

NEWS AND ANALYSIS

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Back From the Brink

Hundreds of grant makers are looking for lessons in how foundations were able to breathe new life into Detroit.

By Alex Daniels



TY WRIGHT FOR THE CHRONICLE

CITY OF HOPE: Officials from West Virginia grant makers and nonprofits tour the home of Detroit's 125-year-old Eastern Market on a quiet day. To help spark the city's turnaround, foundations invested in the market's neighborhood and its entrepreneurs.

Between the world wars, thousands of Appalachians set out on what became known as the Hillbilly Highway, heading north to Detroit in a search for factory jobs and the keys to a better life.

This summer, a dozen nonprofit leaders from West Virginia traveled to the Motor City on a similar quest. Their state's main industry, coal, has collapsed, putting tens of thousands out of work and creating ghost towns. Detroit, they knew, had suffered an economic calamity on a grander scale, with a municipal budget crunch that metastasized into bankruptcy. The result: an exodus that since 2000 has drained the city of more than a quarter of its nearly 1 million residents.

Yet the West Virginians came to hear a story that offers hope. Philanthropy had helped Detroit step back from the brink, and the visitors wanted to know if the city's blueprint for revival had a chance in the mountains back home.

Over the past several years, hundreds of other foundation leaders have made the same pilgrimage. They've come from cities like Newark, N.J., that are trying to regain their former glow; from boomtowns like Atlanta and Denver; and from the small Bible Belt city of Macon, Ga. Midwestern metropolises like Chicago have used Detroit as a model. Even leaders in tech-rich San Jose are looking for lessons in Detroit.

Each has sought to learn how well-organized Michigan grant makers joined with national foundations to spend nearly \$1 billion over the past five years to help Detroit shed its image of postindustrial decay and gain a reputation as an oasis for vibrant, creative entrepreneurs.

The size of that investment is unique, says Laura Sparks, executive director of the William Penn Foundation in Philadelphia. But foundations in other cities may discover in Detroit how they can — and perhaps should — take an active role in planning for their own city's future.

"This has been incredibly important for Detroit, but it would be a missed opportunity if the rest of us didn't learn from that experience," says Ms. Sparks, who in September was tapped to lead Cooper Union.

Credit for a Resurgence

During their visit, the West Virginians gathered with Benjamin Kennedy, managing director of the Kresge Foundation's American Cities Practice, at the M@dison. Formerly a historic downtown theater called the Madison, the building sat empty for decades but is seeing new life as a meeting space for technology entrepreneurs. There, with Comerica Park, home of the Detroit Tigers, as a backdrop, Mr. Kennedy told his guests that foundations deserve a large share of credit for the city's resurgence.

He began with some history. The city government struggled for years to right itself after the 2008 resignation and criminal conviction of Mayor Kwame Kilpatrick. In 2013, Detroit was placed under emergency management, transferring many local decisions from elected lawmakers to a lawyer installed by Gov. Rick Snyder. With municipal leaders hamstrung, foundations stepped in, Mr. Kennedy says, and invested heavily in a city many had given up for dead. Rather than working behind the scenes, they took a very public, hands-on role in Detroit's planning process.

"Philanthropy can visibly lead," he told his guests. "We put capital on the table and beat the drum."

The major investments started rolling in earlier, in 2007, when 10 grant makers — national and local foundations — pooled \$100 million to create the New Economy Initiative, a fund to support emerging entrepreneurs and organizations working to improve the city. In the following years, as the city government's capacity dwindled, foundations in effect jumped into the void and took charge of basic municipal functions. Private philanthropy, for example, created a planning office outside of City Hall called Detroit Future City to design and implement a new development and transit blueprint.

Those plans called for big cash infusions in selected areas to signal to private developers that Detroit was ripe for investment. The development would be clustered in certain parts of the city that were considered assets. These included an attractive riverfront area and the Midtown neighborhood, home to prominent community "anchors" such as Wayne State University. The West Virginians stopped at each of those places during their daylong bus tour of the city, getting a look at the public art and transit lines backed by foundations to encourage young, creative entrepreneurs and artists to repopulate Detroit.

A 'Grand Bargain'

Twelve foundations have pledged nearly \$148 million to the New Economy Initiative. It says its grants have helped create more than 17,000 jobs and unleashed more than \$600 million in additional investments in the area. The years of working together on city projects also made possible the "grand bargain," a 2014 philanthropic deal that helped lift the city from bankruptcy. As part of this plan, members of the New Economy Initiative joined with other grant makers to backstop the city's depleted pension fund, pledging a combined \$374 million over 20 years. That commitment led to nearly \$300 million in state and private donations and allowed the city to avert the sale of valuable works from the Detroit Institute of Arts to raise money to satisfy city creditors.

LEARNING FROM DETROIT

- "Drawing on Detroit," a broad effort to study philanthropy's role in the city, **will issue its final report** in the coming months. The Kresge Foundation and the University of Southern California's Center on Philanthropy and Public Policy sponsored the study, will draw from meetings with nonprofit and foundation leaders in New York and Washington and a conference in Los Angeles.
- Independent Sector, a membership organization for nonprofits, **will host its annual conference** in Detroit next year.
- Detroit grant makers **regularly talk and swap notes** with counterparts in other regions. Tonya Allen, president of the Skillman Foundation, has met with peers from several cities, including Chicago, New Orleans, and Newark, N.J. Katy Locker, Detroit program director for the Knight Foundation, regularly hosts groups of Knight employees and city leaders from communities across the country who want to learn about the grant maker's Motor City programs. "It's become a component of my job," she says.

A foundation collaboration that laid so much money on the table so quickly got people's attention. In 2014, JPMorgan Chase made a \$100 million philanthropic commitment to Detroit, but only after six months of due diligence found unusual harmony among nonprofit, municipal, and business leaders, according to Jill Blickstein, the banking giant's managing director of corporate responsibility. Those relationships, and the willingness of foundations to invest in the city's core, helped assuage risk-averse developers.

"You have to have a success story" to attract other investors, Ms. Blickstein says.

Far From a Perfect Model

Not everyone views philanthropy's work in Detroit as a smash hit. "It's very dangerous that tons of foundations are coming to Detroit and looking at it as a philanthropic model," says Jeanette Lee, executive director of Allied Media Projects, a nonprofit media consultancy dedicated to social justice.

The nonprofit and philanthropic leaders studying the city's re-emergence have concerns of their own. They note that the failure of Detroit's government created an unusual power vacuum that made it possible for philanthropy to step forward so forthrightly. Plus, the magnitude of the foundation response would be hard to replicate.

That's because Detroit has unusually deep philanthropic resources. The region is home to two major national grant makers, Kresge and W.K. Kellogg, and many smaller foundations are entrenched in the city, including Hudson-Webber and Skillman. Though the Ford and Knight foundations are headquartered in New York and Miami, respectively, both have deep historical ties to Detroit: Ford was established in Michigan, where the Ford family amassed its great wealth; Knight traditionally supports Detroit and other cities where its founding family owned newspapers.

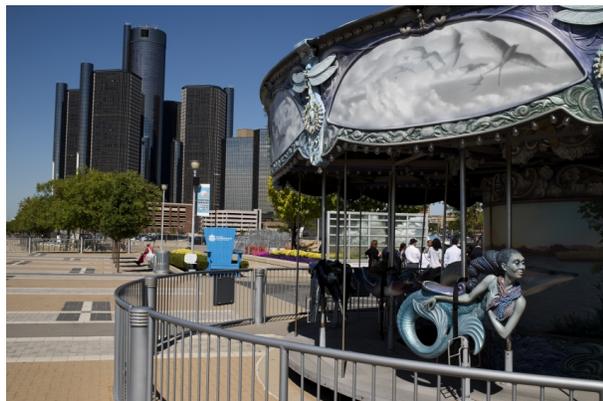
Still, despite the city's unique situation, the visitors to Detroit say philanthropy's work there offers lessons. Chief among them: It is never too soon for grant makers to come alongside government to plan for a region's economic future.

San Jose is an unlikely student of the Motor City experience. It lies in Silicon Valley, awash with venture-capital money and tech opportunity. Yet this summer, Daniel Harris, Knight's San Jose program director, brought city planners, public-works experts, and entrepreneurs to Detroit to meet with Knight grantees. He wants to prepare for a time when Silicon Valley is no longer dominant. In 1955, he notes, when Detroit was at its peak and auto plants were churning out Plymouth Belvederes and Cadillac Fleetwoods, few thought the city would hit such hard times.

Mr. Harris hopes to deepen interest among Silicon Valley philanthropists in local issues and encourage San Jose residents to identify with their hometown by supporting cultural institutions and local artisans. The goal, he says, is to give the area more of a sense of place.

"When tech leaves, for better or worse, we're just a huge suburb with lots of office parks," he says. "There's not a lot else here."

In particular, Mr. Harris is interested in the Detroit's planning department's "Office of Yes," which works specifically on foundation-supported projects. He'd also like to introduce "pink



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BORN AGAIN: Detroit's riverfront was one of the areas handpicked by foundations for redevelopment.

zones," areas where the city encourages business development by reducing regulatory red tape.

Appalachian Answers

Wrapping up their visit, the West Virginians and Kresge officials munched on gourmet fried chicken and charred octopus at Gold Cash Gold, a former pawnshop turned trendy bistro in the Corktown neighborhood, which has relatively recently attracted redevelopment dollars. Seated around the table and in meetings back in West Virginia

after the trip, the visitors considered what they've learned.

Although both Detroit and West Virginia faced unemployment crises and the free-fall of their cornerstone industries, the challenges for philanthropy are clearly different. West Virginia, for example, lacks Detroit's philanthropic resources. Pittsburgh's Claude Worthington Benedum Foundation, the largest grant maker that supports nonprofits throughout West Virginia, makes about \$17 million a year in grants — a fraction of the \$125 million that Kresge alone doled out in 2015.

Still, some in the West Virginia delegation see parallels with the Detroit approach. James Edwards, executive director of the Charleston Urban Renewal Authority, believes foundations in West Virginia should press state leaders harder to adopt a new economic model. Coal, he says, is not coming back. To thrive, West Virginia should take a cue from Detroit and focus on rebuilding the state's historic downtowns, making them attractive to young, creative artists and entrepreneurs who want to live where they have easy access to nature.

"There seems to be a nostalgia for the way things were" among policy makers in the state, Mr. Edwards says. "There's a constant discussion of how we can revive the past. The lesson from Detroit is that the private sector can pick up where government has not led."

Alissa Novoselick, executive director of the Charleston-based Tamarack Foundation for the Arts, agrees. She is impressed that Detroit planners placed so much importance on art and culture. During the Detroit trip and at meetings elsewhere about the city's renewal, she found a glimpse of hope. If West Virginia nonprofit leaders can organize as Detroit foundations did — years before the bankruptcy — they might attract support from larger foundations across the country to help should the state's crisis escalate.

"We don't have to go it alone," she says.

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