

Leveraging Foundations to Move the Goals of the CEDS Forward

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A Partnership With the Center for Rural Entrepreneurship

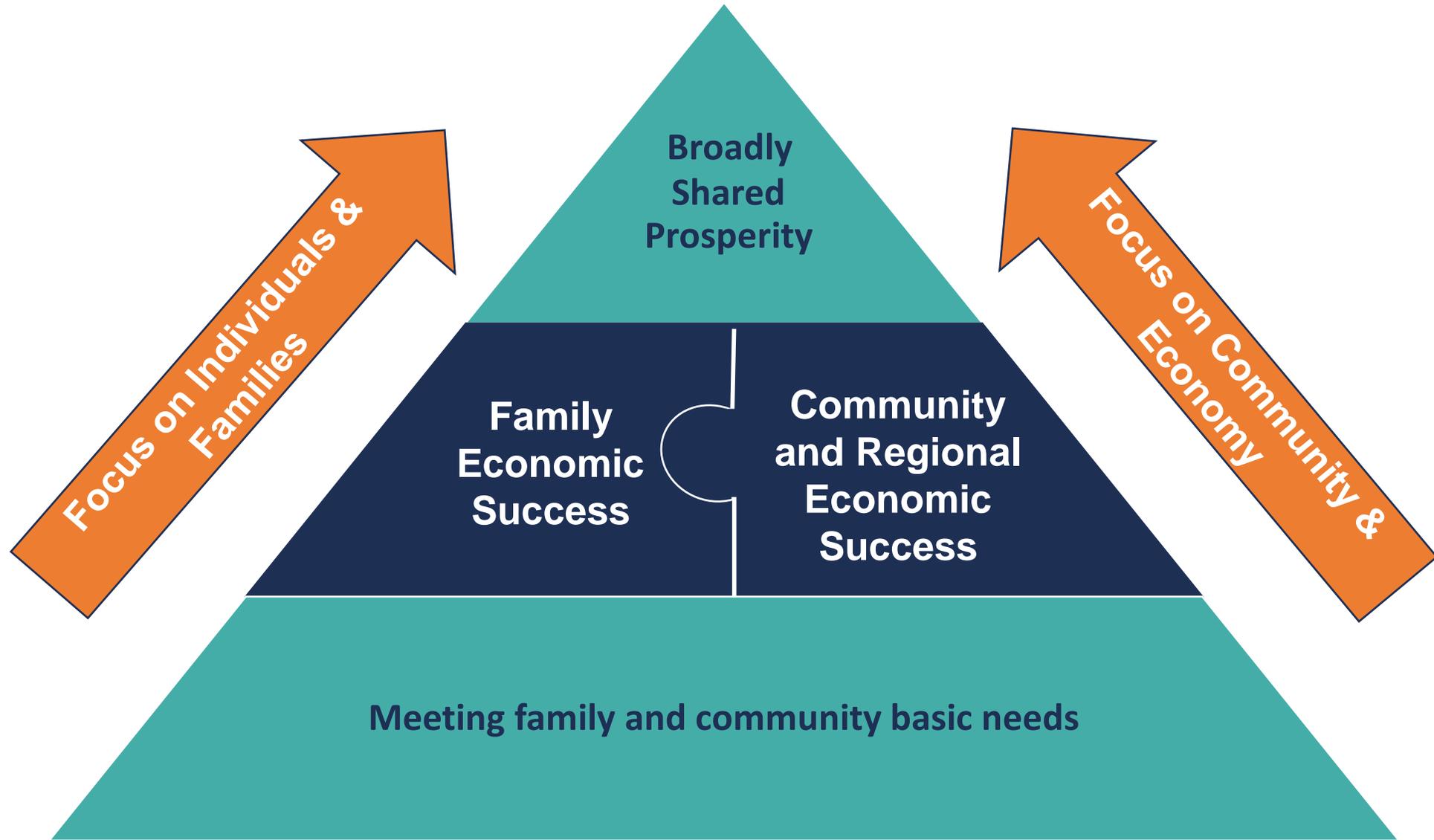
Economic Development: An Emerging Domain for Philanthropy

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.**



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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

Option 1	Option 2	Option 3:
Feed people by setting up or funding a food pantry	Provide child care, transportation, training and assistance to parents so that they can save costs, repair finances, and access benefits, a job (or a <i>better</i> job) – and afford to buy enough food.	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.
<i>Treat the symptoms</i>	<i>Cure the disease</i>	<i>Prevent the disease</i>
Good	Better	Even Better: Transformative

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 – family AND community economic success..
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.**

COMMIT
TRAIN
GET TO **WORK**

Hutchinson 
community
FOUNDATION

GENEROSITY made greater

Foundation
Stories

 **LERN.**
Lakeshore Employer Resource Network of Mason County


Steuben County
FIBER NETWORK



 **LOCUS**
local investing for impact

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 – family AND community economic success..
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 ...



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
 4. Continued advocacy – first discussion occurred in December 1999; first connection happened in 2003.
- **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

For More Information

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