



WAYMAKERGROU

JULY 2021

# THE VALUE OF **INNOVATION DISTRICTS**

Lessons from 9 of America's  
Up-and-coming Growth Centers

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## AN ENGINE OF ECONOMIC ACTIVITY

Innovation happens at the intersection of leadership, resources, and collaborative space.

An “innovation district,” then, is a centralized physical space that positions all of these assets together in close geographic proximity—ideally in an amenity-rich, technically-wired, and transit-accessible environment with both commercial and residential elements. The most successful examples make concerted placemaking efforts to encourage a sense of community and pride among workers and residents alike.

The notion that innovation has a geographic component is not new; [economists have long known the value of regional business clusters](#).<sup>1</sup> However, truly human-scaled “innovation districts” are a significant evolution in economic development. Suburban research parks are no longer isolated but are now integrated directly into hyper-connected city centers. Startups, accelerators, and incubators can rub elbows with established global players and research universities. These hubs of economic activity bring many dynamic players together—creative startups, high-growth firms, research-oriented institutions, and major anchor companies—to co-exist in a densely packed but smooth-operating footprint.

“It’s all about programming: choreographing ‘spontaneous’ opportunities for smart people to interact with each other. This is what separates us from traditional science parks.” – [Dennis Lower, Cortex](#)<sup>2</sup>

The benefits are massive for both businesses and the folks they employ. A careful collision of public spaces, mixed-use housing, co-working locations, and essential supporting businesses (retail, restaurants, service companies) promotes networking and connections between complementary firms. It’s also the perfect center for work and play, attracting (and *retaining*) the high-end talent that drives an innovation economy.

## THE TIME IS NOW

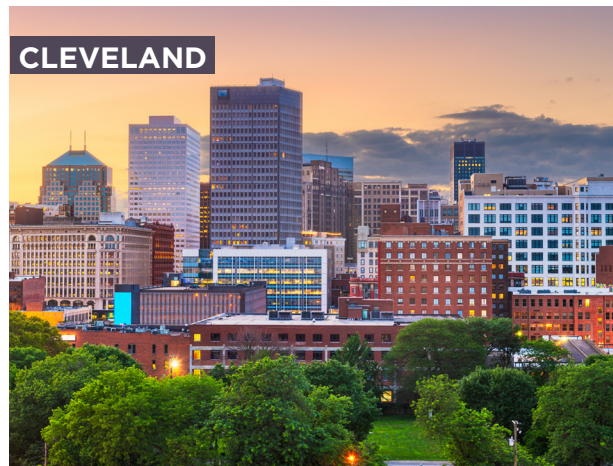
For more than half a century, insulated corporate campuses in dominant hubs like Silicon Valley have had a near-monopoly on high-level innovation. But a new vision for the spatial environment of innovation has shifted to the forefront in the past decade, from the ashes of the Great Recession and now, post-COVID.

Sharp increases in the need for greater workforce diversity, our ever-advancing technology, and collaboration-dependent “knowledge capital” now demand walking downtowns where work, home life, and amenities co-exist. And it’s happening. Twenty innovation districts in the U.S. alone have “reached a level of critical mass to warrant the name,” according to [Brookings](#).<sup>3</sup>

This won’t slow down any time soon. The emergence of innovation districts comes at a perfect time, directly answering the needs of today’s urban and political environment. Partisan gridlock, rising income inequality, civil unrest, and a pandemic have all placed an increased focus on the living situations in our nation’s city centers. There’s intense national attention on the struggling neighborhoods that often rest only several blocks from our city cores, where innovation districts (established and emerging) make growth possible.

An innovation district boosts quality of life and creates opportunities throughout the community. Construction, procurement, education, and service industry jobs buoy a rich local job market that includes upstart entrepreneurs and stable, globalized firms. Recent college graduates will have places to land, preventing “brain drain” to top coastal metros. Tax revenues from a successful district can be used to revitalize decayed neighborhoods and provide essential services.

## DISTRICT SPOTLIGHTS



Baltimore and Cleveland have both [embraced this shift](#) and focused on the kinds of local investments and partnerships that spur growth in their burgeoning innovation districts.<sup>4</sup>

- » **Baltimore** pulled together a coalition with the University of Maryland, neighborhood groups, and asset-rich anchor institutions ([The Baltimore Southwest Partnership](#)) to work on a groundbreaking vision for a “diverse, cohesive community of choice built on mutual respect and shared responsibility” in the seven neighborhoods of Southwest Baltimore.<sup>5</sup>
- » [The Evergreen Cooperatives](#) of **Cleveland’s University Circle** have spent the last few years building up the purchasing power to launch low-income employment initiatives and business ownership opportunities for residents.<sup>6</sup>



**SOLUTIONS FOR NOW *and* THE FUTURE**

Innovation districts are incredibly resilient in the face of economic uncertainties like those we're facing in this past year.

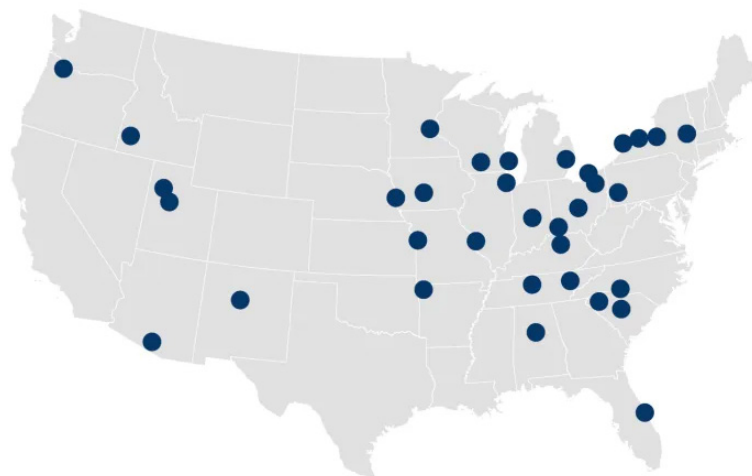
- » **Kickstart Growth:** When growth is sluggish (as it has been during COVID-19), an innovation district gives your community fertile ground for the discoveries and inventions that expand firms and create new jobs across the workforce—for startups, large firms, educational institutions, researchers, and investors.
- » **Raise the Floor:** Economic and social inequalities have become an increasing burden for population centers nationwide. An innovation district makes it possible to accelerate the development and optimization of local education and employment initiatives to benefit underserved demographics in nearby low-to-moderate income neighborhoods.
- » **Rebuild Your Core:** Urban sprawls and inefficient use of space in our infrastructure not only degrades the environment but disincentivizes focused economic activity. There's incredible potential to repopulate urban centers by revitalizing—and re-imagining—the spaces at the core of our communities. Dense intermixing of business and residential areas and increased mass transit keep the economy efficient while creating an attractive sense of place.

## WILL YOUR CITY BE NEXT?

America is brimming with high-potential metro areas, and all are positioned to become the next thriving hub for innovation. [Brookings identified 35 metro areas](#) across 19 states (in regions ranging from the Great Lakes to the Upper South to the Intermountain West) as candidates for Growth Center designation. These promising growth centers are all far-removed “from the coastal superstars” and poised to bring technology-centered economic prosperity right into the American heartland.<sup>7</sup>

The suburban century is coming to a close, and with it, the prevalence of isolated industrial parks. Attributes like walkability, transit accessibility, residential amenities, and proximity to resources have given the new crop of growth hotspots a competitive advantage in today's innovation economy, where dense and collaborative communities attract talent and major industry players.

## Strong potential candidates for Growth Center designation appear across the country



Source: Brookings and ITIF analysis of Emsi data

## DISTRICT SPOTLIGHTS: CLEVELAND, ST. LOUIS, PITTSBURGH

Many of these growing metro areas, such as Cleveland, Pittsburgh, and St. Louis, are already making progress in achieving their potential with targeted partnerships and infrastructure investments.

- » The [Cleveland Health-Tech Corridor](#) is a rising innovation district forged from collaboration among research universities and anchor medical institutions (such as the Cleveland Clinic).<sup>8</sup>
- » The 200 acres of the [Cortex Innovation Community in St. Louis](#) serve as a model that many other innovation districts are seeking to emulate. Cortex blends education, research, anchor businesses, and startup activities in the tech and life science fields. The catalyst was a partnership between BJC Healthcare, the Missouri Botanical Garden, and three universities.<sup>9</sup>
- » The [Pittsburgh Innovation District](#) is a burgeoning leader in immunology, AI, and robotics. Philanthropic investments and the prolific research wing of Carnegie Mellon University have paved the way for this success.<sup>10</sup>

The 35 communities flagged by Atkinson, Muro, and Whiton in the Brookings report are just the beginning. Any community with the room to concentrate mixed-purpose spaces in a compact, walkable city center—through repurposing, renovation, or new construction—has the physical tools to get started. Numerous other up-and-coming growth centers are already working on arranging their jigsaw puzzle of regional assets to bring tech-based development home. In fact, most regions feature metros with a real capacity to catalyze innovative expansion on a global scale.

## VALUE IN ANY MARKET

The landscape has changed. It's true that 90% of innovation employment growth over the previous 15 years came from just 5 coastal cities (Seattle, Boston, San Francisco, San Diego, and San Jose), but this is actually one of the reasons we've reached a moment of radical change.

Global companies have [caught onto the deep, untapped well of technical talent at inland cities](#).

They're now rapidly moving into middle-American communities like Nashville, Austin, Charleston, Kenosha, Madison, and Milwaukee. Communities that act immediately to amass leadership and resources will experience exponential competitive rewards.<sup>11</sup>

## DISTRICT SPOTLIGHTS



Every city is *different*. The trick to catalyzing growth is to understand the gears that make your community tick. Rural cities and urban metros have disparate needs. Let's look at two unique examples from the up-and-coming tech cluster in Wisconsin: Madison and Kenosha. They vary in size, locational assets, and anchor institutions, but both feature rising innovation districts.

- » **Madison:** A rising urban metro like Madison needs a talent pipeline focused on end products—getting research (and the people doing it) out into the world. Entrepreneurship in a community like Madison is a given. Startups, incubators, and global research institutions feed new ideas and opportunities to the community. The [MGE Innovation Center](#) has helped more than 70 early-stage companies grow since 1989.<sup>12</sup>
- » **Kenosha:** A city like Kenosha, which is smaller and less traditionally urbanized, operates on an entirely different set of priorities and values. Growth hubs in this mold are less singularly focused on research and more on the education and retention of talent. A community like Kenosha thrives when residents have educational opportunities in STEM fields and incentives to stay in the local workforce (jobs, amenities, affordable housing) when they graduate. The [Kenosha Innovation Neighborhood](#) will help to deliver on that promise.<sup>13</sup>

### THREE MODELS FOR SUCCESS

While an innovation center multiplies the value of any regional market, the shape of the innovation center must reflect the market in which it lies. Virtually all of the new and planned growth centers in the Middle U.S. fall into one of three distinct models, each best suited to a certain pattern of economic, physical, and networking assets. Katz and Wagner of Brookings outlined them clearly in [The Rise of Innovation Districts \(2014\)](#).<sup>14</sup>

1. **Anchor Plus:** This model is most common in downtown areas of central cities. Anchor institutions (often universities or health complexes) live at the core of large-scale, mixed-use developments that host related enterprises and supporting commercial amenities.

**DISTRICT SPOTLIGHTS:** [The Cortex](#) (St. Louis) and [Kendall Square](#) (Cambridge) innovation districts exemplify the Anchor Plus design trend.<sup>15,16</sup>



2. **Re-Imagined Urban Areas:** Cities with historic waterfronts, aging warehouse districts, or other large facilities that have fallen into disuse or economic downturns are ripe for new innovation districts in re-imagined spaces. Such areas tend to be geographically close to downtowns and urban hubs and are rich in available historic building stock. Investments in transit access, renovations, and the attraction of anchor institutions can completely revitalize the core of the district.



**DISTRICT SPOTLIGHT:** The thriving tech scene in Rhode Island's [Providence Innovation & Design District](#) is one such refreshed city center.<sup>17</sup>

3. **Urbanized Science Park:** Isolated suburban (or exurban) science parks around the nation are now urbanizing into vibrant innovation districts. The transformation is straightforward: add functional density by blending retail, restaurants, multi-family housing, and recreational space into the sprawled science park footprint, then create transit lines for easy access from surrounding areas.



**DISTRICT SPOTLIGHT:** [Research Triangle Park](#) in Raleigh-Durham is a quintessential reimagining of the old insular science park for modern, urbanized living.<sup>18</sup>





## SIX BENEFITS OF AN INNOVATION DISTRICT

The economic advantages of an innovation district will vary from market to market, but several themes emerge.

1. **Structured Leadership Network:** The coalitions that build innovation districts encompass industry, government, higher education, and research institutions. All have valuable contributions, and with key stakeholders in a formally established alliance or council, it's far easier to leverage and share assets for mutual advantages. One of the district's primary benefits is that it structures interactions between leaders and creates enduring relationships between previously disconnected entities.
2. **Unified Vision:** The success of the district depends upon an accurate and creative vision for the growth and development of critical regional assets. When local institutions and companies develop *shared* understandings of their region's unique strengths, a vision for growth becomes not just possible but actionable. Everyone in the pool has to swim in the same direction to start a whirlpool.
3. **Talent Attraction and Retention:** Innovation districts naturally nourish educational and career opportunities in STEM fields. With purposeful attraction, retention, and growth strategies in place, this side effect becomes a primary driver of growth. Communities that grow talent and keep it local spark innovation and ensure long-term growth.
4. **Revitalized Neighborhoods:** It is not uncommon for the objectives of innovation districts to include the revitalization of surrounding neighborhoods—traditionally marginalized citizens isolated from educational and occupational opportunities. One of the primary drivers of success in new models is diversity, equity and inclusion. The needs of surrounding neighbors are prioritized to include workforce training opportunities that represent upward mobility, and primary, secondary, and tertiary occupations critical to the district's growth and success.
5. **An Influx of Capital:** An active entrepreneurial ecosystem—supported by infrastructure, anchor institutions, and a strong talent pipeline—is incredibly attractive to investors. Planting the “right” mix of innovation ecosystem drivers creates the conditions required for the district to later become a destination for outside investment.
6. **Civic Pride:** A buzzing and active downtown with thriving businesses will make your community proud. The innovation center creates a successful and positive shared sense of identity with the businesses and workers who gather within its boundaries. High interest from external investors and renewed demand for housing are badges that catapult a city's reputation to a global scale.



## HOW WE CAN HELP

Waymaker Group knows what it takes to evaluate your assets and plan an innovation district that will maximize their potential. Any market can become a thriving destination for talent, innovation, and capital. We have the leadership, empathy, and expertise to guide you there. Our comprehensive knowledge of building innovation ecosystems guides the growth of your innovation effort in the following ways:

- » **Knowledge:** Our initial assessments inventory your knowledge economy assets
- » **Partnerships:** We forge public-private alliances that drive your talent development and retention strategies
- » **Cluster Development:** Our technology experts advise on emerging cluster opportunities
- » **Entrepreneur Engagement:** We program internal and outside resources to attract startup change-makers
- » **Connections:** Leverage our unparalleled national network to learn best practices or seek advice

We'll help you take control of your economic destiny and realize your visions for a bright future. With Waymaker, you'll gain a partner with a vested stake in the outcome.

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# WAYMAKERGROUP

## ABOUT WAYMAKER

### WAYMAKER GROUP HELPS LEADERS AND THEIR COMMUNITIES POWER SUCCESSFUL INNOVATION ECONOMIES.

We believe innovation-based economies are the key to stable and sustainable communities. We are passionate about reshaping economies and remaking places to optimize community prosperity. We partner closely with city leaders (government, corporate and academic) to develop data-driven plans that add economic hope and confidence. We believe in leveraging the existing assets and network intelligence of cities to support the creation of a new vision. We believe there has never been a more urgent time to lead courageously. Waymaker brings vision, a national network of technical experts and the ability to cultivate trust among disparate stakeholders.

## WHO WE SERVE

- » **Government Leaders:** Elected officials or city managers seeking a new approach to economic development.
- » **Corporates:** C-suite leaders, board directors or general managers of headquarter companies seeking to make their market more competitive.
- » **Non Profits:** Tech councils, associations, chambers of commerce or philanthropic organizations seeking to make their communities better.
- » **Higher Education:** Presidents, provosts and commercialization officers looking to forge strategic innovation partnerships with government and private companies.



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