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Network of Community Foundations Hopes to Attract 'Big Bet' Money From Foundations

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MERRILL IMAGES

Community foundations that want close the "opportunity gap" are trying to identifying the most effective ways to support families, provide early education, and help students prepare for an evolving job market.

Tony Mestres is shopping around an investment prospectus to his city's business elite. But his portfolio doesn't include a mix of hedge funds, corporate stocks, and private equity, and he's not trying to score a bonanza in the financial markets. Instead his talking points include college graduation rates, new jobs created in poor neighborhoods, and extracurricular activities for students.

Mestres, president of the Seattle Foundation, is trying to entice donors to back efforts to promote social and economic mobility. He and others like him want to persuade rich philanthropists like Jeff Bezos and national grant makers like the Gates Foundation to make big-dollar gifts to community foundations, which could then distribute the money to local charities that have a strong track record.

Their effort has taken shape in the form of something called the Community Foundation Opportunity Network.

Mestres and his peers are focused in particular on closing the "opportunity gap" by giving children from poor families as much chance for success as children born to wealthy parents. To lure large gifts, they are collaborating to identify the most effective ways to support families, provide early education, and help students prepare for an evolving job market.

Because they work directly with nonprofits, donors, and business leaders in their cities, Mestres and his community-foundation peers figure they are a natural fit to give donors the lay of the land locally. Many community foundations are already working on issues related to the opportunity gap, and when the network first started meeting three years ago, its members sensed a growing appetite among major donors for making contributions to help promote economic mobility.

Small Groups Would Benefit

The group meets annually, and more frequently in smaller groups. It also serves as a peer network for community-foundation officials who are trying to up their game with big donors.

The organization has received a total of \$400,000 in operating grants from the Annie E. Casey, Ford, Heinz, and the W.T. Grant foundations, but it hasn't raised any money to pass on to their communities yet.

Next year, it hopes to provide potential donors proposals to support proven strategies to reduce the opportunity gap in cities throughout the United States. The idea is that large donors would invest in multiple community foundations that are each working to close the opportunity gap by focusing on specific causes, like improving education and job training.

In the meantime, Mestres is testing the idea in his hometown, where mega-philanthropists like Bill Gates, Jody Allen (Microsoft co-founder Paul Allen's sister), Jeff Bezos, and MacKenzie Bezos have each made education and helping people rise out of poverty important aspects of their giving.

Already, the Seattle Foundation supports a whole roster of nonprofits that are working to close the opportunity gap. Some, like Brothers United in Leadership Development, provide mentors for young men of color as they prepare to enter the job market. Others, like Bridging Wisdom, bring elementary students together with older residents of the community for discussion groups and activities.

Small organizations like those, with a history of working successfully with a community foundation, could be the prime beneficiaries of larger investments, say Mestres and other community-foundation leaders. Big donors would be more willing to make the plunge, Mestres believes, if they are given a local guide. By developing common measurements of success, Mestres thinks community foundations can give large donors more confidence that it makes sense to give through community foundations.

THE PITCH TO BIG DONORS

The Community Foundation Opportunity Network plans to begin hunting for major donors next year. The pitch: Make a major investment in a bundled portfolio of community foundations across the country that will put the money to use fighting poverty in their respective cities.

The financial-investing analogy may have great appeal for some donors. But Tony Mestres, president of the Seattle Foundation, admits that it has its limits in philanthropy. Investors usually research a stock or a mutual fund's performance before placing their bets. Donors, especially those giving millions of dollars, often are more keen to get into the weeds, designing the strategy that fuels the changes in society they envision. Mestres says it will be tougher to sell a broad effort in many cities nationwide to donors who may prefer to give in their hometown or another city they're familiar with. If that's the case, some community foundations could be left out, even after taking the time to share their work with others in the network.

Securing a hefty investment would be nice, says Dwayne Marshall, vice president for community investment of the Community Foundation of Greater Chattanooga. But the most immediate value in the network's small group meetings is the opportunity to learn about the work of his peers in big cities like Atlanta and rural locales like the Adirondacks. The Chattanooga fund has a longstanding scholarship fund called "Together We Can," which has helped more than 1,000 residents pursue higher education. What has been a tougher challenge, Marshall says, is connecting scholarship recipients with high-wage jobs upon graduation. As the Tennessee grant maker tries to find answers and craft a refreshed giving strategy, Marshall says he's been able to bounce ideas off the network's other members.

"Our foremost priority has to be getting really clear on our strategy," he says. "Once we do that, we'll be in a better position to attract regional and national funders."

"We have philanthropists who care about those issues, but we are experiencing a deal flow gap," he says. "We'll be able to look those philanthropists in the eyes and say, 'Your money is being put to good use.'"

Before the idea is rolled out nationally, Mestres is testing the waters in Seattle. He said he is currently talking with large donors but declined to discuss specifics.

5 Areas of Focus

The Community Foundation Opportunity Network emerged from discussions between Richard Ober, president of the New Hampshire Charitable Foundation, and his neighbor, Robert Putnam, a Harvard sociologist best known for *Bowling Alone*, a 2000 study of the fraying of American civic life. Putnam was in the process of writing his follow up, *Our Kids: The American Dream in Crisis*, in which he laid out his approach to lessening the opportunity gap.

Putnam suggested that private donors and governments focus on five areas: parenting and family life, early-childhood education, elementary and secondary education and extracurricular activities, neighborhood improvement, and building "on ramps" for students in high school to attend a community college or a four-year college or to secure sustainable employment. The two agreed that community foundations were well suited to direct those investments.

Others saw similar needs. As Putnam was putting the finishing touches on *Our Kids*, the American Enterprise Institute and Brookings Institution, two influential Washington think tanks, combined to produce a report on the subject.

Meanwhile, the Gates Foundation in 2016 provided a two-year grant to support the U.S. Partnership on Mobility From Poverty, which shared many of the strategies for reducing the opportunity gap found in Putnam's work. Community foundations are key players because they deal with "both sides of the house" — wealthy donors and grantees working block-by-block in neighborhoods, says Nisha Patel, who led the Gates study. Patel is now leading a \$25 million grant-making effort for the Robin Hood Foundation that will be used to alleviate poverty in New York and several other places.

"Most national foundations don't have program officers in those communities or know the history of those communities," she says. "Community foundations are well positioned because they are in and of, the community."

Big Commitments

In 2018, the Gates Foundation followed up its initial mobility work with a \$158 million commitment to fight poverty in the United States. The foundation teamed up with the Ballmer Group and Bloomberg Philanthropies to test education, work-force development, and financial-literacy pilot programs in 10 cities. Last year, the Edna McConnell Clark Foundation spun off Blue Meridian Partners, a donor collaboration it had managed that has amassed \$1.7 billion in assets and makes grants nationwide designed to move young people out of poverty.

Another collaboration, between the Chan Zuckerberg Initiative and Rockefeller Foundation's Communities Thrive Challenge, used a peer-review process to discover promising grantees for its \$10 million commitment.

That sort of activity makes Terry Mazany confident. Mazany, director of the Community Foundation Opportunity Network and senior vice president for philanthropy at the Community Foundation for Greater Atlanta, believes even more money is sitting idle, available to be funneled to programs across the country.

According to a 2018 report from Bridgespan, ultrarich families — those worth more than \$500 million — give only 1.2 percent of their assets to charity.

Big-time philanthropists and national foundations are eager to dig deeper, Mazany says, but they may need a "landing strip" to direct them to where their money can be most effective.

"We live in an era of big bets," says Mazany, who was the longtime head of the Chicago Community Trust. "We can offer an alternative to the traditional conception of the big bet, which is conceived in a remote location by really smart people and then handed off. We have the standing trust and relationships with nonprofits, residents, civic leaders, and donors, which are a ready-made engine to drive strategy at the local level."

Evidence of Progress

Putnam hopes that the community foundations gather enough evidence of progress to persuade major donors to jump in. It's not certain what approaches will succeed, but if community foundations work together to define problems in the same way and offer common solutions, larger foundations might be willing to invest high-dollar amounts, funneling their grants through regional grant makers from a variety of locations.

"There are lots of big foundations interested in the problem, but they don't quite know what to do about it," he says.

Putnam sees the Community Foundation Opportunity Network as "a proving ground for good ideas so major foundations can get involved. When we fix the problem of the opportunity gap across the country, it won't be solved by some Harvard professor lecturing at people. If we can get a short list of things that are tried, tested, and shown to work in a half-dozen cities coast-to-coast, that would be a big deal."

Impetus for Collaboration

Getting community foundations to rally around a common issue can be difficult, Putnam says, because they constantly have to "look over their shoulder" to satisfy their large number of donors and their board members.

Community foundations haven't ordinarily worked together to develop nationwide strategies because they are so tied to their own geographic location, the network's members say. A job-readiness program might look a lot different in the Adirondacks than it would in Atlanta. Instead, Mazany says, community foundations have preferred to unify around financial issues, such as ideas to increase their assets or proposals to regulate donor-advised funds, which are very popular at many community funds.

The realization that so many of them had made economic mobility a priority, and the clarity Putnam provided about the importance of the opportunity gap in *Our Kids* helped the regional grant makers work in concert with one another. The fact that large donors seem ready to spend helped, too.

How It Evolved

The Community Foundation Opportunity Network began its work by holding annual meetings to discuss common objectives. This year, the group held its first "strategy action lab," in which a group of six foundation leaders meet regularly to share how they approach issues. Members of the first group are working to devise ideas to help students further their education beyond high school and enter the work force. A lab on early-childhood education will follow in the fall.

The group hopes the small meetings will help community foundations agree on what kind of data to collect, how to measure success, and which organizations in their regions are most needed to make a project a success.

As Mestres knocks on doors in Seattle, the other members are watching, confident that wealthy donors far beyond the Pacific Northwest will see the advantage of working with regional grant makers.

Says Mazany: "We can provide a shovel-ready set of solutions."

Alex Daniels covers foundations, donor-advised funds, fundraising research, and tax issues for the Chronicle. He recently conducted interviews with the MacArthur Foundation's Julia Stasch, who stepped down after five years as president, and Unicef's Caryl Stern, who has been tapped to lead the Walton Family Foundation. Email Alex or follow him on Twitter.

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