ISSN 0362-8566

Self-Reliance

Number 14

July-August 1978

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Self-Reliance

Published bi-monthly by the Institute for Local Self-Reliance, at 1717 18th Street NW, Washington DC 20009
(202) 232-4108

Subscriptions:
Individuals, $6; Institutions, $12

Slowing the Flow

Small-Scale Sewage Options Gain in Chicago

Like most large American cities, Chicago has a serious sewage problem. The 375 miles of sewer lines in the metropolitan area are inadequate. On an average of every four days, there is a rainstorm so heavy that the sewer system cannot contain it. When this happens, a combination of storm water and sewage overflows from the sewers into the river system.

Heavy storms also produce storm sewer backup into the basements of as many as 800,000 homes and onto streets and underpasses, as a result of both the limited capacity of the local storm sewer system and the high level of the rivers. And, when the river levels become sufficiently high, the Metropolitan Sanitary District of Greater Chicago (MSDGC) releases water from the river system into Lake Michigan to reduce flood damage potential. Thirty storms in the past twenty-one years have been sufficiently large to require such releases, resulting in the temporary closing of adjacent lakefront beaches until the fecal coliform counts have diminished. Metropolitan Chicago's annual flood damages are estimated to be $470 million.

TARP: A High Tech Solution

Unlike some cities which chose to sidestep the sewage problem until forced to act by the federal government, Chicago began in the late 1960's to consider solutions. A Flood Control Coordinating Committee was established, composed of the Illinois Department of Transportation, the Cook County Board of Commissioners, the Chicago Department of Public Works, the Metropolitan Sanitary District, the Army Corps of Engineers and several other agencies. The committee reviewed and analyzed twenty-three basic plans. The majority of the plans included some form of deep tunnel system for controlling the overflow. TARP, the proposed and partially implemented Tunnel and Reservoir Plan, emerged from those meetings as the favored solution.

TARP is a complex and very expensive system of tunnels and reservoirs proposed for the entire Metropolitan Sanitary District. TARP I, the basic tunnel system, has received some funding from the Environmental Protection Agency and is partially built. The system consists of 125 miles of 10-30 foot-in-diameter tunnels approximately 200 feet below the surface, running along the major rivers in the Chicago area. The four separate tunnel segments have a total storage capacity of 9200 acre feet. They are designed to capture the "first flush" from major storms, that portion of storm water runoff that carries the bulk of the pollutants generated by a storm.

TARP II is a plan for the construction of three large underground storage reservoirs at the end of the tunnels which would expand underground storage capacity 50 percent over TARP I. The rationale for TARP II is that the completion of the reservoirs would eliminate the necessity of releasing backflows into Lake Michigan. The final component of the TARP package is the systematic improvement of the local *(continued on page 11)*

Notes

A how-to manual on organizing and operating a community development credit union is now available from the National Economic Development Law Project. The manual starts with a discussion of why community development credit unions are needed and goes on to a step-by-step procedure for establishing and operating a community development credit union. Several case histories of successful community credit unions are presented, as well as relevant federal laws and regulations. Copies of the manual are available to legal service offices and community organizations eligible for assistance from their local legal services office for $3. The cost to other individuals, organizations and agencies is $10. Write to: **Anita Bryson, National Economic Development Law Project, 2150 Shattuck Avenue, Berkeley CA 94704.**

Community organizers looking for jobs will find the Organizers Clearinghouse better than any newspaper classified section. The Clearinghouse newsletter, published monthly, lists community organizing jobs and internships available throughout the country. Jobs include research, grassroots organizing and office work. Most salaries range from $6,000 to $16,000. The newsletter is published by the Youth Project, a public foundation which supports a wide range of social change efforts. Subscriptions for community organization or social service agencies are $10. Colleges are charged $25. Write to: **Organizers Clearinghouse, 149 Ninth Street, San Francisco CA 94103.**

Waste water from sinks, tubs and washing machines, called grey water, can be recycled for use in home gardens, rather than sent down the drain. A new booklet from the Farallones Institute explains how this can be done without damaging your garden. The first part of the booklet answers frequently asked questions about recycling grey water. The second part details several plumbing modifications, from the simple to the elaborate, for rerouting grey water. All of the modifications are illustrated. This is a revised and expanded version of an earlier grey water booklet from Farallones. For a copy, send $1.00 to: **Grey Water Booklet, Integral Urban House, 1516 Fifth Street, Berkeley CA 94710.** *continued on page 16*

UDAG Grants: Urban Renewal Revisited

The Carter administration has come up with a new program supposedly designed to help cities. But, from all indications, it looks like urban neighborhoods will benefit little from the money being spent.

The Urban Development Action Grants program (UDAG) will give out $300 million to cities each year for development ventures. To date, 75 percent of the UDAG proposals approved by HUD have been for downtown commercial and industrial development. These include convention hotels, shopping complexes, high-income housing and parking garages. Neighborhood-based projects were conspicuously absent in the first round of quarterly UDAG grants.

Some of the more questionable grants include:

- **Almost $3 million for high-income housing** and a parking garage in Portsmouth, Virginia. According to HUD, the housing will "trigger creation of a new shopping district and help retain and return higher-income people to the downtown waterfront."
- **$8 million to a Boston hotel** and commercial developer for a parking garage. HUD is also giving $2.4 million worth of trees, street lighting and utility lines to an upper-income housing development in Boston.
- **$1.7 million to an Atlanta company** for help in constructing their administrative headquarters.

The biggest winners appear to be hotel developers, such as Marriott and Holiday Inn, who will benefit from federal handouts in 14 of the 45 cities which received grants. These grants ranged from $10 million for a Baltimore convention center-hotel complex to $1.9 million for a hotel above an existing parking garage in Wilmington, Delaware. Hotels figure so strongly in the grant awards that National People's Action, a Chicago-based network of neighborhood groups, charged the federal government with "building a coast to coast chain of HUD-financed hotels."

Shopping centers and parking garages are also big favorites in the UDAG program. In Schenectady, New York, HUD is providing a half million dollars to a private developer for an enclosed shopping mall. Cleveland is using HUD money to add 900 new parking spots for cars coming into the city. Cleveland is one of nine cities where HUD money will be used to build parking garages.

It should be said that not all the UDAG money has been given to developers. Bridgeport, Connecticut, for example, is using its UDAG grant for low-income home rehabilitation. Scranton, Pennsylvania received funds to help expand a local non-profit medical facility. But these grants are smaller—and fewer—than those for big private developers.

HUD Secretary Patricia Harris defended the UDAG grants by insisting that they will attract private investment and new jobs. At hotels, she claimed, "It's possible to start as a dishwasher and end up as a chef." Harris also promised that more neighborhood projects will be funded in the future.

Unfortunately, that future may be a long time coming. According to one HUD official, the second round of UDAG funding this summer "won't be much different than the first." This means that large downtown developers will walk off with the lion's share of another $75 million from HUD.

The HUD official also said that downtown projects are getting funded not because they provide or stimulate investment, but because "they are easy to put together" and can be started right away. Many, in fact, are proposals that have been gathering dust on planning office shelves in anticipation of a federal giveaway of this size.

Neighborhood groups begin at a disadvantage. They do not have a bank of well-conceived proposals waiting for funding. Nor do they have the benefit of city hall planning departments and slick financial packages from private developers. Unless some significant effort is made to provide neighborhood-based groups with assistance in applying for UDAG grants, there is little possibility that the program will be used to finance and encourage neighborhood development.

—*David Macgregor*

How the Co-op Bank Could Help You

As our newsletter went to press, Congress was scheduled to act on the Consumer Cooperative Bank Act (S.1010). This bill has already passed the House of Representatives, is sponsored by 36 Senators and has support from President Carter. Its backers say it has a good chance of becoming law without being substantially weakened by amendments. Many of our readers may have heard of the Co-op Bank: the following article explains the provisions of the bill and examines how a Co-op Bank could help community-based cooperative enterprises.

The Consumer Cooperative Bank Act, if passed, will create a bank to offer loans and technical assistance to consumer-owned and operated co-ops that provide food, housing, health care and other goods and services to both rural areas and urban neighborhoods.

The bill has three major sections. The Co-op Bank would provide:

- seed capital to cooperatives of $250 million a year for four years.
- technical assistance in management development, board training, member information and market studies.
- $250 million for special low-interest loans for cooperatives serving primarily low-income people.

Eventually, the Co-op Bank itself would become cooperatively-owned and controlled by the cooperatives it is designed to help. As the co-ops prosper and spread, they will not only pay back initial loans, but they will also gradually buy the bank from the federal government, until the bank itself is a non-profit, tax-paying cooperative.

After initial capitalization with federal seed money, the bank will have to obtain additional funds through the sale of bonds on the private capital market. How large the bank becomes will, therefore, depend upon how well the bank can compete without advantage in raising capital. In this way, the Co-op Bank will not be another federal credit agency like the Small Business Administration, which is a drain on the federal budget forever. The bank's enabling legislation establishes a credit institution which will eventually become part of the private sector, obtaining funds from private money markets.

Co-ops at a disadvantage

Readers of *Self-Reliance* are probably familiar with the arguments in favor of cooperative development. Unlike profit-making, investor-owned corporations, cooperatives are owned by the people who use or produce the goods and services they provide. Members benefit through lower costs and money generated by the venture remains primarily within the community. In the process, people gain management, planning, accounting and other skills, as well as a sense of involvement and commitment.

What readers may not know is how difficult it is for co-ops to overcome two serious problems, each of which has caused many co-ops to fail. The first is getting enough money to start or to grow. The second is acquiring enough technical expertise to manage large and often complex operations.

Because cooperatives do not pay the dividends on stock that private profit-making corporations do, they do not attract large amounts of investment capital. What cooperatives are able to raise from members is usually not enough to buy equipment and inventory and start production at the same time. Yet, when a co-op group with good plans—and even considerable experience—seeks a loan, it is often turned down. In hearings on the Co-op Bank bill last year, one commercial banker admitted that "loan committee and [bank] officers really do not understand cooperatives. It is simply a reality and you cannot expect co-op members to do the job of educating the banking community."

The need for credit

This year's hearings provided specific examples of how a Co-op Bank *could* help:

- **Common Mart Food Cooperative** in Denver, Colorado, has the support of 2000 families, yet it could not get a loan until Sam Brown, who was the State Treasurer and is now director of ACTION, intervened.
- **The Cooperative Association of East Harlem** started a furniture co-op to compete with stores in the area that sell low-quality merchandise at up to 400 percent over wholesale prices. At first, the co-op did well by under-selling its competitors, but soon found that it had to offer credit in order to compete. Without even sending officials to inspect the operation, major New York City banks turned down the group's requests for a loan to fund the credit financing.
- Even the most well-established co-ops, such as the **Group Health Cooperative of Puget Sound,** whose assets total over $78 million, have had loan requests slashed in half simply because of the reticence of most banks to lend to cooperatives. Many newer, smaller co-ops fold when faced with such

resistance.

Even when money is available, the expertise required to manage it and to compete in the marketplace is often lacking. Stanley Dreyer, president of the Cooperative League of the USA and previously an officer of the St. Paul Bank for Cooperatives, told the Senate that "the financial counseling preceding the loan and the on-going bank-client relationship is often as important as the loan itself." The Co-op Bank could be of great assistance in providing such on-going counseling.

Art Rasch from the Chicago Area Co-op Information Center believes that technical help is the cooperative movement's greatest need. Over 80 percent of the co-ops he services have problems with management. Fifteen percent close down for this reason alone.

Were there a Co-op Bank today, the situations of these two co-ops would most likely be quite different:

• **Highland Park Food Co-op,** which serves a wide range of economic groups in the region around Pasadena, California, reports that the management training which would be made possible by the Co-op Bank bill could have prevented overbuying and other inefficiencies at their co-op.

• **New York's Green Consumer Cooperative** is relatively successful, but wants to start a training program for unskilled low-income community residents who could then be hired by the co-op. As well as funds, it needs assistance in establishing such a training program. The bank would be able to help.

Two successful models

Two highly successful models for a Co-op Bank already exist. In the 1930's Rural Electric Cooperatives were financed by the federal government when private utilities declared that supplying rural Americans with electricity would be unprofitable. In 1935, not one farmer in ten had electric lights. Today, Rural Electric Cooperatives have brought energy to six million farms and homes. Twenty-five million consumers now own power lines.

The Farm Credit System is another example of a successful cooperative effort helped with capital from the federal government. When farmers were unable to get credit from banks during the Depression, the Farm Credit System was able to provide assistance. Government loans through the Farm Credit System are generally recognized as being instrumental in the turnaround of American agriculture since the Depression. Today, owned by nearly one million farmers and 4000 marketing, supply, and service cooperatives, The Farm Credit Banks and associations have over $21.8 billion in loans outstanding to farmers and their co-ops. And, within 25 years of their creation, Farm Credit Banks paid back every dollar of government investment—plus interest.

Conferences Planned in Using the Co-op Bank

If the Co-op Bank bill passes Congress this summer as expected, groups which might benefit from the bank's programs should move quickly. Co-op groups that have a good grasp of the bank's potential will be best able to take advantage of its program. To help existing and potential co-ops get the head start that they will need, the Cooperative League USA, the North American Student Co-op Organization (NASCO) and a dozen other groups are putting together a series of regional and national conferences on using the Co-op Bank. For more information on conferences near you, contact: **Stewart Kohl, NSACO, Box 7293, Ann Arbor MI 48107.**

The challenge today

The Co-op Bank is not without opponents. Lobbyists for supermarket chains and commercial banks succeeded in cutting out half the funds authorized by the House. Many members of Congress are attuned to these interests, while others simply refuse to believe that cooperatives can work. The Co-op Bank does have some surprising support from conservatives like S.I. Hayakawa, John Sparkman and James Pearson. In most cases, however, conservative members of Congress are responding to a particular pressure, rather than general faith in cooperatives. Sparkman, for example, has close ties with the housing industry, which supports the Co-op Bank as a means for more housing construction. Pearson has been lobbied by farm cooperatives in his home state of Kansas.

Not surprisingly, the Co-op Bank bill also has significant grassroots support. There are a half million families living in more than 2,500 housing co-ops alone. Another 1.2 million Americans are members of food and other kinds of consumer co-ops. Farm and Rural Electric Co-ops account for another 15 million citizens. Probably one of every ten Americans is a member of some form of cooperative. The Co-op Bank bill would encourage efforts like these to grow and would help many more get started. The capital that the bank could make available to urban housing cooperatives and sweat equity ventures, for example, could be an important boon to neighborhood revitalization for low- and moderate-income city dwellers.

We can anticipate heated debate and politicking over the wording of the regulations; but we can also anticipate a very real boost for producer and consumer cooperatives if the bill survives and passes in its present State.

The New Harbinger

—*John M. Fitzgerald*

John Fitzgerald, a lawyer, was formerly on the staff of National Public Interest Research Group (NPIRG)

A Strategy for Preserving Jobs—and Communities

When Youngstown Sheet and Tube Company closed its doors last September, the community lost 5000 jobs. Five thousand jobs in a city of 130,000. And last summer, when Zenith decided to close its color television plant in Watsontown, Pennsylvania, in order to produce abroad, Watsontown lost 1000 jobs.

Plant closings have become a fact of life in the industrial Northeast and Midwest. As more and more branch plants are closed by large conglomerates seeking a higher return on investment, either in another line of manufacture or in a state or country with lower wage scales and operating costs, employees are faced with the prospect of long-term unemployment and massive economic dislocation.

This is not a pleasant prospect: plant shutdowns are far more serious than lay-offs at factories that continue to operate. In most cases, a worker who loses his or her job when a plant closes will remain unemployed much longer than a worker who is laid-off during a slump. Moreover, with a plant shutdown, the community loses not only its payroll, but also an important part of its tax base.

Employee-ownership is becoming a serious alternative to plant closings caused by corporate divestiture.

The recent rash of plant closings is a function of the increasing power of national and multinational conglomerates. Businesses are bought and sold like stock paper in order to keep conglomerate profit levels high and rising. Between 1967 and 1969, an average of over 3500 mergers occurred annually. The casualties are independent businesses; often, it is the employees who suffer the most. Kasanof's, for example, was an old family bread bakery in Boston. A few years ago, it was bought by a New York-based conglomerate. Last year, the conglomerate decided to close the bakery, one of the larger private employers in Boston's Roxbury section.

Deborah Rankin, in a January article in the *New York Times*, quoted a financial analyst who explained this "big bath" approach to corporate accounting and management:

> *When new management comes in, the big bath approach allows the CEO [chief executive officer] to wipe the slate clean so he can say, 'First quarter earnings have gone up markedly since I took over.' Well, of course, earnings have gone up since the guy threw out all the garbage as soon as he arrived on the scene.*

What the analyst doesn't say is that thousands of jobs went out with the "garbage." Some of these plants were viable economic units before they were taken over by the conglomerate and were only turned into garbage by conglomerate mismanagement. Some of the shutdown plants never really were "money-losing businesses" but were sold only because they were not making the high profits that conglomerate decision-makers expect from the many lines of their business.

The Option of Employee Ownership

Until about 1970, when a large corporation announced the closing of a branch plant, workers and community people assumed there was nothing they could do to save their jobs. Recently, however, the scene has changed. In an increasing number of cases, employees and their community supporters—most of whom had never given thought to becoming owners—have mounted successful campaigns to save their jobs in the only way possible, by buying the plant. Employee-ownership is becoming a serious alternative to plant closings caused by corporate divestitures.

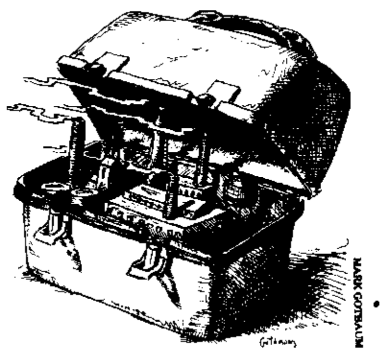
A good example of the advantages of employee-ownership

The Mondragon System

The system of industrial production cooperatives centered in Mondragon in the Basque country of Spain grew out of a vocational and technical school founded in 1943 by an extraordinary Catholic priest, Jose Maria Arizmendi. In 1956, five men who were among the first graduates of this school and who had gone on to assume positions of foremen and engineers in private industry, banded together and, with the support of their friends, founded the first cooperative firm in Mondragon. From that small beginning, the system of worker production cooperatives has expanded rapidly and steadily. At the end of 1976, it consisted of 86 firms with 14,665 worker-owners. The system is linked with and supported by its own cooperative bank, the Caja Laboral Popular which, at the end of 1976, had 208,841 depositor-members. More recently, the industrial firms have been assisted by a cooperative research and development organization which moved into a new $2 million building in 1976.

The Mondragon system has been successful with a wide range of products, from furniture to machine tools to powerful steel presses. It has attracted and developed a highly competent corps of executives and managers while at the same time maintaining popular democracy in the ultimate control of each firm. Each employee, regardless of salary or rank, has a single vote in the election of the board of directors. This control structure means that, barring a complete collapse of the total system, there is no possibility of the control of Mondragon firms escaping from the worker-members into the hands of outside investors. (See A.G. Johnson and W.F. Whyte, "The Mondragon System of Industrial Production Cooperatives," *Industrial and Labor Relations Review*, 31:1, October 1977).

is that of the Sperry Rand library equipment manufacturing plant in Herkimer, New York. In 1975, Sperry Rand's management decided that, because the facility did not fit into the corporation's development strategy and did not generate the 22 percent return that the company expects from its investments, the plant would be closed, leaving 270 employees without jobs. The employees and local financial interests joined together and set up a community corporation—Mohawk Valley Community Corporation—that bought the plant. The community realized that if the plant had closed, the local economy, which already suffered from 13 percent unemployment, would have been devastated. The take-over was successful and, in its first year of community ownership, the plant's net earnings after taxes were a healthy 17 percent.



There are other examples of recent plant purchases by employees or by an employee-community group. It is worth mentioning just a few:

- **Chicago and Northwestern Railroad:** When it became employee-owned in 1972, the railroad was considered to be in the weakest financial position of all the Midwest railroads. Since that time, it has made a profit in every year except the recession year of 1975. Stock originally purchased for 83½¢ is now valued close to $11.
- **Saratoga Knitting Mill:** In 1974, under conglomerate ownership, the New York factory lost money for the first time in its long history. In its first year of employee-community ownership, the mill expanded its workforce from 70 to 120, set aside $1,000 per employee into an Employee Stock Ownership Trust and declared a profit after taxes amounting to more than $1,000 per employee.
- **Bates Fabrics, Inc.:** In the early 1960's, Bates Manufacturing Company acquired Virginia Iron, Coal and Coke Company. When Bates executives discovered that they could make a 15 to 20% return on investment in the energy field rather than the 5 to 7% return they had been making in textiles, they began selling the company's textiles plants. The divestiture of the Lewiston, Maine, plant signaled the completion of the transition to an energy conglomerate with no interests in textiles. In January, 1977, employees purchased the Lewiston plant. Although it is too early to judge the long-range viability of the plant, the 1100 jobs were preserved and the company is now financing the modernization of machines and plant to strengthen its competitive position.

All these plants have found that employee-ownership is a quick way to cut a good deal of administrative fat and mismanagement. The Herkimer plant, now employee-owned, no longer has to pay an annual $600,000 to Sperry Rand for "overhead." And Saratoga Knitting Mills no longer has to suffer mismanagement by a distant conglomerate that led the parent company's sales to drop from $72 million in 1968 to $20 million in 1974.

More importantly, these plants have found a way to preserve jobs and maintain the basis of the local economy. For many, it was the only way. The Okonite Company, which manufactured specialized cables, was always a sound business. But, after 80 years as an independent company, Okonite was bought in 1958 by Kennecott Copper Corporation. Sixteen years later, after three more changes in ownership, the company was put under trusteeship in a federal court in Dallas, a victim of the bankruptcy of its parent corporation, Omega-Alpha. The Economic Development Administration concluded that "the only certain means of ensuring the continued employment and future growth of the company is to permit the employees to acquire complete ownership in the company through the application of an employee stock ownership trust plan." In 1976, the 1,800-employee company became employee-owned.

Getting from Here to There

These "success stories" are encouraging; but the transition to employee-ownership is never simple. In each case of a successful transition, there are moments when problems seem insurmountable. And for each successful case, there are many others that fail due to lack of financial expertise or assistance, inadequate information and planning, and a host of other reasons.

In order to encourage the difficult transition to employee-ownership, three members of Congress—Peter Kostmayer (PA), Stanley Lundine (NY) and Matthew McHugh (NY)—

continued on page 15

The Voluntary Employee Ownership and Community Stabilization Act

The Act, as drafted by its co-sponsors, is designed to facilitate the transition to employee or employee-community ownership without establishing any new bureaucracy. The Economic Development Administration would help the group forming the new company with legal, financial, engineering and organizational technical assistance. EDA would also be able to make $100 million dollars in loans in the first year to help employees buy a plant, begin operations, and acquire stock in the new firm.

As Congressman Matthew McHugh (NY) explained when introducing the Act, the legislation "is designed to encourage and support voluntary local initiatives . . . This bill would not encourage employees and residents to adopt a particular form of ownership and control available under the laws of their state."

For all groups contemplating employee-ownership, the three greatest needs are time, money, and example. What the Act proposes is a way for such groups to get all three—loans, adequate time to prepare for purchase (both financially and organizationally), and knowledge of the successes and failures of past efforts and the implications of whatever form of ownership and control they may choose. The co-sponsors—one of whom was mayor of Jamestown, New York, when Jamestown Metal Products became employee-owned in 1973—hope that enactment of the legislation can help blunt the adverse impact of plant shutdowns.

Resources

Going to the Movies:

It is time for this editor to come out of the closet. Although I spend most of my day looking at words on paper, putting words on paper, and rearranging words on paper, my secret love is still the movies. Sit me down in a movie theater for a few hours, popcorn in hand, and I am a happy man. So, here is a list of relevant films and film resources that I have compiled over the past few months. I did not want to limit the list to any particular topic, such as housing, or energy, or technology; so what follows is a somewhat random list of films that I have found interesting or whose titles seem intriguing. Any additions are welcome. If readers recommended enough other films, we will print a follow-up to this page in a future issue.

Bullfrog Films, Inc.
Oley PA 19547.

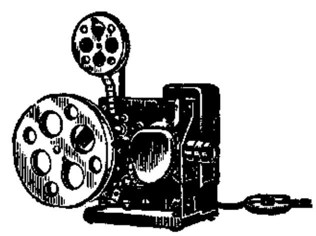
Bullfrog Films distributes films on small-scale appropriate technologies: a film on bicycle-powered machines, one on solar homes, another on heat pumps, and a few on gardening and organic agriculture. One of their best is *Toast*, a twelve-minute lesson in how much energy goes into a piece of toast, from the oil wellhead (for the fertilizer) to the toaster.

Development Media Center
630 Natoma Street, San Francisco CA 94103

A joint project of California Newsreel and Earthwork, the Development Media Center has recently released *Controlling Interest*, a film about the workings of multi-national corporations that Congressman Ron Dellums considers a "strong tool in the hands of those of us who wish to curb the power of the multinationals." Their other films include: *Why Work, The Poisoning of Michigan, Bottle Babies,* and *Campamento*, a film about the Chilean housing project, Nueva Habana, and the people who lived there during Allende's years. The DMC has produced an excellent guide to over 250 films and slide-shows in English and Spanish on food and land issues. The annotated filmography also includes a guide on how to use audio-visuals in education and organizing. Available for $2.50 to institutions and $1.50 to individuals.

Films on Solar Energy

Solar energy is now "sexy," as they say in the advertising business. Just as the past few years have seen an explosion of books on solar energy, there are now many films on the market on solar energy. The best one that I have seen is *Build Your Own Greenhouse—Solar Style*, a film that shows one of Bill Yanda's weekend greenhouse construction workshops and explains the principles and advantages of solar greenhouses. (Danâmar Film Productions, 275 Kilby, Los Alamos NM 87544. Purchase: $315.)



Two films that I have not seen that sound interesting are: *Under the Sun*, a training film from the Sheet Metal Workers (Sheet Metal Workers Training Fund, 1750 New York Avenue NW, Washington DC 20006); and *Our Mr. Sun*, a sixty-minute color film available free from the Bell Telephone Company. Recommended by Citizens United for Responsible Energy in Des Moines IA, the film is noteworthy because it was made over twenty years ago.

Green Mountain Post Films
Box 177, Montague MA 01351.

This non-profit educational cooperative specializes in films on energy. One of the first films they distributed was the now legendary *Lovejoy's Nuclear War*, about the civil disobedience and trial of anti-nuclear activist Sam Lovejoy. They also distribute *The Last Resort*, about the Seabrook occupation, and several other powerful anti-nuclear films. Write to them for their complete bulletin of films.

Hot Dog
Films, Inc., 733 Greenbay Road, Wilmette IL 60091.

Hot Dog is an NBC series of short films for children on how things are made and how they work. Woody Allen and Jonathan Winters help to answer such questions as: how do they make blue-jeans, how do they make crayons, and what's mustard? Four minutes in a toothbrush factory may not help you decide if you should start your own, but it is important that children (and adults) think about and see how things are made. Films, Inc. also distributes a similar series of shorts done for the public broadcasting show, *ZOOM*. For more information, call (800) 323-4222.

Neighbors
Association Films, Inc., 600 Grand Avenue, Ridgefield NJ 07657.

This film, made for the Washington-based Conservation Foundation is a surprisingly moving and beautiful account of neighborhood preservation and displacement as experienced in Boston's South End. Interviews with new and wealthy rehabbers are juxtaposed with the opinions of people who have lived and worked in the South End for years. Especially poignant is the plight of the elderly singles whose rooming houses are rapidly being converted into elegant homes for young professionals.

The New Alchemists
Benchmark Films, 145 Scarborough Road, Briarcliff NY 10510.

Made by the National Film Board of Canada in 1974, this was one of the first films to explore the field of appropriate technology. As such, it is not surprising that the film is introductory in nature. We see the New Alchemists at work and get a good sense of their personal and professional commitment. We are also tempted by their experiments and projects. But the film never lets us understand the technologies being developed. We are left with an enticing introduction but not much hard information. Another, more recent, film which works in the same way, although in a less engaging way than this one, is *Down-to-Earth Living*, a film on the Farallones Institute Integral Urban House in Berkeley (available from Pyramid Films, Box 1048, Santa Monica CA 90406).

Progress Reports

Navaho Crafts Cooperative

The Four Corners Project in Shiprock, New Mexico, now eight years old, strengthens the area's Navajo craft industry by establishing an Indian-owned and controlled marketing system. More than 300 craftspeople are members; about 85 depend on the cooperative for all or most of their income.

Four Corners is the only crafts cooperative in the area. Most native American work is sold through guilds to non-Indian-owned businesses, which then resell the items at a substantial mark-up. Four Corners eliminates the middleman: revenues from cooperative sales go directly to the members.

The operation is run on a shoestring, with less than $8000 a year spent on overhead costs. This includes travel expenses: cooperative members travel by truck to exhibit their work at special fairs and shows around the country.

With the help of foundation grants and technical assistance from the Youth Project, Four Corners has begun a modest educational program. Seven young Navajo Indians are now learning tribal techniques in weaving and silver work. For a schedule of the cooperative's travels or more information about the operation, write to: **Four Corners Project, Box 1356, Shiprock NM 87420.**

Seattle Bulk Commodity Exchange

Community groups organizing to cut food costs often bypass buying clubs in favor of more ambitious food cooperatives. Buying clubs are usually considered too much work and not enough benefit.

A group in Seattle, Washington, however, proves that a well-run produce exchange dealing directly with local farmers can make buying clubs work. Last year, the Seattle Bulk Commodity Exchange saved participating clubs an average of 40 percent compared to supermarket prices. And farmers selling through the exchange made an average of 18 percent more for their produce than those using traditional markets.

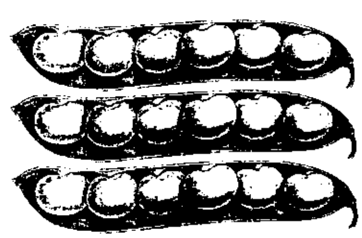
The exchange is the first operation of its kind in the Seattle area. Organizers started modestly, with 17 growers servicing buying clubs, retailers, restaurants, service organization and individuals. The project lasted nine weeks, long enough to disprove initial skepticism. The low prices and high quality of the produce convinced many new groups to become involved this year. Bolstered by more participation and better preparation, organizers predict this year's volume to be double or triple that of last year.

For more information on the exchange, contact: **Cindy Solie, Hunger Action, Alaska Building, Rm. 300, Seattle WA 98104.**

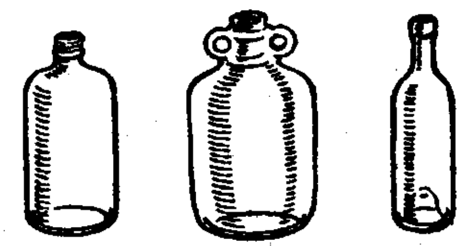
New Wine, Old Bottles

A recycling business specializing in wine bottles is now processing 150 tons of glass a month in Alameda County, California. With the purchase of a second bottle washing machine, organizers expect an eight-fold increase in volume.

The Berkeley Ecology Center started the business, called Encore!, in 1975 with the help of a $25,000 revenue sharing grant from the county. Since then, the venture has grown enough to pay a staff of eight. Profits are going into a second bottle washing machine and a new semi-automatic method for making boxes. Two more people have been hired and more will be added if all goes well.



Encore! pays roughly 40 cents a case for used wine bottles, which come from about 20 collection centers throughout the county. After washing, sterilizing and repackaging the bottles, Encore! sells



them to wineries for between $1.60 and $1.80 a case. For small wineries that cannot negotiate large contracts for new bottles, the recycled bottles are a bargain.

The operation has been so successful that groups in Portland, Oregon, and New Zealand are using it as a model for recycling in those areas. But even where local wineries don't exist, the Encore! operation is a good example of how to plan and manage a recycling effort.

Encore! has put together a good promotional packet, detailing the operation and the potential for wine bottle recycling. There is also a report on first year operations, complete with cash flow charts, unit costs and capital requirements. For more information, contact: **The Ecology Center, 2179 Allston Way, Berkeley CA 94704.**

Modesto Recycling Center Expands

One of the oldest and largest curbside collection recycling businesses is moving to a larger building to increase its collection capacity.

The Ecology Action Institute, of Modesto, California started in 1970 with "no investment and a few barrels." Now, it is grossing $250,000 a year and recycling 400 tons of newspaper, glass, cans and oil a month. Organizers estimate that of the 130,000 people in the collection area, about 40 percent are recycling regularly.

Ecology Action sells most of the material it collects directly to users. Newspapers go to a nearby cellulose insulation manufacturer. Reynolds Aluminum buys cans and a local winery buys wine bottles. With a permanent staff of five and CETA workers on the collection routes, Ecology Action is just about breaking even. Costs are lowered by buying recycled equipment whenever possible.

Organizers say the largest factor in encouraging recycling seems to be peer pressure. On most blocks in the collection area, participation is either very high or very low. Ecology Action also admits that it could encourage more recycling by making its own collection schedules more reliable.

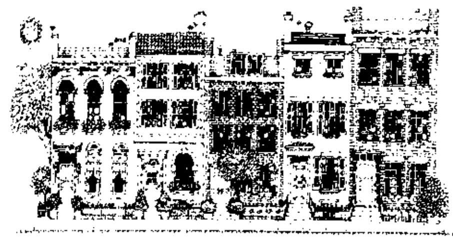
For more information on the Ecology Action Institute, write to: **Cliff Humphrey, PO Box 3895, Modesto CA 95352.**

A Land Trust for Urban Housing

There are rural land trusts and trusts for parks in cities, but the Columbia Heights Community Ownership Project is the first for urban housing. This trust, started in 1976, has just finished work on two buildings in Columbia Heights, a low-income neighborhood in the Northwest section of Washington, DC. One building will be occupied by a single family, and another will be a group home for six elderly people.

Both buildings are owned by the trust, which is run as a non-profit organization. The board of directors includes neighborhood residents, the leaseholders themselves, and a limited number of outsiders interested in helping make the trust work.

Leaseholders in the trust are different from traditional tenants in a number of important ways. They are given lifetime leases, which can be passed on to children in the family. Also, no major decisions about the property can be made without their consent. Wherever possible, leaseholders contribute their labor



as "sweat equity" to lower the costs of rehabilitation.

The trust spent $55,000 to buy the two buildings and another $25,000 to rehabilitate them. Money came through a combination of grants and loans from foundations and individuals. Future buildings will be bought through neighborhood-based fundraising efforts. Local residents, for example, are being asked for small donations to "buy a brick" towards the additional property. Trust members are also working with potential leaseholders to help them raise money for a downpayment.

A major roadblock to growth is a local ordinance, in force in many communities, requiring outside contractors for certain kinds of rehab work on non-owner-occupied homes. A representative of the trust said that, because of this requirement, half of its rehab costs went to plumbing and electrical work alone. Trust members feel that because leaseholders are part of the trust, they are also owners and should be classified like other home owners. The trust is now lobbying local officials to get the ordinance modified.

For more information, contact: **Columbia Heights Community Ownership Project, 1345 Euclid Street, NW, Washington DC 20009.**

Pick Your Own Produce—For Free

Every year, tons of good, fresh produce go to waste in fields and gardens of the mid-Willamette Valley in Oregon. And every year, there are people in the area, particularly the elderly, who don't get enough to eat. The Salem Community Food Store, a food cooperative in the valley, decided to do something about it. The store organized small groups of people to go to fields, gardens or orchards to pick as much produce as they can use. People do not pay any money, because the produce would normally go to waste.

The food cooperative matches local growers with people who are interested in picking their own produce. Suppliers range from large commercial farms, which often have several acres of surplus produce available, to small home growers. All of the 40 growers and 60 pickers who took part last year have returned, and others have been added. Last year, the pickers, many of whom adopted a senior citizen or handicapped person who could not make it out to the fields, gathered 16 tons of produce from mid-August to late fall. This year picking began in early June.

The cooperative started the program with a $12,000 grant from a local CETA office to pay for a co-ordinator's salary, field supervision, travel costs and publicity. A member of the cooperative said that the program is working because it has been kept small and low-key, making coordination efforts easier.

The Salem program is similar to one that has been in operation for the past five years in Washington County, near Portland. There are several programs like these throughout Oregon and they are likely to increase in numbers now that Oregon has passed a law allowing commercial growers a tax credit for all donated crops. To find out more about this produce referral system, contact: **Salem Community Food Store, 1635 Fairgrounds Road, NE, Salem, OR 97303.**

When writing to any of the contacts mentioned in SELF-RELIANCE, please send a self-addressed stamped envelope. It will speed the reply and will save these folks some money.

Off the Shelf

A Little Help From Our Friends:

The following books and handbooks are written and published by organizations around the country that our readers should know about. None of these publications has received the distribution it deserves, since all are in-house publications. We hope that our readers will search out these books, read them and recommend their purchase by local libraries.

Community Organizing: Handbook #2

The Institute, 523 West 15th Street, Little Rock AR 72202. $3.00.

This handbook of readings was prepared by The Institute (not to be confused with ILSR), a training and research center affilitated with the multi-state community organization, ACORN. The handbook is an excellent introduction to the history, the methods, and the practice of community organizing according to the ACORN model. Written by people with first-hand experience, the articles describe several ACORN campaigns including local battles on utility rates and health issues, a statewide initiative on the food and drug tax, and a multistate campaign against Ma Bell. The overview and update are perhaps the most thorough articles ever written about ACORN and its strategy.

Energy Policies and Programs of California Cities and Counties

Marin Citizens for Energy Planning, 80 Lomita Drive, Mill Valley CA 94941. $6.50 ($3.50 for non-profits).

An overview of energy policies and programs implemented by over 60 local governments throughout California, this survey publication is an excellent "who, what, and where" source book. Names and direct telephone numbers of project directors provide easy access to information and help cut through the maze of local governmental offices. Designed to assist localities and public interest organizations seeking to initiate similar programs in their communities, the book should be a model for other publications of its kind. Perhaps the only weakness is in background descriptions of development and financing of each program. Well worth the cost.

The Fuel Savers

Total Environmental Action, Inc., Church Hill, Harrisville NH 03450. $3.50.

The Fuel Savers, written by Dan Scully, Don Prowler and Bruce Anderson, is a well-conceived and handy "kit of solar ideas for existing homes." The pamphlet, which was originally written for the Northwest New Jersey Community Action Program, describes many different solar energy systems—ranging from simple insulating curtains to more complicated solar hot water heaters—that can be constructed at moderate cost and as do-it-yourself projects. *The Fuel Savers* is a good example of how solar energy can be demystified and how the creativity of readers can be stimulated through intelligent writing and publication design.

No Heat, No Rent

The Energy Task Force, 156 Fifth Avenue, NY NY 10010. Free.

This publication is the product of experience gained by the Energy Task Force in designing and installing energy conservation materials and a solar domestic hot water system on 519 East 11th Street, a tenant-owned sweat equity tenement on New York's Lower East Side. Clear graphics and a readable question-and-answer format make the publication quite useful. Also, this is one of the few books on existing solar systems that actually provides hard data on performance, fuel savings, and payback period. A companion volume, *Windmill Power for City People,* also written under contract from the Community Services Administration and available at no cost, discusses the principles and the specifics of urban wind power systems as learned by ETF at 519 East 11th Street. It contains an interesting section on the complex negotiations with Con Edison over credit for surplus energy generated by the East 11th Street windmill.

The Older Person's Handbook

Mutual Aid Project, 17 Murray Street, New York NY 10017. Free.

The Older Person's Handbook is handsome. Moreover, it is a helpful and creative presentation of information and ideas for New York City's older adults and the people who work with them. Chapters cover neighborhood projects such as babysitting exchanges and urban gardening, and other projects related to consumer education and self-help. The focus is on programs for older people that will not only benefit the individuals but also their neighborhoods. The appendix lists useful names and numbers for older people in New York City.

Opportunities for Abuse

Center for Community Change, 1000 Wisconsin Avenue NW, Washington DC 20007. $4.50.

Mortgage bankers finance one-fifth of all real estate in the United States and have become the major source of credit in many inner-city neighborhoods. Yet, many people do not even know of the existence of the giant mortgage banking industry, which operates outside of the traditional sources of mortgage and home improvement loans, namely, banks and savings and loan associations. In this study of the industry, the Neighborhood Revitalization Project at the Center for Community Change examines the crucial but little understood role of mortgage bankers in speeding up neighborhood deterioration and housing abandonment. The authors conclude with recommendations on how to remove the incentives to profiteering built into the single-family government mortgage insurance programs, so that mortgage bankers will begin to operate in a more responsible manner.

Small-Scale Sewage Options Gain in Chicago continued from page 1

sewer systems feeding into the deep tunnels. This must be done independently by the 53 different communities in the combined sewer area.

Sewage Treatment as a Community Issue

In the early 1970's, when TARP was first introduced to the public, many Chicago environmental groups endorsed the plan as a sensible way to clean up the rivers and the lake. At At the time, the issue was defined as "clean water at any cost." Now, however, community organizations and public interest groups have begun to pose serious questions about cost—and about actual benefits to Chicago residents.

Last November, a group of over thirty people gathered to discuss the project. The initial concern was the project's price tag, projected by the federal General Accounting Office to be $7.3 billion for all three components. That came to $1350 per person, $1400 per household or over $100 million per neighborhood in the region.

"We find it paradoxical," noted one community leader, "that we're constantly told by financial institutions that our neighborhoods are too risky to lend money in for the resources needed for housing rehabilitation and commercial revitalization, yet the Sanitary District and federal agencies are willing to, in effect, invest over $100 million per community in invisible tunnels and underground reservoirs, and to do it in ways which provide no direct job benefits in our community."

Job creation was another major concern. For example, the Conference Board in New York estimates that typical jobs in manufacturing can be created for between $22,000 and $40,000 each. In basic energy industries, such as nuclear and petroleum, an investment of over $100,000 is needed to create each job. The Center for Neighborhood Technology in Chicago estimates that neighborhood-based employment in areas such as housing rehabilitation, urban agriculture, weatherization, and newspaper recycling cost between $12,000 and $25,000. In contract, according to EPA data, jobs associated with TARP require over $1.6 million in investment each. Moreover, these jobs provide only temporary, not permanent, employment.

TIP: Looking for a Better Way

As a result of that first meeting in November, the TARP Impacts Project (TIP) was formed, responding to the growing need to translate regional water and waste plans into understandable descriptions for use in local decisionmaking for community and town management. The TIP project is important because it links environmental concern with a priority of local community development. TIP asks the question: What are the ways in which resources for environmental protection can be used locally to meet the goals of responsive community development? It is a very important question; and, starting from that question, it is not surprising that TIP members have come up with many solutions not considered by TARP proponents.

You can solve a problem either by treating it or by preventing it. TIP looked for preventive solutions that would also create jobs and support small-scale development. Massive construction projects benefit a handful of contractors, but small-scale technologies can stimulate jobs and rehabilitation.

TIP member Stanley Hallett, a professor at Northwestern University's Center for Urban Affairs, told *Community Planning Report* recently that the patterns of the Chicago area's neighborhoods offer a wider range of flood and pollution control choices than TARP's planners considered. "The choices," he said, "are to slow the water runoff from streets and roofs or increase percolation. Many planners agree that Chicago has 20 percent too much street. The streets could be replaced with stretches of parks and gardens that could include berms and swales so that the water doesn't runoff."

Rough calculations show that the performance anticipated by TARP can be achieved at half the cost by small-scale flood and pollution control strategies.

Other strategies, TIP found, can also be used. Roofs could be redesigned so that they held two inches of water which then drained slowly. Composting and greening of vacant lots could help retain runoff. Moves to reduce sewage entering the system would also help: composting toilets and the land application of sludge are two examples. Many of these strategies can be implemented as part of periodic maintenance work, such as street regrading and resurfacing, rooftop repairs and water conservation, the last of which is being mandated by the Illinois Department of Transportation for towns that wish to qualify for continued lakewater diversion and use.

"No one has accurately costed out the alternatives," Hallett told *Community Planning Report*, "but the estimates are so good they're hard to believe." Rough calculations show that in suburban Evanston the performance anticipated from TARP could be achieved at half the cost. And that estimate does not include the cost benefits from job creation, land value increases, and recovered resources.

Recent Developments

To date, less than 3% of the total projected cost of TARP has been spent. The tide, however, has already turned against "the largest public works program in the country." The Army Corps of Engineers has recently signalled the death knell for TARP II (and, since one is ineffectual without the other, TARP III) by deciding it could not foot the bill for construction of the reservoirs. Sources ranging from the General Accounting Office to Senator Charles Percy have called for a moratorium on further work along with research and demonstration projects in Chicago communities in alternative waste and storm water treatment technologies. TARP has been cut down to the $2 billion tunnel system; it is still unclear how much of that network will actually be built. Today, Chicago and other cities are faced with tough sewage treatment choices. Capital shortages, strict federal regulations and new concern with the community development impact of pollution clean-up strategies may force Chicago—and many other cities—to consider small-scale alternatives seriously.

—Scott Bernstein

Scott Bernstein, director of the Center for Neighborhood Technology, 570 West Randolph Street, Chicago IL 60606, is a participant in the TARP Impacts Project (TIP).

Off the Shelf

Green Thumb Guides:

It is getting more and more difficult to keep up with the onslaught of publications on growing your own food, caring for your greenhouse, marketing your agricultural products and so on. The following publications are just a few that have crossed our desks in recent months. We would like to thank Norm Buber, a librarian for the ACLU and an avid gardener, and Danielle Lucid, an intern at the Institute working with the Urban Agriculture staff, for their help in preparing these reviews.

Barry Benepe

Greenmarket: The Rebirth of Farmers Markets in New York City

Council on the Environment of New York City, 1977. 24 pages. $2.00.

Greenmarket, begun in July 1976, was the first farmers market in New York City for several decades. This slim volume outlines the history, the development, and the impact of the project. Written by Greenmarket's director, this book also outlines some of the problems encountered in the planning and operation of the market. Site selection, permits, marketing schedules, publicity and the development of community support are all discussed. Greenmarket has expanded to several sites since its beginning at 59th Street and Second Avenue in 1976. The newer sites have been targeted in low-income neighborhoods such as East and West Harlem and the Upper West Side. The favorable reception that the program has received indicates that it can serve as a model for cities wishing to aid both their residents and small farmers in the nearby rural areas by encouraging and setting up farmers markets.

Helen and Scott Nearing

Building and Using our Sun-Heated Greenhouse

Garden Way Publishing, Charlotte VT 05445. 148 pages, $6.95.

The Nearings have been in the public eye for more years than most of us have been alive. In this book, the Nearings present their experiences with building and using a greenhouse. The book captures the warmth and the optimism of the authors and translates those feelings into a charming and easy-to-read introduction to the subject. This is not a useful manual, but it was not intended as such. It succeeds as an interesting personal account, written by two of the pioneers of "back-to-the-land" self-sufficiency.

William H. Jordan Jr.

Windowsill Ecology

Rodale Press, Emmaus PA 18049, 1977. 229 pages. $8.95.

Aphids, mites, scales, and whiteflies. These are the villains of this useful book about controlling indoor plant pests through the use of beneficial insects. Beginning with the rationale behind biological control, the author goes on to describe in detail how to control infestations of various plant pests. Much of the information is based on work done in England and Europe. Some is still unproven. But, for the urban or greenhouse gardener, the information in this book can be extremely helpful. Although the book was written specifically for a houseplant audience, aphids and these other pests plague greenhouses as well. Most of the remedies suggested in this volume can be used on food plants as well as house plants.

Nancy Bubel

The Seed-Starter's Handbook

Rodale Press, Emmaus PA 18049, 1978. 363 pages, $10.95.

It is a real joy to read this comprehensive treatment of bringing seeds to life. Not only does this book cover the how-to's of sowing indoors, of germinating, transplanting, and caring for seedlings; but it also discusses the harvesting of seeds for use in next year's garden. A frequent contributor to *Organic Gardening and Farming,* the author even includes the why's, explaining the nature of seed, its germination processes, the needs of growing plants, pollination and seed information. Bubel details seed-saving tips for individual species and gives information and contacts for seed exchanges and seed banks. A glossary of terms, a bibliography of sources cited, a recommended reading list, and a list of seed suppliers all serve to round out a quality handbook for the vegetable gardener.

Binda Colebrook

Winter Gardening in the Maritime Northwest

Tilth Association, Route 2, Box 190-A, Arlington WA 98223. 128 pages. $4.75.

One of the unique characteristics of the Pacific Northwest is its mild and wet winters. Drawing a parallel between that maritime climate and sections of Britain and Western Europe, the author relates her experience with 62 different vegetables and herbs. In the first half of the book, she explains general principles, emphasizing the importance of providing a sheltered microclimate to protect against excess rain or cold winds while still making maximum use of available light. She provides a winter gardening calendar, recommending particular varieties, their sowing dates, harvest period, and freeze-out temperatures. Brief notations about the various herbs and vegetables comprise the second half of the book. A listing of seed sources and an annotated bibliography are helpful. Although the ideas presented in this book are not new, their application to a maritime winter climate makes a worthwhile resource for gardeners in the Northwest.

A Report on Finding Markets and Financing

In the last issue of *Self-Reliance,* we presented some of the findings of a study by Institute staff on the feasibility of entrance by Community Action Agencies into the cellulose insulation industry. In this issue, we complete the presentation, focusing on the critical issues of market and financing. A copy of this article is being sent to all CAAs. Community Action Agencies interested in pursuing cellulose fabrication should contact David Morris here at the Institute for Local Self-Reliance.

Financing is the key to business success: if you can't get it, you can't run a business. To get financing, you need to convince potential lenders that: 1) your business venture is well-conceived and promises to be profitable, and 2) that your organization or corporation has the capability of managing such an enterprise.

This is true for any business venture, but for an organization attempting to start out in a growth industry like cellulose manufacturing, it is especially important. An experienced plant manager is a must. It would be preferable if the manager were already experienced in the insulation field. Financing groups will not be willing to take the risk posed by incompetent or inexperienced management.

In addition, potential lenders will demand proof that the new manufacturer will have guaranteed access to raw materials and will not be caught short in any materials crunch. A letter of intent from both chemical suppliers and newspaper dealers is essential: these letters are formal agreements that guarantee delivery of a certain quantity of raw material at a certain price.

Where is the market?

Finally, financing sources will expect the managers of the new firm to have an in-depth knowledge and sense of the actual and the potential market for the product. At the very least, this requires a thorough local market survey. Because of the phenomenal increase in the number of cellulose manufacturers—over 700 new manufacturers entered the field in the last twelve months—a market survey may not be sufficient. The community corporation looking for financing will probably have to demonstrate a guaranteed demand as well as a guaranteed supply.

In many areas, the market will be saturated and there will be no adequate demand. But, in some situations, it will be possible to guarantee a market almost solely from already existing public procurement programs.

Between September 1976 and September 1977, Community Action Agencies received over $70 million in weatherization money. Although the Community Services Administration's weatherization budget has been cut for this year, the Department of Energy will have $200 million to give out in weatherization funds. CAA's surveyed by Institute staff used between 20-70 percent of their weatherization money for purchasing insulation. If we assume an average of 40 percent and assume that all of the insulation purchased is cellulose, we find that, in New York City, the Community Development Agency could purchase $680,000 worth of cellulose insulation next year—approximately 50 percent of the amount needed to reach the breakeven point for a three-ton-per-hour cellulose plant (i.e. the point at which all expenses are being covered, as well as payments on both the interest and the principal of the initial loan). This amount could be substantially increased if the Philadelphia CAA and the northern New Jersey programs were included.

We contend that federal weatherization programs and federal and local conservation spending can be the basis for guaranteed cellulose demand in many cities.

Weatherization programs are a fairly stable market: they are bound to last several more years. The city of Hartford has estimated that it would require more than ten years to weatherize all the low-income homes in that city given current revenues from CSA.

The second major potential market is the public sector, both federal and local. A number of options are available. The corporation could apply to the Small Business Administration for recognition as a Section 8(a) contractor. This relatively quick and easy process, which takes between 30 and 120 days, would enable the community facility to be eligible for minority contracts. There is now a 10 percent set-aside of federal money for minority contracting. This means, for example, that at least 10 percent of the Economic Development Administration energy conservation funds spent on public buildings must to be used to purchase goods and services from minority firms. One problem with this strategy is that, under current regulations, a Section 8(a) firm must own itself. Thus, a CAA could not own more than 49% of a profit-making subsidiary that is a Section 8(a) firm.

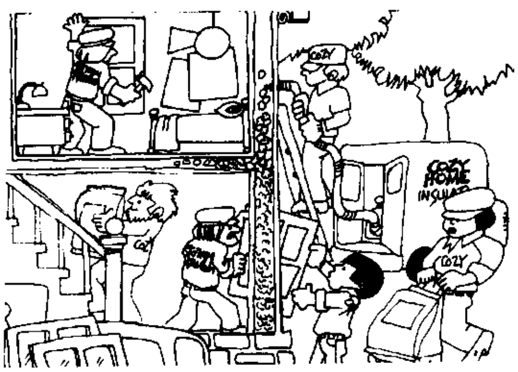
The cellulose insulation firm could also work with local governments. Local government can pursue a conscious policy of purchasing supplies primarily from local firms. If there are no cellulose manufacturing plants within the city, the CAA can request that the city purchase its own insulation products from a city-based firm that meets market price and federal specifications. If there already are other manufacturers, the CAA could request a portion of the contracts on the basis of its minority representation.

Preferential local purchasing is easily argued before a city: local purchasing makes sense because it increases local tax revenues and bolsters the local economy. In fact, several cities grant contracts to local firms whose bids are higher than those of out-of-town concerns on the assumption that the net benefits of local purchasing will outweigh the higher cost.

We contend that these three markets—federal weatherization programs, federal purchasing for existing and new housing and local government spending for existing and new buildings—comprise the basis for a guaranteed demand for cellulose that will allow CAAs in many cities to reach the break-even point in the first or second year.

Looking for some leverage

With managerial expertise located and supply and demand guaranteed, a community-based organization would be ready to approach financing sources. We recommend that a non-profit tax-exempt organization such as a Community Action Agency establish a profit-making subsidiary to run the manufacturing plant. The subsidiary would be either partly or wholly-owned by the non-profit organization.



This has a number of advantages. The social services orientation of the non-profit is separated from the profit-making focus of the subsidiary. Accounting and bookkeeping systems and managerial lines of authority are also kept separate. By setting up a subsidiary, the non-profit organization can remain protected from liability in the event of product defect. Furthermore, the profits of the subsidiary can be given tax-free to the non-profit parent company.

This mixed form of organizational structure makes it possible to attract funding from a wide variety of sources:

- **Foundations or Private Contributors:** Tax-deductible donations can be made to the tax-exempt non-profit organization, which can then purchase equity in the subsidiary and leverage it to obtain further financing.
- **Economic Development Administration Public Works Program:** Like some other federal programs, this one can only give money to non-profits. The program can provide up to 50 percent of the cost of equipment or plants. In certain low-income areas, it can cover as much as 80 percent of the cost. Under this program, the parent non-profit organization could purchase the equipment and then lease it to the profit-making subsidiary.
- **Local Development Corporation:** There are several hundred Local Development Corporations around the country. LDCs are a way to leverage funds so that the downpayment on equipment purchases is low. LDC's require 20% in equity upfront and can obtain the remainder from a 15-year loan guaranteed by the Small Business Administration. The 20 percent requirement can be halved to 10 percent in certain low-income areas. Thus, to leverage the $250,000 we recommend for equipment and plant expenditures for a cellulose plant, a community corporation would need to have only $25,000 - $50,000 upfront.
- **Small Business Administration 7(a) Program:** We recommend $200,000 in working capital over and above the $250,000 for plant and equipment. SBA can provide direct loans to businesses at low interest rates, but prefers to guarantee loans once a local financial institution turns down a business' initial application. The 7(a) program provides 10-year working capital loans. SBA prefers to have 10-20 percent in capital invested. Thus, an organization would need $20,000 - $40,000 in upfront equity in order to use this program.
- **Opportunity Funding Corporation:** OFC can provide loan guarantees. For example, if SBA gives a 90 percent loan guarantee, OFC can provide the other 10 percent. OFC also has a venture capital division, does corporate planning and provides technical assistance in business development and funding sources.

Finding the venture capital

An equity base of $30,000 - $90,000 is needed to establish a cellulose business. The rest, as we have seen, can be leveraged. This initial sum can be raised as venture capital, risk capital invested in expectation of a good rate of return. There are commercial venture capital firms, but they are not likely to work with a small, unproven operation such as the one we suggest. Moreover, venture capital firms take a percentage of the equity for arranging the financing.

A community corporation or a CAA can go to Minority Enterprise Small Investment Corporations (MESBICs) or to Small Business Investment Corporations (SBICs) for venture capital. Or they can sell stock in the profit-making operation. Selling stock, however, is complicated: there are limits as to the amount of stock that can be sold, where, and to whom before Securities & Exchange Commission regulations become applicable. If the business must develop a prospectus for the Securities & Exchange Commission, tens of thousands of dollars in legal fees and other expenses will have to be paid.

In negotiating for venture capital, a community corporation will find itself negotiating about the organizational structure of the operation. The issue becomes: how much does the parent organization want to—or have to—give up in order to make the business a "go" proposition? How much control does the non-profit give up and how much revenue does it lose? The decision on how to weigh the trade-off must be made by the non-profit organization planning the venture, but it is an important decision: calculations of profit flows and internal rates of return on investment are very important to potential investors.

The non-profit can also raise venture capital by entering into a joint venture with another organization or with an individual entrepreneur. It may be that an entrepreneur has great experience in cellulose manufacture and is willing to invest a portion of the equity required to begin operations. Because of the non-profit's access to demand and equity and other resources, they enter a partnership.

According to our findings, it should not be difficult to find investors—if the local market is secure. Our recommended plant, if it were to sell 100% of its product, would generate $150,000 in after-tax profits by the second year on gross sales of $3 million. This is an extremely attractive proposition and can make investors a very high rate of return on their equity investment—as high as 30 percent.

The cellulose operation can also enter into a franchise operation with existing cellulose manufacturers. The usual terms of such a franchise are negotiable, but most often the company agrees to give a certain percentage (often 1% of its gross sales revenue) to the equipment supplier in return for specified services, such as technical assistance in start-up, access to chemical supplies, training programs for the plant manager, use of private label and advertising brochures, etc. We recommend that community-based corporations consider franchise operations, especially those that have little experience in energy-related business development. But it must be remembered that SBA and other financing agencies will take a close look at the franchisor's balance sheets and operations to satisfy themselves of the viability of the proposed plant.

Once the financial package has been arranged, the business will be on its way. It is our belief that the new and more strict federal standards and the undercapitalization of many new cellulose manufacturers will reduce the number of firms in the field. As we have explained, CAAs and community corporations should be able to use the public sector to approach the break-even point. Profit will come from private sector purchases. However, even if only the break-even point is reached, the community corporation will have established a facility that generates $250,000 a year in salaries and wages and $500,000 a year in newspaper purchases. And the development of a stable market for newsprint can itself generate additional jobs and community cohesion through community-based recycling businesses.

—*David Morris*

A Strategy for Preserving Jobs—and Communities

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have introduced a bill in Congress that would direct the federal Commerce Department's Economic Development Administration to investigate businesses in danger of shutting down, to advise employees of their options and on the relative benefits and drawbacks of each, and to provide loans to employee-owned companies for feasibility studies, stock purchase, start-up and initial operating costs (*see box*).

In recent years, the Economic Development Administration has played the major role for the federal government in assisting this transformation of ownership in order to save jobs, yet EDA has moved into this field without advance planning, simply backing the only solution that seemed promising in emergency situations. Nor is there any current indication that EDA is planning further efforts to save jobs through support of employee or employee-community ownership. In fact, the trend seems to be running in the opposite direction. Under current legislation, in the case of impending plant shutdowns, EDA is required to give first priority to assistance in those cases where the shutdown is being brought about by a marked shift in defense orders or by recently imposed government EPA or OSHA regulations. In such cases, low-interest loans are made to keep the private firm in operation.

The Voluntary Job Preservation and Community Stabilization Act is an attempt to design a new program and designate a special appropriation for EDA to meet the new set of worker and community needs arising out of plant shutdowns. The bill now has 29 sponsors. It is not expected that action will come this year, but the introduction of the bill has helped to focus public attention on the problem of plant closings and the possibility of employee-ownership.

Employee-ownership is no guarantee of business success. As one worker at Vermont Asbestos Group told *Dollars and Sense* magazine, "The one thing that will make an operation like this go or no-go is whether there's a demand for the product." If there isn't, no form of ownership will save the firm. Nor is employee-ownership a guarantee of workplace democracy. Ownership and internal organization are two very different things. Many employee-owned firms give little thought to issues of self-management.* But employee-ownership or ownership by a community development corporation representing workers and community residents does present the possibility of saving viable firms from the cutthroat maneuvers of corporate conglomerates. And, for many communities whose residents and economies are dependent upon large plants, that could be a critical first step.

Much of the material for this article was taken from a statement in support of the Voluntary Employee Ownership and Community Stabilization Act by William Foote Whyte of the New York State School of Industrial and Labor Relations at Cornell University.

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*Vermont Asbestos Group is an interesting case study in this regard. In 1975, workers bought the mine from GAF, which was going to close it rather than install new pollution control equipment. Although they were able to buy the mine, the workers did not significantly alter the hierarchical structure of the workplace. Since 1975, for a number of different reasons, VAG has been doing exceptionally well. Stock that was worth $50 in 1975 is now valued at over $2000. This past spring, a new chairman of the board was elected, a local entrepreneur named Howard Manosh who had been making inroads into the company by buying up shares. Manosh was quickly elected President of the company as well. Although he only owns 13% of the shares at this time, it is clear to all concerned—especially to the workers—that control of the company has changed and that the next round of contract negotiations will be a lot tougher than the last. VAG worker-owners have done well for themselves; but, in the process, they have given up much of their say on decisions about company and workplace policy. See *Dollars and Sense*, May-June 1978, for a fuller report.

Notes

As many new firms jump on the solar bandwagon, the problem of fraud and poor performance becomes more serious. Local, state and federal governments are all drafting solar technology standards, as is a voluntary organization of solar technology producers. But the separate efforts and the rapid advances in technology add up to a rather confusing situation. To help sort things out, a National Conference on Standards for Solar Energy Use is being held in New York City from September 13 to 15. This is the second year for the conference, which will feature groups representing producers, consumers and government regulators. For more details, contact: **American Society for Testing and Materials, 1916 Race Street, Philadelphia PA 19103.**

We like the program of an alternative agriculture conference planned for August 4, 5 and 6 at New England College in Henniker, New Hampshire. It includes a solar greenhouse demonstration, a talk on local and regional marketing, slide shows and films, and more than 30 workshops on everything from building a solar food dehydrator to French intensive gardening. We also like the conference registration fee, a modest $15. The conference is sponsored by the Natural Organic Farmers Association and the Bio-Dynamic Farming and Gardening Association. For more information, write to: **NOFA-BD Conference, c/o Steven Cohen, RFD#3, 5 Bow Road, Concord NH 03301.**

Organize Inc. offers ten-day training sessions in community organizing. Activists in local or statewide organizations, students in social welfare or political science or individuals wanting first-hand knowledge in community organizing are invited to attend. Skills include developing leadership, effective strategy and successful negotiations. Three and six month internships with various organizations are also available. The ten-day sessions are held twice a year and cost $250. For more information, write to: **Organize Inc., 43 Mirabel Street, San Francisco CA 94110.**

Annual reports usually don't make for exciting reading. But the Youth Project works with so many groups around the country that its annual report doubles as one of the more informative directories of community action we've seen. The report includes profiles of more than a hundred projects, with addresses and phone numbers for contacting them. Limited copies are available for $1.00 from: **The Youth Project, 1000 Wisconsin Avenue NW, Washington DC 20007.**

A conference on teenage unemployment will be held in Miami Beach, Florida, on October 12, 13 and 14. The conference will feature workshops on successful and innovative teenage programs on the national, state and local levels. For a program outline, write to: **James H. Polsant, Director of Conference Services, School of Continuing Studies, University of Miami, PO Box 248005, Coral Gables FL 33124.**

Support Self-Reliance

The Institute for Local Self-Reliance is a research and consulting organization that explores the potential for, and the implications of, high-density population areas becoming independent and self-reliant. The Institute, incorporated four years ago as a tax-exempt non-profit organization, conducts basic research; develops working demonstration models of new technologies, institutions and small-scale production systems; develops educational materials; and disseminates information.

The best way to keep up with developments at the Institute and around the country that are relevant to the movement toward urban decentralization is to subscribe to SELF-RELIANCE. The best way to support the Institute is to become an Associate Member.

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