



March 20, 2019

The Honorable John Lively
House Committee on Economic Development
Oregon House of Representatives
900 Court Street, NE
Salem, OR 97301

RE: Testimony for House Bill 2934

Dear Chair Lively, Vice Chair Fahey, Vice Chair Bonham and members of the Committee:

This letter provides a written summary of oral testimony I provided at the March 20 hearing. I do not take a formal position on HB 2934; this testimony is broadly about how innovation districts work and their potential benefits. Much of the information is taken from work done by the Brookings Institute. Additional resources are available on the Brookings website: <https://www.brookings.edu/center/anne-t-and-robert-m-bass-center-for-transformative-placemaking/>.

As director the Institute for Policy Research and Engagement at the University of Oregon, we have a vital role in economic development in Oregon. Since 2009, the Institute has received funding through the U.S. Economic Development Administration through their University Center grant program. The purpose of the University Center program is to link the capacity of higher education to businesses and organizations throughout Oregon to support economic development. Through our EDA funding we have supported economic development activities throughout the state -- from Northeast Oregon to the South Coast. Last year we used EDA funds to complete an assessment of Eugene's readiness for an Innovation District. The conclusion of that effort was that many of the elements already exist in Eugene, but that more work needs to be done. A broad coalition of interests is now actively working to formalize an innovation district in Eugene. Our work on innovation districts is directly related to our interest in House Bill 2934.

Innovation Districts

The idea of innovation districts began several years ago when the Brookings Institute released a report titled "The Rise of Innovation Districts: A New Geography of Innovation in America." In this report, Brookings observed that a remarkable shift is occurring in the spatial geography of innovation. Brookings calls this emerging model "innovation districts." Innovation Districts are geographic areas where leading-edge anchor institutions and companies cluster and connect with start-ups, business incubators, and accelerators. They are also physically compact, transit-accessible, technically-wired, and offer mixed-use housing, office, and retail. This marks a notable shift away from the corporate office or research park model that has been a core economic development strategy for decades.

So, why support innovation districts? Let's start with first principles. Defined, innovation is when new or improved ideas, products, services, technologies, or processes create new market demand or cutting-edge solutions to economic, social and environmental challenges. Innovation districts capitalize on innovation ecosystems that exist at the intersection of economic, physical, and networking assets:

- **Economic assets** are the firms, institutions and organizations that drive, cultivate or support an innovation-rich environment. Economic assets are grouped into three categories:
 - Innovation drivers are the research and medical institutions, the large firms, start-ups and entrepreneurs focused on developing cutting-edge technologies, products and services for the market.
 - Innovation cultivators are the companies, organizations or groups that support the growth of individuals, firms and their ideas. They include incubators, accelerators, proof-of-concept centers, tech transfer offices, shared working spaces and local high schools, job training firms and community colleges advancing specific skill sets for the innovation-driven economy.
 - Neighborhood-building amenities provide important support services to residents and workers in the district. This ranges from medical offices to grocery stores, restaurants, coffee bars, small hotels and local retail (such as bookstores, clothing stores and sport shops).

Innovation districts cannot exist without all of these economic assets.

Physical assets are the public and privately-owned spaces—buildings, open spaces, streets and other infrastructure—designed and organized to stimulate new and higher levels of connectivity, collaboration, and innovation.

- **Networking assets** are the relationships between actors—such as between individuals, firms, and institutions—that have the potential to generate, sharpen, and/or accelerate the advancement of ideas.

Brookings provides a colorful characterization of innovation districts:

“Innovation districts constitute the ultimate mash up of entrepreneurs and educational institutions, start-ups and schools, mixed-use development and medical innovations, bike-sharing and bankable investments—all connected by transit, powered by clean energy, wired for digital technology, and fueled by caffeine.”

This describes urban core areas in many Oregon cities and the aspiration of the Oregon land use system for larger cities. The key point again is that innovation districts build from the three core assets and are a placed-based economic and community development strategy.

What do innovation districts seek to accomplish? Each district is unique, but the following list provides some common objectives.

- Connecting local entrepreneurial ecosystems with research institutions
- Accelerating research commercialization
- Nurturing innovative ideas and talent
- Urban revitalization
- Spurring private investment
- Job growth and economic development
- Building new narratives

So innovation districts are about more than the tech sector. Inclusivity is a core objective of innovation districts. Promoting inclusive growth means using innovation districts as a platform to create educational, employment, and other opportunities for low-income residents, to increase labor market participation, and to stimulate local entrepreneurship.

Carolino and Kerr looked at proximity effects in their National Bureau of Economic Research report on Agglomeration and Innovation. They concluded that “Labor moves within a shed of approximately 40 miles, [while] knowledge sharing occurs at a scale of less than 1 mile.” In short, despite a global economy, place still matters in innovation and entrepreneurial ecosystems. Simply put, proximity creates “collisions” which support innovation. The intent of innovation districts is to create vibrant places that attract a broad array of talent and foster those collisions.

One of the questions we had when we initiated our work in Eugene was whether innovation districts scale to smaller metropolitan areas. Our view is they do – as long as they have the core assets necessary for an innovation district. One of the trends we’re observing is that a portion of millennials and other segments of the population are increasingly attracted to smaller metropolitan areas. Beyond the obvious issues of housing cost and transportation, other factors are driving this trend. One of the attractions is being in a place where they can create a job rather than get a job, and where they can engage in creating community and culture rather than consuming the culture that already exists. As such, innovation districts and not just a tool for major metropolitan areas like Portland—they scale to smaller metros and provide an opportunity for individuals to deeply engage in their communities.

Who delivers innovation districts? The list of institutions and individuals that are driving the growth of innovation districts is as varied as the economic compositions of districts themselves.

- Mayors and local governments,
- Major real estate developers and major land owners
- Managers of research campuses
- Anchor companies
- Advanced research institutions
- Advanced medical campuses
- Philanthropic investors
- Incubators, accelerators, and other economic cultivators
- Social networking programmers

The key point here is that no single model exists for innovation districts and that they must build on local assets for success.

Brookings identifies three types of innovation districts that are located in various places within a metropolitan area.

- **Anchor-plus.** Primarily found in the downtowns and mid-towns of central cities, this is where large scale mixed-use development is centered around major anchor institutions and a rich base of related firms, entrepreneurs and spin-off companies involved in the commercialization of innovation.

- **Re-imagined urban areas.** Often found near or along historic waterfronts, is where industrial or warehouse districts are undergoing a physical and economic transformation to chart a new path of innovative growth.
- **Urbanized science park.** Commonly found in suburban and exurban areas, is where traditionally isolated, sprawling areas of innovation are urbanizing through increased density and an infusion of new activities (including retail and restaurants) that are mixed as opposed to separated.

What is the promise of Innovation Districts? They can:

- Grow jobs in ways that “both align with disruptive forces in the economy and leverage their distinct economic position”
- Empower entrepreneurs as platform for economic growth and job creation
- Grow higher paying and more accessible jobs in an era of increasing poverty and social inequality
- Encourage denser and more efficient urban form while reducing carbon emissions
- Help local governments increase revenues as federal and state resources diminish

In short, they are about economic development, and they are about creating vibrant places and healthy communities.

The experience in other cities is encouraging:

- Albuquerque is using a more targeted approach, focusing on a seven-acre site in the downtown core. According to the InnovateABQ website “The site is intended to help put the region on a path to higher growth by improving the productivity of people and firms in ways that lead to better incomes and living standards for all. This vision includes more than 720,000 square feet of physically-compact, technically-wired, walkable space...” InnovateABQ anticipates 10,000 new jobs within a one-mile radius of the core site by 2024.
- Chattanooga Mayor Andy Berke states “Chattanooga’s Innovation District is our place where people from all walks of life come together to explore and collaborate, whether it’s within the realm of technology, art, recreation, commerce, or civic engagement. Thinkers, starters, and doers – a bold place full of people working together to discover the next big thing.”
- The South Boston Waterfront district was established in 2010. Since then, more than 6,000 jobs have been created in life science and technology. Boston is a good case study of how diversified employment supports innovation – more than 10% of the jobs in the district are in education and nonprofits, and 20% are in creative fields such as advertising.

We’re entering a new era community development. The focus is on enhancing social mobility and building wealth for residents that live in disadvantaged communities. The emerging system focuses on place and builds from the “street corner thesis” of creating a dense ecosystem of businesses, properties, and residences at strategic intersections or along strategic corridors of a community. Innovation districts support this new model.

To summarize, innovation districts:

- Provide a foundation for the commercialization of ideas and the creation/expansion of firms
- Are a vehicle for both revenue growth and efficient use of infrastructure
- Offer prospects of expanded employment and educational opportunities for disadvantaged populations

- Support denser employment and housing, leveraging mass transit and urban core

Place still matters – vibrant districts support innovation and entrepreneurial ecosystems. Moreover, economic development is a long game that that requires a diversified and innovated playbook. Our view is that innovation districts are a good investment for the state of Oregon.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Parker". The signature is fluid and cursive, with a large initial "R" and "P".

Robert Parker
Executive Director
Institute for Policy Research and Engagement