



Council for the  
New American City



**ICIC**

Initiative for a Competitive Inner City

THE INITIATIVE FOR A COMPETITIVE INNER CITY AND THE U.S. CONFERENCE OF MAYORS' COUNCIL FOR THE NEW AMERICAN CITY ARE PARTNERING TO ENCOURAGE BUSINESS INVESTMENT IN URBAN AREAS. USING ICIC'S RESEARCH, THE COUNCIL AND ICIC WILL TACKLE SEVERAL ECONOMIC DEVELOPMENT ISSUES WITH CITIES THIS YEAR—STARTING WITH LEVERAGING THE POWER OF ANCHOR INSTITUTIONS.

---

# ANCHOR INSTITUTIONS: AN UNTAPPED RESOURCE

**INTRODUCTION** As many cities struggle with job loss, foreclosures and manufacturing plant shutdowns, so-called anchor institutions represent a vast and untapped resource right where many cities need them most: in the urban core. Anchor institutions, such as hospitals, universities, arts and cultural institutions and sports venues, already wield huge economic power within their communities. But when it comes to economic development initiatives, many cities view anchors primarily as employers or real estate developers. While these roles are important, anchors interact with their communities in a myriad of other ways and present multiple opportunities for cities to partner with them more aggressively. Anchors' activities as purchasers and cluster **[continued]**

anchors provide particularly fertile ground for partnerships, with the potential to create local jobs and a healthier business environment, strengthen the local tax base, improve the quality of area research institutions, start up new and grow existing firms and attract more research and development funding. In this regard, the experience of Cleveland, home to a multitude of highly engaged anchors, is instructive.

The key to successful anchor-city partnerships lies in creating shared value, which is fundamentally different than the philanthropic activities through which anchors already support their communities. Shared value, writes ICIC founder and Harvard Business School professor Michael Porter, is defined by “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. A business needs a successful community, not only to create demand for its products but also to provide critical public assets and a supportive environment. A community needs successful businesses to provide jobs and wealth creation opportunities for its citizens.”

A good first step to working with anchors is attaining a deeper understanding of their economic influence and their business goals. Armed with this information, cities and mayors can then examine anchors’ roles as purchasers and cluster anchors and can team up to create jobs, wring more impact from scarce resources and improve their communities.

### Economic Influence of Anchors

Anchors’ influence is disproportionately concentrated where it can be of most use: in the urban core. Although inner cities comprise less than 1% of our country’s land area, some 925 colleges and universities, or roughly one in eight, are based in the inner city. About 350 hospitals, or roughly one in 15 of the nation’s largest hospitals, call an inner city home. In 66 of the 100 largest inner cities, an anchor is the largest employer.

There are three areas in which anchors’ economic influence is most apparent: real estate holdings, amount of money spent and jobs supported or created. Collectively, colleges and universities have inner city real estate portfolios valued at almost \$100 billion. In Detroit, the three largest anchors—Wayne State University, Detroit Medical Center and the Henry Ford Health System—control nearly

half of the real estate in the city’s Midtown neighborhood and spend a combined \$1.7 billion annually on goods and services. In 2008, inner city anchors spent over \$200 billion on goods, services and pay. Large hospitals alone spent \$130 billion.

The jobs numbers are equally impressive. Nationally, so-called “eds and meds” provide 5.2% of jobs. In the inner city, they provide 11% of jobs. Without anchors, inner cities would have lost 10,000 jobs from 1998 to 2006.

### Anchors’ Roles

The different capacities in which anchors interact with their communities can be grouped into seven roles: provider of goods and services, real estate developer, purchaser, employer, workforce developer, cluster anchor and community infrastructure builder. An anchor’s impact is most powerful when its business strategy integrates all of these roles for its own benefit as well as for that of the community.

While anchors’ activities as real estate developers and employers are relatively high-profile, cities have done far less to engage with anchors as purchasers and cluster anchors.



---

## **Anchors as Purchasers**

The sheer amount of money spent by anchors indicates that they are well-positioned to make dramatic impacts in their neighborhoods. The Cleveland Clinic, for example, spends about \$500 million annually in capital expenditures, \$500 million in operational expenses and, in 2010, had \$848 million in construction projects in the pipeline or in development. The Clinic breaks up large contracts, especially in construction, to make it easier for locally- and minority-owned businesses to compete.

To help keep more anchor spending in Cleveland, The Cleveland Foundation brought together The Cleveland Clinic, Case Western Reserve University, University Hospitals and other local anchors and created the Evergreen Cooperative Development Fund. The Fund helps seed environmentally friendly worker-owned cooperatives in industries that lack suitable local suppliers. Once a cooperative becomes profitable, it will return 10% of its earnings to the Fund to help seed new ventures. Evergreen Commercial Laundry was the first company launched out of the Fund. Next was Ohio Cooperative Solar, which now counts three anchors, as well as the City of Cleveland and the Cleveland Housing Network, as customers. The Fund is currently working on plans for more than a dozen different businesses.

## **Cluster Anchors**

Given anchors' size and prominence, cities should aggressively use anchors' influence to attract related companies to the region and to spur the creation of new companies. Again, Cleveland has had notable success, particularly with the April 2010 opening of the Global Cardiovascular Innovation Center. Led by the Cleveland Clinic, the Innovation Center is a cardiovascular product development consortium that provides grants, product development assistance and low-cost space for promising companies in the cardiovascular health industry. By partnering with a local nonprofit community development corporation, the Center attracted \$250 million in funding, including \$60 million from Ohio's Third Frontier initiative. The Center's goal is to create or attract more than 40 companies to Ohio and to generate more than 850 new skilled jobs. As of March 2011, the Innovation Center had formed or capitalized 27 new companies and convinced 12 others to establish new operations in Ohio. Other cities that are bold enough to engage anchors in similar partnerships will create significant improvements in their neighborhoods, their economies and, over time, the nation.

## **Leveraging the Power of Anchors**

To maximize the positive influence an anchor can have in the community, city government and anchors must work together – with local businesses and nonprofits. City leaders can jump-start this by recognizing the economic influence of anchors, identifying the unique capabilities an anchor brings to addressing a city's needs and understanding the business goals of the anchor itself. Tackling business and economic development issues with anchors, premised on the principle that the competitiveness of the anchor and the health of the community are inextricably linked, should be a critical part of a city's strategy.

## **Next Steps**

To learn more about the different roles anchors play in their communities, download "Creating Shared Value: Anchors and the Inner City" from [www.icic.org](http://www.icic.org). Over the coming months, the U.S. Conference of Mayors' Council for the New American City and ICIC will be providing additional information, tools and examples for cities to use to customize their own anchor strategies.

### **INITIATIVE FOR A COMPETITIVE INNER CITY**

The Initiative for a Competitive Inner City is a nonprofit research and strategy organization based in Boston, MA, and the leading authority on U.S. inner city economies and business development. Founded in 1994 by Harvard Business School Professor Michael Porter, ICIC supports public and private sector decision makers with analysis and programs that lead to urban investment, jobs and growth.

### **U.S. CONFERENCE OF MAYORS**

The U.S. Conference of Mayors nationally represents cities with populations over 30,000. Within the Conference, the Council for the New American City develops strategies to increase investment in cities and their neighborhoods through sustainable development, financial empowerment, and 21st Century technologies.