ANCHORING INNOVATION: A CONCEPTUAL FRAMEWORK

Kim Zeuli, Senior Vice President, ICIC
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Starting at Home Conference
Columbus, Ohio
ICIC is a non-profit research and strategy organization and the leading authority on U.S. inner city economies and the businesses that thrive there.

Founded in 1994 by Harvard Business School Professor Michael Porter, ICIC offers a market-based approach to inner city revitalization.
“Anchor institutions are enduring organizations that are rooted in their localities. It is difficult for them to leave their surroundings even in the midst of substantial capital flight.”

—Anchor Institutions Task Force

Community and economic development strategies should be part of corporate strategy and not philanthropic efforts.
Anchor institutions are inextricably linked to their surrounding communities. They have an enlightened self-interest in developing their community.

Anchor institutions benefit from healthy communities.

There is long-term shared value between anchors and their surrounding communities.

Healthy communities are sustained by strong anchors.
Successful real estate development projects shaped by community input are essential for organizational growth and competitiveness.

Increased demand for goods and services translates into increased students/patients/customers.

Improved and expanded supplier networks can increase an anchor’s operational efficiency and innovation.

Employee attraction and retention help anchors remain competitive by capturing and retaining “top talent.”
THREE MODELS OF ANCHOR INITIATIVES

1. Anchors act independently

2. Anchors partner with other anchors

3. Anchors partner with a broad group of stakeholders

ANCHOR COLLABORATIVES
MODELS OF UNIVERSITY ANCHOR STRATEGIES

University of Pennsylvania’s West Philadelphia Initiative:
• Launched in 1980s
• Historic disinvestment in University City/West Philadelphia neighborhood
• **Goals:**
  • Improve neighborhood services
  • Provide high quality housing for students, faculty, residents
  • Revive commercial activity
  • Accelerate economic development
  • Enhance local education options
• Efforts spearheaded by University President and many facets of university involved

Syracuse University’s Near Westside Initiative:
• Launched in 2006 with commitment of $13.8 million in funds forgiven by the State of NY to Near Westside Initiative
• **Goals:** Foster economic development, jobs, stability for the neighborhood and rich academic experiences for SU students
• Includes new commercial, residential, and mixed-use developments using the principles of art, technology, and innovation.
• Led by 501(c) 3 with a board of broad public and private stakeholders
MODELS OF HOSPITAL ANCHOR STRATEGIES

- Growing focus on the social determinants of health
- The IRS requires nonprofit hospitals to provide community benefits to remain tax-exempt
- The ACA incentivizes hospitals to invest in community building activities that include workforce development, physical improvements and housing, and economic development

**Mayo Clinic (Rochester, MN):**
- Invests millions each year in health and wellness, education, youth enrichment, housing, workforce development, human services
- **Goals:**
  - Affordable housing for service and clerical workers
  - Foster innovation and entrepreneurship
  - Community wellness
- Mayo Clinic partners with First Homes, a nonprofit affordable housing developer, to help fund the construction of affordable housing.
- Mayo has a goal of sourcing all food served in their facilities from farms within a 150-mile radius to support local agriculture.
- In 2013, Mayo announced a $5 billion economic development initiative projected to create 35,000 to 45,000 new jobs and over $3 billion in new tax revenue for the state.
MODELS OF CORPORATE ANCHOR STRATEGIES

• CEOs often leverage personal funds from their business for investment in a community (often in real estate)

**Quicken Loans (Detroit, MI):**
• CEO Dan Gilbert relocated Quicken Loans from Detroit’s suburbs in 2009, bringing along more than 15,000 employees
• **Goals:**
  • Revitalizing Detroit’s downtown district
  • Reducing commercial and residential vacancy and blight
  • Encouraging employees to live and work downtown
• Entities linked to Gilbert have spent $450 million to buy 62 properties in downtown Detroit since 2011

**Zappos (Las Vegas, NV):**
• CEO Tony Hsieh relocated the shoe company to Las Vegas’ downtown district in 2013
• **Goals:** Revitalize a distressed area north of the Strip and create a “mecca” for entrepreneurs
• Launched the Downtown Project, a $350 million revitalization effort
Transforming distressed communities requires robust, sustainable, long-term efforts, and individual anchor initiatives may not be sufficient:

- Individual anchor initiatives are a function of leadership interest, which can change with leaders, interests over time, and budgets
- Individual anchors focus on their backyard, limiting impact
- Individual anchors have limited resources
- Individual anchor interest may not align with real needs of a distressed community

Increasingly, anchor institutions are moving from individual anchor strategies towards an anchor collaborative model, in which a group of anchors (and often other stakeholders) work together for greater impact.
MODELS OF ANCHORS PARTNERING WITH OTHER ANCHORS

• Groups of anchors recognize shared interests and potential for greater impact
• Collaboration on one initiative often builds relationships and trust for additional partnerships

Central Corridor Anchor Partnership (Minneapolis-Saint Paul, MN):
• Established in 2012, CCAP is comprised of 10 healthcare and higher education institutions
• Goals:
  • Leverage a billion-dollar transit investment to spark additional public and private sector investment along new light rail line
  • Increase anchors’ local purchasing along the transit line by 5 percent

Live Midtown (Detroit, MI):
• Launched in 2010 by a community development nonprofit and 3 healthcare and higher education institutions
• Goals:
  • Increase the vitality, safety, and economy of the Midtown neighborhood
  • Encourage anchor employees to rent and buy homes in the neighborhood ("live-where-you-work")
• Success led to an expansion of the program boundaries and a similar “Live Downtown” initiative
BUILDING A BROAD STAKEHOLDER ANCHOR COLLABORATIVE

• Area of impact is often defined based on the city’s economic development priorities
• A broad, diverse set of organizations that represent change agents are partners in collaboration
Anchor collaboratives can provide a framework for organizing the implementation and ensuring the sustainability of many public policies and public and private investments directed at economic and community development.
MODELS OF BROAD STAKEHOLDER ANCHOR COLLABORATIVES

<table>
<thead>
<tr>
<th>Greater University Circle Initiative (GUCI):</th>
<th>Wellspring Cooperative (Springfield, MA)</th>
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<td>• Launched in 2005 by the Cleveland Foundation in partnership with Cleveland’s leading anchor institutions, local philanthropies, financial institutions, community groups, and the city of Cleveland</td>
<td>• Launched in 2009 through partnership of 23 anchor institutions, community organizations and economic development agencies</td>
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<td>• <strong>Goal</strong>: Turn the four square miles of Cleveland’s Greater University Circle neighborhoods into the best place to live, work, and visit in all of Northeast Ohio by “leveraging the economic strength of the area’s large institutions to directly benefit the lives of residents and transform the neighborhoods in which they live.”</td>
<td>• <strong>Goal</strong>: “to create a network of worker-owned, cooperative businesses that will provide good jobs, create wealth, and build community in Springfield neighborhoods.”</td>
</tr>
<tr>
<td>• The Cleveland Foundation is the lead partner of GUCI, and the primary oversight mechanism is the Greater University Circle Leadership Group of 11 organizations.</td>
<td>• The first worker cooperative, the Wellspring Upholstery Cooperative, was launched in 2013. Wellspring also includes a women-owned window restoration cooperative, and will soon build a hydroponic greenhouse that will provide produce for area hospitals, grocery stores and school districts</td>
</tr>
<tr>
<td>• Project funding comes from grants and funding from participating institutions. GUCI has over 50 funders and partners.</td>
<td>• Wellspring Cooperative is funded by grants and co-op profits. The Wellspring Cooperative Corporation has a board, and members controls its decision making.</td>
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ADDITIONAL ANCHOR INITIATIVES W/ CITY

Chicago Anchors for a Strong Economy (CASE) (Chicago, IL)
- Launched in March 2014 by World Business Chicago (a nonprofit economic development organization) it has 11 member anchors, including 3 universities: Illinois Institute of Technology, The University of Chicago, and University of Illinois at Chicago.
- Focus is on procurement opportunities. CASE connects anchors to local, competitive firms.
- It is run by World Business Chicago, and is funded by contributions from member anchor institutions and grants.

Economic Opportunity Strategy (New Orleans, LA)
- The City announced the Economic Opportunity Strategy in Sep 2014. It involves 8 anchors, including 2 universities: Tulane University and Xavier University.
- Goal is to “connect disadvantaged job seekers and businesses to new opportunities.”
- A workforce intermediary will be established to connect employees/anchors and provide job training.

Baltimore City Anchor Plan (Baltimore, MD)
- The City and 8 anchors (including 7 universities) committed to the Baltimore City Anchor Plan in June 2014. The Plan is an initiative of the City of Baltimore.
- Goals include public safety, quality of life in Baltimore, and business growth.
- Each anchor, with City agencies, has developed its own anchor plan for initiatives and collaboration

Healthy Neighborhoods Albuquerque (Albuquerque, NM)
- A coalition of six anchor institutions spearheaded by the University of New Mexico Health Sciences Center (HSC) beginning in 2016
- Goal is to keep more money in the local economy by hiring and buying locally, with a focus on workforce development and training programs and supporting local agriculture and food businesses
- Implementation will begin in 2017
NEWARK’S ANCHOR COLLABORATION

Creating an Anchored Local Economy in Newark
Recommendations for Implementing a Comprehensive Local Procurement Strategy

Kim Zeul, Lena Ferguson and Austin Nijhuis
DECEMBER 2014

Introduction
As an older industrial city, Newark continues to rebuild and reorient its economy. The large anchor organizations headquartered in the city are a tremendous asset. They are the largest employers and have made significant investments in real estate. Anchors also drive economic growth by purchasing goods and services from local businesses. Prior research finds that directing a larger share of these procurement opportunities to local businesses would spur firm growth and the creation of local jobs in Newark.

The initiative for a Competitive Inner City (CICIC) was engaged by the Prudential Foundation in 2014 to analyze the size and nature of local procurement opportunities in Newark. We analyzed procurement data from six anchor organizations and interviewed 70 individuals from organizations that directly and indirectly support small business development in the city. Our efforts were guided by a local advocacy group comprising 30 organizations. This report highlights significant findings from our research and provides a set of recommendations for the city to implement to support a robust buy-local initiative.

Newark has the opportunity to develop a successful anchor procurement initiative built on the realities of its anchor and small business landscape. It will require long-term commitments, changes in policies and procedures at anchor organizations, focused and coordinated small business development efforts, and sustained leadership that represents a coalition of anchor, small business and community partners.

Prudential
Foundation

ICIC
ICIC’S MISSION IS TO DRIVE ECONOMIC PROSPERITY IN AMERICA’S INNER CITIES THROUGH PRIVATE SECTOR INVESTMENT TO CREATE JOBS, INCOME, AND WEALTH FOR LOCAL RESIDENTS.

WWW.ICIC.ORG
ANCHORING COMMUNITIES
The Impact of University Revitalization Initiatives on Neighborhoods

Images of change in East Baltimore (Johns Hopkins University + East Baltimore Development Corp)

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Meagan Ehlenz, PhD, AICP
Assistant Professor
Meagan.Ehlenz@asu.edu
Universities Matter to Cities
Neighborhoods Matter to Universities?

• Universities are investing in place
  • Neighborhoods viewed as an asset, not a detriment

• Large universities are developers in neighborhoods
  • Harnessing existing skills
  • Emphasizing attraction strategies for university consumers

• Interventions are working
  • Stimulating neighborhood improvement via home values (20%)
Findings: University tracts saw faster market growth

**Target = Non-Target**
- Target tracts ↑

**Target ≈ Non-Target**
- Target tracts ↑

**Target = Non-Target**
- Target tracts ↓
Universities in Context: Three Cases

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Definition</th>
<th>Penn</th>
<th>UC</th>
<th>Duke</th>
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<tbody>
<tr>
<td>Typical Institution</td>
<td>Large research university</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Typical Tools</td>
<td>Real estate + multiple approaches</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Durable Strategy</td>
<td>First generation (1990s)</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Successful Strategy</td>
<td>“Strong” to “moderate” improvement</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>Differentiating Variable</td>
<td>Community context + partnerships</td>
<td>Limited approach</td>
<td>Moderate approach</td>
<td>Deep approach</td>
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Case Studies: Penn
Case Studies: Univ of Cincinnati
Case Studies: Duke
Lessons: University as...
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