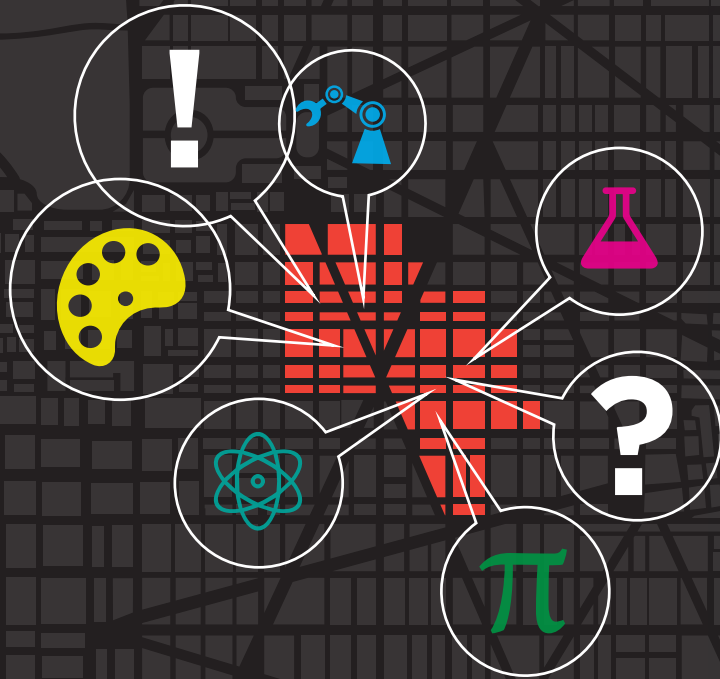


# INNOVATION DISTRICTS



NATIONAL  
LEAGUE  
of CITIES | CENTER  
FOR CITY SOLUTIONS  
AND APPLIED RESEARCH

The Chattanooga Story



## **ABOUT THE NATIONAL LEAGUE OF CITIES**

The National League of Cities (NLC) is the nation's leading advocacy organization devoted to strengthening and promoting cities as centers of opportunity, leadership and governance. Through its membership and partnerships with state municipal leagues, NLC serves as a resource and advocate for more than 19,000 cities and towns and more than 218 million Americans. NLC's Center for City Solutions and Applied Research provides research and analysis on key topics and trends important to cities, creative solutions to improve the quality of life in communities, inspiration and ideas for local officials to use in tackling tough issues and opportunities for city leaders to connect with peers, share experiences and learn about innovative approaches in cities.

## **ABOUT THE AUTHORS**

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## **ACKNOWLEDGMENTS**

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**Innovation districts are growing across the globe and here at home. As innovation continues its shift downtown, not out of town, innovation districts catalyze and harness new ideas and technologies. The closed innovation environment of yesterday, where businesses cloistered amongst themselves, has given way to open environments where ideas can move freely—clustering talent, startups, established firms, nonprofits, cultural assets and more in places that incubate creativity and serve as labs for far-reaching concepts and policies. By amplifying what is great about cities and concentrating key assets, innovation districts drive economic growth and bring people together from within and across fields to germinate ideas and create the next big thing.**

Not surprisingly, innovation districts are typically found in cities, as cities are the true fulcrum of innovation. Since the latter half of the industrial revolution, cities have served as the backdrop for clusters of industry-specific manufacturing firms experimenting with processes and methods of production. Only in the post-World War II era did we as a society, our companies, and our institutions move away from the city as the heart of innovation, toward the seclusion and privacy offered at the suburban edge. But the geographic epicenter of innovation has begun to shift back again toward the urban center as the natural meeting point of people, place, creativity and prosperity.

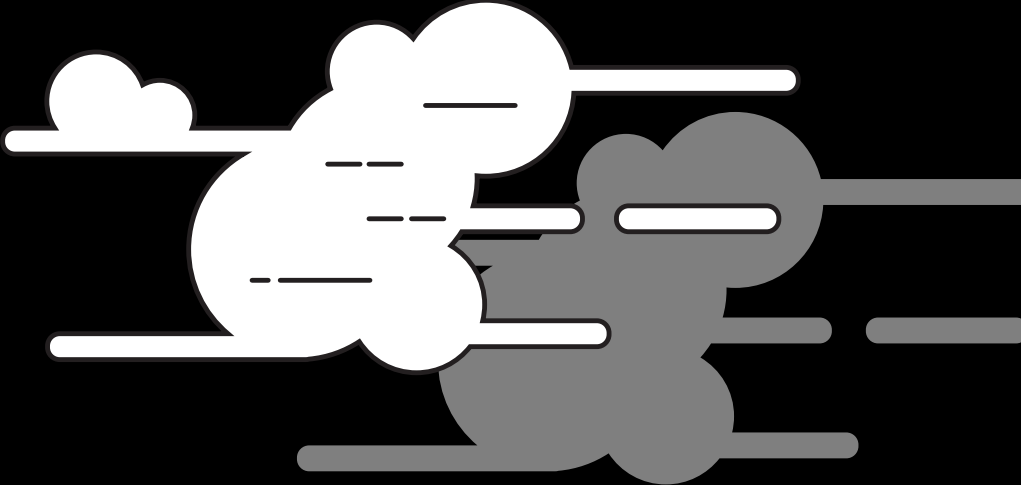
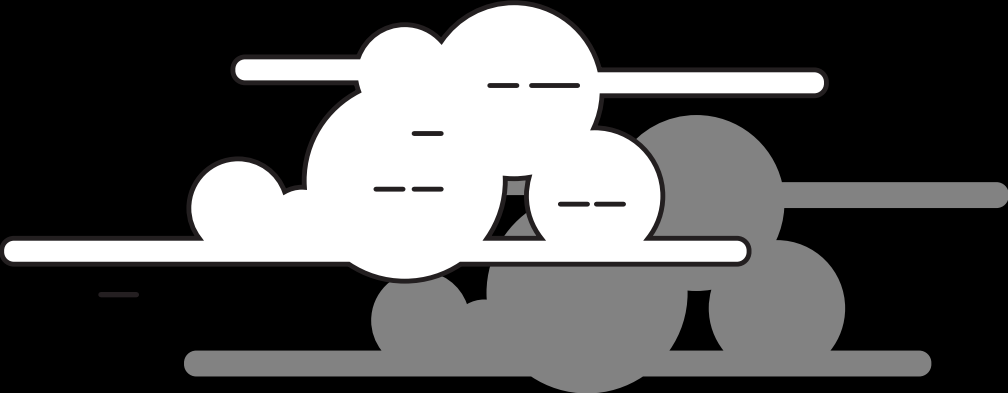
And cities are the natural environment in which innovation districts can thrive. Providing the benefits found in high-density, cross-sectoral places, such as abundant housing, public transportation systems, infrastructure assets, technological resources, cultural amenities and competitive job markets, cities foster collaboration and diversity. This environment enables innovation districts to attract entrepreneurs, startups, established firms, anchor institutions, highly skilled workers, thought leaders and policy makers, providing them with the space needed to create unexpected relationships and find transformative solutions.

In the process, innovation districts help bridge gaps and build partnerships across sectors, creating larger ecosystems that foster heightened creativity and technological breakthroughs and

thereby further transforming cities into “innovation labs.” Thus it is in cities that innovation districts have emerged as a networked, economic development and urban design typology defined by creativity, STEM-related industry, cross-sectoral diversity, collaboration, economic opportunity and a charismatic sense of place. The bump-and-spark interactions that take place in these talent-focused areas attract funding and investment and, in turn, help drive the vitality of the city.

Growth of innovation districts has been seen in larger cities as far afield as Boston, Seattle, and Barcelona, reflecting our ever-more complex world. A fundamental component of this growth comes from the demand for increased collaboration in seeking to understand the latest trends and solve problems with solutions that are increasingly being found at the boundaries between different fields. A key to the success of innovation districts is a willingness to observe, experiment with, and elevate what is great about the place where things are happening, where relationships are built, and ideas are germinated: the city.

# Innovation Dreams



## **Innovation districts have been shown to usher in new eras of prosperity in some of the world's largest cities, but do they have the same effect upon smaller metropolises?**

This question was confronted head-on when Chattanooga, a city of just under 200,000, announced its plans to become the first mid-sized American city to establish an innovation district. Local leaders were convinced that the city had made well-timed quality-of-life investments in downtown Chattanooga's public realm and possessed the right mix of economic, physical and networking assets that would enable an innovation district to succeed.

### **Laying the Groundwork**


Chattanooga had long prospered as a manufacturing hub since the mid-19th century owing, in part, to its location along the Tennessee River, which facilitated trade within the region. But after the decline of heavy industry in the 1970s and the ensuing deterioration of downtown Chattanooga's urban fabric, the city had hit the doldrums, and it became difficult to convince banks to invest in the redevelopment of the downtown area.

As a result, the River City Company, a private, nonprofit organization, was created to play a leading role in the redevelopment of the city center. Functioning as a land bank, the River City Company drove private investment from individuals and foundations toward projects associated with the city's Waterfront Plan. Today it is widely believed that much of the excitement surrounding the city's newly established

innovation district was ignited, in part, by the redevelopment of the waterfront.

In 2002, a group of young entrepreneurs founded Access America Transport, arguably the first example of a successful Chattanooga startup in recent times.<sup>1</sup> Access America Transport used web-based technology to grow its third-party logistics business to revenues of more than half a billion dollars per year and several hundred employees.

In 2010, the founders doubled down on Chattanooga by establishing their second startup, the Lamp Post Group, a venture accelerator that sought to help other Chattanooga startups achieve a level of success similar to what had been done with Access America. In addition to financing, the Lamp Post Group provided its portfolio of startups and entrepreneurs with office space, housing, management support and the critical cross-pollination of ideas that resulted from having a variety of startups under one roof.



In 2014 Access America Transport merged with Coyote Logistics.<sup>2</sup> In July 2015, UPS purchased Coyote Logistics for \$1.8 billion.<sup>3</sup> The founders of Access America and the Lamp Post Group have remained committed to downtown Chattanooga for the long term. The Lamp Post Group now occupies two buildings within the innovation district and will soon be adding a third. Its profits are reinvested into the local entrepreneurial ecosystem in incredible ways, such as the development of the city's first microhousing units for entrepreneurs.<sup>4</sup>



# ENVISIONING THE FUTURE

## Mayor Berke believed that the city's future prosperity was tied, in part, to the innovation economy...

When Andy Berke became mayor of Chattanooga in 2013, he imagined that the city could become a place where frequent interaction, intellectual and creative collisions, and knowledge spillovers would

be routine. Could an innovation district be the key to realizing that vision?

Whereas the outgoing city administration

had worked to revive the city's ailing industrial sector through the recruitment of traditional manufacturing businesses, Mayor Berke believed that the city's future prosperity was tied, in part, to the innovation economy and thus would require a comprehensive overhaul of past economic policies.

In December 2013, a certain electricity permeated the air as Mayor Berke stood inside the open, loftlike corporate headquarters of Quickcue, an inventive local firm that had recently been acquired by OpenTable. For many Quickcue employees, the prospect of being part of a larger national brand fueled much of the excitement, but for a city like Chattanooga, the acquisition was a validation of the home-grown innovation and ingenuity that local entrepreneurs and startup firms were delivering to the global economy. Mayor Berke wanted to ensure that OpenTable would continue to invest in the city by keeping its offices in Chattanooga and growing its presence there.<sup>5</sup>

At the time, it wasn't clear what OpenTable executives' intentions were. In a moment of reflection, one senior vice president told the mayor that if he were a young entrepreneur, he would seek to

uncover the five or ten innovations that a large existing company needed, invent those technologies, and then sell them to that large company.<sup>6</sup> This sentiment illustrated a process, referred to by leading experts as “open innovation,” and it underscored the increased premium placed on density and proximity in today’s “knowledge and technology driven economy.”<sup>7</sup>

In that instant a lightbulb went off. Mayor Berke realized how important it would be for him to play a role in bringing together startups and existing businesses who viewed frequent interactions with entrepreneurs and creatives as being critical to their success:

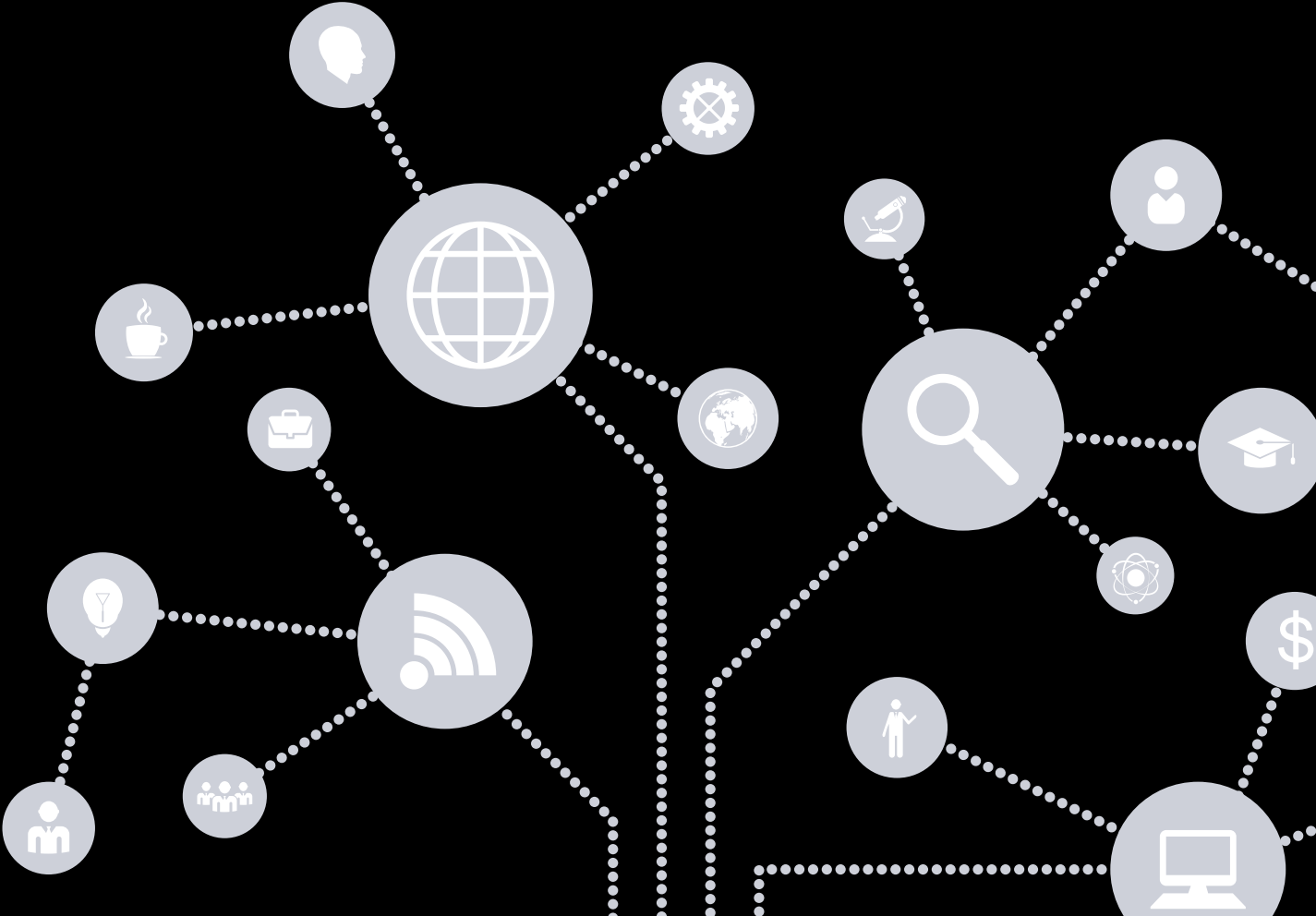
***“There’s an existing ecosystem in places like southern California where they assume that existing businesses and entrepreneurs are going to interact on a regular basis. What an innovation district can do in a city like Chattanooga is help develop that on a local level. . . . [T]here could be tremendous market effects if we built that kind of strong interaction between our existing companies and those who are inventing new products.”<sup>8</sup>***

To some, proposing an innovation district in a city not traditionally known for its startup culture may seem like a far-fetched idea. Chattanooga’s mayor, however, articulated a vision and possessed the political capital to challenge that assumption.

From that point, city leaders wrestled with many important questions as they explored the possibility of an innovation district in Chattanooga. Did Chattanooga have the right mix of ingredients to support a thriving innovation district? Should such a district be established in Chattanooga? If so, what would be the most advantageous size and location of the district?



# Gig City as Catalyst



## The creation of the innovation district did not happen in a vacuum, but was rather a natural outgrowth of a long line of planning and good decision making.

As it happened, between 2008 and 2011, while Andy Berke was still in Tennessee's state legislature, Harold DePriest, longtime president and chief executive officer of EPB, Chattanooga's publically owned electric utility, set forth a vision to modernize the city's electrical system by installing smart grid technology, which uses fiber optics as the network's communication backbone. Beyond the increase in quality, reliability, and efficiency of electric power delivery and operations, fiber-optic technology would enable EPB to make a suite of gigabit-level advanced communication services available to every home and business throughout its entire 600-square-mile service area. These improvements would make the Gig, as Chattanooga's network came to be known, among the fastest broadband communication services available in the world.

Recognizing the potential impact of having every home and business connected to the Internet, David Wade, EPB's chief operating officer, favorably compared the implementation of Chattanooga's smart grid and Gig network to the historic energization of cities with ubiquitous electricity in the early 20th century.<sup>9</sup>



### The Ten-Gig City

In 2008, Chattanooga accessed the U.S. bond markets to fund the initial construction of its smart grid and advanced communications network. Chattanooga's plan was to use its debt capital to build the Gig out across 80 percent of its service area in three years;<sup>10</sup> the remaining 20 percent of the network would be constructed with anticipated revenue from the sale of advanced communications services over the following seven years.<sup>11</sup>

After construction began in 2009, however, EPB became aware of federal funds that were being made available through the American Recovery and Reinvestment Act. EPB applied for and was granted \$111 million from the

Department of Energy to expedite the completion of the network.<sup>12</sup>

With the additional \$111 million, EPB was able to accelerate the construction of the network and complete the project within two and one half years, as opposed to the original ten-year time frame, notably with \$0 in state or local funding.<sup>13</sup> Total cost of construction for the network was approximately \$330 million.<sup>14</sup>

In 2015, EPB announced an upgrade to its fiber-optic network, which increased available bandwidth speeds from 1 to 10 gigabits per second as a standard offer.<sup>15</sup>



Credit: Getty Images, 2016

Chattanooga's decision to build the Gig contrasts with the wait-and-see approach taken by many other cities, as challenges to laws that prohibit or limit cities from competing with private sector broadband and cable providers work their way through the courts. The Gig has helped the city's municipally owned network keep pace with networks available in larger cities that have benefited from decades of intense private sector investment in the telecom sector. For many Chattanoogaans, the Gig is viewed as a 21st-century natural resource of sorts and a potential draw for innovative high-technology companies with an insatiable appetite for bandwidth.<sup>16</sup>

While Chattanooga was rapidly establishing itself as a bandwidth capital,

the philanthropic community started to take a keen interest in the city's burgeoning startups. The entrepreneurial movement was strengthened by groups like the Lyndhurst and Benwood Foundations, which partnered to establish Create Here, an organization set up to engage with the city's young creatives. In 2010, Create Here gave birth to the Company Lab (CO.LAB), a business accelerator where budding entrepreneurs receive help in taking their business ideas from initial concept to startup. Other initiatives cropped up, such as Innovate Here, which provided \$150,000 in forgivable loans to businesses that moved into certain areas of downtown Chattanooga.

**For many Chattanoogaans, the Gig is viewed as a 21st-century natural resource of sorts and a potential draw for innovative high-technology companies with an insatiable appetite for bandwidth.**

— Welcome to —  
**Gig City**



In early 2013, shortly after Berke assumed office as mayor, a group of citizens and leaders from the Chattanooga community came to meet with him in his office. The group, known as the Gig City Initiative, consisted of civic and business leaders who had organized around a desire to maximize the economic development opportunities that were expected to emerge as a result of the city's investment in the Gig. The group noted that as the Gig continued to draw interest, the city would need someone to coordinate the efforts of key stakeholders in the local public and private sectors who were, at the time, working together on an ad hoc basis. The mayor agreed that a formal mechanism for linking with and convening all such supporters would be needed to achieve maximum effect.

Building upon the work of the Gig City Initiative, Berke appointed the Technology, Gig, and Entrepreneurship Task Force to study how the city could best turn the energy surrounding the Gig into sustained 21st-century economic prosperity and establish Chattanooga as a regional hub for innovation-oriented firms and startups. As he noted:

***“There were lots of people coming to our city to look at our gig network. Who did they call? Where was the one place that you could go to that would connect you with all the different players to see what our gig network had to offer? There wasn't really an answer to that. Sometimes people felt like they were working alone when they weren't. Pulling people together actually allowed them to feel more comfortable with what they were doing and get some positive feedback for their work and really take us to the next level.”<sup>17</sup>***

In March of 2014, the task force issued its report as part of Berke's “Chattanooga Forward” initiative.<sup>18</sup> Among its top recommendations was the establishment of an innovation district. Local development expert Ken Hays was selected to lead the Enterprise Center, an existing public-private partnership, which was tasked with managing the planning and implementation of the district in addition to other task force recommendations.

The Enterprise Center was retooled with a new multigenerational board of directors, including some of the city's brightest millennials. The idea for Chattanooga's innovation district had begun to take shape.

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## ENTERPRISE CENTER DIRECTORS

**David Belitz** Lupton Company

**Ted Alling** Lamp Post

**Calvin Anderson** Blue Cross

**Steve Angle** UTC

**Sheila Boyington** Thinking Media

**Ben Brown** Alderman Holdings

**Zac Brown** The Howard School

**Mickey Cloud** Vayner Media Sydney Crisp, UNUM

**Harold DePriest** EPB

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**Sheldon Grizzle** Spartan Ventures

**Rick Hitchcock** Chambliss Law Firm

**Liz Kennedy** Hamilton Medical Center

**Bill Kilbride** Chamber of Commerce

**Kristina Montague** The Jump Fund

**Sarah Morgan** Benwood

**Keri Randolph** PEF

**Daniel Ryan** Dryan

**Rick Smith** Hamilton Co Schools

**Flora Tydings** Chattanooga State Community College

**Kim White** River City Company

## EX-OFFICIO MEMBERS

**Mayor Andy Berke**

**Mayor Jim Coppinger**

**Carol Berz** City Council Chairman

**Chester Bankston** County Commission Chairman

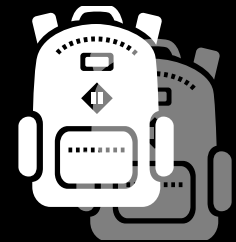
**Jonathan Welch** Hamilton County School Board Chair



# From Briefcases to Backpacks

**Cities that are serious about innovation districts need to get the urban real estate and quality of life issues right early on.**

// Mayor Andy Berke



## **Innovation districts may be spearheaded by a variety of stakeholders - from city and local leaders to real estate developers to research institutions.**

Like cities, innovation districts vary in size and scope. The physical extent and location of an innovation district should be determined after careful analysis of a city's unique blend of supporting assets. Well-conceived innovation districts may provide the right atmosphere for the social and economic workings of 21st-century startups, firms and institutions as they push forward the regional and global competitiveness of cities.<sup>19</sup>

Would downtown be the logical setting in which to locate Chattanooga's innovation district? In broad terms, city centers are an obvious choice for such an enterprise, but all downtown areas are not created equal. Much of the characteristic vibrancy and vitality that has been closely associated with successful innovation districts had not existed in downtown Chattanooga for some time. In fact, Chattanooga had a reputation among younger residents for being sleepy and uptight—facts that were not lost on Andy Berke and Ken Hays.<sup>20</sup>

Recalling the tough times of the 1980s, Kim White, president of the River City Company, noted that “downtown Chattanooga didn't have much of a personality in those days.”<sup>21</sup> Things began to change, however, following the flurry of cultural and recreational opportunities that came with the city's waterfront redevelopment plan. But for many innovative young Chattanoogaans, downtown was still of little interest to them. It held few coffee shops, restaurants, and after-hours spots for



Credit: Getty Images, 2016

young innovators to meet and exchange ideas. Entrepreneurs such as Allan Davis, founding partner at the Lamp Post Group, were initially hesitant to relocate to the city center because the area was thought to be too stuffy and overrun with suits and briefcases - a particularly unattractive scene for the young, innovative set.

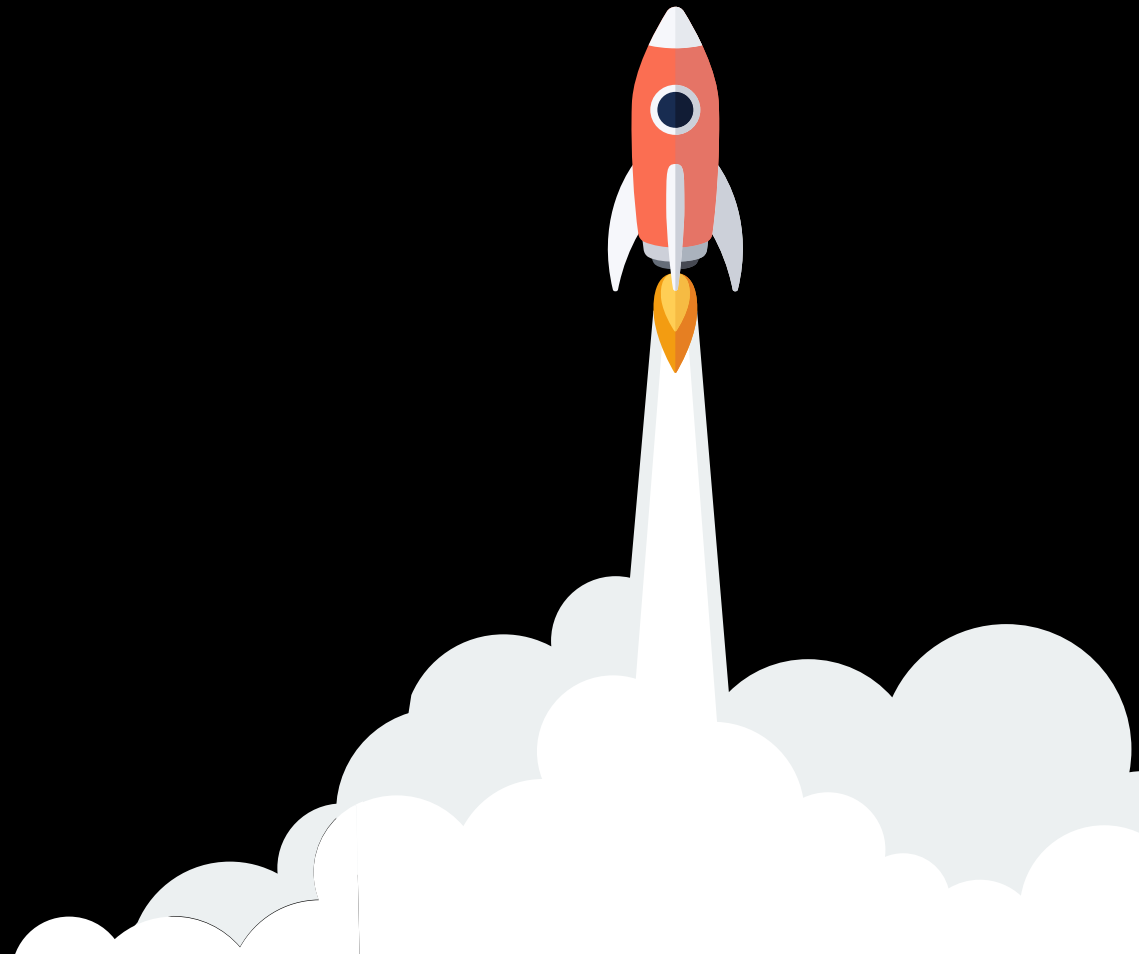
Downtown Chattanooga also lacked an abundant supply of affordable student and market-rate housing. Large surface parking lots and infill development opportunities abounded, while downtown civic spaces were often overlooked and underused.

For decades, according to White, the city's primary export was its young people. Not surprisingly, Chattanooga struggled to convince many of its most talented college graduates from the nearby University of Tennessee at Chattanooga (located in the newly formed innovation district) to stay and pursue their careers in the community.

Many of those who chose to stay preferred to spend their time in the city's Southside neighborhood or across the Tennessee River in the Northshore neighborhood.

The champions of the innovation district realized that if Chattanooga's downtown was to become the regional hub of innovation that city leaders envisioned, the city would have to stand on more than just its cultural attractions and the recreational value of its waterfront. Profound changes to the downtown retail and entertainment scene, business culture, and built environment would be needed, as would a strategic assessment and spatial analysis of the quality and quantity of the city's innovation-supporting assets. Once this was accomplished, they could consider the size and location of the district and focus on making it the lively, interconnected and transformative environment that startups, existing firms, entrepreneurs and talent crave.

# Defining Chattanooga's Innovation District



## Mayor Berke and other city leaders recognized that they needed a clear framework and rational foundation for determining the size and location of the district.

In May 2014, Ken Hays brought in Chattanooga native Ann Coulter, a well-known and influential urban planning expert and city leader, to help guide the effort to define these parameters.

Learning from others is a key aspect of scaling innovation districts in cities. The Chattanooga team sought to learn all they could by engaging with many leaders in the innovation district space. Among those consulted early on were Bruce Katz and Julie Wagner from the Brookings Institution, Omar Blaik from U3 Advisors, Tom Osha of Wexford Equities, and Brooks Rainwater of the National League of Cities (who co-authored this report).

Katz had particularly inspired Berke's thinking on the subject through the book, *The Metropolitan Revolution*, which he had co-authored with Jennifer Bradley, and through the pair's seminal publication, *The Rise of Innovation Districts: A New Geography of Innovation in America*, which provided a rigorous distillation of innovation district concept. It was to this latter that the Chattanooga team would frequently refer.

By studying existing innovation districts, particularly North American and European examples, the team could better understand the districts' specific development histories, context, and impacts within their local economies. Coulter took the lead in identifying the existing institutions, places, networks, economic drivers, infrastructure and other resources within Chattanooga



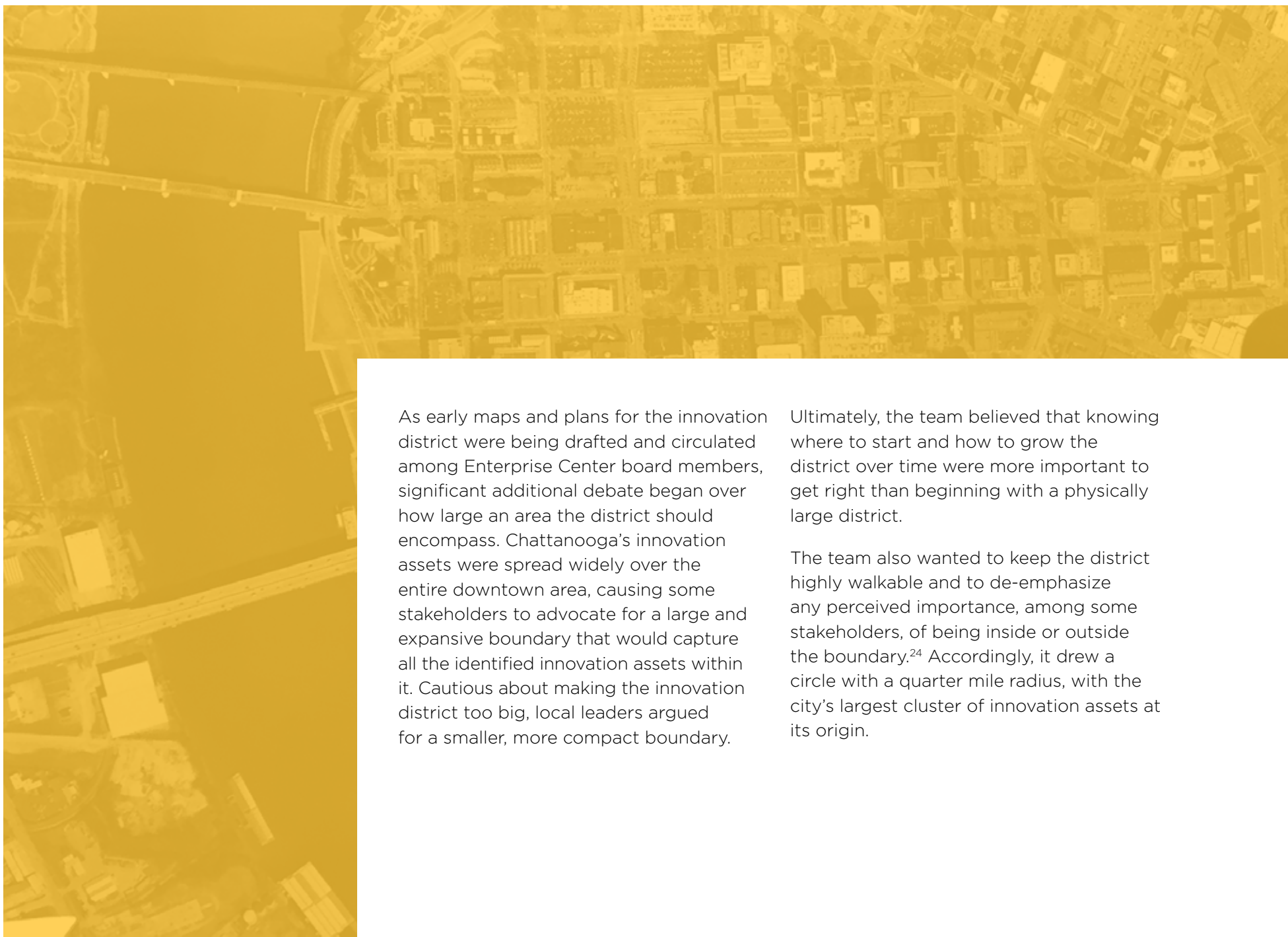
Credit: Getty Images, 2016

that would provide the basis for a thriving innovation district. Each potential innovation driver was classified and compiled into a long list of physical, economic and networking assets, using Katz and Wagners' framework as a guide. Hays and Coulter worked with Berke and Enterprise Center board members to further refine the list into a group of thirteen innovation economy generators. As Coulter related it:

***“We put all of our assets down on a map and we argued about them. For example, is our public library really an innovation economy generator and if so, how? We basically came up with our own terminology about what it meant for a public or private institution to be one of those key assets. It meant that they had to be deliberately working on aspects of the innovation economy, they had to have some successes under their belt, and they had to be working on more than one trajectory of what they were doing.”***<sup>22</sup>

### **Innovation Asset Spotlight**

Society of Work (SOW) exemplifies what it means to be an innovation economy asset in Chattanooga. The identification of SOW as a key asset within the innovation district demonstrates the significance that Chattanooga placed on identifying and making central to the district those assets that truly drive the innovation economy forward. For example, SOW is more than just a co-working space; it also functions as a hub where young innovators and entrepreneurs from around the city come together on a regular basis to socialize and exchange ideas. Each week, SOW hosts a local group of 50-75 coders and web developers for regularly scheduled information- and training-focused lunch and learning sessions.<sup>23</sup>



As early maps and plans for the innovation district were being drafted and circulated among Enterprise Center board members, significant additional debate began over how large an area the district should encompass. Chattanooga's innovation assets were spread widely over the entire downtown area, causing some stakeholders to advocate for a large and expansive boundary that would capture all the identified innovation assets within it. Cautious about making the innovation district too big, local leaders argued for a smaller, more compact boundary.

Ultimately, the team believed that knowing where to start and how to grow the district over time were more important to get right than beginning with a physically large district.

The team also wanted to keep the district highly walkable and to de-emphasize any perceived importance, among some stakeholders, of being inside or outside the boundary.<sup>24</sup> Accordingly, it drew a circle with a quarter mile radius, with the city's largest cluster of innovation assets at its origin.

# CHATTANOOGA INNOVATION DISTRICT





The goal of the circle was to facilitate, at the outset, a focused development effort on this particular area of the city and to create a targeted but fluid initial boundary that allowed for increasing density and easy expansion.<sup>25</sup> This meant that some of Chattanooga's innovation drivers would indeed be adjacent to or outside the initial boundary line. The Chattanooga team hoped, however, that the district would expand along with the city's growing innovation economy. As Coulter explained:

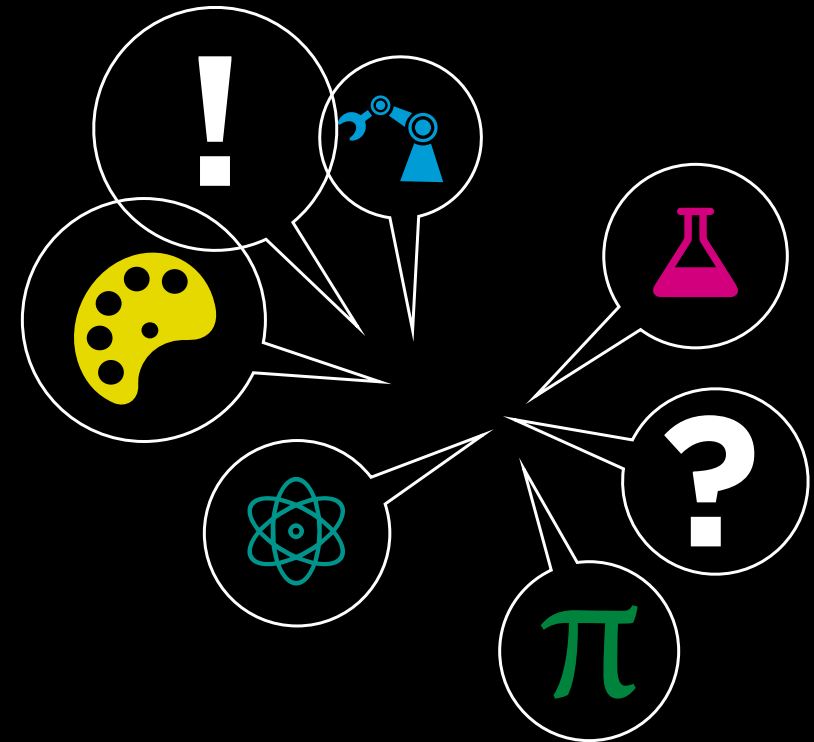
***“It’s not to mean that there are not good solid innovation economy players in other parts of the city, but from the standpoint of . . . planning it for the future so that it enriches the rest of the city as a strong district, . . . that was really where we wanted to start.”***<sup>26</sup>


With the size and extent of Chattanooga's innovation district now clearly and rationally defined, the Chattanooga team moved quickly toward launch. In the runup to the official announcement, city leaders focused intently on rounding out the epicenter of the innovation district, identifying gaps, making connections and bringing the anchors together to give the district its own unique identity within the city.

As the official announcement drew near, Hays and Coulter invited Omar Blaik of U3 Ventures to Chattanooga for a tour in December 2014. During the meeting, Blaik emphasized the importance of placemaking, particularly in those areas where there was potential for leading anchors, such as EPB and the university, to come together in new ways and in spaces that would activate the innovation district, making it a destination for residents and visitors alike.<sup>27</sup>

Mayor Berke and neighboring Hamilton County Mayor Jim Coppinger formally announced Chattanooga's innovation district in January 2015, along with plans to build the city's first Innovation Center at the Edney Building, a 90,000-square-foot redevelopment at a key intersection in the heart of the district. Occupying approximately 140 acres in a quarter-mile radius from the city center, the district is notably anchored along its eastern edge by the University of Tennessee at Chattanooga. In the year since its creation, Chattanooga's innovation district has continued to make strides on numerous fronts.

# Assessing Chattanooga's Success





*History, culture, and a willingness to experiment are three key ingredients that make Chattanooga excel.*

Credit: Getty Images, 2016

With a more than 30-year history of robust and prolonged cooperation among citizens, local government and philanthropic organizations, success has been a shared outcome. This culture of cooperation, referred to as “The Chattanooga Way,” has been an essential ingredient in other complex redevelopments and public realm investments, including the plan to reunite the city with its historic waterfront. And so it was the case with the innovation district.

Chattanooga’s innovation district holds strategic importance to the city. Much of the excitement and economic development taking place within it is relative to the Gig, which offers gigabit speed data connectivity to residential and

commercial customers. Tying this together with great quality-of-life indicators has helped city leaders establish an innovation district that can support recent growth in Chattanooga’s technology-based entrepreneurial sector, attract and retain an assortment of innovative 21st-century firms and entrepreneurs, and curtail the loss of Chattanooga’s young talented workforce to other cities.

Multiple co-working spaces are coming online, including the Tomorrow Building venture, a joint development with the Lamp Post Group and the River City Company. Chattanooga’s co-working projects are working wonders at increasing density and fostering a startup culture within the district. Vacancies

are being filled and infill development opportunities are on the rise. As more and more young companies want to be a part of the growing innovation district, existing buildings are being considered as potential assets to provide the necessary space. One such example is the 701 Cherry Street redevelopment, which has been filled with a combination of startups and existing firms that have relocated to be inside the innovation district. Significant opportunity remains for future development and additional density as surface parking lots still cover large swaths of developable area within the district.

At the same time, Chattanooga continues to invest in its public realm. Miller Park is currently being redesigned and will become a central, actively programmed public space that provides community members with a range of benefits, including a bigger lawn, a larger concert stage, and a new cafe pavilion to better connect with Miller Plaza across the street. Other potential public realm investments include Patten Parkway and the redevelopment of a large surface parking lot adjacent to the Bessie Smith Cultural Center. These future projects may foster

additional connectivity between the organizations, institutions and places that anchor the district, as well as facilitate an increased number of interactions among innovators and opportunities for sharing and collaboration—all of which are characteristics that typify successful innovation districts.

Time will tell whether the innovation district has successfully taken Chattanooga's downtown to new levels of prosperity and vibrancy and spread that momentum into the surrounding city and county. But while still in the early days—a year after its launch—the signs are positive. According to Berke, “we have been able to come in and really work hard on diversifying and building an entrepreneurial sector, diversifying our economic development base, and developing this tech world, which did not exist in the city that I grew up in.”<sup>28</sup>

In the pages that follow, the National League of Cities offers five takeaways in the form of best practices and lessons learned for other cities choosing to move down the path of developing an innovation district.

**Time will tell whether the innovation district has successfully taken Chattanooga's downtown to new levels of prosperity and vibrancy and spread that momentum into the surrounding city and county.**

A graphic featuring a large blue number '5' on a black background. To its right, the words 'Key' and 'Takeaways' are written in a bold, black, sans-serif font. 'Key' is positioned above 'Takeaways', and both are set against a yellow rectangular background that overlaps the black background.

Planning and building an innovation district is a deliberative and multifaceted endeavor. It takes hard work and dedication to scale the dreams of the visionaries who spearhead the effort. Fundamental questions concerning land use decisions and talent attraction and retention, as well as a focus on your city's strongest selling point, must be at the forefront. The following five key takeaways from Chattanooga's experience can provide guidance as you consider the creation of an innovation district in your own city.

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# 1

## **Leverage Past Instances of Collaboration**

As the creation of thriving innovation districts has essentially been a capability of large cities, Chattanooga, as a mid-sized city, faced certain challenges. One critical way in which it met those challenges was by building upon its history of collaboration. Working across sectors, as the city did through the waterfront redevelopment process, is key to Chattanooga's history of success in overcoming challenges. This deep level of partnership—the Chattanooga Way—describes the process by which citizens, the business community and local philanthropies come together. As applied to the creation of an innovation district, this process aimed at catalyzing growth using the city's natural environment, critical assets, and technological advantages—primarily the Gig, which has been the critical asset that has helped draw in technology firms and other creative professionals.

# 2

## **Dream Big but Execute Realistically**

Any city may dream about becoming a magnet for innovation, but it is incumbent upon city leaders and stakeholders to couch those dreams in the reality of what the city has to offer. Cities must not only know who they want to be but also be realistic about what they can be and deliberately strive toward that goal. To achieve its goal of creating an innovation district, Chattanooga knew it had to stem the brain drain of talented young people to other cities. And to do that, the city had to identify and highlight its critical assets, whether they be the university, the far-thinking municipally owned utility, or the existing companies that wanted to expand locally. The innovation district, in a sense, created a focused effort to leverage those assets and create opportunities, from work to retail to cultural touchpoints, that would serve to retain many of the city's highly educated millennial graduates. By building on earlier success, and particularly by capitalizing on the gigabit-level bandwidth that unleashed a fresh round of entrepreneurial energy in the city, Chattanooga is turning its innovation dreams into reality.

# 3

## **Use Critical Anchors as Catalysts**

Innovation districts need anchors—universities, existing industries, cultural attractions—and Chattanooga's district, like many others, has a number of traditional anchors. What makes that district stand out, though, is one of its nontraditional anchors—EPB. From an economic development standpoint, EPB's value as Chattanooga's municipally owned utility cannot be stressed enough. The foresight of developing the Gig created a broadband backbone for the city that made it the envy of others nationally and globally. This affordable infrastructure, which Chattanooga introduced years ahead of any other city, brought in businesses and convinced others to stay and grow their companies. While there are many other critical components contributing to Chattanooga's current success, this differentiator provided a major selling point that attracted companies and skilled employees, facilitating the successful creation of the innovation district. Not only has this brought attention and investment to the city, but it has helped Chattanooga more strongly establish itself as a regional technology hub, punching above much larger cities in the southeast.

# 4

## **Getting the People Equation Right**

Quality-of-life issues are incredibly important as cities build their innovation districts. Early on, Chattanooga had a strong focus on getting the people question right and making sure that cultural assets such as coffee shops, bars, restaurants, and other critical meeting spots were provided. But one of the biggest things to overcome was a cultural perception that downtown was for people in suits, not those in t-shirts-an environment that thrived from 9 to 5 and closed down thereafter. Thus, they focused on promoting an 18-hour environment to create the overall vitality that is critical to the success of long-lasting urban assets. Using the strong partnerships between city leaders, the private sector, nonprofits, the university and foundations provided crucial support in this endeavor; if everyone is on the same page with expectations of developing a plan of action, attraction is possible. Additionally, a core piece of getting the people equation right is equitable development: by creating an environment that elevates and promotes the inclusion of a diverse workforce, a community is much more likely to thrive.

# 5

## **Properly Define the Innovation District**

Finally, and most importantly, it is critical to get the real estate and land use decisions right. In any city's case, it is imperative to develop sound reasoning for where the innovation district will be located. In Chattanooga's case, there was an emphasis on the centrality of the district downtown. City leaders very much wanted walkability to be a primary component, and as any good urban planner knows, a circle with a one-quarter-mile radius provides the ultimate focus for that. They also de-emphasized the importance of having everything in the district. Instead, there is an understanding that assets lying near the district can be just as useful and accessible, but for development and redevelopment purposes, keeping the district dense and well-defined sends clear market-based signals for growth and success. Additionally, if zoning changes are needed-particularly to support mixed-use development-cities should keep these in mind and plan accordingly. In short, we cannot emphasize enough that clearly articulating the definition of the space allows the city to create a thriving place.

## METHODOLOGY

In January of 2015, a delegation of NLC researchers traveled to Chattanooga for an up close look at the city's recently announced innovation district. For three days, the authors and staff toured Chattanooga's innovation district and conducted interviews with a variety of city and community leaders, officials and local stakeholders from the public, private and not-for-profit sectors, who had been intimately involved with the planning and implementation of the innovation district. The interview notes, recordings, transcripts and correspondence gathered over the course of the initial tour and on occasions thereafter, both written and verbal, were used in the production of this case study.

### Interviewed

**Andy Berke** Mayor, City of Chattanooga

**Ken Hays** President & CEO, Enterprise Center

**Ann Coulter** Owner, A. Coulter Consulting

**Kim White** President & CEO, River City Company

**David Wade** COO & Executive Vice President, EPB

**Jim Ingraham** Vice President of Strategic Research, EPB

**Danna Bailey** Vice President of Corporate Communications, EPB

**Allan Davis** Partner, Lamp Post Group

**Mike Bradshaw** Executive Director, CO.LAB

**Bill Kilbride** President & CEO, Chattanooga Area Chamber of Commerce

**Nate Hill** Deputy Director, Chattanooga Public Library

**Stroud Watson** Founder, Urban Design Studio

**Sarah Morgan** President, Benwood Foundation

**Donna Williams** Administrator, Chattanooga Office of Economic and Community Development

**Steven Angle** PhD, Chancellor, University of Tennessee at Chattanooga



## Endnotes

- 1** Ann Coulter, e-mail message to authors, October 8, 2015.
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- 3** Laura Stevens, “UPS Agrees to Buy Coyote Logistics for \$1.8 Billion,” Wall Street Journal, July 31, 2015, <http://www.wsj.com/articles/ups-agrees-to-buy-coyote-logistics-for-1-8-billion-1438346328>.
- 4** Ann Coulter, e-mail message to authors, October 8, 2015.
- 5** On June 13, 2014, it was announced that Open Table would itself be acquired by Priceline for \$2.6 billion.<sup>1</sup> In January 2016, Open Table opened new offices within the innovation district. See “Priceline Forays into Online Restaurant Reservations with Acquisition of OpenTable,” Forbes.com, last modified June 19, 2014, <http://www.forbes.com/sites/greatspeculations/2014/06/19/priceline-forays-into-online-restaurant-reservations-with-acquisition-of-opentable/#58cd659050a6>.
- 6** Andy Berke, interview by Brooks Rainwater, February 13, 2015, transcript.
- 7** Bruce Katz, Julie Wagner, “The Rise of Innovation Districts: A New Geography of Innovation in America,” The Brookings Institution, May 2014, <http://www.brookings.edu/about/programs/metro/innovation-districts>.
- 8** Andy Berke, interview by authors, July 6, 2015, transcript.
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- 10** Danna Bailey, email message to authors, July 21, 2015.
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- 15** Dave Flessner, “Chattanooga Boosts Citywide Broadband Capacity to 10 Gigabits,” timesfreepress.com, October 15, 2015, <http://www.timesfreepress.com/news/local/story/2015/oct/15/chattanooga-becomes-first-10-gigabit-city-world/330691/>.
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- 17** Andy Berke, interview with authors
- 18** Technology, Gig, and Entrepreneurship Task Force, “Chattanooga Forward,” City of Chattanooga, March 19, 2014, [http://www.chattanooga.gov/images/Mayor/Images/Chattanooga\\_Forward\\_Working\\_report.pdf](http://www.chattanooga.gov/images/Mayor/Images/Chattanooga_Forward_Working_report.pdf).
- 19** Bruce Katz, Julie Wagner, “The Rise of Innovation Districts: A New Geography of Innovation in America,” The Brookings Institution, May 2014, <http://www.brookings.edu/about/programs/metro/innovation-districts>.
- 20** Allan Davis, interviewed by authors, February 12, 2015, transcript.
- 21** Kim White, interviewed by authors, February 12, 2015, transcript.
- 22** Ann Coulter, [complete]
- 23** Ann Coulter, interviewed by authors, July 7, 2015, transcript.
- 24** Ann Coulter, interviewed by authors, July 7, 2015, transcript.
- 25** Ann Coulter, interviewed by authors, July 7, 2015, transcript.
- 26** Ann Coulter, interviewed by authors, July 7, 2015, transcript.
- 27** Ann Coulter, interviewed by authors, July 7, 2015, transcript.
- 28** Andy Berke, interview by Terrah W. Glenn, July 6 2015, transcript.

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