EXPERIENCES WITH NEIGHBORHOOD INVESTMENTS:

IDENTIFYING NEW OPPORTUNITIES

FOR FUNDING IN THE EAST BAY

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With support from

Annie E. Casey Foundation and East Bay Community Foundation

November, 2004
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OVERVIEW

With this report we are aiming to provide information for Bay Area foundation and public funders on two issues:

• How have funders invested in East Bay neighborhoods, and what have they learned from these experiences?
• What might help funders be more effective - including increased use of collaborative strategies, or setting up a funder learning network?

We conducted interviews with a limited number of funders and “thought leaders” in the region, with a focus on investing in the East Bay. We also examined selected data about recent investments made in the East Bay. In no way should our sample be considered representative of either foundation or public grant-making in the East Bay as many other funders invest in neighborhoods there.

What we found is presented in this three-section report. In general, we learned that both foundation and public funders have made significant investments in East Bay neighborhoods to encourage community building and improve life for residents. Some funders have focused on particular neighborhoods while others have used a wide variety of grant-making strategies. This study looks at the approaches used to make these investments, the theories and values behind them, what impact funders believe they’ve had, and limitations they have identified.

An original purpose of the study was to gather information specific to investments in four East Bay neighborhoods - East Oakland, West Oakland, Lower San Antonio, and Nystrom (a Richmond neighborhood). However, we were unable to do so because most foundation and public funders did not have investment data broken out by neighborhood, and some had not invested in these particular neighborhoods recently. In many cases, the boundaries for funding support simply weren’t defined by neighborhood, and much additional effort would have been required to come up with even a rough portrait organized in this way.

We instead focused on overall investment strategies and on general principles of neighborhood-oriented grant-making where funders had experience with observations about such approaches. Foundation interviewee input on these topics is presented first, followed by results for public funders and thought leaders, and a set of recommendations concentrated mostly on foundations. Two appendices provide (A) a quick synopsis of the study’s main findings and recommendations, and (B) the complete list of interviewees.

The East Bay Community Foundation and the Annie E. Casey Foundation organized this study. The Human Interaction Research Institute (HIRI) interviewed twelve public agency staff and seven leaders familiar with East Bay grant making. (HIRI also reviewed demographic and funding data sources suggested by interviewees, though these were limited in scope, as indicated above). Theodore Lobman interviewed seventeen senior staff at twelve foundations.

Interviewees were promised anonymity with respect to specific comments. The authors received substantial advice from Michael Howe, East Bay Community Foundation and Ira Barbell, Annie E. Casey Foundation. Interviewees were sent a draft of this report to review for accuracy and completeness, and it was completed in November, 2004.
WHAT FOUNDATION FUNDERS HAD TO SAY

The sixteen foundation presidents and senior staff interviewed for this study all had substantial perspectives on philanthropic investments in the East Bay. Interviewees included both current and past employees of foundations we identified as likely to have a useful set of experiences to share. There was no effort to make this a “representative” sample of foundation funding in the East.

Results are presented under four main observations, each with several specific points about what we learned from these interviews.

**Observation 1. These foundations have a strong consensus on certain principles, but different strategies for grant-making done in the East Bay region.**

• Some foundations use neighborhood-focused grant-making approaches, but many do not.

"Neighborhood-focused" or "place-based" giving are terms of art, meant to connote comprehensiveness, flexibility, long-term commitments, and multiple, simultaneous targets and grants. Grant-makers generally agreed that these terms do not have consistent and precise meanings in the field. Just three foundations interviewed said they had used or were using what they called a place-based strategy.

All grants are part of a foundation’s approach to investing in many neighborhoods, reflecting board interests and an overall strategy. Typically, board interests are in improving specific conditions found in many neighborhoods, but occasionally interests are aimed at a specific neighborhood, regardless of its needs. In most cases, grants have relatively narrow objectives. Grants vary more or less according to the foundation’s own strategy, and certainly reflect some idiosyncrasy among neighborhoods.

Neighborhood applicants rarely write proposals with identical goals or structures unless demanded by a funder. So, while these grants may fit a long-term strategy to meet many needs in a neighborhood, the fit is typically not very precise. All foundations have made multi-year grants in a single neighborhood and some have made two or more multi-year grants in a neighborhood in succession. Most, however, will commit only to considering the possibility of multiple grants when the first grant is negotiated. They do not commit at the outset to a series of grants over a long period, as is called for in “placed-based” giving.

This is not to say that foundations with specific and shorter-term objectives fail to show interest in the neighborhood, in general. On the contrary, foundations generally understand that neighborhoods are complex systems, and that objectives in domains such as health, education, safety, economic development, and educational attainment are inevitably interdependent. However, the imperative to focus effort on narrow, more accountable, grant purposes and to maintain the financial flexibility to end support in the face of either negative surprises or the appeal of spending elsewhere supersedes any expected benefits in a true place-based strategy.

• Foundations can and should play a unique role in neighborhood improvement.

The grant-makers interviewed believe that their foundations are playing a role that is difficult or impossible for the public sector to undertake. The role is described often elsewhere as “social venture capital.” Their concern is with root causes and making sustainable improvements, not symptoms and/or improvements that may fade when the funding is withdrawn. They want “leverage,” that is, to have an impact on the grantee and its constituents over time including beyond the grant to conditions in the neighborhood, as well as to governmental and private priorities, policies, and practices that will affect many neighborhoods after the grant is finished.
Foundations exhibit great variety in program goals, targets, and strategy decisions.

Goals reported include improving air quality and parks, building social capital, and increasing economic development. Funding and influence targets mentioned were housing, transportation, public education and recreational opportunities, formal and informal helping services, supporting neighborhood leadership, social capital, and sustaining or developing existing organizations as well as newly organizing neighbors, practitioners, and policy makers.

Some foundations include more than one target, while others prefer to concentrate. Foundations also vary in terms of grantee selection criteria, and staff workload and disposition to spend staff time with applicants and grantees. Investing in work outside the neighborhood to support a grant objective was another strategy on which foundations took varying positions.

Systems thinking is part of the grant-making strategy for many of these foundations.

Personal, family, social, and physical conditions in neighborhoods are interdependent and vary in their susceptibility to influence by outside funding. Familiar targets in funded activities - knowledge, attitudes, and behavior of residents - also overlap, as do physical and social conditions in the environment. Foundation staff work, therefore, has become more and more attuned to conditions and organizations that surround their grantees.

Foundations increasingly use systems thinking to make the full range of relevant factors explicit. Systems thinking clarifies assumptions and expectations, but is also humbling because it reveals uncertain relationships between inputs and outcomes and the many factors important to grant results that are beyond the grasp, and often the reach, of individual grants and grantee organizations. These include regional and national economics, demographic conditions along with government policies, news, and entertainment which all affect norms and morale in neighborhoods.

Increasing standardized requirements for grantees hasn't improved effectiveness.

In the past, foundations have reacted to disappointing experiences by setting tight standards for grantees to meet. Sometimes this came in the form of grant-making “initiatives,” with objectives and grant proposal formats defined by the foundation for a set of grants to be made. Some of those interviewed thought such avenues had proven mistakes, noted by comments such as: "People on the ground do it better because they know more than the foundation" and "More listening, less telling." Grant-makers now appreciate that accommodating applicants' idiosyncrasies is more important to effectiveness than maintaining maximum consistency among grants in a program or neighborhood.

Neighborhood improvement projects benefit from empowerment of community members.

Empowerment is a key grant-making principle, according to many foundation staff we interviewed. Financing and other encouragement can come from the outside, but both grant and the larger local strategy and tactics need to be understood, and owned by, the leaders and key actors in the neighborhood.

Empowerment is a difficult principle to implement in practice however, because of foundations’ perceptions of risk in such an approach (sometimes based on previous experience), and incomplete confidence in grantees' capacity or strategies. Applicants want maximum flexibility, while grant-makers see vulnerabilities and risks that they believe applicants can reduce only by compromising. Finding the right balance between prescription and empowerment, and between precise and vague expectations, is much more an art than a science at this time.

Proactive recruiting of grantees has drawbacks as well as advantages.

Some foundations have changed their due diligence by charging program officers with the task of learning a lot more about neighborhood capacity and needs before grants are made or even before proposals are considered. Some have turned to proactive recruitment of grantees, using "reconnaissance" site visits to narrow the range of organizations from which they would invite a proposal, instead of announcing guidelines and then reviewing all
applications. Some have moved to invitation-only programs, in which applicants can submit a short proposal; from these a few are selected to compete for larger grants. Advantages include focusing foundation staff work on projects most likely to be funded, and reducing applicants' workload and anxiety. The invitation-only process reduces unrewarded effort on both sides, but it can also reduce the possibility of considering 'out of the box' approaches to problems that have been identified as areas of interest by foundations.

- **Screening for readiness of grantees or neighborhoods has shown promise for some foundations.**

Some foundations are trying to reduce the risks of failed or less effective grant-making by setting up systems to determine the readiness of individual nonprofits to take on a particular project, and/or to assess which neighborhoods show the best conditions for success. Screening for readiness, of course, also may preclude investment in communities where the need is greatest.

- **Foundation-imposed collaborations have drawbacks, despite evidence that cooperating grantees produce good results.**

Part of the strategic challenge is how to evaluate existing, or to require new, local intermediary funding or direct-service collaborative structures. Grant-makers report some difficulty deciding whether to take a role in allocating responsibilities for planning or implementation among residents and professionals and among entities in the neighborhood and outside it. There's no clear lesson here, only evidence that foundations are trying different approaches and that various communities may require different approvals.

Notwithstanding evidence that cooperating grantees produce better results with assistance versus working on their own, foundations have learned to be skeptical. They realize that forced marriages are vulnerable, regardless of promises made before the money is spent, and they won't last after it's gone. Some foundations have chosen to delegate inter-organizational choices to a single lead agency, letting it decide with whom it works, rather than "forcing" cooperation by providing financial incentives up front. Others essentially install staff in a neighborhood to play the broker; flexible funding strengthens that role. When grantee cooperation is expected, grant-makers report the need to budget generously: facilitation, incentives, shared staff development, and other devices.

- **Intermediary organizations offer local knowledge and control, but grant-makers must choose them carefully.**

Foundations continue to believe in the usefulness of intermediaries that organize residents or assist agencies. Resources are allocated among them according to local priorities, which are set with local knowledge and have the legitimacy of local control. Intermediary organizations often are fragile, however, lacking more than diverse and dependable funding sources - they are also sometimes judged to lack the coherence, skills, and cultural elements needed to accomplish their ambitious objectives. Foundations hope that investing in organizational improvement will assure both successful grants and continued commitment and efficacy after the grant period ends. Capacity building is defined in many different ways and has reached almost the level of a preoccupation for some funders.

Some foundations say they have become much more selective about the intermediaries in which they invest. They are moving from organizations in which they have more hope than confidence to those in which they have full confidence. Confidence derives from the organization's longevity and track record. Another desirable quality is funding from diverse sources, which reduces the risk of disaster if grants or contracts are lost. Furthermore, strong leadership (which means "follower-ship") is an asset; it means an organization is unlikely to be subject to competition that creates corrosive "turf politics."

- **Staff turnover and program design changes in these foundations have created instability.**

A large number of the foundations interviewed dropped or revised programs and changed staff in recent years. In several cases, foundations have undertaken substantial external and internal program reviews before deciding to make changes, and their new programs reflect what was learned. In another case, the decision to change had more to do with the need to define and honor preferences of changing board members.
CEO, staff, and program changes also came from disappointment with former strategies, attraction of new ones, and biases of new staff. Whether increased change is a short-lived phenomenon or a trend isn't clear. Instability undermines longer-term attention spans and seems to interrupt internal learning. Program officer turnover often challenges applicants and grantees, (even when boards do not change goals or strategies), because the values, priorities, and styles of new staff members differ from those of their predecessors.

Observation 2. These foundations are more careful, sophisticated, and less prescriptive than they have been in the recent past – reflecting a belief in strategic planning, as well as awareness of the hazards of imposing foundation preferences in neighborhoods.

- **No simple strategy for neighborhood improvement has been found.**

Grant-makers do not believe they have, or will find, a simple, replicable, and usually effective general strategy for neighborhood improvement. They have all read a considerable amount of literature on family and neighborhood problems and solutions, and have been exposed to other grant-makers’ experiences at conferences and through listserves and networking. They all have a measure of confidence in and take pleasure from the programs they administer. However, the paucity of readily available literature and/or research on sustained and replicable successes (their own or reported) gives their work more of an experimental, developmental quality. New approaches had yet to be proven more effective than those used previously, though interviewees expected future success.

- **Strategic planning and review have gained importance.**

The level of rationalism and due diligence in grant-making is rising. The literature on community work has burgeoned, and boards feel discouraged by the results of previous grants and programs. The result is that foundations now engage more in serious strategic planning and review, including mapping community assets and developing theories of action or logic models to support decisions. Grant-makers find that this results in increased board buy-in and appropriate expectations, as well as more tangible, realistic objectives and more precise accountability.

- **External forces will affect every project in some way.**

Rationalism is qualified. The most carefully constructed plans cannot guarantee success. External and unreachable forces can make or break a project. Knowing what should work does not always mean it will work, say interviewees, and they are not confident that grant-making is gaining on neighborhood projects.

There's also a sense that the public is less patient with low levels of success in grant-funded projects than in some other kinds of endeavors - for instance, in hard-scientific fields. Staff members agree that boards in addition to the public need to perceive improvements in both results and the methods that produce them. Some newly planned programs may assist in this endeavor. In addition, techniques are still in development for assessing results and attributing them to grant-funded work.

- **Foundation culture, including general broad Board preferences for grant-making, influence strategy.**

Beliefs of board members and program officers about what needs are most important and where the foundation can have the most impact are reflected in the outcome areas - education, economics, etc. - favored by them. Tolerance for complexity and preferences for tangible results in defined time frames are additional factors that influence foundation strategies.
Observation 3. Foundations must take tradeoffs between accountability and community impact, often with less-than-perfect evaluation methods.

- Foundations lack standards for quantifying relationships among inputs, outputs, and outcomes.

Just as one example, "comprehensiveness" is a theoretical value in grant-making strategy that is difficult not just to achieve but to measure. How much comprehensiveness is enough? What is the cost of obtaining it? There are no benchmarks or standards for quantifying the relationship among inputs, outputs and outcomes, and thus many elements in a strategy are inherently experimental. The imperative for "chewable bites" means sacrificing the comprehensiveness required in systemic strategies. Some grant-makers described a choice: ignore factors known to be important ("we just do what we can"), or expect that accumulations of capacity and welcome outcomes will produce ripple effects consistent with the theory of action.

- Comparisons, if not standards, would help establish realistic expectations.

The focus on underlying problems, especially organizational capacity, comes at the expense of relatively more tangible grant outcomes. Capacity building is necessary in part because foundations are unwilling to sustain operations for long, and because of the damage that leadership and staff turnover can cause. In the absence of standards of grant efficacy accepted in the field, staff members are struggling to establish realistic expectations.

- A flexible approach to community improvement hinders short-term accountability.

Foundations must trade off the apparent benefits of flexible approaches with the desire for clear accountability in reasonable time increments. Grant-makers believe in the developmental nature of community improvement. They see the need to allow experience to dictate changes in grant designs before time periods are finished, and they are telling boards that supplemental funds may have to be provided to meet needs as they arise. Many grant-makers said, "It takes a long time to get change," and described the benefit in establishing and/or funding institutions and projects that have staying power, the ability to change, and the ability to take risks.

Giving residents real authority and control over grant purposes and means increases local knowledge of projects and is a powerful motivator during and after a grant. At the same time, foundations are investing more in strategic planning that includes stronger accountability.

- A commitment to sustainability must be balanced with the expected temporary appeal of more funding.

It often seems that more funding would bring better or faster results. Staff members must balance the appeal of more funding with their commitment to sustainability and replication. Costly "Cadillac" models need to show extraordinary results to be considered attractive by other foundations or government. Concerns about leverage and sustainability deny funders the satisfying immediate and tangible feedback that comes with underwriting direct services or investments in capital projects, where the implementation of the grant is the indicator of success.

- Foundations seem ambivalent about evaluation.

Notwithstanding the ideological commitment to learning from experience, foundations are generally not wholly committed to evaluation. Many programs and grants state objectives in terms of "improvement" without reference to cost-effectiveness. There seems little effort to define precisely in advance "what we want to learn," as well as to assure that it is learnable, and will be learned. While goals are often publicly available, actual objectives and results are usually not shared with the public, (or even amongst peer foundations), depriving those involved the opportunity to give and receive helpful information.
Observation 4. These foundations are interested in learning from their own experience, as well as from each other's work, and are interested in exploring ways to be more mutually supportive – but there’s also some reluctance to do so.

- **Most of these foundations don’t know much about each other’s work, despite their participation in affinity groups and conferences.**

Interviews revealed that many foundations lack knowledge about other grants made in the target neighborhood, whether by other foundations and donors, or at times even by their own foundation. The sizable staff turnover and programmatic change at many of the foundations we interviewed has contributed to this lack of continuity.

Aside from citing the usual pressures of limit time and staff resources, the consensus of opinion among our interviewees was that knowledge of other foundation's work is hindered by the absence or limited availability of written reports, and concern about exposure of negative results. Moreover, with the lack of some pre-existing agreements or collaboration, objectives and/or strategies of grant-making initiatives are often not designed to permit ready comparisons.

- **Lack of comparative testing affects foundation confidence in assumptions and results.**

Interviewees did not offer lessons with confidence, and lessons they mentioned were practices already generally recommended in the field - for example, "You must assess applicant capacity." Learning is constrained by the general absence of explicit testing of assumptions, and lack of comparison of effort/results with other projects. So far, grant-makers are not able to argue confidently that their understandings are valid, replicable, and worthy of consideration by others.

- **Attitudes vary about sharing reports and evaluations with others in the field.**

All foundations are committed to learning from some kind of project and program evaluation, with internal reporting to boards. But they vary greatly in their spending on documentation and evaluation of programs, and in their disposition to share reports with other grant-makers, government, or the field. Most cite cost or impracticality, and view sharing as an experiment their boards would not fund.

- **Comparison of results produced by different strategies is hampered by reluctance to share program information.**

Publication of detailed program design, observations, and results is the exception. Most foundations are reluctant to allow outsiders access to grant files. Although program officers read and attend conferences in their fields, those interviewed rarely refer to their own work or compare it to that of other foundations. Cross-foundation learning occurs informally through personal relationships. The lack of shared indicators for evaluating projects, and of norms regarding publishing, assures continued difficulty in comparing project results produced by different grant strategies.

- **Foundations want to learn from each other.**

Many foundation interviewees said they wanted to know more about other foundations' experiences, and they look for ways to learn from each other, even if they are not funding the same projects. Obstacles mentioned included: lack of access to materials of other institutions; lack of specificity and candor in accessible materials; and insufficient comparability of the materials. Interviewees also mentioned the possible benefits of learning opportunities, such as seminars in which grants, locations, or particular grant-making process elements were featured. A meeting of this sort would require extraordinary preparation on the part of participants.
Attitudes vary towards public sector participation in grant planning and monitoring.

The public sector’s importance to programs and grants is well understood, but involvement of agency staff or elected officials is not a priority at many foundations. Foundations vary greatly in their disposition to include the public sector in their plans. Some rarely encounter public sector people; others sometimes visit with them to get background or discuss problems in grants. Only occasionally are public sector people involved in program and grant planning and monitoring, and rarest of all is shared responsibility between one or more foundations and a public sector entity.

Foundations see both benefits and costs in collaboration with each other.

Foundations also seem ambivalent about collaboration with other foundations and/or with public funders. Interviewees seemed truly to believe that foundation collaboration - done well - would promote efficiency and effectiveness in both public and private efforts to improve neighborhoods. The benefits of strong collaborations are appreciated: blended expertise, legitimacy, shared financial and reputation risk, and assurance of enough money to buy what is needed. However, costs are significant, and many foundations have had disappointing experiences with collaborative approaches in the past. Moreover, levels of staff enthusiasm for collaboration don’t always run parallel to those of foundation leaders, sometimes leaving a gap between the goal of collaborating and its implementation.

Strong, ongoing collaboration among foundations is not common. This may be surprising, as most of those interviewed had experience with the Foundation Consortium for Children, Youth and Families and were members of grant-maker affinity groups.

The Bay Area has, arguably, the most robust history of foundation partnerships in the country. Northern California Grantmakers has led nationally-visible and well-funded foundation collaborative efforts on AIDS, homelessness, and workforce development, each of which offers valuable lessons for future partnerships. Among them, the importance of giving equal decision-making weight to partners even if they are not contributing equally to the funding pool; having a neutral facilitator to help guide the collaboration; and setting the “rules of engagement” early (e.g., will decisions be made by majority rule).

Most staff reported little or no contact with others doing community work and had little familiarity with others' grant-making programs. Any strong relationships were likely due to personal chemistry. Deeper collaboration requires program officer time, and alignment of purposes and styles, (including “alignment within” among a foundation’s top managers, trustees, and program staff). It also requires mutual trust among grant-makers. Foundation policies of sharing ownership, control, and credit are also needed.
WHAT PUBLIC FUNDERS AND THOUGHT LEADERS HAD TO SAY

Two additional sets of interviews were conducted to learn about how public and private funders have invested in the East Bay. One set was with directors and senior staff of four government agencies in Alameda and Contra Costa Counties, as well as with United Way of the Bay Area. The third set of interviews was with a small group of “thought leaders” - knowledgeable experts familiar with both foundation and public investment approaches in this region.

Results are presented under three main observations (A-C, below), each with several more specific sub-points about what we learned from these interviews.

**Observation A. Both public and foundation funders described circumstances that have made investing in East Bay neighborhoods problematic.**

- **Multiple offers of short-term, heavily restricted assistance, uncoordinated with other investments, can lead to "help fatigue."**

Many neighborhoods, Richmond for example, have received offers over recent years of both funding and technical assistance from a number of foundation consortia, county agencies and other individual funders. Particularly because these offers of support are short-term, based upon the problems to be addressed, come with many restrictions, and are not coordinated with other interventions already going on in the neighborhood, a kind of "help fatigue" has been experienced.

Even though the support is urgently needed, in fact it is not easy to absorb resources that are offered in such a non-strategic fashion. These neighborhoods would benefit from support offered in ways that fit with community needs. A system set up to coordinate offers from different funders or groups of funders would be useful.

- **In some neighborhoods, there are no community organizations capable of running programs for which there is funding.**

Just to give one example: according to one interviewee, a public agency reported that despite an energetic search, it could not find a single community organization in its neighborhood that it felt could competently run certain programs it had the funding to support. Other interviewees had made similar observations.

These shortcomings, along with many other more systemic problems in neighborhoods, have sometimes led to overall failures of past investments focused on neighborhoods to achieve enduring, significant results. As one example, after years of investment in West Oakland (an estimated $7-10 million by Hewlett Foundation alone) there are still no high-performing nonprofits offering multiple services in this neighborhood, according to those interviewed for this study.

- **Public and foundation funders often have little contact with each other.**

Despite geographic proximity, and interest in some of the same problems and neighborhoods, many public agency and foundation leaders have simply not had the chance to interact with each other, despite understanding that such communication might have value. Just as one example, both foundation and government funders might benefit from increased communication with Social Venture Partners (SVP) in San Francisco, which has developed some highly interactive models for investing in local nonprofits. SVP is planning to do more convening with foundations in 2005, and to make another round of investments in the East Bay, so such explorations could be very timely.


**Observation B. Investment strategies must be responsive to demographic changes in these neighborhoods.**

- **As the population of a neighborhood diversifies, funders need to be aware of changing community influences and relationships.**

The demographics of these neighborhoods are changing - for instance, in some areas Asian, Latino, and Eastern European populations are replacing African Americans. This changes much about the community context that any investment strategy will need to address.

Given such changes, are the nonprofits in which funders have invested in the past still the right ones to support? Are public agencies, nonprofits, and community coalitions reflecting these changing demographics in their governance and programming? In what ways might funders help to bring these newly-diverse communities together on "neutral ground" to discuss working together more effectively?

- **Shifting populations and needs, combined with funding cuts, are causing community-based organizations to close.**

"Service delivery flight" is a problem in some of these neighborhoods - a lot of mainstream community-based organizations are closing or have closed, and agencies that used to outstation their employees at schools and other sites have pulled back. This is driven mostly by funding cuts, but populations and needs are shifting as well.

Funders need to look carefully at why these changes are occurring and what investment strategies might be helpful. It may not be fair or cost-effective to demand that a nonprofit remain in a neighborhood where its expertise and historic target population are simply no longer relevant. Continuing to support nonprofits that no longer serve a significant number of people in a given neighborhood could be an unwise strategy for funders.

Moreover, funders must put both their investment strategies and observed results in the larger context of the East Bay’s history and current circumstances. The forces at work here include complex racial and ethnic politics, the impact of community redevelopment, and major shifts in industry, employment, and the overall economy. Such forces may help, hinder, or simply render irrelevant a particular investment.

Just as one example, the Port of Oakland has a considerable impact on the local economy and labor force, and has been involved in supporting community nonprofits in several ways. How might funders increase their knowledge of its activities, and explore possible collaborations?

- **The influence of local religious institutions may grow or diminish in response to new populations.**

As new populations come into a neighborhood, the local religious institutions previously instrumental in holding the community together may have less influence, just because their congregations diminish in numbers. New religious institutions may arise with more influence, and therefore need to be considered in funders' strategies for providing neighborhood support.

- **Relations with local intermediaries should be re-evaluated as communities change.**

Some funders have longstanding relationships with certain intermediaries in a neighborhood, but these relationships need to be reevaluated periodically. Is the intermediary still the right one to help with the funder's priorities, given population shifts or other changes? Does the funder need to make an investment in the intermediary's own infrastructure to keep it viable?
Observation C. Funders must be aware that neighborhood residents have had previous experiences with funding interventions, and that history must be considered as a factor in strategic planning.

• **Neighborhood residents want to define problems and solutions for themselves.**

These communities have previously been "burnt by interventions in which somebody else defined the problem and the solution." Resources offered under such circumstances may be hard to absorb, and may not lead to real improvements, at least in the problem areas that matter most to the community. As a result, communities may resist new efforts to invest in their neighborhoods, unless they are driven by needs and interventions that have been defined by those who live there.

• **Public school participation is essential in many interventions in these neighborhoods, but the time of school personnel is limited.**

In both Oakland and Richmond, the public school system is in chaos - for example, school attendance and parent participation is "abysmal" according to interviewees. Almost any investment in these communities that benefits disadvantaged kids and families would need to include participation by the schools, but special care must be taken to involve school administrators or teachers in ways they don't find unreasonably burdensome (e.g., gathering large amounts of data, participating in frequent meetings), given the stressful environment in which they must operate.

• **Timelines should be designed to fit neighborhood needs, with the possibility of flexibility, if necessary.**

When a large funder has timelines that are immutable and are seen as inconsistent with neighborhood needs, the planning process for neighborhood investments can be compromised. It takes a long time to develop mechanisms by which "the voice of the community" can come forth, and funders must pay attention to input from communities, or from the intermediaries who presumably represent them, about changing the timelines they've originally constructed.

• **Funders need to identify the most legitimate voice of the community - which may not necessarily be the one that “comes to the table” first, or the loudest voice in the room.**

Most neighborhoods contain multiple, overlapping constituencies, and it isn't always easy to determine who in fact has legitimacy in speaking for them! Sometimes the "voice of the community" is the one that's the loudest, but not seen as the most legitimate by the community members themselves. Thus funders must be cautious about accepting any point of view about neighborhood needs without verifying the input they've received with other community leaders. Looking at a problem from several vantage points, a process called "triangulation" by surveyors, can weave together a unified, potentially more accurate view.
CONCLUSION AND RECOMMENDATIONS

All the funders participating in this study display a deep commitment to progress, in the special opportunities and role for foundations (as well as for public funders), and in the concept of continuous improvement. Their aspirations to improve their operations and the resulting effectiveness of their funding are thwarted by many conditions within their own organizations, in the culture of communities and of the foundation field, and in the nature of the problems they want to solve.

The pluralism that has always marked the foundation field - independent actors acting independently - has produced enormous benefit over the decades and is envied around the world. Independence has been essential to attracting wealth to endow foundations. The downside is that the tradition of foundation independence inhibits mutual teaming, potentially more effective joint effort, and comparability of project results. Some observers have remarked that foundations compete. There is little evidence of that in this study. Indeed, it looks as though foundations normally prefer to work away from each other and to avoid assessing relative effectiveness. Public funders often also are left out of the mix when foundations consider their grant-making strategies for the East Bay region.

The extraordinary collaborative norms in the Bay Area notwithstanding, grant-makers (both foundation and public) seem to know more about broad trends or national studies than about the specific programs and projects undertaken by their colleagues. Grant-makers do not know much about each other's theories of action, how they are implemented, and what results have been obtained. They are unable to compare the effectiveness of different approaches and so lack benchmarks or standards for assessing accomplishments. No one, certainly not applicants who have much to fear from a “donor cartel,” wants to send foundation cooperation to the other end of the spectrum, however, some modest movement in that direction might be worth the effort.

Publicly reporting grant results would help. Even disappointing reports could help establish greater public trust that foundation and public funders are monitoring and trying to improve their own practices. Success is not “all or nothing.” Most projects will have some positive results to report, and some analysis could be included discussing lessons learned that are likely to improve future performance.

Neighborhood investments cannot match the designs of the replicable experiments in hard science. Nonetheless, theory of action research is now well-respected, as are ethnographic research methods. Foundations and public funders both can advance the public's sense of continuous improvement by explaining their changing strategies, revealing the effects, and by facilitating comparison with the effects obtained by others using the same or different strategies. The public and boards should not have to depend on a new "Within Our Reach" every decade to see that the field is making progress.

Some specific recommendations that might help foundations to deal with the challenges raised by this study were made by our interviewees, and are summarized here. (Public funders may also benefit from these recommendations, though the emphasis in what follows is on philanthropy.)

1. **Clarify the experimental and developmental aspects of program and grants and reinforce the sense of experimentation in the foundation's culture.**

The heavy reliance on the construct of grants as "investments” works well as a motivator for boards until it invites a sense of failure when the "return" is small or ambiguous. "Returns" should include what has been learned. They should be presented as precisely as possible in the context of “what has usually been done” and “what could be done differently!” It is therefore important to state at the beginning of a grant project what is to be learned from it, and how the project will contribute to knowledge in the field. Of course, with experimentation, there are surprises. Still, these beginning statements reinforce the sense of accountability, and increase confidence in the work.

Many observers inside and outside foundations believe foundations refuse to accept the same burden of accountability as they impose on their grantees, and that a fear of potential embarrassment lies behind concerns about confidentiality. In the context of working towards continuous improvement, staff members might discuss this amongst themselves and with their boards.
2. **Build foundation capacity to gather and update neighborhood-specific facts and professional judgment.**

Earlier in this report we suggested that further research about neighborhood investments would both be possible and valuable. A collaborative effort, perhaps spearheaded by umbrella organizations such as Northern California Grant-makers, could help to generate data from across a variety of sources and make it readily available.

3. **Strengthen the norm of making comparisons in the field.**

Foundations could ask applicants to justify their theory of action by submitting with their grant proposals examples of comparable results obtained from similar projects with comparable methods and objectives. Using these comparison points, a broader-scope evaluation could then be made of what a particular grant project accomplishes.

4. **Wherever feasible, grant objectives should be stated in quantitative terms, based on agreement with grantees and using related experiences.**

Where possible, the indicators of success should be standardized and report on impact/outcomes for which there are data.

5. **Include as part of due diligence review a map of neighborhood resources bearing on proposed projects as well as possible and negotiated interactions among other grants and public and private funders.**

The more new grant projects can be placed in a larger context of what else is available (or not available) in a neighborhood, and the more leverage can be applied by tie-ins with other activities, the greater chance there is both for success and for helpful evaluation.

6. **Anticipate what relevant policymakers will care about and do when they learn about projects and results.**

This might mean, for example, including an economic analysis in projects that will respond to public sector finance departments’ desire for oversight.

7. **Arrange transparency in program designs and formative and summative reports.**

If writing candidly invites costly disagreements or concerns about embarrassment, information could be shared in small, private seminars where participants - evaluators, journalists, legislative staff as well as grantees - treat grants as case studies, as physicians do while making rounds in a hospital. Foundations could learn more from each other if there were mechanisms in place to facilitate sharing.

8. **Arrange more shared effort with funder colleagues to review strategy elements, underlying values, assumptions, and trade-offs, and to track grants and programs.**

Members could report on case progress much as lawyers in some firms do in staff meetings, for example.

9. **Consider occasional seminars in which foundations (or public funders) would present a program (goals, theory of action, selection criteria, objectives, expected results, evaluation plan, etc.) for a case study that would be revisited over time.**

Promoting identification of the funder’s “theory of change” can be of particular help in such case studies, so that underlying assumptions about investments are clearly set forth. If case studies become a common vehicle for funder communication, having a standard format for communicating them also will be helpful.

10. **Assess the experience of foundations that have evaluation directors or knowledge officers, including their views about how to share results and whether such sharing can be an asset to peer foundations.**

11. **Create a moderated web-based funding map, updated as new information is received, to which funders (both private and public) would refer and contribute as they make new grants.**
12. **Consider reaching agreement with other foundations or public funders on a common set of indicators to make grant results more comparable.**

13. **Consider a shared project in the same neighborhood that involves grant-makers with different, but relevant interests, such as health and school outcomes.**

The project would be as much to test the possibilities for joint effort as to improve the neighborhood. For example, grant-makers could test client tracking or accounting systems that would satisfy diverse public and private donors and meet the highest standards for outcome evaluation. Cross-sector professional development and data-driven decision-making mechanisms are other possible topics that might be tested in shared projects.

If funders wanted to collaborate across neighborhoods, one good topic might be “regional equity” of investments. Older neighborhoods often get left out of funding priorities, especially if they do not have strong, assertive community leadership.

14. **Share responsibility through a funder group or a lead foundation for communicating progress in solving problems of interest to the public and to practitioners.**

15. **Arrange informal meetings with staff of public agencies who are likely to stay on even when top leadership changes, to promote continuity of discussion about neighborhood funding issues.**

* * * *

Both foundation and public funders believe they can have greater impact on building a hopeful future for both children and adults in the East Bay area. The new directions this study identified for grant-making practice, funder information resources, and funder collaboration can help increase that impact. Actions suggested under these three themes may come together in an improved “learning network” for funders that extend resources in the East Bay.

An enhanced learning network also would reflect national trends in promoting funder effectiveness and in strategies for knowledge management. For funders investing in the East Bay, it would help us think, plan, study, share ideas, experiment, discuss, listen, work together, work alone, help each other, encourage, reassure, imagine, innovate, advocate, try things, and then try more things. The opportunity is there.
Appendix A. Summary of Study Findings and Recommendations

WHAT FOUNDATION FUNDERS HAD TO SAY

Observation 1. These foundations have a strong consensus on certain principles, but different strategies for grant-making done in the East Bay region.

- Some foundations use neighborhood-focused grant-making approaches, but many do not.
- Foundations can and should play a unique role in neighborhood improvement.
- Foundations exhibit great variety in program goals, targets, and strategy decisions.
- Systems thinking is part of the grant-making strategy for many of these foundations.
- Increasing standardized requirements for grantees hasn't improved effectiveness.
- Neighborhood improvement projects benefit from empowerment of community members.
- Proactive recruiting of grantees has drawbacks as well as advantages.
- Screening for readiness of grantees or neighborhoods has shown promise for some foundations.
- Foundation-imposed collaborations have drawbacks, despite evidence that cooperating grantees produce good results.
- Intermediary organizations offer local knowledge and control, but grant-makers must choose them carefully.
- Staff turn-over and program design changes in these foundations have created instability.

Observation 2. These foundations are more careful, sophisticated, and less prescriptive than they have been in the recent past – reflecting a belief in strategic planning, as well as awareness of the hazards of imposing foundation preferences in neighborhoods.

- No simple strategy for neighborhood improvement has been found.
- Strategic planning and review have gained importance.
- External forces will affect every project in some way.
- Foundation culture, including general board preferences for grant-making, influence strategy.
Observation 3. Foundations must take tradeoffs between accountability and community impact, often with less-than-perfect evaluation methods.

- Foundations lack standards for quantifying relationships among inputs, outputs, and outcomes.
- Comparisons, if not standards, would help establish realistic expectations.
- A flexible approach to community improvement hinders short-term accountability.
- A commitment to sustainability must be balanced with the expected temporary appeal of more funding.
- Foundations seem ambivalent about evaluation.

Observation 4. These foundations are interested in learning from their own experience, as well as from each other’s work, and are interested in exploring ways to be more mutually supportive – but there’s also some reluctance to do so.

- Most of these foundations don’t know much about each other’s work, despite their participation in affinity groups and conferences.
- Lack of comparative testing affects foundation confidence in assumptions and results.
- Attitudes vary about sharing reports and evaluations with others in the field.
- Comparison of results produced by different strategies is hampered by reluctance to share program information.
- Foundations want to learn from each other.
- Attitudes vary towards public sector participation in grant planning and monitoring.
- Foundations see both benefits and costs in collaboration with each other.
WHAT PUBLIC FUNDERS AND THOUGHT LEADERS HAD TO SAY

Observation A. Both public and foundation funders described circumstances that have made investing in East Bay neighborhoods problematic.

- Multiple offers of short-term, heavily restricted assistance, uncoordinated with other investments, can lead to "help fatigue."
- In some neighborhoods, there are no community organizations capable of running programs for which there is funding.
- Public and foundation funders often have little contact with each other.

Observation B. Investment strategies must be responsive to demographic changes in these neighborhoods.

- As the population of a neighborhood diversifies, funders need to be aware of changing community influences and relationships.
- Shifting populations and needs, combined with funding cuts, are causing community-based organizations to close.
- The influence of local religious institutions may grow or diminish in response to new populations.
- Relationships with local intermediaries should be reevaluated as communities change.

Observation C. Funders must be aware that neighborhood residents have had previous experiences with funding interventions, and that history must be considered as a factor in strategic planning.

- Neighborhood residents want to define problems and solutions for themselves.
- Public school participation is essential in many interventions in these neighborhoods, but the time of school personnel is limited.
- Timelines should be designed to fit neighborhood needs, with the possibility of flexibility, if necessary.
- Funders need to identify the most legitimate voice of the community - which may not necessarily be the one that “comes to the table” first, or the loudest voice in the room.
RECOMMENDATIONS

1. Clarify the experimental and developmental aspects of program and grants and reinforce the sense of experimentation in the foundation's culture.

2. Build foundation capacity to gather and update neighborhood-specific facts and professional judgment.

3. Strengthen the norm of making comparisons in the field.

4. Wherever feasible, grant objectives should be stated in quantitative terms, based on agreement with grantees and using related experiences.

5. Include as part of due diligence review a map of neighborhood resources bearing on proposed projects as well as possible and negotiated interactions among other grants and public and private funders.

6. Anticipate what relevant policymakers will care about and do when they learn about projects and results.

7. Arrange transparency in program designs and formative and summative reports.

8. Arrange more shared effort with funder colleagues to review strategy elements, underlying values, assumptions, and trade-offs, and to track grants and programs.

9. Consider occasional seminars in which foundations (or public funders) would present a program (goals, theory of action, selection criteria, objectives, expected results, evaluation plan, etc.) for a case study that would be revisited over time.

10. Assess the experience of foundations that have evaluation directors or knowledge officers, including their views about how to share results and whether such sharing can be an asset to peer foundations.

11. Create a moderated web-based funding map, updated as new information is received, to which funders (both private and public) would refer and contribute as they make new grants.

12. Consider reaching agreement with other foundations (and possibly public funders as well) on a common set of indicators to make grant results more comparable.

13. Consider a shared project in the same neighborhood that involves grant-makers with different, but relevant interests, such as health and school outcomes.

14. Share responsibility through a funder group or a lead foundation for communicating progress in solving problems of interest to the public and to practitioners.

15. Arrange informal meetings with staff of public agencies who are likely to stay on even when top leadership changes, to promote continuity of discussion about neighborhood funding issues.
Appendix B - List of Interviewees

**Foundations**

Paul Brest, William and Flora Hewlett Foundation
Allison Brooks, East Bay Community Foundation
Hedy Chang, Haas Foundation
John Chapman, East Bay Community Foundation
Pam David, Walter and Elise Haas Foundation
Sandra Hernandez, San Francisco Foundation
Michael Howe, East Bay Community Foundation
Colin Lacon, Stuart Foundation
Carol Larson, David and Lucile Packard Foundation
Lisa Maisano, S.H. Cowell Foundation
Francis Phillips, Walter and Elise Haas Foundation
Christy Pichel, Stuart Foundation
Rhonnel Sotelo, San Francisco Foundation
Marion Standish, The California Endowment
Ami Stanton, James Irvine Foundation
Bob Uyeki, East Bay Community Foundation
Mike Wald, Stanford University (formerly Hewlett Foundation)
Dianne Yamashiro-Omi, The California Endowment
Gary Yates, The California Wellness Foundation
Appendix B - List of Interviewees (Cont.)

Public Funders and Thought Leaders

Judy Belk, Rockefeller Philanthropic Advisors
Fred Blackwell, Annie E. Casey Foundation
Joe Brooks, Policy Link
Ed Church, Consultant
John Cullen, Contra Costa Employment and Human Services
Mary Foran, Contra Costa Health Services
Eleanor Clement Glass, Foundation Incubator
Chet Hewitt, Alameda County Social Services Agency
Henry Izumizaki, Teams
Dave Kears, Alameda County Health Care Services Agency
Jan Masaoka, CompassPoint
Eric McDonnell, United Way of the Bay Area
Sally McFalon, Contra Costa Health Services
Rudeen Monte, Community Impact Consulting Gus Newport, Consultant
Gus Newport, Consultant
Lynn Pilant, Contra Costa Health Services
Benita Reagan, Consultant
Vincent Robinson, SVP
Olis Simmons, Alameda County Health Care Services Agency
Rick Smith, Northern California Grant-makers
Kristen Spanos, Alameda County Social Services Agency
Gary Thompson, Alameda County's Inter-agency Children's Policy Council
Martin Torow, Alameda County Social Services Agency
Conny Walker, Consultant
Carole M. Watson, United Way of the Bay Area
Anne Wilson, United Way of the Bay Area