



**SIX CORE
BELIEFS HAVE
THE POWER TO
RESHAPE THE
PHILANTHROPIC
SECTOR FOR THE
CHALLENGES OF
THE 21ST CENTURY.**



By **Rip Rapson**

A Treatise on the Future of Philanthropy

In 2013, with \$18 billion in debt, the city of Detroit entered the largest municipal bankruptcy in U.S. history. Rip Rapson, president and CEO of The Kresge Foundation, was on the front lines of efforts to bring about a speedy resolution, one that protected the pensions of city retirees and safeguarded the world-class art collection at the Detroit Institute of Arts, the city's most valuable asset.

Rapson and 10 other philanthropic leaders, together with the state of Michigan and the Detroit Institute of Arts, created an \$816 million fund, the Foundation for Detroit's Future – what has become known as the Grand Bargain. The fund enabled the art to be sold to a nonprofit trust, with the proceeds nearly fully funding retiree pensions. Equally as important, it prevented litigation that would have delayed indefinitely the essential and imperative work of city building.

Over the yearlong negotiations, Rapson put Kresge's six core philanthropic beliefs to the test. He found they served the institution well under the extraordinary circumstances of the bankruptcy. Here he offers the six beliefs as the building blocks for the philanthropic sector's next generation of grantmaking and social investing.

Photo by Douglas Schaible

Belief #1:

Philanthropy has to be prepared to cut from its safe and secure moorings to embrace a level of risk commensurate with the magnitude of the challenge at hand.

The enormity of the bankruptcy challenge tore at the outer limits of philanthropy's long-established risk envelope. The stakes were so high and the risks of inaction so great that the practices of the past would simply not get us where Detroit needed to go. We had to tap our corpus for \$100 million – our largest grant ever – and not simply redirect money pre-allocated to rebuilding Detroit's physical, social and cultural fabric. We had to arc to the dream of a city reborn, not simply measure the situation against fine-tuned program priorities. We had to condition our support on fiercely negotiated conditions, not simply create a pool of unrestricted capital. We had to actively lead.

Belief #2:

Philanthropy, by shedding its territoriality, can multiply its efficacy by recognizing the potency of its undeniable interdependence.

The partnership of the Grand Bargain was built on a foundation of mutual support that the philanthropies of Detroit have been building over the last decade. Ten of us collaborating to create the New Economy Initiative, aggregating capital to promote small-business development and entrepreneurialism. The Kresge, Ford and Kellogg foundations underwriting the creation of the Detroit Future City land-use framework. The philanthropic, banking, nonprofit and public sectors meeting monthly to discuss neighborhood priorities in the Detroit Neighborhood Forum. The Knight, Erb, Hudson Webber, McGregor and Kresge foundations investing in the vibrancy of the arts and cultural ecology. And countless other examples.

When, therefore, the question was called of whether philanthropy could pull together to provide the \$366 million necessary to catalyze the Grand Bargain, the answer was clear. The fabric of trust and cooperation was in place. Kresge and Ford stepped forward to commit \$225 million, and the other members of the coalition followed suit at levels appropriate to their size.

Belief #3:

Philanthropic leaders must be willing to act; they must create the space to hear and internalize the wisdom of our community's collective voice.

The greatest heat of the bankruptcy trial was generated by the claims of creditors. But its resolution was equally contingent upon the creation of a “plan of adjustment” that created a road map for the city’s long-term growth and economic health. That, in turn, depended on smart and pragmatic strategies to address the deeply complicated, emotionally sensitive and politically charged issue of how to address the fate of the city’s vast stretches of vacant, blighted and underutilized land.

In 2011, Mayor Dave Bing’s administration asked Kresge to help frame that kind of strategy. It was a process that had to navigate the delicate intersection of highly technical land-use planning and the collective voice of community residents. It was a rocky road. We had to redesign the community-engagement process to find the right set of processes, attitudes and tools. We had to continually renegotiate what roles city government, philanthropy and the community would play in directing and carrying out the work. We had to wrestle with the mind-numbing conceptual and practical complexities of reimagining a city whose population had shrunk from 2 million residents to 725,000.

We stayed the course over four years. What emerged was Detroit Future City, a community-derived road map for jobs, civic health, asset building and stronger neighborhoods across the city. It is more than just a plan; it is a framework that provides a basis for decisions in every dimension of community life – where we might redouble our investments in commercial corridors; invest in new mixed-use residential development; test ideas for urban farming, reforestation or innovative stormwater management. At all points along the way, the ideas and wisdom of residents needed to be folded in. At Kresge, we have committed that every dollar of the more than \$150 million we will invest in Detroit over five years will advance the recommended strategies within this framework and the processes by which community voice can continue to be heard.



Denby High School.
Photo by Doug Coombe.



M-1 Rail construction.
Photo courtesy M-1 Rail.

Belief #4:

Philanthropy must increasingly become comfortable in engaging the vicissitudes and ambiguities of public-sector policies and practices.

There is an inherent tension between the accountabilities of elected office and the ostensible remove of philanthropy. As long as philanthropy stays in its “lane” by funding community-based nonprofit activity and by entertaining routine requests from City Hall, the relationship can remain on automatic pilot. But when foundations step inside the fence line of activities traditionally shaped and operated by the public sector, matters can get dicey. The bankruptcy certainly illustrated this. But Kresge’s seven-year-long funding and advocacy for the M-1 Rail project casts this in even brighter relief.

Kresge has been the lead investor in, and perhaps most passionate advocate for, the construction of a streetcar line in the heart of Detroit. The line promises to become the first leg of a high-performing regional transit system comprising high-speed rail between Detroit and Chicago, improvements to existing rail and bus connections and state-of-the-art commuter transportation. And even in its early stages of construction, it has demonstrated its power to spur economic growth and social cohesion in the city for many years to come.

The \$170 million streetcar line is anchored by Kresge’s \$50 million commitment, but draws on a combination of private, public and other philanthropic support as well. Its journey over the past half-dozen years has drawn Kresge into the lair of federal Department of Transportation policy, Michigan legislative battles and Detroit governance issues. It began with gnarly questions about philanthropy’s appropriate role in giving birth to large-scale public works projects and meandered through such issues as Kresge’s role as a backstop to potential public-funding shortfalls, our willingness to engage in high-visibility public-policy debates about state legislative priorities and our appetite for staying the course until the line is transferred to a public operating entity.

We should have expected no less when trying to overcome a fraught history of mass transit in the place that put the world on wheels, one car at a time. But it has required that we lock arms with public entities in ways that have suggested that the boundaries separating the public, private and philanthropic sectors are far more porous than they may appear. We look forward to celebrating with the public and friends from all those sectors when M-1, which began construction in summer 2014, opens in late 2016.

Belief #5:

Philanthropy can find key acupuncture points that trigger the power of places to reflect community identity and create the map for vibrant, equitable civic life.

The stabilization of Detroit in the post-bankruptcy era will require audacious actions that convert underutilized, even socially and environmentally toxic, land into a network of civic spaces conducive to community health, economic vitality and positive social interaction.

Kresge has a long history of investing in public spaces. It's more than just enhancing a location. It's about creating an essence – identifying, elevating or assembling a collection of visual, cultural, social and environmental qualities that imbue a location with meaning and significance. When we're able to connect to a city or a neighborhood through an individual or shared experience of its public spaces, there's a magnetic pull. You want to stay committed. You want to invest. You want to build a future. These are the preconditions for civic transformation.

Kresge's signal investment of this kind is the \$50 million we put on the table more than a decade ago to challenge others to join in creating the Detroit Riverwalk, which now draws millions of residents and visitors each year. But we have also been proud to participate in transformative investments that have accelerated the pace and scale of development in the downtown and Midtown districts – the economic backbone of the city. And we have begun to ramp up dramatically investments intended to migrate some of the lessons we've learned from downtown and Midtown to neighborhood corridors – from Livernois-McNichols to the East Jefferson corridor, from the North End to Southwest Detroit.



Mt. Elliott Park.
Photo by Bruce Giffin.



ARISE Detroit! Neighborhoods Day.
Photo by Lon Horwedel.

Belief #6:

There is a moral imperative for privately endowed philanthropies like Kresge to stitch together the other beliefs in ways that will improve outcomes for low-income people living in America's cities.

When all was said and done, the bankruptcy was about improving the life circumstances of the people of the city of Detroit. It presented a set of challenges and opportunities emblematic of other communities facing disinvestment, polarized structures of economic opportunity and racial division.

Cities present a density of activities, skills and ideas that serendipitously or intentionally circulate, recombine and catalyze, creating the preconditions for innovation. Their complex networks and diverse subcultures are more conducive to the dismantling of stale and unproductive approaches to stubbornly resistant problems in favor of the new or imaginatively recycled.

Detroit has begun to suggest a recipe for animating those qualities. Its experiences suggest that it is possible to absorb the stresses of change while retaining a community's essential identity, to reinvent essential functions without sacrificing the primacy of resident voice, to explore new principles of civic sustainability without dismantling the richness of community traditions, beliefs and institutions built up layer by layer over time.

You start from the ground up. Every neighborhood, each community, all the block clubs, all the schools, each of the businesses, all the informal networks of mutual support help form identity, contribute to innovation and ignite sparks of hope for a better future.

This booklet is excerpted from The Kresge Foundation 2014 Annual Report.



Rip Rapson is president and CEO of The Kresge Foundation, a \$3.5 billion private, national foundation based in Michigan that works to expand opportunities in America's cities through grantmaking and investing in arts and culture, education, environment, health, human services, and community development in Detroit.

In 2014, the Board of Trustees approved 408 awards totaling \$242.5 million. That included a \$100 million award to the Foundation for Detroit's Future, a fund created to soften the impact of the city's bankruptcy on pensioners and safeguard cultural assets at the Detroit Institute of Arts. A total of \$138.1 million was paid out to grantees over the course of the year. In addition, the Social Investment Practice made commitments totaling \$20.4 million in 2014.

For more information, visit kresge.org.

On the cover: Detroit Institute of Arts. Photo by Doug Coombe.

This page: Dequindre Cut. Photo courtesy Detroit Riverfront Conservancy.