

In the Knowledge Economy, Universities Are Powerful

Resources

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Boston-

Large corporations leave cities all the time, floating in and out of town on the economic tides, or like Enron, sinking like a stone. On the other hand, colleges and universities are part of the urban furniture and will never leave. So, why are corporations continually cosseted while academic institutions often feel the lash of city government? In the long run, which one – corporations or colleges and universities – has more to contribute to the economic health of a city? The truth is, both are important, but corporations get a lot of attention while academic institutions don't get nearly enough, especially considering their starring role in the new knowledge economy.

Today, even a city's signature corporations can be packed off to a nouveau berg. It's readily acknowledged that Fleet Bank (swallower of Bank of Boston) could itself be gobbled up by a banking behemoth and its headquarters moved elsewhere. It happens all the time, and not just in Boston, of course. Cleveland, which used to boast of one of the highest concentrations of corporate headquarters anywhere, watched helplessly as 11 major corporations relocated out of the city during the 1990s. The city and its economy are left to cope with the loss.

That doesn't happen with colleges and universities, as Boston can attest. Boston University and Boston College share their names with the city, but the 60 or so other colleges and universities that have all or part of their facilities located within Boston's boundaries are no less attached. All Boston-area colleges, including the big guys across the river, use the city as a selling point for prospective students. For its part, the city benefits in myriad ways from the presence of the schools and their students. The social and environmental connections are firm. It's the economic connections that need a new look.

Battles of ancient origin continue between cities and universities related to taxes, city services and rowdy students. But those fights, both sides agree, are small potatoes. So why haven't cities and universities formally acknowledged their symbiosis and honed their operations into more mutually beneficial strategies?

The answer, says Linda Kowalcky, Boston's liaison with the city's higher educational institutions, is: "We are trying, but it's not as easy as it seems." City government is highly segmented, and at universities some of the administrative detritus left behind by years of isolationist, ivory-tower policies can get in the way.

But that's changing. Universities are now major corporations with sophisticated administrators who are very much in the world. They are extremely sensitive to the economic relationship with their host cities. Nevertheless, a recent study conducted by the Initiative for a Competitive Inner City (ICIC) and CEOs for Cities, two Boston-based nonprofit national urban economic development organizations, found that colleges and universities are a resource that cities across the country have not fully tapped.

More than half of the institutions of higher education in the country (1902) are located in urban areas. In 1996, the latest year for which statistics are available, urban colleges and universities spent \$136 billion on salaries and goods and services. They are also proven money magnets. In 1999, according to the report, Harvard spent \$1 billion more in the Boston metropolitan area economy than it raised locally from tuition and fees. The report also notes that Boston-area universities and colleges employ more than 94,000 workers, the overwhelming majority of them in nonacademic administration and maintenance jobs.

But the report concludes that this economic firepower is not being used to the best effect in its own backyard. Boston does better than most. But Kowalcky says that although many positive ad hoc cooperative projects take place, an integrated long-range strategy between the city of Boston and its many colleges and universities does not exist.

It should exist, because potential economic benefits are tremendous. The report cites six areas in which universities and colleges, with only minor jiggling, can align their operations with municipal economic development strategies: 1. As a purchaser: buying locally; 2. As an employer: hiring locally; 3. Workforce training: aligning their skills with the area's employment needs; 4. As an advisor and network builder: putting their skills to use for local businesses; 5. As an incubator: supporting new-economy start-ups; and 6. As a real estate developer: partnering with local developers and community groups on projects that stimulate the economy while meeting university and community needs.

This last recommendation is eye-catching. Colleges and universities own acres of urban real estate, with an assessed value nationally of about \$100 billion in 1996. Of the 20 universities nationwide surveyed for the report, each one had capital improvements projects underway, with the most expensive costing \$800 million. But beyond their own projects, universities can stimulate the local economy by investing in incubator spaces and other university-connected entrepreneurial ventures that attract businesses, capital and jobs.

In a better atmosphere, universities can play a larger role as development partners. Virginia Commonwealth University (VCU), a state university located in Richmond, has become an active developer in its area. It built a recreation center, a parking garage, a bookstore, a 396-bed dormitory, and an art school in a long-neglected area near its campus. The private-sector then responded by adding 455 units of housing, a large home-improvement retail store and a giant supermarket.

Of course, in Boston where land is scarce and fiercely contested nothing is easy to build. But if the city, the business community and universities coordinate their plans and present

a united front, projects will flow and everyone wins. Boston is renowned for the intellectual power of its colleges and universities. Now the city and its academic institutions should show how, in a knowledge economy, that power can be harnessed.