GETTING CREATIVE TO BUY AND HIRE LOCAL: MEETING ANCHOR GOALS THROUGH FOOD SERVICE CONTRACTS

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AN OPPORTUNITY WITH CHALLENGES

Anchors are increasingly aware of the need to have a response and plan around economic development, but they seldom are armed, eager, or agile to move on them

On the one hand, there is...

- Clear understanding of the need to work at the ecosystem level to drive collective impact
- Perceived need to create local impact in anchors’ own individual focus areas
- Alignment around desired (halo) goals to hit, like wealth creation, inclusive opportunity access, quality job creation
- Growing criticality of private sector intervention to fill a growing gap in public agents’ ability to meet cities’ needs
- Increased scrutiny on these large institutions to demonstrate their impact in areas, especially in cities where racial and economic disparity is high
- Willingness to coordinate and participate in efforts to join impact efforts and to demonstrate investment in anchors’ communities

But on the other hand, anchors...

- Aren’t eager to commit their resources (staff time, finances) to individually drive these efforts
- Are largely under cost-containment pressures, often in response to growing uncertainty in regulatory and economic trends
- Lack the skills and experience to develop and deploy effective community and economic development tools
- Are slow-moving and complex organizations, making internal changes lengthy to execute
- Don’t have a clear picture of ‘where to start’ or how to build momentum around these causes—and prevent overinvestment in these efforts
- Don’t want to step forward to lead, and in the absence of leadership, will be tough to move
LARGE ENTERPRISE: AREAS OF IMPACT

Each of these five areas contributes directly in a variety of ways to building the local economy and the financial well-being of community members. Today, we’ll explore why procurement is an area of direct opportunity.

<table>
<thead>
<tr>
<th>Area</th>
<th>Drivers of Economic Impact</th>
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<tbody>
<tr>
<td>Procurement / Business Development</td>
<td>Developing, supporting, and connecting local and diverse small businesses, through direct procurement, student/faculty clinical programs, financing, and other means</td>
</tr>
<tr>
<td>The Built Environment</td>
<td>Influencing and investing in neighborhoods’ physical space, including affordable and supportive housing, home ownership, retail vibrancy, and preservation of industrial/maker space</td>
</tr>
<tr>
<td>Education &amp; Workforce Development</td>
<td>Education and workforce development opportunities across multiple educational attainment and skill levels, and through career ladders</td>
</tr>
<tr>
<td>Health &amp; Quality of Life</td>
<td>Initiatives designed to improve health, safety, and quality of life, whether through research, policy, direct investment or service</td>
</tr>
<tr>
<td>Community Engagement</td>
<td>Opportunities to collaborate directly with the local community in order to learn from and address specific needs</td>
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</table>
WE HAVE SPENT 12 YEARS BUILDING AN AWARENESS OF HOW TO ENABLE ANCHORS TO TACKLE THESE CHALLENGES

- **Government**
  - Federal, State, Local

- **Large Enterprise**
  - Universities, Hospitals, Corporates

- **Impact Enterprises**
  - Businesses & Nonprofits

- **Investors**
  - Traditional & Impact

- **5,000+ businesses** served annually through brick & mortar centers and training programs
- **200+ one on one advisory clients** to date across all four audiences
- Offices in **Boston, Chicago, NY** and client engagements across the country
PAST EXPERIENCE WORKING WITH INSTITUTIONS
Leverage our anchor presence to stimulate the local economy and opportunity through innovative live, buy and hire local practices:

• Live Local – Employer Assisted Housing Program
• Buy Local – Shift spend to local vendors while providing capacity building to help them succeed
• Hire Local – Develop strong relationships with local workforce agencies to increase individuals hired, and create career ladder programs to support advancement
ANCHORS: THE INTERSECTION OF SUPPLY AND DEMAND

As stewards of their community, anchors play at the intersection of what is locally available and what their institutions consume and purchase in aggregate.

DEMAND

- Volume of spending in sectors
- Current local / non-local spend in categories
- Spending patters and types of purchasing

SUPPLY

- Number and scale of local suppliers
- Experience servicing large contracts
- Ownership diversity in supplier base

Prioritized set of categories based on ability to impact

Range of strategies and actions to increase local spending, incl.

- Matchmaking
- Contract structuring
- Supplier development
- Aggregating demand
DEMAND: IDENTIFYING WHERE TO PLAY

Not all categories of spend are created equal. In our experience, some represent more impactful opportunities to drive local supplier utilization, including food contracts.

- **Food Service Management Contracts (FSMC)**: 12.1%
- **Major Construction**: 4.6%
- **Primary Operating - Non-Medical**: 40.0%
- **P-Card**: 1.9%
- **Primary Operating - Medical / Lab**: 1.3%

Figures given for consortium of four individual anchors (hospital and universities) from a single metropolitan area; “Addressable Spend” excludes categories considered to be prohibitive to shift to local suppliers.

**Represents high-impact categories with known:**

1. Central oversight
2. Local capacity, and
3. Significant concentrated demand
CONCENTRATED DEMAND FOR ALL ANCHORS

Big single contracts across all institutions

Real Example Anchors from Across USA

Constitute considerable pockets of spend for any institution

FSMC as a Share of Addressable Spend ($MM)

FSMC as a % of Total Addressable Spend

Total Addressable Spend

FSM Contracts

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# A RIGHT OPPORTUNITY FOR INSTITUTIONS

Food Service Management contracts represent a right opportunity around which to establish and set local economic development impact.

<table>
<thead>
<tr>
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<th><strong>Centrally-Managed Contract Familiar to Procurement</strong></th>
<th><strong>Visible and Scrutinized by ‘Customers’</strong></th>
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<td>1</td>
<td>Often one of the first contracts brought under central management, it’s a contract very familiar to procurement leadership</td>
<td>As a driver of quality of life on campuses, students (and invariably their parents) look at food as a differentiator among options in higher ed.</td>
</tr>
<tr>
<td>2</td>
<td><strong>Cost Is Not The Only Driver</strong></td>
<td>Cost is considered along other value added elements, like quality and locality of food, services type and frequency, and management of on-campus facilities</td>
</tr>
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<td><strong>Providers Are Not Interchangeable</strong></td>
<td>Providers have differentiated themselves with services and food qualities—and more recently ability to work with local economic goals / requirements</td>
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<td><strong>Likely Local Capacity to Enable Prime Contractors</strong></td>
<td>Food businesses are commonly found in local areas, given the ease-of-entry, meaning that local businesses can typically be found to support prime contractors</td>
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### RANGE OF POTENTIAL ANCHOR STRATEGIES

Anchors can activate local supply through multiple strategies with varying levels of intensity and investment.

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<td>Match vetted local suppliers with anchors or tier 1</td>
<td>Intentionally structure contracts to create opportunities</td>
<td>Aggregate purchasing commitments across institutions</td>
<td>Cultivate smaller, high-potential suppliers</td>
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**Examples**

- Introducing current anchor suppliers to peer institutions
- Sourcing and screening new suppliers
- Breaking up large construction contracts into smaller packages
- Requiring Tier 1 suppliers to utilize local Tier 2 providers
- Policy changes to modify insurance requirements or expedite A/P
- Collaborating with other anchors to identify opportunities to share suppliers
- Or to share best practices
- Directly investing in training and capital programs
- Addressing key barriers, e.g., distribution

**Nature of Collaboration**

- Focused
- Intensive

**Time Horizon**

- Short-term
- Longer-term
## HOW WE INNOVATED

Using unique attributes of University’s local neighborhoods and proactively setting contractor preferences, we were able to lever this one contract to innovate how we work locally.

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### What We Did

- **Tapped local cluster of food businesses**
- **Leveraged university relationships with community to find suppliers**
- **Established local goals in RFP criteria upfront**
- **Set MWBE goals with local emphasis**
- **Set local food within 150 mi**
- **Set local hiring requirement**
- **Hosted webinar for peer institutions**
- **Shared background on process and goals**
- **Shared contract terms through local anchor network**
- **Leveraged local network of food businesses**
- **Delivered specific operational support to build capacity of local minority distributor**

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OUR IMPACT

1. **Shifting Spend to Local:** Since initiating UChicago Local in 2014, we’ve doubled our percentage of University spend in the UChicago Local zip codes from 2%-4%

2. **Hiring from Our Communities:** 1 in 3 University employees live in our local community, and we’ve increased the percentage among our key vendor network, from 30% - 40%

3. **Encouraging Community Development:** We have also incorporated our Employer Assisted Housing Program into this efforts – since 2003, over 300 employees have participated, purchasing or renting homes on the mid-South Side

4. **Tying Diversity to Local:** By taking advantage of the local community and its assets, we sought to accomplish diversity goals by nesting them with local ones, encouraging of the achievement of both together

5. **Complementary Efforts:** We also identified areas of opportunity to improve the skills of local residents who work through the FSM contract to build necessary skills and professionalization, beyond their on-the-job training
From Goals…

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<th>Add 4 new vendors</th>
<th>Achieve 35% M/WBE participation in supply chain</th>
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<td>Locate new facilities near to the mid-South Side</td>
<td>Local foods to be considered within 150 miles of campus</td>
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<td>Local hiring goal of 40% with special attention paid to University’s zip codes</td>
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…To Impact

- Added 5 new vendors via contract RFP process
- 2 long-standing vendors expanded footprint on campus
- Local vendor operates campus c-store, working to source locally
- 2 new vendors in contracting, including innovative manufacturer that trains locals
- New training program for staff to develop basic skills
- Catering is next focus, with prime working to support local caterers
MAKING THE MOST OF CONTRACTS AS AN ANCHOR

Given our lessons learned and experience, we believe that anchors can leverage major contracts like FSM for economic development goals.

1. Advance utilization in conjunction with category buyers and real demand

2. Align around impact aspirations early and review often

3. Heighten accountability and follow-through

4. Build cohesion between programming, local resources, and goal setting

5. Manage to reasonable expectations and communicate them

6. Signal the importance of these efforts to all those involved
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