



Lessons from the American Underground

From its base in
Durham, North Carolina,
a planner-led
startup incubator champions
diversity
and
inclusion.



By NICHOLA LOWE

AU@Main got its start in Durham's American Tobacco District, then expanded to West Main Street to support the region's entrepreneurial community.



TECHNOLOGY ENTREPRENEURSHIP is rarely uttered in the same breath with terms like racial diversity or socioeconomic inclusion. Less than 20 percent of American technology start-ups are minority owned. African Americans account for only seven percent of the U.S. high-tech workforce and one percent of (nonfounder) technology executives; numbers for Latinos are equally low. According to recent reporting out of Silicon Valley, women also struggle for equal representation.

But American Underground, a startup incubator in Durham, part of the Research Triangle region, is rapidly pushing to change that. In early 2015, American Underground leadership publicly committed to creating “the world’s” most diverse entrepreneurial hub. Within one year, it had increased its share of female- and minority-led firms by more than 30 percent. Today, 75 of their 257 companies are female led and 73 are minority led.



AU@Main occupies a former bank building whose basement vault (this page) was turned into a flexible work and meeting space.



American Underground’s success in diversifying high tech can be traced back to a few enviable features. First is Durham’s racially mixed community, with a robust and politically influential black middle class—one that reflects historic employment opportunities in tobacco manufacturing as well as a strong legacy of black entrepreneurship dating back to the late 1880s, when Durham’s Parish Street (commonly known as Black Wall Street) was home to dozens of black-owned businesses, banks, and financial service institutions.

Then there’s AU’s enlightened leadership team, an energized group of 30-somethings with experience and education in community economic development, communications, and urban planning.

AU also has an inventory of nonprofit and high-profile corporate partnerships—including Google and Audi—as well as sustained external funding for innovative programming in support of racial, gender, and economic inclusion.

To be sure, this combination of elements might be difficult to reproduce in other communities. So what lessons can urban and community leaders operating in less ideal circumstances learn from American Underground’s success?

A clear vision

It all started with meaningful and honest dialogue among AU’s early leadership team: chief strategist Adam Klein, who graduated in 2007 from University of North Carolina with a master’s degree in city and regional planning, along with coursework in business administration; senior director of operations and finance Molly Demarest; and Jesica Averhart, who is now with the nonprofit Leadership Triangle.

“Many people who run technology hubs come from an entrepreneurial background where they see everything as a tech entrepreneur would,” Klein says. In contrast, AU’s diverse leadership offered a broader lens and recognized that diversity and inclusion are not just convenient marketing ploys.

The catalyst to act on those conversations came from a series of high-profile grants and awards. In September 2013, AU was selected to join Google’s U.S. Entrepreneurial Tech Hub network, a prestigious designation awarded to a handful of organizations in mid-sized U.S. cities that are well-poised to expand tech entrepreneurship beyond Silicon Valley or Cambridge’s Kendall Square. With the Hub Network designation, AU received mentorship, access to invite-only pitch events, and technical and finan-

INTERVIEW WITH ADAM KLEIN

Klein discusses American Underground and changing the face of start-up hubs.

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cial assistance to upgrade its digital infrastructure.

AU's leadership team explored other funding opportunities as well, including securing additional Google grants and establishing a partnership with female executives from prominent technology firms in the Research Triangle region to launch the volunteer mentoring network SOAR. They piloted a black and Latino entrepreneur-in-residence program in 2014, of which African-American entrepreneur Talib Graves-Manns was the first recipient. AU also supported a residential entrepreneurship program for students and faculty from North Carolina Central University, a historically black educational institution near downtown Durham.

By 2015, this set of reinforcing initiatives and relationships were already in place at AU, all helping to put their goal of being the most diverse start-up hub in the U.S. within reach. So when Klein went public with AU's commitment in the *Triangle Business Journal*, he was standing on solid ground—and ensuring “external accountability,” as Averhart puts it.

Partnering with corporations also helps. “Companies see this work as an investment and as part of their marketing and business development budget,”

Klein says. “This forces us to demonstrate to our corporate partners the value creation of AU programs and offerings.”

AU continues to advance its diversity goals by publicizing their organizational commitments and openly tracking progress with metrics, infographics, and entrepreneurial narratives. They recognize shared success with community partners at events and through digital and multimedia platforms, including a 2015 annual report via rap video by AU artist-in-residence Professor Toon.

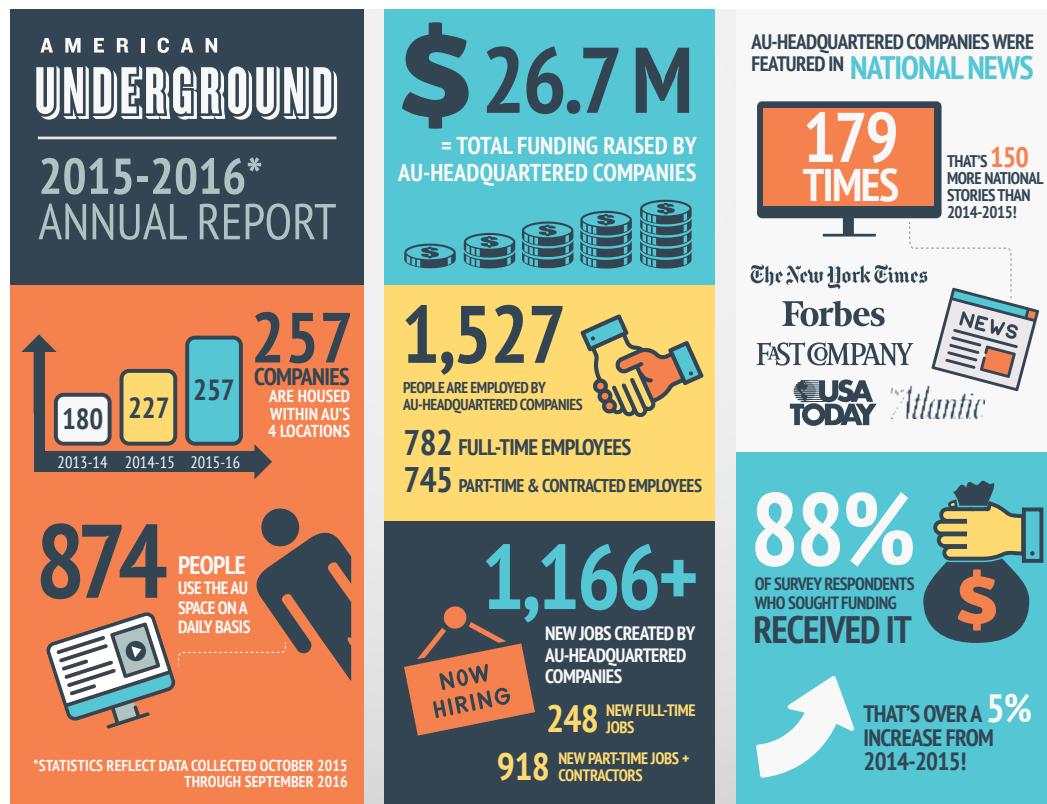
AU is one player in Durham's expanding entrepreneurial ecosystem, which was mapped in “From Factory Town to Vibrant Innovation Center” (tinyurl.com/y8ps3pd9) in 2017 by University of North Carolina planning professor Emil Malizia.

But Sara Lawrence, a planner who leads the program on innovation-led economic development at Research Triangle International in Durham, recognizes American Underground as a pioneer. “Innovation districts or similar entities often proclaim the importance of inclusion for the ecosystem's overall growth, but in reality, relevant investment or programming is an afterthought at best,” Lawrence says.

AMERICAN UNDERGROUND 2015 ANNUAL REPORT

An original rap composition and music video by Durham's Professor Toon and KidEthnic unveils the American Underground Annual Report 2015.

WATCH
youtu.be/ml0ao4g10bs





“Everyone is grappling with how to ensure that this call to diversity is actually occurring and not just being discussed as a goal that is to be achieved at some time in the future,” says Nicole Thompson, an economic development planner and CEO of Downtown Durham Inc. “AU has found a formula that has allowed them to make diversity an achievable goal with tangible performance measures.”

Still, though American Underground’s decision to go public has elevated its visibility, it has not been without risk.

“Early on we at American Underground heard criticism of diversity for diversity’s sake,” says Klein. “Some people would argue we’d compromise on quality and we wouldn’t get the best teams. Not everyone was convinced.”

AU has started changing those opinions, reshaping the discourse by pointing to academic research and consulting reports outlining the business case for diversity. They also help AU members internalize that message, encouraging entrepreneurs “to talk openly about the clear business benefit from having a diverse team.”

The more AU worked with the community, the

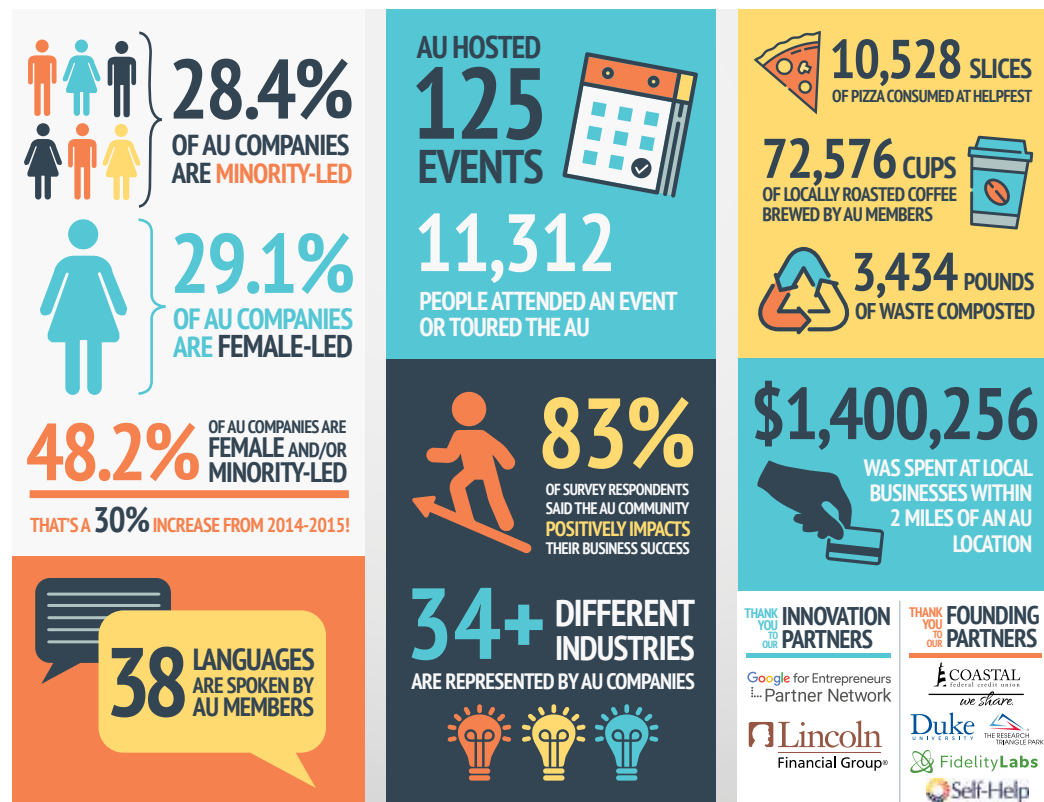
more leadership began recognizing the potential for further action: They could use the organization’s rapid success to promote and institutionalize strategies of social and economic inclusion beyond the walls of AU, and within Durham’s larger urban boundary.

Think bigger

Entrepreneur-in-residence Graves-Manns was instrumental in helping AU’s leadership team turn outward via the concept of “exposure,” arguing that AU could help more Durham residents—women, people of color, and economically disadvantaged youth—envision an alternative economic future by first creating opportunities for engagement with tech entrepreneurs from similar backgrounds.

That started with “something as simple as school tours,” Klein says, “so kids could see groups of founders who looked like them.”

AU deepened its commitment through ongoing partnerships with the IronYard Coding School and Code the Dream (now known as Uniting NC), which creates opportunities in computer programming for immigrant families and individuals facing economic adversity, including homelessness.



American Underground uses creative formats and digital media to broadly publicize its results, including colorful infographics and music videos for annual reporting.

'AU has found a formula that has allowed them to make diversity an achievable goal with tangible performance measures.'

—NICOLE THOMPSON,
ECONOMIC
DEVELOPMENT PLANNER
AND CEO, DOWNTOWN
DURHAM INC.

Moving beyond the classroom, AU started bringing in new partnerships and resources to support Durham-based minority- and women-owned businesses. In 2015 Jes Averhart and Talib Graves-Manns launched Black Wall Street Homecoming, a three-day event with more than 400 participants from across the U.S., including black-owned venture capital firms and investment funds. In October 2016, Black Wall Street Homecoming expanded to Washington, D.C., elevating the national conversation around diversity, technology, and entrepreneurship.

AU is exploring new ways to support diverse small businesses by pairing them with AU's technology experts to navigate e-commerce and digital platforms. And inspired by the success of two early AU firms, including MATI, a Latina-owned energy drink now sold in more than 500 stores, they expanded Durham's Startup Stampede to include entrepreneurial businesses in consumer products.

Ultimately, this meant the 2017 applicant pool for consumer products was significantly more racially and ethnically diverse. Klein hopes this expansion will result in well-paid manufacturing jobs in and around downtown Durham. This means pushing strategies of inclusive innovation beyond entrepreneurial development to help position frontline manufacturing workers as revered actors within the community's creative talent pool.

Henry McKoy, who directs entrepreneurship at North Carolina Central University in Durham, strongly agrees. "Durham already has a robust entrepreneurial ecosystem that works for tech-based entrepreneurs in society," he says. "What we need is for that ecosystem to work the exact same for all entrepreneurs no matter the race, gender, or ethnicity."

Looking for trouble

Planning courses in economic development often start with a debate over economic growth versus development, in which growth is presented in measurable quantitative terms—more jobs, more wealth, more investment—and contrasted with development—better quality, more accessible opportunities.

But a complementary conceptualization presents development as an ongoing process of problem reframing—or, to borrow terminology from development specialists Charles Sabel and Sanjay Reddy, the act of "looking for trouble." It requires the continuous search for new problems in support of economic inclusion and shared prosperity.

American Underground reflects this expanded definition. AU set and met its first diversity mile-

stone by its self-imposed deadline of December 2016. But by then, AU leadership had already set a new round of development goals and challenges, including emergent threats of economic displacement in downtown Durham due to reduced commercial vacancy, rising real estate prices, a lack of affordable housing, and transportation constraints.

AU leaders are now tethering the future of diversity in Durham to comprehensive planning solutions in support of spatial inclusion and physical mobility. Klein and his colleagues understand that for startups in Durham to be successful, they must be part of a thriving and diverse community.

"If Durham isn't going well but the AU startups are, then we haven't moved the needle," Klein says. His background in planning reinforces the business-community connection. Still, the solutions are not just in the hands of entrepreneurs and their AU advocates. This is where other urban planning principles come in to play.

After informally hearing about transit and parking concerns, AU leaders set out to survey their own community on transportation behaviors and needs. The results revealed downtown infrastructure as a significant sticking point, including an ever-growing waitlist (now more than 200) for monthly downtown parking spaces.

But AU leaders also recognized that building additional parking spaces is not the ideal solution. So, in addition to piloting a unique car-sharing program with Audi, AU recently partnered with Downtown Durham Inc, a nonprofit founded in 1993 to catalyze downtown revitalization. AU and DDI are actively working together to support the city's planning agenda, including efforts to promote sustainable and accessible modes of transportation.

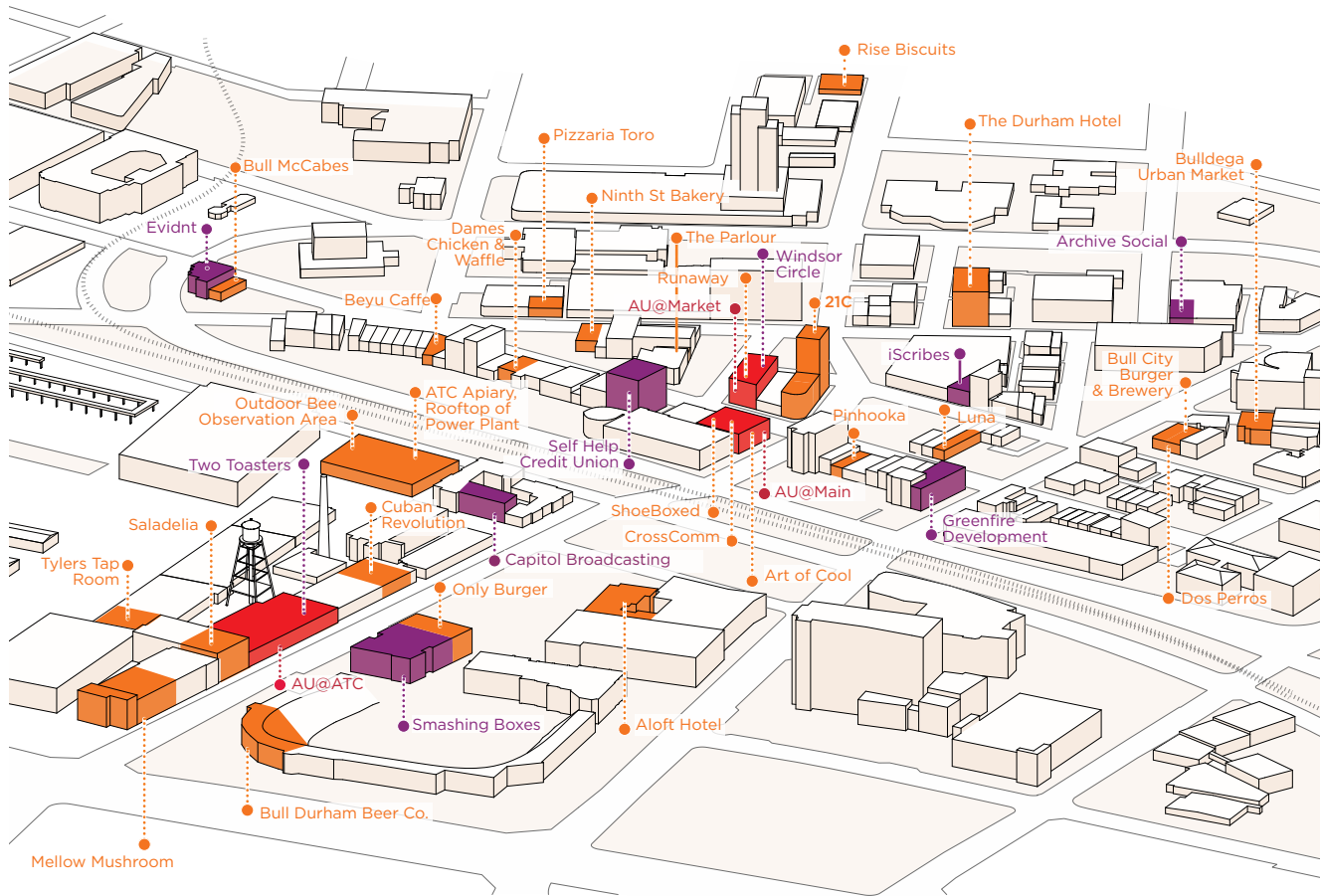
In recent conversations about downtown Durham's rapid growth, Adam Klein acknowledges that he often hears technology entrepreneurs ask, "What can I really do? I don't know how to swim in that pond." As a trained planner working in partnership with others, he knows the future of economic inclusion in Durham cannot be solved with an easy business fix.

Inclusion requires a sustained commitment to community planning, ultimately ensuring that it is more than a sink-or-swim proposition. ■

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Downtown Durham: A visual of American Underground's influence

The Thriving Cities Project, an initiative of the Institute for Advanced Studies in Culture at the University of Virginia (thrivingcities.com), prepared this map to show how American Underground influences Durham's business community directly and indirectly. See the companion video, *American Underground Case Study Trailer*: youtu.be/5iBQG03HSeU.



Impact on downtown Durham (map)

AU BUILDINGS AU office spaces

DIRECT IMPACT Seven landlords and startups have outgrown their space in AU and moved into downtown real estate.

INDIRECT IMPACT In 2016, AU member companies spent \$1.4 million on food, beverages, and other products within a two-mile radius of AU.

Influence outside of downtown

- | | | |
|------------------------------|-----------------------|----------------|
| Boostsuite | No Regret Productions | DJ Rang |
| Adzerk | Lincoln Financial | Moogfest |
| Old Havana | Indulge Catering | Esther Campi |
| Morgan Imports | Donovan's Dish | SOAR |
| Harris Tector Tobacco Rd. | Jimmy John's | Geer Street |
| Alivia's Happy & Halo | Cosmic Cantina | Motorco |
| Whole Foods | Papa Johns | Full Steam |
| Duke U | Forrest Firm | Monuts Donuts |
| Coastal Federal Credit Union | TriNet | Cupcake Shoppe |
| Blue Cross Blue Shield | Wells Fargo | Moe's |
| | Fidelity Labs | HPG |