant and million dollar loans from the Burlington

Employee Retirement Fund, in addition to negotiating a loan from a local bank.<sup>197</sup>

It's possible, in this kind of lending, to add covenants about good jobs. Inner City Advisors in Oakland, California, partners with Fund Good Jobs to invest both debt and equity in inner city companies. As former Executive Director Jose Corona said, "We build in job creation and job quality metrics within the covenants of our investments to ensure that good jobs are being created." Of the businesses served by Inner City Advisors, more than half are owned by women and people of color.<sup>198</sup>

Hospital investment can also be leveraged. In Rochester, Minnesota, the Mayo Clinic helped finance a community land trust, to permanently preserve affordable housing for community members and employees.<sup>199</sup>

Still another approach is to modify the frameworks of state law to encourage more local investment by individuals. In Vermont in 2014, the Department of Financial Regulation created new rules for in-state investing, allowing companies to raise up to \$2 million in equity without expensive steps to comply with complex federal securities law. Ordinary individuals can now invest up to \$10,000 in a registered Vermont business offering, without having to qualify as high net worth investors.<sup>200</sup>

Helping to finance CDFIs channels funds to low- and moderate-income individuals, local businesses, and nonprofits. The Appalachian Regional Commission, a federal/state agency, has created Appalachian Community Capital (ACC), a new central bank for development lenders that aims to increase the flow of capital to small businesses in thirteen states. The leaders of regional CDFIs serve as the board of directors, and those CDFIs will receive capital from ACC. The bank is funded by a combination of government, foundation, and private financing, from banks that include Deutsche Bank and Bank of America.<sup>201</sup> It's an example of how national funding can be mobilized to support lenders who are community based.

### **Encourage inclusive ownership conversions**

Key to keeping wealth local over the long term is supporting ownership transitions from founders to other local owners, or to employees. Conversions can be thought of as a third stage of enterprise development: first is startup, second is growth, and third is transitioning ownership so wealth stays local.

Conversions have always been the normal path for employee stock ownership plan (ESOP) companies. Several states, such as Ohio, Vermont, and Colorado, have centers that support employee ownership conversion. David Hammer of the ICA Group noted that when Massachusetts had such a state office, he found business owners considering conversion to employee ownership much more willing to share confidential information, which is needed to determine the viability of a conversion.<sup>202</sup> Working collaboratively with Chambers of Commerce and local universities could also be key to creating a city-level conversion project.

Inner City Advisors  
builds in job quality  
metrics in its investment  
covenants.

### **Encourage adoption of an anchor mission**

Cities can adopt an anchor mission through their own purchasing and contracting. The City of Cleveland did this with its Community Benefits Policy, which provides bid discounts of 2-4 percent to businesses owned locally, or by women and people of color, enabling them to win a city contract at a slightly higher bid. The same policy also requires hiring of local residents and people of color by contractors and subcontractors.<sup>203</sup> Seattle established a Racial and Social Justice Initiative in 2004, and since then has doubled its contracts with businesses owned by wom-

en and people of color in non-construction goods and services. In 2014 it added a priority hire program to increase access to construction jobs for women, people of color, and residents in distressed areas.<sup>204</sup>

Cities also can establish local hiring goals and wage standards for other businesses, and convene institutional players around these efforts. In 2000, Newark, New Jersey, passed a first source ordinance, requiring City contractors to employ Newark residents in 40 percent of jobs.<sup>205</sup> In Philadelphia, the Office of the Controller released a plan in April 2015 to “develop a local procurement strategy for Philadelphia’s higher education and healthcare institutions.”<sup>206</sup>

Ramsey County in Minnesota, which includes the city of St. Paul, provides an example of how governments can adopt an anchor mission. The chair of the Ramsey County Board, Jim McDonough, told us the County is leveraging its recently strengthened vision, mission, and goals, rethinking how it can lead as a community anchor institution by comprehensively addressing its role as an employer, purchaser, and service provider. The potential impact is substantial. Ramsey County has a 2015 budget of \$600 million and employs 3,800 full time equivalents. Ryan O’Connor, director of policy analysis and planning, notes that a comprehensive, intentional approach can result in positive changes. For example, as the County sharpened its focus on attracting, promoting, and retaining a diverse and talented workforce, it increased employees of color from 21 percent eight years ago to 28 percent in 2014. “Those percentages equate to more than 250 jobs in eight years,” Ryan said.<sup>207</sup>

### **Innovate in workforce development**

Encouraging anchor institutions to hire people facing barriers to employment is a key approach. One model that cities might replicate with multiple anchors is University Hospital’s “Step Up to UH” program in Cleveland, which has brought low-income residents into the institution’s workforce pipeline.<sup>208</sup>

One challenge for workforce development is finding work for the 650,000 ex-offenders released from prison every year. Here, cities can embrace a collaborative approach, involving nonprofit social enterprise and anchor institutions. One example is DC Central Kitchen in Washington, D.C., which trains and hires the formerly incarcerated—as well as others with employment barriers—through its Fresh Start Catering social enterprise. The enterprise provides 2,600 meals to D.C. school children daily, and serves anchor institutions such as The Smithsonian Institution, the Department of Commerce, and Georgetown University.<sup>209</sup>

Minneapolis is combining ecological and workforce goals with its Green Deconstruction Pilot Project, begun in 2014 as part of Minneapolis Mayor Betsy Hodges’ Zero Waste Initiative. The City is partnering with the nonprofit Better Futures Minnesota, which pays ex-offenders to deconstruct houses and salvage materials, diverting materials from the landfill.<sup>210</sup>

### **Use land trusts and land banks to keep property in community control**

Cities can create land banks for abandoned, vacant, and tax-delinquent property, returning property to productive use. Early adopters of land banks included St. Louis; Louisville, Kentucky; Atlanta; and Flint, Michigan. Since the foreclosure crisis, cities creating land banks include Chicago, Pittsburgh, Philadelphia, and Kansas City, Missouri.<sup>211</sup> Rochester, New York, created a land bank in 2013, using \$4.6 million in grants from a state settlement for abusive mortgage practices.<sup>212</sup> Cleveland has the only industrial land bank in the nation, which has returned more than 125 acres of once-abandoned lands to productive use.<sup>213</sup>

Community land trusts (CLTs) are also gaining recognition because of their ability to keep homes affordable and solve the problem of gentrification. CLTs maximize the effect of subsidies by ensuring permanent affordability, not just affordability for the initial homebuyer. As a Center for Housing Policy report

noted, many programs to assist first-time homebuyers “have no provisions preventing the assisted family from selling the unit and realizing a windfall the day after the home is purchased.”<sup>214</sup> CLTs instead put land permanently in community ownership, lowering the cost of houses, while enabling homeowners to realize some value in price appreciation.

In a 2008 study, the Lincoln Institute of Land Policy observed that in the last decade, more cities have chosen to start CLTs. Chicago, for example, in 2006 became the first large city to establish a city-wide CLT, and its vice chair is the deputy commissioner of the department of housing and economic development.<sup>215</sup>

CLTs are particularly valuable in stabilizing neighborhoods “buffeted by cycles of disinvestment or reinvestment,” and in helping those normally excluded from homeownership, the authors noted.<sup>216</sup> One example is Denver’s pioneering use of a CLT to prevent gentrification around transit-oriented development sites. The City and County invested in the Denver Transit-Oriented Development Fund, joining the initial investor and sole borrower, the Urban Land Conservancy. The local nonprofit and land trust emphasizes permanent affordability and has bought eight properties around planned transit stops.<sup>217</sup>

### Create a new city office

Cities can institutionalize community wealth building by establishing new kinds of positions and offices. Richmond, Virginia, created its new Office of Community Wealth Building. In Oakland, California, Mayor Libby Schaaf has created a new position of Director of Equity and Strategic Partnerships, responsible for coordinating public/private/philanthropic partnerships. In New York City, Miquela Craytor holds the post of Vice President, Industrial Initiatives and Income Mobility. In New Orleans, Ashleigh Gardere is director of the City’s Network for Economic Opportunity. In Philadelphia, Eva Gladstein heads up the Mayor’s Office of Community Empowerment and Opportunity.



Families build assets through ROC-USA, a national support network formed to spread the model of resident-owned communities, where residents of manufactured housing communities purchase and own the land beneath their homes cooperatively. It’s a different approach to scale. What grows is not the wealth of a few, but financial security for thousands of families.

**Photo by Geoff Forester, c/o the New Hampshire Community Loan Fund**

Over time, this variety of positions could coalesce into a more unified field of professionals—similar to the offices of sustainability in city government. Such positions are now so common, they have their own professional association, the Urban Sustainability Directors Network. An intermediate step would be to create a community of practice, to enhance peer-to-peer learning. Ultimately, a national network or conference would be beneficial.

Also needed is systematic cross-fertilization between cities and other players. One example was the March 2015 meeting of philanthropy and development finance, titled “Blending Capital for Impact: How Foundations Can Advance Economic Development Finance.” This gathering was co-hosted by players that included Mission Investors Exchange, the Council on Foundations, and the Council of Development Finance Agencies.<sup>218</sup>

Small and poor cities, in particular, need support in taking up new models—their fiscal vulnerability and limited resources make them that much more likely to simply acquiesce to the demands of large corporations instead of embracing a more sustainable long-term community wealth building approach.

There may be a need for a foundation-funded technical assistance network for such cities, for example, or for legal assistance networks. A pool of matching funds for consultants working in cities might prove useful, as many cities lack sufficient budgets to get the help they need.

Small and poor cities need support to take up new models, because their limited resources leave them vulnerable to corporate demands.

#### Recognize “scale” takes different forms

Going to scale need not mean single entities growing to massive size. Yes, more large worker-owned enterprises would be great. But another form of scale is replication of a successful model in various communities—each locally owned, yet all drawing on a common infrastructure of support.

An example is ROC-USA, a national initiative to scale up resident-owned communities, which are manufactured housing communities where land is owned cooperatively by residents. This model was created by the New Hampshire Community Loan Fund, which has replicated it more than 100 times successfully in the state. ROC-USA was launched in 2008 to take the model nationwide, by providing technical assistance and access to financing. It has built a network of 10,000 homes with partners in fourteen states.<sup>219</sup> This kind of scale is not about growing stock price, but about growing real wealth, in the flourishing of a community.

## How community wealth building can fail, and how it can succeed

The above section identifies the kind of advances needed if community wealth building is to truly succeed. But success is by no means assured.

There are many ways this movement could fail. Its potential advance could become collateral damage in an economic slowdown, with city budgets under too much pressure to innovate, and city leaders desperate for the quick and easy wins of luring big companies, even if such strategies are often self-defeating in the long run. Government and philanthropy could become so engrossed by caring for those harmed by the system as it is, they fail to turn real energy to transforming the underlying causes that keep spinning off economic exclusion. The various players of building community wealth might fail to cohere. The various sub-fields could continue to think in terms of silos, and prove unable to embrace more systemic or collaborative approaches. On the other hand, the language of community wealth building—or other unifying terms—might catch on, yet become so generic as to be meaningless. When larger economic crises arise—with a stock market meltdown, perhaps, or multiplying crises of climate change—the nation might turn aside from addressing inequality, seeking to reinforce and protect, rather than reduce and dispel, existing privileges and disparities.

There is a more hopeful scenario, which we believe has the chance of becoming real, if we lean our weight into it. In this version of the future, the disconnected approaches of community wealth building begin to move out of a phase of uncoordinated innovation into a new phase of infrastructure building. Communities of practice form, and skill levels advance. Resources and trainings become widely available. City leaders join with others to build new local collaboratives. For anchor institutions, it becomes business as usual to adopt an anchor mission, focused on benefiting the community.

# The Rising Tide Must Lift All

Tracey Nichols, Director of Economic Development, City of Cleveland

In 2009, when Tracey Nichols heard about a project in Cleveland to develop a worker-owned laundry cooperative, she called to offer her help. Hearing that the bank found the project a “great idea,” but was unwilling to provide financing, Nichols stepped in. As the director of the economic development department, she realized that some of the funding that was available to her department could be used for this type of start-up. She worked with the Cleveland Citywide Development Corporation, Cleveland City Council, The Cleveland Foundation, and The Democracy Collaborative to help the Evergreen Cooperative Laundry access various kinds of government funding and borrow what it needed. As Nichols said in a Living Cities interview, “That’s a role that government can play, we can take a bit more risk, and we can help out where sometimes a bank can’t.”<sup>1</sup>

In other work building community wealth, Nichols has been integral in shaping the Greater University Circle Initiative, an ongoing gathering of anchor institutions, which has been the catalyst for, among other things, transforming the Health Tech Corridor. This corridor is a three-mile revitalization area aimed at creating thriving communities through coordinated local hiring, living, and buying goals.

In her economic development work, Nichols has an “it takes a village” attitude, recognizing that “it takes a lot of people that are willing to support a brand new enterprise” like the Evergreen Cooperatives, including anchors willing to direct purchasing dollars to this network of three employee-owned firms.<sup>2</sup>

Building on local assets, the City has used programs like the Vacant Property Initiative, the Industrial Commercial Land Bank, and Urban Agriculture Innovation Zones to renovate 2.6 million square feet of space in vacant buildings

1 Allison Gold, “At the Table Profile: How Tracey Nichols is Transforming Cleveland (Despite the Recession),” *Living Cities*, May 29, 2012, <https://www.livingcities.org/blog/70-at-the-table-profile-how-tracey-nichols-is-transforming-cleveland-despite-the-recession>, accessed July 2015.

2 Interview with Tracey Nichols, Aug. 25, 2014.



and return 85 acres of vacant land to productive use—helping to create and retain almost 6,000 jobs.<sup>3</sup> Nichols supported Natoya Walker Minor, Chief of Public Affairs, in the development of Cleveland’s Community Benefits Policy, in which the City provides bid discounts for small and local, minority- and women- owned firms, allowing them to be competitive even if their prices are slightly higher than others. The policy also sets minimum subcontracting goals on City financed projects administered by Nichols’ department.<sup>4</sup>

Nichols recognizes the fact that “the race for incentives is not always in the best interest of the communities,” she said. She still does offer incentives to attract companies. But she enforces companies’ promises through clawback provisions. The City also requires local hiring and living wage agreements for City contracts. For Nichols and the City of Cleveland, “the rising tide must lift all.”<sup>5</sup> ●

*Photo: Downtown Cleveland, Ohio*

**Photo by Erik Drost, Creative Commons licensing**

3 City of Cleveland, “Director of Economic Development,” *City of Cleveland*, <http://www.city.cleveland.oh.us/City-of-Cleveland/Home/Government/Cabinet/TNichols1>, no date, accessed Aug. 2015.

4 City of Cleveland, “City of Cleveland Community Benefit Policy,” *City of Cleveland*, [http://www.city.cleveland.oh.us/sites/default/files/forms\\_publications/CommunityBenefitPolicy.pdf](http://www.city.cleveland.oh.us/sites/default/files/forms_publications/CommunityBenefitPolicy.pdf), accessed Aug. 2015.

5 Interview with Tracey Nichols, Aug. 25, 2014.

With increased financial market volatility, more investors welcome the chance to invest locally, dealing with businesses they know and trust. As the stock market bubble loses air, local investing grows. New forms of intermediation are created, and new frameworks in law enable this shift, encouraging institutional investors of all kinds—pension funds, mutual funds, foundation and university endowments—to shift funds to community investing. Banks become more comfortable lending to cooperatives and ESOPs. Local firms find it easier to raise capital.

With climate change solutions advancing, there's a growing sense that the new economy must be place-based, and that greening the economy offers opportunities for inclusion. Inclusive development and community wealth building become major topics in economic development conferences. Some once-small

## A need to come together

There is reason for hope. There is also much to be done. It may be that the growing interest in community wealth building by city leaders is the most hopeful advance of all, for it is cities where this work can best progress.

At the same time, it's important to remember that what's emerging is more than a few government programs. It's a larger movement of many community-based players, working collaboratively. If this work becomes too dependent on any one player, community wealth building can be at risk. This was seen, for example, when in Jackson, Mississippi, Mayor Chokwe Lumumba articulated a clear vision of building community wealth building in communities of color, then tragically died of a heart attack eight months into his term. The initiative struggled to keep momentum. Similar loss of momentum occurred in Jacksonville, Florida, where Mayor Alvin Brown explored an ambitious community wealth building effort in his first term, then narrowly lost an election. The effort continues in Jacksonville, but it has been scaled back. Government has a vital role to play, but not an isolated role. As Hilary Abell said, "Government can legitimize the model by expressing support for it and providing public funding."<sup>220</sup> It can also deepen impact by lifting up what the community is already doing and connecting it to allies and to resources. City leaders may have their most important role to play as connectors.

Given the magnitude of the crises we now confront, it is imperative to come together as never before. City leaders may be better positioned than anyone to help their communities dream of what might be, to help communities fully recognize how great our collective power can become. As authors of this report, we hope that the time is coming when community wealth building will move from disconnection to unity, from potential power to actual power—guiding inclusive economic development policy across the land.

Imagine one city  
adopts many community  
wealth strategies, creating  
a model of an empowered,  
inclusive city.

pilots find large-scale success, and efforts arise to replicate these. The idea of inclusively building the local economy gains cachet as a solution to inequality.

Some pioneering city steps forward to attempt community wealth building across multiple dimensions—creating, in one place, a model of an empowered city, creating institutions to benefit all who live there. Wealth and income in that city begins to measurably shift. This city becomes a beacon. More people come to recognize this new paradigm of economic development—this new way of constructing an economic system.

## Combining Equity and Resilience:

Ashleigh Gardere, Director of the Network for Economic Opportunity, City of New Orleans

In ten years, newspaper headlines across the country might say: “New Orleans, The First City in America Where the Economy Looks Like its Population”—that’s the transformation Ashleigh Gardere, director of the City of New Orleans’ Network for Economic Opportunity, is working towards.<sup>1</sup> For Gardere, a New Orleans native, the City no longer has the option of looking toward a future like the present, where more than half of African-American males are unemployed. In her position as head of the Office of Workforce Development and the Office of Supplier Diversity—and her previous position as a special advisor to Mayor Mitch Landrieu—she has been advancing new approaches to workforce and economic development that emphasize collaboration and inclusivity.<sup>2</sup> Gardere has helped to enshrine a commitment to equity in the New Orleans Business Alliance’s economic development plan, ProsperityNOLA, and in the city’s resilience plan, Resilient New Orleans.<sup>3</sup>

In 2014, Gardere launched the mayor’s Economic Opportunity Strategy, developed in collaboration with the business community, local anchor institutions, and community-based organizations. The initiative aims to generate community wealth through a multi-pronged anchor strategy; it includes a workforce intermediary that connects disadvantaged job seekers to employment opportunities, as well as a procurement intermediary that helps disadvantaged businesses land contracts with anchor institutions.

Speaking on a panel about the importance of equity in collective impact, Gardere credited the initiative’s successes to weekly collaborative design sessions. Those meetings brought together actors who had

likely never sat in a room together, and enabled the City, as a backbone agent, to “open up doors for conversation,” Gardere said.<sup>4</sup> The meetings helped to spur a partnership with Delgado Community College and the Sewerage & Water Board to provide subsidized training to certify new water infrastructure personnel, as the City prepares for \$3.3 billion in infrastructure improvements.<sup>5</sup>



Since the launch of the Economic Opportunity Strategy, Gardere has worked with the Mayor to develop a local hiring policy. Introduced to the City Council in September 2015, Hire NOLA, will establish a First Source recruitment policy for City contractors. The Mayor intends to increase local hiring, which currently accounts for 21 percent of hours worked, to 50 percent by 2020. He also aims to employ disadvantaged workers, which include low-income residents, single parents, and military veterans, as well as the formerly incarcerated, chronically unemployed, and individuals who have been in the foster care system, in 30 percent of hours worked on City contracts.<sup>6</sup> ●

1 Jennifer Larino, “New Orleans needs post-Katrina economy that ‘looks like its population,’ panel says,” *Times-Picayune*, Aug. 28, 2015.

2 The City of New Orleans, “Mayor Landrieu Announces Economic Opportunity Strategy for Disadvantaged Job Seekers and Businesses,” *The City of New Orleans*, Sept. 9, 2014, <http://www.nola.gov/mayor/press-releases/2014/20140909-economic-strategy/>.

3 New Orleans Business Alliance (NOLABA), *Prosperity NOLA: A Plan to Drive Economic Growth for 2018*, New Orleans: NOLABA, June 2013. City of New Orleans, *Resilience New Orleans: Strategic actions to shape our future city*, New Orleans: City of New Orleans, September 2015.

4 Ashleigh Gardere, Collective Impact Forum, Equity Matters in Collective Impact Panel Discussion, May 6, 2015.

5 W.K. Kellogg Foundation, “Hiring Locally: Network for Economic Opportunity connects New Orleans businesses, job seekers and training programs,” W.K. Kellogg Foundation, no date, <https://www.wkkf.org/what-we-do/featured-work/network-for-economic-opportunity-connects-new-orleans-businesses-job-seekers-and-training-programs> accessed Aug. 2015. *Times-Picayune*, Dec. 3, 2012.

6 Richard Webster, “Mayor Mitch Landrieu wants 50% local hires, 30% disadvantaged for New Orleans contracts by 2020,” *Times-Picayune*, September 3, 2015.



**Twenty Cities  
Building  
Community  
Wealth**

# Part 6: Twenty Cities Building Community Wealth

## Austin, Texas

Population: 885,415

People of Color: 50%

Median Household Income: \$56, 351

Unemployment: 5.9%

Widely known as a high-tech hub, Austin, Texas is also one of the most segregated metropolises in the nation.<sup>221</sup> In an effort to reduce income disparities and provide living wage jobs for the diverse residents of this newly majority-minority city, the city council allocated \$60,000 out of the 2015 budget to support further development of Austin's \$7.7 billion dollar cooperative sector, which employs more than 2,500 individuals.<sup>222</sup> In 2014, the City launched the Recycling Economic Development Program, which includes plans to redevelop a 107-acre landfill site into the municipally owned Austin [re]Manufacturing Hub, which will support the development of locally owned business transforming recyclables materials to new products.<sup>223</sup> Austin was one of the first large municipal governments in the U.S. to power all of its city-owned facilities with renewables. Its general fund has received more than \$500 million from the municipally owned Austin Energy over the last five years, which has helped finance parks, libraries, and emergency services.<sup>224</sup>

## Boston, Massachusetts

Population: 644,700

People of Color: 47%

Median Household Income: \$53,600

Unemployment: 8.1%

Mayor Martin Walsh, elected in 2012, is helping to scale up the community wealth building strategies and institutions initiated before he took office. He is supporting the expansion of the Dudley Street community land trust as a strategy for building healthy and strong neighborhoods, and has appointed John Barros, former director of the Dudley Street Neighborhood Initiative (DSNI), as his chief of economic development.<sup>225</sup> The land trust began in 1980, led by a strategic partnership in which the City granted the DSNI powers of eminent domain to acquire and consolidate vacant parcels. DSNI has grown to a 3,000-member strong force for grassroots redevelopment, and its community land trust today has created <sup>225</sup> permanently affordable homes.<sup>226</sup> Helping to expand entrepreneurial capacity in the low-income Dudley Square community, the City has made a \$25 million investment in the Roxbury Innovation Center, a nonprofit business incubator and co-working space.<sup>227</sup> The center is located in the Bruce C. Bolling

Municipal Building, which commemorates the former city councilor who helped to create the Boston Jobs for Boston Residents policy. That policy mandated that city residents receive half of jobs created by city funds—with 25 and 10 percent set-asides for minorities and women, respectively.<sup>228</sup> In 2014, the City led the first youth participatory budgeting process.<sup>229</sup>

## Burlington, Vermont

Population: 42,323

Percent People of Color: 21%

Median Household Income: \$43,620

Unemployment: 9.0%

In 2015, Burlington, Vermont became the first city in the nation to source all of its energy from renewables, thanks to its municipally owned Burlington Electric Department, established in 1905.<sup>230</sup> Its tradition of local sustainability is embedded in institutions like the Community and Economic Development Office (CEDO), which holds local ownership, equity, and opportunity for all city residents among its main goals. CEDO, established in 1983 under the leadership of then Mayor Bernie Sanders, provides technical assistance to local entrepreneurs and targeted assistance to employers paying living wages. It has operated the revolving loan fund, the Business Loan Program, since 1984.<sup>231</sup> The City provided a \$200,000 seed grant and million dollar loans from the Burlington Employee Retirement Fund, negotiated a loan pool from a local bank, and organized volunteers to support the development of the Champlain Housing Trust (formerly known as the Burlington Community Land Trust) at its outset in 1984. In 1989, CEDO and its Executive Director Peter Clavelle successfully invoked the Public Trust Doctrine in a case before the Vermont Supreme Court, allowing the City to acquire derelict land owned by the Central Vermont Railway and to convert its formerly industrial waterfront into an accessible, multi-use esplanade.<sup>232</sup> In 2001, the City worked with the Champlain Housing Trust, now the nation's largest land trust with more than 560 limited-equity homes and 2,000 apartments, to redevelop brownfields into the waterfront's first housing project. The development is the first LEED-certified multi-family property in Vermont.<sup>233</sup> The City of Burlington has also helped to build long-lasting networks and institutions in support of permanent affordability, such as the Burlington Housing Trust Fund, which supports the creation and retention of affordable housing through a dedicated portion of property taxes, approved by voters in 1989.<sup>234</sup>

## Chicago, Illinois

Population: 2.72 million

People of Color: 65%

Median Household Income: \$76,000

Unemployment: 7.1%

With a strong history of community organizing and development rooted in labor and anti-poverty activism, Chicago has developed a number of community wealth building strategies. The City helps build the capacity of small business through collaborative programs like the Chicago Anchors for a Strong Economy (CASE), which both matches local businesses to anchor institution purchasing needs and links them with technical advisors from the community bank Next Street, to help them build the capacity to fulfill large contracts. CASE is currently housed at World Business Chicago (WBC), a public-private partnership between the City and the business community, chaired by Mayor Rahm Emanuel.<sup>235</sup> Additional partnerships of WBC include Metro Chicago Exports, a regional collaborative between the City and seven nearby county governments that aims to increase exporting capacity of small and medium sized business. There is also the Chicago Metro Metal Consortium, a broad-based partnership between several local governments, business associations, workforce agencies, universities, land banks, and other organizations that works to strengthen the region's 3,700 metal manufacturing firms, which provide employment for one of six people in the region.<sup>236</sup> To further support small business development, the City provides expansion and remodeling grants to small business owners in Tax Increment Finance (TIF) districts.<sup>237</sup> The City has also provided \$1 million to capitalize a \$2 million revolving loan fund for the Chicago Microlending Institute (CMI), a new collaborative between the City of Chicago, Citibank, the local CDFI Accion-Chicago, and the Searle Funds at Chicago Community Trust. To date, CMI has distributed over \$1 million dollars to 125 businesses—of which more than three quarters are minority owned—helping to create or preserve more than 100 jobs.<sup>238</sup> As of 2006, Chicago became the first large city to establish a citywide community land trust.<sup>239</sup> Lawrence Grisham, deputy commissioner of the department of housing and economic development, serves as the vice chair.<sup>240</sup>

## Cleveland, OH

Population: 390,106

Persons of Color: 60%

Median Household Income: \$26,096

Unemployment: 18.1%

Once a former manufacturing center, the City of Cleveland has pushed forward to stabilize Northeast Ohio and has taken an asset-based approach to development, concentrating on the unique

resources of its people, institutions, and geography. The City, in partnership with Cleveland's university, hospital, and community foundation anchors, helped to create the Greater University Circle Initiative (GUCI), a place-based urban revitalization strategy aimed at economic inclusion, community engagement, physical development, and institutional partnerships. GUCI is aimed at improving a community divided between the great wealth of institutions on one hand and poverty-stricken, African-American communities on the other. Under Mayor Frank Jackson, the City provided \$77 million in loans, remediated 28 acres of brownfields, and aided GUCI in obtaining federal financing. These efforts helped to retain biotech entrepreneurs, bring new investment to the area, and redirect a portion of local anchors' \$3 billion purchasing power to local business.<sup>241</sup> Mayor Jackson and Economic Development Director Tracey Nichols were instrumental in bringing to life the worker-owned Evergreen Cooperatives, a key component of GUCI's buy local efforts. This new model of collaboration among the City and its hospitals, universities, and The Cleveland Foundation helped the City expand its Community Benefits Policy, which provides bid discounts to locally, minority, and women-owned business and requires local and minority hiring and subcontracting.<sup>242</sup> Between 2010 and 2014, the City increased contracting to these business groups from 29 to 39 percent of total contracting dollars.<sup>243</sup> University Hospitals adopted similar standards and in 2013, nine leaders of business, civic, labor, and trade organizations signed a memorandum of understanding with the City to hire locally on construction projects and to support workforce development training programs.<sup>244</sup> Maintaining the only industrial commercial land bank in the country, the City of Cleveland has remediated more than 125 acres of brownfields, helping to return previously abandoned lands to productive use.<sup>245</sup>

## Denver, Colorado

Population: 649,500

People of Color: 22%

Median Household Income: \$51,000

Unemployment: 5.9%

Led by The Denver Foundation and the Urban Land Conservancy, City leaders—including Mayor Michael Hancock and Economic Development Director Paul Washington—have begun to adopt community wealth building in a variety of ways. Last year the City's Office of Economic Development made a Community Development Block Grant section 108 guaranteed loan of \$1.2 million to the non-profit Re:Vision, to support land acquisition for a future food hub and neighborhood grocery store, in a neighborhood where average life expectancy is twelve years below the city average. The business will be the first food cooperative in the country that integrates

low-income, urban food producers with value-added food processing and a retail food outlet.<sup>246</sup> Understanding that housing and transportation are the greatest costs to families, the City became an investor in the Denver Transit-Oriented Development Fund, joining the initial investor and sole borrower, the Urban Land Conservancy, to pioneer a new approach to transit-oriented development. The local nonprofit and land trust emphasizes permanent affordability and has bought eight properties around planned transit stops.<sup>247</sup> Denver has entered into several power purchasing agreements (PPA), in which the City buys photovoltaic services rather than the system itself, to deliver low-cost renewable energy with limited up-front capital. The Denver Housing Authority, for example, has installed solar arrays on public housing through a PPA that generates lease payments, and that includes an option to purchase the panels at a significant discount in six years.<sup>248</sup>

## Kansas City, Missouri

Population: 467,082

People of Color: 40%

Median Household Income: \$45,551

Unemployment: 7.2%

Sharing not only their names and the banks of the Missouri River, but also a common workforce, Kansas City, Kansas and Kansas City, Missouri are moving toward a more cooperative regional economy. Both the Missouri and Kansas state legislatures have crafted bills to end job piracy, the longstanding practice of offering tax abatements to lure employers back and forth across state lines.<sup>249</sup> Studies have documented that job piracy between the two cities has cost the Kansas City metropolis \$217 million, approximately \$340,000 for each “new” job.<sup>250</sup> In part due to the efforts by Councilmember Kevin McManus of Kansas City, Missouri, chair of the Kansas City Regional Bipartisan Caucus, the two state legislatures are the closest they have ever been to placing a moratorium on intra-regional job piracy.<sup>251</sup> In July 2014, the state of Missouri enacted its half of the first-ever binding two-state cease-fire agreement. Kansas has another year to enact similar legislation to cement the agreement. Meanwhile, Kansas City, Missouri is also emerging as a community wealth building leader for its efforts to expand use of renewable energy. Following the development of the City’s Climate Protection Plan, Kansas City entered into power purchasing agreements (PPA) to install solar arrays on 59 municipal buildings.<sup>252</sup> Since its beginning in 2012, the Land Bank of Kansas City has acquired almost 500 properties and has raised \$434,095 through property sales.<sup>253</sup>



Minneapolis’ Eastside Food Cooperative was financed by neighborhood associations that pooled their grants from the city’s Neighborhood Revitalization Program (NRP) to create a revolving loan fund.

**Photo by Shirley Doyle c/o Eastside Food Cooperative**

## Keene, New Hampshire

Population: 23,411

People of Color: 5%

Median Household Income: \$50,589

Unemployment: 9.6%

Severe flooding has devastated the small inland city of Keene, New Hampshire, in recent years, a result that many residents attribute to climate change. Starting in 2007, the City engaged well over 2,000 people—out of a population of 23,000—to develop its participatory Community Vision and Local Climate Action Resilient Community plan to lower greenhouse gas emissions and improve resiliency. The plan has now been incorporated into the city’s master plan. It not only addresses environmental and energy impacts, but also considers the economic impacts of climate change. It calls for the creation of an Economic Development Coordinator position, tasked with increasing the capacity of local businesses to adapt to climate change. For example, the plan includes support for a micro-business incubator to foster local agriculture and niche environmental services, as well as retraining for businesses that may lose demand in the face of climate change.<sup>254</sup>

## Madison, Wisconsin

Population: 243,337

People of Color: 20%

Median Household Income: \$49,500

Unemployment: 5.3%

Appreciating that “worker-owned businesses are more likely to provide a living wage” and are “less likely to leave the community they are in,” seven-time Mayor Paul Soglin has supported cooperative development from his first term in the 1970s, during which he helped one of the city’s oldest cooperatives obtain public financing. In his current term, he proposed a commitment in the City’s capital allocation plan of \$5 million over five years for worker-cooperative development, the largest allocation by a U.S. city.<sup>255</sup> The Common Council will vote on the 2016 appropriation when it approves the City budget in November. The City is looking to use some of that \$5 million to develop a revolving loan fund, managed by a local CDFI or credit union, to provide capital for cooperative start-ups and conversions and is expected to set aside the remainder as technical assistance funds.<sup>256</sup> The Common Council has passed several measures to support local entrepreneurs, including imposing limits on the size of big box retailers and deploying 1 to 5 percent price preferences for local businesses.<sup>257</sup> The City is also developing a public market, which will provide retail space, wholesale facilities, and commercial kitchens.<sup>258</sup> In 2013, the City launched its Racial Equity and Social Justice Initiative, aimed at promoting equity in City operations, policies, and budgets and the overall community.<sup>259</sup> Since the initiative’s launch, the City has passed ban-the-box legislation, conducted a study on gender and racial disparities in City contract awards, and launched an internship program to increase representation of people of color employed by the City.<sup>260</sup>

## Minneapolis, Minnesota

Population: 400,079

People of Color: 36%

Median Household Income: \$50,563

Unemployment: 8.0%

Minneapolis, which has long been a center of cooperative development, is seeing a new burst of cooperative activity. The City is working with local partners to explore opportunities to build off its Business Technical Assistance Program to develop a Cooperative Technical Assistance Program.<sup>261</sup> Loan program staffers in the City’s Business Development office have already begun training on how to evaluate a cooperative cash’s flow and organizational health.<sup>262</sup> Residents have likewise embraced cooperative development, as exemplified by the Eastside Food Cooperative, financed by neighborhood associations that pooled their grants from the City’s

Neighborhood Revitalization Program (NRP) to create a revolving loan fund. Many of the members that formed the Eastside Food Cooperative went on to create the 200-member NorthEast Investment Co-op, in which individuals together invest in commercial real estate development. The cooperative has bought several blighted properties and established three new businesses in east Minneapolis.<sup>263</sup> The City is building off its earlier green investments with the 2014 launch of the Green Deconstruction Pilot Project.<sup>264</sup> Through partnerships with the social enterprise Better Futures Minnesota, the City will employ ex-offenders in deconstruction and salvage activities, help to establish local marketplaces for reusable materials, and collect data on the environmental, social and economic impacts of deconstruction compared to traditional demolition.<sup>265</sup> When Minneapolis and St. Paul built light rail, they worked through their regional planning agency to develop a \$4 million revolving loan fund, the Ready for Rail program, which dispersed 206 no-interest loans to small businesses affected by the construction; nearly two-thirds went to businesses owned by people of color.<sup>266</sup> Minneapolis is the only city in the country offering business lending that is compliant with Islamic law, a critical source of support for Muslim entrepreneurs among the city’s large population of Somalis.<sup>267</sup>

## New Orleans, Louisiana

Population: 378,700

People of Color: 65%

Median Household Income: \$36,631

Unemployment: 9.4%

Mayor Mitchell Landrieu has become a community wealth building proponent, advancing “equity as a growth strategy” in the City’s five-year “Economic Opportunity Strategy.” The mayor is working with the New Orleans Business Alliance (NOLABA) to develop solutions to build an inclusive economy, attempting to reduce racial disparities in a city where only 48 percent of African American males are employed.<sup>268</sup> Between 2010 and 2012, the City doubled its contracting with disadvantaged businesses. In 2014, the City Council amended its Home Rule Charter to require that the City establish and maintain a program to encourage disadvantaged business enterprises to participate in City contracts.<sup>269</sup> Continuing to broaden access to opportunity, the City invited The Democracy Collaborative to assess procurement practices and supply chain needs of New Orleans healthcare institutions and the capacity of small, local businesses to fulfill those needs.<sup>270</sup> The City aims to promote equitable growth post-Katrina through partnering and coordinating with CDFIs, on efforts like the \$2 million Small Business Development Fund and the Crescent City Futures Funds, a revolving loan fund for a local community land trust.<sup>271</sup>

## New York, New York

Population: 8.41 mil.

People of Color: 56%

Median Household Income: \$52,223

Unemployment: 8.4%

New York City, under Mayor Bill de Blasio, has taken a national leadership role in using City support to develop worker cooperatives as a community wealth building strategy. In 2014, New York allocated \$1.2 million to support worker-cooperative development, including targeted cooperative conversion assistance in the city's industrial business zones and technical assistance through the City's Department of Small Business Services (SBS).<sup>272</sup> In 2015, the City Council increased funding to \$2.1 million and passed legislation requiring the City to measure the number of City contracts awarded to worker cooperatives.<sup>273</sup> The City uses Economically Targeted Investments (financial commitments made through city worker pension funds), to support the development and preservation of affordable housing, working in parallel with the many community groups also developing solutions for the problem of steadily climbing rent.<sup>274</sup> In 2013, the Northwest Bronx Community and Clergy Coalition and the Kingsbridge National Ice Center Partners finalized a community benefits agreement (CBA), in which the developer promised local procurement, local hiring, and living wage jobs.<sup>275</sup> Community organizing around this CBA led to the passing of the Fair Wages for New Yorkers Act, which required developers receiving tax subsidies in excess of \$1 million to pay living wages. In 2014, Mayor de Blasio increased the value of the living wage required of developers to its current \$11.65 per hour with health benefits or \$13.30 per hour without health benefits—likely reaching \$15.22 per hour by 2019.<sup>276</sup> New York City also hosts the largest participatory budgeting process in the country.<sup>277</sup>

## Newark, New Jersey

Population: 278,400

People of Color: 77%

Median Household Income: \$33,000

Unemployment: 19.0%

Recently elected Mayor Ras Baraka has shifted economic development dollars to support neighborhood-based development. Working to ensure that the city's assets benefits its residents the mayor has announced plans to create the Office of Port Authority Operational Oversight and Lease Compliance Office, which will ensure that the City receives fair payment for use of the Port Newark Marine Terminal, as well as compensation for environmental remediation.<sup>278</sup> The Office would also position the City to enforce its first source local hiring ordinance, passed in 2000, which requires businesses contracting with the City to employ Newark residents in 40 percent



Downtown Newark, New Jersey.

**Photo by Joseph, Creative Commons licensing**

of jobs.<sup>279</sup> The City also requires that 51 percent of subcontracts go to minority- and women-owned businesses, and 30 percent to Newark-based businesses.<sup>280</sup> In 2014, Mayor Baraka helped to reorganize the City's economic development corporation, Newark Community Economic Development Corporation (Newark CEDC), to provide more direct economic development and entrepreneurial support to the distressed wards of the city. Newark CEDC has opened a small business resource center and assigned an economic development director and business development officer for each of the city's five wards.<sup>281</sup> In 2015, under the leadership of Deputy Mayor for Economic Development Baye Adofo-Wilson, the City launched the Live Newark program, which provides forgivable loans to municipal employees and public school teachers purchasing homes in neighborhoods targeted for revitalization.<sup>282</sup>

## Oakland, California

Population: 406,228

People of Color: 61%

Median Household Income: \$54,395

Unemployment: 12.5%

Despite the fact that Oakland, California has one of the principal international ports in the U.S., the City emphasizes localism in its food and energy sourcing, contracting and procurement, and business development. Thanks to the efforts of Councilmembers Annie Campbell Washington, Lynette Gibson McElhaney, and a coalition of cooperative advocates, the City Council passed a resolution supporting the development and growth of worker cooperatives and the City's Business Assistance Center's efforts to provide support



While Oakland, California has one of the principal international ports in the U.S., the city emphasizes localism in its food and energy sourcing, contracting and procurement, and business development.

**Photo c/o the Port of Oakland**

to worker cooperatives.<sup>283</sup> The resolution is a symbolic step toward eventually introducing an ordinance that would create funding pools and preferential purchasing arrangements. Such an ordinance would build upon Oakland's Local and Small Business Enterprise Program, which requires the City to meet minimum contracting and purchasing participation rates of local firms, emerging businesses, and businesses employing Oakland residents.<sup>284</sup> The Port of Oakland has set similar goals, with 61 percent of local hiring achieved in a recent major development.<sup>285</sup> Since the City provided \$50,000 in funding to create the Oakland Food Policy Council in 2006, it has made great strides to support its local food system, including amending its zoning code to reduce restrictions on backyard gardens and selling homegrown crops.<sup>286</sup> Through a pilot project with the school district and other institutional purchasers, the City is developing local food procurement guidelines and identifying local suppliers.<sup>287</sup> The City sources 2.3 percent of its energy from solar panels installed on municipal buildings. It's also working with the County of Alameda to develop a regional Community Choice program, which aggregates consumer demand to create a viable market for renewable energy. The aim is not only reducing emissions but also generating living wage jobs, and promoting ownership of renewable energy assets by low- and moderate-income residents and communities of color.<sup>288</sup> The City also supported the creation of the Oakland Community Land Trust in 2010, with an award of more than \$5 million in Neighborhood Stabilization Program funding, which helped the trust acquire its first properties.<sup>289</sup>

## Philadelphia, Pennsylvania

Population: 1.55 mil.

People of Color: 58%

Median Household Income: \$36,836

Unemployment: 13.8%

Though Philadelphia has one of the highest poverty rates of America's largest cities, it possesses great wealth. Philadelphia's eds-and-medcs anchors have a total combined annual budget of more than \$14 billion and spend roughly \$5.3 billion annually on goods and services.<sup>290</sup> In 2014, City Controller Alan Butkovitz proposed the Anchor Procurement Initiative, publishing a study based on \$3 billion of procurement data that identified opportunities for area anchors to localize more than half a billion dollars in annual spending. The City is now working with Philadelphia's anchor institutions, workforce developers, community development financial institutions, and business groups to create a permanent organization committed to expanding anchor institution local purchasing.<sup>291</sup> In 2013, the City Council passed a bill to create a land bank, and signed into law the Land Bank Strategic Plan, developed in partnership with the Philly Land Bank Alliance.<sup>292</sup> The plan identifies opportunistic vacant and tax delinquent properties, and establishes goals to return land and buildings back to productive use.<sup>293</sup> Under Mayor Michael Nutter, the City established the Office of Economic Opportunity, which has helped to increase participation of women, minority, and disabled-owned firms in city contracts by 37 percent between 2008 and 2014.<sup>294</sup> The City further uses its purchasing power to stimulate inclusive economic development by requiring city contractors to develop Economic Opportunity Plans and in 2014, Mayor Nutter signed an executive order to extend the city's living wage ordinance to subcontracted employees.<sup>295</sup> The economic development agency provides low-cost loans to small and mid-sized businesses; nonprofits; and businesses owned by women, people of color, and the disabled.<sup>296</sup> Philadelphia is one of a few cities in the nation that offers tax credits, up to \$850,000 over ten years, to businesses that make grants to CDCs.<sup>297</sup>

## Pittsburgh, Pennsylvania

Population: 305, 838

People of Color: 34%

Median Household Income: \$42, 004

Unemployment: 8%

Having lost more than half its population since 1950, Pittsburgh experienced the decline that many rust-belt cities have seen. Yet through a rebirth strategy oriented toward high tech industries, today Pittsburgh is known as a turnaround city. When the city began to establish a high tech corridor in its downtown in the early

1980s, community-based groups—financed in part by a coalition of foundation, business, and government leaders—mobilized to assess the job creation potential of the proposed development.<sup>298</sup> The City continues engaging community partners as the tech corridor develops. The City is helping to connect historically black neighborhoods to opportunities within the knowledge-based economy, through its participation in the Pittsburgh Central Keystone Innovation Zone, in partnership with universities, businesses, and community organizations.<sup>299</sup> In 2011, the City passed responsible banking legislation, requiring the City to do business only with those financial institutions that make a commitment to community reinvestment.<sup>300</sup> In 2014, the City established a city-wide land bank.<sup>301</sup>

## Portland, Oregon

Population: 611,134

People of Color: 22%

Median Household Income: \$55,571

Unemployment: 9.0%

Ranked the fifth best city for startups by *Forbes* magazine, Portland has initiated an effort to create an inclusive entrepreneurial environment, supportive of the region's diverse talents. Under the leadership of Patrick Quinton, executive director of the Portland Development Commission (PDC) and its Deputy Director Kimberly Schneider Branam, the City launched its Neighborhood Economic Development Strategy, which uses a community-led approach to wealth creation and income growth.<sup>302</sup> Through the strategy, the City has funded Startup PDX, an incubator that in 2014 focused on minority and women-owned business. The City also launched a Microenterprise and Small Business Development Program, targeted at low- to median-income entrepreneurs. It helped Hacienda CDC establish the city's first Latino public market and business incubator.<sup>303</sup> In 2013 the PDC adopted an equity policy to support equitable outcomes from PDC investments, contracting, programs, and internal business practices.<sup>304</sup> The City combined environmental and workforce goals through the Bureau of Planning and Sustainability's Clean Energy Works program, which has since become a standalone nonprofit. The nationally recognized program, has provided 584 low-interest loans for home energy retrofitting, as well as job training and employment for more than 400 workers.<sup>305</sup>



Hacienda CDC welcomes neighbors to its newly opened public market and business incubator, the Portland Mercado.

**Photo c/o the Portland Development Commission**

## Richmond, Virginia

Population: 214,100

People of Color: 56%

Median Household Income: \$39,260

Unemployment: 10.8%

In April 2014, Richmond became the first city in the nation to create a Mayor's Office of Community Wealth Building, spurred by the leadership of Mayor Rev. Dwight C. Jones. The office is overseeing a comprehensive anti-poverty strategy, coordinating seven traditionally siloed policy areas, including transportation, workforce development, housing, and education.<sup>306</sup> As part of its job creation and workforce development efforts, in 2015, the City retained The Democracy Collaborative to explore pathways to creating social enterprises linked to anchor procurement.<sup>307</sup> In fall 2015, the City launched RVA Future, an initiative aimed at connecting Richmond Public Schools graduates to college and career opportunities and eventually, scholarship support.<sup>308</sup> The City expects to begin construction on a 7.6 mile bus rapid transit line in August 2016, which would be the first stage in the development of a regional transit system to connect disadvantaged residents to job opportunities.<sup>309</sup>



Lovely Warren, Mayor of Rochester, New York, shown here greeting residents at a neighborhood event, is one among a large class of progressive mayors recently elected.

**Photo c/o City of Rochester, Communications Bureau**

## Rochester, New York

Population: 210,300

People of Color: 55%

Median Household Income: \$30,200

Unemployment: 13.9%

The city's first female mayor, Mayor Lovely Warren, has led the city to adopt community wealth building strategies. She played a leadership role in launching the Market Driven Community Co-op Corporation, an effort to develop a network of cooperatives linked to anchor institution purchasing, similar to Cleveland's Evergreen Cooperatives. The initiative to date—with which The Democracy Collaborative is assisting—has gotten widespread backing from area anchor institutions and community groups. In 2013, the City established a land bank, supported by \$4.6 million in grants awarded by the New York State Office of the Attorney General, following the National Mortgage Settlement of 2012, which transferred \$25 billion from large mortgage firms to local communities as recompense for abusive lending practices.<sup>310</sup> The Rochester Land Bank Corporation has transferred more than 40 properties into public ownership.<sup>311</sup>

## Seattle, Washington

Population: 652,429

People of Color: 30%

Median Household Income: \$70,172

Unemployment: 5.9%

As one of the fastest growing cities in the nation, the City of Seattle is applying a range of community wealth building strategies to extend prosperity to all residents. The new Mayor Ed Murray signed legislation to increase the minimum wage to \$15 an hour, making Seattle the first major city in the United States to do so.<sup>312</sup> Through its Racial & Social Justice Initiative, established in 2004, the City has doubled its contracts with women- and minority-owned businesses in non-construction goods and services.<sup>313</sup> In 2014, Mayor Murray signed a new ordinance establishing a priority hire program to increase access to construction jobs and training programs for people of color, women, and residents living in economically distressed areas.<sup>314</sup> The City supports locally owned businesses through a number of programs, such as its Manufacturing Incubator, the \$8 million Grow Seattle Fund, the Local Food Action Initiative, and the zero interest Seattle Made Fund.<sup>315</sup> Taking advantage of the region's robust and diverse agricultural assets, the City has launched a Farm to Table program, which links senior meal sites and Seattle child care programs to local area farms. The City also owns the Pike Place Market, a redeveloped historic property that hosts 220 small businesses, 250 artisans, and 80 farmers.<sup>316</sup> The City has recently announced a partnership with a local land trust and is exploring opportunities to develop municipally owned broadband.<sup>317</sup>

*A note on sources: All data on cities, including population, people of color, median income, and unemployment, was obtained from the U.S. Census Bureau, 2013 American Community Survey estimates.*

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# Index

- Abell, Hillary. 35,52,64  
accelerator. 12,15,44,46,58  
Accion Chicago. 58,68  
Adofo-Wilson, Baye. 41,71  
Affordable Care Act. 53-54  
Akuno, Kali. 35  
Alameda County, CA. 28,72  
anchor institution procurement. 11,15,21, 37,43,44,60,65,70,72,73  
Appalachian Community Capital. 59  
Appalachian Regional Commission. 59  
Aspen Institute Community Strategies Group. 25  
Atlanta, GA. 52,60  
Austin Energy. 11,67  
Austin, TX. 11,27,48,50,56,67  
Baltimore, MD. 10,11,21,28-29,32-33,38,40,50  
Bank of America. 59  
Bank of North Dakota. 12,24  
Baraka, Ras, Mayor, Newark, NJ. 41,71  
Barros, John. 8,19,47,67  
Bass Pro.,31  
Bay Area Blueprint. 28,46  
Berkeley, CA. 40  
Better Futures Minnesota. 60,70  
Bickerdike Redevelopment Corporation. 55  
big box stores. 30,38  
Boeing. 29-30  
Borders Books. 30  
Boston, MA. 8,10,12,15,19,36,40,43-45,47,67  
Branam, Kimberly. 9,28,73  
Brown, Alvin, former Mayor, Jacksonville, FL. 17,50,64  
Burlington Electric Department. 49,67  
Burlington, VT. 48,49,58,67  
Business Alliance for Local Living Economies. 35,40-41  
Campbell Washington, Annie. 71  
Center for American Progress. 35  
Center for Family Life, The. 7  
Center for Housing Policy. 60-61  
Center for Regional Economic Competitiveness. 58  
Center On Wisconsin Strategy. 25  
Champlain Housing Trust. 48,58,67  
Chicago Anchors for a Strong Economy. 11,43,68  
Chicago Community Trust. 58,68  
Chicago Metro Metal Consortium. 68  
Chicago Microlending Institute. 58,68  
Chicago, IL. 11,12,21,34,40,42,48,49-51,54,55,58,60-61,68  
Chicagoland Manufacturing Renaissance Council. 12,34,49  
Cincinnati, OH. 12,46,49  
Citibank. 68  
Clavel, Pierre. 35,40  
Clavelle, Peter. 67  
clawbacks. 38  
Clean Energy Works. 48-49,73  
Clean Power Plan. 55  
Cleveland Foundation, The. 11,63,68  
Cleveland State. 40  
Cleveland, OH. 11,15,17-19,21,24,38-40,42,43,45-46,49,53,63,59,60,68  
collective impact. 22,37,65  
community benefits agreements. 12,25,43,63  
community development corporations. 26,27,32,37,40,55,63,71  
community development financial institutions. 12,40,44,45-46,53,57,58,59,68,70,72  
Community Foundation for Greater Atlanta, The. 52  
community land trusts. 8,10,27,47,48,58-59,61,67,69,72,74  
Community Wealth Building Network of Metro Denver. 17  
Cooperation Jackson. 35  
cooperative 0-12,20,21,24,28,35,38,40,43-46,49,50,52-53,55-58,62,64-72,74  
Corona, José. 59  
Council of Development Finance Agencies. 61  
Council on Foundations. 61  
Craft3,45  
Craytor, Miquela. 61  
credit union. 46,57,58,70  
Crescent City Futures Fund. 70  
Daly, Lew. 18  
DC Central Kitchen. 60  
de Blasio, Bill, Mayor, New York Cty, NY. 7,36,38,71  
Delgado Community College. 49,65  
Democracy at Work Institute. 22  
Demos. 18  
Denver Foundation, The. 17,33,68  
Denver, CO. 17,33,45,52,54,61,68-69  
Design+Culture Lab. 28  
Detroit, MI. 33,40,50  
Deutsche Bank. 59  
Drexel. 40  
Dudley Street Community Land Trust. 8,10,47,67  
Dudley Street Neighborhood Initiative. 8,47,67  
Dwight, Jones, Mayor, Richmond, VA. 17,50,73  
East Palo Alto, CA. 27  
Eastside Food Cooperative. 69,70  
economic gardening. 26-27,55  
economically targeted investments. 58,71  
Electrolux. 31  
Eley, Carlton. 25  
Emanuel, Rahm, Mayor, Chicago, IL. 68  
Emerald Cities Collaborative. 52  
energy efficiency. 44,45,48-49,55  
ESOP. 20,40,57,59,64  
Evergreen Cooperatives. 11,45,63,68,74  
Fairchild, Denise. 52  
Federation of Protestant Welfare Agencies. 7  
Ferguson, MO. 27,29  
Fifth Season Cooperative. 49  
Finkle, Jeff. 25,33  
first source hiring. 32,37,41,60,65,71  
Flint, MI. 60  
food hub. 44,45,49,55,68  
Fund for Democratic Communities. 19  
Funkhouser, Mark. 52,56  
Gardere, Ashleigh. 61,65  
Generett, William. 22,53  
Gibson McElhaney, Lynette. 71  
Gladstein, Eva. 22,37,61  
Global Impact Investing Network. 53  
Gonzales, Javier, Mayor, Santa Fe, NM. 37  
Good Jobs First. 30-32,56,59  
Google. 17,27,33  
Governmental Accounting Standards Board. 56  
Greater Cincinnati Foundation, The. 12,40,46  
Greater New Orleans Foundation. 49  
Greater University Circle Initiative. 11,63,68  
green building. 17,35  
Grisham, Lawrence. 67  
Guadalupe Neighborhood Development Corporation. 27  
Gundersen Lutheran Health System. 49  
Hacienda CDC. 73  
Hammer, David. 59  
Hancock, Michael, Mayor, Denver, CO. 68  
Hennepin County, MN. 24  
Hodges, Betsy, Mayor, Minneapolis, MN. 36,60  
Hoover, Melissa. 22,34  
Huenemann, Justin. 19,31  
Humboldt Construction Company. 55  
ICA Group. 59  
impact investing. 40,53,58,64  
incubator. 12,26,44,46,56,67,69,73,74  
Inner City Advisors. 59  
Institute for a Competitive Inner City, The. 42

Institute for Local Self-Reliance. 30  
 Instituto del Progreso Latino. 12  
 Interfaith Coalition for Action, Reconciliation, and Empowerment. 50  
 International Economic Development Council. 25,33  
 International Paper. 31  
 Jackson, Frank, Mayor, Cleveland, OH. 68  
 Jackson, MS. 64  
 Jacksonville, FL. 50,64  
 JOBS Act. 26,53  
 Kansas City, KS. 69  
 Kansas City, MO. 52,60,69  
 Kawano, Emily. 17,58  
 Keene, NH. 12,69  
 Kelly, Ron. 26,58  
 Kingsbridge National Ice Center Partner. 71  
 La Crosse, WI. 49  
 land banks. 48,63,60,68,69,72,74  
 Landrieu, Mitch, Mayor, New Orleans, LA. 65,70  
 Lanning, Kimber. 30,31  
 LeRoy, Greg. 30,56  
 living wage laws. 12,22,25,38,56,63,67,70,71,72  
 Local First Arizona. 30,31  
 Long, Michelle. 40  
 Los Angeles, CA. 21,25,38  
 Lots of Hope. 48  
 Louisville, KY. 60  
 Lumumba, Chokwe, former Mayor, Jackson, MS. 64  
 Madison, WI. 11,46,56,58,69  
 Mayo Clinic. 59  
 McDonough, Jim. 60  
 McManus, Kevin. 69  
 Memphis, TN. 31  
 Metro Chicago Exports. 68  
 Minneapolis, MN. 24,36,58,60,69,70  
 Minority Business Accelerator. 12,46  
 minority- owned business. 40,43,47,49,63,62,68,71-74  
 Mission Investors Exchange. 61  
 Mitchell, Stacy. 30,32  
 Momentum. 24  
 municipal ownership. 11,19,21,40,55,56,67,69,71,74  
 Murray, Ed, Mayor, Seattle, WA. 36,74  
 Native American Youth and Family Center. 9  
 New Hampshire Community Loan Fund. 61,62  
 New Orleans Business Alliance. 65,70  
 New Orleans, LA. 11,21,42,43,49,61,65,70  
 New York City, NY. 7,11,12,15,22,24,25,36,38,52,50,56,58,61,71  
 Newark, NJ. 41,50,60,71  
 Next Street. 43,68  
 Nichols, Tracey. 11,18,19,63,68  
 Nike. 31  
 NorthEast Investment Co-op. 70  
 Northeastern University. 12,43  
 Northwest Bronx Community and Clergy Coalition. 71  
 Notah Begay III (NB3) Foundation. 20,31  
 Nutter, Michael, Mayor, Philadelphia, PA. 37,72  
 O'Connor, Ryan. 60  
 Oakland Community Land Trust. 72  
 Oakland, CA. 28,46,61,71  
 Ochsner Health System. 49  
 Office of Community Empowerment and Opportunity, Philadelphia. 22,37  
 Office of Community Wealth Building, Richmond. 18,22,24,50,54,61,73  
 Ohio Employee Ownership Center. 59  
 Opportunity Finance Network. 32  
 participatory budgeting. 12,67,71  
 Partners for Places. 48  
 Peduto, Bill, Mayor, Pittsburgh, PA. 36  
 People United for Sustainable Housing. 56  
 Philadelphia, PA. 11,22,37,48,58,60,61,72  
 Philipp, Alicia. 52  
 Phillips, Linda. 52  
 Pike Place Market. 19,74  
 Pinsky, Mark. 32  
 Pioneer Human Services. 20  
 Pittsburgh, PA. 22,36,60,72-73  
 PolicyLink. 18  
 Portillo, David. 33  
 Portland, OR. 9,10,12,48,56,73  
 power purchasing agreement. 69  
 Prince George's County, MD. 54  
 Project Equity. 28,46  
 Prospera. 35  
 Providence, RI. 48  
 Québec, Canada. 56  
 Ramsey County, MN. 60  
 Re:Vision. 45,68  
 REDF. 58  
 renewable energy. 44,49,55,67,69,72  
 responsible banking. 36,44,45,73  
 Rhode Island Foundation. 48  
 Richmond, CA. 28,46  
 Richmond, VA. 11,17,28,24,42,50,61,73  
 ROC-USA. 61,62  
 Rochester, MN. 59  
 Rochester, NY. 11,36,60,74  
 Rubin, Victor. 18  
 Rutgers University—Newark. 40  
 San Francisco, CA. 12,25,27,28,32,50  
 Sanders, Bernard, former Mayor, Burlington, VT. 48,67  
 Santa Fe, NM. 12,36  
 Schaaf, Libby, Mayor, Oakland, CA. 61  
 Searle Funds at the Chicago Community Trust. 58,68  
 Seattle, WA. 12,15,19,20,25,29,30,36,45,59,74  
 Second Chance Recycling. 24  
 Si Se Puede!. 7  
 social enterprise. 20,21,24,28,46,55,56,58,60,70,73  
 Soglin, Paul, Mayor, Madison, WI. 70  
 solar energy. 55,56,69,72  
 Sonoma County, CA. 55  
 Southeast Louisiana Veterans Healthcare System. 49  
 Southside Community Land Trust. 48  
 St. Louis, MO. 60  
 St. Paul, MN. 58,60,70  
 Step Up to UH. 24,60  
 SUNY Buffalo State. 40  
 Swinney, Dan. 12,34  
 Tesla. 30  
 Toledo, OH. 40  
 transit-oriented development. 61,69  
 unions. 12,22,38,50,55  
 University Hospitals. 24,38,60,68  
 University of Memphis. 40  
 University of Missouri, St. Louis. 40  
 University of Wisconsin-La Crosse. 49  
 Urban Innovation 21,22,53  
 Urban Sustainability Directors Network. 48,61  
 Vallejo, CA. 12  
 Vernon County, WI. 49  
 Wal-Mart. 32  
 Walker Minor, Natoya. 63  
 Walsh, Marty, Mayor, Boston, MA. 8,36,47,67  
 Warren, Lovely, Mayor, Rochester, NY. 36,74  
 Washington, D.C.. 12,17,60  
 Washington, Paul. 68  
 WealthWorks. 25  
 Wellspring Collaborative. 58  
 Westwood food cooperative. 45  
 Whitfield, Ed. 19  
 Wiggins, Sandy. 35  
 Workforce Innovation and Opportunity Act. 34  
 World Business Chicago. 11,68

# Interviews Conducted

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**Hilary Abell**, Founder, Project Equity

**Baye Adofo-Wilson**, Deputy Mayor for Economic Development, City of Newark

**Kali Akuno**, Co-Founder and Co-Director, Cooperation Jackson

**John Barros**, Chief of Economic Development, City of Boston

**Margaret Bau**, Cooperative Development Specialist, USDA Rural Development Wisconsin

**Ray Boshara**, Senior Adviser and Director of the Center for Household Financial Stability, the Federal Reserve Bank of St. Louis

**Paul Bradley**, President, ROC-USA (Resident Opportunity Communities)

**Kimberly Branam**, Deputy Director, Portland Development Commission

**Jim Carr**, Consultant; Senior Fellow, Center for American Progress; Distinguished Scholar, The Opportunity Agenda

**Lew Daly**, Director of Policy and Research, Demos

**Denise Fairchild**, President and CEO, Emerald Cities Collaborative

**Jeff Finkle**, President/CEO, International Economic Development Council

**Mark Funkhouser**, Publisher, *Governing* magazine

**William Generett**, President and CEO, Urban Innovation21

**Eva Gladstein**, Executive Director, Mayor's Office of Community Empowerment and Opportunity, City of Philadelphia

**Ira Harkavy**, Associate Vice President and Director, Netter Center for Community Partnerships, University of Pennsylvania

**Paul Hazen**, Executive Director, U.S. Overseas Cooperative Development Council

**Melissa Hoover**, Executive Director, Democracy at Work Institute

**Justin Huenemann**, Executive Director, Notah Begay III Foundation

**Karlene Hunter**, CEO and co-founder, Native American Natural Foods

**Jennifer Kassin**, Consultant; Co-founder, Sustainable Economies Law Center

**Emily Kawano**, Co-Director of the Wellspring Cooperative Corporation; Coordinator, U.S. Solidarity Economy Network

**Ron Kelly**, Vice President, Technical Assistance and Training, Center for Regional Economic Competitiveness

**Kimber Lanning**, Executive Director, Local First Arizona

**Greg LeRoy**, Executive Director, Good Jobs First

**Bernie Mazyck**, President and CEO, South Carolina Association for Community Economic Development

**Stacy Mitchell**, co-director, the Institute for Local Self-Reliance

**Tracey Nichols**, Director of Economic Development, City of Cleveland

**Janet Owens**, Executive Director, Jacksonville LISC

**Alicia Philipp**, President, The Community Foundation for Greater Atlanta

**Linda D. Phillips**, Attorney; Counsel, McClure & Eggleston, LLC

**India Pierce Lee**, Program Director for Neighborhoods, Housing, and Community Development, The Cleveland Foundation

**Mark Pinsky**, President and CEO, Opportunity Finance Network

**David Portillo**, Manager of Strengthening Neighborhoods, The Denver Foundation

**Joel Rogers**, Director, Center On Wisconsin Strategies

**Victor Rubin**, Vice President for Research, PolicyLink; **Chris Brown**, Director for Financial Security, PolicyLink; **Alexandra Bastien**, Senior Associate, PolicyLink

**Charles Rutheiser**, Senior Associate, Center for Community and Economic Opportunity, Annie E. Casey Foundation

**Aaron Tanaka**, Director, Center for Economic Democracy; Startup Manager, Boston Impact Initiative

**Ed Whitfield**, Co-Managing Director, Fund for Democratic Communities

**Thad Williamson**, Director, Office of Community Wealth Building, City of Richmond

**Malik Yakini**, Executive Director, Detroit Black Community Food Security Network

## The data is clear:

The best path to the most wealth and the most jobs for the most people is directly tied to the density and diversity of local ownership. If our goal is equity and health, then economic development needs to shift its focus to place-based impact investment, and technical assistance for locally owned and broadly owned businesses. This report helps to light the way.

**Michelle Long, Executive Director**  
**Business Alliance for Local Living Economies**

## I wish this report

and the strategies it presents had been broadly available to inform our local economic development strategy during my time as an official in city government. Community wealth building offers a fresh perspective on delivering solutions to some of our cities' greatest challenges—from uneven development to business ownership and lack of access to capital—and offers more equitable outcomes for all residents.

**Harold Pettigrew, Director of Entrepreneurship**  
**Corporation for Enterprise Development**



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