



## Government Contest to Spark Innovation in Hartford

*Anthony Price*

CHOOSE HARTFORD

An innovative contest aims to produce a comprehensive economic development plan and position the Hartford region as an entrepreneurial hub.

The U.S. economy is the largest on earth, totaling \$17.7 trillion in gross domestic product in 2014.<sup>1</sup> It's not easy to keep it on a smooth trajectory without disastrous economic cycles along the way. When the economy struggles, as it did during the Great Recession, the results can be severe for millions of Americans, not to mention the interconnected global economy.

Tough times call for innovative solutions, especially in the areas hit hardest. That's why the federal government launched the Strong Cities, Strong Communities Visioning Challenge in 2011 to fund economic development.<sup>2</sup> In New England, Hartford was the only city designated for prize money.

### Innovation Helps the Economy Grow

Innovation is a key component for keeping an economy moving. Wikipedia defines innovation as a new idea, device, or process. Governments, businesses, organizations, and individuals innovate by improving a way of doing something or by applying technology in a new way. The federal government has helped to facilitate innovation by funding research that has led to life-changing medicine, the Internet, global-positioning-system devices, and more.

America is known for innovation and for innovative adaptations of existing technologies. In the early 1900s, Ford Motor Company mastered Model T mass production with the assembly line, but Henry Ford invented neither the assembly line nor the automobile. He just made the process better and the cars more accessible to the middle class, with a profound impact on U.S. economic development. Similarly, Steve Jobs didn't invent the smartphone, but Apple's iPhone improved upon the BlackBerry to elevate the standard. The role of innovation in Apple's climb to the most valuable American company—with a market capitalization of \$668 billion—is legend.

Unfortunately, there are pockets of the country that are not sharing in that sort of prosperity. What the federal government is trying to do with initiatives such as the Strong Cities, Strong Communities is to create the conditions to build an economy that benefits everyone—whether through educational institutions in New England, automobile manufacturing in the South, farming in the Midwest, or consumer electronics in the Northwest.

To boost innovation and economic development, the government is borrowing the playbook of innovators in the private sector who offer prizes. For example, back in 1919, New York hotelier Raymond Orteig posted a \$25,000 reward for the first Allied aviator to fly nonstop from New York City to Paris or vice versa. The



offer was reissued in 1925, and Charles Lindbergh claimed it 1927.<sup>3</sup> The Orteig Prize helped to spawn today's commercial aviation industry. Other prizes have nudged entrepreneurs, scientists, and tinkerers of all sorts to solve other complex problems.

On January 4, 2011, President Obama signed into law the America Creating Opportunities to Meaningfully Promote Excellence in Technology, Education, and Science (COMPETES) Reauthorization Act of 2010 to usher in a new wave of government and private-sector cooperation involving prizes and challenge grants. The administration also launched [www.challenge.gov](http://www.challenge.gov) to serve as a single location for a wide variety of federal competitions designed to accelerate job and economic growth.

Of course, the idea of creating competitions and incentives to solve real-world problems is even older than the Orteig Prize. According to Jaison Morgan, the managing principal of The Common Pool, a company that creates and manages competitions, "governments and philanthropists have been using [challenges and prizes] since the 1500s to solve important problems. By opening participation and rewarding winners based on the merit of their achievements, governments attracted mindshare and investment from people who were otherwise disenfranchised."<sup>4</sup>

Morgan, referred to by the British Broadcasting Company as "the world's leading expert" on challenges and prizes, has designed competitions for the Bill and Melinda Gates Foundation, the United Arab Emirates, Google, and the X Prize Foundation, among others.<sup>5</sup> Today he is plying his skills on behalf of the Strong Cities, Strong Communities Visioning Challenge.

## Hartford and the Visioning Challenge

The Strong Cities, Strong Communities Visioning Challenge (SC2) is a contest to create development plans for communities in need of comprehensive economic revitalization. According to a White House press release, "The goal of the competition is to generate innovative ideas, strategies, and perspectives that cities can use to develop long-term economic and job growth plans."

In September 2012, three distressed communities—Greensboro in North Carolina, Hartford, and Las Vegas—were awarded \$1 million each from the federal Economic Development Administration to produce comprehensive economic development strategies through local prize competitions.

The award gave a breath of hope to Hartford, a city that has seen some hard times. Since the end of World War II, a steady flow of people has been moving from the city to the suburbs. In 1950, Hartford had a population of 177,000. Today it is 125,000, whereas the Greater Hartford region has a population of 898,000. Hartford ranks 35<sup>th</sup> in income inequality among American cities. Within city borders, 38 percent of the population lives in poverty. The median household income is \$28,931, far below the state average of \$69,519. The city's homeownership rate is 24.7 percent, compared with the state average of 68.3 percent. Insurance and financial services remain large employers, but fewer than 5 percent of residents actually have jobs at those companies. Today, Hartford seeks to identify, attract, assist, and retain first-time entrepreneurs, serial entrepreneurs, and second-stage companies that have the potential to grow.





mism for the future. A panel of 10 local judges will pick the winners, which will be announced in June 2015. A pool of \$800,000 in cash prizes will be awarded to the top six teams, with the top team receiving \$500,000.

\*\*\*

Local and state governments are continuing to develop environments conducive to innovation, company formation and growth, and job creation. Many observers hope that the federal government will keep pushing innovation to the state and local levels by fostering challenges, prizes, and competitions that can keep the American economy growing and solve complex societal problems. We all benefit when the best ideas build a stronger and more innovative American economy.

Second-stage companies, according to the Edward Lowe Foundation, are fast-growing businesses with 10 to 99 employees and annual revenue between \$1 million and \$50 million. These companies differ from many small business entrepreneurs because they have particularly high growth potential and, often, national or global growth ambitions. According to YourEconomy.org, the Lowe Foundation's online research tool, second-stage companies generated 34 percent of jobs and about 34.5 percent of sales from 1995 to 2012—even though they accounted for only 11.6 percent of U.S. establishments.

The Hartford competition attracted 60 registered teams, and ultimately 25 proposals qualified for submission. During the first phase, contestants developed proposals that highlighted their economic thinking. The winners for the first round were (1) Hartford Health.Works, which was awarded \$60,000; (2) Community Solutions, which was awarded \$30,000, and (3) Hartford Rocks, which was awarded \$10,000.<sup>6</sup> To quote Julianne Avallone, a participant in the competition and a finalist with CJM Innovations, "It is clear from this competition that the Hartford area has a wealth of talent eager to promote the city as a hub of entrepreneur activity. ... By opening up the SC2 competition to such a broad field of applicants, the city received diverse perspectives on how to foster small business and fuel the creative class."

In late November 2014, Hartford officials announced that 10 finalists would enter the final phase of the competition, scheduled to close in April 2015, at which time they were to present a comprehensive economic development plan for Hartford that would benefit the region. At the 2014 event, Hartford Mayor Pedro E. Segarra observed, "Hartford has always been a place for innovation, and for a couple of decades, a little bit dormant." He expressed his opti-

---

**Anthony Price** is an economic development executive at Hartford Economic Development Corp. (HEDCO Inc.) and the team leader of *Choose Hartford*, a team participating in the SC2 challenge. Contact him at [aceaprice@gmail.com](mailto:aceaprice@gmail.com).

#### Endnotes

- <sup>1</sup> See <http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>.
- <sup>2</sup> See <http://www.eda.gov/challenges/sc2challenge/>. SC2 is supported by the Economic Development Administration, which is part of the U.S. Department of Commerce.
- <sup>3</sup> See [http://en.wikipedia.org/wiki/Orteig\\_Prize](http://en.wikipedia.org/wiki/Orteig_Prize).
- <sup>4</sup> See <http://www.eda.gov/news/blogs/2012/01/01/qa.htm>.
- <sup>5</sup> The X Prize Foundation is a nonprofit that creates and manages public competitions to benefit society through the use of technology and innovation. See <http://www.xprize.org/>.
- <sup>6</sup> "Hartford.Health.Works consists of health-care and medical-technology companies and a medical-device trade group. The team seeks to leverage health-care technology to attract entrepreneurs, capital, and jobs to Hartford. [The Community Solutions] proposal, Made at Swift, seeks to establish a 'food cluster' at the Swift Factory, a long-abandoned factory in the city's North End. The team seeks to eliminate homelessness by targeting root causes. Hartford Rocks is focused on marketing Hartford as a destination city for America's young entrepreneurs through four interrelated components: streetscapes, transportation, economic development, and arts and entertainment." See Kenneth R. Gosselin, "Economic Development Contest Enters Second Round," *Hartford Courant*, December 1, 2014, <http://www.courant.com/business/hc-strong-cities-strong-communities-hartford-connecticut-20141201-story.html>.

This Communities & Banking article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at [www.bostonfed.org/commdev/c&b](http://www.bostonfed.org/commdev/c&b).

photos Anthony Price