COMMON EFFORT, UNCOMMON WEALTH

Lessons from Living Cities on the Challenges and Opportunities of Collaboration in Philanthropy

THERE ARE roughly 100,000 private foundations in the United States, the vast majority with assets under $10 million.[1] Total annual grantmaking, for all but the largest of these institutions, is under half a million dollars a year each. Even among the 5,000 to 6,000 institutions with more than $10 million in assets, the average grant is generally estimated at less than $50,000. The most dramatic, eight-figure grants — the kinds that draw coverage from major national news outlets — number in the dozens, at most, in any given year.

By contrast, redeveloping a single distressed neighborhood in any of the 25 poorest American cities would cost billions of dollars. The work would take two to three decades, probably longer. Doing it well — without simply displacing lower-income residents, but widening their opportunities to raise incomes, upgrade their housing, acquire skills, raise healthy families, and move only when they choose — would cost even more. And it would require forms of expertise (workforce, education, real estate development and finance, health, community organizing, child development) that are difficult and costly to build, perfect, and sustain over time.

Broaden the target from a single neighborhood to dozens, spread across many distressed cities, and the bill mounts geometrically. Even assuming major investment by the private sector and sizable support from government (both of which wax and wane over time), the cost to foundations alone — for seeding new projects, strengthening local organizations, inducing private and public investment, and disseminating lessons on methods and tactics — would climb into the billions over several years.

Why, then, would any funder, even comparatively large ones, attempt to navigate such vast fiscal oceans by itself? The question isn't limited to urban development. It would be just as relevant for any number of other missions — cultivating the arts, advancing scholarship and research, improving education, curing or preventing disease, promoting religion, or a dozen other purposes. But when the goal is to improve the lives of low-income people in distressed urban neighborhoods, the math is particularly obvious and unforgiving: No funder has enough money

[1] "Number of Private Foundations in the United States, 2006," National Center for Charitable Statistics, the Urban Institute, with data from the IRS Business Master File 01/2007, published at http://nccsdataweb.urban.org/PubApps/profileDrillDown.php?state=US&rpt=PF. These are the most recent figures available.

to make a wide-reaching difference in multiple places, over many years, on a scale that anyone would describe as solving the problem.

Not surprisingly, most leaders of major foundations — especially those concerned about urban neighborhoods — have done the math and acknowledge the logic of joint effort. Collaboration is a virtue, says Douglas W. Nelson, President of the Annie E. Casey Foundation, that is prized "not just because collaboration is courteous or fashionable or more attractive than competition or isolation or whatever the alternative is. It's the need for *scale* that makes the logic of collaboration so compelling. What we want to do is much greater than anything we can achieve on our own."

'An unnatural act'

Versions of this argument have by now become all but conventional wisdom throughout philanthropy. At almost any gathering of funders, the odds are high that at least one session will be devoted to the rewards of collaboration, and possibly to celebrating some recent initiative involving a group effort among several grantmakers. Admittedly, a skeptic might well point out that if these efforts were actually the norm in American grantmaking, they would not draw so much complimentary attention or deserve to be honored and showcased at conferences. Still, the respect normally accorded to the virtue of collaboration throughout the philanthropic sector is surely genuine, and instances of it are not especially hard to find, even if they are less common than their sterling reputation would suggest.

The philanthropic activities that gather under the umbrella of "collaboration" take many forms. The most common are information roundtables and affinity groups, in which like-minded funders exchange information and learn from one another's experiences, and sometimes a few members will develop a common interest in one or more grantees. Other versions are more deliberate efforts at joint funding, project-by-project — for example, when several funders meet periodically to consider investing in one another's initiatives. A rarer form of collaboration, though arguably the purest, is when many funders deposit their resources in a common pool for a common undertaking, and make grants by consensus from the collective fund.

For nearly 20 years, the largest and longest-lasting version of this latter kind of collaboration has been Living Cities: The National Community Development Initiative. This paper attempts, with a close look at the evolution of Living Cities, to understand how the funders' group has stayed together so long, with remarkable stability and growth in its membership, and with a core mission that has endured despite several phases of revision and reinvigoration over the years.

But before examining the durability and vitality of Living Cities, it may be helpful to return to the skeptic's observation raised a few paragraphs earlier: Why is it that — despite the irrefutable math and the widespread praise behind the idea of collaboration — the practice is still rare enough to attract curiosity and admiration? Why, in other words, are the size and longevity of groups like Living Cities still an exception rather than the rule?

Hodding Carter III, public policy professor at the University of North Carolina–Chapel Hill and former president of the John S. and James L. Knight Foundation, points out that (like many

virtues) collaboration is difficult and runs contrary to normal impulses. “At all times and in all ways,” he says, “the various pressures of just doing your own business, focusing just on your own mission, your own staff’s capabilities, your own opportunities — all that is hard enough” for a typical foundation executive. Spending time getting to know the interests and predilections of other funders, negotiating and compromising with them over methods and priorities, ceding to them some of the resources that might otherwise go wholly into one’s own ideas and plans — all of that, in Mr. Carter’s judgment, “is just an unnatural act, frankly.”

Likewise Doug Nelson of the Casey Foundation, a committed proponent of funders working together, nonetheless acknowledges the difficulties a foundation official has to overcome before joining the most demanding form of collaboration, the shared-funding pool. “Lots of foundations want their identity, their stamp, on ideas and grant transactions to be protected. They don’t want to lose the brand identity of their grantmaking, or compromise their individual authority over the use of money. When you pool funds, you lose some of that authority, and for some foundations, that’s an uncomfortable risk.” (Like most of the people quoted in this paper, Mr. Nelson is a member of the Living Cities board, and Mr. Carter is a former chair and a member for several years.)

The birth of NCDI

In 1988, when Peter C. Goldmark was chosen as the tenth president of the Rockefeller Foundation, he sought advice from a circle of more experienced foundation executives, and got a strong dose of just this kind of skepticism. In confidential conversations with two lions of 20th century philanthropy, Mr. Goldmark recalls, “they both told me, flatly, ‘Don’t waste your time on collaboration.’ These were people who had been mentors for me, and whose thoughts I really respected. On this point, though, I didn’t take their advice.” Barely two years later, Mr. Goldmark was reaching out to a handful of other foundation CEOs to form what was then an unprecedented funding pool: tens of millions of grant and loan dollars, collected in a single initiative, to support community development across the United States.

The result, unveiled in 1991, was a $62.5 million fund created by six foundations and a for-profit insurance company. The group called itself the National Community Development Initiative, or NCDI. It was the first round of what later became Living Cities. The purpose, at the start, was to inject enough capital into the work of community development corporations — both their projects and their core management — that they would be able to expand and accelerate production to a level that could genuinely transform decaying neighborhoods.

By the time NCDI was born, these groups, commonly known as CDCs, had shown that local, resident-led nonprofits could develop successful projects, especially housing, that helped arrest blight and attract investment, at least on a small scale. Two national intermediaries, the Local Initiatives Support Corporation and the Enterprise Foundation, had spent the past decade or more establishing standards of quality and performance for such organizations, raising their level of skill and professionalism, and helping them choose, finance, and build projects that made a tangible difference. The question that drew the first seven funders to the NCDI table in 1991 was: With a significant infusion of new capital, could LISC, Enterprise, and the CDCs turn these accomplishments into a force for not merely improving neighborhoods, but transforming them.

It was the specificity of that question, and the clarity of the vision behind it, that several original members found appealing. "What made this alliance[2] work," Peter Goldmark says, "was that they were being asked to sign up to a specific approach to a specific problem. They were being asked to take the community development movement, through CDCs, to scale, to use housing as a tool for the reintroduction of social order. Period. They had a really focused proposition they could say Yes or No to — and a couple said No. But most of them thought this idea looked pretty good."

The founding members who gathered at NCDI's first formal meeting in 1992 were the Rockefeller Foundation, the Lilly Endowment, the Pew Charitable Trusts, the John D. and Catherine T. MacArthur Foundation, the William and Flora Hewlett Foundation, the Knight Foundation, the Surdna Foundation, and Prudential Insurance Company of America. The largest donor was Lilly, which contributed $15 million in grants alone. Rockefeller and Prudential committed the same amount, but part of their participation was in the form of loans and program-related investments, known as PRIs, which would have to be repaid. Others subscribed at a lower levels.

A gathering of chieftains

The initiative had no offices, no full-time staff, and no incorporation papers. It existed, at first, solely as a set of agreements among the partners, drawn up by the group's part-time Executive Secretary, James Pickman, an attorney and consultant. Meetings were few, just two a year. The members regarded the whole arrangement as experimental, and were prepared to turn out the lights if the first three years' experience was unsatisfying. But it had an impressive esprit-de-corps, based partly on the scope and novelty of the alliance, and partly on the elite exclusivity of the membership: Only "principals" could participate in meetings — meaning foundation CEOs and the insurance company's top community-affairs officer. The rule has been relaxed a bit in later years, but it held firm for nearly a decade.

"The principals-only rule was one of the big things that made it work for many years," says Edward Skloot, director of Duke University's Center for Strategic Philanthropy and, when he was president of the Surdna Foundation, a founding member of the board. "We were forging personal relationships that many people had no other way to forge. The CEO could bring a staff member, but the CEO had to be there. And that made it a very intimate, very influential place to be." The intimate, personal quality of the discussion — including some spirited debates that some members still recall years later — provided a rare opportunity for peers to exchange ideas, wrestle with opposing viewpoints, and test their own thinking in an atmosphere of exceptional candor.

Restricting membership to principals was not just a way of creating a cachet for the group, though that proved highly useful for keeping attendance high at the semiannual meetings. Top executives also turned out to be better positioned to handle the special demands of large-scale collaboration than even their higher-ranking subordinates. Or in any case, that seemed to be true

[2] "We never called this a collaboration," Mr. Goldmark points out. "A collaboration is when you work together. An alliance is when you are welded, joined in pursuit of a single objective."

in NCDI's early years, while the collaboration was still developing an identity and settling on procedures, priorities, and methods of operation. For one thing, CEOs aren't limited to the pursuit of precisely defined programs and approved strategies, as most program staff.

Craig Howard, director of community and economic development at the MacArthur Foundation and a current board member of Living Cities, points out that the job of program staff, even at senior levels, is "to pursue a few particular programs and get them right, not stretch and compromise and innovate with other foundations that are pursuing different missions. CEOs are responsible for a much bigger universe, where there's room to improvise. They don't have to get permission; they don't have to sell their negotiating decisions to anyone — except to their Boards, when the time comes for renewing their participation."

It also helped that most of the CEOs gathered at the early meetings of NCDI were comparatively new in their jobs. Like Mr. Goldmark, Creed Black of Knight and Rebecca W. Rimel of Pew had both assumed the leadership of their institutions just three years before the new alliance was founded. John M. Mutz of the Lilly Endowment, Adele Simmons of the MacArthur Foundation, and Ed Skloot of Surdna were even newer; they had been chief executives for just two years. "It wasn't totally accidental," says Mr. Goldmark, "that you had all those new leaders wanting to do something that hadn't been done before."

Yet if top-level participation provided a flexibility and energy to the new undertaking, it also imposed some limits. Most of all, to hold the interest of busy CEOs, meetings had to be few, well focused, and important. "We kept it simple," Jim Pickman explains. "We had a process, and they cared about the results. They'd make decisions, and we'd keep things moving. When they were involved, they had decisions to make, there were things to do, but we didn't get them into trivia." This focus on big-picture policy and strategy was possible, in the early years, largely because the details of implementing the program were the responsibility of the two large intermediaries, LISC and Enterprise. Because the alliance was not an incorporated entity and had no staff or offices, administrative business could be handled mostly by Mr. Pickman and a small team of fellow consultants who offered strategic advice, did research, and monitored the intermediaries' use of funds.

In later years, this deliberate simplicity and informality eventually proved too limiting for a growing circle of members and a rapidly expanding program. But for a new and untested effort, formed by a small number of relatively new CEOs, the lack of overhead and bureaucracy were unquestionably a plus.

Another plus was that NCDI was not solely a philanthropic alliance. The presence of Prudential among the seven collaborators not only made the project unique, it created a rare opportunity for cross-sector conversation about both the strategy and the tactics of urban revitalization. "It's unusual enough for foundations to talk to each other and collaborate with each other," says Gary Hattem, president of the Deutsche Bank Americas Foundation and the current chair of Living Cities. "But having corporate and philanthropic leaders talking to each other, working on common issues — that's extremely rare, and it's valuable."

Mark A. Willis, a visiting scholar at the Ford Foundation and formerly executive vice president of JPMorgan Chase, agrees. In his time as a member of the NCDI and Living Cities board, he recalls, "The biggest, most interesting conversation at those tables was between the private and philanthropic sectors." What's more, says Mr. Willis, the combination suddenly made possible a kind of strategic approach to capital that would not have been available to either the corporate or the philanthropic members acting separately: "The role of philanthropy can be to help banks leverage up money the banks put in, because the grants and guarantees and PRIs make risk manageable. Conceptually that's a huge revolution." But for any of that to work, he adds, "Foundations first had to understand the mindset of the banks, and vice-versa. That's a conversation that just doesn't happen otherwise."

The crossroads of philanthropy

Besides the opportunity for high-level interaction, and the chance to combine corporate and philanthropic resources at significant scale, a more fundamental aspect of NCDI captured the imagination of many of the original members. The prospect of making a measurable difference in the fortunes of urban America — a dream that had tantalized, and mostly eluded, an earlier generation of philanthropists and policy makers — seemed newly plausible with so much money at the table. All of the original funders were already making grants for inner-city redevelopment and antipoverty efforts, and several had been frustrated at the small scale and ambiguous results of many of those programs. But as Craig Howard describes it, the idea of bringing CDCs' efforts to scale had a concreteness to it — a sense that a tested means of revitalization could be enlarged to a size at which it would make a measurable, maybe historic, difference:

"CDCs are similar wherever they are; the staffing and management are similar, and for many years, their output was similar: they were engaged in real estate development, an unambiguous activity with harder product. Compared to other areas of philanthropy — youth development, say, or education — the products are literally bricks and mortar, and they're easy to see and count. That has helped galvanize and maintain the interest of a number of funders. The concreteness of the activity made it easier to rally around, fundraise for, and gin up enthusiasm around."

Indeed, by the end of the inaugural three-year round of funding in 1996, the tally of results had seemed impressive enough that not only did all seven members re-subscribe for another three years' worth of funding, but new members were signing up. The fund's second round would be almost $88 million, an increase of more than 40 percent. An interim assessment offered encouraging statistics on improvements in CDCs' production and organizational strength, along with some tentative evidence that conditions in neighborhoods of the 20 targeted cities were improving. A joint statement reacting to the evaluators' conclusions showed the members' satisfaction with what they had done so far:

> The clearest conclusion of NCDI's first interim evaluation is that national funding sources, both public and private, by marshaling their talents and relying on the established support institutions for CDCs, can do more toward expanding community development than any one can do separately. That was the main question to be answered in Phase I.

Perhaps the most significant sign that the group was accomplishing something important was the identity of the four new members who had signed up for the next round. The first two were financial institutions — Metropolitan Life and J.P. Morgan & Co. — thus widening the collaboration between philanthropic and corporate partners. The third was a rapidly growing national institution, the Annie E. Casey Foundation, whose founder's death had massively increased its endowment a decade earlier, and whose headquarters had just moved to Baltimore, one of the poorest cities in the United States. The fourth new member — an unprecedented addition to a private grantmaking collaborative — was the federal government. Soon after taking office, the Clinton Administration's new secretary of Housing and Urban Development, Henry Cisneros, arranged for HUD to contribute $16 million to NCDI — a rare case of the federal government delegating its authority over the allocation of public funds to a collaborative body consisting mostly of private actors.

Annie E. Casey President Doug Nelson, taking his place at the NCDI table for the first time, was just beginning to realize the potential for having all three sectors making collective decisions: "There could be real synergy among different kinds of investment that had never been achieved in any institutionalized way before: using philanthropic resources to incentivize private-sector lending, and using NCDI as a mechanism to leverage HUD grant money. It was a blending of different kinds of resources, all of which could be at least roughly targeted to the same set of objectives and the same destinations."

For Mr. Nelson, and increasingly for the rest of the participants, the original rationale for collaboration — the prospect of achieving *scale* in both dollars and production — was now combined with a second, closely related objective: achieving a harmony, or *synergy* among the various kinds of resources flowing into redeveloping neighborhoods. The vast majority of the available dollars for urban redevelopment have always come from profit-motivated investment (lenders and developers, for example) and from public subsidy. These dwarf any amounts available from philanthropy. Yet even though the commitments to NCDI from corporations and HUD were tiny compared with the total investment by business and government in struggling neighborhoods, they nonetheless created a first-ever combination of all three kinds of support in a single effort. The NCDI partnership became, in effect, a center of deliberation, coordination, and experimentation where all three sources were part of the discussion.

"The diversity of the collaborators was a real plus," Mr. Pickman says, "not just for foundations, but financial institutions and the government. There were different perspectives brought to the table, and that was interesting, and a challenge, and it helped strengthen the collaborative. They had to compromise or adjust or just re-think some things, but it was a very creative tension. It wasn't negative."

For the remainder of the decade, including a third round of funding from mid-1997 through 2000, the membership continued to expand, and with it, both the complexity of the deliberations and the scope of work the group chose to take on. The number of targeted cities grew from 20 to 23, with more neighborhoods added to the work program in most of the cities. A small number of early participants —Lilly in 1996 and Hewlett in 1999 — exited the partnership in the first two rounds, but several others joined, including the Robert Wood Johnson Foundation, the

McKnight Foundation, the W.K. Kellogg Foundation, Bankers Trust Co. (later Deutsche Bank), NationsBank (later Bank of America), and Chase Manhattan Bank (later JP Morgan-Chase).

Beyond bricks and mortar

It's significant that some of the additions to the original alliance, notably Annie E. Casey and Robert Wood Johnson, were institutions that did not have an explicit program interest in the physical redevelopment of cities. Casey's mission is primarily concentrated on youth and families; Robert Wood Johnson's on health. Yet more and more, members were coming to view the collaborative structure as a way of pursuing social issues that were heavily concentrated in low-income, developing neighborhoods. Cities, in short, were the place where many philanthropic missions intersected.

Some years later, Robert Wood Johnson Foundation President Risa Lavizzo-Mourey summed up the expanding idea of neighborhood development this way: "We can't help Americans be healthier if they don't have housing and safe neighborhoods and the kinds of core services" that NCDI sought to develop in central cities. In the foundation's decision to join the collaborative, she says, "We were willing to define investments in health more broadly than we had in the past. But they [the other NCDI members] were evolving, too: realizing that what they wanted to be about was empowering low-income people to realize their potential."

Other changes were also affecting the group's view of its mission. Not only did two former members leave and several new ones join in the first decade, but some of the institutions remaining at the table had new presidents and changing programs during these years — strategic tremors that, in other circumstances, would have led to a crumbling of the coalition. For example, Rockefeller and Knight both got new presidents in 1998, as did McKnight and MacArthur in 1999. In the first two cases, the incoming CEOs had little professional background in urban redevelopment and might not, on their own, have chosen a community development collaborative as a place to commit a significant amount of their personal time. But their institution's standing commitment to NCDI, and the high profile of the organization, brought them to the table anyway. Soon, both Gordon Conway of Rockefeller and Hodding Carter of Knight (a self-described skeptic at first) became enthusiastic participants, and later chairs, of the alliance.

"When there was a change in the head of a foundation," says Mark Willis, who at the time led JP Morgan Chase's community development group, "belonging to NCDI had the effect of dragging the new head into community development. It had a major role in sustaining interest in the field among these institutions, across leadership changes and evolutions in their program. It required that the CEO had to show up, and when they did, they learned something. That made it really interesting."

By the end of the 1990s, NCDI had invested a total of $250 million into redeveloping neighborhoods in some two dozen cities. Of that total, $163 million went directly into projects; the remainder was devoted to improving the skills and management of CDCs and strengthening the policy and financial environment that surrounded them. But the real effect of these direct outlays was to draw other, outside resources into the same neighborhoods, at a volume many

times larger than the group's original investment. In all, the development funded by the first decade of NCDI — 19,500 housing units, 1.3 million square feet of commercial and industrial property, 330,000 square feet of other kinds of development — represented a total investment of more than $2 billion.

An Urban Institute assessment, published two years later, credited NCDI with helping to expand the menu of financial products being used for neighborhood redevelopment, encouraging the formation of new public policies and programs to support this work, and developing new models of development that could be replicated nationwide. The great majority of the alliance's direct investment, the Urban Institute concluded, was the kind of money without which projects tend not to be developed at all. "Most of the finance NCDI provided," the researchers wrote, "would have been hard to come by otherwise: 91 percent of NCDI project funding was used to fund the high-risk acquisition, predevelopment, and construction phases of projects."[3]

A new, independent identity

Still, by the end of the decade, many of the members of the alliance had begun to feel limited, and some had become frustrated, by the group's near-total dependence on the two intermediaries, LISC and Enterprise, for all day-to-day program activity. In a confidential review commissioned by the board, several members expressed a desire to take more control of operations, and to involve experts on their staffs in more of the strategic and tactical decision-making. Others said the group had devoted too little thought to what kinds of impact it wanted to have and how that impact should be measured. Still others felt the program had concentrated too much on housing and other real estate development, to the exclusion of more human concerns like employment, education, health, and safety.

At the same time, a few members were growing weary of the sometimes heated strategic debates at the semiannual meetings. ("Some of them," one participant recalled, not wishing to be quoted by name, "weren't accustomed to ever being told they were wrong. Now here they were, sitting across the table from people who were practically yelling at them.") Although there was not exactly visible rebellion in the ranks, many members quietly wondered whether their peers might be losing heart.

The collaborative had soldiered on for ten years, after all — an all but unheard-of longevity for a funder collaborative in those days, and by all accounts still relatively rare. Some of those who had been involved in creating NCDI were prepared for the group to declare some kind of victory and dissolve, or at most to commit to a concluding round of funding to tie up loose ends. Instead, nearly all the members voted to try for another decade.

"I remember being just stunned," Mr. Pickman recalled several years later. "When we started this, doing a three-year round, we never knew it would continue beyond that. OK, then another round, great. But when we hit ten years, the funders shocked me."

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[3] Data in the preceding paragraph and the assertions and quotations in this paragraph are taken from Christopher Walker, Jeremy Gustafson, and Chris Snow, "National Support for Local System Change: The Effect of the National Community Development Initiative on Community Development Systems," The Urban Institute, December 2002, pp. 22-22.

All the same, the decision to renew the alliance was not a choice to continue business as usual. The start of the second decade also brought a pronounced change in the form and identity of the collaborative. Among the most visible changes was the name: The cumbersome, wonky-sounding title would now be preceded by the more succinct "Living Cities" — a name that reflected a commitment not just to physical redevelopment, but to urban vitality more broadly defined. Yet behind the new name was a more profound change in structure: no longer a "virtual organization," as one member had described it, Living Cities would now be an incorporated nonprofit with a small staff of its own. Mr. Pickman, choosing to stick to his independent consulting practice, turned the reins over to the organization's first full-time executive director, Reese Fayde, in 2002.

The start of a new decade also saw a loosening of the "principals-only" rule. As the group's deliberations had grown more detailed over the years, the issues being raised were becoming too technical for some CEOs, who wanted more expert people representing their institutions. Further, the work of a full-time staff would call for more governance than many principals had time to participate in. More and more, members began designating representatives to attend meetings and vote in their stead. Other staff members from the member institutions and intermediaries often participated as well, in various special roles. Though some members regretted it, meetings of the Living Cities board were becoming relatively crowded affairs, at least compared with the early years. And the discussions were growing longer and more complex.

A longer list of members — by 2001 the number had grown to 15 — also meant a greater diversity of underlying missions, world views, and geographic interests. More and more, board members were raising questions not just about housing and commercial buildings completed and dollars leveraged, but also about more general improvements in the quality of life in the targeted communities: the well-being of residents, children's health and development, the quality of schools, and the opportunities for participating in the wider economy. While several members were voicing concerns that the development agenda had become too narrow and needed to be broadened, others were growing anxious that the group was trying to do too many things at once, spreading resources too thinly over too vast a landscape of localities and social ambitions.

To most members, though, the problem was not that the agenda was too broad —community development, they pointed out, had always encompassed human and social dimensions as well as buildings — but that it demanded more careful oversight from the member institutions than had been expected in the early years. Measuring and tracking progress, targeting resources, and gleaning the lessons of success and failure were all staff-intensive matters, requiring both professional expertise and an informed consensus among the members. To keep the size of the Living Cities staff small, personnel from the participating institutions began joining with board members to form specialized committees to work on these and other issues. As a result, the number of meetings grew and the proceedings became yet more complicated, but the group's level of involvement in shaping and assessing the program deepened profoundly.

A clearinghouse of information

In these years, Doug Nelson believes, a third core purpose of the alliance began to manifest itself. Besides achieving *scale* (the original goal) and creating *synergies* among the various sectors and kinds of capital represented at the table (a key ambition of the 1990s), a driving purpose of the next two rounds was *learning*: making sure that membership in Living Cities enriched the general level of knowledge about urban vitality and development, both among member institutions and more broadly. "These are the three things that have held the membership together," he argues. "When you describe to a foundation leader what Living Cities does, that person might say, 'But I could do that by myself.' Except that with Living Cities, you can do it at much greater scale, and you can work much more effectively with other sources of capital. And you now have access to all these other institutions at the table who are making their own mistakes and achieving successes. And that becomes the raw material for a whole world of learning."

Closely akin to learning — and keenly important to several of the members — was the effort to translate what was learned into more effective public policy and better uses of private capital. "A theme of Living Cities' second decade," Mark Willis wrote in a 2004 article in the Journal of Urban Affairs,[4] "is to use our partnership model to provide a clear voice for urban revitalization. With this voice, we are speaking to public and private policy makers and investors, helping to attract new attention and new funders at the local and national level." For many members, improving public policy was the principal route to all three of the collaborative's primary purposes: Given the amount of public-sector money available for urban improvement, better policy would lift the scale of change far more than any amount of philanthropic money; it would widen the possibility of synergies with private capital; and it would provide an opportunity to apply the best learning from recent decades to a new generation of urban initiatives.

Because Living Cities was now an independent organization, it was also able to take a more overt role in advocating for better public policy, both nationally and at the state and local level — a role that the member foundations and corporations might not have been as comfortable pursuing in their own names. As Hodding Carter put it, "That allowed a level of collaborative work on matters of legislative interest that, while maybe not unprecedented, was pretty darned interesting and unusual."

Implicit understandings become concrete commitments

Despite all these escalating ambitions — or perhaps because of them — by the middle of the second decade the alliance's cohesive forces were starting to weaken. The Surdna Foundation, an original member of NCDI, chose to step out of the alliance at the end of the fourth round of funding, in 2004, though it rejoined four years later. Other members were experiencing a kind of fatigue — not a real desire to stop, necessarily, but a lack of enthusiasm for continuing, and a diminishing willingness to spend time and effort on the enterprise. By 2006, the last year of the fifth funding round, Doug Nelson recalls, "It could easily have closed up shop with everybody saying there was nothing wrong with it, we were just tired of doing it. Collaborations get boring

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[4] Mark A. Willis, "Living Cities: Collaborative Investing for Healthy Neighborhoods," *Journal of Urban Affairs*, vol. 26, no. 2, p. 148.

after a time — the same set of people sitting around the same set of issues. Without either new intellectual capital, or different perspectives, or new ways of looking at the problem — new people, even — there's going to be a certain amount of exhaustion."

At a retreat in March 2006, the board appointed a Strategic Planning Committee to try to map out a fresh, compelling direction for the next four-year round, due to begin the following year. Although it wasn't explicit, committee members generally understood that they were exploring not just how the collaborative would function in the next four years but, in effect, whether it would function at all. Eight months later, the committee came back with a thorough reworking of the organization's structure, business operations, and decision-making processes. It included a revised definition of the mission, a set of explicit understandings about financial and staffing commitments, and a reorganization of the Living Cities staff and committee structure.

The new plan expressly took account of the increased need for members' participation in governance and policy committees, well beyond what would be reasonable to expect of CEOs and other principals alone. It made explicit an understanding that had become increasingly routine, albeit unofficial, for several years: chief executives and other principals, though encouraged to be involved personally as much as possible, could designate an official representative to participate as board members and vote in their stead.

The plan proposed the creation of a six-member Executive Committee to take on many routine oversight responsibilities previously handled by the full membership. It also laid out four standing committees on which members could become more deeply involved in aspects of the collaborative that particularly interested them. There would be committees on Investment, Policy and Public Affairs, Knowledge, and Operations and Audit. Each would have smaller working groups tackling more precisely defined issues, such as oversight of current programs, communications, public policy, and the development of new initiatives, .

The new plan also recognized the expanding universe of influential players in community development, and sought a more deliberate engagement with these additional actors, while continuing an active partnership with LISC and Enterprise. Among other things, the broadening of the scope of these partnerships reflected the expanding canvas on which community development activities unfold — encompassing not only affordable housing and commercial development, but also health, education, workforce development, and family well-being. In many of these areas, the plan noted, specialized organizations and intermediaries beyond the traditional community-development orbit are now operating in the same neighborhoods where Living Cities sought to make a difference. Collaborating with these organizations, as it would continue to do with LISC and Enterprise, would not only be a more efficient way for the collaborative to pursue its goals, but in some cases may be the only way to pursue them effectively.

This expanded vision of community development presented both opportunities and challenges. On one hand, it created a clear, coherent rationale for funders who are not principally committed to real estate development to join and remain committed to Living Cities. Such an understanding had existed, informally, for years. For example, funders such as Robert Wood Johnson and Casey had stuck with the alliance through many funding rounds, partly out of an interest in seeing their

particular focus (health and children, in these cases) properly incorporated into philanthropy's collective approach to urban improvement. But the lack of any explicit, consistent understanding of how these interests fit together — and how the collaborative's investments would be deployed to promote them — was becoming an impediment to continued participation for several funders.

A few felt that the sheer volume of capital aimed at physical redevelopment, and the complexity of the resulting projects, was overwhelming the group's ability to think more broadly about the human challenges that confront troubled neighborhoods. Articulating a clear commitment to the full range of issues that constitute a decent quality of life would go a long way toward clarifying and strengthening these funders' role in, and their commitment to, Living Cities.

On the other hand, as the board noted in a November 2006 addendum to the plan, a broader, more complex mission needed to be backed up with a coherent theory of how Living Cities' investments would ultimately achieve their goals. "Several Board members," the addendum stated, "called upon Living Cities to articulate more fully its substantive theory of change or action, particularly for those investors whose principal objectives lie beyond the affordable housing field." The board affirmed the importance and efficacy of continued investment in housing and other kinds of physical development — a field of particular importance to many of the private financial institutions in the Living Cities alliance — but added this:

> *For investors drawn to Living Cities for reasons beyond building this physical development platform,* however, a compelling theory of change or action will be understood differently. We acknowledge that more work may need to be done to make this theory actionable for more investors. Indeed, testing, refining, and understanding this theory of change or action has occupied, and will likely dominate, the learning agenda of Living Cities as more and more member institutions participate in the investment collaborative mostly to achieve outcomes beyond real estate. (Emphasis in original.)[5]

Despite the unresolved questions about theories and methods of action, the message of the plan, and especially of the board's addendum, was clear. As Mark Willis describes it, "Before the latest round, Living Cities was fairly traditional stuff. What was new, and is new, about this round is that it is built on the framework of *comprehensive* community development. That was the big change in the plan — it was already happening implicitly, but this made it explicit." The concept of "comprehensive" community development, encompassing physical, human, and social development in a single approach, had risen and fallen in prominence over the years. (A particularly well respected model had been pioneered by the Surdna Foundation, among others, in the South Bronx of the 1990s.) But as the Living Cities plan made clear, the idea was no longer either controversial or tangential; it was now expressly at the heart of how America's main funders of community development defined their field.

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[5] "Living Cities (2007-2010): The Next State for a Proven Investment Partnership — Final Report of the Strategic Planning Committee to the Living Cities Board of Directors," unpublished manuscript, Nov. 20, 2006, with Addendum of Dec. 18, 2006, p. 28.

Best of all, as Craig Howard notes, this more expansive definition "can keep a broader range of actors in. You wouldn't get a Robert Wood Johnson at the table if you were just interested in housing. Ford joined in 2004 with an interest in income differentials. So the coalition has continued *because* it was diversified and works across a broader domain. That's been a key to its longevity."

In approving the strategic plan in 2006, the board made two other additions, both of which made explicit some ideas that had been brewing in the collaborative for several years. The first was a determination to making Living Cities "a multi-sector voice for policy advocacy and change." Here, again, the statement put in writing an undertaking that was critically important to several longtime members, including MacArthur and Knight. The second addition was an emphasis on "the central importance of learning as an important benefit of … ongoing participation in Living Cities."

"Financial services institutions," the statement went on, recently "spoke eloquently of the value of sitting at the same table with philanthropic leaders and discussing common challenges in addressing needs of low-income communities and their residents. Foundation leaders expressed appreciation for the routine opportunity to work together to understand and learn various ways in which public, private, and philanthropic capital can combine to leverage deeper change in urban communities." Funders whose work was mainly concentrated in certain regions valued the lessons and ideas that Living Cities gathered from other parts of the country. In short, as Doug Nelson, a member of the strategic planning committee, summed it up, the plan defined "a whole new model of collaborating: going beyond scaling to comprehensiveness, and synergy, and mutual learning. What's the relationship between public sector money and philanthropic, and profit-driven? And how do you reinforce those in ways that make the parts add up to a significant whole?"

"The strategic planning process we went through," he continued, "rescued our momentum toward higher risk-taking, more creativity, more ambition, more learning." "We had a little bit of a sea-change. We almost ran our course, but then we stopped and revived ourselves, and are now much more interesting on the subject of collaboration and on what place-based investing means than we were just three years ago."

Conclusion: Lessons on Collaboration from the Living Cities Experience

"I wouldn't necessarily say Living Cities is a unique collaborative experience," concludes board chair Gary Hattem, "but it has been the most sustained of all the ones we've participated in. … Why hasn't it fallen apart? I guess because it's a group of people who have respected each other, both institutionally and personally. It's been able to take new people in as others have left, but there's been a critical mass of mainstay supporters who fundamentally believe in it. And it's been critical of *itself*."

Yet as Craig Howard points out, from long experience, collegiality and conviction are no guarantees of longevity. "I've been involved in collaborations focused on comprehensive neighborhood development; some worked and some didn't. But they were always unstable. They tended not to sustain their members' interest through changes in the staff and leadership at each

participating institution." To the extent that many foundation executives believe, as Hodding Carter put it, that collaborating with other funders is an "unnatural act," requiring a deliberate, sustained exertion of will, it would seem that the odds are stacked against any collaboration lasting very long or gathering much momentum over time.

So, to confront Gary Hattem's question directly: Why hasn't Living Cities fallen apart? To be sure, few things last forever; yet the NCDI/Living Cities alliance has continued for two decades, with a lengthening list of members, growing resources, and an agenda of expanding breadth and complexity. The purpose of this paper has been to trace the elements of the Living Cities story that have contributed to its continuity and growth and overcome, or at least counterbalance, the instability that Craig Howard describes. From that story, six features of Living Cities seem, at least thus far, to have successfully combated the natural tendency of collaborations to fade, fracture, and dissolve:

1. A mission that blends specificity and flexibility: Living Cities' mission has been both concrete enough to keep activity from dissipating and malleable enough to accommodate members' differing program priorities. Urban neighborhoods, understood creatively, present a long but relatively well-defined list of problems, some of which are almost literally concrete: dilapidated buildings, failing businesses, crumbling streets and sidewalks, ruined parks. The solutions to these physical difficulties may be hard to finance and deliver, but not to conceive and measure. Yet troubled neighborhoods also encompass other, less-material challenges like poverty, unemployment, disaffected youth, and unhealthy environments. For these, the possible solutions are many and open to experimentation. As a result, the blend of needs that cities present to American philanthropy offers a broad mix of opportunities for investment, leadership, and learning. Members of Living Cities have repeatedly said that those qualities have kept them interested and engaged — despite their varying interests and priorities — and have made it possible to inject new ideas and approaches into the program whenever the partnership needed reinvigorating.

2. A common pool of resources: Living Cities' resources are committed in advance by every member, representing each one's material stake in the activities of the collaborative and the effectiveness of its decision-making. Many of the arrangements that go by the name of collaboration in philanthropy involve a sharing of mental energy, imagination, experience, and strategic deliberation — but not money. As a result, it is easy for members to come and go over time, and to participate only when their particular needs call for it. Such collaborations can be highly effective and useful. But almost by definition, they don't engage the participants in a common decision-making process with consequences that bear on all members. By contrast, Living Cities' common grant pool means that the discussions and strategic choices made around the table will have immediate consequences in dollars allocated and efforts supported. "It's a genuinely shared enterprise," says Doug Nelson, "where the funding and decision-making are blended. Sharing the credit, sharing the blame, sharing the accountability, sharing the grantees, sharing the risk." For a Living Cities member, the collaborative is not merely a place to share thoughts and get ideas; it is a place where one's own grant dollars are allocated along with everyone else's. That raises both the value of participation and the strategic opportunity for large-scale action with comparatively small dollars.

3. Active involvement of top-level executives: Even as the "principals-only" rule has been relaxed over time, the engagement of chief executives and top grantmaking officers in Living Cities has remained exceptional. That is a key factor in its longevity. Because senior executives have comparatively broad authority and are usually responsible for multiple areas of grantmaking and lending, they are less bound by tightly defined program priorities and near-term expectations than program officers may be. That latitude is crucial for an alliance that depends on a spirit of compromise, mutual learning, and a willingness to venture onto unfamiliar terrain. But the participation of top officers has another, less tangible benefit as well: Membership in a group of senior peers is viewed as important, worthwhile, in some ways prestigious — so that membership yields psychological as well as strategic rewards. "The fact that there is senior leadership," comments Risa Lavizzo-Mourey of the Robert Wood Johnson Foundation, "and all the CEOs are in touch with the program, gives us a level of access that was a real plus for me. It was part of the calculus for our staying in the collaboration."

4. A lean, skilled staff: Most participants in Living Cities — especially in its early, NCDI incarnation — particularly valued the informal non-bureaucratic quality of the partnership. Having a small staff, able to guide discussion and execute decisions without creating unnecessary work and complexity, was a real plus. As the program grew, member institutions increasingly detailed some of their own staff to work on technical issues, thus deepening the opportunity for those institutions to help mold and govern the program. Even now, as both the scope of the program and the number of employees have grown, members still comment favorably on the leanness of the staff and on the extent to which board members and their colleagues remain actively involved in ongoing operations.

5. Means of regular knowledge-gathering from the field: Through evaluations, site visits, independent research, seminars and conferences, and other means, Living Cities has sought to become a center of learning about community development and urban revitalization — not just for members but for the field as a whole. Until recently, most of the deliberate effort at gathering knowledge had been internal — members learning from one another and from grantees. But in recent years, as the alliance has sought to project a stronger public voice, the goal of a vigorous, continuing knowledge agenda has grown more ambitious. It now includes sharing information and experiences with a much broader audience of policymakers, practitioners, investors, and scholars. The result is an intellectual environment that not only enriches individual members but, increasingly, provides new avenues for them to improve the field in which they work.

6. Openness to change: As Gary Hattem put it, Living Cities has "been critical of *itself,*" and willing, periodically, to shake up the underlying assumptions and methods by which it operates. Besides making for a more alert, adventurous program, this adaptability has forestalled the natural tendency of all collaborations toward boredom and lethargy. It has furnished regular opportunities to incorporate new information, spot emerging opportunities in the field, rethink strategy, and engage new personalities at the table. "It would have ended if it had stayed steady," Hodding Carter believes. "That's what kept most of us there: that constant sense that we were going to make this thing work, really fulfill its major underlying thesis. That certainly did it for me. It kept enough of us willingly engaged, experimenting, and defying our own predictions of how long our organizations would stay in the fold."

The point of these reflections is obviously not that Living Cities has become immortal. Among other things, the severe financial and housing market of the late 2000s has placed strains on participating funders that will surely raise challenges and surprises for the alliance in the years ahead. But now — at age 18, as this is being written — the idea has already endured long enough, and held the allegiance of enough disparate players, to offer important lessons to philanthropy about how collaborations form, hold together, and grow.

Even those who first conceived a National Community Development Initiative at the beginning of the 1990s are surprised at the durability and versatility of what they created. "It exceeded our wildest expectations," Peter Goldmark sums up. "What it shows is that if the goal is to get a specific thing accomplished, if there's a lot of structure, an intense focus on the goal…then collaboration is one of the most powerful ways to get big things done. We made real decisions that affected tens of thousands of lives. There was a reality to it, a sense of scale and consequence to your decisions that's rare in the philanthropic world. I wouldn't underestimate the power of that."

ABOUT THE AUTHOR

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He is co-author, with Paul S. Grogan, of the book *Comeback Cities: A Blueprint for Urban Neighborhood Revival,* which Ron Brownstein described in *The Los Angeles Times* as "the most important book about cities in a generation." He is also the author of "In Other Words," "Bad Words For Good," and "When Words Fail," three essays on civic and philanthropic jargon, published by the Edna McConnell Clark Foundation. *New York Times* columnist William Safire described "In Other Words" as "a gem," and fellow *Times* writer A.M. Rosenthal praised its "skillful verbal archaeology."

In the 1990s Proscio was associate editor of *The Miami Herald,* where he was lead editorial writer on economic issues and wrote a weekly opinion column.