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S Y M P O S I U M

COMMUNITY WEALTH BUILDING FORMS: WHAT THEY ARE AND HOW TO USE THEM AT THE LOCAL LEVEL

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As income and wealth inequality hit historic highs, community development leaders are searching for ways to create good jobs and revitalize struggling urban communities. The search has led an increasing number to focus on approaches that involve broad-based ownership models as key tools for creating community wealth. There are many models of enterprises that have a fundamental purpose of benefiting workers and communities. These include employee stock ownership plan (ESOP)–owned companies, cooperatives, community development corporations, community development financial institutions (CDFIs), municipally owned enterprises, social enterprises, B corporations, and others. This paper provides an overview of these different community-based forms of business ownership, how to use them effectively, and what benefits the different forms can provide. Additionally, the paper highlights novel ways to combine these forms into comprehensive community-building strategies as with Market Creek Plaza in San Diego and the Cleveland model of networked worker cooperatives in Ohio. Last, the paper reviews recent efforts to promote cooperatives and community wealth building in major U.S. cities, including New York City; Madison, Wisconsin; Richmond, Virginia; Denver, Colorado; Minneapolis, Minnesota; Jacksonville, Florida; and Rochester, New York.

The strategy of "community wealth building" has gained increasing numbers of adherents as resistance has grown to America's widening gulf between the "one percent" and the rest of the population. With traditional regulatory and tax-and-spend approaches faltering in both the environmental and economic realms, the notion that we should create new democratic economic institutions to build wealth in communities has rapidly gained support.

Evidence that traditional approaches are failing to solve social or environmental problems, especially in the United States, is extensive. The Organization for Economic Cooperation and Development, an organization of leading advanced industrial countries, has ranked the United States consistently among the worst of the surveyed nations in its level of inequality, poverty, life expectancy, infant mortality, and obesity (OECD, 2011, 2015). And the trend is not toward improvement. As an Economic Policy Institute report noted, "Since 1979, the vast majority of American workers have seen their hourly wages stagnate or decline. This is despite real GDP growth of 149% and net productivity growth of 64% over this period" (Gould, 2015, p. 2). With these declines has come tremendous inequality. According to *Forbes* magazine, the 400 wealthiest Americans in the United States have net assets of $2.29 trillion (Dolan & Kroll, 2014). By contrast, according to the U.S. Census Bureau, the bottom 60% of the population has a combined net worth of $1.18 trillion, just a little over half as much (U.S. Census Bureau, 2014). As for the environment, the trends are, if anything, more disturbing. Gus Speth, an adviser to President Carter and founding president of the World Resources Institute, noted years ago that "the environment has continued to go downhill, to the point that the prospect of a ruined planet is now very real" (Speth, 2008).

So how might new democratic economic institutions help? The central idea behind the alternative economic framework of community wealth building is simple: People join together through some type of public-, community-, or employee-owned business to meet local needs and thereby regain a measure of local economic democracy and control. Community wealth

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building can occur through many forms, including employee, nonprofit, and public ownership.

As an economic development approach, community wealth building centers on two key tactics: 1) *leveraging* existing flows of dollars—such as the spending and investment of place-based public and nonprofit "anchor" institutions, such as hospitals, universities, city government, museums, and local foundations—and then capturing and 2) *anchoring* those flows by designing businesses that can meet the needs of those institutions, and where viable, embed those businesses in ownership structures that are unlikely to move and that broadly share the wealth generated among community members. This approach is in stark contrast to the dominant strategy of economic development today, which focuses on the use of tax incentives to "attract" business investment, with annual state and local tax abatements of this kind now totaling more than $80 billion nationally (Story, 2012).

While not fully developed, community wealth building has the potential to be an important building block of an alternative economic system based on values of democratization of wealth (because wealth is shared by a broad number of individuals), community (because the businesses are anchored in place), decentralization (because community wealth building structures limit concentrated ownership), and planning (because business development is linked to the spending and investment decisions of locally based nonprofit and publicly owned anchor institutions such as hospitals, universities, and local governments). Community wealth building forms may also contribute directly to building progressive political power either by displacing corporate power or by offering local officials alternative strategies (or both) (Alperovitz & Dubb, 2013).

Although hardly at such a stage today, community wealth building approaches are starting to make some headway, with supportive city policy beginning to take hold in places such as Cleveland, Ohio; New York City; Madison, Wisconsin; Rochester, New York; Richmond, Virginia; Denver, Colorado; and Austin, Texas. More broadly, the mindset of public officials is starting to shift, in part due to public pressure. John Barros, for example, who became Boston's economic development director in 2014 and who was himself a former executive director of a community land trust, has articulated this philosophy as "place-making with communities and not despite communities" (Kelly & McKinley, 2015, p. 47).

Beyond these public policy gains, the overall scale of place-based community wealth building forms of capital ownership has grown impressively. More than 10 million employees, for instance, own all or part of 6,900 companies through employee stock ownership plans (ESOPs). This is up from 250,000 employee-owners four decades ago. The current value of employee-owners' shares totals $1.1 trillion (National Center for Employee Ownership, 2015).

Community development financial institutions (CDFIs), which are specialized financial institutions (including loan funds, credit unions, and banks) with an explicit mission to reinvest in low-income communities, have grown more than tenfold from a mere $5.4 billion in 1999 to $64.1 billion in 2014. Today, with 880 federally certified CDFIs in operation, nearly every community has access to at least one such institution (Democracy Collaborative, 2005; USSIF, 2014).

Cooperatives, according to a 2009 University of Wisconsin study, operate in 73,000 places of business throughout the United States, own $3 trillion in assets, employ 857,000 people, and generate more than $500 billion in revenue for their member-owners (Deller et al., 2009). It is hard to track growth over time in the cooperative sector because finding a comparably extensive data set to the Deller report is challenging. However, it is clear that there has been significant sector growth. For example, the National Cooperative Bank has tracked the top 100 U.S. co-ops since 1990. In 1990, revenues totaled $81.4 billion. By 2013, revenues had nearly tripled to $234.5 billion, an inflation-adjusted increase of 64% (NCB, 2006, 2014; Officer & Williamson, 2015).

These trends are the focus of this paper. In particular, this paper identifies and explores a range of community wealth building strategies and forms. At the end, this article will highlight some efforts in local cities to incorporate some of these strategies into philanthropic initiatives and, even more recently, into public policy.

COMMUNITY WEALTH BUILDING STRATEGIES

Employee Stock Ownership Plan Companies

One important form of community wealth building is the Employee Stock Ownership Plan (ESOP). ESOPs are pension plans that invest in the stock of the company where a person is employed. (Typically, companies with ESOPs also have a separate 401(k) retirement plan for diversification and retirement security reasons.) With their ESOP pensions, workers collectively own all or part of the company through a trust, from which they cash out when they retire or leave the firm.

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The ESOP is a uniquely American form of employee ownership, devised by investment banker Louis Kelso; it first gained federal backing in 1974 (ESOP Association, 2008). The model is rarely used for start-ups but is commonly used for transferring ownership of companies from family business owners to their employees. Due to the costs involved in setting up and administering an ESOP (estimated set-up cost is $50,000), small companies (say, fewer than 30 employees) rarely work as ESOPs (Rosen, 2009). In the ESOP model, employees do not hold shares directly; shares are held through a trust, governed by a trustee. ESOPs are generally financed by the company borrowing on employees' behalf, with the loan paid back over time from company profits.

In a provision added to the tax code in 1984, business owners were given substantial tax incentives for selling to ESOPs. Owners who transfer 30% or more of their stock to employees can defer capital gains—through a "1042 rollover"—when they use proceeds from a company sale to purchase stock in some other U.S. company. Capital gains tax is deferred until the replacement stock is sold (Reynolds, 2009).

The majority of ESOP firms are small or medium in size, typically with 100 to 500 employees, but some are a good deal larger. The largest, Florida-based Publix supermarkets, has more than 100,000 employee-owners. Most ESOP firms are highly efficient and profitable. Douglas Kruse and Joe Blasi, two Rutgers economists, conducted a meta-study of 29 studies, all of which compared performance of ESOP companies against comparable non-ESOP companies. In testimony to Congress, Kruse indicated that the data showed that "productivity improves by an extra 4% to 5% on average in the year an ESOP is adopted, and the higher productivity level is maintained in subsequent years. This one-time jump is more than twice the average annual productivity growth of the U.S. economy over the past 20 years." Kruse further noted that "25 years of research shows that employee ownership often leads to higher-performing workplaces and better compensation and work lives for employees" (Kruse, 2002).

ESOPs help build worker and community wealth in a number of ways. First, they enable employees to accumulate wealth through ownership shares; also, employees at ESOP companies earn more in wages and retirement income than their counterparts at traditional firms. Additionally, ESOPs enhance job security and are less likely than comparable firms to lay off workers in economic downturns (Zuckerman, 2013).

ESOPs also help anchor capital and stabilize the economic base of local communities. Because ownership is typically vested in the workers who reside in the community, firm relocations are less likely. Moreover, they provide a mechanism for local owners to cash out when they retire while ensuring that their businesses remain financially viable and rooted locally. Another notable ESOP feature is their dedication to protecting the core workforce. J. Michael Keeling, president of the ESOP Association, contends that while CEOs on Wall Street are often financially rewarded for downsizing, "CEOs of ESOPs agonize over layoffs. To say that they do all they can to save a job is not too far-fetched" (J. M. Keeling, personal communication, April 7, 2004).

Cooperatives

A cooperative, in contrast, is funded not by pension contributions but by ownership shares. A co-op is any business that is governed on the principle of *one member, one vote*. What makes it different from a stock corporation is that everyone makes an equal investment in purchasing shares, because (with the exception of non-voting preferred shares) each owner is limited to one share, and therefore has an equal say. Although antecedents exist (including a mutual fire insurance company established by Benjamin Franklin in 1752 that continues to operate in Philadelphia to this day), the first modern cooperative was a retail co-op founded by 28 people in Rochdale, England, in 1844. It originally sold butter, sugar, flour, oatmeal, and tallow candles, but business expanded rapidly in scope and scale as the co-op succeeded in elevating food standards—rejecting then-common tactics such as watering down milk. By 1880, Rochdale had more than 10,000 members and more than 500,000 people had joined food co-ops in Britain; by 1900, British food co-op membership totaled 1.7 million (Democracy Collaborative, 2005; Kumon, 1999).

While 1.9 million people in the United States have directly followed the Rochdale example and are members of food co-ops in roughly 300 communities today, the concept of consumers getting together on a one-person-one-vote basis to create businesses and meet collective needs has proved to have far wider applicability. Nationwide, in addition to more than 100 million credit union members and nearly two million food co-op members, *consumer co-ops* also include more than three million people living in housing co-ops, 42 million who get electricity from electric utility co-ops, 1.2 million members of telecommunications

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co-ops, and 5.5 million members of outdoor equipment retailer Recreational Equipment, Inc. (REI) (National Rural Electric Cooperatives Association, 2014; REI, 2015). All told, according to a 2009 University of Wisconsin study, co-ops operate at 73,000 places of business throughout the United States, own $3 trillion in assets, employ 857,000 people, and generate more than $500 billion in revenue for their member-owners (Deller et al., 2009).

A second type of cooperative is the *producer* (or *marketing*) *co-op*. These cooperatives are most commonly found in the agricultural sector, where family farmers have pooled resources to market their products to effectively compete against corporate agriculture. Cooperatives are so common in agriculture that there are actually more co-op members than family farmers, since many farmers belong to more than one co-op. All told, about 30% of total U.S. agricultural production is marketed by cooperatives, which allows family farmers, despite the obstacles they face, to effectively maintain market share in the otherwise corporate-dominated farming sector. Outside of agriculture, two prominent producer co-ops are Ace Hardware, owned by local hardware stores, and the Associated Press, owned by local newspapers (Adams et al., 2003; Duffy, 1999; Kraenzle, 2000).

A third type of cooperative is the *purchasing co-op*. Purchasing co-ops help independent businesses pool resources to negotiate better supply contracts, thereby lowering their costs to more effectively compete against larger national chains. For instance, through the VHA Inc. co-op, member nonprofit hospitals purchased more than $20 billion worth of equipment. By winning the lower supply costs that national chains enjoy, purchasing co-ops provide a critical mechanism for smaller businesses to band together to gain the advantages of larger scale while maintaining individuality and sensitivity to local conditions.

The last major type of co-op is the *worker cooperative*, an employee-owned business where each worker gets an equal say. In small cooperatives, every worker might also be a board member. In larger cooperatives, workers typically elect board members from among themselves to oversee co-op–wide matters. Worker cooperatives first gained prominence in the United States in the 1880s as the Knights of Labor, the largest labor organization at the time, promoted direct worker ownership of businesses; however, as the Knights of Labor declined, so did worker co-op businesses. In recent years, there has been a resurgence of interest. Numbers remain exceedingly modest but are increasing at a rapid rate. A 2014 survey by the Democracy at Work Institute (DAWI) found 256 worker cooperatives with a total of 6,311 workers and an estimated $367 million in revenues (DAWI, 2014b). Although these numbers are very small, the data do suggest fairly rapid growth. Five years earlier, the Wisconsin survey cited above had estimated that there were 2,340 workers in 223 worker cooperatives with $219 million in revenues (Deller et al., 2009).

In the United States, worker cooperatives can be found in a wide range of businesses, including fair-trade coffee (Equal Exchange being a prominent example), printing and copy stores (such as Collective Copies in western Massachusetts), taxi services (such as the 200-plus–employee cab company Union Cab in Madison), and health care (including Cooperative Home Care Associates in the Bronx, the country's largest worker cooperative, with more than 1,000 employee-owners and $42 million in annual revenue) (Curl, 2012; Durden et al., 2013). The DAWI industry census of 256 worker co-ops found that roughly 80% were in one of the following eight fields: manufacturing, retail, food service, waste management/recycling, professional services, health care, construction, and transportation (DAWI, 2014b).

Cooperatives have many benefits for both their member-owners and their communities. In particular, they often provide quality goods and services to areas that have been shunned by traditional businesses because they are deemed less profitable. They also are more likely to invest in local communities. For example, many rural cooperative utilities finance community infrastructure projects. One such utility is the Iowa Area Development Group, which over the past three decades has invested more than $10 billion in earnings into local development, thereby helping to retain and create more than 50,000 jobs while building needed infrastructure (IADG, 2015). Moreover, because most cooperative members are typically local residents, business profits remain and circulate within the community.

Communities with a higher proportion of such capital are better positioned to achieve economic stability and create jobs. There are also additional benefits. For instance, a community wealth building strategy can greatly assist in planning effectively for a low-carbon future because community-based businesses, anchored in place, provide the economic stability necessary to make transportation and housing patterns considerably more predictable and sustainability planning more effective (Alperovitz & Dubb, 2015).

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Worker cooperatives, in particular, create quality, empowering jobs for community members. In 2014, the Democracy at Work Institute, the nonprofit research arm of the U.S. Federation of Worker Cooperatives, surveyed 109 worker co-ops. Among the survey's findings: "Jobs at worker cooperatives tend to be longer-term, offer extensive skills training, and provide better wages than similar jobs in conventional companies" (DAWI, 2014a, p. 2). These findings dovetail with international research that finds a higher value added per worker in cooperatives relative to comparable non-cooperative firms in Italy, as well as with studies that found that, before worker-owners retired and sold their firms to outside investors, worker cooperatives in the U.S. plywood industry were 6% to 14% more efficient than conventional mills in terms of output, holding input constant (Artz & Kim, 2011).

Community Development Finance Institutions

CDFIs include a variety of nonprofit and for-profit financial institutions—including community development banks, credit unions, loan funds, and even venture capital funds—that provide credit, technical assistance, and other financing services to help low-income individuals, community development corporations, and other community-based entities pursue and implement effective asset-building strategies.

The modern CDFI industry is varied and follows in the tradition set by mutual societies and other community efforts, including community development corporation business loan programs originating in the late 1960s. The sector as we know it today began to take shape in the 1970s with the founding of community development banks such as the South Shore Bank in Chicago in 1973 and of larger community development credit unions, such as the Santa Cruz Community Credit Union in 1977. These early CDFIs—along with efforts to pass and then, after passage in 1977, enforce the Community Reinvestment Act (CRA)—aimed to counter banks' redlining practices and to respond to economic restructuring as the decline of blue-collar industries and the related shift to a more suburban economy led to disinvestment in many communities (Moy & Okagaki, 2001; Pinsky, 2001). Redlining, as two PBS documentary producers noted, is a "practice in which financial institutions literally draw a red line around a particular neighborhood and declare it off-limits for further lending" (Adler & Mayer, 2000). Particularly in the period between 1934, when the Federal Home Administration federal lending program began, and 1968, when the Fair Housing Act legally banned the practice, mortgage lending maps of major U.S. cities across the country routinely marked in red "do not lend" zones that invariably corresponded with low-income, minority neighborhoods. Even after the practice of redlining legally ended in 1968, vestigial practices continued. CDFIs played an important role in beginning to reverse this by directing lending to these communities that previously had largely been denied access to credit.

By the 1980s, in addition to community development banks and credit unions, three other forms of CDFI began to establish more solid foundations: community development loan funds, community development venture capital funds, and microenterprise loan funds. Today community development loan funds are the largest of these three (U.S. Social Investment Forum, 2014). Community development venture funds make equity investments according to socially oriented community development criteria; they are a recent innovation. The first such venture fund dates back to a community development corporation in London, Kentucky, that began making equity investments in local enterprises in 1972 (Community Development Venture Capital Association, 2004; Rubin, 2001).

Later, once the fledgling CDFI industry began to grow, sector leaders found the lack of equity to be a stumbling block and lobbied for federal support. For community financial institutions building equity is critical, because loan loss reserves must be backed by equity capital funds. Most CDFI boards have set a minimum capital-to-loans ratio that they need to maintain based on the risk of the overall loan portfolio. Added equity capital thus allows CDFIs to lend out money for more projects and accept greater risk. In 1994, as a result of a strong early track record, CDFI lobbying efforts, and President Bill Clinton's backing, legislation creating the CDFI Fund was signed into law (M. Swack, personal communication, November 9, 2004). Since passage, the size of the CDFI sector has grown steadily, as noted above, from $5.4 billion in assets in 1999 to $64.3 billion in assets in 2014 (Democracy Collaborative, 2005; U.S. Social Investment Forum, 2014).

CDFIs support community wealth building in many ways. First, they provide much-needed capital and financial services to people and communities that typically are not served by traditional financial institutions, especially small business lending and affordable home loans. Second, loans made by CDFIs often enable community members to purchase their

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first homes or start or grow a locally based business, and help nonprofit organizations develop affordable housing, build community facilities, and launch or expand critical community programs.

CDFIs have also played a pioneering role in community wealth building in more specific ways. For example, the federal Healthy Food Financial Initiative began as an effort led by a Pennsylvania CDFI (The Reinvestment Fund, or TRF). In New Hampshire, the New Hampshire Community Loan Fund pioneered lending to residents to create manufactured housing cooperatives, an effort that, with the support of the Corporation for Enterprise Development (CFED) and the Ford Foundation, has since been expanded nationally.

Community Development Corporations

CDCs are nonprofit organizations that have proved particularly adept at the development of both residential and commercial property, ranging from affordable housing to shopping centers and businesses. First formed in the 1960s, they have expanded rapidly in size and number since. CDCs are typically neighborhood-based 501(c)(3) nonprofit corporations—with a board composed of at least one-third community residents—that promote the improvement of the physical and social infrastructures in neighborhoods with populations significantly below the area median income. In some cases, CDCs extend far beyond the bounds of a single community to cover an entire region.

The modern CDC was explicitly linked to the 1960s War on Poverty (Moynihan, 1969). The Bedford Stuyvesant Restoration Corporation (BSRC), a CDC developed with the bipartisan support of then-Senators Robert F. Kennedy and Jacob Javits, helped set the terms of reference for an institution that can now be found in thousands of communities. In its first 10 years of operation, BSRC provided start-up capital and other assistance to 116 new businesses and renovated or built some 650 new housing units (Alperovitz & Faux, 1985). BSRC also operates a 200-seat theater and a revolving loan fund for local start-up businesses (Bedford Stuyvesant Restoration Corporation, 2002).

Since the 1960s, an estimated 4,600 neighborhood-based CDCs have come into being in U.S. communities. The majority of these are not nearly as large and sophisticated as the leaders, but all employ wealth-related principles to serve geographically defined areas. The assets they commonly develop center above all on housing, but many also own retail firms and, in several cases, larger businesses (National Congress for Community Economic Development, 2006).

CDCs build community wealth in a number of ways. First, they anchor capital in communities by developing residential and commercial property, ranging from affordable housing to shopping centers and businesses. Second, their governance structure typically provides for at least one-third of a CDC's board to consist of residents, allowing for citizen participation in decision making. However, as Archon Fung has cautioned, participation by itself does not result in socially just outcomes (Fung, 2015). For this reason, many CDCs also work to enhance community conditions through organizing, a process critical for empowering residents (Bhatt & Dubb, 2015).

Social Enterprise

Social enterprise in the United States is also a growing sector. Social enterprise organizations can be defined in various ways—indeed, in a broader sense many of the community wealth building forms discussed above could be considered variants of social enterprise. One important segment of social enterprise in the United States concerns the rising number of nonprofit organizations that operate businesses both to raise revenue and to further their social missions. Social enterprise is both a new and an old idea. Nearly everyone knows the names of some of the large nonprofit organizations that have long had business operations: Goodwill Industries, the Salvation Army, the Girl Scouts, and the YMCA are a few prominent examples. And this list excludes the largest sectors of nonprofit enterprise—hospitals and universities. The phrase *social enterprise*, however, is of much more recent vintage, gaining popular currency in the United States only in the 1990s. The term typically implies something more than simply a nonprofit agency that receives fee income. Rather, *social enterprise* most often refers to a nonprofit business that is designed both to raise revenue and to advance specific mission-related benefits.

As social enterprise leader Jim Schorr noted at a 2015 conference in Providence, Rhode Island, in the mid-1990s "there was no ecosystem. It was composed of fringe, semi-crazy entrepreneurs. There was no capital market for social enterprise. There were no policy efforts. No media attention. No college classes. Today, foundations support social enterprise like Skoll and Heron (which invests 100% of its assets). As for policy, the Office of Social Innovation now exists. *Forbes* pays attention. David Bornstein at the *New York Times* covers the industry.

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There are classes on every campus. . . . We have come a long way" (Schorr, 2015).

Social enterprises can help nonprofits build their capacity to generate independent sources of earned income (which, unlike much grant revenue, is typically unrestricted), which enables nonprofits to better support their operations and improve long-term sustainability. When they build up business assets that are directly under their control, they can also convert program clients into active enterprise participants. When they are well managed, nonprofit enterprises can also help break down nonprofit paternalism—that is, a common nonprofit tendency to act "for" but not always "with" communities—by bringing staff and service recipients into more direct communication (because the service recipients are now also employees contributing to the sustainability of the nonprofit itself) and therefore mutually supporting relationships.

Nonprofits can set up businesses in myriad ways—often as for-profit or nonprofit subsidiaries of the parent organization. The division is used for legal reasons, but also facilitates effective oversight and management by keeping the business unit(s) organizationally distinct from the nonprofit's direct service functions. The resulting social enterprises—sometimes referred to as "social-purpose businesses"—employ market mechanisms to meet such key organizational goals as providing job opportunities to "clients" in the businesses they operate. In addition to direct employment benefits, the income social-purpose businesses generate can often enable nonprofits to be more innovative in their service approach.

Social enterprises contribute to building community wealth in many ways. First, these businesses build locally controlled businesses, which help stabilize community economies. Second, social enterprises can provide valuable training opportunities and supportive jobs for many excluded from the labor market. Third, the revenue organizations generate through such enterprises helps reduce their dependence on government and philanthropic funding, and thus often encourages nonprofits to adopt more innovative approaches. Fourth, through the development of such businesses, nonprofit organizations can strengthen their management and business capacities, which, in turn, can boost their overall program effectiveness.

Municipal Enterprise

Municipal enterprises are businesses owned by local public authorities that provide services and generate revenue in cities across the United States. This takes at least three different forms: 1) municipal financing of economic development, 2) direct ownership of business, and 3) public asset management. In terms of financing, municipalities issue revenue bonds, own and maintain industrial parks, and employ revolving loan funds to make below-market loans to businesses (Clarke & Gaile, 1998).

In terms of direct ownership, municipalities own many different forms of business including public utilities, environmental services (e.g., solid waste and drainage), facility management (e.g., convention centers), recreation facilities (e.g., golf courses), and transportation services (e.g., ports and airports). Nationwide, there are more than 2,000 publicly owned electric companies, which had total sales revenues of $54.6 billion (American Public Power Association, 2014). Public power exists in 49 states—every state except Hawaii—and provides electricity to 48 million people (American Public Power Association, 2013). While many public utilities exist in small rural communities, millions of municipal utility customers live in urban areas, including Los Angeles, Long Island (New York), Sacramento, Jacksonville, Orlando, Nashville, Memphis, San Antonio, Phoenix, Austin, Seattle, Omaha, Colorado Springs, Knoxville, and Cleveland. Public utilities' primary line of business, naturally, is power generation, transmission, and/or distribution, but they are also increasingly investing in telecommunications, including cable television, broadband (high-speed internet) services, fiber leasing, and data transmission (R. Lutt, personal communication, October 26, 2004).

Public asset management and leasing are also widespread. Projects include Baltimore's Inner Harbor, Pittsburgh's Golden Triangle, Battery Park City in Manhattan, California Plaza on Bunker Hill in Los Angeles, Yerba Buena Gardens and Metreon in San Francisco, and CityPlace in West Palm Beach (Florida). Columbia Business School professor Lynn Sagalyn estimated that there are at least 112 such projects nationwide (Sagalyn, 2007). These projects can generate significant revenue. For example, the city of San Diego collects a minimum of $10 million a year ($14 million in 2013) from its lease of SeaWorld (Halverstadt, 2014).

The Washington, D.C., Metro system provides a leading example of public land ownership being leveraged to spur transit-oriented development, with the transit agency collecting more than $6 million a year in lease payments. Additionally, approximately 10% of total ridership (roughly 90,000

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daily riders) comes from the development of high-density residential and commercial projects in the vicinity of Metro stations (Dobbins, 2002; E. Hill, personal communication, August 6, 2004).

Municipal enterprises build community wealth in a number of ways. First, they create stable, quality jobs for community members. Second, they increase local economic stability by providing a more predictable level of public investment. Third, they often provide goods and services to underserved areas. Fourth, they often provide goods and services to local residents at lower cost. Fifth, they generate new local revenues that can be used for community-benefiting purposes. Last, through public ownership, they permit accountability, transparency, and democratic control by residents.

New Forms of Hybrid Enterprise

Another emerging form of community wealth building involves so-called hybrid enterprises that combine features of for-profit and nonprofit companies. These enterprises emerged in the late 2000s. One type of hybrid enterprise is the low-profit limited liability company (L3C), which is a limited liability corporation with public benefit requirements. The first state to authorize the creation of an L3C was Vermont in 2008. In Vermont, the law specifies that the L3C must demonstrate that it significantly advances one or more charitable or educational purposes and that it would not have been formed if not for the company's relationship to the accomplishment of charitable or educational purposes. In essence, the L3C legislation is designed to mimic Internal Revenue Service regulations about what is permissible by private foundations wishing to make low-interest loans through for-profit companies (Dubb, 2008).

In 2010, Maryland became the first state in the nation to pass a law establishing another type of hybrid business category, known as the benefit corporation. A benefit corporation differs from an L3C in two aspects: 1) Unlike an L3C, a benefit corporation can be adopted by standard C corporations, and 2) unlike an L3C, there seems to be little to no emphasis on using a benefit corporation to obtain foundation program-related investment (i.e., long-term, low-interest loans). Instead, the focus of the official "benefit corporation" status is to establish stakeholder rights. Specifically, a benefit corporation is allowed to promote the interests of employees, communities, or the environment in corporate decisions, *even if* doing so decreases profits. Under existing corporate law in Delaware (where half of all U.S. corporations are chartered) and many other states, company directors can face lawsuits if considering outside stakeholders is seen to damage the financial interest of shareholders (Dubb, 2010).[1]

Because they are legally obligated to create a material positive impact on society and the environment and to consider the impact of their decisions on all stakeholders, L3Cs and benefit corporations play an important role in building community wealth (B-Lab, 2015). In particular, L3Cs and benefit corporations have been found to donate a higher percentage of their profits to support nonprofits, often having a set percentage of donations as company policy; create more opportunities than ordinary corporations for their employees to volunteer for nonprofit organizations; and incorporate a concern for social and environmental problems into their core business culture and practices, so they offload fewer social and environmental costs onto government and society.

A GROWING COMMUNITY WEALTH BUILDING MOVEMENT

Several aspects of these community wealth building institutional innovations are of potential importance for the longer term. First, in most instances, the new wealth-democratizing approaches offer responses to economic dislocation and social pain where traditional political approaches have failed. Second, in some instances, they involve quite unusual local alliances, frequently including support from small businesses and religious leaders. Third, often the institutional trajectories have begun to define (and secure) new supportive measures from local, state, and national policy makers, thereby also beginning to define new directions for potential ongoing and more expansive policy and political action. Finally, that they are based in local, everyday experience may also lead to changes in the foundations of political and democratic cultural development over time.

As experience with the various democratized forms has become increasingly enriched over time, innovative strategies of collaboration among enterprises and/or with local governments have also -begun to emerge. In California, a comprehensive,

[1] Editor's note: Please see the article in this issue by Gerald F. Davis, which indicates that in fact, contrary to accepted wisdom, allegiance to shareholder value is not a legal duty of corporate officers and directors.

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community-owned development project consciously links individual and collective wealth building in the diverse working-class Diamond neighborhood in southeast San Diego. With the support of the Jacobs Family Foundation, the community raised philanthropic and government funding to develop a commercial and cultural complex, anchored by a shopping center. A key element was the community public offering, which provided community residents and employees an exclusive opportunity to buy shares (valued at $200 and capped at $10,000) for a total 20% ownership stake in the project. As one community owner noted, "That we own stock and that we have an opportunity to make a difference in what type of business goes in the community [is unbelievable]. We have some say-so in the community environment." The Neighborhood Unity Foundation has a 20% ownership share that provides it with a sustainable source of funding for its community wealth building efforts. The Jacobs Family Foundation, which retains 60% ownership, intends to turn over its share to community owners by 2018. Ultimately, area residents will own 50% of the project and the neighborhood foundation the other 50%, retaining the profits generated to benefit the community rather than outside investors (Alperovitz, Dubb, & Howard, 2007).

In Cleveland, Ohio, an integrated group of worker-owned companies, supported in part by the directed purchasing power of large hospitals and universities, has opened a major new vector of urban strategy. The first of Cleveland's planned network of cooperatives opened its doors for business in September 2009. The co-op industrial-scale laundry is a state-of-the-art, ecologically "green" commercial facility capable of handling 10 million pounds of health care linen a year. Its business plan provides all employee-owners a living wage and health benefits.

In October 2009 an employee-owned energy company began large-scale installations of solar panels for the city's largest nonprofit health, education, and municipal buildings. It has since expanded to provide construction services (painting and other contracting jobs) and energy-saving light-emitting diode (LED) lighting installations in hospital parking lots and university dormitories. A third business, launched in February 2013, is a year-round hydroponic greenhouse capable of producing 3 million heads of lettuce and approximately 300,000 pounds of basil and other herbs a year.

Other cities began to take notice. A growing number of economic development officials—tired of chasing corporations with public subsidy dollars that, as noted above, cost taxpayers an estimated $80 billion a year—like the idea of creating anchored, community-owned enterprises that won't get up and move. Between 2010 and 2013 a number of cities, typically led by philanthropic or community-based organizations, explored similar networks. Among these localities were Amarillo, Texas; Atlanta, Georgia; Pittsburgh, Pennsylvania; and Prince George's County, Maryland.

The pace of these changes quickened in 2014 and 2015, as public policy at the local level began to move, albeit tentatively, toward city governments thinking about community wealth building as an official city economic development strategy. One area of development has been with worker cooperatives. Routinely neglected in public policy in the United States, worker co-ops have burst onto the public policy scene. In New York, backed by the Federation of Protestant Welfare Agencies and in the wake of the election of Mayor Bill de Blasio, the local worker cooperative trade association, the New York City Network of Worker Cooperatives, organized a campaign to get the city to support cooperative development funding. As a result, New York City's 2015 budget, approved by the city council on June 25, 2014, set aside $1.2 million for its Worker Cooperative Business Development Initiative; a year later, this allocation was increased to $2.1 million (Federation of Protestant Welfare Agencies, 2015).

The New York City effort had an echo effect in other cities. For example, in November 2014, the city of Madison, Wisconsin, approved a budget initiative allocating $5 million to cooperative development over five years, starting in 2016. According to Camille Kerr, field building director for the Democracy at Work Institute, "In the first year, the money will most likely be used to create a loan fund that will offer low- or no-interest loans to cooperatives for the following purposes: (1) financing conversions to cooperative ownership, (2) financing the creation of unionized worker cooperatives, (3) providing start-up capital for cooperatives in all sectors, and (4) community problem solving through cooperative development" (Kerr, 2015).

Other cities have had a broader community wealth building focus. For example, in April 2014 Richmond, Virginia, announced the creation of the Maggie L. Walker Initiative for Expanding Opportunity and Fighting Poverty, an anti-poverty initiative named after an African-American woman who in 1903 was the first woman of any race to start a bank in the United States. The city's initiative includes a $300,000 budget allocation for the Office of Community Wealth

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Building, the nation's first such office. The office seeks to coordinate $4 million in spending on a number of different areas of city policy, such as housing, transportation, education, and workforce development, alongside social enterprises. "We have the opportunity here in Richmond to build a national model for building an effective ladder out of poverty for our residents," Mayor Dwight C. Jones announced when creating the office (Dubb, 2014).

In short, local governments have begun to provide loans and/or funding for technical assistance to support the formation of worker cooperatives, and in some cases have financed out of city funds the development of community-based, employee-owned businesses or worker cooperatives, often explicitly patterned after the Cleveland model. Certainly, growing public pressure has played an important role in this shift. For instance, the National People's Action community organizer network has endorsed worker-owned cooperatives and community land trusts as tools for achieving democratic control of capital (National People's Action, 2013).

Of course, despite this forward movement, many challenges remain. In particular, community wealth building efforts themselves often involve compromise. They certainly build wealth for their members, but they may fall short of becoming instruments of social transformation. For example, while ESOPs are on average much more participatory than their non-ESOP counterparts, the majority lack employee representation on their boards (Democracy Collaborative, 2005). Managers of large consumer co-ops often emulate their corporate counterparts instead of seeing themselves as constructing economic alternatives, as Seikatsu co-op leaders claim is the case with many Japanese co-ops (Dubb, 2012). Even with cooperatives that aim to achieve structural change, such as Evergreen in Cleveland, the need for experienced management and market pressures can sometimes conflict with community wealth building values of capacity building and leadership development (Kelly & McKinley, 2015).

Nonetheless, despite these challenges, in the wake of the failure of conventional politics and economics, the development of a new path of community wealth building appears to be gaining support and political momentum. The path to building a truly democratic economy may be long, but community wealth building institutions provide some building blocks that, over time, may create a new economic foundation based on principles of community economic management and sustainability.

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