

## **UH Vision 2010 Program in Cleveland, OH: Exemplary Purchasing by an Anchor Institution**

Vision 2010 was a strategy designed and implemented by the nonprofit University Hospitals (UH) in close partnership with the Office of the Mayor and local building trade unions. It established concrete goals pertaining to diversity and local impact in its procurement actions during a five-year construction program to build new facilities with a budget that totaled \$1.2 billion.

The alliance between UH, the mayor, and the labour unions opened pathways to employment and business development. The Project Labour Agreement emerged as a national model and served as the foundation for the City of Cleveland's new Community Benefits Agreement endorsed by Cleveland's most important contractors, institutions, and companies. Inclusion, diversity, and local procurement are becoming the expected way of doing business in the City of Cleveland, thanks in large measure to the catalytic effect of Vision 2010.

### **ACTORS INVOLVED**

In Cleveland, the two largest hospital systems are the top two employers and together employ more than 43,000 workers. Given its size and inability to relocate, UH is considered an "anchor institution" and determined that it has an economic self-interest in helping to ensure that the communities in which they are based are safe, vibrant, healthy, and stable.

In 2010, Cleveland had one of the fastest rates of population decline for any major American city except Detroit and New Orleans. While declining in absolute numbers, Cleveland's population was also becoming increasingly diverse.

Prior to his election in 2005, the mayor of Cleveland had served on the City Council which had adopted the Fannie Lewis Resident Employment Law, which mandated that Cleveland residents work 20% of total labor hours spent on major City-funded construction projects (with 4% of the workers required to be low-income).

Unionized workers were represented by the Cleveland Building & Construction Trades Council though landmark provisions for joint-ventures to answer tenders enabled the growth of non-unionized minority-owned enterprises and led to the growth of union membership.

### **OBJECTIVES**

UH made three key commitments that drove the design and implementation of Vision 2010:

- 1) Contract with as many local minority enterprises (MBE) and female-owned businesses (FBE) as possible. *Target: min 15% of contracts awarded to MBE, min 5% to FBE*
- 2) Direct as much spending as possible toward businesses based in the City of Cleveland and the greater Northeast Ohio region. *Target: min. 80% supplier businesses regionally based, min. 20% construction workers are city residents*
- 3) Produce lasting change in Northeast Ohio by pioneering a "new normal" for how business should be conducted by the region's large institutions.

Three of the four inclusion targets were met: 7% of contracts were awarded to FBE; 17% of contracts were awarded to MBE; 92% of goods and services were procured from local and regional firms and approx.. 18% of workers were city residents. All told, more than 5,000 jobs in construction and related fields were created during the five-year period, with salaries totaling \$500 million.

*"To me the real take away is that we started with one concept of Vision 2010 as a major institutional construction project. But what we were left with is a whole new way of doing business."*  
 -H. Garntland, VP  
 Government relations,  
 University Hospitals

## HOW IT WAS IMPLEMENTED

In 2005, UH launched a large expansion project: *The UH Difference: Vision 2010*. At the heart of the effort was a five-year construction program to build new facilities. UH identified itself as an anchor institution and sought to leverage its vast to build community wealth through policies and practices concerning procurement, hiring, real estate development, and investment. Given their budget of over \$1 billion, UH could have dictated many contract terms. Instead, they chose to work closely with the City to identify and address specific strategic community and economic development policies.

As a result, the local and regional public sector gained a willing private partner to invest in creating jobs and boosting the local economy. From the UH perspective, the City's active participation gave Vision 2010 validity, political support, and the potential for greater social and economical impact. As part of a public investment, UH voluntarily committed to making regular presentations to the public during city council committee meetings. Those presentations provided transparency and held everyone accountable to meeting the goals of the project. They also provided a vehicle for public and private interests to troubleshoot together.

To meet its commitment to diversity, UH implemented a number of new business procedures, namely they:

- made a concerted effort to recruit MBEs and FBEs and to build their capacity;
- pressed larger contractors to change their traditional ways of working to include greater numbers of small firms;
- divided bids into smaller components that could be handled by a small company;
- dealt with key issues such as bonding (UH assigned the largest bonding responsibility to the prime contractor, who was required to cover the subcontractor. Bonding was waived at \$500,000 and was replaced by an insurance program.) and retainage (a tiered retainage requirements was created and retainage was reduced to 10% for small MBEs and FBEs subcontractors);
- changed the billing cycle to eased cash flow for these smaller companies: by billing in advance, the prime contractor could distribute payments faster to their FBE and MBE subcontractors.
- promoted joint ventures so that small firms with little bonding capacity, those with less experience with hospital construction, and non-union firms could partner with a union firm and be covered by the larger firm's financing, bonding, and certification. When promoting joint ventures, UH insisted that the prime contractor partner demonstrate that the role of the smaller firm was "meaningful," that the smaller businesses were doing substantive work and were increasing their capacity through experience, mentoring, and training so that they could carry out such work on their own on future projects.
- engaged a third-party firm to monitor progress toward goals and troubleshoot obstacles; and
- funded training programs for young minority Clevelanders to enable them to move into construction-related careers.

## IMPACT

**Demonstrating that inclusion and diversity are cost-effective:** all projects were completed on timeline and within budget

**Meeting diversity, inclusion and local purchasing goals:** By the project's conclusion, some 110 minority and female-owned businesses had received contracts, and three of the four inclusion targets were met.

**Changing UH culture:** After Vision 2010 concluded, UH voluntarily adopted the same targets for its entire supply chain. Following the project, the share of UH procurement dollars going to local business between 2006 and 2011 increased by 50%. Today UH is involved in several cutting-edge local community building and economic development initiatives in Cleveland including the *Evergreen Cooperative Initiative*, a nationally recognized effort to build community wealth through creating a network of worker-owned cooperatives linked to the supply chain of UH and other anchors.

**Leaving a legacy:** The Cleveland Foundation has initiated an anchor institution strategy involving universities, hospitals, and cultural institutions in the city's University Circle area. The multi-institution collaboration has lead to anchor-funded initiatives channeling tens of millions of investment dollars into low- income neighborhoods to enhance transportation, housing, education, and economic inclusion.

## AUTHORS—COLLABORATORS—SOURCES

Centre RELIESS

Based on the case study by Farzana Serang, J. Phillip Thompson and Ted Howard *The Anchor Mission: Leveraging the Power of Anchor Institutions To Build Community Wealth. A Case Study of University Hospitals Vision 2010 Program Cleveland, Ohio* MIT and University of Maryland, 2013

For further information on the potential role of anchor institutions: Hodges, Rita Axelroth, and Steve Dubb. *The Road Half Traveled: University Engagement at a Crossroads*. East Lansing: Michigan State University Press, 2012

