

COMMUNITY WEALTH: CREATING A NEW COMMUNITY ECONOMIC BASE IN DETROIT

STEVE DUBB[†]

The current crisis facing Detroit—including a bankruptcy filing, pension and health benefit cuts for retirees, and even threats of water shut-offs—may be extreme, but it reflects broader challenges confronting many American cities. The American postwar economy—in Detroit, famously led by the “Big Three” auto companies, with unions helping to ensure a modest level of economic equality—is long gone. Some cities, such as New York or Chicago, have been able to reinvent themselves as nodes in a network of “global cities.”¹ But many others have not.

For cities not favored by capital investors, like Detroit, the common response has been to use scarce public subsidy dollars—sometimes, as in Detroit, supported by philanthropy—to attract private investment. Thus, even as Detroit faces a bankruptcy filing, public taxpayers in Detroit and the state of Michigan have committed \$285 million in state and local public funds to support the development of a new Red Wings hockey arena.² This subsidy is seen as good public policy, even though Red Wings owners Marian and Mike Ilitch and family have an estimated net worth of \$3.7 billion as of June 2014 and presumably are capable of financing the stadium without public subsidy.³ Dan Gilbert, owner of Quicken Loans, another billionaire who has invested heavily in Detroit, was awarded a more modest, but not insignificant, \$47.2 million in state tax credits (over 12 years), as well as additional city subsidies, for relocating Quicken’s headquarters to Detroit.⁴ Detroit’s doling out of subsidies to encourage business relocations and subsidize stadiums is far

[†] Steve Dubb is Director of Special Projects at The Democracy Collaborative. Dubb has worked on community wealth building strategies in numerous U.S. cities and has authored many books and reports. Dubb received his B.A. in Economics from UC Berkeley and his Ph.D. in Political Science from UC San Diego.

1. See Saskia Sassen, *The Global City: Introducing a Concept*, 11.2 BROWN J. WORLD AFF. 27, 27-40 (2005) (discussing the concept of “global cities”).

2. Joe Drape, *Bankruptcy for Ailing Detroit, but Prosperity for Its Teams*, N.Y. TIMES (Oct. 13, 2013), http://www.nytimes.com/2013/10/14/sports/bankruptcy-for-ailing-detroit-but-prosperity-for-its-teams.html?_r=0.

3. *The World’s Billionaires: #330 Michael & Marian Ilitch & family*, FORBES, <http://www.forbes.com/profile/michael-marian-ilitch/> (last visited June 9, 2014).

4. Amy Lane, *Quicken Loans’ move tops list of state tax incentives approved by MEGA board*, CRAIN’S DET. BUS. (July 21, 2009, 10:06AM), <http://www.craindetroit.com/article/20090721/FREE/907219993/quicken-loans-move-tops-list-of-state-tax-incentives-approved-by>.

from unusual. Nationally, state and local tax abatements of this kind now total over \$80 billion annually.⁵

Is there an alternative? Yes. One important option available to cities is to foster *community wealth building*, an asset-based approach that builds upon existing local talents, capacities, facilities, capital, and expenditure flows to develop locally owned—and often community-owned—businesses that are anchored in place and can sustain the local economy for the long haul. These enterprises emphasize building and anchoring local economies in local communities and with the members of those communities. They not only build capital but focus on producing social, economic and public benefits for the community.⁶

Community wealth building focuses on two key strategies. First, it seeks to redirect existing flows of dollars—such as the spending and investment of place-bound public and nonprofit “anchor” institutions like hospitals, universities, local government, museums and foundations—to procure a greater percentage of goods and services from within the community. Some effort in this direction has already been made in Detroit. As of 2012, the “Buy Local” initiative of Wayne State University, Henry Ford Health System, and the Detroit Medical Center has shifted \$16.5 million of purchasing by these institutions to local businesses.⁷ This shift in purchasing has generated local jobs and reinvestment in the community.

A second, longer-term strategy is to develop actual public, community and employee-owned businesses to meet local needs and thereby develop greater indigenous community economic development capacity. Community wealth building efforts can be found in virtually every region of the country. The range of tools available for this work is vast, including many existing institutions and community enterprises. Community wealth building institutions include community development corporations, community development financial institutions, social enterprises, community land trusts, employee-owned enterprises, and cooperatives. All of these institutions pool capital and resources in ways that create new jobs and anchor jobs in communities. Because such businesses are broadly owned by community members, community

5. Louise Story, *As Companies Seek Tax Deals, Governments Pay High Price*, N.Y. TIMES (Dec. 2, 2012), <http://www.nytimes.com/2012/12/02/us/how-local-taxpayers-bankroll-corporations.html?pagewanted=all>.

6. *Wealth Strategy Frequently Asked Questions*, COMMUNITY-WEALTH.ORG, <http://community-wealth.org/about/faq.html#whatsastrategy> (last visited Mar. 5, 2015).

7. WSU Procurement & Strategic Sourcing, *Source Detroit Conference 2012*, WAYNE ST. U., http://procurement.wayne.edu/source_detroit_procurement_conference_2012.php (last visited Feb. 9, 2016).

wealth building enterprises seek to spur investment and, critically, reinvestment in local economic development over time.

Again, as noted above, there are many forms of business that employ community wealth building principles, including employee owned businesses, nonprofit-owned social enterprises, cooperatives and other community-based enterprises. Some of these have been growing rapidly. For example, in 1975, the number of employee-owners working in employee stock ownership plan companies (ESOP) throughout the United States was 250,000. Today that number exceeds 10 million.⁸ At present, three million more people are employee-owners in ESOPs than are members of private sector unions.⁹

ESOPs are not the only community wealth building institution that is growing: community development financial institutions have grown from \$4 billion in assets in 1995 to \$61.4 billion as of 2012.¹⁰ Cooperatives are gaining ground too. As of 2009, cooperatives and credit unions nationwide had \$3 trillion in assets, \$654 billion in annual revenues (4% of GDP) and directly employ 857,000 (responsible indirectly for more than 2 million jobs).¹¹

The potential of a community wealth building, in short, is not as inconsequential as the conventional wisdom would suggest. True, many community wealth building efforts are far smaller than stadium construction projects, but, unlike such megaprojects, community wealth building efforts have the distinct advantage of fostering the development of locally owned and operated economic institutions that build sustained wealth and provide the foundation for further reinvestment. Moreover, the smaller size required for entry reduces barriers to economic participation, making the development of a much more inclusive economy possible. In part *because* of its current difficulties, Detroit could be an important space for innovation in community wealth building. Indeed, there is already a burgeoning of community wealth building efforts in Detroit. For example, the Detroit Black Community

8. *A Statistical Profile of Employee Ownership*, NAT'L CTR. FOR EMP. OWNERSHIP, <http://www.nceo.org/articles/statistical-profile-employee-ownership> (last visited August 3, 2015).

9. *Id.* (showing that in 2012, there were 10,603,000 active participants in ESOPs); *Economic News Release: Union Members Summary*, U.S. BUREAU OF LAB. STAT. (Jan. 23, 2015, 10:00 AM), <http://www.bls.gov/news.release/union2.nr0.htm> ("In 2014, 7.2 million employees in the public sector belong to a union...").

10. SOC. INV. FORUM, 2007 REPORT ON SOCIALLY RESPONSIBLE INVESTING TRENDS IN THE UNITED STATES 4 (2008); THE FORUM FOR SUSTAINABLE AND RESPONSIBLE INV., REPORT ON SUSTAINABLE AND RESPONSIBLE INVESTING TRENDS IN THE UNITED STATES 4 (2012).

11. STEVEN DELLER, ET AL., UNIV. OF WIS. CTR. FOR COOPERATIVES, RESEARCH ON THE ECONOMIC IMPACT OF COOPERATIVES 2, 11 (2009).

Food Security Network operates a 7-acre farm and is currently working to develop a retail consumer food co-op in the city's North End neighborhood.¹² Church of Messiah, on East Grand Boulevard, has developed a group of social enterprises.¹³ At still another level, a local effort to develop "Mondragón in Detroit"—an explicit attempt to emulate the Spanish worker cooperative network that employs 80,000—is starting to take shape.¹⁴ A group called the Center for Community-Based Enterprises¹⁵ has made this goal of creating "Mondragón in Detroit" its primary mission and is working with the Church of the Messiah and many others with that audacious goal in mind. The United Food and Commercial Workers is also exploring community wealth building, with its support of the Restaurant Opportunities Center (ROC), which is initiating a co-op academy to provide basic education to encourage worker cooperative development. In February 2014, a group of Detroit community activists released *A People's Plan for Restructuring a Sustainable Detroit*, which, among other things, called for an urban homesteading program to enable people to claim ownership of abandoned properties contingent on investing to restore them and a participatory budget process to give Detroit residents a direct say in capital expenditures.¹⁶ As activist Frank Joyce has noted, broadly speaking, a community economy is beginning to emerge, including "time-banking, co-ops and other forms of creative finance."¹⁷

Shifting even a small portion of current economic development dollars could do a lot to bolster these grassroots efforts. Since 1987, the Ohio Employee Ownership Center (OEOC), based at Kent State University, has facilitated the conversion of firms for retiring owners to sell their companies to their employees. OEOC provides a valuable example of what can be done. At an expense of less than \$1 million a year and an estimated cost of \$772 per job—far less than the cost per job with conventional economic incentives—the Center's work has helped

12. Interview with Malik Yakini, Executive Director, The Detroit Black Community Food Security Network, in Oakland, Cal. (June 11, 2014).

13. Steve Dubb, *C-W Interview: Reverend Barry Randolph*, COMMUNITY-WEALTH.ORG (Oct. 2013), <http://community-wealth.org/content/reverend-barry-randolph>.

14. Ted Howard et al., *Economic Democracy*, in *ACHIEVING SUSTAINABILITY: VISIONS, PRINCIPLES, AND PRACTICES* 231, 232 (Debra Rowe ed. 2014).

15. Author Steve Dubb is a member of the board for the Center for Community-Based Enterprises.

16. *A People's Plan for Restructuring Toward A Sustainable Detroit*, DETROITERS RESISTING EMERGENCY MGMT., <http://www.d-rem.org/peoplesplan/> (last visited Apr. 15, 2015).

17. Frank Joyce, *The real story of Detroit's economy: A Motor City native explains why Detroit is exactly where we want to be*, SALON (Sept. 3, 2013, 4:30 PM), http://www.salon.com/2013/09/03/the_real_story_of_detroits_economy_partner.

stabilize over 15,000 jobs.¹⁸ A similar center housed at Wayne State University could play an important role in supporting employee-ownership business conversions in Detroit.

Broader city support of community wealth building could help support these enterprises and help spread these principles more widely. In April 2014, the Mayor of Richmond, Virginia, Dwight Jones, established the Office of Community Wealth Building to coordinate a \$3.3-million-plus anti-poverty initiative that includes social enterprise development as one of its core elements.¹⁹ In June 2014, New York City approved a \$1.2-million fund for technical assistance to support the growth of worker-owned cooperative businesses, which resulted in the creation of 141 new worker-owned positions, leading City Council to increase funding to \$2.1 million for fiscal year 2015-2016.²⁰

Even more powerfully, anchor institutions—the public and nonprofit hospitals, universities, and local governments mentioned above—could be integrated into a community wealth building approach in Detroit. In Cleveland, Ohio, a network 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. Cleveland’s worker-owned cooperative network²¹ links employee-owned business development to a set of related philanthropic investments in other areas, including: community engagement, housing, real estate, transportation, and workforce development—all centered on a set of neighborhoods in East Cleveland known as the “Greater University Circle.”²² So far the strategy has resulted in three employee-owned businesses—a green commercial laundry housed in a LEED (Leadership in Energy and

18. OHIO EMP. OWNERSHIP CTR., 2011 ANNUAL REPORT 2 (2012), http://www.oecokent.org/download/friends_of_center/annual_reports/oec-annual-report-2010-2011.pdf.pdf.

19. Office of the Press Sec’y to the Mayor, *Jones Addresses Anti-Poverty Efforts*, RICHMOND VIRGINIA CITY NEWS (Apr. 15, 2014, 2:54 PM), <http://richmondva.announcements.blogspot.com/2014/04/jones-advances-anti-poverty-efforts.html>.

20. Rebecca Burns, *Worker-Owners Cheer Creation of \$1.2 Million Co-op Development Fund in NYC*, IN THESE TIMES (July 2, 2014), http://inthesetimes.com/working/entry/16901/new_york_co_ops; Michelle Stearn, *From New York to Oakland, CA, city governments support worker coops*, CMTY. WEALTH (Sept. 23, 2015), <http://community-wealth.org/content/new-york-oakland-ca-city-governments-support-worker-coops>.

21. Author Steve Dubb was involved in planning the cooperative business development component of this strategy.

22. See generally JUSTIN GLANVILLE, CLEVELAND’S GREATER UNIVERSITY CIRCLE INITIATIVE, (2013), <http://www.surdna.org/what-were-learning/621-cleveland-s-greater-university-circle-initiative.html> (providing a general overview of the work performed by Greater University Circle Initiative as an example of a successful partnerships between philanthropy, anchor institutions and the public sector).

Environmental Design) Silver certified facility that provides clean linen for area hospitals and other customers; an energy services company that has installed solar panels, as well as light-emitting diode (LED) installations, for city, hospital, and university customers; and a year-round hydroponic food production greenhouse capable of producing three million heads of lettuce and approximately 300,000 pounds of basil and other herbs each year. Combined, these businesses employ about 120 people. Cleveland Mayor Frank Jackson has praised the co-ops for being “a model for how we can put our people back to work and rebuild our community.”²³

New construction and renovation provides another opportunity to support community wealth building. A related example from Cleveland illustrates how construction projects can embrace community wealth building principles. From 2005 to 2010, University Hospitals, one of the leading hospitals in Cleveland, set and achieved ambitious goals for hiring local, minority and women-owned firms to provide contracted services in a \$1.2 billion construction project called “Vision 2010,” thereby keeping an unprecedented 92 percent of construction jobs in the region, including over 900 jobs for city residents. University Hospitals has since been applying the lessons learned to its overall supply chain.²⁴

The City of Cleveland’s public policy has helped reinforce this shift towards community wealth building. In 2010, the City passed Ordinance 187A, which created two certifications to promote city government procurement through local and sustainable businesses. In 2013, 187 certified firms participated on City projects as either a prime or a subcontractor and contracted for a combined total of over \$93 million—more than 31 percent of City spending. In 2013, City Council passed new legislation that requires 20 percent of all workers on construction projects to be city residents, with at least four percent of workers being low-income city residents.²⁵

These principles of leveraging local procurement and spending could be applied with more force in Detroit. For example, Detroit plans to build a 3.3-mile \$137 million streetcar project along Woodward Avenue, which presents two obvious opportunities for community wealth

23. Gar Alperovitz & Steve Dubb, *Using the Worker Co-op Model to Build Community Wealth*, COOPERATIVE BUS. J., Jan. - Feb. 2010, at 6.

24. FARZANA SERANG ET AL., THE ANCHOR MISSION: LEVERAGING THE POWER OF ANCHOR INSTITUTIONS TO BUILD COMMUNITY WEALTH 11, 34 (2013), <http://community-wealth.org/content/anchor-mission-leveraging-power-anchor-institutions-build-community-wealth>.

25. Natoya Walker Minor, Director, City of Cleveland Office of Equal Opportunity, Presentation to the Business Alliance for Local Living Economies (BALLE) conference: City of Cleveland’s Self-Help Strategy (June 13, 2013).

building.²⁶ First, of course, is the construction project itself, which could rely heavily on locally owned businesses. Second is the question of where and who will build the streetcars. Local government, through its procurement power, holds the ability to support local streetcar construction and manufacturing. With creativity, it is even possible to leverage purchasing to support community, public or worker ownership. Since these kinds of structures vest business ownership in the local area, they help ensure that a large number of residents benefit from economic development, not just by getting jobs, but by gaining an ownership stake in the enterprise. In short, community ownership helps build a network of people with jobs and equity. Community-owned businesses create *institutions* with a vested interest in investing and reinvesting in the local economy.

The opportunities for Detroit to rebuild are great—and, indeed, despite the prominence of bankruptcy in the news, many grassroots rebuilding efforts are already under way. To date, official and community efforts in Detroit have often not been aligned, but Detroit has the potential to build an economy centered on community wealth. As the late Detroit activist Grace Lee Boggs noted just a few years ago, “The thousands of vacant lots and abandoned houses provide not only the space to begin anew but also the incentive to create innovative ways of making our living—ways that nurture our productive, cooperative, and caring selves.”²⁷

26. Matt Harding, *Officials voice big ambitions for Detroit's M-1 Rail system, regional transit*, MLIVE (Feb. 24, 2015), http://www.mlive.com/news/detroit/index.ssf/2015/02/big_ambitions_for_detroits_m-1.html.

27. GRACE LEE BOGGS, *THE NEXT AMERICAN REVOLUTION: SUSTAINABLE ACTIVISM FOR THE TWENTY-FIRST CENTURY* 105 (2011).