

Leveraging Colleges and Universities for Urban Economic Revitalization:

AN ACTION AGENDA

Initiative for a Competitive Inner City and CEOs for Cities

We are used to thinking about colleges and universities as teaching and research institutions . . . but economic development engines? This collaborative effort by the Initiative for a Competitive Inner City and CEOs for Cities explores the enormous role institutions of higher education play in the life and health of their respective cities.

As America transitions to a knowledge-based economy, institutions of higher education have become engines of economic growth. While academic institutions have always been important as education providers, their role has broadened. Urban academic institutions are increasingly recognized as centers of science and technology, incubators of companies, major employers, creators of housing, and purchasers of goods and services. Emerging partnerships across business, government, and academia have helped to fuel business growth and innovation in fields as diverse as computing, telecommunications, and health care. In many respects, the bell towers of academic institutions have replaced smokestacks as the drivers of the American urban economy.

Colleges and Universities and Urban Revitalization

While the broader influence of universities on the regional economy is becoming better understood, the role of universities in urban areas and economically distressed inner cities remains relatively unexplored. Many of the country's colleges and universities are located in or near poor urban areas. They have much to offer to the economic revitalization of these areas. Many of their operating and academic activities can materially impact the economic vitality of surrounding communities. With more economically vibrant surrounds, these institutions can more readily attract high-quality students and faculty. Greater economic vibrancy and more successful academic institutions will in turn contribute to the competitiveness of the broader urban and regional economy. Unlike mobile corporations, colleges and universities are likely to stay in their present locations. They are enduring components of urban economies and can become leaders in enhancing urban vitality.

In the past, universities have played an invaluable role in promoting many elements of a healthy inner-city economy. They have worked to improve urban schools, offered health and legal services to the urban poor, and have more recently become active in urban housing. These types of public and community services have been core to the operating and learning agenda of colleges and universities. Until recently, however, universities have paid relatively little attention to urban business and economic development.

To showcase some of the economic development initiatives and to build on them, the Initiative for a Competitive Inner City (ICIC) and CEOs for Cities have joined forces to understand and advance the role of colleges and universities in urban and inner-city economic development. This study identifies opportunities and develops a framework for action.

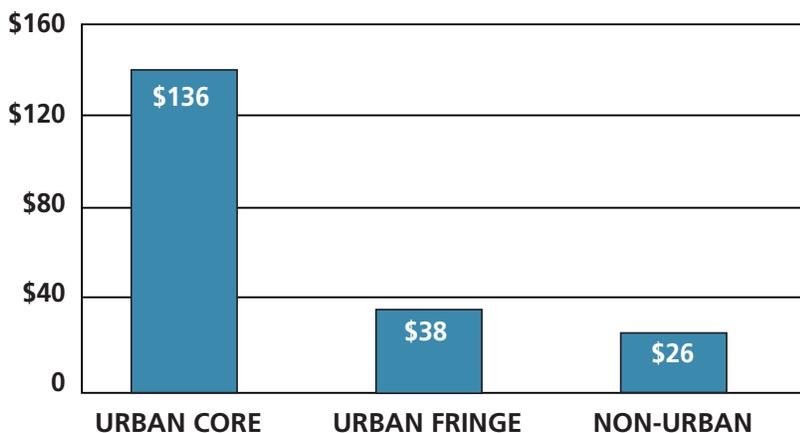
Over a year-long period, ICIC and CEOs for Cities surveyed 20 colleges and universities and interviewed experts across the country to understand this large and promising potential. We have interviewed more than 100 professionals in the field and 10 university presidents. Based on this research, we developed a strategic framework to accelerate urban economic revitalization, improving the value and well-being of the urban communities where universities have sizable and immovable investments. The study also confirmed some loosely held beliefs:

- Leveraging academic assets in urban economic growth strategies remains one of the greatest untapped urban revitalization opportunities in the country.
- Academic, public, private, and community leaders are joining together in new, innovative, and bold partnerships to promote urban and inner-city economic development as never before.
- More can be done to accelerate the formation of these partnerships to rebuild our urban communities.
- Economic development opportunities arising from these partnerships do not require massive funding or heroic changes in day-to-day operations of colleges and universities, governments, or community groups.

The Untapped Economic Resource

Despite their considerable size, colleges and universities are often an overlooked component of urban economies. Their impact on these economies can be enormous. More than half of all colleges and universities in the nation are located in the urban core: central cities and their immediate surroundings. They have significant purchasing power, attract substantial revenues for their surrounding economies, invest heavily in local real estate and infrastructure, are major employers, and help to train the workforce and nurture new businesses. (See Figure 1.)

Figure 1: \$200 Billion Operation Budgets of Colleges and Universities Nationwide, 1996



SOURCE: National Center for Educational Statistics (NCES), Current Fund Expenditures

Number of Institutions	1,902	914	933
Average Budget/Institution <i>(Millions)</i>	\$72	\$42	\$28

Bringing colleges and universities into the fold of inner-city economic revitalization should be a local and national priority, especially in an economic downturn. It is time to take a fresh look. Consider the following:

- In 1996, the latest year for which data is available, the more than 1,900 urban-core universities spent \$136 billion on salaries, goods, and services — nine times greater than federal direct spending on urban business and job development in the same year.

- Most of these dollars were earned from non-local sources. For example, only one of every nine dollars that Brown University spends in Rhode Island comes from within the state.
- Urban colleges and universities employ 2 million workers, and contrary to popular belief, two-thirds of these jobs are non-faculty administrative and support staff positions.
- Analysis of industry clusters shows that education and knowledge creation is the second-fastest-growing industry in the country, with colleges and universities leading the growth by adding 300,000 jobs between 1990 and 1999.
- In 1996, urban-core colleges and universities held more than \$100 billion in land and buildings; they spend billions more each year on capital improvements.

New Civic Collaborations

While business, governments, and universities have always coexisted in our nation's cities, proximity alone has infrequently led to concentrated efforts to boost business and job growth. Institutions across the public, private, and academic sectors have not always perceived or pursued common interests and have, at times, adopted adversarial positions on issues related to economic development. Chronic disputes over issues ranging from land use to academic institutions' tax-exempt status have too often led to deep skepticism by communities about the benefits of colleges and universities to the local economy. Colleges and universities, for their part, have often seen cities and communities do little to enhance — and much to impede — the growth and competitiveness of their institutions.

Yet in recent years, the growing importance of technology, combined with new thinking about economic development, has in the best cases led to significantly closer ties between the sectors. Metropolitan areas with robust cross-sector alignment such as Austin, San Jose, and the Research Triangle in North Carolina demonstrate the extent to which economic growth can be realized when these sectors engage in collaborative and collective growth strategies. In order to better compete, institutions across sectors are coming together to resolve issues of contention and to form new partnerships. Key among these issues of overlapping interests is the revitalization of our urban economies.

Some notable institutions are already taking action. For instance:

- Howard University teamed up with the Washington, D.C. government, Fannie Mae, and corporate partners to transform 45 abandoned, university-owned properties in a neglected, crime-ridden neighborhood into more than 300 housing units and \$65 million in commercial development. More important, not a single one of the housing units remains unoccupied, and owners of 130 adjoining properties are beginning to rebuild.
- The University of Pennsylvania, through its “Buy West Philadelphia” program, has focused on increasing purchasing from its surrounding inner-city neighborhoods. Penn requires its large national vendors to joint-venture with local firms. It also partners with community organizations to identify qualified local vendors and contractors. Annual local spending increased from just over \$1 million in 1986 to \$57 million in 2000.
- Since 1999, Columbia University has partnered with a number of local organizations to identify qualified candidates for positions available at the university. For instance, it created the Job Connections Program with the Morningside Area Alliance — a program that identifies, screens, and refers potential job candidates. More recently, Columbia started to work with other local groups to expand its pool of candidates.
- Virginia Commonwealth University (VCU) formed a joint venture with the state of Virginia and the city of Richmond to create the Virginia Bio-Technology Research Park. The state facilitated the initial development of the incubator by issuing a \$5 million bond for construction. VCU’s business school contributes to the development of the companies in the incubator by providing business-planning advice. The Center has sparked new businesses and new jobs. Twenty-six companies have been born — 75% of those from VCU faculty research — a powerful tool in attracting the best faculty and brightest students.

A Call for Action

The ICIC/CEOs report makes several suggestions — based on a compilation of best practices — of ways universities, municipal officials, community and business leaders can forge a closer working relationship. The following are bite-size action steps for civic leaders to build on these emerging partnerships:

Colleges and University leaders can:

1. *Create an explicit urban economic development strategy focused on the surrounding community. The strategy should mobilize the multiple ways in which colleges and universities can create economic impact and ultimately advance their own interests.*

In many successful instances of university engagement, the college or university president, with board-of-trustee support, has advanced an economic development strategy to integrate university interests with those of the surrounding community. Former President Rupp of Columbia University initiated an economic development strategy to channel more university purchasing and contracting to businesses in Upper Manhattan. Through dialogue with the community and including its interests, Columbia University has achieved results unimaginable just a few years ago.

2. *Include meaningful community participation and dialogue to formulating this strategy.*

As many examples illustrate, meaningfully incorporating community input, particularly in university expansion plans, enhances the operational efficiency of the university. Plans get approved faster, avoiding costly political battles with the community.

3. *Charge specific departments and offices with explicit economic development goals.*

The University of Pennsylvania and Columbia University, for instance, incorporated explicit economic development goals for purchasing departments. At Penn, purchasing staff performance evaluation is in part based on meeting local purchasing goals. Meeting these goals often involves embracing a change in practice, such as making purchasing protocol small-business friendly.

4. *Create a high-level coordinator to oversee and advance the effort.*

To ensure continuity and political support, a college or university president should create a coordinator to implement the institution’s economic development strategy. This person should be directly accountable to the president. For example, at the University of Illinois at Chicago, its Great Cities community engagement program was initiated and grew rapidly because there was a special assistant to the chancellor in charge of coordinating the entire program.



5. *Deploy college and university leadership to serve on the boards of business associations, community organizations, and public sector bodies.*

College and university leaders should seek to serve at the highest levels of local and regional leadership bodies. VCU President Eugene Trani served as the chair of the Richmond Regional Chamber of Commerce. This further strengthened the impact of VCU on the local — as well as regional — economy. The President and high-level executives of the Florida Community College in Jacksonville serve on a number of local and regional business boards, giving them first hand knowledge of employment trends.

6. *Think long term.*

Colleges and universities have to contend with two major hurdles when engaging with local communities. First, they often encounter initial resistance and skepticism. Second, while there may be short-term, quick hits that help set relationships on the positive path, most economic development takes a long period to show results. To have meaningful impact some university leaders interviewed suggested taking a 10-year view.

Mayors can:

7. *Incorporate colleges and universities in short-term and long-term economic development strategies of their cities.*

Colleges and universities are often missing from a local government's inner-city economic growth strategy. Mayors should incorporate college and university leadership to advise on future direction and bring to bear their considerable purchasing, employment, real estate development, business incubation, advising, and workforce development resources.

8. *Convene college and university presidents and business leaders regularly to identify and further economic development partnerships and opportunities.*

Our research showed that regular interaction between mayors and college and university presidents is the exception, rather than the rule. Regular interactions among public, private, and academic leaders accompany greater success in forging partnerships.

9. *Establish a college- or university-liaison office to advance collaboration and economic development.*

Aside from regular, high-level convening, mayoral-university liaison offices can be critical to identifying and acting upon economic development opportunities. For example, Boston's Mayor Menino recently established a Liaison to Schools of Higher Education office to ensure continuous dialogue and collaboration with the city's colleges and universities.

Community group leaders can:

10. *Seek out "win-win" partnerships with colleges and universities and acknowledge these institutions' economic interests.*

Instead of focusing on charitable contributions, community leaders should look for leveraged and large-scale opportunities where an academic institution can deploy its assets for community economic growth while achieving its own goals. For example, community groups can help create land-use partnerships, identify capable local vendors to meet university purchasing needs, and screen and refer local residents to open positions at universities. This approach to partnership has proved successful for community groups to attract larger amounts of foundation or public-sector funding.

Business leaders can:

11. *Bring together colleges and universities, city governments, and community groups to collaborate on inner-city economic revitalization.*
12. *Invest with colleges and universities in real estate development, supplier development, research commercialization, incubators, workforce development, and other economic development partnerships.*
13. *Involve institutions of higher education in business forums, associations, and public/private initiatives.*

Conclusion

Colleges and universities have much to gain by partnering with local leaders to improve the economic well-being of their communities. Indeed, this report suggests that the destinies of city and university are closely intertwined. Just as colleges and universities are in increased competition with one another to attract and recruit high-caliber students and faculty, so their cities are in increased competition with urban areas around the world to grow and retain businesses.

Universities and colleges are perhaps this country's greatest untapped urban revitalization resource. Elected officials, business organizations, and community leaders must engage these powerful, stable economic engines in creating jobs, income, wealth, and improved quality of life for inner-city communities. We are optimistic that many institutions will be inspired by the work that has already been done to further advance economic opportunities for all citizens.

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