

# Anchor-Leveraged Strategies



Ohio Economic Development Association – October 19, 2017

# Today's Objectives

- **General** – Evaluate a concept for a new, sustainable relationship with our larger employers and legacy businesses
- **Specific** – Explore applying hybrid anchor-leveraged strategies to create vibrant urban places to attract and retain young talented workers



# Agenda

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



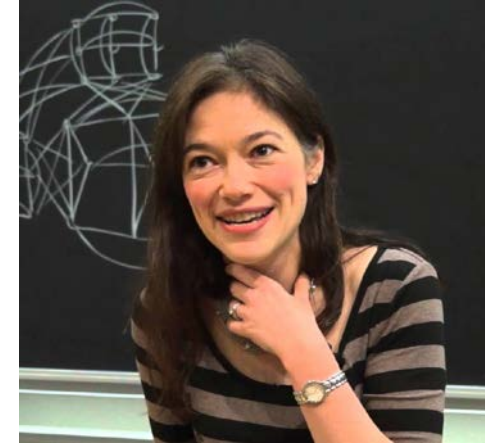
# We Have an Intellectual “Rock Star” Too!



**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 Industries)
- ***Cluster Theory*** advocates for aggregating elements of a specialization for competitive advantage (e.g. the Napa Valley wine cluster)

# Two Lesser Known Contributions

- 1. *The Anchor Institutions Concept:***  
Established and dominant urban institutions accept a role – even a responsibility – in the social and economic revitalization of their inner cities.
- 2. *The 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

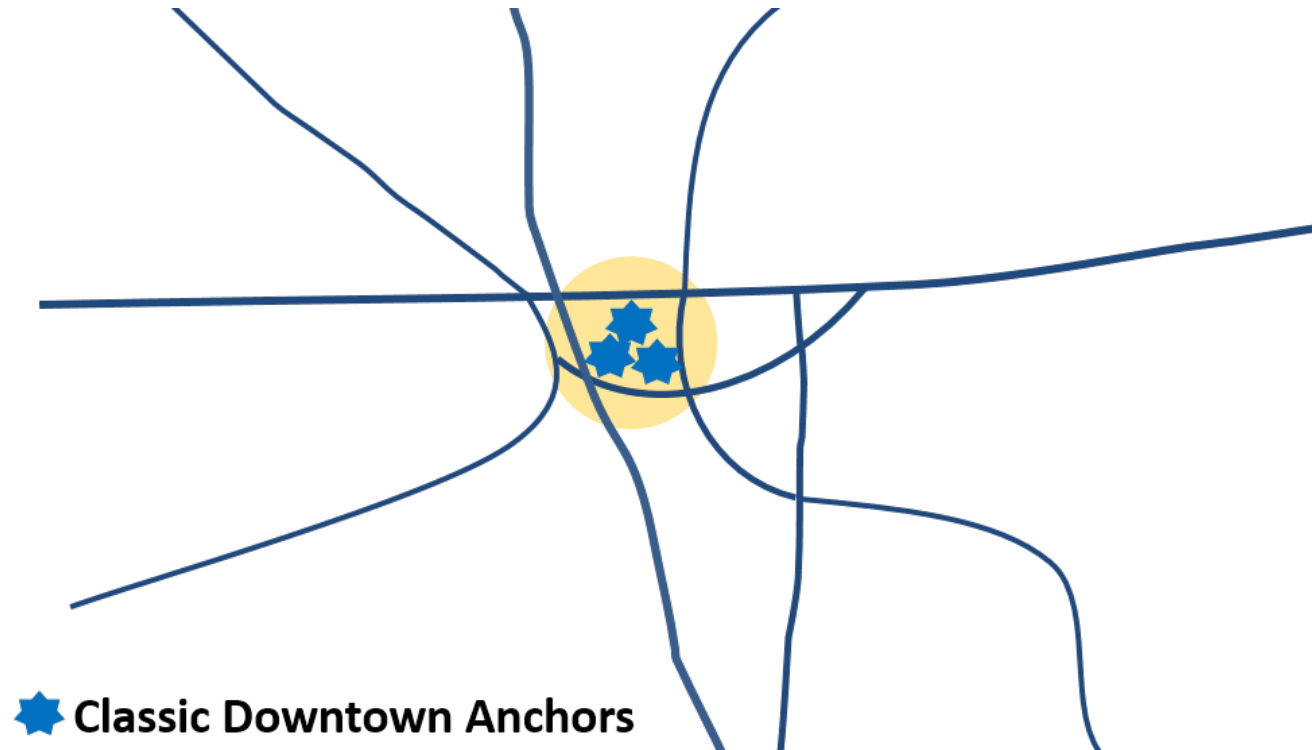
# Agenda

- **The Anchor Institutions Concept**
  - ✓ **Particularly its adaptation to small and mid-sized cities**



# The Classic Anchor Institutions Concept

**Calls on large (typically public/non-profit sector) downtown institutions to accept responsibility for social and economic development of their urban neighborhoods.**



*(large city, downtown centric and institutionally focused)*



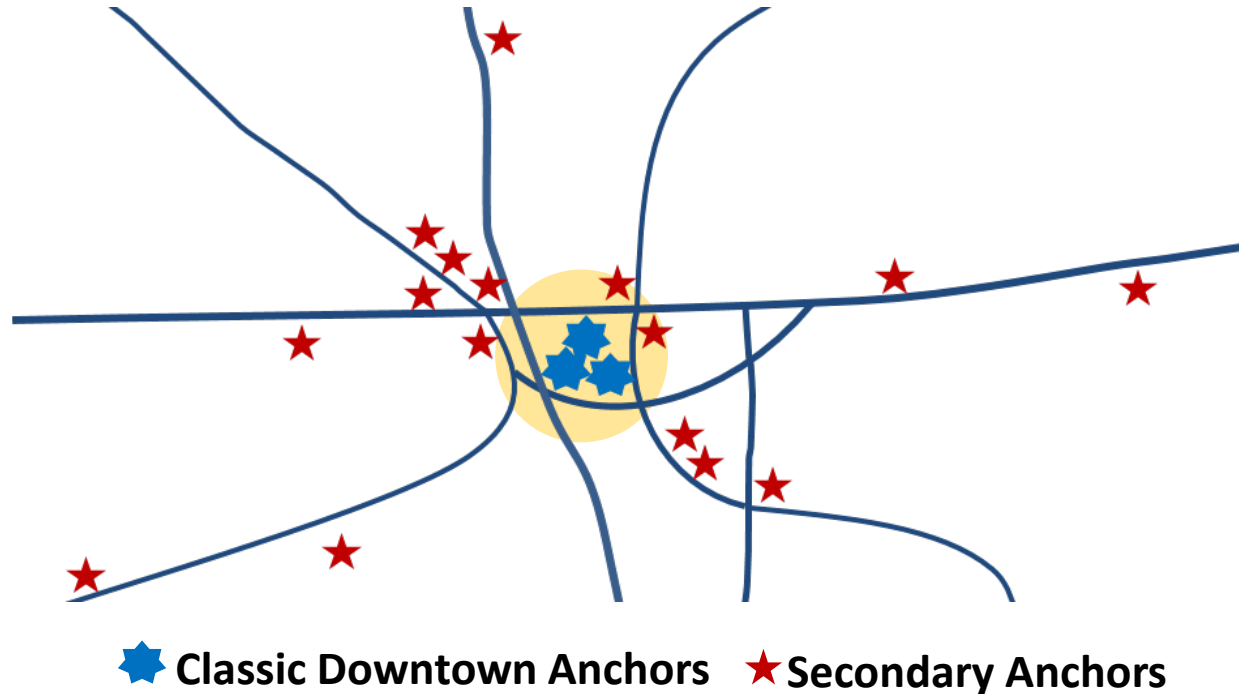
# The Classic Anchor Institutions Concept

- **Cleveland's Greater University Circle Initiative (GUCI):** a concentration of 17 institutions... University Hospitals, Cleveland Clinic, and Case Western Reserve University. (60,000 employees and \$3.0B in annual procurement)
- **Midtown Detroit:** Wayne State University, Henry Ford Hospital and Detroit Medical Center (30,000 employees, 27,000 students, \$1.6B spending on goods & services)
- **Others:** West Philadelphia, Johns Hopkins (Baltimore), Harvard (Boston), University of Chicago (Chicago)

*(large city, downtown centric and institutionally focused)*


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


An appeal to large employers and legacy businesses (often as **secondary anchors**) in the entire micro-region looking to find value in an urban environment that attracts and retains talent.





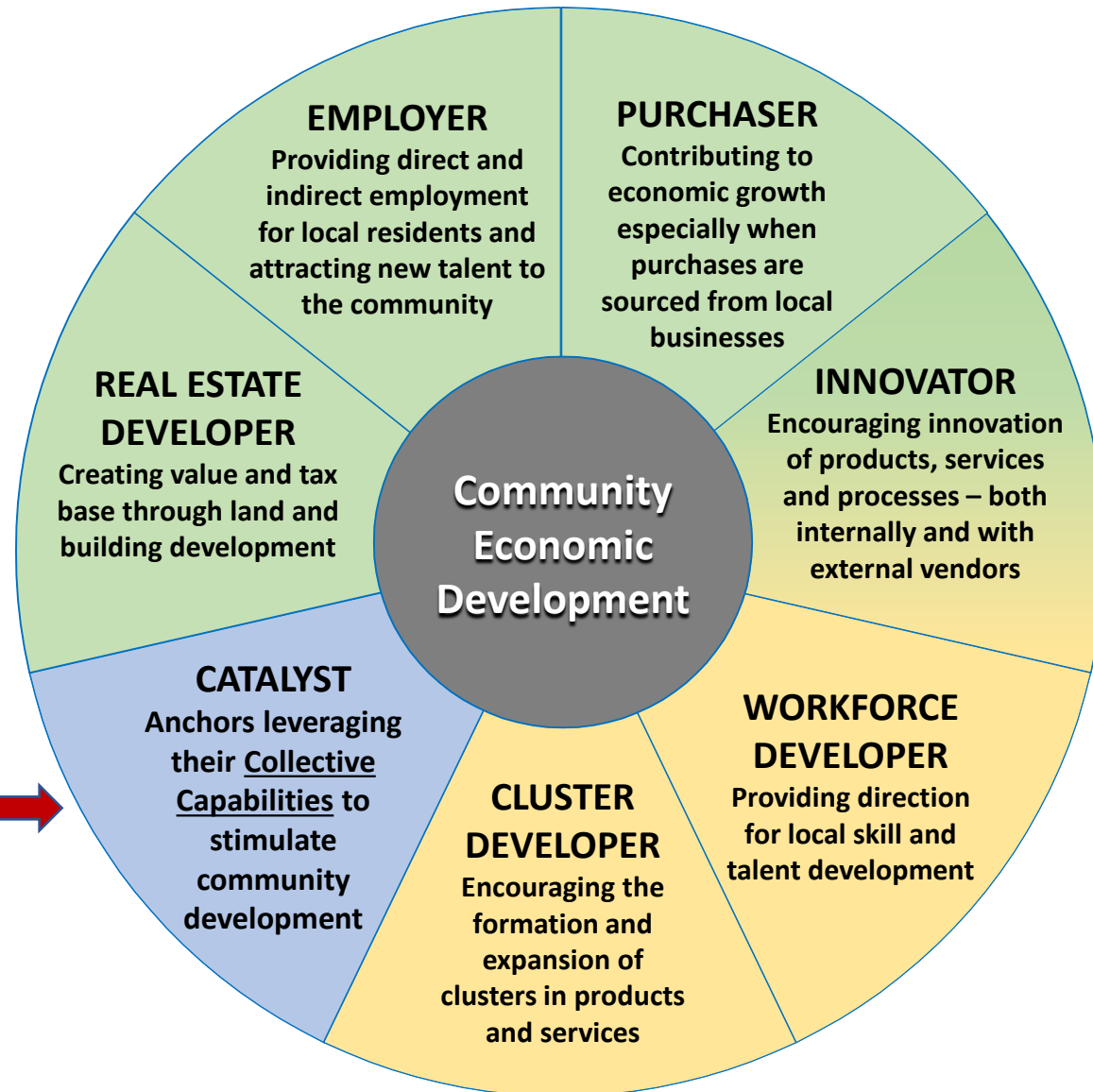
*(more anchors over the entire micro-region)*

# Anchor Roles in Economic Development

 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.

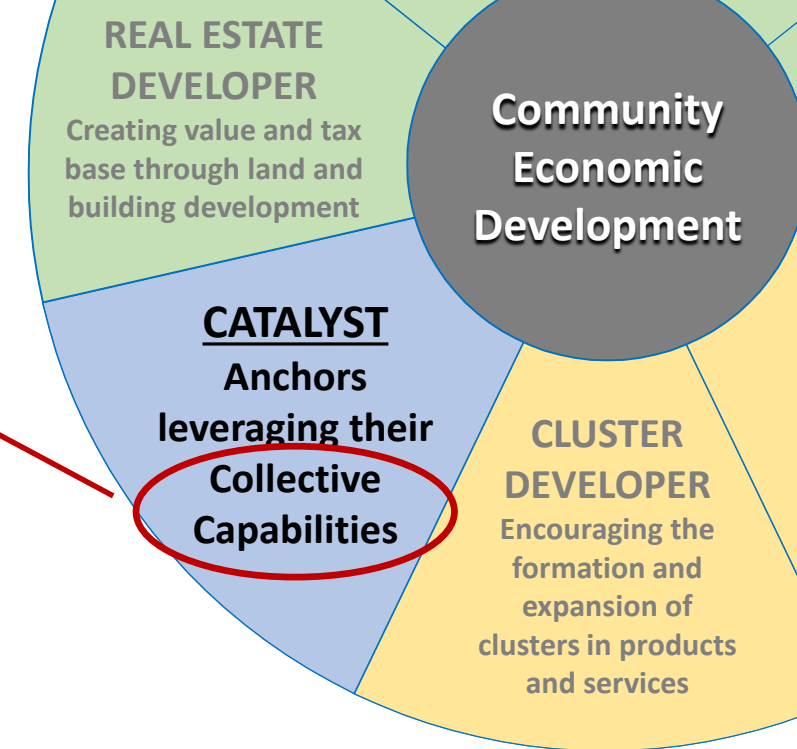
 Anchors as “Catalysts”, purposefully leveraging their **Collective Capabilities** to stimulate and accelerate the community’s development. 



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

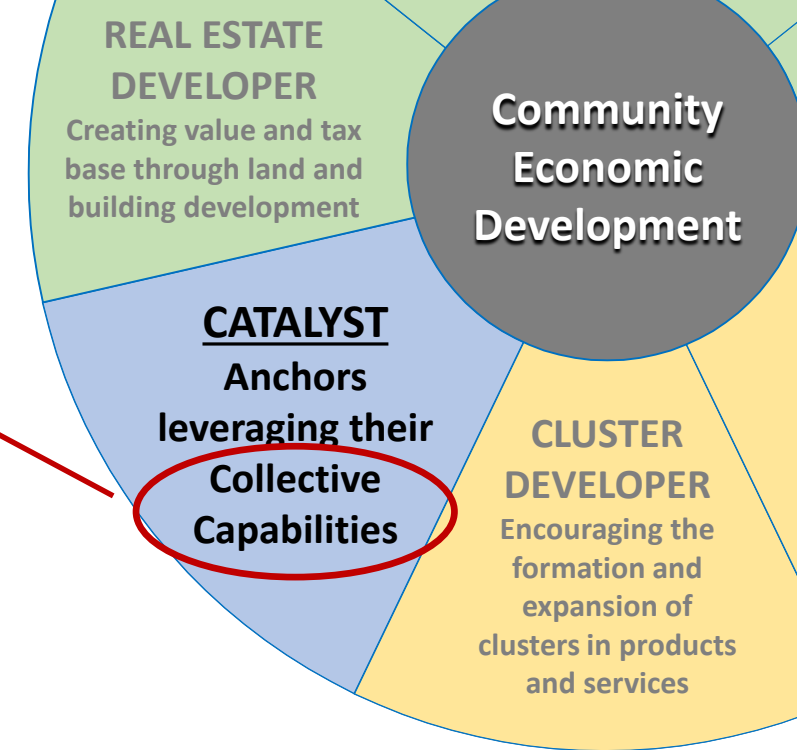
# Collective Capabilities?

- **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**



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The “if and how” these changes in policies, practices and commitments are made can have a significant and intentional impact on a better community.

# Agenda

- The Anchor Institutions Concept
- **The Shared-Value Proposition**
  - ✓ Sounds academic and boring, but it's the basis for today's...

**“Golden Take-Away”**






# The Shared-Value Proposition

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



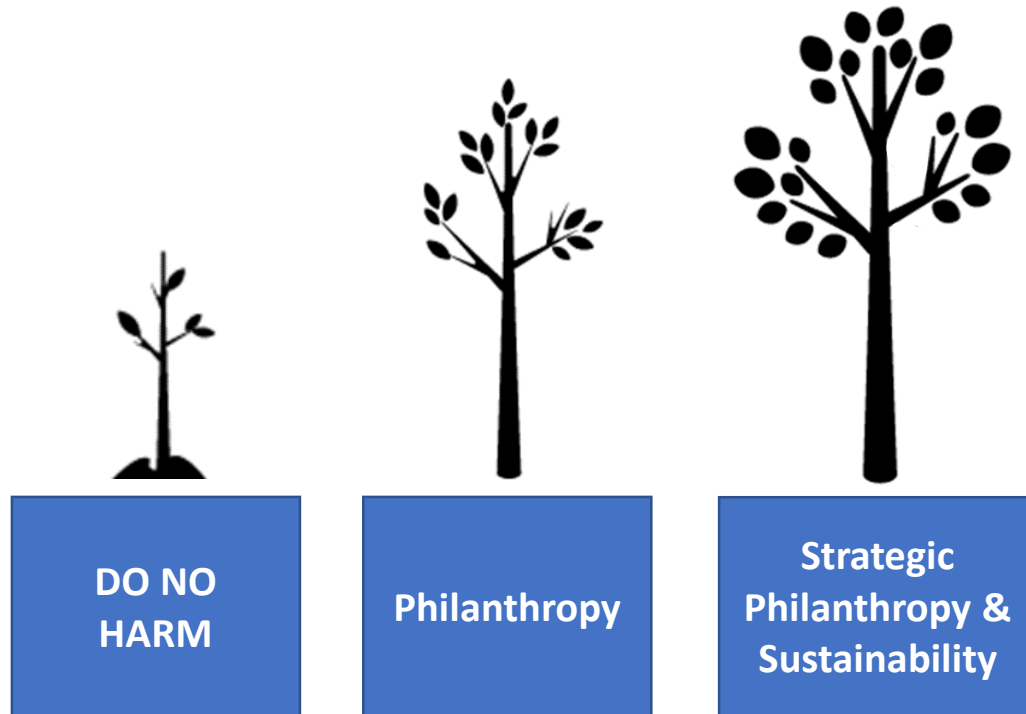
# Other Shared-Value Examples

-  **Pampers.** *"One Pack = One Vaccine"* – Proctor & Gamble donated a tetanus vaccine in the developing world for every pack of diapers purchased
-  **Coca-Cola** *Watershed Protection* – invested in Jundiai (Brazil) landfills and wastewater plant to improve regional water quality
-  **TRAVELERS** *High School Inc.* – helped create a school of choice for urban students interested in careers in the insurance and finance industries



## Corporate Social Responsibility (CSR)

Be a good corporate citizen and “give back”



**CSR** comes “off the exhaust”. Often the leftovers -- leftover money (donations) and leftover time (volunteering).

## Shared Value



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

**Shared Value** comes “off the engine” – part of the enterprise’s business strategy.

# The Convergence of Concepts

## Anchor Institutions

Having larger employers and legacy businesses accepting responsibility for economic and community development.

## Shared Value

Combining sets of commitments, policies and practices to achieve mutually beneficial outcomes for businesses and society.



**Anchor-Leveraged  
Development**

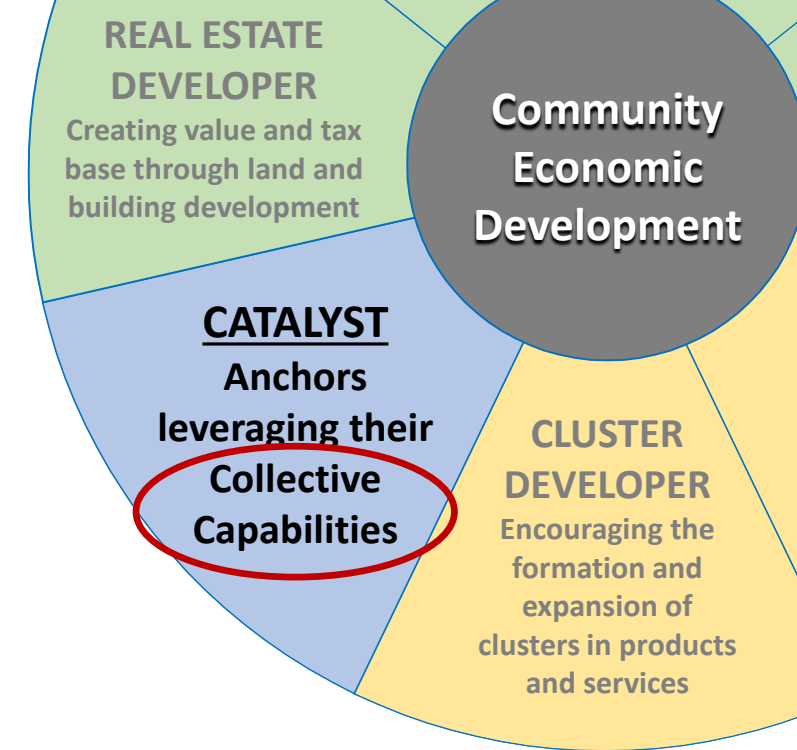
# Anchor-Leveraged Development

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

**Improve their operational and competitive positions**

*-- while they simultaneously --*

**Stimulate community and economic development**



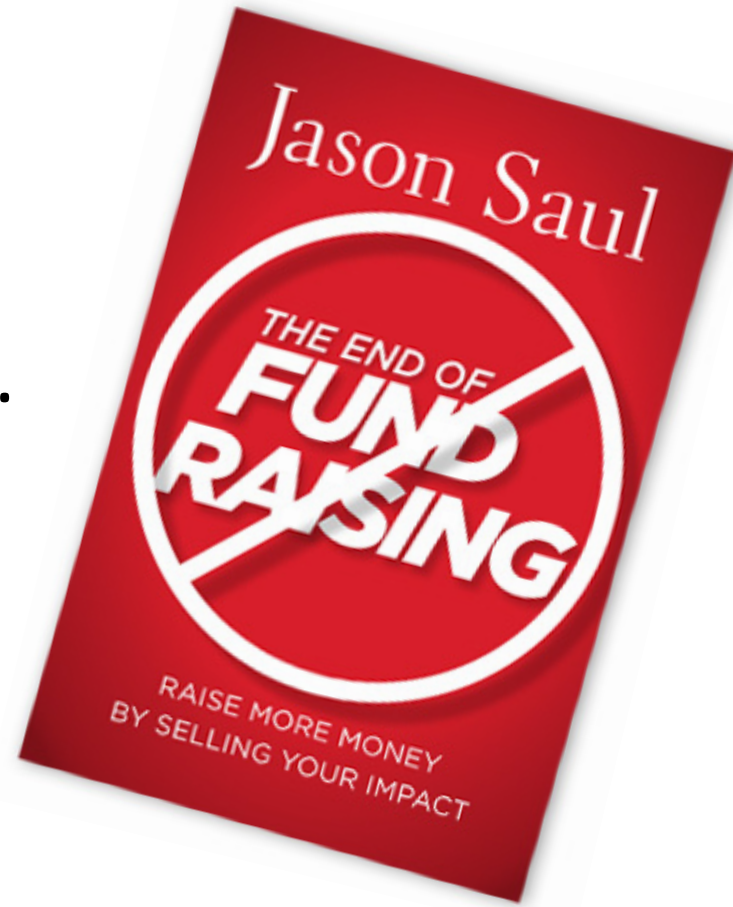
# Applying Anchor-Leveraged Strategies

*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)** traditionally supported a Youth Entrepreneur Fair:

- A large regional event
  - 150 student exhibitors
  - 25 “celebrity” judges
  - 500+ attendees
- **CE** provided \$500 in support
  - one of some 40 sponsors

In 2013, **CE** sought to have a greater impact



# The Youth Entrepreneur Fair

## The Impact Transaction:

- **CE** negotiated a new sponsorship:
  - Continued base support of \$500
  - Added \$2,000 for individual \$50 awards to student enterprises 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:**
  - leveraged an exclusive niche,
  - advanced energy conservation efforts,
  - earned significant goodwill



# Success Equation

## Priority Outcomes

What changes in behavior or condition are required?

Diagram showing three empty rectangular boxes for Priority Outcomes, grouped by a bracket above them.

**A**

**+**

**B**

**+**

**C**

**=**

**D**

Three horizontal lines for Performance Measures under outcome A.

Three horizontal lines for Performance Measures under outcome B.

Three horizontal lines for Performance Measures under outcome C.

**Performance Measures**  
How do you measure progress against our outcomes?

Dashed box for Key Strategies under outcome A.

Dashed box for Key Strategies under outcome B.

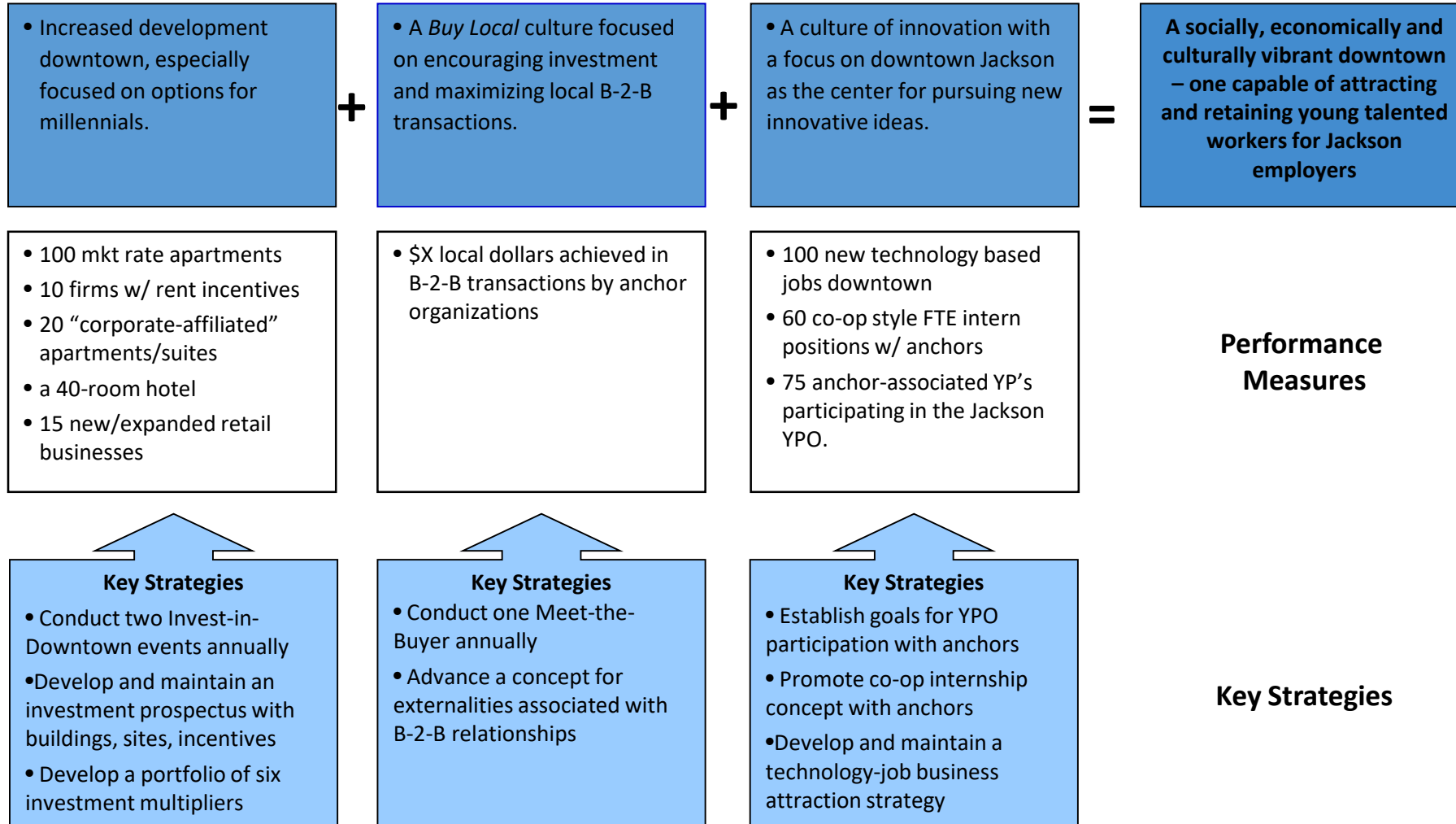
Dashed box for Key Strategies under outcome C.

**Key Strategies**  
Which programs or activities will drive results?

# The Anchor Initiative – Success Equation

## Priority Outcomes - Changes or Improvements Sought

## DESIRED IMPACT



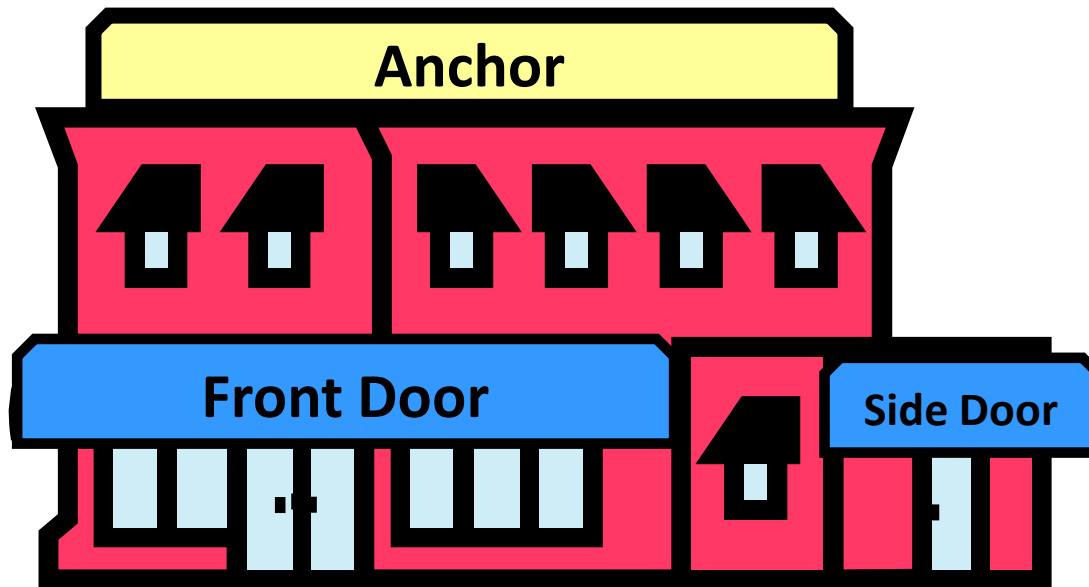


## **The “Golden Take-Away”**

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-Leveraged Development
- **Application to Small & Mid-Sized Communities**
  - ✓ **Especially about supporting urban enclaves for “firsties” and millennials**



# Anchor-Leveraged 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:
  - Specifically focused
  - 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 – smaller, fewer and less dominant anchors

# 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 associated 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.

# ~~Six~~<sup>Three</sup> Reasons Why Anchors will <sup>Really</sup>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 interns as future employees requires a continuum of them building affinity and attachment to a community.

# Agenda

- Anchor-Leveraged Development
- Application to Small & Mid-Sized Cities
- **Strategies and Implementation**
  - ✓ **“Ask” and they will likely answer**



# “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"> <li>• 5,500 hotel nights</li> <li>• 30 corporate apts.</li> </ul>
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 <b>“Pay it Forward Procurement”</b> 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. Anchors 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
<b>3. Aggregate needs for corporate apartments and hotel room nights* to stimulate key building renovation.</b>	<b>11</b>	<ul style="list-style-type: none"> <li>• 30 corporate apts.</li> <li>• 5,500 hotel nights*</li> </ul>

- Commitments for corporate (master-leased) apartments that address extended stay situations were effective in stimulating apartment development/renovation
  - 1:2 ratio
- \*Hotel room nights commitments were specific to stimulating renovation of a classic hotel downtown
- Cost/Benefit: “Corporate apartments” allow for more flexibility in operations and provide an urban experience for recruited talent.



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

### 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
<b>4. Consider the implementation of year around co-op style internships to populate downtown apartments.</b>	<b>8</b>	<b>A developing initiative</b>

### Incentives to Maximize Internships

- **75% of businesses use internships to recruit full-time entry level positions.**
- **76% of interns offered a full-time position accept it!**
- **66% of interns who become full-time employees are still with the company after one year – 46% is the retention rate for those hired outside the internship initiative.**
- **52% of interns who become full-time employees are still with the company after five years – 36% is the retention rate for those hired outside the internship initiative.**

Source: National Association of Colleges and Employers

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
<b>6. Support participation of millennial generation employees in a Young Professional Organization.</b>	<b>15</b>	<b>A 120+ member YP group is thriving</b>

- 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.

# Agenda

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  - Application to Small & Mid-Sized Cities
  - Strategies and Implementation
  - **Outcomes and Takeaways**

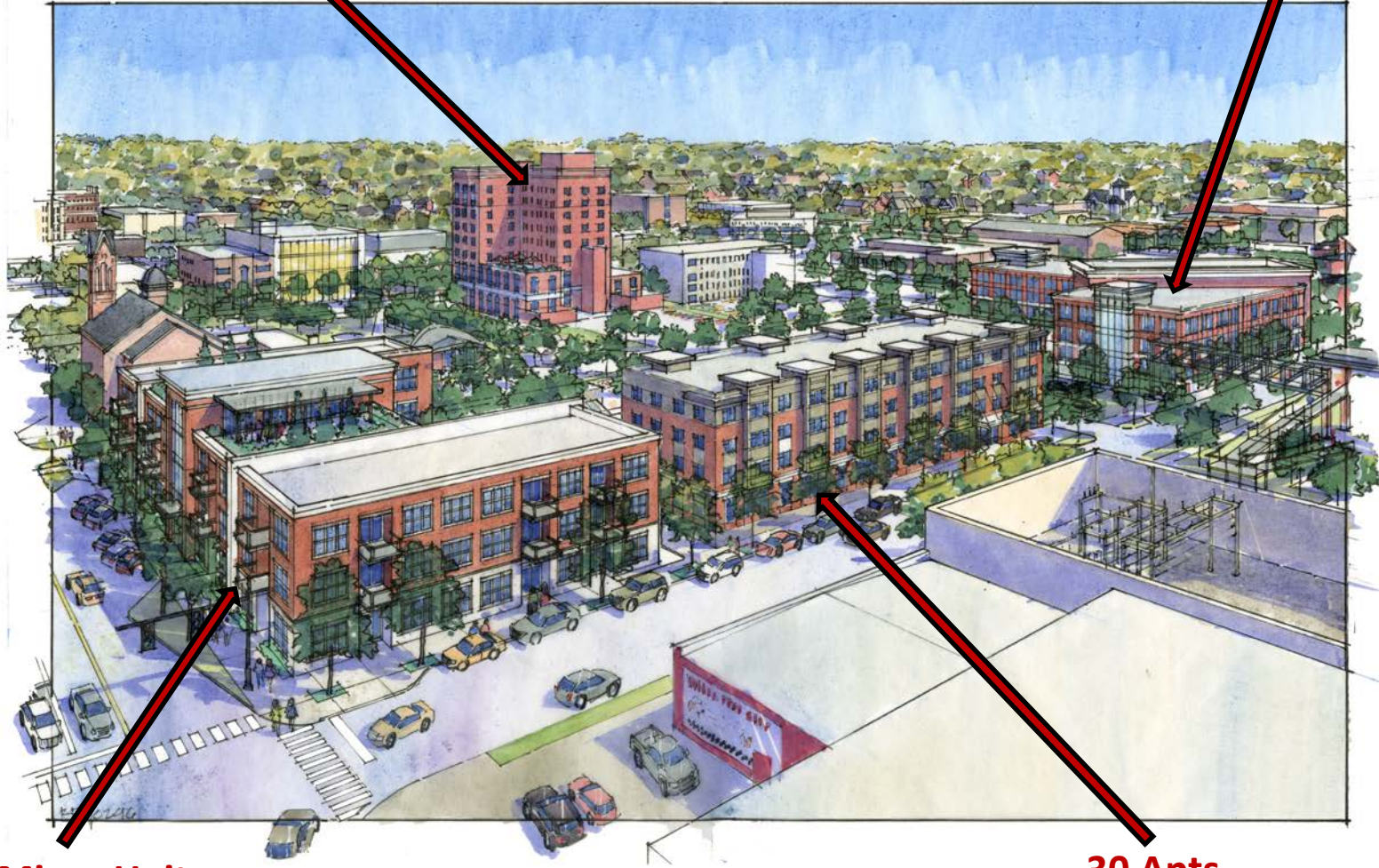


# Outcomes

## 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 – 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 - 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 - 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.

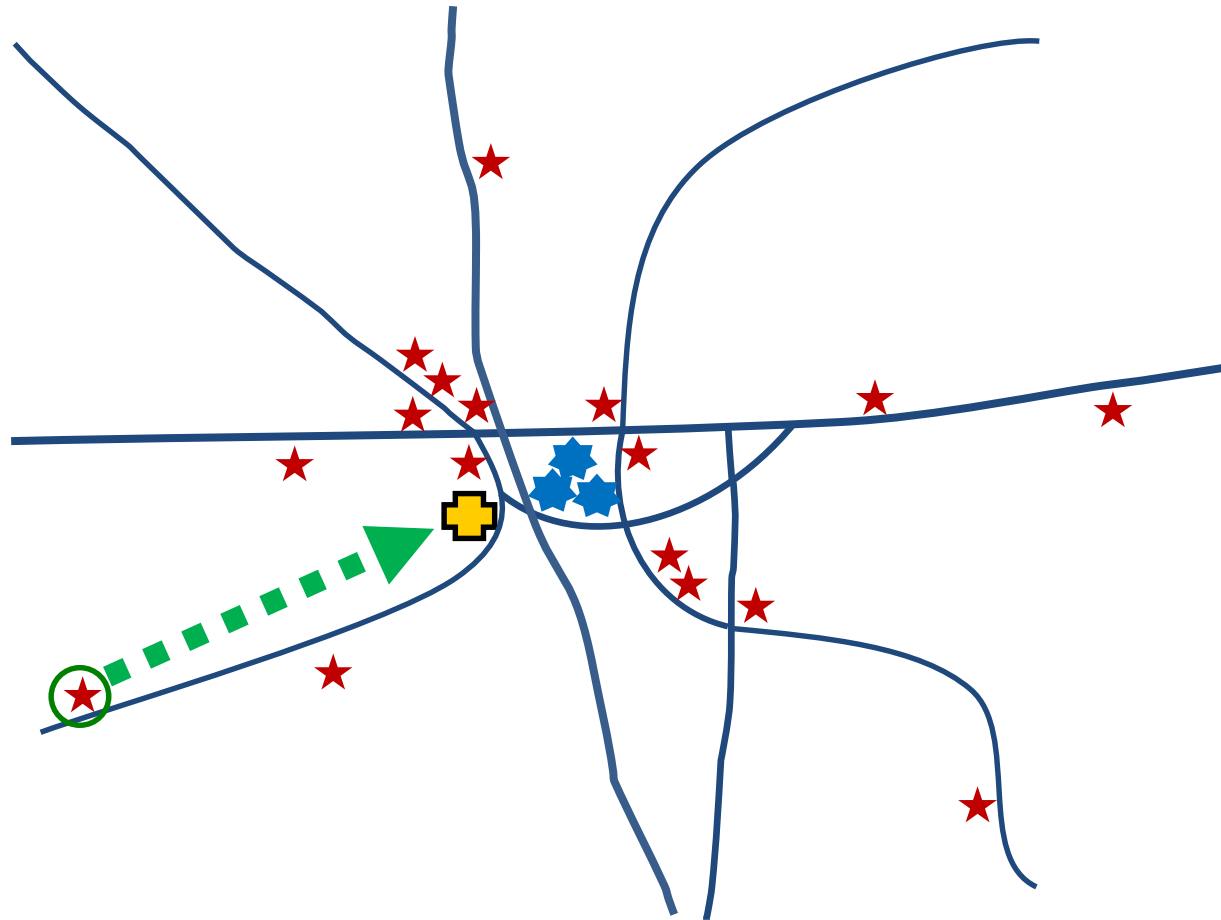


# Takeaways

- Appreciate the concept of Shared-Value and seek new relationships with anchors that will draw out their “capabilities”. Understand that anchors will likely appreciate a platform to participate.
- Expand the range of potential anchors to your entire micro-region.
- If funding a new initiative, consider a “sunset”.
- If possible, “kick-off” with an upcoming major anchor investment.
- ✓ **Expect that “things” are already happening.**

# The Three Anecdote Wake-up Call

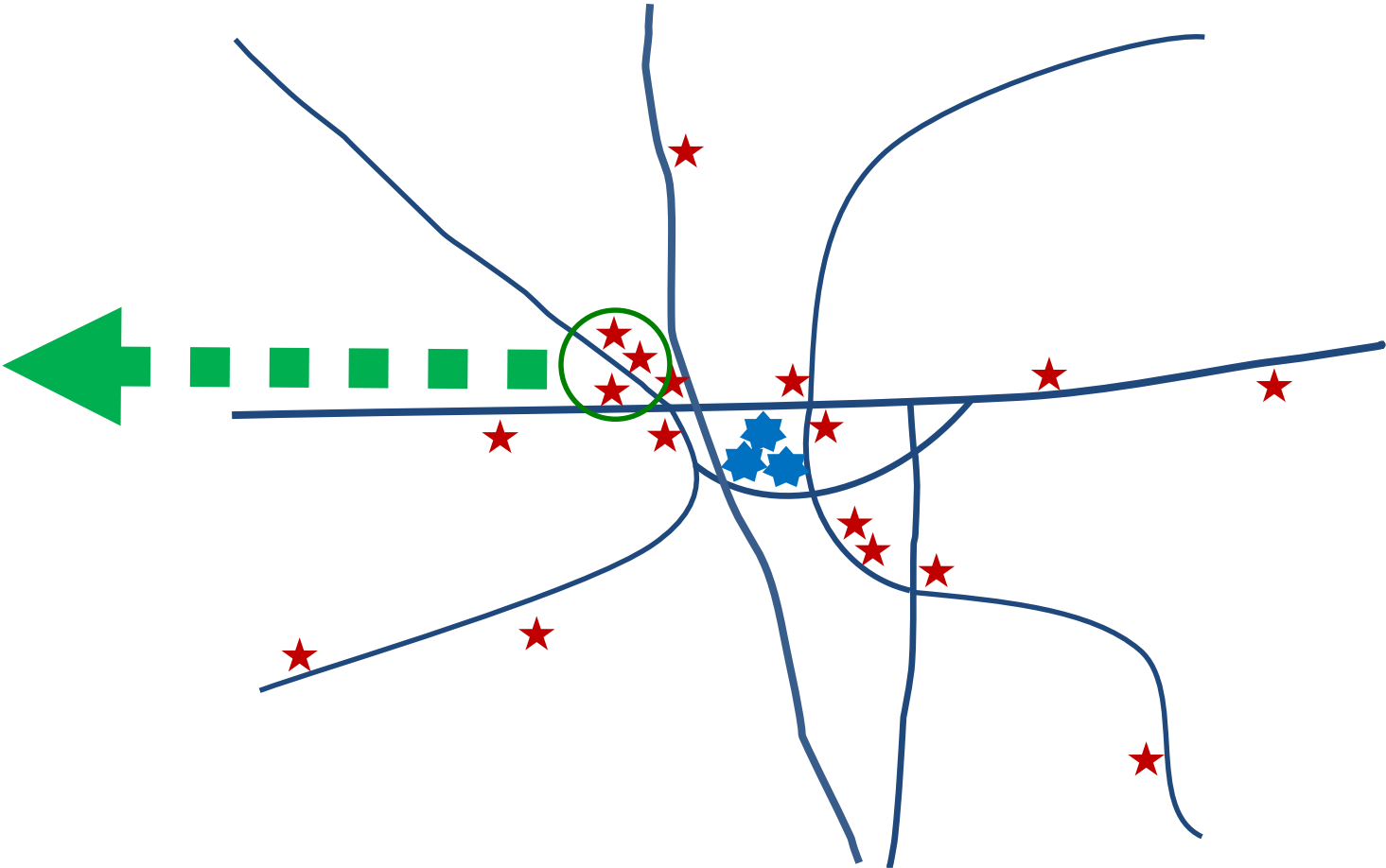
## #1 – Stopped Short of the Goal Line



★ Classic Downtown Anchors ★ Secondary Anchors

# The Three Anecdote Wake-up Call

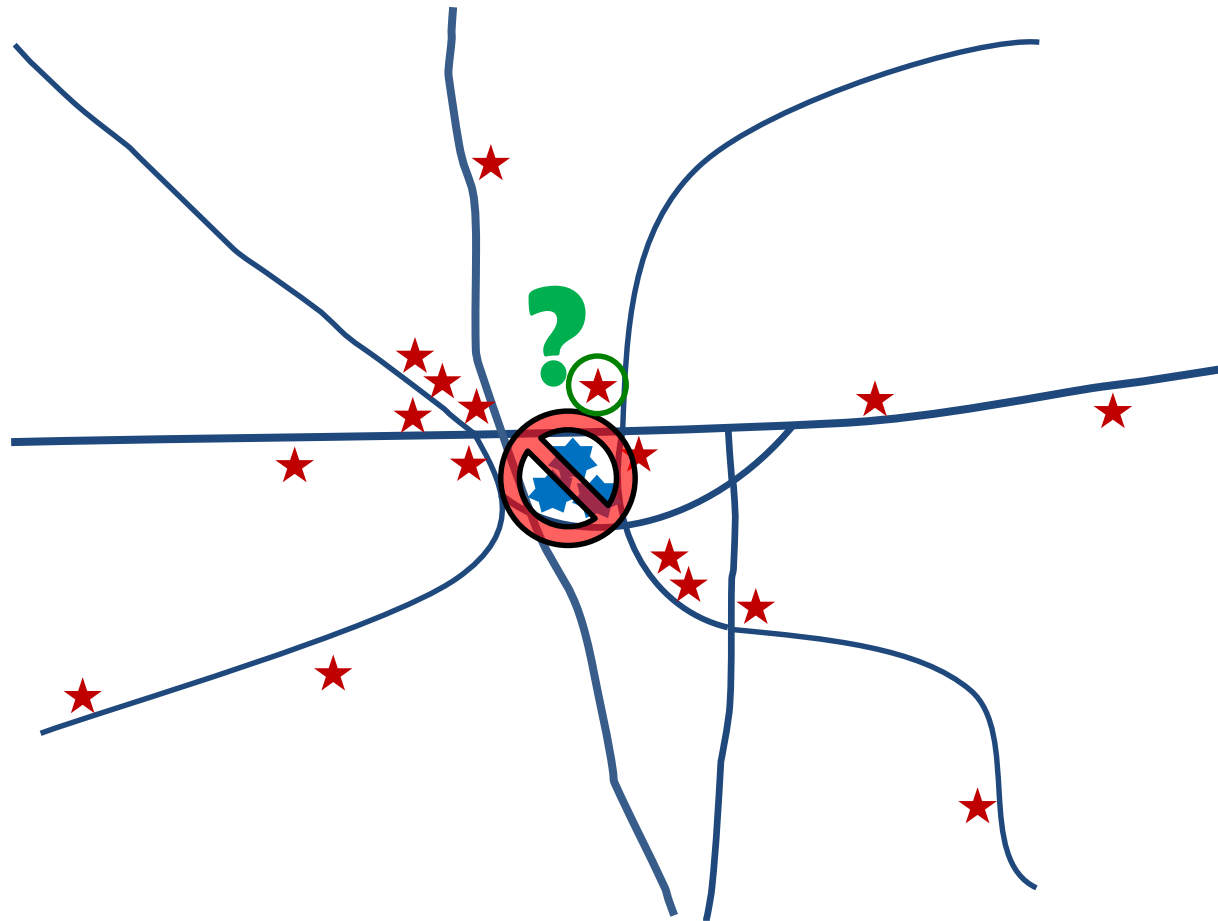
## #2 – “Go West Young Man”



★ Classic Downtown Anchors    ★ Secondary Anchors

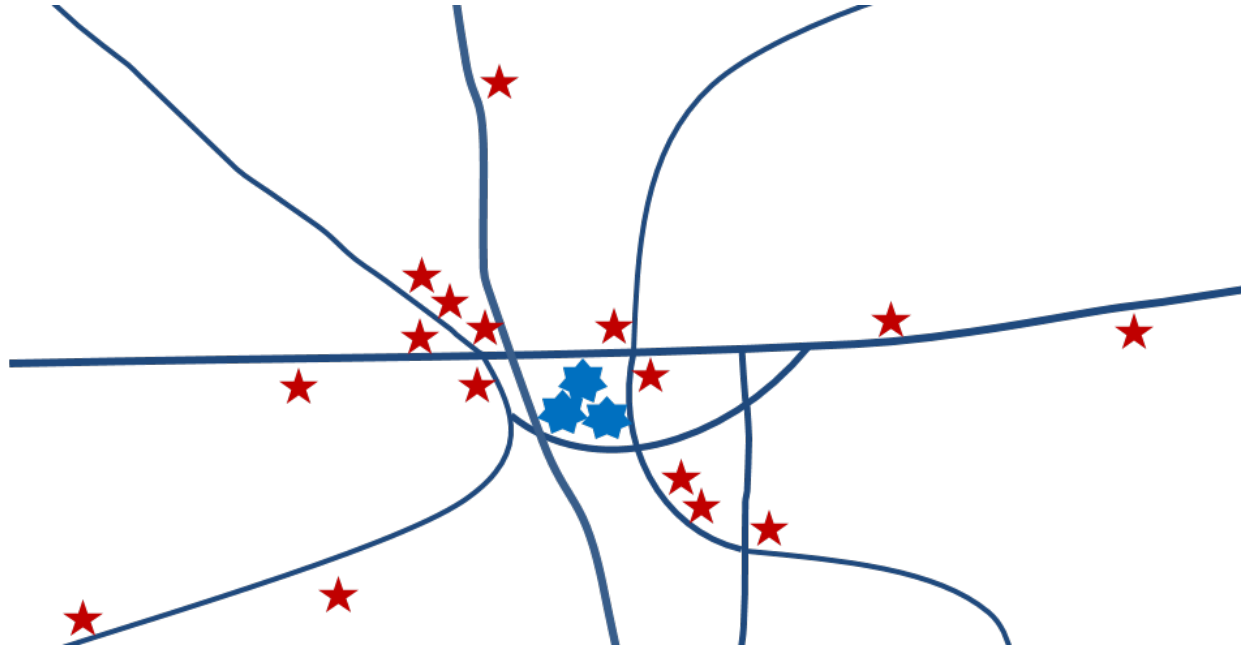
# The Three Anecdote Wake-up Call

## #3 – Nothing Happening Here



★ Classic Downtown Anchors ★ Secondary Anchors

## Secondary Anchors – A Missed Dimension?



**... they just needed to be presented with the platform that gave them the opportunity to participate.**

# Anchor-Leveraged Downtown Revitalization



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# Rentable for the Millennial

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

