

# Anchors and Arts Help Redefine the Rust Belt



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“Rust Belt” is a term with a positive spin for those who embrace the hardscrabble authenticity of older industrial cities. After all, they say, there’s a certain cachet to Rust Belt chic. For others, the label makes for bad public relations. Think disinvestment, decreasing population, job loss — the downward trends that have occurred in many cities over the past 20 years. To survive, much less thrive, Rust Belt cities have had to devise ways to turn the tide and revitalize, to reach for the chic. How can these cities attract and retain residents, encourage investment, and foster asset creation and innovation? Sharing strategies and successes among like cities is a start.

In October 2013, the Cleveland Fed hosted the second part of a videoconference series aimed at connecting local policymakers, community organizations, and civic and community leaders in four Rust Belt cities.

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*An innovative videoconference series helps Rust Belt cities share strategies and successes to help them thrive.*

“Redefining Rustbelt: An Exchange of Strategies by the Cities of Baltimore, Cleveland, Detroit, and Philadelphia” is sponsored and hosted by the Federal Reserve Banks in whose regions the cities reside.

Inspired by Baltimore Mayor Stephanie Rawlings Blake’s initiative to increase Baltimore’s population by a net 10,000 families by 2020, the videoconference series has sparked much conversation — and some debate — over the best ways to innovate into the future. One thing all participants agree on, however, is that it has to happen, and fast.

## **Anchor institutions**

At the first conference, in Baltimore, participants suggested that the economic and community development package for Rust Belt cities needs to be comprehensive. That means focusing on things like racial and economic integration, reforming our public education systems, leveraging anchor-institution strategies, and implementing place-based strategies that attract artists and others who can strengthen downtowns and neighborhoods.

These last two—leveraging anchor institutions and the arts for community and economic development—served as the focus of the October event initiated in Cleveland. Mark Sniderman, executive vice president and chief policy officer of the Cleveland Fed, kicked it off with a question with no clear answer: “Which way does causality run?” he asked. “If we give a company a subsidy to locate in a city, it doesn’t guarantee that company will produce economic growth.”

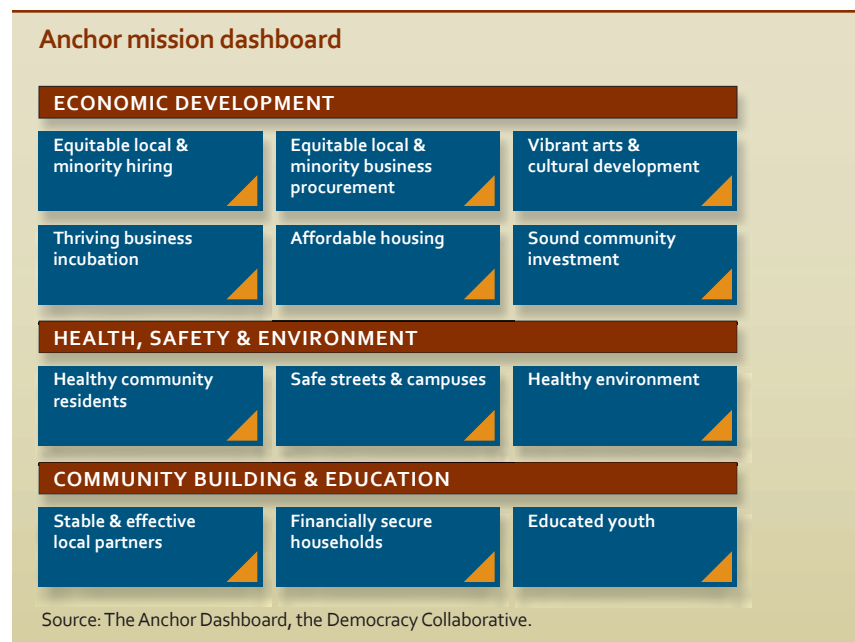
Ted Howard, founder and executive director of the Democracy Collaborative at the University of Maryland and Steve Minter, fellow at the Cleveland Foundation, introduced the “anchor dashboard” as one way to make sense of causality. Howard is the social entrepreneur who designed the Evergreen Cooperative Initiative, informally known as the “Cleveland Model.” A green-jobs and wealth-building strategy, the Cleveland Model demonstrates a new approach to community development that creates economic prosperity by democratizing wealth and ownership. Leveraging anchor institutions for community benefit incorporates some key components of this model, including anchoring jobs locally and stopping dollars from leaving communities.

### Defining anchors

The importance of anchors to their surrounding neighborhoods is well known to many, but what qualifies as an anchor is not exactly agreed upon. Deciding where the most opportunity lies for anchors to help their communities, said Global Cleveland’s Joy Roller, “depends on how you define anchor institutions.” She defines them broadly as organizations impacted by population loss. For Howard, though, anchors are large, place-based institutions, usually nonprofits with a social mission, usually large employers and strong local economic engines. Universities, hospitals, local governments, community foundations, and cultural institutions are prime examples.

According to Howard, anchors are truly rooted and have a vested interest in their surrounding communities. “Anchor institutions may reasonably be expected to be around in 100 years. Anchors take the long view and get dividends later,” says Howard. Companies can exhibit anchor-like behavior, but he “would exclude companies that stay in the area only when it makes sense for the investors. If the companies can be more profitable somewhere else, they will move.”

Others think we may be “too captive to the past,” one Philadelphia participant noted, “by limiting our definition of anchor institutions,” especially to the “eds and meds.” In fact, while universities and hospitals represent the legacy of the industrial wealth once enjoyed in Rust Belt cities, how and where they deliver services continues to evolve. Tom Schorgl of Community Partnership for the Arts agreed, noting that anchors can also be “neighborhood-based institutions or groups that provide an anchor in those neighborhoods.”



### How anchors support the economy

However you define anchors, the definitions have one thing in common: Anchors spur economic activity in and around them. According to Howard, anchors and their largely untapped potential in procurement spending have the power to change whole markets and transform the local community. For example, under its Vision 2010 plan, the University Hospital system in Cleveland spent \$1.2 billion on construction of new facilities. Over 90 percent of the contractors used were local companies, 17 percent of them minority-owned businesses. Close to 20 percent of the workers were local residents. The system worked with 110 small companies during construction and it continues to work with 30. Anchor institution strategies help fill the economic void in the absence of big companies.

For Howard, “if an economy is going to improve in an area, it needs to include everybody in the improvement.” For this to happen, business, human capital, and community needs must be in alignment. Yet there is more work to be done on this front. “You can stand at the front door of any major hospital in an urban area, and it’s a beautiful facility,” says Walter Wright of the Cleveland Foundation. “Walk 100 yards in any direction and you can be in deep poverty.”

Some see an uneven power dynamic between anchors and community residents. Anchor strategies can lead to gentrification, which eventually pushes local residents out of the community. “There is a history that needs to be overcome,” Howard says. “There is a great feeling still that institutions don’t care about us, aren’t for us, or are out to get us.”

To address these concerns, we need to know if strategies are working. Howard recently co-authored a new report in which he suggests indicators for anchors interested in assessing whether or not their practices promote community benefit. The Anchor Dashboard, developed through field research, suggests performance measures for institutions to establish baseline conditions in a community and then track the anchor institution’s impact on that community through spending, procuring locally, hiring of employees, and other factors that contribute to the long-term welfare of the community. “Metrics must include a measure of how investments in the area help retain and improve outcomes for low- and moderate-income residents,” Howard explained, “and not just of diverting procurement dollars to local suppliers.”

Room also exists for partnerships between anchor institutions and small businesses. Sean Watterson, owner of the Cleveland bar and restaurant, Happy Dog, shared a message with public leaders: “Don’t lose sight of what smaller businesses around anchor institutions can contribute,” he said. Local governments can support synergies by creating a positive climate through providing security measures, investments in infrastructure, land disposition decisions, historic preservation, and funding.

## Arts and culture

Cultural institutions — museums, performing arts centers, theaters — by many accounts are considered anchor institutions, and they certainly provide the same benefits to their communities that other anchors do. But cultural institutions, and to a further extent, the arts in general, can offer benefits above and beyond being anchors. In fact, according to a survey by the US Bureau of Economic Analysis and the National Endowment for the Arts, 3.2 percent — or \$504 billion — of current-dollar GDP in 2011 was attributable to arts and culture. That’s an incredible number, considering that the BEA’s estimated value of the US travel and tourism industry was 2.8 percent of GDP.

Many Rust Belt cities have a thriving arts culture, and the four cities involved in the videoconference series see an opportunity to leverage that culture for community and economic development. “Where arts and culture are, economic development follows,” says Mari Hulick, a professor at the Cleveland Institute of Art. “Artists have been known for gentrifying every part of this country.” Even if the money doesn’t necessarily wind up in the artists’ pockets, the investment is worth it. “People are attracted to the arts. They think it’s cool, and fun, and exciting,” says Wright of the Cleveland Foundation. “Once you get some energy around the arts, you will start to attract investment and population and energy.”

Such is the case for the Gordon Square Arts District, a Cleveland neighborhood where an economic regional development strategy centered on three theaters was executed in 2003. Matt Zone, a City of Cleveland Councilman, represents the area: “Flash forward 10 years; we have about three quarters of a billion dollars of economic vitality that is going on.” Global Cleveland’s Joy Roller also knows a thing or two about the area: She was the executive director of the project. “Art is the key,” she says, “because that’s the kind of lifestyle element that is going to attract people to place, and place-based development is critical to how we’re going to rebuild the inner cities of the cities that we’re talking about here.” Sharing this strategy and its success story is one of the main benefits of hosting this videoconference series. “I think others can learn a lot from the hard work that we’ve done here in Cleveland,” Zone said.

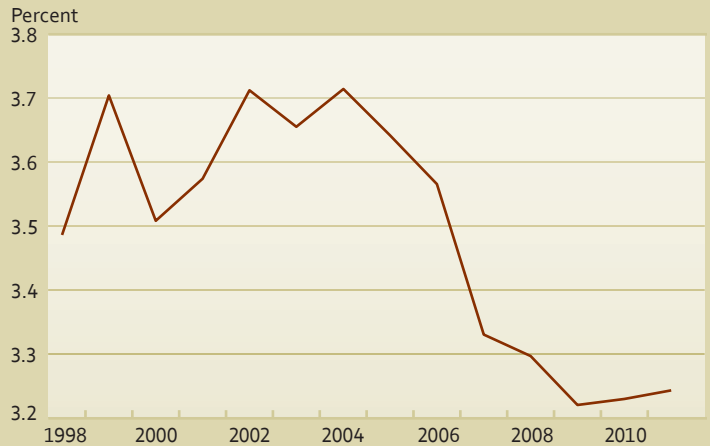
## Defining the arts

As with the definition of anchor, the definition of arts spurred conversation. Traditionally, arts and culture organizations have been defined somewhat narrowly as not-for-profit institutions. These types of institutions are important in many ways, such as providing jobs and other economic activity. But there's also the for-profit side of arts and culture, says Schorgl. In music, it might be recording studios or musical instrument manufacturers. "It could be any number of for-profit businesses," he says. "They provide a lot of good paying jobs and are important when it comes to importing and exporting dollars into the community." In fact, the leading contributing industries of that 3.2 percent of current-dollar GDP in 2011 attributable to arts and culture, says the survey, were motion picture and video production, advertising services, cable television production and distribution, publishing, and the performing arts.

Cleveland could be primed to take advantage of that for-profit segment, at least according to Sean Watterson of Happy Dog. He sees opportunity all around. "We need to create incentives to record and produce music in the region," says Watterson, "so that we can take advantage of the assets we have. We have graduates from the Cleveland Institute of Music and Cleveland Orchestra members and Apollo's Fire members." Working with local law and business schools to develop the management and the representation for the arts is also a wide-open opportunity. Not only does it prepare individuals for a promising career; it provides artists with the resources to make a living by generating revenue in the markets they serve.

Of course, there is no perfect solution. The arts, after all, require subsidy, both personal subsidy—think starving artist—and institutional subsidy. You have to establish an arts community before businesses can figure out how to make money around it. But many think it's worth the investment. To be sure, the arts are not essential for life, says Hulick. "Food is. Oxygen is. Those things are essential for life. But art is what makes life worth living, and everybody knows that."

## Arts and cultural production as a percentage of US GDP

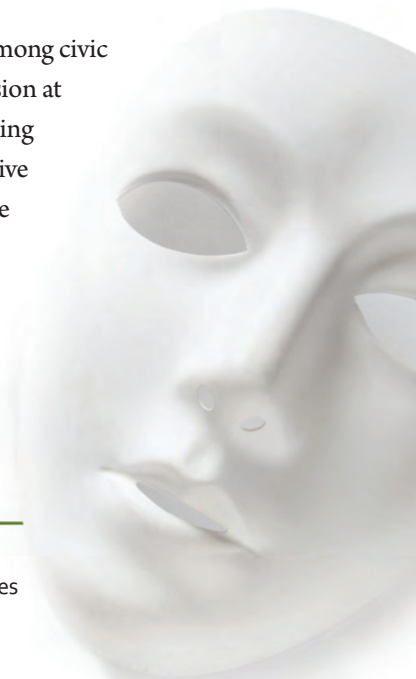


Source: Arts and Cultural Production Satellite Account (ACPSA), US Bureau of Economic Analysis.

## Continuing the conversation

Part of how the Federal Reserve approaches its dual mandate of full employment and price stability is through creating forums where our stakeholders can talk with and learn from each other. By bringing together key players in community and economic development, we deepen our understanding of regional issues and bring forth the realization that one area's struggles might be another's solution.

The Redefining Rustbelt conversations among civic leaders will conclude at an in-person session at the Philadelphia Fed's biennial Reinventing Older Cities conference in May. A collective summary of the videoconferences will be published this year, and video archives of the session will be available. ■



### Watch video clips

Watch Rust Belt reps share strategies for revitalizing their cities at [www.clevelandfed.org/forefront](http://www.clevelandfed.org/forefront)



### Learn more

Learn about the Redefining Rustbelt Videoconference Series at [www.clevelandfed.org/Community\\_Development/events/rust\\_belt](http://www.clevelandfed.org/Community_Development/events/rust_belt)

Read about the Anchor Dashboard at <http://community-wealth.org/indicators>