Catalyzing an Anchored Economy in D.C.
An Agenda to Connect Universities and Hospitals with Local Businesses

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January 2016
Executive Summary

African American–owned businesses located in low-income neighborhoods have yet to experience significant benefits from economic changes that have occurred over the last decade in the District of Columbia. Faced with limited access to contracting opportunities, capital, and technical assistance, Black-owned firms have seen limited revenue growth, which in turn has prevented them from raising wages for employees, many of whom are Black D.C. residents. As the local government puts increased attention on business development in low-income neighborhoods and reducing dependence on federal government contracts, the D.C. Department of Small and Local Business Development should create a long-term engagement strategy with “anchor institutions,” or universities and hospitals with a locally focused mission. The $2 billion per year in annual purchasing of goods and services has remained largely an untapped resource in DC community development efforts. This action agenda should include: (a) creating a permanent Anchor Institution Supplier Diversity Coordinator (AISDC) to develop relationships with anchors and serve as an intermediary between these entities and local firms; (b) expanding the Compete DC program to offer local firms, in sectors identified by anchors, technical assistance on how to compete for contracts; and (c) convening the leaders of these anchors to sign an Anchor Institution Plan for Greater Economic Opportunity that would establish goals for local purchasing, investment, technical assistance, and workforce development for businesses located in Wards 5, 6, 7, and 8. The time is now to leverage the economic power of the city’s most mission-driven organizations to promote equitable development.
Introduction

Washington, D.C., has experienced dramatic economic growth over the past decade, but that prosperity has not been broadly shared. As a hub for government, education, health care, and technology, the Greater Washington Area produced $501.7 billion in goods and services in 2015, making it the fifth largest metropolitan economy in the country and the 31st largest economy in the world. Since 2000, the D.C. economy has grown faster than the overall U.S. economy, seen historic population increases, and recovered from the Great Recession faster than most other major metropolitan areas. However, longtime residents, who are disproportionately African American, have been largely left out of this economic revitalization. Between 2005 and 2013, median income for native Washingtonians dropped from $27,265 to $22,744, while non-natives saw their median income rise from $46,763 to $52,260. Furthermore, more than one in four Black residents of the District, who are highly concentrated in Wards 5, 6, 7 and 8, live in poverty, which is three times the poverty rate for white, non-Hispanic residents. Stagnant incomes for many in the city have become a more severe problem as rising housing costs surpassed inflation by 50 percent in the last decade. The pressures of both declining incomes and higher living costs for low-income families have led many longtime African American residents to leave the city for Prince George's County, causing the “suburbanization of poverty.”

To improve incomes and employment for longtime residents, efforts must be made to increase revenues for businesses owned by residents in the poorest wards of the city. Increased support for the District’s 1,460 Black-owned businesses, many of which are located in Wards 5, 6, 7, and 8 and are more likely to hire Black employees, can provide a critical pathway for wealth-building. However, these firms currently have lower annual revenues, hire fewer employees, and pay their employees less than white-owned firms, as they face barriers including lack of access to capital and technical assistance, rising commercial real estate costs, and increased tax and regulatory burdens.

Many scholars have documented the historical barriers to entrepreneurship that have kept African American communities from building wealth over time. John Sibley Butler argues that Jim Crow laws and subsequent housing discrimination in the New Deal created an “economic detour” that prevented many previously successful Black entrepreneurs from benefitting from post–World War II economic growth. Housing covenants and redlining forced African American–owned businesses into “race-specific business districts,” which were disproportionately poor and had limited purchasing power, rather than downtown commercial areas. Timothy Bates argues that discriminatory lending practices and limited collateral historically have prevented Black entrepreneurs from accessing capital. These scholars argue that “a pragmatic strategy for promoting the expansion of Black firms is one that alleviates the barriers that impede their development.”
With $2 billion in annual procurement spending on goods and services, tens of billions of investments, and existing institutional resources for technical assistance and workforce development, “anchor institutions” in D.C. have the opportunity to play a catalyzing role in supporting competitive, local businesses. Anchor institutions—considered here as universities and hospitals—are large, nonprofit, place-based entities that are firmly rooted in their local economy and have a mission to support their surrounding community. If anchor institutions in D.C. shifted just 5 percent of their spending to local businesses, it would add $100 million to the local economy, not including likely multiplier effects.

This paper proposes that the Government of the District of Columbia should:

- Create an Anchor Institution Supplier Diversity Coordinator (AISDC) to connect businesses located in Wards 5, 6, 7, and 8 with procurement opportunities at universities and hospitals. This position could be embedded in the office of the Deputy Mayor for Planning and Economic Development (DMPED), Deputy Mayor for Greater Economic Opportunity (DMGEO), or Department of Small and Local Business Development (DSLBD), or be designed as a public–private partnership. Having a dedicated, centralized staff member to coordinate business development activities by universities and hospitals—also known as “eds and meds”—will reduce administrative costs for anchor institutions and increase local firms’ access to procurement opportunities at these place-based institutions.

- Expand the Compete DC program, an existing city program that currently helps businesses win contracts with city departments, to match universities and hospitals with competitive local firms located in low-income neighborhoods. A demand-driven approach that recruited firms from industry clusters aligned with anchors’ needs would ensure participating businesses actually win contracts after completing the program. The program should also include technical assistance workshops on how firms can successfully register as suppliers and compete for contracts at local anchor institutions.

- Convene top-level leadership at universities and hospitals in the D.C. area to develop and sign an Anchor Institution Plan for Greater Economic Opportunity. This plan would set clear goals for local business development, including increased procurement of local goods and services, increased investments in small business lenders like community development financial institutions (CDFIs), supporting the local workforce through job training and readiness programs, and better connecting existing technical assistance business education programs with local entrepreneurs. The AISDC or another staff member should use working groups to keep institutions on track to meet goals and thus ensure the long-term sustainability of anchor-led development efforts in D.C.

This paper will argue that a coordinated strategy by local government is needed to encourage anchor institutions to support local economic development. First, the paper will look at barriers to revenue growth faced by Black-owned businesses in D.C. Second, the paper will examine local anchor institutions, including current efforts toward local procurement, investment, workforce development, and other strategies.
development, and technical assistance as well as the benefits of increasing these efforts. Third, the paper will argue that city government is best able to connect competitive local businesses with anchor institutions. Finally, the paper will propose three policy solutions and provide answers to common criticisms.

**Supply Side: Action is Needed to Support African American-Owned Businesses**

Washington, D.C., has a thriving Black business enterprise community, but many entrepreneurs continue to face barriers to their expansion. According to the U.S. Census Survey of Business Owners, there are 1,460 firms with paid employees in the city that are at least half owned by residents of African American descent. Thirty-four percent of businesses with at least two employees in D.C. are Black-owned, which is the fifth highest percentage of all major cities in the United States.\(^{17}\) As shown in Figure 1, in recent years, the growth rate for the number of African American businesses in D.C. is over triple the average growth of firms in the city.\(^{18}\)

Figure 1. Rising Number of African American-Owned Firms in DC\(^6\)

Despite the growing rate of entrepreneurship, non-white residents still remain far less likely than whites to be entrepreneurs. Whites own 65 percent of the city’s 11,298 businesses with paid employees despite accounting for just 48.2 percent of the metropolitan area’s population.\(^{19}\) People of color own just 35 percent of firms that operate in the city even though they make up more than half of the region’s population.\(^{20}\)

There are also wide gaps between the financial success of non-white and white-owned businesses, as shown in Figure 2, as well as in Appendices 3–5. In the past decade, white-owned businesses have grown nearly twice as fast as African American-owned businesses, many of which are located in Wards 5, 6, 7, and 8.21 While firms on average have annual revenues of $14.5 million, Black-owned businesses have only $1.6 million in annual sales.22 Because they have less overall revenue, they are forced to provide their employees with lower wages and benefits as compared to more established white firms. White-owned firms pay their employees, on average, $59,555 per year, compared to $36,300 per year for non-white firms.23

**Figure 2. Stalling Revenue Growth for African American–Owned Firms**

![Graph showing the stalling revenue growth for African American-owned firms compared to all firms.](image)

**Barriers to MBEs**

While the number of Black-owned businesses in D.C. has grown in the last decade, their annual revenue growth has stalled compared to white-owned firms. There are a variety of important reasons why minority-owned businesses in D.C. are less successful on average than white-owned businesses. The Small Business Policy Project (SBPP), a partnership between the Coalition for Nonprofit Housing and Economic Development (CNHED) and the DSLBD, conducted an in-depth study of the challenges faced by small firms in the city, though it did not isolate specific barriers faced by minority-owned firms. The report identified a number of factors, including a lack of access to capital and technical assistance, rising real estate costs, and limited networks that prevent opportunities to find and win large contracts.24

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21 U.S. Census Bureau. 2012. “Survey of Business Owners” (http://www.census.gov/econ/sbo/getdata.html). Calculated average annual revenue by dividing total annual revenue for firms with employees divided by the number of firms with employees in DC.
Access to capital

According to the U.S. Minority Business Development Agency, capital access “remains the most important factor limiting the establishment, expansion, and growth of minority-owned businesses.” Minor-ty-owned firms are less likely to receive both debt and equity investments to invest in the future of their company as compared with non-minority firms. Among firms that shut down business operations, Black owners are “nearly three times as more likely than all business owners to report lack of access to business loans/credit as a reason for closure.”

Minority-owned firms are less likely to receive loans, more likely to receive lower loan principal, and are more likely to be denied loans. Only 43 percent of minority-owned firms with at least $500,000 in sales received loans, compared with 52 percent of non-minority firms. The rate of loan denial for these high-capacity firms was “almost twice as high” for minority firms, while those that received loans, had an average loan size that was 47 percent less than white firms. Because collateral is responsible for a quarter of all loan rejections, the dramatic racial wealth gap—with national white household net worth at $111,146 compared to just $7,113 for black households—undoubtedly plays a role in why minority-owned businesses are more likely to be denied lending. D.C. also has the third most “urban bank deserts,” meaning neighborhoods without access to traditional banks, of all major U.S. metropolitan areas. The District contains 11 zip codes that have less than 0.02 branches per 2,000 residents, which creates a spatial mismatch between minority communities and traditional financial institutions. This disparity also holds for equity investments, as “minority-owned firms received equity investments that were 43 percent of the non-minority level,” though there were not significant differences for venture capital fund investments.

There are several programs helping to increase capital access to minority entrepreneurs, but they remain limited in scope. The U.S. Small Business Administration (SBA) administers many programs, including loan guarantees, but local entrepreneurs in D.C. still have “experienced challenges securing larger loans in the $100,000-$200,000 range.” The SBA guaranteed 44,300 loans nationwide in 2012 through its 7(a) lending program, but only 1,080 African American–owned firms were approved to participate. In addition, CDFIs in D.C., including City First Enterprises, Latino Economic Development Center, and Washington Area Community Investment Fund, together account for “a few million dollars in lending to fewer than 250 small businesses annually.” Small businesses in D.C. need greater access to capital to invest in their new businesses.

Access to technical assistance

There is broad academic consensus that human capital—expertise in running businesses due to family background, education, or training programs—is a key determinant of local business success. According to Magnus Lofstrom and Timothy Bates, “higher educated business owners were less likely to experience closure of firms than others” and “having work experience in a family-owned business prior to becoming an owner stands out as a key mechanism for improving one’s prospects for self-employment success.” Because of lower overall entrepreneurship rates, African Americans in Washington, D.C., are far less likely to learn about business from their families and, due to public education disparities between white and black neighborhoods in the city, they are less likely to receive the resources they need to have a foundation of business skills.
There are nearly a dozen technical assistance (TA) providers in Washington, D.C. that support small business owners. However, according to the Small Business Policy Project, there are many challenges that to the effectiveness of these programs. First, because there are so many different providers, many of these programs target their services to “specific populations or businesses located in specific business corridors” and the city “lacks a coordinated technical assistance network for small businesses.”35 Most TA programs are dependent on government grants, therefore “programming is often influenced by the grants that are available,” and as such many tend to “favor educational workshops and needs assessments” as compared to “one-on-one assistance that can make a greater impact.”36 As will be discussed below, many universities in the area currently have full-time staff dedicated to providing tailored support to entrepreneurs. Greater coordination of these services could maximize the ability of local businesses to take advantage of these opportunities.

Rising real estate prices

The real estate boom in D.C. has increased real estate prices, putting strain on the balance sheets of local businesses. Commercial real estate prices rose from about $400 per square foot to about $550 per square foot on average from 2005 to 2014, an increase of nearly 40 percent.37 The SBPP found that nearly all D.C. entrepreneurs interviewed for their study identified “high costs associated with finding and occupying commercial property” as one of their primary concerns.38 Commercial rent costs in the District have risen so dramatically that they have surpassed the average asking commercial rent price in New York City.39 Because many local firms rent, not own, their properties, they are not able to benefit from rising property values. Increasing local firm revenue is key to reducing the impact of these rising costs.

Access to contracting opportunities

Minority-owned businesses are also less likely to have access to expansive networks that can help them win contracts. According to the SBPP report, “business owners who are well capitalized and well connected have a much easier time overcoming challenges than cash-strapped business owners who are not well connected.”40 Large national or regional suppliers of goods and services, which often receive no-bid contracts, are often more likely to win contracts with local anchor institution because of their long-term, preexisting relationships. Because of this, local spending by many universities and hospitals has dropped in recent years. George Washington University, for example, reduced its local spending from 1.7 percent in 2013 to 0.4 percent in 2015.41 Without an intermediary in city government connecting competitive local firms with anchor procurement offices, this trend, which is very likely also occurring at its fellow institutions, will likely continue.

Importance of Focusing on Existing Local Businesses in Wards 5, 6, 7, and 8

Reducing barriers to local, Black-owned businesses in Wards 5, 6, 7, and 8 should be prioritized for several reasons. First, small and medium-sized businesses are the engines of job creation in the American economy. The SBA reports that 60 percent of net new jobs in the private sector were created by existing establishments, of which the vast majority are small and medium-sized businesses.42 Second, expanding Black-owned businesses will help business owners build wealth.
Income gains from traditional employment alone have not greatly narrowed the racial wealth gap. Business equity is the second-largest asset class, after home ownership, for white households, while it is almost the least valuable asset for Blacks, accounting for less than 4 percent on average. A new emphasis on Black business ownership will help reduce racial wealth inequity in the D.C. region. Finally, minority-owned firms are 97 percent more likely to hire from their surrounding neighborhoods, expanding the impact to a broader neighborhood level. According to Robert Fairlie of the National Poverty Center, increasing the number and average employment of minority-owned businesses by only 10 percent nationally would create 1 million new jobs for minorities.

**Business Landscape in Wards 5, 6, 7, and 8**

There is a wide, untapped source of local business activity in the city’s poorest neighborhoods, where businesses are producing goods and services that universities and hospitals can utilize in their supply chains. Figure 3 lists the most relevant sectors to anchor institutions and the number of businesses located in Wards 5, 6, 7, and 8, the poorest wards of the city with the highest concentration of Black-owned businesses, with annual revenues above $1 million.

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iv $1 million in sales is commonly perceived to be a minimum level to estimate the firm’s capacity to service a large contract, like that of an anchor institution, according to the below cited ICIC study.
Demand Side: D.C. anchor institutions should support local business development

Washington, D.C., is a national hub for “eds and meds.” The D.C. metropolitan area has the third highest employment cluster of educational institutions and fifth highest cluster of health services sectors in the nation, fundamental assets to the city that must be further leveraged to increase their community economic development impact. There are at least 18 anchor institutions based in the city of D.C., listed in Figure 4 below:

The D.C. metropolitan area has the third highest employment cluster of educational institutions and fifth highest cluster of health services sectors in the nation, fundamental assets to the city that must be further leveraged.

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Methodology: Modeled process after Institute for Competitive Inner City’s “Creating an Anchored Local Economy in Newark” (2014). Sector types commonly demanded by anchor institutions was determined both by the ICIC report and by cross-referencing sector cohorts created by CASE in Chicago, based on http://www.worldbusinesschicago.com/case/faq/. Data collected via InfoUSA using a free quote for services. Firms in wards was determined by zip codes, using Neighborhood Info DC map: http://www.neighborhoodinfodc.org/pdfs/ward_zip.pdf. Wards 5, 7, and 8 include zip codes 20002, 20017, 20018, 20019, 20020, 20032, 20330, and 20375. Note that 20002 was added but includes a portion outside of the region. 20004 and 20001, which slightly overlap with Ward 5 and 6, were omitted because the majority of the respective zipcode does not fall in the boundaries. All firms have above $1,000,000 in annual sales, according to InfoUSA.
Figure 4: Anchor Institutions in Washington, D.C. vi

<table>
<thead>
<tr>
<th>Institution Name</th>
<th>Institution Type</th>
<th>Annual Spending on Goods and Services (2014)</th>
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<tbody>
<tr>
<td>American University</td>
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<td>$89,215,825</td>
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<td>Catholic University of America</td>
<td>Universities</td>
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<td>Gallaudet University</td>
<td>Universities</td>
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<td>Georgetown University</td>
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<td>The George Washington University</td>
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<tr>
<td>Howard University</td>
<td>Universities</td>
<td>$128,082,754</td>
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<tr>
<td>Trinity Washington University</td>
<td>Universities</td>
<td>$7,155,466</td>
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<tr>
<td>University of the District of Columbia</td>
<td>Universities</td>
<td>$23,204,110</td>
</tr>
<tr>
<td>BridgePoint Hospital Capitol Hill</td>
<td>Hospitals 49</td>
<td>$1,200,000,000</td>
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<td>BridgePoint Hospital Hadley</td>
<td>Hospitals 49</td>
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<tr>
<td>Children’s National Medical Center</td>
<td>Hospitals 49</td>
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<tr>
<td>The George Washington University Hospital</td>
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<tr>
<td>Howard University Hospital</td>
<td>Hospitals 49</td>
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<tr>
<td>MedStar Georgetown University Hospital</td>
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<tr>
<td>MedStar National Rehabilitation Hospital</td>
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<td>MedStar Washington Hospital Center</td>
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<td>Providence Hospital</td>
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<td>Psychiatric Institute of Washington</td>
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<td><strong>TOTAL</strong></td>
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<td><strong>$2,019,796,100</strong></td>
</tr>
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Opportunities for Anchor-Led Local Business Development

Anchor institutions in D.C. have the potential to support local businesses through direct purchasing contracts and orders, investing in small business lenders, supporting workforce development programs, and expanding technical assistance programs to entrepreneurs.

Procurement of goods and services

Universities and hospitals in Washington, D.C., spend $2 billion on purchases of goods and services every year, from construction to catering to landscaping to janitorial services to professional services, as shown in Figure 4.

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vi Methodology: List created from the DC-based universities in the Consortium of Universities in the Washington Metropolitan Area and hospitals in the DC Hospital Association. For Universities: Collected manually from IRS Form 990s available via Foundation Center, 2014. List created from the DC-based universities in the Consortium of Universities in the Washington Metropolitan Area and hospitals in the DC Hospital Association. Aggregated entries from Part IX Statement of Functional Expenses include legal fees (11b), accounting fees (11c), lobbying fees (11d), professional fundraising services (11e), investment management fees (11f), other fees (11g), advertising and promotion (12), office expenses (13), information technology (14), conferences, conventions and meetings (19), and other expenses (24). For Hospitals: Methodology based on non-payroll direct spending collected from hospitals interviewed from Democracy Collaborative, “Feasibility Study: Recommendations for a Metropolitan Washington Community Wealth Building Initiative,” 2012.
Federal contracting rules require anchor institutions to “prioritize” small, minority-owned, and women-owned businesses, but allow universities to set their own targets and measures outside of requirements for research spending. Many anchor institutions in the area have some form of loose policy on local or diversity business spending, but efforts must be made to ensure that this spending is measured, coordinated, and actually increasing over time. For example, George Washington University has a Supplier Diversity Initiative Program, which mandates that all primary suppliers submitting bids for contracts to include a plan in their proposal for how they will use secondary minority or women-owned businesses. However, GW’s local spending in D.C. declined from 1.7 percent of the university’s total spending in FY2013 to 0.4 percent in FY2015. American University requires that 35 percent of its construction contracts above $500,000 go to CBEs in Washington, D.C. Many hospitals in the area have Environmentally Preferable Purchasing (EPP) policies that encourage local procurement, especially related to food, though the definition is typically much wider than the D.C. region. These existing policies by DC-based anchor institutions show their interest in local procurement; however, more work must be done to connect local, competitive minority-owned suppliers with large institutions to increase their impact.

Investment in local small business lenders

Access to capital remains one of the primary challenges to local Black-owned businesses. Anchor institutions have the opportunity to address this financial challenge, while making reasonable returns by investing in intermediaries like CDFIs. CDFIs are banks, loan funds, credit unions, and venture capital funds certified by the U.S. Department of Treasury, which must have 60 percent of their activities and 50 percent of their assets invested in low- and moderate-income neighborhoods. There are 16 CDFIs based in the Washington, D.C., area, with prevalent small business lenders including City First Bank, City First Enterprises, Enterprise Community Partners’ Impact Note program, Industrial Bank, Latino Economic Development Corporation, National Community Reinvestment Corporation, Partners for the Common Good, and the Washington Area Community Investment Fund. Many of these lenders provide flexible, patient capital for small businesses for gap or mezzanine financing, which traditional financial service firms are less likely to approve.

As shown in Appendix 6, CDFIs in D.C. provide higher interest rates than traditional banks because of their focus on mission as well as their higher risk profile. Because of these financial and social returns, there is precedent for anchor institution impact investments in D.C. CDFIs that support small business lending. Georgetown University provided $1 million in seed capital to start City First Bank. After a successful student campaign by Roosevelt Institute @ GW, George Washington University has also increased its deposit to $250,000 in City First Bank and is considering expanding its deposit to a similar level in Industrial Bank. Increased attention to the financial, strategic, and social benefits of liquid cash deposits in CDFI banks or long-term endowment investments in CDFI loan funds or venture capital funds can expand these efforts to bridge capital gaps for local businesses.
Workforce development programs

According to the Institute for a Competitive Inner City, the top 600 fastest growing businesses in urban low-income areas “invest heavily in their workforce, spending more than twice as much on training as the national average, resulting in significantly lower turnover rates and higher productivity.”53 Local Black-owned businesses may need additional support from local anchor institutions to train their workforce.54

Community colleges can play an especially important role in equipping local employees with practical, appropriate skills for local businesses. The University of the District of Columbia Community College has a Workforce Development and Lifelong Learning Division that promotes workforce readiness in construction, property management, health care, hospitality, tourism, information technology, office administration, and transportation, with many workshops provided free or at cost for District residents. The college’s Low Impact Development maintenance program in 2013 and 2014 recruited small businesses to train their employees and supervisors on stormwater management techniques that would be helpful on municipal and private contracts. This model could be expanded for other industry cohorts identified as meeting anchor institution procurement needs.

Technical assistance for entrepreneurs

Business outcomes are shown to be dramatically better if business owners have worked in a family business before starting their own.55 However, only 12.6 percent of Black business owners have had prior work experience in family businesses, compared to 23.3 percent of whites. Universities often have entrepreneur education programs such as advisory services to write business plans, implement new business development strategies, enhance financial management, or navigate government licensing rules. According to an Institute for a Competitive Inner City Study study, 40 percent of the fastest-growing firms in urban areas take advantage of advisory services offered by universities.56

Many universities in the area have existing technical assistance programs that offer training to either start or build up the capacity of small businesses. Howard University’s D.C. Small Business Development Center, which has a formal partnership with the SBA, is the best example of university efforts to train local businesses. American University, George Washington University, and Georgetown University also offer degree and consulting programs to train entrepreneurs in expanding their business. However, these resources are limited: many only focus on university student ventures and do not include workshops from procurement officials on how to become integrated into the institution’s supply chain. These services could be better coordinated to focus on support services for local businesses. In addition, local universities could also build formal courses into their curriculum or increase student participation in small business support labs to provide more advisory support opportunities for local entrepreneurs.

Benefits of Local Business Development Support to Anchor Institutions

Anchor institutions would benefit from greater support to local businesses by investing in debt or equity in businesses, training their business owners and workers, and creating long-term purchasing contracts in the following ways:
• More competitive pool of vendors: With firms specifically recruited to meet their needs, anchors will be able to choose from a wider variety of potential contractors.

• Potential reduction in prices: Interviews with the University of Pennsylvania and Chicago Anchors for a Strong Economy found that anchor institutions that increased local spending actually saved costs after decreasing use of large contractors.

• Reduced costs for supplier diversity administration: The proposed AISDC would be less costly than individual anchor institution procurement departments employing their own staff to increase local purchasing.

• More customization and flexibility: Local vendors have been shown to be better able to customize products, especially compared to large firms.57

• Shorter turnaround times for orders: Local vendors, with operations closer to anchor institutions, are more likely to give anchors the goods and services they need faster.58

• Lower carbon footprint: Closer proximity to anchors reduces fuel costs, potentially reducing price as well as their environmental footprint, which can help them meet sustainability goals.59

• Reduced impact of a shock: Local suppliers are better able to deliver services in the event of a natural disaster or terrorist attack in the nation’s capital.

• Public relations advantages: Supplier diversity programs will increase community awareness of the dedication of anchors to address economic challenges in D.C.

• Increased relations with D.C. government: Increased relations with the mayoral administration may reduce the likelihood of future payments in lieu of taxes (PILOTs) being assessed on anchor institutions.

• Compliance with local and federal regulations: Hospitals can report economic development support as community health improvement activities under IRS Form 990 Schedule H mandates established by the Affordable Care Act.60

• Consistency with anchor nonprofit mission: Participation in these policy proposals will better integrate the missions of these institutions with their corporate practices.

Greater economic development support from local anchors would also provide the following benefits to the District of Columbia:

• Stronger local economy: Less leakage will lead to higher per-capita income growth, employment growth, and reduced poverty.61

• Diversification of local firms away from dependency on federal government contracts: Because of concerns about future cuts to federal government spending, a key priority of municipal and regional leaders is the reduction of local suppliers’ reliance on federal government funds.62 Recent noteworthy reports, including by the Brookings Institution and Center for Regional Analysis, have argued for the greater diversification in the greater DC metropolitan area.63 64 Health care and educational services are nationally in the top three projected growth sectors, and thus, local anchor institutions could be another dependable source of revenue for local firms.65

• Complements mayoral administration Certified Business Enterprise (CBE) goals: In November 2005, Mayor Bowser announced that at least 50 percent of the FY2016 budget, or $317 million of the total expendable budget of $634 million, must be spent with local DSLBD registered firms. Actions by local anchor institutions, in partnership with the Administration, will accompany well these meaningful efforts.
• Higher multiplier effect: On average, 48 percent of purchases from local independent businesses are re-circulated in the local economy, compared to 14 percent from large suppliers.66

• Increased tax revenue: More local procurement increases both sales tax revenue and income tax revenue due to higher earnings by local firm owners and workers.

• Increased employment: African American–owned businesses are more likely to hire Black workers, thus increased revenue to local firms will lead to additional opportunities for job creation in low-income neighborhoods.67

• Reduced reliance on government assistance: Increased business revenue in Wards 5, 6, 7, and 8 will not only help firm owners, but also raise wages and increase employment rates for employees, reducing the likelihood of reliance on local and federal government transfer programs.

• Mitigated impact of minimum wage increases: With another increase in the DC minimum wage, to $11.50 in 2016, and thereafter a tying to the Consumer Price Index, local businesses are in need of additional revenue to stabilize current employment levels. Anchor institution contracts can help ensure Black-owned businesses can maintain current employment levels, increase the number of jobs they offer their surrounding neighborhood, and promote wealth building by raising wages for employees.

• Increased communication between different stakeholders: According to the National Resources Network, anchor institution leaders often do not understand how local government decisions are made; likewise, local governments do not often understand the functions and resources of anchors.68 This effort would increase communication between leaders of both sectors, which could lead to new partnerships in the future.

Matching Local Supply and Demand:
Catalysts for the Anchor Institution Change

The high concentration of anchor institutions in Washington, D.C., provides an excellent environment to connect businesses located in Wards 5, 6, 7, and 8 with the procurement, investment, workforce development, and technical assistance strengths of local anchors. Across the country, there are several common ways that anchor institution efforts have been pursued by universities and by nonprofit or local government intermediaries.

University-Driven

The most-cited anchor institution collaborations on local economic development, including efforts in Cleveland, Philadelphia, Cincinnati, and Baltimore, were primarily driven by anchor institutions themselves.69 Many universities have instituted community development proposals because of pressure from struggling surrounding neighborhoods, past tensions with community members, and interest in improving the public perception of their anchor institution. Student movements have also convinced administrations to increase local investment.70 The benefits of university-led strategies are that changes designed around the immediate interests of the anchor, as well as buy-in from the institution’s leadership, ensure a longer-term commitment by the university to increased support for local business development. However, in the Washington, D.C., area, there has yet to be a wide-scale university-led effort of this kind.
Intermediary-Driven

In cases where anchor institutions are not currently working extensively on community development efforts, intermediaries are required to facilitate cross-sector connections. The work of linking anchors to regional systems, as a Living Cities evaluation report mentions, “currently no one’s day job” and thus intermediaries are needed to “identify opportunities for them to work together toward regional economic impact and mutual benefit.” These entities can include nonprofits or local government.

Nonprofits

In recent years, as anchor institutions have become more prevalent in models of community development, large philanthropic organizations and federal agencies have been increasingly interested in funding nonprofit intermediaries to convene local anchor institutions. Living Cities, a network of 22 large foundations and financial institutions, created the Integration Initiative in 2010 to support cross-sector partnerships in Baltimore, Cleveland, Detroit, Minneapolis, and Newark that bring together anchor institutions as well as representatives from the public and private sectors. City First Enterprises, a local CDFI, created the Community Wealth Building Initiative (CWBI) in Washington, D.C., to engage local anchor institutions and has since launched a stormwater management company in Prince George’s County. However, the effort, like many nonprofit-driven models, faces challenges including the need to spend significant staff time on fundraising and its limited legal and political influence over anchor institution leadership.

Local government

When anchor institutions have not originated their own local procurement strategies, city governments have been effective at convincing anchor presidents to buy into the vision of local procurement. According to an evaluation of the first phase of the Living Cities Integration Initiative, city government is “required to sustain engagement” because of its influence on actors in the community that may not respond to efforts driven by the nonprofit sector.

DC government has the neutrality, leverage, and resources to effectively coordinate a local anchor engagement strategy. First, because there is currently no coordinated local anchor institution strategy, city government can play the natural role of convening a variety of different interests in an unbiased, supportive environment. Second, local government controls zoning, regulatory, tax burdens, and PILOTS faced by anchors, and thus has the unique leverage to put political pressure on anchors and follow up with leadership. Finally, DSLBD has the most existing resources on procurement, with a database of registered CBEs in DC and expertise on shifting local government spending to DC-based firms.

Luckily, partnerships between D.C. government and local anchor institutions are not unprecedented. Both universities and hospitals currently collaborate on specific matters through their respective associations, the Consortium of Universities of the Washington Metropolitan Area and the District of Columbia Hospital Association. Furthermore, in Spring 2011, the presidents of nine local colleges and universities joined Mayor Vincent Gray to sign the D.C. College and
University Sustainability Pledge (CUSP), which committed signatories to agree to “pursue and promote programs, policies, and projects aimed at advancing environmental, economic, and social equity in the District of Columbia.”

In 2012, the D.C. Office of the Mayor released its Five Year Economic Development Strategy, calling for local government to “begin a process to assist small businesses in obtaining procurement contracts at hospitals and universities.” Since then, DSLBD, in collaboration with DMPED, has held several vendor fairs for local businesses in the health care field, and invited the procurement departments of several local anchor institutions to hear participants’ business pitches.

DSLBD has also launched Compete DC’s CEO Growth Academy, an extensive six-month technical assistance program that trains CEOs of local construction and real estate firms on business planning, access to capital, marketing, and government contracting. The agency has expressed interest in finding ways to incorporate anchor institutions into this process in future phases of the program.

These initiatives show the strong potential for collaboration between various anchor institutions, but more must be done to focus on local economic development, provide ongoing support to ensure agreed-to outcomes are being met, and develop a sustainable strategy to increase gains over time.
Using City Government to Bring Together
Procurement, Investment, Workforce Development, and Technical Assistance:
Case Study on Chicago Anchors for a Strong Economy

While there are many prominent university-led efforts to increase procurement from local communities, Chicago Anchors for a Strong Economy (CASE) offers the best example of how a local government, like the DSLBD, can bring anchors together to leverage their collective spending to make a dramatic impact. The program was launched in 2014 by World Business Chicago, a public–private partnership that pursues increased economic growth in the city, with support from the University of Chicago, which sought to broaden its strategic partnerships with local suppliers.

CASE convenes anchor institutions and small businesses that may not have otherwise had a venue for connecting. The initiative has attracted four universities, three hospitals, two local government bodies, and two large corporations to serve as anchor institution members, each committing to pay a three-year membership fee, provide procurement data to assess their needs, and participating in pitch day events where program local business graduates give presentations on their products directly to procurement officers.

Participant local businesses are required to have a local presence in Chicago or Cook County, a minimum of three years in business, a product or service within an industry sector that CASE has identified as a need for member anchors, and CEO commitment to participating in the workshop. The program also prefers that businesses have at least $500,000 in annual revenue and at least three employees, ensuring that the business can offer the scale that anchors need. Once part of the program, local businesses are put into one of three tracks that each receive different resources based on their size, scale, and likelihood of receiving anchor contracts.

Since its founding only a year and a half ago, the initiative has enabled $8.5 million in new anchor institution contracts for local businesses based in Cook County, creating 250 full-time and 125 part-time jobs. The 129 graduates have increased their annual revenues by an average of $800,000 because of new anchor contracts made possible by the program.

Proposal

Because of the significant problems facing D.C. black entrepreneurs as well as the neighborhoods that rely on them, anchor institutions in D.C. need to join together, with support from the Government of the District of Columbia, in a large-scale, collective impact strategy focused on expanding economic development in low-income areas of the city. This strategy needs to bring anchor institutions together to agree on goals, collaborate on effective strategies, and measure success in similar ways.\(^{vii}\)

\(^{vii}\) FSG Consulting definition of collective impact: “Long-term commitments by a group of important actors from different sectors to a common agenda for solving a specific social problem,” 2011,
In order to accomplish this, the Government of the District of Columbia should:

(1) **Create a Anchor Institution Supplier Diversity Coordinator (AISDC) to build relationships with university and hospital leadership and match anchors with local firms in Wards 5, 6, 7, and 8.**

Modeled after the Baltimore City Anchor Plan efforts, an anchor institution coordinator position should be created within DSLBD to oversee the implementation of the plan in the long term, or the following responsibilities should be incorporated into an existing city position:

- Developing relationships with top-level anchor leadership, as well as their designated appointees to working groups, to establish buy-in for the program.
- Assessing anchor needs and matching them with competitive local firms based on sector, capacity, quality, and other determined needs.
- Serving as a resource to anchor institutions on how they can overcome common perceived challenges in local purchasing.
- Assisting local firms in understanding the procurement processes of various anchors by creating guides, facilitating workshops, and communicating procurement opportunities.
- Providing support to firms denied anchor contracts, including directing them to other resources available at DSLBD or nonprofit partners and discussing how they might improve their likelihood of winning anchor contracts in the future.
- Coordinating joint bidding networks or agreements to help local firms bid together on contracts or find opportunities to bid as subcontractors.
- Ensuring anchor members receive public recognition for their participation in the program.
- Coordinating ongoing working groups to continue progress on agreed-to deliverables of the Anchor Institution Plan for Greater Economic Opportunity (described below).

A point of contact for anchor engagement at the city level for this program is critical for several reasons. First, securing buy-in from local anchor institutions will be a long-term and likely difficult task. This position will be critical to making the effective case to top leadership on the benefit financially and socially from their participation in the program. Second, a city government representative will likely have strong influence with local anchors, which should be leveraged. Finally, a coordinated supplier diversity program at the city level reduces the costs of anchors setting up individual programs on their own.

(2) **Fully integrate anchor institutions into the Compete DC initiative by recruiting anchor members, designing industry cohorts based on their needs, providing technical assistance on how to win anchor contracts, and then incorporating pitch days into the program.**

Since the primary goal of Compete DC is to help local businesses feed into both government and private supply chains, the CEO Growth Academy should ensure that anchor institutions are fully engaged in the design and implementation of the program, or a new program focused on anchors should be created entirely within the Compete DC initiative. Using the model of Chicago Anchors for a Strong Economy, an expanded Compete DC initiative should:

https://philanthropynewyork.org/sites/default/files/resources/%5BPresentation%20Slides%5D%20Collective%20Impact.PDF
• Recruit anchors to join the initiative as members: Allowing anchor institutions to be designated members of the program will allow them to take ownership and commit them to its long-term success. The program could ask for membership fees based on the size of the anchor once buy-in has been established and benefits of participating in the program are clear. Engagement with top-level leadership will be critical to establishing buy-in.

• Determine procurement needs of anchors and availability of local businesses to meet those needs through a study: As anchor members, universities and hospitals would sign a nondisclosure agreement to provide procurement data to DSLBD. Top-level leadership at DSLBD should then conduct a demand needs assessment, potentially with support from a consulting firm, to determine their supply chain needs. The study should then look to the supply side, conducting research and active outreach to potential local suppliers in Wards 5, 6, 7, and 8.

• Design sector cohorts based on anchor member needs: With results from the data analytics study, the CEO Growth Academy should become demand-driven, forming industry sector cohorts based on the upcoming contracting needs of anchors. CASE anchor members identified needs in sectors including architecture, commodities, construction, consulting, equipment lease, food and catering, office and medical supplies, plant and maintenance services, shop supplies, signage, space lease, supplies and equipment, transportation, and vehicles. The focus should be on sectors where there are actual contracting needs, including upcoming requests for proposal by anchors.

• Incorporate anchor resources (technical assistance, financial capital, and workforce development) to support CEO Growth Academy curriculum: As described, procurement contracts are only one means through which anchors can support local businesses. As many anchors have existing business incubator and accelerator programs, the most noteworthy of these being Howard University, they could lend staff and resources to support the technical assistance portion of CEO Growth Academy. With large endowments, and specifically cash reserves, anchors could deposit cash (through a CDFI bank) or longer-term investments (through a CDFI loan fund or other small business lender) to support credit-worthy cohorts. With workforce development expertise like that of the UDC Community College, anchors could work with firms to develop workforce development programs for their workers.

• Provide bonding or gap financing support: DSLBD should assist local firms in finding surety producers and underwriters to assist them in obtaining working capital to fulfill contracts.

• Connect firms with procurement officers: At the completion of the six-month training program, firms would be matched with anchor institution procurement officers who would hear their formal pitches at a “pitch day.”

• Continue long-term engagement between anchor members and firms after graduation from program: The AISDC, a permanent intermediary between local firms and anchor institution members, should share upcoming RFPs with graduated firm members. DSLBD could offer tailored support to applicants in writing their proposals, ensuring their comparative advantage is communicated effectively. DSLBD could consider convening additional vendor fairs or one-on-one matchmaking after program completion.

• Provide resources on creating or converting businesses to wealth building business models, such as cooperatives, employee-owned or managed firms, employee stock ownership plans, shared equity enterprises, etc. These opportunities, potentially in collaboration with ONE DC’s Cooperation DC, could help firms improve working conditions for their employees, while also placing a special focus on making business practices competitive in the market.
Denied firms should receive written justification for their denial: To better compete for future contracts, anchor members should be expected to provide denied local firms a reason for their rejection in writing.

(3) **Convene local colleges, universities, and hospitals to sign an Anchor Institution Plan for Greater Economic Opportunity** that formally shows their commitment to supporting long-term business development in low-income neighborhoods.

A formal plan with specific, agreed-to goals is critical to raising awareness of the roles that the anchor institutions can play to support local business development in the long-term. The plan should include individual goals from anchor institutions related to: the (1) procurement of goods and services from local firms based in D.C., registered CBEs, businesses located in certain wards, or minority-owned businesses; (2) cash deposits or investments in CDFIs that support small business lending; (3) support for workforce development programs; and (4) participation in technical assistance programs. For a full list of goals, see Appendix 7.

The pledge should be drafted in conjunction with the presidents and CEOs of the various anchor institutions to ensure that these city efforts are fully integrated into the anchor institutions in the long term. The top-level leadership should appoint procurement or financial division staff to participate in monthly working group meetings convened by the city. The plan should also be drafted in collaboration with local business development and community-based organizations to ensure that program design meets the needs and desires of local residents.

A written plan will provide a framework for continued long-term engagement, agreed-upon metrics to measure progress over time, and public relations advantages for participating anchor institutions. The plan could be established with additional environmental goals, such as renewal of the College and University Sustainability pledge signed in 2011, to generate additional interest from anchors that are increasingly focused on sustainability efforts.
Answers to Common Criticism of Local Purchasing Programs

Local Firms Are Not Necessarily Higher-Priced or Lower Quality Than Larger Vendors

Anchor members do not need to be expected to sacrifice cost, quality, or speed to set local procurement goals. While the results of a commissioned data analysis study on anchor procurement data will be critical to making this point effectively, interviewees for this paper, including the University of Pennsylvania Procurement Office and Chicago Anchors for a Strong Economy, determined that the local firms they worked with had similar and sometimes even lower prices than larger firms. A study of leading private companies in the service and manufacturing sectors that use supplier diversity programs for their own supply chains also found that they “generated 133 percent greater returns in the cost of procurement than the average performer, driving an additional $3.6 million to their

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viii Modeled after graphic created by Bill Krugler, Founder/President, Milwaukee Jobs Work.
company’s bottom line.”\textsuperscript{75} Lower transportation costs, faster processing, and less focus on maximizing profit may be possible reasons for this.

**Local Firms Have the Capacity to Serve Anchor Needs**

As shown by Appendix 3, Black-owned businesses in D.C. have average annual revenue of $1.6 million, exceeding the $1 million minimum typically needed for local businesses to fulfill anchor contracts.\textsuperscript{76} From a geographic perspective, there are also at least 1,015 firms with over $1 million in revenue based in Wards 5, 6, 7, and 8, according to Figure 3. Many firms are also currently registered as CBEs, supplying to city government, and therefore have proven they have the scale to support the largest local non-federal anchor institution: D.C. government.

**Decentralized Procurement Systems Can Still Integrate Local Purchasing Goals**

Many anchors currently give dozens, hundreds, or even thousands of their employees autonomy in choosing different products from a list of firms approved by a central procurement office. The University of Pennsylvania overcomes this by allowing searchable queries for local businesses on their centralized procurement web marketplace portal, bringing local suppliers to present at university-wide buyer meetings, and holding vendor fairs. The AISDC could act as a thought leader by disseminating information about these best practices to assist anchors.

**Long-Term Contracts Can Be Overcome with Long-Term Coordination**

Many anchors have large, long-term contracts with large vendors. With a long-term commitment by city government to funding this public supplier diversity program, as well as with additional technical assistance from the Compete DC program, firms could get the support they need to secure contracts with higher barriers to entry.

**Universities Can Use Their Leverage to Integrate Local Businesses into Their Processes**

The use of large contractors and general purchasing organizations—consortiums that help anchors in bulk purchasing to reduce costs—are often barriers to local businesses winning anchor contracts. The University of Pennsylvania used its large spending leverage to encourage Office Depot to hire Telrose Corporation, a minority-owned office delivery company, to become one of its prime contractors. The company grew from 3 to 22 employees, and its contract will grow from $300,000 to $50 million over the next 10 years, in part because of UPenn’s efforts.\textsuperscript{77} George Washington University also requires that its primary contractors, as part of their RFP application, discuss how they plan to utilize local businesses. These strategies could be furthered by the city’s AISDC, who would be there to help anchors find ways to meet their agreed-to goals.

**Conclusion**

Local firms, especially Black-owned businesses located in Wards 5, 6, 7, and 8, face critical barriers to their expansion that prevent many from reaping the benefits of D.C.’s economic growth. Convening local colleges, universities, and hospitals to promote local spending by hiring a full-time
supplier diversity coordinator, reforming a technical assistance program, and convening local leaders to sign an anchor plan will have a positive long-term economic impact on the city and its neighborhoods.

There is a unique opportunity to create this program now. Because of concerns about future cuts to federal government spending, a key priority of the Bowser administration is to reduce local firms’ reliance on federal contracts. In addition, the administration is increasingly focused on business development in low-income neighborhoods, with the commitment of spending $317 million with CBEs in FY2016 and having created the position of Deputy Mayor for Greater Economic Opportunity to focus on policy change in the lowest-income neighborhoods. Finally, there is increased attention by local small business advocates on the role of anchor institutions, with the Coalition for Nonprofit Housing and Economic Development’s Small Business Policy Project recommending greater coordination of existing activities.

The time is now to create a long-term agenda to better connect these large institutions with their local economy. Anchor institutions will benefit from access to increased competitive options, reduced costs, lower turnaround times, public relations advantages, progress toward sustainability goals, positive relationships with D.C. government officials, and a renewed focus on their mission to the community. Increased revenues for local businesses in low-income neighborhoods will increase economic growth, create jobs, reduce the impact of real estate price increases, diversify the local economy away from federal government contracts, increase local tax revenue, and complement the city’s CBE goals. Most importantly, increased focus on the success of Black-owned businesses in D.C. will help ensure that no one is again left behind by D.C.’s economic growth.
Appendix 1: Full List of Interviews Conducted

Affan Sheikh, Associate for Strategic Initiatives, Johns Hopkins University
Alejandro Leza, Project Manager, Chicago Anchors for a Strong Economy
Amy Cohen, Executive Director of Center for Civic Engagement and Public Service, GWU
Andrew Frank, Senior Advisor on Economic Development, Johns Hopkins University
Andrew Trueblood, Chief of Staff, DC Deputy Mayor for Economic Development
Andria Seneviratne, SVP of Community Wealth Building Initiative, City First Enterprises
Barbara Lea-Kruger, Director of Communications, University of Pennsylvania
Bill Krugler, President, Milwaukee Jobs Work
Boris Sigal, Director of Local Procurement, Economic Development Corporation of New Haven
Brian Nagendra, Senior Investment Associate, Living Cities
Derek Ford, SVP of Underserved Neighborhoods, Washington DC Economic Partnership
Dominic Russell, RI SBA Junior Chair and Procurement Researcher, University of Michigan
Donna Ginter, Executive Director of Procurement and Travel Services, GWU
Eileen Neely, Director of Capital Innovation, Living Cities
Eva Nico, Director, FSG
Gloria Nauden, Vice President of Marketing and Communications, City First Bank
Gregory Squires, Chair of Sociology Department, GWU
Harriet Tregoning, Former Director, DC Office of Planning
Hugh Penney, Senior Director of Compensation and Benefits, Yale University
Jahi Wise, MBA Candidate, Yale University
Kurt Sommer, Director, Baltimore Integration Partnership
Lina Stern, Director of Levy-Rosenblum Institute for Entrepreneurship, Tulane University
MacKenzie Garvin, Special Assistant, Office of the Mayor, City of Baltimore
Marianne Navarro, Anchor Institution Coordinator, City of Baltimore
Mark Mills, Executive Director of Purchasing Services, University of Pennsylvania
Matthew Duffy, Senior Consultant, FSG
Nichelle Holmes, Marketing Assistant, Brailsford & Dunlavey
Richard Green, Senior Advisor, U.S. Department of Housing and Urban Development
Robert Burns, Acting Executive Director, City First Enterprises
Robin Halsband, SVP of Impact Investment Fund, City First Enterprises
Sarah McKinley, Manager of Community Development Programs, Democracy Collaborative
Steve Dubb, Director of Special Projects, Democracy Collaborative
Susan Banta, Director of Research, The Pew Charitable Trusts
Tanya Pope, National Expansion Senior Manager, Interise
Timothy Flanagan, Executive Director, Washington Area Community Investment Fund
Tucker Bartlett, Vice President, Self-Help Credit Union
Wendy Baumann, President/CVO, Wisconsin Women’s Business Initiative Corporation
Appendix 2: Definitions

This report uses U.S. Census Survey of Business Owners definitions whenever possible, unless otherwise noted. These specific definitions include:

Anchor Institutions

Colleges and Universities
Hospitals and Health Centers

Business Categories

Enterprise or firm: A firm is a business organization or entity consisting of one domestic establishment (location) or more under common ownership or control. All establishments of subsidiary firms are included as part of the owning or controlling firm. For the economic census, the terms “firm” and “company” are synonymous.

Minority Business Enterprises or Minority-owned businesses: Hispanics, Blacks or African Americans, American Indians and Alaska Natives, Asians, Native Hawaiians and Other Pacific Islanders, and/or owners of some other race not classified as “White non-Hispanic” own 51 percent or more of the equity, interest, or stock of the business.

Non-Minority Business Enterprise or White-owned businesses: Non-Hispanic Whites own 51 percent or more of the equity, interest, or stock of the business.

Industry Categories

Based on North American Industry Classification System (NAICS) codes, as collected by the U.S. Census.

Race Definitions

American Indian or Alaska Native: A person having origins in any of the original peoples of North and South America (including Central America), and who maintains tribal affiliation or community attachment.

Asian: A person having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian subcontinent including, for example, Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand, and Vietnam.

Black or African American: A person having origins in any of the black racial groups of Africa, including those who consider themselves to be “Haitian.”

Native Hawaiian or Other Pacific Islander: A person having origins in any of the original peoples of Hawaii, Guam, Samoa, or other Pacific Islands.

White: A person having origins in any of the original peoples of Europe, North Africa, or the Middle East.
### Appendix 3: African American-Owned Businesses in Washington, D.C., with Paid Employees

<table>
<thead>
<tr>
<th>Sector (NAICS Code)</th>
<th>Number of Firms</th>
<th>Total Annual Sales</th>
<th>Average Annual Sales</th>
</tr>
</thead>
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<tr>
<td>Health care and social assistance</td>
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<td>$459,975,000.00</td>
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<td>Professional, scientific, and technical services</td>
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<td>$554,929,000.00</td>
<td>$1,767,289.81</td>
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<td>Accommodation and food services</td>
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<td>$186,361,000.00</td>
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<td>Construction</td>
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<td>Retail trade</td>
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<td>$115,218,000.00</td>
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<td>Administrative and support and waste management and remediation services</td>
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<td>Transportation and warehousing (607)</td>
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<td>Educational services</td>
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<td>Wholesale trade</td>
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<td>Information</td>
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<td>Manufacturing</td>
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<td>Management of companies and enterprises</td>
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## Appendix 4: Minority Business Enterprises in Washington, D.C., with Paid employees

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<tr>
<th>Sector (NAICS Code)</th>
<th>Number of Firms</th>
<th>Total Annual Sales</th>
<th>Average Annual Sales</th>
</tr>
</thead>
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<td>Accommodation and food services</td>
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<td>Health care and social assistance</td>
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<td>Other services (except public administration)</td>
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<td>Construction</td>
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<td>Wholesale trade</td>
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<td>Transportation and warehousing</td>
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<td>Information</td>
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</table>

- Accommodation and food services
- Retail trade
- Professional, scientific, and technical services
- Health care and social assistance
- Other services (except public administration)
- Construction
- Administrative and support and waste management and remediation services
## Appendix 5: Non-Minority Enterprises in Washington, D.C. with Paid Employees

<table>
<thead>
<tr>
<th>Sector (NAICS Code)</th>
<th>Number of Firms</th>
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<td>707</td>
<td>$ 843,000,000.00</td>
<td>$ 1,192,362.00</td>
</tr>
<tr>
<td>Retail trade</td>
<td>596</td>
<td>$ 1,442,950,000.00</td>
<td>$ 2,421,057.00</td>
</tr>
<tr>
<td>Real estate and rental and leasing</td>
<td>529</td>
<td>$ 1,323,712,000.00</td>
<td>$ 2,502,291.00</td>
</tr>
<tr>
<td>Administrative and support and waste management</td>
<td>443</td>
<td>$ 1,195,597,000.00</td>
<td>$ 2,698,865.00</td>
</tr>
<tr>
<td>Information</td>
<td>243</td>
<td>$ 1,399,394,000.00</td>
<td>$ 5,758,823.00</td>
</tr>
<tr>
<td>Other services (except public administration)</td>
<td>237</td>
<td>$ 428,637,000.00</td>
<td>$ 1,808,595.00</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>204</td>
<td>$ 1,308,065,000.00</td>
<td>$ 6,412,083.00</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>173</td>
<td>$ 2,089,769,000.00</td>
<td>$ 12,079,590.00</td>
</tr>
<tr>
<td>Construction</td>
<td>172</td>
<td>$ 1,671,592,000.00</td>
<td>$ 9,718,558.00</td>
</tr>
<tr>
<td>Arts, entertainment, and recreation</td>
<td>139</td>
<td>$ 282,044,000.00</td>
<td>$ 2,029,094.00</td>
</tr>
<tr>
<td>Educational services</td>
<td>124</td>
<td>$ 156,233,000.00</td>
<td>$ 1,259,944.00</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>81</td>
<td>$ 182,852,000.00</td>
<td>$ 2,257,432.00</td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>67</td>
<td>$ 424,282,000.00</td>
<td>$ 6,332,567.00</td>
</tr>
<tr>
<td>Management of companies and enterprises</td>
<td>33</td>
<td>$ 114,825,000.00</td>
<td>$ 3,479,545.00</td>
</tr>
<tr>
<td>Industries not classified</td>
<td>31</td>
<td>$ 2,804,000.00</td>
<td>$ 90,452.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>7447</strong></td>
<td><strong>$ 23,395,781,000.00</strong></td>
<td><strong>$ 3,141,638.38</strong></td>
</tr>
</tbody>
</table>

- Professional, scientific, and technical services
- Accommodation and food services
- Health care and social assistance
- Retail trade
- Real estate and rental and leasing
- Administrative and support and waste management and remediation services
Appendix 6: Financial Returns on Jumbo Certificates of Deposit (CD) Rates from CDFI Banks vs. Large Washington Area Banks

<table>
<thead>
<tr>
<th>Bank</th>
<th>Minimum Amount</th>
<th>Time</th>
<th>Annual Percentage Yield (APY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City First Bank*</td>
<td>$100000</td>
<td>5 Years</td>
<td>1.11%</td>
</tr>
<tr>
<td>Industrial Bank*</td>
<td>$100000</td>
<td>4 Years</td>
<td>1.10%</td>
</tr>
<tr>
<td>Chase Bank</td>
<td>$100000</td>
<td>5 Years</td>
<td>1.05%</td>
</tr>
<tr>
<td>Capital One Bank</td>
<td>$100000</td>
<td>5 Years</td>
<td>0.6%</td>
</tr>
<tr>
<td>BB&amp;T Bank</td>
<td>$100000</td>
<td>5 Years</td>
<td>0.5%</td>
</tr>
<tr>
<td>Citibank</td>
<td>$100000</td>
<td>5 Years</td>
<td>0.5%</td>
</tr>
<tr>
<td>Suntrust Bank</td>
<td>$100000</td>
<td>5 Years</td>
<td>0.4%</td>
</tr>
<tr>
<td>Wells Fargo Bank</td>
<td>$100000</td>
<td>5 Years</td>
<td>0.35%</td>
</tr>
<tr>
<td>Bank of America</td>
<td>$100000</td>
<td>5 Years</td>
<td>0.13%</td>
</tr>
</tbody>
</table>

*Denotes a Community Development Bank (CDB) certified by U.S. Department of Treasury. All above financial institutions are insured by the Federal Deposit Insurance Corporation.

Appendix 7: Proposed Anchor Institution Plan Goals

| PROCUREMENT | - ___ in dollars of goods and services from identified businesses by a certain year | - ___ % of goods and services from identified businesses by a certain year |
| INVESTMENT  | - ___ in dollars in cash deposited in local CDFI banks or credit unions | - ___ in dollars invested in local CDFI loan funds or venture capital funds |
| WORKFORCE DEVELOPMENT | - ___ of local businesses receiving workforce development training | - ___ of local employees receiving workforce development training |
| TECHNICAL ASSISTANCE | - ___ of college or university faculty, employees, and students providing technical assistance to local businesses | - ___ Provides facilitators and space for the Compete DC/CEO Growth Academy initiative |
Appendix 8: Case Studies on Anchor-Led Business Development

Procurement

The University of Pennsylvania is widely heralded as the national leader in local university procurement. Its “Buy West Philadelphia” purchasing program has increased local purchasing from $2.1 million in 1987 to $100 million in 2015. In partnership with the Pennsylvania Minority Business Center, UPenn identifies local firms that meet its standards on cost, quality, and speed—and in many cases, finds local firms that provide the same products and services at similar or lower costs than its current suppliers. Because of its decentralized procurement process, UPenn has sought to encourage the thousands of buyers across the university to purchase local by allowing searchable queries for local businesses in its online marketplace, bringing local suppliers to present at university-wide buyer meetings, and using its group purchasing consortium to create a network of local suppliers. UPenn has also successfully used its leverage to encourage its primary suppliers to purchase from secondary suppliers, encouraging Office Depot to hire Telrose Corporation, a minority-owned office delivery company, to become one of its prime contractors. The company grew from three to 22 employees, and its contract will grow from $300,000 to $50 million over the next 10 years, in part because of UPenn’s efforts.

Investment

Duke University has invested $8 million in CDFIs in Durham, North Carolina, to develop affordable housing and retail commercial revitalization in low-income areas near campus. With a long-standing partnership with Self-Help Credit Union, Duke invested $1 million in a land bank fund that identified vacant or slumlord properties for redevelopment. The university worked directly with Self-Help to remodel 30 homes with local developers for resale. Second, the university changed its strategy to provide a $5 million no-interest loan to Self-Help to develop residential properties in the West End neighborhood. With this capital, Self-Help bought properties and sold them at cost to Habitat for Humanity and other nonprofit developers that did not have the upfront capital to purchase affordable homes on their own. This fund eventually grew by $3 million to adopt a similar strategy for commercial properties, creating new real estate development for local small businesses and nonprofit organizations.

Workforce Development

North Carolina’s Community College System provides free workforce training programs to the 700 fastest-growing local businesses every year, designing curricula based on the needs of companies. The NCWorks Customized Training program provides support to local businesses to drive job growth, technology investment, and productivity enhancement.

Technical Assistance

Portland State University’s Business Outreach Program is a technical assistance and service learning program that matches local entrepreneurs, with a focus on minority and women-owned businesses, with business school students who serve as consultants to promote business growth. The program also supports entrepreneurs through ongoing workshops, trainings, and peer-based learning opportunities, with specialized support in marketing, human resources, management practices, business operations, accounting, and loan readiness. These services are offered at low cost on a sliding scale based on financial eligibility, with long-term support for up to three years. In
2014, the program supported 300 entrepreneurs, who were 98 percent low- or moderate-income, connecting them with 70 business school students. From 2006 to 2010, 146 jobs were created because of the program.84

2 U.S. Bureau of Economic Analysis. 2015. “Gross Domestic Product by State” (http://www.bea.gov/Table/Table.cfm?reqid=70&step=1&isuri=1&acdn=1#reqid=70&step=1&isuri=17090=70&7001=1200&7002=1&70 03=200&7004=maics&7005=&7006=00000&7093=index).
12 Ibid.
14 Ibid.
19 U.S. Census Bureau. 2011. "American Community Survey: DC Metropolitan Statistical Area" (http://www.census.gov/population/metro). Metropolitan Statistical Area was used to compare population, as owners of businesses in the city may live outside the District's boundaries.
20 Ibid.
23 U.S. Census Bureau. 2012. “Survey of Business Owners” (http://www.census.gov/econ/sbo/getdata.html). Calculated by dividing the average annual payroll of firms with paid employees by the average number of employees per firm with paid employees.
27 Ibid.
28 Ibid.
30 Ibid.


36 Ibid.


52 Ibid.


58 Ibíd.

59 Ibíd.


81 Interview with Mark Mills, Director of Purchasing Services, University of Pennsylvania: “We don’t pay a premium to do local purchasing, but we often find firms that are at lower cost than the current suppliers we’re using.”
83 Ibid.