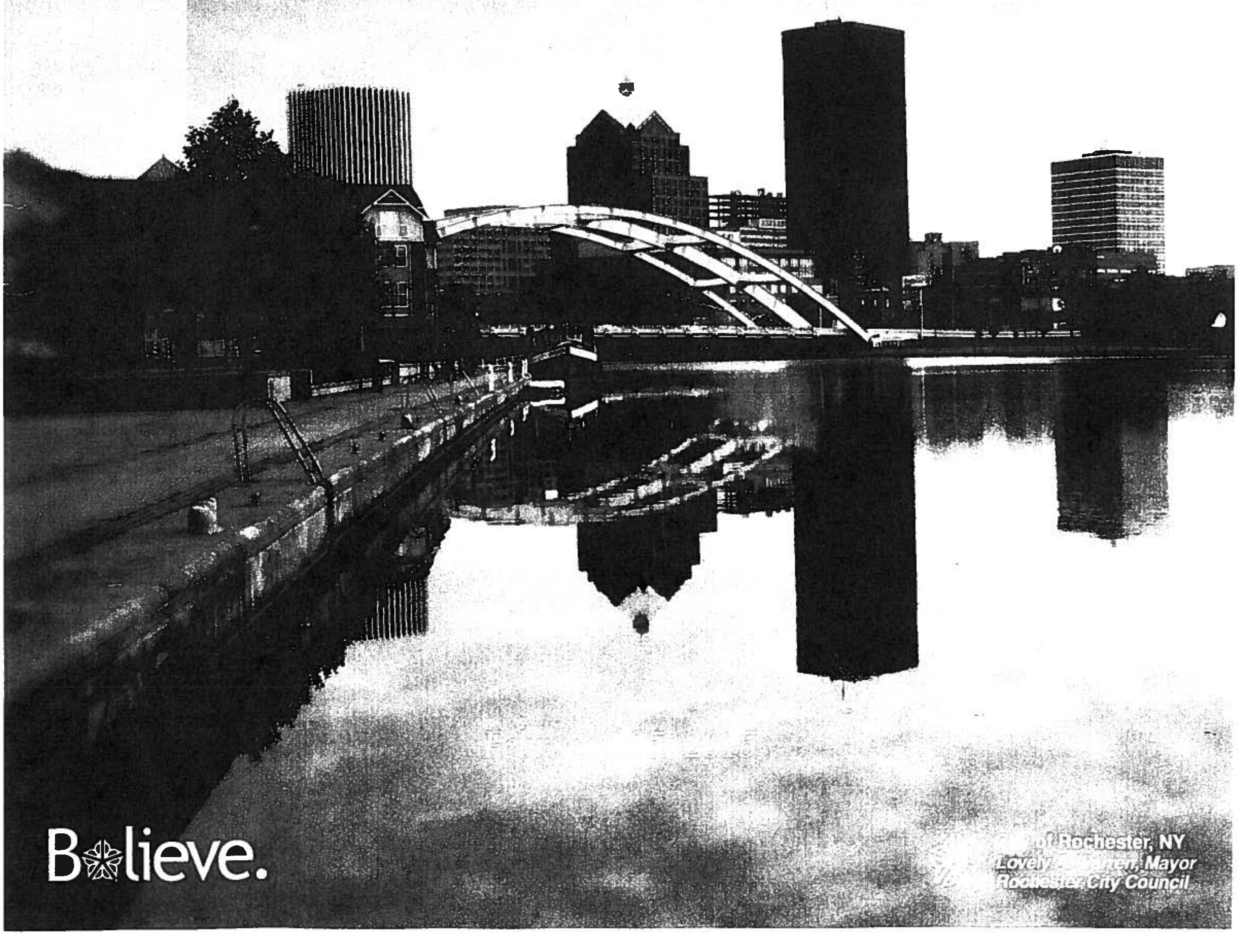
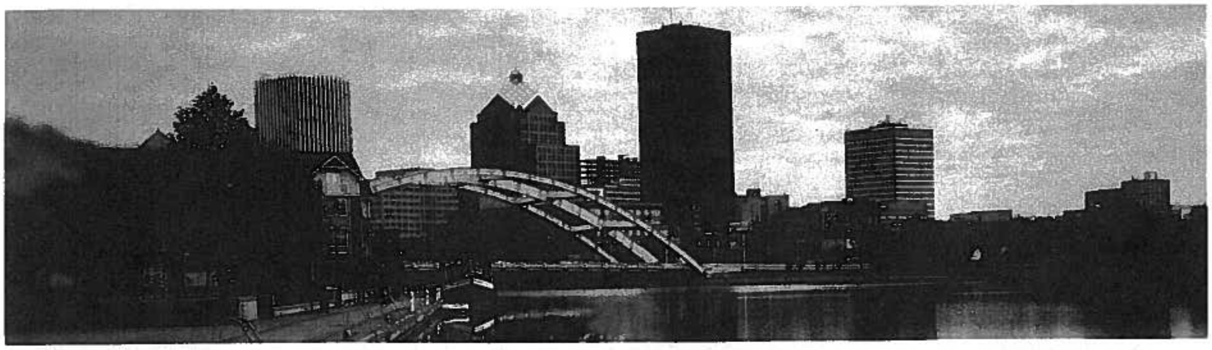
# TESTIMONY

*Mayor Lovely A. Warren - Rochester, New York*

*Joint Legislative Hearings*



## *More jobs. Safer neighborhoods. Better schools.*




*Good afternoon Chairman DeFrancisco; Chairman Farrell;*
*members of the Ways and Means and Finance Committees;*
*other members of the Senate and Assembly:*

*Thank you for the opportunity to address this panel on behalf of the people of Rochester – a proud and resilient people whose opportunities – unfortunately – are increasingly tied to the paradigm of the zip code in they live.*

*I have made it my mission to improve the outlook for all of Rochester residents, some who are locked in a world where there are few job opportunities, unsafe neighborhoods and failing schools.*

*Therein lie my priorities. More jobs. Safer neighborhoods and better schools.*

*In order to accomplish those priorities, we need and appreciate the State's help.*

*The independent and strong Rochester that you all know and think of – the Rochester of Kodak; the Rochester of Xerox; the Rochester of Bausch and Lomb – is not the Rochester that we see today and it is not the Rochester that we see in the future.*

Ours is not a unique story. We see the same story playing out all over the country. Cities with strong industrial bases experiencing population decline as jobs disappear. We endure rising concentrations of poverty and declining neighborhoods. We see generations of children condemned to underperforming schools – and these problems continue to become worse, not better.

Rochester's poverty rate is almost **33 percent,** the fifth highest in the country.

Our child poverty rate in Rochester is **50.1 percent.**

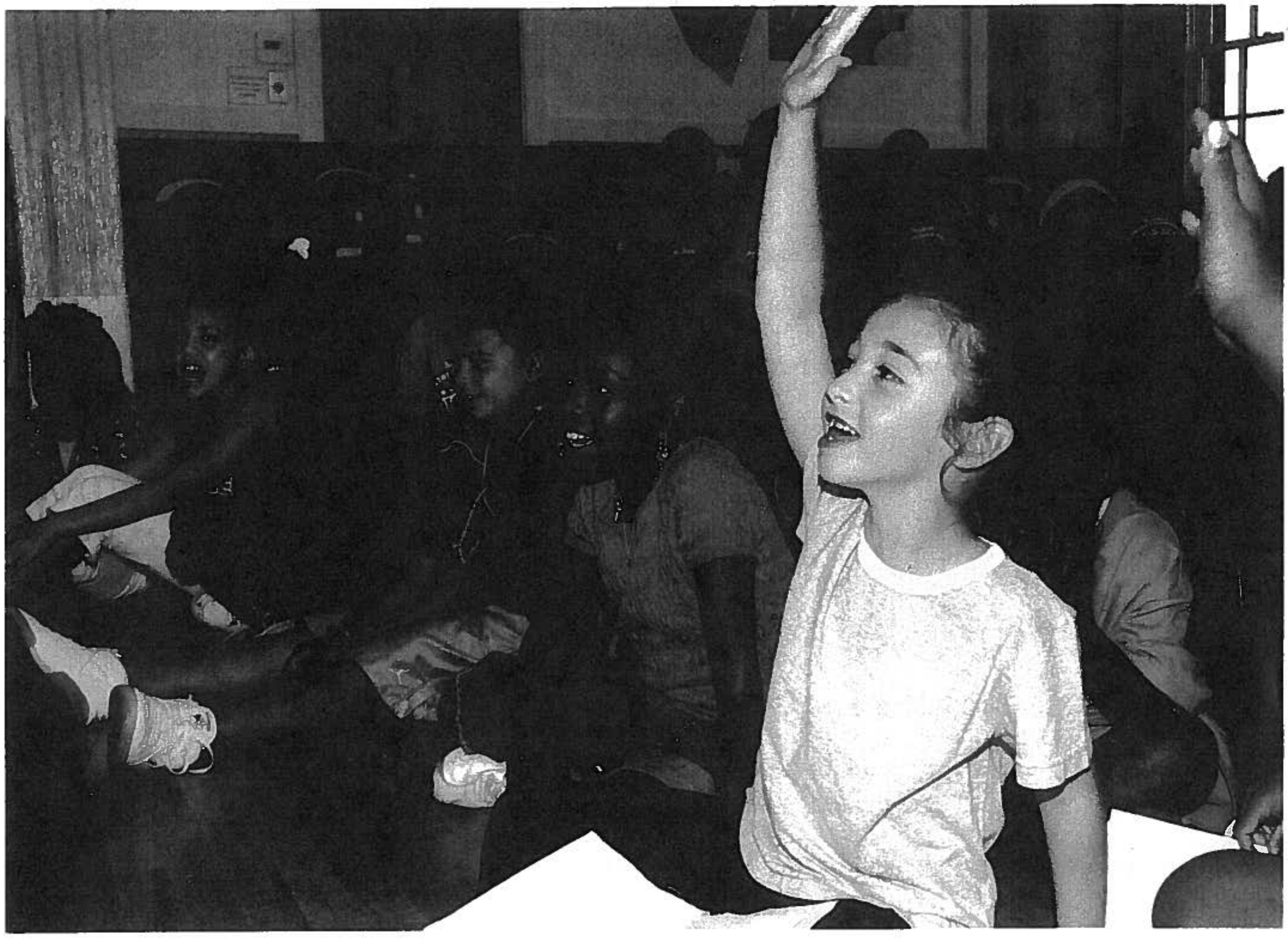
The poverty rate for women is **34.9 percent.**

And, Rochester is **number one** in people living below half the federal poverty level.

So what do we do about this? I suggest we take a different approach.

I have decided that I am not going sit here and give lengthy testimony about topics you already know about and ask you for things that many Mayors before me have already asked for.

I am simply asking the State Legislature to do three things to help our city.



***One:*** *Increase the aid to municipalities for Rochester. Last year, you gave us an additional $6 million in unrestricted aid and we thank you for that. It is my goal to get Rochester to a position where our need for help from the State becomes less and less.*

However, we are not there yet.

Specifically, we are asking for a total AIM allotment in the amount of $119.1 million. This includes a one-time, large increase of $31 million. This amount would match our statutory mandated Maintenance of Effort payment to the school district.

If that is not possible, we urge you to develop a uniform approach to AIM aid. It is imperative that unrestricted aid to municipalities be allocated equitably on a per-capita basis and it must take into consideration such factors as poverty, population and unemployment.

If you increase our AIM aid THIS year and maintain it at the $119.1 million level, I can assure that next year the City of Rochester's financial position will be stronger and my testimony to you very different.

*Two: I am proposing a JOBS Initiative. JOBS stands for "Job Opportunities Bring Success." This Initiative invests in improvement of existing municipal infrastructure to increase tourism as well as the creation of Market-Driven Community Co-ops, an innovative model from Cleveland that is producing jobs and changing neighborhoods.*

We are seeking $138.5 million to fund capital improvements in municipal infrastructure that would grow our arts and tourism industry. As you can see in your packets, this investment will result the creation of 1,380 permanent and construction jobs. And, as I said in my State of the City Address, it just takes one living wage job to break the cycle of poverty for a family.

But we can't address our age-old problems without 21st century solutions. As part of my JOBS Initiative, I am proposing the creation of a Market Driven Community Co-Op Corporation, which would leverage our local anchor institutions such as universities, hospitals and large employers to transfer some of their existing value-added service contracts to the Corporation's subsidiaries that are located in distressed neighborhoods of Rochester.

The $1 million investment will fund a comprehensive citywide effort to provide technical, legal and financial assistance for the start-up of five new worker cooperatives and create hundreds of jobs.

This model does not just create jobs; it improves neighborhoods.

***Three:*** *I am asking you as members of the State Legislature to make a commitment to re-invest in New York's environmental health.*

Rochester has successfully used Environmental Restoration Program (ERP) grants to address some of our most challenging brownfield sites. With your help we can address challenges on new sites that would allow us to improve our neighborhoods.

Further we ask the State to again fund the Brownfield Opportunity Area Program (BOA). The refunding of this program in this year's budget is essential for the Rochester to continue its successes in this area.

Our neighborhoods face brownfield legacies that will require continued BOA funding in order to set the stage for private investment, cleanup and redevelopment.

*I assure this Legislature that if you do the following three things THIS year, you can be the catalyst that changes our city for the future. AIM Aid. The JOBS Initiative and Environmental Remediation.* ***All three are within your power.***

And although those three things are specific to Rochester, I also want it to be noted that I support the Governor's Opportunity agenda as it pertains to his creation of a Rochester Anti-Poverty Task Force, education reform, public safety efforts and economic development strategies. As I stated earlier, Rochester is third in the nation for childhood poverty and first in this State. The Governor's proposed Anti-Poverty Task Force and Upstate Revitalization Fund will help us execute the systematic and institutional changes needed to place our families on a stairway out of poverty.

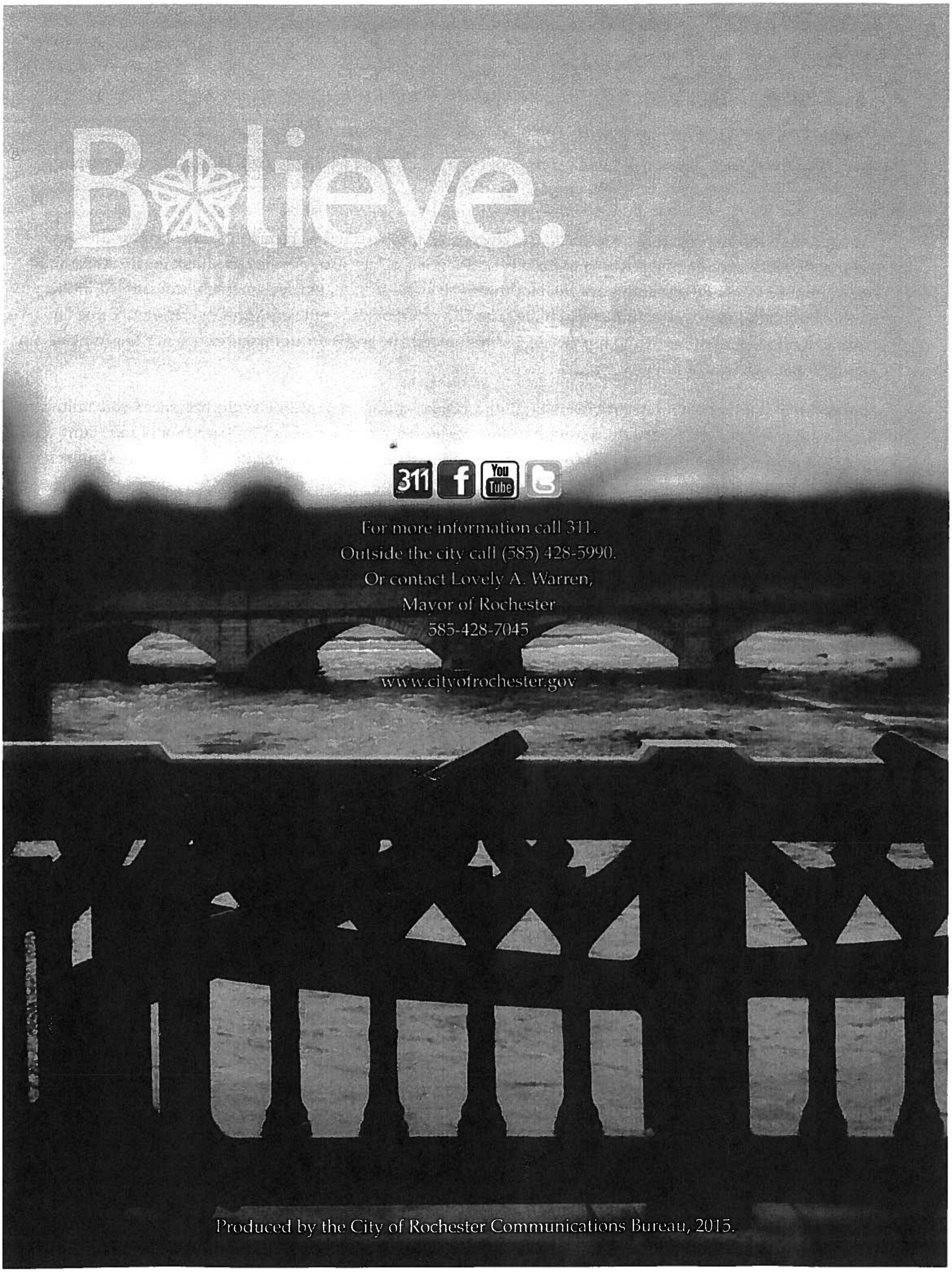
I am pleased that the Governor has proposed a number of educational reforms including increased child care funding that will benefit early education programs. Rochester has a number of failing schools and I am committed to working with the Governor to provide high-quality educational opportunities to Rochester families, regardless of what neighborhood they live in.

And equally important, I ask that you support increasing the minimum wage, raising the age of juveniles that can be held in state prisons, improve the Brownfield program to serve areas of economic distress, support business development and increase dollars for affordable housing initiatives.

It is no secret that New York State is uniquely positioned this year to save its Upstate cities. The $5.4 billion settlement that you will divide as an organization can be used to put Rochester on a trajectory of success. I recognize that this amount of money is not something that is re-occurring and that is why I am asking you to make this investment now. Out of that $5.4 billion, I am requesting that you invest less than 3 percent of that in Rochester, New York on these three initiatives.

It is my sincere belief that the Rochester checklist along with the Governor's proposed Opportunity Agenda are vital investments that will reap real benefits in the future.

Thank you for this opportunity and I would be pleased to answer any questions you have at this time.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**Lovely A. Warren**
Mayor

# 2015-16 New York State Legislative and Funding Priorities

## AIM ASSISTANCE

### Aid and Incentives to Municipalities (AIM) Increase - $30.9 Million

The City of Rochester is seeking $119.1 million in Aid and Incentives to Municipalities (AIM) aid—a $30.9 million increase above the 2014-15 funding level. The 2014-15 AIM funding to the City of Rochester was $88.2 million.

AIM aid is vital to the financial bottom line for cities throughout the State. Upstate cities — which have been especially hard hit by the recession and a slow recovery — perhaps rely even more heavily on AIM aid. The City of Rochester faces a projected $34.8 million 2015-16 general fund gap. We have taken significant steps to close the budget gap. Still, like other cities, we find that we need an increase in AIM aid for the 2015-16 fiscal year. To put the City of Rochester's 2014-15 AIM aid level in perspective, consider this:

Rochester's AIM aid is:

- $73 million **less than Buffalo** in total dollars
- $25.7 million **less per capita than the City of Yonkers** receives
- $16.1 million **less per capita than the City of Syracuse** receives

According to the 2013 Census, the City of Rochester's population exceeds the City of Yonkers' by more than 10,500 residents while Yonkers AIM 2014-15 aid was almost $20 million more than Rochester's.

AIM aid for Buffalo and Syracuse exceeded their maintenance of efforts (MOE) requirements by $90 million and $7 million, respectively. In stark contrast, the gap between the City of Rochester's AIM funding level and its mandated MOE is $30.9 million. Rather than receiving more AIM aid than it is required to pay to meet MOE requirements like Buffalo and Syracuse, the City of Rochester received less AIM funding than its required MOE amount.

I understand that this issue and request is not unique to Rochester. All cities are seeking additional AIM funding. Noting such, let's use the state's improved financial position to improve the lot of all cities in New York by taking a small portion of the multi-billion bank settlement funds and increasing AIM aid across the board. Take $350 million of the $850 million set aside in reserves from the bank settlement and increase AIM funding by almost 50% for this year's budget. We can then use this year to sit down and finally commit to changing the formula to allocate AIM aid where it is most needed: in those cities with high poverty rates.

***We are requesting $30.9 million to match the AIM funding level with the MOE requirement.***

## CAPITAL ASSISTANCE

The City requests $138.5 million for capital funding for renewal and revitalization of its community and infrastructure needs. The goal is to revitalize the city's downtown and local neighborhoods through economic development projects, improved infrastructure and increased health, safety and quality of life benefits for city residents. The requested capital funding will foster redevelopment of the city's housing stock by addressing the problem of abandoned and nuisance properties, improving streets and sidewalks, and upgrading the City's recycling program to single stream recycling. In addition, the funding of the *J.O.B.S. Initiative* (Job Opportunities Bring Success) will be invested in strengthening its arts and tourism district, which will create jobs and help transform Rochester into Upstate's "City of the Arts."

### *Rochester J.O.B.S. Initiative - $138.5 Million; 1,380 Jobs Created*

The City of Rochester and Monroe County collaboration known as the Rochester J.O.B.S. (Job Opportunities Bring Success) Initiative focuses on the tourism industry as a way to revitalize the economy, support job growth and retain young talent. This Initiative focuses on municipal infrastructure, including: the Joseph A. Floreano Rochester Riverside Convention Center modernization and expansion, Blue Cross Arena at the Community War Memorial renovation, Broad Street aqueduct interior conversion into retail space, Frontier Field modernization and a Seneca Park Zoo tropical exhibit and main entry plaza. The Rochester J.O.B.S. Initiative is endorsed and supported by the Rochester Business Alliance.

**City of Rochester Infrastructure Projects**

- **Joseph A. Floreano Rochester Riverside Convention Center – $76M**
    - 1,000 full time jobs
- **Blue Cross Arena @ War Memorial – $37.5M**
    - 200 construction jobs; 60 full time jobs
- **Broad Street Aqueduct – $25M**
    - 120 construction jobs

### *Fight the Problem of Abandoned and Nuisance Properties - $9 Million*

The City of Rochester continues to fight the problem of abandoned and nuisance properties, a problem exacerbated by the foreclosure crisis. Abandoned properties pose a threat to the health and safety of our residents due to fires, crimes, unstable or otherwise unsafe building and property conditions. In addition, these properties drain city resources, decrease property values and hinder the economic vitality of our local neighborhoods.

To help the City turn around communities and spur the revitalization of its neighborhoods and local economy, the City requests $9 million in State funding. A $9 million investment by the State will allow the City to address abandoned and nuisance properties, making the way for revitalization benefits which can include new homes and businesses, playgrounds and community gardens, increased property values and, most importantly, safer and healthier neighborhoods.

### *Neighborhood Streets and Hazardous Sidewalks Programs - $14 Million*

Through the Neighborhood Streets and the Hazardous Sidewalk programs the City of Rochester makes investments to repair and improve local roads and sidewalks. The City is pairing these programs in its request for $14 million. The funding will support improvements to more than 40 center-lane-miles of streets in various neighborhoods throughout the city.

### *Single Stream Recycling Conversion - $5.2 Million*

The City's recycling program currently uses a multi-stream recycling approach. The City will convert its current program to single stream recycling, which will increase participation in recycling. For this program, the City will purchase eight new recycling trucks and 55,000 containers and invest more than $10 million to replace its refuse fleet.

### *Market Driven Community Co-op Corporation - $1 million*

This $1 million dollar investment will fund a comprehensive citywide effort to provide technical, legal and financial assistance for the start-up of five new worker cooperatives and create hundreds of jobs.

## SUPPORT FOR NYS PROGRAMS IMPACTING ROCHESTER

### *Child Care Funding*

The City supports the request to allocate an additional $100 million in child care funding in the 2015-16 State Budget, with a local allocation of $3 million for Monroe County. This funding will add 13,000 eligible children. The New York State Office of Children and Family Services estimates that 300,000 children in working families lives under 200% of the federal poverty level and critically need a subsidy. Currently, New York is investing $960 million and serving about 130,000 children at any one time. The increased investment is a first step toward achieving the goal of universal access by 2020.

In Rochester, we know that the majority of four year olds entering Pre-K are already behind. Rochester has the 2nd highest concentration of poverty and the 5th highest child poverty rate in the nation. And this is not just an urban problem: 41,000 residents in Monroe County suburbs are living in poverty. In Monroe County, an increase of $3 million over the 2014-15 allocation will service another 400 children. The return on the investment in working families is significant.

- Child Success – because 75% of brain growth occurs before a child reaches kindergarten
- Jobs – because parents will be more reliable workers and the early child care sector (which employs 7,500 people now in Monroe County) will stop shrinking
- Lower Taxes – because there will be fewer demands on public assistance and other tax funded programs

The State's valuable investments in Pre-K can be best capitalized on by ensuring that the children are better prepared, thanks to high-quality child care during those critical first years of life. Let's take action to care for New York's youngest and most vulnerable members.

**Environmental Restoration Program (NYSDEC)**

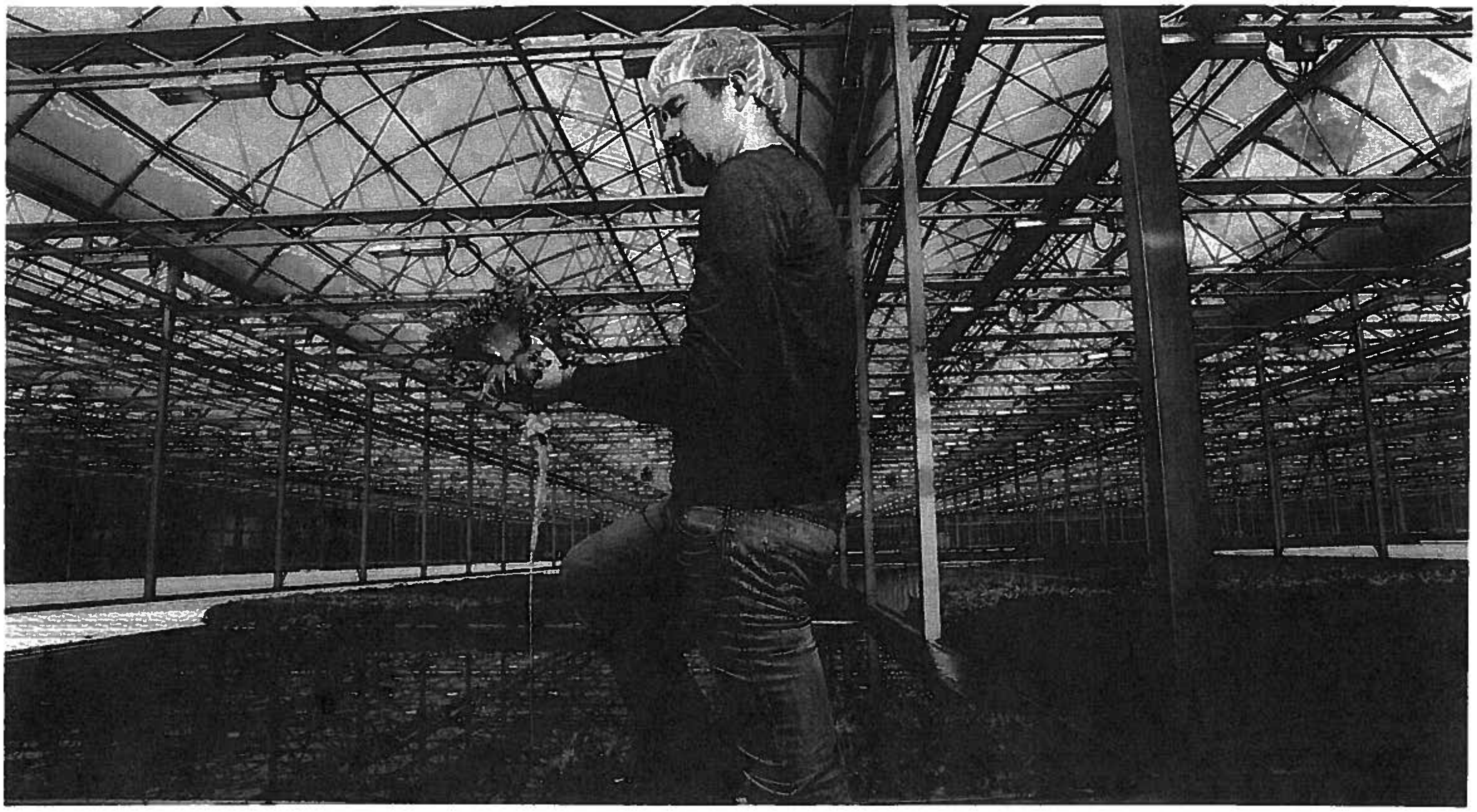
The Environmental Restoration Program needs to be funded at a level and regularity that would once again allow new grant applications for municipalities. The City of Rochester has successfully used Environmental Restoration Program (ERP) grants to address some of our most challenging brownfield sites, and we have additional new sites that would be well suited to the ERP once funding becomes available. In addition, although the NYSDEC has established a mechanism to perform ERP projects on behalf of municipalities, the City of Rochester wants to retain the option to directly perform ERP projects under a state assistance contract.

**Brownfield Cleanup Program (NYSDEC)**

Extension of the Brownfield Cleanup Program (BCP) Tax Credits is needed to continue to encourage private investment in brownfield sites, especially those sites in areas where property values are poor and investment interest is weak. The lack of certainty regarding the tax credits has become a concern for those contemplating entering the BCP. Extension of the tax credits will provide stability to the BCP and encourage businesses, developers, and communities that undertake the long and complex process of brownfield cleanup and redevelopment.

**Brownfield Opportunity Area Program (NYSDOS)**

This year for the first time since its enactment the Brownfield Opportunity Area program, which provides brownfield area-wide planning and implementation grant funding, was not funded by the State. Refunding of the program in the next state budget is essential for the City to continue the progress made in several of our existing BOAs as well as to allow newly identified BOAs to begin. Rochester's BOAs cover over 1,800 acres of some of the most challenged neighborhoods in New York State. Each of these neighborhoods face brownfield legacies that will require continued BOA funding in order to set the stage for private investment, cleanup and redevelopment.



WHAT WORKS

# Rebuilding the Rust Belt

How a former CIA executive and a new breed of lettuce are transforming the poorest parts of the Rust Belt city.

By KEITH EPSTEIN | February 19, 2015

Tears stream down Lakeisha Jeffries' face and over her chin onto a few dried splotches of bright indoor wall paint. Words falter and she apologizes for the surge of gratitude. "I'm sorry. It's so ... I can't talk about it ... My whole life ... *changed.*"

Jeffries is part of a work crew renovating a house in Glenville, one of the city's poorest neighborhoods, on a street of empty lots and abandoned wrecks of homes, many strewn with trash or old tires and crudely bandaged with plywood and sheets of plastic. It's a place that for decades has seemed unalterable no matter how many government programs and well-meaning philanthropies got involved; a place where abject poverty, joblessness and crime reinforce the racism in a city long divided, and where infants still die at a higher rate than almost anywhere else in the country.

Unemployed for most of her life and reliant on her mother, friends and food stamps, Jeffries scraped by as her husband took care of their eight children, squeezed into small digs in Cleveland public housing. "Those were some dark days," she recalls.

Now, at age 33, she is a crew chief for a worker-owned cooperative in which she owns an equity stake, from which she receives health insurance, and through which she may soon buy a subsidized home of her own—"something I can say is mine."

The cooperative is a key component in an audacious experiment aimed at dissolving a decades-old divide between an area known as University Circle and the six destitute neighborhoods, including Glenville, that surround it.

University Circle is home to the sumptuous and sprawling institutions of the privileged: Severance Hall, the Georgian temple of the famous Cleveland Orchestra; the Cleveland Museum of Art, the marble residence of Rodins and Renoirs; Case Western Reserve University; and within a half-mile of each other, University Hospitals, one of Ohio's biggest employers, and the Cleveland Clinic, so globally eminent that celebrities and sheikhs jet in for bypass surgery. For decades now, University Circle has been a destination for the mostly affluent commuters, scholars, concert-goers and museum visitors who parachute in and then head back to their far-flung homes, while seeming inaccessible to tens of thousands of people living only blocks away.

Today, though, University Circle's boosters describe a community where felons are getting jobs, hospitals are hiring from the neighborhoods, dilapidated houses are being refurbished and banks are making loans to collectives of the previously unemployed. A "health technology corridor" has given birth to 170 startups, many located in new office space on brownfields cleansed of contamination. "Uptown" is hot: A new retail and residential real estate development bustles with students, their parents, doctors, and people from the nearby neighborhoods who dine, shop and attend concerts before walking back to their homes.

The Cleveland program, now entering its 10th year, expands on preexisting models—from recent initiatives in West Philadelphia to a priest's campaign to empower Basque workers after the Spanish Civil War. It has been in place long enough that it has seen its share of successes and experienced invaluable setbacks that have forced a rethinking of approaches when economic realities didn't align with the vision. Buffalo, Atlanta, Amarillo and at least a dozen other cities are closely monitoring the program.

Is Cleveland really coming back? Is the Greater University Circle Initiative, as the grand experiment is known, a solution for other cities? "Hold on," says Ronn Richard, a former diplomat and CIA executive widely credited as the catalyst for Cleveland program. "Please don't hype it. It's not a national model yet."

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**Cleveland is the second most impoverished city** in the country, after Detroit, according to the U.S. Census Bureau, which estimated as recently as 2014 that one in every three people and half of all children live below the poverty line. Both cities have suffered from industrial decline, suburban flight and the distressed neighborhoods left behind, conditions worsened by the housing crisis of 2008 and the recession. *Forbes*, ranking the nation's cities five years ago, called Cleveland the "most miserable."

The six neighborhoods targeted by the Greater University Circle Initiative are among the worst of the worst, with one in every three houses vacant, and one in every four residents unemployed. Shops are shuttered and factories with broken windows are reminders of the Rust Belt's decline. As of 2012, the median income for a household in these neighborhoods was $18,500, which has barely budged for years. Glenville, where Jeffries lives, is almost entirely African-American, and is where in 1968 a deadly shootout between the police and an armed militant group triggered a rash of fires and looting. Two years earlier in nearby Hough, riots spurred by racial tensions between white business owners, the predominantly white police force and African-American residents led to six days of violence. Such events leave scars, and the disparities between the haves and have-nots are particularly pronounced where the main avenue from downtown, Euclid Avenue, intersects University Circle.

The strange separation between the ivory tower establishment and the beleaguered neighborhoods shocked Richard when he arrived in 2003 to head the Cleveland Foundation, an organization with around $2 billion in assets dedicated to "the greater good of citizens." Raised in Washington, D.C., to parents involved in the civil rights movement, he had traveled the world as a State Department diplomat and taken risks in R&D as an executive at Panasonic and at In-Q-Tel, the Central Intelligence Agency's venture capital fund that invests in data-mining and other secretive technologies. "It was so weird seeing Euclid boarded up. In any other city, that would be prime territory," Richard says. "Can you imagine if Pennsylvania Avenue [in Washington] were like that? It was so depressing."

His wife, Bess, an artist, had been teaching minority students at the Cleveland School for the Arts, minutes from the art museum with its banner advertising the price of admission, "free." When she assigned students to compare elements in three paintings there, one of them said, "Miss Bess? Where's the art museum?" Another student knew, but volunteered that "it's not for us." That night, returning home, her husband opened the garage door to find her waiting there, upset. "So? What are you going to do about it?" she challenged him. The following Monday, Richard summoned his troops at the foundation. "We've got to get rid of that invisible barrier," he instructed.

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**In West Philadelphia,** the outlines of a powerful new approach awaited discovery by

Clevelanders. Judith Rodin, then president of the University of Pennsylvania, had responded to a period of crisis over the safety of its students and staff—and a socioeconomic divide—by forging new bonds with the poor neighborhoods just west of the school. Drexel University, also in Philadelphia, embarked on a similar project. As in Cleveland, wealth and inner city poverty abutted at the border, with a collision that threatened expansion, security and a sense of community. By 2002, half a billion dollars in university and private investment transformed and blurred the wall between town and gown, while Penn systematically shifted nearly $100 million of procurement each year to businesses in distressed West Philly neighborhoods.

Philadelphia's approach was premised on a straightforward concept: Harnessing and redirecting an "anchor" institution's purchasing and economic muscle could have a powerful effect on the neighborhoods. Unlike other enterprises that might shift operations elsewhere, a university is locked in place. So, in theory, it has a financial self-interest in the safety, health and appeal of nearby neighborhoods, for the sake of students and employees, not just altruism.

Richard and his team in Cleveland envisioned a more expansive version of the Penn formula. After all, University Circle had an unusual concentration of institutions that could drive more robust economic growth. The "eds and meds" at University Circle spend an estimated $3 billion on goods and services each year, and have tens of thousands of employees. Nationally, by some estimates, hospitals and universities employ more than one in 12 workers, and they are associated with $1 trillion of the country's $15 trillion economy, or more than 6 percent of GDP. Ted Howard, a social entrepreneur who is one of the architects of the Cleveland initiative, urges anchor institutions to buy local because of the "potent multiplier effect."

The big institutions pledged to employ people from the neighborhoods and to buy from residents and their businesses. Those anchors also vowed to provide subsidies to their own employees, typically commuting from the suburbs, to buy and rent in the communities around University Circle: Workers could get up to $1,400 for one month's rent payment, $8,000 to make exterior repairs to their existing homes in the target area or up to $30,000 in loans to buy. After five years of living locally, the loans are forgiven.

The city, nonprofits and the federal government financed two new transit stations, while philanthropic and state dollars contributed to building office space for health technology startups that would try to hire locally, and also to small business owners in the neighborhoods to help them sell to the large institutions.

Some of the institutions also sank millions of their own money and took huge risks to spur the effort along. Developers, backed by loans and investments by Case Western, spent $86 million turning a desolate stretch of Euclid Avenue into a retail and residential hub. Eight foundations joined the large institutions in contributing nearly $8 million to launch the worker-owned cooperatives like the company where Jeffries works. In Cleveland, the mantra for exponential building of wealth became "buy local, hire local, live local, and connect" the separated communities.

Keeping it all together wasn't one of the anchors, as in Philly, but the century-old Cleveland Foundation, the first community foundation in a large U.S. city set up to pool donations to coordinate grants for "the mental, moral and physical improvement of the inhabitants of Cleveland." The foundation, housed in an historic building downtown, is a powerful, respected entity with deep pockets (it doles out about $90 million in grants across the city each year), influence (board members include local chief executives, wealth managers and partners in big law firms), and the ability to provide analysis and persuasion in the form of Richard.

At the heart of Cleveland's innovation was this idea: Instead of just giving the unemployed a job, why not a stake in the system? Why not a share of the profits? Howard, director of The Democracy Collaborative, a University of Maryland research center, advocates broader strategies to build wealth in communities than the usual tactics of creating more low-wage jobs. So he suggested to Richard's team that they borrow from another, older model involving Basque workers, left impoverished and hungry following the Spanish Civil War. In 1956, led by a Catholic priest, the workers started making and selling paraffin heaters, sharing the proceeds and eventually expanding to other products. Today, some 120 cooperatives thrive in the Mondragon conglomerate, among Spain's largest industrial companies, employing 74,000 and generating $14 billion in revenue each year.

The Cleveland consortium created a solar company, a company to grow lettuce and a commercial laundry. Rodin, too, had created with Penn's Wharton school a commercial laundry in West Philadelphia, but these cooperatives near University Circle would borrow heavily from the Mondragon example. Symbolizing renewal and environmental consciousness, the three-acre greenhouse, cavernous as a Wal-Mart and capable of producing 100,000 heads of lettuce monthly, even in a Cleveland winter, rose from the ruins of 35 abandoned homes. The cooperatives constituted the first commercial investments in neighborhoods like Glenville in three decades. "We wanted to make a statement," recalls Richard. "We're not abandoning these neighborhoods. We care about these neighborhoods, not just educated whites and Asian-Americans. We'll succeed or fail together."

The aspirations were sky-high—too high, as it turned out. Within eight years, predicted Howard, workers in the cooperatives would each have $65,000 in equity. Five thousand people from the six neighborhoods would have jobs. There'd be dozens of cooperatives. A mostly gushing press all but declared the Cleveland experiment a success. *Fast Company* asserted that the cooperatives were

"Lifting Cleveland Residents Out of Poverty." "Cleveland's Worker-Owned Boom," declared another magazine. Headline in the *Economist:* "Can Cleveland Flower Again?"

Today, those predictions have fallen far short. But even clear-eyed experts continue to express confidence in Cleveland's approach. "Cleveland is absolutely right" to take a holistic approach, says Rodin, who is now president of The Rockefeller Foundation. "One of the things I've learned is this notion that for 21st century problems siloed approaches no longer work. The problems are too big, too complex, and too costly." But these efforts, she adds, are "not for the faint-hearted, and it's not a short-term intervention."

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Evergreen Cooperative Laundry is housed in a drab former torpedo manufacturing facility on 105th Street in north Glenville. Outside, a colorful wall mural depicts the three P's of the trendy social impact entrepreneurs would like to see as measures of corporate performance—people, planet and profits. When Allen Grasa showed up at the laundry, four years into its operation, he saw little in the way of planet or profits; all he could see were people—too many of them, too idle, laboring unsustainably, often incorrectly, resulting in too few sheets per hour, at too high a cost, and with results not nearly as pristine as customers expected. A heroin user broke a key piece of machinery, a boiler. Training didn't exist, nor did a sense among employees of being in it together —a key to success in collectives. In 2013, the laundry lost $1 million. "I couldn't believe what a mess it was. I've never seen such a screwed up plant in my life. Everybody was clueless," says Grasa, a 24-year veteran Mr. Fix-it of the local commercial laundry industry brought in to clean house.

Grasa made the startup profitable, barely, last year, without needing many new customers: A $92,000 profit required only $100,000 in additional revenue, inefficiencies had been so great. Social mission gave way to business imperatives. Grasa fired people, replacing them with those who had industry expertise, regardless of where they lived. He cut pay, in some cases from $20 to $9 an hour, and trimmed the work force to 45, only half of whom live in the target communities. "Now that we know how to do things, we need to get more work to do," says Grasa. "Then, hopefully, once we have more customers, we can go back to hiring from the neighborhoods."

Similar stumbles hampered the other cooperatives. At Green City Growers Cooperative, fans in the greenhouse failed to prevent young plants from wilting in heat that climbed over 100 degrees. Reliance on one type of lettuce, at a price higher than that of mega-farms in California with cheaper labor, failed to generate sales. The greenhouse, operating at only half capacity, scrambles for customers, sometimes as far away as Georgia.

Ohio Cooperative Solar struggled, too. Domenic Fatica, with experience in construction, refashioned the solar company more broadly into Evergreen Energy Solutions, which helps clients conserve energy and weatherize. A $1 million project in two garages of the Cleveland Clinic is expected to yield the clinic $3 million in energy savings by 2025.

But even with a broadened energy focus, the cooperative ran into market impediments. Labor unions and collectives might seem to have an affinity, but in Cleveland Fatica must tread lightly. A perceived threat to union jobs by his cheaper crews could limit his ability to win business, so he has found it easier to seek anchor institution dollars set aside for "maintenance" rather than capital improvements—an area in which organized labor dominates. As a result, the cooperative has branched out, including crews like Jeffries' to refurbish homes, and taking other construction and handyman jobs around town. "Whatever I can drum up, really," Fatica says.

These early failures provided important lessons. The excitement over hiring, buying and selling locally proved "a bit mesmerizing," overshadowing business necessities, acknowledges John McMicken, CEO of the cooperatives. McMicken, who had no experience in greenhouses, energy or commercial laundry, originally thought he'd be launching a fourth cooperative involving documents management—his background. But it quickly became apparent that the three existing co-ops needed to become stable first. While getting the anchor institutions aligned and securing some $6 million in loans from banks had been "itself a small miracle," the flood of early uncritical publicity reinforced the belief that the cooperative model could do nothing but prosper. "I've never seen the phenomenon of so much positive attention for startups—without having delivered anything in the form of results," he says. Every time someone would call to ask about the Cleveland model, "I was like, 'Can you give us a year or two to prove what we can do?' We haven't even started the race."

McMicken changed the approach. Blind altruism was out. The cooperatives would have to fly on their own as viable startups. "We need profit," Fatica recalls McMicken saying, pushing the cooperatives to diversify and market themselves differently. Basil is now growing in a huge part of the warehouse, deals are being struck with distant food manufacturers, not just local grocery stores, and Green City Growers hopes to stand out in the marketplace with a sandwich and salad hybrid lettuce dubbed "Cleveland Crisp."

The laundry, too, now targets what it can better handle—smaller customers such as nursing homes, instead of competing on price and volume with a commercial laundry behemoth owned by the Cleveland Clinic. "We're small for-profit businesses, and we need to act like them," explains McMicken. Once stabilized, the social promises can start being fulfilled.

Payroll and profit-sharing payouts have been paltry next to predictions; only about $2,000 to $3,000 per worker-owner, and only at the laundry and the solar co-ops. Altogether, there are only

113 people employed at the three startups, nothing like the approximately 5,000 envisioned at an eventual conglomerate of 10 businesses. Only 39 of the 113 live in the six target neighborhoods.

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The cooperatives weren't the only facets of Cleveland's approach that proved tougher to get off the ground: Convincing the anchor institutions to consider hiring from the neighborhoods was no small feat. University Hospitals, for instance, typically participated in "cause marketing," such as sponsorship of the annual Komen walk for breast cancer, that aligned with the hospital system's cancer expertise. Richard of the Cleveland Foundation was pressing for a very different commitment that could be a tougher sell internally. Spending on laundry or lettuce is "not really charity—it's investing in a community," says University Hospitals chief administrative officer Steven Standley, also chairman of the Evergreen Cooperatives board.

Hospital systems in Ohio have a unique set of requirements, including restrictions on hiring people with a criminal record. A unique jobs agency, Towards Employment, created special training programs with the hospitals' HR departments aimed at giving the never-employed skills, while creating pathways to getting hired and, sometimes, promoted. So far, 62 people from the neighborhoods have found entry-level positions at University Hospitals, mostly as food workers and cleaners, with 26 more on the way. "It's jobs first and foremost," says Chris Ronayne, president of a community development organization at University Circle. Altogether, only about 3 percent of the roughly 58,000 employees at the hospitals live in the nearby neighborhoods.

Harnessing the purchasing power of the anchor institutions, meanwhile, has had some effect, though around three of every four dollars spent by the institutions are for products and services from outside Cuyahoga County, a 2014 review by Cleveland State University noted. More people are living locally: To date, 241 employees of the anchor institutions and cooperatives with a median income of $91,065 have bought homes ranging in price from $16,000 to $549,000. Almost all—82 percent—come from outside University Circle and the neighborhoods. Some employees of the coop, meanwhile, have done well enough to move away from the area—a form of defeat, given that the cooperatives are ostensibly focused on building community wealth.

Because more developers and businesses are moving in—and patronizing the cooperatives—it is now possible to sleep on Evergreen-laundered sheets at the recently built Marriott Courtyard hotel, be helped to the bathroom by an aide at University Hospitals who might have been jobless a few years ago, or dine in a bistro in Uptown whose gourmet vinaigrette with goat cheese contains crunchy, brilliant "Cleveland Crisp," and then to stroll home, only minutes away. "In an impossible economy," says Ronayne, a former chief city planner at Cleveland City Hall, "we've built and remodeled hundreds of housing units, and people from all kinds of places are now calling this home, not just a place to work or see the symphony." Concerts in a park near the Circle, a bowling alley, and stores in the Uptown retail center are buzzing with diverse crowds from across the neighborhoods and across Greater Cleveland. Some musicians from the Cleveland Orchestra perform Ravel and Shostakovich at the Happy Dog saloon, the better to reach new audiences. "People now talk about neighborhoods without borders," says Lillian Kuri, who helped develop the strategy for the initiative for the Cleveland Foundation.

In a sign of the far-reaching benefits for the anchor institutions in such models, Case Western—known for its biomedical research and business, law, dental and nursing schools—is now perceived as more trendy, especially for its involvement in social good. Three times the number of applications flood the admissions office compared with only seven years ago. The university says it has grown twice as selective, admitting only a third of applicants, compared with all but a third in 2007. Fundraising, too, has climbed 85 percent. It's all a big turnaround for Case, its prestige in free fall only eight years ago from low morale, a $20 million deficit, and its inability to land some prospective students who saw the strangely deserted streets and lack of nearby amenities, and opted to go elsewhere. The deficit, the housing crisis and the economic recession nearly scuttled the university's participation in the University Circle initiative, and Barbara R. Snyder, the university president, had to persuade skeptical colleagues that it was worth the risk.

Raising the stakes, the university agreed to guarantee financing for the $44 million Uptown mixed use development, then scrambled to find tenants to fill it. "There was no thought of 'build it and they will come'...it was a challenging time," Snyder recalls. The university agreed to be the master tenant, on the hook for payments if it was unable to find renters. But "if we didn't step forward then," says Snyder, "we knew lots of things would fall apart."

Benefits to the beleaguered neighborhoods themselves are hard to quantify. Economist Ziona Austrian, a specialist in urban economic development at Cleveland State University who has formally evaluated the University Circle initiative for the Cleveland Foundation, says that despite a decade of effort economic evidence is elusive. "You can ask, 'are the neighborhoods better today than 10 years ago?' We don't have an answer for that. Are some people better off? That's a different question."

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**Retired teacher Beverly Redfield** has lived in Glenville for 24 years. She sees a mixed picture as she drives through the neighborhood: plastic greenhouses where neighbors now grow vegetables, a community park, trees that have been planted. And she notes that neighbors have bonded again in "our street club." But for every refurbished home with fresh paint, many more buildings are boarded up. "Look at those spaces, those were homes—not empty lots. That's not good. Oh, my—look at that garage over there. Isn't that awful? On some streets, the worst is now."

Richard acknowledges that his wife is "not satisfied. And I'm not satisfied. The art museum is still a mostly white, well-to-do crowd. We're not nearly finished yet. Cleveland has a long way to go."

Yet anecdotally, at least, the lives of many newly employed workers and their families have been radically transformed. Twenty-five year old Orlando Santaella Jr. hardly knew his father, who served 10 years in prison on drug charges, before they both started working at the energy cooperative four years ago. Orlando Sr.'s record prevented him from securing even unskilled jobs until his son, already working at the co-op, arranged an interview. "Life has changed so much," reports the son, beaming with pride at his father. "Changes my life every day."

"The two of them, they're terrific," reports Fatica, the general manager. "A lot of people who come right out of prison just want a chance—just one chance. We're giving it to them."

At the hydroponic greenhouse, a 43-year-old shift supervisor, Laurie Cook, known to co-workers as "Spike," also served a decade in prison for a violent crime. Noticed for her manner and diligence in daily chores at a halfway house, Towards Employment in 2013 enrolled her in its special full-time, six-week training, not just teaching her how to manage a job and her money, but also how to explain her past. She volunteers the details, involving a knife and a neighbor, making no excuses and acknowledging a need to watch the occasional "lockdown movie" to remind her of how far she's come. She has exceeded expectations; her probation period ended two years early. In May she intends to look at a list of houses eligible for the cooperative-backed subsidy. "I thought there was no chance of anything for me," she says, easing a raft of transplanted seedlings into the greenhouse pond. "I'm eternally blessed."

Ernest Graham, a cooperative member-worker of two years at the greenhouse, is also a believer. As the 31-year-old pivots from conveyor belt to box, stamping and packing heads of "Cleveland Crisp," he talks of powerful forces for change that start small and take decades to prevail. He acknowledges how "people thought we were going to grow lettuce in the inner city, and all the stores would sell it, and immediately all would be happy sunshine and rainbows. That's not how change happens."

When I ask whether the cooperatives can really have made a difference in the neighborhoods, given the few people involved, it sets him off. "C'mon. Easy to say we're not doing anything for neighborhoods. But look, I've got three people here right now—they were in prison—who probably wouldn't have gotten a job anywhere else. And guess what? You don't think they're going out and talking to other people about how this has changed their lives? Sometimes that's all you need – hope. And then that person tells somebody else. That's what this is giving the inner city: Hope. It's contagious, I really believe that. Nothing ever happens overnight. There are big issues in the neighborhoods. We're planting seeds—not just the ones over there. It's only a matter of time before