



## WHITEPAPER:

### ANCHOR INSTITUTION STRATEGIES FOR COLLEGES AND UNIVERSITIES

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#### I. Overview

Colleges and universities, as a group, are one of the largest industries in the United States. Postsecondary institutions employ nearly four million people, spend over \$350 billion in goods and services, and have endowment investments of more than \$400 billion.<sup>1</sup> Colleges and universities are often referred to as anchor institutions because they are deeply-rooted in their communities. They have large stakes in their local communities because they generally hold significant investments in real estate and social capital, thereby making it difficult for them to relocate.<sup>2</sup> Because many of the country's postsecondary institutions are located in or near distressed areas, they tend to have an economic self-interest in ensuring that their local communities are safe and economically thriving.

While these institutions have been one of the most valuable resources in advancing educational, health, and social service needs of community residents, their role has expanded to become engines of economic growth. Over the past decade, many colleges and universities across the country have come to recognize that socioeconomic and environmental factors such as housing, neighborhoods, income and education can have a significant impact on the economic competitiveness of their communities, which is directly linked to the financial health of their institutions. As such, many have expanded their economic impact and connection to their communities by effectively leveraging their resources and anchor institution position to become the catalyst for community revitalization strategies to profoundly impact and transform their local communities. With more economically thriving communities, postsecondary institutions can more readily attract high-quality students and faculty. Greater economic vibrancy and more successful academic institutions will, in turn, contribute to the competitiveness of the broader urban and regional economy.

Although there has been increased recognition of the economic impact colleges and universities can have, only a small percentage of these institutions have implemented anchor strategies to improve their neighborhoods; most of them continue to be an unused resource for local job creation and economic development.<sup>3</sup> Therefore, it is important for these institutions and their leaders to integrate an anchor institution mission into their practice and policies and commit themselves to consciously apply their place-based economic power, in combination with their human and

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<sup>1</sup> David Zuckerman, *Hospitals Building Healthier Communities: Embracing the Anchor Mission*, the Democracy Collaborative at the University of Maryland, March 2013, Executive Summary.

<sup>2</sup> *Anchor Institutions and Urban Economic Development: From Community Benefit to Shared Value*, Inner City Insights, 1.2, June 2011, 2.

<sup>3</sup> Steve Dubb and Ted Howard, *Leveraging Anchor Institutions for Local Job Creation and Wealth Building*, Job Creation: Entrepreneurship Approach, The Democracy Collaborative at the University of Maryland, 3.

intellectual resources, to improve the long-term welfare of the neighborhoods in which they reside. Effectively done, this strategy can create a powerful win-win result for both the institution and its surrounding communities.

## **II. Impact of college and university anchor institutions**

Colleges and universities have an enormous impact on their local economy. They have increasingly become economic engines for the cities and suburbs they are located in through their roles as real estate developers, employers, workforce developers, purchasers, new business incubators, and business advisors and network builders.<sup>4</sup> The existence of higher educational institutions in a rural or urban area increases the appeal of their neighborhood for residents and businesses, which affects the overall economic condition of the community. In most instances, minor changes in university policies would yield substantial benefits to the institutions and their communities.<sup>5</sup>

Over the past decade, postsecondary institutions have increasingly recognized that the problems existing in their local neighborhoods such as crime, violence, physical deterioration and other socioeconomic and environmental factors can have a detrimental effect on a community's economic growth. Given that more than half of the country's colleges and universities are located in struggling or distressed communities, there has been a trend for many of them to expand their focus beyond just education to include place-based community revitalization strategies to address the causes of economic distress and to promote the long-term well-being of their neighborhoods. These institutions are acknowledging their increasing economic effect and connection to their communities and are strategically positioning themselves to produce targeted community benefits by effectively leveraging their resources.<sup>6</sup>

## **III. Anchor strategies**

Higher education institutions can play a number of community economic development roles, including purchaser, employer, real estate developer, workforce developer, investor, network builder, and new business incubator. Through these roles, a growing number of colleges and universities are implementing innovative and promising anchor institution strategies to address socioeconomic and environmental factors that affect the economic development of their local communities.<sup>7</sup>

### ***Purchaser***

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<sup>4</sup> *Anchor Institutions and their Role in Metropolitan Change*, White Paper on Penn IUR Initiatives on Anchor Institutions, Penn Institute for Urban Research, 1; *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*, Joint Study by Initiative for Competitive Inner City and CEOs for Cities, 3

<sup>5</sup> *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*, Joint Study by Initiative for Competitive Inner City and CEOs for Cities, Executive Summary.

<sup>6</sup> David Zuckerman, *Hospitals Building Healthier Communities: Embracing the Anchor Mission*, the Democracy Collaborative at the University of Maryland, March 2013, 11.

<sup>7</sup> Steve Dubb and Ted Howard, *Leveraging Anchor Institutions for Local Job Creation and Wealth Building*, Job Creation: Entrepreneurship Approach, The Democracy Collaborative at the University of Maryland, 6.

Colleges and universities spend an enormous amount on the procurement of goods and services. Purchasing programs create mutual benefit to both universities and their communities by keeping resources local and improving the physical and economic development of local communities.

University of Pennsylvania. In 1986, the University of Pennsylvania (“Penn”) created a local purchasing initiative. From 1986 to 2000, Penn increased its local spending from \$1 million to \$57 million, or about 9 percent of total spending.<sup>8</sup> In 2008, Penn purchased approximately \$89.6 million from local suppliers, or approximately 11 percent of total spending. Penn’s real estate investments have helped develop an appealing retail area near the campus. In addition, Penn has helped local residents gain better access to jobs.<sup>9</sup>

Columbia University. Similarly, Columbia University (“Columbia”) launched a local purchasing initiative. In 2000-2001, Columbia allocated \$60 million to local purchasing. In these years, local purchasing totaled \$19 million, which is a 40 percent growth for some of its offices. Further, local contracting amounted to \$18 million, a 55 percent increase over the past four years.<sup>10</sup>

### ***Employer/workforce developer***

Postsecondary institutions are large scale employers and have become one of the fastest growing sectors in the country. Given the consistent demand for labor, colleges and universities can implement local hiring practices, which can fulfill their workforce needs as well as provide steady employment opportunities in their communities. In addition, these initiatives often focus on workforce training and education financial assistance programs. Combined with the employer role, these institutions can provide a more comprehensive package on how to effectively hire and train local residents.

The University of Southern California. The University of Southern California (USC) implemented a job recruitment and training program to boost employment at the University from neighborhoods immediately surrounding its campus. Through this program, USC holds job fairs and information sessions and has a drop-in recruiting center with job information. USC also created a professional development program where it provides training services for resume writing and interviewing and certification in job-related skills including English as a Second Language (ESL) and computers. As a result of these programs, one of out every seven applicants has been hired from the seven nearest zip codes, filling 170 positions at the university.<sup>11</sup>

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<sup>8</sup> *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda.* Joint Study by Initiative for Competitive Inner City and CEOs for Cities: 17.

<sup>9</sup> Steve Dubb and Ted Howard. *Leveraging Anchor Institutions for Local Job Creation and Wealth Building.* Job Creation: Entrepreneurship Approach, the Democracy Collaborative at the University of Maryland, 8; *Anchor Institutions and Urban Economic Development: From Community Benefit to Shared Value*, Inner City Insights, 1.2 June 2011, 1-2, 5.

<sup>10</sup> *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda.* Joint Study by Initiative for Competitive Inner City and CEOs for Cities, 16.

<sup>11</sup> Andrew Hahn, with Casey Coonerty and Lili Peaslee, *Colleges and Universities as Economic Anchors: Profiles of Promising Practices*, 10.

The University of Illinois at Chicago. The University of Illinois at Chicago, working with community-based organizations, community colleges, the Chicago Manufacturing Center and the Mayor's office, provides comprehensive workforce training to inner-city workers for higher paying manufacturing jobs. The program has resulted in more than 260 graduates, an 80% placement rate, increased starting wages (\$10.13 compared with pre-training wage of \$8.12) and placement in college courses.<sup>12</sup>

### ***Real estate developer***

A growing number of colleges and universities have used their resources to drive neighborhood revitalization, including affordable housing, infrastructure improvements, and other environmental investments.

Yale University. Yale University ("Yale"), through its homeownership and public housing program, rehabilitated various neighborhoods surrounding the university. In one neighborhood, Yale worked with a local developer corporation to develop 100 housing units and create a community master plan, which includes providing incentives for affordable housing production, direct assistance with housing production and recruitment of new homebuyers. In another nearby neighborhood, Yale partnered with a local developer corporation to revitalize 75 blighted buildings, expand commercial development, and design and expand a local elementary school. Yale also received a \$15 million grant from Connecticut's Finance and Housing Authority to rehabilitate housing stock and expand the area's Science Park. Further, Yale created a homebuyer assistance program for its employees, providing any employee \$25,000 to purchase a home in specific neighborhoods. The program has helped over 500 employees purchase their own home and eighty percent are first time homebuyers.<sup>13</sup>

Benedict College. Benedict College in Columbia, South Carolina partnered with a local development corporation to transform two duplexes into four rental housing units for low-income families. As part of this effort, they provided training in affordable housing construction, created a microenterprise loan pool to help construction trainees purchase tools and equipment, and hired staff to oversee construction activities and provide outreach for a wide range of housing services.<sup>14</sup>

Jackson State University. Jackson State University in Jackson, Missouri purchased and rehabilitated six vacant properties which were then sold to low- and moderate-income families that had successfully completed a homeownership education program. Proceeds from the sales were used to support a revolving fund to sustain the project after Jackson State's HUD grant for community development has ended.<sup>15</sup>

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<sup>12</sup> Andrew Hahn, with Casey Coonerty and Lili Peaslee, *Colleges and Universities as Economic Anchors: Profiles of Promising Practices*, 10.

<sup>13</sup> Andrew Hahn, with Casey Coonerty and Lili Peaslee, *Colleges and Universities as Economic Anchors: Profiles of Promising Practices*, 11-12.

<sup>14</sup> Hahn, Andrew, with Casey Coonerty and Lili Peaslee, *Colleges and Universities as Economic Anchors: Profiles of Promising Practices*, 12.

<sup>15</sup> Hahn, Andrew, with Casey Coonerty and Lili Peaslee, *Colleges and Universities as Economic Anchors: Profiles of Promising Practices*, 12.

Miami-Dade Community College. The Miami-Dade Community College-InterAmerican Campus, in collaboration with the City of Miami Parks and Recreation Department and three community-based organizations, constructed a Community/Youth Center in a local neighborhood that has a multipurpose room and four classrooms. The city committed almost \$1.8 million to the project.<sup>16</sup>

Clark University. Clark University in Worcester, Massachusetts, collaborated with the Main South Community Development Corporation, the City of Worcester, and local residents and businesses to form the University Park Neighborhood Revitalization Project. The partnership's emphasis is on neighborhood revitalization. The agenda of the revitalization plan focuses on reclaiming and restoring distressed properties in the University Park neighborhood for the purpose of creating affordable home ownership and rental opportunities including the rehabilitation of distressed commercial and residential properties; creation of affordable and safe apartment rentals in newly renovated buildings; a Clark Faculty/Staff Home Ownership Incentive Program; and improvement of public lighting, redirection of traffic and creation of more recreational space for residents.<sup>17</sup>

Howard University. After being in economic decline, poverty, crime and drugs for many years, Howard University ("Howard") started an initiative to revitalize the neighborhood surrounding its central campus in LeDroit Park. Howard worked with local civic associations, neighborhood groups, Fannie Mae Corporation in obtaining expertise and financial resources and created 307 new housing units in the area. Further, Howard successfully competed with other colleges and universities to win a total of \$2.4 million in grants for local community development activities. These redevelopments sparked \$65 million in commercial development, including a new bookstore, 33,000 square feet of retail space, a new visitor's center, an emergency trauma center, and a police department security station. The redevelopment is also expected to expand to more than 130 other vacant and boarded properties in the area.<sup>18</sup>

LeMoyne-Owen College. A small college in Memphis, Tennessee, chartered a community development corporation, which in turn used small federal grants to leverage millions of dollars in additional public and private investments, financing projects such as an \$11.5 million, mixed-used Town Center. Since the development, the college has seen its surrounding neighborhood's per capita income increase from \$8,000 to \$13,500 over the past 10 years.<sup>19</sup>

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<sup>16</sup> Hahn, Andrew, with Casey Coonerty and Lili Peaslee, *Colleges and Universities as Economic Anchors: Profiles of Promising Practices*, 12.

<sup>17</sup> Hahn, Andrew, with Casey Coonerty and Lili Peaslee, *Colleges and Universities as Economic Anchors: Profiles of Promising Practices*, 16.

<sup>18</sup> *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*, Joint Study by Initiative for Competitive Inner City and CEOs for Cities, 23-24.

<sup>19</sup> Steve Dubb and Ted Howard, *Leveraging Anchor Institutions for Local Job Creation and Wealth Building*. Job Creation: Entrepreneurship Approach, the Democracy Collaborative at the University of Maryland, 8.

The University of Cincinnati. The University of Cincinnati, from 2003 through 2009, allocated \$150 million from its \$833 million endowment fund to finance grants and below-market interest rate loans to finance real estate development.<sup>20</sup>

Syracuse University. Syracuse University implemented a comprehensive program to revitalize its campus community and downtown by designing affordable green homes, redesigning a park, redeveloping two warehouses into mixed-use facilities hosting a green technology incubator, a culinary center and a live-work space for artists. \$56 million was committed to the project, with financial participation from the State of New York, the City of Syracuse, businesses and foundations. The State of New York forgave a \$13.5 million loan to the University, with the condition that repayment be instead invested in the area.<sup>21</sup>

### ***Incubator***

Colleges and universities are in powerful positions to leverage their investments in lending and business development.

Georgetown University. Georgetown University, in recognizing that the average life of a business in its community is five years and there is a 70 percent failure rate within 18-24 months of startup, partnered with a neighborhood venture capital fund to provide equity financing to qualifying start-ups and business expansions in the community.<sup>22</sup>

### ***Advisor and Network Builder***

Postsecondary institutions have a great ability and significant resources to provide consulting services and networking opportunities to local businesses.

Alcorn State University. Alcorn State University in Mississippi, through its business development program, which is a part of the U.S. Small Business Administration office, provides comprehensive small business assistance to promote the economic development of the Mississippi community. Services provided by the program include: one-on-one counseling; business training and education; start-up assistance; market research; procurement assistance; technology transfer, and small business advocacy.<sup>23</sup>

Howard University. Howard University's Small Business Development Center Network works with the U.S. Small Business Administration, local universities, and community organizations, to

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<sup>20</sup> Steve Dubb and Ted Howard. *Leveraging Anchor Institutions for Local Job Creation and Wealth Building*. Job Creation: Entrepreneurship Approach, the Democracy Collaborative at the University of Maryland, 8; *Anchor Institutions and Urban Economic Development: From Community Benefit to Shared Value*, Inner City Insights, 1.2 June 2011, 5.

<sup>21</sup> *Anchor Institutions and Urban Economic Development: From Community Benefit to Shared Value*, Inner City Insights, 1.2, June 2011, 5.

<sup>22</sup> Hahn, Andrew, with Casey Coonerty and Lili Peaslee, *Colleges and Universities as Economic Anchors: Profiles of Promising Practices*, 12.

<sup>23</sup> Hahn, Andrew, with Casey Coonerty and Lili Peaslee, *Colleges and Universities as Economic Anchors: Profiles of Promising Practices*, 14.

provide free technical assistance and affordable training in all phases of small business development to small, minority-owned, and/or other disadvantaged enterprises. Business counselors provide one-on-one services, including but not limited to: cash flow analysis and financial forecasting, market research, procurement assistance, proposal cost analysis, overall business assessment, feasibility analysis, business plan assessments, strategic planning, and business start-up information.<sup>24</sup>

### ***Community Service and Advocacy for Economic Benefits***

The Earned Income Tax Credit (EITC) is a tax credit for low-income workers and is an effective means to fight poverty in the United States. Some higher education institutions are helping to bring the EITC to the attention of their low-income workforce and to eligible people in the surrounding neighborhoods. Similarly, some colleges and universities are participating in Individual Development Accounts (IDA), which are matched, tax-advantaged savings accounts designed to help low-income individuals save for activities that contribute to economic stability such as homeownership, education or small business development. Colleges and universities can match dollars by a formula and/or assist in financial education.

Tulane and Xavier University. Tulane and Xavier University collaborated with nonprofit agencies, state advocacy groups, foundations, churches, the IRS, a private energy company and bank regulatory agencies in New Orleans, and formed the Central City Asset Building Coalition. The Coalition works to educate and train participants moving from welfare to work on financial literacy while supporting the use of the EITC for asset building. The coalition holds weekly financial education seminars and connects residents to economic services such as credit counseling, saving accounts, homebuyer classes and EITC training. Additionally, Tulane and Xavier University in collaboration with various organizations, provide matching for every dollar placed into an IDA.<sup>25</sup>

### ***Multi-institution partnerships***

Colleges and universities are often encouraged to partner with other anchor institutions, philanthropic organizations, community nonprofits, and local government to maximize their impact in economic development.

Carnegie Mellon University. Carnegie Mellon University, Pittsburg University and University of Pittsburg Medical Center obtained \$33.3 million in state funds to form a Pittsburg Life Sciences Greenhouse. Together, these anchors helped 13 life sciences companies relocate to the region. With the assistance of various partners and a \$2.4 million grant from the Department of Labor, the anchors have trained more than 6,000 people to work in the life sciences since 2005.<sup>26</sup>

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<sup>24</sup> Hahn, Andrew, with Casey Coonerty and Lili Peaslee, *Colleges and Universities as Economic Anchors: Profiles of Promising Practices*, 14.

<sup>25</sup> Hahn, Andrew, with Casey Coonerty and Lili Peaslee, *Colleges and Universities as Economic Anchors: Profiles of Promising Practices*, 15.

<sup>26</sup> *Anchor Institutions and Urban Economic Development: From Community Benefit to Shared Value*, Inner City Insights, 1.2, June 2011, 8.

### *The concept of shared value*

In order for anchors to effectively create and implement anchor strategies to enhance their local economies, they must cooperate with their communities to create shared value or benefit for both their communities and themselves. The founder of the Initiative for the Competitive Inner City (ICIC) and Harvard Business School Professor Michael Porter defines shared value as “*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...Shared value is not social responsibility, philanthropy or even sustainability, but a new way to achieve economic success.*”

The concept of shared value recognizes that educational institutions and their communities are inextricably bound together. As Porter writes, “*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.*” Educational institutions can create shared value by embracing their inter-dependencies with their communities and tactically incorporating community impact in their business strategy. This can produce measurable benefits, such as increased demand for their products and services, higher rates of hiring and retention and a greater ability to leverage private development funds.

## **IV. Recommendations**

While a small minority of colleges and universities has transitioned from a narrow focus on education to a greater emphasis on sustaining and accelerating economic growth in their communities, the vast majority of these institutions remain focused on their core mission of academics. Achieving this change and implementing an anchor strategy into an institution’s mission is a long-term initiative that requires internal support and organization as well as external engagement and relationship building. In order for colleges and universities to begin integrating an anchor institution mission, there are a number of recommendations drawn from case studies and practices that can provide a starting point for aligning an anchor mission with long-term priorities in order to build community wealth.<sup>27</sup>

### *College and university leaders*

- Create an economic development strategy that incorporates the university’s interests with those of the surrounding community.
- Incorporate meaningful community involvement and input in formulating this strategy. This will help avoid costly political battles with the community and help plans get approved faster, ultimately enhancing the operational efficiency of the university.

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<sup>27</sup> David Zuckerman, *Hospitals Building Healthier Communities: Embracing the Anchor Mission*, the Democracy Collaborative at the University of Maryland, March 2013, 111-122.

- Charge specific departments and offices with specific economic development goals.
- Create a high-level coordinator position to oversee and advance the effort in order to ensure continuity and political support.
- Deploy college and university leadership to serve on the boards of business associations, community organizations, and public-sector bodies. This will help further strengthen the impact of the university on the local and regional economy.
- Engage in long-term commitment. Most economic development takes a long period to show results. It is common to encounter initial resistance and obstacles throughout the implementation period. Thus, it is important for university leaders to embrace a long-term mentality and plan.<sup>28</sup>
- Capitalize on core colleges' and universities' potential to anchor revitalization. Colleges and universities can work with local and state government to ensure that the surrounding community is an attractive and viable place for residents and businesses to locate.
- Examine innovative ways to contribute to the tax base of the city. Colleges and universities can work with local government to create a structure for payments in lieu of taxes (PILOTs) or services in lieu of taxes (SILOTs), or create other ways to overcome tax extensions (e.g., a real estate foundation).
- Determine how the community, city and college or university can work together to ensure that local residents have access to the jobs and economic opportunities created by college or university real estate developments.<sup>29</sup>

### ***Municipality and community group leaders***

- Integrate college and university leadership and resources in economic development strategies and processes of their cities.
- Convene college and university presidents and business leaders regularly to identify and further economic development partnerships and opportunities.
- Create a college- or university-liaison office to advance collaboration and economic development.

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<sup>28</sup> *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*. Joint Study by Initiative for Competitive Inner City and CEOs for Cities: 9.

<sup>29</sup> *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*, Joint Study by Initiative for Competitive Inner City and CEOs for Cities, 25.

- Identify “win-win” partnerships with colleges and universities to deploy their assets and resources for community development while achieving the community’s own goals.<sup>30</sup>
- Work with colleges and universities to explore innovative SILOT agreements in conjunction with new economic development.
- Community groups can seek funding on projects that leverage college and university real estate development efforts.<sup>31</sup>

### *Business leaders*

- Invest with colleges and universities in real estate development, supplier development, research commercialization, incubators, workforce development, and other economic development collaborations.
- Involve institutions of higher education in business forums, associations, and public/private initiatives.<sup>32</sup>

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### **Nicolosi Galluzzo, LLP – We Are Here to Help You:**

If you are interested in establishing an anchor institution strategy for your educational institution or have any questions about such a strategy, please contact Paul Nicolosi of Nicolosi Galluzzo, LLP by phone at 815-265-6122 or by email at [pnicolosi@nicgal.com](mailto:pnicolosi@nicgal.com).

For more information on Nicolosi Galluzzo, LLP and our services, please visit our website at [www.NicGal.com](http://www.NicGal.com)

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<sup>30</sup> *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*. Joint Study by Initiative for Competitive Inner City and CEOs for Cities: 10.

<sup>31</sup> *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*. Joint Study by Initiative for Competitive Inner City and CEOs for Cities: 26.

<sup>32</sup> *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*, Joint Study by Initiative for Competitive Inner City and CEOs for Cities, 10.