



Speech by Rip Rapson:

Philanthropy's Role in a New Era

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Introduction

Florida is represented across each of Kresge's six program portfolios. And for good reason. So many of the nation's challenges – and opportunities – are crystalized in the Florida experience – how to mitigate and adapt to the effects of climate change, how to promote sensible, equitable, inclusive growth, how to create a level playing field for the nation's newest citizens, and countless others.

Just one example of an arena in which Florida promises to play an outsized role: improving college attainment rates.

Although Florida is the third most populous state, it ranks only 31st in college attainment – approximately 40 percent of Florida adults have a two- or four-year degree. Our Education Program, which seeks to promote postsecondary access and success for low-income and first-generation students, is committed to helping boost that. In the past 18 months alone, Kresge has awarded almost \$1 million in grants into Florida to that end.

Most recently, we've joined with the Helios Foundation and the Florida Philanthropic Network to support Local College Access Networks, which are community-based, cross-sector partnerships focused on providing the supports that students need in order to succeed. The grant is designed to encourage community foundations to translate their core competency of raising scholarships into the ability to raise funds for those supports.

Kresge is proud of *all* our work in Florida, but running through the full list would take up most of the morning.

So let me get on with the heart of what I'd like to discuss with you – how philanthropy looks to the future in a VUCA environment – the shorthand the Defense Department uses for *volatile, uncertain, chaotic* and *ambiguous*.

I want to do that in two parts. First, I'll describe very briefly two inflection points that have redefined over the last decade the way Kresge works. And second, I want to suggest a handful of principles that we've extracted from that experience, which I hope might have application to you.

Two Formative Forces

So first, those two overarching inflection points: our movement away from the capital challenge grant and our engagement in the reimagining and revitalization of Detroit.

1. Evolving From the Capital Challenge Grant

In 1912, Sebastian S. Kresge opened the first 5-and-10-cent store – a revolutionary merchandising idea at the time. It eventually evolved into Kmart. In 1924, Kresge established a foundation in Detroit with the mandate of “promoting human progress.” For much of the next 80 years, that mandate was realized through the support of fundraising campaigns to build capital projects. Across the nation, the Kresge name adorns libraries, lecture halls, recreation centers, art museums, churches, and hospitals.

But when I joined the foundation in 2006, it had become clear to us that what had been so revolutionary when first developed now had limited usefulness in the face of huge capital campaigns powered by significant individual and corporate gifts.

I led our board of directors through a process that helped them understand that the capital challenge grant – despite its unquestionable value in helping thousands of building campaigns cross the finish line with more individual donors in tow – failed to take full advantage of four essential qualities peculiar to philanthropy.

- First, the enormous privilege to take the long-term view and to see the relationships among things often seen as unconnected.
- Second, the ability to take risks, serving as society’s social venture capital.
- Third, the opportunity to call on multiple tools.
- And fourth, the imperative to invest in the improvement of life conditions for low-income, marginalized people.

Kresge of old did none of those things.

We were of the moment, tethered to a particular building campaign. We took no risk – and indeed were safer than a bank – insofar as we didn’t release our funds until all the fundraising criteria were met. We used a single tool, refined over more than half-a-century until its rigor and exactness brought that tool within an inch of its life. And we were agnostic about the values advanced by an organization, making no differentiation between a library at Florida State University, a hospice in Tampa or a museum in St. Petersburg.

So, over the next 10 years, Kresge pivoted toward those four qualities, replacing the capital challenge grant with six program areas and a diverse toolbox designed to ensure that low-income people have full access to economic and social opportunity in America’s cities.

2. Redefining Philanthropy’s Role in Detroit

But it may have been our work in Detroit that propelled us most fully outside the traditional bumper rails of philanthropy.

Let me roll back the tape to 2008-2009, when a nightmarish convergence of four events projected a dystopian image of Detroit that was utterly incomprehensible to the rest of the country:

- The Great recession, reverberating violently through an already fragile economy;
- The foreclosure crisis, with invidious predatory lending crushing Detroit families with particular force;
- The bankruptcy of the Big Three auto companies, with shock waves felt throughout the gigantic supply chain of the entire upper Midwest.
- The complete implosion of the public sector following the indictment of Detroit’s charismatic young mayor Kwame Kilpatrick on corruption and racketeering charges and the subsequent prosecutions of more than 50 of his criminal co-conspirators.

The situation had chilled investment and eroded civic hope. Headlines seen around the world presented Detroit as the ultimate symbol of urban dysfunction. The city was all but written off.

If all of that wasn't enough, Kresge received three very concrete wake-up calls.

The first was a series of very difficult meetings with my own board of directors, two-thirds of whom had no connection to Detroit. They expressed grave concerns that our investments in the city were, at best, a finger in the dike – and, at worst, improvident and wasteful. As one said to me, “Why don't we instead work somewhere easy, like Newark?”

The second wake-up call was a meeting I had with the incoming president of the Ford Foundation, Luis Ubinas, to help convince him that Ford should continue investing in the city. Luis was skeptical, to say the least. He asked me what private philanthropy would spend the next year in Detroit. I did a very quick back-of-the-envelope calculation. It suggested, quite conservatively, that the number was perhaps \$160 million.

Luis didn't miss a beat. “That means,” he said, “that in the next seven years, philanthropy will spend \$1 billion in Detroit. What do we propose to buy with that?” It was a very good question.

And the third wake-up call was literally a call. It came from Derek Douglas, a senior member of newly elected President Obama's Domestic Policy Council. Derek explained that he had just emerged from a meeting of the cabinet in which the president said that he wouldn't allow Detroit to become the Katrina of his watch. “So we want to come to Detroit and announce something,” Derek explained. “And what's that?” I asked. Silence, then Derek said: “I don't know – we can't figure that out.” There you have it. There couldn't be a clearer indication that we were projecting complete incoherence and futility.

But I believed strongly that work Kresge and others were doing in Detroit was neither incoherent nor futile. So I spent the next day developing a schematic depiction on a single sheet of paper of efforts that were currently in progress. It showed nine discrete, but interrelated, bodies of work:

- From introducing light rail transit along the city's main avenue to birthing and supporting entrepreneurs and small businesses.
- From bolstering investments in our anchor education and health institutions to fostering a more robust arts and cultural ecology.
- From creating a land-use framework to address the city's swaths of blight and abandonment to creating a monthly forum to align neighborhood investments among banks, foundations, public agencies and nonprofit intermediaries.

Each of the nine “modules” was supported by real investments. Each was being shaped by foundations. Each held the promise of taking root over the long-term. And, taken collectively, the nine served to infuse the Detroit circumstance with a sense of discernable direction, intentionality and long-term investibility that had been so painfully missing.

Called “Reimagining Detroit 2020,” this framework became a form of common vocabulary not only among foundations, but among the other sectors as well. It crystallized a sense of urgency. It provided a scaffolding for various actors to build out workplans for each of the nine modules – a scaffolding that was sufficiently sturdy and durable to bridge to a time in which the public and private sectors resumed their rightful roles.

It required that the foundations working in Detroit discard their deeply ingrained predisposition to sit at the margins without stirring up a fuss, hoping that their good intentions and charitable impulses would help the community slide through tough times. They would instead have to step inside a zone of discomfort and aggressively contribute to shaping a very different civic trajectory.

As Adlai Stevenson once observed: “It's hard to lead a cavalry charge if you think you look funny on a horse.” It fell to us to conclude that we didn't look so funny on a horse.

I recite all of this because Kresge's work in Detroit – together with its pivot away from its long-standing focus on building campaigns – has led us to a strong view that how we work is every bit as important as what we work on. So let me turn next to a handful of conclusions we've drawn about those ways of working.

Ten Principles

It's tempting to conclude that Kresge's path is a one-off – that it has little application to your work. We *are*, after all, a well-endowed national foundation. Detroit *is* unique among American cities. The levels of investment *are* extraordinarily high.

But my hope is that our path does, in fact, contain some relevance to yours when viewed through the lens of a changing definition of philanthropic role. So I propose to scroll through 10 principles that have driven our journey at Kresge and that will ground our efforts as we move into a new political era. Not every one of the 10 may map onto your work, but I hope that in the aggregate they have some resonance for you.

Principle #1: Clarify, amplify, and stand by the values that guide your work.

Every foundation stands for something. What that something is will vary broadly from one foundation to another – depending on your mission, your geography, your strategies of choice, your governance. I would propose, however, that we are entering a time when it is incumbent on us to articulate what that something is and how we propose to calibrate our activities to advance it.

For Kresge, it is easy to stop at the proposition that we stand for urban opportunity. But it's more complicated than that. Beyond our strategies, beyond our toolbox, what values animate how we behave inside our building and outside our walls?

I tried to take a stab at that question the morning after the election. I shared with the Kresge staff the following statement:

- We stand for the elevation of our shared destiny, *not* for an invidiously corrosive social, economic and political ethic that enshrines individualism and self-advancement as the ultimate public virtue.
- We stand for deep, abiding, authentic respect for one another's worth and decency, *not* for a denigration and marginalization – indeed demonization – of those whose skin pigment, physical conditions, sexual orientation, gender, or faith differs from our own.
- We stand for the benefits of working in true partnership with individuals and organizations allied in common purpose for the advancement of the public good and the promotion of structures of mutual assistance, *not* for a hunkering down into silos of fear that attempt to deny the forces of equity and social change and wall off compassion for the less fortunate.
- We stand for the imperative of a creative problem-solving that calls on community wisdom, intergenerational exchange and principled disagreement, *not* for the false comfort of facile judgments about complex, interconnected problems or the bombastic certitude of rhetorical hyperbole.
- And we stand for opportunity structures that dismantle, and substitute for, the persistent and pervasive racial, economic and political barriers that so shamefully impede pathways to equality and justice for low-income people and people of color, *not* for the enshrinement of those barriers in public policy and the perpetuation of racial and ethnic division.

These may not be your values, but whatever those values are, be clear about them, stand by them, let them drive your behaviors.

Principle #2: Explore the possibilities of setting the table for your community's most difficult, emotionally and politically charged, intractable conversations.

There is inherent power in philanthropy's perceived fairness, its ability to take a long-term view, its privilege of being able to work on behalf of underrepresented people, ideas and causes. I would argue that that carries with it the responsibility to help our communities engage in reasoned, respectful, and actionable discourse about how we can transition to a next generation economic, social and political order that is more just, inclusive and equitable.

As I think about what passes for our nation's public policy environment, I can't shake the image of anesthetic wearing off following a serious operation – that we're awakening to the realization that something is profoundly different and risks being irretrievably lost. The words of one observer suggest that this doesn't simply derive from this particular election cycle, federal administration or legislative agenda. She said:

- We are a people in a quandary about the present. We are a people in search of our future. We are a people in search of a national community.
- Many fear the future. Many are distrustful of their leaders and believe that their voices are never heard. Many seek only to satisfy their private (wants and) interests.
- But this is the great danger America faces. That we will cease to be one nation and become instead a collection of interest groups: city against suburb, region against region, individual against individual.
- If that happens, who then will speak for America?
- Who then will speak for the common good?

That was the late, great congresswoman from Texas, Barbara Jordan, speaking to the Democratic convention in 1976 – 41 years ago.

Her warning suggests that this hardening of our civic arteries has been going on for some time. We witness daily the vastly disproportionate impact this has on those who stand on the far margins of political power, who feel the consequences of structural inequality and who are denied full participation in the economic mainstream. They start with fewer resources, operate with fewer resources, accumulate fewer resources and must swim against the tide of public understanding and appreciation.

There is arguably no more important and pressing calling than raising and addressing these issues. But it has to be done with nuance and insight, with balance and clarity, with skill and sensitivity. We can do that. We can convene in a nonpartisan, nonideological way. We can offer ideas that bridge across difference. We should.

Principle #3: Look for the connections among things.

Public agencies may organize vertically into silos of expertise – housing, economic development, health, transportation – but people live horizontally. A community member's livelihood may depend on the convenience of travel between her home and her workplace. Her health may be compromised by the diesel emissions generated by a nearby railyard. Her children's development may be shaped by her access to affordable, high-quality childcare.

If we are to move the needle on poverty, economic mobility, climate change, educational attainment or health disparities, therefore, we'll need strategies that anticipate that these systems ricochet against one another – dynamically morphing, recombining, and interbraiding. There is no such thing in this work as a singular set of causes or a one-and-done effort.

Let me offer two quick examples from Kresge's Health portfolio:

- The first is an effort called the Healthy Futures Fund, which integrates community health clinics with housing, transit and human services. This \$100 million fund blended Kresge's grant and loan dollars, New Markets Tax Credits and Low-Income Housing Tax Credits from the Local Initiatives Support Corporation, and loan capital from Morgan Stanley.
- The second example is called FreshLo – for Fresh, Local, and Equitable – which seeks to draw together expanded access to healthy local food in low-income communities and community-based artistic and cultural expression. In a powerful statement of interest, some 550 organizations applied for 26 available grants.

Principle #4: Embrace the possibility of working across sectors, particularly with government and business.

Philanthropy has traditionally preferred a safe remove from the messy and polarizing scrum of folks who execute the authorities of an election certificate or who are animated by quarterly profit and loss cycles. Slowly, however, philanthropy is coming to understand that the roles and responsibilities of each sector are not quite so hard and fast as we once thought – and that wading into the unruly and unpredictable public and private realms can be a necessary part of getting things done.

A quick example from Detroit:

If there was ever an environment that was toxic to public transportation and mass transit, it's been the Motor City and its surrounding counties. Eight years ago, Kresge and key corporate leaders jumped into the deep end of the pool by announcing our intention to finance, construct and turn over to a public transit authority a light-rail line to run along the city's major arterial, Woodward Avenue.

The streetcar line would create connective tissue among commercial, medical, educational, cultural and civic institutions up and down the avenue and be the first leg of a comprehensive and seamless regional transit system.

It would cost \$150 million. Kresge committed the first 50 – conditioned on the private sector and federal government providing the balance. One would have thought that from the public sector's perspective, this was a simple, extraordinarily headache-free solution to a seemingly irresolvable problem.

Not.

Conjure any conceivable obstacle the public sector could throw up – and then multiply that by seven – and you get the picture. The City of Detroit insisted on controlling the design, even though it was the wrong design and even though the city didn't have any money to pay for it. The Federal Transit Administration couldn't figure out how to adapt its rules to a private-philanthropic consortium that didn't fit into its normal regulatory protocols. The State of Michigan wasn't comfortable delegating responsibility for solving the endless traffic engineering and infrastructure issues that popped up like a whack-a-mole game.

But the consortium called on every piece of political, financial and personal capital it possessed to navigate the project to final approval. And it worked. The line will open in April.

Principle #5: Invest in community problem-solving capacity.

We have to build enduring muscle for citizens to engage meaningfully with – and indeed shape – those institutions whose policies, practices and networks of power set the ground-rules for community life.

Community engagement exists along a spectrum – it is one thing to ask for community ideas and quite another to invite community residents and businesses and institutions into the sacred sanctum of decision-making. The latter is hard and messy, and often uncomfortable, particularly for those accustomed to maintaining a firm grip on how resources are allocated. But if conceived less as a relinquishment of power than as a new form of shared responsibility, it is not quite so unsettling.

Two quick illustrations of how Kresge has sought to elevate this way of working:

- Our Health team has invested in the capacity of residents in Los Angeles, Houston, Chicago, Newark, and other cities to advocate successfully for ordinances and consent agreements that reduce toxic diesel emissions from the trucks that service ports and railyards adjacent to low-income communities.
- Our Detroit program worked for three years to birth the Detroit Future City Plan, a comprehensive decision-making and investment framework to guide the city's efforts to convert its 40 square miles of vacant and blighted land – a landmass the size of the city of San Francisco – into productive uses. Rooted in the most expansive and innovative community engagement process in the city's history – touching more than 50,000 residents, businesses and other stakeholders – it has become the roadmap for developing blue-green infrastructure, repurposing residential and commercial properties, creating new public open space and prioritizing urban farming, among many other things.

Principle #6: Take risks commensurate with the magnitude of the challenges you seek to confront.

It's difficult to rationalize risk-taking when people's lives are directly affected. Indeed, most of our civic machinery is risk-averse. Our elected officials have to gauge carefully the limits of the politically possible. Our business leaders default to a compass of measureable, predictable outcomes. Our residents rarely have the luxury of taking moon shots.

Enter philanthropy stage left. Philanthropy is – as the great philanthropoid Paul Ylvisaker noted – “society’s passing gear.” We need to behave that way.

Consider the role the foundation community played in the resolution of Detroit’s bankruptcy – a challenge that tore at the outer limits of philanthropy’s long-standing risk-envelope.

The Detroit bankruptcy filing in 2013 was not only the largest municipal bankruptcy in American history, but it also appeared the most intractable. The numbers were jaw-dropping – the city’s debt was estimated at \$18 billion and within 10 years, two-thirds of the city’s budget would be dedicated to paying retiree benefits.

The creditors forcefully pushed the case that there were only two roads to solvency. One, reduce retiree benefits, which were guaranteed by the State of Michigan’s Constitution. Or two, sell city assets, of which there was only one of significance – the city-owned collection of the Detroit Institute of Arts – which was arguably held in inviolable public trust.

To take either road would have catapulted Detroit into a 10-year death spiral of unspeakably brutal, no-win litigation. The city would not have survived in any recognizable form.

Who knew Woody Allen had this dilemma in mind when he observed: “More than any other time in history, mankind faces a crossroads. One path leads to despair and utter hopelessness, the other, to total extinction. Let us pray we have the wisdom to choose correctly.”

Well, we did. The choice we made was called the "Grand Bargain," in which the foundation community created a \$370 million fund, supplemented by \$250 million from the state and \$100 million from the art institute. The fund essentially purchased the DIA collection from the city, converted the museum into independent nonprofit status and used the proceeds to safeguard the pensioners against substantial cuts in their retirement benefits. Kresge and the Ford Foundation took the lead, with Kresge providing \$100 million – the largest gift in our history – and Ford \$125 million.

Philanthropy’s risk capital made it possible to conclude the bankruptcy consensually and at light speed – within a year. In a word, we calibrated our risk tolerance not against fine-tuned program priorities, but against the daunting aspiration of returning one of America’s emblematic cities to its rightful position of greatness. A risk commensurate with the magnitude of the challenge.

Principle #7: Develop comfort with working beyond the grant.

Many think of philanthropy as a gilded ATM machine, dispensing grants once the assiduously encrypted entry code is punched in. And to be sure, we sometimes behave exactly that way.

But we have the privilege of working with a wide variety of other tools as well.

To begin with, a grant is not a grant is not a grant. The primary purpose of our grants is, certainly, to buttress the efforts of organizations working in pursuit of their singular mission. Grants can, however, also strengthen networks of organizations allied in common purpose. They can build a knowledge base of applied research. They can support public policy advocacy.

And there is a large space within the philanthropic toolbox to work beyond grants. Kresge has dedicated considerable energy to filling up that corner of the toolbox with “social investments” – low-interest loans, loan guarantees, direct equity investments, pay-for-performance instruments, socially responsible bank deposits. Why? A couple of reasons:

- These tools can make larger amounts of capital available to nonprofits and extend that capital out over a longer term.
- They can peel away the top layer of risk in a transaction, creating a pathway for private sector investors to participate in socially driven projects.
- They can encourage organizations to think more creatively and ambitiously about how capital could help them expand or transform.

- And they enable Kresge to recapture some of our funds and recycle them into future efforts.

In the aggregate, the availability of all of these instruments permits us to first define the problem and then assemble the combination of tools that will most effectively line up against its component parts. A grant might still be in the mix – for example, by helping an organization stabilize a part of its operations essential to taking on debt. But it wouldn't be the only option available.

Our board is so convinced that these kinds of tools enhance our effectiveness that last fall it approved a \$350 million commitment – or about 10 percent of our investment corpus – to the Social Investment Practice.

Principle #8: Invest in the power of place.

Places define us. We attach to a place with an emotional energy and a sense of long-term commitment that defines how a community works, how individual identity is formed, how collective norms are constructed.

When we're able to connect to a city or a neighborhood through an individual or shared experience, there's a magnetic pull. You want to stay committed. You want to invest. You want to build a future. These are the conditions for civic transformation.

At its best, philanthropy can help identify the key acupuncture points that trigger the transformative power of places to create the map for vibrant, equitable civic life.

One way is through the support of arts and culture activities. Arts and culture carry the potential to do more than embellish a location. They hold the promise of creating an essence – identifying, elevating or assembling a collection of visual, cultural, social and environmental qualities that imbue a location with meaning and significance. They bring our aspirations into focus.

Just a single example: the Wing Luke Museum in Seattle. Wing Luke is an historic immersion in the experience of Asian-Pacific immigrants, tethering the museum to the community and vice-versa. One is struck, however, by the absence of a kitchen, cafeteria or snack bar inside the museum.

It's an unequivocal statement. By sending visitors out into the museum's largest exhibit – the community itself – Wing Luke drives home the point of the inseparability of the institution and its home. It's an act of outward-looking leadership, a leadership concerned not only with the well-being of the institution itself, but also with the well-being of the greater community it seeks to serve and represent.

Principle #9: Seek to ensure that climate change becomes increasingly central to public decision-making.

Because of rising oceans, more frequent and intense tropical storms, the porousness of your bedrock, and the density of settlement along your coasts, Florida is ground zero for climate change – manifested already in beaches being chewed away, fresh water sources tainted by salt water, sewers overwhelmed and homes and commercial structures swamped.

Putting all the political rhetoric and positioning to one side, we have to see climate change for what it is – an existential peril that threatens to multiply and calcify existing social and economic imbalances between haves and have-nots.

Jacob Remes, an historian of disaster response, observed: "Disasters are not blind. We have this rhetoric of disasters affecting rich and poor equally and that's just not true."^[1] Remes is correct: disasters reveal our deepest fault lines of inequality and economic vulnerability. The transition to greater resilience must occur in ways that don't further compound the hardships facing disadvantaged people already at greater risk.

You're well-positioned to help change this calculus:

- You can continue to support the vitally important work of the Southeast Florida Regional Climate Change Compact, through which Palm Beach, Broward, Miami-Dade and Monroe Counties are collaborating across

jurisdictions to protect water supplies, transportation networks, buildings and other infrastructure from severe climate-related stresses.

- You can lend support to nonprofit organizations seeking to help train a new cadre of professionals with fresh skill sets who understand the multiple dimensions of climate change and who are capable of teaching the broader community habits of adaptive management.

Principle #10: Cultivate partnerships with other philanthropies.

We at Kresge could not have accomplished a fraction of what we have without close partnerships with other funders. That, in turn, required shedding our territoriality and embracing the potency of relationships of aligned purpose, mutual support and shared resources.

Genuine partnerships are really hard work, though. They require a certain relinquishment of prerogative – trusting in your colleagues to pursue a course consistent with your organization’s values and strategies. They are invariably complicated – requiring clear agreements about the machinery of decision-making and resource allocation. And they often take more time and energy – nothing is more efficient than unilateral action.

But the overused term of “leverage” has real application here. Intellectual leverage, as ideas mix and match, catalyze others and accelerate in unanticipated ways. Financial leverage, as larger pools of capital spur others to join the cause. Reputational leverage, as institutions with unique identities demonstrate the power of joint problem-solving.

Think the Local College Access Network, where Helios, the network and Kresge have pooled their knowledge and resources to leverage many times their investment. Think of the Grand Bargain, which was powered by the muscle of cooperation that philanthropy had built in Detroit over the prior six years.

In a word: the success of each of us depends on the success of all of us.

Conclusion

Winston Churchill remarked: “For myself, I am an optimist – it does not seem to be much use being anything else.”

But optimism is actually more than simply abhorring the alternative. Because below the surface of these daunting challenges lies a unique and wondrous mosaic of aspirations, ideas, skills and assets that create the conditions for resetting the trajectory of opportunity. It is that mosaic that you contribute to and raise up every day. It is that mosaic that will guide your next chapter.

I can’t wait to see what you will accomplish. Not in 20 years, but in two or three or five. So keep at it. Continue to lead to inspire, to challenge, to uplift. We’re counting on you.

Thank you for listening, and very best of luck.

[1] Interview with Remes in Edelson, Josh, “Disaster capitalism doesn’t work,” *Salon.com* (November 2, 2012). www.salon.com/2012/11/02/historian_jacob_remes_disasters_arent_natural/. See also Remes, Jacob, *Disaster Citizenship: Urban Disasters and the Formation of the North American Progressive State* (forthcoming from the University of Illinois Press).