



## **HARNESSING THE FULL ECONOMIC IMPACT OF ANCHOR INSTITUTIONS**

### **FRAMING PAPER FOR LIVING CITIES DESIGN LAB**

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#### **PURPOSE**

Anchor institutions like universities and hospitals directly and indirectly generate considerable economic activity. However, the potential impact of this economic activity for regional economies is often not fully realized, in part because the benefits and opportunities created by that economic activity are not aggregated or geographically concentrated in the anchors' home region. Meanwhile, insufficient attention is paid to how regional residents—including low-income residents—might access such opportunities. We believe that a major barrier to maximizing the economic impact of anchors is a lack of alignment between anchors and the broader economic systems and stakeholders (e.g., small business development, regional economic strategy, etc.) in cities and regions. The purpose of the Living Cities Anchor Institutions Design Lab is to produce a concrete, action-oriented framework to advance this kind of coordination and thereby increase the economic impact that anchors can have on their cities and regions.

This framing paper serves three primary purposes:

1. To introduce the concept of alignment between anchors and the broader regional systems with which they interact – including a typology of different levels of alignment;
2. To describe some of the key regional systems and stakeholders with which the efforts of anchors would need to be better aligned in order to increase anchors' economic impact; and
3. To outline some key considerations that Design Lab participants should keep in mind as they work together to build a framework of action to advance this alignment.

#### **INTRODUCTION**

Over time, fundamental shifts in the American economy have increased the significance of anchor institutions to the cities and regions in which they are located. Anchors are institutions including, but not limited to, universities and hospitals, with deep and enduring roots to place which make the costs of relocation (financial, reputational, and other) prohibitively high.

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Anchor institutions can play significant roles in their regional economies because they exhibit many or all of these characteristics:

- Large-scale employment (in about two-thirds of the country's largest cities, the top employer is a university or hospital);
- Connection to an ecosystem of suppliers, customers, and other stakeholders, and the conduct of business on a scale (e.g. through their supply chains) that positions the institution to influence the behavior of others with whom they work;
- The ability to connect to and, in some cases, fuel industry clusters that are foundational to regions' economic growth and job creation;
- Control over large amounts of land and influence in real-estate markets through their development and investment activities; and
- The potential to exercise significant civic leadership and innovate in ways others may be reluctant or unable to try.

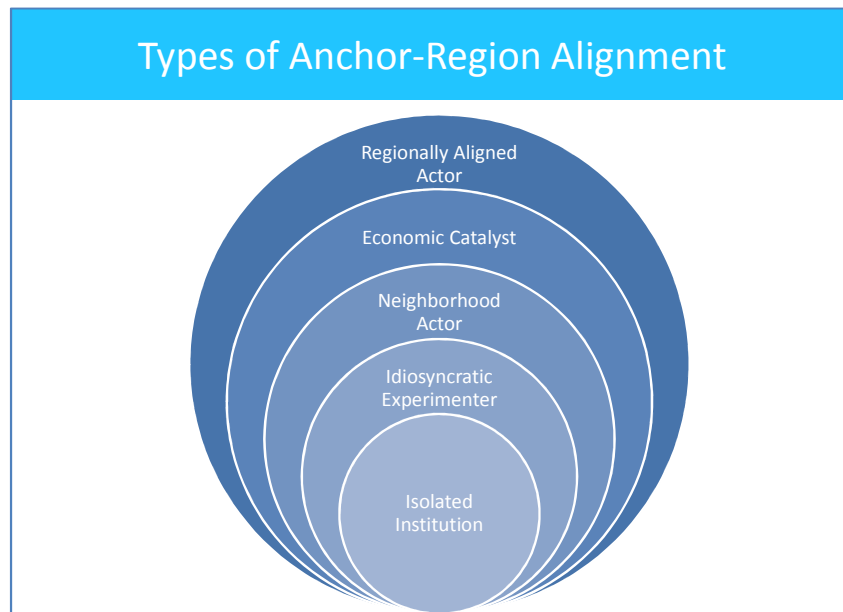
Awareness of anchors' economic significance has grown, and as a result, increasing attention is being paid to the role these institutions can play in catalyzing regional economic activity and creating opportunities for low-income people. However, anchors have in many respects been "going it alone," advancing innovative practices to increase their local economic impact without the full benefit of coordinated efforts from a broader array of regional systems and stakeholders that could significantly increase the impact of anchors' work.

To date, such alignment that has taken place between anchors and other stakeholders has largely been ad hoc. A more systematic alignment of anchors' efforts with an array of relevant systems and stakeholders has the potential to greatly magnify the economic benefits of anchors' activities, including for low-income people. The purpose of this Design Lab is to tap the collective experience and thinking of senior leaders from anchor institutions and a diverse set of other sectors and systems in order to produce a roadmap of what such an alignment might look like. The goal is to produce a framework of principles, strategies, potential actions and illustrative examples to can help guide those seeking to better align these systems with the efforts of anchors.

### **ACHIEVING ANCHOR-REGION ALIGNMENT**

In imagining a region in which public, private and nonprofit systems are fully integrated with anchor efforts, it may help to consider the five simplified types described and depicted below. The purpose of the Design Lab is to identify barriers – and strategies and steps for overcoming those barriers – in order to enable the type of alignment described in Type 5 – "Regionally Aligned Actor."

At one extreme (**Type 1 – “Isolated Institution”**), anchors focus on their core functions (e.g., education, health care) without intentionally viewing themselves as actors with a broader role in transforming the communities and regions in which they are located. Outside entities across the region interact with the anchors to advance specific goals in accordance with their individual interests, generally without regard for the anchors’ potential to impact the region.



At **Type 2 (“Idiosyncratic Experimenter”)**, individuals or units within an anchor may seek to advance narrowly defined community-oriented goals (e.g. public relations, service learning, faculty engagement) that are beyond the anchor’s core functions. These efforts are often “bottom-up” in the sense that initiatives and resources do not come from the institution as a whole, but rather arise through efforts of individuals or organizational units who are moved to act – often through research projects or volunteer initiatives – rather than centrally directed (or even tracked) by the anchor institution.

At **Type 3 (“Neighborhood Actor”)**, an institution sees itself as integrated with its surrounding community and uses institutional resources to promote the revitalization of the neighborhoods immediately surrounding the institution, engaging in the process, to varying degrees, with stakeholders in those neighborhoods. Efforts towards this end may be spearheaded through a specially created unit (e.g. a community relations department), or advanced in aligned fashion by multiple units within the institution. The scale of these efforts can range from small, uncoordinated projects to large-scale efforts to revitalize neighborhoods. While these efforts

can be transformational for neighborhoods, the potential of neighborhood-based strategies alone to support the economic transformation of the broader region is limited.

At **Type 4 (“Economic Catalyst”)**, an institution is aware of itself as an important part of the local economy, and purposefully leverages its assets, business functions and operations (e.g., procurement, hiring, commercialization of research) to promote local economic activity. While the institution may partner selectively with other stakeholders and systems, results in Type 4 are limited by a lack of systematic alignment or coordination between the anchor institutions and broader regional systems. The impact of anchors’ efforts may also be hindered by a lack of alignment among multiple anchor institutions in a region.

At **Type 5 (“Regionally Aligned Actor”)**, anchors and multiple stakeholders and sectors in a region are aligned in order to orient relevant systems (e.g., regional economic strategy, finance, workforce development, small business development, land use) in ways that (a) magnify the amount of economic opportunity created by anchors’ activities and (b) increase the ability of the people in the region to take full advantage of those economic opportunities. The region-wide efforts at collaboration involve institutions and actors from multiple sectors (public, private, and philanthropic) as well as from multiple issue areas. Type 5 may also feature greater alignment among multiple anchors, thus magnifying the impact of their efforts.

While we believe that efforts in some regions are leading the way in helping us to understand the possibilities that exist within Type 5, we think that to date Type 5 remains largely a hypothetical construct. The purpose of this Design Lab is to develop frameworks for advancing concrete steps, practices, and policies needed to produce this type of alignment.

#### **ALIGNING ANCHORS AND SYSTEMS**

To harness the economic power of anchors for the benefit of regional economies and low-income people, a number of functions must be performed to greater effect. For example:

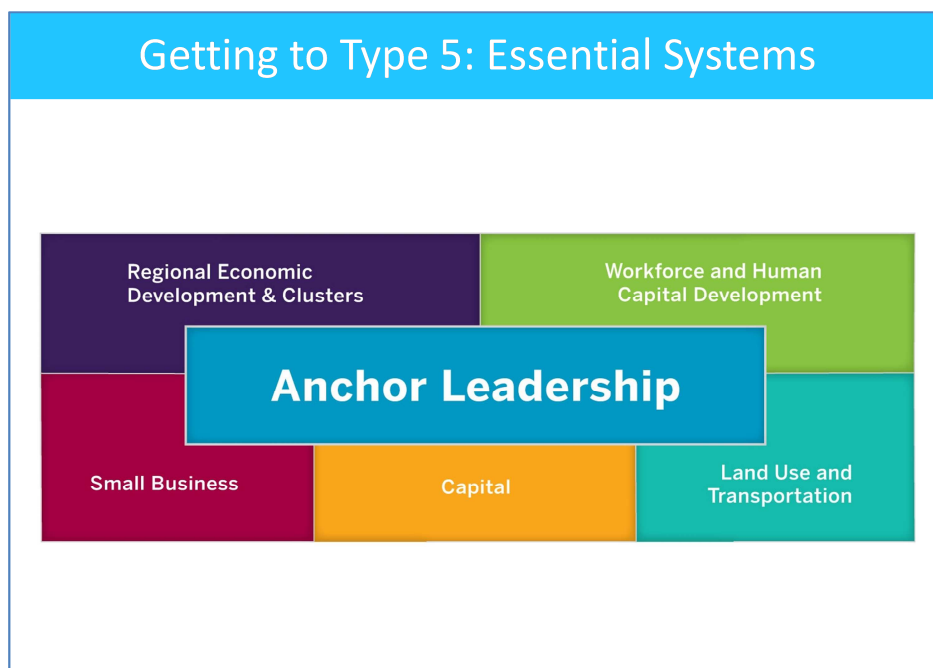
- Spinning off of anchor economic activities (e.g. technology transfer), and the retention of the spun-off activities within the region;
- Regional sourcing of goods and services to anchors and, as appropriate, to the firms with which they do business, and connection of small businesses within the region to the resulting opportunities (including support for small businesses so that they are prepared to connect to these opportunities); and
- Connection of workers, particularly low-income workers, to job opportunities within anchor institutions and in other firms related to the above.

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Towards this end, the coordination between anchors and a number of broader systems, depicted in the diagram below, must be enhanced. In some cases this may simply require new connections to be made. In others, it could require transformational change across an array of systems, as well as changes within the anchors themselves. The purpose of the Design Lab is to more fully identify:

- The ways in which greater alignment between these systems and anchors can increase regional economic impact and access to opportunity;
- The barriers that make that greater alignment difficult; and
- Concrete steps that can be taken by particular stakeholders and systems to overcome those barriers.



Below are brief overviews of systems we believe to be instrumental in this effort.

### **Regional Economic Strategy and Development**

For the economic impact of anchors to be maximized, regional economic strategy and economic development efforts need to be better aligned with the economic roles that anchors play. Over the years, local and metropolitan leaders have experimented with an array of approaches to create economic prosperity – with anchors playing varying roles in those approaches. These approaches include efforts to lure large businesses, to engineer large development projects, to build on a region’s economic assets to grow industry “clusters,” to attract and retain a “creative class” of talent to sustain cities economically, and to revitalize neighborhoods through place-

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based strategies. Each of these types of strategies has its benefits and pitfalls, but there are three primary points to note:

1. Most metropolitan regions do not have a comprehensive or coherent economic strategy;
2. Where these strategies do exist, they may not focus systematically on creating economic opportunity for all, including low-income people; and
3. Anchors, despite their significant roles in regional economies, may not be fully integrated into these strategies.

A number of barriers may make it difficult to create integrated regional economic development strategies, including strategies that fully leverage the economic power of anchors. These include: conflicting interests among key regional players that make any coordinated strategy a challenge; lack of regional economic development entities vested with the authority needed to develop or lead implementation of a strategy; a lack of full understanding of the economic significance of anchors; lack of corporate leadership; and policies at all levels that encourage fragmented rather than integrated economic development efforts. Working through these barriers creates the potential to accelerate regional economic growth, strengthen anchors by associating them more deeply with innovative industry clusters, help anchor staff and faculty to better develop and commercialize innovations, and generate new avenues for creating economic opportunity for low-income people.

### **Workforce Development**

Anchors directly employ large numbers of people, and are indirectly responsible for the creation of large numbers of jobs both in their supply chains and in businesses that result from the commercialization of their research. Our goal is to ensure that regional residents – and low-income residents in particular – have maximum opportunity to access these job opportunities. Achieving this goal requires a well-functioning workforce development system that produces workers with the skills and competencies needed by anchors and by the regional employers with whom anchors interact.

Unfortunately, regional workforce development systems have generally not been aligned or resourced in ways that advance this goal at meaningful scale. To begin with, the array of funding and policymaking bodies, independent training providers and employers in a given region are highly fragmented. Individual components of the workforce system, including Workforce Investment Boards (WIBs), are frequently criticized as obsolete, ineffective and/or dysfunctional. Meanwhile, employers are often challenged to define and anticipate skill needs as job requirements constantly change; to move beyond competition for scarce talent to

engage in efforts that grow the overall qualified labor pool; and to coordinate effectively with training providers in support of these goals. Anchor institutions themselves (e.g. community colleges) can play significant roles in workforce development, with some intentionally leveraging or even re-engineering their systems to make the most of this role. Some promising efforts have emerged to promote change in regional workforce systems, including some that intentionally engage and leverage anchor institutions. Identifying ways to more broadly adapt and build upon these efforts could help to make regional labor markets more efficient, to facilitate access to employment opportunities for regional residents, and to help to address hiring challenges faced by anchors and potentially the firms with which they do business.

### **Small Business Development**

Small businesses are a critical part of healthy regional economies and a primary source of employment for people of all incomes and skill levels. Anchors directly interact with, and create opportunities for, small businesses through a variety of activities including procurement, real-estate development, technology transfer and commercialization of research, and small business incubation, as well as indirectly through the economic activities of their customers and employees. Meanwhile, an array of other actors, such as nonprofits, local and state governments, and for-profit firms, support small businesses by providing access to financing, customers, management expertise, and business networks. However, these systems could potentially be better connected to anchors in order to create greater opportunities for small businesses to participate in the opportunities created by or tied to anchors. These improved connections could also potentially accelerate job creation, generate spillover effects, improve anchors' vendor options, and create opportunities for anchors to develop closer, more productive relationships with their vendors.

### **Land Use and Infrastructure Planning**

To help maximize regional economic prosperity, anchors must be connected spatially to the rest of their regions in ways that facilitate efficient and cost-effective access by business partners, customers and employees. While many believe that metropolitan regions are now the primary unit of competition in the global economy, land use and transportation infrastructure are not optimized to support regional economic activity – including economic activity generated by anchors. Many regions lack transportation infrastructure to link people, goods, firms and jobs efficiently, and even regions that have this infrastructure often allow, or even encourage, development to sprawl away from it. The systems that govern land use policies, and the funding streams that undergird these systems, are deeply fragmented, sometimes across hundreds of jurisdictions, leaving no one entity with sufficient authority to enact change on its own. Despite the common interests regions and their anchors share, anchors have yet to be fully engaged in regional efforts around land use and infrastructure geared toward unlocking

their own economic potential. Addressing land use and infrastructure issues related to anchors can help anchors and their stakeholders connect to one another more easily, increase the spatial efficiency of regional economies, strengthen industry clusters and accelerate the pace of innovation.

### **Capital**

In order to maximize the economic impact of anchors, the right type of capital must be available to the variety of actors and for the full range of activities (e.g. small business, commercial real estate, affordable housing), seeking to advance the goals above. Regions have ecosystems that facilitate the flow of capital from investors to projects. These ecosystems include actors such as private firms, government, capital providers, borrowers, nonprofits and in some cases anchors themselves. However, these ecosystems may often lack certain actors (e.g., qualified borrowers, certain capital providers) needed to fund certain activities. Even when the components of the ecosystem are present, the proper coordination may still be lacking, especially in lending/investment activities that may be unconventional or new. In order to ensure that regional actors have the “fuel” they need to implement work, and realize the benefits of that work, at scale, regional stakeholders and anchors must work to align their strategies, with an understanding of how their capital ecosystems operate.

### **CREATING A FRAMEWORK FOR ACTION**

Innovation requires the development of new or re-engineering of existing processes and systems, on a large scale, resulting in significant impact on a city, a region, and their economies. Below are brief overviews of systems we believe to be instrumental in this effort. By convening senior leaders from each of these essential systems together with anchor leadership, we believe we can develop an actionable framework for innovation by tackling the barriers above and creating greater alignment. In order to guide this process most effectively, we suggest that the development of the framework should be informed by the following principles:

**Focus on How Anchors and Broader Systems Interact** – The framework should not focus on actions that individual anchors should take in isolation, but rather focus on ways in which anchors and the systems with which they interact can together increase their alignment. Strategies and steps identified at the Design Lab should be linked as clearly as possible to specific systems and stakeholders that would need to take action in order to create the change envisioned, recognizing that these stakeholders may not be the same in all regions.

**Be Action-Oriented: Identifying Barriers and Steps to Overcome Them** – The framework should identify the key barriers that currently prevent regional systems from aligning with



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anchors' economic activities, and then identify particular strategies and concrete steps that different stakeholders can take to overcome the identified barriers and increase alignment.

**Prioritize Scale** – The framework should point in the direction of strategies that can catalyze creation of economic opportunities on a significant scale, rather than focus on smaller-impact programs that do not have that potential.

**Focus on Low-Income People** – The framework should not simply identify strategies and steps to improve the economic competitiveness of an overall region, but should rather focus on the creation of economic opportunities that will benefit all residents, especially low-income people.

**Look Beyond Technical Solutions** – The framework should recognize that moving this work forward will in most instances not simply be a matter of replicating best practices, but will often require the creation of new processes of stakeholders working together to solve problems in an adaptive way.

**Recognize that Not One Size Will Fit All** – The framework should take account of the fact that not all regions are identical, and so different regions will need to adapt proposed strategies to their own circumstances. The work of individual regions will need to be informed by data and by the specific structures of industries, capacities of stakeholders, etc.