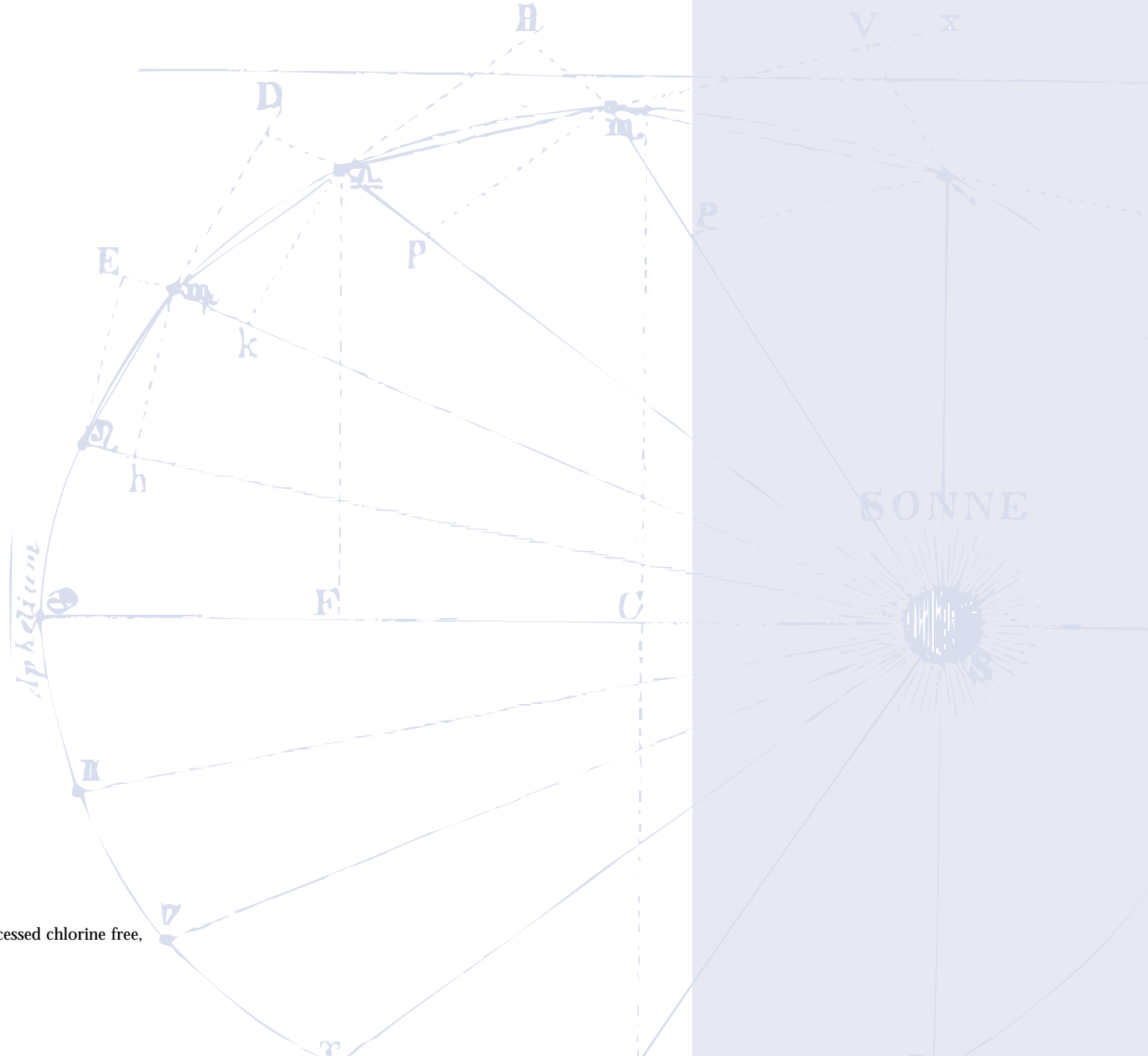




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## Letter from the President

FOR 27 YEARS, ILSR has helped create sustainable, self-reliant communities. We have dispelled the notion that economic growth can be achieved only at the cost of environmental sustainability. We have proven that resource conservation can be profitable, that small business development offers big economic gains at local and national levels, and that government policies that support local development initiatives can double and even quadruple the impact of their investment.

Today, ILSR's work is more critical than ever. The recent energy crisis in California, soaring oil prices that rocked households from Massachusetts to Montana, and the uncertain availability of foreign oil give renewed import to our energy policy work. The growing monopoly in the waste management sector, and the resulting increase in proposed incinerator construction and in anti-

recycling propaganda, have refocused attention on the real costs of waste disposal and the need for the types of practical, profitable solutions ILSR offers. As unemployment soars—with the unskilled labor force, as always, the most severely impacted—the Institute's deconstruction and renovation programs are providing critical links to full-time, high-wage, even union jobs.

In the following pages, you'll learn more about some of ILSR's programs and see the impacts they are having on national and international economic and environmental policies. You will see the kind of workable, proven rules and strategies that our New Rules program is developing to help strengthen local and state economies and promote active citizenship. Our Sustainable Energy and Carbohydrate Economy projects are exploring new sources of energy, finding new uses for plant matter, and promoting the use of domestic resources—from wind to solar energy to crop wastes—to reduce our dependence on petroleum imports. Through ILSR's Healthy Building

Network, a coalition of national and grassroots organizations are helping identify safe, affordable substitutes for building materials that are harmful to human and environmental health. Our Waste to Wealth program has gone global this year, providing communities from San Juan to Hong Kong with the hard data necessary to combat polluting incinerators. And our Deconstruction and District Initiatives have created dozens of new jobs, new companies, and new policies that are helping low-income and public housing residents become first-time home and business owners.

ILSR continues to help build community and individual assets, which in turn generate new capital, spark new industries, and create new jobs. But arguably the greatest asset we have helped create is *capacity*. Our work with and at the direction of community groups has helped residents re-enter the civic process. By providing data, analyses, options and training, we have helped communities understand the implications of various community development, resource ownership and waste management

scenarios, and helped identify viable alternatives that meet citizens' goals and objectives. We have shown that residents need not choose environmental sustainability or economic development—rather, they can implement processes, policies, and projects that will, indeed, let them have it all. And we are pleased to say that the positive impacts of our projects can be seen in every venue—in cleaner communities, new businesses, increased income, and neighborhood reclamation.

On behalf of our board and staff, I wish to thank all of the individuals, organizations and foundations who have supported our work in the past year and who continue to partner with us to make this the century of self-reliance.



Neil Seldman, President  
Institute for Local Self-Reliance

# Waste to Wealth

**TOO OFTEN, CITIZENS,** government and businesses believe that they must choose between policies that will reduce pollution and industries that will create jobs.

Through the Waste to Wealth program, ILSR provides communities—particularly in low-income urban areas—with the tools they need to create sustainable economic and environmental futures. For more than two decades, we have helped urban neighborhoods generate real wealth from local resources by reducing waste generation and increasing recycling. We have helped them stimulate local development and create locally owned businesses through the effective reuse of their recovered materials. In the process, we have helped instill in these neighborhoods a sense of community self-reliance, autonomy and pride.

## **Ending Incineration and Advocating Zero Waste Planning: Creating the Opportunity for Scrap-Based Economic Development**

The Waste to Wealth program began in the 1980s, when ILSR worked with communities to stop proposed garbage incinerators. The most polluting and most expensive solid waste management option, incinerators are disproportionately situated in poor, inner city neighborhoods. By the late 1980s, we had helped turn the tide against incineration and institute recycling programs across the country.

The incineration industry responded by going global—once again targeting the poor, but this time in developing countries. ILSR's response was to help train the Global Anti-Incineration Alliance (GAIA), a worldwide network of community-based groups. In 2000, we began our initial training for GAIA activists. This led to projects in Hong Kong, Manila, and Bangkok, where we

developed solid waste management plans focused on waste reduction, recycling, and economic development. In all three venues, ILSR's data helped citizens halt incineration projects.

Recently, in conjunction with Greenpeace International, we developed a zero-waste long-term management plan for Hong Kong. ILSR President Neil Seldman will travel there in February 2002 to present the plan to local and mainland Chinese officials. ILSR also is preparing a manual for GAIA that details the pitfalls of municipal solid waste incineration and outlines alternatives to the process.

## *From the archives...*

*In the mid-1980s few people believed that recycling could be the foundation of a solid waste management system. To prove that recycling was a viable alternative to incineration and landfilling, ILSR produced a series of case studies showcasing cities that recycled a significant percentage of their waste. These reports culminated in the publication of Beyond Forty Percent (Island Press 1991). In addition to the 17 original case studies, Beyond Forty Percent contains analyses of recycling data as well as a brief history of recycling in the U.S. In 1999, ILSR prepared Cutting the Waste Stream in Half, which documented cities recovering 40 to 65 percent of their waste.*

In late 2000 we released the last in our long-running Waste Reduction Record-Setters series of reports, published by the Environmental Protection Agency.

*Building Savings: Strategies for Waste Reduction of Debris from Buildings* profiles seven building projects that are recovering 42 to 82 percent of their materials. Over the past five years the Record-Setters Program has highlighted more than 300 successful waste reduction programs in communities and businesses and has encouraged their replication across the country.

We continued to document model waste reduction programs in 2001. Research Associate Kelly Lease documented the Alameda County Waste Management Authority's innovative programs to divert waste from disposal. Alameda County is one of the few jurisdictions in the country that has banned waste incineration, and it boasts one of the most successful and comprehensive waste reduction plans. ILSR's report will serve as a guide for planners in other communities.

For more information, visit [www.ilsr.org/recycling](http://www.ilsr.org/recycling)

### **Extended Producer Responsibility: Working Toward Zero Waste**

ILSR's research documenting the economics of recycling has become the technical foundation for the next level of the grassroots recycling movement. No longer is the goal to recycle only 25 or 50 percent of the solid waste stream—the goal is “zero waste, or darn close to it.” The Grassroots Recycling Network (GRRN), a coalition we co-founded in 1995 with Sierra Club members and the California Resource Recovery Association, is spearheading a national zero-waste campaign. In 2000, ILSR staff wrote *Wasting and Recycling in the United States 2000*, which was published by GRRN. The report details recycling's many environmental and economic benefits, introduces the concept of zero-waste planning, and outlines GRRN's action agenda to achieve a zero-waste future.

A key component of achieving zero waste is making the private sector responsible for the waste it creates. To promote the extending producer responsibility (EPR) concept, ILSR is

identifying and analyzing policies and programs that can be replicated in the U.S. to make manufacturers, rather than taxpayers, responsible for the costs of product disposal.

In the past year we've continued our involvement with the Electronics Take Back! Campaign, which we co-founded in 2001 to promote producer responsibility in the electronics industry. Discarded electronic equipment—particularly computers and their components—is rapidly becoming the largest and most dangerous waste disposal problem in the industrialized world. This campaign promotes reuse, remanufacturing, and recycling policies that would shift the economic and environmental burden of post-consumer electronics waste from taxpayers to manufacturers.

ILSR highlights extended producer responsibility initiatives around the world in our Facts to Act On series, available free on our new EPR website ([www.ilsr.org/recycling/epr.html](http://www.ilsr.org/recycling/epr.html)). Recent articles detail EPR activities in Canada, Europe, and Asia, as well as in local communities around the U.S.

In November 2001, again in cooperation with GRRN, we completed a report that highlights the best refillable beverage container policies around the world and evaluates which policies could best be replicated in the U.S. The report lays the groundwork for the 2002 advocacy campaign—tentatively titled “Why Not Here”—aimed at increasing the use of refillable beverage containers in this country.

### **Closing the Loop: Creating Local Economic Development Opportunities with Recycled Materials**

The Waste to Wealth program has worked aggressively to make recycling and waste management an integral part of communities’ economic development strategies. ILSR has demonstrated and promoted the economic benefits of “closed-loop” recycling systems, where waste is not only recycled locally but also remanufactured locally into new products, which in turn are resold to local consumers.

For example, ILSR recently sparked the formation of a joint venture between All Bridgeport Community Development (ABCD) Corporation, which provides social services to poor families, and a family-owned manufacturing company that uses discarded tires as a production feedstock. ILSR is currently facilitating negotiations to site the new plant in Connecticut, where waste tires are a particular problem.

In 2001, ILSR began helping the National Black Environmental Justice Network promote environmentally sound industrial development in urban and rural communities. Our work in urban communities will focus on recycling, remanufacturing, and deconstruction, while in rural communities our Carbohydrate Economy staff (see page 10) will help develop locally owned facilities that will process locally produced agricultural material.

### **D.C. Initiative: Building Self-Reliant Neighborhoods**

ILSR is a national organization, but since our inception we have worked to solve environmental and economic problems in our hometown neighborhoods in Washington, D.C. Told by community leaders about the dearth of affordable homes in their neighborhoods, ILSR launched a program that acquired abandoned real estate, rehabbed it, and then sold the housing at cost to long-term community residents.

That work continues today. Our District Initiative serves as a nexus for many of our programs, from deconstructing buildings to fighting waste imperialism, and acts as a working model for our efforts in other cities. Our work in other cities, in turn, also informs our work in the D.C. neighborhoods of Ivy City, Trinidad, Carver Terrace, Langston Dwellings, and Stanton Terrace. We have developed a model whereby contractors can earn profits yet produce quality homes affordable to low-income working families.

### *Waste to Wealth E-Bits*

2001 marked the second year of publication of our quarterly electronic newsletter, *Waste to Wealth E-Bits*, which updates project partners, activists, professionals, officials and funders on the accomplishments and activities of the Waste to Wealth program. *E-Bits* now has more than 1,000 subscribers.



*1835 L Street NE, before renovation by ILSR*



*1835 L Street NE, after renovation*



*Neil Seldman, president of ILSR, and Denise Alston, after Alston signed for home ownership of 1835 L Street NE.*

Still, for local residents to be able to purchase the renovated homes in their communities, they need jobs that pay a living wage. Therefore job training and placement has become a key component of the D.C. Initiative. We worked with labor unions and demolition and construction firms to train ten community residents during the renovation of two D.C. properties. These trainees went on to become full-time employees of local construction companies. We also helped train six workers in apartment rehabilitation, all of whom are now employed in the construction trades.

The greatest challenge has been securing properties for renovation.

Government officials and local funders are wary of investing in community projects and organizations that have not yet proven themselves. To address this issue ILSR helped establish a Community Housing Development Organization (CHDO), which secures properties, contracts with local companies and community development corporations to rehabilitate the homes, and sells them to low-income residents. Sales proceeds will return to the CHDO and will be used to acquire and renovate new properties. ILSR chairs an advisory group to the CHDO's Board of Directors, which is composed exclusively of community residents. Our goal is to solidify the CHDO as a self-sustaining, community-run affordable housing program so that ILSR can begin replicating the project in other communities. Indeed, our success has already prompted invitations from the Petworth and Stanton Terrace neighborhoods in D.C., as well as the Greenmont West neighborhood in Baltimore.

With a training and financing foundation now firmly established, in 2002 the CHDO anticipates renovating ten

houses and one four-unit apartment building, as well as transforming an abandoned liquor store into a community center.

ILSR also offers an environmentally friendly solution where renovation of abandoned homes is not feasible—deconstruction. In Hartford, Connecticut, we developed a pilot program that trained local workers to disassemble public housing units and recover valuable materials during the careful disassembly of buildings. The program proved that cities could simultaneously build a dynamic local industry and workforce, obtain cheap raw materials for redevelopment (while preserving natural resources like virgin timber) and reduce the flow of waste to their landfills. The trained workers now run their own deconstruction/construction company.

ILSR then brought the Hartford model to D.C. We trained ten workers from the Ivy City and Trinidad neighborhoods, six of whom formed their own business—the ICT Dream Team Deconstruction Cooperative. The program's success prompted an

offer from the D.C. Housing Authority to replicate it in other communities. This fall the ICT Dream Team helped ILSR train six workers from Stanton Terrace. Over the next three years they will deconstruct nearly 1,000 public housing units through the Housing Authority, with ILSR working as the contractor.

All of our D.C. projects are connected by a common thread—they create jobs and spur economic development in low-income neighborhoods in environmentally friendly ways. Our newest effort is no different. The federal government and the District have committed billions of dollars to cleaning up the highly polluted Anacostia River, building nature trails, and rerouting highways. We've been asked by the City to connect residents of the communities adjacent to the Anacostia (Carver Terrace, Ivy City, and Trinidad) with the labor unions that have won the city contracts. ILSR is partnering with J. Williams at the D.C. Trades Council to create an apprenticeship program for these jobs, which will begin in the spring of 2002.

### **Deconstruction: Taking Down Buildings, Building Up Communities**

Hartford, Connecticut, was the site of ILSR's deconstruction pilot project. There, we trained nine public housing residents while deconstructing six abandoned public housing units. Forty percent of the recovered material was sold for reuse, and another 10 percent for recycling. The nine workers went on to form the Hartford Community Deconstruction Service Company, jointly owned by the employees, the Hartford Housing Authority, and Manafort Brothers, Inc., a local construction and demolition company.

ILSR's Hartford program has become a national model. We have helped communities from coast to coast design and implement their own deconstruction training programs. In the process we have placed almost 100 under- and unemployed workers in new jobs, created and expanded several local, minority-owned businesses, and helped develop new policies and funding mechanisms that support deconstruction as a means of

community revitalization, job creation, waste abatement, and greenhouse gas emission reduction.

#### *Bridgeport, Connecticut*

We are developing a deconstruction training and service program in Bridgeport as well. To ease unemployment while the project gets underway, ILSR and a local community development organization launched a "Community Union Hall," which matches up residents eager for training and employment with union representatives seeking construction workers. To date we've placed 25 workers in full-time permanent union jobs.

#### *Newark, New Jersey*

We've partnered with the New Community Corporation to establish a deconstruction company that will complement its two existing businesses: a lumber mill and a housing prefabrication company. We are currently identifying public and private sources of investment for the new company, as well as preparing its business plan.



*The Ivy City-Trinidad Deconstruction (ICT) Dream Team during training*



*ICT Dream Team trainees band flooring for shipping*

**“ILSR is not just creating jobs, they are bringing families together.”**

*John Wardlaw,  
Director, Hartford  
Housing Authority*

#### *Portland, Oregon*

Portland has developed one of the strongest deconstruction sectors in the country. Locally owned service companies are proving strong competition for traditional demolition operations—in fact, some deconstruction companies are having trouble keeping up with demand. Local organizations have asked ILSR to establish a deconstruction training center and help launch new businesses in the area.

ILSR has developed several outreach tools to publicize the positive environmental and economic impacts of deconstruction. *Salvaging the Future* (2000), which outlines the deconstruction concept and profiles the Hartford project, is already in its second printing. In May 2001 we published *Building A Deconstruction Company: A Training Manual for Facilitators and Entrepreneurs*, a resource to help other deconstruction projects get off the ground. With the Used Building Materials Association, ILSR co-sponsored Harvesting the Future, a training conference on deconstruction. In March 2002, ILSR will host the First National Deconstruction Conference

in Hartford. The conference will be co-sponsored by the National Congress for Community Economic Development and other organizations.

For more information, visit [www.ilsr.org/recycling/builddecon.html](http://www.ilsr.org/recycling/builddecon.html)

#### **Healthy Building Network**

The Healthy Building Network (HBN) became a project of ILSR in April 2000. HBN advocates for ecologically superior building materials as a means to healthier indoor environments, sustainable community development, and global environmental preservation. Working together with a cross-section of leaders in diverse fields such as green building, socially responsible investment, worker health and safety, public health and environmental justice, HBN creates market demand for healthy building material alternatives.

The Network is the leading national group working to eliminate pressure-treated wood containing arsenic and chromium. In 2001 we organized scores of diverse advocacy groups to petition the U.S. Consumer Product

Safety Commission to ban arsenic-treated wood. We asked the U.S. Environmental Protection Agency to close the loophole that allows this single remaining use of arsenic around the home. We also released two well-publicized reports documenting the hazards associated with arsenic-treated wood (e.g., arsenic-treated wood on playgrounds and decks presents a risk to children 1,000 times greater than previously thought). The Network also published an ad targeting the retail giants Home Depot and Lowe's, the largest retailers of arsenic-treated wood, demanding they phase out sales of arsenic-treated wood and offer safer alternatives to the national market. The HBN website ([www.healthybuilding.net](http://www.healthybuilding.net)) contains a number of resources, including an arsenic fact sheet, sample policies, a database of arsenic-free playground manufacturers, and an arsenic-free lumber locator, where consumers can enter their zip code and retrieve information on local distributors that handle arsenic-free wood.

The Network was asked by the U.S. Green Building Council to advise it on a proposal to encourage the elimination of polyvinyl chloride plastic (a.k.a. pvc or vinyl) from green building designs under the LEED (Leadership in Energy and Environmental Design) green building rating system. In 2001 HBN also initiated programs with Habitat for Humanity and the District of Columbia Housing Authority to demonstrate how to use green building materials in affordable housing construction and renovation.

### **Waste Imperialism: Stopping the Garbage Monopoly**

Two firms, WMX and BFI, control about 67 percent of the \$50 billion national waste management sector. ILSR has long warned that such concentrated control undermines the growth of recycling and economic development and threatens not just the expansion but the maintenance of successful 25-year-old recycling programs. Our Waste Imperialism project is providing the research and analyses to counter the distorted data often used by industry to convince officials that recycling costs while disposal pays.

An example is the analysis we undertook for the Washington, D.C. Department of Public Works and AFSCME Local 38, which showed that the city could recycle for less money and could provide better service by using public employees rather than contracting out to large hauling firms. As part of this project, ILSR also is assisting industry groups and the Center for Competitive Solid Waste Management, in Madison, Wisconsin, researching and documenting the decline in recycling and increase in costs under large firms' control of regional markets in landfills, transfer stations, and recycling processing facilities.

### **MACREDO**

In 1992 the EPA established the Mid-Atlantic Consortium of Recycling and Economic Development Officials (MACREDO), comprised of representatives from Delaware, Maryland, Pennsylvania, Virginia, West Virginia, and the District of Columbia. Since 1993, ILSR has served as MACREDO's "home." Over the years, ILSR has facilitated the exchange of information and ideas among MACREDO mem-

bers, the EPA, and industry, helping develop a host of regional recycling market development tools and resource materials.

This past year MACREDO sponsored a PET recycling pilot in D.C. schools in cooperation with the D.C. Office of Recycling, and continued work on an electronics recovery outreach program. Director Linda Knapp produced a major report identifying composting and yard waste projects for state and local government implementation. The MACREDO website was also significantly expanded to include updated information on construction reuse and recycling, electronics recovery, and recycling market development.

For more information, visit [www.macredo.org](http://www.macredo.org)

### *In the media...*

Below is a representative list of media outlets where the Healthy Building Network was referenced or cited in 2001:

*Atlanta Journal-Constitution*  
*Bayarea.com*  
*Boston Globe*  
*Chicago Tribune*  
 CNN  
*Daytona News-Journal*  
*Earth Times*  
*Gainesville Sun*  
 MSNBC  
*Orlando Sentinel*  
*St. Petersburg Times*  
*Tampa Tribune*  
*Time*  
*Washington Post*  
*Waste Age*  
 WebMD



*Wilhelmina Lawson, of Trinidad Concerned Citizens for Reform, with Neil Seldman (L) of ILSR and Lee Barton (R) of Jubilee Enterprise of Greater Washington. Lawson is working to turn this abandoned store into a neighborhood development center.*

### **Partner Profile 1**

Five years ago Wilhelmina Lawson founded Trinidad Concerned Citizens for Reform, Inc. As one of D.C.'s prominent community activists, Lawson has fought to improve the quality of life for the residents of her community. Sustainability, community development, and environmental improvement are all key concerns for Lawson. Call it synergy, serendipity, or just a small world, but when Lawson went looking for a home, she ended up buying one of the houses that ILSR had rehabbed. "ILSR has helped Carver Terrace, Ivy City, and Trinidad speak with one voice," says Lawson, "And that has made a tremendous difference in our dealings with the city and the private sector."

### **Partner Profile 2**

Luis Bailey's job was to deconstruct his childhood home—a public housing complex in Hartford, Connecticut. "For me this is a big step," said Bailey. "I grew up with no father in these units." Today, Bailey is a foreman with the Hartford Community Deconstruction Service Company, a partly worker-owned company that takes on deconstruction as well as construction and renovation projects. The company was started by nine men and women who were trained in deconstruction by ILSR and the Laborers' International Union. Bailey is able to provide a home and health insurance for his family. "Now I can be a homemaker for my children," he says.

# The Carbohydrate Economy

For more than 25 years ILSR has worked to enable communities to extract the maximum value from their local resources. We applied our framework first to urban communities through our Waste to Wealth program. But we also envision a rural economy based on the same principles. Farm communities generate their own brand of waste that can be harvested for economic development. More than a billion tons of plant fiber could be harvested annually as the raw material foundation for locally owned manufacturing plants that produce bio-based industrial products. We dubbed this rural economy of the future the “carbohydrate economy.”

A carbohydrate economy has the potential to solve both the farm crisis—through value-added, farmer-owned production—and the environmental crisis. Almost any chemical or fuel made from petroleum can also be made from carbohydrates. Just as

Waste to Wealth focused initially on advocating the economic practicality of recycling, the Carbohydrate Economy program focused first on demonstrating how new technologies are making plant-based products increasingly viable and cost-effective alternatives.

This past year we published *Lubricants from Vegetable Oil*, the third report in the Industrial Products from the Soil series. It details the emergence of a high-performance yet environmentally friendly alternative to petroleum-based lubricants. The report was distributed to a network of over 3000 Minnesota businesses, unions, commodity organizations, and technical assistance groups. We also produced an 8-page fact sheet for the network called “Biobased Chemicals Benefit the Workplace,” which detailed worker safety benefits and cost benefits of bio-based chemical products.

The program’s flagship publication is *The Carbohydrate Economy* newsletter. Now in its third year, it covers developments in the plant-based economy, from new products and crops to trends in farm policy. With up-to-date technical information, it is aimed at those with the means to advance a new agriculture: industry leaders, agricultural experts, environmental organizations, and policymakers. The newsletter’s subscription renewal rate is an outstanding 70 percent.

The Carbohydrate Economy Clearinghouse ([www.carbohydrateeconomy.org](http://www.carbohydrateeconomy.org)) remains the most comprehensive source of information on the web for plant-based products, companies producing those products, and public policies that promote a shift toward plant-based, farmer-owned manufacturing. The site is widely visited by manufacturers, farmers, policymakers, government agencies, nonprofits, academia, and media.

**“(T)here is a desperate need for imagination and flair in making the case for agriculture and for family-based production. Your ‘Carbohydrate Economy’ project is helping to fill this need in a major and important way. The term provides conceptual lift and your research provides the practical information that otherwise would not be available from any source I know... You are helping to shape the debate that hasn’t happened yet.”**

*U.S. Senator Byron Dorgan (D-ND)*

**ILSR Vice President David Morris is someone who can “help lead us in our crusade for sustainability, natural resource preservation, environmental enhancement and greenhouse gas stabilization... while honoring our responsibilities to lead in advancing energy efficiency and renewable energy technologies to the benefit of the human endeavor.”**

*EverGreen, published by the New Uses Council*

ILSR’s Carbohydrate Economy electronic bulletin complements the newsletter and the web-based clearinghouse. With about 1,000 subscribers, the e-bulletin reports on policies that marry energy, environmental, national security, and rural development concerns. The October bulletin, for example, covered legislative efforts to allow the harvesting of biomass for energy purposes on farmland set aside for conservation.

In 2001 we focused largely on developing and advocating policies that address the agriculture and energy crises in an interrelated way. For example, the cover article in the spring issue of *The Carbohydrate Economy* explored the increasingly controversial issue regarding whether to burn plant matter to generate electricity. As a result of the story, the Energy Foundation invited ILSR to develop a strategic planning document to guide its board’s efforts in biomass energy. The report will embrace an approach that maximizes both environmental and community economic development benefits.



ILSR staff have also continued their long-standing involvement in the MTBE debate. We recently published “The Other Gasoline Crisis: Speeding Up the Shift From MTBE to Ethanol,” a widely circulated report that challenges the environmental community’s assertion that the increased volatility of ethanol-blended gasoline outweighs all other environmental advantages that ethanol may offer. Our renewable fuels work continues to be cited regularly in publications ranging from *Wired* to the *Earth Island Journal*. ILSR staff have also published editorials on the subject and given a number of speeches to

agricultural and environmental organizations.

While we continue to strengthen our public education and outreach materials, we have also actively worked to spur demand for bio-based products. In Minnesota we developed a first-of-its-kind plant-based procurement project. We convinced the state’s central government purchasing organization to commit to purchasing plant-based products. We connected more than a dozen bio-based product manufacturers with government purchasers. And we secured a commitment from the University of

Minnesota to convert their petroleum-based custodial products to plant-based alternatives by 2005.

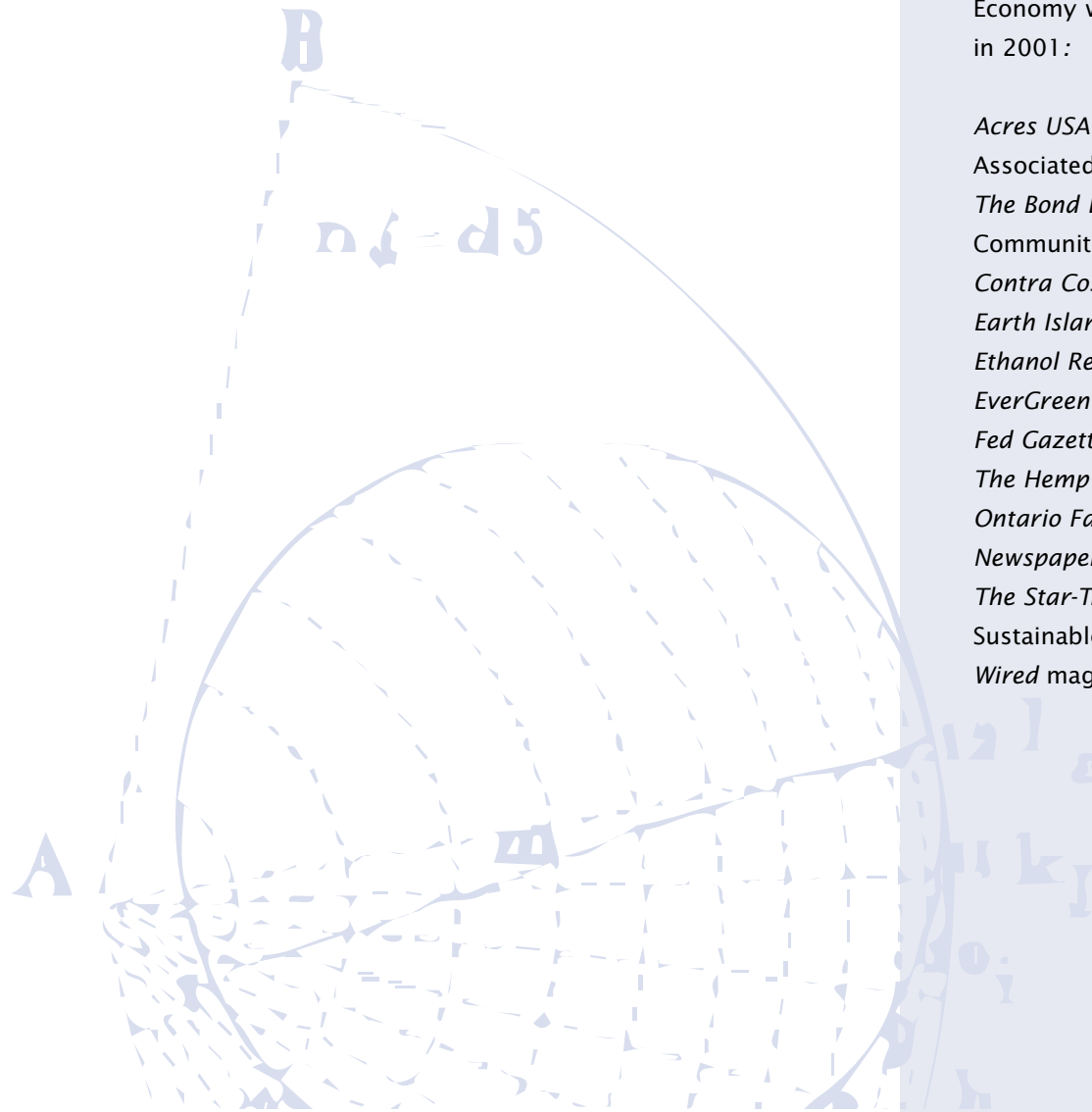
Nationwide ILSR has played a leading role in building acceptance for bio-based products. Our testimony before the Department of Agriculture was instrumental in the federal government formally committing to expand industrial and fuel markets for plant matter. But the federal government has largely ignored the question of who should own the facilities that will manufacture these new products. Increasingly, ILSR is working to assure that the carbohydrate economy is democratically controlled and locally owned by family farmers.

The cover story in the Fall 2001 issue of *The Carbohydrate Economy*, for example, explores the potential of farmer-owned cooperatives to jump-start rural economies by moving farmers up the “value added” chain. Instead of selling wheat, corn, and soybeans, farmers will increasingly be peddling construction materials, ethanol, and motor oil.

### *In the media...*

Following is a sampling of media outlets where our Carbohydrate Economy work appeared in 2001:

*Acres USA*  
*Associated Press*  
*The Bond Buyer*  
*CommunitiesbyChoice.org*  
*Contra Costa Times*  
*Earth Island Journal*  
*Ethanol Report*  
*EverGreen*  
*Fed Gazette*  
*The Hemp Report*  
*Ontario Farmer*  
*Newspaper*  
*The Star-Tribune*  
*SustainableBusiness.com*  
*Wired magazine*



## From the archives...

*The New Rules Project evolved out of a number of groundbreaking ILSR publications. In the 1970s, in Neighborhood Power: The New Localism (Beacon Press), ILSR argued for the need to revisit neighborhoods as the first line of defense against social breakdown and economic decline. In 1982, ILSR made the case for urban areas as autonomous decisionmaking bodies in The New City States. In 1985, on behalf of the Mayor's Office for the City of Saint Paul, ILSR published The Home Grown Economy: A Prescription for Saint Paul's Future, in which we laid out a local community development framework founded on local resources and locally owned businesses.*

# The New Rules Project

For the last 100 years the rules we've devised—from zoning ordinances to tax policies to international trade agreements—have overwhelmingly encouraged mobility over community, distance over proximity, exports over domestic exchange, and absentee over local ownership. At the same time, however, our citizenry increasingly demands a renewed sense of place and civic connectedness and a greater role in influencing their own futures.

The New Rules Project grew out of ILSR's 25 years of experience in local community development—in both urban neighborhoods and rural areas—where we saw first-hand how the rules are stacked against building productive, democratic, and sustainable communities. We launched the New Rules Project four years ago to identify and enable policies that create the conditions for sustainable economic development. Our focus is on “designing rules as if community matters”—rules that can bring both

responsibility and authority to the local level by closing the gap between those who make decisions and those who feel the impacts of those decisions.

## Designing Rules as if Community Matters ([www.newrules.org](http://www.newrules.org))

The project's heart is the New Rules web site—a sophisticated, searchable, dynamic clearinghouse of more than 200 actual statutes, regulations, and ordinances that encourage local self-reliance and cut across the full range of issues affecting community. The rules are organized into ten sectors: agriculture, electricity, environment, equity, finance, governance, information, retail, sports, and taxation.

We have found that archiving actual, ready-to-introduce rules that point toward economically rooted, socially vibrant communities—along with analysis and supporting resources—both galvanizes and accelerates

actions. Activists can download a statute and give it to their local representatives; policymakers can get on the phone and talk to other communities that have already implemented the law.

Traffic on the web site has climbed steadily since June 2000. It now hosts more than 6,500 unique visitors every month. More than a dozen communities have already enacted new policies in part because of [www.newrules.org](http://www.newrules.org). The Alliance for National Renewal, a program of the National Civic League, has promoted the web site as a “searchable collection of well-researched, ready to go laws and ordinances for policymakers, organizations and activists. The web site is devoted to gathering together hundreds of innovative public policies with a focus on those that strengthen communities.”

In addition to maintaining the web site, ILSR writes and distributes sector-specific electronic bulletins that help keep activists, community-based organizations, and policymakers informed of late-breaking news. In 2001, we continued to produce and distribute the *Home Town Advantage Bulletin* (see page 15), which reports on issues affecting locally owned retail. We began publication of the *New Rules Project News e-Bulletin*, providing news and updates on the project. And we published the eighth issue of our *ATM Surcharge Bulletin*. In 2002, we hope to begin an electronic bulletin devoted to energy issues.

Although the New Rules Project is necessarily broad in scope, we devote more time and resources to policy areas where there is a particular need for a community-centered voice. We use these issues as “doors” into the larger discussion of how our rules could better serve us at the community level. And they also serve as working models for how our research and information foundation can be translated into political change in the real world. In the past year we focused

our energies largely in two areas: retail and electricity.

### **The Home Town Advantage: Nurturing Local Retail Economies**

Locally owned businesses are critical to a community’s economic strength, social well being and political vitality. But they are under attack throughout the country. In every retail sector—from grocery to hardware to pharmacy—global corporations are displacing locally owned businesses. Along the way, economic assets are shifting to absentee owners, decision-making is moving to distant boardrooms, and small-scale, pedestrian streets are giving way to massive, impersonal shopping centers.

ILSR launched the Home Town Advantage (HTA) Project to support the growing number of citizens working to defend their main streets. It grew out of the first book published by the New Rules Project—*The Home Town Advantage: How to Defend Your Main Street Against Chain Stores and Why It Matters* (2000). ILSR’s how-to and why-to manual for com-

munities struggling to protect locally owned retail has sold more than 6,000 copies, mostly to local activists, business owners, and elected officials.

The book has played a key role in policymaking decisions across the country. In Berkeley, for example, after author Stacy Mitchell spoke to local officials, the city council requested “Staff and the Planning Commission to develop planning and zoning proposals similar to those offered in the book *The Home Town Advantage*.” In Arlington, Texas, chapters from the book were distributed to city council members, after which they voted to deny a rezoning request by Wal-Mart. Activists in Pittsburgh relied on research and analysis from *The Home Town Advantage* in their successful campaign to block a downtown development plan that would have replaced dozens of multi-generation local businesses with a chain store complex.

While *The Home Town Advantage* makes the case for protecting locally owned businesses and outlines policy

### *In the media...*

Following is a sampling of media outlets where our Home Town Advantage work appeared in 2001:

Ashland (WI) Public Radio  
*Business Ethics* magazine  
 Canadian Broadcasting Corporation  
 Carbondale (CO) Public Radio  
*Charlotte Observer*  
*Cincinnati Enquirer*  
*The Desert Sun*  
 (Palm Springs, CA)  
*Facade* magazine  
*Flagstaff Tea Party*  
*Governing* magazine  
 Grist.com  
*Idaho Statesman*  
*Inc.* magazine  
*Ithaca Today*  
*Main Street News*  
 Maine Public Radio  
*Miami Herald*  
 Minnesota Public Radio  
*The Oregonian*  
*Orion Afield* magazine

## Media, continued...

PopPolitics.com  
 Portland Press Herald  
 (ME)  
 Publisher's Weekly  
 St. Paul Pioneer Press  
 Star-Tribune  
 Stores magazine  
 Tucson Citizen

solutions, the retail section of ILSR's New Rules web site ([www.newrules.org/retail](http://www.newrules.org/retail)) stores actual regulations, ordinances, laws, and other policies that can be downloaded and implemented by citizens and policymakers. This past year we continued to update and expand our on-line rules clearinghouse. More than 40 examples of policies that limit chain stores and support local businesses can now be downloaded. A number of municipalities—from Boulder to Santa Cruz to Kansas City to Port Jefferson, New York—have relied on the site to craft new local legislation.

ILSR also distributes a companion quarterly e-bulletin that covers on-the-ground efforts to stop sprawling big-box development and pass laws that nurture local retail economies. Since its debut in September 2000, the bulletin's audience has grown to over 1,500 subscribers. Its most important function, as Bill Petrocelli, owner of Book Passage in Corte Madera, California, told us, is that, "It allows people working in their communities to realize that they are not alone."

ILSR has built close working relationships with local retailers. The Home Town Advantage has helped nurture independent business alliances (IBAs), also known as "alternative Chambers of Commerce." Stacy Mitchell has advised and assisted IBAs in Duluth, Minnesota; Boulder and Grand Junction, Colorado; and Vermont. ILSR helped the Boulder Independent Business Alliance (BIBA), the nation's first IBA, develop a comprehensive legislative program known as the Community Vitality Act (CVA). Mitchell's widely disseminated piece on BIBA in the Fall 2001 issue of *Orion Afield* sparked interest around the country.

The American Booksellers Association distributed 2,000 copies of *The Home Town Advantage* to its members. Mitchell has led workshops for small business owners in Atlanta, Chicago, New Orleans, Saint Paul, San Francisco, and Toledo. ILSR articles have been reprinted in the newsletters of numerous independent businesses and their trade associations.

The New Rules Project has also worked with planners and labor unions. *The Home Town Advantage* was favorably reviewed in *Planning*, the American Planning Association's (APA) journal. "We regularly refer people to your web site," notes one APA staffer. Mitchell has consulted directly with dozens of city planners. ILSR has also linked up with the United Food and Commercial Workers (UFCW) union, whose workers are threatened by the growth of anti-union companies like Wal-Mart. Mitchell has provided technical assistance to the UFCW national office and to locals in California, Minnesota, Montana, Ohio, and Washington.

In the past year, the Home Town Advantage staff has assisted more than 50 local organizations, governments, and small business groups, and traveled to more than a dozen cities. Our outreach in communities from coast to coast, together with our research and electronic resources, have helped transform a NIMBY, anti-big box movement into a much broader struggle over economic concentration, globalization, and the future of community.

**Partner Profile:**  
**Friends of Flagstaff's Future**

Flagstaff's historic, bustling downtown is home to an eclectic variety of locally owned businesses. But in the last few years, despite the stubborn resistance of a handful of citizens and local organizations, chain stores have begun to settle on the fringes of town.

In April, Friends of Flagstaff's Future asked ILSR for help in stopping a proposed Super Wal-Mart on the edge of town. Stacy Mitchell participated in a panel discussion that was attended by more than 100 business and community leaders. ILSR provided research to aid Friends and other grassroots groups in their struggle.

Becky Daggett, director of Friends, credited ILSR with helping to shift the terms of the debate about mega-retailers in Flagstaff:



*Becky Daggett, executive director of Friends of Flagstaff's Future*

"Through ILSR we have access to vast amounts of primary research. We now have sources and studies to cite and credible evidence that will be hard to dispute. There would be no hope of my having the time to do this. It's invaluable to me to know what effects various corporations have had on communities—and how communities have been successful in protecting their local economies against the giant retailers."

"Your research has also allowed us the opportunity to demonstrate to our local media and elected officials how shallow the arguments of big box retail's proponents in this community are. Before your visit, the media, our local government, and a vast number of community members all took the Chamber of Commerce's word that big box retail will always be beneficial to the Flagstaff community. Finally this community is beginning to ask the tough questions and to query whether the Chamber actually has salient facts. This is a tremendous breakthrough for our organization!"

In August, Wal-Mart announced that it was abandoning plans for a Flagstaff supercenter. Two weeks later the county unanimously passed an ordinance—based on model rules from [www.newrules.org](http://www.newrules.org)—capping the size of retail development.

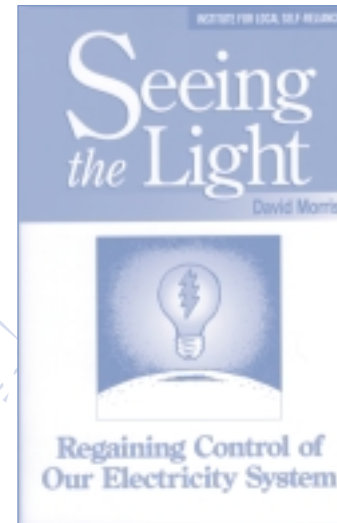
**"You all at ILSR have made things that much easier for those of us just getting involved—thanks for all the good work."**

*James Phelan,  
 Grassroots Globalization  
 Network (GGN)*

### **Seeing the Light: Designing a Democratic and Sustainable Electricity System**

ILSR has been involved in energy issues since 1978, when we published a landmark study concluding that 85 cents of every energy dollar left Washington, D.C.—a far higher leakage than from any other household expenditure. Two years later we became the first organization to investigate the energy conservation and solar energy potential for a major city (Baltimore), and one of the first to formally testify before a utility regulatory commission in favor of investing in energy conservation as a cheaper alternative to new energy supplies. In 1982 ILSR's book, *Be Your Own Power Company*, forecast the coming decentralization and deregulation of the electric power system.

Nineteen years later, deregulation and the subsequent energy crisis have sparked a level of debate about electricity not heard in 100 years. The future ownership and technological framework of the electric industry could well be determined in the next



few years. To take advantage of this opportunity we published *Seeing the Light: Regaining Control of our Electricity System* (2000), the second book released by the New Rules Project. It explores ways of bringing power to the people: for instance, by downsizing the scale of our electric generation and giving communities and individuals a say in how their power is produced. It also promotes rules that encourage communities to take responsibility for the environmental consequences of their power production, as well as for their low-income residents who have been left vulnerable by deregulation.

The book has been well received and widely praised. U.S. Senator Paul Wellstone called it a “must read for those who want to know what is wrong with our electricity system and how to fix it.” Working Assets listed *Seeing the Light* in the recommended reading list of its book program. The *Washington Post* excerpted it in its Sunday Outlook section. Author and ILSR Vice President David Morris has been interviewed on dozens of radio and television programs, including Fox News (see *In the Media* box), and has also given numerous talks across the country promoting the concept of a community-centered electricity system and the policies needed to get us there.

As always, we've combined our research and analysis of the problem with concrete solutions and tools for activists. The policies promoted in *Seeing the Light* are archived in the electricity section of the New Rules web site in a searchable library, which now contains more than 40 ready-to-introduce laws ([www.newrules.org/electricity](http://www.newrules.org/electricity)). The electricity section has become an

integral resource for policymakers and grassroots organizations. The Western Organization of Resource Councils, for example, promoted the site to its members as an essential source for energy policy information and analysis.

### **The New Rules Magazine**

The award-winning *The New Rules* is the final tool in our efforts to design rules as if community matters. Articles in the magazine bring intellectual weight to the concepts we are exploring and allow us to tell the story behind the rules we promote on the web site and in the e-bulletins. The diversity of the articles, which cover topics ranging from hog farming to e-commerce to electricity, from the World Trade Organization to credit unions to noise regulation, helps to demonstrate connections across issues and to build broader coalitions addressing these issues.

*The New Rules* is also a concrete, useful tool for activists and policymakers grappling with the issues affecting their communities. The recent cover story, “Jack and the



Giant School,” which argued that downsizing schools increases student success, was used at an education policy session at the National Conference of State Legislatures’ annual conference. In their curriculum on fighting corporate power, the Women’s International League for Peace and Freedom reprinted a *New Rules* article detailing Michigan cities’ efforts to retain their political authority. A number of state and national organizations fighting for universal health care have used “The Canadian Cure,” the cover story in the spring 2001 issue, to lend weight to their

arguments for a single-payer health care system. Chris Ivey, of the United Food and Commercial Workers Union in California, told us, “This magazine you sent me, *The New Rules*, when I started it, I couldn’t put it down. I read the whole thing cover to cover. I just want to commend your organization on its efforts, which are sorely needed out here in the hinterland.”

The magazine’s visibility continues to grow in the media. *Yes!* Magazine called it a “must-read for those in local government.” *The Library Journal* praised the publication for “detailed reporting and thoughtful analysis of real world problems.” It advised its readers, “Any city with an active electorate will value the research and guidance provided on these important issues, which are often controlled by special interest groups and ignored by national policy organizations.” *Utne Reader* has nominated *The New Rules* three times for an Alternative Press Award. *The Progressive Populist* has reprinted three articles as cover stories.

### *In the media...*

Following is a sampling of media outlets where our Seeing the Light work appeared in 2001:

*Arkansas Democrat-Gazette*  
 Associated Press  
*California Journal*  
*Cogeneration and On-Site Power*  
*Denver Post*  
 Good Day Sacramento  
 GreenWave Radio, Talk America Radio Network  
*In Business* magazine  
 KCBX-FM, San Luis Obispo, CA  
 KPFK, Los Angeles  
 KXCI-FM, Tucson, AZ  
*Las Vegas Review-Journal*  
 Minnesota Public Radio  
*NewsNight MN*, Twin Cities Public Television  
*Oakland Tribune*  
*The O’Reilly Factor*, Fox News Network  
*Production* magazine

## Media, continued...

*Rocky Mountain News,*  
Denver

*Spokesman-Review,*  
Spokane, WA

TomPaine.com

WABB, Mobile, AL

WAMC-FM, Albany, NY

WOC-AM, Davenport, IA

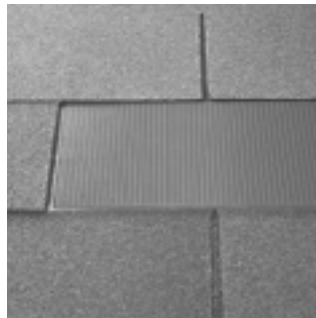
WJOB-AM, Hammond, IN

*Washington Post*

*Western Organizing  
Review*



*Building integrated photovoltaics.  
Photo courtesy of John  
Haigwood.*



*Light, flexible photovoltaic  
roofing shingle for direct rooftop  
mounting. Photo courtesy of  
United Solar Systems  
Corporation.*

## Partner Profile

In 2001 ILSR continued its long-term involvement with Minnesotans for an Energy-Efficient Economy (ME3)—an organization co-founded by ILSR and a dozen other groups. ME3's collaborating organizations have a combined membership of over 100,000. Looked to as one of the most effective sustainable energy coalitions in the country, ME3 works at the grassroots level to achieve the energy future advanced in *Seeing the Light*. Its many projects include helping rural Minnesota communities harvest the economic benefits of renewable energy; promoting the taxation of pollution rather than wealth; and ensuring that any electric deregulation in Minnesota improves, not worsens, the environment.

Our role in the coalition over the years has ranged from policy developer and analyst to legislative advocate and technical assistance provider. Currently, ILSR handles almost all of ME3's electronic communications and outreach. In 1995 we designed the Sustainable Minnesota web site ([www.me3.org](http://www.me3.org)), which we continue to maintain and expand. It averages more than 7,000 hits per day and receives about 9,600 unique visitors every month. We have also developed an electronic activist network of more than 1,300 individuals, and we publish ME3's quarterly newsletter, *Sustainable Minnesota*.

# Fiscal Year 2001 Financial Report

## *Statement of Financial Position as of June 30, 2001*

<b>Assets</b>	
Cash and Investments	814,265
Receivables	452,122
Net Property and Equipment	32,098
Other Assets	28,856
<b>Total Assets</b>	<b>1,327,341</b>
<b>Liabilities and Net Assets</b>	
Total Liabilities	105,425
Net Assets – Unrestricted	344,577
Net Assets - Restricted	877,339
<b>Total Liabilities and Net Assets</b>	<b>1,327,341</b>

## *Statement of Activities Year Ended June 30, 2001*

<b>Revenue</b>	
Grants, Contributions, and Contracts	1,673,610
Other Revenue	57,087
<b>Total Revenue</b>	<b>1,730,697</b>
<b>Expenses</b>	
Program Services	1,138,254
Supporting Services	
Management and General	167,772
Fundraising	41,492
<b>Total Expenses</b>	<b>1,347,518</b>
<b>Increase in Net Assets</b>	<b>383,179</b>

**“Whether it’s cell phone towers or retail outlets, the issue for many communities is asserting their power to decide their own futures . . . Towns need the legal tools and expertise it takes to protect their character. The Institute for Local Self-Reliance can help. Check out [www.newrules.org](http://www.newrules.org).”**  
*Hank Nichols, Boston Globe*

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