Anchor-Based Strategies:
A Realistic Approach for Revitalizing Small and Mid-Sized Downtowns


Courtesy of City o Jackson, Michigan

If this title is intriguing, someone from a small to mid-sized community might Google "*anchor-based strategies".* If so, the results could be discouraging. Classic anchor concepts are associated with large cities, like Cleveland or Detroit, and large downtown-centric anchors, like universities and medical centers. So, those looking to revitalize a small or mid-sized downtown can easily conclude that what is described "in the literature" doesn't pertain to the scale and scope of their situations. However, even though a small to mid-sized city's downtown isn't anchored by the Cleveland Clinic, there are options -- probably more and better options than one would expect.

In the classic application, anchors are defined as large public and non-profit institutions that are fixed in place and instrumental in the economic development of their downtown neighborhoods. Universities and major hospitals ("eds" and "meds") are the dominant anchors. Interestingly, few who define the concept mention private sector businesses as anchors and if mentioned at all, it is usually at the end of the definition -- as if an afterthought. Classic anchor-based development is the province of large cities and their large public/non-profit institutions.

However, a hybrid of an anchor-based concept for small and mid-sized cities was researched, designed and implemented in Jackson, Michigan (pop. 35,000 in a 160,000 metro) using multiple and predominantly private sector anchors. Why it worked in Jackson, and why it will work elsewhere, is the recognition that where there is a small or mid-sized "stand-alone" city (a city that is not a suburb or exurb of a major metro area, but rather at the center of its own micro-region), the employers in that entire micro-region need to depend on the vibrancy of that city's downtown to attract and retain the millennial talent that is increasingly essential for their success. And, this micro-region might include anchors within as much as a 20-mile radius from the downtown!

The anchor employers and the downtown developers at the center of these micro-regions are both looking to attract and retain millennials and especially the professional and skilled segment of this age cohort. Here are six key considerations that are in play in building an anchor-based strategy:

1. **Millennials now represent the largest share of the labor force (32%)**, edging out Gen-Xers (31%) and Boomers (30%). This trend will continue as the positions of retiring Boomers will need to be filled.
2. **Build it and they will rent.** 66% of millennials are renters and nearly all "firsties" (those taking their first career jobs) will be renting.
3. **Millennials seek experiences and are drawn to vibrant urban places.** Many small and mid-sized downtowns offer interesting and authentic experiences, but lack affordable apartments with the amenities sought by millennials. Unfortunately, these downtowns are places to visit, but not to live.
4. **Millennials are prepared to move on** -- 64% express their expectation to leave their current employer within the next five years. Turnover can be reduced where an employer understands and addresses the lifestyles of its millennials. Millennials are also more loyal to employers who adopt and engage their employees in socially responsible causes -- like downtown revitalization.
5. **Millennial turnover is costly.** Estimates of the cost of losing a $50,000/year millennial employee range from $12,500 to $75,000.
6. **Employers often begin recruiting their millennial talent with undergrad internship programs.** Retaining interns to return as future employees requires a continuum of them building affinity and an attachment to the community.

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The Shared Value Proposition – The glue to assemble an anchor-based strategy is the *shared-value proposition*. The shared-value concept represents the most desired level of corporate social responsibility *whereby a business realizes competitive and operational value while simultaneously addressing society's challenges and opportunities*. Think of the $4 generic prescription trend as the ultimate in shared-value. It addressed society's health care costs while it simultaneously drove new customers to the participating pharmacy chains. Because of the mutual benefits derived, shared-value initiatives are valuable, sustainable and stand up well in a cost-benefit analysis.

In addressing the acceleration of downtown revitalization, the question then is: **"What pact can anchor employers and downtown developers enter into that will fulfill such a shared-value proposition?"**

Success in Jackson, and likely in other applications, is based on stimulating the demand for new downtown living options. Large employers and legacy businesses have the unique ability to make commitments and change their policies and practices in ways that can act as catalysts for developers to take action. And, as apartments and lofts are built out in the downtown for millennials, these anchors now have a better "place" to attract and retain talent.

In Jackson, the most significant of these commitments is a $100/month rent incentive for employees to live in a very specific downtown district. It addresses nearly every one of the six key considerations previously mentioned. It focuses on millennial renters and demonstrates an employer's commitment to a cause -- a better downtown. And, since the incentive is limited to two years, the employer's maximum exposure per participating employee is just $2,400. This is a bargain if it helps retain talent.

A rent incentive for employees sends a general message to developers about the commitment of larger employers and legacy businesses to support their downtown. Some anchors made even more specific commitments like master-leased apartments in a downtown to house interns and rotating employees. Where a business might be recruiting an undergrad for a six-month internship, such apartments address an intern's critical need for furnished housing with no lease obligations. And, having apartments in a vibrant downtown makes it even more appealing and perhaps a factor in that recruited student choosing the assignment rather than pursuing options elsewhere.

Other commitments and changes in policies and practices by anchors might be more situational. In Jackson, anchor commitments for hotel night stays helped in being the catalyst for renovation of an abandoned downtown hotel. It will provide anchors with the lowest room-rate-to-room-quality ratio in the area while being the catalyst for renovation of a previously blighted downtown building. A win-win.

Concepts like master-leased apartments are already being used by many employers, but they may not be in downtown locations! If a downtown does not have the apartments that appeal to initiatives like these or the employer doesn't recognize the value of "location", businesses are likely master-leasing in nondescript suburban complexes instead. In these cases, the benefits that could be realized by offering apartments in a vibrant urban setting are missed by the employer, the targeted employee and the downtown. Truly, a lost opportunity for all.

Likely, organizations responsible for downtown development already have some relationships with the larger employers and legacy businesses in their community. But, there are few examples (1) where these relationships have formed the *shared-value proposition* and (2) where "anchors" away from the center of the micro-region are engaged in the effort. Anecdotally, because private sector businesses are not in the community development business, Jackson's anchors genuinely welcomed such a platform where they could participate in the downtown's revitalization while simultaneously improving their competitive and operational positions.

The question then for accelerating downtown revitalization in a specific community is: **"What pact can your anchor employers and downtown developers enter into to fulfill a shared-value proposition?"**

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