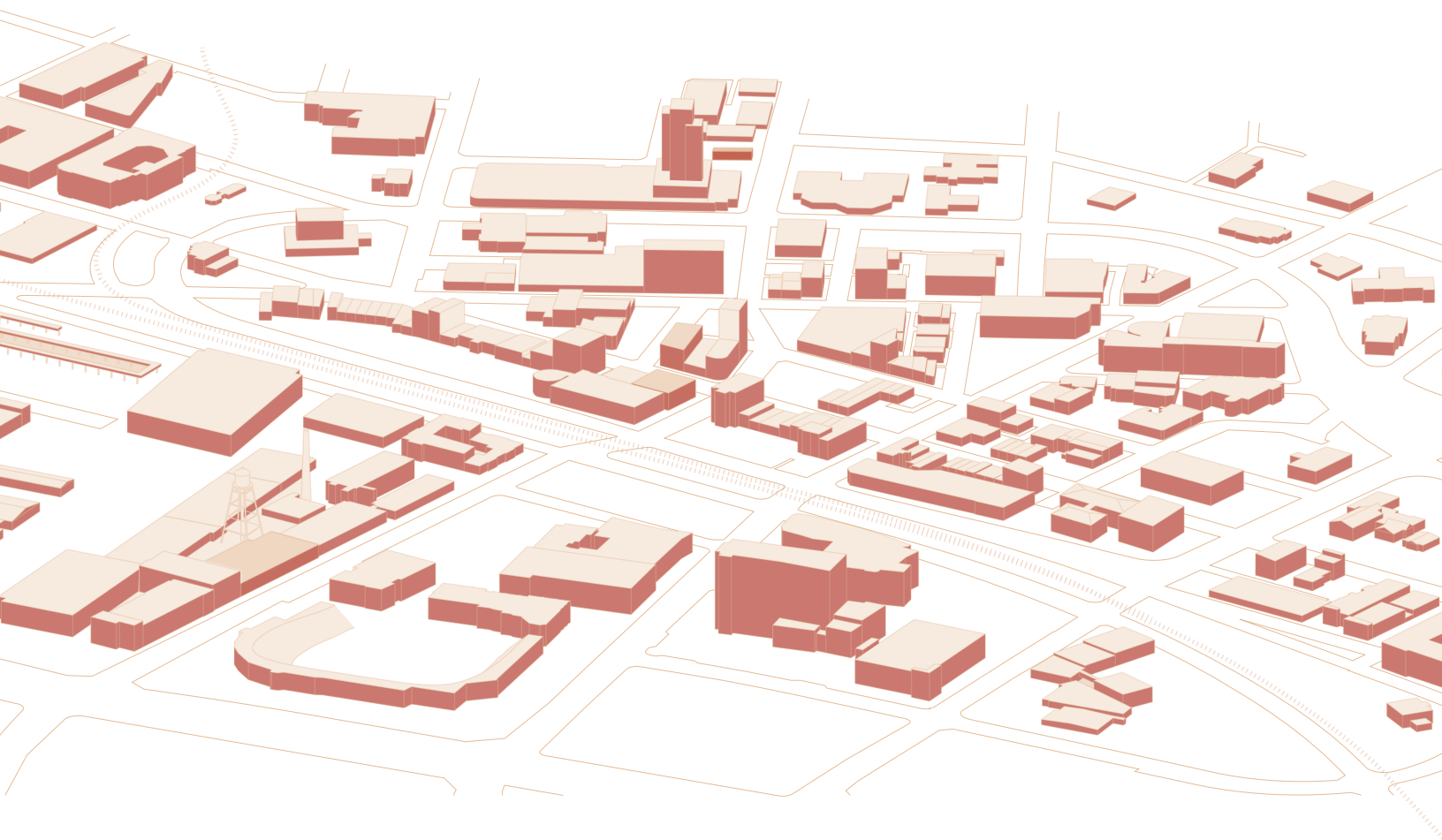


AMERICAN UNDERGROUND

A STARTUP INCUBATOR IN DURHAM, NORTH CAROLINA



THRIVING CITIES CASE STUDY
Draft December 2016

www.thrivingcities.com

The Thriving Cities Project is a research initiative of the Institute for Advanced Studies in Culture at the University of Virginia. This publication is made possible through the generous support of the Kern Family Foundation.



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Meet American Underground, a startup incubator in Durham, NC that's quickly becoming a leading example of a new-paradigm approach to business.

The nation's most interesting startup scene isn't in Silicon Valley or New York City. If you want a glimpse of what could be the future of American entrepreneurship, look no further than Durham, North Carolina, where an offbeat incubator called **American Underground** (AU) is quickly becoming a leading example of what we call a **new-paradigm enterprise**.

By many measures, American Underground has been a runaway success. The incubator currently hosts 257 companies, up from 73 just three years ago. AU-headquartered companies raised over \$26M in 2015-16. After just three years in business, AU was designated one of eight Google for Entrepreneurs Tech Hubs nationwide, and has attracted glowing press from *The Atlantic*, *The Washington Post*, and *Business Insider*. And, though most startup incubators are nonprofits or operate at a loss, Chief Strategist Adam Klein expects American Underground to turn a profit in 2017.

But there's more to "the Underground" than its own success. According to Klein, what makes AU really unique among startup hubs is its commitment to the good of the city. American Underground's 2015-16 Annual Report boasts that its companies spent \$1.4 million on food, drinks, and other items within 2 miles of its offices this year, and brought 1,166 new jobs to the region. AU has been central to the revitalization of downtown Durham, bringing new life to a once-abandoned tobacco manufacturing complex that is now at the epicenter of Durham's urban renaissance. Once a neglected and economically depressed satellite of nearby Raleigh and Chapel Hill, Durham now boasts a vibrant downtown, booming and diversifying job growth, and one of the nation's hottest startup scenes, which Klein has dubbed "the startup capital of the South." And because of its staff's relentless commitment to ensuring that the Underground reflects the diversity of Durham, 48% of AU's startups are female- and/or minority-led. According to CB Insights, nationwide "approximately only 1% of startup founders are black and 8% are female."¹

This commitment to measuring success by more than its bottom line is what makes AU a new-paradigm enterprise. AU understands that old-paradigm business models, driven solely by financial return, have actually come at great cost to communities, exacerbating the gap between the rich and the poor and contributing to the wide-ranging erosion of civic, social, and political life. The mindset that drives a new-paradigm enterprise like American Underground is that true success is linked to holistic community thriving.

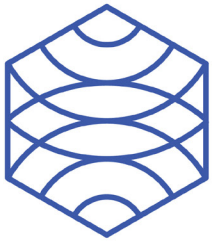
This kind of success is often difficult to see—conventional case studies focused on bottom-line returns will fail to recognize much of the value created by AU's unique approach. That's why in this case study, we evaluate AU through the lens of the **Human Ecology Framework**, a holistic model for understanding the six fundamental and interdependent building blocks of civic thriving. (See pg. 4 and 14ff.)

Through the lens of the Human Ecology Framework, we will see that AU has created all kinds of value that would be invisible to a traditional business case study—and they've done it all as a for-profit business, a classification claimed by just 7% of startup incubators nationwide.² Our hope is that seeing the hidden value revealed by an ecological evaluation of AU will inspire other businesses to measure success ecologically as well—because a new-paradigm approach is good for business and good for our cities.

1. Defined as at least one woman or minority in a leadership role (founder or C-suite level). "29% of the American Underground's businesses are led by women, 22.4% are minority led. Nationally, approximately only 1% of startup founders are black and 8% are female (according to CB Insights)." Brown, Carolyn M. "Raleigh-Durham Is Startup Capital of the South." *Black Enterprise*. Dec 21, 2015. <<http://www.blackenterprise.com/small-business/raleigh-durham-is-startup-capital-of-the-south/>>.

2. Knopp, Linda. "2012 State of the Business Incubation Industry." Athens, Ohio: NBIA Publications, 2012. <http://www2.nbia.org/resource_library/faq/>.

The Human Ecology Framework



THE TRUE

*the realm of human
knowledge & learning*



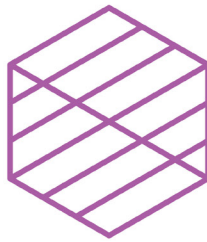
THE PROSPEROUS

*the realm of
economic life*



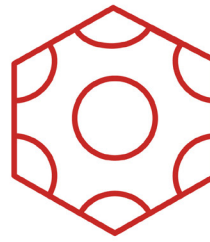
THE BEAUTIFUL

*the realm of creativity,
aesthetics, & design*



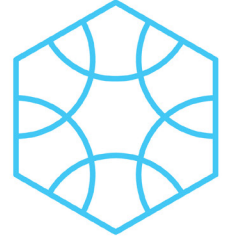
THE GOOD

*the realm of social
mores & ethics*



THE JUST

*the realm of political
& civic life*



THE SUSTAINABLE

*the realm of natural
& physical health*



THE AMERICAN UNDERGROUND STORY

“Pro Bono Publico”

The story of American Underground begins, as many great American stories do, with baseball. This is only fitting: Like every real baseball team, American Underground is inseparable from the city it serves. And, like every real baseball fan, American Underground is instinctively committed to the long game.

Professional baseball first came to Durham in 1902, riding the wave of national economic growth in the decades following the Civil War. In Durham that growth was driven by the tobacco industry, an industry fueled by the fertile farms of the surrounding areas and the steady cravings of the returning soldiers. These conditions set the stage for the emergence of one of the most successful business enterprises in American history—the American Tobacco Company.

The company was founded in 1865 by a returning Civil War soldier named Washington Duke. Its original name was W. Duke and Sons, and their original product was a pipe tobacco blend they called *Pro Bono Publico*—“For the Public Good.”

Over the next two decades, Duke and his sons diligently devoted themselves not simply to the production of high-quality tobacco products but, perhaps as importantly, to forward-thinking business innovation. This devotion paid off: Through careful development of a new machine technology for rolling cigarettes and shrewd stewardship of powerful business partnerships, by 1890 the re-named American Tobacco Company was responsible for the production of 90% of American cigarettes. And in 1896—just three decades after its incubation—it became one of the twelve original members of the newly formed Dow Jones Industrial Average.

As home for this empire, Duke’s sons built the American Tobacco Manufacturing Plant, a massive brick production facility in downtown Durham. In time, this manufacturing plant would burgeon into a manufacturing *district*, drawing multiple businesses into its orbit and nurturing a local engine of economic innovation and growth. Duke’s original vision of the “Public Good” began to take institutional form.³

3. American Tobacco’s commitment to the public good was not, however, without its contradictions. In the years to come, the American Tobacco Company would face fierce criticism for their treatment of the local farmers who produced the tobacco and their monopolistic exclusion of others who sought to distribute it. In time this criticism found a voice in the Supreme Court itself when, in 1911 the Court found American Tobacco to be in violation of the 1890 Sherman Anti-Trust Act and ordered the company to dissolve into four competitive entities.

One of the many interesting features of this newly emerging “public good,” and one of the most important, was the degree to which it extended to African Americans. In a way rarely seen in other parts of the American South, African Americans in Durham were able to participate in and benefit from Durham’s economic prosperity. On Parrish Street, just blocks away from the American Tobacco Manufacturing Plant, successful African American enterprises such as North Carolina Mutual Life Insurance Company and Mechanics and Farmers Bank helped to create the highest concentration of African American millionaires in the country. If Beale Street in Memphis was Main Street for post-war African Americans, Parrish Street in Durham was Wall Street.⁴

In the wake of this economic growth—indeed, as a sign of it — baseball came to town. Having given themselves to many patient years of careful teamwork for the sake of a common goal, baseball was a natural choice for the citizens of Durham. It mirrored their own civic cooperation. And because that cooperation had created a series of small fortunes throughout the city, taking time to watch baseball was possible. And so on April 24th, 1902, the newly organized Durham Tobacconists took the field.

“It Was Boarded Up”

To a striking degree, the fortunes of the team and of the city that cheered them on would come to mirror one another, the strange oscillations of boom and bust lifting and lowering each in turn. Those wise in the treacherous ways of baseball will not be surprised to learn that the movement from boom to bust came first to the team. In July of 1902, just three months after taking the field for the first time, the team—caught in a power struggle between their owner and the officials of the league—failed to take the field and eventually folded altogether. It would be ten years before professional baseball would return to Durham.

When it did, the new team called itself the Durham Bulls, taking its name from a popular local tobacco called “Bull Durham.” And while the new Bulls were a marked improvement over the ill-fated Tobacconists, the fortunes of the team continued to rise and fall. Over the next six decades, the Bulls organization would fold five times, switch leagues four times, move to new locations three times, change names twice, and once watch their stadium burn completely to the ground. Baseball, in other words, was still baseball.

So it was with the fortunes of the city itself. As with many cities of the United States, in the coming decades Durham would learn painful lessons about the fragility of the post-Civil War boom. Forces such as the economic crisis of the Great Depression, the rapid industrialization of the American Northeast and Midwest after World War II, and the transformation of the tobacco and textile industries due to international competition profoundly destabilized the once thriving Durham economy. By the 1950’s, North Carolina had the second-lowest per-capita income in the United States. Because of this, the state—and its cities—experienced a “brain drain” crisis in which more than two-thirds of college graduates left the state to seek their fortunes elsewhere. (See pg. 7 for timeline history.)

While this economic transformation impacted everyone in the city of Durham, it was perhaps most impactful on Durham’s African American population. This is because in addition to the forces above, African Americans in Durham increasingly faced the pressures of the re-invigorated racism of the midcentury American South. By the beginning of the twentieth century most Southern cities had begun to pass Jim Crow Statutes—laws carefully designed to re-inscribe segregation into every aspect of the post-Civil War South. And while the economic success of Durham’s “Black Wall Street” allowed Durham’s African Americans to resist the full effect of these laws longer than African Americans in other cities—indeed well into the modern Civil Rights Movement—in the end, the forces of racial inequity prevailed.

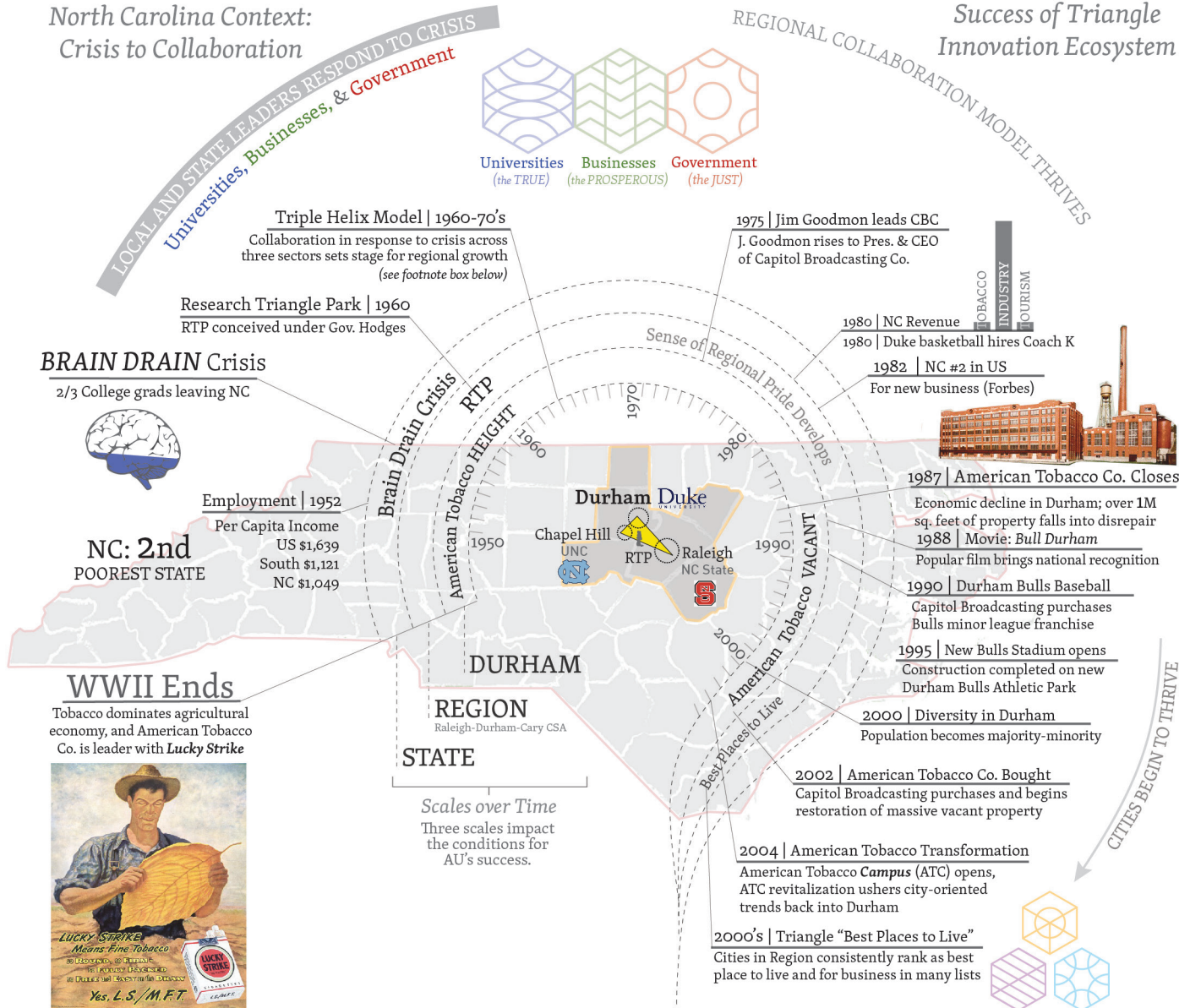
4. This is not at all to suggest that the American Tobacco Company deliberately sought to bring wealth to Durham’s African American communities. It is, however, to say that one of the consequences of American Tobacco’s construction of a thriving manufacturing district in downtown Durham was the creation of economic opportunities for an unusually broad array of Durham’s citizens.

HISTORY & CONTEXT | RADIAL TIMELINE

Setting the Stage for Capitol Broadcasting & American Underground

North Carolina Context:
Crisis to Collaboration

Success of Triangle
Innovation Ecosystem



Regional Collaboration sets the stage for the Human Ecology

The *Triple Helix Model* of Regional Collaboration is seen as the three-pronged approach after WWII that catalyzed the innovation economy in the Triangle region, as highlighted in "*Equity, Growth, and Community*" by economists Chris Benner and Manuel Pastor. Now, after 60 years, a broader Human Ecology Framework has the potential to shed new light on other domains of human thriving for more holistic, city-based collaboration.



In the 1960's, Durham — like many cities around the country — implemented “Urban Renewal Policies” that forcibly displaced African Americans from their communities and completely destroyed the thriving economic infrastructure they had been building for over a century.

Perhaps the most visible sign of Durham's slumping economic fortunes was an event that would have been unimaginable just forty years before: In 1987, the sprawling American Tobacco Manufacturing Plant shuttered its Durham facility, leaving more than one million square feet in downtown Durham to fall into disrepair.

Yet it was about this time that the fortunes of both the team and the city began to change. In 1988 the movie *Bull Durham*, starring Kevin Costner, Tim Robbins, and Susan Sarandon, captured the national imagination. It told a quintessentially American story of the struggle to transform a small-town minor league ball player into truly major-league talent. And not only did it tell that story, it embodied it: Though it was a small-budget film with little expectation of success, it went on to gross over \$50 million in North America, and was named *Sports Illustrated's* Greatest Sports Movie of All Time.⁵

But perhaps the movie's most enduring impact was the unforeseen ways that it catalyzed the realization of this transformation story in the city of Durham. After years of variable success, the Durham Bulls suddenly became a source of civic pride. And not only of civic pride, but also of economic possibility. Sensing this possibility, city leaders began to leverage the energy generated by the movie toward creating a new economy built around the Durham Bulls. To that end, they set their sights on three things for the team: an upgraded Triple-A Status, a new stadium, and—most importantly—new ownership for the road ahead. In 1990, Jim Goodman bought the team.

Goodman was the president of a successful family business called the Capitol Broadcasting Company. Started by his grandfather in the 1930's as a radio broadcasting company, Capitol Broadcasting Company eventually grew into a regional power in both radio and television,



Jim Goodman

CEO/President, Capitol Broadcasting Company

Goodman has lead CBC since 1975 and guided the media company's expansion into digital media, sports, and real estate.

owning major media outlets in Raleigh, Durham, and Chapel Hill. In the 1950's and 60's these three cities cooperated to form the famous “Research Triangle,” not only creating the nation's largest university-related research park, but also attracting over 2 million new residents (and television viewers).

Because of the decline of Durham's economy, the disrepair of downtown, and, importantly, the dilapidation of the team's stadium, Goodman's original plan was to move the Bulls out of Durham. His business intuition told him that the way to make the team profitable was to move it closer to the center of the Research Triangle, where it would be claimed—and supported—not just by one city, but by all three. To that end, he began the process of selecting a new location nearer to Raleigh and soliciting designs for a new stadium to be called Triangle Central Park.

But civic pride is a powerful thing, especially when fueled by a national feature film. And so to everyone's surprise—including Goodman's—it took the city leaders of Durham (whose residents had just voted against building a new stadium for their team) only thirty days to come up with a plan for building their own new stadium in downtown Durham. As Goodman put it, “Lo and behold, in a couple of weeks Durham put together a new financing

5. “The 50 Greatest Sports Movies Of All Time!” *Sports Illustrated*. Aug 4, 2003. <<http://www.si.com/vault/2003/08/04/347439/the-50-greatest-sports-movies-of-all-time>>.

plan and agreed to build a new ballpark for the Bulls. Triangle Central Park went away and I owned a baseball team and a new stadium in downtown Durham.” Goodmon, a self-described “Raleigh boy” was both captive to — and now responsible for — the pride of Durham.

Being the new owner of the pride of Durham required Goodmon to think in new ways about the city of Durham. Soon, a plan began to come into view. Goodmon first concentrated his attention on partnering with the citizens of Durham to build the new stadium. And after five years of painstaking work, the new Durham Bulls Athletic Park hosted its first game in front of over 10,000 fans. But Goodmon knew that it would take more than a new stadium to sustain his new venture—it would, in some respects, take a new city. Because of this, he turned his attention to the much larger project of bringing life back into the abandoned downtown. If his new team was to succeed, his new city would have to succeed as well.

After successfully developing several office buildings immediately beside the new stadium, Goodmon turned his gaze to other parts of downtown. And inevitably, this led him to the massive abandoned buildings that had once been downtown’s anchor tenant: the American Tobacco Manufacturing Plant. Goodmon’s son

Michael recalls how the once-magnificent center of Durham’s post-Civil War economic boom had become a sad and shuttered remnant of its former self: “We stood there at Durham Bulls games [and] across the way was this old brick tobacco warehouse. It had razor wire around it. It was boarded up.”

“I Decided to Take a Swing”

In the midst of all of that razor wire, Jim Goodmon saw the prospect of something else, something redolent of baseball—something like a comeback. “Back in the day, the best jobs in Durham were at American Tobacco. I don’t meet anybody in Durham that doesn’t tell me that their uncle worked there, or their grandfather. It’s very much a part of the history. And we put together a plan for it. We kept saying, we want people to want to work here. There had been a couple of efforts to redevelop it that didn’t work out. I decided to take a swing at it.” In 2002, Capitol Broadcasting bought the property. And so, in one of our story’s most delightful ironies, the American Tobacco Manufacturing Plant that gave birth to Durham’s baseball team now depended upon that same team for its own rebirth.

As with most stories of baseball and rebirth, this one took a while. Simply cultivating the civic imagination necessary to make such an investment feasible took over a decade. But Jim Goodmon was playing the long game, and in time a plan came together, one derived from the history of the building itself. Recalling that the American Tobacco Manufacturing Plant had once been the engine of a thriving entrepreneurial economy that benefitted all of Durham’s diverse citizens, Goodmon decided that its past should inform its future. To that end, in 2004 he and his son Michael began recruiting a number of tenants — including GlaxoSmithKline, McKinney, and Duke University — to move into various spaces throughout the newly renovated American Tobacco Campus.

Even as the campus began filling up with tenants, a cavernous basement on the edge of the property sat idle for six years — until, in 2010, the Goodmons recruited an important new tenant, the Council on Entrepreneurial



Michael Goodmon

Vice President of Real Estate, Capitol Broadcasting Company

Goodmon oversees operations at American Tobacco Campus and spearheaded the launch of American Underground.

Development (CED). The CED is an organization devoted to helping entrepreneurs from the Research Triangle develop successful businesses, and by making CED the basement's anchor tenant, the Goodmons hoped that the entrepreneurs who partnered with this organization would be drawn to open offices in the facility as well. The strategy worked, and soon the seeds of a new entrepreneurial hub began to take root. As Jim Goodmon recalls, "CED is an important group and they located there, so there were people going in and out to see them. What we found is that these startup organizations really like to be with other startup organizations. There's a great deal of sharing and working together, and trying out ideas on everybody. And the way we did the space, and the fact that it was in American Tobacco, some of the young folks were interested in being down there." Jim Goodmon's "swing" appeared to connect.

Of the many "young folks" who made their way to the newly renovated basement of the American Tobacco building, the one who would prove to be most instrumental for carrying the Goodmons' vision forward was a man named Adam Klein. Driven by the question of why some cities prosper while others languish, Klein made his way to UNC-Chapel Hill for graduate study in economic development and city planning. After leaving school, Klein sought to give his academic interests an applied shape, and so in 2010, as the Goodmons were exploring how to recruit entrepreneurs into the American Tobacco buildings, Klein took a job at the Durham Chamber of Commerce running an initiative to recruit entrepreneurs to the city.

In time these initiatives led Klein to American Tobacco and the Goodmon family. And there he found an inspiringly comprehensive vision of a thriving city. As he recalls, "The thing that really caught my eye about the opportunity was that the Capitol Broadcasting company wasn't really thinking of the Underground as a real estate play. It was a chance to support entrepreneurial growth... but the outcomes were things like job creation, spending in downtown Durham; things like that." Adam Klein, in other words, was drawn to American Tobacco for precisely the same reason that people had been drawn to it a century



Adam Klein
Chief Strategist, AU

Klein, the first employee at American Underground, has guided its expansion to four locations supporting more than 250 startups.

before: for the promise of the *Bono Publico*—the public good.

But the Goodmons would need help if their hope for the public good was to come to be. As Klein recalls, "At the time, they didn't really have great staff. They had great partners, [but] no staff that was really driving the growth and vision." And so in 2012, Klein left the Chamber of Commerce and became the first employee of an ambitious entrepreneurial enterprise located in a basement on the American Tobacco Campus: American Underground.

"We're Durham Guys"

As Klein worked with the Goodmons to concretize the meaning and the possibilities of American Underground, one conviction became foundational to the whole: the goal of American Underground was the good of Durham. That is to say, while American Underground—unlike most startup hubs—is conceived of as a for-profit enterprise, its success is finally evaluated not by the financial value it creates for itself, but by the civic value it creates for its city.

Michael Goodmon believes this commitment to a place-based account of value is evoked by the buildings themselves. "We have this really great history of entrepreneurship [in Durham], but what you have [in the

American Tobacco Manufacturing Plant] is a sign of community failure. You have a shut-down facility that shows where our industry died. What we were able to do is bring the community back together around this kind of emblem that was crumbling and now rebuilt. The notion of being recreated is an important sign to the community.”

The Goodmons’ strategy was a risk. Not every city is keen to rally around its failures; to the contrary, many simply bulldoze their failures and haul them away. But this was not an option in Durham. Not only was their failure a one million square foot abandoned warehouse in the middle of downtown, it was also — for many residents — a sort of extended family member, a place where parents and grandparents had spent their lives.

Goodmon and Klein decided to use this fact as an advantage; to cultivate Durham’s longing for its own rebirth. And for Klein, the American Tobacco Campus was key to that longing. “American Tobacco definitely kick-started that. The city really rallied around its identity as this quirky, little rough around the edges, unpolished diamond. Rather than fight that, rather than resist that, the city said ‘This is who we are, we are going to embrace this, we’re going to actually have pride in this.’ That, I think was a pretty sizable shift. That shifted people’s perception of Durham, when people start to have pride in their city and want to welcome people into that. You really start to see the shift in how people view the city.”

Even so, American Underground’s vision was never simply for the buildings. It was for rebuilding the city that the buildings symbolized. It was about seeing the native Durham dream of the public good take renewed shape. As Klein says, “We knew that Durham took a nosedive in the ’70s and ’80s. It wasn’t going to be remade by some large company from the outside coming in and creating 2,000 new jobs. It was going to be remade by people who were already here, who had a passion for this community, who were going to end up starting their company here.”

In many ways, the community of startups at American Underground are fulfilling this vision. One of the defining characteristics

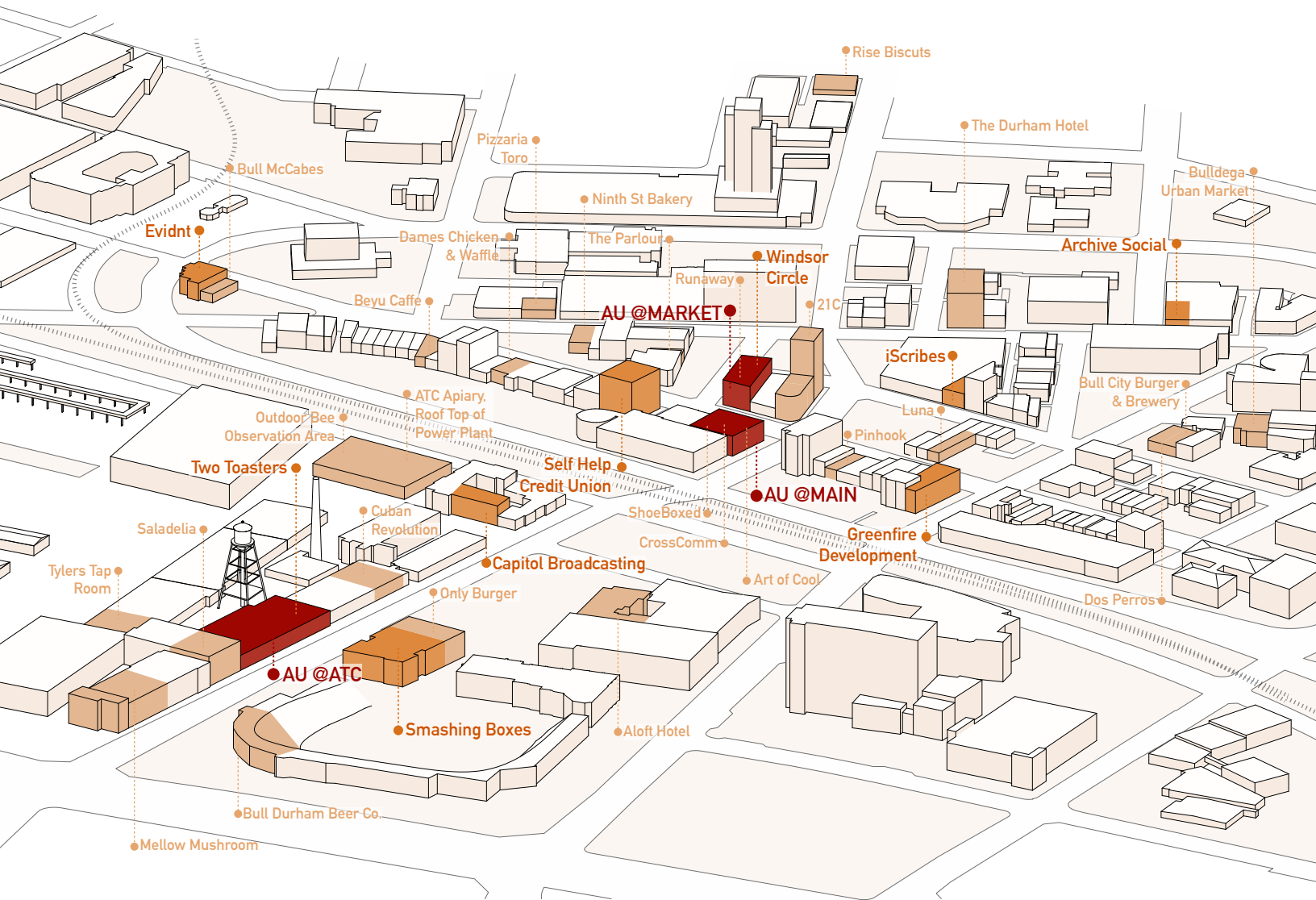
of American Underground is that its entrepreneurs seem instinctively to care not simply about themselves but about their place; not simply about securing the good of their company, but about serving the good of the community. “I think one of things we learned early on from the entrepreneurs in Durham was that they cared about the city. One of the phrases I’ve heard thrown around that I love is that many of our entrepreneurs have two startups. They have their company and they have Durham. I think that ethos in our entrepreneurial community is very unique to Durham. The companies who are here care about the city. They care about more than just what’s happening to their bottom line as a business owner. They care about education. They care about public schools that are here. They care about poverty and homelessness. We felt like aggregating lots of people together who are not only building great tech companies, but had this deep concern and really care for the city, was going to be...something that could be unique about our entrepreneurial hub.”

This insight is essential if one is to rightly understand the distinctive power of American Underground: It seeks not simply to be a successful entrepreneurial hub, but to nurture a successful city. It sees itself not simply as an incubator for new businesses but as an incubator for a new Durham. Klein recalls, “We thought about things like the coffee bar when we kick-started supporting local coffee shop owners, rather than a Starbucks or a larger national brand. It was a great way really to create connective tissue between small mom-and-pop businesses in town and these tech entrepreneurs. I think that’s important because it gets these entrepreneurs outside of the space. It’s not about keeping them inside the four walls here. It’s not about staying behind your desk. It’s about being a real person in a real community.”

It is for this reason that, thus far, Klein and the Goodmons have declined offers to try to replicate American Underground in other cities. For them, to separate American Underground from Durham would be akin to separating the Bulls from Durham—it just doesn’t make sense. Perhaps Jim Goodmon, the once-self-described “Raleigh boy,” put it best: “We’re Durham guys.”

DOWNTOWN DURHAM

A Visual of American Underground's Influence



AU IMPACT ON DOWNTOWN DURHAM

AU BUILDINGS ■■■■■ AU office spaces

DIRECT IMPACT ■■■■■ Landlords and startups that have outgrown their space in AU and moved into downtown real estate. Since it's founding there have been seven.

INDIRECT IMPACT ■■■■■ The businesses that have profited due to the presence of the AU community. 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

Adzerk

Old Havana

Morgan Imports [Sells Runaway]

Harris Teeter [Sells Blue Blood]

Tobacco Rd. [Sells Blue Blood]

Alivia's [Sells Blue Blood]

Happy & Hale [Sells Mati]

Whole Foods - [Sells Mati]

Duke U [IronYard Graduate]

Coastal Federal Credit Union

Blue Cross Blue Shield

No Regret Productions

Lincoln Financial

Indulge Catering

Donovan's Dish

Jimmy John's

Cosmic Cantina

Papa Johns

Forrest Firm

TriNet

Wells Fargo

Fidelity Labs

DJ Rang

Moogfest

Esther Campi

SOAR

Geer Street

Motorco

Full Steam

Monuts Donuts

Cupcake Shoppe

Moe's

HPG



“The Most Diverse Startup Hub in the World”

Given Durham’s history as the home to America’s first and only “Black Wall Street,” it is perhaps no surprise that American Underground’s commitment to place led to its second foundational conviction: a commitment to diversity.

To a degree unusual for a Southern city, many in Durham celebrate the cultural diversity of their city. As Michael Goodmon says: “Durham is founded on diversity. I love Durham, because that is key to every meeting you’re in. You go to a meeting and everybody looks different, acts different, has different backgrounds, that is how Durham has thrived. We work on that every day here.”

For Klein, this diversity is not simply a sign of civic virtue, it is also a source of economic advantage. “One of the things that has not gone well in San Francisco and Silicon Valley is that the tech community there is largely white, largely male. We said we want to build the counter-story to that in Durham. We think, it’s a city that has no racial majority, 40% Caucasian, 40% African-American, and about 15% Latino, but that percentage is growing. We felt like we had a unique opportunity to really shift that conversation.”

At American Underground, the reasons for shifting this conversation were many. At the most basic level, Klein and his colleagues believe that cultivating diversity in business is essential for creating individual opportunities for those who feel on the outside of the business world. Consider Daisy Magnus-Aryitey, an immigrant from Ghana. While Magnus-Aryitey never questioned her decision to be a stay-at-home mother, she did struggle to find fulfillment as her kids grew older and more independent. Shortly after reading a *New York Times* article on mothers who do computer coding from their homes, she found out about Code the Dream, a coding program for immigrants and refugees at American Underground. She immediately enrolled.

This experience was transformative. “It has changed my life. I was talking to a woman [and] she was saying, ‘Oh, I don’t really feel

like a techie.’ I thought to myself, ‘Wow, I am a techie. I feel like a techie.’ It feels great to say that because this is a space that I never thought I was in. I’m like, okay, other people do that, but that’s not something that I’m going to do. That’s the way I felt about being a software developer. To say that I’m a software developer, to say I’m a techie feels great. The other piece of it is that I have a daughter who’s seven, and she wants to be a developer, because to her I’m what tech looks like. She’s like, ‘Oh, that’s my mom and she’s like me in so many ways, and I want to do what she does.’ For other women and minorities and little girls to look at me and be like, ‘Oh, that’s what tech looks like. I want to do that too.’ I think that’s fantastic.”



Daisy Magnus-Aryitey
Former Student, Code the Dream

Magnus-Aryitey was introduced to computer programming through the free Code the Dream program and The Iron Yard coding academy, both based at AU. She now works in IT at Duke.

In addition to creating individual opportunities, Klein and his colleagues have also experienced firsthand how diversity helps create healthier companies by protecting them against the familiar blind spots inherent in homogeneity. The ability to build on a team of different backgrounds, different perspectives, and different gifts enables companies not only to see more, but also to accomplish more than would otherwise be possible. As Klein put it, “diversity of leadership leads to better businesses.”

But perhaps most importantly for Klein, diversity in business leads to a healthier, more equitable city. “[Diversity] also means new wealth opportunities that are broadly held in our city, versus by a small group of white men. I realize the irony in me saying that as a white guy. I’m not blind to that. The reality is that we’re all in this together. It’s not an issue that we can push to the side and say our neighbors who are black or Latino have to figure this out. That’s the total wrong way to think about it. This is a community issue. White guys like myself have a role to play in this, to lead and support, and join with black and Latino founders, female founders in figuring out what it means to build this counter-story.”

The disciplined pursuit of these convictions has made American Underground a leader in the world of startup hubs. Rather than following the conventional pattern of fostering enterprises led by white men, the businesses incubating in American Underground have increasingly become much more reflective of the character of their larger community.

Molly Demarest, American Underground’s Senior Director of Operations and Finance, describes this transformation: “About two and a half years ago, we really started tracking this stuff. At the time 7% of our teams were female-led, that was still higher than a lot of other communities, but by no means reflective of the area we exist in. We had a theory that if we focused on the leadership of teams, the hiring trends would follow. For a while you would see the percentage of teams that were female-led was higher than the percentage of females in the space. With time, that margin has closed. The same goes for minority-lead teams, and minority representation within the community. As of a couple weeks ago, 46% of our teams were female and/or minority-lead. So all of a sudden almost half of our community is representative of a community that isn’t normally represented in these larger tech hubs. We still have a ways to go, but we’re tracking much closer to what exists here.”

In time, this instinctive commitment to diversity helped Klein to crystallize an ambition. It was 2015, and he was about to take a phone call from a reporter. Such calls were increasing in their frequency as of late.



Molly Demarest

Sr. Director of Operations and Finance, AU

Demarest runs the operational side of the AU’s four locations, from daily logistics to managing the financial books.

American Underground had recently joined a network of top incubators, becoming a “Google for Entrepreneurs Tech Hub,” one of eight in the United States. Several of its startups had been acquired in multi-million-dollar deals. This momentum led to the emergence of a new Durham moniker: “The Startup Capital of the South.” At the time of the call, the latest buzz was that American Underground had been selected for a Google-sponsored pilot program that would fund an “Entrepreneur-in-Residence” (EIR) at AU.

As he waited for this phone call, Klein was keenly aware then that American Underground did not reflect the racial diversity of Durham. In spite of their best intentions, it remained disproportionately white and male. It was then that he had a thought: Was there a way to clarify the importance of diversity to AU, to communicate their efforts in a way that would galvanize their community?

He wanted to test the idea. And so, moments before his phone call with a reporter from the Triangle Business Journal, he reached out to Jesica Averhart, American Underground’s Director of Corporate Partnerships and Business Development. “I’m going to tell them that we’re going to be the most diversity-inclusive tech hub by the end of ’16. What do you think?” She didn’t hesitate: “Rock on, let’s do it!” He did. And the article that followed was

headlined, “Klein: American Underground will be 'the most diverse startup hub in the world.'”⁶

In the months since that call, Klein’s conviction that diversity is fundamental to both the health of American Underground and the city of Durham has deepened into an elemental conviction. “I think the biggest thing that motivates us at the Underground is, ‘What does this mean for everybody in our city? How does the Underground benefit as many people as possible in our community?’ I’ve said to our team on many occasions that if at the end of the Underground, over the next ten, fifteen, twenty years, we step back and all we’ve done is benefit the elite, benefit people who already had access to opportunities, then we haven’t really done anything. That would be a shame. I think the opportunity here is to do something much larger.” For Klein, Durham’s longstanding commitment to the public good will continue to expand until the “public” truly includes not just some, but all of Durham’s citizens.



Jessica Averhart

Director of Corporate Partnerships and New Business, AU

Averhart cultivates connections with the corporate and nonprofit community. She has been deeply involved in AU’s diversity and inclusion work.

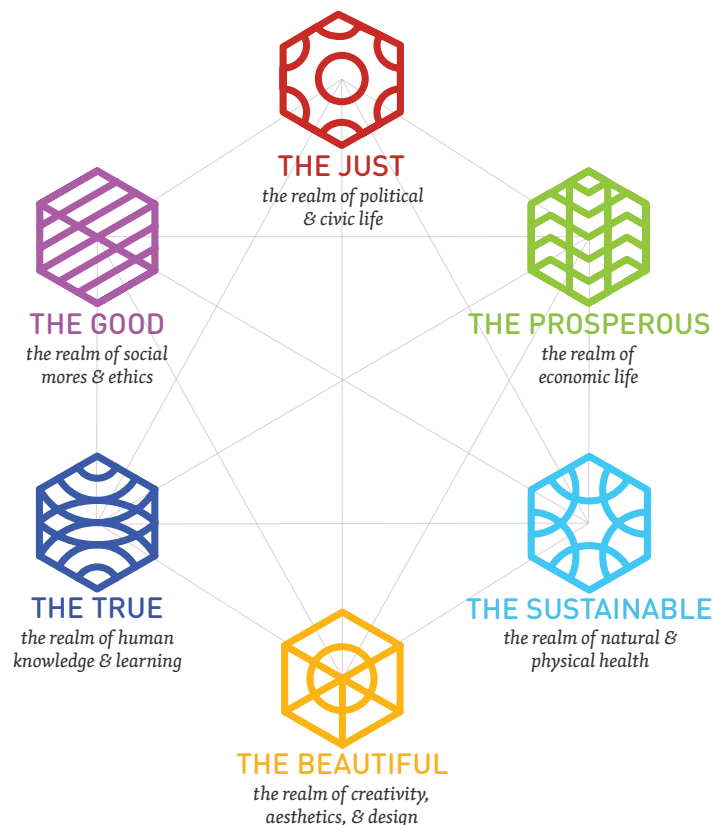
6. Ohnesorge, Lauren K. "Klein: American Underground will be 'the most diverse startup hub in the world.'" *Triangle Business Journal*. Feb 2, 2015. <<http://www.bizjournals.com/triangle/blog/techflash/2015/02/adam-klein-american-underground-durham-startup-hub.html>>.

THE PUBLIC GOOD

AN ECOLOGICAL ACCOUNT

The story of American Underground's emergence from a basement on the abandoned American Tobacco Campus and its disciplined commitment to continually pursuing the public good is as admirable as it is unusual. But how are we to measure its success? What will it mean for American Underground to actually succeed in re-imagining and re-engaging the public good of the city of Durham?

At Thriving Cities we believe that this question is best answered by evaluating American Underground through the lens of our Human Ecology Framework. This holistic model is built around six fundamental and interdependent building blocks of civic thriving, called “endowments.” In this section, we’ll take a closer look at how American Underground is nurturing the health of each endowment in Durham.



THE SIX ENDOWMENTS OF CIVIC THRIVING



the PROSPEROUS

The Realm of Economic Life

Resources & Practices:

Work, investment, capital exchange, land development, philanthropy, production/consumption, technology innovation, etc.

Institutions & Places:

Industries, business, real estate, innovation districts, job training centers, transit oriented development, vendors/farmer's markets, etc.



the BEAUTIFUL

The Realm of Aesthetics

Resources & Practices:

Design of the built environment, public art, city planning, historic preservation, festivals cultural entertainment, creative placemaking, etc.

Institutions & Places:

Community planning boards, public art/galleries, restaurants, public spaces/promenades/gardens, commemorative sites, innovation districts, etc.



the TRUE

The Realm of Human Knowledge

Resources & Practices:

Formal education, innovation, research, transfer of knowledge, collaboration, teaching, cultural and historical preservation, etc.

Institutions & Places:

Universities, libraries, public schools, job training centers, knowledge communities, public squares, media, public art, book stores, community gardens, etc.



the SUSTAINABLE

The Realm of Natural Environment

Resources & Practices:

Management of energy and land, air quality, public/human health, balanced lifestyle, environmental regulations and advocacy, emission, waste, sanitation, etc.

Institutions & Places:

Public parks/forests, environmental cleanup, green infrastructure, hospitals/clinics, bike lanes, sidewalks, fitness centers, restaurants, environmental organizations, etc.



the JUST

The Realm of Political & Civic Life

Resources & Practices:

Political Deliberation, civic engagement, equal access, policy making, law and order, community organizations, protest/demonstration, city planning, zoning, etc.

Institutions & Places:

Local government, public spaces for democratic processes, city hall, community centers, civic groups, public transportation and housing, etc.



the GOOD

The Realm of Social Moors & Ethics

Resources & Practices:

Moral formation, parenting, social trust/commitment/responsibility, regional solidarity, charitable giving, volunteering, community conversation, etc.

Institutions & Places:

Families, religious organizations, communal living, after-school programs, charities, schools, community centers, sports, social services, farmer's markets, etc.

AMERICAN UNDERGROUND

AN ECOLOGICAL ANALYSIS



the
PROSPEROUS

The Endowment of the Prosperous is core to AU's identity as a startup incubator that supports entrepreneurs in their pursuit of financial success. As a for-profit company itself, AU is concerned with generating revenue and balancing its books, but also understands its financial success to be tied to the economic prosperity of Durham as a whole. American Underground is actively nurturing the prosperous in Durham by sharpening Durham's entrepreneurs, catalyzing Durham's startup scene, and boosting Durham's economy.

Sharpening Durham's Entrepreneurs

AU doesn't just provide office space for Durham's entrepreneurs—it helps them become better at what they do. AU has created a culture that embraces collaboration and mentoring. On the difficult path of entrepreneurship, introductions to potential partners and advice from seasoned veterans are priceless.

AU member Cary Smith, CFO of Cloud Factory, says many of his company's global products and services actually begin with prototypes tested locally at AU. "There's a lot of collaboration that goes on, and several of our clients are American Underground companies. The relationships allow us to do a lot of testing with them, where we get candid feedback and can improve our product and our services, and then roll it out to other companies all over the world."

Catalyzing Durham's Startup Scene

AU has become a bridging intermediary for its community of entrepreneurs and the broader regional economy, building social trust and facilitating robust networking. The dense network of entrepreneurs and investors that regularly interact in its hallways and conference rooms is catalyzing the startup process for Durham-based entrepreneurs, and transforming the city into "the startup capital of the South."⁷

"The Underground's been great for us. I never know when we're going to meet the next entrepreneur that we're interested in funding," says Andrew Cousins at Investor's Circle (an AU member), who connects social entrepreneurs with impact investors.

7. Klein, Adam. "The Story Behind the Explosion of the 'Startup Capital of the South.'" *Entrepreneur*. Sep 26, 2016. <<https://www.entrepreneur.com/article/282689>>.

Boosting Durham's Economy

As a successful incubator, AU is boosting Durham's economy by creating new jobs and attracting new resources to the city. In its sixth year of business, AU employs 10 staff members and hosts 257 startups, many of which have their own stories of prosperity and job creation. Over the past two years, companies headquartered at AU have raised \$50 million in venture funding and have created more than 1,000 jobs. AU also made a deliberate decision not to have its own coffee shop or food court, preferring instead to encourage its members to support local businesses. AU tracks and publicizes the dollars spent on food, beverages, and other items within 2 miles (at least \$1.4 million in 2015-16).

AU itself is on track to generate a profit, its owners and management say—a rare achievement in an industry dominated by nonprofits.⁸ It has developed corporate partnerships with companies like Audi and Fidelity, and its membership in the Google for Entrepreneurs Tech Hub Network has provided a high-powered boost in funding, connections, and visibility, attracting new resources to the region. Most importantly, Durham as a whole is showing steady and diversifying job growth, and according to its own Chamber of Commerce, “has successfully transformed its business and economic landscape from one based upon tobacco and textile products to a modern, cutting-edge economy.”⁹



The Endowment of the True concerns the production and distribution of knowledge—both formal and informal—for the intellectual deepening of the entire community. American Underground is actively nurturing the True in Durham through the spread of informal knowledge, sponsoring continuing education, and serving local universities.

Promoting the Spread of Informal Knowledge

AU fosters an environment of informal and spontaneous cross-pollination of ideas. Klein calls American Underground a “campus for entrepreneurs,” a place where entrepreneurs learn from one another in an open and collaborative environment.

Molly Demarest put it a slightly different way, “In terms of this community, I would say it's like anybody has fifteen minutes for you. Anybody. Doesn't matter who they are. They will give you fifteen minutes, if you ask. I think you could walk around and talk to a lot of people here that would say that that is true.”

Sponsoring Continuing Education

AU frequently hosts learning events, workshops, and other types of educational opportunities for its startups. For example, HelpFest, a weekly speaker series, aims to showcase stories from diverse members of the startup community, including outside voices and professors.

AU has also been instrumental in providing avenues for coding education. One of AU's locations houses Iron Yard Code Academy, and another hosts and subsidizes Code the Dream, a nonprofit that teaches programming to immigrants and minority students. Coding schools like these are creating opportunities for people who may have had less access to traditional education or university degrees.

Serving Nearby Universities

AU serves nearby universities by providing space for them to nurture their own student entrepreneurs. Early on, Duke and other local universities joined the American Tobacco Campus as anchor tenants. AU has welcomed and made space for these universities to have offices within AU, and has offered discounts for student entrepreneurs.

8. Linda Knopp, “2012 State of the Business Incubation Industry.” Athens, Ohio: NBIA Publications, 2012.

9. Durham Chamber of Commerce. <http://durhamchamber.org/economic-development/economic-profile>

Tatiana Birgisson, the founder of MATI Energy Drinks, began her startup in her dorm at Duke, but utilized the university connections at AU that helped educate her as an early female founder. “When I graduated, Duke had some office space at American Underground that I was able to use for free for a year and a half,” says Tatiana. “That really allowed me to start understanding what American Underground really was, and it wasn’t just tech startups. There were other consumer products companies that were starting to thrive.”



The Endowment of the Just concerns the manner in which the institutions and practices of political and civic life enable all citizens in a given community to thrive. American Underground is actively nurturing the just in Durham by embracing Durham’s history, prioritizing organizational diversity, and cultivating a diversity-centered identity.

Embracing Durham’s History

AU employees and members speak frequently about the unique entrepreneurial history of Durham. “American Underground is one block parallel to Parrish Street, which is Durham’s Black Wall Street community,” says Talib Graves-Manns, an Entrepreneur-in-Residence (EIR) at AU. During the first half of the twentieth century, Durham’s “Black Wall Street” was a thriving ecology of black-owned businesses, schools, groceries, hospitals, and churches. To honor that legacy, Graves-Manns helped start Black Wall Street Homecoming, a celebration and recognition of black entrepreneurship sponsored by AU and Google. “Understanding that history and paying homage to that history of the people and all the bustling businesses that [were] one block away,” says Graves-Manns. “It only makes sense to create a new initiative that respects the past, pays homage to the past, but also focuses on the entrepreneurs of today, the innovators of today, and gives them a platform to grow

their businesses and get exposure and to be successful.

Prioritizing Organizational Diversity

American Underground is devoted to cultivating a diverse membership and an inclusive environment, at every level of their organization. “Diverse teams build better products and more scalable companies,” Klein explains. “Because of that, we really wanted to ensure that these entrepreneurs were in and around people who didn’t look like them, didn’t think like them, didn’t come from the same background, because we know those interactions—we call them ‘guided collisions’—would lead to better companies, and just a better community.”

Dan Rearick, the director of the non-profit Uniting NC which runs Code the Dream at AU, agrees. “More and more we are getting a lot of stats in social science showing that actually diverse teams, teams that are both men and women, teams that have different backgrounds actually come up with better ideas overall,” which is part of the mission at Code the Dream.

Furthermore, diversity makes solid business sense for many at AU. For Jes Averhart, AU’s Director of Community Partnerships and Business Development, the case for diversity is clear: “We really believe we have a unique opportunity here to grow teams that are diverse. At the end of the day, it is proven that companies that have a diverse workforce, and have diverse leadership, their bottom lines are higher and long term more successful than companies that don’t. That formula is true today, and so as these startups are successful, Durham is successful. As these startups grow, guess what? That’s job creation, so there’s more money into the community. That’s talking about families who are staying here, which means their kids are going to school here.”

The percentage of startups headquartered at AU that are women-led or minority-led has been increasing steadily over the past three years, reflecting a concerted effort by AU to include people from a variety of backgrounds. One AU-sponsored program, SoarTriangle, is designed to bridge the funding gap for female-led entrepreneurs. AU also works with CODE



2040, a nonprofit that supports black and Latino tech innovators, to host an Entrepreneur-in-Residence at AU.

AU's leadership also makes a point of ensuring that a variety of people are represented as speakers at events; they are very aware that investors sometimes claim that they would love to support black, Latino, or female founders, but they just don't see them. AU's philosophy is to ensure visiting venture capitalists are exposed to diverse startup companies.

Cultivating a Diversity-Centered Identity

American Underground is embracing the opportunity to cultivate a diversity-centered identity among its startups. "We have the benefit of looking at what's happened in Silicon Valley and San Francisco, and learning from what went well and the things that didn't work well," says Klein. "One of the things that has not gone well is that the tech community there is largely white, largely male."

"We think the country is hungry for a leader, a metro that's saying, 'We're going to do this totally different than what you've seen in San Francisco,'" Klein adds. "We said we want to build the counter-story to that in Durham. As a dad of two daughters, I think about the opportunity we have to shift the conversation around who's starting companies, female engineers and coders and sales people. Durham is a national leader in supporting great female-led companies, female engineers, female salespeople, and the same goes within the black community, the Latino community here. I want to see AU and the companies that are here become places that my daughters are working or companies that they are going to start in fifteen, twenty, thirty years. Durham is a place for them."

A key component to that counter-story is the commitment to the historic and diverse city of Durham, and the decisions to purchase, invest, and preserve the vacant American Tobacco Company warehouse complex — a counter-story that has led to shifting

perceptions of a more safe, more inclusive, more creative, artistic, and diverse city. AU (and its owners) have designed and renovated places that preserve the city's historic character. They have created an aesthetic of care in and around their properties. A democratic and thriving city must address how public spaces and institutions can build up the "right to the city" and revitalize new and historic places for the many, not just the few.¹⁰



The Endowment of the Beautiful concerns the way in which elements of art and design enhance the private lives and public spaces of the citizens of the community. American Underground is actively nurturing the Beautiful in Durham by supporting Durham's artists, creating beautiful workspaces, and revitalizing Durham's public spaces.

Supporting Durham's Artists

AU makes a point to support Durham-based artists. Its offices feature murals painted by local artists, and its 2015 Annual Report was presented in the form of an original music video produced by local rapper Professor Toon and videographer KidEthnic. In 2015-16, AU hosted 125 public events, drawing more than 11,000 people. It has held concerts in The Vault, a repurposed bank vault in its Main Street location, and hosted talks, tours and events — most notably Art of Cool, a jazz music festival, and Moogfest, an annual technology conference and electronic music festival.

The growing collection of arts venues nearby provides an additional magnetic draw to the city. Many AU members, like Anil Chawla of Archive Social, believe the culture of arts, foods, and music is core to their company's culture and important in attracting talented employees.

10. Amin, Ash and Nigel Thrift. *Cities: Reimagining the Urban*. Cambridge: Polity Press, 2002 (152).

Creating Beautiful Workplaces

AU's engaging, playful, and creative offices have become emblematic of Durham's offbeat business scene. Their four locations, totaling 115,000 square feet of space, feature amenities like a rooftop patio, an indoor slide, ample window space, and a bar embedded with interactive Legos—all of which serve to attract and energize entrepreneurs. Even the configuration of common spaces near the coffee and snack rooms (which are intentionally not on every floor) are meant to inspire creativity and activity.

Revitalizing Durham's Public Spaces

Durham's burgeoning startup scene may not have emerged without the widely available and vacant space lying fallow in the wake of Durham's industrial crash of the 1980s. Even in 2002, Capitol Broadcasting's decision to purchase, renovate, and historically preserve the vacant and immense American Tobacco properties was seen as a huge risk. But today, with over 1 million square feet of abandoned factory space now leased to numerous new businesses, the American Tobacco redevelopment has been seen as a turning point not only for the company, but for the entire city.

In and around the American Tobacco Campus, new public spaces, open lawns for concerts, a river feature, and walkable corridors connect historic office buildings to the Durham Bulls Baseball Stadium, the new Arts District, and Main Street district. As an anchor tenant of the campus, American Underground has played a critical role in the transformation of what was once (in Klein's words) an "eyesore for the city" into a beautiful and inviting symbol of its rebirth.



the
SUSTAINABLE

The Endowment of the Sustainable concerns both the human and environmental health of

a given community. American Underground is actively nurturing the Sustainable in Durham by promoting an internal culture of health, minimizing its own environmental footprint, and reducing Durham's environmental footprint.

Promoting an Internal Culture of Health

Within AU, maintaining a healthy and balanced lifestyle is an important value. Activities and spaces, both inside and outside of AU, encourage playful interaction, self-expression, regular activity, and social interaction that is vital to well-being. Especially as knowledge economy and tech workers spend significant time sitting behind computer screens, the opportunities for "non-exercise physical activity" is vital for multiple physiological systems and overall bodily health.

To encourage regular movement and social interaction, AU has made the stairs more prominent and situated coffee in only certain spots. The vending areas are stocked with healthy options. And without an internal cafe, people are encouraged to walk to lunch nearby. Outdoor space, including a rooftop deck, offers a place to eat or work in fresh air. AU has petitioned the city to install more bike racks in place of two parking spots in its parking garage. AU has also taken care to think about the logistics of a sustainable lifestyle for modern commuters. It has added showers and a towel service to allow people to bike in and change easily.

AU also encourages its staff to live a personally sustainable life, one that balances work ethic and family life and time to rest. The intense pace of startup life can make leading a healthy life particularly challenging. Molly Demarest, senior director of operations and finances at AU, credits Adam Klein for prioritizing "this concept of the Sabbath": focusing on balancing leading the community during the week in a way that allows rest on the weekends.

Research shows that much of our health and well-being is derived from social support and social connection with others. Strong social ties are linked to improved mental health, healthy



behaviors, and happiness.¹¹ Even weak ties have been shown to connect people to resources around employment, educational opportunities, and social mobility.¹² According to AU staff and members, strength of community is one of the best qualities of working at AU. In potentially isolating industries like software coding or tech, or like many occupations in the knowledge economy that require sitting at a computer, much of the well-being of this community rests on the vital connection, support, friendships, and care that we can only receive from other real humans.

Studies have shown loneliness carries health risks, increasing the likelihood of early death. That health risk is not always fully recognized, and cash-strapped solo entrepreneurs and remote workers could easily choose to skip the cost of working around others in such a community. AU has purposefully kept the cost of membership low and offered free public events to ensure people from a wide variety of socioeconomic circumstances have access to its community.

Andrew Cousins, with Investors' Circle, moved to Durham without knowing anyone and says AU has been a crucial social anchor. He now lives with two friends who he met through AU. "I never thought I would be here for this long, and I actually don't anticipate leaving anytime soon, and the Underground has been a crucial part of that."

Minimizing its Environmental Footprint

In line with Capitol Broadcasting's long-term thinking, both ATC and AU have been attuned to the value of conservation efforts. ATC has continually pursued energy-saving policies, including installing sustainable irrigation systems, planting drought-tolerant trees, and setting televisions throughout the complex on timers. During drought conditions, it used recycled, non-potable water to fill its manmade river.¹³ AU composts and includes the weight as a metric in its annual report.

The adaptive reuse of other buildings in downtown Durham sped up after the success of the landmark ATC project. American Underground has been an active player in this transformation. Rather than expand into another city or a new local facility, AU chose to keep its environmental footprint small. Three of its four locations are within walking distance of each other downtown. Its fourth location is in the historic Trust Building which had been underused for decades.

Reducing Durham's Environmental Footprint

In many ways, the transformation of the massive American Tobacco factory in downtown Durham continues to have numerous beneficial effects on the well-being of residents, businesses, and the city of Durham. Urban parks have often been called the "lungs of the city" for the many ecosystem services and beneficial effects for residents. New grassy spaces, trees, and water features have replaced the noxious factories producing carcinogenic cigarettes in downtown is an indisputable win for both human and environmental health in Durham. The redevelopment of ATC required an extensive environmental cleanup by Capitol Broadcasting.¹⁴ The old Lucky Strikes smokestack was cleaned up and restored, becoming an icon and landmark for both ATC and AU. A former coal shed was converted into a basketball court, dubbed The Cage.

ATC's mixed-use complex and AU's influx of more than 250 startups have played a critical role in transforming the walkability of downtown, an area that Durham Mayor William Bell recalls as being "dead" when he was elected in 2001. That surge in density has led to restaurants, shops and more businesses opening to support the influx of people. The Walk Score in that area is high, in the 80s and 90s, meaning most errands can be done on foot. A walkable downtown can encourage physical activity and decrease reliance on automobiles, and also attracts talented workers who value such a lively city.

11. Eriksson, M. "Social Capital and health- implications for health promotion." *Global Health Action*, 4. (2011). doi: 10.3402/gha.v4i0.5611

12. Granovetter, Mark. 1973. "The Strength of Weak Ties." *American Journal of Sociology* 78:360-80.

13. Duke University. generation/next: 2015 Sustainability Report. <<http://sustainabilityreport.duke-energy.com/pdfs/15-duke-sr-complete.pdf>>.

14. Lareau, Courtney, Rankin, Kimberlee, and Tucker, Bunny. 2011. "A Sustainability Plan for American Tobacco Campus." April 29, 2011.

The ongoing evolution of the city's infrastructure to support healthier ways of commuting has been bolstered by new workers, entrepreneurs and other startup employees downtown with a particular interest in being outdoors and being active, creating a feedback loop.



The Endowment of the Good concerns the cultivation, in the citizens of a community, of an ethical orientation toward something larger than the self. American Underground is actively nurturing the Good in Durham by forming leaders who care about Durham's thriving, institutionalizing a community-focused ethos, and promoting civic pride.

Forming Leaders Who Care About Durham's Thriving

American Underground seeks to train and support startup founders who care about more than their bottom line. Many members said that the level of social trust and care is very high at American Underground, and the staff — and the startups themselves — work deliberately to strengthen that trust and build bridges in the community. AU members say the support and trust the feel has not only made it a better working environment for their business, but has also been a guiding influence on the way that they conduct business and fulfill their own commitments to more than just the bottom line.

Institutionalizing a Community-Focused Ethos

AU's leadership and its owners, Capitol Broadcasting, believe strongly in supporting Durham's thriving. This has been part of their mindset for generations. "My father, I believe, is one of the great, one of the last great, corporate citizens and statesmen," says Capitol Broadcasting's Michael Goodmon. "He really understands his role and the strength of

the company, and he uses that for community good."

AU continually looks for opportunities to open its doors wider, beyond its startup community, in order to build relationships with outside groups and experts. AU invites external groups, such as local nonprofits and advocacy organizations, to host their own events in the space.

The owners at Capitol Broadcasting Corporation have a bigger picture for success based on a longer view of patient capital and patient returns that are more than just about AU's bottom line. According to AU's owners, understanding the bigger picture is vital for the startup hub. Michael Goodmon, VP of Real Estate for Capitol Broadcasting, says, "We fundamentally believe that our company cannot be successful unless the community is successful. It's about making your community better, a better place to live, a better place to attract talent."

Promoting Civic Pride

According to Klein and others, the historic revitalization of downtown Durham sparked a growing pride and sense of place around the city's history and narrative. "The city really rallied around its identity as this quirky little rough-around-the-edges, unpolished diamond," says Klein.

To Michael Goodmon, that pride shows up in the "swagger" of the AU community members: "I think that swagger is important. They're proud of Durham, they're proud of being a part of what's going on."

"Being in Durham has become much more important to me than I ever thought it possibly could," explains Anil Chawla, CEO and founder of Archive Social, which grew out of American Underground. "I moved to this area about 12 years ago, and I didn't step foot in Durham for probably about five or six years."

AU and its partners, such as NC IDEA and The Startup Factory, drew Chawla out of the suburbs and changed his entire perspective on the city. "Durham was a 20-minute drive, which was a big inconvenience, and now it's totally

worth it. I couldn't be anywhere else because of, not only the startup activity here, but the food and the arts and the music and all the culture that a city like this has."

"We want to be right in the middle of it, right in the middle of the action, because of how important it is to be in a city like this," he says.

It is this deliberate commitment to strengthening each of these endowments and the human ecology they combine to create that marks American Underground as a new-paradigm enterprise. For in it, American Underground has devoted itself to the pursuit of a comprehensive, ecologically anchored account of the public good.



CONCLUSION

"WE'RE RISING TO THE TOP"

In 2002, the Durham Bulls celebrated their one hundredth anniversary in style. Not only did they win their first International League Championship, they also were the subject of yet another feature film. *The Rookie*, starring Dennis Quaid, told the true story of Jim Morris, a broken down former pitcher who, in spite of besetting injuries and the passage of years, sets his sights on overcoming his limitations and returning to the major leagues. In the film, as in real life, Morris did just that. Keeping a promise he made to his players, the 35-year-old high school baseball coach with a gift for 95-mile-per-hour fastballs made his way from teaching Texas high school students to striking out Texas Rangers. It was, by any account, a surprising journey. But even so, for those who know the history it will come as little surprise that Morris' big break came while playing for a minor league team located in downtown Durham, North Carolina.

Like Morris, the Bulls were also on the way up. In 2003, they became the first team in league history to win back-to-back championships. In almost every subsequent season they have finished at or near the top of

their division. And year after year, the Durham Bulls Athletic Park that Jim Goodmon built has been filled to capacity. The Durham Bulls have been reborn.

Looking out from the very spot in the stands where a young Michael Goodmon sat all those years ago, it is undeniable that downtown Durham has been reborn as well, its fortunes mirroring—as they always have—those of the game being played just across the way. At the heart of this rebirth stands the American Tobacco Campus, and within it, American Underground—once again vibrant with the entrepreneurial energy that strives, as one might expect in a baseball town, to win it all for their hometown and to fill the streets with civic pride.

For American Underground, to win is best understood as nothing less than the creation of a holistically thriving human ecology in Durham. What does this mean? It means that by sharpening Durham's entrepreneurs, catalyzing Durham's start-up scene, and boosting Durham's economy, American Underground is nurturing the Prosperous. It means that by

promoting the spread of informal knowledge, providing continuing education for its entrepreneurs, and serving nearby universities and their students, American Underground is nurturing the True. It means that by embracing Durham's demographic history, prioritizing racial diversity in every level of the organization, and cultivating a diversity-centered identity, American Underground is nurturing the Just. It means that by supporting Durham's artists, creating beautiful workplaces, and revitalizing Durham's public spaces, American Underground is nurturing the Beautiful. It means that by promoting an internal culture of health, minimizing its own environmental footprint, and reducing Durham's environmental footprint, American Underground is nurturing the Sustainable. And it means that by forming leaders who care about Durham's thriving, institutionalizing a community-focused ethos, and promoting civic pride, American Underground is nurturing the Good. It is this work of seeking an ecologically anchored vision of the public good that is the most important part of the American Underground story, that which finally sets it apart as a new-paradigm enterprise.

For his part, Adam Klein is thrilled at what has come to pass. He believes that Jim Goodmon's commitment to the long game and American Underground's commitment to both place and diversity are finally paying off. "We're thrilled with where the Underground is. It's eclipsed our expectations. The past two years our companies have raised \$50 million in venture funding. They've created nearly 1,000 new jobs. Way beyond what we thought was possible here. Underground companies have won two of the last three Google Demo Days. We've been on the national stage in front of the best venture capitalists across the world, and our companies have been at the top of the list."

But more than this, Klein is optimistic that this is only the beginning of what is to come: "That speaks to the firepower of what's going on here; that you have really smart people building really great teams that are [not only] attracting venture capital, but also beating out hubs in places like Austin and Chicago—cities that nationally, people associate with innovation a little bit more readily than Durham. But we're rising to the top."

For some, the idea that Durham, North Carolina may become one of the most powerful engines of entrepreneurship in the country may still be difficult to imagine. But if we look closely, taking care to remember the public impact of Washington Duke, the powerful innovations of the American Tobacco Company, the singular success of the merchants of Black Wall Street, the commercial statesmanship of Capitol Broadcasting, the long-shot promise of Jim Morris, and the creative magnetism of American Underground, we may be able to see just a bit of what Adam Klein sees: the promise of Durham rising up and over the farthest wall of limited possibility.

