Achieving City Pride: Labor, Community and Private Sector Bake a New Idea in Ownership

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Abstract

[Excerpt] This article will describe the City Pride Project, the role of the SVA and the City Pride Coalition, the context for victory, and broader implications for economic justice and revitalization.

Keywords
City Pride, Pittsburgh, organizing, SVA, economic justice, revitalization

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Achieving City Pride

Labor, community and private sector bake a new idea in ownership

Tom Croft

In a region which lost more than 100,000 manufacturing jobs in the last decade, workers and an unprecedented political and financial coalition won a major victory for Pittsburgh. They took a fight to save the city’s largest bakery and turned it into a campaign to create a new company. Naturally, they called the new company “City Pride.”

The campaign for City Pride cut across many movements: economic justice, capital strategies, social investment, neighborhood reinvestment, and worker ownership. Modeled on the attempted “Community Steel” buyout struggle which occurred in Youngstown in the late ’70s. City Pride Bakery leads the way for a new approach to industrial ownership: the labor-community-private partnership. Pearl Alexander, a City Pride worker/owner, sums up the victory this way: “We conceived it—we believed it—and we achieved it!”

The struggle began after Continental Ralston-Purina, the dog food conglomerate which owned the Braun Bakery, announced its plans to “consolidate” the bakery and three others in the Mid-Atlantic into a mega-bakery in Philadelphia. Braun, a 100 year old institution in Pittsburgh, was the city’s last mainline bakery.

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Steeltown was unhappy.

The former employees of Braun, and their union, the Bakery, Confectionery and Tobacco Workers Union Local 12, fought the shutdown with a region-wide boycott, eminent domain action, and demonstrations. When the plant closed anyway, they developed a strategy to finance a new bakery in Pittsburgh which would produce local bread and put them back to work.

The new “City Pride Bakery” won private, public, and community investments and opens this year in a new 100,000 square foot building in Lawrenceville, a distressed inner city industrial neighborhood. The Bakery will provide “family-wage” jobs and decent benefits to eventually 250 Braun workers and low-income and minority residents. The Company will be partially owned by neighborhood development corporations, with initial majority ownership by private and industry investors. The workers will also own part of the firm, making City Pride the largest start-up of a partially worker-owned company in the country.

Led by the Steel Valley Authority, a grass-roots, labor-oriented development organization, and BCT Local 12, the Project had phenomenal political support: Pittsburgh Mayor Sophie Masloff, Jim Ferlo, Jack Wagner and the entire Pittsburgh City Council, the County Commission, State Senator Leonard Bodak and other state and congressional legislators, the AFL-CIO, the neighborhoods, some savvy lawyers and CRA groups. FIRR and church leaders locally and nationally provided critical support and investments through Interfaith Networks.

City Pride became a reality on September 27, 1991, when the Company achieved over $8 million in financing commitments. The complex financing involves four banks; a dozen institutional, individual and community investors, including state pension funds; two national ESOP funding programs; one federal agency; four state agencies; two local agencies; four churches and religious groups; one local job training agency; and three foundations. Bringing together two dozen lenders and a dozen investors is the rest of the story.

This article will describe the City Pride Project, the role of the SVA and the City Pride Coalition, the context for victory, and broader implications for economic justice and revitalization.

Bakers Batting Three for Three

For Sam Papa, President of the Bakery Workers Local 12, the City Pride effort represents the local’s third major victory saving jobs, having led a coalition that kept Nabisco in the city in 1982,
The Steel Valley Authority was founded in 1986 after town hall meetings organized by the Tri-State Conference on Steel demonstrated the need for a regional economic development organization. The SVA, modeled on the Tennessee Valley Authority, is a state-chartered agency with powers of eminent domain.

As SVA founder Mike Stout explained in "Reindustrialization from the Ground Up" (LRR #9), the SVA was created "to give workers and communities a direct say in how capital should be invested in the Pittsburgh area...the power of eminent domain opens up the door to the political arena for working people and their allies in the communities and churches." This "public power" is used to prevent the destruction of a common good—jobs and factories.

The Authority has consistently focused on direct intervention on behalf of workers and dislocated workers, along with the development of institutional vehicles to empower workers and prevent layoffs, such as the Pittsburgh Early Warning Network. Staffing capability includes financial and economic analysis, economic development, and financing.

With its early eminent domain actions and leadership in lobbying the state and federal governments for economic revitalization funds, the SVA is an instrument of the Commonwealth on the side of the people.

and a public partnership that kept Clark Candy in the county in 1985. "Too many unions agree to closures on the heels of mergers and acquisitions. They've got to fight back. I've been saying for a long time to our union and the labor movement that our strength lies with the community and churches," explains Papa.

When Nabisco planned to shut down 650 Bakery jobs in 1982, the "Save Our Neighborhoods Action Coalition" (SNAC) was organized by the union, the Bloomfield-Garfield and East End neighborhood groups, and joined by the Tri-State Conference. SNAC made headlines through a smart corporate campaign which targeted Nabisco and interlocking bank directorships. Thousands of boycott pledge cards from local consumers and churches flooded Nabisco. SNAC won the campaign after a huge public rally when the late Mayor Richard Caliguieri threatened an eminent domain action and boycott—"Not another Oreo will cross these lips"—which made national news. Papa recalls, "That's when Nabisco flew up the white flag".
When Clark Candy said it was going to leave the area in the mid-1980s, the union worked with the city, county and state to arrange a $3.4 million building and equipment financing program that kept Clark Candy jobs in Allegheny County.

Continental, on the other hand, turned down a Clark-type public concessions package to keep them in town. The Braun Bakery Workers and the SVA were able to re-mobilize the neighborhood coalition that had been successful twice before. The local populace was disgusted with the destruction caused by the avalanche of corporate shutdowns and "merge and purge", and the impacts of two Republican recessions on the battered blue collar neighborhoods.

They drew the line when the last bread company was threatened. When the SVA picked up the potential closing through its Early Warning Network, the organizing to save City Pride unleashed a tornado of local and national support.

"CONCEIVE, BELIEVE, ACHIEVE"
The Story of City Pride

Shutdown Stage: March 1989-May 1989

As the shutdown loomed, a worker/community coalition hit the streets with boycott cards. The SVA used its authority to file an eminent domain injunction against Continental to prevent the destruction of the Braun facility or removal of the equipment. The Braun workers and the community packed the courthouse, jubilant that "public power" was being used on the side of the people. In a raucous City Council hearing on May 2, 1989, 150 workers and supporters turned out to blast Continental and ask for city help in starting an employee-owned own company if necessary.

Once workers realized that the five-story building and 80% of the equipment were worthless due to Continental's disinvestment of the facility, they decided to withdraw the eminent domain suit. Still, the spirit created by the legal-community-worker challenge to Continental's unilateral corporate decision stayed with the workers and carried through to the formation of "City Pride."

Braun closed on May 13, 1989.

ESOP/Pre-Feasibility Stage: June 1989-September 1989

The workers called on the SVA to help form an ESOP committee to explore the development of an employee-owned company. Joe Zajac, the only management cross-over from Continental, was elected Chair of the group, and the workers appointed an ESOP
Steering Committee. A $30,000 study, funded by the state and worker donations, started the pre-feasibility study, administered by the city's re-development agency (Pittsburgh URA).

The 62 workers named their new company-in-formation the "City Pride Company" made buttons and hats, and hit the streets again. The workers converted their boycott into a petition drive which raised thousands of signatures from local grocery owners and consumers who pledged to buy "City Pride" Bread. They took the first of three annual bus trips with the SVA and steelworkers to the state capital to win state funding for their dream.

A study committee, composed of the workers, city, union and community discovered that the Pittsburgh market was the largest metro area in the country without a mainline bakery. The study seemed to indicate that Continental goofed, and that a new bakery could make it in Pittsburgh.

Business Plan Stage: October 1989-September 1990

The SVA raised over $90,000 from the state, city and county to start a business plan. The Bakery Workers identified a Project Manager from the Detroit area. The initial strategy of introducing a "premium" label bread seemed a recipe for a competitive price war, and dismally low projections of market share and cost
were presented around the holidays. At this juncture, the Project appeared ready to die, and the manager resigned.

Then Nature intervened. The Great Lakes Winter saved the campaign at this point with a formidable snow in December of 1989, blocking the interstates from Erie. Since Continental and other bakeries were shipping bread in along the northern corridor from New York, New Jersey and Philadelphia, the snowstorm caused havoc. Pittsburghers could not find bread for Christmas. Period.

One of the market consultants the Project found was Dan Curtis of San Diego's Fornaca Bakery. In February 1990, Curtis gave a "dog and pony show" with executives of the Giant Eagle Corporation, the city's largest grocery chain. Their support was absolutely essential to City Pride's chances for success. Curtis pitched a "private label," high service strategy that he had engineered in an extremely profitable bakery in New England. Amazingly, they were very interested. Giant Eagle was intrigued for three reasons: the need for a bakery in the community; better service and fresher quality; and reasonable cost. During the several months of discussions between Giant Eagle and Curtis, the Mayor of Pittsburgh, Sophie Masloff, made numerous private calls to the owner of Giant Eagle. The Mayor knew the family which had started the company, including the current CEO. Finally, in September 1990, the City Pride Bakery received Letters of Intent for $12 million in sales from Giant Eagle and another chain.

"Too many unions agree to closures on the heels of mergers and acquisitions. They've got to fight back. I've been saying for a long time to our union and the labor movement that our strength lies with the community and churches." —Sam Papa
BCT Local 12

The City Pride Business Plan was complete. On the other hand, Continental's mega-bakery strategy appeared to be faltering due to problems of distribution, production, and organization. Meanwhile, the workers draped a van in a giant "City Pride" bakery wrapper and marched in the Labor Day Parade, gathering further support.

Pre-Development Stage: October 1990-May 1991

In October 1990, the "City Pride Bakery" Corporation was born. Curtis relocated to Pittsburgh, becoming President of City Pride.
City Pride worker-owners join Lawrenceville residents for “City Pride Day” featuring a rally and picnic.

A Board of Directors for the company was put together that included Papa, Zajac, and the SVA. The SVA helped to raise $100,000 in loans, from a broad array of funders which included managers, two orders of nuns, a community development organization, and the National CoOp Bank. The group began discussing financing with banks in Pittsburgh and around the region. The Lawrence Development Corp. which had contributed to the City Pride funding and the city’s URA began discussing a possible building site in Lawrenceville with a local developer. The group also began visiting venture firms, city and state agencies, ESOP agencies, and churches from coast to coast.

After intense discussions, the Company received a Letter of Intent from Mellon Bank as co-leader in a consortium of four banks in December 1990, with major advocacy support from the Mayor, Congressman Coyne and other political leaders. We began discussions with venture capital groups in February, and the interest level grew. Thus began five difficult months of bank review of the business plan, over the second winter. During this period, the company firmed up intent letters from public, private, church, ESOP, and other interested parties. With strong encouragement from the City Pride Coalition, the banks issued a Letter of Commitment in May. The core venture groups, Point Venture Partners and Zero Stage Capital and key management investors infused $200,000 into the company.
Closing Stage: June 1991-September 1991

The new Company focused on securing final debt and equity financing. The Company began meeting with the banks and public lending officials every Tuesday in June through July.

Meanwhile, the Pittsburgh City Council declared June 30, 1991 as “City Pride Day”, attended by hundreds of Braun workers, family members, and supporters. The company-in-formation put down a deposit on a bread and roll equipment package in San Jose, California. The company also reached agreement with the developer, who was completing the building by this time, and additional capital was raised to keep these balls rolling. The role of the community and church networks became crucial at this time. Three “SNAC” East End neighborhood groups not only “won” $600,000 from the foundations and federal government to invest in the project, but they also led a CRA (Community Reinvestment Act) campaign to force one of the banks back into the deal.

The National CoOp Bank pledged to finance the ESOP. And, with the help of Tri-State and religious investment networks, we won financing commitments from the National Episcopal Church, ICA Group and three more religious orders, with first time loan guarantees from the Mott and Hitachi Foundations. The bank meetings grew increasingly tense. There were innumerable delays on a closing date, due to the lack of ironclad loan commitments and enough equity, and project cost estimates kept slipping. Meanwhile, there were real deadlines set for the company by the equipment broker and the building developer. The end of September became the drop-dead day.

The Final Closing meeting was set for Thursday, September 26. The closing took two days, involved over 25 people, and resolved major last minute “deal breakers”. A “rumored” Candlelight Vigil in front of the banks the night of the closing to force funding was unnecessary. We partied down.

Start-Up Stage: October 1991 to May 1992

In October, the Company opened a temporary office in Lawrenceville, close to the site. The first of 55 equipment trucks reached Pittsburgh on November 17 and Joe Zajac, along with engineers, went to work re-assembling the equipment. The Dedication proceeded on November 21. The Company started staffing up in December, and Braun workers began arriving in February. City Pride moved in, and the workers began moving on with their lives. "This is a dream that has come true," said Chuck Geiger, another worker-owner, "It means we'll be back in the bakery and making a living."
City Pride had to have a strong marketing and product plan to be taken seriously. In addition to having an ace plan, it was essential to keep the workers and community mobilized. The organizing lessons that we can take to other campaigns are:

**Tactics of the Project Team**
- Building monthly worker meetings, and weekly project team meetings to constantly strategize.
- Keeping up "espirit de corps"—despite hard times—having anniversary parties on the closing of Braun, picnics, rallies, etc.
- Converting the political base into a financing and development support base, and finding friends in the social funds, banks, and public agencies to push the program.
- Controlling the consultants and experts to the degree possible; pitching our "experts" vs their experts.

**Labor/Community Coalition**
- Reviving the SNAC coalition, and adding to it the state labor council, FIRR, national religious groups, etc.
- Using such diverse tactics as hitting the streets with petitions, pledge cards, and other public events; trips to Harrisburg, town hall hearings; religious calls to arms; eminent domain actions and community reinvestment challenges, etc.
- Linking the city and neighborhood groups to secure ground-breaking and a favorable lease on the building; getting the community to help fund training programs.
- Leaking the news of candlelight vigils, and "potential" actions that were not needed.
- Achieving a social market "eminent domain" by taking away part of Continental's consumer market.

**Financial Coalition**
- Worker-community-church money used to seed the project.
- Engaging religious coalitions and networks of social funders to create a "moral imperative."
- Starting weekly bank and lender meetings that went on for over three months to analyze all closing requirements, strategizing to fill gaps, and keeping the financing going.
- Innovation of financing structure, including pension funds, foundations, churches, public money, ESOP loans, etc.
FEATURES OF THE NEW CITY PRIDE BAKERY

Financing
The company closed on its financing in September with roughly $8.2 million. The financing came from $2 million in private equity; $600,000 in community equity; $2.26 million in public/utility loans and grants, including city, county and state low-interest loans and job training grant, and a special gas company loan/investment for a freezer; $2.8 million in senior bank loans with additional $600,000 line-of-credit, enhanced by a state treasury deposit incentive (lowering interest rate); $590,000 in ESOP/social venture loans and $200,000 in loan guarantees by two private foundations. Since then, the company has had to raise additional equity, and achieved a phenomenal $300,000 loan guarantee, if needed, from the Bakery, Confectionery, and Tobacco Workers International Union.

Ownership
City Pride has generated a new idea for a tri-partite ownership model for reviving industrial neighborhoods, which has been born
here, and will be tested here. The model is:

- **Private Ownership** Bakery managers and investors will have majority ownership to start with;
- **Worker Ownership** Workers will own up to 30% of the firm, giving workers a Board member and stake in their workplace;
- **Community Ownership** Neighborhood groups have invested almost 10% in the company, gaining a Board and Observer seat, which will spur the "social market", and anchor the company in the region.

**Marketing**

The company has already increased the amount of stores that it will sell to, nearly doubling projected sales. Schools, sports stadiums, hospitals, restaurants, airport caterers, and other Pittsburgh institutions comprise the key market.

**Proposed Labor/Worker Relations**

The Braun Workers' Steering Committee has converted into an City Pride ESOP committee. The workers have nominated Sam Papa, who retired from the union in February, as their ESOP representative on the Board of Directors. The Company has brought on an excellent Vice President of Human Resources. The Braun workers will become team leaders and trainers, in essence, for the large number of new hires expected for production when the bakery starts rolling bread.

**Community Participation**

The East End groups are also involved in assisting the company in recruitment and screening of the post-Braun entrants to the workplace. They will be involved in supporting on-the-job training, literacy and education efforts, if needed, and the potential development of a day care center. These investments will create better communication and dialogue between the company and community.

**Education and Training**

The company brings a commitment to education for City Pride employees. A worker ownership education program is also required by the ICA loan pool, and a program is being organized to ensure that all production employees of City Pride know what it means to own part of the company. This worker participation program hopes to draw from the best examples available in workforce knowledge and empowerment.
IN CONCLUSION: OUR DAILY BREAD

City Pride is still a work in progress. While we have been saying the project is a model for industrial neighborhoods, the reality of success of start-up companies in this country is a sobering thought. Partnerships can also work both ways; unlikely bedfellows can have their problems. Some of the perennial problems faced by workers in employee ownership in the beginning—deferring wages in order to survive and grow—are in this company.

"The City Pride worker-owners attended meetings once a month for almost three years, had a willingness to fight, unrelenting anger and undying patience, wisdom to self-govern, and capacity to rally against overwhelming odds."

But maybe we have discovered a new aspect of the industrial retention and renewal movement in this country: an economic conservation crusade, that draws the line at maintaining the most
essential jobs and goods-producing operations. The making of bread—while not many jobs—had an urgency that the City Pride campaign turned into a cause. This movement can become more and more sophisticated and powerful as time goes on, in fighting senseless “cut and run” corporate strategies. Regional and national targeting of critically important industries, if not through national policy, still has to be done by someone. We have to do it from the union hall, from the neighborhood store front, from the pulpit, from the Mayor’s office, and from a long-term investment perspective.

If we can find the ability to pull out all the stops and pull together all the resources necessary to win, in order to conserve strategically important economic building blocks, not to mention preserving people’s livelihoods and communities, maybe we will some day move a step closer toward institutionalizing these vehicles and forcing a federal policy that has been so abysmally lacking.

Until that day, City Pride joins a long, proud line of historic victories and defeats in Steeltown—Nabisco, Mesta Machine, Dorothy 6, Union Switch and Signal, Clark, Southside Steel, and more recent, smaller SVA plant retentions—in the development of local struggles toward economic justice, each with its own lessons.

Never before have I witnessed such sacrifice as that of the City Pride worker-owners. They lived on unemployment and welfare benefits, union referrals and any way they could to survive long enough to make City Pride work. They attended meetings once a month for almost three years, had a willingness to fight, unrelenting anger and undying patience, wisdom to self-govern, and capacity to rally against overwhelming odds. These are the factors that influenced the SVA and most of us to fight this fight.

Wilma Harris, one of the Braun workers who provided great leadership in the Project, summarized the spirit of the City Pride workers, “Our hard work paid off. We stuck with it. We all had faith and it came through for us. I can’t wait for it to open, and I’m eager to go back to work.” When Wilma and the first 120 workers return to work they will be returning as owners and community members with a stake in City Pride that goes beyond their paycheck.

They have proven that people and their community can, through large-scale economic and community development coalitions, win large scale victories that can re-shape their local economy.