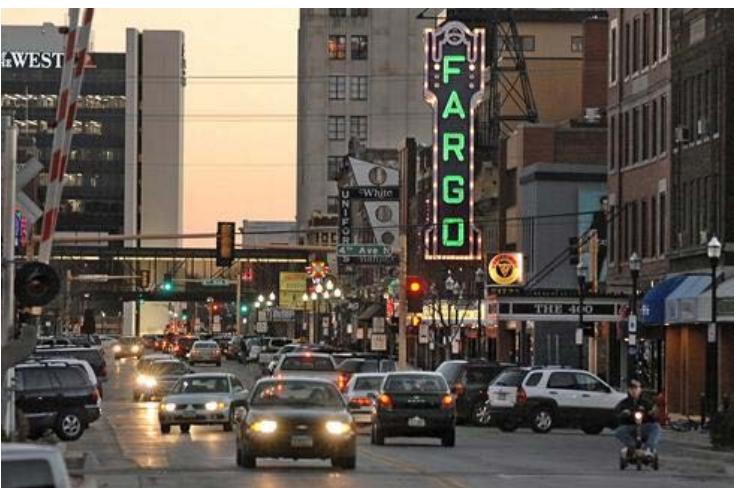


Anchor-Based Strategies



Best Practices Summer Conference, June 22, 2017

Agenda

- Anchor Institutions Concept
- The Shared-Value Proposition
- Anchor-Based Development
 - Application to Small & Mid-Sized Cities
 - Strategies and Implementation
 - Outcomes and Takeaways



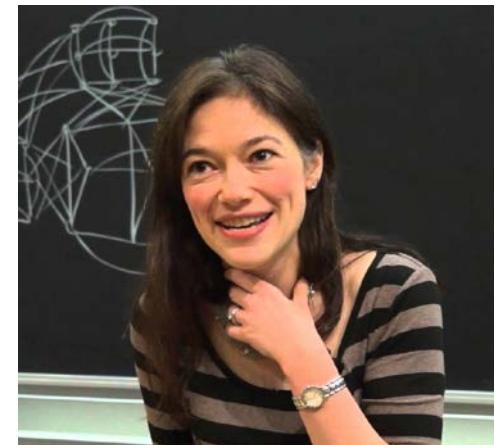
Who's our intellectual “Rock Star”?



Jeff Steinhauer



Neil deGrasse Tyson



Maria Chudnovsky



Debbie Berebichez



Michio Kaku



Michael Porter

Michael Porter's Better Known Contributions to Economic and Community Development



Michael Porter

- “*Diamond Model*” of Competitive Advantage leveraging microeconomic differentiators to gain a competitive advantage as a better productive location for a business sector. (a.k.a. - Target Marketing)
- *Cluster Theory* advocates for aggregating elements of a specialization for competitive advantage (e.g. the Napa Valley wine cluster)

Two Lesser Known Contributions

- ***Anchor Institutions Concept:***
Established and dominant urban institutions accept a role – even a responsibility – in the social and economic revitalization of their inner cities.
- ***Shared-Value Proposition:***
A mutual benefit scenario whereby businesses simultaneously achieve competitive and operational value while addressing the economic and social challenges of society.



Michael Porter

Agenda

- Anchor Institutions Concept



The Classic Anchor Institutions Concept

Calls on large (typically non-profit) institutions to accept responsibility for the economic development of their urban neighborhoods.

- “Anchor institutions are large place-based organizations that are deeply rooted in their local geographies and that play a integral role in the local economy...
- Anchors include universities, hospitals, and medical centers (“eds” and “meds”), but can also include local government organizations, community foundations, arts and cultural organizations and large corporations.”

(large city, downtown centric and institutionally focused)

The Classic Anchor Institutions Concept

Applications of Anchor Concepts:

- **West Philadelphia:** University of Pennsylvania
- **Cleveland's University Circle:** Case Western Reserve University and University Hospitals of Cleveland
- **Midtown Detroit:** Wayne State University, Henry Ford Hospital and Detroit Medical Center (**30K, 27K, \$1.6B**)
- **Others:** Johns Hopkins (Baltimore), Harvard (Boston), University of Chicago (Chicago)

(large city, downtown centric and institutionally focused)

The Seven Roles Anchors Play

■ Anchors as “Contributors”,
coincidentally supporting the
local economy as they
conduct their business or
mission.

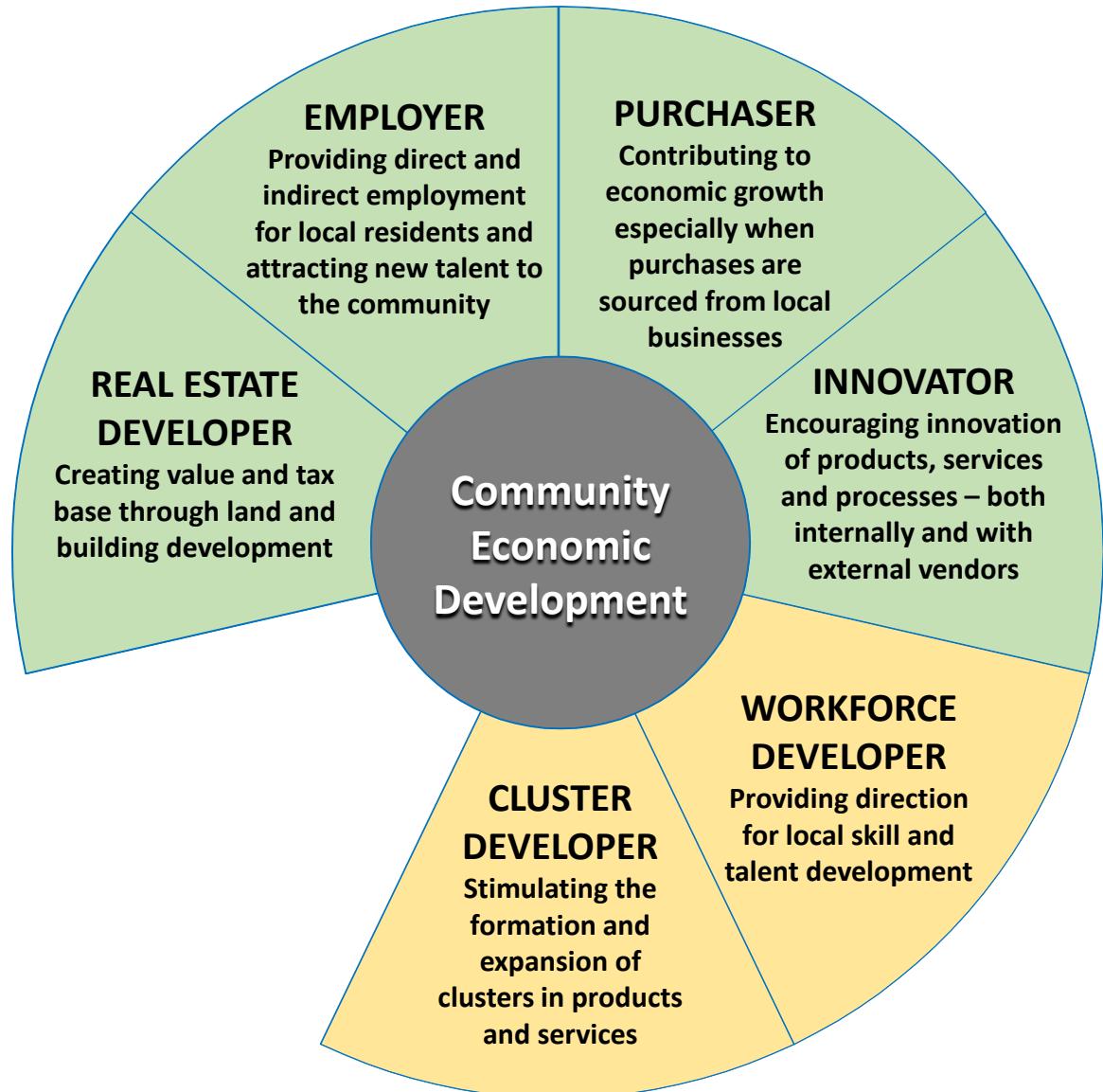


Adapted from Harvard Business School's Initiative for a Competitive Inner City

The Seven Roles Anchors Play

 Anchors as “Contributors”, coincidentally supporting the local economy as they conduct their business or mission.

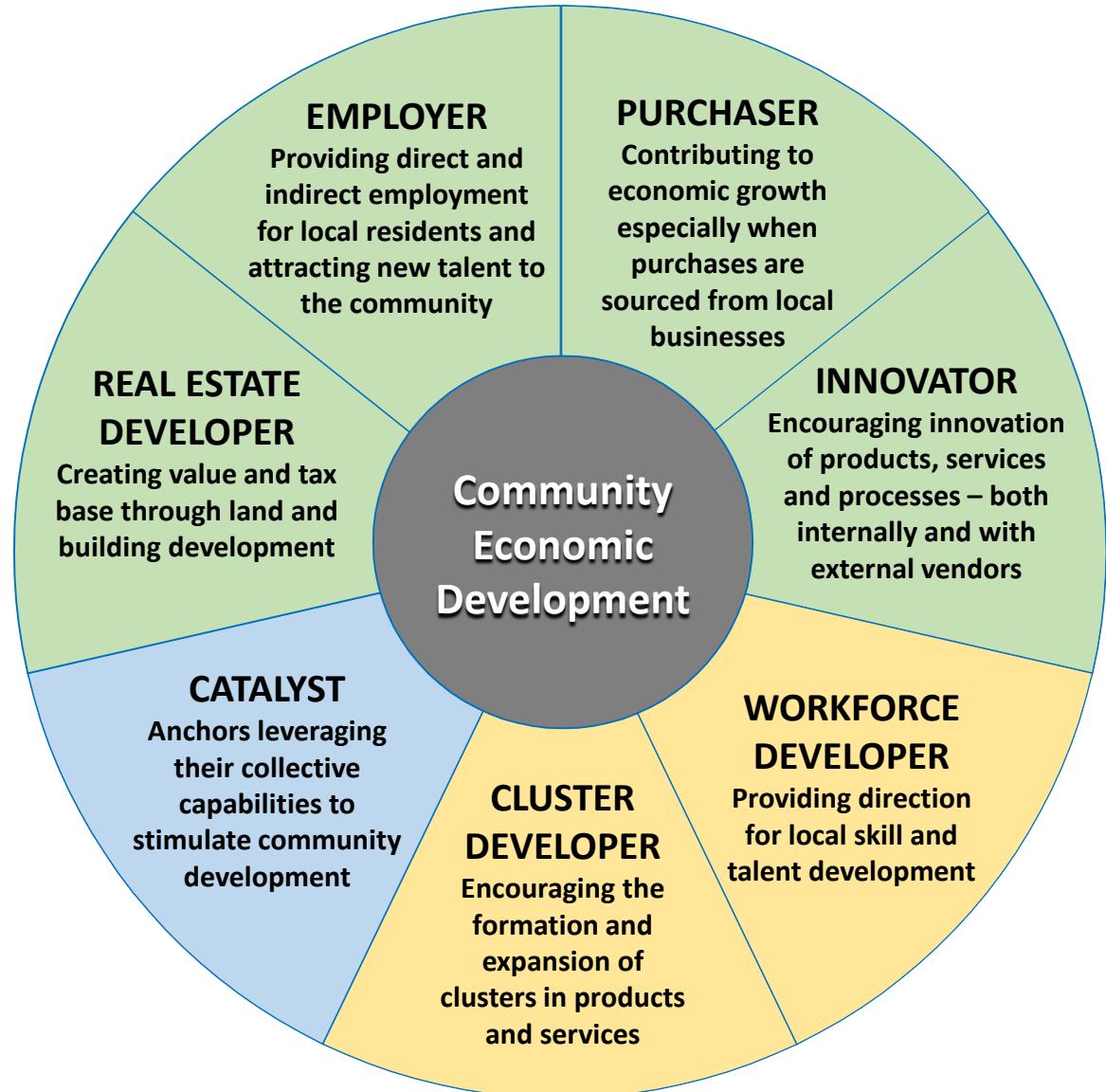
 Anchors as “Economy Developers”, intentionally leading efforts to advance and strengthen elements of the local economy.



Adapted from Harvard Business School's Initiative for a Competitive Inner City

The Seven Roles Anchors Play

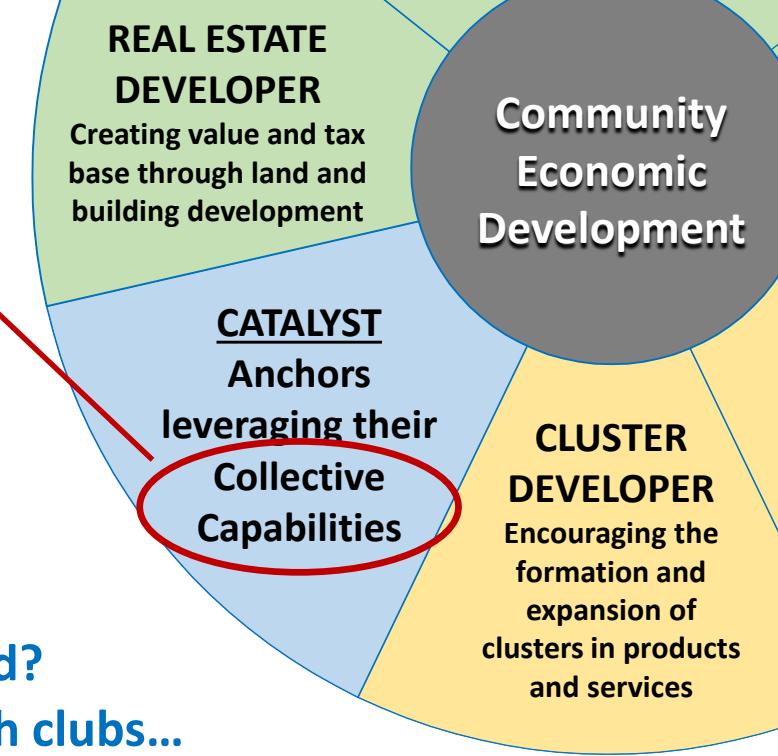
- Anchors as “Contributors”, coincidentally supporting the local economy as they conduct their business or mission.
- Anchors as “Economy Developers”, intentionally leading efforts to advance and strengthen elements of the local economy.
- Anchors as “Catalysts”, purposefully leveraging their **Collective Capabilities** to stimulate and accelerate the community’s development.



Adapted from Harvard Business School's Initiative for a Competitive Inner City

Collective Capabilities?

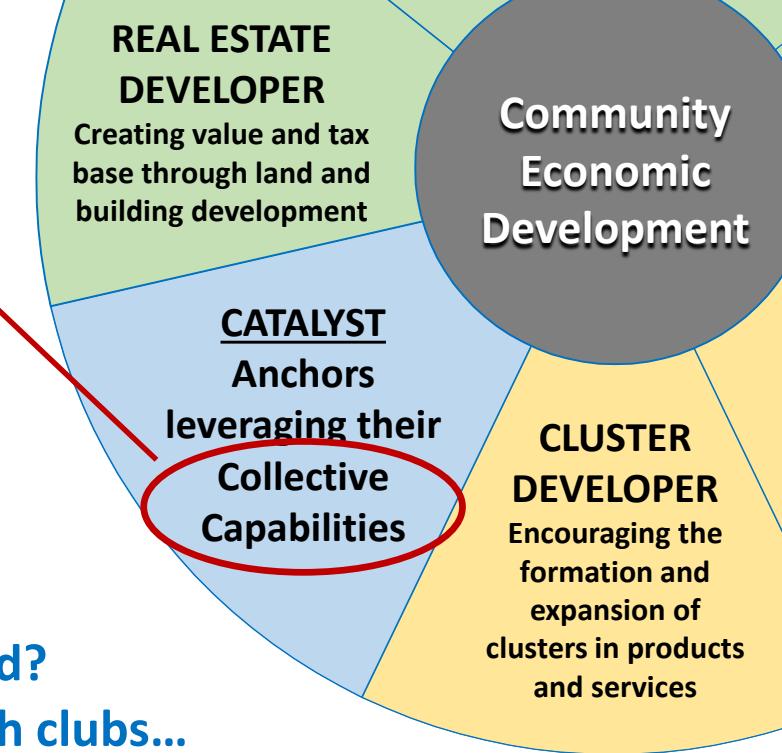
- **Discretionary policies, practices and commitments especially private sector anchors are in the unique position to implement.**
- **Examples:**
 - Financial support – **Which causes get funded?**
 - Employee benefits – **On-site day care, health clubs...**
 - Business commitments – **Outsourcing security, IT support...**
 - Procurement practices – **“Buy local” vs. “By price”**
 - Operational decisions – **Staffing locations**



Collective Capabilities?

- **Discretionary policies, practices and commitments especially private sector anchors are in the unique position to implement.**
- **Examples:**
 - Financial support – **Which causes get funded?**
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 - Business commitments – **Outsourcing security, IT support...**
 - Procurement practices – **“Buy local” vs. “By price”**
 - Operational decisions – **Staffing locations**

How changes in policies, practices and commitments are made can have a significant and intentional impact on a better community.



But, why include the community?

Agenda

- Anchor Institutions Concept
- The Shared-Value Proposition



The Shared-Value Proposition

Creating Shared Value (CSV)

Michael Porter, defines the concept of *Shared Value* as “generating economic value in a manner that *also* addresses the challenges of our society”.



Shared-Value Insights

- ***Shared Value*** should be a deliberate management approach for companies to find business opportunities that can be realized while solving social and economic problems.
- ***Shared Value*** is achieved by finding the competitive or operational value in a range of strategies including new customers and markets, cost savings, talent retention, etc.
- ***Shared Value*** isn't social responsibility, philanthropy, or sustainability, but a new way for companies to achieve economic success.

Continuum from CSR to CSV

Corporate Social Responsibility (CSR)

Be a good corporate citizen and “give back”



DO NO HARM



Philanthropy



Strategic
Philanthropy &
Sustainability

Creating Shared Value (CSV)



Simultaneously realizing
competitive and operational
advantages while addressing
society's challenges

CSR comes “off the exhaust”. It’s often the
leftovers -- leftover money (donations) and
leftover time (volunteering).

CSV comes “off the engine”
of the enterprise – part of its
business strategy.

Agenda

- Anchor Institutions Concept
- The Shared-Value Proposition
- **Anchor-Based Development**



Agenda

- Anchor Institutions Concept
- The Shared-Value Proposition
- **Anchor-Based Development**

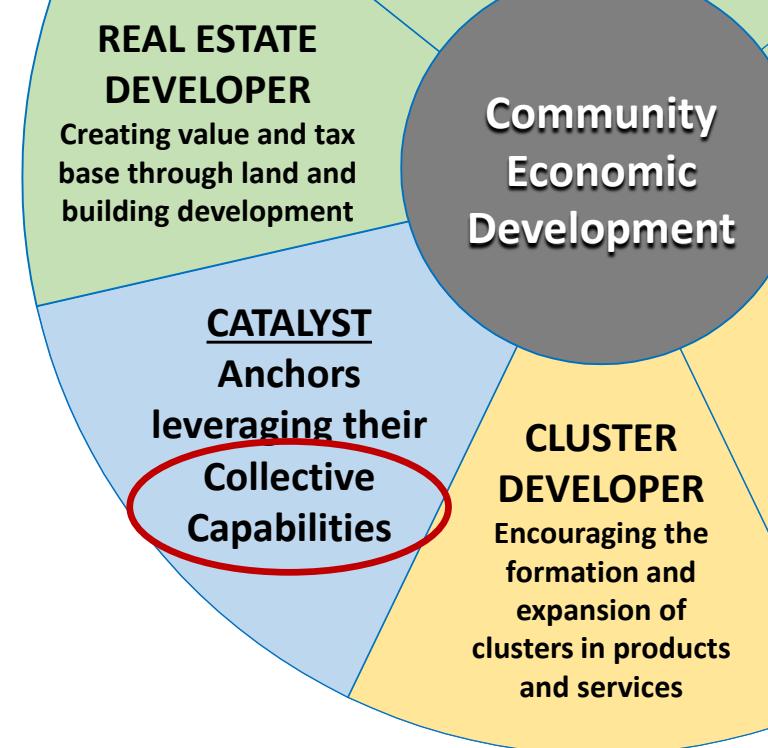
the convergence of two concepts



Anchor-Based Development

is engaging anchors in a purposeful mission that leverages their collective capabilities to:

- stimulate community and economic development
- *while they simultaneously* --
- improve their operational and competitive positions

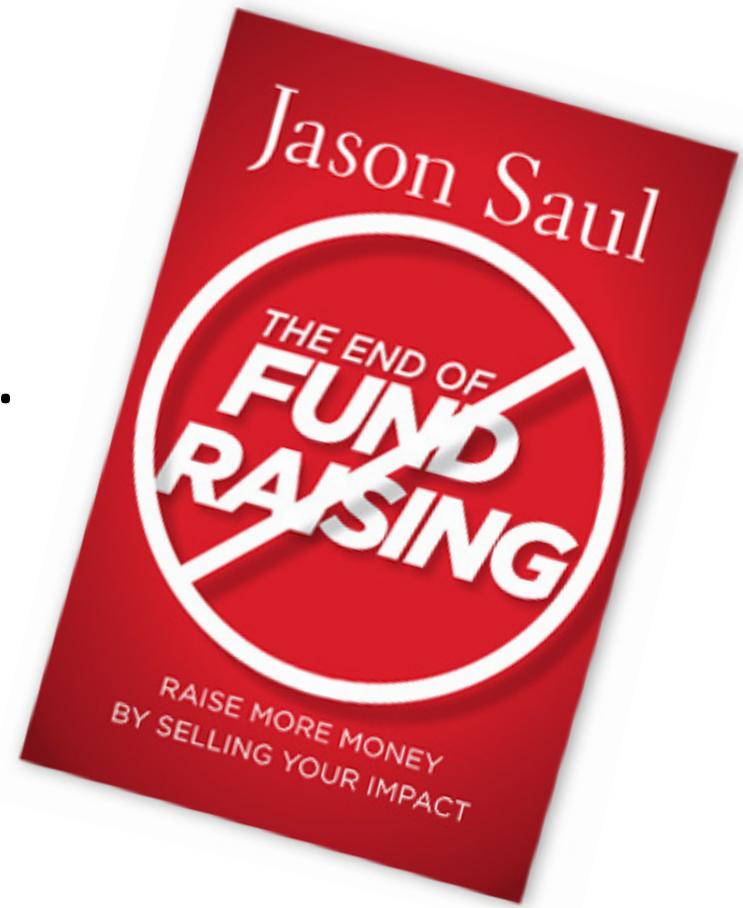


Applying Anchor-Based Development

Jason Saul's **Impact Transactions**

A new dynamic between
non-profits and corporations.

Finding mutual benefits by
connecting real business
value with social outcomes.



The Youth Entrepreneur Fair

- **Consumers Energy (CE)** supported a Youth Entrepreneur Fair:
 - 150 student exhibitors
 - 25 “celebrity” judges
 - ≈ 500 attendees
- **CE’s Initial Role:**
 - provided a \$500 sponsorship
 - sponsor funds used principally for cash prizes to category “winners”
 - **CE** sought a greater impact and wanted to see more “winners”



The Youth Entrepreneur Fair

The Impact Transaction:

- **CE** negotiated a new sponsorship:
 - Continued base support of \$500
 - Added \$2,000 to be used for individual \$50 awards to the students addressing energy conservation and sustainability

The Win-Win:

- The sponsoring group had 40 more cash prizes and generated a greater “buzz” for their Entrepreneur Fair,
- **Consumers Energy:** (1) leveraged an exclusive niche, (2) advanced its energy conservation initiative and (3) earned significant goodwill.

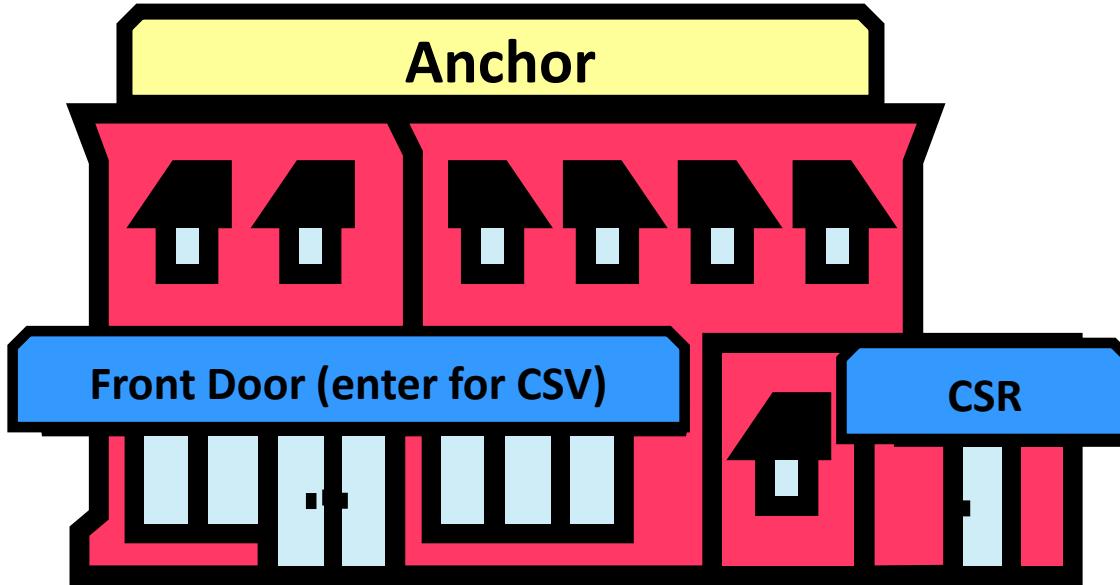


The “Golden Takeaway”

What's the *Shared-Value Proposition* you can offer an anchor that provides them a competitive and/or operational advantage while simultaneously addressing your community issue or opportunity?

What's the Impact Transaction?

What's the Win-Win?



“Impact Transactions”

Your Shared-Value Proposition

- Good for the Anchor
- Good for you/your cause/your community

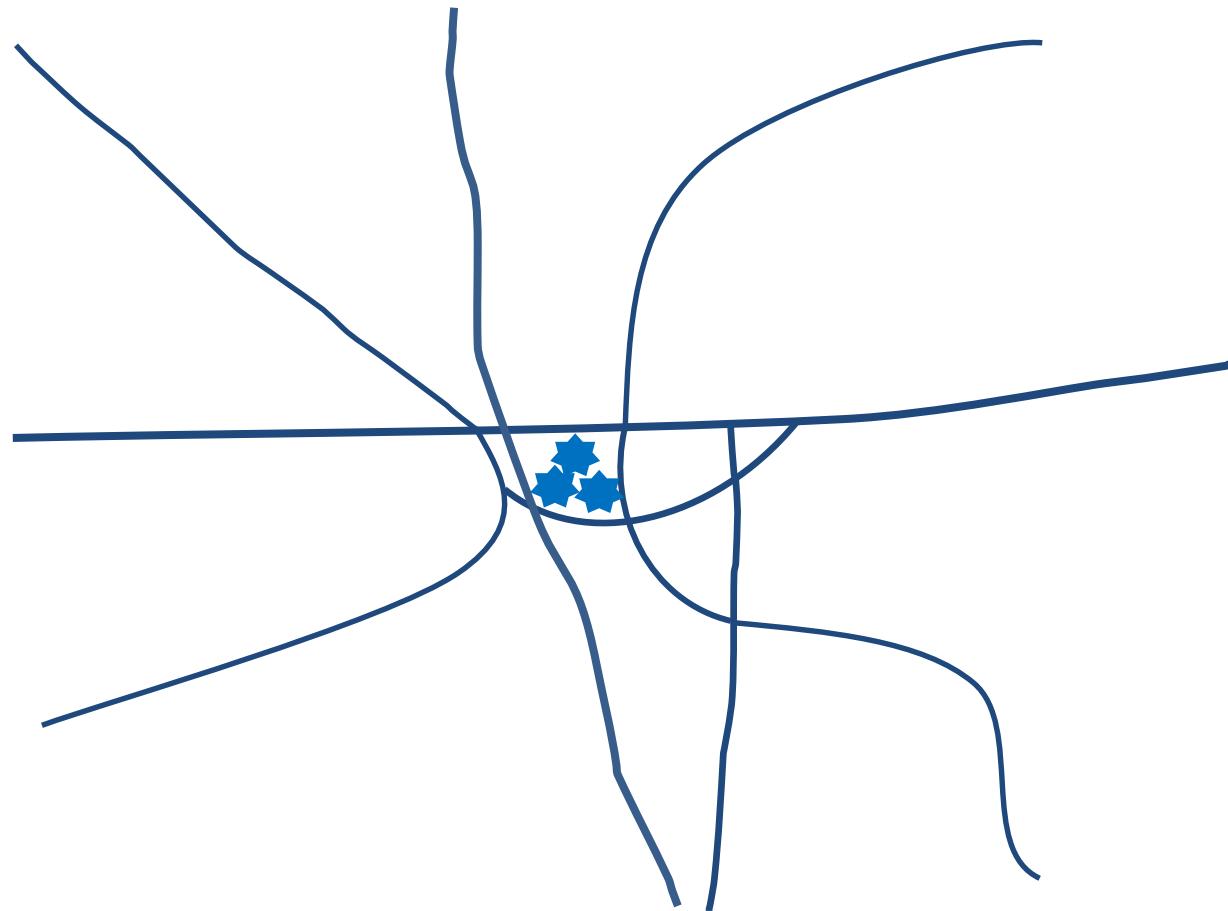
↑
**Contributions,
Sponsorships
and Grants**

Agenda

- Anchor Institutions Concept
- The Shared-Value Proposition
- Anchor-Based Development
 - Application to Small & Mid-Sized Communities



Adaptation of the “Classic” Anchor Concept for Small and Mid-Sized Communities



(large city, downtown centric and institutionally focused)

Adaptation of the “Classic” Anchor Concept for Small and Mid-Sized Communities

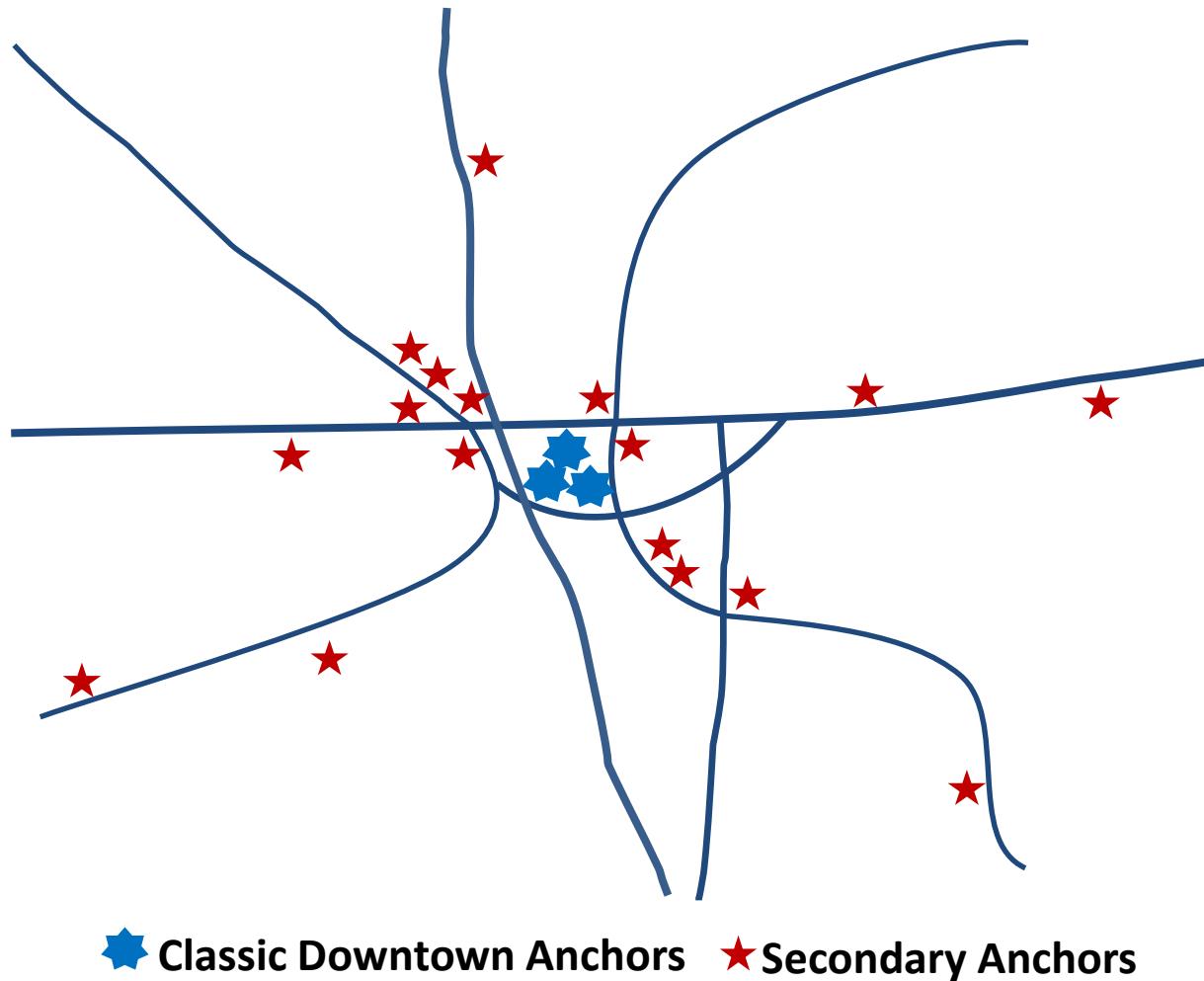
“Anchors are ~~institutions~~ **businesses** and other ~~large~~ place-based organizations that are deeply rooted in their local geographies and that play a integral role in the local economy...

Anchors include a micro-region's larger employers, **legacy businesses**, colleges and hospitals, but also government organizations, community foundations, and arts/cultural organizations ~~large corporations~~.

(more focused on employers and legacy businesses)

Adaptation of the “Classic” Anchor Concept for Small and Mid-Sized Communities

(more anchors over the entire micro-region)



Anchor-Based Development for Small and Mid-Sized Downtowns



Anchor-Based Development for Small and Mid-Sized Downtowns

A strategy focused on improving the physical environment, social structure and economic conditions of downtowns to create the “place” needed to attract and retain **millennials, the generation essential to a community’s future:**

- As the source of the talented and skilled workers businesses will need,
- As the building blocks for the young families that will help sustain and grow a population,
- As the emerging future leaders needed for the community, its organizations and institutions.

What Millennials are looking for...



Diversity



Walkability



Social Interaction



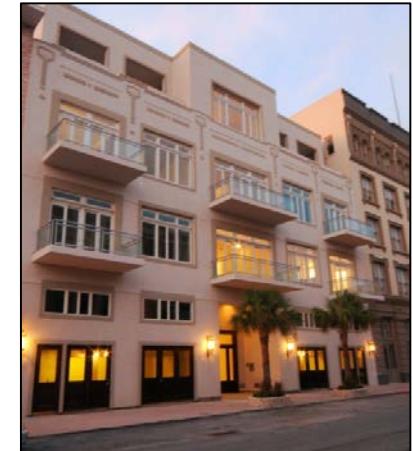
Activity



Uniqueness



Authenticity



Rentability

The option too many communities hope millennials will accept!

Wooded Meadows - Phase II



Community Considerations

Encouraging Trends

- Millennials are finding downtowns
- Downtown organizations:
 - Focus
 - Support
 - Events and activities
- Entrepreneurs:
 - Coffee shops and breweries
 - Niche restaurants & shops
- Community support for downtown revitalization

Challenges

- The inertia needed for a “downtown rebound”
- Insufficient supply of lofts and apartments (especially market rate)
- The “carcasses” – big vacant buildings that need to be addressed
- Lack of motivated investors and developers
- Scale, including smaller and less dominant anchors

Community Considerations

Indicators of Underperforming Downtowns

	COMPOSITE AVERAGE* OF 100+ DOWNTOWNS	TOP QUARTILE OF THE 100+ DOWNTOWNS
CITY POPULATION CHANGE 2000-2010	-0.4%	2.5%
DOWNTOWN DEMOGRAPHICS		
% Population Change 2010-'14	-3.6%	1.2%
Median Age - 2014	37.7	28.0
Median Household Income - 2014	\$22,872	\$36,875
% Rentals \$750-\$1,250/month - 2014	12.7%	31.5%
Median Available 1BR rent 2016-17	\$575	\$750
Median Available 2BR rent 2016-17	\$725	\$1,000

* Averages for small and mid-sized cities (populations of generally 25,000 to 150,000) that experienced stagnant or declining changes in population from 2000 to 2010 ($\leq 10\%$)

Community Considerations

Indicators for a Successful Initiative

- A “**Stand-Alone**” community -- the center of its own micro-region
- Potential anchors: Legacy businesses, employers needing STEM-based talent, colleges, hospitals and local foundations
- Some downtown revitalization already underway
 - *“the micro-brewery test”*
- Potential development sites under public control
- A robust young professional/adult organization
- Organizations that “play well” together

The Shared-Value Proposition

Anchors are asked to make commitments and changes in their operating policies and practices that will stimulate an increase in demand for downtown market rate apartments (and likely other improvements).

Their reward? A revitalized downtown... a more vibrant urban place they can use to attract and retain millennial talent.

Six Reasons Why Anchors will Care

- 1. Millennials represent the largest share of the labor force** (32%), edging out Gen-Xers (31%) and Boomers (30%). This trend will continue as Boomers increasingly retire.
- 2. Millennials seek experiences and are drawn to vibrant urban places.** Many small and mid-sized downtowns offer interesting and authentic experiences, but lack apartments with the amenities sought by millennials. Unfortunately, these downtowns become places to visit, but not to live.
- 3. Build it and they will rent.** 66% of millennials are renters and nearly all “firsties” (those taking their first career jobs) will be renting.

~~Three~~ ~~Six~~ Reasons Why Anchors ^{Really} will Care

4. **Millennials are prepared to move on** -- 64% expect to leave their current employer in the next five years. Turnover can be reduced where an employer addresses the lifestyles of its millennials. Millennials are also more loyal to employers who adopt and engage employees in socially responsible causes -- like downtown revitalization.
5. **The cost of losing a millennial employee is 25%-150%.** For a \$50,000/year employee it's \$12,500 to \$75,000.
6. **Employers often begin recruiting their millennial talent with undergrad internship programs.** Retaining an intern as a future employee requires a continuum of building affinity and attachment to a community.

Agenda

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“Asks” and Commitments of 23 Anchor Organizations (Jackson, MI)

The Six “Asks” of Anchor Organizations	# Anchors	Comments & Results
1. Invest in an independent 501 c3 organization focused on implementing anchor strategies.	16	Commitments of support for \$300K/yr.
2. Provide employee rent incentives to live downtown.	10	\$100/month has been widely adopted
3. Aggregate needs for hotel rooms and corporate apartments to stimulate key building renovation.	11	<ul style="list-style-type: none">• 5,500 hotel nights• 24 corporate apts.
4. Consider the implementation of year around co-op style internships to populate downtown apartments.	8	A developing initiative
5. Participate in aggregating purchasing in support of a more robust buy local initiative.	16	The <i>“Pay it Forward Procurement”</i> concept
6. Support participation of millennial generation employees in Young Professional Organization.	15	A 120+ member YP group is thriving

The Six “Asks” of Anchor Organizations	# of Anchors	Comments & Results
1. Invest in an independent 501 c3 organization focused on implementing anchor strategies.	16	Commitments of support for ≈ \$300K/yr.

- Weighted schedule for financial support:
 - **SIZE** – Employment size
 - **STEM** – Importance of STEM in employee base
 - **Metro** – Downtown location
 - **YTA** – Need for young talent attraction
- Cost/Benefit: Annual support ranges from \$5,000 to \$50,000. Contributors benefit with community goodwill and having a voice at the organizational level.

The Six “Asks” of Anchor Organizations	# of Anchors	Comments & Results
2. Provide employee rent incentives to live downtown.	10	\$100/month has been widely adopted

- Applied to a very defined “tight” downtown district
- Incentive paid to the employee, not the landlord
- Cost/Benefit:
 - Maximum exposure per participating employee of \$2,400
 - Participation sends the message of support for downtown revitalization to:
 - Certainly eligible and participating employees,
 - All employees in a particular anchor organization
 - Peer anchors, and the community as whole
 - Rent incentives support an anchor organization’s efforts to recruit, attract and retain key employees

The Six “Asks” of Anchor Organizations	# Anchors	Comments & Results
3. Aggregate needs for hotel room nights* and corporate apartments to stimulate key building renovation.	11	<ul style="list-style-type: none"> • 5,500 hotel nights • 30 corporate apts.

- Hotel room nights* commitments were specific to stimulating renovation of a classic hotel downtown
- Corporate (master-leased) apartments provided for extended stay opportunities and were effective in stimulating apartment development/renovation
 - 1:2 ratio
- Cost/Benefit: Savings in operating costs with lower negotiated hotel room rates. Available apartments provide more flexibility in operations.

The Six “Asks” of Anchor Organizations	# Anchors	Comments & Results
4. Consider the implementation of year around co-op style internships to populate downtown apartments.	8	A developing initiative

Co-op Style Internship vs. Traditional Summer Internship

- A structured program between an employer and university and often a requirement for a degreed major
- Paid, full-time positions filled on a rotating basis thru the year
- Co-op positions are often part of a longer term recruitment process
- Better benefits, often including housing stipends
- **Can be part of a year-around downtown apartment strategy**
- Usually student initiated and often merely a summer job
- Full-time or part-time, paid or unpaid and generally only available in summer
- Usually a one-time assignment, not generally part of a recruiting strategy
- Lesser benefits
- Not conducive to year-around housing concepts

The Six “Asks” of Anchor Organizations	# Anchors	Comments & Results
4. Consider the implementation of year around co-op style internships to populate downtown apartments.	8	A developing initiative

- Replace summer internship practices with ongoing, year around co-op style internships
 - e.g. 20 co-op positions vs. 60 summer interns
 - Brings master-leased apartments into play!
- Conversion to co-op internship model can significantly impact talent recruitment.
- Cost/Benefit – Likely no added costs, but valuable in supporting operations and talent recruitment.

The Six “Asks” of Anchor Organizations	# Anchors	Comments & Results
5. Participate in aggregating purchasing in support of a more robust buy local initiative.	16	The “ <i>Pay-it-Forward Procurement</i> ” concept

- Aggregated purchasing among so many anchors proved difficult to implement
- Motivated anchor purchasing executives helped develop a ***Pay-it-Forward Procurement*** concept:
 - Anchors would be agreeable to entertain presentations on products and services,
 - Vendors offer “externalities” suggesting commitments or impact on downtown should a proposal be accepted
- Cost/Benefit – No added costs. Purchasing functions of anchors became (enthusiastically) engaged in downtown and community development.

The Six “Asks” of Anchor Organizations	# Anchors	Comments & Results
6. Support participation of millennial generation employees in a Young Professional Organization.	15	A 120+ member YP group is thriving

- Anchor HR departments helped with millennial surveys including downtown housing.
- Some anchors host meetings or sponsor events.
- Cost/Benefit – Nominal added costs. Support for a YPO provides goodwill to employees and organizes the millennial group within a specific anchor organization.

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Outcomes

Downtown Jackson, MI

Renovated Hotel
75 rooms, 48 apts.
Construction Late 2017

Engineering Firm
New HQ for 150+
Site Optioned



80 Micro-Units
Site Under Option

30 Apts.
Under
Construction

Outcomes - Apartments

150 market rate apartments in the pipeline

- 30 market rate apartments and ground level retail space under construction. Corporate apartments units were part of the incentives to advance the project
- 10-story vacant hotel building renovation:
 - 75 room hotel (four floors) with 5,500 annual room nights committed by local anchors (a 30% occupancy guarantee),
 - Historically renovated ballrooms/lobby with shops/restaurants at street level
 - 48 market rate apartments with 24 units as master-leased corporate apartments



Outcomes - Apartments

150 market rate apartments in the pipeline

- Up to 80 market rate apartments in a new proposed micro-unit apartment development over retail and office.



- 12 new apartments and a street level restaurant are part of the renovation of a water-damaged “carcass” building. Both corporate apartments and low-mod units are being offered as incentives.



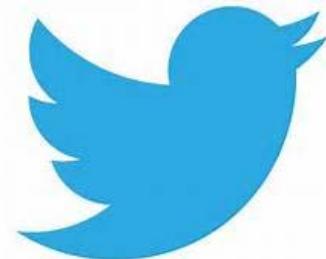
Outcomes – Key Anchor Projects

- Launch Project: A major anchor helped launch revitalization by investing \$8M to renovate a former department store into an *Innovation Center* to fulfill its need for more space, but also offer community organizations a place to develop new innovative concepts.
- An engineering firm (local anchor) plans to move downtown with a new 150+ employee HQ. The firm was inspired by its participation in the anchor effort and the progress made in downtown revitalization.



Outcomes - Other

- Entrepreneurs are acquiring buildings and developing new concepts for restaurants, shops and entertainment venues, often incorporating upstairs lofts.
- There's a buzz! A concerted downtown revitalization effort is generating positive reaction in social media and conversations around the community.

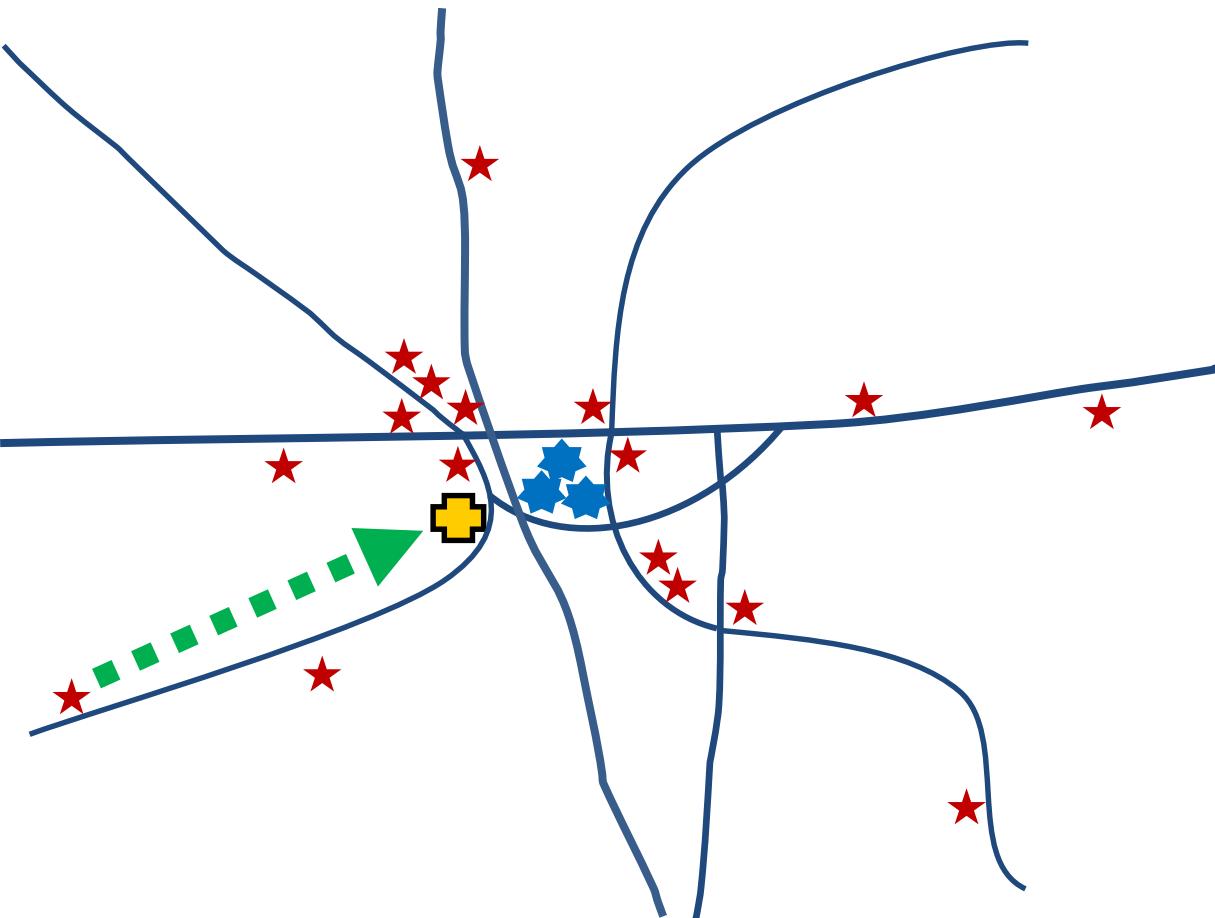


Takeaways

- Appreciate the concept of Shared-Value and seek new relationships with anchors that will draw out their “capabilities”. Understand that anchors will actually appreciate a platform to participate.
- Expand the range of potential anchors to your entire micro-region.
- Expect that “things” are already happening.

The Three Anecdote Wake-up Call

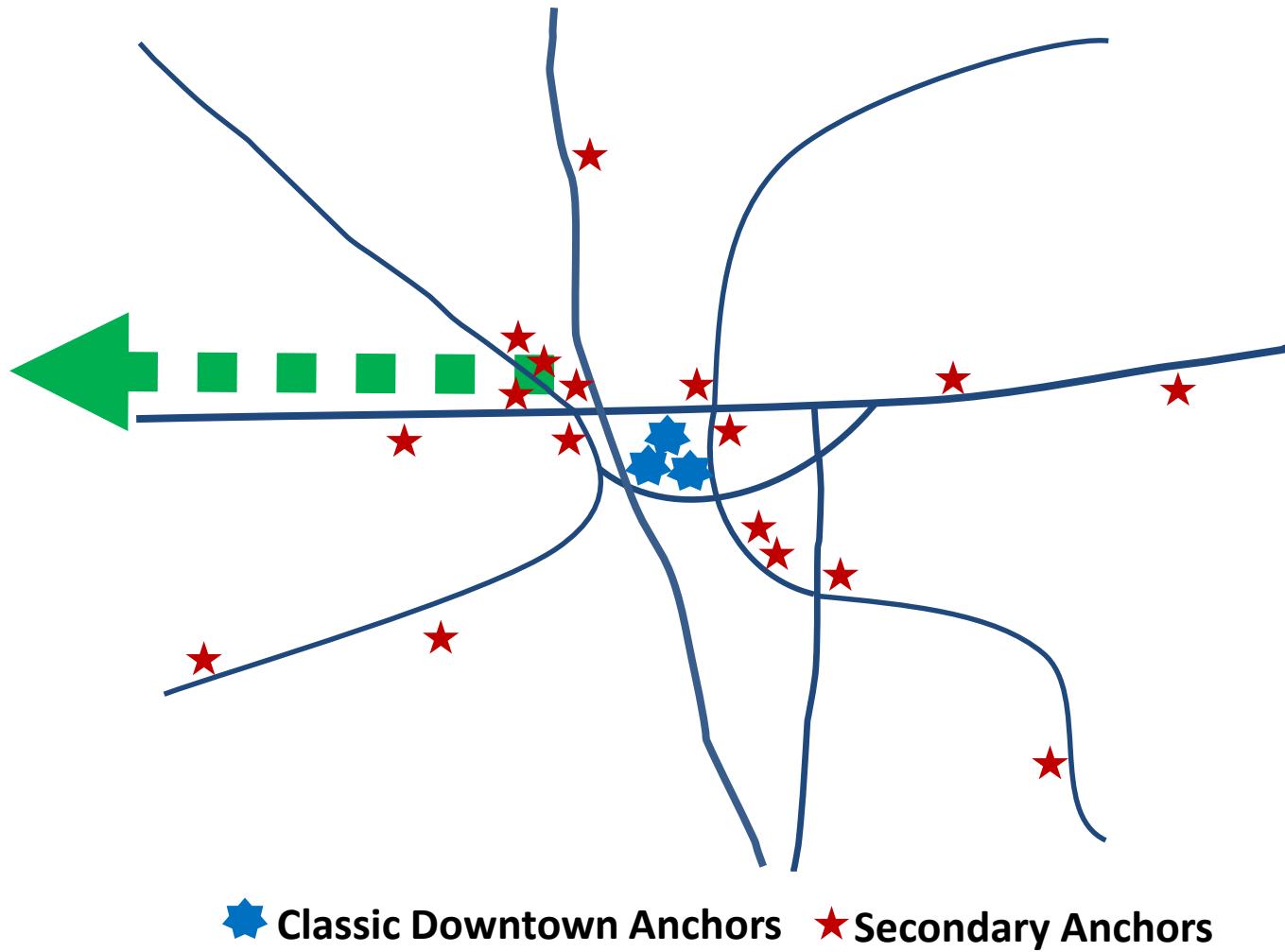
#1 – Stopped Short of the Goal Line



★ Classic Downtown Anchors ★ Secondary Anchors

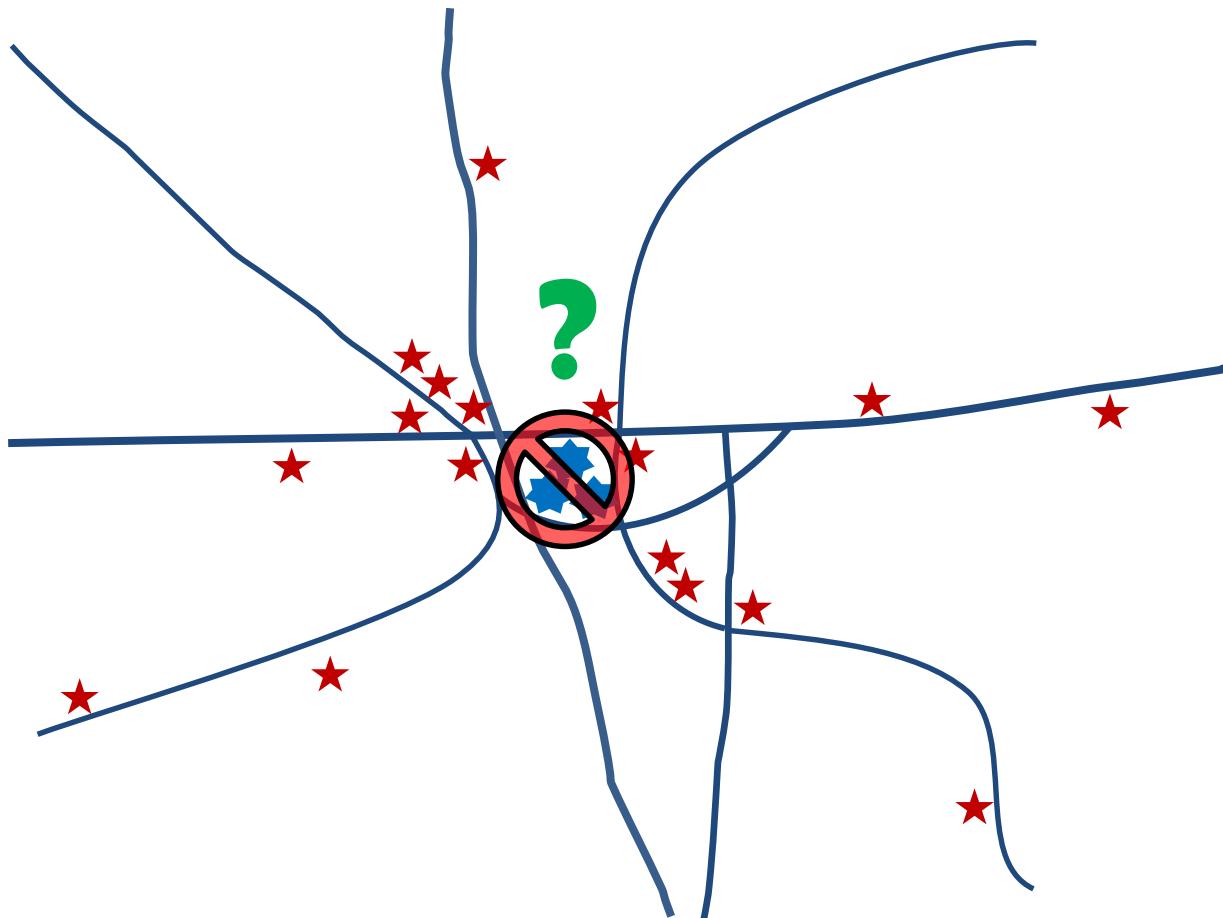
The Three Anecdote Wake-up Call

#2 – “Go West Young Man”



The Three Anecdote Wake-up Call

#3 – Nothing Happening Here

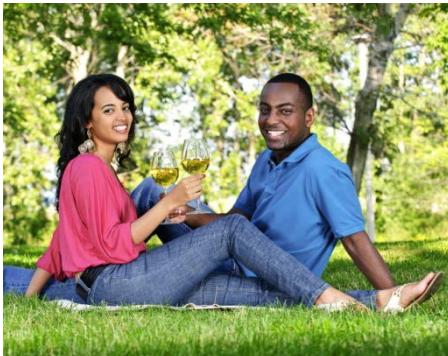


★ Classic Downtown Anchors ★ Secondary Anchors

Takeaways

- If funding a new initiative, consider a “sunset”.
- If possible, “kick-off” with an upcoming major anchor investment.
- Don’t allow perfect to be the enemy of good.

Anchor-Based Downtown Revitalization



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Rentable for the Millennial

the Case for a \$750 - \$1,150 Rent Range

