

LISC

FORWARD CITIES

Anchor Institutions' Contributions to Building Inclusive Small Business Ecosystems



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This report was prepared by -

LISC

William Taft, Senior Vice President, Economic Development
Elizabeth Demetriou, Director, Economic Development
Ellen Watters, Consultant

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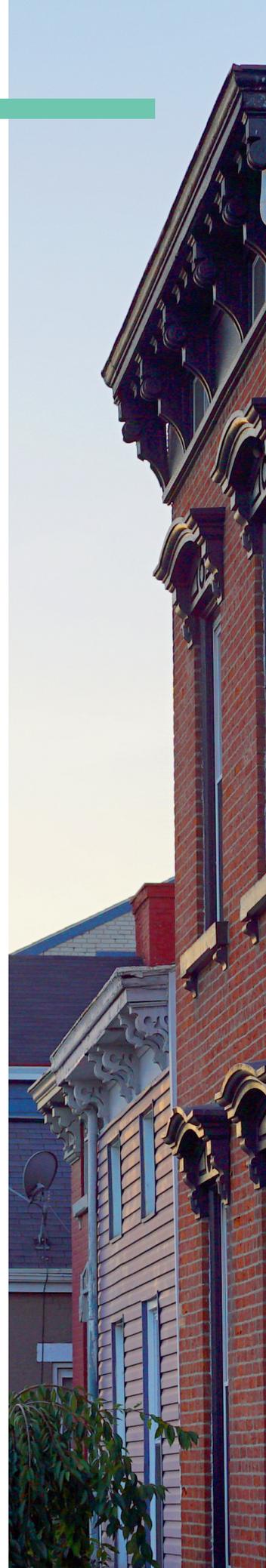
Christopher Gergen, CEO
Nicolas Gunkel, Vice President
Michelle Benham, Director of Marketing & Communications

INTRODUCTION

Communities around the country are increasingly recognizing the transformative economic and community-building power of Anchor Institutions (Anchors) – those sizable entities with physical, cultural and economic ties to a community such as universities, hospitals, local government, and large corporations. These institutions are often an under-tapped resource that can play pivotal roles in creating and growing a prosperous economy by focusing on fostering a vibrant, inclusive small business sector. While the past decade has seen a rise and differentiation in anchor strategies, too little attention has been dedicated to either categorizing the breadth of engagement types or to assessing the impact of these strategies on small businesses and the ecosystem in which they are embedded in.

The following report, primarily written for Anchors interested in expanding their contributions to their local small business ecosystems and community stakeholders eager to engage in this conversation, spotlights the different paths that Anchors across the country have chartered. The case studies contained in this report are designed to spark conversations about which lessons to heed and which learnings to emulate. One lesson that emerges from the case studies is the imperative to more rigorously evaluate the impacts of Anchor strategies. The report concludes with a high-level roadmap that Anchors can follow to deepen their contributions to build a more inclusive, small business ecosystem.

For the past few years, LISC has been working with and studying examples of Anchors catalyzing small and minority business development in communities across the country. Developed in partnership with Forward Cities, a capacity-building organization committed to building equitable entrepreneurial ecosystems across the country, this report explores how different types of Anchor Institutions are leveraging their unique assets and place in their communities to foster an environment in which small businesses, especially woman and minority-owned businesses (W/MBE), can grow and thrive.



WHAT IS AN ANCHOR?



While Anchor institutions' economic development strategies were pioneered in the world of higher education and healthcare – the so-called “eds” and “meds” – the field is evolving to activate other types of institutions that share similar traits and that can be harnessed to advance inclusive growth opportunities. These include other major employers, entities that are major destinations or developers, organizations whose investments and spending impact local economies, etc. These entities include corporations, governments, arts and cultural institutions, sports facilities and teams, among others. In Richmond, Virginia, for example, a major corporation, Capital One, created the *6 Biz* program in partnership with LISC to provide grants to small businesses in the Highland Park neighborhood. Many cities and counties have also recognized the power of their own assets to create prosperity by adopting local procurement goals beyond capital projects. For instance, the city of Memphis has doubled its spending with MBEs in two years through a set of intentional fiscal policies.

CREATING SHARED VALUE FOR ANCHORS AND SMALL BUSINESS ECOSYSTEMS

Effective Anchor-Community partnerships that have the potential to advance shared economic prosperity through entrepreneurship are built on a foundation of shared value. For Anchors this means clearly understanding how their engagement in the ecosystem intersects with their business prerogatives and local license to operate sustainably and profitably – in short, ‘their own self-interest well understood’ (de Toqueville, *Democracy in America*).

Establishing the ground of trust and shared value is one of the hardest parts of the work. A common vocabulary, agreement on desired outcomes and commitment to transparency are critical ingredients. Foremost, though, it requires all parties to be willing to engage in honest conversations, to re-evaluate long-held preconceived notions and vulnerability to admit past mistakes and work through grievances. The inherent power imbalance between the parties and the fact that ‘community’ rarely speaks with one voice, makes this process significantly more difficult for communities. But it is an absolutely critical piece of a larger strategic development, without which the best thought-out strategy will collapse once doubts inevitably (re-)surface along the journey. Our work as intermediaries in these conversations across the country, affords Forward Cities and LISC with a unique perspective to help shepherd this process forward.

Some Anchors are motivated by a desire to improve or create a vibrant district around their physical campus to serve the needs of staff, visitors and students. ProMedica in Toledo, for instance, created a loan pool in partnership with LISC to help small businesses in targeted neighborhoods surrounding its facilities. Others are motivated by external influences to drive dollars into the local small business economy. These externalities include region-wide “buy local” campaigns like those seen with *Chicago Anchors for a Strong Economy* or the *Washington D.C. Anchor Partnership*. In some instances, an external driver emerges from a Community Benefits Agreement that an Anchor enters into that calls for specific investments in the local economy or local hiring goals. In healthcare, a Community Health Needs Assessment can launch an Anchor to develop strategies that increase resident income as a lever to improve health outcomes.

Regardless of motivation, there are clear benefits to Anchor Institutions who commit to growing inclusive small business ecosystems including:

- Align sustainability, diversity and inclusion, and community benefit priorities across the institution.
- Create a more efficient and resilient supply chain that reduces transportation impacts, increases timeliness and provides enhanced customer service through local contacts.
- Contribute to a thriving local business community that meets needs for goods and services of area residents, employees and customers.
- Increase community impact by targeting underserved neighborhoods.
- Leverage philanthropic and public funds to advance shared goals with community partners.
- Earn an enhanced reputation and be recognized as contributing to creating a more inclusive and prosperous local economy.
- Enhance the safety and appearance of adjacent neighborhoods by supporting local businesses.



For communities, successful Anchor institution engagement in strengthening an inclusive, small business ecosystem provides multiple benefits including:

- A stronger local economy: Expanded local business revenues recirculate throughout the local economy. According to the Institute for Local Self-Reliance,¹ multiple studies indicate that around 50 cents of every dollar spent at locally owned businesses is reinvested into the local economy through wages, goods and services, profits, and donations.
- Job Generator and Potential Pathway out of Unemployment – Local businesses tend to hire locally, creating jobs for existing and new residents. A study by the Initiative for a Competitive Inner City² found that in the ten cities investigated, “urban small businesses [with 5 to 249 employees] create most of the jobs in the city overall as well as in distressed inner city neighborhoods” (p.1).
- Increased tax revenue – Growing small businesses provide commercial and personal tax base for communities.
- Increased racial wage equity – Women and minority-owned businesses hire more people of color and pay higher wages, helping to narrow the racial wage gap. Research by Policy Link³ shows that if people of color earned the same as white counterparts, many urban economies could be significantly larger.
- Access to goods and services – increased access to good and services needed by nearby residents in areas adjacent to Anchors. For example, healthcare institutions that provide mobile or free-standing food markets in areas formerly designated as food deserts impacts community health.
- Adjacent business district revitalization – increased vitality in business districts that contribute to overall perceptions of neighborhood safety, desirability, and convenience.

1. “KEY STUDIES: WHY LOCAL MATTERS.” N.D., ACCESSED ON SEPTEMBER 4 2019, [HTTPS://ILSR.ORG/KEY-STUDIES-WHY-LOCAL-MATTERS/#3](https://ilsr.org/key-studies-why-local-matters/#3).

2. “THE BIG IMPACT OF SMALL BUSINESSES ON URBAN JOB CREATION: EVIDENCE FROM 10 CITIES,” JULY 2019, ACCESSED ON SEPTEMBER 4 2019, [HTTP://ICIC.ORG/WP-CONTENT/UPLOADS/2019/08/3PMC_BIGIMPACT_JUL2019_ADA1.PDF](http://icic.org/wp-content/uploads/2019/08/3PMC_BIGIMPACT_JUL2019_ADA1.PDF).

3. “THE EQUITY SOLUTION: RACIAL INCLUSION IS KEY TO GROWING A STRONG NEW ECONOMY,” OCTOBER 2015, ACCESSED ON SEPTEMBER 4, 2019 [HTTPS://WWW.POLICYLINK.ORG/SITES/DEFAULT/FILES/EQUITY_SOLUTION_BRIEF.PDF](https://www.policylink.org/sites/default/files/equity_solution_brief.pdf)

MULTIPLE AND VARIED ROLES ANCHORS PLAY IN BUILDING INCLUSIVE SMALL BUSINESS ECOSYSTEMS

A scan of successful Anchor initiatives identified four primary roles that Anchors have adopted to support a vibrant inclusive small business ecosystem:



INVESTOR

BUYER

CAPACITY BUILDER

KNOWLEDGE SHARER

ANCHORS AS INVESTORS

As an investor, Anchors typically commit their own assets, such as endowments or investment funds, to create a capital pool designed to further the unique needs of the Anchor and the shared value strategy developed with the community. A common model is for Anchors to provide grants or loans to small businesses that will create living wage jobs or ownership opportunities, often in a targeted geography adjacent to or of interest to the Anchor. For example, Northeastern University (page 12) in Boston partnered with LISC to deploy \$2.5 million in various loan products to existing woman- and minority-owned small businesses in the City and to serve the neighborhoods surrounding the campus.

Other models include Anchors investing in capital projects that create incubators, accelerators or other places that support small businesses and start-ups. Indiana University Purdue University Indianapolis (IUPUI) worked with LISC on a neighborhood planning initiative that led to IUPUI establishing the Source River West Entrepreneurship Center. The Center was a catalyst for revitalizing a commercial corridor and growing local businesses in a targeted neighborhood by providing free entrepreneurial coaching and support, connecting businesses with resources and helping business scale. In 2018 Source River West assisted more than 300 neighborhood entrepreneurs.

Anchors can also support small businesses and districts by owning or leasing space and occupying it themselves. As partners in larger commercial and residential real estate development projects, Anchors provide capital and can be a catalyzing influence through a presence in a community. As tenants, Anchors can also ensure a consistent revenue stream for the owner that supports keeping other space affordable for small businesses. Washington University and BJC Healthcare in St. Louis were instrumental in the creation of Cortex, a 501(c)3. Other partners include the University of Missouri – St. Louis, St. Louis University, and the Missouri Botanical Garden. Together these institutions committed \$29 million to develop 200 acres of urban land that was underutilized and full of aging industrial properties into an innovation district which helped launch dozens of small tech businesses.

There are other examples where Anchor's have invested in real estate development to provide housing for employees, or have invested in place-making to enhance the physical surroundings, among other strategies. Pittsburgh State University, for example, has partnered with the City and a private developer to redevelop four historic buildings into a mixed-use project. The City committed \$1.5 million, Pittsburg State University committed \$1 million, and the developer has secured \$10.05 million in tax credits. The remaining balance of \$5.4 million is a loan assumed by the developer and will be paid through a long-term lease agreement with Pittsburg State University. Part of the project includes a maker-space and incubator that currently houses several creative firms, a coffee shop and creperie that caters to the University and serves the new residents.



ANCHORS AS BUYERS

Perhaps the most common strategy Anchors have been utilizing to support inclusive local business ecosystems is to leverage their own procurement dollars by shifting those dollars to local, women and minority-owned vendors. Public sector entities have long established goals targeting a percentage of capital project spending to targeted vendors. In the private sector, minority supplier diversity programs have helped open up business opportunities. With Anchor institutions, targeting spend to a specific geography (neighborhood, city or region) is becoming more common, especially among education and corporate Anchors. Often the spend is focused on service businesses such as janitorial, landscaping and construction, or on locally-available commodities such as food and catering. Some “buy local” efforts have achieved significant success in terms of shifting spend, such as the Memphis Medical District which saw a 180% increase in spend going to local W/MBE over four years.



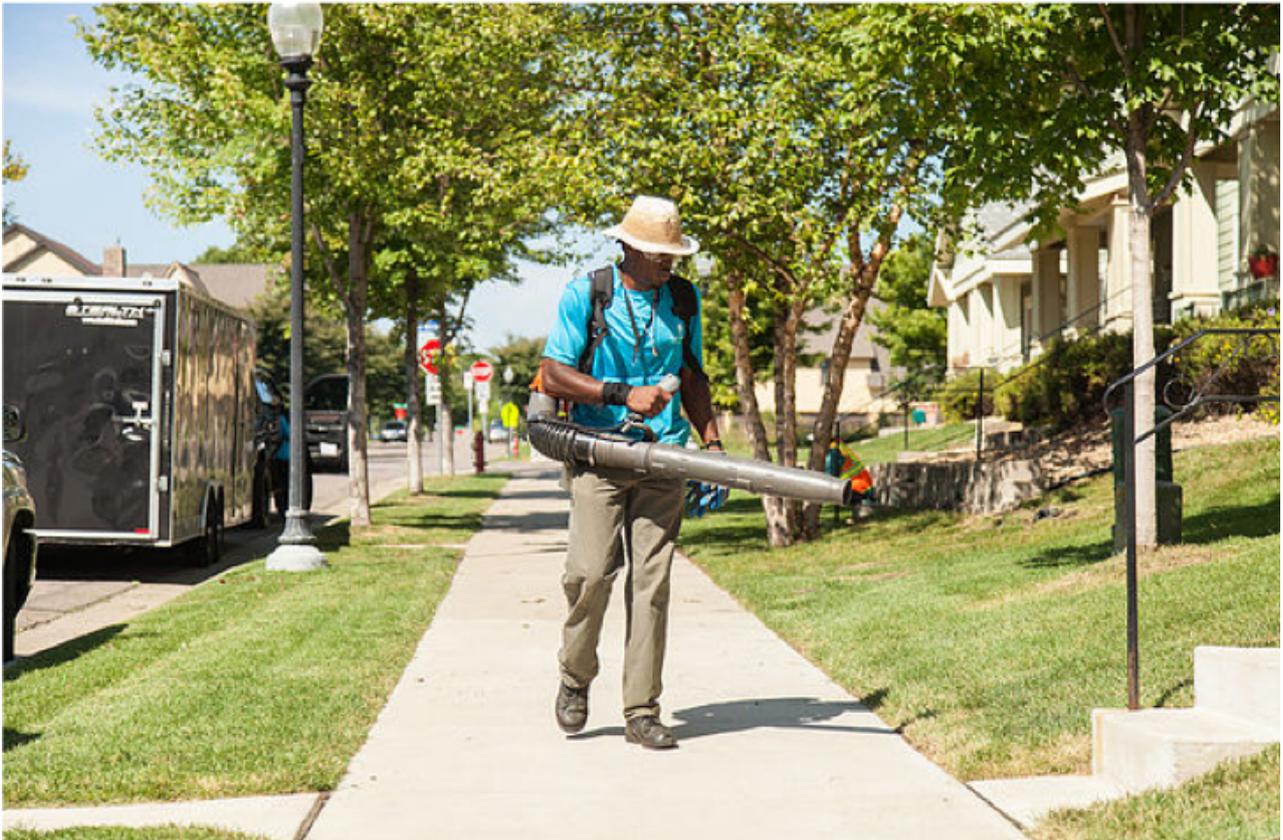
The Newark Anchor Collaborative has similarly identified the opportunity to collectively shift up to 10% or \$33 million annually of their total spend to local businesses. While these efforts often focus on large-scale procurement changes, there are other examples where smaller scale shifts to a few W/MBE and traditionally-disinvested communities have proven to be powerful sparks to district revitalization and the small business ecosystem. In Houston, Methodist Health System paired a W/MBE general contractor with a prime contractor to build two hospital facilities. This joint venture not only led to several additional W/MBE contractors working as subcontractors on the project, but directly led to positioning the W/MBE general contractor as the prime for the next project. At Boston College, an intentional focus on fresh and local food has opened up opportunities for several local W/MBE firms to sell to the campus including a sweet potato farmer, NorthCoast Seafoods, and Backyard Farms greenhouse tomatoes.

4. GARLAND MAX. "MEMPHIS MEDICAL DISTRICT TARGETS LOCAL SMALL BUSINESSES AS PART OF COLLABORATIVE." 2019, ACCESSED ON SEPTEMBER 4 2019. [HTTPS://WWW.COMMERCIALAPPEAL.COM/STORY/MONEY/2019/03/17/MEMPHIS-MEDICAL-DISTRICT-TARGETS-SMALL-BUSINESSES-COLLABORATIVE/3138520002/](https://www.commercialappeal.com/story/money/2019/03/17/memphis-medical-district-targets-small-businesses-collaborative/3138520002/).

ANCHORS AS CAPACITY BUILDERS

Anchor institutions advance inclusive small business ecosystems as capacity builders, providing resources directly or often through intermediaries to help build the capacity of small businesses and advocate for policies that support small businesses. Anchors often partner with existing local nonprofit institutions and community-based organizations to work with small businesses and build on-the-ground technical assistance capacity within the community. Portland State University pioneered this model in 1994 with its Business Outreach Program which focused on W/MBE entrepreneurs while giving PSU business students the opportunity for community-based learning.

In early 2019 this program was spun-off from PSU as an independent nonprofit that helps more than 300 businesses a year. In Minneapolis-St. Paul (page 20), two government agencies have contracted with a local community development corporation, NEON, to provide technical assistance and back office support to entrepreneurs in the building services industry to enable them to effectively compete for and fulfill the Anchor government contracts for those services.



ANCHORS SHARING KNOWLEDGE AND INFRASTRUCTURE

Anchor institutions contain a wealth of expertise whether they are institutions of learning, healthcare, or cultural institutions. Their physical and intellectual infrastructure (professional expertise, building space, specialized equipment, IT, etc.) can be shared to support an inclusive small business ecosystem. At Tulane University Medical School, for example, the school built a teaching kitchen to provide training for medical students on culinary medicine. At the same time, the kitchen serves as a community hub that provides food and health information to residents and hosts entrepreneurs in the food sector.



At Marquette University (page 21) in Milwaukee, a business professor recognized the dearth of commercial real estate professionals of color in the city and created a program to get more people of color into the industry as a strategy to grow their wealth and influence in decisions involving neighborhood change. As the program has evolved, more developers of color are doing more projects in diverse neighborhoods that are providing opportunities for small businesses from the neighborhoods.

The University of Pittsburgh (page 22) has leased space in two neighborhoods and offers a computer lab, access to classes, space for community meetings, and is deploying a network of staff to work with communities on a host of projects. Other higher ed institutions often host Small Business Development Centers or deploy student research teams to provide quantitative and qualitative data useful for neighborhood planning and creation of programs to support small businesses.

BOSTON

Background

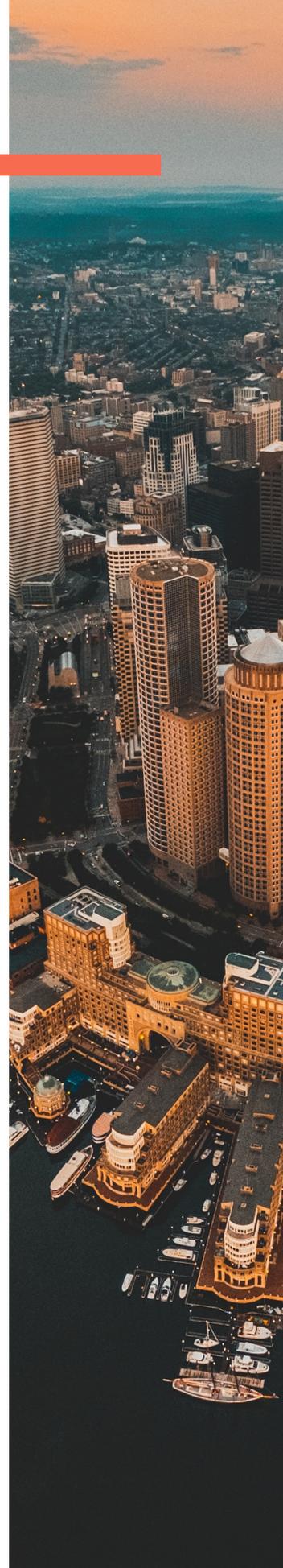
Northeastern University is located at the nexus of the Fenway and Roxbury neighborhoods in Boston. The Fenway is a strong neighborhood market with high rents. The Roxbury neighborhood is the historic center of African American community in Boston although today it is home to a wide array of cultures. The African American population is nearly 60% with nearly 24% of the neighborhood made up of Hispanic or Latino people. Median household income is \$27,740 and per capita income is \$17,162. A total of 60% of residents age 16 years and older is in the workforce and unemployment is significantly higher than other areas of Boston.

While Boston is recognized as one of the top innovation economies in the world, innovation and entrepreneurial activity is centered on institutions such as Harvard and MIT and the environment for small, neighborhood and W/MBE entrepreneurs is much less robust. The small business lending environment in Boston provides limited amounts of capital but lots of technical assistance through a range of intermediaries.

Strategy

Historically, Northeastern University was a commuter campus with a modest physical footprint. Its efforts to attract students from around the world has increased enrollment and triggered tensions around affordability as the university pushed into traditionally low and moderate-income neighborhoods, including an expansion into the Roxbury neighborhood. This dynamic is exacerbated by the prevalence of white leaders in higher education and surrounding neighborhoods made up of people of color. A regularly updated campus master plan provided an opportunity for the neighborhood, City and Northeastern to consider how to address current and future campus growth through development of a Community Benefit Agreement (CBA). The CBA called on Northeastern to increase purchasing with local and disadvantaged business enterprises. Initially Northeastern explored strategies to increase local purchasing and the idea of a loan fund evolved to support capacity building for local businesses.

LISC and Northeastern developed the *Impact Lending* program in 2016 – a small business lending platform seeking to nurture the local economies of the neighborhoods that surround the University and position business owners to access new business opportunities at Northeastern and elsewhere, opening the doors to significant new growth opportunities. In particular, Impact Lending was geared to supporting women- and minority-owned businesses in low to moderate income communities with a full range of lending products to meet their capital needs. The program sought to support emerging entrepreneurs that other lenders deemed too risky and, in the process, help open doors for economic development, wealth building, social connection and creativity in neighborhoods.



CASE STUDY: ANCHORS AS INVESTORS

BOSTON

Northeastern committed \$2.5 million in seed funding. LISC managed the program, offering loans from \$1,000 to \$1 million. The funds from Northeastern were the guarantee. The LISC New Markets Support Corporation (NMSC) was asked to provide additional capital for the loan fund. NMSC along with LISC Boston, with its local market knowledge and long history working in the neighborhoods adjacent to Northeastern launched the Impact Lending program to help small businesses in the greater Boston area access affordable capital.

Under the Impact Lending umbrella, LISC assembled four different lending products to serve a wide spectrum of small business needs.

- **Contract Loans:** Targeted Businesses who entered into vendor contracts with Northeastern were eligible to borrow from \$50,000 to \$500,000 to enable them to perform the contract, with a loan maximum equal to 75% of the total value of the Northeastern vendor contract that secures the loan. Contract financing was intended to fuel growth by mobilizing projects, and bridging labor, materials and overhead costs before billing and being paid for work.
- **Micro Loans:** Targeted businesses were also offered microloans of \$10,000 to \$500,000 for a term of 2 to 5 years at fixed interest rates of 7%. Micro loans required the borrower's principal owner to guarantee the loan but were also eligible for Northeastern guaranties. The program was limited to \$500,000 of microloan lending, in the aggregate.
- **Term Loans:** Medium to long-term loans between \$50,000 and \$1,000,000 were also included in the Impact Lending platform, with terms of 5 to 10 years and fixed or floating interest rates of 7%. Proceeds of term loans could be used for capital improvements, debt refinancing, working capital, equipment purchase or start-up costs were also included in the Impact Lending platform.
- **Character-Based Loans:** Finally, businesses needing very small loans were offered character-based, uncollateralized loans of up to \$10,000 via an Impact Lending agreement with Kiva. The loans provided through the Kiva platform were interest-free and charged no fees to the borrower. The loans were 50% crowd-funded with the other 50% being matched by Northeastern's \$100,000 Impact Lending commitment. A number of community-based partners acted as Kiva "Trustees," promoting this opportunity to budding entrepreneurs from their neighborhoods and working with LISC to provide a variety of supports while they progressed through the borrowing process.



BOSTON

Results

The Impact Lending program provided loans to 35 small businesses, 68% of whom were minority-owned firms and 74% of whom were women-owned businesses. A total of \$403,000 was provided including 27 character-based loans made through the Kiva platform and matched with Northeastern funding. Microloans were more challenging to deploy and just eight were completed. Although nearly 200 potential borrowers opened online applications, many applications were never completed, or could not be approved due to poor credit, insufficient cash flow or financial strength to support loan repayment, lack of collateral or ineligibility for the program. While many applicants requested loans in excess of \$50,000, very few applicants could be successfully underwritten for loans of that size.

Importantly, Northeastern's investment in small businesses in targeted neighborhoods improved commercial corridors, provided neighborhood-serving retail shops, and created jobs. Going forward Northeastern and LISC are identifying additional ways to provide flexible, early-stage financing to entrepreneurs as well as providing additional technical support to ensure a strong pipeline of growth-ready businesses ready for investment.



TOLEDO

Background

Like other rust-belt cities, the decline of auto manufacturing in Toledo fueled an era of disinvestment in the urban core. Seven zip codes in the center of the region are among the most distressed in the country. In 2017 a report found that Toledo had lost 4% of its businesses while other parts of the country were gaining businesses. The region's unemployment rate remains at nearly 6% and approximately 35% of the population are non-white.

Strategy

Headquartered in Toledo, ProMedica is the largest private employer in the city with some 15,000 employees. As a healthcare institution, ProMedica has developed a variety of strategies to address the social determinants of health (SDOH) including developing a 6,500-square-foot, full-service grocery store that offers healthy, affordable food to low-income neighborhoods in Toledo. The store, owned and operated by ProMedica, prioritizes sourcing from local vendors and hires hard-to-employ residents who then are eligible for jobs within the hospital. The store is part of a larger Ebeid Institute that houses a Financial Opportunity Center, jointly operated by local branches of the United Way and LISC. The FOC ramps up literacy and math skills, soft skills and helps participants successfully complete healthcare training and enter middle skill jobs that provide future career ladders in the healthcare industry.

In 2018 ProMedica recognized that part of what Toledo's economy lacked was a robust small business environment, particularly one that could support and help grow entrepreneurs of color and created wealth in targeted neighborhoods. Working with Toledo LISC, ProMedica established a \$25 million Health Impact loan pool for development projects in the region designed to increase economic opportunity, address social determinants of health and improve overall quality of life. ProMedica provided \$10 million and LISC provided \$15 million in capital for this loan pool. Loan amounts of \$30,000-\$6 million are available for predevelopment, acquisition, construction, mini-perm, bridge and small business loans. For ProMedica, establishing the new Health Impact loan pool is one way to support small business growth.

Results

Since January 2019 a total of \$686,000 of loan funds have been committed, including:

- \$261,000 for commercial building renovation to host small businesses on its first floor and additional businesses on upper floors
- \$424,595 loan for adaptive mixed-use redevelopment of a former Wonder Bread building which will add first-floor commercial and upper floor housing

On a parallel track, LISC and ProMedica have worked together on the Ebeid Neighborhood Promise initiative. Several interconnected strategies are being deployed with a goal to address social determinants of health and neighborhood revitalization. Strategies include improving health outcomes, providing stable housing, and increasing access to education and job training.

5. ECONOMIC INNOVATION GROUP, "2018 DISTRESSED COMMUNITIES INDEX," 2019, ACCESSED ON SEPTEMBER 4 2019. [HTTP://EIG.ORG/DCI](http://EIG.ORG/DCI).



CASE STUDY: ANCHORS AS BUYERS

BALTIMORE

Background

Still an active international port, Baltimore has struggled to reinvent itself as a post-industrial city. While the Inner Harbor redevelopment brings visitors, the economy is dominated by low-wage service industries which account for 31% of total jobs in 2018. The City has a significant and pervasive economic gap between whites and people of color, with households of color three times more likely to be unemployed and three times more likely to live in poverty than white households.⁶

Strategy

World-renowned Johns Hopkins University and Health System is the largest private employer in Baltimore and has for more than 20 years looked beyond its campus boundaries to invest in surrounding neighborhoods. The institution was central to the establishment of the East Baltimore Development Initiative, a \$1.6 billion catalyst to revitalize 88 acres of heavily disinvested neighborhoods adjacent to its campuses. Since then EBDI's Economic Opportunity Initiative has promoted the involvement MBE, WBE and locally-owned businesses in the ongoing economic transformation of the area. Between January 2006 and September 2018, EBDI's inclusionary contracting policies resulted in more than 34% or \$146 million of a total of \$438 million in construction contracts being awarded to MBE firms, with nearly \$30 million awarded to woman-owned businesses.

Building on this work in 2014, Johns Hopkins joined with other Baltimore universities and hospitals to increase local employment and investment. *HopkinsLocal* was launched in 2015 to expand participation of local and minority-owned businesses in construction; increase local hiring; and leverage purchasing to create economic growth.

Results

With a focus on increasing the economic power of local and minority-owned firms, *HopkinsLocal* in four years has institutionalized local buying so that as of spring 2018 more than 20% of the institutions' construction spending was with minority-owned, W/MBE. At the same time, Johns Hopkins spent \$118 million with local businesses, an increase over its first year of \$30 million. Much of the focus of purchasing has been in catering, janitorial and IT. Key to the success of *HopkinsLocal* has been a commitment to expand outreach to W/MBE and creating a directory of pre-screened vendors from which to purchase goods and services. In addition, the Anchor addressed internal barriers to utilizing local vendors such as unbundling large contracts so small firms can compete and requiring that bids include local and W/MBE for consideration. The University also launched BUILD College, a training program for local W/MBEs in the construction industry that helps them prepare for opportunities with Johns Hopkins.

Johns Hopkins University and Hospital have also employed another strategy to grow the local small business ecosystem: requiring non-local vendors such as Office Depot and Hewlett Packard, to develop and implement plans to invest in the local economy by hiring local workers, working with local, small and minority-owned firms as Tier 2 suppliers, or otherwise committing to the local economy. Wesnet, a medical supply company based in another state, moved part of its operation to Baltimore after starting work with Johns Hopkins. The CEO estimates that the company has grown by 400% in the past six years, a large part of which he attributed to working with *HopkinsLocal*.



6. [HTTPS://PROSPERITYNOW.ORG/BLOG/NEARLY-66-BALTIMORE-FAMILIES-COLOR-LACK-SAVINGS-SUSTAIN-JOB-LOSS-OR-OTHER-EMERGENCY](https://prosperitynow.org/blog/nearly-66-baltimore-families-color-lack-savings-sustain-job-loss-or-other-emergency)

CASE STUDY: ANCHORS AS BUYERS

MINNEAPOLIS-ST. PAUL

Background

Often ranked as among the best places to live, Minneapolis-St. Paul has struggled to address significant disparities between its white residents and residents of color. People of color are more likely to live in poverty, less likely to graduate from high school and less likely to own their own home. And, while the region faces an unprecedented workforce shortage, the fastest-growing segment of the population are people of color – a population routinely experiencing unemployment rates double or triple that of white residents.

Strategy

When a \$1 billion new light rail transit line was being developed connecting downtown Minneapolis and downtown St. Paul, a group of colleges, universities, hospitals and healthcare organizations located near the transit corridor came together to ensure that the light rail investment did more than move people. With a goal of providing economic opportunity to people living in the corridor, the Central Corridor Anchor Partnership (CCAP) established a goal to create or attract jobs for residents by increasing the amount of local purchasing made by the Anchor institutions by 5% (\$27 million) over 2012.

Results

To date the Anchors have exceeded that goal and are working to shift additional spending on a sustainable basis. While individual CCAP Anchors have worked to align their internal policies and practices to support spending more with local and W/MBE, CCAP also worked to aggregate spending from multiple Anchors. CCAP established preferred purchasing options for appliances, window cleaning, food, and snow removal (providing savings of 40% over previous vendors for one Anchor). These collective spending shifts were achieved through joint RFP processes.

In 2014 CCAP also adopted an inclusionary contracting policy for capital projects of \$500,000 or more. The policy committed partners to awarding a minimum of 10% of total project cost to local and W/MBEs. The first partner to implement the policy was Augsburg College, a small liberal arts college located in a high poverty, high unemployment neighborhood.

Augsburg College exceeded CCAP's inclusionary contracting goal. Nearly 13% of the institutions' new Hagfors Center for Science, Business and Religion was completed by local, women or minority owned firms. This equated to more than \$7 million including over \$3 million to Twin City Glass Contractors, a woman-owned business located in the Central Corridor geography. The company provides glass, glazing, aluminum curtainwall and storefronts throughout the region.

Sue Wohlk, CFO of Twin City Glass credited CCAP's commitment with the opportunity add employees, noting "We greatly appreciated the opportunity to be part of this and we hope to be included in future CCAP projects." Other contracts to MBE firms through this initiative were with local firms providing trucking, structural steel and concrete



CASE STUDY: ANCHORS AS CAPACITY BUILDERS

RICHMOND

Background

The capital of the state, Richmond, Virginia's economy is dominated by government and finance. The legacy tobacco industry had a strong presence but that is diminishing, and efforts are underway to revitalize old manufacturing areas. With a quarter of its population living in poverty, Richmond has one of the highest income and wealth disparities in the country. In addition, residents have some of the highest housing cost burdens in the country according to the Robert Wood Johnson Foundation's annual County Health Ranking.

Strategy

Richmond is home to Bon Secours Richmond Community Hospital which has been an Anchor in the historic Church Hill neighborhood for many decades and serves a diverse community of some 850,000 people. The immediate area surrounding the hospital is predominantly African American and is an area of racially concentrated poverty. Babies born in the Church Hill neighborhood are predicted to live to age 66, compared with those in nearby Westover Hills who are projected to live to 83. When Bon Secours Richmond Community Hospital embarked on an expansion several years ago an enlightened staff member wanted to understand more about community development and began exploring what types of interventions could accelerate community prosperity and impact Social Determinants of Health such as life expectancy.

Eventually this led to Bon Secours developing a partnership with Virginia LISC targeted in surrounding neighborhoods. Among the strategies employed was the creation of the *Supporting East End Entrepreneur Development* (SEED) program, designed to foster entrepreneurship in a disadvantaged neighborhood commercial corridor.

Results

Now in its 8th and final year, Bon Secours has provided \$500,000 in grant funding to LISC to deploy to small businesses in the Church Hill neighborhood of Richmond. SEED provides up to \$10,000 in grant money to people who are looking to either expand or start a business. Virginia LISC also provides business technical expertise. Since its inception 52 grants to 35 businesses have been made. Importantly, these critical investments in a targeted commercial corridor have helped generate market interest in the corridor. Today, a major grocery store is being developed to serve this former food desert – something that was unlikely to happen prior to the corridor enhancements provided by the SEED program.

Based on the success of the Bon Secours partnership, LISC engaged another Richmond Anchor institution, Capital One, to create *6 Biz for Businesses* in the Six Points commercial area adjacent to the Highland Park neighborhood. Similar to the SEED program, businesses apply for \$5,000 or \$10,000 grants to improve their physical infrastructure. LISC and other partners provide technical assistance to the businesses to maximize the impact of the grants. Capital One has also worked with LISC in the North Side Corridor despite the fact that it does not have a large footprint there. Through Capital One, LISC has created an Anchor relationship for the North Side which didn't have large institutions to rely on. For Capital One, they see an opportunity to both invest in the community but also develop a presence among emerging small businesses that may someday become customers.



CASE STUDY: ANCHORS AS CAPACITY BUILDERS

MINNEAPOLIS-ST. PAUL

Background

As noted earlier, Minneapolis-St. Paul is a thriving metro region – for some people. But people of color lag in almost every major indicator of prosperity. Not only are disparities pervasive, the region’s economy is negatively impacted by these gaps. Achieving income parity would add \$32 billion to the region’s economy by 2040 according to a recent study and increasing businesses owned by people of color could create 87,000 new jobs.⁷



Strategy

Major public sector entities, including the Metropolitan Council (Minneapolis-St. Paul’s regional transportation and planning agency) and the Minneapolis Public Housing Agency, are leaning in to their role as Anchor institutions. Both have adopted aggressive goals to do more business with local small and W/MBE. But finding firms with the necessary infrastructure and capacity to meet their needs was a challenge. Enter NEON, the Northside Economic Opportunity Network. NEON used LISC funding to develop a property maintenance social enterprise that provides landscaping and snow removal services to customers, including the Metropolitan Council and Public Housing Authority. NEON supports W/MBEs, especially those employing returning citizens, by providing backroom services (accounting, invoicing, HR). NEON also helps businesses prepare bids and manage large contracts with the Metropolitan Council and PHA.

NEON developed its social enterprise because it recognized that small business ownership is a viable path for many low-income residents to generate income and wealth for themselves and their families. As a place-based nonprofit, NEON also recognized that new business development was an effective strategy to contribute to the physical and economic revitalization of north Minneapolis. As part of its model, NEON is committed to helping residents achieve an ownership stake in new businesses in their neighborhoods.

The first project NEON worked on through the social enterprise was a clean water and environmental justice project to install bioswales in Minneapolis’ Harrison neighborhood. NEON crews helped excavate the raised, hard-packed boulevards where ash trees had been removed due to the emerald ash borer. “Getting into the marketplace is a common roadblock for many small businesses”, observes Stephen Obayuwana, NEON’s director of Business Advising and Capital Funds. “NEON is working to fill this gap”. The objective is for the businesses (also contractors) to gain experience and training to fulfill key components of these contracts, so that eventually they can complete procurement contracts independently. Once businesses have graduated and employed 15 people they establish their own operations.

7. CENTER FOR ECONOMIC INCLUSION. “THE BENEFITS OF INCLUSIVE GROWTH,” 2019. ACCESSED ON SEPTEMBER 4 2019. [HTTPS://WWW.CENTERFORECONOMICINCLUSION.ORG/BENEFITS-OF-INCLUSIVE-GROWTH](https://www.centerforeconomicinclusion.org/benefits-of-inclusive-growth).

MINNEAPOLIS-ST. PAUL



Results

In the first year, NEON's social enterprise supporting start-up building services businesses achieved promising results:

- A landscaping firm owned by a returning citizen has now hired two more people
- A firm owned by a person with a disability has grown to include 10 employees
- More than \$100k in annual contracts have been received in the first year of operations.

MILWAUKEE

Background

Known for a high quality of life, breweries and ethnic festivals, Milwaukee also contends with being one of the most segregated cities in the US. With an African American population of nearly 40%, the Milwaukee metropolitan area ranks last in the country in unemployment equality between blacks and whites. And as gentrification forces have advanced in some urban neighborhoods, the gap between long-time residents and those developing, owning and leasing space has widened.

Strategy

In 2004, Mark Eppli, a professor at Marquette University in Milwaukee was challenged to address why no students of color enrolled in a commercial real estate program he developed. He noted there were very few professionals of color in commercial real estate – which is one wealth building strategy that can also deliver meaningful neighborhood revitalization. With support from Marquette and other institutions he developed Associates in Commercial Real Estate (ACRE) to recruit and retain people of color in careers in commercial real estate. The program was highly successful but was suspended during the Great Recession of 2008.



Milwaukee LISC leaders soon recognized the critical gap that ACRE had filled in nurturing professionals of color, in creating wealth in communities of color and contributing to neighborhood revitalization. LISC took the lead to bring together a partnership to restart the program in late 2014. Partners include LISC, Marquette University, the Milwaukee School of Engineering and the University of Wisconsin-Milwaukee. The ACRE curriculum was revised and expanded to include units on property management and construction in order to provide more opportunities for entrepreneurship.

ACRE is a 26-week program that provides working adults the opportunity to learn about commercial real estate through a hands-on, interactive curriculum. Former ACRE students are frequent presenters and share real-world experience.

Results

Because of its success over many years, ACRE alumni are now leaders in various sectors across the Milwaukee region, including as private developers, in City government, in finance and property management, among others. Developers of color are improving neighborhoods, more real estate is owned by people of color, and the local real estate profession now includes nearly 260 program alumni.

Going forward, ACRE continues to evolve. The ACRE Practicum, an advanced program for emerging minority developers, is actually acquiring and redeveloping vacant City owned properties. A fund named for the ACRE founder, Mark Eppli, has been established by LISC to provide predevelopment capital for ACRE graduates, which will enable them to initiate new projects independently.

PITTSBURGH

Background

A Federal Reserve Bank of Cleveland publication⁸ described the 'mystery of Pittsburgh' where despite losing nearly 100,000 residents from 2000-2016, Pittsburgh income per capita was up 24% and the overall economy was out-performing the national average. The study noted that the presence of high-quality academic Anchors such as Carnegie Mellon and the University of Pittsburgh has helped bring tech jobs and innovation to the area. Despite this success the predominantly African-American neighborhood of Homewood struggles and has the lowest median income per capita in the region. Separated by 4 miles the University of Pittsburgh and the Homewood neighborhood appear to have little in common, yet this year a new 15-year partnership was launched that ties the two together to advance a more inclusive economy.



Strategy

As part of a larger place-based partnership, the University of Pittsburgh launched a 15-year commitment to the Homewood neighborhood by providing funding, infrastructure, programming and dedicated staff through the Community Engagement Center. The result of intensive engagement with the community to identify a shared agenda, the CEC leverages the Anchor institution's assets and resources to provide opportunities for residents to pursue learning, employment, health and wellness, etc.

The center is a "front door" to Pitt in the community. The 10,000-square-foot facility includes meeting rooms, computer and science labs, and gallery space for local artists' work and curated exhibits. The center offers a wide range of programs for children, adults, seniors and families, including career development opportunities and job fairs. In addition, the center hosts the Institute for Entrepreneurial Excellence, part of Pitt's Innovation Institute, which offers free classes for entrepreneurs, individual coaching, and opportunities for networking.

Beyond the Community Engagement Center, Pitt has also committed to Homewood by bringing its Manufacturing Assistance Center to a former Westinghouse plant being redeveloped for entrepreneurs and job training. Launched in 1994 by Pitt's Department of Industrial Engineering, MAC supports local manufacturers by providing a workforce skilled in the latest advanced manufacturing technology, as well as direct technical assistance to businesses. The MAC offers a formal classroom space and a machining lab with equipment such as lathes, mills, drill presses and precision surface grinders. It also includes a maker space and a computer-aided design and manufacturing lab.

Results

While still in early days of its development, the construction of the Pitt Community Engagement Center utilized W/MBEs for 40 percent of the project development and achieved a 37 percent minority participation labor rate in this project.

8. "RUST AND RENEWAL: INDUSTRIAL HEARTLAND SERIES," 2018, ACCESSED ON SEPTEMBER 4 2019, [HTTPS://WWW.CLEVELANDFED.ORG/EN/REGION/INDUSTRIAL-HEARTLAND/RETROSPECTIVES.ASPX](https://www.clevelandfed.org/en/region/industrial-heartland/retrospectives.aspx).

BUILDING ANCHOR INSTITUTION STRATEGIES

This report has highlighted that productive partnerships between Anchor institutions and traditionally under-invested communities are inherently difficult to structure due to the power imbalance involved, different cultural approaches, and oftentimes a fraught history between the parties. However, the report shines a light on a growing number of partnerships across the country that illustrate how these challenges can be overcome. Intermediary organizations working at the local and national level play essential roles in convening and operationalizing these partnerships. They understand that such partnership development requires patience and an ability to discern what will motivate partners and where the contours of a shared value foundation lie.

Forward Cities convenes cross-sector ecosystem stakeholders in cities nationally to identify barriers standing in the way of entrepreneurship and small business growth in under-connected communities. It then develops data-driven and community-informed ecosystem infrastructure and culture strategies to overcome these barriers – including fostering stronger partnerships between Anchor institutions and the local entrepreneurial ecosystems. LISC’s network of more than 35 local offices and presence in more than 2,100 counties in 45 states, coupled with a deep bench of national expertise has enabled it to develop strong partnerships with a host of Anchor institutions at the local and national level. These partnerships leverage LISC’s substantial capabilities in lending and finance as well as its on-the-ground experience in strong- and weak-market communities.

Establishing an Anchor strategy that strengthens the local small business ecosystem and makes it more inclusive is a tall order, but if well designed and executed, it can quite literally transform entire communities for the better. In this last section of the report, we introduce a conceptual framework that begins to break down the complexity of this challenge by segmenting the work into four phases.

1. Research and map
2. Listen, then define shared value
3. Develop a strategy
4. Implement, evaluate, recalibrate

1. RESEARCH & MAP

The first step for Anchors is to do a self-inventory of who among their organization already holds significant social capital outside its four walls that could be used to bring community stakeholders to the table. These might be existing relationships with a community leader, perhaps through board members or other community stakeholders. Consider local foundations and intermediaries that might already be working with Anchors and able to connect them to communities and community organizations. It is important for all Anchor representatives to have a thorough understanding of successful (and less successful) past collaboration projects with the community because they provide a frame of reference for future collaboration. In light of these precedents, we encourage mapping the contributions that the Anchor can bring to the table.

Community stakeholders are advised to prepare for the initial meetings by researching areas in which the Anchors have demonstrated interest in the community. Do they have health, financial or educational partnerships or programs? Do they have strategic plans or community health needs assessments that explain their priorities and goals? If so, do these align with the priorities of community organizations and meet the needs of residents? For areas of alignment, community stakeholders should be prepared to cite basic data about local economic conditions and how negative outcomes are disproportionately borne by certain segments of the population. We recommend studying small business growth rates, small business vitality measures, commercial vacancy rates as well as local procurement strategies. In addition, engaging national intermediaries like Forward Cities can unlock more sophisticated proprietary research tools, such as entrepreneurial needs snapshots or ecosystem health assessments, that will help you build a more complete, and thus convincing, case to join forces.

2. LISTEN, DEFINE SHARED VALUE

The next critical step is to clearly define a shared value proposition – a statement that shows the overlap between the community’s and Anchor’s interests and ambitions and lays out the benefit to each party of working together on advancing these. In most cases this will be the most difficult process, because all sides are naturally inclined to talk more and listen less. But large-scale trust building is absolutely critical to establish the foundation for future work. If an environment can be created in which small reciprocal trust-building steps can be made – think small investments into community events by the Anchor in exchange for an Anchor’s recognition as a well-intentioned partner, all participants will soon establish a routine of collaboration. This sets the tone for a closer examination of where the Anchor’s and neighborhood’s goals overlap: Small businesses providing needed goods and services? Safety challenges? Corridor revitalization? Neighborhood amenities and services? At this stage, specify the desired return on investment to both the Anchor and to the community. Use research to ensure that it speaks to the Anchor’s needs and priorities as well as the community.

3. DEVELOP A STRATEGY

In the third phase, consider what resources and partners will be needed to bring the strategy to fruition, where to find them and what the specific roles and responsibilities of each partner are. Look at other plans and partnerships that exist to see where there is alignment, or potential competition. Reflect on what partners can make the strategy a success and investigate whether potential partners have the capacity and the interest to work on this. Create a shared value framework to present to both Anchor leadership and community leaders and specifically identify implementation actions for each goal, who will carry it out, and a timeline for completion.

4. IMPLEMENT, EVALUATE, RECALIBRATE

Identify one (unaffected) community organization or intermediary responsible for keeping all of the organizations involved in the Anchor partnership focused on achieving their particular tasks and coordinating any adjustments that need to be made over time to the strategy. This will likely require regular communication with key partners, occasional check-in meetings, and troubleshooting at key moments. If an intermediary is contracted, this organization can function as an impartial process and impact evaluator at this junction. Evaluators should be appropriately resourced and given permission to share all of their findings with community members in order to cement the trust relationship that has emerged. If shared openly, the evaluation results can give rise to a constructive dialogue with the community in which programs can be re-calibrated to enhance the chances of success.

KEEP IN MIND: LESSONS FOR SEEDING CONSTRUCTIVE ANCHOR - COMMUNITY PARTNERSHIPS

As noted earlier, creating effective Anchor institution strategies requires patience and flexibility in order to respond to the unique needs of all impacted parties. A few learnings based on the experience of Forward Cities and LISC include:

- If possible, build off of existing trust relationships among individual Anchor representatives and community partners to bring a small, inclusive set of stakeholders to the table. The seeding stakeholders vouch for the good intent on both sides and can leverage their personal reputation when it comes to expanding this group concentrically.
- Meet in an environment that is non-threatening to all participants. Most often this means meeting in a community center or coffee house rather than in the board room.
- Show up, again and again, as Anchor representatives, not only at meetings but also in the small businesses you hope to support through your work. Listen carefully to ways in which you can pull a lever here or there to meet an individual business owner's immediate need.
- Take the time to build a strong working foundation by articulating a set of collaboration norms and expectations to which everyone commits. Only then progress to develop a shared value framework that specifically identifies each partner's constraints, objectives and realistic contributions.
- Consider working with a neutral intermediary to facilitate these conversations. Intermediaries like Forward Cities have deep expertise creating safe and productive environments for all parties to work through these foundational steps. Also consider having other intermediaries, like LISC, at the table early on – even if only in listening mode for now – that can bring external resources to the table(i.e. LISC's access to New Market Tax Credits, Financial Opportunity Centers, etc).



For more information about Anchor Institutions' contributions to building inclusive small business ecosystems, visit www.forwardcities.org and www.lisc.org