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In April...

Nonfarm Employment
- Connecticut 1,683,200
  - Change over month .... -0.09%
  - Change over year .... +0.3%
- United States 146,063,000
  - Change over month .... +0.14%
  - Change over year .... +1.6%

Unemployment Rate
- Connecticut 4.9%
- United States 4.4%

Consumer Price Index
- United States 244.524
  - Change over year .... +2.2%

Anchor Institutions and the Innovation Economy

By Al Sylvestre, Research Analyst, DOL

Anchor Institution Characteristics

Hospitals and institutions of higher learning deploying their considerable resources to promote neighborhood revitalization through economic development are known as anchor institutions.

Often acting in concert with non-profit and public agencies, anchor institutions create opportunities for home ownership among low- and moderate-income households as well as supporting educational and apprenticeship programs for disadvantaged youth to prepare them for gainful employment.

This article offers a brief look at two prominent Connecticut anchor institutions and others throughout the country as examples of how institutional self-interest and philanthropy have successfully combined to drive the revitalization of the communities that host these institutions. If these institutions continue to be nourished by capital, innovation, and the commitment of community and social resource providers, the possibility remains that impoverished communities can flourish through the perseverance of individuals and institutions that see potential in their neighborhoods.

Anchor Institutions in Other States

The University of Pennsylvania urban research professor and Fellow of the American Institute of Certified Planners (of the American Planning Association) Eugenie Birch described some characteristics of anchor institutions and the efforts they undertake to revitalize and promote the well-being of the neighborhoods in which they are established:

- The so-called Eds' and Meds' fundamental contributions to their neighborhoods and regions include the employment they provide; the services they offer their neighbors as well as their patients, students, instructors, and researchers; and the real estate they own—the 2,000 or so urban universities in the U.S. own a collective $100 billion in land and buildings—while spending about $136 billion on salaries, goods, and services;[1]

- Anchor institutions build community support through engagement with local government (town-gown relations) and with neighborhood leaders that include individuals, social service agencies, and non-profit organizations such as community development financial institutions (CDFI);

- Inclusion as part of a city master plan for their contributions to housing as well as economic and community development, as in the City of Baltimore;

- Large anchor institutions develop community leaders from among neighborhood residents as well as the social-service and non-profit organizations that serve them.

Safety, vacancy, and disinvestment concerns in West Philadelphia[2] motivated the University of Pennsylvania to invest in revitalizing neighborhoods to

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stimulate the housing market and increase economic development capacity. By integrating its campus with the neighborhood, the university developed relationships with local vendors and the municipal government that resulted in commercial investment and increased home ownership among low- and moderate-income households as well as boosting ownership rates among minority households.

Anchor institutions' economic potency stems from many sources in addition to their holdings, payrolls, and purchasing. With 55% of their research and development funding coming from the U.S. Defense Department and 22% from the U.S. Department of Health and Human Services spread among 12 states of the northeast, these institutions produce 22% of the U.S. gross domestic product (GDP) among 17% of the U.S. population while occupying 2% of the its land, according to Dr. Birch. Obstacles inhibiting anchor institutions' potential to further influence economic outcomes include public transportation access, as Dr. Birch noted her disappointment at not being able to conveniently take a train to the venue where she delivered her remarks.

Anchor institutions combine economic and physical networking assets around which they develop urban and regional centers that nurture innovation and economic vitality. Examples include housing, innovation labs, and engineering labs developed by Harvard University; the Rhode Island School of Design's purchase of an office building for conversion to artists' studios and living space; Brown University's acquisition of land that became available when the city of Providence moved Interstate 195 reclaiming 19 acres of developable land and about six acres of park land. University Circle in Cleveland is a 550-acre development that bills itself as a center of innovation in health care, education, and arts & culture that includes shops, restaurants, performance venues, museums, and 33,000 jobs; Cornell University's capital investments in academics, conference space, and a hotel; Columbia University invested in innovation labs and public space; and the University of Pennsylvania put its money into science labs and inexpensive spaces for businesses and innovation.

Payments in lieu of taxes (PILOT), tangible neighborhood improvements, and the number of taxable business firms are direct means by which communities can evaluate the success of anchor institutions' ventures. Indirect measures of success include establishment of or increases to payroll, availability and growth of capital, and purchase expenditures. Other measures of anchor institutions' contributions include the amount of capital imported, research funds, an influx of new tuition money, service payments, and increases in donations.

Connecticut Anchor Institutions

Founded in 1977, the Southside Institutions Neighborhood Alliance (SINA) is a coalition of Hartford Hospital, the Connecticut Children's Medical Center, and Trinity College that funds programs and projects to promote economic development, support home ownership for low- and moderate-income households, enhance public safety, support neighborhood youth development, and encourage neighborhood advocacy and leadership. SINA has a capital fund from which it can seed projects that generate income. The organization's signature accomplishment is an arts and education complex that occupies the site of the former Connecticut Transit bus garage on Vernon Street in Hartford's South Green neighborhood. The core of a SINA neighborhood redevelopment program, the Learning Corridor consists of a middle school, an arts-and-science magnet secondary school, a commons building, a performance theater and a parking garage all contained in a 345,000 square foot complex on a 16-acre campus that opened in 2000 and is educating kindergarten through secondary school students from Hartford and 40 surrounding cities and towns. SINA projects, in addition to the $110 million Learning Corridor now educating 1,200 students, include:

- A neighborhood purchasing directory;

-continued on page 5-

-continued from page 2-

- Secretarial employment training courses;
- Establishment of several academic scholarships;
- Multiple corridor infrastructure improvement programs;
- Acquisition, development, and resale of 65 two-family homes for its home ownership incentive program;
- Redevelopment of Squire Street, a formerly dilapidated one-block street in the South Green neighborhood; and
- Development of El Mercado, an internationally recognized Hispanic market square in Hartford's Frog Hollow neighborhood.

As New Haven's largest employer with annual budget expenditures of $2.8 billion, 13,000 employees—4,000 of whom live in the city—and a $1.7 billion payroll, Yale University is an anchor institution with significant local, regional, and statewide economic impact.

Among its contributions to the city of New Haven, Yale paid $4.6 million in property taxes in 2015 (the university makes an annual $8.3 million PILOT payment to the city on its tax-exempt properties). Additionally, 34% of Yale's new hires in the same year are New Haven residents. To further ensure that economic benefits accrue to New Haven residents, Yale monitors work hours allocated to city residents on its major construction projects as it works to meet and exceed its targeted city-resident employment goals.

The Economic Development Corporation of New Haven, the City's Science Park, and the Broadway and Chapel Street community investment programs received economic development contributions from Yale of $40 million. The university also made strategic investments on Broadway and Chapel Street to promote retail business and reinvigorate New Haven's central shopping district. Yale's Homebuyer Program has committed $25 million to assist more than 1,000 employees in city home purchases with a total value of around $175 million. Yale University also works with the city's public schools to develop its students' potential and sustain the vitality of New Haven public schools.

Yale promotes biomedical innovation by educating scientists and entrepreneurs, advancing the state of the art by publishing discoveries and providing access to Yale research, promoting commercial development of faculty inventions that have potential to be new drugs, diagnostic tools, or devices. The university also promotes commercialization of its inventions, emphasizing technology licensing to promote economic development in Greater New Haven.

Conclusion

Institutional self-interest and philanthropy have combined to drive the revitalization of communities that suffered the effects of job loss to the suburbs in the generations leading to the turn of the 21st century. Economic leverage, human ingenuity, entrepreneurship, and the pursuit of knowledge find places where their practitioners engage their energy and common interests to develop goods, services, and technologies that form the foundation for the reanimation of once-moribund communities and the opportunities for new places to take root. Poverty, lack of opportunity and inadequately-resourced public education systems continue as obstacles to community development in many neighborhoods surrounding anchor institutions. Overcoming these formidable obstacles to community development stands as the primary challenge to anchor institutions' ultimate success in helping their neighborhoods reach their full potential. ■

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1 Ehlenz, Meagan M., Arizona State University, *Neighborhood Revitalization and the Anchor Institution: Assessing the Impact of the University of Pennsylvania's West Philadelphia Initiatives on University City,* Urban Affairs Review, 2015, p.2

2 Id, p.1

GENERAL ECONOMIC INDICATORS

(Seasonally adjusted)	1Q 2017	1Q 2016	CHANGE NO.	CHANGE %	4Q 2016
General Drift Indicator (1996=100)*					
Leading	117.5	119.0	-1.5	-1.3	118.2
Coincident	117.2	117.3	-0.1	-0.1	117.5
Farmington Bank Business Barometer (1992=100)**	135.8	134.9	0.9	0.6	136.5
Philadelphia Fed's Coincident Index (July 1992=100)*** *(Seasonally adjusted)*	**Apr 2017**	**Apr 2016**			**Mar 2017**
Connecticut	180.03	173.95	6.08	3.5	180.35
United States	181.22	176.00	5.22	3.0	180.75

*Sources: *Dr. Steven P. Lanza, University of Connecticut **Farmington Bank ***Federal Reserve Bank of Philadelphia*

General Drift Indicators are composite measures of the four-quarter change in three coincident (Connecticut Manufacturing Production Index, nonfarm employment, and real personal income) and three leading (housing permits, manufacturing average weekly hours, and initial unemployment claims) economic variables, and are indexed so 1996 = 100.

The **Farmington Bank Business Barometer** is a measure of overall economic growth in the state of Connecticut that is derived from non-manufacturing employment, real disposable personal income, and manufacturing production.

The **Philadelphia Fed's Coincident Index** summarizes current economic condition by using four coincident variables: nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average).