



DREXEL UNIVERSITY
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The Center for Public Policy is a think tank located within Drexel's College of Arts and Sciences. It serves as an interdisciplinary hub for Drexel faculty from a number of colleges and schools who do policy-oriented research, and as an interface between those faculty and relevant government agencies and nonprofit organizations, especially those in the Philadelphia region. The Center also offers Drexel's MS in Public Policy degree.

Urban Cooperatives and Economic Development

Richardson Dilworth

In 2011 Congressman Chaka Fattah introduced HR 3677, the National Cooperative Development Act, into the United States House of Representatives, the purpose of which was to establish, under the auspices of the US Department of Housing and Urban Development, a program that would, as the bill states, “create jobs and increase economic development in underserved areas by promoting cooperative development in such areas.”

Fattah’s bill might be considered a proposal to create an urban counterpart to the US Department of Agriculture’s Rural Business-Cooperative Service. And though it never moved beyond the House, the National Cooperative Development Act is part of an ongoing conversation. The United Nations declared 2012 the International Year of Cooperatives, and following the UN, Drexel’s Center for Public Policy, the University of Wisconsin’s

Center for Cooperatives, and Haverford College’s Center for Peace and Global Citizenship, collaborated to sponsor and host a conference at Drexel, the purpose of which was to examine in detail and compare individual cooperatives from two very different cities, Philadelphia and Madison, in an attempt to begin to understand the relationships between co-ops and their urban contexts.

At the conference, 23 presenters discussed case studies they had written, covering 21 cooperatives. Revised versions of the case studies, along with other material, will be available in the form of an edited book from the University of Wisconsin-Extension Publications (learningstore.uwex.edu), most likely in Spring 2015. The book is discussed in more detail in the first article in this issue of Drexel Policy Notes. The second article draws from one of the chapters in the book, in which Craig Borowiak from Haverford

compares the spatial dynamics of cooperatives in both Madison and Philadelphia. The final article, by myself and Andrew Zitcer from Drexel, focuses specifically on Philadelphia,

and examines the potential of cooperatives to serve as catalysts for cooperation among stakeholders on neighborhood commercial corridors.

Exploring Cooperatives: Economic Democracy and Community Development in Wisconsin and Pennsylvania

**Craig Borowiak, Richardson Dilworth,
and Anne Reynolds**

Exploring Cooperatives: Economic Democracy and Community Development in Wisconsin and Pennsylvania is a forthcoming edited book of case studies that compares and analyzes cooperative enterprises, primarily in Madison and Philadelphia. Our study was initiated by officials in the Philadelphia Commerce Department's Office of Neighborhood Economic Development, who were interested in exploring the potential role of cooperatives as engines of economic development and growth, particularly in neighborhoods that were underserved by both employment and retail opportunities. Our goal was to develop questions regarding the elements within cooperatives that enable them to succeed, the elements within cities that might make them fertile ground for cooperative development, and the elements of cooperatives that contribute to socioeconomic development.

This essay will briefly introduce each of the cooperatives studied in the book, and offer speculation as to what we can learn by comparing cooperatives across economic sectors and across cities and states.

Cooperatives come in many forms and sizes and operate in many different industries. What all cooperatives ostensibly have in common is that they are owned and democratically controlled by their members. According to the International Cooperative Alliance, a cooperative is "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise."

Cooperatives are also businesses, and as such they face financial pressures regarding access to capital and the company's "bottom line," as well as operations-related pressures regarding good management, good labor, and access to markets. The case studies in this volume reveal different ways that cooperatives reflect cooperative principles, whether in their embrace of openness and democratic participation or their service to the wider community. The cases also reveal some of the ways that cooperatives negotiate tension between cooperative values and the needs of running a competitive business.

The cases also reveal the importance of geographical context. Madison and Philadelphia differ in many ways, including population and socioeconomic makeup. As a relatively rare business form, cooperatives in the United States emerged within strong regional patterns. Both Wisconsin and Pennsylvania were home to historic clusters of cooperatives in a variety of industries, including insurance, dairy and utilities. Private and public institutions arose to support cooperative development, and these institutions continue to play an important role in both regions.

Among our case studies are examinations of two large, successful grocery cooperatives, Weavers Way in Philadelphia and Willy Street in Madison, which consider how the enterprises have dealt with the changing role of food cooperatives in the market as organic and local foods have gone mainstream, as well as the challenges of maintaining a cooperative identity as membership grows and neighborhoods gentrify, the governance models the cooperatives use, and the factors contributing to their entrepreneurialism. Case studies of two smaller grocery cooperatives, Mariposa and Regent Market, offer interesting observations about issues of democratic self-governance and social inclusion.

The volume also includes studies of two grocery cooperatives that failed – Ecology in Philadelphia and Mifflin Street in Madison – and considers the reasons for and context of their failures. Two emergent Philadelphia cooperatives we discuss, the South Philly Food Co-op and Kensington Community Food Co-op, will perhaps be able to draw some lessons from the other cooperatives under consideration.

There is a long history in the U.S. of food producer cooperatives, and we include studies of two of these, Organic Valley and Lancaster Farm Fresh. Both are outside the boundaries of a city, though Organic Valley is much more rural. It is also larger, and these differences inform our examination.

The worker-owned cooperatives we consider stretch across a broad array of industries – they include an engineering and manufacturing firm, a taxi and transportation company, and a coffee roaster in Madison; as well as an architectural salvage and renovation company, elderly and disabled homecare, and a childcare provider in Philadelphia. Among other aspects, the narratives highlight the impact of cooperative employee ownership.

The difference between the two energy cooperatives we examine, Riverland Energy in Arcadia, Wisconsin, and The Energy Cooperative, in Philadelphia, represents the sharpest distinction between rural and urban in the collection. But this is not the only significant difference between the organizations. Age and regulatory environment both also impact the way the cooperatives work. Trumark and Summit, the two credit unions in our case studies, are among the larger organizations of their kind in their respective cities. We consider their origins, evolution, member participation and governance.

The cooperatives in this volume represent a diverse group of small businesses, operating in highly competitive markets in both urban and rural environments. Although we've documented two failures, most of these enterprises have succeeded (and often thrived) for decades. As

member-owned businesses, they have provided services and/or goods to their owners, offered stable local jobs, and invested in the continued growth and development of their businesses. In both Pennsylvania and Wisconsin, these cooperative businesses developed without significant governmental assistance, especially at the local level. Although there is evidence of a more supportive environment for cooperatives in Madison, much of this support came from informal assistance from other cooperatives, the presence of knowledgeable professionals, and a relatively high ratio of cooperative membership among the Madison population. Philadelphia cooperatives

have benefitted from many of the same informal networks and local expertise.

Cooperatives share the important cooperative principles of member ownership and democratic decision-making, and successful cooperatives must balance a continual interplay between their economic and social elements. This group of case studies gives us valuable insights into the internal mechanisms and external environments that help to sustain cooperatives and enable them to contribute to the socioeconomic health of their communities.

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Mapping the Social Demographics of Cooperatives in Philadelphia and Madison

Craig Borowiak

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Madison and Philadelphia differ in land area, population size, median income, and general demographic composition. Their cooperative sectors also differ. Madison, for example, has a relatively large number of purchasing cooperatives and agricultural cooperatives, whereas Philadelphia has a disproportionately high number of credit unions. Although this aggregate data is useful for establishing general comparisons, it tells us nothing about how cooperatives relate to demographic patterns within cities. We know, for example, that both Philadelphia and Madison have a relatively high percentage of people living in poverty. The basic aggregate statistics do not tell us, however, if poor populations are concentrated in particular areas of the city or if cooperatives are located near those populations. Similarly, aggregate statistics reveal Philadelphia as a more ethnically and racially diverse city than Madison, but, taken alone, those data do not illuminate anything about patterns of integration among different groups within the cities' geographies or about how cooperative sectors relate to racial and ethnic divisions.

The separations between different demographic groups are, in general, far more pronounced in Philadelphia

than in Madison. This should come as no surprise. Philadelphia is a large post-industrial city with greater diversity, deeper poverty, and a longer history of racial conflict and segregation. It is a city of contrasts where stark racial, ethnic and class divisions coincide with stark geographic divisions between neighborhoods. Madison, by contrast, is both a university town and a capital city with a larger middle class and income levels that are more evenly distributed across the city. Racial and ethnic minorities constitute a much smaller percentage of Madison's overall population and are less concentrated in discrete neighborhoods. The contrasts between different racial and ethnic neighborhoods are consequently not as prominent at the Census block group level.

The relevance of spatial demographic patterns for the geography of cooperatives is far more evident in the case of Philadelphia than Madison. More specifically, highly concentrated African American, Asian, and Latino neighborhoods in Philadelphia tend to have fewer cooperatives than in White and mixed neighborhoods. This is especially the case if we separate out small credit unions. Cooperatives are also virtually absent from neighborhoods

with the deepest poverty, most of which are predominantly African American or Latino. These observations should not, however, be taken to imply that cooperatives thereby cluster only in predominantly White neighborhoods with high incomes. On the contrary, GIS mapping reveals patterns of cooperatives clustering within buffer zones between rich and poor, and between White, African American, and Latino neighborhoods. Given the relatively muted role of demographic factors in the spatial organization of Madison generally, it is much more difficult to discern any significant demographic patterns in the way cooperatives cluster within the city's urban geography.

Unlike in Philadelphia, cooperatives can be found in the poorest neighborhoods as well as in neighborhoods where racial and ethnic minorities are most concentrated. More noticeable than the demographic patterns underlying cooperative location is the way cooperatives cluster heavily in the downtown area where commercial activity is especially concentrated and along the few major transportation routes into and out of the city.

Missing from this spatial analysis are cooperatives that don't have physical locations. Some cooperatives, for example, are run in a decentralized manner out of individual members' homes and with Post Office boxes as mailing addresses. Others do not yet have physical locations. As a result

of such occlusions, a spatial approach to analyzing cooperatives risks under-representing the overall size of the cooperative sector while overemphasizing the importance of those organizations that do have a distinct physical location.

A spatial analysis can also be misleading because a cooperative's physical address is not necessarily an accurate measure of the cooperative's impact on a neighborhood. Just because it is located in a neighborhood does not necessarily mean that the cooperative's members, consumers, and workers come from, or have strong ties to, that community. Some cooperatives are locally-oriented. Others operate at city-wide, regional, and/or national levels.

Ultimately, a spatial analysis of cooperatives is more useful for raising questions about geographic patterns than for answering them. By drawing attention to the social geographic patterns of cooperative sectors it helps to set contexts and to open up new questions about why cooperatives are where they are and how they do and do not reach into the neighborhoods most in need. Philadelphia and Madison, along with the cooperatives that populate those cities, have their own particular histories and contexts. For this reason spatial analysis needs to be complemented with more case-specific studies, such as the qualitative studies found in *Exploring Cooperatives*.

Craig Borowiak is Associate Professor of Political Science at Haverford College. This article is a shortened version of one that will appear in the edited book, *Exploring Cooperatives: Economic Democracy and Community Development in Pennsylvania and Wisconsin*, planned for publication by the University of Wisconsin-Extension Publications, in Spring 2015 (learningstore.uwex.edu).

Food Cooperatives and Commercial Corridors

**Andrew Zitcer and
Richardson Dilworth**

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Grocery stores are increasingly seen as anchors of urban retail districts, with independent stores and chains alike developing flexible footprints and merchandize mixes to meet the needs of diverse customers. We argue that retail food cooperatives have the potential to go beyond the role of retail anchor and support the development of neighborhood commercial corridors. Given their unique organizational structures and social missions, cooperatives might potentially act as catalysts for greater collective action among other corridor stakeholders. We examine the types of collective action dilemmas faced by corridor stakeholders, and why cooperatives might be uniquely capable of resolving some of these dilemmas, through four Philadelphia case studies: The case of Weavers Way Co-op in (1) Mount Airy Village, (2) Chestnut Hill, and (3) West Oak Lane, and (4) the case of Mariposa Food Co-op on Baltimore Avenue. We conclude that the potential for grocery cooperatives to act as catalysts for broader collective action depends on the unique developmental role that the cooperative has played in a corridor. Neighborhood commercial corridors are complex social and organizational ecologies, of which grocery cooperatives are sometimes integral

components, and sometimes not. If a cooperative does not find its ecological “niche” in a corridor, its chances of serving that corridor productively are diminished.

Collective action dilemmas refer to situations where incentives are structured such that individuals, anticipating that others will cheat on a voluntary agreement, refuse themselves to participate, and thus any potential collective benefits are not reached. Grocery cooperatives and corridor associations are two very different examples of formal organizational structures designed to overcome collective action dilemmas and thus incentivize collective action. Cooperatives are structures designed to pool the buying power, and sometimes the labor, of individuals, to create a retail enterprise that, in its operations, also satisfies a larger social good – procedural democratic participation in commercial activities – that traditional commercial enterprises, incentivized through a profit structure and governed by boards of directors, ostensibly do not provide.

The chief collective action dilemmas faced by grocery cooperatives are: (1) organizing initial members to create the cooperative; (2) maintaining a

membership that is active, but which does not obstruct grocery operations; and (3) maintaining a balance between democratic participation among the members, and the actual operations of the grocery. In some instances, the democratic membership structure is applied as well to the staff, who themselves practice worker self-management.

In contrast to grocery cooperatives, many corridor associations are volunteer organizations designed to provide collective benefits, primarily to the merchants, along a commercial corridor – typically including additional street cleaning, tree plantings and street furniture such as benches and street lights, additional security (“safety ambassadors”), and marketing, through events such as street festivals, street banners, websites, and corridor-wide sales promotions. Unlike membership in cooperatives, in which the members are individuals and customers, the membership in corridor associations is typically business and property owners. There are three major types of corridor associations: (1) voluntary associations of business owners; (2) community development corporations that take a role in corridor development and management, and (3) business improvement districts, which are formal organizations that charge assessments to property owners to provide corridor improvements.

Collective benefits are typically provided more easily when they are provided in conjunction with individual benefits. Thus, for instance, the larger social good of democratic participation in cooperatives is provided through the individual benefit of membership discounts and the unique products that can be purchased at a grocery cooperative. In addition, a grocery cooperative is not geographically

constrained, and as a result, the membership often self-selects for people who want to participate in the cooperative experience.

By contrast, there are typically no obvious individual benefits provided by neighborhood corridor associations. Members only experience benefits if more potential customers are drawn to the corridor because of events or marketing. And in many instances, there are actually disincentives for business and property owners. Increased traffic along the corridor can attract new businesses, thus increasing competition for existing businesses. Events that bring in street vendors often create more competition for the retailers, and divert traffic from the sidewalks, where the retailers are located, to the street, where the vendors are located. Moreover, simply forming a business association or business improvement district is hampered by retailers who conceive of one another as competitors, and who are thus inclined not to share information with one another or otherwise cooperate.

In short, neighborhood commercial corridors face more significant hurdles to achieving collective action than do cooperatives. The question we ask in this research is whether the collective benefits provided by cooperatives might also help realize collective benefits along corridors where the cooperatives are located. Groceries are, after all, retail businesses, but cooperative groceries are unique for being retail businesses with a broader social mission. Do cooperative social missions help the corridors in which the cooperatives are located? Co-ops, for instance, might serve convening functions, since they usually have meeting space and are good at facilitating interaction among diverse

stakeholders. Co-ops might also be more likely to buy from other retailers along the corridor, as part of a “buy local” commitment.

The first grocery cooperative we examine is Weavers Way Co-op, which has locations in the West Mount Airy and Chestnut Hill neighborhoods of Philadelphia. The co-op’s leadership extends to its work in cooperative startup development, urban farming, and community development. In 2013 it grossed over \$20 million and it employs approximately 150 people. While the main commercial corridor running through Mount Airy is Germantown Avenue, the original Weaver’s Way Co-op, founded in 1973, is located on a far smaller corridor on Carpenters Lane. While this corridor is small, it has a remarkably vibrant retail mix, including an art gallery, yoga studio, salvage company, bookstore, café, and two dry cleaners, all located on just two blocks in the middle of what is otherwise an almost purely residential neighborhood.

In 2010, after a market study recommending expansion, Weavers Way decided that enough of its existing membership and potential future growth was based in the relatively affluent neighborhood of Chestnut Hill. In May 2010, Weavers Way Chestnut Hill opened on Germantown Avenue in a former grocery store site, with sales that exceeded all projections.

In 2007, the Ogontz Avenue Revitalization Corporation (OARC), a local community development corporation, asked Weavers Way to open and operate a small store in West Oak Lane, a majority African American neighborhood with a median income a third lower than that in West Mount Airy. In 2011 Weavers Way decided that it was not

financially feasible to continue in its Oak Lane location, and turned the storefront over to OARC. In the four years Weavers Way spent in the West Oak Lane location, the co-op attempted to “reboot” the store several times with different merchandizing mixes and staff. None of the approaches that it tried worked, and the co-op ended up carrying the store financially through an expensive annual subsidy.

Mariposa was founded in 1971, in a tiny storefront on Baltimore Avenue in West Philadelphia. For most of its existence, Mariposa was a vegetarian store, specializing in bulk orders, whole grains, produce and dairy. Until 2012, all shoppers had to be member-owners of the co-op, and all member-owners had a work requirement. But beginning in the late 1990s, the co-op experienced significant membership growth driven by increasing interest in local and organic food, mistrust of large corporate retailers, and the gentrification of Mariposa’s neighborhood. The co-op expanded staff, professionalized operations, and relocated to a larger storefront, where shoppers had no membership or work requirements. It currently grosses \$5 million annually, and employs approximately 50 people. It is operated by a staff collective, with oversight from a group of managers derived from the larger collective. Both Weavers Way and Mariposa were founded in the early 1970s as grassroots buying clubs that then moved into storefronts. They both started in their present commercial corridor locations; neither were transplants. Both ended mandatory membership in the 2010s, and in both cases that led to an increase in sales and employment opportunities. Yet the two cooperatives are organizationally quite different. Weavers Way has two stores, and has announced its intent to build a new third store bigger than

either two it currently has. Mariposa has a more decentralized management structure than Weavers Way. Finally, Weavers Way publishes the *Shuttle*, which serves as a newspaper not only the co-op membership, but to the larger Mount Airy community.

In Mount Airy, Weavers Way has rather impressively helped to define and brand a very small corridor, which is now known as “Mount Airy Village.” Weavers Way is by far the dominant retailer in this corridor, with more than one storefront. Perhaps the leadership role Weavers Way plays has to do with Carpenter’s Lane falling out the jurisdictions of any business improvement districts or community development corporations, and no major anchor institutions such as major universities. We believe that Weavers Way’s leadership here is largely due to the geographically confined nature of the corridor and the fact that it serves a largely class homogeneous residential area.

Weavers Way has had more limited success engaging with the corridor communities on Germantown Avenue and in West Oak Lane. The co-op has been more successful financially on Germantown Ave, most likely due to the higher incomes of Chestnut Hill residents. There is already a well-developed ecology of organizations on Germantown Avenue, including a business association, a foundation that operates several parking lots, and a business improvement district. There was less work for Weavers Way to do as a new entrant to a mature corridor to help develop it. Recently, Weavers Way courted conflict by encouraging its members and readers of the *Shuttle* to oppose the entry of an upscale supermarket competitor on Germantown Avenue owned by Bowman Properties, a large developer

and property owner on the corridor. Weavers Way expects to survive the competition, but projects a 20% decline in business.

In West Oak Lane, Weavers Way was confronted by two major challenges. First, contemporary co-ops, because of the premium goods they carry and the relatively high wages and benefits packages they offer employees, typically do not compete well on lower income corridors. Second, and perhaps more significant, Weavers Way did not achieve sufficient community buy-in (though it had a devoted core following in the neighborhood), relying instead on OARC. In short, unlike Mount Airy Village, on Germantown Avenue and West Oak Lane, Weavers Way was just another retailer. In neither case did it play a developmental or convening role in building the corridor. In West Oak Lane, on a smaller corridor, it might have helped the co-op survive over time with sufficiently patient capital.

In contrast to Weavers Way on Carpenter Lane, Mariposa is not an anchor of Baltimore Avenue, even though there is no other grocery on the corridor. Baltimore Avenue is somewhat unique for being located next to three universities, two of which are very large, and for being within the University City District, which provides services such as cleaning and security. There is a business association, though its membership is relatively small. Mariposa’s position in the corridor appears to be strong, and the co-op has expressed a dedication to building neighborhood buy-in and buying from local businesses. It has begun to hold workshops on gentrification, race, and food justice that draw large crowds from among the co-op’s neighbors. Yet Mariposa’s complex internal management structure and weak board governance may set up obstacles to

the co-op focusing on any significant development activities beyond its own aisles.

It bears emphasizing that the grocery business is a notoriously difficult one in which to achieve and sustain success. The industry has a one percent profit margin; hence the significant consolidation and economies of scale that are frequently found in the sector. And cooperatives place themselves at a (calculated) financial disadvantage by hiring positions such as outreach and education personnel, as well as through paying high wages. But these differences are precisely what positions co-ops to be effective anchors of neighborhood commercial corridors. They are externally focused

in ways that grocers often do not have an incentive to be. The cooperative principles, which date back to the origins of the movement in the north of England during the industrial revolution, directly stipulate that co-ops have a concern for their broader community. Doing good in the neighborhoods will support additional local buy-in to the cooperative effort. As we see in the examples of Weavers Way in Mount Airy Village and to some extent with Mariposa Co-op as it evolves, co-ops can help to locate and foster the energy that it takes to sustain a corridor. But there are places where co-ops can do more, as with Weavers Way in West Oak Lane, which may support the corridor's development as well as the success of the co-op.

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