Economic Development: An Emerging Domain for Philanthropy

Many place-rooted foundations are well-suited to play a role in economic development because:

• They are driven by mission to seek *prosperity that is broadly shared*, especially by those on the economic margins.
• They bring a *longer-term perspective* than many entities engaged in economic development.
• They often *think and act regionally* – and can be a partner to other “regionwide” actors.
• They seek outcomes from economic development that include *addressing inequality*.
• They have a *wide range of assets and tools* to use on behalf of the region.
• They are *networked with many of the actors* that can change the way economic development is practiced locally (residents, businesses, government, etc.)
Foundation Motivation to Engage in Economic Development

1. Many regional economies are not producing broadly-shared community prosperity – and many foundations want to do more to help families, businesses and communities do better.
Meeting family and community basic needs

- Family Economic Success
- Community and Regional Economic Success

Broadly Shared Prosperity

Focus on Individuals & Families

Focus on Community & Economy
Foundation Motivation to Engage in Economic Development

1. Many regional economies are not producing broadly-shared community prosperity – and many foundations want to do more to help families, businesses and communities do better.

2. Until the economy functions differently, foundations will continue to deal with the symptoms of a failing economy.
Let’s say foundation wants to address an issue like Hungry Families

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<th>Option 1</th>
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<th>Option 3:</th>
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<tr>
<td>Feed people by setting up or funding a food pantry</td>
<td>Provide child care, transportation, training and assistance to parents so that they can save costs, repair finances, and access benefits, a job (or a better job) – and afford to buy enough food.</td>
<td>Support technical assistance and finance strategies to modernize and grow the local economy and businesses so that you have a better supply of good jobs.</td>
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Treat the symptoms | Cure the disease | Prevent the disease

Good | Better | Even Better: Transformative
Foundation Motivation to Engage in Economic Development

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2. Until the economy functions differently, foundations will continue to deal with the symptoms of a failing economy.

3. Economic development that produces better outcomes requires systems-thinking and acting; sometimes philanthropy is in the best position to fill a gap that makes the system work better.
Foundation Stories

L.E.R.N.
Lakeshore Employer Resource Network of Mason County

Steuben County Fiber Network

LOCUS
local investing for impact
Foundation Motivation to Engage in Economic Development

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2. Until the economy functions differently, foundations will continue to deal with the symptoms of a failing economy.

3. Economic development that produces better outcomes for people, places and firms requires systems-thinking and -acting – sometimes philanthropy is in the best position to fill a gap that makes the system work better.

4. Many place-rooted foundations have the relationships, tools and values needed to do economic development differently and to build more economically prosperous regions.
Financial Assets...Endowment, grantmaking, lending, principal/portfolio investments

Social Assets...Networks (non-profit, business, faith, etc.), relationships (across sectors, class, communities)

Political Assets...Advocacy and influence

Built Assets...Space, property and amenities

Knowledge Assets...Resident engagement, research, analysis, leverage- and deal-crafting

Values...Transparency, honesty, trust, mission, “showing up”

Among others ...
It’s story TiME
Story #1 – Addressing the Broadband Gap

- **Gap** – Essential community institutions in rural Indiana county not connected to the Internet

- **Steuben County Community Foundation actions**
  1. Create a supporting organization within the community foundation to launch Steuben County Fiber Network
  2. Invest $200,000 to launch the network
  3. Raise $4.3 million in grants and local government funds to build out operations

- **Impact** – 147 connections to 88 customers including 911, all schools and libraries, community hospital; generates $100,000 in profit annually including $16,500 return on foundation investment that goes back out in grants to the community
Story #2 – Addressing a Workforce Gap

• Gap – Too many students in Barry County (MI) had no plans to pursue post-secondary training beyond high school and local employers had openings for entry-level employees with some training

• Barry Community Foundation actions
  1. Provided leadership to bring manufacturers, school system, Economic Development Alliance together to design initiative
  2. Provided financial support to EDA to launch 4 week intensive program targeted toward graduating seniors – now paid for by employers!

• Impact – 15 of 16 young people completed the program, 6 took jobs immediately, 5 went on for more training, 3 waiting to turn 18 and begin work
Story #3 – Addressing a Housing Gap

• **Gap** – Limited downtown workforce housing in Hutchinson

• **Hutchinson Community Foundation actions**
  1. Received grant request for $250K – beyond capacity
  2. Considered investment instead
  3. Partnered with local bank – $35,000 gap financing in Phase I; $200K construction loan in Phase II (out of $1.7 million project)
  4. Engaged donors – 50% from endowment; 50% from donor advisors who opted in

• **Impact** – 10 home neighborhood of workforce townhomes; community space; targeted to bring young families downtown
Story #4 – Addressing Barriers to Employment

- **Gap** – Low income workers have trouble staying employed, creating high turnover rates/costs for employers
- **Community Foundation of Oceana County actions**
  1. Partnered with United Way to engage county residents to better understand what it means to live in poverty – 40% of households in county struggled to support basic needs
  2. Worked with employers to understand barriers to staying employed (e.g., lack of reliable transportation, child or elder care challenges)
  3. Provided 3 years of financial support to create Employer Resource Network – now supported by employers
- **Impact** – average employee retention rate is 95%; average ROI 276%; 43% of HR directors spending 2-3 hours/week LESS on personal type issues (2 full weeks a year)
Story #5 – Addressing Flexible Capital Gap

• **Gap** – Flexible capital that can meet small business and other community development needs

• **Arkansas Community Foundation actions**
  1. Pushed by a donor to consider how they have more impact
  2. Partnered with regional Community Development Financial Institution
  3. Made $1 million Program Related Investment with only one string attached – invest in Arkansas

• **Impacts** – 4 loans to date in the rural Arkansas Delta that resulted in: 490 households provided with wastewater services; 11 homeowners provided with safe drinking water; loan to Delta Bioenergy, hub of a small business park creating 44 new jobs, financed storage tanks that allow uninterrupted processing; expanded HVAC company that created 3 new jobs
Value Proposition for Building Stronger ED-Philanthropy Partnerships

- Issues facing regions across the country are complex and **not the domain of any one organization**.

- Foundations may be able to **open doors** to populations you need to reach but with whom you aren’t connected – low income households; immigrant communities.

- The impending **transfer of wealth** in this country means that there is an opportunity to **mobilize around impact** in the philanthropic world and foundations need your help!

- There are **fewer public sector resources** available to do the work of community and economic development so we **need philanthropy at the table**!
Five Next Steps

• Don’t wait for philanthropy to call! Invite them to the table!
• Don’t start with a grant request – bring systems analysis and gaps, and consider how the whole foundation tool kit might be activated. Better yet, engage foundations in that systems thinking and analysis at the front end!
• Make the connection between family and community economic success or healthy people and a healthy economy...
• Think about who the “impact driven” donors might be in the region and work with the foundation to engage them.
• Patience really IS a virtue here!
Discussion
Questions
Comments
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