

DIVERSITY IN PHILANTHROPY BEST PRACTICES STUDY

COMMUNITY ECONOMIC DEVELOPMENT PHILANTHROPY

PRÉCIS AND ACKNOWLEDGEMENTS

This report introduces diversity-related lessons and best practices for increasing effectiveness in community economic development philanthropy. It was prepared during the fall/ winter of 2008 by Massachusetts-based consultant Christine Robinson, President of Stillwaters Consultation, and former Director of Poverty Programs for the Moriah Fund. The report highlights the experiences and insights of more than a dozen leading community economic development grantmaking experts from across the United States. Numerous paths to more inclusive practices are presented in the report, including creative collaborations that augment grantmaking approaches, the value of place-based and mission-related investing innovations, and possible governance and staffing enhancements. We hope that other private grantmaking leaders and organizations will utilize these social-investment strategies to benefit their constituents and the larger society.

The Diversity in Philanthropy Project (DPP) is a collaboration of more than 50 of philanthropy's most respected trustees, CEOs, staff executives, philanthropic network principals, and researchers. DPP is dedicated to increasing independent sector effectiveness by encouraging diversity and inclusivity in foundation governance and staffing, program investments, and vendor relations. The Project has commissioned a number of case studies that highlight progress in various social-investment arenas, so as to share lessons and innovative practices related to philanthropic diversity and effectiveness. This report, the third in this series, distills insights and promising practices from leading community economic development grantmakers that are committed to improving outcomes and equalizing opportunities within our nation and worldwide.

Primarily, this monograph shares successful approaches that various community economic development funders have used to address inequalities based on race, gender, sexual orientation, culture, class, ability, and geography within economically under-developed communities. Those who gave their time and wisdom to inform the report included leading rural and urban funders, regional and local grantmakers, and trustees, executives and senior program officers from eleven global, national, family and community foundations. In addition, executive representatives of two field-supporting organizations specializing in community economic development issues were also included in our interview pool. We extend heartfelt gratitude and appreciation to the following individuals whose expertise and insights enhanced our final product:



Gary Cunningham
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Northwest Area
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Robert Friedman
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Kilolo Kijakazi
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Sharon King
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We welcome thoughts and reactions regarding this report and related content, and encourage those who wish to share their own ideas and suggestions to do so by writing us at info@diversityinphilanthropy.org.

INTRODUCTION

Community economic development is a broad-ranging field of social investment for both U.S. and international grantmaking institutions. Although this work is often described as “community investment” or “community development,” for our purposes it shall be referred to as “community economic development.”

The overarching goal of community economic development philanthropy is to help residents of disadvantaged communities grow local assets, create jobs, promote upward mobility and socioeconomic well-being, and foster an enhanced quality of life. It addresses affordable housing, workforce development, micro-enterprise capitalization, small business development, access to fair and affordable financial services, asset strategies to ensure economic mobility and security, and land use and environmental justice issues.

Community economic development philanthropy bridges essential institutions that are otherwise too frequently disconnected in needy communities. As Jennifer Vanica, President and CEO of the San Diego-based Jacobs Family Foundation and Jacobs Center for Neighborhood Innovation, explains: “Our work is at the nexus of social, economic, physical, and civic life, joining various areas including social development, economic development, physical development, and infrastructure.”

In addition to the substantial resources that community economic development grantmakers direct toward addressing the needs of diverse economically distressed communities, they also increase their impact by leveraging partnerships with banks, for-profit corporations, think tanks, and government agencies.

Regardless of the outcomes they target or the methodologies they employ, the program officers and foundation executives interviewed for this report all agreed that the goal of community economic development grantmaking is to address structural socioeconomic inequality and expand opportunity. As Robert Friedman of the San Francisco, California-based Friedman Family and Rosenberg Foundations describes, community economic development grantmaking “is truly systemic anti-poverty work — the work of creating opportunity.”

Because low wealth and low-income status disproportionately affects racial and ethnic minorities, migrants, women and children, LGBT (lesbian, gay, bisexual, and transgender) groups, disabled individuals, and rural populations, we consulted experts in order to understand the current and evolving strategies that show the greatest promise for promoting community economic development opportunities for these constituencies in the early 21st century. By encouraging the broader application of lessons from the field, as well as increased grantmaker engagement, we hope through this inquiry to encourage increased philanthropic contributions to poverty reduction and socioeconomic opportunity in the years to come.

What follows are the key findings and best practices surfaced through our consultations.

KEY FINDINGS AND BEST PRACTICES

Key strategies and best practices employed by the experts interviewed for this report include:

- **Strategic Collaboration and Partnership:** Leading community economic development funders are working with other key leaders and institutions to leverage community investments from the private and public sectors. To complement these efforts, they often build their work around multi-level partnerships including national intermediary organizations, local economic support entities, and advocacy groups whose work helps to multiply assets, maximize economic stability, and build constituency in diverse communities.
- **Place-Based Investment and Leadership Development:** In order to engage diverse local stakeholders in community building and civic affairs, leading community economic development funders are prioritizing capitalization projects, policy advocacy, financial management training, and means for individual and communal ownership of assets involving grassroots leaders whose work helps to strengthen local/regional infrastructure and community support systems. In this work, financial ownership goes hand in hand with the emotional ownership community residents feel when they meaningfully participate in design and planning efforts.
- **Rapid Response:** Given our current economic climate, leading community economic development grantmakers are developing new ways to intervene quickly in support of communities at risk of losing jobs; more and more, they are taking responsible risks to meet community

needs regarding changing demographics and emerging economic challenges posed by globalization and recessionary pressures. Many are prioritizing efforts to address structural and institutional barriers.

- **Inclusive Internal Practices:** In addition to exercising robust external leadership on the issues listed above, community economic development grantmakers are increasingly making important internal decisions that benefit diverse low-income communities. From their board, staff, and vendor appointments to mission-related investing, these grantmakers are diversifying their institutional operations and practices, thereby enhancing both their fiduciary leadership and their program-related success.

Finally, the foundations included in this monograph are all committed to social change philanthropy and addressing root causes of disparities, distinguishing them from other community development charitable efforts. Social change philanthropy often provides grant support to the inter-related levers of research, practice, policy advocacy, strategic communication, and messaging and to efforts to build constituency. Additionally, many social change philanthropists prioritize structural and institutional efforts as a means of tackling disparate policies, access, and the resulting implications across communities and groups.

COMMUNITY ECONOMIC DEVELOPMENT: LEGACY AND URGENCY

Diversity and inclusion have been the central principles of the community economic development grantmaking field since it was born during the anti-poverty and civil rights movements of the 1960s and 1970s. In the early 1970s, the federal government boosted community economic development efforts with initiatives such as Community Development Block Grants, the allocations of which were largely determined by local governments with substantial community input, and Community Development Financial Institutions, which were tasked to expand lending opportunities in low-wealth communities. The Ford Foundation and other private grantmakers augmented these initiatives by supporting scores of local Community Development Corporations, as well as forming critical field-supporting intermediary organizations, such as the Local Initiatives Support Corporation (LISC). LISC and other community-based financing and development entities believed that for poverty reduction, job

expansion, and increased socioeconomic opportunity to occur in low-income communities, their constituents had to be provided opportunities to play a more active role in making decisions that affected their economic fate.

Over the years, this patchwork system of public-private partnerships has helped to create new jobs, income-generating opportunities, and small business start-ups, as well as allied job training and education programs for historically disadvantaged populations. The international application and adaptation of these strategies has helped countless low-wealth communities across the globe to realize similar benefits. In addition, foundation leaders in this nation and elsewhere have both fueled and augmented these gains with important investments in low-income neighborhood revitalization and affordable housing development. Physical assets related to land and housing can be considered “protective” or “preventive,” buffering against factors that precipitate households falling into poverty. Financial capital—along with educational, social, and political assets, provides opportunities to move out of poverty in a sustainable way.

Still concerns have been raised in recent years about the lack of more systematic institutionalization, regulation, and resourcing of disenfranchised communities. Many diverse grassroots advocates in underserved communities have expressed founded criticism that too many of the leaders heading community-based financial institutions and community development corporations are not demographically representative of their constituencies. These lingering issues present important challenges as well as opportunities for private grantmakers with strong program interests related to community economic development.

During the first decade of the 21st century, challenges facing even the most enlightened community economic development funders have increased substantially. Income inequality has been widening for nearly three decades. Recent years have seen major federal spending deficits and heavy, nonproductive military outlays in response to the “War on Terror.” There have been unprecedented corporate self-dealing scandals and perilous over-speculation in the nation’s housing markets, which resulted in a significant decline in the nation’s capital and lending capacities. Economies everywhere

now find themselves teetering on the brink of even more disturbing setbacks.

At the time of this writing, the United States is facing the worst financial crisis to hit our nation since the Depression. The number of white-collar workers unemployed in the United States increased from 3 percent to 4.6 percent during 2008 alone, the most dramatic upsurge since the 1970s. Among blue-collar workers, the unemployment rate now exceeds 12 percent and continues to rise.¹

In the midst of the current global economic crisis—marked by millions of housing foreclosures, lost jobs, and hungry families—the efforts of community economic development grantmakers are all the more crucial for socially and economically distressed communities. At the same time, grantmakers are also faced with the challenge of evolving in order to meet the emerging needs of newly distressed communities. Not perhaps since the months pre-dating the Great Depression of the 1930s has America and the community of U.S. private philanthropies encountered such a daunting economic climate. This reality challenges the capacities of the philanthropic sector to adapt to current times and have impact at depth and scale.

This is the daunting backdrop against which we surveyed the leading community economic development funders featured in this report, all of whom expressed growing concern along with redoubled commitment when talking about the road ahead. In nearly every case, these field leaders underscored the importance of building on the best aspirations of community economic development grantmaking, including the need to see inclusive practice not simply as an add-on or elective strategy to be employed when times are better, but rather as an essential ingredient of successful social investment.

PUTTING PRINCIPLES INTO PRACTICE

Among those interviewed for this report, the consensus was that community economic development grantmakers can maximize their impact by recognizing and leveraging the diversity and strengths of the communities in which they invest. Furthermore, they agreed that a defining aspiration of community economic development is meaningful inclusion—the actual engagement and leadership of diverse grassroots community members (as

opposed to mere representative participation) in identifying and addressing the problems and opportunities they face. The interviewees consistently characterized community economic development as local community action aimed at providing economic opportunities and improving social conditions in order to build and sustain the capacity of local residents to take control of their own economic futures.

Grantmakers interviewed for this report were committed to putting these principles into practice in under-resourced communities. Self-determined local residents, when given opportunities to learn and grow, can effect significant lasting change where they live, on their own terms. Sandra Mikush, Deputy Director at the Winston-Salem, North Carolina-based Mary Reynolds Babcock Foundation underscored the importance of partnership in the following terms: “What is at the heart of community development? It is where individual responsibility meets systemic change to create social and economic opportunity. It is the nexus of structural (as in structural racism) and individual changes. We know that grassroots leadership and organizational capacity are necessary but not sufficient. Long-term and large-scale impact will require simultaneous bottom-up and top-down strategies.”

Lingering structural inequalities create formidable obstacles. For example, several of the field experts we interviewed, stressed that poverty is effectively a surrogate for racism and other comparable historical prejudices in the United States and other nations; thus, community economic development grantmakers cannot waver in their commitment to ameliorate the disparate economic impacts of institutionalized inequality wherever it persists. Some of our interviewees believe that Americans have difficulty discussing racial matters. As one respondent noted, we now use economic terms as a synonym for racial, ethnic, religious, and other disparities. Gary Cunningham, Vice President of the Northwest Area Foundation in St. Paul, Minnesota reinforced this point, saying, “We work across all impoverished communities. They are not selected due to racial composition but unfortunately, in our culture, indicators of poverty are a proxy for race.”

While socioeconomic inequality typically disadvantages racial and ethnic minorities, it also disproportionately impacts other important population groups,

and ultimately affects us all. The funders we consulted agreed that effective grantmaking in the community economic development space calls upon leading private philanthropies to work with an array of community leaders and institutions in order to find appropriate and mutually beneficial partnerships. They also acknowledged that real progress toward inclusion of authentic community leadership requires a readiness among funders to partner with and build bridges between diverse population groups that have not been included in organized philanthropic initiatives. This means working closely with disparate groups, whose foci might range from women's and children's concerns, to Native American or other tribal community issues, to underserved rural population needs. Incorporating diversity and inclusion into the work of foundations takes time, intention, and a fundamental commitment to learn from and work with affected constituencies.

This is especially the case in the community economic development funding field, where responsiveness to particular historical, political, cultural, linguistic, and local experiences can uniquely affect the success and impact of social investment strategy. The F. B. Heron Foundation of New York City, for example, has worked extensively and effectively with disability community leaders and groups in an effort to learn about their special needs, and to educate and inform other partners in its work about the same. The disability community remains one of the fastest growing (yet most overlooked) groups in society, as was noted by Sharon King, the Heron Foundation's chief executive officer.² Heron Foundation leaders have consistently found ways, through consultation with disability community advocates, to incorporate the community's interests into its core economic development programming strategies. According to King, "We have always been committed to the interests of people with disabilities. In consultation with leaders and practitioners within the field and the disability affinity group of funders (the Disability Funders Network), we've crafted an approach that fully integrates those interests into the Heron Foundation's major wealth-building program areas. We strive to communicate this emphasis to our grantees and to learn about their particular challenges in this regard."

In order to optimize responsiveness to diverse community concerns, it is important to define both problems and opportunities. The Funders' Network for

Smart Growth and Livable Communities, a leading support network for community economic development funders based in Coral Gables, Florida, embeds its commitment to inclusion and diversity in its values statement, which reads, in part, as follows: “We are committed to diversity of participation, interdependence, and multi-disciplinary approaches. We believe in equal access to opportunity across race, gender, and generational lines and are committed to social justice and inter-generational fairness.” Funders’ Network leaders view diversity as an anchor imperative for the work of community economic development funders. However, Ben Starrett, Executive Director of the Network, made clear in our interview with him that “diversity is just one facet of being inclusive; it is not an end goal in itself.”

Handy Lindsey, President of the Petersburg, Virginia-based Cameron Foundation, expanded on this important insight when we spoke with him. He pointed out that movement toward diversity in the sphere of community economic development grantmaking is complicated by the dynamic intersections of race, difference, and power. According to Lindsey, “Efforts to promote cultural awareness, sensitivity, and inclusion are important steps, but ignoring the dynamics of power allows institutional racism [and other forms of inequality] to perpetuate. A diversity frame does not in and of itself address the question of power.”

Several of our respondents commented on the reciprocal relationship between embracing diversity and the challenge of power imbalances. Authentic inclusion would require a shift in power within the asset- building field. To achieve such a shift, priority must be placed on enhanced support of diverse individuals and organizations that already have expertise in asset-building. Expanded support of this type fundamentally enhances the efficacy of community economic development investments by strengthening the field’s overall capacity and responsiveness to intentionally address lingering issues of race, class, culture, and power in community development work. Power is an important dynamic of any community development initiative; funders affect that dynamic as well. However, true power to affect needed change in this field is very limited, even for larger foundation funders. In fact, in the context of community economic development, philanthropy’s contributions can look

relatively marginal when compared with the financing and ideas put forth by private-sector developers, not to mention the enormous role government entities play, both as a funder and as a regulator. This reality makes intentional inclusion and partnership with authentic community voices all the more important for those private grantmakers who wish to be effective in this space. Additionally, addressing issues of power must include ameliorating disparate policies which have perpetuated inequity.

Structural racism and institutionalized discriminatory practices have historically marginalized communities of color, the LGBT community, those with disabilities, and others. Addressing root causes provides a lens for understanding, and subsequently addressing disparities in wealth, access, employment, and other areas germane to community economic development. This frame locates the cause of disparities in a systemically uneven playing field, created out of countless unrelated decisions that affect the fair and optimal deployment of common resources and policies. Furthermore, addressing structural and institutionalized discriminatory practice requires that we see the relationship between how race, gender, sexual orientation, culture, class, ability, and geography affects policy decisions, and the problems we all face as a result of pernicious policies and practice.

Many interview respondents agreed that numerous creative tactical approaches are necessary in order for leading grantmakers to address structural impediments and reconcile the power imbalances that sustain economic marginalization in diverse communities. Among these, it was agreed that essential investments include field-organizing and community-building efforts that bring together otherwise disconnected multicultural leaders in the interest of joint advocacy to address cross-cutting disparities. By developing a shared knowledge base and cultivating partnership opportunities among diverse field practitioners, such investments can help to leverage the field's collective intellectual and financial capital to the broader benefit of various constituencies. Building on these observations, some respondents recommended that private foundation resources ought to be provided to bring diverse community economic development experts together so that they might share ideas and collaborate more strategically. Handy Lindsey made the case for such

investments in these terms: “[Among] the greatest challenges facing the work of community and economic development practitioners is informational currency; another is scale. [In this context], collaborative partnerships strengthen our grantmaking knowledge and augment our efficacy.”

STRATEGIC COLLABORATION

Many of the field-leading experts we consulted agreed that the bigger the scale of investment and partnerships, the bigger and more effective the community economic development initiative. Peter Pennekamp, Executive Director of the Humboldt Area Foundation located in Bayside, California explained the rationale for more significant field-wide collaboration associated with community economic development investments as follows: “In the interest of sustainability, a focus on improving entrenched systems and bureaucracies is an important element of the work. It is [both necessary and] possible to come to this work from several different angles, including initiating new efforts and partnering or aligning with existing initiatives such as government investments in vocational training and educational approaches.”

Precisely to achieve greater economic impact, community economic development grantmakers customarily partner with government and private industry, as well as national and/or international non-profit community economic development intermediaries. Leading national intermediaries, including LISC, Enterprise Community Partners, the Corporation for Supportive Housing, and NeighborWorks among others, play a crucial role in revitalizing distressed communities and are a primary mechanism for amassing and channeling community economic development resources from philanthropists, government, and private industry to needy local groups and communities across the country. In recent decades, ancillary intermediaries like the Grameen Bank, Habitat for Humanity, and Accion International have formed to provide needed development assistance in various international contexts.

Working through intermediary organizations offers a variety of advantages to funders looking to have an impact in the community economic development space. One advantage, as indicated above, is scalability. Others

include access to strategic information and relationships of leveraging value to social investors. Consider the example of LISC, one of the largest U.S.-focused community economic development intermediaries. LISC was founded in 1980 with a combined \$10 million in grant support from the Ford Foundation and six partnering corporate donors and lenders. The organization currently has offices in 33 urban and rural areas and works closely with community-based organizations and residents to identify the priorities and challenges unique to each community. With significant continual foundation and corporate support, LISC now generates nearly \$1 billion annually in total investment funds to help revitalize local communities from coast to coast.³

LISC and other leading U.S. community economic development intermediaries are adept at using private support dollars to channel complementary public funding from entities like the federal Department of Housing and Urban Development, as well as local Community Housing Development Organizations, to needy, diverse community groups. An important benefit of partnering with government agencies is the mandating of diversity and inclusiveness performance provisions that are customarily attached to the use of public funds. For example, to receive money from the U.S. Department of Housing and Urban Development, one third of the board of local Community Housing Development Organizations must be low-income local community members. Other customary provisions of this sort include anti-discrimination requirements pertaining to race and ethnicity, gender, sexual orientation, and disability status.

However, intermediaries are not a panacea. Several have not remained accountable to the local communities in which they work and their constituents. The lack of authentic engagement has resulted at times in a mismatch of intention and reality. Intentional, inclusive collaborations are critical. They ensure and optimize social investment impacts by community economic development funders. According to our experts, in most cases, authentic collaborations that meaningfully include and build on grassroots leadership exponentially multiply the direct benefits of private funder investments by increasing the total financial capital raised on behalf of needy groups and by augmenting prospects for corresponding gains in social capital formation and

public engagement.

GRANTMAKING

The community economic development funding leaders we consulted for this report highlighted three major diversity-related grantmaking strategies that they employ to optimize effectiveness and impact in their social-investment work. These include place-based investments, grants that maximize stakeholder engagement, and awards that promote leadership development and capacity building in diverse low-income communities. What follows are brief overviews of the ways leading funders are utilizing these grantmaking strategies.

Place-Based Investments

Those interviewed for this report emphasized that a community economic development strategy cannot be divorced from its particular location, geography, and history. At its best, community economic development helps facilitate action taken by local community members to provide economic opportunities and create sustainable social conditions. Our interviewees agreed that community economic development hinges on geographically-centered capital enhancements aimed at fostering the economic, social, ecological, and cultural well-being of needy population groups.

While community economic development grantmaking focuses on a wide range of activities, from workforce development to employment training to small business development and housing, nearly all of these investments are rooted in particular locations, whether at the neighborhood, local, or regional level. Leading grantmakers in the community economic development field utilize their investments in ways that complement and leverage the particular realities, assets, and needs of the people who live and work in the places where they fund. Many interviewees agreed that the more leading funders do to align their investments and partnerships in particular places, the more likely those investments are to have positive impacts. Sandra Mikush, Deputy Director, Mary Reynolds Babcock Foundation explains, “We are driven less by issues and more by what works where. We decide what to support in a particular place in the context of that place, the environment of the region. We organize our staff

geographically. Each member of the team builds relationships in a state or region to become familiar with the cultural and political context and the local and regional issues. This is vital in our work. Our relationships and our understanding of the context of place allow us to recognize when critical mass is building around issues for greater impact...Place matters.”

Stakeholder Engagement

A critical requirement of effective grantmaking in the community economic development space is stakeholder engagement, particularly where local leaders and residents are concerned. For the funders we consulted grassroots citizens and residents of diverse low-income communities are without question the essential focal points of this work. Gary Cunningham expressed the point to us in the following terms: “Part of our philanthropic process is based on a strategic and engaging community discourse through which we bring important stakeholders in the community together. There is no one in a community who is more important than the residents.”

Leading community economic development grantmakers, intermediaries, and their partners are likely to be most successful by enlisting grassroots participation in key public and private decision-making processes through the formation and effective engagement of sustainable, inclusive partnerships. The rationale for local partnership and maximum local engagement goes well beyond streamlining social investment deals for these funders; it is, more importantly, insight about where and how they ought to partner and invest in affected communities based on the wisdom and leadership of the knowledgeable individuals who live and work there.

Community social investment strategies are unlikely to gain real traction and are not sustainable if key elements of the affected constituency are not included in the process of defining problems, devising strategies, and implementing solutions. Peter Pennekamp explains: “We are at our best and able to enact real change only when the people most often left out are included. If I look at any community, it consists of those systemically left out and those who have entrée. Communities can only go forward if they confront division by bringing all perspectives to the table. Communities leap forward when they

identify their most divisive challenges and find ways to inclusively address them. Only when the old mythology that justifies exclusion is replaced with the value and daily practice of inclusion can a community excel. In crafting any initiative, the first question is --“Who is left out?””

Experts we interviewed also agreed that there is a significant relationship between the thoroughness of community participation and the odds that community economic development projects will best meet local needs, achieve the greatest beneficial impact, and be most long-lived. As Robert Friedman expressed, “We all have something to bring to the table. But low-wealth families themselves are most essential; their stories are at the heart of the work. Community economic development work is an iterative process. There is significantly greater capacity in low-wealth families than there is opportunity. The combination of resource investment, policy, and innovative practices backed by community organizing and empowerment is critical.”

In line with the principle of maximizing the meaningful engagement of local stakeholders, some foundations compensate community residents for their contribution to deliberative planning processes that help to inform the foundation’s social investment decisions. Jennifer Vanica shared with us the Jacobs Family Foundation’s rationale for doing so: “Unless the community is engaged in all aspects of implementation, they cannot develop the skills and capacity to keep the momentum going. We have devised a system for implementation consisting of local teams who know their neighborhoods, and this is an invaluable skill set. We believe in recognizing and compensating local residents for their expertise and capacity to do the work of community economic development.” Indeed, the principle of not only engaging, but also compensating community members whose time, talent, and technical insight helps to inform foundation grantmaking, though a relatively novel one, is embodied in the mission statement of the Jacobs Family Foundation, which reads in part: “Philanthropy must not demean people, make them dependent, or fail to challenge and engage them in problem-solving...It is the inherent dignity of people and the affirmation of people's ability to apply their talents and hard work that truly makes lasting community change.”⁴

Leadership Development and Capacity Building

Where stakeholder engagement strategy is concerned, many of the leading grantmakers we interviewed spoke of the need to help diverse local residents of disenfranchised communities gain greater control of their own economic futures by supporting investments in local leadership development. They acknowledged that historical disadvantage and the failure to capitalize on human and organizational infrastructure have limited the opportunities for such leaders and local institutions to maximize their beneficial impacts.

Many grantmakers have created exemplary leadership development programs that actively promote grassroots participation in social and economic development efforts, by nurturing leaders from within their ranks and helping them to become more effective community advocates. Rather than isolating individual leaders for training, grantmakers are focusing on strategies to engage and mobilize multiple community leaders in collective efforts to improve local and regional development opportunities. Speaking about the Northwest Area Foundation's experiences with this leadership model, in the multi-state and largely rural regions where it focuses its work, Gary Cunningham explained: "Our most successful projects include elements of leadership development through which we engage participants to have an active voice in decision-making. An exemplary leadership model organizes the community around issues of poverty and engages residents in a dialogue and a community-building process to develop strategic plans to address poverty."

INTERNAL PRACTICES

Most of the leading grantmakers consulted for this report noted that it is important for community economic development philanthropy leaders to ensure that their internal operations align with the changes they seek to create in the communities they serve (i.e., diversification in their board and staff, as well as their investments). As Handy Lindsey of the Cameron Foundation explained: "Diversity is effectiveness in action. And the work has to begin at home. To be authentic and act with integrity, inclusive practices are essential."

Mission-Related Investment

Many of our expert interviewees agreed that it is essential for foundations to “walk the walk” in matters of diversity. The F. B. Heron Foundation’s mission-related investment leadership, as one example, has been widely lauded for its success in putting foundation endowment assets to work in line with the institution’s goals. According to Sharon King, the Heron Foundation’s board of directors “recognizes that the Foundation’s entire endowment is a public trust. We have proceeded incrementally and in a disciplined manner over the years, and have demonstrated that one can use all the traditional asset classes of an endowment to align with one’s institutional mission and, at the same time, not sacrifice financial performance. This has created a powerful toolbox that allows the Foundation to use not only grants and program-related investments, but also insured deposits in community development credit unions and banks, as well as market-rate investments to the benefit of the low-income people and communities we care about.”

Many different types of foundations across the U.S. are beginning to assume similar leadership in this arena. Several, including the Boston Foundation, the W. K. Kellogg Foundation, the David and Lucile Packard Foundation, and the Russell Family Foundation, are featured in an important recent publication of Rockefeller Philanthropy Advisors, entitled *Philanthropy’s New Passing Gear: Mission-Related Investing (A Policy and Implementation Guide for Foundation Trustees)*.⁵

It should be noted that trustee enablement in the mission-related investment space has been especially important in giving credibility to this work in recent years. At a trustee-focused, 2006 Council on Foundations Annual Conference session in Seattle, Washington, Robert Friedman—an influential trustee of two leading California foundations—constructively challenged his peers on foundation boards to see mission-related investing as an essential way to utilize foundation tools to advance the common good, which is the philanthropic field’s over-arching mission. According to Friedman, mission-related investing is an essential strategy for achieving “triple bottom line” gains (economic, social, and environmental) in both the domestic and international social investment contexts.⁶

Board and Staff Diversification

Virtually all of the respondents we spoke with agreed that boards of directors and senior executive staffs have uniquely powerful roles to play in articulating institutional beliefs about inclusion, as well as setting policies in motion that integrate diversity into the core business and programmatic functions of private grantmaking institutions. Board members, along with senior executives, are situated to ensure that diversity is addressed sensitively and directly in overall institutional policy and practice.

However, in discussing the importance of board and staff diversification, our respondents were unified in their beliefs that, such efforts, in order to be meaningful, need to move beyond mere tokenism. As Sharon King explained: “Some foundations are working to become more inclusive at the governance level, for instance, by including a [single] person of color on the board. While it is certainly a move in the right direction, it is far from sufficient to have only one [diverse individual] on the board. We all need allies and it is sometimes extraordinarily difficult to do effective work if one feels isolated and/or marginalized.” Clearly, in the case of foundation staffing patterns, similar principles would apply.

Many of our interviewees also agreed, though, that the commitment to inclusion must go beyond numbers and head counts. As they see it, meaningful progress in this area requires foundation leaders to take into consideration not only who is at the table, but also whether (and how) diverse perspectives are heard, weighed, and considered relative to more traditional perspectives in foundation decision making. In the end, our experts concluded that a wide range of inter-related and complementary efforts need to be implemented for advancement to occur across the social investment field.

Handy Lindsey enumerated some key questions that he feels all funding institutions in the community economic development arena should be asking themselves about their performance—or lack thereof—in relation to diversity and inclusion. According to Lindsey: “There are a few crucial dynamics to look at closely: What is the composition of staff? How foundations range from no minority presence to substantial minority presence is, in itself, revealing. Take a

look up the ladder as well; typically diversity in any dimension (whether race, gender, or age) lessens the closer you get to the CEO's position. Philanthropy continues to log very small numbers with respect to diversity and inclusion, and both power and presence remain concentrated in traditionally empowered groups." Several commentators we interviewed emphasized the importance of engaging colleagues in their foundations' human resources departments in strategic efforts to expand access to important job opportunities for diverse individuals. In many instances, this approach was highly effective in achieving diverse appointments, despite the foundation's relatively remote location. Jack Litzenberg, Senior Program Officer at the Charles Stewart Mott Foundation, located in Flint, Michigan, explained to us, for example, that the staff and board of the Foundation represent diverse groups despite the organization's location outside of the nation's more diverse population centers and its commitment to hiring area residents wherever possible. According to Litzenberg, "We have successfully hired Flint locals, many of whom happen to be minority [and so] have proven our bond to our community. We invest in community and we believe in community. We also want to serve youth from Flint; several recent hires are young people who have made the transition very smoothly." In sum, our expert interviewees concur that achieving foundation effectiveness through increased diversity in board and staff appointments requires commitment and intentionality, coupled with a strong inclination to eschew tokenism and other forms of marginalization for diverse appointees.

CONCLUSION

Philanthropy in the United States has a decades-long history of playing an integral role in advancing economic development through strategic program investments in under-resourced communities all over the world. Some private grantmakers have been with this work since the inception of the community economic development funding field more than 40 years ago. Gratefully, the leadership and commitment of these and other field leaders in the community economic development space continues even into this difficult economic recession. An attached appendix here (Appendix A) highlights the particularly

noteworthy recent work of four exemplary funders in this critically important grantmaking area—work upon which the larger philanthropic field can build going forward. Today, as the wealth and asset gap between rich and poor in this nation and others widens, and as the number of families experiencing severe financial hardship increases, the efforts of these pioneering philanthropies and their many contemporary partner institutions are more important than ever.

In a statement relevant to the vital role of community economic development grantmaking in light of the current global economic crisis, Steve Gunderson, President of the Council on Foundations, recently commented: “How might you use philanthropy as a more effective tool for economic development? Recognize the gradual shutdown of our traditional sectors in this area. Government is increasingly in retreat on the domestic agenda. Business is consumed with trying to survive in a global economy. The reality is that philanthropy must assume a greater role as the architects of social change. This is a long-term endeavor, not a quick fix.”⁷

Appendix A

Following are noteworthy examples of effective community economic development grantmaking efforts aimed at overcoming barriers to equality based on race, economics and ability:

The Ford Foundation and the Insight Center for Community Economic Development

In 1996, the Foundation began work to reduce the gap in assets held by low-income and high-income families, and to support efforts to assist low-wealth families in achieving sustainable economic security. The Foundation's leadership in these areas has been informed by important experience-based observations about what works and what does not, including the following: 1) Given that low-wealth families are disproportionately people of color, researchers, policy analysts, and practitioners addressing savings and asset building concerns should reflect the racial and ethnic composition of the people being served; 2) Experts of color should participate in designing, developing, and implementing research, in addition to determining policy and making decisions about the design, implementation, and administration of programs; and 3) For a program or policy to achieve scale, it must be considered relevant and effective by the people to be served or they will not participate.

In 2004, with Ford support, a network of asset-building experts of color was assembled with the assistance of the Insight Center for Community and Economic Development. The network is now working closely with the larger asset-building field on strategies to reduce the wealth gap. The goal of the Experts of Color Clearinghouse is to provide a forum to increase the reach and impact of the work of these experts and to serve as a resource for organizations seeking people with asset-building expertise for speaking engagements, program assistance or filling staff and board positions.⁸

The Charles Stewart Mott Foundation's Investments in Workforce Development

The Charles Stewart Mott Foundation has taken a unique approach to community building: seeding workforce development as an economic vehicle for disenfranchised communities to increase their financial competitiveness and boost their involvement in the global economy. To this end, the Mott Foundation has pursued various sectoral employment development strategies that provide low-income communities with access to well-paying jobs and improve the conditions of existing jobs. Mott Foundation Senior Program Officer Jack Litzenberg describes the effort's aims and achievements as follows: "We've had employer participation in 33 states and have also worked with the National Governors Association on sectoral employment development. Our aim is to build economic pathways

that strengthen the abilities of low-skilled workers and help them obtain credentials by, for instance, attending community college and participating in adult education programs. We are also prioritizing working with immigrant populations and helping low-skilled people move toward participation in the global economy.”⁹

The Northwest Area Foundation and the Horizons Leadership Model

Northwest Area Foundation focuses on economic and leadership development from Native American reservations to the urban areas of Minneapolis and Seattle. It develops and supports a range of endeavors in American Indian and Latino communities, including the creation and implementation of economic development strategies.

The foundation works to build leadership in the interest of developing the infrastructure and capacity of non-profit organizations. One successful project includes elements of leadership development throughout as all participants have an active voice in decision-making. A signature initiative, *Horizons*,¹⁰ focuses on Leadership Development in 180 communities. It is a system of study- circles that bring people together to talk about poverty in the community. This leadership model organizes community residents around issues of poverty and engages them in a simultaneous dialogue and community-building process to develop strategic plans to address poverty. The Northwest Area Foundation has piloted the idea of enhancing leadership training and education in 140 rural communities, each with fewer than 5,000 residents.

Horizons has three central components: 1) study circles, which convene to look closely at particular issues; 2) leadership training, once sufficient interest has been generated on a particular area; and 3) a shared community vision, which defines a goal, the means by which the goal will be met, and the initial steps needed to achieve it. “We have found this philanthropic strategy to be more effective than throwing money at groups,” states Gary Cunningham, Vice President of the Northwest Area Foundation. “Part of our philanthropic process is based upon strategic and engaging community discourse where we bring essential community stakeholders together. Though alleviation of poverty and community economic development are at the core of the portfolio and the strategy, there are numerous support mechanisms and a wide variety of solutions that are needed to accomplish the goal.”

The Jacobs Center for Neighborhood Innovation, the Jacobs Family Foundation, and Market Creek Plaza

On the surface, Market Creek Plaza—a mixed-use retail and community center featuring a shopping mall, a performing arts center, an events and meeting hall, and impending affordable housing units—might look like a commercial development project; but it is deeply rooted in the mettle of community ownership. Beginning as a partnership between community residents and a family foundation to redevelop an old factory site, Market Creek Plaza has evolved, through the creativity of thousands of

community stakeholders, into a skill-and asset-building opportunity that has touched nearly every resident and business in the surrounding area. Developed through a network of eight working resident teams, Market Creek Plaza embodies community building by supporting resident ownership of the plans, processes, and assets of community change. What sets Market Creek Plaza apart from other developments is its network of teams that engage residents and bring out their inherent creativity, problem-solving, and risk-taking capacities. What is extraordinary about the model is the expanding *ownership* opportunities made possible by the individuals served by the work.

Working resident teams and paid resident-consultants have been critical in building a sense of emotional "ownership" and actual ownership of the work. This approach has encouraged a sense of individual and community pride in producing Market Creek Plaza *and* promoted a sense of shared responsibility for making it successful. While these building blocks may not seem unique in isolation, together they create the foundation for model community building. Resident teams focus on specific areas including: Art and Design, Community Outreach, Construction, Business Development and Leasing, Ownership Design, Employment Development, and Resource Development. Additionally, teams collaborate across conceptual frames to advance work in supporting issue areas such as unity and understanding, neighborhood identity, skills and experience, individual and community assets, and community redevelopment. This simultaneous integration, alignment, and synergy constitutes the foundation of the model.

To determine what the community needed, 800 neighborhood surveys were conducted in four languages and hundreds of community meetings were held. The surveys revealed that residents wanted a vibrant commercial and cultural hub for their community. As momentum built, more and more people came together to help create the hub, starting with the redevelopment of a nearly 20-acre site that had been home to an abandoned factory. The Jacobs Center for Neighborhood Innovation (JCNI), an operating foundation supported by the Jacobs Family Foundation, served as the developer. Community ownership of the assets produced was at the heart of the foundation's mission from an early stage.

Mary Reynolds Babcock Foundation

At its February 2009 meeting, the Mary Reynolds Babcock Foundation board stated its intention to maintain spending on new grants at the 2008 level for the next three years, barring a further precipitous drop in the value of the Foundation's investment portfolio. The Foundation is establishing benchmarks and a process for internal vigilance on investment performance and spending. In these ways, the Foundation seeks to maintain its commitment to community economic development and allied social investments that establish the core of its work.

Helping people and places in the Southeastern United States to move out of poverty is the Babcock Foundation's mission. The Foundation's leadership recognizes that poverty is a persistent problem with complex causes that will not be solved in a few years, or probably in our lifetimes. Babcock's dual goals are nevertheless to help as many people as possible to stay out or get out of poverty, and also to build capacity in the southern region for future impact on poverty. With multiple and diverse partners over many years, the Foundation has helped to build many of the local, statewide, and regional organizations and networks that constitute the present infrastructure for advocacy and action related to poverty reduction. The current deep economic recession and profound political and social re-forming of America will test this infrastructure. The people and communities served by these organizations were never well-connected to the dominant economy, so they are now dealing with the multiplied effects of historic disinvestment and a deep recession.

Notwithstanding these real issues, the Babcock Foundation remains fundamentally optimistic about the future; and it's commitment to the work of partnering with low-income and otherwise disadvantaged populations of the Southeast to achieve greater opportunity remains firmly intact. According to Gayle Williams, the Foundation's Chief Executive Officer:

Now is not a time to cut back investments in these communities. We will *invest in building partnerships* and networks where smart collective action accomplishes more than individual entities can alone. In our hearts, we are realistic optimists. We believe that new opportunities for moving people and places beyond poverty can be born from crisis if we face it with clear-eyed realism mixed with healthy doses of creativity, optimism, and compassion. We deeply appreciate our steadfast partners in this work.

¹ "For Growing Ranks of the White-Collar Jobless, Support With a Touch of the Spur," P.A16 *New York Times*, January 25, 2009.

² See Burkhauser, Richard V. and Houtenville, Andrew J., "A Guide to Disability Statistics from the Current Population Survey - Annual Social and Economic Supplement (March CPS)," Rehabilitation Research and Training Center on Disability Demographics and Statistics Disability Statistics User Guide Series, Cornell University, September 2006, pp.16-17.

³ See LISC's website at: <http://www.lisc.org/section/aboutus/>.

⁴ Jacobs Family Foundation Mission Statement: <http://www.jacobsfamilyfoundation.org/>.

⁵ Godke, S. and Bauer, D., *Philanthropy's New Passing Gear: Mission-Related Investing (A Policy and Implementation Guide for Foundation Trustees)*, Rockefeller Philanthropy Advisors, New York, 2008.

⁶ See www.diversityinphilanthropy.org (2006 Council on Foundations Conference Video Clips).

⁷ <http://www.cof.org/Council/content.cfm?ItemNumber=4752&navItemNumber=2131>

⁸ <http://www.insightcced.org/index.php?page=experts-of-color>

⁹ <http://www.mott.org/about/programs/pathwaysoutofpoverty.aspx>

¹⁰ <http://www.nwaf.org/Programs.aspx?pg=Programs/Horizons.htm>