



THE ANCHOR MISSION

LEVERAGING THE POWER OF ANCHOR INSTITUTIONS TO BUILD COMMUNITY WEALTH

*A Case Study of University Hospitals
Vision 2010 Program
Cleveland, Ohio*

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EXECUTIVE SUMMARY

Many urban areas across the country face a conflux of serious economic challenges: an ongoing fiscal crisis due to loss of tax revenue and diminishing resources from the federal government, capital mobility and the subsequent loss of companies and jobs, stagnant wages for the middle class, and rising poverty among the under- and unemployed. Like many older industrial cities, Cleveland, Ohio, has been hard hit.

This paper discusses a pathbreaking strategy in Cleveland, Ohio, that addressed many of these issues by generating local wealth, economic opportunity, and jobs. The strategy was designed and implemented by the nonprofit University Hospitals (UH) in close partnership with the Office of the Mayor and local building trade unions.

The story of this effort by one anchor institution to alter its traditional business practices in order to deploy its economic power for community benefit suggests important possibilities for other anchors throughout the country. The UH initiative is a powerful model for how a place-based institution can fulfill its “anchor mission”: to consciously apply the long-term, place-based economic power of the institution, in combination with its human and intellectual resources, to better the long-term welfare of the community in which it is located.

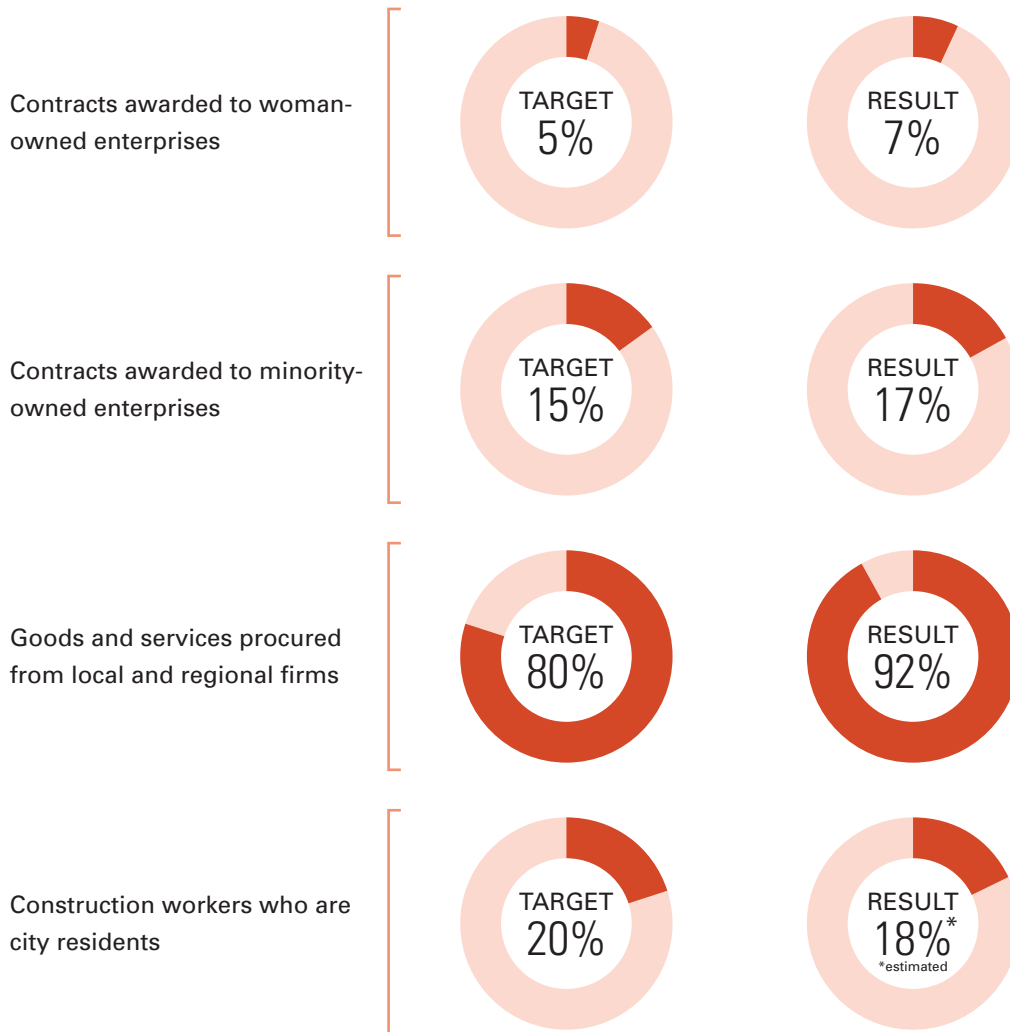
In 2005, University Hospitals announced *The UH Difference: Vision 2010*, a five-year strategic growth plan. The most prominent “bricks and mortar” feature of Vision 2010 was the new construction of five major medical facilities, as well as the expansion of a number of existing facilities. The total budget for Vision 2010 was \$1.2 billion, of which \$750 million was earmarked for construction.

Three core commitments shaped the implementation of the initiative. University Hospitals committed to (1) including as many local minority- and female-owned businesses as possible; (2) achieving an economic multiplier effect by directing as much spending as possible toward businesses based in the City of Cleveland and the greater Northeast Ohio region; and (3) producing lasting change in Northeast Ohio by pioneering a “new normal” for how business should be conducted by the region’s large institutions.

To fulfill its commitments, Vision 2010 established concrete goals pertaining to diversity, procurement, and hiring local residents. By the project’s conclusion, some 110 minority- and female-owned businesses had received contracts, and three of the four Vision 2010 goals pertaining to inclusion were met (see figure). All told, more than 5,000 jobs in construction and related fields were created during the five-year period, with salaries totaling \$500 million.

Successful strategies included the use of an innovative Project Labor Agreement, which was negotiated with the building trade unions to ensure that UH would meet its diversity commitments, and the use of a third-party firm to monitor progress toward diversity goals.

VISION 2010 GOALS



In addition to the gains achieved by the project itself, several innovative policies and practices that evolved under Vision 2010 have subsequently been implemented beyond construction projects and throughout the UH supply chain. For example, all purchases over \$20,000 now require at least one bid from a local, minority-owned firm. Given that University Hospitals’ annual spend is in excess of \$800 million, this practice should produce considerable local economic value and job creation in a region that sorely needs it.

Most observers with whom we spoke agree that Vision 2010 has set a new standard in the City of Cleveland for what is expected in terms of diversity, inclusion, and local

spending on large construction projects. An important legacy of Vision 2010 is that the Project Labor Agreement created for the initiative has served as the template for a historic Model Community Benefits Agreement sponsored by Cleveland Mayor Frank G. Jackson and endorsed by a large number of local contractors, businesses, and institutions. Inclusion, diversity, and local procurement are becoming the expected way of doing business in the City of Cleveland, thanks in large measure to the catalytic effect of Vision 2010.



This case study is based on in-depth interviews with twenty of the most important participants in the Vision 2010 process: senior leaders of University Hospitals, Mayor Jackson and other representatives of the City of Cleveland, representatives of contractors and building trade unions in Northeast Ohio, and minority- and female-owned small businesses owners, who, for the first time, were awarded a contract to work on a major hospital construction project.

In the pages that follow, we examine how UH was able to achieve the ambitious goals of Vision 2010. We look at the roles of the major participants—University Hospitals, the owner of the project; state and local leaders; trade unions; and small minority- and women-owned businesses—and discuss some of the issues that arose as these parties pursued both individual and joint interests. Following these discussions, we summarize project results and list key lessons learned. The paper concludes with thoughts concerning the broader implications of the Vision 2010 experience for anchor institutions in other cities that seek to fulfill their anchor missions.

1. THE ANCHOR MISSION

Anchor institutions are organizations that are rooted in their communities. Unlike most for-profit corporations, which may relocate to obtain lower labor costs, increased subsidies, fewer regulations, or greater profits, anchors have—at least in principle—an economic self-interest in helping to ensure that the communities in which they are based are safe, vibrant, healthy, and stable. Typically, anchors are nonprofit corporations or publicly owned enterprises. Anchor institutions include universities and hospitals (often referred to as “eds and meds”), and may also include other types of healthcare facilities, cultural institutions, community foundations, faith-based institutions, public utilities, and municipal governments.

The power of anchor institutions to leverage their resources for the long-term benefit of their communities has begun to capture the attention of city officials and policymakers nationwide. The nation’s 6,000 hospitals are a particularly potent economic force: their combined annual purchasing power exceeds \$750 billion.¹ Even with the growth of for-profit hospitals, roughly 86 percent of hospital beds are either in nonprofit or publicly owned hospitals.² In 2009, hospitals employed more than 5.4 million employees.³ In the twenty largest U.S. cities, nonprofit universities and hospitals accounted for 35 percent of the workforce employed by the top ten private sector employees.⁴ A 2007 American Hospital Association report noted that

hospitals regularly rank among the top ten employers in large urban areas such as Boston, New York, and Detroit. In Cleveland, the two largest hospital systems are the top two employers and together employ more than 43,000 workers. In Washington State, hospitals employ more workers than Microsoft or Boeing.⁵

The eds and meds together purchase more than \$1 trillion in goods and services annually (equal to 6 percent of national GDP); their combined endowments exceed \$700 billion.⁶

Anchor institutions already have an important impact on local economies, but they have not realized their full potential as engines of local economic development. To date, few anchor institutions systematically orient their supply chain to local vendors, which would create local jobs and help prevent resources from leaking out of the community. Fewer still carry out their investment policies with an eye toward how their financial goals could be

1. National Health Expenditures 2009 Highlights (Baltimore, MD: Center for Medicare and Medicaid Services, 2011).

2. Alliance for Advancing Nonprofit Health Care, “Basic Facts and Figures” (Washington, DC: AANHCC, 2008).

3. American Hospitals Association, *Trendwatch Chartbook*, (Washington, DC: AHA, 2011), table 6.1.

4. R. Axelroth, and S. Dubb, *The Road Half Traveled: University Engagement at a Crossroads* (College Park: University of Maryland Democracy Collaborative, 2010).

5. American Hospital Association, *Beyond Health Care: The Economic Contribution of Hospitals* (Washington, DC: AHA, 2007).

6. I. Harkavy, and H. Zuckerman, *Eds and Meds: Cities’ Hidden Assets* (Washington, DC: Brookings Institution, 1999).

achieved while simultaneously improving the local economy. A key strategic issue is how to leverage the vast resources that flow through these institutions to build community wealth through policies and practices concerning procurement, hiring, real estate development, and investment. Properly focused and leveraged, such means can generate a significant and beneficial local economic impact, far exceeding current practice.

To reach their potential as catalysts for community growth, researchers Axelroth and Dubb argue for a level of institutional engagement in which anchors make a commitment “to consciously apply their long-term, place-based economic power, in combination with their human and intellectual resources, to better the long-term welfare of the communities in which they reside.”⁷

Local purchasing is one way in which a hospital can directly benefit the community in which it resides. By directing the purchase of goods and services toward local suppliers, institutions encourage local business growth and new hiring. Purchasing from local vendors means that the expenditures continue circulating in the local economy rather than in another city’s economy. This extended circulation of money—an economic multiplier effect—contributes to a vibrant economy and greater opportunity for the local community.

Although local procurement used to be the norm within the healthcare sector, this practice began to change in the 1970s with the rise of large, national purchasing cooperatives, known as group purchasing organizations (GPOs). GPOs pool purchasing needs and bid collectively on goods and services to receive the lowest cost possible. Questions of where goods and services are sourced and produced, or the diversity of vendors, are not considered. GPO purchasing increased significantly during the 1990s.

Purchasing goods and services at the lowest cost may make financial sense in the short term, but if those dollars buy goods sourced hundreds or even thousands of miles away, the money has no multiplier effect in the local community. The ongoing leakage of money out of a community can be detrimental to businesses within it—including anchor institutions—in numerous ways. If an economically troubled community surrounds a hospital, for example, the hospital may experience challenging safety and public relations issues, to name but two potential consequences.

Four external trends provide an incentive for anchor institutions to direct a significant percent of their economic activity to local suppliers.⁸ First, there are growing concerns about the environmental impacts of climate change. Local purchasing reduces carbon emissions.

The Anchor Mission: A commitment to consciously apply the long-term, place-based economic power of the institution, in combination with its human and intellectual resources, to better the long-term welfare of the communities in which the institution is anchored.

7. Axelroth and Dubb 2010, 3.

8. Ibid.

Second, the vulnerability of transportation and communications grids during disasters suggests the value of using regional vending and warehousing sources. Hospitals in particular are increasingly concerned with the risk of service disruption resulting from severe weather and natural or man-made disasters.

Third, there is an increase in the number of city governments that collect payments in lieu of taxes (PILOT) from large nonprofit institutions that use municipal services but do not pay local taxes. A report by the Lincoln Institute of Land Policy noted that, over the last ten years, PILOTs have been used in a minimum of 117 municipalities in 18 states.⁹ By demonstrating to cash-strapped mayors that their institution is producing a concrete economic benefit to the community by driving spending locally, administrators can justify their organization's tax-exemption.

Finally, the Affordable Care Act community health needs assessment requirements and recent IRS changes to Form 990 Schedule H instructions allow hospitals to list initiatives such as economic development and community support as community-building activities. Achieving a positive score on community benefit reporting is important to the ability of a hospital to maintain its nonprofit status with the IRS.

As many urban areas throughout the nation face shrinking populations, growing vacancies, diminishing manufacturing job opportunities, and increasingly diverse communities, the role of anchor institutions in helping communities stabilize and thrive becomes especially important. In such a milieu, anchor institutions have an opportunity to leverage their business models to maximize institutional and community gains. A slight shift in an anchor institution's financial flows can produce immediate local social and economic gains. By strengthening local and regional economies, anchor institutions can become engines of community development and stability, helping to create healthier, stronger urban areas.

9. D. A. Kenyon, and A. H. Langley, *Payments in Lieu of Taxes: Balancing Municipal and Nonprofit Interests* (Cambridge, MA: Lincoln Institute of Land Policy, 2010).

2. UNIVERSITY HOSPITALS

University Hospitals was built off a community hospital model. University Hospitals has no plans, no intentions to go anywhere outside of northeast Ohio. That is its purpose, its mission. So we felt, if we're going to spend a billion dollars, we want it to go to the people we serve.

—Margaret Hewitt, Vice President of Construction Services, University Hospitals

In 2005, University Hospitals (UH), a major nonprofit medical center in Cleveland, Ohio, launched a large expansion project: *The UH Difference: Vision 2010*. At the heart of the effort was a five-year construction program to build a new cancer hospital, a neonatal intensive care unit, a center for emergency medicine, and a 144-bed community facility. The Vision 2010 budget totaled \$1.2 billion, of which \$750 million was earmarked for construction.

UH is a multi-billion dollar institution whose main campus is surrounded by neighborhoods in which the median household income is below \$18,500. UH Chief Administrative Officer Steve Standley said:¹⁰

Like a lot of major, urban college hospital campuses, we're sitting in this one square mile of these beautiful institutions, and then there's this wall. And then you go into some of the poorest neighborhoods in Cleveland. Those are our constituencies and a lot of the stakeholders for our organization. And we were really struggling with a way to connect with them. We [were using] the classic, old-fashion diversity methodology and tactics.

Typically, an institution initiating a building project would hire a large contractor to bring the project in on budget and on time, with little consideration given to issues such as the inclusion of minority vendors and the project's potential to catalyze positive change in the community. Previously, University Hospitals was no exception. Standley noted:

Prior to Vision 2010, when UH did projects . . . we would put the bids out and they would go to all the very large construction companies and big architectural firms that had all the right credentials for building hospitals. . . . A firm would be chosen to do the job, and maybe sometimes they would bring in a small, local company to do some partnering on the project, but really nothing like what we wanted to do with Vision 2010.

From the outset of Vision 2010, UH's senior leadership began to fashion a strategy to leverage the \$1.2 billion investment to create jobs, build community wealth, and open up

10. Unless otherwise noted, all direct quotations are from interviews conducted for this report. See appendix 1 for interviewee roster.

Once you reach the billion-dollar mark, it is no longer just a construction program; it becomes a community program.

—Margaret Hewitt, Vice President of Construction Services, University Hospitals

the opportunity for local, small businesses to position themselves for success in the future. According to UH Chief Executive Officer Tom Zenty:

We thought, what are the components that go along with making Vision 2010 a true, community-based project? And when I say community-based, I mean . . . how are we going to make [community members] part of our overall decision-making process and engage them in ways that they have not been engaged before? In ways that are not window dressing, but that are meaningful and mainstream?

Standley, who oversaw Vision 2010, had little experience in construction, but he assembled an experienced team to implement the strategy. Margaret Hewitt oversaw construction for the program and at the time was the highest-level female construction manager in Northeast Ohio. (See box 1 for other women leaders involved with the project.)

As its primary construction partner, UH selected the Gilbane Building Company, which has had a presence in Northeast Ohio since the mid-1970s. UH chose to work with Gilbane because the firm had proven flexible on other local jobs and had an appreciation for the importance of ensuring diversity and inclusion. Tom Laird, Executive Vice President of Gilbane, was ultimately involved with half of the construction work in Vision 2010.

CORE COMMITMENTS AND SPECIFIC GOALS

UH made three key commitments that drove the design and implementation of Vision 2010 (see box 2).

The first commitment was to contract with as many local minority- and female-owned businesses as possible. To this end, UH set two goals regarding diversity and inclusion:

- 5 percent of contractors working on Vision 2010 projects were to be female-owned businesses
- 15 percent of contractors were to be minority-owned businesses

The second commitment was to produce a multiplier effect by directing as much spending as possible toward businesses based in the City of

1. VISION 2010 WOMEN LEADERS

Arlene Anderson, president of Minority Business Solutions, a firm retained by UH to monitor compliance with the diversity goals of the project

Teresa Beasley, attorney with Vorys, Sater, Seymour, and Pease, which handled legal affairs

Heidi Gartland, UH Vice President of Government Relations

Margaret Hewitt, UH Vice President of Construction Services

Cassandra Johnson, UH Director of Construction

Mary Beth Levine, UH Associate General Counsel

2. VISION 2010 CORE COMMITMENTS

1. Contract with as many local minority- and female-owned businesses as possible.
2. Direct as much spending as possible toward businesses based in the City of Cleveland and the greater Northeast Ohio region.
3. Produce lasting change in Northeast Ohio by pioneering a “new normal” for how business should be conducted by the region’s large institutions.

Cleveland and the greater Northeast Ohio region. UH also set two local spending goals:

- 80 percent of businesses that received contracts were to be regionally based companies (from Northeast Ohio)
- 20 percent of all workers on construction projects related to Vision 2010 were to be residents of the City of Cleveland

The final commitment was to produce lasting change in Northeast Ohio by pioneering a “new normal” for how business should be conducted by the region’s large institutions. Tom Laird said:

The difference between Vision 2010 and other large projects we’ve worked on is that UH wanted this thing to have a lasting impact and to extend well beyond the com-

pletion of this work, and it has. . . . Vision 2010 was more than “check the boxes.” UH set out to change the game, and made this the new standard for how work should be done in Northeast Ohio.

THE APPROACH

UH sought to reach its goals for Vision 2010 through three specific strategies. First, diversity and local spending goals became a key part of the Project Labor Agreement (PLA) signed by UH and the Cleveland Building & Construction Trades Council (the Trades Council),¹¹ with the City as a third-party beneficiary. (For a discussion of the PLA, see section 4.) Second, UH retained an independent firm, Minority Business Solutions (MBS), to monitor progress toward the goals and to create various processes for achieving them. (For a discussion of the importance of having an independent monitor, see section 5.) Third, UH instituted internal administrative changes to its traditional business practices to give preference to local vendors. For example, the Vision 2010 goal of using regionally based companies encouraged non-local companies to meet the regionalism

We decided early on that we were going to essentially break all the rules. And we were not going to even send bids to anybody who was not committed to Northeast Ohio.

—Steve Standley, Chief Administrative Officer, University Hospitals

11. The Cleveland Building & Construction Trades Council is an umbrella organization that represents 19 construction trades, including carpenters, electricians, plumbers, boilermakers, bricklayers, and others.

goal by opening a Cleveland office and employing Cleveland residents. (Box 3 presents the project's business model.)

3. THE VISION 2010 BUSINESS MODEL

Direct procurement locally to create a multiplier effect. Money spent on local purveyors of goods and services circulates within the local economy through other transactions instead of leaking out. As major purchasers of goods and services, anchor institutions can achieve this important multiplier effect by analyzing their supply chain for opportunities to use local suppliers.

Have clear goals. Establish benchmarks for local hiring and diversity. Be clear about why this is an important pursuit, and provide accessible supporting research. The clarity of the goals provides both internal and external focus.

Build partnerships. Fostering new alliances and providing space and time to build relationships across sectors enhances insight and facilitates positive change. Engage other institutions in a coalition of organizations that share a local and regional development mindset.

Foster community engagement. Seek the participation of residents and community organizations as project partners. Communities have needs, but they also have assets—human and social capital—that can be leveraged for mutual benefit.

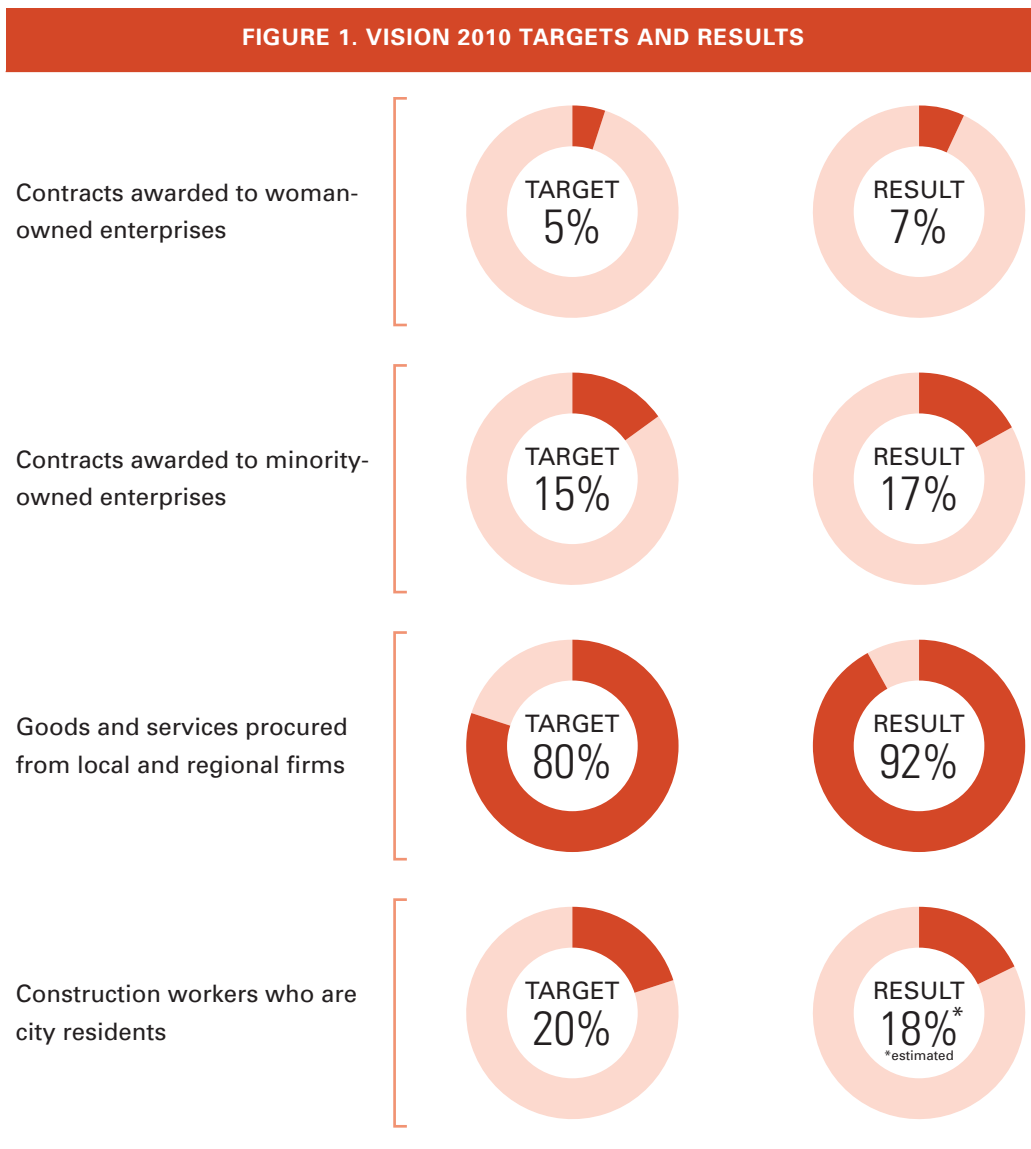
Employ accountability measures. Create means to monitor project goals regularly. Holding the project accountable demonstrates seriousness, provides validity, and allows for learning. Monitoring progress toward goals allows for corrective action to be taken early and can aid transparency.

Think long-term. Economic and community development must look beyond jobs created in the present by special projects. Explore how project decisions can serve immediate needs and also drive long-term change.

Be creative. Each community has a unique set of challenges and opportunities. Promote creative problem solving by acknowledging the assets that could support a new future. Try new approaches; even small shifts can make an important difference.

OUTCOMES

By the end of the project, UH had met or exceeded most of its goals (see figure 1). The one goal that was not met was the 20 percent residency target; estimates suggest that slightly more than 18 percent of workers were City residents. The reason this specific goal was not achieved is complex and remains a point of contention among the various Vision 2010 stakeholders: University Hospitals, the City of Cleveland, Gilbane Building Company, and the Trades Council. (For a fuller discussion of this and other issues related to the participation of the trade unions on Vision 2010, see section 4).



As shown in table 1, UH also changed the way it conducts business. (A deeper discussion of the Vision 2010 legacy is found in section 6 as well as in the conclusion of this report.) All results were achieved through Vision 2010 while completing the five-year project on timeline and within budget.

As an institution based in Cleveland for more than 100 years, University Hospitals' economic future is intertwined with the future and livelihood of the City. A focus on both the long-term interests of the community and of the hospital led UH to take a strategic and collaborative approach with its pending investment. That collaboration, central to Vision 2010's success, is the focus of the next three sections of this paper.

TABLE 1. VISION 2010: TRANSFORMING THE STATUS QUO INTO A NEW BUSINESS PARADIGM

Status Quo (2005)	UH Actions that Led to a New Business Model
A planned \$1.2 billion dollar investment to expand UH facilities in Northeast Ohio	Decided to pursue anchor mission
Changing demographics, high unemployment, lack of jobs that pay a living wage, significant levels of poverty in adjacent neighborhoods	Promoted methods for community wealth building and created conditions for inclusion; created specific goals to ensure inclusiveness
Non-residents disproportionately benefiting from construction dollars	Partnered with trade unions, City officials, and minority- and women-owned businesses to increase their capacity to meet construction demands
Minority- and women-owned businesses face unique challenges to working on large-scale hospital construction projects	Created joint ventures that allowed unions to partner with non-union construction enterprises; developed innovative solutions to problems of bonding, retainage, bid size, bidding, and other barriers
Minorities lack training programs that prepare them to work in the construction trades	Invested in programs aimed at increasing minority participation in the construction trades
Community skepticism about whether UH is serious about meeting its goals for inclusion, diversity, and local spending	Hired an independent monitoring firm to evaluate progress made toward goals, while also monitoring contractors and unions to ensure that accurate results were being reported; the firm also initiated ongoing community outreach and engagement
New federal community benefit reporting requirements	Provided rigorous documentation about genuine community benefits

3. THE PUBLIC SECTOR

We need to create economic stability and sustainability in the region and insure inclusion is a central part of that sustainable process. And it doesn't matter to me who does it.

—Frank G. Jackson, Mayor of Cleveland

Northeast Ohio was under economic and social stress throughout the 2000s, and the region was ready for new investment that could alleviate some of the pressures on low-income communities and communities of color. In 2010, Cleveland had one of the fastest rates of population decline for any major American city except Detroit and New Orleans, whose population loss was heavily exacerbated by Hurricane Katrina.¹² In 2011, the population of Cleveland had fallen to under 397,000 residents, its lowest in 100 years, representing a 17 percent decline since 2000.¹³ Despite this drop, Cleveland had a daytime population of 593,000, suggesting that nearly 200,000 employees commuted to Cleveland for work.¹⁴ University Circle, a purposeful cluster of educational, medical, and cultural institutions, is a significant hub of employment.¹⁵ Cleveland's civic capital depended on the ability of these anchor institutions to stabilize the region. After all, as populations diminish, federal funding also decreases, and there is a risk of lost congressional seats.

While declining in absolute numbers, Cleveland's population was also becoming increasingly diverse. Over the years a growing percentage of the city's population has become non-white.¹⁶ An 8 percent increase in the black population from 2000 to 2010 occurred in Northeast Ohio, alongside a 64 percent increase in the Latino population and a 2 percent decrease in the white population.¹⁷ Furthermore, the greatest concentration of poverty was found on the city's east and near west sides, where many of the city's Latino and black residents live. A 2006 Brookings study reported that Cleveland had the second highest Latino and black poverty rates of the 23 cities studied.¹⁸ Racial disparities were impeding Cleveland's growth, and a disproportionate amount of low-income communities and communities of color were without jobs.

Mayor Jackson had a clear agenda for increasing employment opportunities in low-income neighborhoods and communities of color. Prior to his election in November 2005,

12. R. Exner, "2010 Census Population Numbers Show Cleveland Below 400,000; Northeast Ohio down 2.2 Percent," *Plain Dealer*, March 9, 2011.

13. *Ibid.*

14. Kenyon and Langley 2010.

15. *Ibid.*

16. *Ibid.*

17. Census Bureau; socialexplorer.com

18. http://planning.city.cleveland.oh.us/cwp/pop_trend.php

Jackson served four years as president of the Cleveland City Council. One of his significant achievements during that tenure was the council's passage of the Fannie Lewis Resident Employment Law, which mandated that Cleveland residents work 20 percent of total labor hours spent on major City-funded construction projects (with 4 percent of the workers required to be low-income).¹⁹ The Fannie Lewis Law was beginning to have an impact; however, that law applied only to public construction projects and not to private owners. The Fannie Lewis Law provided an important starting place for establishing UH diversity and inclusion goals.

Also important was the Mayor's Contractors Assistance Program, which was launched in late 2006, just as Vision 2010 was gearing up. The goal of the program was to "help connect minority and female business enterprises in Cleveland with contract opportunities, increase local procurement of goods and services, as well as help Cleveland residents receive job training and employment."²⁰

Mary Beth Levine, UH Associate General Counsel, believed the mayor's commitment to diversity and inclusion contributed to the thinking then underway at University Hospitals:

Mayor Jackson took a very active role in the beginning; he was the person who was driving the diversity agenda. As we began to conceptualize Vision 2010, the mayor approached us, and of course we then took it and ran with it. His Contractors Assistance Program is what kicked it all off. The question we asked ourselves was: How can our big building effort help that program? We soon realized that the only way we could really do that is through a Project Labor Agreement with these goals embedded in it.

Early in the planning for Vision 2010, Tom Zenty and Steve Standley sat down with Mayor Jackson. The mayor recalled:

They came in and they presented to us what this vision was . . . what impact these moves would have on Cleveland: what we would lose, what we would gain, and all these other kinds of things. And then they went to another level that I've yet to have a private owner of a project do. . . . They said that their goal was to spend as much as was practical within their own regional footprint and that they would voluntarily comply with all of [the City's Office of Equal Opportunity] laws with regards to minorities and Clevelanders in terms of employment and procurement activities with local companies and minority companies. And they would use the City's requirements as a floor, not a ceiling. Now that's unique.

Working with the Mayor, UH, along with the Cleveland Clinic, and the Cleveland-Cuyahoga County Port Authority, held a press conference in October 2006 to announce their commitment to the Contractors Assistance Program. Further, they publicly committed to conducting business along the following lines:

19. Cleveland Office of the Mayor, "Contractors Assistance Program History," (unpublished manuscript, January 25, 2012).

20. "City of Cleveland Contractors Assistance Program will connect residents, contractors, companies with local development projects," City of Cleveland press release, October 12, 2006.

- Voluntarily applying the baseline of Fannie Lewis residency employment law standards and City of Cleveland’s minority business enterprise (MBE) and female business enterprise (FBE) goals to their projects;
- Working within a “training infrastructure” and “contractor assistance infrastructure” to achieve agreed-upon goals;
- Adding their financial support to the City’s technical resource assistance;
- Increasing their use of local suppliers (including not only manufacturers and builders, but technology providers, advertisers and marketers, design professionals, and other service providers) and encouraging their national suppliers to establish branch offices in Cleveland.

After the October 2006 press conference, the three key entities—the City of Cleveland, UH, and the Cleveland Building & Construction Trades Council met to identify the implementation challenges and commence negotiations. In January 2007, Mayor Jackson sent a letter to John Ryan of Cleveland’s AFL-CIO, and Loree Soggs, Executive Secretary of the Trades Council. The letter sought agreement among the unions on four major terms that would be central to the Vision 2010 strategy:²¹

- 20 percent Cleveland resident employment on all private construction projects within the City of Cleveland;
- Recognition by all trade unions that classroom time in the Max Hayes grade 9–12 building trades curriculum would be applied to the hourly apprenticeship requirement to facilitate the students’ ability to qualify for jobs;
- Enhanced participation of Max Hayes graduates and other Cleveland residents in the building trades’ recently established pre-apprenticeship training program (known as “UCIP-ASAP”); and
- Consenting to package contracts for small non-union contractors on significant (\$400,000+) union projects in the City of Cleveland.

UH’s strong preference was to enter into a PLA with the Trades Council, provided that the agreement included all terms expressed in Mayor Jackson’s January 2007 letter.²²

As described in a document prepared by the Mayor’s office, the following then occurred:²³

As summer turned to fall, the negotiations stalled. UH completed its construction drawings and began finalizing its bid packages. But it could not go out to bid until the question of the project labor agreement was resolved.

21. Cleveland Office of the Mayor 2012.

22. Ibid.

23. Ibid.

The critical summit conference was held . . . on November 20, 2007—and the Congresswoman’s [Stephanie Tubbs Jones] conference room strained to accommodate a large crowd: Congresswoman Tubbs Jones and her aide Michael Turner, Mayor Jackson, Ken Silliman, UH officials Steve Standley and Heidi Gartland, UH attorneys Teresa Beasley and Dave Campbell, and Trades Council representatives Loree Soggs, Terry Joyce, Mike Cahill, John Kilbane, Gil Steel, and Mary Beth Laverne.

The participants expressed general agreement on three points: the 20 percent residency requirement, the Max Hayes training curriculum, and the Max Hayes/UCIP/ASAP training link. But—as expected—the \$400,000 non-union threshold dispute threatened to break up the gathering in discord.

The turning point came in the form of a question from Congresswoman Tubbs Jones after nearly an hour of heated debate over the threshold question. “Why not use joint ventures to solve this problem?” she proposed. Citing another recent construction project, she suggested that union contractors form joint ventures with non-union minority contractors. The joint venture would be deemed to be a union entity with the responsibilities of contributing union dues and pension payments. However, the joint venture would be dissolved upon completion of the project, whereupon the non-union minority contractor would have the choice of returning to its previous non-union status or converting to a unionized workforce.

The Congresswoman’s proposal broke the logjam, and the meeting adjourned with all parties committing to embedding this new proposal into the Attachment B. After several exchanges of drafts in December 2007, and early January 2008, the parties were ready to announce an agreement.

The key document, Attachment B (see appendix 2), created a binding agreement about diversity and inclusion goals between UH and the Cleveland Building & Construction Trades Council.

In January 2008, Mayor Jackson announced the PLA at a press conference. An editorial in the Cleveland *Plain Dealer* commended the agreement as “an important win for businesses, workers, and the region.”²⁴

Given that UH was on the verge of spending more than \$1 billion, it could have dictated many contract terms. Instead, UH chose to work closely with the City to identify and address specific strategic community and economic development policies. As a result, the local and regional public sector gained a willing private partner to invest in creating jobs and boosting the local economy. From the UH perspective, the City’s active participation gave Vision 2010 validity, political support, and the potential for greater social and economical impact. As part of a public investment, UH voluntarily committed to making regular presentations to the public during city council committee meetings. Those presentations provided transparency and held everyone accountable to meeting the goals of the project. They also provided a vehicle for public and private interests to troubleshoot together.

24. “New labor deal helps UH, region,” editorial, *Plain Dealer* January 18, 2008.

4. UNIONIZED LABOR

It was a very good project. It was large . . . the largest one we've ever done under a PLA. There were some bumps in the road. But on a more broad scale, they were really insignificant.

—Loree Soggs, Executive Secretary, Cleveland Building & Construction Trades Council

Ohio is one of the Big Seven states (alongside California, New York, Illinois, Pennsylvania, Michigan, and New Jersey) in which half of the nation's 14.8 million union members reside. In addition to the 647,000 union members in Ohio in 2011, another 59,000 wage and salary workers were represented by a union on their main job or were covered by an employee association or contract while not being union members themselves.²⁵

The 2007 recession led to a significant drop in construction activity and pending projects across Northeast Ohio. A seasonally adjusted figure for construction employment in Ohio showed a 15 percent decrease from 2008 to 2009.²⁶ For organized labor, which was trying to keep current members employed while attracting new membership, the drop in construction made the Vision 2010 project even more important. University Hospitals' construction project was therefore tremendously important to the building trade unions, city residents, and contractors seeking work. There was a great deal at stake for all parties. Ultimately, the project generated 5,200 construction jobs, \$500 million in wages, and 1,200 permanent jobs.

Vision 2010 was the economic stimulus plan for Northeast Ohio. At that point, literally, we were the only cranes in the air. So we really saw this as an investment in Cleveland's future because nothing else was going on. There were other health-care systems across the state that were pulling back on projects. They were shuttering buildings that were partially built and just stopping construction. And we made a pretty difficult decision to keep moving forward with the uncertainty of the economy.

—Heidi Gartland, Vice President of Government Relations, University Hospitals

THE VISION 2012 PLA

The relationship of UH to the trade unions was framed within a PLA. Project Labor Agreements are comprehensive contracts between a construction client and a consortium of

25. United States Department of Labor, Bureau of Labor Statistics. Union Membership in Ohio 2011, April 9, 2012.

26. Cleveland Office of the Mayor 2012.

unions and have been a fixture in the Cleveland area for the last thirty years.²⁷ For example, the construction of the Cleveland Browns Stadium, Jacobs' Field, and Key Tower have all been governed by PLAs between owners and the trade unions.²⁸ The PLA for Vision 2010 was distinct, however. Typically, a PLA addresses labor issues and represents an agreement by the union not to strike during the course of the project in return for a commitment to hire union labor. The PLA between UH and the Cleveland Building & Construction Trades Council contained the standard union provisions but also went several steps further.

The Vision 2010 PLA expanded the scope of the PLA in the following five ways:

1. **The manner in which the Vision 2010 PLA was negotiated and ultimately agreed upon.** Unlike other private construction project labor agreements, the negotiation of the Vision 2010 PLA included government representatives. The City of Cleveland played a major role in the expansion of the Vision 2010 PLA and Mayor Frank G. Jackson personally attended several negotiating sessions. In addition, Congresswoman Stephanie Tubbs-Jones also attended negotiating sessions and was able to ultimately bring the parties to agreement. City officials assisted in setting goals and determining the appropriate framework for meeting them. Throughout the five-year period of Vision 2010, UH continued to meet regularly with City officials. This government role assisted UH in expanding the impact of the Vision 2010 PLA to the overall community.
2. **UH's focus on Northeast Ohio.** The PLA specifically granted UH the right to increase the procurement of local products and services. In addition, although Vision 2010 was not governed by the City of Cleveland's Fannie Lewis Law, UH agreed to voluntarily comply with the requirements. The Fannie Lewis Law, when applicable, requires a certain percentage of construction employees on the construction project to be residents of the City of Cleveland. The Vision 2010 PLA required union contractors to employ at least 20 percent City of Cleveland residents on the Vision 2010 project. This residency requirement was even applicable to Vision 2010 construction projects that were located in Cuyahoga County, but outside of the City of Cleveland.
3. **The diversity of the goals that were agreed upon by UH and the Trades Council.** The Vision 2010 PLA set percentage goals for the utilization of minority and female business enterprises, again voluntarily complying with the City's [Office of Equal Opportunity] goals with respect to the hiring of minority and female businesses. In addition, the Trades Council volunteered to attempt to employ a certain percentage of female and minority construction employees. In order to verify that the parties were using all reasonable efforts to meet the diversity goals, the Vision 2010 PLA explicitly permitted UH to use non-union contractors if the building trade unions could not meet the

27. Ibid.

28. Ibid.

diversity requirements of the Vision 2010 PLA. This was a landmark provision in the Ohio construction industry.

4. **The Vision 2010 PLA recognized the creation of joint ventures between a union contractor and a non-union contractor whereby the joint venture entity would become a party to a trade agreement with the appropriate member unions.** This provision encouraged the partnership of union and non-union contractors to become signatories to the appropriate trade agreement enabling participation on the Vision 2010 project.
5. **The Vision 2010 PLA required union contractors, local government officials, the building trade unions, and UH to assist in diversity-related programs.** Training programs were funded and the parties sought to increase diversity in the construction trade unions through the training and hiring of diverse applicants. In addition, the PLA mandated a mentor and joint venture programs, which encouraged the creation of minority and female business enterprises.

NEGOTIATING THE PLA

The PLA represented high stakes for UH, the City, and the Cleveland Building & Construction Trades Council.

UH sought a PLA for two reasons. First, UH wanted to prevent work stoppages and to ensure quality work. Second, UH wanted to use the construction project as a means of employing low-income and black residents of Cleveland, particularly those who lived in neighborhoods surrounding the hospital. This goal required UH to confront traditional barriers that have limited the access of minorities and women to the building trades for generations. These barriers include lack of access to construction training, few opportunities for minority and women trainees to be placed on the job, the small size and often limited capacity of minority construction contractors, high rates of criminal records among many youth, and contractor reluctance. UH was determined to include local minority hiring in the construction process.

The City also had a significant interest in the PLA. The UH PLA established community workforce goals related to diversity and place of residency for the project as a whole, not on a craft-by-craft basis.²⁹ The City of Cleveland was designated as a third-party beneficiary for the purposes of enforcing these goals and provisions, which specified that 20 percent of the workforce on covered projects located within the city should be City residents; that UH would award 15 percent of the combined aggregate value of the project to MBEs and 5 percent to FBEs; that contractors were required to “use best efforts to place

29. Because of workforce goals and other aspects, the Vision 2010 PLA is better described as a Community Workforce Agreement. Community Workforce Agreements, a growing trend nationally, are PLAs that contain social investment or targeted hiring provisions to create employment and career path opportunities for individuals from low-income communities. See M. Figueroa, J. Grabelsky, & R. Lamare. *Community Workforce Provisions in Project Labor Agreements: A Tool for Building Middle-Class Careers* (Ithaca: Cornell University School of Industrial Relations, 2011).

the highest priority on the creation of contracting opportunities for minority, female, and local small business enterprises in Northeast Ohio”; that unions were required to utilize the Max S. Hayes Vocational High School pre-apprenticeship program, recognizing Max Hayes’ curriculum as, “classroom time applied to the hourly apprenticeship requirement”; and that contractors and unions were required to provide jobs to Max Hayes graduates.

The trade unions wanted to provide jobs for their members while making credible progress on minority and female inclusion. Trades Council representatives Loree Soggs said, “It was the biggest PLA we had ever signed . . . so it was very important to us to have it be successful.”

Achieving agreement involved contentious negotiations. According to Terry Joyce, from Building Laborers’ Union, Local 310, the most difficult negotiating point was the request to use non-union contractors, most of whom were MBEs and FBEs. Joyce said, “Well, we never had signed that before. Washington [union headquarters] wouldn’t let us.”

But UH had a commitment to diversity and inclusion. Steve Standley said, “We were saying . . . if you can’t provide us what we’ve committed to, we have the ability to go non-union. That was a stalemate for quite a while.”

The participation by local political leaders—all of whom had close ties to the unions—in resolving these and other issues was critical. Congresswoman Stephanie Tubbs Jones, Mayor Jackson, U.S. Senator Sherrod Brown and his chief of staff John Ryan (former head of the AFL-CIO in Ohio) participated in the negotiation. Their ability to weave a path that was supportive of both trade unionism and minority and female inclusion led to an agreement. At one point, Congresswoman Tubbs Jones refused to leave the room unless an agreement was reached, leading to what some refer to as the “seven-hour meeting.”³⁰ The success of organized labor was important for the region, and Congresswoman Tubbs Jones’ dedication and commitment to building that partnership was invaluable.

The agreement allowed non-union contractors to become union for the UH project only, and they had the option of staying union or not after completion of the project. Non-union contractors had to pay whatever a union contractor would have to pay to their employees. Many of these contractors chose to become union after completion of the project, and, Mayor Jackson said, “They had access to much broader and deeper opportunities for contracting because of that.”

[UH] had both the stick and the carrot. The carrot is a billion dollars worth of construction and procurement of goods and services and fixtures and furniture. And the stick was that if you [the trade unions] don’t do it somebody will. So we’ll not have a PLA which means we will contract with people who may be union or may not be. So they knew that in the background and that helped get them over the hump.

—Frank G. Jackson, Mayor of Cleveland

30. Heidi Gartland, interview, January 27, 2012.

LONG-TERM UNION MEMBERS OR MINORITIES?

The recession left many union members without adequate work opportunities. “It’s not easy to tell a long-term union member that we do not have a job for them,” said Terry Joyce. This becomes even harder, both legally and organizationally, when specific diversity goals are required.

Women and minorities have a complex history with trade unions. Some unions have built inclusive organizations, but others have controlled labor supply through exclusionary practices.³¹ According to Cornell University of Industrial and Labor Relations scholar Susan Woods, “While unionization has been used to enforce bias, the labor movement has also broken barriers and brought diverse people together. Unionization has provided a powerful institutional framework through which diverse communities articulate and negotiate progressive social change.”³² The changing demographics of Northeast Ohio and of the construction industry as well has challenged the Trades Council to increase diversity in the trades.

Yet setting a preference for minorities over long-term union members on UH’s construction projects was a source of ongoing friction between UH and the trade unions. The one goal of Vision 2010 that was not met was the requirement to ensure that 20 percent of construction workers were Cleveland residents. There is disagreement about why this objective was not met. Some at UH contend that the union gave preference to their long-standing members who had been out of work because of the poor economic climate in Northeast Ohio. Given the history of race and organized labor in Cleveland, these union members with most seniority were overwhelmingly white. As a result, the argument goes, the unions would not move new members, who often were people of color, up the ranks and onto the job. Cassandra Johnson, Director of Construction for UH, calls this “delaying tactics” on the part of the unions. She said:

When we would pin them down [about not having a high enough percentage of Cleveland and minority residents on the job], they would accuse us of violating labor laws. I would say to them, “Well, you didn’t seem to think we were violating labor laws when you signed the PLA.”

From the perspective of the trade unions, UH could have achieved the residency objective if it had simply instructed its contractors to submit letters to the unions requesting by name the specific union members to be brought on the job. Terry Joyce said:

I remember telling Margaret [Hewitt] one time, “You’ve got the hammer. You’ve got to use it.” A lot of our unions, because they have referral halls and exclusive hiring halls, they can’t jump over someone just because you want to use a minority. They need a letter from that contractor specifying a specific individual, and when the letter

31. S. Woods, “Unions, People, and Diversity: Building Solidarity Across a Diverse Membership” *Articles & Chapters* (Ithaca: Cornell University School of Industrial Relations, 1998), 32.

32. *Ibid.*

comes, they're allowed to put him on the job. To be honest, there were times when I thought that UH could use a bigger stick.

On large construction projects in Cleveland that followed Vision 2010 (such as the Medical Mart and the Horseshoe Casino), Loree Soggs said, the unions were able to work with participating owners and contractors to go well beyond the 20 percent residency requirement. Soggs attributed this, at least in part, to what was learned in implementing the Vision 2010 PLA:

Everything you see around you today, all the big construction projects, all of them have some type of CBA [Community Benefits Agreement] language in it.³³ But someone had to go on record as being the first. . . . And I believe it was truly historic.

BUILDING LOCAL CAPACITY

When UH first investigated the construction capacity needed for Vision 2010, it found that there was insufficient local capacity to meet the demand. Small businesses—those with fewer than twenty employees—were critical to meeting the construction demand of Vision 2010. But these firms required financial and educational assistance to help them develop the capacity to participate successfully.

There are three main pre-apprenticeship programs in Cleveland. One is the Union Construction Industry Partnership/Apprenticeship Skills Achievement Program (UCIP/ASAP program), established by the trade unions. The program runs three classes per year of twenty students each. As of late 2011, UCIP/ASAP had graduated more than 390 students.³⁴ Of those, all but one was a Cleveland resident and all but one was a minority.

A second, the Max Hayes program, is a vocational school run by the Cleveland public schools. UCIP/ASAP reserves twenty slots per year for Max Hayes students. Integrating UCIP/ASAP with Max Hayes was a requirement of the PLA. However, during the course of Vision 2010, Max Hayes had initial difficulty attracting enough students to fill the twenty slots. Students are now recruited from all Cleveland high schools, not just from Max Hayes, for the UCIP/ASAP class.

A third, the ACE Mentor Program, is aimed at encouraging young people to pursue careers in architecture, construction, and engineering. ACE provides a rigorous, 15-week afterschool program that engages about twenty participants and provides them with exposure to engineering and other necessary construction-related skills. UH, which had initially hoped to rely on the UCIP/ASAP program to create a pipeline of young minority workers who could move onto their construction projects, ultimately provided \$250,000 to bring the ACE program to Cleveland.

33. CBA's are agreements between the developer and community groups that obligate the developer to provide certain benefits—jobs, affordable housing, etc.—to communities impacted by the project.

34. Loree Soggs, interview, March 6, 2012.

Of the three programs, only UCIP/ASAP focuses exclusively on the building trades, and UCIP/ASAP graduates are the only ones offered direct entrance into building trades apprenticeship programs. The trade unions, Gilbane Building, and Dominic Ozanne, a leading minority contractor, are working with the Mayor's Office to rebuild the Max Hayes facilities and curriculum to put a stronger emphasis on construction. Tension has existed in the past because school officials did not think enough of their graduates were being placed into union apprenticeship programs. The trade unions maintained that the school did not do a good job explaining the cyclical nature of construction work, so students had unrealistic expectations. This problem is not yet resolved.

Although the relationship at times was strained, in the end, UH benefited from unionized labor's expert skill set, certification capability, and guarantee that there would be no work stoppages. In turn, the unions were able to secure more jobs, increase union membership, make some progress on expanding diversity among their members within Cleveland, bolster their apprenticeship program, and gain considerable contracts.

Ultimately, ongoing and frequent interaction between UH and the unions was key. Tom Joyce said the trade unions especially appreciated meeting to discuss problems and sort them out. "Some of the old stereotypes [about the trade unions], people still have them to this day. We battle with them everywhere we go. Loree [Soggs] has long been a proponent of 'Don't just sign the PLA or CBA, but hold quarterly meetings.' . . . Get us all in the room."

The way the mayor and UH put together the program was to make it very public. Once the negotiations on the PLA were public and the PLA was signed it was "congratulations" to all involved. Then we all stood up there together and had a press conference . . . and talked publicly about the PLA that we'd all committed to. . . And so now, if any of us didn't produce on our commitments, we just had to show the tape from the press conference. We didn't say, "Okay, we signed the PLA now let's hope it happens." We said, "We will work it every day to make certain it happens."

—Margaret Hewitt, Vice President of Construction Services, University Hospitals

5. SMALL BUSINESSES: MBEs AND FBEs

Vision 2010 changed the whole dynamic in this city. Because when you talk about minority contracting, you are always talking about minority contractors as a subcontractor. Never do we ever grow up, never do we ever get a seat at the table. . . . What University Hospitals did was say, "Look guys, we're going to do something different." It was the owner that stood up and said, "No more, not here." . . . As a result, we did \$27 million of business on this project, which was unheard of. And so it worked out really, really well as far as our company was concerned.

—Lonnie Coleman, President, Coleman Spohn

One of the most significant commitments University Hospitals made in Vision 2010 was to award 15 percent of the total contracts to small MBEs and 5 percent to FBEs in Northeast Ohio. But building hospitals is far more complicated than building malls, office buildings, or warehouses, and UH had to ensure it could meet its diversity goals while protecting hospital operations. UH Director of Construction Cassandra Johnson said:

The Seidman Cancer Center literally backs up to our Mather Building. They now connect. So, while we were building Seidman on one side, doctors were performing surgery on the other side of the wall. In those situations, we need contractors who understand infection control issues. If you've never been involved with a hospital, you're just not thinking along those lines. And, unfortunately, because they haven't had that opportunity, a lot of minority companies don't think along those lines, until somebody teaches them.

To meet its commitment to diversity, UH implemented a number of new business procedures, many of which were more labor intensive than previous approaches. Among its efforts, University Hospitals

- made a concerted effort to recruit MBEs and FBEs and to build their capacity;
- pressed larger contractors to change their traditional ways of working to include greater numbers of small firms;
- divided bids into smaller components that could be handled by a small company;
- dealt with key issues such as bonding and retainage;
- engaged a third-party firm to monitor progress toward goals and troubleshoot obstacles; and
- funded training programs for young minority Clevelanders to enable them to move into construction-related careers.

The issue of minority representation and their ability to work on the project was essential from the outset. We could have just checked the box that said we have an interest in working with minority contractors and minority firms. And we could have easily said, “Well here’s the portfolio of 50 companies that interviewed for participation on the project.” But that wasn’t enough. That becomes an exercise in ruling out as opposed to an exercise in engaging them.

—Tom Zenty, CEO, University Hospitals

All told, about 110 small local businesses received contracts through Vision 2010.

MBEs and FBEs around the country tend to be strong critics of the construction industry, asserting that they are locked into small residential construction and out of large-scale commercial construction by big firms and trades unions. In Vision 2010, MBEs and FBEs had an opportunity to work on a large-scale project and to demonstrate that they were capable of handling the work. As a result of these opportunities, Arlene Anderson, president of Minority Business Solutions, said, “A lot of growing occurred because a lot of the MBEs and FBEs had to really stand up and do the right thing now. So it was no longer easy to just say, ‘I’m not getting a chance.’ No, you have a chance. Now what are you going to do with it?”

A great deal of effort was put into training MBEs and FBEs to work with unions. Unions have various processes for becoming a member. In some cases, contractors must pay a large fee; in other cases contractors must go through a program (such as an apprenticeship program) to become union.

UH also supported the growth and sustainability of local entrepreneurs. Tom Laird of Gilbane said:

It’s one thing to go out and find a masonry firm that is minority owned, that’s been around for twenty years, and getting them involved in the project. But we came across one gentleman who was a mason and we helped him build his own company. We counted him in as a general contractor and he had never done that before. We helped him put together vendors and supplies and he ended up erecting the tower crane. After Vision 2010, he did it for us again on another job we’re doing in the Flats development. Those are the kind of success stories that you won’t forget. It wasn’t that we went out and met a certain percentage, but the fact that we were able to create sustainable businesses, and there are a number of them that came out of Vision 2010.

THIRD-PARTY MONITORING AND ENGAGEMENT

Language in the PLA allowing UH to hire non-union labor if PLA goals were not met was an underlying threat. In addition, the public announcement of the PLA put a public spotlight on participating parties. Yet holding contractors and the trade unions accountable mostly entailed establishing a vigorous monitoring process, holding frequent problem-solving sessions, and strengthening personal relationships.

A key element of successful monitoring was the use of a third-party company. In 2008, University Hospitals retained the Cleveland firm Minority Business Solutions (MBS) to verify progress on its goals and to ensure transparency.

There were at least three reasons to use an outside firm to monitor the project. First, UH was aware that there were numerous instances around the country of owners claiming that they had achieved various diversity and local spending goals but lacked the independent, verifiable data to back up the claims. UH wanted hard, unbiased data not only to know whether it had truly delivered, but also to show important stakeholders—including the larger community—that the hospital system was walking its talk.

Second, given the enormous pressures on the construction management team to complete the construction project according to the timeline, UH realized it needed a voice at the table that was more concerned with the diversity goals than the timeline. Margaret Hewitt remarked:

As a construction manager, the tendency is that if the steel comes in late, I'm not thinking about diversity; I'm thinking about how to get that steel in. If the architectural drawings come in over budget, I'm not thinking about diversity; I'm thinking about working with the architect, how do I get that back on budget because I can't afford that. I eventually will come back to diversity, but if something happens in the month and I haven't paid attention to it, the whole world can change. I told my construction team, we need somebody for whom the diversity goals are all they see, hear, think, talk [about] and do. If you're going to do a large scale project and you're going to have diversity be a spotlight focus, you've got to have somebody who is doing nothing but that.

Third, UH needed a savvy dealmaker with the experience and contacts to ensure that minority firms were being considered at every level of contracts awarded to majority companies. Margaret Hewitt offered an example of how UH used its power as an owner to persuade contractors to come on board to help the hospital achieve its goals:

Industrial and commercial elevators are made by only two companies in the entire United States. Period. And they are both majority white companies. So they always plan to walk in the door asking for an exception: "We're the elevator people. We know there are no minorities or women that do elevators." So they come in zero/zero [no minorities or women].

Minority Business Solutions said, "Well, do you all buy water?"

"Yeah, we buy water."

"Well, we have a minority water vendor that can supply you water. Do you store the elevators in a warehouse before they are installed? Because we have a minority trucking company that can take it from the warehouse to the site. Do you have things delivered locally, do you need office supplies? Well, we have minority firms that can do that for you."

So you're no longer zero/zero. Zero/zero became unacceptable. That was groundbreaking because the word got out there, don't even walk into UH talking about

zero/zero. You'll get nowhere with them. So the reputation sort of built. And many came in exceeding or meeting our numbers or saying I know I need help. I know it's unacceptable for me to come in here and say I don't know anybody who can work on my team that's diverse. So I'm coming in asking you can you find me somebody to do this, this, and this."

MBS began its work on Vision 2010 in February 2008. The firm was tasked to regularly visit the construction job sites to monitor and verify the construction workers on site. It reviewed certified contractor payroll in order to verify that diversity and residency requirements were being satisfied. It mentored newly formed companies; office space was provided for these companies. Public outreach and informational meetings to encourage female and minority businesses to bid on Vision 2010 projects were held on a regular basis. MBS conducted outreach to the community and monitored the joint ventures and hiring process.

Meetings involving representatives of the unions, the contractors, and University Hospitals occurred regularly to discuss diversity requirements, avert problems, and address challenges. In measuring diversity, one individual could not be counted to satisfy more than one category. A business that was owned by a black woman, for example, could not count as both an MBE and an FBE; employers had to pick which category that company would fall under. Anderson said the meetings allowed for "discussions about diversity with all parties in the room . . . so that everybody heard the same thing at the same time. . . . The message was consistent."

During the course of Vision 2010, University Hospitals paid MBS \$3 million to perform its monitoring and verification services. UH viewed this investment as well worth it for reasons going beyond adherence to the PLA. For instance, because insurance cost is based on the number of people working on a job site, contractors were motivated to lower their costs by not listing all the workers they had on the job. Comparing the materials submitted for PLA compliance with contractors' insurance reports, MBS was able to bring discrepancies to UH's attention, which held contractors accountable. Steve Standley said, "I would have paid the \$3 million [just] to have that assurance that there was integrity through all the transactions."

In turn, the contract with UH increased the organizational capacity of MBS. Over the span of Vision 2010, the organization grew from three to eleven staff, and had secured a reputation that attracted owners of other large construction projects starting in Cleveland.

MBE AND FBE OUTREACH AND CAPACITY BUILDING

As Vision 2010 got underway, another challenge UH faced was overcoming distrust among MBEs and FBEs concerning their inclusion. Some firms assumed they were simply being used as part of a UH marketing campaign. The project included over a dozen outreach events to assure MBEs and FBEs that the opportunities created by Vision 2010 were genuine. Anderson said, "It took us eight months to get people to trust us."

To help build the capacity of MBEs and FBEs, Minority Business Solutions conducted numerous workshops and provided technical assistance to small local companies to help them learn how to build relationships with their bank and to adopt sound administrative and back office procedures. For the first two years, MBS and UH held quarterly meetings with MBEs and FBEs, which were also attended by majority contractors, the trade unions, banks, and other entities. MBS conducted presentations on how to incorporate as a business, how to access City and County resources available for MBEs and FBEs, how to organize joint ventures, and other topics. These meetings gave MBEs and FBEs rare networking opportunities, as well. MBS also helped MBEs and FBEs become certified with the City of Cleveland, and it hosted numerous other skills building events. MBS also produced detailed guides for majority contractors and unions on how to make the PLA a success.

OVERCOMING FINANCIAL BARRIERS FOR SMALL BUSINESSES

Many MBEs and FBEs face a host of financial barriers that are compounded by their small size. Through Vision 2010, UH worked to lower barriers to entry for these firms by addressing issues such as bonding and retainage, and by unbundling procurement contracts into contracts scaled to the capacities of small businesses.

Bonding. To developers and owners, bonding is an important form of security. But bonding requirements are often prohibitive for a newly formed business and for small businesses. Company finances, performance history, and management capabilities are thoroughly investigated prior to being issued a bond. Once a bond is issued, large financial and legal penalties are the responsibility of the business if they fail to perform. Bonds are issued by a surety organization that evaluates the risk associated with the project, determines a bond rate, requires the contractor to pay the premium, and provides a bond certificate. After a company fulfills its project obligations, the premium is refunded.

Large companies are evaluated for bonds based on profit and loss statements. But for small companies, the personal lives of the owners are scrutinized, and bonding becomes virtually unattainable. Divorce, lack of home ownership, unsteady cash flow, or being late paying a credit card can deem the individual's business too risky to bond.

Vision 2010 sought to work with small businesses that could not be bonded. To overcome this barrier, UH held multiple conversations with prime contractors, subcontractors, banks, and attorneys to develop a means to share risk. The joint venture structure lent

I would meet with some of the smaller businesses and I would ask, "So why can't you get the business?" And they would say, "Well, at our level, for just the performance bond I have to have \$20,000 cash. Do *you* have \$20,000 cash?" And I'd say, "No, I really don't."

—Steve Standley, Chief Administrative Officer, University Hospitals

itself to mitigating the burden of bonding for small FBEs and MBEs. University Hospitals assigned the largest bonding responsibility to the prime contractor, who was required to cover the subcontractor. Bonding was waived at \$500,000 and was replaced by an insurance program.

Retainage. Retention, known in the construction industry as retainage, stipulates that a certain percentage of total costs within a construction bid must be paid prior to work and held by the project owner until work is satisfactorily completed. In the building trade, the industry standard is 20 percent. In construction, completing a job can take months and frequently depends on other companies completing their work in a timely fashion. Small companies may not have the cash flow to wait until job completion to get their retainage back, or they may have to acquire debt to pay their operating costs while they wait to complete their project, placing them at risk of bankruptcy.

University Hospitals, Gilbane, and Coleman Spohn created tiered retainage requirements, and reduced retainage to 10 percent for small MBEs and FBEs subcontractors. Nevertheless, even at lower required levels, bonding and retainers together puts tremendous pressure on the cash flow of a smaller company. Another project innovation that eased cash flow for these smaller companies was changing the billing cycle. By billing in advance, the prime contractor could distribute payments faster to their FBE and MBE subcontractors.

Procurement contracts. Another innovation promoted by UH was unbundling large procurement contracts into smaller pieces that could be fulfilled by small firms. Very few MBEs in the area had the capacity to successfully respond to the largest contracting opportunities. Vision 2010 opportunities were categorized into one of three tiers: small projects amounting to approximately \$45,000; second-tier opportunities, which reached up to \$500,000; and larger projects, which exceeded \$500,000. Ultimately, contracts for as little as \$20,000 were awarded.

By learning about the obstacles facing MBEs and FBEs, UH was able direct its financial power to alter traditional ways of doing business in construction and procurement. University Hospitals' new approach not only helped it realize the power of its procurement dollars, but it also created a new model for how business can be done in northeast Ohio.

Joint Ventures. UH also promoted joint ventures so that small firms with little bonding capacity, those with less experience with hospital construction, and non-union firms could partner with a union firm and be covered by the larger firm's financing, bonding, and certification. Such partnerships allowed MBEs and FBEs to acquire the experience needed to become certified to perform hospital work and resolved a longstanding "chicken and egg" dilemma. As Mayor Jackson said:

How do you get a job when you don't have the experience? And how do you get experience if you can't get the job? They developed a process that allowed for contractors to come on so that now they could have [this] on their resume and they can bid for health [and] hospital-related construction activity. [They can become] bigger contractors.

In promoting joint ventures, UH insisted that the prime contractor partner demonstrate that the role of the smaller firm was “meaningful,” that the smaller businesses were doing substantive work and were increasing their capacity through experience, mentoring, and training so that they could carry out such work on their own on future projects.

ENSURING MBES AWARDED SUBCONTRACTS TO MBES

Some MBEs used their status as a minority firm to win contracts, and then subcontract work to firms that were not minority-owned. According to Steve Standley, “We noticed that people would award the mechanical contract to a minority [business], but that [MBE] might actually hire five smaller subs that were majority . . . It would look to us like we made a purchase order for \$20,000,000 from an [MBE], but the reality was, unless that minority was held to the same standard on the contracts they led on, it really was not working.”

Minority Business Solutions ensured that MBEs who won contracts were held to the same 5/15/80 percent requirements as majority firms.

To be a part of a billion dollar project is exciting. To help revitalize the city of Cleveland and its surrounding cities, that’s really something.

—Bernard Wiggins, Owner, Kemet Construction (MBE)

ALLOWING MINORITY COMPANIES TO LEARN FROM MISTAKES

For decades, minorities entering the building trades or minority firms working for majority firms have complained of being set-up to fail on the job. There were a few such incidents on the UH project. In one case, a minority firm told its prime contractor that it was not qualified to do a certain job, but the prime contractor demanded it anyway, and the MBE did the work incorrectly. “Then the finger pointing started,” Steve Standley said, “and the project got behind and it was a couple million dollar problem. . . . But if we hadn’t handled that correctly, [we would have heard], “I told you so, this is exactly what I was afraid of.”

Before sorting out the details of the problem, UH had to fix the problem quickly to get the project on track. The minority contractor was not excluded from this process, but was a part of the correction so that they could learn from the mistake. Once the problem was fixed, UH conducted an audit, found one contractor accountable, and the minority firm, Standley said, “is now very successful.”

THE POWER OF ACKNOWLEDGMENT

Engaging and empowering minority- and female-owned small businesses were a central focus of Vision 2010. For these small firms, the opportunity to build their business and develop the skill set needed to work on hospital projects was a crucial asset. Every MBE and FBE interviewed for this report spoke of University Hospitals’ unexpected and inspiring

It was the first time I encountered a client that actually was open to really trying to figure out how to increase their minority procurement. . . . It meant a lot to the small businesses that an executive from University Hospitals was at the meetings listening to them and trying to figure out a way to work things out.

—Arlene Anderson, President,
Minority Business Solutions

leadership. From Steve Standley’s perspective: “What really happened is that I started meeting with minorities and I started hearing all this horrendous stuff. I will tell you in 2004 and 2005, I had no idea how really hard it was for them and their companies to get anywhere.”

At the conclusion of the five-year project, UH bought advertising space in the Cleveland *Plain Dealer* to publicly acknowledge all 110 FBEs and MBEs involved in Vision 2010.³⁵ Steve Standley said that the ad is one of his proudest moments. He explained:

By putting [an acknowledgement] in the newspaper, a full-page ad, we were saying: “Here they are. If you doubt that all of these companies worked on this big project, call them.” And the other thing it did was it gave them recognition that they had worked for us. Since the ad ran, many of the companies have taken the newspaper page and now it’s in their bid packages. Because they can say that they worked for UH.

PROFILES

During the five-year project, some 110 small MBEs and FBEs worked under contract. Below, the owners of three of these businesses express their thoughts about the impact Vision 2010 had on their companies.

Lonnie Coleman, Coleman Spohn (MBE)

Lonnie Coleman said that, as a minority-owned mechanical business, Coleman Spohn “had never done a project of such size before, but we were comfortable with it and we knew a lot of eyes were going to be on us because . . . it was a high profile project. What we did was the biggest mechanical contract at that time that year in the city of Cleveland. And it worked out very successfully for us; we had about forty laborers working.” Coleman Spohn was awarded a \$27 million contract for project management and played an integral role in coordinating plumbing, HVAC, mechanical, and fire protection. “[A contract of that scale] provided bonding access for us,” said Coleman. “And we’re from the school that if someone helps us, then it’s our job to reach back and help others. They had a commitment on the job of 15 percent for minority

(continues)

35. This ad can be viewed on the inside back cover of this report.

(continued)

businesses and 5 percent for female businesses. We took that and said, okay, those are the minimums. Let's see what we can do to maximize those. And we ended up with 19 percent for minority business. And we ended up with 7 percent for female businesses on this project." For many of the subcontractors, this was their first chance to work on a major project. "Exposure leads to growth," Coleman said, "Now those companies that worked with University Hospitals are working on other big city projects like the Medical Mart and Casino or Flats East project and they can move from \$200,000 projects to \$500,000. That's what this project did."

Evelyn Kuzilla, Jance & Company LLC (FBE)

Evelyn Kuzilla has spent her entire working career in the construction industry, partnering with her brother in 1970 to establish Jance & Company LLC and eventually buying into the company and establishing it as a local, regional, and national female-owned enterprise. Having experience in the healthcare construction industry, they were happy their bid was accepted by University Hospitals and quickly grew from a small contract to a multi-million contract. "We believe in service and made ourselves available," said Mike Salion, project manager for the University Hospital contract. "I would get calls at 6 p.m., asking if we'd be interested in purchasing this or that for a contractor, and I'd say, 'Yes!' We found ways to make things work. They would also call on us and our expertise when things on site didn't work out as well as planned, and our crew advised others. It's a kind of compliment."

"Through the project, the Jance & Company's unionized crew grew from two to about thirty," Kuzilla said. "We built relationships with Gilbane and University Hospitals that we did not have before. Our rapport grew, and we now have a concrete connection—those relationships are everything in our business . . . We were one of the last people working on the project and we were sad to see it end."

Bernard Wiggins, Kemet Construction (MBE)

Bernard Wiggins first moved to Cleveland to work at Ford, and then joined the Air Force, where he worked in construction. In 2000, he brought those skills back to Ohio to start his own construction company, Kemet Construction. Kemet is a small, unionized company, with four employees specializing in commercial and residential construction. While they had done some medical work before, the scope of work at University Hospitals was different because "it was a partnership situation between majority contractors and smaller contractors" said Wiggins. "We learned through working with major contractors, and communication was good." Kemet Construction received a \$220,000–\$230,000 contract for ceramic floor tiles. "University Hospitals gave us exposure, more knowledge on the process, and made a good effort to give us small contractors a chance. . . They made it more accessible to small contractors through bonding, insurance, and retainage. Kemet Construction was able to parlay their experience in order to win a larger contract for the Casino project, which they worked on in 2012. "I hope I can continue doing what I'm doing, moving to larger projects, and having more regional work all over Ohio."

6. VISION 2010 RESULTS

You need to create the goals; you need to create the metrics. Once you set those metrics, you then need to put together the programs and projects to make sure you're going to live up to the commitments that you've made. You need to do it consciously; you need to think about it well in advance and strategically plan around the commitments, understanding that you're going to create some turmoil and that you're going to be, by many measures, a pioneer in some of these areas.

—Tom Zenty, CEO, University Hospitals

By moving beyond rhetoric to design an implementation process built on transparency, binding agreements, innovative processes, and changes to its traditional corporate practices, University Hospitals was able to achieve virtually all of its goals. While there were many accomplishments associated with Vision 2010, the following are among the most significant.

DEMONSTRATING THAT INCLUSION AND DIVERSITY ARE COST-EFFECTIVE

Vision 2010 demonstrated that commitments to diversity, inclusion, and place can go hand in hand with competitive business practices. The \$1.2 billion construction program resulted in a new freestanding 150-bed Seidman Cancer Center on University Hospitals' main Cleveland campus, and the Ahuja Medical Center, a 144-bed hospital in near-by Beachwood. Other projects on the main campus included relocation and expansion of the Center for Emergency Medicine, renovations to the Neonatal Intensive Care Unit at Rainbow Babies & Children's Hospital, and a new 800-car parking structure. All projects were completed on timeline and within budget.

MEETING DIVERSITY, INCLUSION, AND LOCAL PURCHASING GOALS

- University Hospitals exceeded its goals for:
 - FBE contracts (goal of 5 percent; 7 percent achieved)
 - MBE contracts (goal of 15 percent; 17 percent achieved)
 - Local and regional procurement (goal of 80 percent; 92 percent achieved)
- 110 small MBEs and FBEs were awarded contracts ranging from \$20,000 to \$27 million. These firms learned new skills and strengthened their capacities, gaining hands-on experience working in a hospital setting. They have new relationships with major contractors,

with the trade unions, and with one of the most important economic engines of Northeast Ohio: University Hospitals.

- At the height of the recession, Vision 2010 helped to improve the economy of Northeast Ohio by injecting more than \$1 billion into the region through contracts to local companies and wages paid to construction and other workers. In addition, the region benefited from an economic multiplier effect.
- Vision 2010 created 5,200 construction jobs, representing \$500 million in salary. While UH did not reach its goal of hiring Cleveland residents for 20 percent of these jobs, an estimated 18 percent of workers were city residents.
- While much remains to be done, by increasing minority participation in construction unions, Vision 2010 initiated new dialogue between the building trades and minority firms in Cleveland and the Northeast Ohio region.

CHANGING UH CULTURE

- University Hospitals changed its internal culture to incorporate ongoing commitments to inclusion, diversity, and local spending. After Vision 2010 concluded, UH voluntarily adopted the same targets for its entire supply chain. Today, all contracts over \$20,000 are required to have at least one local MBE or FBE bid before they are awarded (see box 4).
- UH learned how to work effectively with MBEs and FBEs, especially regarding the level and type of support and capacity building these firms require to succeed. Today, of the 110 such firms that participated in Vision 2010, UH routinely contracts with more than thirty of them.
- UH became committed to engaging much more deeply with its surrounding community and, as a result, has become a leader of a number of significant wealth-building and job-creation programs in Cleveland. Such pathbreaking efforts include the Greater University Circle Initiative, the Evergreen Cooperative Initiative, the Health Tech Corridor, and the NewBridge Center for Arts and Technology.

LEAVING A LEGACY

- The Vision 2010 PLA formed the basis for the City of Cleveland's new Community Benefits Agreement that many of Cleveland's most important contractors, institutions, and companies have endorsed. Vision 2010 has helped Mayor Jackson substantially drive forward his own commitment to inclusion and equity in the City.
- There is a growing recognition in Cleveland that UH and its partners set the new standard by which all large projects going forward must be judged.

4. UH SUPPLY CHAIN COMMITMENTS

Building on the results of Vision 2010 and the lessons learned, University Hospitals formally adopted the following supply chain sourcing commitments in 2012.

Commitment to Inclusion

University Hospitals is committed to transparent sourcing as it relates to purchase services, products, and capital expenditures. All purchases greater than \$20,000 must be competitively bid and should include at least three vendors, with one or more bid participants who are a qualified local, woman-, or minority-owned enterprise.

Commitment to Diversity

University Hospitals is committed to equity and inclusion with all of our patients and families, our physicians, our workforce, our business partners and the communities that we serve. We will enhance our cultural competency by educating, recognizing and celebrating the value of diverse cultures, beliefs and identities.

Commitment to Sustainability

University Hospitals is committed to sustainability to enhance the health and wellbeing of our patients, employees, and local community, and to steward our natural environment. We integrate social, economic, and environmental considerations into our business decisions, and have defined five priority areas in our sustainability efforts: waste reduction and recycling, energy management, green building, sustainable procurement, and education and outreach.

Source: Alan Wilde, Vice President, Supply Chain, University Hospitals, email communication to author, July 24, 2012.

7. LESSONS LEARNED

Vision 2010 was an intense learning experience for all who were involved. Vision 2010 offers lessons for the future of economic development in Cleveland and also for other cities that are interested in attempting similar undertakings. Below are eight key lessons learned.

1. Clearly articulate your institution's anchor mission

University Hospitals overtly acknowledged its “anchor institution mission”; that is, it consciously applied its place-based economic power, in combination with its human and intellectual resources, to improve the long-term welfare of the community in which it resides.³⁶ It understood its actions to be consistent with its historic roots and mission and in its self-interest as a place-based institution that is inextricably bound to its community.

2. Provide bold, visionary leadership

Participant interviews left a clear impression that the bold, committed leadership from senior executives of University Hospitals and from Mayor Jackson and his administration was crucial to transforming Vision 2010 into results on the ground.

3. Change your corporate culture

University Hospitals could not have met its ambitious Vision 2010 targets with its standard operating procedures. Diversity, inclusion, and regionalization had to be pursued by changing a range of internal systems, from unbundling bids to sending executives into the community to listen and learn.

4. Make commitments public

Vision 2010 was a high-profile endeavor. Press conferences were held with the mayor; senior UH leadership sat down to explain Vision 2010 with the editorial board of the *Plain Dealer*; numerous community gatherings were organized which touched well more than 1,000 residents and business owners. By making its commitments public and visible, UH was able to create community buy-in and enthusiasm. It also increased the stakes for accountability, as all of Cleveland would know whether UH had succeeded or failed to deliver.

5. Engage stakeholders early on

Elected officials and the trade unions were key partners in Vision 2010. Their early engagement, participation, and buy-in enabled them to help shape strategy and implementation. To engage the community, UH first had to overcome skepticism. To do so, UH approached the community partners not as a source of information to be exploited,

³⁶. Axelroth and Dubb 2010.

but as a partner whose valuable insights co-created solutions and innovations. This level of civic engagement provided shared project ownership, giving the process and the outcomes increased credibility.

6. Monitor implementation, practice transparency, and report findings

One of the most important decisions UH made was retaining the services of an independent, third-party entity to monitor implementation, promote community outreach and engagement, and find creative solutions for expanding minority participation in contracts. Hiring an independent monitoring firm demonstrated that Vision 2010 was not simply a public relations exercise; UH was willing to hold itself to a verifiable standard of accountability.

7. Establish a culture of learning

Vision 2010 was embraced by executives as a learning endeavor to better understand how the construction process could move beyond traditional procurement models to benefit the larger community. By entering the process without pre-determined notions of how to move forward, the UH team maintained flexibility and created a project-wide learning environment that led to innovative solutions never before considered by UH.

8. Think beyond the immediate project to long-term, systemic change

As Vision 2010 moved forward, leaders began to sense that they had a true opportunity to change the way business is conducted in Cleveland and to create new norms for corporate behavior. Virtually every person we interviewed—from the mayor and the leadership of UH to the Cleveland Building & Construction Trades Council and participating MBEs and FBEs—cited the system change that Vision 2010 represented. That change is evident in Cleveland through the proposed Community Benefits Agreement and other processes.

8. CONCLUSION

To me the real take away is that we started with one concept of Vision 2010 as a major institutional construction project. But what we were left with is a whole new way of doing business. Not many institutions—whether they are anchor institutions or big businesses—when they are investing a billion dollars into a major project think about what they can do to make the local region economically better. They just [ask]: What can I get for the lowest price? How can I get it done on time and on budget? That’s the paradigm, and I think we took that paradigm . . . and overlaid it with something even more important, especially as an anchor institution. The community as a whole became our most important stakeholder. Because let’s not forget, we are going to be here in another 150 years.

—Heidi Gartland, Vice President of Government Relations, University Hospitals

Vision 2010 is the story of what can occur locally when a place-based anchor institution—in this case, a very large, nonprofit hospital system—commits itself to conducting its business in a way that benefits its surrounding community and region. There is significant body of literature that illustrates the opportunities for expanding connections between corporations and community. This scholarship demonstrates that, beyond the narrow framework of corporate philanthropy, a comprehensive business approach can generate a competitive business advantage. The University Hospitals case study goes further, establishing the centrality of community wealth generation that is essential to realizing a broad vision of economic success (see box 5).

The early decision to harness UH’s procurement power was an important step forward in fulfilling the role anchor institutions can play in regional economic development. The sheer number of jobs created by the UH expansion would be a significant contribution, but the UH commitment to ensuring that jobs went to local residents and that business went to minority firms distinguishes it from other efforts of this type. The 5,200 jobs and \$500 million in wages, salaries, and benefits generated by Vision 2010 had an enormous multiplier effect in Northeast Ohio’s regional economy. The greatly expanded capacities and new networks of relationship among MBEs and FBEs continue to reverberate in the community. The dedication to improved contracting outcomes for small businesses changed the landscape of local business participation throughout the region.

The alliance among University Hospitals, the mayor, and the Cleveland Building & Construction Trades Council opened pathways to employment and business development, which, as community investment, cannot be overstated. The resulting PLA emerged as a national model and served as the foundation for a “historic and transformative” Community

5. BUILDING COMMUNITY WEALTH

Over the past few decades, businesses have contributed to their communities through corporate social responsibility (CSR) programs. In essence, CSR programs enable businesses to incorporate values beyond the profit imperative (such as environmental sustainability) into their operations. More recently, Harvard Business School Professor Michael Porter has promoted “creating shared value” (CSV), the notion that the competitiveness of a company and the well-being of the community are not mutually exclusive interests.

Vision 2010 has demonstrated another approach to community engagement that is an important advancement beyond CSR and CSV. We call this approach “community wealth building” (CWB). (For their distinctions, see table 2 below.) An analysis of these three approaches and the outcomes they can produce warrants further research and discussion, particularly as anchor institutions across the country begin to articulate their anchor missions.

TABLE 2. COMPARISON OF CSR, CSV, AND CWB

CSR	CSV	CWB
Value: doing good	Value: economic and societal benefits relative to cost	Value: sustainable and equitable economic development; strengthening locality and community stability
Citizenship, philanthropy, sustainability	Joint company and community value creation	Multi-sector collaboration across public and private sectors
Discretionary or in response to external pressure	Integral to competing	Fundamental to transformative economic, social, and community development
Separate from profit maximization	Integral to profit maximization	Essential to long-term sustainability of an enterprise
Agenda is determined by external reporting and personal preferences	Agenda is company specific and internally generated	Agenda is co-created internally and externally by stakeholders and various “publics”
Impact limited by corporate footprint and CSR budget	Realigns the entire company budget	A new business paradigm that targets procurement and investment locally, works to substitute imports and achieve a multiplier, and makes decisions based on the “full economic cost” of business activity
Example: Fair Trade Purchasing	Example: Transforming procurement to increase quality and yield	Example: Leveraging procurement and investment to maximize equity and inclusion and to invigorate the local economy

Source: Adapted from M. Porter and M. Kramer, “Creating Shared Value: How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth,” *Harvard Business Review* (Jan.–Feb. 2011): 76.

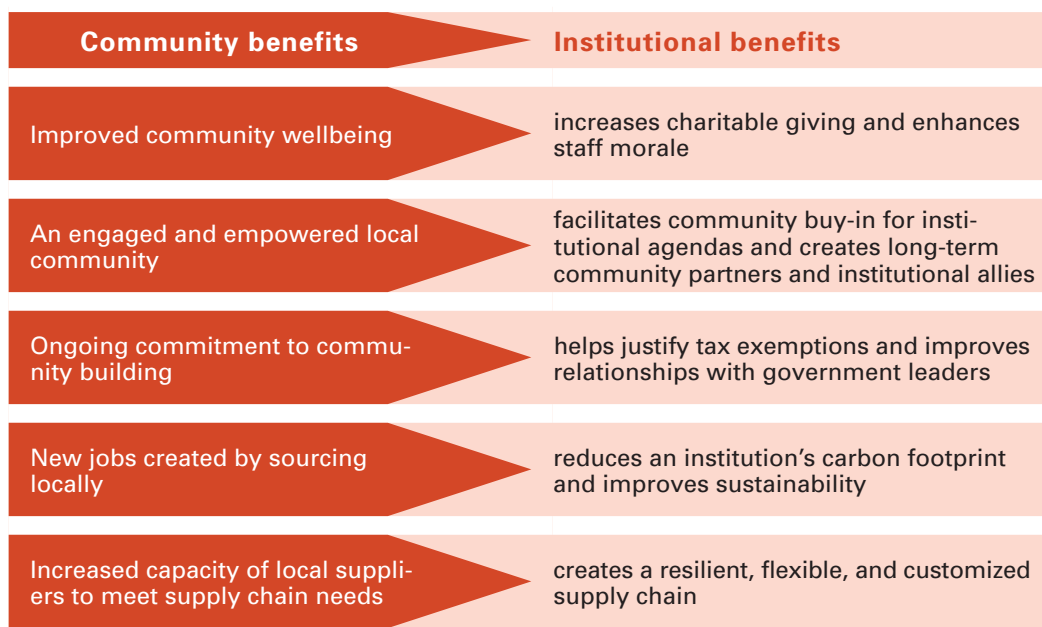
Benefits Agreement that is on track to be formally adopted in Cleveland in 2013. According to the Office of the Mayor:

The City of Cleveland presently has laws to support resident employment, subcontractor inclusion, living wage, and prevailing wage; however, we believe that the Model CBA (standards document) will be a powerful tool to promote the inclusion of historically under-represented people, including minorities and women, in the construction industry.³⁷

Those UH employees we interviewed believe that their institution benefited in numerous ways from Vision 2010. Although it is difficult to establish a cause and effect relationship, UH senior executives assert that the local investments made through Vision 2010 produced a stronger connection to the surrounding neighborhoods and Cleveland community as a whole. Public accolades and awards for its positive community impact increased staff morale and enthusiasm, attracted donors and support, and had other positive effects. (Figure 2 lists some ways that institutions can benefit from pursuing their anchor mission.)

FIGURE 2. BENEFITS FROM PURSUING AN ANCHOR MISSION

The community benefits that result from an institution’s anchor mission often circle back around to benefit the anchor institution.



37. City of Cleveland, Mayor’s Office of Communications, email communication to author, January 11, 2013.

With the conclusion of Vision 2010, UH has recommitted itself to a business model in which diversity, inclusion, and regional purchasing and investment are central tenets. The UH 2011 annual report asserts UH's interest in "leading one of the largest 'buy local' campaigns in the nation."³⁸ Following the project, UH has worked to funnel a significant portion of its \$800 million in annual purchases in goods and services, ultimately resulting in a 50 percent increase in the share of UH procurement dollars going to local business between 2006 and 2011.

University Hospitals' work in civic engagement, community building, and economic development continues to grow. Today UH is involved in several cutting-edge local community building and economic development initiatives in Cleveland that flow naturally from the commitments of Vision 2010. The following are among those initiatives:

- UH is a key partner, along with other anchors and the City of Cleveland, in the **Greater University Circle Initiative**, launched in 2005 by the Cleveland Foundation. The multi-institution collaboration is channeling tens of millions of investment dollars into low-income neighborhoods to enhance transportation, housing, education, and economic inclusion.³⁹
- The **Evergreen Cooperative Initiative** is a nationally recognized effort to build community wealth through creating a network of worker-owned cooperatives linked to the supply chain of UH and other anchors. The cooperatives seek to hire employees who live in the neighborhoods adjacent to UH and other anchors such as the Cleveland Clinic and Case Western Reserve University. In 2012, UH committed \$1 million in funding for Evergreen over four years. Steve Standley is Chairman of the Board of the Evergreen Cooperative Corporation, the holding company guiding the effort.⁴⁰ Standley said, "Without Vision 2010 we wouldn't have even been involved in Evergreen. Vision 2010 really started it all."
- UH is also a partner in the **NewBridge Center for Arts and Technology**, which is developing neighborhood resident skills to support careers in healthcare for adults

By carrying out Vision 2010 as we did, we hope we have helped set an example for others in the market to approach large construction in this way and to think about the way they are buying goods and services to run their businesses. Vision 2010 already has created a lot of transparency around these questions with other industry leaders. Was it perfect? No. Could we have done more? Yes. But at least we did it.

—Steve Standley, Chief Administrative Officer, University Hospitals

38. University Hospitals. *Going Further: 2011 Annual Report to the Community & Campaign Report* (Cleveland: University Hospitals Marketing and Communications Department. 2012), 22.

39. For more on Greater University Circle Initiative, see www.clevelandfoundation.org

40. For more on Evergreen, see www.evergreencooperatives.com

and providing education and training for youth in music engineering, ceramics, and digital arts, among others.⁴¹

- UH is a participating institution in the **Health Tech Corridor** strategy in Cleveland, designed to promote the start-up or relocation of biomedical, healthcare, and technology companies into the Midtown section of the City. UH is using its “buy local” commitment to encourage companies to move into Cleveland and hire locally in order to receive hospital system contracts.⁴²

Equitable development for low-income communities and communities of color will not come easy; no one-off project can combat the systemic issues of disenfranchisement, poverty, and disinvestment. But Vision 2010 set a new standard for how UH intends to do business. In so doing, it challenges other corporations, nonprofit institutions, and trade unions to step forward with a similar commitment.

41. For more on New Bridge, see www.newbridgecleveland.org

42. For more on the Health Tech Corridor, see www.healthtechcorridor.com

APPENDIX 1. INTERVIEWS

- Anderson, Arlene. Interview by authors. Personal interview. Cleveland, Ohio, January 25, 2012.
- Anderson, Arlene. Interview by Farzana Serang. Phone Interview. March 25, 2012.
- Beasley, Teresa. Interview by authors. Personal interview. Cleveland, Ohio, January 25, 2012.
- Coleman, Lonnie. Interview by authors. Personal interview. Cleveland, Ohio, January 26, 2012.
- Gartland, Heidi. Interview by authors. Personal interview. Cleveland, Ohio, January 27, 2012.
- Hewitt, Margaret. Interview by authors. Personal interview. Cleveland, Ohio, January 25, 2012.
- Jackson, Frank G. Interview by authors. January 25, 2012.
- Johnson, Cassandra. Interview by authors. Personal interview. Cleveland, Ohio, January 26, 2012.
- Joyce, Terry. Interview by authors. Personal interview. Cleveland, Ohio, January 26, 2012.
- Kuzilla, Evelyn. Interview by Farzana Serang. Phone Interview. April 12, 2012.
- Laird, Tom. Interview by authors. Personal interview. Cleveland, Ohio, January 25, 2012.
- Levine, Mary Beth. Interview by authors. Personal interview. Cleveland, Ohio, January 27, 2012.
- Levine, Mary Beth. Interview by Farzana Serang. Phone interview. April 25, 2012.
- Lopez, Joe. Interview by Farzana Serang. Phone interview. April 2, 2012.
- Ozanne, Dominic. Interview by authors. Personal interview. Cleveland, Ohio, January 27, 2012.
- Silliman, Ken. Interview by authors, January 25, 2012.
- Soggs, Loree. Interview by Ted Howard, March 6, 2012
- Standley, Steve. Interview by authors. Personal interview. Cleveland, Ohio, January 27, 2012.
- Standley, Steve. Presentation to Milwaukee Delegation visiting University Hospitals. Cleveland, Ohio. February 10, 2012.
- Strainic, Michael. Interview by Farzana Serang. Phone Interview. April 12, 2012.
- Walker Minor, Natoya. Interview by authors, January 25, 2012.
- Wiggins, Bernard. Interview by Farzana Serang. Phone Interview. April 26, 2012.
- Zenty, Tom. Interview by authors. Personal interview. Cleveland, Ohio, January 26, 2012.

APPENDIX 2. ATTACHMENT B TO THE PLA

The following goals shall apply to all construction work performed within the City and not otherwise exempt from the terms and conditions of this Agreement. Further, the City is designated as a third-party beneficiary for the purposes of enforcing the provisions of this Attachment B. Each of the capitalized terms used herein has the same meaning as the meaning assigned to such term in this Agreement, unless otherwise stated:

Goals

1. UH shall require the Contractors to employ at least 20% City residents on the Covered Projects located within the City. All construction contracts for work subject to the jurisdiction of this Agreement shall include this requirement. The Unions agree to use their best efforts to assist UH and the Contractors in meeting the goals of this paragraph 1.
2. The Unions agree to recognize the Max Hayes' 9-12 building trades curriculum (currently being developed) as classroom time applied to the hourly apprenticeship requirement. The Unions shall participate in the development of the curriculum and support Max Hayes by a written agreement of cooperation between the Cleveland Municipal School District ("CMSD") and the Unions. Notwithstanding the foregoing, the Unions will use their best efforts to work with and assist the CMSD in achieving the goals of this paragraph 2 to the extent permitted by federal, state and local laws and the Joint Apprenticeship Training Councils of the respective Unions. UH shall use commercially reasonable efforts to require the Contractors and Unions to: (a) provide jobs to Max Hayes building trade graduates upon such graduates completing the training described in paragraph 4 of this Attachment B; and (b) use commercially reasonable efforts to place all interested Max Hayes building trades program graduates in permanent employment positions upon such graduates completing the training described in paragraph 4 of this Attachment B. The Unions agree to dedicate, on an annual basis, one UCIP/ASAP class to Max Hayes' graduates which UH shall utilize on its Covered Projects.
3. [Reserved].
4. The Unions acknowledge and agree that, as of the date of this Agreement, there are approximately 60 entry level UCIP/ASAP participants on an annual basis and approximately 48 new apprentices graduating from UCIP/ASAP on an annual basis. The Unions shall: (a) permit City residents eligible for Union membership to participate in the Covered Projects through UCIP/ASAP in all trades; and (b) require that all UCIP/ASAP board members actively promote the placement and retention of City residents in apprenticeship programs. Assuming UH commences construction work on a majority of the Covered Projects and meets its required labor projections for the Covered Projects, upon the third

anniversary of this Agreement, the Unions shall use their best efforts to enroll sufficient entry level UCIP/ASAP participants and graduate sufficient UCIP/ASAP apprentices to meet UH's requirements.

5. The Unions shall afford the Mayor of the City the right to select one member of the UCIP/ASAP board.

6. [Reserved].

7. All Contractors shall voluntarily participate in the City's Contractors Assistance Program by placing the highest priority on the creation of contracting opportunities for minority, female, and local-small business enterprises in the City's business community. To accomplish these priorities, UH and the Contractors shall include appropriate, fixed percentages of the proposed construction work covered by the scope of this Agreement in bid documents, contract specifications and other contract documents to be targeted toward City-area minority, female, and local-small business enterprises whether as prime contractors or sub-contractors. UH and the Contractors shall cause the Contractors to agree to abide by the policies, rules and procedures of UH applicable to this Program.

8. Additionally, UH shall require its Contractors to select a protégé business enterprise to mentor during the term of any Covered Project. The mentor shall provide bidding, financial, and technical assistance to the protégé business enterprise as well as subcontractor or joint venture work. The mentor/protégé relationship may be with an appropriate business enterprise performing construction work on a Covered Project. If the foregoing is impracticable, the mentor/protégé relationship shall be with a business enterprise certified by the Office of Equal Opportunity of the City ("OEO").

9. UH will utilize Union Contractors who joint venture with non-union Contractors in regard to the Covered Project to achieve its regionalism goals.

10. UH also will use commercially reasonable efforts to award 15% of the combined aggregate value of the Covered Projects and related vendor purchases to qualified City-certified MBE firms and 5% of the combined aggregate value of the Covered Projects and related vendor purchases to qualified City-certified FBE firms.

11. To assist UH, the Contractors and the Unions in the performance of their respective obligations set forth in this Attachment B, the City shall:

a) Through the OEO, provide the foregoing parties the following information and services upon the request of any party: lists of certified MBE and FBE firms, technical assistance to MBE and FBE firms performing work on a Covered Project which is subject to the jurisdiction of this Agreement;

and

b) Through its Department of Building and Housing, provide expedited permitting for all construction projects located in the City.

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Thanks to the many minority- and female-owned businesses who are helping to build our vision for the future of health care in Northeast Ohio.

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