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How Communities Can Make the Most of Their Anchor Institutions.

Universities, hospitals and other place-based enterprises wield enormous economic power. The trick is harnessing that to build local economies.

At a time when so many communities are financially strapped, their “anchor institutions” — their universities, hospitals, cultural institutions and other place-based enterprises — represent a potent potential force for local economic development. The challenge for governments is to make the most of these important institutions to build resilient, living economies.

Anchor institutions are enterprises, typically nonprofits, that are firmly rooted in their locales. Because they are “sticky capital” (unlike for-profit companies that may relocate for a variety of reasons), anchors have, at least in principle, an economic self-interest in helping ensure that the communities in which they are based are safe, vibrant, and healthy.

Universities, hospitals and other anchor institutions wield considerable economic power. Combined, hospitals and universities are responsible for more than \$1 trillion of our nation’s \$15 trillion economy, or more than 6 percent of GDP, and employ roughly 8 percent of the national workforce. In addition, these “eds and meds” control well over \$500 billion in endowment investments.

Some cities have tried to tap directly into non-taxpaying nonprofits as a source of revenue. In some communities, such as Boston and New Haven, municipal governments have negotiated payments in lieu of taxes (PILOTs). But PILOT programs represent a relatively limited strategy to leverage anchor-institution resources for local community benefit. A far greater opportunity is presented by emerging institutional “buy-local” strategies that drive anchor procurement and investment locally, creating a potent multiplier effect for a municipality.

In Cleveland, for example, University Hospitals “Vision 2010” initiative drove 92 percent of a \$1.2 billion construction and procurement effort into the local and regional economy (at the height of the 2008-09 recession), with important and enduring benefits for more than 100 local minority- and female-owned businesses. In Philadelphia, the University of Pennsylvania has systematically shifted nearly \$100 million of procurement annually into the distressed West Philadelphia neighborhoods adjacent to its campus. The University of Cincinnati has allocated more than 10 percent of its \$1 billion endowment to local investments intended to stabilize and revitalize the city’s Uptown District. In Boston, Northeastern University has seeded an economic development fund with \$2.5 million to enable local businesses to expand and hire more employees.

As these and similar anchor-led economic-development efforts have spread across the country, the issue of gentrification has become a growing concern. How can cities ensure that all residents, including the most disadvantaged, benefit through equitable and inclusive development? Increasingly, attention has focused on what is called “the anchor mission”: the conscious and strategic application of the long-term, place-based economic power of the institution to better the community, and in particular low- and moderate-income neighborhoods.

As these efforts unfold, it's particularly important that they be based on measurable outcomes and results. Last September, the University of Maryland's Democracy Collaborative (of which I am executive director), launched the "Anchor Dashboard," a product of more than a year of research, interviews and discussion with leaders of anchor institutions and community-based organizations.

The Dashboard identifies 12 priority outcome areas with accompanying indicators to help institutions measure their performance, in particular in terms of their impact on low-income neighborhoods. Among the outcomes to be tracked are local and minority hiring; local and minority business procurement; business incubation; housing affordability; community investment; and family asset building. Efforts are now underway among a number of hospitals and universities to pilot the use of the Dashboard as a new tool to guide their strategies.

The goal of the Dashboard is to create greater accountability and transparency among institutions and to enable anchors to better partner with local government and neighborhood residents to build resilient, living, local economies. As these measures and indicators are refined and integrated into the daily business practices of our nation's anchor institutions, local governments may find powerful new opportunities and sources of financing for economic and community development.

View the Dashboard at:

<http://community-wealth.org/indicators>

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