

Anchor institutions, purchasing and cooperatives

Anchor institutions can adopt purchasing policies supporting cooperative businesses in to advance economic, social, and environmental equity.



Summary: Local institutions such as schools, universities, hospitals and cities wield tremendous economic power. These anchor institutions are increasingly focused on how their hiring, purchasing and contracting choices benefit nearby communities and contribute to goals around climate and social equity.¹ The U.S. Department of Agriculture, as well as some state extension systems, have supported cooperative businesses in rural and socially disadvantaged communities because they create high quality jobs and services in areas that may be underserved by conventional businesses.² How do these two economic development strategies interact? Three case studies illustrate different scenarios in which cooperatives were meant to enhance the community benefits provided by local purchasing by anchor institutions.

Strategies:

The Greater University Circle Initiative

📍 Cleveland, Ohio

🔧 **Strategy:** Coordinating economic development goals between anchors

✏️ **Summary:** The Greater University Circle Initiative (GUCI) — a group composed of the Cleveland Foundation, the Cleveland Clinic, University Hospitals, Case Western Reserve University and the City of Cleveland —

Fifth Season Cooperative


📍 La Crosse, Wisconsin

🔧 **Strategy:** Developing cooperatives in partnership with anchor institutions

✏️ **Summary:** In 2009, a group of anchor institutions identified that their central challenge to local food purchasing was coordinating many small producers.⁷ Fifth Season Cooperative was developed to coordinate producers, connect them with larger buyers and


The Greater University Circle Initiative (continued)

came together in 2005 to create living wage jobs and business connected to the needs of the area's "eds and meds." Through buy local commitments and supplier education, the initiative increased purchasing in Cuyahoga County by 27 percent between 2010 and 2017.³ The initiative also formed the Evergreen Cooperative, a nonprofit holding company that established a worker-owned laundry, greenhouse and solar power company to supply the hospitals and university.

 **Lesson:** Developing cooperatives with one or two customers in mind comes with risks. One of the Evergreen Cooperatives struggled had a rocky start. The solar cooperative was profitable within the first five months of operation and has signed 15-year maintenance contracts with both hospitals.⁴ The laundry on the other hand struggled when expected contracts didn't come through, in part because of pre-existing, locked-in contracts with other laundries.⁵ Scholar Stacey Sutton argues that relative to worker co-ops in general, the Evergreen businesses grew perhaps too quickly and were hobbled by an "over-reliance on anchor institutions for market opportunities."⁶


Fifth Season Cooperative (continued)


offer shared services such as insurance and audits.⁸ The cooperative is owned jointly by farmers, farmer groups, processors, distributors, buyers and cooperative workers. Western Technical College and Gundersen Lutheran Health System in La Crosse were among the founding members; the cooperative helped the health system reach its target of buying at least 20 percent of its food locally.

 **Lesson:** Shared ownership between actors throughout a supply chain can helped increase coordination and lower transaction costs. Fifth Season has been able to address several challenges might have prevented smaller actors from accessing institutional markets. The cooperative carries food-product liability insurance policy for all suppliers, runs a Good Agricultural Practices audit with growers and conducts a Hazard Analysis and Critical Control Points audit with distributors. The cooperative helps each participant prepare for the audit. Many small producers are not able to pay for or complete these audits independently.⁹




Worker Cooperative Ordinance — Berkeley, California

 **Strategy:** Encouraging anchors enact policy changes in favor of cooperative purchasing

 **Summary:** In February 2016, Berkeley's city council approved a resolution to support worker cooperatives and asked the city manager to develop a worker cooperative ordinance.¹⁰ Among other provisions, the ordinance would include "revising the existing Buy Local contracting preference to include a specific percentage preference for worker cooperatives." Hopes were high that the ordinance could transform the local business environment: in an op-ed for local news website *Berkeleyside*, a staff member for The Sustainable Economies Law Center wrote that the procurement preference would "link [co-ops] to reliable markets and revenue streams and foster their growth."¹¹

Worker Cooperative Ordinance (continued)

Ultimately, the ordinance as drafted in the resolution would not come to pass. On Feb. 26, 2019, the final response from the city was more modest than the draft ordinance that had circulated in 2017¹². It did fulfill education and training promises: the city contracted with Project Equity to study which businesses in Berkeley might be good candidates for conversation to worker co-ops, do outreach and education with businesses about the model, as well as training city staff and other economic development professionals. The city's Office of Economic Development committed, through Project Equity, to "subsidize the cost of working with up to four businesses to transition to worker ownership, including a feasibility study and transition plan." Later that year, the city also updated its Revolving Loan Fund to be more accessible to cooperatives, including adding a goal for 10 percent of the loan portfolio to be invested in worker cooperatives or cooperative conversions¹³.

 **Lesson:** The goal of creating a bid preference for cooperatives and leveraging the City of Berkeley's \$593 million dollar budget¹⁴ was unrealized. However, the education, training, technical assistance and loan support could not be more important. The existing worker cooperative ecosystem in Berkeley did not match the city's contracting needs. According to the Network of Bay Area Worker Cooperatives, Berkeley is home to six existing worker cooperatives: three provide food and beverage services;

two are retail locations for bicycles and urban farming supplies; and one is a facilitation collective. The city's largest contracts are for construction, and a scan of the non-construction bids & proposals shows a need for professional services — public health messaging, equity, project management, recruitment, surveying and finance consultants — along with vehicle parts, weed removal, bike infrastructure maintenance and library equipment. While preferred bid policies might have created markets for worker cooperatives in Berkeley, launching those corresponding businesses takes significant capital, technical and legal support.

Conclusion

These case studies of how anchor institutions' purchasing decisions have worked with cooperative businesses offer three lessons:

- Top down cooperative development, designed to meet the goals of anchors, has the potential to hobble market development.
- Coordinating hubs can reduce transaction costs between anchor institutions and producers.
- Developing effective cooperative businesses can often take more time and education; anchor institutions might consider funding research and training to foster cooperative economies in the future.

References

1. Koh, Howard K., Amy Bantham, Alan C. Geller, Mark A. Rukavina, Karen M. Emmons, Pamela Yatsko, and Robert Restuccia. "Anchor Institutions: Best Practices to Address Social Needs and Social Determinants of Health." *American Journal of Public Health* 110, no. 3 (2020): 309–16. <https://doi.org/10.2105/ajph.2019.305472>.
2. "The Benefits of Worker Cooperatives,"

Democracy at Work Institute, accessed on Nov. 29, 2021. <https://institute.coop/benefits-worker-cooperatives#A3>

3. Schnoke, Molly; Piazza, Merissa; Smith, Heather; and Robinson, Liam, "Greater University Circle Initiative: Year 7 Evaluation Report" (2018). Urban Publications. 0 1 2 3 1548. https://engagedscholarship.csuohio.edu/urban_facpub/1548

4. "Evergreen Cooperatives Field Study," *Capital Institute*. 2011. Accessed on Nov. 29, 2021.

5. *Ibid*

6. Sutton, Stacey A. "Cooperative Cities: Municipal Support for Worker Cooperatives in the United States." *Journal of Urban Affairs* 41, no. 8 (2019): 1081–1102. <https://doi.org/10.1080/07352166.2019.1584531>.

7. "The History of Fifth Season Cooperative." Accessed on Nov. 29, 2021. https://p9cdn4static.sharpschool.com/UserFiles/Servers/Server_484711/File/Our%20District/Departments/Food%20Service/Farm%20To%20School/Farmer%20Biographies/Fifth%20Season%20Cooperative.pdf

8. Zuckerman, David. "Hospitals Building Healthier Communities: Embracing the anchor mission." *The Democracy Collaborative*, March 2013. <https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/Zuckerman-HBHC-2013.pdf>

9. *Ibid*

10. "DRAFT Berkeley Worker Cooperative Ordinance." *Sustainable Economies Law Center*, September 2017. https://docs.google.com/document/d/1v1jp6xISbb6Lb2ecLem3lZZz_hocKnBNcLSrr5Esg8k/edit#heading=h.uo2aktqx5qo3

11. An-Li Herring, "Op-Ed: Berkeley Worker Co-Op Resolution Could Usher in Equitable Economic Development," *Berkeleyside*, February 10, 2016, <https://www.berkeleyside.org/2016/02/09/berkeley-worker-co-op-resolution-could-usher-in-equitable-economic-development>.

12. "Referral Response: Supporting Worker Cooperatives." *City of Berkeley*, February 2019. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwi9krbLu7_0AhWnnGoFHUsnBhkQFnoECAMQAQ&url=https%3A%2F%2Fwww.cityofberkeley.info%2FClerk%2FCity_Council%2F2019%2F02_Feb%2FDocuments%2F2019-02-26_Revised_Packet_2019-02-26_Item_A_Referral_Response__Supporting_Worker_Cooperatives_.pdf.aspx&usg=AOvVaw3zaVfor89CtNnKdoM5oCKg

13. "Revisions to the Berkeley Revolving Loan Fund Administrative Plan." *City of Berkeley*, September 2019. https://www.cityofberkeley.info/Clerk/City_Council/2019/09_Sep/Documents/2019-09-24_Item_06_Revisions_to_the_Berkeley_Revolving_Loan.aspx

14. "Proposed Annual Budget." *City of Berkeley*, 2021. <https://www.cityofberkeley.info/uploadedFiles/Manager/Budget/cob-proposed-budget-fy2022.pdf>

Images

1. "20130308-FNS-LSC-0413" by Flickr user U.S. Department of Agriculture. Used under public domain. <https://bit.ly/31dz2P8>

2. "Tiny tomatoes" by Flickr user sea turtle. Used under CC BY-NC-ND 2.0. <https://tinyurl.com/nn92y845>