

# **Urban Universities and Inner City Economic Revitalization— An Action Agenda for Leaders and Practitioners**

Anne Habiby and Alen Amirkhanian

## **Abstract**

*Universities and colleges may be this country's greatest untapped urban revitalization engine; consider the fact that urban university spending on salaries, goods, and services is nine times more than federal direct spending on urban business and job development each year. In this article, we offer a strategy for how colleges and universities can use their core activities to generate sustainable progress for low-income communities and at the same time enhance their competitive advantage as educational institutions. Elected officials, business organizations, and community leaders concerned with economic development should put universities at the center of their urban policy efforts and should focus attention on these large and stable enterprises, as they do other businesses.*

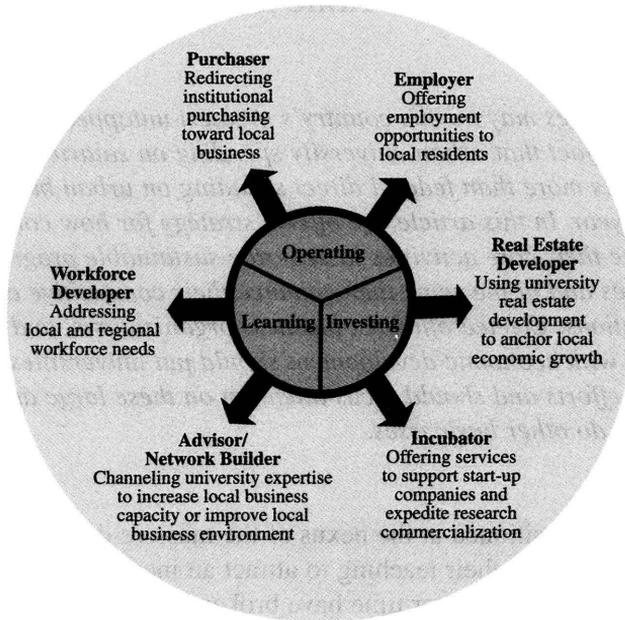
Urban universities are positioned at the nexus of the massive demographic shift in this country. Many have adapted their teaching to attract an increasing number of minorities and immigrants, and over time have broken down the walls that separated them from their local communities. Improving their surrounding low-income and minority communities positions universities to gain a competitive advantage in attracting students, faculty, and staff, and, over time, in better serving our increasingly diverse society.

This article considers how urban universities can use their core learning, operating, and investing functions to create a competitive advantage for themselves and to drive urban change. Our research shows that aligning universities' operations with neighborhood economic development requires virtually no new funding. We have seen many instances where strategies based on existing resources yield enormous benefits to both town and gown.

From a political perspective, we found that urban universities and colleges are perhaps the country's greatest untapped urban revitalization engine. Mayors, governors, and federal officials should work closely with university leaders as they shape future urban policy.

The Initiative for a Competitive Inner City (ICIC) and CEOs for Cities looked across the country for examples of how universities could, with modest changes, adapt their core activities to drive local economic activity. Our findings are summarized in a 2002 report entitled “Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda.” Based on these examples, we developed a strategic framework that is built on a university’s six impact levers: its purchasing power, employment capacity, real estate development activities, business incubation potential, business advisory and networking expertise, and workforce development (Figure 1).

**Figure 1. Strategic Framework**



These six fundamental university activities, with relatively minor adjustments, can be directed in ways that benefit both the community and the university. These activities are in line with the operating, investing, and learning functions of a university. Purchasing and employment are primarily related to operations, real estate development and incubating businesses are related to investing, and the roles of advisor/network builder and workforce developer are related to learning. This article provides examples of success in each of these areas.

While recognizing that operating and financial structures are different for public and private universities, we have found examples at both, and at institutions of different sizes. For example, Virginia Commonwealth University, a public university with strong support from the state government, has become a catalyst for commercial real estate development in Greater Richmond. Yale University, a wealthy private institution in New Haven, in addition to having national and global value, has directed its resources to local and neighborhood growth.

The 20 institutions examined for the ICIC/CEOs for Cities “Leveraging Colleges and Universities” are a mix of public and private institutions and represent different geographies: the Northeast, Midwest, South, and West. Some are small liberal arts colleges; others are parts of large university systems. Some nonurban colleges and universities were on this list because they provided exceptional examples or models for urban universities to follow. The twenty institutions examined are: Case Western Reserve University; City College of Chicago; Columbia University; Florida Community College, Jacksonville; Georgia Institute of Technology; Harvard University; Howard University; Illinois Institute of Technology; Johns Hopkins University; Northeastern University; Ohio State University; Stanford University; Trinity College; University of Chicago; University of Illinois at Chicago; University of New Orleans; University of Pennsylvania; University of Southern California; Virginia Commonwealth University; and Yale University.

This article offers inspiring examples of university strategies and partnerships with city and community leaders that have meaningfully influenced the local community and advanced the university’s teaching mission and operating goals. Most of the findings presented in this article are from a report published in 2002 by the Initiative for a Competitive Inner City (ICIC) and CEOs for Cities entitled “Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda.” For more information, visit [www.icic.org](http://www.icic.org) or [www.ceosforcities.org](http://www.ceosforcities.org).

ICIC is a national, not-for-profit organization founded in 1994 by Harvard Business School Professor Michael E. Porter. ICIC’s mission is to spark new thinking about the business and economic potential of inner cities, thereby creating jobs and wealth for inner-city residents. CEOs for Cities is a national bipartisan alliance of mayors, corporate executives, university presidents, and civic leaders to advance the economic competitiveness of cities.

In addition to the findings of the ICIC/CEOs for Cities study, we have included the insights of speakers at an audio conference organized by ICIC, CEOs for Cities, and the Office of University Partnership at the US Department of Housing and Urban Development. The audio conference, which took place on September 4, 2003, brought together over 100 university leaders and urban economic development practitioners. Their comments appear in textboxes throughout the document. The full transcript of the audio conference is available at [www.icic.org](http://www.icic.org).

## **The Case for Universities as Economic Engines**

Almost 1,900 institutions of higher education—more than half of all colleges and universities in the nation—are located in the urban core, in central cities and their immediate surroundings. Universities have become a robust source of wealth creation and jobs nationally and regionally. City officials are beginning to recognize that in a

knowledge economy, universities are economic engines capable of stimulating economic activity in long-isolated inner-city communities.

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 service have been core to the operating and learning agenda of colleges and universities. Until recently, however, universities have paid relatively little attention to inner-city business and economic development.

For universities located in economically distressed areas, such negligence can have direct impact on their ability to attract high quality students and faculty. As Founder of CEOs for Cities Paul Grogan says, “One of the real wake-up calls for me during my period at Harvard was just how fiercely competitive the field of higher education is. The competition for students, for faculty, for dollars is extreme. And a very important factor in terms of student and faculty choices around the country is the quality of the environment surrounding the university.”

Another key motivation for a university is that active engagement secures political good will. Poor relations and conflicts can cost the university in project delays, rejection of plans, attorney fees, and so on. Jack Shannon, Director of Economic Development at the University of Pennsylvania commented in reference to some of their local economic development work that “We are not doing this because of ‘60s idealism. There is a real payback for both the university and the community.” Shannon went on to describe how recent meetings with the City Council on specific real estate development projects proceeded much more smoothly than before because of Penn’s demonstrated commitment to local economic development. Columbia University experienced similar success in construction of a new mixed-use elementary school and faculty housing project. In response to Columbia’s increased involvement and attentiveness to the concerns of surrounding communities of Harlem and Washington Heights, the community board—a local arm of the city government—endorsed this project, an occurrence unimaginable a mere six years ago.

Universities have sizable economic resources that can be mobilized and directed toward improving the quality of life in their communities. At a time when fiscal constraints are forcing communities to identify new and leveraged sources of funding, universities’ massive resources cannot be ignored. Consider:

- In 1996, the latest year for which data are available, urban-core universities spent \$136 billion on salaries, goods, and services (Figure 1)—nine times more than federal direct spending on urban business and job development in the same year.
- Most of these dollars derive from non-local sources. For example, of every nine dollars that Brown University spends in Rhode Island only one dollar comes from within the state.
- Urban colleges and universities employ two million workers, two-thirds of whom are

in administration and maintenance positions accessible to workers with low skill levels.

- In the 1990s, the Education and Knowledge Creation cluster added more than a half million jobs nationwide, making it the second largest contributor to the U.S. job growth (Figure 2). Colleges and universities were accountable for 60 percent, or 300,000, of these jobs. Employment in this sector is more secure because universities are usually less affected by fluctuations in the general economy.
- 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. However, many universities have endowment funds that have scarcely been considered for local business investments (see Box 1).
- Universities incubate new businesses that seek to capitalize on university research. Close to 19,000 licenses of innovations made at academic institutions were active in 1999. In the same year, with only 25 percent of these licenses generating revenue, they accounted for more than \$40 billion in economic activity and supported 270,000 jobs. Business activity associated with the sales of these products is estimated to have generated \$5 billion in tax revenues at the federal, state, and local levels.

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### **Box 1. Endowment Funds**

**Anne Habiby (Co-Executive Director, ICIC):** The first question I'd like to pose to this group is one we've all heard before, and yet is worth a lot of consideration: "How many universities are using their endowments to support community and economic development in distressed areas?" I think the backdrop for this is that operating funds and grants are useful, but ultimately, the real capital that universities sit on, especially institutions like Yale and the institution Paul Grogan worked for, Harvard, is clearly the endowment. And yet the endowment is almost never ever considered as a resource for local investment.

**Bruce Alexander (Vice President, Office of New Haven and State Affairs, Yale University):** Over the past dozen years, Yale University has invested about \$100 million in the community outside of the campus. For example, we've invested in economic development, supporting the development by private developers of laboratory space for start-up bio-tech companies. We've also provided funds to employees to become homebuyers in New Haven. It's a terrific program with a lot of minority participation. There is now a much more vibrant downtown with people living there and more moving in every day, oftentimes spurred by Yale's investments in the community.

Having said that, the funds that we use for these investments have been differentiated from our endowment funds. One hundred million dollars came from University resources, but we've segregated these funds and taken them out of our endowment and placed them in the University's operating funds. That is so there is no confusion for the endowment managers that they should make the most substantial return they can on the endowment assets. With our

investments in the New Haven area, we look not only for economic returns but also social returns. And so while we have extensive investments, we don't try to get endowment-type returns....

**Anne Habiby:** Let me push you on this. Clearly universities must seek competitive returns from their endowment. Why would the Board of Trustees be willing to first segregate funds for this kind of activity, assuming a low return? And then I guess my most pointed question is, why would we expect a lower return from inner city investments, especially looking at market performance over the last 24 months? Why position it as an investment with a lower return?

**Bruce Alexander:** Well, it's a good question because I'm a great believer in market forces, and our properties tend to be successful. In our properties, we house 75 retail tenants—70 of them are local merchants and they do well. But endowments tend to look for the most aggressive real estate returns they can get, and I have a different set of interest in terms of our social returns. I don't mean to suggest that I don't want to bring market forces to bear. I want successful real estate projects around the campus. Those are the ones that are going to survive over time. But, I'm not looking for double-digit rates of return. With the borrowing ability of major universities, if we can cover the cost of our borrowing, which is relatively low, that's all I want to do. Our good credit rating can get us low-cost debt. The investment returns the endowment people look for are much more aggressive.

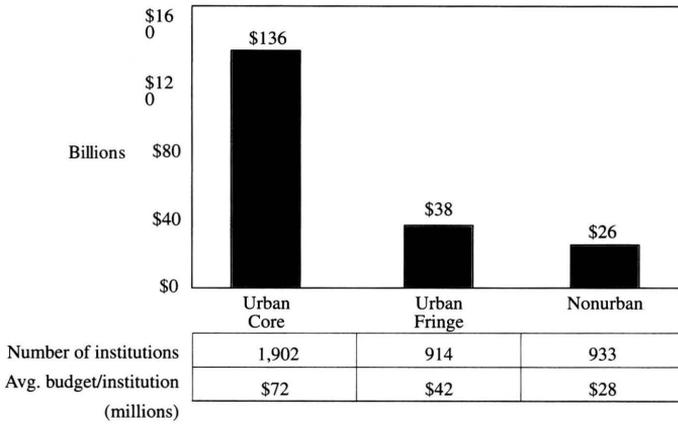
**Wim Wiewel (Dean, College of Business School, University of Illinois Chicago):** Another very interesting example—because it's a public university rather than a private one—is Ohio State University in Columbus. They have taken, I believe, \$20 million of their endowment funds and invested in an intermediary that is jointly controlled by the university and community agencies to help with the redevelopment of the neighborhood immediately adjacent to the campus.

These funds have been used both for commercial development and for housing development related to replacement of some of the public housing development that was there.

What has been interesting about this I think is that the university realized that they could not wait for private developers to do it—whether the market was just not strong enough yet, or the private developers were too risk averse or just—or took too long. In any event, the university decided to put up its own money.

It is true though that again, just like with the Yale case, they are accepting somewhat lower returns than they would ordinarily expect on their average endowment investment. And I think that is one of the realities. It seems that these projects may be a little bit riskier or just take a longer time to materialize.

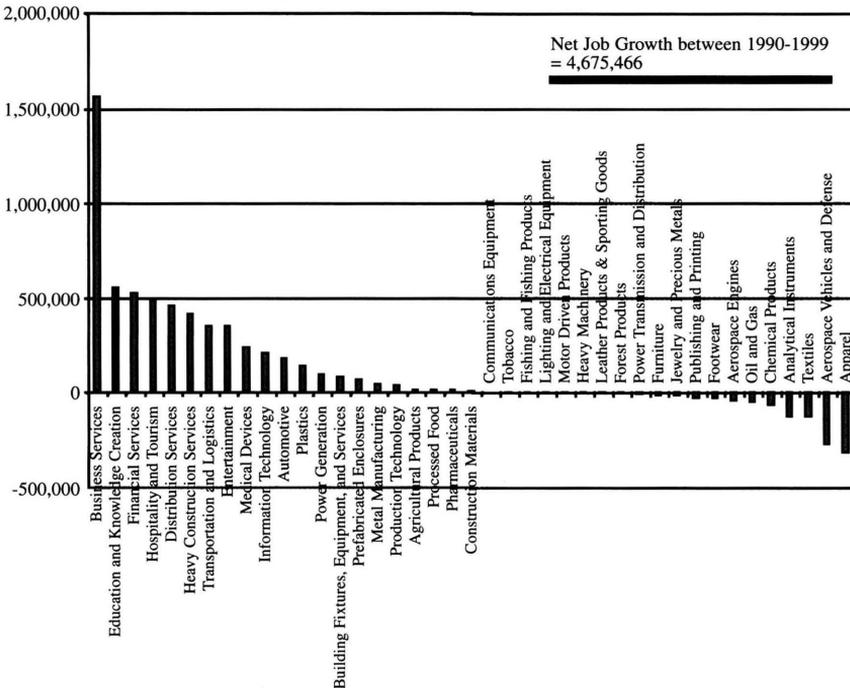
**Figure 2. \$200 Billion Annual Operating Budgets of Universities Nationwide, 1996**



Source: National Center for Education Statistics, 1996

Yet despite this economic potential, the importance of universities to cities is frequently overlooked, especially relative to the attention paid to major corporations. Recent industry consolidations have demonstrated just how volatile are even the largest corporations and how vulnerable are their host cities. Cleveland, for example, which prided itself on the number of major corporations headquartered within its boundaries, watched helplessly during the 1990s as 11 of them relocated elsewhere.

**Figure 3. U.S. Job Growth by Traded Clusters\*, 1990-1999**



\*Clusters are a geographically proximate group of interconnected companies and associated institutions in a particular field, including product producers, service providers, suppliers, universities, and trade associations. Traded clusters are those that are concentrated in a subset of geographic areas and sell to other regions and nations.

Source: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard

By contrast, universities, with rare exceptions, do not relocate. They have remained one of the few enduring urban institutions. Their image, through tradition and by design, is firmly rooted in their location. This is especially true with urban universities. Urban institutions of higher education routinely tout the attractive features of their cities to appeal to new students and faculty. And because they are so connected, it is clearly in the interests of universities to help their home cities and neighboring communities prosper.

In instances where universities, local governments, and community leaders have developed an integrated approach to local economic development, the results have been impressive:

- Trinity College in Hartford, Connecticut, for example, became actively involved with city officials in neighborhood improvement programs because the college's surroundings had deteriorated to the point that they affected the school's overall reputation. The fear of crime and violence was influencing students' application decisions. Between 1995 and 2000, Trinity partnered with the city and neighborhood groups on economic development initiatives. The degree of their success can be measured, in part, by the increased interest in Trinity among graduating high school seniors. Applications at the liberal arts college increased by 77 percent during that period, and early-decision applications increased by 144 percent.
- Howard University partnered with the Washington, DC government, Fannie Mae, and corporate partners to transform 45 abandoned, university-owned properties in a crime-ridden neighborhood into more than 300 housing units and \$65 million in commercial development. As a result of these efforts, owners of 130 adjoining properties have begun rebuilding. (See Box 2 for Hassan Minor's account of Howard University's exemplary work in the LeDroit Park.)
- 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 enter joint ventures 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 help recruit employees for university positions. One such partnership, the Job Connections Program with the Morningside Area Alliance, identifies, screens, and refers potential job candidates.
- Virginia Commonwealth University (VCU), a public university, formed a joint venture with the state of Virginia and the city of Richmond to create the Virginia BioTechnology Research Park. The state facilitated the initial development of the incubator by issuing a \$5 million bond for construction. The Research Park also houses an incubator. VCU's business school contributes to the development of the

companies in the incubator by providing business-planning advice. Twenty-six companies have been established, 75 percent of which are marketing products and services derived from VCU faculty research.

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## **Box 2. The Howard University Redevelopment of LeDroit Park in Washington, DC (Hassan Minor, Senior Vice President, Howard University)**

With the strong support of Fannie Mae and the Fannie Mae Foundation, Howard University developed a plan for the 151-block area immediately around the university.

The first thing we did was to signal that we were going to invest in the community because, quite frankly, the university had not looked at the community and the impact it has on it. Most universities do not look at the communities with malice. They just don't look at them. They don't really see how their decisions impact communities around them.

So, our first objective was to signal that we were going to invest in this community. President Swygert looked at every activity on campus to see whether they could be moved to the main corridor around the university as opposed to keeping them at the center of the campus, where they had been.

We looked for abandoned property in the main corridor around campus called Georgia Avenue.... We took a convenience store that had been abandoned and we moved our community association in. We moved all our technology operations, all of our data centers into a vacant former Wonder Bread bakery location. We moved our bookstore from the center of our campus onto Georgia Avenue where there once was an old hotel. People in the community who have no real affiliation with the university used this bookstore. It changed the schedule of the store. The first time we had a Thanksgiving vacation after the move, the bookstore owner sent out an email saying that they'd be closed. We sent him an e-mail saying, "Actually, you can't be closed because the community is still going to be here even though many of the students will go away. So you have to think about these other markets you have."

Our second step was to tackle the residential housing issue around the campus, straight on. We were fortunate to receive several grants from the US Department of Housing and Urban Development.... We used those grants to partner with local community development corporations to create new homes. [For a list of HUD programs for universities, visit [www.oup.org](http://www.oup.org).]

The university had also land banked. We had land banked about half of the vacant properties around campus, primarily for medical school and hospital expansion. But land banking is a very destructive practice for neighborhoods

because a university goes in, they buy a couple of houses on a block, they tear them down immediately. It sends a signal that this neighborhood is not going to be viable.

So one of the things that we did was look at reconverting nearly half of the vacant houses into homeownership opportunities. With the support of the Fannie Mae Foundation and the Fannie Mae Corporation we provided financial incentives to first time city homebuyers. We provided homeownership assistance to university employees, public school teachers, firefighters, and police officers. And so we took vacant and boarded-up houses and turned them into homes and stabilized this community.

With the \$5 million federal grant awarded to the university, we brought the kind of amenities that happen in suburban areas when they want something to happen—when a corporation’s going to move in and they want to be cooperative—we brought those kinds of amenities into this project at a key time....

Now we’re trying to ensure that the key gateways to this area are consistent with the plan. Our next project is a major commercial mixed-use retail and market housing project. So I just want to say from our point of view, what the LeDroit Park initiative demonstrates, is that it is possible to transform even the most deteriorated urban neighborhood, that the government and the private sector can form a strategic partnership.

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The impressive accomplishments of these institutions have required overcoming major obstacles. Faculty members, administrators, deans of departments, and university trustees can all resist a university’s attempt to engage in local economic development. Those against an increased level of involvement often argue that focusing on community economic development distracts from universities’ core mission of generating knowledge and educating the future workforce. Fulfilling their core mission is a full-time job and some university leaders argue that that is what they should be expected to do with excellence. Responding to these challenges, several university leaders have made the link between local engagement and the institution’s ability to fulfill its mission. Insights from some of these leaders on how to institutionalize change are offered in Box 3.

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### **Box 3. Institutionalizing Change**

Anne Habiby (Co-Executive Director, ICIC): This is a question we’ve received from many people: “What do universities need to do organizationally to get the ball in motion in terms of some of the activity such as Yale and Howard? What needs to be in place?” Earlier on, Hassan Minor of Howard University offered one very concrete action, which is education of trustees. Howard’s president spent time convincing trustees that “no great university can thrive if the neighborhood around is dysfunctional.” Any other ideas?

**Paul Grogan (Founder of CEOs for Cities and President of The Boston Foundation):** I think a very important dimension of that change that you're talking about has to be connecting these ideas to the traditional and core self interest of the university. The things that really animate and drive the university, and a nearly universal feature of colleges and universities, is that they are engaged in a fierce competition with peer institutions for students and faculty.

And if the trustees and the leadership, beyond that the faculty, accept the connection, that in fact this is not fundamentally altruistic although there are altruistic outcomes. But it is a way, a shrewd way, to advance the traditional interest of the university in the modern context.

That's the most important thing that needs to happen, that needs to be embraced by the leadership, and it needs to be promoted so that it becomes an article of faith throughout the institution. Otherwise, you can get an evangelist in the President's Office or somewhere else in the university and they're able to do some things for awhile but eventually the traditional interests that don't see themselves connected to these community activities re-insert themselves—often occasioning to the departure of the evangelist. So ... [such efforts] must rest on self-interest. And I would say self-interest traditionally defined.

**Bruce Alexander (Vice President, Office of New Haven and State Affairs, Yale University):** Following up on Paul's points about the evangelist, we had four vice presidents at Yale. When I came here the University created a fifth vice presidency for New Haven and State Affairs. This was the institutionalization of a commitment to the city. We've never before had a person at the highest, senior management level of the University in that role and now I sit in the President's cabinet. Every decision that this University makes has input from the community, in effect, has a New Haven and State component to it, has a sensitivity to the community, has information about the community and about issues important to the city. We have institutionalized—hopefully forever—that partnership approach with the city and the state....

**Wim Wiewel (Dean, College of Business Administration, University of Illinois Chicago):** Bruce talks about institutionalization at the top. The other part I think that's very important is the institutionalization throughout the ranks of the whole university so that the involvement with the community is not just seen as something that the President's Office does, in which case it's generally not respected very much by the faculty. But where it really becomes part—as Paul said—of the teaching, research, mission of the university that faculty are motivated to organize their classes so there [are] involved activities immediately around the university.

At UIC we created something called the Great Cities Program which is really a way of labeling a whole host of activities, everything from being involved with the Chicago public schools, to the community organizations, to the

Chicago housing authority. And the University of Wisconsin Milwaukee has done a similar thing, which they called the Milwaukee Idea. And other universities have done things like that. That's how you really get the ongoing legitimacy where it no longer depends on just one or two people at the top.

Bruce Alexander: The other reason I think it is important to involve the entire university community is that the efforts we're discussing call for the allocation of resources and these allocations have to come at the expense, to some extent, of other university programs. It's important that the whole institution buy into the notion that these are important efforts....

Hassan Minor (Senior Vice President, Howard University): I think you also have to educate the community. I spent a year going to community meetings and listening to all the terrible things that the university had done. Educating the community took a long time. The fact of the matter is that the only major corporation most neighborhood residents interact with directly is a college or university.

And the way land use policies in most cities are designed—and it's certainly true in DC—communities can pretty much stop...most things from being done. Now they can't necessarily determine what will be done. But they can certainly hold you up, slow you down, make you rethink what you want to do, and raise the equation to the point where it doesn't clear as a transaction. And so it takes a long time, I think, to develop the kind of rapport with a community and the kind of understanding of the complexity of the issues the university faces, and the market it's in and how it has to remain competitive....

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Aside from internal barriers, universities can also face external obstacles in the form of skepticism and hostility from their surrounding communities and their city's political leaders. Much of the antagonism can be traced back to the universities' own actions. After World War II, in response to the economic and social deterioration of cities, many urban universities further isolated themselves from their surroundings instead of working with communities to improve conditions.

Universities also often took an aggressive property rights approach to developing or land banking property, ignoring or excluding altogether the interests of their neighbors from their decisions. This approach succeeded in alienating many communities and their mayors, and these animosities persist to this day. Box 4 offers insights gained from university leaders who have built solid relationships with their surrounding communities.

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#### **Box 4. Community Participation and Buy-In**

**Anne Habiby (Co-Executive Director, ICIC):** Here is an interesting question we just received: "To the extent a university's community engagement is based

on a model of partnership, community interest needs to be represented in a meaningful way. That would seem to include genuine shared governance, authority, and decision-making, not merely consultation.” I was very struck by the notion of shared governance. Can this happen? Can we have shared governance where it’s the university’s money and the university’s assets we’re talking about?

**Wim Wiewel (Dean, College of Business Administration, University of Illinois, Chicago):** I’m actually a bit of a skeptic on that. We started something called the UIC Neighborhoods Initiative with that very idea. It was going to be projects with the surrounding neighborhood and we started out with a committee that was advisory. But our intent was to really make it a joint body with university and community representatives that would really start making the decisions and we had both COPC funding and then we got the Joint Community Development program that existed for just a few years.

And somewhat to my surprise, I found out that from the perspective of the community partners, we were only one of a variety of actors they were dealing with. They saw us as simply another resource, just like the city government, corporations, and other banks. After a year or so, when we specifically proposed that we make this more of a shared governance body, they said, “No. This is your project. We want to be involved in it. We want to have big say, but we are already too busy with all the other things we’re doing. We can’t really take on that responsibility. This is your baby, you run it.” I thought it showed great wisdom and restraint on the part of these agencies that realized that they have enough on their plates. They didn’t need to have that level of responsibility to benefit from what the university might have.

**Bruce Alexander (Vice President, Office of New Haven and State Affairs, Yale University):** I do a lot of listening. And I think in our case, what’s proven to be most important to the community is to listen to their viewpoints, not do things in terms of land use that’s inconsistent with what that particular neighborhood wants. And to make a real effort not to impose solutions but to create dialogue. I have found that real opportunities come out of those dialogues.

Each city has its own challenges and opportunities but I have found that certain projects have been welcomed in communities and neighborhoods when we actually sat down with the folks in those neighborhoods and engaged in a dialogue, as opposed to trying to go to them with plans that have been developed from the University’s point of view. So, my mantra is listen, listen, and listen to the community.

**Hassan Minor (Senior Vice President, Howard University):** In my view, it’s necessary to take the discussion with the community out of a particular project, building, or parcel. It’s important to take the time to get buy-in on a much broader strategic plan for the area. That is what, in our experience, has

helped us enormously. This blueprint is out there. With support of the Fannie Mae Foundation, we spent several years putting it together, vetting it.

Typically what would happen is that the neighborhood and the city would be on one side and the university would be on the losing side. Now, what happens in our equation is that the neighborhood and the university push the city to be more enlightened because this is their joint plan. They feel that this is their plan, the LeDroit Park Initiative is something they helped devise.

It was very difficult in the beginning. There were things that are in the final plan that I didn't think we needed to do. There were boundaries that were broader and further away than I thought we needed to have. But we accepted them and worked our way through that process. And now we all hold this blueprint up, and people refer to it.

What I saw was that I was dealing with a set of facts that they weren't dealing with. I try to engage them in the same facts that I am dealing with. I would frame the issue as here are our three choices. Ideally you might want something else but here are the choices on the table. Now, do you want to let this parcel be vacant for another four, five years or which of these three choices makes the most sense? I had found this kind of relationship, which is really a much more respectful relationship, to work much better. It's a discussion that is fact-based and very clearly identifies the trade-offs.

**Paul Grogan (Founder of CEOs for Cities and President of The Boston Foundation):** Another dimension of this that I think is very important is the role of political leadership. You know, sometimes the possibilities of achieving a full reconciliation with neighbors is very difficult; memories are very long. Things that happened 30 or 40 years ago are talked about as if they occurred yesterday. And, often, the mediating role of a political authority can be very, very important. Political leaders who understand the inherent value of these institutions and accept it as a duty of political leadership—not to favor universities over everyone else but in the interest of the community and the city—to be a force for accommodation and reconciliation can play an extremely valuable role.

I think you've seen real differences emerge in cities where, for instance, there is a strong mayoral form of governments, where mayors have either implicitly or explicitly said, "You know, these institutions matter to me and I can't just let these conflicts go on and hope that they'll be resolved by themselves. I've got a role to play here." A great example is Mayor Daly in Chicago, who is a tremendous promoter of his colleges and universities. And I think he thinks of it as a major priority of his, that those institutions do in fact thrive. He is a power center that can moderate and mediate very local disputes.

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In addition, mayors and local governments often get bogged down by discussions on the tax-exempt status of academic institutions. Colleges and universities are non-profits exempt from local property taxation. Consequently, their presence and expansion is purported to “rob” local governments of sorely needed revenues. While this is a persistent issue in local economic development, in Box 5 Paul Grogan presents several compelling arguments as to why focusing on a university’s tax-exempt status may be a misguided strategy.

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## **Box 5. Tax Exempt Status of Universities**

**Anne Habiby (Co-Executive Director, ICIC):** As we look at the value that universities contribute to local economies, we run smack into the tax-exempt status problem. I think at the end of the day, that is the barrier many cannot get over. What’s a different way of thinking about this?

**Paul Grogan (Founder of CEOs for Cities and President of The Boston Foundation):** Well, this is a real tough one and it is the basis and the crux of a lot of conflict in communities, and one of the barriers to gaining the support of mayors. Many mayors—even those who understand the value of these institutions—are heavily reliant on property tax revenues and they will periodically attempt to...shake down colleges and universities and, in one way or another, breach their tax exemption or extract payments in lieu of taxes.

Many institutions in Boston, for example, have accepted the practical reality of paying something as the cost of doing business. But, just to be a radical on this, I think this issue is a tremendous red herring. If you accept what we’ve discussed about the values these institutions bring to communities, in a way the last thing you want to do is saddle them with payments or taxes which their competitor institutions don’t pay. So, if you really look at maximizing the development value, the economic value, it’s actually a very counter productive policy to pursue these institutions for payments.

I think the State of Connecticut has probably been the sharpest on this. Years and years ago, Connecticut lawmakers understood that they didn’t want their institutions distracted and disrupted by perennial conflicts with their municipalities over these kinds of issues. And they passed a law that reimburses localities for a substantial portion of the theoretically lost revenue from their local institutions.

That is a way to head this off, and I think a very wise thing to do. Having said that, I have looked at a number of studies and really question whether the tax exemption of these institutions constitutes any loss, whatsoever, for localities.

You can do this theoretical calculation about, well, if you could tax this property, here would be this revenue. But of course, many universities cause taxable uses to gather around them, uses that wouldn’t be there if universities

weren't there. They also often have the effect of elevating adjacent property values, which accrues directly to the coffers of the municipalities.

So, it's one of the toughest issues we have. I think it is very disruptive in getting to the real value of what these institutions bring. The real economic value of these institutions is not in trying to breach their tax exemption, but it is trying to leverage the things they are already doing in employment, in purchasing, in development for the benefit of the community.

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Universities and cities have lived together in an uneasy relationship in which both parties are at various times proud and annoyed by the connection. Cities, while welcoming the universities' presence in the abstract, have found deep resentment toward these institutions' lack of community relations savvy and the tax-exempt status while occupying prime real estate. Universities resented the mayors' attitudes that universities were less than an unmitigated asset for the city. Although the nature of both city governments and universities has evolved over the years, the historic antagonism between them still lingers. In many instances, suspicion and ill will obscure the reality that their fortunes are intimately entwined.

Below we offer concrete actions that university, city, community, and business leaders can advance to turbo-charge the local impact of universities.

## **Recommendations for Leadership**

### **Role of Universities**

Universities should:

- 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 university president, with support from the board of trustees, or in the case of public universities, from the state legislature, has promoted an economic development strategy that positions university operations in ways that advance the economic goals of the surrounding community. President George Rupp of Columbia University initiated an economic development plan that channels more university purchasing and contracting to businesses in Upper Manhattan. The process has resulted in better communications with its neighbors, and in several instances, faster delivery and better service for the university.
- 2. Include community participation and dialogue in formulating this strategy.** As many examples illustrate, communication with community leaders is important on an ongoing basis but essential when the university intends to build or expand. Universities can develop a relationship with community leaders based on trust by demonstrating an awareness of their concerns. When both sides respect each other's position, meetings are less contentious and more productive.

3. **Charge specific departments and offices with explicit economic development goals.** The University of Pennsylvania and Columbia University incorporated explicit economic development goals for purchasing departments. At Penn, evaluations of purchasing staff performance are based in part 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 install a coordinator to implement the institution's economic development strategy. This person should be directly accountable to the president. At the University of Illinois in Chicago, its Great Cities community engagement program was initiated and grew rapidly, due in large part to the efforts of 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 actively participate at the highest levels of local and regional leadership bodies. The president of Virginia Commonwealth University served as the chairman of the Richmond Regional Chamber of Commerce. The president and other high-level administrators of 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.** While there may be short-term, quick hits that help set university/community relations on the positive path, most economic development takes a long period to show results. Several university leaders interviewed suggested adopting a 10-year view.

## **Role of Mayors and Local Governments**

Mayors should:

1. **Incorporate colleges and universities in short-term and long-term economic development strategy.** Colleges and universities are often missing from a local government's inner-city economic growth strategy discussions. Mayors should incorporate college and university leadership to advise on future direction and bring to bear these institutions' considerable purchasing, employment, real estate development, business incubation, advising, and workforce development resources.
2. **Convene college and university presidents and business leaders regularly to identify and further economic development partnerships and opportunities.** The study found that regular interaction between mayors and university presidents is the exception, rather than the rule. Regular meetings of public, private, and academic leaders will facilitate cooperative actions.

**3. Establish a mayor-university liaison office to advance collaboration and economic development.** Aside from regular, high-level meetings, mayor-university liaison offices should be established and charged with identifying and acting upon economic development opportunities. 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.

### **Role of Community and Business Leaders**

Instead of approaching universities solely for charitable contributions, community leaders should look for leveraged and large-scale opportunities for mutually advantageous collaboration. Community groups can help create land-use partnerships, identify local vendors capable of meeting university purchasing needs, and screen and refer local residents to fill jobs at the university. Community groups have found this approach to partnership to be helpful in attracting larger amounts of foundation or public-sector funding.

Business leaders should use their clout to engage universities in local economic development. They should also involve institutions of higher education in business forums, associations, and public/private initiatives.

### **Developing and Adopting Focused Action Plans: Learning from Real-Life Examples**

In the introduction to this article, we presented a strategic framework that is built on the six economic impact levers of a university: its purchasing power, employment capacity, real estate development activities, business incubation potential, business advisory and networking expertise, and workforce development (Figure 1). Redirecting these resources to local economies does not require massive new funding. These are activities that with relatively minor shifts in focus can have very large impact locally.

Any one of these activities can create value for both the university and the community. By strategically linking a number of these activities, colleges and universities can reap great benefits. A comprehensive use of the framework enables institutions to operate more efficiently and effectively, systematically using value generated from one activity to fortify others. A local purchasing program can leverage business advisory or incubating activities of the university. Local employment can leverage the workforce development activities, and so on.

The subsequent sections will explain each of the impact levers in greater detail and offer examples from university efforts around the country. The report published by ICIC and CEOs for Cities, "Leveraging Colleges and Universities," contains specific recommendations for university, community, and local government practitioners to design and implement programs based on these resources.

## Local Purchasing

With \$136 billion in annual operating budgets in 1996 (the latest year for which data is available), urban universities purchased nine times more than all federal direct spending on urban job and business development. While one-half of this total is spent on wages and salaries, the other half—close to \$69 billion—goes to the purchase of goods and services. Universities spend an estimated \$9 billion a year on facilities operations and maintenance alone.

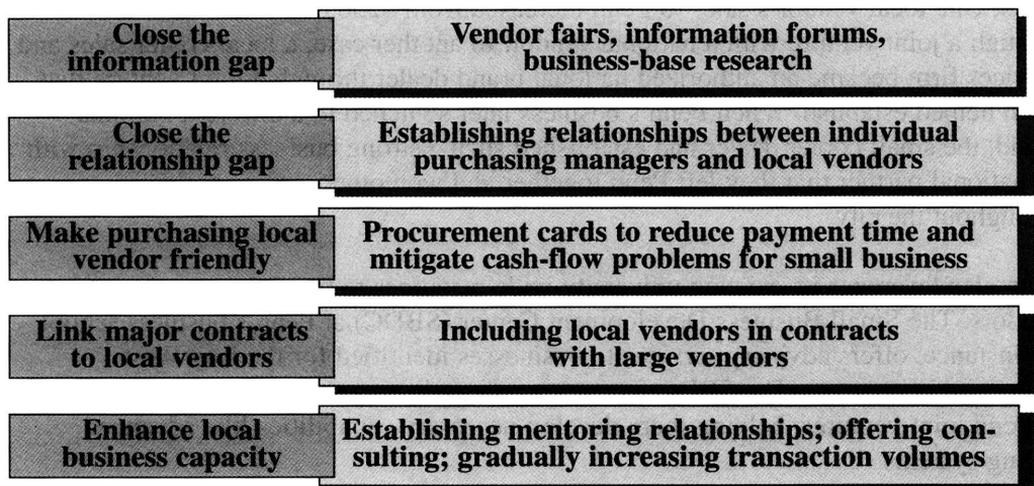
Small shifts in spending can have a large impact locally. Only nine percent of the University of Pennsylvania's annual purchasing budget injected more than \$57 million into the West Philadelphia economy. The University of Southern California has designated to local businesses 15 percent of its \$125 million in purchasing of goods and services.

Redirecting even a small percentage of university purchases to local vendors has a major impact on the local business base. Universities benefit both in terms of the improved economic environment and the rapid service and delivery from nearby vendors. Local purchasing can also strengthen the university's community and government relations, which in turn can assist universities with the approval of capital projects.

A major obstacle to overcome is the decentralized nature of university purchasing. Each academic and administrative unit often procures goods and services on its own. The 1998 business-services spending at Columbia University amounted to \$90 million. Only 40 percent of this total flowed through the central purchasing office; the remainder was controlled by individual schools and departments.

Figure 4 summarizes the variety of approaches that colleges and universities can take to start or strengthen local purchasing initiatives.

**Figure 4. Steps Toward Improved Local Purchasing**



***Example: Buy West Philadelphia, University of Pennsylvania***

Beginning in 1986, the University of Pennsylvania (Penn) launched a local purchasing initiative called “Buy West Philadelphia” to promote economic development in the surrounding community. From 1986 to 2000, Penn increased local spending from \$1 million to \$57 million, or 9 percent of total spending.

Penn has translated its commitment to local purchasing into action by incorporating incentives for local purchasing, forming partnerships with capable intermediaries, leveraging large contracts, and using university programs for business capacity building.

Procurement staff members are now evaluated on two criteria: cost reduction and the use of West Philadelphia businesses. “We beat it into everyone’s mind that local purchasing is absolutely essential!” said Ralph Maier of Penn’s Office of Acquisition Services. Local purchasing factors heavily into employees’ performance evaluations and affects their annual performance-based bonuses. With these incentives in place, employees within the university’s Office of Acquisition Services are dedicated to local business identification and the coordination of local purchasing.

While some universities have created an inventory of local businesses that can serve the university, Penn has partnered with two local nonprofits that have an understanding of the local business base. The West Philadelphia Partnership Community Development Corporation and the Greater Philadelphia Urban Affairs Coalition (GPUAC) help Penn identify and access local and minority-owned businesses. With its detailed knowledge of the local business community, GPUAC helps Penn sort through the many local businesses and find those that are capable of providing the goods and services that Penn needs. GPUAC also serves as an external monitor of the Buy West Philadelphia program, providing the university with an objective and credible perspective on its program.

Penn’s purchasing power allows it to require large suppliers to joint-venture with local firms. One local vendor’s sales to Penn increased from \$250,000 to \$1.7 million through a joint venture with a national vendor. In another case, a local copier sales and services firm became an authorized national brand dealer through a joint venture that Penn helped establish. When Penn’s business later switched to a different national brand, the small copier dealer had established such a strong business relationship with its national partner that they left Penn together and won other major contracts throughout the city.

Penn also leverages its existing university-wide resources to build the capacity of local vendors. The Small Business Development Center (SBDC) at Penn’s business school, for instance, offers advisory services to businesses identified for the Buy West Philadelphia program. The SBDC focuses on strengthening the small vendors involved in Penn joint ventures, helping them develop necessary capabilities like advanced billing systems.

## **Local Employment Initiatives**

In 1997, more than 2.8 million people were employed in post-secondary institutions in the United States; that is more than two percent of total U.S. employment. An estimated 65 percent of university jobs, about 1.8 million positions, are at urban-core institutions. Two-thirds of university jobs are administrative and support staff positions and thus accessible to a less-skilled workforce.

Colleges and universities are among the fastest-growing employers in the country. Studies of nationwide industry clusters by Michael Porter, the Harvard Business School professor who founded ICIC, show that Education and Knowledge Creation is the second-fastest-growing cluster in the country. Universities are by far the fastest-growing industry within that cluster, adding 300,000 jobs between 1990 and 1999.

Several of the universities surveyed had devised promising approaches to tapping into the local inner-city workforce. They have engaged all critical players within the university, including the human resources department and other departments that make hiring decisions. They have outsourced activities for which they lack expertise. For instance, to help with recruiting and screening of local residents, Columbia University partners with local community organizations. Such efforts not only help universities identify new sources of employees but also garner political capital in the surrounding communities.

No matter how well-intended, the process can still encounter opposition. Yale University has partnered with the local community college to provide worker-training programs. Along with training, the program tried to give hiring preference to residents from the New Haven Empowerment Zone. Union officials objected. Yale eventually brought the union into the process and now collaborates with both the union and a local community college on an initiative called the New Haven Residents Training Program.

The University of Southern California has developed a program to increase residents' competitiveness in accessing university jobs. It has done so without creating set asides or any other type of preferential hiring. The USC case is discussed below.

### *Example: University of Southern California*

As part of its civic and community relations initiatives, the University of Southern California (USC) has adopted the goal of increasing employment from areas immediately surrounding its two campuses. Because of the decentralized nature of its hiring, USC has started its local employment program by first focusing on recruitment, hoping to draw area job seekers to the university and then channeling applicants to various job opportunities.

USC carries out its local recruiting in a number of ways. It holds regular job fairs and information sessions. It also maintains a drop-in recruiting center that allows people to

get information about openings and submit online applications. Its new computerized system has made it easier for USC to archive résumés and refer people to opportunities beyond the one for which they initially applied.

In addition to increasing residents' access to university hiring, USC has developed means to increase residents' competitiveness in accessing university jobs. It holds periodic training sessions (such as résumé writing and interviewing skills) for potential employees. In offering these classes, USC is developing a pipeline of qualified local applicants. The university also continues to develop this pipeline internally by providing services to ensure that USC employees are able to better navigate the USC career ladder. USC recently created a free professional development program, which allows employees to gain certification in a wide range of job-related skills from English as a Second Language (ESL) to computer literacy to management.

USC's local employment focus has proved successful. One out of seven applicants has been hired (that is, 170 out of 1,175 applicants were hired) from seven surrounding ZIP Codes. Of those 170 residents, 161 were administrative and support staff and nine were faculty.

## **Real Estate Development**

By year end 1996 (the latest year for which data is available), urban-core universities held almost \$100 billion (book value) in land and buildings, \$8 billion more than in the previous year. The market value of these holdings is many times the book value. All 20 universities surveyed had capital improvements in progress, ranging from library expansions to new student housing to the construction of an entire new campus costing more than \$800 million.

As colleges and universities continue their expansion and real estate development, they can serve as anchors for local and regional revitalization. In particular, they can play a significant role in anchoring development in inner-city neighborhoods that may appear too risky for private-sector investments. In some cases, university investment has primed the pump for considerable private-sector commitments—transforming retail corridors, housing, and public spaces. University investments can be direct (such as building campus facilities) or indirect (such as offering housing incentives through down-payment assistance or mortgage subsidies to faculty and staff).

A major challenge for universities is dealing with problems that their tax-exempt status creates. Universities are significant real estate owners in many cities, which means a substantial loss of tax revenue to city treasuries. This issue is particularly difficult for small cities because any university expansion can dramatically alter the tax base. Universities' willingness in recent years to acknowledge the hardships their tax-exempt status causes has allowed for creative solutions to this enduring problem. Some universities have alternative arrangements of payments in lieu of taxes (PILOTs) or services in lieu of taxes (SILOTs). At times, these alternative solutions are mandated by state legislatures, but often they are based on voluntary agreements between

universities and cities. The state of Connecticut compensates cities for “lost” revenue caused by nonprofit entities owning and using real estate in their municipalities.

*Example: Broad Street Redevelopment, Virginia Commonwealth University*

Motivated by Virginia Commonwealth University’s (VCU) decision to develop land adjacent to its campus, the private sector is reentering an area of Richmond it has overlooked for more than 40 years. Moreover, in the process of these developments, VCU has discovered approaches to expansion that are “inclusive” of the communities most affected, hence minimizing time-consuming and costly local opposition to its plans.

The academic campus is nestled between the Fan, Carver, and Oregon Hill neighborhoods. While the Fan is an affluent, high-density residential district, Carver and Oregon Hill are among the poorest communities in the region. Carver is a primarily African-American residential neighborhood with some industrial properties. Oregon Hill, on the other hand, is a primarily white residential neighborhood.

A growing student population in the 1990s, which is expected to grow even further with the inauguration of new academic programs, forced the university to seek student housing and services close to campus. After severe opposition to its expansion into the Oregon Hill community (south of the academic campus), VCU turned its focus to the north—to Broad Street and the Carver neighborhood.

VCU began its expansion on Broad Street by building a recreation center, a parking structure, a large bookstore, a 396-bed student dorm, and an art-school complex. All these facilities were built on empty or abandoned properties; hence, no area residents or businesses were relocated. As one local economic development professional recalled, “Broad [Street] was an utterly abandoned corridor.”

As a result of investments by VCU, the private sector is building 455 housing units; Lowe’s, the home improvement retailer, has built a signature complex on Broad Street; and Kroger, a regional supermarket, is building a store just off Broad Street. Lowe’s is the first-ever hardware and home-renovation store in Richmond’s central city, while Kroger’s new outlet is the first major supermarket to come to the city of Richmond in over a decade.

To develop and expand the campus in concert with community needs, VCU set up Community Advisory Boards (one for the academic and another for the medical campus) that meet quarterly to address community concerns. With prompting from the community, VCU also set out to create the Carver-VCU Partnership, which seeks to address long-term community concerns in education, health, land use, and economic development.

Through these boards, VCU has involved the neighborhoods in the campus expansion planning. For example, during the Community Advisory Board meetings related to the

athletic facility, the community expressed concern over the original plan, which had a blank brick wall along a street marking Carver's boundary. Many local residents felt that the university had turned its back on the community, not to mention the deadening impact that the wall would have on a space frequently used by local residents. The façade was softened with windows and other details to meet these concerns.

The student-housing complex offers another example of successful cooperation. The new dormitory was initially designed as a four-story building; however, based on community input, the Carver side of the building was redesigned to have three stories. VCU also included community space in this dormitory. This space includes meeting and office space, as well as a 14-terminal computer lab exclusively for the use of the community. The Partnership hopes that this space will be used by the Carver residents for job and computer-skills training.

## **Incubator**

While manufacturing propelled the growth of American cities during the first half of the 20th century, rapid technological innovation and its commercialization have become the hallmarks of modern economic competitiveness and growth. Cities with universities are uniquely positioned to compete in this economic space. Universities, supported by local government and private businesses, can be the catalyst for job growth. The phenomenal growth of new, knowledge-based economies along Route 128 in Boston, Silicon Valley in Northern California, and the Research Triangle in North Carolina is a testament to the power of these partnerships.

Some universities bring capital, real estate, and expert advice together in a formal incubator. Others have helped create incubators without walls. Others transform some of their existing operations. Yale University transformed its Office of Research Cooperation from a patent-and-licensing operation to a one-stop business resource for entrepreneurial faculty, bringing together "science, money, and management," as one university official described it.

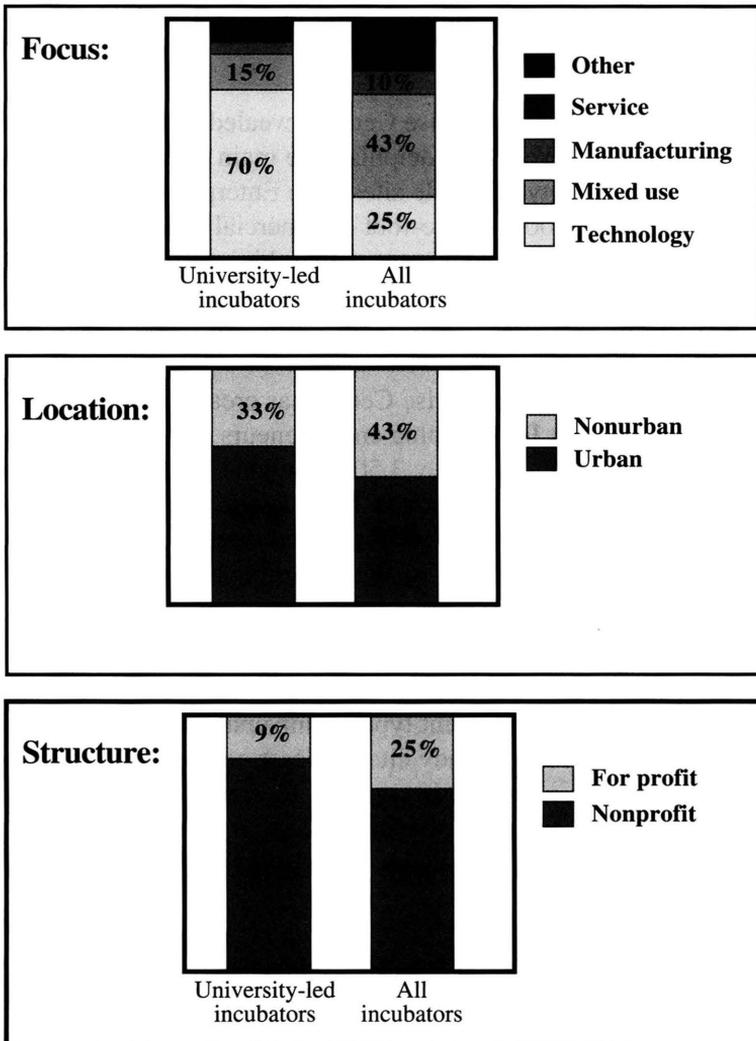
While colleges and universities are not the primary owners and operators of business incubators, they are affiliated with a disproportionately large share of technology incubators. Of the approximately 800 incubators in North America, a fifth are affiliated with colleges or universities and 15 percent of those incubators are associated with community colleges. However, 70 percent of university-affiliated incubators are technology-focused, compared with 25 percent overall (Figure 5).

Incubating knowledge-based businesses may not directly benefit economically disenfranchised inner-city residents. It may, however, have indirect benefits. Having a high-growth business base offers commercial and support services opportunities that inner-city residents can tap. In many inner cities with abundant land, new research parks or facilities that house start-up businesses often do not displace residents or harm their interests.

Moreover, the techniques that are used to mobilize university, business, and government resources to incubate companies can also be used to foster business growth by inner-city residents. The Enterprise Center, initially supported by the University of Pennsylvania, is a case in point. Today, the Center operates independently from Penn.

Whether they focus on technology, another industry cluster, or a targeted population, incubators all share one challenge: they are long-term economic development tools, not a short-term solution. The growth and development associated with incubators take years, or even decades, to come to fruition.

**Figure 5. Overview of Business Incubators**



Source: National Business Incubation Association 1998 data

*Example: The Enterprise Center, University of Pennsylvania*

The Enterprise Center was founded in 1989 by the University of Pennsylvania's Wharton School of Business. It was the urban-focused arm of the Small Business Development Center housed at Wharton. In the Enterprise Center's early years, Wharton Master of Business Administration (MBA) students provided 80 percent of the services to companies. Today the Center is run by an 18-member staff, independent of the university, although there is still a university presence on the board of directors.

The Center is an incubator focused on entrepreneurship and enterprise development as the drivers for transforming declining urban communities. Its goal is to establish innovative and socially responsible community leaders. The Center believes that these leaders will help drive West Philadelphia toward greater economic prosperity and a better quality of life for everyone within the community, local residents as well as university students and faculty.

The first impact analysis of the Enterprise Center revealed that only 50 percent of the Center's graduates stayed in West Philadelphia. The main reason cited for their departure was the unavailability of viable sites. The Enterprise Center is now in the final stages of opening an 80,000-square-foot commercial space down the street from the incubator. The Center management expects that this additional space will retain more of the incubator graduates in the area and continue to drive job and business development in West Philadelphia.

In its 12 years of operation, the Enterprise Center has created more than 50 businesses and assisted hundreds of West Philadelphia entrepreneurs. The businesses assisted at the incubator have created approximately 3,500 new jobs. In 1999, companies in the incubator generated a total of \$4.7 million in revenue and employed 291 people. One company, Claims Management Systems, has doubled sales in its first two years at the Center while it trains and hires Welfare-to-Work participants.

### **Business Advisor and Network Builder**

Business advisory programs—programs that channel student and faculty know-how to business owners—are the most prevalent type of university/community engagement. All universities interviewed for the study cited at least one program that worked directly with companies or a program that worked to improve the local business environment. Hands-on, real-world experience is critical to the education of both students and faculty. Top-quality schools see community engagement as an indispensable part of learning.

These programs are also valuable to businesses. Companies seek and frequently use these advisory programs. A 1995 Coopers & Lybrand (now PricewaterhouseCoopers) study of 424 fast-growing U.S. businesses found that 40 percent took advantage of services offered by colleges and universities. Moreover, these services are often free or affordable, enabling local businesses to obtain services that they may not otherwise access.

Many universities operate specialized business advisory centers. In some cases, faculty members serve on boards of local companies. In others, staff offers specialized skills in accounting, financing, and the like. Students can consult or intern at these companies, or specialized centers can offer educational or training programs in addition to consulting or research. Many business schools have executive education programs that could readily be made available to inner-city business owners or managers. Faculty and specialized centers can also serve as a link between local and inner-city companies and strategic business networks.

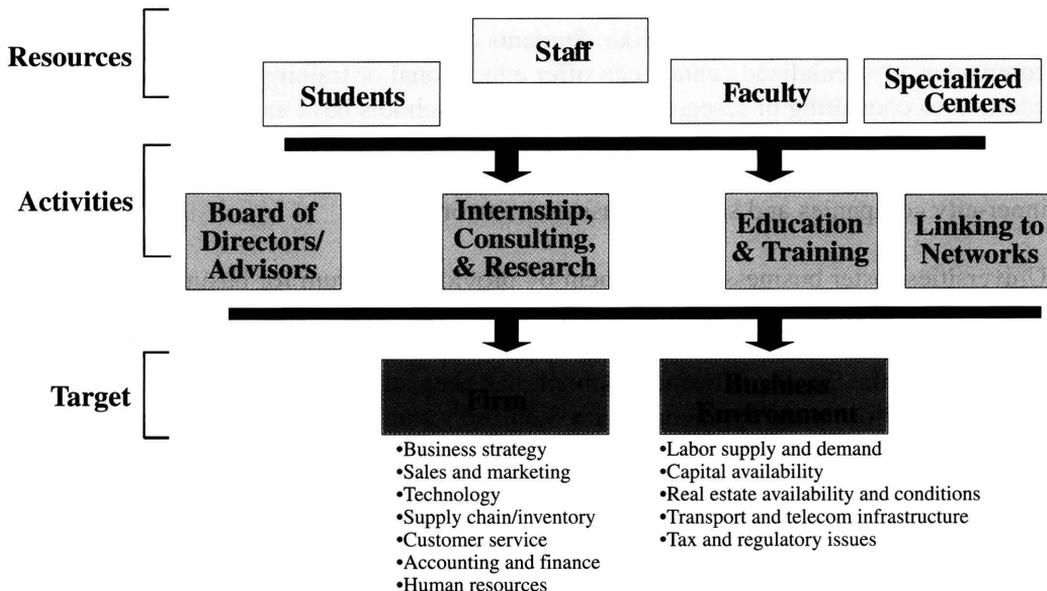
Universities foster business development by providing a forum for business owners to meet, which becomes a channel to access powerful alumni and business networks. Start Up, a small-business development initiative in East Palo Alto, California, connected to the Stanford Business School, has been successful in creating networking opportunities for its entrepreneurs. With Stanford's students, alumni, and faculty involved, Start Up has been able to connect entrepreneurs with Silicon Valley venture capitalists and executives, as well as other local entrepreneurs.

Business advisory programs can target both individual companies and the overall business environment in which businesses have to compete. Business schools and law schools tend to work with individual companies, whereas urban-planning departments tend to focus on business environment issues such as land use or transportation. Company-specific issues include company strategy, sales and marketing, logistics, accounting, or operations. Business environment issues include availability of usable land, access to capital, transportation, telecom infrastructure, or tax and regulatory environment. Figure 6 outlines a framework for thinking about university business advisory programs comprehensively.

While many business advisory programs exist, few focus on inner-city companies or the inner city business environment. But the inner-city presents an excellent opportunity to apply business and entrepreneurial theories. Years of ICIC research and fieldwork with inner-city companies prove that inner cities are home to not only "mom-and-pop" operations, but also many robust, fast-growing companies. The industries represented in the inner city can be as diverse as manufacturing, transportation/logistics, food processing, and commercial services.

To ensure effectiveness of advisory programs, however, several traditional pitfalls must be avoided. Fragmented student and faculty participation is the most common of these pitfalls. Many student projects can be limited to an academic term. Business concerns, however, cannot always be understood or resolved with 10–12 weeks of part-time attention. The problem is often further complicated when students and faculty spend insufficient time with the company to uncover the core problems that need to be addressed. They may also spend insufficient time clarifying expectations. These factors make some student projects ineffective and can frustrate clients. The example of Enterprise Development, Inc. below shows how a specialized program can be designed to resolve these problems.

**Figure 6. College and University Business Advisory Programs**



*Example: Enterprise Development, Inc., Case Western Reserve University*

Enterprise Development, Inc. (EDI), founded in the early 1980s, is a nonprofit subsidiary of Case Western Reserve University and a cooperative venture with the Weatherhead School of Management. EDI focuses on the Cleveland region and presents a strong model for any school to replicate. It has numerous advisory and entrepreneurial education programs, operates three business incubators, manages several awards programs that celebrate entrepreneurship, publishes a quarterly magazine for entrepreneurs in the region, conducts research, hosts networking events, and offers specialized services to entrepreneurs.

One of EDI’s many offerings, the Enterprise Scholars Program, provides an instructive model for student advisory programs. The goal of Enterprise Scholars is to develop a mutually beneficial relationship where students receive an effective, hands-on learning experience and course credit, while participating companies receive the expertise of a second-year MBA student at a reasonable cost. Students are engaged in a full 12-month program with individual companies while also pursuing related coursework in entrepreneurship and management. Each company pays \$7,500 for the whole year, which partially covers cash stipends to interning students. They can pay this in two installments, once per semester. The program also offers scholarships to students to cover the tuition.

Critical to the success of the program is the rigorous screening of students and companies, as well as ongoing performance monitoring by EDI. A measure of the success of the program is that half of participating students have received full-time job offers from their host companies.

## **Workforce Developer**

Universities are in the business of creating tomorrow's workforce. This task need not and, indeed, should not be confined to the classroom or to existing academic programs.

In one example, the University of Illinois at Chicago partnered with other Chicago institutions to create the Manufacturing Technology Bridge Program, which prepares Chicago's inner-city workers for higher-wage jobs in manufacturing. The program was a response to the labor shortage among Chicago-area manufacturers. The workforce was aging and replacements for retirees were not available. The Bridge Program is a "win-win" partnership that addresses the goals of businesses and workers. As of mid-2001 over a four-year period, the Program had trained 260 graduates with an 80 percent placement rate (72 percent were unemployed upon entry into the program) and a median starting wage of \$10.13 per hour.

Universities can apply their expertise in all aspects of workforce development. They can support private and public sectors with regard to recruiting, training, retention, and promoting workers, particularly those that need skills upgrading or are adults entering the labor force for the first time. While for a long time community colleges have focused on this labor pool and offered direct training, other types of academic institutions can also offer valuable services. Several roles universities can play in workforce development include:

- Research on labor supply and demand, as well as workforce development best practices;
- Program design and capacity building for workforce development partners;
- Training of prospective workers; and
- Facilitating workforce development partnerships and programs through relationships with local and regional businesses.

Universities derive significant value from participation in workforce development programs. The efforts improve the local economy while strengthening the university's relationships with the public and private sectors. This, in turn, increases opportunities for student job placements and faculty research opportunities.

*Example: Manufacturing Technology Bridge Program, University of Illinois at Chicago*

Through its Great Cities Institute, the University of Illinois at Chicago (UIC) has assisted in the workforce development programs in the local Pilsen neighborhood. Given its success with this local initiative, UIC has now partnered with several organizations to help disseminate its knowledge and apply its skills citywide.

Partnering with a group of Chicago institutions, UIC has created the Manufacturing Technology Bridge Program, a program that prepares Chicago's inner-city workers for higher-wage jobs in manufacturing. Chicago area manufacturers are currently facing a serious labor shortage because of their retiring workforce, and the Bridge Program strives to help them address this problem.

The Bridge Program is based on a “win-win” partnership. The schools, community organizations, city, and manufacturing industry work together to run a program that meets the needs of both employers and job seekers, while leveraging the unique capabilities and expertise of each partner:

- UIC provides coordination support and technical assistance on program design, planning, and funding.
- Instituto del Progreso Latino, a community-based organization, provides recruitment, counseling, case management, job placement, and follow-up support and offers a site for the instructions.
- Richard J. Daley College provides instruction at community sites and in on-campus manufacturing labs and recruits program graduates into college-level programs in manufacturing technology.
- Illinois Institute of Technology serves as a technical advisor to the project.
- The Chicago Manufacturing Center serves on the advisory board, provides industry linkages, and assists in marketing the program.
- The Mayor’s Office of Workforce Development assists with linkages to the larger workforce development system in Chicago.

Through this partnership, the Manufacturing Technology Bridge Program has been able to create a model that has already demonstrated success in increasing participants’ skills and income. As of June 2001, the Tech Bridge program has had:

- More than 260 graduates
- An 80 percent placement rate—72 percent were unemployed upon entry into the program
- A median starting wage of \$10.13 per hour—median wage upon entry into Bridge was \$8.12 per hour
- 73 students placed in college courses

Analysis of the employment outcomes of the Bridge (using wage record data from the Illinois Department of Employment Security) shows that, compared with participants who failed to complete the program, Bridge graduates are significantly more likely to be employed, earn wages exceeding the poverty line for a family of four, be employed in manufacturing, and hold one job as opposed to multiple jobs.

## **Resources Available to Universities**

Universities 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. Urban universities also have much to gain by becoming investors in their neighboring communities.

In the past decade, the Federal government and philanthropic foundations have begun directing attention to this resource. Many of their programs have focused on building partnerships between colleges and universities. In some instances, the focus has been on housing development, health care, or education. Some offer resources for the kind of strategic planning we are advocating in this article. Others provide resources for more specific activities such as business advisory or real estate development. To conclude, we would like to list a few Federal and nonprofit resources available.

### **Funding, Information, and Networks**

- U.S. Department of Housing & Urban Development: Office of University Partnership
- The Fannie Mae Foundation: University-Community Partnership Initiative
- U.S. Department of Commerce, Economic Development Administration: University Centers Program
- U.S. Department of Education: (a) Fund for the Improvement of Post-Secondary Education—Learning Anytime, Anywhere Partnerships and (b) Hispanic-Serving Institutions Program
- U.S. Department of Transportation: (a) Historically Black Colleges & Universities (HBCUs) Entrepreneurial Training & Assistance and (b) Hispanic-Serving Institutions Entrepreneurial Training & Assistance
- Corporation for National and Community Service: (a) Learn & Serve America—Higher Education and (b) Planning & Program Development Grants

### **Information and Networks**

- Campus Compact
- CEOs for Cities
- Coalition for Urban and Metropolitan Universities
- Initiative for a Competitive Inner City
- Lincoln Institute of Land Policy
- National Service-Learning Clearinghouse

*Note:* ICIC is a national, not-for-profit organization founded in 1994 by Harvard Business School Professor Michael E. Porter. ICIC's mission is to spark new thinking about the business and economic potential of inner cities, thereby creating jobs and wealth for inner-city residents. CEOs for Cities is a national bipartisan alliance of mayors, corporate executives, university presidents, and civic leaders to advance the economic competitiveness of cities.

The text boxes in the article include excerpts from the discussion during an audio conference held on September 4, 2003. The full transcript is available at [www.icic.org](http://www.icic.org). In alphabetical order, the speakers are:

- Bruce Alexander, Vice President, Office of New Haven and State Affairs, Yale University
- Paul Grogan, Founder of CEOs for Cities; President of The Boston Foundation
- Hassan Minor, Senior Vice President, Howard University
- Wim Weiwei, Dean, College of Business Administration, University of Illinois Chicago

### **Author Information**

Anne Habiby is the Co-Executive Director and Alen Amirkhanian is a Vice President of Research at the Initiative for a Competitive Inner City (ICIC).

ICIC

727 Atlantic Ave., Suite 600

Boston, MA 02111

Telephone: 617-292-2363

E-mail: [ahabiby@icic.org](mailto:ahabiby@icic.org)

E-mail: [alen@icic.org](mailto:alen@icic.org)

[www.icic.org](http://www.icic.org)