EVOLVING CORPORATE BUSINESS ENGAGEMENT IN COMMUNITY AND ECONOMIC DEVELOPMENT

AN ENVIRONMENTAL SCAN AND CASE STUDIES FOR THE ROBERT WOOD JOHNSON FOUNDATION

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Executive Summary

This report explores the extent to which the logic of anchor institutions—educational and medical institutions that engage in community and economic development because they have a business stake in development of their surrounding communities—applies to other types of corporations. The report is intended to inform a range of actors—community and economic development organizations; corporate, local, and national philanthropy; and particularly corporates themselves—about the potential to align corporate and development interests to drive sustained and intentional engagement by corporates in achieving equitable and inclusive growth in local economies.

The first section of the report contains an environmental scan that summarizes the current state of knowledge about both traditional "eds and meds" anchor activities and emerging engagement by a broader set of corporations. It synthesizes published research and cases with observations gleaned from interviews with subject matter experts, anchor institutions, corporations, and corporate philanthropy engaged in community and economic development (CED). Laying out the "why," "what," and "how" underpinning corporate CED activities, this scan reveals new and potentially more effective opportunities for corporate engagement in the context of changes in the economy, corporate imperatives and the practice of economic development; and identifies several potential roles for local and national philanthropy and other CED organizations to support productive corporate engagement, including identifying opportunities for high-impact engagement, operationalizing engagement strategies, and evaluating the effectiveness of corporate engagement for communities and stakeholders.

The second section contains four case studies on corporate CED initiatives, chosen to provide information on multiple types of initiatives, mostly in small- and mid-sized cities, which often lack significant presence of "eds and meds" anchors but are home to legacy business interests that might serve as building blocks in inclusive growth efforts. The case studies profile a CEO organization (CenterState CEO in Syracuse, NY), a cluster initiative (Hartford InsurTech in Hartford, CT), a corporate economic development initiative (Microsoft's TechSpark in Green Bay, WI and El Paso, TX/Ciudad Juárez, Mexico), and a corporate community development initiative (Rocket Community Fund in Detroit). Case study findings draw from interviews with lead organizations and community partners, as well as news and trade accounts of the projects and their impacts. The cases illuminate several opportunities for philanthropy and CED organizations, including supporting the development of a network of engaged corporates; working with regions to develop sustainable economic development plans designed to support participation of interested corporates; and collaborating with community and regional foundations across the U.S. to provide matching funds for CED projects with significant corporate business involvement and support.

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List of Acronyms

ABC	aligned business-community interests
AWE	agriculture, water, and energy
BBR	Beazley Breach Response
CASE	Chicago Anchors for a Strong Economy
CED	community and economic development
CEO	Corporation for Economic Opportunity [in reference to CenterState CEO]
CI	Connecticut Innovations
CRA	Community Reinvestment Act
CSR	corporate social responsibility
DND	Department of Neighborhood Development
EDO	economic development organizations
ESD	Empire State Development
FAA	Federal Aviation Administration
FOC	Family of Companies [in reference to Rock FOC]
GDP	gross domestic product
IFS	Insurance and Financial Services
IP	Innovation Places
ITH	InsurTech Hartford
KPI	key performance indicators
MCM	Motor City Mapping
MLGW	Memphis Light, Gas and Water
NUAIR	Northeast UAS Airspace Integration Research
NUSTAR	national UAS standardized testing and rating (NUSTAR) facility
ROI	return on investment
SaaS	software as a service
UCHC	United Community Housing Coalition
UAS	unmanned aerial systems
MWBE	minority- and women-owned business enterprises

SECTION 1

Current State of Anchor Businesses and Summary of Findings

Overview

The impact of socioeconomic determinants — factors like employment, income, housing conditions, and food access — on health outcomes has become unmistakably clear.[1] This report explores the extent to which the logic of so-called "anchor" institutions — educational and medical institutions that engage in local community and economic development because they have an organizational interest in the vitality of their surrounding communities — applies to other types of corporations. This focus has multiple practical origins including growing interest of corporates in various types of local community engagement, the relatively large role that corporates play in many small- and mid-sized US cities, and, across the U.S., demand for models of inclusive development that grow local economies in ways that promote rather than undermine economic and racial equity.

This environmental scan synthesizes published discourse with observations gleaned from interviews with subject matter experts, anchor institutions, corporations, and corporate philanthropy engaged in community and economic development (CED). We situate this scan more broadly in the so-called "next economy" framework that emphasizes stronger business imperatives to focus on developing markets, industries, and places. The scan is complemented by detailed case studies that illustrate, explore, and expand the learnings and practices surfaced in the scan.

In general, report findings support the idea that the logic of anchors can be adapted or evolved by corporations, in the sense that there is increasing alignment between corporate interests and CED, as well as experiments and emerging models that can create a foundation for broader corporate engagement in CED. However, alignment varies by type of business and place, which means that extending the "anchor" logic to other corporations requires a more nuanced understanding of alignment and engagement activities. These findings reveal the emergence of promising new practices and opportunities for engagement and confirm the timeliness of this inquiry for elevating, expanding, and investing in these trends to further CED and, ultimately, improve health outcomes.

I. Evolution from Anchors to New Corporate Business Engagement in Community and Economic Development

A. The Logic of "Anchor Institutions"

Anchor institutions, as originally and narrowly defined, are strongly rooted in place and have a long-term, organizational interest in the well-being of their surrounding communities. It is through this organizational interest that anchor institutions come to be engaged in community and economic development. Traditional conceptions of anchor institutions have focused primarily on "eds and meds," recognizing that universities and hospitals are "rooted in their local community by mission, invested capital, or relationships to customers, employees, residents and vendors," thereby establishing a stake in their community's development.[2] Moreover, these institutions are assumed to be "anchored" to place and thus capable of and incentivized to make long-term commitments to improving local conditions.

Over the past twenty years, philanthropy, community organizations, and other partners have engaged anchor institutions in a range of development activities for the benefit of the institutions and their communities. Initiatives commonly pursued include instituting local and/or minority hiring and procurement practices; incubating local and/or minority businesses; contributing to workforce development efforts; investing in real estate and capital projects to improve the physical environment; building the capacity of community institutions; and supporting "live local" initiatives that encourage staff to live in the neighborhoods around the anchor.[3] Given that hospitals and universities are estimated to spend well over $1

1 Higher income neighborhoods, for example, are associated with fewer mental health or physical health conditions, controlling for individual income, education, insurance status, and other sociodemographic factors (see Jennifer W. Robinette, Susan T. Charles, and Tara L. Gruenewald, "Neighborhood Socioeconomic Status and Health: A Longitudinal Analysis," Journal of Community Health 42, no. 5 (October 2017): 865–71, https://doi.org/10.1007/s10900-017-0327-6). Positive impacts on health, including mental health, are also demonstrated when the income of an entire community increases, which suggests that there are more benefits to increasing income on a community or neighborhood basis than on an individual or household basis (see Barbara Wolfe et al., "The Income and Health Effects of Tribal Casino Gaming on American Indians," Demography 49, no. 2 (May 2012): 499–524, https://doi.org/10.1007/s13524-012-0098-8; E. Jane Costello et al., "Relationships between Poverty and Psychopathology: A Natural Experiment," JAMA 290, no. 15 (October 15, 2003): 2023–29, https://doi.org/10.1001/jama.290.15.2023).

2 Porter, J. (n.d.). Anchor Collaboratives: Building Bridges With Place-Based Partnerships and Anchor Institutions. The Democracy Collaborative, citing a previous Democracy Collaborative report.

3 Initiative for a Competitive Inner City & Staples Foundation for Learning. (n.d.). Leveraging Anchor Institutions to Grow Inner City Businesses. https://icic.org/wp-content/uploads/2016/04/ICIC_Leveraging-Anchor-Institutions.pdf

trillion a year, have endowments of over $500 billion, and employ 8% percent of the workforce,[4] the potential impact of anchor initiatives on surrounding communities is great.

Notably, these anchor initiatives enhance communities in significant part through the anchor's business lines[5] and not exclusively through philanthropy. The anchor's hiring, purchasing, and investment practices are maximized to create a multiplier effect, leading to improved local outcomes that flow from greater community prosperity and economic opportunity. In return, anchor institutions benefit from more resilient and customized supply chains;[6] revitalized communities that are attractive to students, faculty, and staff; improved community relations,[7] including support for the institution's own real estate expansions; and a broader and more accessible labor pool, among other returns.

For hospitals especially, these initiatives increasingly take into account the social determinants of health. ProMedica Health System, which operates numerous hospitals and medical facilities in southeast Michigan and northwest Ohio and, through sub-entities, operates in 28 states, has undertaken numerous types of community and economic development, with a special focus on the social determinants of health.[8] In recent years, ProMedica has led place-based redevelopment efforts in downtown Toledo, gaining the support of private donors, as well as the City of Toledo, and creating pathways for other redevelopment efforts in the future. These efforts led to the opening of a grocery store and the development of other programs to address challenges related to food, housing, and transportation, and improve quality of life for residents. ProMedica has seen financial returns on these investments, in addition to their community benefits. While Toledo has served as the testbed for some of these initiatives, these initiatives can eventually be deployed elsewhere.[9]

A substantial and growing practice has evolved around engaging these types of anchor institutions in local community and economic development (CED), individually and collaboratively.[10] For present purposes, two related points define the underlying logic of these activities: (1) these organizations, by virtue of their business being "anchored" in place, have specific and deep interest in local CED; and (2) this interest leads the organization to engage its business lines in CED activities. The questions for this inquiry can be reframed as whether this underlying logic applies to corporations which, for the most part, are not similarly, narrowly anchored in place. With respect to these corporations—and we'll see that there are many types in this respect—what kinds of business interests might motivate them to engage in CED activities; and for those, what are their business lines which might be engaged in CED?[11]

B. Extending the Logic: Evolving Corporate Business Engagement

While corporations inherently impact economic and community outcomes by broadly providing jobs, purchasing goods and services, developing land, and other activities, most corporations do not see these business activities, nor their business interests, as directly aligned with or seeking CED, and particularly not in "place-based" CED as anchor institutions do. Especially in the era of globalization, the business interests of varied corporations are more diffuse, requiring a more

4 The Democracy Collaborative at the University of Maryland. "The Anchor Dashboard: Aligning Institutional Practice to Meet Low-Income Community Needs," August 2013. https://democracycollaborative.org/learn/publication/anchor-dashboard-aligning-institutional-practice-meet-low-income-community-0.

5 The phrase "business lines" is used throughout to refer to the core operational functions of an organization to produce and deliver its products and services. This includes activities such as employment, procurement, production, facilities development, market development, etc.

6 Bonanno, J., Dubb, S., & Howard, T. (2015). Healthcare Small Business Gap Analysis. The Democracy Collaborative. https://democracycollaborative.org/learn/publication/healthcare-small-business-gap-analysis

7 Dever, B., Blaik, O., Smith, G., & McCarthy, G. (2014). (Re)Defining Successful Anchor Strategies (Working Paper). Lincoln Institute of Land Policy. https://www.lincolninst.edu/sites/default/files/pubfiles/2487_1834_Dever%20WP14BD1.pdf

8 ProMedica started the National Social Determinants of Health Institute and has made this work a priority. See: Social Determinants of Health. (n.d.). ProMedica. https://www.promedica.org/social-determinants-of-health/

9 Project interviews

10 See, e.g., Oostra, R. (2018). Embracing an Anchor Mission: ProMedica's All-In Strategy (p. 54). Healthcare Anchor Network and the Democracy Collaborative. https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/Promedica-web.pdf;
Wright, W., Hexter, K. W., & Downer, N. (2016). Cleveland's Greater University Circle Initiative: An Anchor-Based Strategy for Change. Democracy Collaborative. https://democracycollaborative.org/greater-university-circle-initiative

11 As will become clear from the discussion below and case studies, there are other types of corporations than "eds and meds"—particularly large corporate headquarters in mid-size cities—that have a stake in their places which is highly analogous to anchors. However, use of the term "corporate anchors" presents two challenges: (1) it is too constraining, as there are many other types of corporations whose business interests increasingly align with CED for other reasons—for which use of the term "anchors" obscures their differentiated motivations for engaging in CED; and (2) several of the interviewees leading traditional anchor work objected that referring to other types of corporations as "anchors" would be confusing to their field of practice and mask key differences. Further complicating this discussion, it should be noted that traditional eds and meds are not always immobile, contrary to popular belief. Though universities and higher education have long been community pillars, the notion of permanence implied by the term anchor may be weakening. See examples of university system consolidations, and hospital mergers, closures, and international expansions.

expansive and differentiated understanding of their potential role in community and economic development.[12]

The logic that drives anchor institutions to engage with their local communities (because they have a direct organizational interest in the vitality of the surrounding community) can be understood as a specific example or subset of a broader logic. We are essentially seeking opportunities for alignment of corporate business interests and activities with CED activities, to expand corporate business engagement in CED.[13] Finding this alignment, therefore, requires identifying the corporate interests that are optimized by community and economic development — and vice-versa.

The literature review, interviews and other information from this environmental scan and case studies do indeed suggest growing opportunities flowing from this line of inquiry—varying widely by type of company, business motivation and activity, and the preferences and commitments of individual CEOs. The interests and capacities of public, civic and philanthropic institutions to engage, support, legitimize and otherwise help facilitate new types of corporate engagement are also evolving and shaping these new opportunities. Before delving into detailed examples of expanding corporate business engagement in CED, a few additional observations help frame the inquiry and explain changing business interests which create new opportunities.

1. Focusing on Economic Development Too
While the initial example of anchors is focused on place-based community development efforts, as we look at other corporate business interests and activities that might align with community development, we need to widen the inquiry to encompass broader economic development activities (e.g., industry cluster growth, workforce, supply chain), as well. Corporations are increasingly engaging in workforce, supply chain, innovation and other activities directed at broader economic development. While they often do not organize or see these activities as community focused, these activities do ultimately affect places (and thus, socio-economic determinants of health outcomes), and can be further focused on place. The latter may offer a role for local and national philanthropy to provide support.[14]

2. Characteristics of the Next Economy are Increasing Alignment between Corporate Business Interests and CED
The increasing corporate business engagement in CED is in large part a function of a transforming economy that is disrupting the historic drivers of business productivity and success. The "next economy"[15] is changing both the types of business activities that realize value for corporations, as well as the contribution of "place" to business success. These changes play out along several dimensions.

A. Place Matters Again
In the new economy, complementary firms, workforce, technologies, institutions, amenities and related economic activities and actors particularly benefit from concentrating—achieving synergies and reduced transaction costs from shared inputs, spillovers, more flexible networks and so forth. As a result, metropolitan regions are growing, and the most successful are more deliberately figuring out what they will be good at and known for—what people and firms will be most productive through the synergies achieved by co-location.[16] In this context, companies have a greater stake in the success of their local industry, workforce, research institutions and region overall—and more major corporations are participating in regional economic development

12 Note that there are important historical and emerging instances where corporations that are not traditional anchors nevertheless have been significantly more engaged in their headquarter cities, functionally like traditional anchor institutions, unlikely to leave except under the most extreme conditions. There are also examples of cities that, even though not the site of headquarters, have a special role in corporate CED strategies; for example, sites that are home to corporate tech and innovations centers might get more corporate engagement in CED and other local issues.

13 This is essentially the framework established by Porter and Kramer's "shared value" concept, where institutions pursue their own business interests in a way that benefits the surrounding community. By optimizing the interests of the institutions through community and economic development, "shared value" is created. See: Porter, M. E., & Kramer, M. R. (2011, January 1). Creating Shared Value. Harvard Business Review, January—February 2011. https://hbr.org/2011/01/the-big-idea-creating-shared-value

14 Neighborhood change arises from flows of people and investment, which are driven by (and in turn influence) neighborhood characteristics, highlighting the close relationship between economic and community—and between people and place-based—development. There is a symbiotic relationship between the two, as the well-being and movement of people affect the health of the neighborhood, while the characteristics of the neighborhood affect the lives of its residents. See: Weissbourd, R., Bodini, R., & He, M. (2009). Dynamic Neighborhoods: New Tools for Community and Economic Development (Living Cities: The National Community Development Initiative). RW Ventures. http://rw-ventures.com/wp-content/uploads/2017/01/DNT-Final-Report.pdf

15 See, generally, Brophy, P., Weissbourd, R., & Beideman, A. (2017). Transformative Economies: Emerging Practices for Aligning Growth and Inclusion. Federal Reserve Bank of Philadelphia.
https://www.phil.frb.org/-/media/community-development/publications/special-reports/transformative-economies-emerging-practices-for-aligning-growth-and-inclusion/transformative-economies-emerging-practices-for-aligning-growth-and-inclusion.pdf?la=en

16 See: Weissbourd, R., & Muro, M. (2011). Metropolitan Business Plans. The Brookings Institution Metropolitan Policy Program.
https://www.brookings.edu/wp-content/uploads/2012/04/1208_metro_summit_business_framing_paper.pdf;
Weissbourd, R., & Berry, C. (2004). The Changing Dynamics of Urban America (CEOs for Cities).
http://rw-ventures.com/wp-content/uploads/2017/01/Changing-Dynamics-report.pdf

organizations and efforts. The ITASCA Project, for example, includes leaders from business, philanthropic, and public sectors working together to enhance the economic competitiveness of the Minneapolis-St. Paul region, which had been struggling to attract venture capital investment, retain blue-chip companies, and maintain its edge in research and development throughout the 1990's.[17] This motivation—that companies have a broad business interest in the economic vitality of their city and region—is closest to the traditional "anchor" motivation and most pronounced among corporations that have long-standing and substantial headquarters activities in one place (e.g., Prudential in Newark; Campbell's in Camden).

B. Collaboration around Economic Development Activities Now Makes More Business Sense

The shift from a siloed, top-down, industrial economy to a more networked, nimble and fluid knowledge economy has led to new, more collaborative, business models. It has also spurred more corporate collaboration around economic development, particularly in activities that serve business interests. Companies are collaborating, for example, on workforce development through employer councils and shared talent initiatives.[18] Innovation activities are increasingly cooperative and partially outsourced (including through investments in entrepreneurs and acquisitions of start-ups). mHub, for example, brings together entrepreneurs, manufacturers of all sizes, research institutions, investors and others across Chicagoland to drive product innovation, regional manufacturing, and talent attraction and development in the region.[19] More companies are participating in industry cluster organizations to collaborate on addressing industry challenges and improving their place as a hub for that industry.[20] Large corporations are also joining forces to improve the capacity of local suppliers, such as in Chicago through Chicago Anchors for a Strong Economy (CASE) and in Detroit through the city's D2D initiative.[21]

C. Talent is King

An increasingly knowledge-intensive economy leads companies to an increased focus on developing, attracting, and retaining talent—from the collaboration on workforce initiatives mentioned above to "full lifecycle" investment in employee development to broader interest in local amenities. In addition, it turns out that the next generation workforce—particularly millennials—appears to care more about meaning and mission in their work,[22] driving more companies to seek out CED activities aligned with their business interests as a strategy for attracting talent.

D. More Reasons and Opportunities for Cross-Sector Collaboration

These trends—particularly the importance of place and more networked economic activity and institutions — have extended to the public and civic sectors, as well, leading to more quasi-governmental and cross-sector institutions operating at the interface of public goods with economic vitality and impact. These range from varied types of Development Authorities[23] to cross-sector regional growth organizations like World Business Chicago. They offer new avenues for corporate engagement and are seeing particular types of corporations more engaged on the margins in creating quasi-public goods that align with their business interests.

17 Brainerd, M., Campbell, J., & Davis, R. (2013). Doing well by doing good: A leader's guide. McKinsey Quarterly.
https://www.mckinsey.com/industries/public-and-social-sector/our-insights/doing-well-by-doing-good-a-leaders-guide#.
These types of collaborations historically largely arose in times of crisis but are occurring or continuing more often now simply as better ways to approach aligned interests around growth.

18 See, e.g., the US Chamber of Commerce's Talent Pipeline Management initiative.

19 For more information on mHub, see https://mhubchicago.com/

20 See, e.g., Chicagoland Food and Beverage Network, https://chicagolandfood.org/, undertaking among other things collaborative workforce training and investment in minority suppliers.

21 According to the Detroit Economic Growth Corporation, "D2D is a local procurement program dedicated to strengthening business-to-business connections throughout the city." See: Detroit Economic Growth Corporation, http://www.degc.org/small-business/local-procurement/

22 See, e.g., Achor, S., Reece, A., Kellerman, G. R., & Robichaux, A. (2018, November 6). 9 Out of 10 People Are Willing to Earn Less Money to Do More-Meaningful Work. Harvard Business Review. https://hbr.org/2018/11/9-out-of-10-people-are-willing-to-earn-less-money-to-do-more-meaningful-work.

23 New Institutions for a New Economy: Development Authority Design and Practice for the 21st Century. (2018). RW Ventures.
http://rw-ventures.com/wp-content/uploads/2018/06/New-Institutions-for-a-New-Economy_final.pdf

E. Quality/Inclusive Growth

A strong case is emerging that we do not yet have a sustainable economic model for growth in this next economy. In these early disruptive stages of the fourth industrial revolution, wealth is concentrating and inequality is dramatically increasing, creating a paradox because the places with the least inequality do best in the long run.[24]

Acknowledgment of the need to rethink business models and interests in these circumstances is starting to infuse how corporations view their roles in society, driven in part by the growing inequality and political discontent that can affect the sustainability of their businesses. In his 2019 letter to CEOs, Larry Fink, the CEO of the global investment firm Blackrock, urged corporations to take a bigger role in community issues, arguing that "[c]ompanies cannot solve every issue of public importance, but there are many—from retirement to infrastructure to preparing workers for the jobs of the future—that cannot be solved without corporate leadership."[25]

The Business Roundtable, in a convening of almost 200 chief executives that included leaders of Apple, JPMorgan Chase, and Walmart, recently "modernized" its principles on the role of a corporation, declaring that companies should not only operate in the interest of shareholders, but also in the interest of employers, suppliers, customers, and their communities. According to the roundtable, "The long-term success of these companies and the U.S. economy depends on businesses investing in the economic security of their employees and the communities in which they operate."[26]

The increasing awareness of the extraordinary levels and impacts of institutional racism reflected in the Black Lives Matter movement is also accelerating this trend of corporations realizing they have a major stake in helping develop a more sustainable economic model and set of business practices. Companies seeking to align themselves with the Black Lives Matter movement by issuing statements of support have been criticized for pursuing contradictory business models. Pressure is being put on the companies to move away from more superficial actions and address the business activities that perpetuate systemic racism and inequality,[27] such as discriminatory labor practices or disparate investment in Black neighborhoods.[28]

These examples suggest there may be a dawning recognition of the value of long-view, "quality growth" principles,[29] leading the way for more potential opportunities to engage corporations in community and economic development. It is too early to predict long-term impact of this increasing attention to corporate business models and roles—and many are legitimately skeptical about the depth of corporate understanding or commitment. Nevertheless, the heightened conversation at least presents a serious opportunity to help the implementation reality match the rhetoric: the moment is right for this inquiry and the potential follow up suggested by this report.

24 See, e.g., Brophy, P., Weissbourd, R., & Beideman, A. (2017). Transformative Economies: Emerging Practices for Aligning Growth and Inclusion. Federal Reserve Bank of Philadelphia.
https://www.phil.frb.org/-/media/community-development/publications/special-reports/transformative-economies-emerging-practices-for-aligning-growth-and-inclusion/transformative-economies-emerging-practices-for-aligning-growth-and-inclusion.pdf?la=en;
Weissbourd, R., & Berry, C. (2004). The Changing Dynamics of Urban America (CEOs for Cities).
http://rw-ventures.com/wp-content/uploads/2017/01/Changing-Dynamics-report.pdf;
Ostry, J. D., Berg, A., & Tsangarides, C. G. (2014). Redistribution, Inequality, and Growth (IMF Staff Discussion Note). https://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf

25 Fink, L. (2019). Purpose & Profit. https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter

26 Our Commitment to Our Employees and Communities. (n.d.). Business Roundtable. https://opportunity.businessroundtable.org/

27 Holman, J., & Buckley, T. (2020, July 22). How Ben & Jerry's Perfected the Delicate Recipe for Corporate Activism. Bloomberg. https://www.bloomberg.com/news/features/2020-07-22/how-ben-jerry-s-applied-its-corporate-activism-recipe-to-blm

28 Jan, T., McGregor, J., Merle, R., & Tiku, N. (2020, June 13). As big corporations say "black lives matter," their track records raise skepticism. Washington Post.
https://www.washingtonpost.com/business/2020/06/13/after-years-marginalizing-black-employees-customers-corporate-america-says-black-lives-matter/?arc404=true.
Several companies have taken initial steps to address racial and economic inequality through their business activities. Netflix, for example, has committed to banking up to $100 million of its holdings in Black financial institutions, a "move that addresses racial inequality not through charity, but via a routine commercial aspect of Netflix's business." See: Netflix's Big Idea to Support Black Communities. (2020, June 30). New York Times. https://www.nytimes.com/2020/06/30/business/dealbook/netflix-black-owned-banks.html

29 Indeed, a new national practitioner network has formed precisely to focus on developing new economic models and practices for the next economy that drive inclusive, quality growth. See: New Growth Innovation Network, https://newgrowth.org, and Weissbourd, R. (2018, November 7). Opening Remarks. 2018 NGIN Inaugural Convening.
https://newgrowth.org/wp-content/uploads/2018/11/2018-NGIN-Convening-opening-remarks.pdf

> *"There is an uptake in willingness and capacity for a broader economic inclusion agenda - companies understanding that economic inequality isn't sustainable. There's true value in identifying community assets that are underutilized, in the context of neighborhood development, education, workforce."*
>
> **CEO of Regional Business-Led Economic Development Organization**

F. CED Practice is Changing Too

In part anticipating the same changes in the economy, the practice of community and economic development has expanded towards asset- and market-based development, increasingly focusing on identifying and investing in under-deployed human capital, real estate and business assets and in business-like approaches to expanding market activity to grow inclusive economies.[30] That this shift leads and parallel's the emerging shift in corporate engagement to more business-like CED through engaging business lines and expertise is of course no coincidence. The increasing practice alignment underpins and further expands the opportunities for productive collaboration between corporates and CED partners, and for deeper and more effective corporate engagement.

3. Corporate Social Responsibility (CSR) is Evolving to Reflect these Changes

Corporate engagement, broadly defined, goes back a long way, including a rich history of Corporate Social Responsibility (CSR) advocacy and activity. Most often, corporate engagement was viewed as a "responsibility"—good corporate citizenship—rather than as an opportunity to enhance the competitiveness of a company, and was usually developed and executed separately from core business operations. This had the effect, unintended or otherwise, of making such engagement easier to cut or neglect. Traditional CSR initiatives — such as corporate giving and employee volunteering — tend to serve very broad business interests in branding and public relations (and, for banks and utilities, regulatory compliance), with limited if any connection between initiatives and corporate business lines and activities. JCPenney, for example, provides grants to many youth programs, including the Boys & Girls Club of America and YMCA. While these grants support the important cause of youth development, this cause is not critical to JCPenney's long-term success or profitability as a retailer.

Consistent with the logic above, however, we are finding that traditional CSR is moving towards an aligned business interests approach in two respects. First, corporate philanthropic dollars are being more explicitly targeted to activities aligned with the corporation's business interests and competencies. While such an approach can sometimes strain the term "philanthropy," it potentially results in more sustained and vested development and often serves to create a general outcome (e.g., a more digitally literate population) that benefits multiple parties, not only the individual corporation. Microsoft, for example, is expanding access to a data science curriculum, with the understanding that if data scientists are trained using Microsoft products, the future employers of the data scientists might purchase Microsoft products, too.

Second, corporations are more often engaging their business lines and activities (not just their foundations) in CSR work. This takes many forms, depending on the business and its challenges, and broadly reflects changes in the economic and social landscape. JPMorgan Chase, for example, is financing neighborhood development in Chicago, deploying capital to residential, commercial, and retail development projects in underserved markets. The rising consideration and engagement of corporate business lines and activities coincides with the increased sophistication of economic and community development, which is much more data driven and strategic than ever before and better able to identify business-aligned opportunities for CED.

30 Weissbourd, R. (2006). Into the Economic Mainstream: A Discussion Paper on Bipartisan Policies for Inclusive Growth. Opportunity Finance Network and RW Ventures, LLC. http://rw-ventures.com/wp-content/uploads/2017/01/Distribution-Draft-IEM-Paper-8-6-06-rw.pdf; Weissbourd, R., & Bodini, R. (2005). Market-Based Community Economic Development. The Brookings Institution Metropolitan Policy Program. http://rw-ventures.com/wp-content/uploads/2017/01/Market-Based-Development.pdf

While these two trends are nascent and not widespread, they reveal an emerging window for more engaged and sustained development activities by corporations.

> *"Our role in CSR has changed—we are invited to the table, but we have to push to co-create on initiatives [with the business side]. Our approach has changed, we start with, 'What is the business goal you're trying to solve and how can we help you?'"*

C. Examining "Aligned Business-Community Interests" in Corporate Engagement in Community and Economic Development

Alignment between corporate business interests and community and economic development is growing, making it an opportune time to identify, shape, and leverage "aligned business–community interests" ("ABCs") opportunities that arise. However, the intersections between corporate interests and community and economic development are also highly contextual, requiring an understanding of how ABC opportunities differ widely across different firms, industries, places, and other characteristics.

This environmental scan examines the range of corporate business interests that can be optimized through community and economic development (the "why"—or motivations for engagement), as well as the types of engagement that result (the "what") from various ABCs. This is followed by an examination of tactical considerations affecting corporate–community engagement (the "how"). The scan concludes with a discussion of the preliminary implications for philanthropic and other organizations. Finally, case studies further explore and illustrate key practices and learnings.

II. The Why and The What: Corporate Motivations and Corresponding Engagements in Community and Economic Development

This framework of "aligned business-community interests" leading to corporate business engagement in various community and economic development activities begs the questions of what interests and conditions lead to what CED activities in what types of corporations. The scan summarizes examples below, organized by the range of business motivations and the types of engagement that result. Emphasis is placed on motivations and engagements that can be replicated by other companies due to their strong business case. Figure 1 provides an overview of motivations for and types of engagement.

Figure 1. Overview of motivations for and types of engagement

"Why"/ Motivation	Talent	Market Development	Community Stake	Regional Economic Growth	"De-Risking the Bottom Line"	Regulation	Business Expertise	Reputation
Description	Attracting, retaining, and developing a workforce	Building market share through new customer acquisition and market penetration	Depending on the community for business success	Enhancing regional competitiveness for firm benefit	Bolstering corporate returns through community investment	Leveraging public policy for community benefit	Lending knowledge and business assets for redevelopment	Improving or maintaining company image
Corporate Examples	Cerner Corporation; TCG Player; CenterState CEO; Campbell's; Innovation Fellows; Civic Consulting Alliance; Rocket Community Fund; JPMorgan Chase; Chobani; Microsoft; Google	CVS Minute Clinics; Campbell Soup Foundation; Comcast NBC Universal	Utilities (e.g., Memphis Light, Gas and Water); mobility businesses; Campbell's; Prudential	New Space New Mexico; Microsoft and the Green Bay Packers; Region One Health; CenterState CEO	AT&T's Climate Resilience Project	Banks (e.g., KeyBank)	Rocket Community Fund	Many (if not all)

Talent: Attracting, Retaining, and Developing a Workforce

In the post-recession, pre-COVID era characterized by low unemployment and a tight labor market, talent attraction was a challenge for businesses, creating an opportunity as well as motivation for companies to engage their communities and the workforce ecosystem in meaningful ways. While there are collective approaches to talent development—such as trade associations and Chambers of Commerce collaborating with workforce agencies to align the interests of businesses and labor—several companies are also creating their own talent development programs, finding local education and training options to be inadequate or too costly for fulfilling their workforce needs.

Cerner Corporation in Kansas City runs scholarship, internship, and apprenticeship programs with the goal of creating a diverse pipeline in technology. Required by a federal contract to meet a diversity threshold, Cerner found it difficult to locate diverse talent through the traditional educational system. These three programs at Cerner collectively impact nearly five hundred candidates in STEM every year, providing them a pathway to work at Cerner and offering benefits, training, and education.

The challenge of identifying and recruiting qualified employees is also motivating companies to detect and develop hidden labor pools to fill necessary positions. For example, after struggling to fill low- and mid-level positions in their software development department, TCG Player is piloting a program in which they identify warehouse employees who demonstrate a potential aptitude in coding. The employees receive training and are transitioning into a higher-paying software position, where they go from earning $15/hour to an annual salary of about $50,000.

CenterState CEO, an economic development organization in central New York (and the subject of a more detailed case study, below), launched Work Train, a workforce development collaborative that works with area employers, workforce developers, education institutions, and other partners to develop training and workforce strategies that can meet industry demand. The demand-based, employer-driven platform helps businesses expand their limited labor pool—a challenge for area businesses—while also addressing the issue of un- and underemployment in region. Industry partnerships have been made in healthcare and manufacturing, with an emphasis on careers that pay family-sustaining wages.[31]

Companies are also becoming more mission-driven to attract and retain employees. Engaging in CED can improve employee retention, as many employees, particularly those of the millennial and Gen Z generations, report greater loyalty to employers that tackle social issues, such as the environment or unemployment. Campbell's, for example, describes its community engagement work as a tool for recruitment and retention, recognizing that younger employees want to work for a "purpose driven company." Some research also suggests that an employee is willing to take a pay cut in order to work for an organization with principles that are consistent with their own[32].

Some companies, in an effort to be more "mission-driven," support larger causes in the city and region by loaning their high performing employees to organizations in need of their skills. The Innovation Fellows model, for example, places tech talent in government agencies to help them problem solve governance challenges through civic technology. Similarly, the Civic Consulting Alliance in Chicago offers top-tier consulting talent to local and state government agencies. These placements benefit the public sector, while providing challenging assignments to high-potential talent at the participating management consulting firms. Rocket Community Fund (also detailed in a case study later in the report) has a program that matches employees to volunteer opportunities based on skills and interest, aiming to achieve 70% employee engagement. JPMorgan Chase runs a Service Corps program, where select mid-career employees are "loaned" to a non-profit partner for three weeks. The program benefits the firm by allowing managers to "test" their bench and make employees feel highly valued, while also building the capacity of non-profits in which JPMorgan Chase has invested capital.

> *"We are always trying to find a better way to match our workers with unique talents to opportunities … Our community partners will come to us with a need [and] the challenge then is finding the right team member with capacity and skillset who can work with the community partner. And the community partner has to also put in significant time to make it succeed. So it's also a matchmaking process–and that is the key."*

Other forms of talent attraction and recruitment include collective ownership and non-wage benefits, such as employee housing. Chobani, for example, recently gifted ownership stakes to employees. Such collective ownership models are gaining interest from businesses and policy makers as vehicles of long-term community wealth creation. Pre-COVID, facing limited housing supply in their cities, Microsoft in Seattle[33] and Google in the Bay area[34] invested in affordable housing options to reduce the housing cost burden for residents and workers alike.

Market Development: Building Market Share through New Customer Acquisition and Market Penetration

Corporations can also be motivated to engage in CED as a means of developing or cultivating a new market for their product or service. Under this type of engagement, corporates embed their services or products into their engagement with the community, establishing their brand and offerings with current and future customers. Market development impacts the business bottom line most directly and provides a strong incentive to align with community development goals.

In some urban markets, CVS has launched Minute Clinics, which are accessible neighborhood health clinics supervised by a doctor. By placing Minute Clinics inside their stores, CVS increases sales of prescription medicines but also non-prescription items. These clinics also serve as sites for nurse practitioners, who can address almost 80% of the patient

31 Work Train. (n.d.). CenterState CEO. https://www.centerstateceo.com/about-us/partners-programs/work-train

32 Hedblom, D., Hickman, B., & List, J. A. (2019). Toward an Understanding of Corporate Social Responsibility: Theory and Field Experimental Evidence. SSRN Scholarly Paper (Rochester, NY: Social Science Research Network). https://papers.ssrn.com/abstract=3450248

33 Chan, K. (2019, January 18). Microsoft to invest $500 million in affordable housing in Seattle | Urbanized. Daily Hive. https://dailyhive.com/vancouver/microsoft-affordable-housing-seattle-2019

34 Falcon, J. (2019, July 25). Google invests $50 million in affordable housing. Housing Wire. https://www.housingwire.com/articles/49633-google-invests-50-million-in-affordable-housing/

needs, to fulfill their licensing requirements. With its 2018 purchase of health insurance giant Aetna, CVS's mission broadened beyond prescription fulfillment to include preventative care, in the hopes of reducing the burden on healthcare systems. The Minute Clinics enable the company to support this expanded mission.

Campbell Soup Foundation is leading a collective impact project to improve access to healthy food in schools. The program provides an opportunity for Campbell's to showcase its healthy food portfolio. In addition, through the project's national and local partners, Campbell's has been able to explore new sales channels for its products, such as Revolution Foods, a company that prepares healthy meals in school.

As the parent company of an internet, television and production enterprise, Comcast NBC Universal focuses on digital connectivity and access by providing subsidized laptops and internet connections to families and individuals on public assistance. Comcast also partners with local non-profits to provide digital readiness training to customers and the general public. These initiatives attempt to bridge the digital divide—and familiarize potential customers with its products and services.

Community Stake: Depending on the Community for Business Success

In certain industries, the nature of the product or service is dependent on the long-term vitality of the community, a strong relationship with the local governments, or reliable public infrastructure to reach customers (e.g., telecommunications, utilities, public transportation, and mobility). Companies that make major place-based investments (e.g., corporate headquarters) also inherit a significant stake in community outcomes. Finally, across various types of corporate activities, contributions to community wellbeing can serve as an unofficial "license to operate" in that market.

Utilities are firmly grounded in place, physically and economically. They are incentivized to invest in neighborhood revitalization and care about conditions in the residential and commercial/industrial markets. A stronger local business development environment will directly impact a utility's ability to increase revenue. Forward-looking utilities face (or understand that they will face) mounting pressures to reduce the environmental impacts of their activities, transformations that often require complementary policy and institutional commitments by local and state governments. Utilities can leverage their track record of successful community engagement to influence legislation and policy. Examples of utility engagement with CED include that of Memphis Light, Gas and Water (MLGW), which has engaged the University of Memphis in a $5 million research project about the Memphis Sands Aquifer, the primary water source for the city, and has a long history of supporting development of minority- and women-owned business enterprises (MWBEs) in the region. [35] [36]

Similarly, mobility businesses, including rideshare, scooter and bike share companies, benefit from community engagement along multiple dimensions. They often require some type of regulatory approval and need the right public infrastructure for their customers to use their products and services. Furthermore, as some of these industries are in their infancy and regulation is still evolving, mobility firms understand the importance of educating and winning the support of legislators who might be unfamiliar with their industries.

As mentioned in the prior section, there are corporations whose headquarters location and longstanding identification with their cities have led them to behave more like traditional "anchors." Campbell's in Camden, New Jersey and Prudential in Newark, New Jersey, for example, have both committed to their headquarter cities for the long-term, engaging in a broad array of CED. Campbell's has supported revitalization efforts in Camden, its hometown since the mid-19th century,[37] and Prudential has made numerous investments in Newark since the 1980s.[38] Prudential is considered a pioneer for its role in Newark. As the only company to not leave the city after the civil unrest in 1967, it pushed the narrative that companies (not just eds and meds) should be considered anchors, as well. Prudential worked closely with the Mayor to create a "Buy Local, Hire Local" initiative and added "Live Local" to the agenda over the last few years.

35 Hardiman, S. (2018, November 1). The University of Memphis' CAESER gets MLGW deal to study water quality in Memphis Sands Aquifer. Memphis Business Journal. https://www.bizjournals.com/memphis/news/2018/11/01/u-of-m-gets-5m-to-study-memphis-water-quality.html

36 Patton, Zach. "How Memphis Revamped Its Procurement By Embracing Minority Businesses." Governing, November 13, 2018. https://www.governing.com/cityaccelerator/blog/gov-Memphis-procurement-blog-LC.html

37 Bruns, A. (2018, July). Soup's on next door too, all part of a new master-planned development across the Delaware from Philadelphia. Site Selection. https://siteselection.com/issues/2018/jul/new-jersey-camden-welcomes-another-hq.cfm

38 Mayor's legacy: Bridging Newark's troubled past, promising present. (2019, April 5). Prudential Newsroom. http://news.prudential.com/mayors-legacy-bridging-newarks-troubled-past-promising-present.htm

Regional Economic Growth: Enhancing Regional Competitiveness for Firm Benefit

Corporations, even those in traded industries with customer bases spread across the US and/or globe, are increasingly understanding that growing their regional industries and economies can be good for business. These corporates invest in things like regional innovation and entrepreneurship ecosystems and industry cluster organizations, recognizing that a robust economy, strong local industry, and an ecosystem that attracts talent and investment serves their long-term interests.

New Space New Mexico is a collaborative effort that brings together corporations—many of whom are not in the space industry—and other partners to make New Mexico an innovation hub for space technology. The region has difficulty attracting headquarters, so the collaborative supports homegrown entrepreneurship in the space industry. The collaborative identifies entrepreneurs in the industry and helps them scale their work.

Microsoft and the Green Bay Packers are partnering to catalyze the regional economy of Northeastern Wisconsin through TitletownTech. The initiative (detailed in a case study later in the report) combines Green Bay's local expertise with Microsoft's technology and capital, and it seeks to develop new digital technologies, particularly those that can grow manufacturing, agriculture, and healthcare across the region. TitletownTech includes an innovation lab for entrepreneurs; a venture studio to help entrepreneurs come to scale; and a venture fund to support high-growth start-ups in the region.

Region One Health, a healthcare system in Memphis, recently developed the Center for Innovation. The center has adopted a failure-friendly environment to support risk-taking and innovation, which is a departure from the traditional mindset around healthcare. The Center seeks to engage regional partners and attract new organizations to Memphis under the common goal of strengthening the local innovation ecosystem.

CenterState CEO has over 2,000 member businesses of all sizes across many industries. The membership supports initiatives on behalf of several industries to promote economic development in central New York. Example initiatives include a fund that invests in pharmaceuticals, biotech, and software as a service (SaaS) and an alliance of private, public, and academic institutions that work together to support the unmanned aerial systems (UAS) industry.

> *"Innovation's tough … [The] strength corporations have is that [they] are the frontline. [They] understand problems … know [the] industry, know how to take this piece and plug in over here. [The] weakness of corporates [is that they're] not set up to do venture…. [At the] end of the day, [you] need everybody."*

"De-Risking the Bottom Line": Bolstering Corporate Returns Through Community Investment

Risk mitigation offers a slightly distinct category of corporate motivations for CED. Without strategic CED activities, businesses may inadvertently neglect a portion of their market or fail to protect short-term revenue, long-term market share, and/or community goodwill. In this context, de-risking the bottom line refers to individual corporations using CED to build up or bolster their own corporate activities. Indirectly, this could also de-risk CED activities for other corporations by providing proof of concept and return.

For example, AT&T's Climate Resiliency Project[39] is built on the recognition that when natural disasters hit communities, telecommunications systems are most impacted. Infrastructure repairs are time-intensive, and the lack of service imposes a hardship on the community. AT&T launched an innovative, industry-leading technology initiative with Argonne National Laboratory in Georgia, North Carolina, and South Carolina to assess the risks of climate change on its business and identify opportunities to create data-driven solutions. The partnership made the data available to the public through a community challenge, which encouraged local universities to work with local governments to use the data to understand and explore the risks of the climate change. Through this initiative, AT&T is building its corporate resilience to climate change as well as bolstering the resilience of its customers.

> *"This is no longer a social imperative–it has become a business imperative, a risk mitigant. Unless we address it, it's a risk to our bottom line."*

39 AT&T Engages U.S. Department of Energy's Argonne National Laboratory on Industry-leading Climate Resiliency Project. (n.d.). Retrieved October 8, 2019, from https://about.att.com/story/2019/climate_resiliency_project.html

Regulation: Leveraging Public Policy for Community Benefit
The traditional drivers of corporate engagement still apply in some industries, including situations where community engagement can be mandated by public policy and regulation. For banks, this regulation comes in the form of the Community Reinvestment Act (CRA), which requires investment in low- to moderate-income census tracts. There are lending, investment, and service tests to demonstrate compliance, depending on the size of the banking institution. Banks are periodically rated across these evaluation criteria and awarded a score. If the score is below satisfactory, it creates operational challenges for banking institutions, such as restrictions with opening or closing branches.

Since the early 1990s, KeyBank has had a CRA rating of "Outstanding" in nine cycles, one of the longest-running "Outstanding" ratings for a bank of its size. During this period, KeyBank has also played a critical role in the revitalization of Cleveland and partnered with traditional anchors in the city to make strategic investments in community businesses and housing projects.

There are, of course, many other banking examples, and the best have gone well beyond a CRA framework to genuinely see CED as in their business interests regardless of regulatory requirements. The regulatory and policy incentives motivation also applies to major utilities—and could become relevant to major technology platform providers, as well.

Business Expertise: Lending Knowledge and Business Assets for Redevelopment
Lending business expertise for community good is another example of CED, in which a company utilizes its knowledge in a given industry to address strong-rooted challenges facing the community.[40] For example, Rocket Community Fund has redeployed its real estate and mortgage lending expertise to help stabilize the housing market in Detroit. The fund aims to build resilient communities in Detroit through data driven investments in housing, public space, and civic life, such as low-interest loans and citywide blight removal. They have spearheaded philanthropic interventions while also promoting public policy changes to reduce the incidence of tax foreclosures. These initiatives reflect a stated corporate commitment to the revitalization of Detroit while likely enhancing the value of the significant real estate holdings of the associated companies.

> *"[We are] always leveraging multiple components of resources–leveraging own skillsets, team members, technology–[which is] much more powerful than the investments we're making. [We're] much more excited about a large investment to mobilize things other than capital."*

Reputation: Improving or Maintaining Company Image
A list of corporate motivations for engaging in CED would be incomplete without listing this original, traditional and broad "branding" and advertising motivation. This general incentive, as mentioned in the original framing, is relevant but of less interest to this scan, as it applies to all corporations, and doesn't offer a more focused ABC interest to leverage new kinds of CED.

40 Related but distinct from this category is the concept of "asset redeployment." In the age of fast-paced, technology-induced changes, businesses have struggled to find the optimal use of their traditional assets, especially stores and physical locations. Businesses face a conundrum of how often and how much to dispose of these assets, pondering ways to deploy them in creative ways. CED offers a promising way to redeploy assets while aligning investments with short- and long-term business interests. Banks are an especially visible example of this. KeyBank's deployment of its real estate expertise to help its clients, particularly health systems, meet their community development goals is one such example. In one case, Key Bank leveraged its real estate expertise to help Metro Hospital in Ohio meet its goal of benefiting the community through its new $1.2 billion campus. Key Bank is identifying the right developer to build 300 units of affordable housing and helping the health system develop an "eco-district" around the hospital.

III. The How: Tactical Considerations of Corporations Engaging in CED

Corporate engagement can be undertaken in many ways. Characteristics of the corporation, including ownership, size, and ability and speed to implement change, influence how corporate engagement is executed. Corporates with greater employee ownership may pursue different kinds of engagement than a corporate with centralized ownership and privately held entities can behave differently than publicly-owned ones. Smaller companies may not have the capacity to commit to long-term engagement, whereas bigger, more established corporates have the bandwidth and stability to participate in longer-term processes. Position and profitability may influence whether a corporate is able to pursue engagement, and corporates could be deterred (or incented) by the projected payoff period relative to their business interests. Beyond these preliminary considerations, other tactical considerations for executing corporate engagement include the important role of intermediaries, internal structuring, external collaborations, and opportunities and imperatives in headquarter cities. Figure 2 provides an overview of tactical considerations of corporations engaging in CED.

Figure 2. Overview of tactical considerations

"How"/Tactical Considerations	Leveraging Intermediaries as Catalysts	Internalizing Engagement in Corporate Structure	Pursuing Collective Engagement	Undertaking Engagement in Headquarter or Hub Cities
Implications	Intermediaries can help translate, package, broker, troubleshoot, buffer, and otherwise conceive and deliver deals and programs by bridging gaps between the boardroom and the street	Engagement activities take different forms but are becoming increasingly integrated with corporate business lines	Collaboration between corporates, community groups, and/or traditional anchors is an important element to community engagement	Headquarter cities offer special opportunities for corporate engagement, in many respects mirroring the traditional anchor logic and model of engagement

Leveraging Intermediaries as Catalysts

Intermediaries often play a key role in initiating and enabling effective corporate engagement. Even the best intentioned corporate and community partners often struggle to find alignment, or can't even get started, because they bring different frameworks, expertise, experience and institutional needs and constraints. Intermediaries can help translate, package, broker, troubleshoot, buffer and otherwise conceive and deliver deals and programs by bridging gaps between the boardroom and the street. Ideally, they understand the needs and interests of both parties, can kickstart engagement initiatives, and increase the likelihood of success.

As importantly, finding and developing the alignment, and translating it into concrete programs, often requires significant early stage predevelopment work. This kind of corporate engagement "R&D" is not often in corporate budgets nor their expertise, and is often more efficiently and effectively done collaboratively through an intermediary. Especially as the field is changing, and new opportunities for deeper, higher impact corporate engagement are emerging, strong intermediaries focused on enabling effective corporate engagement offer a pathway to major impact. Philanthropy and economic development organizations (EDOs) are two examples of entities that are well-suited to serving as intermediaries.

In the One Albuquerque Fund example discussed above, the local foundation developed a collective approach to addressing community issues by convening multiple corporations and coordinating investments and proposed policy responses. According to key corporate leaders behind the initiative, the foundation serves as a neutral party, allowing it to assemble entities that otherwise might not collaborate, and because of its long-term commitment to civic causes in Albuquerque, adds legitimacy to the initiative.

CenterState CEO, an EDO for central New York (and subject of a case study below), has been particularly effective at engaging a wide range of corporates in varied and extensive CED activities. Interviewees emphasized the key role CenterState plays in building trust and understanding through a pyramid or hierarchy of staged engagement—the "5 Ps:" partnerships, pilots, projects, programs and policy.[41] While much more detail is in the case study below, quick examples

41 Project interviews

include that CenterState CEO launched two venture funds to provide capital to early-stage companies in the region, having identified insufficient investment support as a challenge for emerging businesses. The funds invest in a mix of pharmaceutical, biotech, and SaaS companies. The first fund was launched in 2014 with $16 million; the second fund has raised $36 million.

Internalizing Engagement in Corporate Structure

Engagement activities have been organized in various ways. Some companies align their engagement activities with their diversity, equity, and inclusion activities (Prudential). Some organize their engagement efforts as a separate entity, distinct from charitable activity (RCF is organized as an LLC). Others nest their engagement inside business functions (Comcast, AT&T, Campbell's, Microsoft), maximizing alignment of engagement and business interests. Some companies undertake engagement activities based on employee input or opportunities that arise (Cerner, Adam Goodman). Engagement activities often move or shift within the company over time; for example, CVS's engagement moved into diversity, equity, and inclusion, and RCF represents an offshoot of Rocket. Broadly, as noted, many companies are more closely tying and cross-informing their philanthropic and business activities.

Overall, while many organizing structures of corporate engagement were encountered, it does appear that as motivations shift towards greater alignment with business interests in various forms (as discussed in the prior section), the activities are either housed in or more fully engaging the corporate business lines, rather than undertaken separately and in isolation through corporate foundations or public relations offices.

Pursuing Collective Engagement

Collaboration between corporates, community groups, and/or traditional anchors is an important element to community engagement, and it exists on a spectrum. Some companies (AT&T, Comcast, and Microsoft) have robust examples of individual engagement initiatives but collaborate if it is warranted by the initiative or circumstance. Others participate in collectives that are "anchored" by traditional anchors (eds and meds), without establishing their own individual vision for community engagement. The last group relies on collectives for the majority or all of their engagement. For example, Campbell's undertakes local and national partnerships in the hopes of achieving a "multi-sectorial approach"; KeyBank engages hospital systems as both clients and strategic partners; and Prudential has worked with the Newark Collective on initiatives like the Residential Pooled Fund, which expands access to homeownership. Some initiatives, such as the One Albuquerque Fund, which among other things, seeks to reduce homelessness, bring together multiple corporates around an experienced philanthropic partner.[42]

The more sophisticated and experienced corporations engaged in CED articulate that there are costs and benefits to collaboratives: they offer great benefits in terms of credibility, capacity, and scaling for broad, deep and long-term programs but are also time-consuming, can have high transaction and maintenance costs, and can narrow the scope and depth of work to "least common denominator" interests among the participating businesses.

Undertaking Engagement in Headquarter or Hub Cities

Headquarter cities offer special opportunities for corporate engagement, in many respects mirroring the traditional anchor logic and model of engagement. Headquarter-based engagement is driven in part by brand considerations, but employee relations are also an important driver. For many reasons, corporates often have more maneuverability in their headquarters locations than at other branches, with sufficient local clout to mobilize engagement initiatives, as well as staff availability to undertake them.

Prudential provides a strong example, with a long history of engagement in Newark, its headquarters city. Following the Newark Riot in 1967, Prudential defied conventional wisdom by choosing to remain in the city when other corporations left the city. Prudential has implemented numerous Newark-based engagement initiatives to support local hiring, purchasing, and housing for workers, demonstrating its hometown legitimacy and convening power.

42 One Albuquerque. (n.d.). City of Albuquerque.
https://www.cabq.gov/one-albuquerque;
Nathanson, R. (2020, January 7). One Albuquerque Fund launched. Albuquerque Journal.
https://www.abqjournal.com/1407588/new-foundation-will-support-city-initiatives.html

IV. Additional Findings from the Case Studies

To complement the scan and better understand the leading edge of business anchor engagement, the project team completed in-depth case studies on a CEO organization (CenterState CEO), a cluster initiative (Hartford InsurTech), a corporate economic development initiative (Microsoft's TechSpark), and a corporate foundation community development initiative (Rocket Community Fund). These are presented in the second section of the report. The case studies were chosen to provide information on multiple types of initiatives in small- and mid-sized cities, which often lack significant presence of eds and meds anchors but are home to legacy business interests that can serve as building blocks for inclusive growth efforts. Cities covered in-depth in the case studies include Detroit, El Paso, Green Bay, Hartford, and Syracuse. Descriptions of the initiatives utilize findings from interviews with primary stakeholders and community and/or initiative partners, as well as secondary news and trade accounts of the projects and their impacts.

In addition to revealing and illustrating the findings above, there are important lessons and nuances to be gleaned from each of the case studies, as well as commonalities that appear in multiple case studies and could provide foundational elements for corporate anchors looking to contribute to community and economic development. These include:

1. The new corporate engagement leads to deeper and higher impact activities, more often focused on economic growth

As corporate engagement further aligns with and engages business lines, interest and expertise across the corporation, these cases reveal companies being more deeply involved in design and execution of CED activities, and the activities being more sophisticated and larger scale, reflecting the greater business expertise and focus. For example, Rocket's work in Detroit leveraged its extensive industry expertise around housing, as well as staff time and capacity, to reduce tax foreclosures in the city and develop and deploy supportive programming. Microsoft's TechSpark programs have fostered both regional, as well as market, development, building on the company's obviously extensive technological capacities and expertise. The InsurTech cluster in Hartford has relied on the corporates in the area to support startups and create connections for eventual contracting opportunities (e.g., Nassau Re/Imagine's InsurTech incubator). Finally, CenterState CEO's support for various economic development activities in New York provides "direct value" to area corporates.

Also reflecting the greater business engagement, as well as the greater corporate business alignment with CED trends towards asset- and market-based development, the new corporate engagement is more often focused on, and particularly lends itself to, economic development activities. Corporates are more often participating in incubators, venture funds, collaborative innovation and workforce programs, and similar activities, broadening beyond traditional social services and charity.

2. However, this new engagement does not come naturally to most corporations, often is initially galvanized by new challenges and opportunities, and takes more "predevelopment" work to get started

Deeper, higher impact engagements focused on more complex economic initiatives just take more work to put together at every step: research and analysis to identify and match corporate interests with CED opportunities; educating and organizing corporates, as well as other stakeholders; conceiving of, business planning for and launching the initiatives; and so forth. In economic development terms, more "predevelopment" work is necessary to put these initiatives together, and the corporates often are not best suited, or inclined, to "go first" with this work.

Also noteworthy, a precipitating event or opportunity often creates the necessary initial impetus. This can range from places suffering severe enough economic collapse to provoke the corporates to step up (e.g., Cleveland Tomorrow; CenterState CEO—in their origins) to new opportunities or incentives such as competitions.

In two of the cases—CenterState and Hartford InsurTech—organization of regional actors around economic development initiatives was bolstered by an external competition, a Federal Aviation Administration (FAA) challenge in the case of CenterState and a state innovation competition in the case of Hartford InsurTech. The FAA's national competition to approve drone test sites pushed a group of so-called "data to decisions" firms in and around Syracuse to establish the Northeast UAS Airspace Integration Research (NUAIR) Alliance and put together a proposal. The FAA challenge likely served multiple functions: it legitimized the idea that regional economies with deep experience in defense work could transition to commercial applications in areas like drone technology and also provided structure, deadlines, and incentives for Syracuse-based firms to organize. In the Hartford InsurTech case, the State of Connecticut's Innovation Places competition provided an important forum for discussing growth strategies and developing a collaborative agenda among stakeholders in the Hartford region. In both cases, success in their respective competitions provided external validation of the proposed economic transition strategies.

> *"The key contribution of [Innovation Places] beyond public funding was that it set a tone among the four insurance companies that there was more than just individual business ROI that was important to come out of this... And the type of mentorship community that spanned organizations and created public buzz would not have been achieved if this was not something people were doing together."*

3. Corporate business engagement can play a key role in foundational economic growth activities that precede the scaling of local jobs

The expanding corporate business engagement in economic growth activities notably includes earlier stage activities that address pre-conditions to growing the economy, and are better suited to the corporate interests and expertise while less readily addressed by community stakeholders alone. In local economic development, for better or worse, no metric carries as much weight as short-term job creation. However, in the economic development case studies presented in this report, a key focus has been on pre-scaling activities: product and service innovation, testing, and commercialization products or in the case of Microsoft's TechSpark initiative in El Paso, in securing contracts.

For three major reasons, these types of activities are good targets for business-led initiatives. First, given the limited budgets in community and economic development and the pressures to focus on activity with clear lines to (preferably short-term) job creation, there are often gaps in efforts around ideation, prototyping, and commercialization of new products and services and in the creation of shared assets to support those activities. Second, economic development stakeholders recognize that things like product and services innovation, creation of new assets, and dissemination of best practices may not be sufficient for job creation but are in many cases necessary. This knowledge can help activate buy-in among corporate actors, especially if the activities are seen as pre-competitive. Third, exploratory innovation-related activities (Hartford InsurTech), creation of shared infrastructure (CenterState), and dissemination of core capabilities and best practices (TechSpark) can all be organized into a project structure with clear roles and pre-defined milestones. Providing corporate actors with clear demarcation of commitment, both labor and financial, makes it easier to get participation.

4. Corporate capabilities can shift the frontier of what is technically possible in CED

The case studies underscore that utilization of corporate capabilities can reduce the cost of action and shift the frontier of what is possible in CED. One of the key roles of CenterState, for example, is in serving as a nimble and well-staffed organization that provides direct value added in CED initiatives and acts as a vehicle through which companies can share the costs of developing their workforces. Through both of these factors—direct services and in their role as an aggregator—CenterState effectively reduces the cost associated with a critical business function, workforce development. In effect, CenterState lowered the cost to corporations of hiring residents for positions that pay family-sustaining wages. In Detroit, Rocket Community Fund served a parallel function in the stabilization of housing for low- and moderate-income residents. By providing expertise and support for a data-driven approach to issues around housing, vacancy, and blight, Rocket Community Fund and partners substantially changed the cost-benefit calculations across local housing-related policies and interventions and created a set of possibilities for transformative state policy that almost certainly would not have come into existence in the absence of corporate involvement.

5. Corporate CED engagement is likely least controversial when addressing priorities identified by the public, civic, and philanthropic sectors

By and large, the corporate activities described in the case studies have been non-controversial, despite the fact that some of the individual corporate actors have faced a range of criticisms about business models and practices. This dichotomy might have its roots in the legitimizing function played by non-corporate actors (civic, philanthropic, public) in identifying and prioritizing the CED areas that the corporate initiatives in the case studies address. In the case of Detroit, vacancy and blight had already arisen as a key concern of residents and various stakeholders before the transformative investment of Rocket Mortgage/Rocket Community Foundation; in El Paso, concerns about a technology and opportunity divide that especially harmed the region's Latino workers and business owners pre-dated Microsoft's investments; Green Bay, like other small- and mid-sized regions, was acutely aware of the growing concentration of technology development and employment opportunities in larger metropolitan areas; and in Hartford and Syracuse, jobs crises that had been decades in the making combined with public sector efforts (one state, one federal) at using innovation to reverse decline preceded and legitimized the activities of corporates. While this study cannot rule out that corporates can go-it-alone on CED initiatives that do not mirror priorities of non-corporate stakeholders, the case studies identify an important legitimizing function played by non-corporate stakeholders—some of which are direct partners in initiatives and can be important contributors to success.

6. Design of corporate business engagements should reflect the advantages and disadvantages inherent in the size of the city or region, and mid-sized cities are offering increasing opportunities

There is significant research that supports the idea that larger cities and metropolitan areas are better positioned for many types of 21st century growth, including knowledge-intensive and innovation-based activities. However, as larger cities become increasingly dense, they start to generate negative amenities, such as traffic congestion and higher housing costs, and lose some of their advantage relative to smaller and mid-sized cities.[43] (These dynamics could be altered in a post-COVID world, but it is too early for evaluation, as of this writing.[44]) As a result, some—but not all—mid-sized cities are capitalizing on this trend by becoming increasingly attractive alternatives. These cities have the potential to still foster the increased productivity that results from the concentration of assets, while also providing a sense of community, decreased congestion, lower costs of living and other attractive livability characteristics.[45]

The case studies demonstrate the unique assets and strengths of small- and mid-sized areas and the benefits to creating community and economic development initiatives that leverage these strengths. TechSpark stakeholders note, for example, that smaller and mid-sized markets offer great focus, often less bureaucracy, and an ability to quickly unite government and business partners more efficiently than larger markets. One associate working on TechSpark likens the "fast-paced decision-making" that can happen in a smaller region to a tech company that is focused on quickly making decisions and moving things forward. Hartford InsurTech stakeholders note that compared to New York, networking with people who care about innovation in insurance might actually be easier because people run into each other on the street rather than "staying isolated in a 25-story office building." In general, the physical layout of larger cities can mean that "companies are insular…and [don't] get the kind of collaboration and interaction that we get [in Hartford]." Hartford InsurTech stakeholders also use program design and investment decisions to neutralize the small size of Hartford relative to its competitors by focusing on pre-scaling activities like prototyping development, testing, and piloting; and by co-locating many of the city's innovation investments in a few square blocks of the city to create a high density of assets.

7. Corporate business engagement does indeed provide substantial benefits to the corporation, including particularly opportunities for valuable corporate learnings

A theme across the case studies is that deep learning can accrue to the corporate participants. In its TechSpark El Paso work, Microsoft has gained valuable knowledge about the role of cultural context in shaping community and businesses perception of technology, insights that have helped the company evaluate growth opportunities in different regional economies. Just as critically, through TechSpark Green Bay, Microsoft has gained exposure to the growth opportunities and technology demands in key economic clusters (sports, media, and entertainment; digital health; agricultural, water, and the environment; advanced manufacturing; and supply chain technology). For corporates involved in InsurTech initiatives, exposure to the practice of tech innovation accelerated the development of internal capacities. For corporates already thinking about growing their internal innovation teams, engagement with activities of InsurTech accelerators provided exposure to innovative practices and aided the process of shaping innovation cultures internally. Corporates that were less prepared to participate in InsurTech initiatives benefited by gaining an appreciation of conditions required to accelerate internal innovation. In its work in Detroit, Rocket Community Fund gained expertise in the underlying causes and perpetuating systems that had created significant vacancy and blight across the city. This understanding of root causes had a profound effect only on programmatic investments and shaped the local and state policy changes championed by the foundation and corporate leadership.

43 See, e.g., 2018 Global Trends Update: Sizzling Second-Tier Cities. (2018). Progressive Urban Management Associates. https://pumaworldhq.com/wp-content/uploads/2018/10/PUMA-Global-Trends-Update-Sizzling-Second-Tier-Cities_Oct-2018.pdf; Kasriel, S. (2015, December 24). The Four Trends That Will Change The Way We Work By 2021. Fast Company.
https://www.fastcompany.com/3054546/the-four-trends-that-will-change-the-way-we-work-by-2021;
Lerner, M. (2018, November 8). The new boomtowns: Why more people are relocating to "secondary" cities. Washington Post.
https://www.washingtonpost.com/realestate/the-new-boomtowns-why-more-people-are-relocating-to-secondary-cities/2018/11/07/f55f96f4-d618-11e8-aeb7-ddcad4a0a54e_story.html?utm_term=.b9835168eef7

44 For example, a debate is now emerging about the extent to which the pandemic will drive more people to want to avoid dense living conditions, again favoring smaller cities.

45 Sisson, P. (2018, May 1). The new magnetism of mid-size cities. Curbed.
https://www.curbed.com/2018/5/1/17306978/career-millennial-home-buying-second-city

8. Corporate business engagement should adopt timeframes tailored to the parties, conditions and projects, optimizing the chance of success

During the case study research, one interviewee noted that in order to promote local economic development, mid- and large-sized corporates must learn to act at a speed that is closer to startups (very fast) than governments (very slow). While interesting, this framing is not quite right. As the case studies collectively show, the timeframe adopted by corporates engaged in CED depends very much on the characteristics of the specific initiative, including community conditions and needs of partners. Rocket Community Fund's work on vacancy, blight and housing stability in Detroit worked on multiple timelines, with a decades-long commitment to fundamental change complemented by a flexible organization and mindset that rapidly responded to real-time needs, whether buying pizza for an impromptu meeting or staffing events on short notice. As one participant noted, "When small amounts of resources were needed for public meetings or whatever, [Rocket Community Fund] would very quickly provide money or volunteers."

Although these types of support can seem unremarkable, they can be difficult for partners given strict spending regulations in the public sector and strong mission focus and division of labor across organizations in the nonprofit sector. The impact of TechSpark is tied to its ability to make a long-term commitment to foundational change in regional economies, in large part because it ties these activities to market development. While Microsoft cannot engage in a community and economic development activity indefinitely, tying such activities to customer acquisition seems to contribute to their willingness to absorb significant upfront costs for returns that will only be realized over the long term. Overall, the case studies suggest that engagement in community and economic development is more likely to be successful if corporates recognize upfront that they will need a hybrid model that works on multiple timeframes and is responsive to partners with less resource and organizational flexibility.

V. Roles and Recommendations for Local and National Philanthropy

The scan and case studies explore the "why," "what," and "how" of corporate engagement, explaining its relation to traditional anchor roles, evolution from corporate obligation to opportunity, motivations behind engagement, and tactical considerations for corporate engagement. One clear finding that emerged from the scan is that local and national philanthropy can play important and somewhat distinct roles in catalyzing and supporting growth of effective corporate business engagement in CED.

Below are several opportunities for philanthropy that surfaced through this scan, including roles in identifying opportunities for engagement, operationalizing engagement strategies, evaluating the effectiveness of engagement for communities, and supporting corporate initiatives that can contribute positively to CED outcomes in their communities. Specific, practical recommendations for how philanthropy can best enact and execute these roles are also provided.

Identifying Opportunities for Engagement

National philanthropy can take a leading role in helping corporations recognize the opportunities to align business interests and CED, and ultimately "making the business case" for corporate engagement. This could come in the form of research support to articulate the theoretical and empirical justification for corporate engagement, but it could also extend to the development and dissemination of "use cases" (or other types of knowledge sharing) that showcase beneficial business outcomes associated with specific engagement or practices. National philanthropy is well-positioned to understand and relay community needs to companies, making it a valuable partner in creating a framework for identifying engagement opportunities and in conjunction with local philanthropy, could work to identify "matchmaking" between CED needs and potential corporate initiatives where possible.

Recommendation

Work with regions to develop sustainable economic development plans designed to allow participation of interested corporations

Corporations often resist engagement in city and regional planning efforts, often refusing even interview requests to provide background for strategy development. However, the findings from the cases suggest that even the philanthropic arms of corporates may engage more deeply in development if strategies engage their business lines and if they can see a potential for a return on investment. The economic development plans should resemble a business plan, identifying the opportunities and gaps in the region and the interventions to capitalize upon and address them. Regional economic development planning is a good avenue for broad-based corporate engagement as the case studies suggest that member-based economic development organizations are more likely to support initiatives that can engage members across a number of key economic clusters and activities.

Recommendation

Establish a network of engaged corporates to support knowledge-sharing

Interviewees and roundtable participants often mentioned a sense of isolation and interest in connecting with other corporate actors engaged in community and economic development to share learnings and help identify best practices. The dozens of practitioners engaged in this project could serve as an initial pool of participants.

Operationalizing Engagement Strategies

Local philanthropy in particular could also take on a central role in executing engagement strategies. Although one interviewee voiced a concern about the willingness of corporates to listen to or be led by philanthropy, most participant perspectives suggested that philanthropy is well-positioned to support collaborative engagements that involve multiple corporate, public, and civic partners, as well as support for individual companies as they undertake CED activities.

Philanthropy's means of supporting collaborative engagement could be done fiscally; for example, it could provide targeted subsidies for corporate engagement to offset the costs of engagement activities, such as supply chain capacity building or apprenticeship programs.

Recommendation

Collaborate with community and regional foundations across the U.S. to provide matching funds for eight to twelve CED projects with significant corporate business engagement

The success of CenterState's data to decisions (D2D) and Hartford's InsurTech initiatives illustrate the potential for competitive frameworks to act as action-forcing events that spur collaboration and provide incentives and legitimacy to collective efforts. A national effort aimed at supporting corporate business engagement to meet significant community and economic development challenges in a region would support important projects nationally and move the emerging field towards critical mass. Given national attention on racial and income inequalities and pledges from all corners of corporate America to address inequities, the timing is good for such an initiative.

Evaluating the Effectiveness of Engagement for Communities

A key differentiator between philanthropy and the public and private sectors is timeframe, with philanthropic investments operating on a longer time horizon than the public and private sectors. As a result, national philanthropy especially is well-positioned to develop frameworks and methods to evaluate outcomes of corporate engagement initiatives. This could entail identification of key performance indicators (KPIs) that should be used for different types of corporate engagement projects, as well as methods to evaluate return on investment (ROI) for corporate engagement. The case studies—while strongly confirming the benefits of the new approaches to CED—revealed uneven measurement of outcomes and benefits, making it harder to demonstrate to others who may be interested.

Recommendation

Develop an evaluation framework for corporations and communities to anticipate and assess outcomes of CBE initiatives

An evaluation framework will be critical for encouraging corporate CED initiatives that contribute to the public good while discouraging efforts that are largely aimed at PR and brand building. This overall effect of a robust evaluation method will be to discourage corporates from initiatives that create little in the way of public goods or even worse, are effectively rent-seeking projects, while increasing the incentive for truly committed corporates, who can benefit from recognition of their contributions. An evaluation framework will also improve outcomes over time by identifying practices that support successful initiatives that provide significant benefits to local communities.

Building Capacity and the Field

Several interviewees identified a need for high-performing intermediaries around which to build and support collaborative efforts. While trends suggest that corporations are increasingly interested in engaging in CED in ways that can grow and sustain their business, many corporations are unsure of how to best do it. At the same time, communities are full of opportunities for rich development by corporates, but often struggle to translate and structure the opportunities in ways that make "business-sense" to corporates. In effect, the most scalable, high impact corporate business engagement requires "predevelopment" work to engage and identify corporate business interests and competencies; identify CED opportunities and priorities; and then match them to design initiatives.

Philanthropy and other CED organizations can help to address this disconnect between corporations and communities and simultaneously expand the practice of CED by providing high-touch technical assistance to corporations and communities to better source and structure development "deals." While some bigger corporations with clear programs succeed at corporate engagement better on their own, for most of the companies interviewed, there were major benefits to collaboration—both generally as a better way of doing business in this economy (e.g., collaboration on innovation, workforce programs)—and to bring more expertise and capacity to the efforts.

Recommendation

Launch a national corporate engagement intermediary to provide technical assistance and build capacity for collaborative corporate engagement initiatives across the country

The intermediary would encompass many of the above recommendations concerning collaboration and intermediaries, including the development of a network of engaged corporations and creation of an evaluation framework to assess outcomes of CBE initiatives. It would also provide technical assistance to corporations and communities to support the creation of new collaboratives and cover the "predevelopment" costs of sourcing and structuring opportunities for corporate investment, effectively acting as a broker or matchmaker. To the extent the corporate business interest aligns with economic development (workforce, entrepreneurship) but is not narrowly place-based (beyond targeting, say, a region), the intermediary can also help focus the corporate activities on particular communities of interest. For example, corporate collaboratives focused regionally on workforce development or procurement might be convinced to target their recruitment and purchasing to specific communities with support for community partners helping drive and enhance the programs.

CASE STUDY 1 CENTERSTATE CORPORATION FOR ECONOMIC OPPORTUNITY

Location	Syracuse, NY
Population (K), 2019	142.3
Population Change, 2010-2019	-2.0%
Land area (sq. mi.), 2010	25
Population Density (1K people per sq. mi.), 2019	5.7
Jobs (K), 2017	74.8
Job Density (1K jobs per sq. mi.), 2017	3.0
Key Community and Economic Development Needs	Supporting regional economic growth after years of deindustrialization; need for a unified economic development vision for the region; lack of traditional anchors that could play a role in reversing economic decline
Organization(s) Involved	CenterState CEO, an economic development organization serving twelve counties in Central and Northern New York, encompassing the Syracuse, Ithaca, Utica/Rome, and Watertown metropolitan areas
Lessons Learned	1. Corporate-oriented organizations can serve a vital translation and project "pre-development" role 2. Intentionally curating and staging corporate CED activities can lead to deeper, more vested engagement 3. Opportunities to grow industries and develop a workforce motivate partnership and investments 4. Pooling resources and relying on a skilled aggregator and administrator can reduce business costs 5. External competitions can galvanize regional actors to collaborate on development 6. Inclusion needs more attention within economic growth projects

Data Sources: U.S. Census Bureau Population Estimates Program and Geography Division TIGER database; LEHD-OTM

Introduction

Based in Syracuse, New York, CenterState CEO ("CenterState") is one of the leading corporate collaboratives in the country. CenterState drives large-scale and innovative development across Central and Northern New York, including securing $500 million in a state competition for its comprehensive plan to revitalize the region; launching two venture capital funds that have raised $16 million and $36 million to support early-stage companies; and spearheading initiatives to modernize governance and address government fragmentation.[1] Such efforts have helped turn the region around after decades of disinvestment[2] and are emblematic of CenterState's emphasis on partnership, planning, and problem-solving for regional growth and prosperity.

A business leadership and economic development organization, CenterState includes nearly 2,000 member businesses of all sizes and industries. A president who is deeply experienced and committed to regional and inclusive economic development and a board of community and business leaders, many of whom are presidents and CEOs of regional anchor institutions and corporates, provide highly engaged leadership.[3] The organization is the primary development catalyst for twelve counties in Central and Northern New York, encompassing the Syracuse, Ithaca, Utica/Rome, and Watertown metropolitan areas.[4]

CenterState was founded in 2010 after local leaders became concerned for the region's trajectory and recognized a need for a unified economic development vision for the region.[5] As described by one local leader: "Syracuse is your typical northeast rust belt town. It used to have corporate headquarters; now there are very few. General Electric left, Carrier left, General Motors left. [These corporates] used to support community and economic development, but they are all gone. Now we're left with a community that needed to rebuild." Two economic development organizations—the Greater Syracuse Chamber of Commerce and the Metropolitan Development Association of Syracuse and Central New York—were integrated to establish CenterState. The merger formation document describes the vision to become "New York's most effective business leadership organization," with a mission "to serve as the region's primary economic, community and business development catalyst."[6]

The "CEO" in CenterState CEO stands for "Corporation for Economic Opportunity," and the website leads with "Economic Development Business Leadership." The organization currently describes itself as "an independent and forward-thinking economic development strategist, business leadership organization and chamber of commerce; dedicated to the success of its members and the prosperity of the region." In effect, the formation of CenterState reflects the evolution of Chambers of Commerce from corporations banding together primarily to collaborate on external policies narrowly affecting their members (e.g., taxes and regulations) to corporate engagement to collaborate on growing the prosperity and vitality of the economy and region.[7]

CenterState engages in a range of community and economic development (CED) activities, organizing its activities into five core areas: business and economic development; innovation and entrepreneurship; economic inclusion; research, policy, and planning; and racial equity and social impact.[8] The organization operates as a "one-stop shop," integrating economic development activities that are typically housed at different organizations. CenterState, for example, provides traditional business development services, such as business relocation and financing. It also provides start-up assistance through incubators and accelerators and acts as a holding company for broader economic development initiatives, such as

1 Strengthen the Region. (n.d.). CenterState CEO. https://www.centerstateceo.com/business-resources/strengthen-region

2 Donahue, R. (2018). Rethinking Cluster Initiatives. The Brookings Institution Metropolitan Policy Program. https://www.brookings.edu/wp-content/uploads/2018/07/201807_Brookings-Metro_Rethinking-Clusters-Initiatives_Syracuse-Drones.pdf

3 Board of Directors. (n.d.). CenterState CEO. https://www.centerstateceo.com/about-us/board-directors

4 CenterState CEO and The Brookings Institution Metropolitan Policy Program. (2013). CenterState New York Agenda for Economic Opportunity. https://www.centerstateceo.com/sites/default/files/Metropolitan%20Business%20Plan%20-%20CenterState%20Agenda%20for%20Economic%20Opportunity%20.pdf

5 Report of the Greater Syracuse Chamber of Commerce & Metropolitan Development Association of Syracuse and Central New York Strategic Partnership Committee (January 2010).

6 Report of the Greater Syracuse Chamber of Commerce & Metropolitan Development Association of Syracuse and Central New York Strategic Partnership Committee (January 2010).

7 As discussed in the scan above, this evolution manifests the larger shift in the economic drivers that now heighten benefits of corporate collaboration and alignment of corporate business interests and capacities with community and economic development.

8 Core Focus Areas. (n.d.). CenterState CEO. https://www.centerstateceo.com/core-focus-areas

workforce development and cluster organizations.[9] Notably, the economic inclusion arm is structured as a distinct portfolio of projects, intended to operate vertically and horizontally within CenterState by innovating inclusive growth strategies and incorporating inclusion into the other portfolios. While the integration of inclusion into the other portfolios has happened more slowly than the development of new inclusive growth activities, establishing a dedicated portfolio has helped elevate economic inclusion in the minds of board members, putting it at equal billing with more traditional business and economic development pursuits. It has also allowed CenterState to institutionalize its economic inclusion efforts and ensure the work is well-resourced and adding to and not competing with other programming. The economic inclusion portfolio includes nine staff and is resourced by philanthropy and corporate partnerships.[10]

Many of CenterState's development activities strategically engage corporations from the Syracuse area in community and economic development (CED), sometimes leading to corporations taking ownership of the development activity themselves. CenterState enlists corporations by employing a staged hierarchy of engagement, which CenterState leadership refers to as the "Five Ps": partnerships, pilots, projects, programs, and policy. First, CenterState establishes a loose partnership with a corporate, eventually moving to collaborate on an initial pilot, and, from there, a more robust development project. Upon completing the project, CenterState leverages the project's success to partner with the corporate on a larger, longer-term program. Once the program is well underway and the corporation in a better position to "connect the dots", CenterState moves to enlist the corporation's support on policies to change the systems under which the program was needed. The iterative approach is designed to build mutual understanding and trust and push corporates out of their comfort zone productively.[11]

According to CenterState leadership, one major impetus for corporate engagement in CED is "direct value:" corporations see a tangible opportunity to benefit their business through workforce development, innovation, partnerships and other business opportunities.[12] To clarify priority issues and programs for corporates, CenterState employs multiple channels, including a biannual board retreat, which focuses on determining key priorities for CenterState; an annual survey of members to pinpoint member priorities, needs, and interests in CenterState programs; and ongoing requests for feedback from members on policy and legislative issues for which CenterState should track and advocate.[13]

CenterState also strategically engages corporates in development by acting as a broker between corporates and community, identifying the community issues that could most benefit from corporate engagement. CenterState educates corporates and drives conversation among its members on the curated issues, manifesting in deeper corporate engagement. Per CenterState leadership, "most CEOs are problem solvers and interested in solving problems they are aware of. If it is never brought to their attention that things aren't right, then you're not going to get their attention to solving the problems."[14] While membership includes some large multi-nationals, the dominance of locally-based anchor institutions and small to mid-sized businesses makes it easier for members to engage intellectually and strategically on community and economic issues, though this can mean the members have less funding available to execute initiatives.[15]

Over the past ten years, CenterState has helped usher in a new era of growth for the Central and Northern New York region through a focus on regional and inclusive economic growth and an emphasis on asset-and market-based community development approaches. After a turbulent start to the decade, Central New York saw three years of consecutive growth in regional gross domestic product (GDP), from 2017 to 2019.[16] At the end of 2019, regional unemployment was down by over four points since mid-2012, with private sectors employers having added 7,100 new jobs in 2019, more than double than the year before.[17]

9 Donahue, R. (2018). Rethinking Cluster Initiatives. The Brookings Institution Metropolitan Policy Program. https://www.brookings.edu/wp-content/uploads/2018/07/201807_Brookings-Metro_Rethinking-Clusters-Initiatives_Syracuse-Drones.pdf

10 Project interviews

11 Project interviews

12 Project interviews

13 Project interviews

14 Project interviews

15 Project interviews

16 Economic Forecasters Share Stories of Progress and Significant Optimism for 2020. (2020, January 22). CenterState CEO. https://www.centerstateceo.com/news-events/economic-forecasters-share-stories-progress-and-significant-optimism-2020

17 Keith, G. D. (2019). U.S. & CenterState NY Economic Outlook. M&T Bank. https://www.centerstateceo.com/sites/default/files/GARY%20KEITH%20-%20U.S.%20and%20CenterState%20NY%20Outlook%20%281-9-19%29.pdf

Mobilizing Corporations Around Community and Economic Development

Of CenterState's many community and economic development activities driven and managed by corporations, two representative examples are explored below: NUAIR Alliance and Work Train.

NUAIR Alliance

The Northeast UAS Airspace Integration Research (NUAIR) Alliance is a coalition of private and public partners and academic institutions that works together to manage Unmanned Aircraft System (UAS) testing in New York and provides expertise in unmanned aircraft systems operations, aeronautical research, safety management, and consulting services. NUAIR also works closely with economic development agencies and industry partners to grow the UAS industry in the region. It is one of several efforts by CenterState to create jobs, attract and develop new firms, and rebuild the regional economy by mobilizing companies around core and emerging industries.

In 2013, CenterState began taking steps to update its five-year strategic plan, explicitly adopting a new approach to economic development built around the drivers of success in the changing economy.[18] Of special interest was identifying an economic growth engine that could address low wages and long-term unemployment in the region. CenterState, working with RW Ventures, Battelle and Brookings, conducted nine months of market research, focus groups, and interviews to develop a close understanding of firms in the region, supply chains, workforce, and technological capabilities. Over time, a concentration of firms operating across industries but involved in related technological activities and relying on similar skills was identified.

The "data to decisions" (D2D) concentration is comprised of firms that work with a wide range of sensing and sensor technologies that collect, process, analyze, interpret, and secure data. These sensing technologies are increasingly integral to a wide range of growing industry clusters, ranging from digital electronics to medical devises to environmental monitoring products. In effect, D2D is an emerging cluster in itself, part of the broader "internet of things" (IoT) industry that uses interconnected systems of networked sensors and devices to collect data and draw insights that can address operational challenges.[19] Within the 12-county region, CenterState was able to identify over 50 companies employing over 9,000 workers in the D2D cluster engaged in a range of functions from R&D to manufacturing.[20]

About half of these companies, including large defense contractors like Lockheed Martin, SRC, Saab, and UTC Aerospace, had a history of collaborating on defense projects. From additional market research and interviews, CenterState identified regional gaps that companies and stakeholders needed to address in order to strengthen the D2D cluster. In particular, defense-oriented firms in the D2D cluster were not branching out beyond defense projects to apply their expertise in other commercial markets. Non-defense firms had limited awareness about the activities and technical capabilities of other D2D firms, missing out on R&D opportunities and other potential collaborations. CenterState eventually recommended the creation of a "D2D Innovation Alliance" to help build connections between firms and facilitate partnerships in and out of the region, with the broad goal of establishing the region as a leader in D2D systems, creating new product and market development, supply chain collaborations, and attracting and growing new firms both in D2D and the industries it serves.[21] A core set of firms were already interested as a result of their participation in the focus groups and business planning process.

An immediate opportunity to move this initiative forward arose when the Federal Aviation Administration (FAA) announced a national competition to approve drone test sites. The competition motivated CenterState to mobilize a group of D2D firms to establish the Northeast UAS Airspace Integration Research (NUAIR) Alliance and assemble a proposal. Becoming a federally designed test-site would capitalize on the region's strengths in D2D, support further growth of the D2D cluster, and generate significant economic growth for the region.

18 See, Weissbourd and Muro, "Metropolitan business Plans" (Brookings 2011).

19 Internet of Things Applications Across Industries. (n.d.). Intel.
https://www.intel.com/content/www/us/en/internet-of-things/industry-solutions.html

20 For detailed market analysis and business plan for this initiative, see "Business Plan for Data to Decisions Systems and Technology Innovation Alliance" (November 2013).

21 "Business Plan for Data to Decisions Systems and Technology Innovation Alliance" (November 2013); Donahue, R. (2018). Rethinking Cluster Initiatives. The Brookings Institution Metropolitan Policy Program.
https://www.brookings.edu/wp-content/uploads/2018/07/201807_Brookings-Metro_Rethinking-Clusters-Initiatives_Syracuse-Drones.pdf

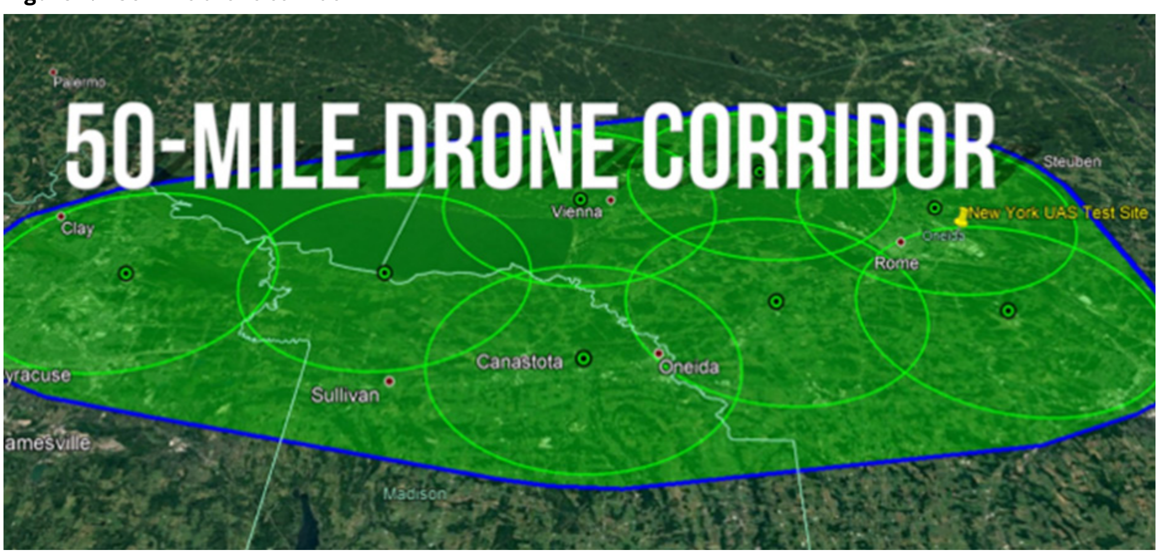
In 2013, the FAA granted the region the designation to open an unmanned aircraft system (UAS) testing site at Griffiss International Airport, making it one of only seven sites in the country where firms can test commercial drone applications. NUAIR has since continued this momentum to drive forward major D2D initiatives that will change the commercial landscape for radar, sensing, and sensor technologies that are currently in development.

Early on, companies joined NUAIR alliance because they sensed that there were business opportunities in the D2D cluster.[22] As companies have become exposed to "up and coming technologies", they see the value in remaining engaged and working with a team of NUAIR partners that have expertise in different areas.[23] It is an opportunity to not just grow their business in the region but outside of New York as well.[24] Simultaneously, when potential opportunities arise, NUAIR evaluates its skillset to see what members they can engage.[25] If the skillset doesn't exist within the organization, NUAIR looks to identify and engage companies outside of the organization.[26] Today, more than 70 stakeholders from the public and private sector and academic partners are part of the NUAIR Alliance.

Approach and Strategies

NUAIR Alliance is primarily involved in executing two of the initiatives that have emerged from CenterState efforts to expand the D2D cluster. Both initiatives are difficult for individual companies to implement due to the level of expense and coordination required. The first is the development of the UAS 50-mile corridor which will span from Rome to Syracuse and include the UAS testing facility at Griffiss Airport.[27] The UAS corridor is a major infrastructure investment that involves installing specialized radar so that companies can run drone tests. With an initial $5 million investment in 2016 from Empire State Development (ESD), New York State's economic development corporation, NUAIR created a 5-mile test radius around Griffiss Airport, set up an operations control and data center, created a mobile van system for tracking, and set up research projects with Syracuse University. Later the same year, ESD announced an additional $30 million investment to build out the rest of the UAS corridor. Companies can use the UAS corridor to run tests, generate data to gain FAA certification, and build a business case for drone technology applications. The research produced at the UAS corridor will be useful in developing industry regulations for the drone industry and related sectors.

Figure 1. 50-mile drone corridor



The 50-mile unmanned traffic management drone testing corridor, from Syracuse to Rome, New York, is the most advanced of its kind in the nation.
Source: NUAIR

22 Project Interviews

23 Project Interviews

24 Project Interviews

25 Project Interviews

26 Project Interviews

27 New York UAS Test Site. (n.d.). Northeast UAS Airspace Integration Research. https://nuair.org/nyuasts/

NUAIR's second initiative is establishment of a national UAS standardized testing and rating (NUSTAR) facility to conduct independent third-party testing and set industry standards. The NUSTAR facility is expected to play a central role in addressing the factors that are currently impeding the development of the commercial market. As noted by a former CEO of a local defense research company, government regulation around the drone industry has been slow to develop.[28] A facility like NUSTAR can equip companies with the tools to gather data and carry out case studies to push for the further development of the industry. Although the NUSTAR facility is not yet operational, NUAIR is taking steps to make it a reality by bringing together companies and university partners in a "virtual" setting to begin discussions. NUAIR has also established an advisory committee which is in the process of developing testing standards and developing a business model for the center. In 2018, NUAIR announced a partnership with a GE Ventures company, AiRXOS, which will deliver testing services. As an organization that is primarily composed by industry experts, NUAIR has the technical knowledge to take ownership and drive these initiatives.

Figure 2. NUAIR parachute system

NUAIR recently validated the parachute system by Aerial Vehicle Safety Solutions (AVSS) by putting the drone it was attached to through 45 different failure scenarios. NUAIR's testing and validations are playing an integral role in advancing the potential for commercial drone package delivery and safe, routine flights over people.
Source: NUAIR

NUAIR is also pursuing projects that align with its interests and have the potential to expand its expertise to other areas. For example, in 2019, the Oneida Indian Nation announced a partnership with NUAIR to develop an environmental protection program using drone technology.[29] NUAIR will lend technology, technical knowledge and expertise to increase the Nation's capacity to collect data on its lands and environmental resources.[30] The drone program will help support the Nation's environmental conservation efforts. This project gives NUAIR the opportunity to apply its expertise and learnings to a real-world application that could lead to additional prospects down the line.

CenterState took on a leadership role in early D2D economic development efforts but positioned its partners to drive the process in later stages. Engaging companies in its process to update its strategic plan was important in creating a strong central strategy recognized by all stakeholders. CenterState also worked alongside businesses to design interventions, facilitating collaboration between sectors and at the local, regional, and state levels. Over time, private and public entities involved in the efforts developed a sense of ownership over different parts. NUAIR remains connected to CenterState by engaging in other CenterState initiatives, such as the GENIUS NY accelerator which helps companies bring products to

28 Project Interviews

29 Oneida Indian Nation Partners with NUAIR. (2019, August 26). Northeast UAS Airspace Integration Research. https://nuair.org/2019/08/26/oneida-indian-nation-partners-with-nuair/

30 Oneida Indian Nation Partners with NUAIR. (2019, August 26). Northeast UAS Airspace Integration Research. https://nuair.org/2019/08/26/oneida-indian-nation-partners-with-nuair/

market.[31] The accelerator is focused in specific industries and technologies like unmanned systems, data-to-decision systems, cross-connected platforms and IoT.[32] Many of the GENIUS startups later become involved in NUAIR Alliance as members or as part of a NUAIR-led initiative.[33]

CenterState's strategy of focusing on one cluster helped concentrate resources and engagement necessary to build "civic buy-in" in the region.[34] Through strategy efforts led by CenterState and partners, the region has attracted $848 million in private investment in the UAS industry over eight years.[35] Companies involved in the NUAIR Alliance have also observed that more firms in the defense industry are re-locating or pursuing opportunities in the region.[36] There is also significant startup activity in the region, fostered not only by CenterState's GENIUS NY accelerator but also by former employees leaving larger firms and starting their own companies.[37] It is estimated nearly 2,000 jobs have been created or announced locally.[38]

NUAIR started as a coalition but is now an established nonprofit organization with its own CEO, staff and independent board. Through NUAIR's work, the D2D cluster is positioned to not only be competitive in the drone industry but also related industries like cybersecurity and predictive analytics. As data-related technologies begin to transform other industries, NUAIR is well-positioned to leverage the assets it has helped build and be in front and center of emerging opportunities.

Work Train

Another development initiative through which CenterState companies have engaged and mobilized is Work Train. Work Train is a demand-driven, employer-based workforce development program that helps healthcare, manufacturing, construction, and technology companies in Central New York expand their limited labor pool—a challenge for area businesses—while also addressing the issue of un- and underemployment in the region. The program is designed to create job opportunities and career pathways for low-income residents and address the mismatch between employer needs and job-seeker skills in the greater Syracuse region.

Work Train partners with area employers, workforce development providers, education institutions, and other partners to develop training and workforce programs that can meet critical employment needs of an industry. Of special focus are industries that pay family-sustaining wages, have continued and robust demand, and offer opportunities for career advancement.[39] Work Train also leverages CenterState's relationships with community-based organizations to identify individuals who are seeking jobs but are experiencing barriers to employment, such as being a recent immigrant or having little to no work experience.[40]

31 Donahue, R. (2018). Rethinking Cluster Initiatives. The Brookings Institution Metropolitan Policy Program.
https://www.brookings.edu/wp-content/uploads/2018/07/201807_Brookings-Metro_Rethinking-Clusters-Initiatives_Syracuse-Drones.pdf

32 Program Details. (n.d.). GENIUS NY.
http://www.geniusny.com/program-details.html

33 Project interviews

34 Donahue, R. (2018). Rethinking Cluster Initiatives. The Brookings Institution Metropolitan Policy Program.
https://www.brookings.edu/wp-content/uploads/2018/07/201807_Brookings-Metro_Rethinking-Clusters-Initiatives_Syracuse-Drones.pdf

35 NUAIR. (2019, November 13). Governor Cuomo Announces Completion of 50-Mile Drone Corridor. https://nuair.org/2019/11/13/governor-cuomo-announces-completion-of-50-mile-drone-corridor/

36 Project interviews

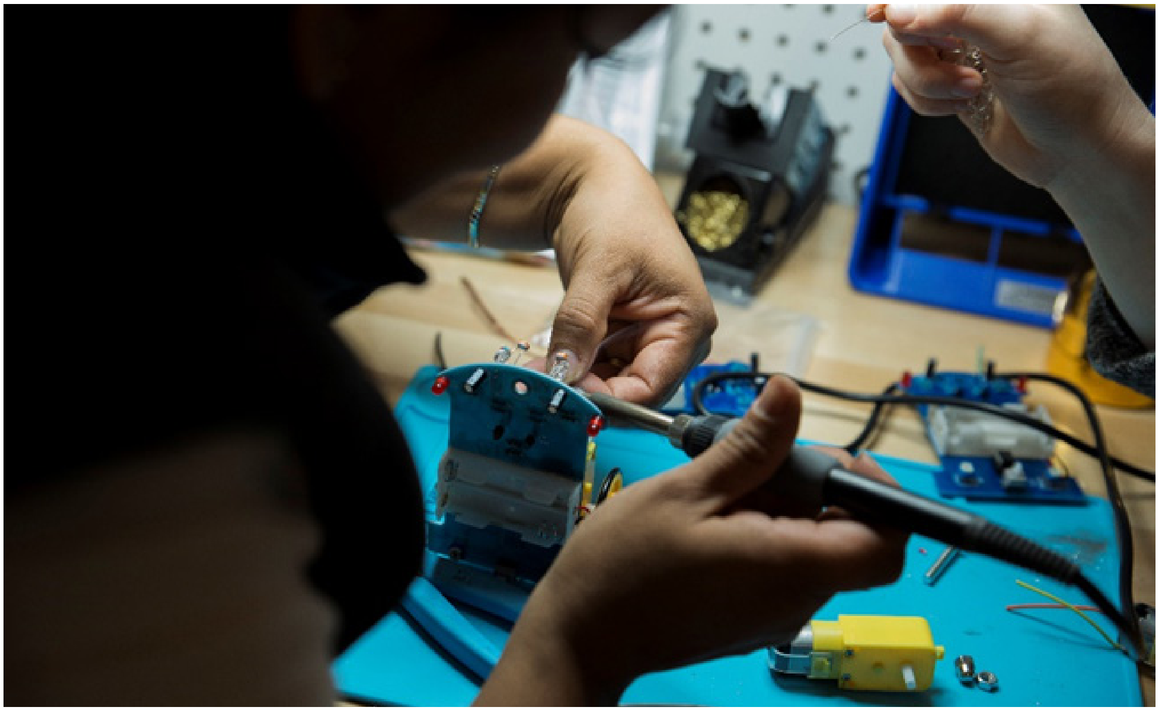
37 Project interviews

38 NUAIR. (2019, November 13). Governor Cuomo Announces Completion of 50-Mile Drone Corridor. https://nuair.org/2019/11/13/governor-cuomo-announces-completion-of-50-mile-drone-corridor/

39 Work Train. (n.d.). CenterState CEO.
https://www.centerstateceo.com/about-us/partners-programs/work-train

40 Project interviews

Figure 3. ProTrain Partnership manufacturing activities



Part of CenterState CEO's Work Train initiative, the ProTrain Partnership seeks to create career opportunities in manufacturing, while building a strong talent pool for entry and mid-level jobs within the area's manufacturing institutions.
Source: CenterState CEO

The program was formally launched by CenterState in 2014 and borne out of a partnership with an area hospital looking to improve the conditions of its neighborhood and recruit more staff through physical real estate development. After a few years of success, including more affordable housing and fewer vacant properties, CenterState encouraged the hospital to address deeper issues around workforce development and collaborate on an early iteration of Work Train.

Work Train represents an innovation to the workforce development model in that it directly engages and aggregates employers, while also aligning the resources of different training providers. It also helps companies expand their potential labor pool by re-examining their requirements for roles and identifying overlooked populations to hire from.[41] Work Train, for example, encouraged an area hospital to reconsider its policy of requiring a high school diploma or GED for certain healthcare positions, flagging the requirement as challenging for new immigrants and other community members to meet. Work Train worked with the hospital to instead implement a skills test and establish a remediation process to help underqualified applicants obtain the skills to pass the test. The skills test and remediation process, as one administrator noted, have allowed the hospital to "persist in the skills we need without putting artificial barriers".[42]

The collaborative is staffed by the Economic Inclusion division at CenterState and is supported by philanthropy, corporate partners, and local and state government.[43] A partnership with the National Fund for Workforce Solutions has allowed Work Train to access resources and technical assistance, share best practices, network with other regions, and access additional funding.[44]

41 Eisenstadt, M. (2019, March 22). A path out of poverty: How a Syracuse matchmaker united 100 people with an employer. Syracuse.Com. https://www.syracuse.com/poverty/2016/03/how_a_syracuse_matchmaker_unit.html

42 Project interviews

43 Project interviews

44 "Work Train" Creates Job Opportunities, Career Pathways for Low-Income Syracuse Residents. (2014). CenterState CEO. http://www.worktraincny.org/sites/default/files/Work%20Train%20NxRel%207.23.14.pdf

Approach and Strategies
As noted above, Work Train programs are highly specific, industry-based, and developed in close partnership with employers. Health Train, for example, is a Work Train program that partners with area healthcare institutions to develop and expand the labor pool for entry and mid-level healthcare jobs. Two types of workforce development offerings are provided, one focused on job seekers who are newer to the healthcare field and the other focused on providing education and career opportunities to current healthcare workers.[45]

Similarly, ProTrain is a partnership program that works with a workforce training provider to prepare adult learners for careers in manufacturing, with special emphasis on industries for which there is substantial employer need and high-paying entry-level positions.[46] ProTrain effectively aggregates the demand of 17 local manufacturing employers.[47]

To develop such Work Train programs, CenterState staff identify and convene the relevant partners; facilitate the design and implementation of the program; sustain the board's interest during program development; maintain partnerships; and coordinate seed capital or gap funding as needed. The programs can take as much as 2.5 years to develop, requiring up to $250,000 in staff and development costs.[48] Programs and partnerships are crafted with the intention that they will eventually be overseen and maintained by the partners, with Work Train's continued support.[49]

Between 2014 and 2018, Work Train placed over 700 participants in career pathways with area employers.[50] Employer interest in the program continues to grow, with Health Train anticipating an expansion into two more counties and developing additional supports outside of workforce training. One hospital, for example, is working with Health Train to offer robust supports in the form of coaching, childcare, caregiving, etc. to employees.[51] Work Train recently received funding to establish Build Ready, an industry training partnership that aims to connect residents to construction jobs, in preparation for billions of dollars of planned development in Syracuse over the next few years. TCG Player, a marketplace for buying and selling collectible cards and one of the fastest growing companies in the region, is also collaborating with Work Train to establish a pilot for entry-level tech jobs.[52]

45 Partnerships And Programs. (n.d.). Work Train.
http://www.worktraincny.org/partnerships-and-programs

46 Partnerships And Programs. (n.d.). Work Train.
http://www.worktraincny.org/partnerships-and-programs

47 Lead with Intention: 2018-2019 Annual Report. (n.d.). CenterState CEO.
https://www.centerstateceo.com/sites/default/files/CenterState%20CEO%20Annual%20Report.pdf

48 Project interviews

49 About Work Train. (n.d.). Work Train.
http://www.worktraincny.org/about/about-work-train

50 Lead with Intention: 2018-2019 Annual Report. (n.d.). CenterState CEO.
https://www.centerstateceo.com/sites/default/files/CenterState%20CEO%20Annual%20Report.pdf

51 Project interviews

52 Lead with Intention: 2018-2019 Annual Report. (n.d.). CenterState CEO.
https://www.centerstateceo.com/sites/default/files/CenterState%20CEO%20Annual%20Report.pdf

Figure 4. Work Train Build Ready students

Syracuse Build, a new initiative designed to support Syracuse's construction boom, seeks to connect capable job seekers from Syracuse's historically marginalized communities with career pathways in construction-related fields. With the support of a National Fund for Workforce Solutions grant, funded by the Ballmer Group, CenterState CEO's Work Train team has served as the initiative's lead planning consultant. Shown, Work Train Build Ready students stand by a guard shack they constructed at training partner SUNY EOC's campus.
Source: CenterState CEO

Lessons Learned

CenterState demonstrates the value of a high-capacity intermediary in mobilizing companies in CED, as well as the opportunities for and benefits from collaborative corporate CED activity.

1. Corporate-oriented organizations can serve a vital translation and project "pre-development" role
CenterState's effectiveness in mobilizing corporations around CED is tied to its ability to translate between companies and communities. CenterState does the groundwork of identifying inclusive opportunities to grow the regional economy (such as market research, focus groups, and business planning work); translating community and economic development activities into business interests for companies and mobilizing companies around these interests; and developing and staffing the infrastructure by which the companies engage in the business-like and aligned development activity. While many companies are interested in engaging in development—and increasingly in ways that align with their business imperatives and expertise—they are often unsure of how to best engage, especially if it entails partnering with community organizations with different cultures and frameworks. As a proven and trusted voice in community meetings and board rooms, CenterState can uniquely bridge and broker development opportunities that benefit corporates and communities.

2. Intentionally curating and staging corporate CED activities can lead to deeper, more vested engagement
CenterState's success also reflects its masterful shepherding of corporations through its hierarchy of staged engagement, known as the "Five P's": partnership, pilot, project, program, policy. As seen with Work Train, CenterState leveraged the

success of its partnership with an area hospital around physical real estate development to motivate the hospital to address deeper workforce development issues—an initial impetus for the real estate development—and pilot and support Health Train. CenterState has since leveraged the success of Health Train to expand supports to employees, including coaching, childcare, and caregiving. The staged approach capitalizes on CenterState's keen understanding and curation of business-aligned CED opportunities and builds trust with the corporates, leading to expanded and sustained corporate engagement in CED.

3. Opportunities to grow industries and develop a workforce motivate partnership and investments
As the examples of NUAIR Alliance and Work Train suggest, areas of business-alignment by which corporates can be mobilized to engage in CED—which both serve their business interests and utilize their business expertise—include collaboration on emerging industry, product and market development opportunities, as well as on workforce development. NUAIR Alliance members recognized that developing the emerging drone industry, in addition to creating direct business opportunities, would enhance the innovation capacity of the region, bolster the entrepreneurial eco-system, and attract more investment to the area. Similarly, Work Train offers "direct value" to corporates as it connects them to education providers who develop training programs specific to their needs and develops and expands the labor pool from which corporates can fill critical positions.

4. Pooling resources and relying on a skilled aggregator and administrator can reduce business costs
CenterState offers a nimble and well-staffed vehicle through which corporations can connect to other companies, combine resources to share costs of business activities, and access valuable community and economic know-how to enhance their business activities. Through Work Train, for example, companies can share and reduce the costs of human resources functions, particularly the recruiting and training of employees. Work Train also reduces administrative burdens for corporates, as it takes on the responsibility of designing and implementing the training and maintaining the partnerships. Similarly, NUAIR Alliance enhances the business activities of firms in the D2D cluster by developing testing facilities and industry standards—activities that can attract further investment and promote the cluster but are too expensive and inefficient for individual firms to implement.

5. External competitions can galvanize regional actors to collaborate on development
As seen with the NUAIR Alliance example, the announcement of a national competition to approve drone test sites created an incentive for regional actors to work together and align on an application. The competition provided an opportunity for CenterState to act upon its deep understanding of the region's D2D cluster and kickstart the NUAIR Alliance by recruiting and connecting D2D firms. It also allowed CenterState to take steps to address weaknesses in the D2D cluster that were impeding the region's economic growth, such as the limited awareness among firms of the activities and technical capabilities of other D2D firms.

6. Inclusion needs more attention within economic growth projects
CenterState's explicit goal is inclusive growth, and many of its programs—like Work Train—directly and effectively drive growth inclusively. It has dedicated a portfolio to economic inclusion, which has helped to institutionalize the work and cultivate expertise. While workforce and community development programs more naturally lend themselves to properly combining inclusion and growth, industry focused business growth projects like the NUAIR Alliance struggle more to accomplish the growth inclusively. As we broaden the focus of corporate engagement from community development to economic development (as discussed in the scan), achieving the alignment of development goals and business ones requires more attention, creating greater need for intermediaries.

CASE STUDY 2 HARTFORD INSURTECH HUB

INSURTECH HARTFORD

Location	Hartford, CT
Population (K), 2019	122.1
Population Change, 2010-2019	-2.1%
Land area (sq. mi.), 2010	17
Population Density (1K people per sq. mi.), 2019	7.0
Jobs (K), 2017	101.7
Job Density (1K jobs per sq. mi.), 2017	5.9
Key Community and Economic Development Needs	Bolstering a key economic cluster (insurance) in the wake of decline and supporting innovation in the cluster
Organization(s) Involved	Connecticut Innovations VentureClash competition Connecticut Insurance and Financial Services (IFS), a joint corporate-state cluster organization Hartford InsurTech Hub, a host of annual accelerators and run by Startupbootcamp InsurTech Hartford (ITH), a grassroots organization that supports startups in the cluster Nassau Re/Imagine's InsurTech incubator for pre- and post-accelerator-stage startups The State of Connecticut Insurance Commissioner The City of Hartford Other new labs/centers under development
Lessons Learned	1. There may be a trade-off between developing local capabilities and building a global brand 2. Collaborative efforts can complement and support long-term development of internal capabilities 3. Stakeholders need to design innovation programming to fit city size 4. The State of Connecticut's Innovation Places program and grant was a critical driver

Data Sources: U.S. Census Bureau Population Estimates Program and Geography Division TIGER database; LEHD-OTM

Introduction

The Hartford, CT economy has long been dominated by the insurance industry. As of 2019, about 32,000 people in the county were employed by life insurance, property and casualty (P&C), or health and medical insurance carriers. These three industries account for about 7% of employment and 12% of wages, as well as tens of thousands of additional jobs generated through company purchasing and wages of employees. Among counties with at least 10,000 workers in insurance and related activities, the highest concentrations by far are in Hartford County and Polk County, IA, home to Des Moines, labeled by some as the insurance capital of the Midwest.[1]

Hartford's strength in insurance has managed to weather decades of job loss. Although employment in the three primary industries has declined by about 20,000 jobs since 1990,[2] Hartford still boasts impressive concentrations in these industries: its concentration of direct jobs at life insurance carriers is over 20 times the average concentration for a city the size of Hartford; the number of jobs at P&C insurers is seven times the average concentration; and the number of jobs at health and medical insurance carriers is over two times the average U.S. concentration.[3] Overall, Hartford County remains home to almost five times more insurance jobs than expected for an economy its size. But the decline of the industry has created challenges across the City of Hartford, where many of the largest insurance companies have a presence, and region. The 2017 announcement of the loss of the Aetna headquarters from Hartford—a move that turned out to be largely symbolic, with only a few hundred people ultimately relocating and its new owner, CVS, committing to stay in Hartford in 2019—was still a "devastating assessment of the region at the worst possible time."[4]

Against this backdrop, the city, the state, and also importantly, corporate actors in insurance have taken on various roles over the last decades to strengthen insurance and related industries. Since late 2016 and early 2017, these efforts have aimed to strengthen Hartford as a center for innovation activities, especially those related to InsurTech and Digital Health. As the case will describe, although these efforts have met some challenges, which is to be expected, they have borne considerable success in both strengthening and repositioning an existing ecosystem for greater innovation activity and a chance to again sit at the forefront of shaping the insurance industry as a geographic hub and leader. The process of ecosystem building, which could not have happened without meaningful support from a significant number of corporate actors, also helped individual corporates identify and configure a model for internal innovation. As of this writing in mid-2020, Hartford had, over the course of three to four years, created a shared ecosystem for innovation, landed a significant number of internal corporation innovation divisions and labs, and strengthened its national and global reputation as an InsurTech hub.

The configuration of corporates explicitly within an economic cluster framework is an important and unique form of corporate organization. Cluster organizations are a somewhat common feature of economic development in the United States—there are likely hundreds of such organizations in the U.S. at any given time—but the level of commitment of some of Hartford's largest insurance companies was unusual. The end of the three-year accelerator coincided with the early months of the COVID crisis. While the decision was made not to renew the accelerator, corporates have reaffirmed their commitment to invest in shared innovation programming in InsurTech, recognizing the significant value in mutual investment to support the cluster.[5] The case of Hartford offers numerous insights about identifying a common set of issues around which to engage corporate actors; organizing the terms of collaboration across the corporates but also the public sector and higher education; execution; and creating a focused set of goals that is achievable given the relatively small size of the labor and talent pool in Hartford and the broader regional economy. These lessons are especially important for small- and mid-sized urban and regional economies looking to organize corporates to accelerate growth or reposition local economies.

1 Des Moines is one of the country's best-known hubs for InsurTech, or technological applications for insurance activities. See: Eller, D. (2013, June 21). Microsoft behind nearly $700 million data center investment in West Des Moines. Des Moines Register. https://archive.vn/20130628035409/http://www.desmoinesregister.com/article/20130621/BUSINESS/130621005/Microsoft-behind-nearly-700-million-data-center-investment-West-Des-Moines

2 Nir, S. M. (2017, June 29). Insurance Giant Aetna Is Leaving Hartford for New York City. New York Times. https://www.nytimes.com/2017/06/29/nyregion/insurance-giant-aetna-is-leaving-hartford-for-new-york.html

3 There are still about 19,000 direct jobs at life insurance carriers, about 10,000 jobs at P&C insurers, and about 3,000 jobs at health and medical insurance carriers.

4 Editorial: Cheers To Aetna, CVS. (2018, January 12). Hartford Courant. https://www.courant.com/opinion/editorials/hc-ed-aetna-staying-in-hartford-cvs-0116-20180112-story.html

5 Project interviews

Organizing the Insurance Cluster in Hartford: A Brief History

The first known organization of the insurance cluster came in 2003 with the formation of Connecticut Insurance and Financial Services (IFS), a joint corporate-state cluster organization that was initially funded with corporate investment.[6] In 2006, IFS received a $2.7-million federal grant to support "a community college degree program in insurance and financial services."[7] Although a statewide initiative, IFS has always been centered in Hartford and has been managed out of the MetroHartford Alliance since its inception.[8] Importantly, the establishment of IFS came on the heels of decline in the insurance industry, which lost 15,000 jobs across the State of Connecticut between 1990 and 2004, "many of them," according to the Hartford Courant, "sucked out of Hartford's central business district."[9] At the time of its creation, IFS was one of nine designated key industry clusters in Connecticut.[10]

After starting with 17 members, the cluster grew to 32 within a few years, almost all of which were private corporations, including well-known insurance-related companies like Cigna and MetLife.[11] At inception, the two stated IFS goals were promotion of "a dynamic and expanding IFS industry in Connecticut" and "global recognition as an IFS Center of Excellence." The group intended to achieve these goals through cross-sector collaboration between the public and private sectors and educational institutions, in turn supporting more jobs in the cluster and a highly-skilled and diverse workforce.[12] Today, IFS activities are organized around major initiatives including an actuarial boot camp, a high school with curriculum tailored to professions in insurance and financial services, a hiring event, and an event to convene insurance executives from around the world.

- The Actuarial Boot Camp has engaged high school juniors and seniors in a week-long exposure to the actuarial industry and since its inception in 2008, has trained over 300 students.[13] (Figure 1 shows some of the outcomes of the program.)
- High School, Inc. was established as a public insurance and finance academy in Downtown, with over 200 students in grades 9-12. The school recently became an academy within a larger $100M+ renovated high school in the North End neighborhood of Hartford and, like High School Inc., is affiliated with the National Academy Foundation, which promotes high school education focused on college and career readiness with an emphasis on curricula that meet industry needs and standards.[14] [15] Corporate partners serve as board members and advisors on curriculum and provide networking, shadowing, mock interviews, and internship opportunities.[16] Although student career choices are not tracked, there are well-known examples of High School, Inc. graduates that have gone on to successful careers in Hartford's insurance industry.[17]

6 Project interviews

7 Levick, D. (2006, October 4). Advocacy Group Losing Leader. Hartford Courant.
https://www.courant.com/news/connecticut/hc-xpm-2006-10-04-0610040483-story.html
Half of this grant was likely a match from Department of Labor: Insurance & Financial Services Cluster: Shared Action for Growth. (2004, January 21). Economic Summit & Outlook 2004. https://slideplayer.com/slide/5317510/

8 Levick, D. (2006, October 4). Advocacy Group Losing Leader. Hartford Courant.
https://www.courant.com/news/connecticut/hc-xpm-2006-10-04-0610040483-story.html

9 Flynn, R. (2006, October). Connecticut Insurance & Financial Services Cluster: Shared Action for Growth.
http://www.hartfordinfo.org/issues/wsd/economicdevelopment/IFS_cluster.pdf
Jacklin, M. (2005, December 7). It's Not Image That Needs Work. Hartford Courant.
https://www.courant.com/news/connecticut/hc-xpm-2005-12-07-0512070294-story.html

10 Connecticut in Brief. (2002, December 12). Hartford Courant.
https://www.courant.com/news/connecticut/hc-xpm-2002-12-12-0212121072-story.html

11 Levick, D. (2006, October 4). Advocacy Group Losing Leader. Hartford Courant.
https://www.courant.com/news/connecticut/hc-xpm-2006-10-04-0610040483-story.html

12 Flynn, R. (2006, October). Connecticut Insurance & Financial Services Cluster: Shared Action for Growth.
http://www.hartfordinfo.org/issues/wsd/economicdevelopment/IFS_cluster.pdf

13 2019 Actuarial Boot Camp Creates a Workforce Pipeline in Hartford for Future Actuaries. (n.d.). Connecticut Insurance & Financial Services.
https://www.connecticutifs.com/2019-actuarial-boot-camp-creates-a-workforce-pipeline-in-hartford-for-future-actuaries/

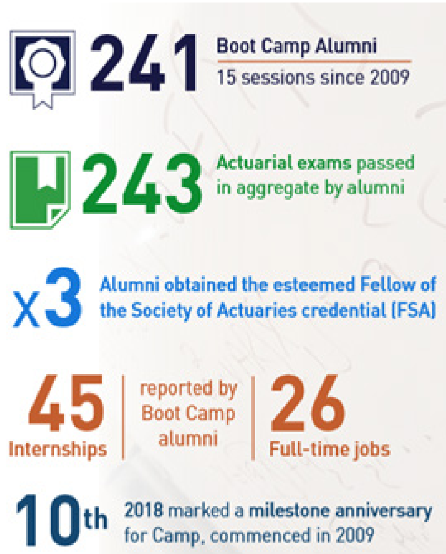
14 NAF. https://naf.org/

15 High School Inc. (n.d.). GreatSchools. https://www.greatschools.org/connecticut/hartford/3199-High-School-Inc./; Lurye, R. (2019, August 24). Peek inside Hartford's new Weaver High School, reopening after a $133 million renovation. Hartford Courant.
https://www.courant.com/education/hc-news-hartford-weaver-school-first-look-20190824-mwedmvd5i5azzfecj2lrr2jgee-story.html
Lurye, R. (2019, August 24). Peek inside Hartford's new Weaver High School, reopening after a $133 million renovation. Hartford Courant.
https://www.courant.com/education/hc-news-hartford-weaver-school-first-look-20190824-mwedmvd5i5azzfecj2lrr2jgee-story.html

16 Hartford Public Schools Principal of High School, Inc. (n.d.). https://www.applitrack.com/hartford/onlineapp/1BrowseFile.aspx?id=134141; High School Inc. (n.d.). GreatSchools.
https://www.greatschools.org/connecticut/hartford/3199-High-School-Inc./; project interviews

17 Project interviews

Figure 1. Outcomes of the Actuarial Boot Camp



Source: Connecticut Insurance and Financial Services.
Actuarial Boot Camp. (n.d.). Connecticut Insurance and Financial Services.
https://connecticutifs.com/wp-content/uploads/ABC-Stat-Sheet-InfoGraphic-2019.pdf

- The Get Hired job fair is held in January of each year in order to retain college students from the area who attend out-of-state schools. Although 2020 attendance numbers were not available, in previous years, the fair has attracted upwards of 500 potential job seekers.[18]
- First held in 2013, the Insurance Capital Summit convenes insurance industry leaders from around the world each year and demonstrates corporate commitment to the cluster. The fall 2020 event, held virtually, focused on the future of work with the theme "Insurance Now."[19]

In 2016 and 2017, the organization of the insurance cluster supported a radical repositioning with public, private, and nonprofit entities beginning to organize informally and formally around "InsurTech," which generally refers to the utilization of "technology in the Insurance sector, and/or an innovative technology enabled solution to Insurance problem(s)."[20] In the case of Hartford, "InsurTech" refers broadly to "using technology to create new or improve existing ways of running the insurance industry"[21] as part of "broader innovation agendas, allowing for improved relevance of offerings, an enhanced customer experience and new distribution channels with a different cost structure."[22]

Industrywide focus on InsurTech was starting amidst a renewed sense of crisis about the future of Hartford's insurance industry. In 2017, after at least a year of public speculation,[23] Aetna announced that it was moving its headquarters from Hartford to Manhattan. Although only about 250 high-level executive and digital jobs moved, as reported at the time, the announcement "bolsters New York City's vision of itself as an emerging digital powerhouse, but also continues the erosion in Connecticut of an industry that has long been an economic engine there."[24] Of greater concern, perhaps, was the

18 6th Annual "Get Hired" College Career Fair for Insurance & Financial Services in Connecticut. (2017, January 4). ICoast Connecticut. https://go.activecalendar.com/icoastct/event/6th-annual-get-hired-career-fair-for-insurance--financial-services-in-connecticut/

19 Project interviews; Insurance Capital Summit. (n.d.). https://www.insurancecapitalevent.com/

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21 InsurTech Hartford: Business Plan Hackathon. (2017, April 1). https://www.slideshare.net/InsurtechHartford/insur-tech-hartford-business-plan-hackathon-april-1-2017final

22 PWC 2017

23 House, D. (2016, May 27). Will Aetna Keep Headquarters in Hartford? The Hartfordite. https://dennishouse.tv/2016/05/27/will-aetna-keep-headquarters-in-hartford/

24 Nir, S. M. (2017, June 29). Insurance Giant Aetna Is Leaving Hartford for New York City. New York Times. https://www.nytimes.com/2017/06/29/nyregion/insurance-giant-aetna-is-leaving-hartford-for-new-york.html

insinuation of Aetna's CEO, Mark T. Bertolini, that only large cities could support the ecosystems required for InsurTech and that Hartford specifically had failed to establish the conditions for innovation in the insurance industry. According to Bertolini, New York City offered "the ecosystem of having people in the knowledge economy, working in a town they want to be living in, and we want to attract those folks, and we want to have them on our team. It's very hard to recruit people like that to Hartford."[25] He went on to say, "We have continued to work with the governor and mayor of Hartford to try and improve the quality of life in the Hartford area, but that is too slow in coming." Although very little actual damage was done—only a few hundred workers moved and after purchasing Aetna in 2018, CVS promised to keep the company and its subsidiaries in Connecticut for at least ten years[26]—at the time, the announcement "echoed across the region like a death rattle. Hartford, once among the nation's most prosperous cities, was losing its marquee tenant, the company that had called the city home since 1853."[27]

At the same time, other local actors began to try to reinvent the local industry. In December 2016, the non-profit InsurTech Hartford (ITH) was launched as a "grass roots organization…founded and run by local insurance professionals…to incubate a robust InsurTech ecosystem by bringing people together, educating, and promoting startup growth in the region."[28] In April 2017, ITH hosted Hartford's first InsurTech hackathon, followed by another in September that featured a $5,000 first prize.[29] In the years since, ITH has held additional hackathons, as well as regular panels, presentations, and networking events. In June 2020, ITH held an Innovation Challenge, a pitch competition for startups.[30] Offering several awards based on votes from the (virtual) audience—"Most Innovative Beazley Breach Response (BBR) Solution," "Travelers Best Self-Service," and "Best Emerging InsurTech Innovation"—the winning startup in each area received $10K, as well as admission to local accelerators and innovation centers, and access to technical assistance.[31] Figure 2 shows a flyer advertising the Innovation Challenge.

Private sector involvement, especially through public-private sector initiatives, have been critical to InsurTech efforts. The most significant was a three-year public-private partnership around an accelerator supported by a combination of funding from the state organization CTNext and corporate actors. This funding was organized within the Innovation Places grant application and programming; Innovation Places supports entrepreneurship and tech-related endeavors in cities across Connecticut.[32] The accelerator brought dozens of startups from across the globe to Hartford from 2018 to 2020. Led by some of the largest insurance companies in Hartford, including Cigna, The Hartford, and Travelers, the accelerator was organized as part of the Hartford/East Hartford Innovation Places submission to the State of Connecticut, a multi-faceted innovation strategy that was awarded over $6 million in matching grants.[33] (Aetna signed on as a partner in 2018.[34])

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25 Nir, S. M. (2017, June 29). Insurance Giant Aetna Is Leaving Hartford for New York City. New York Times. https://www.nytimes.com/2017/06/29/nyregion/insurance-giant-aetna-is-leaving-hartford-for-new-york.html

26 Singer, S. (2018, October 3). CVS Pledges To Keep Aetna In Hartford For At Least 10 Years. Hartford Courant. https://www.courant.com/business/hc-biz-aetna-cvs-connecticut-20181003-story.html

27 Editorial: Cheers To Aetna, CVS. (2018, January 12). Hartford Courant. https://www.courant.com/opinion/editorials/hc-ed-aetna-staying-in-hartford-cvs-0116-20180112-story.html

28 About Us. (n.d.). InsurTech Hartford. http://www.InsurTechhartford.com/about-us

29 Stearns, J. (2017, August 28). InsurTech Hackathon aims to breed new startup. Hartford Business Journal. https://www.hartfordbusiness.com/article/InsurTech-hackathon-aims-to-breed-new-startup

30 InsurTech Hartford Innovation Challenge—Finalist & Awards. (n.d.). EventBrite. https://ihic2020.eventbrite.com

31 InsurTech Innovation Challenge 2020. (n.d.). https://insurtech2020.info/

32 Innovation Places. (n.d.). CTNext. https://ctnext.com/entrepreneurial-ecosystem/innovation-places/

33 Cooper, J. (2020, April 30). Hartford InsurTech accelerator ends after 3 years. Hartford Business Journal. https://www.hartfordbusiness.com/article/hartford-insurtech-accelerator-ends-after-3-years; Pilon, M. (2020, February 4). Hartford's Innovation Places team says state's $6.4M investment paying off. Hartford Business Journal. https://www.hartfordbusiness.com/article/hartfords-innovation-places-team-says-states-64m-investment-paying-off

34 Gilhuly-Mandel, A. (n.d.). Hartford InsurTech Hub Announces Partnership with Aetna. Hartford InsurTech Hub. https://hartfordinsurtechhub.com/hartford-insurtech-hub-unveils-new-partnership-with-aetna/

Figure 2. Call for InsurTech Innovation Challenge

Source: Connecticut Insurance & Financial Services, InsurTech Innovation Challenge 2020. InsurTech Innovation Challenge, 2020. (n.d.). Connecticut Insurance & Financial Services. https://www.connecticutifs.com/insurtech-innovation-challenge-2020/

Corporate actors played important mentoring roles for the startups; provided financial support to the accelerator; offered real world problems and in some cases, data sets that could be used to create new products and solutions; and served as first customers for pilots and proofs of concept. In these ways, the accelerator also provided value to the large insurers, which according to some stakeholders, had gotten fatigued with travel demands associated with working with West Coast startups and were committed to trying to develop tech solutions right in Hartford.[35]

Hartford InsurTech Hub's annual accelerator was run by Startupbootcamp, a London-based organization that runs about 20 accelerators globally, but only two in the United States, both in Hartford (InsurTech and Digital Health).[36] Startupbootcamp promises to "help ambitious founders scale" by providing "direct access to an international network of the most relevant mentors, partners and investors to help them scale." Although the 2020 cohort was cut short by COVID, the earlier years suggest that these efforts can reward InsurTech entrepreneurs that come to Hartford. Many in the first two cohorts also received venture investment, including an average of $3.1 million per company for the 2019 cohort.[37] (Figure 3 shows a snapshot of the 2019 accelerator cohort.) According to project leaders, some participating entrepreneurs did secure pilot projects with the city's insurance companies, with over 20 pilots created in the first year alone.[38] Organizers came to realize that the pilot/proof of concept model requires complementary capital to really be successful,[39] but these were important early wins. However, some accounts indicate that the outcomes are not as favorable as the investment statistics suggest; at least one observer notes that most of the pilots did not bring revenue to the companies, especially in their limited time windows.[40]

35 Project interviews

36 A Global Family Of Industry-Focused Startup Accelerators. (n.d.). Startupbootcamp. https://www.startupbootcamp.org/accelerator/

37 Teehan, S. (2020, April 20). Hartford's startup accelerators adopt online-only approach as members worry about fundraising crunch. Hartford Business Journal. https://www.hartfordbusiness.com/article/hartfords-startup-accelerators-adopt-online-only-approach-as-members-worry-about

38 Cooper, J. (2020, April 30). Hartford InsurTech accelerator ends after 3 years. Hartford Business Journal. https://www.hartfordbusiness.com/article/hartford-insurtech-accelerator-ends-after-3-years; Hartford: The Next InsurTech Capital. (2018). https://www.treasury.gov/initiatives/fio/Documents/May2018FACI_Hartford.pdf

39 Project interviews

40 Project interviews

Figure 3. The 2019 cohort for the Hartford InsurTech Hub accelerator

Source: Pilon, M. Photograph of 2019 cohort of Hartford InsurTech Hub accelerator, Hartford Business Journal.
As published in: Pilon, M. (2018, November 29). Hartford's insurtech accelerator names 2019 cohort. Hartford Business Journal.
https://www.hartfordbusiness.com/article/hartfords-insurtech-accelerator-names-2019-cohort

This initiative has also supported Hartford's goal of becoming a global InsurTech hub. Hundreds of applications were received for the dozen or so slots in each cohort, and entrepreneurs from around the globe—e.g., United States, Australia, Canada, Germany, India, South Africa, Switzerland—spent six weeks in Hartford.[41] In addition, according to one expert, although all of the involved corporates have internal innovation programs of their own, the marketing departments of the participating insurance companies benefit from being able to tell a story about contributing to innovation as a pitch to customers but also potential workers: "The InsurTech movement as a whole has been helpful to the industry when it comes to talent—it's not specific to Hartford" but was helpful when local carriers started hiring again.[42]

A second private sector initiative looks to address the specific challenges of getting more InsurTech entrepreneurs to contract. Nassau Re/Imagine's InsurTech incubator for "companies intending to build a presence in Hartford"[43] helps develop firms not yet ready for an accelerator, as well as post-accelerator firms looking to get to contract with one of the city's large insurance-related buyers. The incubator is physically housed at Nassau Financial Group's downtown Hartford office, which provides space, marketing support, networking, and introductions to potential customers.[44] Although Nassau Financial Group does not require an equity stake in order for companies to participate, it does selectively invest in companies that show promise.[45] Re/Imagine evaluates its success "based on 1) startups attracted to Hartford; 2) proof-of-concepts launched with partners; 3) internships placed with startups; 4) full-time jobs created in Connecticut; and 5) investment raised by companies in our program."[46] According to local cluster actors, these types of incubators can be an important complement to accelerator programs, which are often too short for getting to deals between entrepreneurs and large corporates. In the words of one, "The odds of getting a contract with [an] insurance company in three months [are

41 Cooper, J. (2020, April 30). Hartford InsurTech accelerator ends after 3 years. Hartford Business Journal. https://www.hartfordbusiness.com/article/hartford-insurtech-accelerator-ends-after-3-years

42 Project interviews

43 Who We Are. (n.d.). Nassau Re/Imagine. https://imagine.nsre.com/

44 Who We Are. (n.d.). Nassau Re/Imagine. https://imagine.nsre.com/

45 Project interviews

46 Who We Are. (n.d.). Nassau Re/Imagine. https://imagine.nsre.com/

slim]. Entrepreneurs need longer-term support to get to contract." Getting startups to contract, though, is a test case for taking advantage of one of Hartford's key cluster assets—the presence of large insurance-related buyers—and is critical for the long-term success of the InsurTech cluster in Hartford. The role of the incubator, according to Nassau Re/Imagine's Paul Tyler, is "helping startups cut through the clutter and get the connections they need for proof of concepts here in Hartford."[47]

The large insurers are also involved in a digital health accelerator led by Hartford HealthCare, a large regional hospital system, and supported by UConn and Trinity College, which provides space. The accelerator provides digital health startups with a place to experiment and test their technology in a real-world integrated delivery care setting by linking entrepreneurs with the Hartford area's robust ecosystem of clinical providers, payers, and academic and research institutions. The participation of the large insurance companies increases pilot and commercialization opportunities for startups.[48] Longer term, coordinating InsurTech and digital health initiatives can help Hartford take advantage of the unique opportunities created by concentrations of both health care payer and health care provider expertise. This can help create a recruiting advantage for Hartford as a site for American or global digital health and InsurTech startups looking to break into the U.S. market.[49]

In addition to financial support for InsurTech through the Hartford/East Hartford Innovation Places grant, the State of Connecticut played other important roles in the development of InsurTech and other innovation initiatives. Its venture capital arm, Connecticut Innovations (CI), provides financing and support for entrepreneurs with a primary residence in Connecticut. Its global VentureClash competition attempted to attract early-stage digital health, fintech, and InsurTech companies to Connecticut by providing an investment pool of $5 million. CI managed the program between 2016 and 2020 before transferring it to Startupbootcamp, Techstars, and Upward.[50,51] Over the years, many of the largest awards went to InsurTech companies.[52] The state Insurance Commissioner also takes an interest in the health of the InsurTech cluster, meeting with startups on a regular basis to "ensure InsurTech entrepreneurs can vet ideas for regulatory concerns as early as possible."[53] The City of Hartford has also been an important champion of InsurTech in the city, especially in celebrating cluster activities and momentum. As one stakeholder noted, "In what other city are you going to have the mayor, a Rhodes scholar, show up for an insurance event?"[54]

Standard impact measures to date are somewhat modest, with a handful of InsurTech startups setting up shop in Hartford and collectively hiring in the tens (not hundreds) of staff. But in terms of problem-solving, the metrics are stronger, with multiple hackathons in Hartford that routinely pay out six figures in prize money per year. (Figure 4 shows the flyer for the first Hartford InsurTech Hackathon, held in spring 2018 and focused on gamification in insurance.) Angel and venture capital have been reaching out to cluster stakeholders about potential investments in startups in the city, and it's almost certain that all stakeholders would agree that Hartford's reputation in InsurTech has grown substantially in the last three years. Employment in key insurance segments has also rebounded somewhat. After losing about 6,000 jobs between 2010 and 2016, Hartford County added 1,500 direct insurance jobs between 2016 and 2019, well outpacing national growth during the period. However, most of this increase came in the first quarter of 2017, suggesting that, if related, commitment to growing InsurTech initiatives in Hartford followed rather than preceded expansion of local workforce, a view consistent with the commitment of the large insurers. Most important, perhaps, is the possibility that a "flywheel effect" could take hold, as the presence of InsurTech startups and robust programming contribute to Hartford's national and global reputation, which in turn, attracts more startups and investment.[55]

47 Nassau Re/Imagine Helps Incubate Hartford InsurTech Startups. (n.d.). Innovation Destination Hartford. https://www.innovationhartford.com/nassau-re-imagine-helps-incubate-hartford-InsurTech-startups/

48 Project interviews

49 Project interviews

50 CT Innovations Announces Winners of 2019 Global Venture Challenge. (n.d.). Innovation Destination Hartford. https://www.innovationhartford.com/ct-innovations-announces-winners-of-2019-global-venture-challenge/

51 VentureClash. https://ventureclash.com/

52 Cooper, J. (2019, October 18). Hartford startup wins top $1.5M prize at '19 VentureClash. Hartford Business Journal. https://www.hartfordbusiness.com/article/hartford-startup-wins-top-15m-prize-at-19-ventureclash

53 Project interviews; Curry, T. (2018, May 10). Connecticut's Regulatory Perspective on InsurTech. Federal Advisory Committee on Insurance Meeting. https://www.treasury.gov/initiatives/fio/Documents/May2018FACI_Hartford.pdf

54 Project interviews

55 Project interviews

Figure 4. The flyer for the first Hartford InsurTech Hackathon

Source: Hartford InsurTech Hub.
Gamification in Insurance Hackathon. (2018, March 2). Facebook. https://www.facebook.com/events/858892577625849/

According to one of the cluster leaders, the most important outcome might be psychological: "The overwhelming thing that has worked is that investment has created a reason for the community to believe that these things could work in Hartford. The demo days at Bushnell Theatre are remarkable. It's one of the oldest theaters in U.S., super traditional, historic, etc. and we were getting crowds of 700 people to come listen to startup pitches... And everyone is looking around like 'Is this really happening? I didn't know this could be Hartford." The energy created helped secure corporate backing, including the commitment of over 200 mentors, which lends further credibility to the ecosystem.[56] Figure 5 shows a flyer for Demo Day and pictures of participants at the Bushnell Performing Arts Center.

Looking to the future of InsurTech in Hartford, the question, in the words of one stakeholder, is "Now that we have created an engine that is running, how do we keep feeding it?"[57] There are at least two distinct sets of efforts that will shape the cluster's future. The first is the individual initiatives of corporates to build out internal innovation teams, labs, etc. In the past two years, a number of mid-sized and large corporates have established innovation centers in Hartford proper, many in downtown, and many but not all, related to the InsurTech and/or digital health clusters: Infosys established a Technology and Innovation Hub at 225 ASYLUM to serve as the company's global hub for InsurTech and HealthTech efforts;[58] HSB, a specialty insurer, established a Hartford tech hub to develop IoT applications for monitoring conditions at insured properties;[59] PWC signed a multi-year lease extension, keeping 400 employees in downtown Hartford, including those at its innovation center for digital collaboration; Nassau Financial Group opened its InsurTech incubator; GalaxE.Solutions announced a tech innovation center in Downtown;[60] and Stanley Black & Decker announced an "Advanced Manufacturing Center of Excellence."[61] As one local stakeholder noted, "fostering innovation has created new centers and labs inside the corporates...that's a new dynamic that evolved."[62]

56 Project interviews

57 Project interviews

58 Infosys Inaugurates Hartford Technology and Innovation Hub. (2018, December 5). Infosys.
https://www.infosys.com/newsroom/press-releases/2018/opens-technology-innovation-hub-ct.html;
Teehan, S. (2018, July 23). Hartford Steam Boiler's tech focus aims to transform specialty insurer into problem-solving innovator. Hartford Business Journal.
https://www.hartfordbusiness.com/article/hartford-steam-boilers-tech-focus-aims-to-transform-specialty-insurer-into-problem-solving

59 Chubb Partners With Hartford Steam Boiler to Deploy Innovative Internet of Things Sensors in Homes and Businesses. (n.d.). Cision PR Newswire.
https://www.prnewswire.com/news-releases/chubb-partners-with-hartford-steam-boiler-to-deploy-innovative-internet-of-things-sensors-in-homes-and-businesses-300741606.html

60 Pilon, M. (2018, July 30). "Big Four" firm to remain in downtown Hartford home. Hartford Business Journal.
https://www.hartfordbusiness.com/article/big-four-firm-to-remain-in-downtown-hartford-home

61 Seay, G. (2019, April 22). Hartford region sees growth in innovation hubs, but still trails major tech cities. Hartford Business Journal.
https://www.hartfordbusiness.com/article/hartford-region-sees-growth-in-innovation-hubs-but-still-trails-major-tech-cities

62 Project interviews

Figure 5. Flyer for Hartford InsurTech Hub Demo Day & picture of participants at Bushnell Performing Arts Ctr.

Sources: Startupbootcamp (left). Hartford InsurTech Hub (right).
Hartford InsurTech Hub Demo Day: Save the Date. (n.d.). Startupbootcamp. https://www.startupbootcamp.org/events/hartford-insurtech-hub-demo-day-2019/
Demo Day 2019: AMPLIFY. (n.d.). Hartford InsurTech Hub. https://hartfordinsurtechhub.com/demo-day-2019-amplify/

The second is the collective efforts of the corporates with the other entities that make up the InsurTech cluster (universities, chamber-like organizations, representatives from the state's Innovation Places grant, startup spaces, digital health initiatives, etc.). In winter of 2020, just before COVID put many conversations on hold, a large group of stakeholders came together to evaluate past outcomes and processes and begin to plot a course for next steps on InsurTech and other innovation initiatives. According to one participant, it was a "great conversation" about "what [Hartford's innovation community] is doing well, what they learned about inherent strengths, progress made, progress delivered, and what to double down on next."[63] Identified priorities include better establishing the city's innovation brand and story; improving the ecosystem to make more skilled workers available to the corporate sector; and identifying investment capital that fund InsurTech startups as they leverage one of the key assets offered by the city's corporates, namely the ability to work with clients on proof-of-concept projects and pilots.

Lessons Learned

The InsurTech cluster in Hartford illustrates several key findings around corporate business engagement, including the identification of important factors for operationalizing engagement and the role of different types of programming in cluster development. Perhaps most critically, the case of Hartford demonstrates how corporates can come together to initiate activities that accompany the scaling of local jobs and startups.

1. There may be a trade-off between developing local capabilities and building a global brand
Although there were undeniable benefits to outsourcing the creation and management of the InsurTech and digital health accelerators to London-based Startupbootcamp—including Startupbootcamp's global platform and expertise, its ability to help the accelerators scale quickly and attract global entrepreneurs from the first cohort, and planting the seed for future local initiatives—it worked against an important goal of "trying to build more of this [capacity] locally as opposed to importing it."[64] In general, the importing of existing models and architectures also leads to programs that are not as tailored to city-specific conditions and opportunities.[65] Determining which approach is better will depend on specific circumstances, but corporates attempting to shape economic development outcomes, especially in the innovation space, should be aware of and weigh the trade-offs between embracing a global brand that can quickly elevate a city's reputation

63 Project interviews

64 Project interviews

65 Design Downtown STL.
https://downtownstl.org/design-downtown-stl/

Figure 6. Startupbootcamp's global network

Source: Startupbootcamp.
A Global Family Of Industry-Focused Startup Accelerators. (n.d.). Startupbootcamp.
https://www.startupbootcamp.org/accelerator/

versus creating local capacity that can support longer-term growth in ecosystem activities and brand building. In the case of Hartford, some stakeholders note, the rapid evolution from InsurTech ecosystem building to acceleration of internal InsurTech capacity was actually accelerated by bringing on a non-U.S. partner that could expose local players to global best practices and support local initiatives with a global network.[66] (Figure 6 shows Startupbootcamp's global network–Hartford is one of many of cities across the world with an accelerator program.)

2. Collaborative efforts can complement and support long-term development of internal capabilities

A related point is between participation in collaborative ecosystem building and development of internal capabilities. Corporate ecosystem partners that are already thinking about growing their internal innovation teams used their participation at accelerators and other ecosystem events to expose employees to innovative practices and to help lead cultural change within their organization. Corporates that were less prepared or had not yet bought into the practical value of ecosystem participation often ran into practical problems with things like NDAs and compliance issues around data acquisition and utilization. However, it is important to note that both sets of corporates benefited: those ready for change, in the words of one stakeholder, "took it and ran and are now in a different position capability wise." The group that struggled to integrate new technologies and companies through their internal processes also benefited in that they now have an appreciation of what it takes to accelerate innovation internally.[67] Ideally, corporate participation in collaborative ventures like accelerators can help blend the deep experience needed "to understand how commercial line insurance works and what is 'innovative' and what is not" with the skill sets of "super creative" startups, which often don't fit the large vendor model around which corporates are organized.[68] Preparing corporates to take advantage of collaborative efforts could increase their ROI and secure their long-term participation.

3. Stakeholders need to design innovation programming to fit city size

In general, at least pre-COVID, there is significant research that supports the idea that larger cities and metropolitan areas

66 Project interviews

67 Project interviews

68 Project interviews

are better positioned for innovation and to some extent, growth, than smaller- and mid-sized areas. One of the largest challenges facing small- and mid-sized cities is some combination of perception and reality about the depth of available specialized talent. These sentiments were captured (unfortunately for Hartford, in the New York Times) by Aetna's CEO when announcing the move of headquarters and digital staff to Manhattan.[69] This assessment—which has been described as "cruel" by local media—does reflect the reality that the larger labor markets tend to be a major draw for specialized talent,[70] but this advantage could be somewhat diminished if post-COVID trends in business and population growth favor smaller and mid-sized areas, as some predict. Already, local economic development leaders are trying to recruit Boston- and NYC-based firms to Hartford with the idea that the costs of density are greater than its benefits, at least in the short term.[71]

The labor market and talent disadvantages of small- and mid-sized cities can be somewhat compensated for by stronger network ties to other actors in the ecosystem. Comparing Hartford to New York, one stakeholder noted that effective density of people who care about innovation in insurance might actually be higher in Hartford, where people work across the street and run into each other, rather than "staying isolated in a 25-story office building."[72] The physical layout of larger cities can mean that "companies so insular… [don't] get the kind of collaboration and interaction that we get [in Hartford]." To the extent they exist, these types of advantages might be especially important in the early stages of innovation, when the ecosystem is being built.

In its support of InsurTech, Hartford stakeholders made two key decisions that minimized or neutralized the potentially detrimental impacts of its modest size. First, they focused on a targeted piece of the innovation trajectory—pilots and proofs of concept—that leverages the presence of mid-sized and large corporates while neutralizing the constraints created by the size of the Hartford labor market and talent pool. Second, investments and program development were concentrated in a few blocks in Hartford's downtown, creating scale and density more typical of larger cities.

4. The State of Connecticut's Innovation Places program and grant was a critical driver

Local stakeholders credit the Hartford/East Hartford Innovation Places (IP) planning process and grant with accelerating the development of InsurTech and other innovation activities. The IP project is the brainchild of CTNext, a statewide organization dedicated to entrepreneurship, which created the program "to enable communities across … [Connecticut] to become top-tier destinations and magnets for talent and high-growth companies."[73] After being named one of seven finalists and being provided a planning grant in 2016, Hartford/East Hartford underwent a rigorous planning process involving hundreds of stakeholders and in 2017, submitted their IP proposal, which received, with New Haven, the highest amount of IP funding, over $2 million per year for three years. This was matched with millions of dollars of cash and in-kind contributions from various Hartford stakeholders, including insurance companies.[74]

IP, however, played a far bigger role in the transformation of Hartford's innovation system than resources alone. Although some observers thought that IP would have benefited from a more intense focus on community engagement and local investment, one stakeholder noted that IP was critical in promoting the idea of public-private partnerships; because the grant covered innovation in multiple key clusters (insurance, healthcare, advanced manufacturing), "everyone got representation," which made it easier for economic development groups to get buy-in from their members.[75] Another stakeholder, speaking specifically to the role of IP in advancing InsurTech, said, "The key contribution of IP beyond public funding was that it set a tone among the four insurance companies that there was more than just individual business ROI that was important to come out of this…That helped create a much more powerful magnet as a community than if each of them were trying to recruit startups on each on their own—'Come to Hartford and work with all of us.' And the type of mentorship community that spanned organizations and created public buzz would not have been achieved if this was not something people were doing together."[76]

69 Nir, S. M. (2017, June 29). Insurance Giant Aetna Is Leaving Hartford for New York City. New York Times. https://www.nytimes.com/2017/06/29/nyregion/insurance-giant-aetna-is-leaving-hartford-for-new-york.html

70 Florida, R. (2017, July 6). When It Comes to Skills and Talent, Size Matters. CityLab. https://www.bloomberg.com/news/articles/2017-07-06/a-big-advantage-of-bigger-cities-more-skilled-workers

71 Project interviews

72 Project interviews

73 Innovation Places. (n.d.). CTNext. https://ctnext.com/innovation-places/

74 Hartford: The Next InsurTech Capital. (2018). https://www.treasury.gov/initiatives/fio/Documents/May2018FACI_Hartford.pdf

75 Project interviews

76 Project interviews

CASE STUDY 3 MICROSOFT

Microsoft	TITLETOWN TECH	TheBridgeaccelerator	
Location	Green Bay, WI	El Paso, TX	Ciudad Juárez, MEX
Population (K), 2019	104.6	681.7	1,460.2
Population Change, 2010-2019	0.5%	5.0%	10.5%
Land area (sq. mi.), 2010	45	255	124
Population Density (1K people per sq. mi.), 2019	2.3	2.7	11.8
Jobs (K), 2017	56.7	245.8	Data not available
Job Density (1K jobs per sq. mi.), 2017	1.2	1.0	Data not available
Key Community and Economic Development Needs	Supporting regional economic growth through access to technology expertise, connections to other companies, and an environment that fosters innovation	Connecting local companies to the regional manufacturing and logistics supply chain	
Organization(s) Involved	Microsoft's TechSpark Program, a national civic initiative aiming to foster opportunity and job creation in smaller communities and rural areas outside of major metropolitan areas		
Lessons Learned	1. Market development, long-term customer acquisition, product development and related learning opportunities, employee attraction and retention—all motivate and deeply inform Microsoft's investments in community and economic development (CED) 2. Bounded and experimental approaches work well with industry realities and corporate constraints 3. Business-like design, behavior and partnerships matter 4. Addressing community priorities can legitimize corporate engagement 5. Intermediaries provide essential value by doing the "predevelopment" work of identifying and forming business-aligned CED opportunities 6. Small and mid-sized cities are an attractive home for corporate investment 7. Aligning CED with business interests and engaging corporate business lines and activities in CED led to a deeper and more vested engagement		

Data Sources: U.S. Census Bureau Population Estimates Program and Geography Division TIGER database; LEHD-OTM; MEXICO: Chihuahua, City Population, http://www.citypopulation.de/Mexico-Chihuahua.html; Juárez, Mexico, In Britannica, https://www.britannica.com/place/Juarez-Mexico

Introduction

With subsidiaries in 120 countries, 100 data centers, four global operation centers across three continents, and over two billion users and 150,000 employees globally, Microsoft is one of the largest corporations in the world. About one-third of employees are located at its headquarters in Redmond, Washington, about fifteen miles outside of Seattle. About 60% of Microsoft employees are in the U.S. [1 2]

Microsoft initially began as a proprietary software company that licensed its operating system to hardware manufacturers, most famously, IBM. Microsoft's business model has since expanded to offer a family of hardware and services for people and businesses, as well as consulting and product support services, certified computer system integrators and developers, and earned cloud revenue through usage fees and advertising. The company understands its success depends on its ability to create new products, services, and efficiencies for customers; to develop and adapt to disruptive technology; to enter new markets; and to push broad adoption of its products and services.[3]

Initially a more "closed" company,[4] partnership and collaboration are now considered critical to Microsoft's success. For example, Microsoft offers its intellectual property at no or low cost at times to achieve strategic objectives, such as establishing industry standards, advancing interoperability, or supporting its external development community.[5] Corporate leadership believes partnerships with retailers, healthcare providers, and manufacturers will drive the future technology breakthroughs.[6]

TechSpark: Microsoft's Major Economic Development Initiative

Microsoft has engaged in an array of community and economic development activities for decades. TechSpark provides a good illustration of how its engagement is evolving. TechSpark aims to prepare communities for the "next economy"[7] by improving their technological readiness, recognizing the vital role digital technology skills will play in shaping economic opportunity.

Microsoft launched TechSpark in 2017 as a national civic initiative aiming to foster opportunity and job creation in smaller communities and rural areas outside of major metropolitan centers.[8] As part of the initiative, Microsoft works with regional partners to develop programming that can address future challenges and opportunities associated with the creative and destructive impacts of technology and the transforming economy. Microsoft expects technological advances to reshape the economy in the years to come, requiring workers to update skills and transition to new jobs and businesses to incorporate technological tools and processes to connect with new customers and markets.[9] Microsoft expects less urban and rural areas will face more challenges transitioning.[10]

1 Microsoft. Annual Report. 2019.

2 Facts about Microsoft. Microsoft Corporation. 2020.

3 Microsoft. Annual Report. 2019.

4 Daws, R. (2020, May 19). Brad Smith: Microsoft was "on the wrong side of history" with open-source. Developer. https://developer-tech.com/news/2020/may/19/brad-smith-microsoft-wrong-history-open-source/

5 Microsoft. Annual Report. 2019.

6 Microsoft. Annual Report. 2019.

7 See, generally, Brophy, P., Weissbourd, R., & Beideman, A. (2017). Transformative Economies: Emerging Practices for Aligning Growth and Inclusion. Federal Reserve Bank of Philadelphia.
https://www.phil.frb.org/-/media/community-development/publications/special-reports/transformative-economies-emerging-practices-for-aligning-growth-and-inclusion/transformative-economies-emerging-practices-for-aligning-growth-and-inclusion.pdf?la=en

8 Introducing Microsoft TechSpark: A new program aimed at growing economic opportunity for all Americans. (2017, October 5). Microsoft on the Issues. https://blogs.microsoft.com/on-the-issues/2017/10/05/introducing-microsoft-techspark-new-program-aimed-growing-economic-opportunity-americans/

9 Introducing Microsoft TechSpark: A new program aimed at growing economic opportunity for all Americans. (2017, October 5). Microsoft on the Issues. https://blogs.microsoft.com/on-the-issues/2017/10/05/introducing-microsoft-techspark-new-program-aimed-growing-economic-opportunity-americans/

10 Project interviews

Through TechSpark, regional partnerships have been developed in six places: Fargo, North Dakota; El Paso, Texas; Southern Virginia; Central Washington; Northeast Wisconsin; Cheyenne, Wyoming, and Ciudad Juárez, Mexico. Microsoft and regional partners have worked together to pilot programming that aligns with local economic and community interests, with each TechSpark initiative aiming to be distinct and reflective of regional assets and economic growth goals. For example, in Fargo, North Dakota, Microsoft is developing a "grand farm of the future" to partner with universities to develop the next generation of farming.[11] Farmers can test pilot drone imaging, robotic farming, and agricultural tools of tomorrow.[12] This is an example of the "testbed" approach employed in each region, with Microsoft infusing resources to pilot programs that have the potential to become scalable community and economic development models.

Microsoft had an established presence in some communities even prior to the TechSpark initiative, while other communities were less familiar. For example, Microsoft has a data center in Quincy, Washington that consumes a significant amount of local resources such as land and energy. The TechSpark initiative allows Microsoft to establish a good working relationship with the North Central Washington community to better conduct business and avoid conflict. In other TechSpark communities where Microsoft is less familiar, such as Northeast Wisconsin, the initiative helps Microsoft connect with new demographics and access new insights that can build market share and refine product development. Microsoft can also make new connections with potential partners in government and industry that could serve useful later as strategies and approaches evolve.

Microsoft has expressed that it finds smaller and mid-sized markets offer great focus, often less bureaucracy, and an ability to quickly unite government and business partners more efficiently than larger markets. One associate working on TechSpark likens the "fast-paced decision-making" that can happen in a smaller region to a tech company that is focused on quickly making decisions and moving things forward.[13]

Two TechSpark initiatives stand out as particularly promising economic development models due to their "next-economy" thinking and approach: TitletownTech in Green Bay, Wisconsin and the Bridge Accelerator in the Borderplex region that spans El Paso, Texas and Ciudad Juárez, Mexico.

TitletownTech – Green Bay, Wisconsin

TitletownTech is a TechSpark initiative borne out of a partnership between Microsoft and the Green Bay Packers. Based in Green Bay, TitletownTech builds, enables, and invests in early-stage and existing businesses through a three-part structure that includes: Innovation Lab, which identifies and explores digital transformative solutions; Venture Studio, which develops market solutions with new and existing startups; and Venture Fund, which invests in high-growth, scalable ventures.[14] TitletownTech focuses on five verticals or economic activities that are central to the Northeastern Wisconsin economy: sports, media, and entertainment; digital health; agriculture, water, and the environment; advanced manufacturing; and supply chain technology.

TitletownTech was initiated by the Green Bay Packers, the only publicly owned, not-for-profit, major league professional team in the United States. The Packers are owned by 360,000 individual stockholders who collectively own about 5 million shares and have a vested interest in growing the regional economy.[15] [16] The City of Green Bay is home to Lambeau Field and anchors a three-county metropolitan area of only about 300,000 people. In 2015, the Packers announced a plan for Titletown District, a 34-acre mixed-use development near Lambeau Field.[17] The district includes space for residential and commercial development, as well as business support and development.

11 Project interviews

12 Spelhaug, T. (2019, September 4). Fostering economic opportunity and job creation in North Dakota. LinkedIn. https://www.linkedin.com/pulse/fostering-economic-opportunity-job-creation-north-dakota-spelhaug/

13 Project interviews

14 Project interviews

15 Demovsky, R. (2015, March 18). Green Bay Packers ownership at a glance. ESPN. https://www.espn.com/blog/nfcnorth/post/_/id/70229/green-bay-packers-ownership-at-a-glance

16 As Green Bay is one the smallest markets in the National Football League, the Packers are dependent on a strong regional economy and strong wages to maintain their market, according to project interviews.

17 Packers unveil vision for Titletown District. (2015, August 20). Packers. https://www.packers.com/news/packers-unveil-vision-for-titletown-district-15706125.

Figure 1. TitletownTech offices

TitletownTech offices are located in the Titletown District and include a mix of creative, collaborative and focused workspaces to support the Innovation Lab, Venture Studio, and Venture Fund.
Source: Microsoft, TitletownTech

Initial concepts included a venture fund and an incubator/accelerator model for early stage companies in the region. The Packers soon realized, though, that access to capital was not the main factor impeding the companies. Rather, the region was missing a technology "stamp." Local businesses and industries in Northeastern Wisconsin were lagging in integrating new technology and creating high-growth companies. The companies needed more than capital—they also needed access to technology expertise, connections to other companies and an environment that fostered innovation.[18]

Reconceiving the region as a technology hub would require a credible technology partner, ideally one with a brand as recognizable as the Green Bay Packers. The partnership with Microsoft was born after Brad Smith, President of Microsoft, toured Lambeau Field and learned of the Packers' vision for the Titletown District.[19] Having grown up in Appleton, Wisconsin, Smith had a personal connection to Green Bay and recognized a potentially catalytic role for Microsoft to help local businesses create new digital products and "transform their operations through technology."[20]

Approach and Strategies

The Packers and Microsoft each committed $5 million to TitletownTech and raised $15 million from local businesses to build out the initiative's $25 million venture capital fund.[21] TitletownTech developed a formal business plan to specify how the initiative would address regional gaps, including capital and experienced entrepreneurs and, by doing so, generate returns through the investment fund. Partnerships were developed with the University of Wisconsin system at-large, which sponsors the Entrepreneurship-in-Residence position that advises startups and engages companies in and outside TitletownTech.[22] Having the university system as a partner has created synergistic opportunities in research and development for companies interested in agriculture, water and energy (AWE), a major economic cluster in the state.[23]

Integral to the initiative was crafting a targeted and business-aligned message to engage other corporations. Corporate dollars were pitched as investments with internal rates of returns, rather than charitable donations. According to TitletownTech leadership, this motivated corporations to engage more deeply in TitletownTech from the outset as they could expect returns on their investment. Corporations also gained access to a laboratory setting where they could develop and identify their next innovation and become more connected to the early stage of the market.[24]

Microsoft and the Packers also strategically leveraged the power of their respective brands to strengthen the joint initiative. The Packers used their brand to stem parochialism among economic development organizations, as the organizations wanted to work with the Packers, especially after witnessing the Packers put their brand equity in TitletownTech. Similarly, Microsoft's brand lent credibility to the initiative's "business" approach, as other corporations could believe they were joining a credible, business-minded development initiative. Microsoft also leveraged its brand equity to help construct a network of corporate partners that could bring resources and connections to help the portfolio companies grow. Corporate partners with vested interest in innovation, talent building, and regional economic growth were targeted and recruited, including companies from New York, Boston, and Silicon Valley partners through Stanford University.[25]

A core part of Microsoft's investment in TitletownTech is providing human capital resources, including advisors for each key industry.[26] Microsoft has also engaged a Microsoft executive, Jason Zander, Executive Vice President of Microsoft, to serve as the Chief Technology Advisor of TitletownTech. Another Microsoft-supported role is the Technologist-in-Residence, who is based in Green Bay and works directly with TitletownTech startups to connect their teams to engineers and other employees within Microsoft. Unlike a traditional accelerator which might provide standardized curriculum,

18 Project interviews

19 Project interviews

20 The Green Bay Packers and Microsoft join forces to drive economic growth and job creation in Wisconsin. (2017, October 19). Microsoft News. https://news.microsoft.com/2017/10/19/the-green-bay-packers-and-microsoft-join-forces-to-drive-economic-growth-and-job-creation-in-wisconsin/

21 Ryman, R. (2019, October 18). Packers, Microsoft raise $25 million for TitletownTech business innovation fund. Green Bay Press Gazette. https://www.greenbaypressgazette.com/story/news/2019/10/18/packers-microsoft-investment-green-bay-venture-titletowntech/3999668002/

22 Project interviews

23 Project interviews

24 Project interviews

25 Project interviews.

26 Sports and entertainment; digital health; supply chain; agriculture, environment and water (AEW); and advanced manufacturing

TitletownTech aims to support the specific needs of each start-up, whether that is accessing digital tools or expanding to a new market.[27] The Technologist-in-Residence plays a key role in identifying these needs and quickly connecting start-ups with a subject matter expert at Microsoft who can address their technology questions. Although companies learn about Microsoft products through the initiative, they are not required to use them.[28]

Figure 2. Strive MedTech team meeting with Brad Smith

Brad Smith, President of Microsoft, meets with the team from Strive MedTech, a start-up housed inside TitletownTech.
Source: TitletownTech

In the one-year since the venture capital fund was launched, TitletownTech has invested in fourteen startups. Nine companies are based in Wisconsin; two companies have relocated to Green Bay from out of state; and six companies have moved into the Titletown District. Portfolio companies include ChemDirect, an online marketplace for on-demand chemical supplies; Oculogica, a medical technology to diagnose concussions; Trusted Health, an employment platform for nurses; and Quantum Radius, a faster video processing technology.[29] Over a thousand entrepreneurs from all over the world approached TitletownTech in its first year.[30] The venture fund anticipates backing fifteen or so companies every year, investing between $100,000 and $1 million per firm.[31]

Challenges to the TitletownTech initiative include the fact that other stakeholders have been less able than anticipated to generate and lead investment in venture deals, resulting in TitletownTech being a lead investor more often than initially planned. While the region has significant funds and opportunities for investment, it has long struggled with developing and

27 Sandler, L. (2019, February 22). Packers call tech play in Titletown. Milwaukee Business Journal. https://www.bizjournals.com/milwaukee/news/2019/02/22/packers-call-tech-play-in-titletown.html.

28 Project interviews

29 Dallke, J. (2020, July 28). Packers, Microsoft building steady economic pipeline from Green Bay with Titletown Tech. Milwaukee Business Journal. https://www.bizjournals.com/milwaukee/news/2020/07/28/titletowntech-has-invested-in-14-startups-so-far.html

30 TitletownTech Completes Its Rookie Year. (2020, July 21). TitletownTech. https://titletowntech.com/info/news/titletowntech-completes-its-rookie-year/

31 Dallke, J. (2020, July 28). Packers, Microsoft building steady economic pipeline from Green Bay with Titletown Tech. Milwaukee Business Journal. https://www.bizjournals.com/milwaukee/news/2020/07/28/titletowntech-has-invested-in-14-startups-so-far.html

packaging the entrepreneurs and deals and with due diligence and underwriting, such that money is not fully leveraged.[32] In addition, competition and redundancy across economic development organizations and efforts persist in the region. The traditional (and outdated) economic development approach in which places compete to attract companies to relocate headquarters still dominates, whereas the approach of starting, growing, and supporting existing businesses and ecosystems is still gaining a foothold in the region.[33] However, this is a common problem across regions and the Microsoft initiatives have likely increased the adoption of new economy methods of economic development.

Motivations for Microsoft's Engagement

Through TitletownTech, Microsoft can deeply engage with companies and industries that it is otherwise less exposed to and can gain insights to inform its product development. For example, the partnerships that Microsoft establishes with portfolio companies provide insight on how Microsoft can help early companies build and expand. Microsoft engineers benefit from interacting with early-stage companies using their platforms. Access to such customers is unusual and helpful in understanding how they use technology platforms and the challenges experienced. TitletownTech has also helped better connect Microsoft to less familiar, but critical industries in middle America, such as agriculture.[34] Microsoft also reports that engaging in this and similar projects helps attract and retain millennial employees who are interested in the tech sector and mission-driven work opportunities. Finally, there is also a reputational benefit to engaging with TitletownTech as it helps amplify the Microsoft brand in the Northeastern Wisconsin area.[35]

The Bridge Accelerator – El Paso – Ciudad Juárez

In 2017, Microsoft launched Microsoft TechSpark in El Paso, Texas focused on education and workforce development programs to promote digital skills and employability.[36] In 2019, Microsoft expanded the TechSpark initiative to include Ciudad Juárez, Chihuahua after establishing a partnership with regional stakeholders in Mexico. Microsoft's signature project in the region, the Bridge Accelerator program, began as a pilot developed by regional stakeholders and has since been extended by Microsoft with a $1.5 million investment.[37] Over the next three years, around 75 companies from El Paso and Ciudad Juárez will participate in the intensive 12-week program, which is designed to enhance the digital capabilities of local companies and strengthen their participation in the regional manufacturing and logistics supply chain.

Origins

The area around El Paso, Ciudad Juárez, and Las Cruces, New Mexico, a city of about 100,000 that lies 45 minutes northwest of El Paso, is known as the "Borderplex" region. With a population of 2.5 million people, the binational region is a significant hub of manufacturing and logistics activity.[38] It is the fourth largest manufacturing hub in North America, attracting about $40 billion worth of inputs into the ecosystem. However, only 2% comes from local companies,[39] indicating an opportunity to increase market share through the manufacturing and logistics supply chain.[40] With the right support and resources, it was hoped, small- to medium-sized companies could expand their sales of goods and services to large manufacturing companies as well as the Mexican maquiladoras[41] in the region.[42]

32 Project interviews

33 Project interviews

34 Rodriguez, S. (2017, October 19). Microsoft expands rural U.S. campaign with Green Bay Packers tie-up. Reuters. https://www.reuters.com/article/us-microsoft-midwest-idUSKBN1CO2QC.

35 Project interviews

36 Childress, J. (2019, September 5). Fostering economic opportunity and job creation in the El Paso border region. LinkedIn. https://www.linkedin.com/pulse/fostering-economic-opportunity-job-creation-el-paso-childress-mba/

37 Microsoft announces TechSpark El Paso-Juarez. (2019, October 14). Cision PR Newswire. https://www.prnewswire.com/news-releases/microsoft-announces-techspark-elpaso-juarez-831551269.html

38 The Borderplex Alliance. (n.d.). https://www.borderplexalliance.org/

39 Project interviews

40 Ciudad Juárez has a significant manufacturing base that creates and assembles products with American components. These products are then transported by supply chain and logistics companies in El Paso.

41 Factories in Mexico that assemble, manufacture, and/or process raw materials and export a finished product.

42 Project interviews

Regional stakeholders, led by the Technology Hub (T-Hub), an innovation and entrepreneurship center in Ciudad Juárez, were the first to identify the need to connect local companies to the regional manufacturing and logistics supply chain. Many multi-national corporations were also looking to diversify their supply chain and move away from single-source, lowest-cost approaches. The United States-Mexico-Canada Agreement (USMCA), which replaced NAFTA and went into effect July 1, 2020, also created incentives for companies to diversify their supply chains away from East Asia.[43] Microsoft first made a connection with T-Hub and other regional stakeholders at a regional conference, where it learned of and became interested in the issue of local sourcing. Microsoft and regional partners spoke to multi-national corporations in the Borderplex to understand why they were not sourcing locally and learned that local companies did not usually have the technology to meet ISO standards.[44]

In time, T-Hub proposed a program to increase the participation of local companies in Borderplex supply chains. Microsoft expressed interest in supporting a pilot of the program, provided T-Hub could recruit more organizations and companies as partners, which T-Hub successfully did.[45] After a successful pilot, Microsoft and T-Hub formally launched Bridge Accelerator, through the TechSpark program.

Approach and Strategy

Bridge Accelerator companies participate in an intensive 12-week training program that leads them through a lean business model, introduces them to technology and innovation concepts, and puts them in front of potential customers, including large procurement offices. The program provides access to an early-stage venture capital fund, as well as a digital fabrication lab that can be used to create prototypes of their inventions.[46] Companies learn of new digital tools and strategies, like data mining and Internet of Things (IoT), and best practices for incorporating technology to transform their businesses. With guidance from the Bridge Accelerator and partners, companies can then choose to implement the strategies and digital tools that best serve their goals.[47]

Figure 3. Bridge Accelerator companies

Bridge Accelerator companies participate in an intensive 12-week training program that leads them through new business models and technology and innovation concepts.
Source: T-Hub

43 Project interviews

44 Project interviews

45 Project interviews

46 The Bridge Accelerator. (n.d.). https://tb-xl.com/

47 Project interviews

The pilot program included ten businesses (five from El Paso, five from Ciudad Juárez), with most coming from manufacturing-related industries. Companies ranged from startups to mature companies of 20 to 40 years. Emphasis was placed on establishing connections between participating companies and the wider ecosystem in El Paso and Ciudad Juárez. One of the goals of the program was to reduce trepidation about conducting binational business by educating firms about business practices and providing the connections needed to enter the target market.[48]

Microsoft and T-Hub saw encouraging outcomes upon the completion of the first pilot, including 52 new purchase orders totaling $1.48 million; thirty-three new jobs in the region; and two investments totaling $250,000.[49] Twelve months after the pilot, the companies have seen continued success, obtaining $1.7M in additional purchase orders and creating thirty-seven more jobs. A second cohort was initiated in spring 2020, generating $770,000 in purchase orders; thirty-eight new jobs; and $280,000 in new venture or angel funding by program end.[50] The strong results have encouraged Microsoft to invest in T-Hub and make the Bridge Accelerator a long-term program. Each year, for a total of three years, T-Hub will host two cohorts with a minimum of 12 participating companies. The overall goal of the project at the end of the investment period is to increase local supplier participation from 2% to 3%-4%.[51]

Figure 4. Demo Day

Each cohort program concludes with Demo Day, where companies pitch to and meet with regional manufacturing and production executives.
Source: Microsoft, T-Hub

48 Project interviews

49 Smith, B. (2019, October 14). TechSpark El Paso-Juarez: Igniting digital transformation throughout the Borderplex. Microsoft on the Issues. https://blogs.microsoft.com/on-the-issues/2019/10/14/microsoft-techspark-el-paso-juarez/

50 Project interviews

51 Project interviews

Figure 5. Demo Day

Each cohort program concludes with Demo Day, where companies pitch to and meet with regional manufacturing and production executives.
Source: Microsoft, T-Hub

Although Bridge Accelerator is off to a strong start, regional factors present some challenges to accelerating and sustaining economic growth. Moving businesses from being cost-driven to value-driven can be difficult, especially in the context of a region with historically low wages.[52] Additionally, Bridge Accelerator must develop content that is relevant and beneficial to both U.S. and Mexican firms. Firms in both countries are engaged in the same industries along the same supply chains, but face different challenges in engaging with customers, and in integrating technology tools and platforms into their operations.

T-Hub is currently preparing to lead a third cohort through the Bridge Accelerator. While Microsoft is generally more hands off and has taken more of a "sponsor" role with the accelerator, it is still a visible partner and engages the companies through its digital tools.

Motivations for Microsoft's Engagement

The Bridge Accelerator provides Microsoft with a first-hand perspective on how to support digital transformation through cultural transformation, recognizing that existing attitudes and practices can impact how communities and businesses engage with new technology. For example, small- and medium-sized businesses in the Borderplex region tend to underutilize technology,[53] in part because many of the businesses are resistant to taking on debt to purchase digital tools and software. Many of the businesses also need to see revenue from new products and services right away in order to maintain cash flow.[54] This risk-averse, loss-averse perspective may not consider startup models and practices as practical

52 Project interviews

53 Resendiz, J. (2019, October 25). Border cities team up to help businesses cash in on global trade. KXAN. https://www.kxan.com/news/border-cities-team-up-to-help-businesses-cash-in-on-global-trade/

54 Project interviews

or feasible strategies to implement. Through Bridge Accelerator, Microsoft can better understand the cultural context that influences how communities and businesses perceive and evaluate technology. Microsoft can learn alongside regional partners what communities and businesses value in technological tools and how they can open opportunities for economic growth.[55]

Bridge Accelerator also presents an opportunity for Microsoft to become more familiar with Hispanic and rural communities, insights that can help the company increase the diversity of their talent pipeline and develop products that are responsive to community needs.[56] Bridge Accelerator also provides Microsoft and partners with deeper insights into advanced manufacturing, advanced logistics, and business services industries from the perspective of companies at different growth stages. Microsoft can see if and how new technical capabilities help the companies connect to new customers, access new markets, or contribute to local economic growth. According to one stakeholder, Microsoft's and T-Hub's visions are aligned in that they both want to empower every person to "create more."[57] By equipping companies with knowledge, resources, and tools, Bridge Accelerator plays a crucial role in preparing companies to pursue opportunities in the "next-economy."

Other Community/Economic Engagement Activities

Microsoft also engages in community and economic development activities outside of TechSpark, including initiatives to demonstrate and expand technology capabilities in local governments, nonprofits, and schools. Microsoft's Rural Airband Initiative, for example, employs Microsoft's new and patented wireless technologies to expand internet access in rural communities.[58] Microsoft has also partnered with DataKind, a data science nonprofit to support Vision Zero, an international initiative working on reducing traffic-related deaths.[59] Microsoft and DataKind used data and machine learning methods to identify where cities could make traffic safety improvements to ease traffic.[60] Through such "lighthouse" projects, Microsoft can demonstrate the potential of AI, cloud computing, and other emerging technologies and inform the regulatory environment around these technologies.[61]

Microsoft has also developed several skills and employability initiatives that can build a potential talent pool for the company and/or promote demand for their products. This includes advocating for computer science to count toward high school graduation requirements and developing a data science curriculum. The latter initiative can build demand for their products as companies are inclined to buy tools their employees are trained in.[62]

Lessons Learned

As is the case with many corporates, Microsoft is not solely tied to any one community or place—its business activities, employees, customers, and other corporate interests are global and diffuse. Microsoft demonstrates, though, motivations for multi-site corporates to still invest in specific places, as well as the highly contextual, firm-specific interests that drive these investments. Microsoft also exemplifies the emerging trend of companies more directly aligning their community and economic development engagement with their corporate interests, and using their business expertise, products and activities more directly in the work.

55 Project interviews

56 Project interviews

57 Project interviews

58 Rural Broadband Access & Connectivity. (n.d.). Microsoft. https://www.microsoft.com/en-us/corporate-responsibility/airband

59 A data science partnership for safer streets. (2015, August 28). Microsoft on the Issues. https://blogs.microsoft.com/on-the-issues/2015/08/28/a-data-science-partnership-for-safer-streets/

60 Vision Zero Labs: Using Data Science to Improve Traffic Safety. (2017, June 29). Microsoft on the Issues. https://blogs.microsoft.com/newyork/2017/06/29/vision-zero-labs-using-data-science-to-improve-traffic-safety/

61 Project interviews

62 Project interviews

1. Market development, long-term customer acquisition, product development and related learning opportunities, employee attraction and retention—all motivate and deeply inform Microsoft's investments in community and economic development (CED)

In many ways, Microsoft perfectly illustrates a more strategic, effective, business driven approach to CED. Simplifying only slightly, promoting and enabling the shift to the digital economy fully aligns with growing market demand and positions Microsoft to meet it. Because Microsoft's business model aims to deliver a family of devices and services, for both home and work, the company has a strategic interest in accelerating digitalization and capturing customers for a lifetime. Microsoft often engages in development projects with the potential to expand use of digital technologies and generate new customer acquisition and as such may be more willing to pay costs upfront to attain long-term customers in the future.

Such is exemplified by the Bridge Accelerator initiative, in which Microsoft is investing in El Paso and Ciudad Juárez to both better understand and spur the cultural transformation necessary to support broader digital transformation in more rural or underserved and risk-averse communities. The project also provides Microsoft access to new demographics, particularly the Hispanic community, helping the company develop and refine its products through the insights gained. Similarly, Microsoft's investments in "lighthouse" projects, such Vision Zero, allow Microsoft to demonstrate the potential of its technologies to customers and society at-large, laying the groundwork for broader adoption and market share.

2. Bounded and experimental approaches work well with industry realities and corporate constraints

While near perfect in theory, in practice this alignment is much more case- and place-specific and nuanced. For example, technologies and capabilities are ever evolving, requiring Microsoft to pivot products, programs, and directions: capturing "customers for a lifetime" requires meeting them where they are and tailoring pathways to increased digitalization. As a result, Microsoft tends to design and launch development activities that are fairly narrowly defined and more "testbed" in approach. Microsoft's "AI for Good" programs, for example, are bounded by use and category.

3. Business-like design, behavior and partnerships matter

The reluctance to engage in long-term, open-ended commitments also informs the partnerships pursued, as Microsoft seeks partners that can sustain and accelerate the programs and investments it helped lift off. TechSpark, for example, deliberately engages "right-sized" communities that can make and accelerate decisions more quickly and better align with Microsoft's experimental, laboratory approach. More broadly, partnering with the Packers, and then recruiting other corporate stakeholders in TitletownTech, both required and further signaled that the projects were approached and run as business activities, leveraging the brands to provide reassurance, paying attention to business benefits for the participants, and so forth. In effect, this corporate engagement trend mirrors and reflects the broader move over decades in the field of CED to transcend the old notion that charitable and mission-driven activities did not have to be as professional or business-like in their operations or outcomes.

4. Addressing community priorities can legitimize corporate engagement

Both the TitletownTech and Bridge Accelerator initiatives advanced priorities long-established by their respective communities. TitletownTech was originally devised by the Packers and borne out of a recognized need to better integrate new technology and develop high-growth companies in Northeastern Wisconsin. Concerns about a technology and opportunity divide in El Paso-Juárez also pre-dated Microsoft's engagement. In effect, Microsoft's investments in TitletownTech and Bridge Accelerator did not supersede community priorities or activities but helped move them forward.

5. Intermediaries provide essential value by doing the "predevelopment" work of identifying and forming business-aligned CED opportunities

The Bridge Accelerator example, in particular, demonstrates how valuable intermediaries can be in finding alignments between community and corporate partners and translating the alignments into concrete programs. T-Hub identified the opportunity to connect local companies to the regional manufacturing and logistics chain and simultaneously support multi-nationals in diversifying their supply chains. It also conceived and effectively "packaged" the Bridge Accelerator opportunity to Microsoft. T-Hub's expertise in innovation and entrepreneurship, coupled with its deep familiarity with regional companies and dynamics, played a critical role in enabling Microsoft to enhance the digital capabilities of local companies and increase their participation in regional supply chains.

6. Small and mid-sized cities are an attractive home for corporate investment

Microsoft recognizes the advantages of small and mid-sized cities and is keen to leverage them, with many of its TechSpark investments being in such cities. Per Microsoft, the accessibility of government and business leadership; the faster decision-making; and the ease of getting to a "yes" in small and mid-sized cities also align well with the fast-paced, ever-pivoting realities of the technology company and industry.

7. Aligning CED with business interests and engaging corporate business lines and activities in CED led to deeper and more vested engagement

The TitletownTech initiative, for example, demonstrates how corporates engage in CED differently if they anticipate a return on investment and do not see the activity as purely philanthropic. The corporates in TitletownTech are pulling in their engineers, product managers, leadership, etc. to help support and develop early-stage companies that the corporations have invested in. It is likely that a corporate social responsibility or philanthropic arm would have more difficulty pulling such resources. Similarly, the alignment of its CED activities with its interest in customer acquisition, seems to contribute to Microsoft's willingness to pay significant costs upfront and await long-term returns to its CED activities.

CASE STUDY 4 ROCKET COMMUNITY FUND

Location	Detroit, MI
Population (K), 2019	670.0
Population Change, 2010-2019	-6.1%
Land area (sq. mi.), 2010	139
Population Density (1K people per sq. mi.), 2019	4.8
Jobs (K), 2017	207.0
Job Density (1K jobs per sq. mi.), 2017	1.5
Key Community and Economic Development Needs	Housing costs and property tax foreclosures, the quality of housing stock, and the aftermath of the foreclosure crisis in Detroit
Organization(s) Involved	Rocket Community Fund (formerly Quicken Loans Community Fund), the charitable arm of Rocket Mortgage (formerly Quicken Loans)
Lessons Learned	1. Think broadly about the role of resources – both internally and externally 2. Corporates can deploy market and product knowledge to help define community development problems 3. Long-term commitments can result in foundational changes in issue identification and policy response

Data Sources: U.S. Census Bureau Population Estimates Program and Geography Division TIGER database; LEHD-OTM

Introduction

Rocket Community Fund (formerly Quicken Loans Community Fund) was established in 2017, seven years after Rocket Mortgage (formerly Quicken Loans) established downtown Detroit as its headquarters and base for 3,600 employees.[1] With a stated mission of "support[ing] inclusive, thriving and resilient communities by making data-driven investments in housing, employment, and public life" and an emphasis on systems change and flexibility in both mission and strategies, Rocket Community Fund was established as an LLC rather than a traditional 501©3 philanthropic entity.[2] Its establishment in 2017 followed years of community engagement in various initiatives in the City of Detroit from leadership and employees of Rocket Mortgage and founder Dan Gilbert's company, Rock Ventures, which is the thread-tying entity and service provider that manages his portfolio. The broader set of Gilbert-related companies is known collectively as the Rock Family of Companies (FOC).[3] [4]

This case study focuses on stable housing, one of Rocket Community Fund's three focuses, and an area in which Rocket Mortgage and Rocket Community Fund have been deeply engaged for a decade, as it aligns closely with Rocket Mortgage's deep experience in residential mortgages. As one fund representative notes, "We're the country's largest mortgage lender in a place with great housing instability—we have a real responsibility here." Housing stability was described by one leader as "ensuring that regardless of income people have access to safe quality housing"[5] — Rocket Community Fund pledges to "[work] relentlessly to find new and innovative ways to provide housing services and support to communities and neighborhoods in need throughout Detroit and across the country."[6]

As the case study shows, Rocket Community Fund's work on housing-related issues has covered community outreach, data tools, vacancy and blight, tax foreclosures, home repair funds, and local and state public policy, evolving over time with growing expertise and deepening moral commitment for over a decade. Rocket Community Fund's efforts provide a clear example of how corporate engagement can shape and be shaped by broader understanding of and commitment to community development. Although it is difficult to assess individual motivations, the case also seems to exemplify a process by which community engagement exposes corporate staff, in this case, young workers attracted to Rocket Mortgage's commitment to Detroit, to the lived experience of lower-income residents and in the process, deepens the commitment of staff and eventually leadership to improving conditions for city residents.

Rocket Mortgage's Role in Detroit's Housing Markets: A Brief History

In October 2013, Dan Gilbert was asked to co-chair the federal Detroit Blight Removal Task Force. By this time, he was already one of the city's largest real estate holders with 40 buildings and 8 million square feet of space.[7] For years, Gilbert had committed personal and corporate resources to the city's land and housing issues and had come to identify blight and vacancy as the city's key economic development challenge. Gilbert came to see blighted properties as such a concern that at the Techonomy Detroit conference in September of 2013, he proposed erecting a billboard to track progress on the razing of "78,000 or so structures that need to be taken down" across the city.[8]

Part of a much larger commitment to the revitalization of the city, the establishment of the task force came with access

1 A Year of Impact: 2019 Quicken Loans Community Fund Annual Report. (2019). Quicken Loans Community Fund. https://www.quickenloans.org/wp-content/uploads/2020/03/QLCFAnnualReport-QuickenLoans.org-20200311-V42.pdf; project interviews

2 Our Mission. (n.d.). Quicken Loans Community Fund. https://www.quickenloans.org/; project interviews

3 Project interviews

4 The Rock Family of Companies (FOC) includes almost 90 companies across fintech, gaming and hotels, real estate, sports and entertainment, and venture capital. See: Dan Gilbert companies, partnerships and other investments. (2019, May 30). Detroit Free Press. https://www.freep.com/story/money/business/michigan/2019/05/30/dan-gilbert-companies-real-estate/1275125001/

5 Project interviews

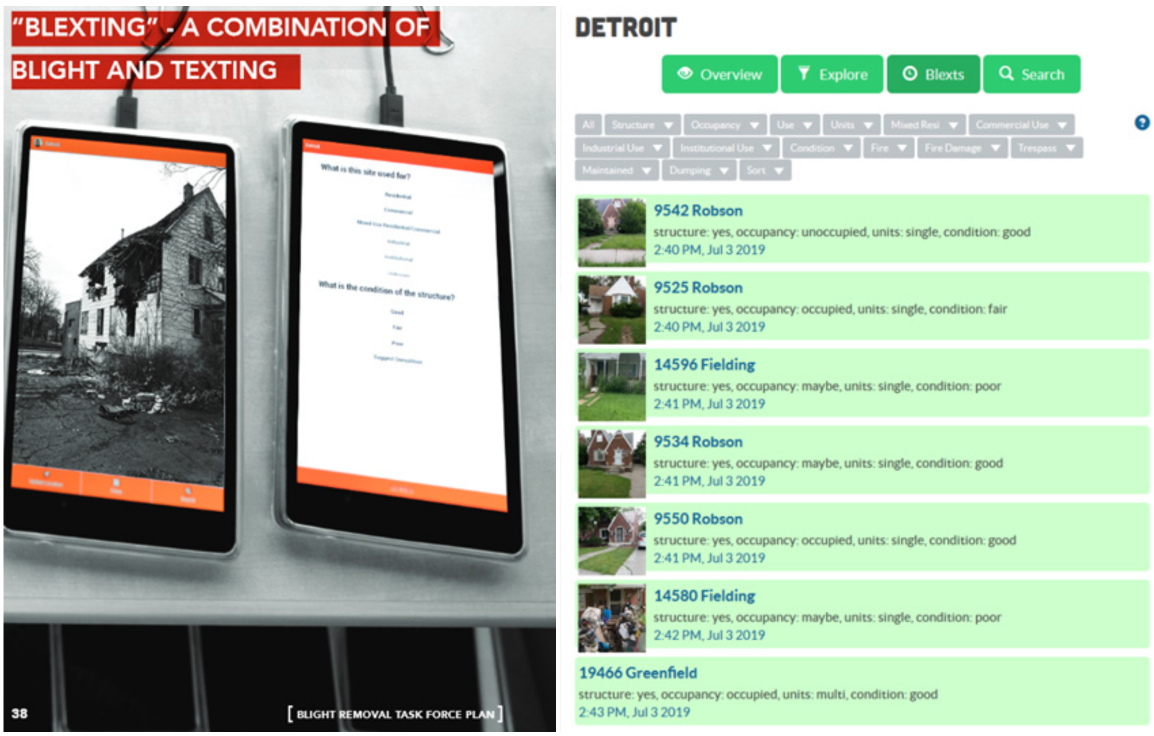
6 A Year of Impact: 2019 Quicken Loans Community Fund Annual Report. (2019). Quicken Loans Community Fund. https://www.quickenloans.org/wp-content/uploads/2020/03/QLCFAnnualReport-QuickenLoans.org-20200311-V42.pdf

7 Muller, D. (2013, October 9). Federally appointed Detroit blight fighting task force has first meeting Wednesday. MLive. https://www.mlive.com/business/detroit/2013/10/federally_appointed_detroit_bl.html

8 Muller, D. (2013, October 9). Federally appointed Detroit blight fighting task force has first meeting Wednesday. MLive. https://www.mlive.com/business/detroit/2013/10/federally_appointed_detroit_bl.html; Burke, A. J. (2013, September 17). Next Step to a Techonomic Detroit? The Wrecking Ball. Techonomy.

to $52.3M in federal dollars for blight remediation in Detroit.[9] Then-mayor Dave Bing welcomed the money, saying it would help the city reach its blight reduction goal of taking down 10,000 structures by the end of 2013. One of the first actions of the task force was to commission a digital survey of the city's land.[10] Led by non-profits Data Driven Detroit (D3), Detroit Land Bank Authority, and Michigan Nonprofit Association, the private sector firm LOVELAND Technologies, and 200 Detroit residents, the Motor City Mapping (MCM) project collected, cleaned, and digitized data on 377,600 of Detroit's over 380,000 parcels.[11] The MCM data on property condition, occupancy, and use were then combined with information on things like water shutoffs, utility use, property tax information, and foreclosure risk to create a "deep picture of the genetic code of the body of Detroit."[12] (Figure 1 shows a picture of the app used to facilitate data collection and blexts in the MCM data portal.)

Figure 1. MCM relied on a data collection method known as "blexting"



Sources: Detroit Blight Removal Task Force Plan (left). MCM data portal blexts viewer (right).
Every Neighborhood Has A Future ... And It Doesn't Include Blight (Detroit Blight Removal Task Force Plan). (2014).
http://s3.documentcloud.org/documents/1173946/detroit-blight-removal-task-force-plan-may-2014.pdf
Blexts. (n.d.). Motor City Mapping. https://motorcitymapping.org/#t=overview&s=detroit&f=all
https://www.startupbootcamp.org/accelerator/

The work of Motor City Mapping received national attention. The nonprofit news organization Next City remarked on the potential of the project to be "a new path of communication between citizens and city leaders about the on-the-ground state of Detroit." The project was also critical in raising hundreds of millions of dollars in demolition funds from public, private, and philanthropic sources, including federal TARP dollars and hundreds of millions of dollars from Detroit's "Grand Bargain" that guided and brought the city through bankruptcy.[13] As one deeply-involved participant noted, the "thesis was that demolitions would stabilize property values and improve neighborhoods." And as one community leader in Detroit

9 Snyder: $100M in U.S. aid for anti-blight demolition in 4 cities. (2013, August 21). Holland Sentinel. https://www.hollandsentinel.com/x175616898/Snyder-100M-in-U-S-aid-for-anti-blight-demolition-in-4-cities

10 Neighbor to Neighbor: The First Detroit Property Tax Foreclosure Census. (2019). Quicken Loans Community Fund. http://foreclosureoutreach.org/wp-content/themes/foreclosure-outreach/resources/neighbor_to_neighbor-detroit.pdf

11 Every Neighborhood Has A Future ... And It Doesn't Include Blight (Detroit Blight Removal Task Force Plan). (2014). http://s3.documentcloud.org/documents/1173946/detroit-blight-removal-task-force-plan-may-2014.pdf

12 Project interviews

13 Project interviews

remarked, "[G]et the city safe, get the city clean. The capitalists will take care of the rest."[14] MCM reviewed data for 377,600 parcels and determined that approximately 84,600 parcels were blighted.[15] By 2014, 200 houses per week were being torn down, at a cost of about $15,000 per structure, and upwards of $1 billion in hard and soft commitments had been made for removing 40,000 vacant structures across the city over five years.[16] These initiatives were critical for addressing large-scale vacancy in the city, which Data Driven Detroit estimated as affecting 23% of the city's housing stock, as well as 22% of industrial and 36% of commercial parcels.[17]

As noted in *Detroit Future City*, the city's economic development and land use plan, extensive vacancy represents a significant hurdle to growth and prosperity: "…such vacancy quickly becomes abandonment, blight, and a public safety risk. These realities represent real, physical hurdles to Detroit's redevelopment, and demonstrate a diminished quality of life. For those who remain in the city, the ability to obtain amenities and services remains strained, particularly for Detroiters without a private vehicle. The result is unmet demand, loss of revenue, and inequity."[18]

In addition to Gilbert's leadership, in these first years of addressing the city's vacancy and blight issues, Rocket Mortgage provided relationships and significant employee staff hours for the Motor City Mapping effort.[19] Rocket Mortgage also worked directly with the Michigan Historic Preservation Network on a complementary effort that surveyed six target neighborhoods in Detroit "to provide a data overlay from a historic preservation perspective that would inform blight elimination and demolition decisions."[20]

Addressing the Causes of Blight

The work of the Blight Task Force led to a second focus: the causes of vacancy and blight and specifically, a recognition of the role that tax foreclosures had played in the creation of city's vacancy and blight. This new focus was foreshadowed in the 330-page report from the Blight Task Force, which noted: "Detroit's collapsing structures and vacant lots…are the physical result of dire economic and social forces that pulled apart the city." According to one of MCM's leaders, "One of the big insights [from the MCM data] that was an 'aha' moment…[that] properties going into the foreclosure auction were majority occupied. You could also see that 90% of vacant distressed properties had been through tax foreclosure. It was hard to say whether it was correlation or causation but you could see tax foreclosure was the pipeline to blight in the city."[21] In fact, as shown in Figure 2, in 2002, the number of annual tax foreclosures in the city were still in the low hundreds but rose to over 10,000 by 2010, over 20,000 by 2012 and close to 30,000 by 2015.

14 Hackman, R. (2014, September 28). Detroit demolishes its ruins: "The capitalists will take care of the rest." The Guardian. https://www.theguardian.com/money/2014/sep/28/detroit-demolish-ruins-capitalists-abandoned-buildings-plan

15 Defining Blight in Detroit. (2014, May 27). New York Times. https://www.nytimes.com/interactive/2014/05/27/us/Defining-Blight-in-Detroit.html

16 Hackman, R. (2014, September 28). Detroit demolishes its ruins: "The capitalists will take care of the rest." The Guardian. https://www.theguardian.com/money/2014/sep/28/detroit-demolish-ruins-capitalists-abandoned-buildings-plan

17 Cited in Sands, G., & Skidmore, M. (2015). Detroit and the Property Tax: Strategies to Improve Equity and Enhance Revenue (Policy Focus Report). Lincoln Institute of Land Policy. https://www.lincolninst.edu/sites/default/files/pubfiles/detroit-and-the-property-tax-full_0.pdf

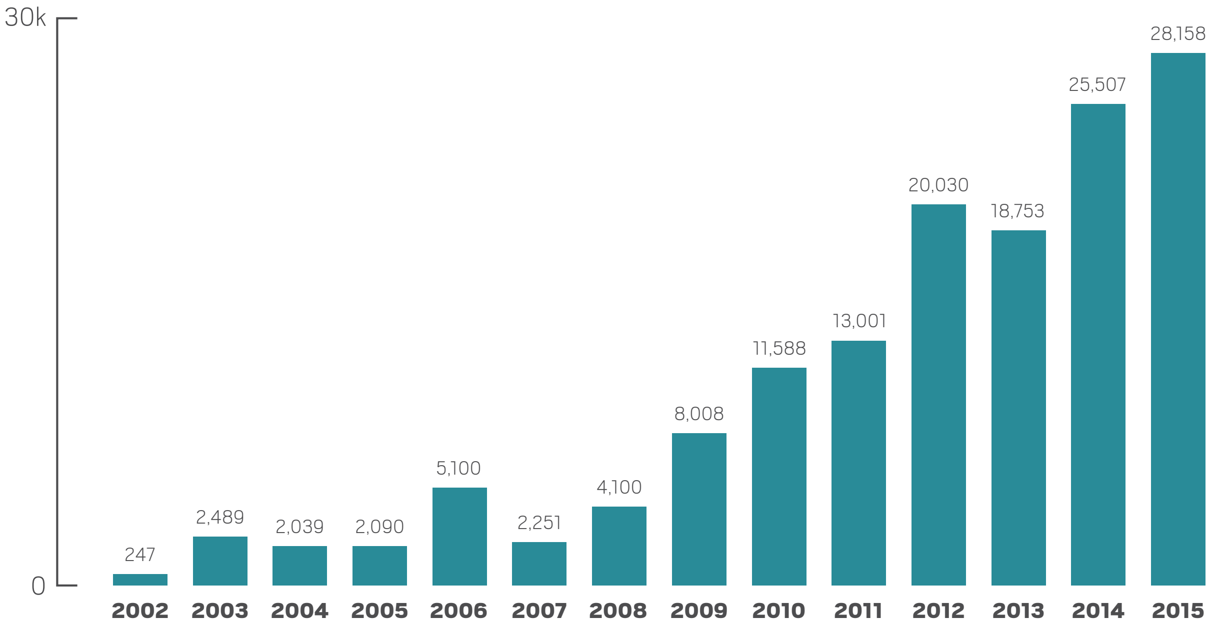
18 Griffin et al., 2012. Detroit Future City, "The Land Use Element." Accessed at https://detroitfuturecity.com/wp-content/uploads/2017/07/DFC_LandUse_2nd.pdf

19 Project interviews

20 Every Neighborhood Has A Future … And It Doesn't Include Blight (Detroit Blight Removal Task Force Plan). (2014). http://s3.documentcloud.org/documents/1173946/detroit-blight-removal-task-force-plan-may-2014.pdf, p. 89.

21 Project interviews

Figure 2. Tax foreclosures in the City of Detroit, 2002-2015



Sources: Data Driven Detroit (various years) and LOVELAND Technologies (various years)
Data Driven Detroit Foreclosure dataset, accessed at:
http://portal.datadrivendetroit.org/datasets/9438afd734d348a694c42a28c4103731_0;
Loveland Technologies stats for 2014, 2015, accessed at: https://landgrid.com/blog/a-recent-history-of-tax-foreclosure

Three key factors have been identified as driving the rapid growth in tax foreclosures.[22] The first is a 1999 state law that imposed a 1.5% per month (18% per year) penalty on delinquent taxes and moved properties into tax foreclosure after three years.[23] Despite the intentions of the law's authors to expedite the tax foreclosure process, declining population levels and drop-offs in home prices meant that it had a detrimental effect on Detroit,[24] supporting conditions in which an astounding one in three of the city's home was auctioned by Wayne County in the 2010s.[25]

The second was a tax system that was slow to adjust assessed property values as real values dropped precipitously across the city. More than half of the 100,000-plus Detroit homes foreclosed on by Wayne County in the 2012-2017 period had tax bills that were at least two times higher than supported by actual property values.[26] Reporting by the Detroit News in 2020 found that "Detroit overtaxed homeowners by at least $600 million after it failed to accurately bring down property values in the years following the Great Recession."[27]

22 Although the very residential tax rate in the city is sometimes identified as an issue, Sand and Skidmore note, "...low property values cancel out its higher tax rate, resulting in a payment of $2,167 for the median-valued home, well below the average of $3,474 for the 50 largest U.S. cities." See: Sands, G., & Skidmore, M. (2015). Detroit and the Property Tax: Strategies to Improve Equity and Enhance Revenue (Policy Focus Report). Lincoln Institute of Land Policy.
https://www.lincolninst.edu/sites/default/files/pubfiles/detroit-and-the-property-tax-full_0.pdf

23 Tax Foreclosure Prevention. (n.d.). United Community Housing Coalition. https://www.uchcdetroit.org/tax-foreclosure-prevention

24 Coenen, C., Drain, J., Druta, O., Holman, G., Kang, T.-P., Kitjakarnlertudom, P., Linn, R., Stern, D., & Twardy, J. (2011). From Revenue to Reuse: Managing Tax-Reverted Properties in Detroit. https://taubmancollege.umich.edu/pdfs/student_work/planning/revenue_to_reuse.pdf

25 Neighbor to Neighbor: The First Detroit Property Tax Foreclosure Census. (2019). Quicken Loans Community Fund.
http://foreclosureoutreach.org/wp-content/themes/foreclosure-outreach/resources/neighbor_to_neighbor-detroit.pdf

26 Mondry, A. (2020, January 16). New report shows Detroit's tax foreclosure crisis was even worse than we thought. Curbed Detroit.
https://detroit.curbed.com/2020/1/16/21069011/detroit-tax-foreclosure-homes-county-auction-assessments

27 This happened despite attempts by Mayor Duggan to reduce tax rates. Sands and Skidmore report: "In February 2015, citywide assessment reductions of 5 percent to 20 percent were announced (Helms 2015). While these reductions are a positive step in bringing Detroit's assessment practices in line with state law, the work of Hodge et al. suggests that assessments should come down much more than this." See: MacDonald, C. (2020, January 11). Detroit homeowners overtaxed $600 million. The Detroit News.
https://www.detroitnews.com/story/news/local/detroit-city/housing/2020/01/09/detroit-homeowners-overtaxed-600-million/2698518001/;
Sands, G., & Skidmore, M. (2015). Detroit and the Property Tax: Strategies to Improve Equity and Enhance Revenue (Policy Focus Report). Lincoln Institute of Land Policy.
https://www.lincolninst.edu/sites/default/files/pubfiles/detroit-and-the-property-tax-full_0.pdf

Finally, underlying economic conditions made it increasingly difficult for the average Detroiter to meet annual tax obligations. As shown in Figure 3, data from the 2000 Census show that nominal median income of Detroit households was about $29,500, 70% of the U.S. average (~$42,000), and the city's poverty rate was 26%. Although there are no data for 2000 or 2001, in 2002, there were only 247 tax foreclosures in Detroit. By 2015, nominal median income of Detroit households had declined by about $3,500 to just under $26,000, only 47% of national median household income, and poverty rates had risen more than half, with 40% of Detroiters living at or below the poverty line. There's little doubt that the declining economic fortunes of Detroiters played a contributing role to the increasing difficulty of households to pay property tax bills.

Figure 3. Foreclosures, income, and poverty in the City of Detroit, 2000-2015

	Tax Foreclosures	Median Household Income		Poverty	
YEAR	*DETROIT*	*DETROIT*	*AS % OF US*	*DETROIT*	*AS % OF US*
2000	N/A	$29,526	70%	26%	210%
2001	N/A	N/A	N/A	N/A	N/A
2002	247	N/A	N/A	N/A	N/A
2003	2,489	N/A	N/A	N/A	N/A
2004	2,039	N/A	N/A	N/A	N/A
2005	2,090	$28,069	61%	31%	236%
2006	5,100	$28,364	59%	32%	244%
2007	2,251	$28,097	55%	34%	261%
2008	4,100	$28,730	55%	33%	252%
2009	8,008	$26,098	52%	36%	254%
2010	11,588	$25,787	52%	38%	245%
2011	13,001	$25,193	50%	41%	256%
2012	20,030	$23,600	46%	42%	266%
2013	18,753	$24,820	48%	41%	257%
2014	25,507	$25,769	48%	39%	253%
2015	28,158	$25,980	47%	40%	271%
2016	N/A	$28,099	49%	36%	254%
2017	N/A	$30,344	50%	34%	257%
2018	N/A	$31,283	51%	33%	255%

Sources: U.S. Census Bureau, 2000 Decennial Census; 2005–2018 American Community Survey 1-year releases; Data Driven Detroit, Archival Tax Foreclosures in Detroit, 2002–2013; Alex Alsup, "A Recent History of Tax Foreclosure," The Loveland Blog, 11/9/2015

Points of Intervention

After identifying tax foreclosure as a key driver of the vacancy and blight across Detroit, Rocket Mortgage continued efforts to address the effects of tax foreclosure and expanded programming to reduce the number of potential and actual tax foreclosures. Working alongside a range of public, philanthropic, and nonprofit community organizations, by the mid-2010s, Rocket Community Fund had helped create interventions at four distinct points in the tax foreclosure process: post-auction, at auction, immediately prior to auction, and before properties entered the auction pipeline.

Post-auction programming included the Rehabbed and Ready program, which Rocket Mortgage co-created in 2015 to rehabilitate homes that had gone through the auction process without receiving a credible bid and were transferred to the Detroit Land Bank. With assistance from Home Depot and local contractors, the program rehabilitated select vacant homes, which were then sold to individuals using mortgage financing from Rocket Mortgage.[28] In addition to providing individuals with homes, the program created "comps" that could be used to address the so-called appraisal gap that arises when market rate sales collapse in an area.[29] As of fall 2020, Rehabbed and Ready had rehabbed and sold 76 homes at an average sale price of $91,498.[30]

Rocket Community Fund also supported interventions at the *auction* stage, most notably the work of the United Community Housing Coalition (UCHC), which has been purchasing homes at Wayne County auctions, then transferring ownership of the house to the original owners or to third parties since 2010.[31] [32] In 2017, Rocket Mortgage began direct support of this program of "last resort," joining local and national foundations that have supported UCHC in the purchase of 3,000 homes from Wayne County auctions in the 2010s.[33]

A third point of intervention is in the *pre-auction* stage. Since 2017, with the support of Rocket Community Fund, UCHC has been coordinating with the City of Detroit on purchasing at-risk homes before they go to auction, then selling them back to the owners. Created by UCHC, the City of Detroit, and Rocket Community Fund, the Make It Home program leverages a provision in state law that allows the City of Detroit to exercise a "right of refusal" and purchase tax foreclosed properties pre-auction for a price equal to the back taxes owed to Wayne County.[34] Using funds from Rocket Community Fund, the city purchases select homes, then turns the deed over to UCHC, which allows the most recent owners to repurchase the home using a zero-interest loan.[35]

The role of Rocket Community Fund in the Make It Home program, which many have called "radical,"[36] is significant. Detroit Mayor Mike Duggan credits Dan Gilbert with personally pitching the idea to him,[37] and a community leader interviewed for this project believes that, absent Rocket Community Fund support, the program would have not happened: "[I]f UCHC had just asked city to [use its right of refusal to] pull properties from foreclosure, I'm not sure it would have happened. [Rocket Mortgage] supporting the effort mattered."[38] These pre-auction interventions became increasingly important in the mid-2010s when demand for auction houses—and the price of houses sold at auction—increased rapidly.

28 Rehabbed & Ready. (n.d.). Detroit Land Bank Authority. https://buildingdetroit.org/rehabbed-ready/

29 Goodman, L., & Kaul, K. (2015, October 4). Is Detroit's "Rehabbed and Ready" program the answer to the city's appraisal problem? [Urban Institute]. Urban Wire. https://www.urban.org/urban-wire/detroits-rehabbed-and-ready-program-answer-citys-appraisal-problem

30 Project interviews

31 UCHC bids on the properties on behalf of the homeowner

32 UCHC also bids on the properties on behalf of their clients who, since a state law change in 2017, cannot bid on their own properties at auction. See: Gross, A. (2018, November 20). Radical new program saves Detroiters from brink of homelessness. Detroit Free Press. https://www.freep.com/story/news/local/michigan/detroit/2018/11/20/foreclosure-program-detroit-homelessness/1685501002/; Tax Foreclosure Prevention. (n.d.). United Community Housing Coalition. https://www.uchcdetroit.org/tax-foreclosure-prevention

33 Tax Foreclosure Prevention. (n.d.). United Community Housing Coalition. https://www.uchcdetroit.org/tax-foreclosure-prevention

34 Gross, A. (2018, November 20). Radical new program saves Detroiters from brink of homelessness. Detroit Free Press. https://www.freep.com/story/news/local/michigan/detroit/2018/11/20/foreclosure-program-detroit-homelessness/1685501002/; Gross, A. (2019, May 8). Wayne County's auction program is supposed to keep people in homes. It's not. Detroit Free Press. https://www.freep.com/in-depth/news/investigations/2019/03/14/wayne-county-land-bank-action-before-auction/2975525002/

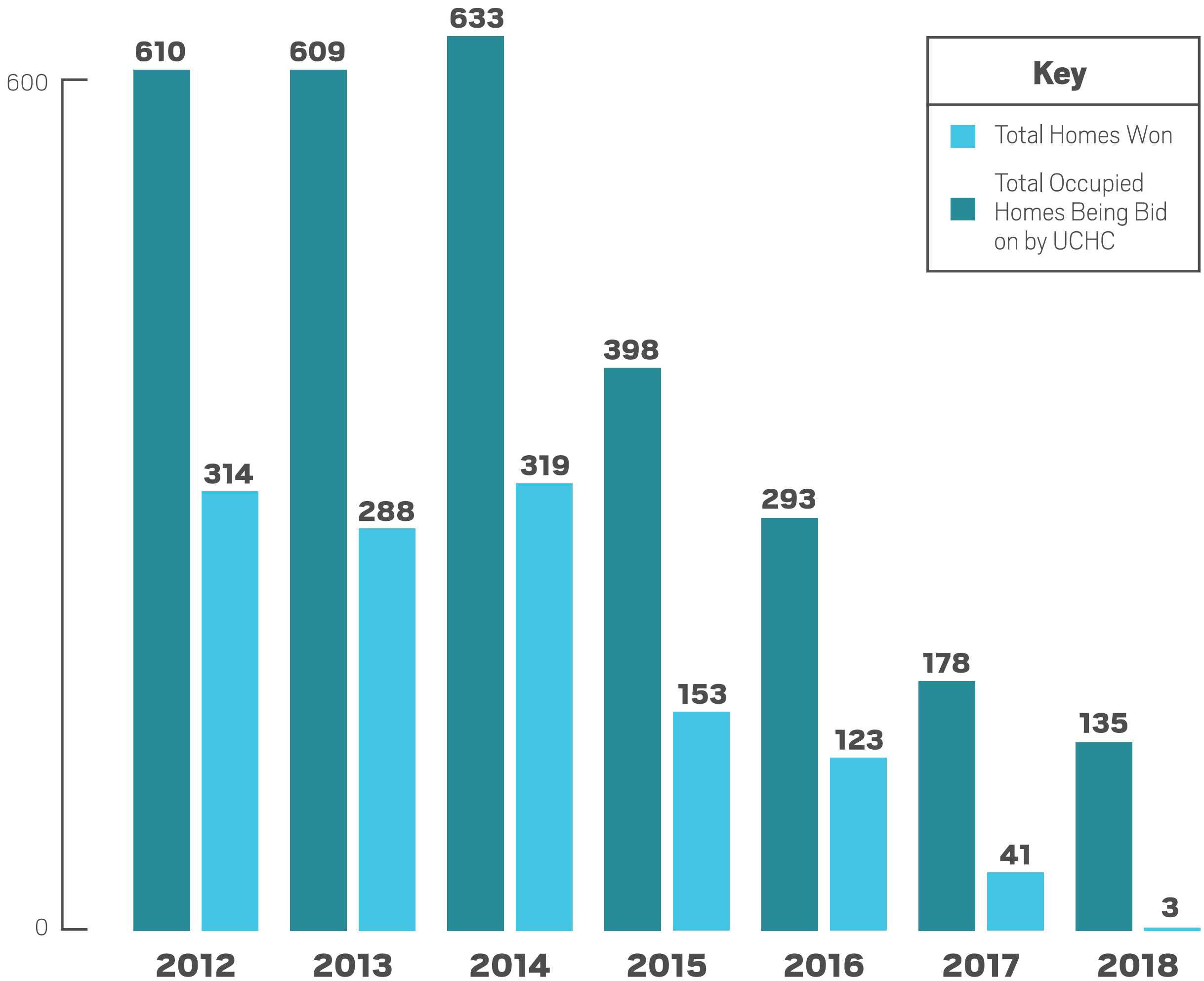
35 Gross, A. (2018, November 20). Radical new program saves Detroiters from brink of homelessness. Detroit Free Press. https://www.freep.com/story/news/local/michigan/detroit/2018/11/20/foreclosure-program-detroit-homelessness/1685501002/

36 Gross, A. (2018, November 20). Radical new program saves Detroiters from brink of homelessness. Detroit Free Press. https://www.freep.com/story/news/local/michigan/detroit/2018/11/20/foreclosure-program-detroit-homelessness/1685501002/; project interviews

37 MacDonald, C. (2020, February 27). Make It Home gets money to expand, help Detroiters purchase houses. The Detroit News. https://www.detroitnews.com/story/news/local/detroit-city/2020/02/27/make-home-expands-more-funding-quicken-loans-detroiters-houses/4890872002/

38 Project interviews

Figure 4. Successful home auctions bids by UCHC, 2012-2018



Source: Gross (2018)
Gross, A. (2018, November 20). Radical new program saves Detroiters from brink of homelessness. Detroit Free Press.
https://www.freep.com/story/news/local/michigan/detroit/2018/11/20/foreclosure-program-detroit-homelessness/1685501002/

As shown in Figure 4, after pursuing about 600 properties at auctions annually in 2012 to 2014 and registering the winning bid on about half, by 2018, UCHC bid on only 135 houses and, of those, gained control of only three.[39]

The most important work of Rocket Mortgage and partners, however, could be in programmatic and policy initiatives aimed at reducing the number of homes entering the *auction pipeline*. Although the full impact won't be known for years, Rocket Community Fund has certainly been a key organization in radically changing the size of the foreclosure pipeline with a combination of programs, policies, tools, and even ideas about the causes and implications of vacancy, blight, and foreclosure for the public and private sector.

Coming out of the MCM analysis and the recognition that, as one participant summarized, "tax foreclosure was the pipeline to blight in the city," public, private, and nonprofit stakeholders invested in the city's land and housing issues embarked on deep collaboration and some truly innovative programming. (Figure 5 shows a "stop the tax foreclosures" demonstration.)

39 Gross, A. (2018, November 20). Radical new program saves Detroiters from brink of homelessness. Detroit Free Press.
https://www.freep.com/story/news/local/michigan/detroit/2018/11/20/foreclosure-program-detroit-homelessness/1685501002/

Figure 5. A "stop the tax foreclosures" demonstration during the Occupy Detroit movement

Source: Boyle, S. Photograph of a "stop the tax foreclosures" demonstration, Flickr.
Boyle, S. (2015, January 11). Stop Detroit's tax foreclosures. Flickr.
https://www.flickr.com/photos/fuzzytek/16067076327/in/photolist

One city employee, a former tenant activist, organized a monthly tax foreclosure prevention meeting, which was run out of the Department of Neighborhood Development (DND) in the mayor's office but open to anyone who wanted to participate.[40] Not only did the group attract stable housing advocates like UCHC and Rocket Mortgage/Rocket Community Fund but also, because of its ties to the mayor's office, important public sector officials like the Wayne County Treasurer, whose office controls the tax foreclosure auctions.[41] This monthly group organized direct actions to improve housing outcomes by, for example, staffing volunteers at so-called "show cause hearings," where residents with tax arrears can discuss options with county officials.[42] The group also shaped key programmatic initiatives like the Neighbor to Neighbor program, discussed below, but the program was developed and executed by Rocket Community Fund. Although Rocket Mortgage and Rocket Community Fund were only two of many participants from across the public, private, philanthropic, and nonprofit sectors, they were, as one stakeholder noted, there from the start and their resourcing was critical to the group's operations. The Neighbor to Neighbor program went to the origin of the blight and vacancy issue by reducing the number of houses entering the foreclosure pipeline. One key to this, program organizers believed, was to provide relevant information to Detroit homeowners, especially about the city's property tax exemption program, which historically had exceptionally low uptake. For 2017, the last year before Neighbor to Neighbor had effect at scale, fewer than 15% off the 40,000 Detroit households eligible for an exemption even applied for one, and less than 10% (<4,000) had received one. There were multiple reasons for this, but a key one was the burdensome application process, which included an in-person intake procedure simply to receive an application in the mail.[43] The difficult application process, which the ACLU

40 Project interviews

41 Project interviews

42 Project interviews

43 Ikonomova, V. (2017, November 29). Quicken Loans aims to help 65,000 Detroit households avoid tax foreclosure. Detroit Metro Times. https://www.metrotimes.com/news-hits/archives/2017/11/29/quicken-loans-aims-to-help-65000-detroit-households-avoid-tax-foreclosure; Neighbor to Neighbor: The First Detroit Property Tax Foreclosure Census. (2019). Quicken Loans Community Fund. http://foreclosureoutreach.org/wp-content/themes/foreclosure-outreach/resources/neighbor_to_neighbor-detroit.pdf; Tax Foreclosure Prevention. (n.d.). United Community Housing Coalition. https://www.uchcdetroit.org/tax-foreclosure-prevention

and others claimed violated state law on exemptions for property taxes for low-income residents, was part of a larger suit brought against the city in 2016.[44] The suit was settled by the city in 2018, making way for a more streamlined application process. A third category (25%) of exemption, in addition to the 50% and 100% exemptions, was added in 2020.[45 46]

Neighbor to Neighbor was implemented on an unprecedented scale with 30 community organizations and over 400 Detroit residents bringing information in person to each of the 60,000 Detroit households that owed property taxes and collecting information to better understand the problem.[47] Rocket Community Fund also sponsored monthly workshops to work with homeowners on applications for the tax exemption.[48] Neighbor to Neighbor tapped Rocket Community Fund's internal volunteer program, which provides employees with eight hours per year of paid volunteering for designated activities. (These hours are regularly replenished so that employees have unlimited opportunities to volunteer, pending supervisor approval.) One such designated activity was working with Detroiters to apply for the city's property tax exemption.[49] As part of the effort, volunteers from Rocket Mortgage "[call] every tax-delinquent homeowner to remind them to apply or reapply" for property tax assistance.[50]

There is general agreement that Neighbor to Neighbor "changed the game" by providing a complete assessment of property tax foreclosures. It allowed stakeholders to combine insights from publicly available and grassroots data sources to support effective interventions and investments.[51] The number of property tax exemption applications increased by 73%, and by 2019, the number of exemptions (~7,600) was twice what it just five years earlier.[52] Perhaps most critically, the number of foreclosures of occupied homes—the central metric that emerged from the work of the Blight Task Force, Motor City Mapping, and Neighbor to Neighbor—had dropped almost 95% from about 9,100 in 2015 to just over 500 in 2019.[53] Figure 6 captures an occupied home with signage to deter bidders.

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44 ACLU, NAACP LDF Sue Wayne County to End Racially Discriminatory Tax Foreclosures in Detroit. (2016, July 13). ACLU Michigan. https://www.aclumich.org/en/press-releases/aclu-naacp-ldf-sue-wayne-county-end-racially-discriminatory-tax-foreclosures-detroit

45 Eisenberg, A., Mehdipanah, R., Phillips, T., & Oberholtzer, M. (2018). Preventing Owner-Occupied Property Tax Foreclosures in Detroit: Improving Access to the Property Tax Exemption (Poverty Solutions) [Research Report]. University of Michigan.
https://poverty.umich.edu/files/2018/12/PovertySolutions-PoveryTaxExemption-PolicyReport-r2.pdf;
Detroit Expands Homeowners Property Tax Assistance Program to Help More Detroiters Avoid Foreclosure. (2020, January 8). CBS Detroit.
https://detroit.cbslocal.com/2020/01/08/detroit-expands-homeowners-property-tax-assistance-program-to-help-more-detroiters-avoid-foreclosure/

46 Project interviews

47 Neighbor to Neighbor: The First Detroit Property Tax Foreclosure Census. (2019). Quicken Loans Community Fund.
http://foreclosureoutreach.org/wp-content/themes/foreclosure-outreach/resources/neighbor_to_neighbor-detroit.pdf

48 Ikonomova, V. (2017, November 29). Quicken Loans aims to help 65,000 Detroit households avoid tax foreclosure. Detroit Metro Times.
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50 Detroit Expands Homeowners Property Tax Assistance Program to Help More Detroiters Avoid Foreclosure. (2020, January 8). CBS Detroit.
https://detroit.cbslocal.com/2020/01/08/detroit-expands-homeowners-property-tax-assistance-program-to-help-more-detroiters-avoid-foreclosure/

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52 Detroit Expands Homeowners Property Tax Assistance Program to Help More Detroiters Avoid Foreclosure. (2020, January 8). CBS Detroit.
https://detroit.cbslocal.com/2020/01/08/detroit-expands-homeowners-property-tax-assistance-program-to-help-more-detroiters-avoid-foreclosure/

53 McClallen, S. (2020, January 8). Detroit adds 25-percent property-tax exemption for homeowners to reduce foreclosures. The Center Square.
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Figure 6. "Do not bid" sign in front of a house in Detroit

Source: MacLean, G. Photograph of home in Detroit with "do not bid" sign, Detroit Metro Times.
As published in: Oberholtzer, M. (2017, September 13). Myth-busting the Detroit tax foreclosure crisis. Detroit Metro Times.
https://www.metrotimes.com/detroit/myth-busting-the-detroit-tax-foreclosure-crisis/Content?oid=5552983

In addition to preempting foreclosure, Neighbor to Neighbor provided an opportunity to update findings from the 2013 MCM survey. After revisiting the properties for Neighbor to Neighbor, Rocket Mortgage and its partners concluded, "the damage from tax foreclosure is ongoing…there are more newly vacant homes than newly occupied ones."[54] Specifically, the survey found that between 2013 and 2018, 2,443 homes that had been vacant became occupied, but over three times more (8,193) transitioned from occupied to vacant, a finding consistent with data that suggest 90% of auction sales are to speculators.[55 56]

To further reduce foreclosures on occupied properties, the Neighbor to Neighbor report recommended changing state law to allow cities and counties to make property tax exemptions retroactive, effectively forgiving past delinquencies. In 2019, Detroit state representative Wendell Byrd introduced "Pay as You Stay," which was signed into law in March 2020, to effect these changes. The legislation caps back taxes to ten percent of the taxable value of a home and provides zero interest financing on balances.[57] According to one estimate, with the new legislation, payments for homeowners with back tax liabilities could decline from about $150 to $25 per month.[58] Figure 7 shows several property tax payment scenarios under Pay As You Stay.

54 Neighbor to Neighbor: The First Detroit Property Tax Foreclosure Census. (2019). Quicken Loans Community Fund. http://foreclosureoutreach.org/wp-content/themes/foreclosure-outreach/resources/neighbor_to_neighbor-detroit.pdf, p. 39.

55 Neighbor to Neighbor: The First Detroit Property Tax Foreclosure Census. (2019). Quicken Loans Community Fund. http://foreclosureoutreach.org/wp-content/themes/foreclosure-outreach/resources/neighbor_to_neighbor-detroit.pdf, p. 39.

56 Mondry, A. (2020, January 16). New report shows Detroit's tax foreclosure crisis was even worse than we thought. Curbed Detroit. https://detroit.curbed.com/2020/1/16/21069011/detroit-tax-foreclosure-homes-county-auction-assessments

57 Governor Whitmer Signs "Pay as You Stay" Legislation to Help Michiganders Stay in their Homes. (2020, March 2). The Office of Governor Gretchen Whitmer. https://www.michigan.gov/whitmer/0,9309,7-387-90499_90640-520681--,00.html

58 Mondry, A. (2020, March 3). New legislation, city compensation may provide relief to overtaxed Detroiters. Curbed Detroit. https://detroit.curbed.com/2020/3/3/21163179/pay-as-you-stay-detroit-property-tax

Figure 7. Pay As You Stay payment scenarios

Source: Mayor's Office, City of Detroit.
Proposed "Pay As You Stay" Program Would Wipe Out All Penalties, Interest and Fees on Back Property Taxes. (n.d.). City of Detroit.
https://detroitmi.gov/news/proposed-pay-you-stay-program-would-wipe-out-all-penalties-interest-and-fees-back-property-taxes

Ultimately, Rocket Community Fund's work in Detroit demonstrates how a corporate's commitment to place can yield positive change for residents, illustrating how to leverage staff expertise and manpower, as well as internal business knowledge, to help resolve community challenges. This work culminated in tangible outcomes (e.g., reducing tax foreclosures) and establishes an important precedent for policy and programmatic interventions that continue to make a difference.

Lessons Learned

Rocket Mortgage and Rocket Community Fund's decade-long commitment to land and housing issues in the City of Detroit, as well as considerable successes in these areas, provide important learnings for corporate actors and philanthropies looking to improve community and resident outcomes in their cities. Four lessons, discussed below, stand out.

1. Think broadly about the role of resources - both internally and externally
Rocket Mortgage brought a tremendous depth and breadth of internal resources to solving crises in Detroit. The financial contributions of Rocket Mortgage and Rocket Community Fund to housing-related issues in the City of Detroit have been substantial, with documented grants in the millions of dollars in the past decade. These investments supported staffing at key nonprofits, technology development, report generation, and myriad soft costs associated with engagement of community organizations and Detroit residents. These contributions were augmented by other resources that were either much smaller in absolute terms or not quantifiable at all, but which effectively scaled/multiplied the impact of traditional grantmaking activities. Such resources included expertise, volunteer time, very small but flexible monetary contributions, and the expending of political capital to shape public sector actions around housing.

Regarding expertise, one person close to the work noted that when people think of philanthropic resources, their mind jumps to capital. However, this overlooks that "part of the reason Rehabbed and Ready was so powerful is that it linked real expertise of the nation's largest mortgage lender in the country." By leveraging skills sets and technology that were internal to Rocket Mortgage and its team members, the impact of the investments was multiplied. Moreover, for philanthropies themselves, leveraging non-capital investments for impact is often more exciting to staff and leaders than simply writing a check. In the case of Rocket Mortgage, the focus on systems, which grew out of great success in completely reshaping an existing market (mortgages) through process innovation (on-line), has had direct application for addressing land and housing challenges in Detroit. And although less commented upon, Rocket Mortgage's roots in a highly regulated market that is shaped by local, state, and federal policy decisions likely made it attuned to regulatory and legislation approaches to systems change.

Rocket Mortgage/Rocket Community Fund's housing-related goals were supported by employee volunteers from Rocket Mortgage and to a lesser extent, related companies in the Rock FOC. Rocket Mortgage's internal policies provides employees virtually unlimited volunteer hours (pending supervisor approval) if used for designated activities, which, in the past decade, have included supporting work related to home ownership and stability for Detroiters. Many of the skills needed align naturally with Rocket Mortgage expertise in making mortgages and supporting clients remotely, so for example, when UCHC and its community partners decided to phone each Detroit household at risk of tax foreclosure, Rocket Mortgage systems, experience, and staff time were invaluable.

As mentioned earlier, the flexible deployment of small amounts of resources were also important in organizing stakeholders and keeping the momentum on housing-related initiatives. Regarding the stakeholder meetings and activities organized out of mayor's office, one participant noted that Rocket Mortgage/Rocket Community Fund were at the table from the beginning and "when small amounts of resources were needed for public meetings or whatever, [Rocket Mortgage/Rocket Community Fund] would very quickly provide money or volunteers." These types of investments are critical for establishing legitimacy and momentum—it's hard to overstate the importance of something as seemingly trivial as having pizza and soda available at a public meeting—and public procurement protocols and procedures generally can't support last-minute allocation of funds no matter how trivial.

Finally, Rocket Mortgage leadership expended political capital to move initiatives forward. As mentioned earlier, according to some accounts, the Make It Home program would not have happened without Dan Gilbert pitching the mayor on the general idea and also encouraging the city to utilize its options to take control of properties before Wayne County put them to auction.

External resources–that is, the expertise of community partners, and the substantial body of knowledge and work they brought to the table–were just as important. Rocket Mortgage leveraged its own internal expertise while cultivating partnerships with organizations in the community (e.g., UCHC, MCM, Michigan Historic Preservation Network, the City of Detroit) that also had deep expertise, including around challenges facing residents. Combining the resources of community partners with Rocket Mortgage's internal resources helped accelerate and amplify the impact of these initiatives.

Taken together, these investments made possible initiatives that otherwise might have stripped public financial and human capital resources. In effect, these myriad, cumulative investments greatly reduced the financial and political costs associated with public action on issues around vacancy, blight, and housing stability.

2. Corporates can deploy market and product knowledge to help define community development problems

Rocket Mortgage leadership and Rocket Community Fund were critical to creating an understanding that the opposite of blight is not vacant lots but occupied houses. In the early 2010s, as conditions of blight in Detroit became a national story and research focused on the extent to which vacant structures attracted criminal activity or caused declines in the value of adjacent properties, the focus turned to razing structures.[59] Given the extent of blight and vacancy, estimated at the equivalent of 20 square miles of blighted property, and Time cover stories that featured the city's abandoned industrial buildings, this focus was perhaps understandable.

As participants in the process now tell it, among the Detroit's power players, blight came to be understood as the critical stumbling block for the city's redevelopment. With the compelling MCM data and visualizations emerged ideas and theses that linked demolition to city recovery; in the words of one stakeholder, the focus became "let's clean up 30,000 lots and be done with it," with the idea that neighborhood stabilization and economic development would follow. When this set

59 Policy Brief: Detroit Blight Elimination Program Neighborhood Impact. (n.d.). https://static1.squarespace.com/static/55e8c061e4b018cc4b5864bc/t/56151816e4b0f9222d31ae0a/1444222998440/20151006+Demolition+Report%5B1%5D%5B2%5D.pdf

of ideas was anointed with funding from well-known city, state, and national entities, regeneration in Detroit became, in the minds of many, inextricably tied to the large-scale demolition of vacant structures.[60] (Dan Gilbert himself proposed a running scoreboard to track removal of blighted structures.) For various reasons, including widespread contamination of industrial properties, the focus on demolition was almost exclusively about the removal of residential structures. As documented earlier, Rocket Mortgage/Rocket Community Fund's broad portfolio of housing-related strategies—support for development of new technologies, large-scale mapping, deep and sustained outreach with Detroit households, forays into the practices and policies of the public sector—created an appreciation for the high human cost associated with vacant buildings, as well as a new understanding of the systemic factors that, absent change, would continue to generate new vacancy. Observers note the courage Rocket Mortgage/Rocket Community Fund evinced in pushing against "the mood coming out of bankruptcy that everything had to be positive" by questioning the completeness of the "thesis [that] demolitions would stabilize property values and improve neighborhoods."

Though perhaps not a framing employed by the participants themselves, inherent in this approach is an understanding that to improve the lives of existing residents, economic development has to take a broader lens than just capital investment or job creation—which, in the past decade, in Detroit and elsewhere have been concentrated in downtowns and other existing business districts—and look at things like wealth creation and stability for residents, which requires deep engagement in the city's neighborhoods. Although many factors may have contributed to this reframing, including the recognition that for most of the 2010s, there was little market interest in recently-vacated homes in Detroit's neighborhoods, the shift in perspective by Rocket Mortgage/Rocket Community Fund leadership and staff certainly played a role. Reflecting back on the decades-long work of Detroit stakeholders to stabilize the city's housing, one observer praised them for evolving from a view that focused on blight removal, a "more conventional corporate concern," to "seeing the damage done" by foreclosure and vacancy.[61] To this person, Rocket Mortgage and Gilbert "get a lot of benefits from the city" but that "doesn't take away from good that they're doing." Another noted that Rocket Mortgage/Rocket Community Fund was "instrumental in carrying the original mandate" to "fix the problem and work with the people [of Detroit]."[62]

3. Long-term commitments can result in foundational changes in issue identification and policy response

The Rocket Mortgage/Rocket Community Fund case shows the benefits of working in a focus area for years or, in their case, decades. Two factors seem to be critical: using internal corporate experience as a foundation, deepening and broadening expertise with each set of investments; and using this expertise to shape the next generation of community collaboration and investments. In what might be thought of as an example of philanthropic "learning by doing," early in their commitment to addressing Detroit's vacancy and blight challenges, Rocket Mortgage invested in creating new data and analytics that generated new understandings of the underlying issues. These findings then shaped the next generation of engagement and grant making. Fund staff understand this as an on-going process; in the words of one, "It's still art and science—we ask what people bring to table and what their track record is; are we on the same page from a thought perspective; and can we make a big impact in the space. [But on] the tax foreclosure work, we know exactly what we need in order to accomplish our goals and we're willing to work with anyone and everyone."

There are multiple benefits to this approach, but two stand out. The first is that the continual growth and evolution of internal expertise likely ensures that outcomes of new programming are additive or even multiplicative to early investments. It also provides a longer payback period to early investments—in this case, the substantial effort at data collection and mapping of vacancy across Detroit—broadening the types of transformative investments that can be justified in terms of returns. When the totality of the Rocket Mortgage/Rocket Community Fund engagement in this space is examined, both the large-scale investments and the continued refinement of problem identification and responses stands out.

The second benefit of long-term commitment to a single issue is the possibility of addressing underlying systems. The culmination in 2020 of significant changes to the very state laws that accelerated the vacancy crisis of the 2000s is unimaginable absent a body of evidence that identifies drivers and a set of programmatic experiences that points to realistic, effective solutions. Over the decade of its work, in collaboration with key partners from the public and nonprofit sectors, Rocket Mortgage/Rocket Community Fund had amassed a body of evidence and experience that allowed them and their collaborators to speak as experts on a very specific issue vital to community health and wealth in Detroit. In this process, they also helped build coalitions to support new policy approaches at the city and state level. This is the work of years, even decades, but even in purely financial terms, the return justifies the investments.

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