

**SUMMARY OF ANCHOR INSTITUTIONS DESIGN LAB:
OPPORTUNITIES, BARRIERS AND STRATEGIES FOR HARNESSING
ANCHORS' ECONOMIC IMPACT**

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INTRODUCTION

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.

As major employers, purchasers, generators of innovation with potential commercial applications, real-estate developers and more, anchors pursue business activities which, if properly harnessed, should translate into economic gains for their home region and economic opportunity for residents. Systems within a given region such as small business development, workforce development, and economic development, could be enlisted to facilitate this translation. Aligning these systems to the business functions of anchors has two benefits: First, doing so creates greater opportunity within the region – for example, through the increased potential for local small businesses to sell to anchors, or by connecting low-income people to jobs within anchors – as well as for the institution (e.g., greater control over

supply chains, reduced turnover and hiring costs). Perhaps more importantly, if these systems can be aligned to enhance the local economic impact of anchors, they could also potentially be aligned in other ways that create economic opportunity within a region. For instance, a workforce system that works effectively to train people for jobs in hospitals could potentially be more effective in preparing clients for, and placing them in, comparable healthcare jobs outside of anchors.

For the most part, however, anchors that have sought to translate these activities into economic benefits for their regions have either taken it upon themselves or been pressured to “go it alone,” without the benefit of these broader systems. In addition, much of the focus in this work has been on what anchors can do to revitalize and engage productively with their immediately surrounding communities, while anchors’ broader potential for economic impact and the creation of opportunity at the regional level has received less emphasis. Through a series of small and full group discussions, the 60 participants in Living Cities’ Anchor Institutions Design Lab sought to better understand the potential for alignment between anchors and systems in a region, identified the obstacles to achieving it, discussed potential strategies to address these obstacles, and identified potential actions stakeholders in the field might pursue to advance these strategies. Below is a summary of their discussions, broken out by system.

SYSTEMS THAT COULD BE ALIGNED WITH THE ACTIVITIES OF ANCHORS



Workforce Development

What might be achieved: 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. Living Cities’ goal going into the Design Lab was to find ways for key players in regional workforce development systems (including training and placement service providers, public and private funders, and anchors themselves as employers) to align their efforts so that the system can produce workers with the skills and competencies needed by anchors and, ideally, by the regional employers with whom anchors interact. This alignment could help anchors fill persistent vacancies, reduce hiring and retention costs, and expand the array of job opportunities available to residents of the region, including low-income residents.

What greater alignment might look like: In a workforce development system more fully aligned to take advantage of potential job opportunities within anchors, some of the following would be in place:

- Mechanisms for aggregating data on current and projected personnel needs within and across anchors (as well as other employers)
- Ability to modify and update training curricula, based on data provided by anchors to prepare prospective workers for jobs within anchors (while equipping them with skills that could also be used in other workplaces)
- Orientation of workforce training modules toward credentials that are “stackable” (building on one another) and “portable” (are recognized by an array of employers in similar jobs)
- Clear “career ladders” that make it possible for training providers and workers to provide and build stackable credentials, and that hold relatively constant across organizations whose employees do similar jobs
- Mechanisms for facilitating access by training program graduates into jobs for which they are now qualified
- One or more cross-sector, interdisciplinary collaborative/governing bodies to facilitate the above across anchors, training providers, public and private funders, etc.

Barriers that make greater alignment difficult: Participants identified a number of such barriers including:

- Lack of actionable intelligence (data) around skill needs: Anchors often do not have aggregate data in shareable form on their current or future personnel needs, such as shortages in workers with specific skills. Aggregating this data can be particularly challenging when the anchor has many different units (such as schools within a university) each with their own human resource offices
- Lack of capacity to use such data, even where it is available, to coordinate with training providers to prepare clients for jobs within anchors, develop consistent certification programs and course curricula to ensure that the anchor can confidently hire program graduates, or to then facilitate the placement of program graduates into available jobs
- Lack of collaborative or governance structures required to coordinate and assign responsibilities among the various players
- Lack of clarity around the actual benefits to various players: Data around financial and other benefits of this kind of work to anchors in particular has been collected only in a small number of cases, and what data has been collected has not been widely publicized. Training and placement providers, in the meantime, are often paid for providing services, but that compensation is often not tied to successful placement in quality jobs, which limits providers’ incentive to better tailor their offerings
- Failure of the K-12 system to produce workers with foundational skills and competencies (e.g., math and language proficiency), which places additional burdens on the workforce system

Potential strategies for overcoming these barriers: Participants cited a number of promising place-based models for addressing these barriers, some of which involve anchors at their core and others of which do not, including the Allied Health Initiative in Boston, the Baltimore Alliance for Careers in Healthcare, and Partners for a Competitive Workforce in Cincinnati. These models have featured cross-sectoral partnerships between training providers, employers and other key stakeholders, as well as a data-driven approach that helps orient training resources to genuine needs in the market. Participants also cited the need for greater clarity around roles and responsibilities for different players, and for better systems to aggregate data and use it to make decisions, as key impediments to advancing this work.



Small Business Development

What might be achieved: 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. By aligning small business development resources and initiatives to take advantage of the contracting and other opportunities created by anchors, and by modifying anchor procurement processes and systems to facilitate small business participation, regions can increase the opportunities available to local small businesses, yielding improved results for the anchors themselves and keeping more of anchors' spending within the region.

What greater alignment might look like: In a region where small business development systems are more deeply aligned to take advantage of the opportunities created by anchors, those systems might have characteristics such as:

- Support mechanisms for small, minority- or women- owned businesses with the potential to sell to anchors or to their direct suppliers, potentially including “matchmaking,” support for responses to anchor RFPs, and facilitation of access to expansion capital
- Targeting of some small business development resources to support capacity building of small businesses with the potential to meet anchors’ pressing procurement needs
- Data on small businesses that provide services that anchors need, as well as on the procurement needs of anchors, so that anchors and their suppliers can find small businesses more easily and small businesses can better compete to supply anchors

Barriers that make greater alignment difficult: Participants cited a number of barriers, including:

- Lack of data on anchor supply and service needs, which is difficult to overcome due in part to reliance on anchors to provide that data. Anchors are often reluctant to dedicate resources to generating the data and, in some cases, may also be reluctant to provide procurement data that competitors might use to their advantage
- Current contracting systems which favor larger firms over smaller ones, and an emphasis on minimizing costs to the exclusion of other goals in the broader institutional interest (e.g., strengthening the regional economy)
- Varying standards for certification of small businesses for public and nonprofit assistance, potentially creating confusion around how to target small business development efforts and perhaps even reluctance among anchors to increase their own efforts to work with these businesses
- Disagreement over whose responsibility it is to aggregate data, and to develop and pay for innovative solutions

Potential strategies to overcome these barriers:

- Aggregate data where possible on anchor procurement needs, then target small business assistance resources to help small businesses meet those needs
- Explore whether there is an opportunity to work with Group Purchasing Organizations to support local buying
- Explore the roles intermediaries can play in performing functions (e.g. aggregation of data) that other institutions feel are not their responsibilities

Regional Economic Development and Clusters

What might be achieved: While many of the areas of work described in this summary could fall under the broad umbrella of economic development, discussions around economic development at the Design Lab were particularly focused on how anchors and regional economic development leaders might work together more intentionally to accelerate technology transfer (the commercialization of innovations generated by anchors) and support the retention of these firms in their regions of origin. Advancing these goals could generate increased economic activity within regions, create jobs, and help anchors themselves compete for innovators in their respective fields.

What greater alignment might look like:

- Availability of local venture capital to support innovation, and mechanisms to facilitate connections between anchor entrepreneurs and capital providers
- Support networks for entrepreneurs seeking to commercialize their innovations, such as industry cluster councils or industry-focused associations
- Increased focus by anchors themselves on encouraging the commercialization of innovations (e.g., through the creation of incubators)
- Increased coordination between anchors, capital providers, economic development policymakers and others in support of the above goals

Barriers that make greater alignment difficult: Participants cited a number of barriers, including:

- A lack of alignment, imagination, commitment and trust among civic, anchor and political leadership which inhibits effective collaboration
- A lack of understanding among government agencies as to how they might catalyze this kind of work
- A lack of clarity as to how new and innovative approaches to promoting tech transfer can be funded
- Ineffective use of data to drive work that accelerates tech transfer
- Disagreement over how responsibilities for a more systematic approach should be apportioned (e.g., who should pay for what kinds of training?)



Potential strategies to overcome these barriers: Participants emphasized that to overcome these barriers, leaders across sectors have to focus on addressing systems level barriers, and work toward re-imagining what they do and how they do it, rather than jumping to technical, incremental solutions. However, the approach to addressing these barriers did not get as detailed in these discussions as they did in some of the others.

Capital

What might be achieved: The need for capital cuts across the goals and issue areas described above. Within each system, suitable capital must be available to the full range of actors, and for the full range of activities, needed for regions to maximize the economic impact of their anchors (e.g. small business, commercial real estate development). In order to ensure that regional actors have the “fuel” they need to implement the necessary work, and to realize the benefits of that work, at scale, regional stakeholders and anchors must align their strategies, with an understanding of how their capital ecosystems operate in order to increase and accelerate the flow of capital and ensure its successful deployment through these activities.

What greater alignment might look like: If regional capital ecosystems are to be effective in fueling the work of these other systems, then outcomes might include:

- More capital available on appropriate terms to small businesses that might service anchors successfully but lack the capital they need to do so (related actions could include, for example, targeting some public and private small business lending to, or the creation of special financing vehicles for, small businesses that provide goods and services that anchors need)
- Allocation of subsidy dollars to efforts to align the systems discussed here with the activities of anchors
- Increased capacity of the end users of capital (e.g. affordable housing developers, small business service providers) to deploy and repay what capital is available

Barriers that make greater alignment difficult: A number of obstacles were cited that prevent capital from doing more to advance the goals of the Design Lab, including:

- Lack of clarity around the return on investment for potential capital providers, including anchors, for the various kinds of transactions that might be made; relatedly, a lack of clarity around what kinds of deals would actually advance benefits to regions and communities, related to anchors, in each of these areas of work
- Reluctance across stakeholders to bear the cost of “inventing” new financing solutions where they are needed
- Lack of clarity around the roles of different players in this ecosystem, or reluctance to play those roles. Anchors and capital providers do not want to be expected to develop all the solutions themselves, and it is often not clear what the return on investment to the institution actually is. Meanwhile, many foundations, which could potentially be sources of capital, are often reluctant to invest endowment funds in this work even when that work could advance their philanthropic

goals, and it is unclear how financial institutions can engage most productively in this work, particularly within a regional frame

- Lack of one or more “multilingual” entities with the ability to translate broad vision into terms that capital providers, users and other stakeholders can use to make deals that support that vision. Identifying, developing and working with such market-makers over the long term can be a challenge. As one participant said: “Regions can get committed to a market maker that may have been effective at one point in time, but that then becomes less effective as times change.” This participant raised the question of how a “next generation” of market-makers can best be cultivated, and how the performance of that array of entities can be tracked and maintained over time

Potential strategies to overcome these barriers included:

- Using subsidy to support the development of and experimentation with innovative deals with the potential to translate community or regional visions into transactions that advance those visions
- Developing a set of concrete goals, objectives or benchmarks to clarify the ends toward which capital is meant to be used
- Developing case studies to provide concrete examples of, and demonstrate returns on investment for, strategies or transactions that advance anchor-related goals

Land Use and Infrastructure

What might be achieved: To help maximize regional economic prosperity and capture economic activity generated by anchors, 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. Some anchors have difficulty meeting their own space needs, and as contiguous expansion becomes increasingly difficult (and sometimes contentious), they find themselves struggling to (1) identify and access space and (2) connect their facilities, employees, and customers. Meanwhile, anchors also generate additional economic activity through their procurement activities and the commercialization of their research – and these activities bring with them their own land use and infrastructure needs. By orienting land use and infrastructure planning to take maximum advantage of anchors’ economic power, regions can increase the spatial efficiency of their economies, help unlock the economic power of their anchors, and better connect low-income people to economic opportunities.

Barriers that make alignment difficult:

- Divergent expectations of anchors: In many cases, anchors may feel pressed by outside stakeholders to pay for infrastructure or real-estate projects that they feel lie outside their mission or business priorities, rather than to participate in planning and development processes in other ways that benefit both anchor and region. Data to clarify the benefit to the anchor and

the region around collaboration and participation in land use and transportation efforts may not be adequate and has rarely if at all been used to great effect. As a result, communication and trust between anchors and other relevant stakeholders breaks down, leading to sporadic and largely transactional collaboration between these parties on issues related to land use and infrastructure

- Broader governance and jurisdictional issues: Regions tend not to be ready and cohesive partners for anchors. While recent initiatives such as the Sustainable Communities Regional Planning Grant Program are facilitating deeper collaboration across silos and jurisdictions, that collaboration is not yet standard practice in regions across the country, and conflicts of interest continue to challenge this collaboration. As a result, anchors (along with other significant economic players) may be reluctant to engage in what could be seen as a messy and unpredictable process

Strategies to Overcome these Barriers:

- Engagement of anchors and other major employers in planning for, advocating and implementing land use measures that facilitate the goals described above
- Aggregation and use of data to clarify where land use and transportation issues can create shared value for anchors and regions
- Continued improvement of collaborative structures and processes across-the-board, so that all parties including anchors can engage more deeply and productively around issues related to land use and transportation

CROSS-CUTTING ACCELERANTS TO HARNESS THE ECONOMIC IMPACT OF ANCHORS



Across these various areas of work, a number of cross-cutting ideas were raised with the potential to enhance or accelerate the impact of this work.

Accelerants

- Data: Data can play several significant roles, potentially including demonstrating the return on investment for anchors and regions working together, and providing real-time “intelligence” in support of specific strategies (e.g., a database of small, minority- and women- owned businesses in support of efforts to increase anchor contracting with these businesses). Some of this data already exists and just needs to be aggregated in usable ways; other data remains to be collected
- Intermediaries: The work of linking anchors to regional systems is currently no one’s “day job.” This work requires one or more “multilingual” entities that can identify and translate the interests of anchors and other stakeholders in order to identify opportunities for them to work together toward regional economic impact and mutual benefit
- Capital: Capital providers and intermediaries need to be better oriented to opportunities related to anchor institutions such as small business capital (e.g., equity, debt) to support the range of businesses that relate to anchors; or subsidized capital to provide affordable housing so that employees can live closer to work. Another key task for these leaders working with anchors is “market-making,” or the removing of barriers to the flow of capital

Principles:

- An integrated focus on equity: In order for this work to successfully link low-income people to economic opportunity at meaningful scale, this outcome must be a focus from the beginning rather than an “add-on.” Specific outcomes for low-income people and communities (e.g. procurement goals for anchors) must be identified and managed across partners. Participants also noted a need for greater clarity about certain dimensions of this part of the work – for example, how specifically an economic strategy like technology transfer can integrate a focus on linking low-income people to economic opportunity
- A more fluid concept of regionalism: Several participants underscored that regionalism for its own sake creates the risk of getting bogged down in regional politics when in fact different anchor-related activities will have different relevant geographic scales. For example, efforts to accelerate the commercialization of anchor-generated research, initiatives to connect small businesses to anchor supply chains, and efforts to better train the local workforce for anchor-related opportunities might each have their own relevant geographies and set of key actors

Note: The issue of PILOTs (Payments in Lieu of Taxes)

The issue of PILOTs was raised multiple times during the Design Lab. Some participants contested the idea that it should be the responsibility of the systems around anchors to devote resources to harnessing anchors’ economic impact, arguing instead that anchors themselves do not pay taxes and therefore should have an affirmative obligation to advance these outcomes. Some anchor leaders, on the other hand, suggested that their tax-exempt status is a function of their core missions of education

and healthcare, and that the act of making PILOTs is actually a compromise in and of itself. This debate, however, was not connected back to the question of what is “the anchors’ job” and what is “the systems’ job.” It is possible, however that an explicit framework for the negotiation of PILOTs – one that accounts both for the exchange of funds *and* for actions within anchors’ core lines of business to facilitate anchor-regional alignment – could facilitate more productive dialogue around PILOTs and a more productive relationship between anchors and local/regional systems.

NEXT STEPS: SETTING A FIELD-WIDE INNOVATION AGENDA

Further innovation is needed to enhance and accelerate efforts to harness the economic impact of anchors. The accelerants above will need to be tried out in more places and at greater depth or scale. More research is needed on issues such as the return on investment for various anchor activities, and how real-estate developers and venture capital can be better engaged in anchor-related work. This innovation requires more work than any one region or leader can do alone – rather, it requires a coordinated, field-wide effort.

With this idea in mind, in the coming weeks Living Cities plans to issue to Design Lab participants a first take at a field-wide agenda for research and experimentation related to the accelerants described above. Our intent is to get your feedback and ideas in reaction to this draft, surface existing efforts related to the agenda and provide a common basis for interested participants to discuss how the remaining efforts might be advanced. We look forward to continued dialogue with you in the weeks and months ahead.