

People, Place, and Race

How Philanthropy Can Help Center People and Equity in Community Development

David Fukuzawa | Nancy O. Andrews

INTRODUCTION

What comes to mind when we hear the phrase “investing in communities?” For many of us, the pictures that emerge are roads, bridges, houses, local businesses: the physical infrastructure of place. Such images reflect the historically predominant view of development as physical investment. In this view, investment in physical infrastructure and small businesses spurs economic growth and job creation, which traditional orthodoxy holds as key to eradicating poverty.



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But decades of research and data points to investments in people, or human development (education, healthcare, childcare, et al.), as equal contributors to prosperity and well-being. This concept is already widely accepted internationally, as evidenced in the [UN Sustainable Development Goals](#) adopted in 2015. However, the United States lags behind in our thinking, as witnessed most recently in the uproar over the inclusion of social services alongside physical development in President Biden's [Build Back Better](#) Agenda.

As professionals close to philanthropy for much of our careers, we have seen foundations become the most important champions for and investors in community development innovation and practice. We believe that a different model of community development is possible, and that philanthropy can help make it happen. We see a future in which community development embraces both place and people, and in doing so can successfully center racial equity, one of the field's original goals. We sketch out a path to that future in this paper and call for the adoption of a new paradigm. We know that this vision requires not only intentional, focused effort, but also time, patience, and endurance. And we believe that philanthropy, with its capacity to take the long view and to stand with and for communities, not profit or power, can and must play a major role in accelerating the forces of change.



The actions for philanthropy described here—building consensus around a new concept of development that includes community voice, using its social investment capacity to influence financing, and investing for the long term—represent a profound opportunity for the field and the nation.

We therefore call for a broad effort among foundations in every region and community, not just a few innovators, to step up and take greater risk to achieve greater impact.

HOW WE GOT HERE

Community development theory arose during the 1960s and reflects the mindset of that time. The innovation it represented was the idea that investment in local places and neighborhoods—rather than regionally or nationally—could be an engine for their growth. “Maximum feasible participation” of residents was central to this original inspiration. Empowering local residents to have a say in investments in the future of their communities was considered essential to equitable development. In other words, people power and community action were crucial to supporting people to advance economically. The 1960s were also the dawn of a new era in civil rights, when many hoped that economic progress and political power would help to overcome racism and discrimination, as people of color with low incomes became more prosperous and the civil rights movement reformed overt biases in laws and civil structures.

Despite these welcome economic, social, and political changes, the fundamental orthodoxy about the source of growth remained in place. Housing, which represented reinvestment in physical assets within disinvested places, and economic development were the core themes of community development. However, investment in housing failed to reverse or mitigate decades-old policies that set the hard boundaries of racial segregation and social and economic inequity.¹



The past 60 years have taught us a lot about the sources of prosperity and economic well-being. In the 1960s, investing in childcare was viewed as a service that enabled mothers to work, with little in the way of financial or social return. We now know that investing in young children creates social and

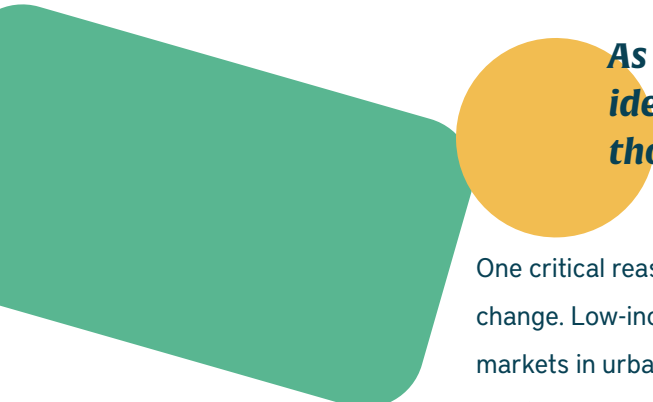
economic returns superior to the stock market. We also know that education is key to unlocking future job prospects in a modern, information age economy.

In other words, the evidence shows that the economic development orthodoxy no longer holds and must give way to a recognition of the value of investing in people, especially young children.

¹ As Richard Rothstein documented in his book *The Color of Law* (Norton, 2017), the federal government, “in full contempt of its constitutional obligation,” developed and sanctioned policies during the 1930s and 1940s that moved white families toward the suburbs and blocked black families.

Finally, as [the crisis in chronic disease exploded](#), awareness of the social determinants of health grew dramatically, leading communities and their health systems to recognize the impact of upstream factors for poor health, from pollution and car-dependent lifestyles, to inequitable access to healthy food, to housing insecurity and unhealthy housing. This has led increasing numbers of health systems to engage in community development.

In the past decade, community development has made much progress in incorporating these lessons. For example, developers now widely embrace and include childcare and healthy communities within their thinking. We understand that housing is not just an economic investment but a fundamental social determinant of health with a major impact on the future of children and families. We've learned that giving people access to affordable housing in healthy neighborhoods can be the equivalent of a medical intervention in diabetes and obesity. There is wider acceptance of the idea that mixed-income development can promote social mobility.



As a field, we are firmly committed to anti-racist ideals. But we have yet to incorporate these instincts thoroughly into our practice.

One critical reason for this is that many systemic barriers still stand in the way of change. Low-income housing developers must navigate increasingly hot real estate markets in urban centers, contend with lenders and investors in a tight competition for credits and subsidies, and deal with decades of racially motivated land use decisions, exclusion, redlining, and underwriting and appraisal practices that undercut the ability of families of color to build assets. Layered on top of these challenges is a fragmented and underfunded housing subsidy system that falls well short of meeting the needs of nearly 12 million families experiencing housing insecurity. Another impediment is the structural separation of housing investment from healthy families in government policy and resources, which means, for instance, that community developers trying to knit these goals together must also brave the complexity of the Departments of Housing and Urban Development and Health and Human Services, two separate and sometimes competing federal systems.

Nevertheless, we believe we are at a moment in our nation's history when it is possible to reach a new consensus about development. Billions of dollars in new investments are being made just as we recognize anew the importance of equity and inclusion. Most importantly for this paper, philanthropy is taking a growing leadership role in efforts to reach a new consensus about what works to improve the life chances of people

living in disinvested communities. This opportunity for change has been charged by the resurgence of racial justice movements that started in Ferguson in 2014 and grew exponentially after the police murders of Ahmaud Arbery, Breonna Taylor, and George Floyd in May 2020. Floyd's murder and the subsequent uprising raised awareness of the long and systemic nature of racism that spread virally into conversations everywhere, reaching board rooms and city halls and leading to a deeper self-examination of behavior, attitudes and practice, and policy and laws across the country. The community development field has heeded the call to pick up the pace of change and be more explicit and intentional in addressing racial equity.

Foundations have been important supporters of community-wide, multisector, public-private collaborations on infrastructure, innovative finance, community power building, promoting positive social determinants, and policy reform. At this moment, we believe philanthropy is poised to advance a more generative and more equitable development system. Below are some suggestions for how we can challenge our thinking and accelerate the journey toward this new vision of development.

HOW PHILANTHROPY CAN BUILD A MORE EQUITABLE AND PEOPLE-CENTERED DEVELOPMENT SYSTEM

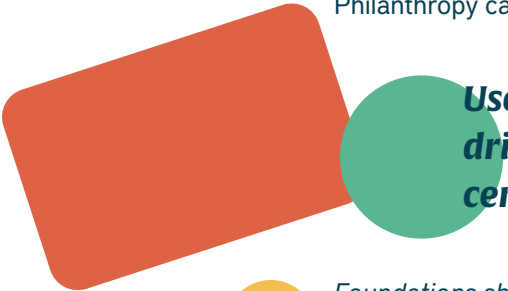
In a December 2021 essay in *Inside Philanthropy*, Rip Rapson, CEO of The Kresge Foundation, argued that philanthropy should play a central role in community implementation of the Infrastructure Investment and Jobs Act (also known as the Bipartisan Infrastructure Framework) because equity and inclusion are at stake:



Philanthropy has an immense, and I'd argue pivotal, role in ensuring BIF's success. We must fortify and amplify the voice of nonprofit implementation partners. Second, we should use our social investment expertise to leverage multiple forms of capital into a financial solution to drive equitable results. And lastly, we must use our know-how and experience to be a convenor, a table-setter, and to spur public, private, nonprofit, and philanthropic sectors to engage in collective effort for the greater good.

We agree that philanthropy can and should take an immediate role in bringing community and other stakeholders to the table to foster and generate equitable development. But we would push his argument further and advocate for philanthropy to take the long and system-changing view that this new federal investment can help spur transformative evolution of the community development system itself.

Philanthropy can take the following steps to lay the groundwork for this change.



Use its convening power to forge a new, community-driven consensus on community development that centers race and people in practice and policy.



STEP

Foundations should build on their success in supporting multisector, multifield collaborations to establish a consensus on development that centers race and people.

In the last decade, philanthropy has been increasing its investments in equitable and inclusive development. One such project is the multiregion initiative, [SPARCC](#) (the Strong, Prosperous, and Resilient Communities Challenge), an effort to support physical developments that will also improve health, reduce racial disparities, and bolster climate resilience, led by Enterprise Community Partners, Low Income Investment Fund, and the Natural Resources Defense Council, with funding from Ballmer Group, JPB Foundation, The Kresge Foundation, the Robert Wood Johnson Foundation, and the California Endowment. The key concept behind SPARCC is that major infrastructure development can generate positive health and climate outcomes, both for the longer-term benefit of disinvested communities and for greater regional prosperity and sustainability.

[We Lift, The Coachella Valley's Housing Catalyst Fund](#), sponsored by Lift to Rise and Riverside County, is a perfect example of the paradigm shift we propose. The Fund invests in place-based strategies (affordable housing) integrated with human development strategies (early learning and child development) under the umbrella of an overarching racial equity goal. The Fund is located in the Coachella Valley, a place where extreme poverty and wealth live side by side, where the mansions of Larry Ellison and Dwight Eisenhower coexist with the homes of farmworkers, and Black and Latinx people are concentrated in jobs that serve wealthy families and their resorts.

By incentivizing the coordination of early learning and child development services with the creation of affordable housing, the Catalyst Fund intentionally aligns people and place strategies. Equity is the third leg of the stool, as evidenced by the Fund's segregation busting approach. Take the Indian Wells affordable housing development, a project

proposed for an affluent community where affordable housing has not been developed in decades. When the developers tried to gain site control, they discovered property deed covenants that prevented Black people from occupying homes in this community, unless they were servants. The Catalyst Fund and Lift to Rise will use their investments to explicitly confront and overcome these historical barriers, which are especially evident when building housing in high-opportunity places.

Another powerful example is [Purpose Built Communities](#), a network of more than 25 affiliates in 15 states that focus on racial equity, economic mobility, and improved health outcomes for families and children. Purpose Built has developed a framework of practice that incorporates mixed income housing, cradle-to-college education, and community wellness. A “community quarterback” links and coordinates these three areas; their role is to create a shared vision for the community and develop metrics that are agreed to by the entire initiative. The vision and related metrics serve as guideposts that allow the community to measure progress, adapt strategies, and stay focused on its long-term goals.



The Purpose Built approach was pioneered in the East Lake neighborhood of Atlanta, then known as “Little Vietnam,” for its rate of violent crime. After 10 years of work, Purpose Built has turned this community around, with a 96 percent reduction in violent crime. Its focus on quality education closed the

racial achievement gap, proving that all young learners have the ability to excel. East Lake schools were in the bottom 5 percent of performance when Purpose Built started but now perform on par with the most affluent communities in Atlanta. Purpose Built demonstrates that place, people, and race are not just separate verticals but rather comingled dimensions of a challenge that must be tackled holistically.

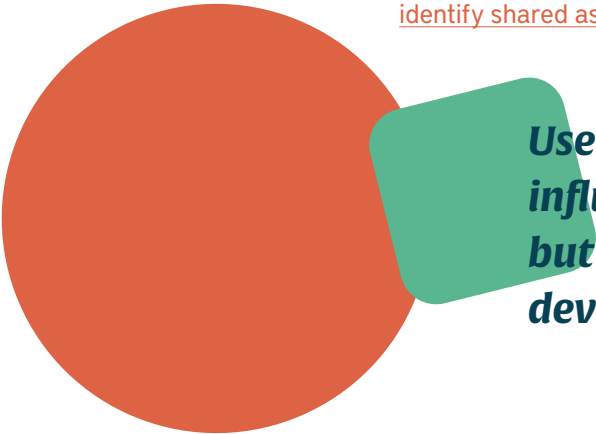
SPARCC, Coachella, and Purpose Built are just three examples that have emerged in the past 15 years. Beyond supporting greater scale and replication of successful innovations, philanthropy should recognize that it is time to call for a wider consensus within the community development field. These developments have succeeded despite the persistent obstacles around financing, historical trauma, racialized policies, and land use because they brought together multiple organizations and sectors in service of a bold aspiration; they deployed a combination of grants and investment as well as advocacy

to bring about the changes they sought; and they evolved over time, learning from their experience what worked best. Philanthropy can and should bring together diverse community stakeholders to build agreement and partnerships to address the systemic and historic barriers to people-centered, equitable development.

STEP

Foundations should also champion and commit to building the power and capacity of community and resident-led organizations—like Lift to Rise—to ensure that planning and decision processes authentically include community voice and lived experience. Foundations have a long and well-documented record of building nonprofit capacity, supporting advocacy and policy solutions, filling in gaps to get deals to the finish line, and supporting community representation in planning. But even the most well-regarded and successful community development organizations have found grant support sporadic and/or unreliable. And many neighborhoods and communities at most risk for displacement, especially predominantly immigrant and Native communities, have less familiarity with and access to foundations and little experience with the development process. There are regional issues as well, with communities in the Southeast, Southwest, and Plains having much less experience with foundations. Many of these communities are growing in prominence now that they are part of the new supply chain pathways, with massive warehousing and shipping areas already in place or being developed.

These communities, which lack the community infrastructure that has been funded over time in places like New York and Chicago, need greater foundation attention and support to ensure the genuine and durable engagement of Black, Latinx, Asian American and Pacific Islander, Native, and immigrant people in the community development process. This will require foundations to reach beyond their traditional geographies and be earnest and intentional in supporting true collaboration and partnership between community organizations, residents, and community development practitioners, so that the lived experience and expertise of residents is central to planning and decision-making. As part of this work, foundations can and should play a role in supporting community efforts to identify shared aspirations and center equity.



Use its social investment expertise and influence not just to generate solutions but to set new approaches to community development financing.

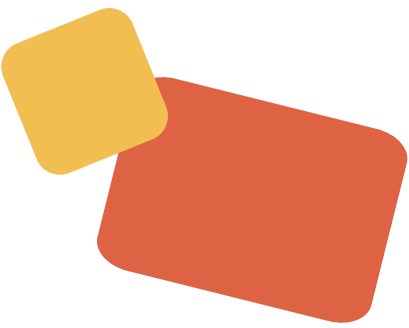


As most developers would attest, the financing stage is where many good projects go to die. Fortunately, this is another arena where true philanthropic innovation has started to make a difference. In the past dozen years, we both have helped facilitate the expansion of philanthropic community impact investing. Although financial tools such as [program-related investments](#) have been used by foundations such as Ford and MacArthur for decades, we witnessed and helped implement new and innovative uses of philanthropic capital to leverage public and private capital into disinvested communities. In the early years of the Affordable Care Act, for example, foundation investments were instrumental in convincing commercial lenders such as Morgan Stanley and Goldman Sachs to help finance the expansion of [Federally Qualified Health Centers](#) (i.e., community clinics, including those serving migrants, people who live in public housing, and people experiencing homelessness).

Foundations were also involved in supporting early experiments in providing unfunded guarantees as alternative investment tools. The [Community Investment Guarantee Pool](#) was created in 2019 to help foundations leverage their balance sheets to unlock capital for investments in affordable housing, small businesses, and climate change. Its guarantees enable intermediaries to take risks to achieve equity and impact beyond what would be possible otherwise. In its first two years, CIGP exceeded its goal of unlocking \$5 of capital for every dollar of guarantee.

Foundations such as Kresge also began to invest in intermediaries that are testing ways to center equity and health in development. An example is the [Healthy Neighborhoods Equity Fund](#) (HNEF), which was created in 2014 to spur healthy development in underinvested neighborhoods in the Greater Boston Area. This collaboration between the Massachusetts Housing Investment Corporation and the Conservation Law Foundation was designed to demonstrate that investments that prioritize health and environmental outcomes can attract investors seeking a return while also improving the well-being and prosperity of residents. HNEF uses a screening tool to identify potential projects that will produce measurable improvements in the social determinants of health, including walkability, clean air, climate resilience, and access to green space and grocery stores.

The first phase of HNEF attracted \$21.3 million in capital (including a \$1.8 million guarantee from The Kresge Foundation), and invested in nine projects, seven of which have been completed. The Fund leveraged \$144 million in public and private money and resulted in 586 new mixed-income housing units and 139,400 square feet of commercial space. More importantly, 100 percent of the projects have community support, 89 percent of the projects met green building standards, and access to jobs, public transit,





full-service grocery stores, and green space have all increased significantly in the neighborhoods where the projects are located. The second phase of HNEF is currently in process, with three projects combining mixed-income housing and retail underway so far.

More recently, the Public Finance Initiative and the National League of Cities, with support from the Robert Wood Johnson Foundation, have announced a collaborative project called the [Bond Markets and Racial Equity Project](#). This is an exciting effort to center equity in municipal bond-funded investments and measure how those investments improve social determinants and equity.

These and other examples reveal that beyond grants, philanthropy can influence and demonstrate new ways of financing community development. More importantly, *we believe it is time for philanthropy to push further into the community development financing system itself to support the realignment of incentives for investors and provide the capital for broader innovation within development financing so that health and social outcomes are taken into account.* While there are many reasons for the shortage of affordable homes, something is terribly amiss when affordable housing developers cannot make deals work because of the cost of capital and competition from gentrifying forces. These failures are not inevitable; rather, they are the legacy and accumulated result of a chain of interlocking [policy choices as well as racially motivated practices](#) that have suppressed wealth, homeownership, and economic opportunity for communities of color. Philanthropy has the opportunity—and, we would say, the responsibility—to create financial interventions that can help break that chain and shift the outcomes for those communities.


STEP

Philanthropy should accelerate its role in deepening the industry's self-examination over racial equity. Community investors and lenders need to investigate their underwriting practices more intensively. Who is benefiting from current practices? Who is harmed? Studies have consistently shown that lenders turn down Black homebuyers more frequently than white homebuyers with similar profiles. Decades of redlining have further deprived Black people of opportunities to build wealth through homeownership. Even now, many Black neighborhoods do not have [access to grocery stores](#) or [conventional banking services](#). When lending institutions do not recognize these historic injustices and their effects, they only exacerbate the challenges faced by disinvested communities.

Community development is deeply rooted in debt-based financing systems scaled up by Community Reinvestment Act obligations imposed on the regulated financial industry.

**STEP**

Foundations should also take a more active role in supporting CDFIs and other impact-minded intermediaries to expand their investment focus to encompass people-centered investments in areas such as education, health, social and economic mobility, and food systems. Some foundations have experimented with providing cash grants to individuals as a test case for Universal Basic Income, with promising [initial results](#). Others are expanding and scaling partnerships with institutions such as hospitals, education, and creative placemakers, as well as exploring different return parameters, longer timeframes, and different repayment streams. Many of the nation's larger CDFIs have already expanded their portfolios to include these kinds of investments. But progress is slow, and the learning curve is steep. Further, the deep roots of systemic racism cannot be undone in a few years or even a generation. It will take whole-community commitments, probably over successive generations, to overcome this country's health, education, and wealth inequities. This leads to our final recommendation.



Develop an investment mindset, reimagine community investments with longer-time horizons, and adopt an approach that is developmental, adaptive, systemic, and focuses on the whole of community.

Foundations make grants. That is their *raison d'être*. But grantmaking has been and is still largely focused on projects or programs. Foundations tend to look for discrete efforts with definable beginnings and ends. Even grants for policy and system changes tend to focus on specific public or organizational policy changes. These kinds of investments are good and necessary. But the kinds of investments that will lead to durable, scalable, replicable change across many communities will require a more astute understanding of how markets can interplay with social change and how social entrepreneurs and change agents can build vehicles and movements for broad, long-term change.

In short, grantmakers will also need to learn how to work with social investors—and even to think of themselves as social investors. A good explanation of what this means comes from an important lesson one of us learned while working at the Ford Foundation. In structuring an equity investment for a research organization, she tried to plan for major contingencies with provisions in the terms of the investment. But Foundation Vice President Susan Berresford jumped in with a piece of wise advice: “Bet on the horse and let it run.” In other words, give the organization the freedom to manage its own affairs,

adapt to a changing future, and determine its own success—or failure, as the case may be. Philanthropy’s investment in leadership is what matters most, not the details a program officer can impose on the program itself. The wisdom of this advice rings just as true three decades later—and would be a liberating approach to foundation grantmaking, social investing, and equity commitments.

Another limitation to current foundation practices is the simplistic binary of success/failure in grantmaking, which restricts the vision of what’s really possible, and continues to characterize most of philanthropy. In the venture investment world, several years of financial loss generally mean more rounds of increased investment rather than investors dropping away. Why? Because large potential returns seem within reach. But funders of social change often get discouraged—or maybe even bored—after a “seed funding” round. The difference, some would argue, is that the returns in venture capital are often many multiples of the original investment. But we have seen that patient capital can result in large social returns and outcomes, such as the Purpose Built Communities example above.

Research has revealed that barriers to mobility and well-being are deeply tied to opportunity structures in places, but for many communities of color, decades of segregation, disinvestment, and exclusion have eroded those structures to a degree that cannot be undone in a three- or five-year grant. In our involvement with large, multiyear, community-wide initiatives, we have learned that change may take a generation and that building a community’s ability to identify and solve its own challenges may be the most important outcome for the long term.

We need to rethink the concept of foundation investment, so that patience, consistency, and longer-time horizons become more accepted. The hurdle of tackling systemic change is Sisyphean and complex. Organizing people and funding for the time span needed for enduring change has historically been beyond the patience and commitment of foundations and their boards. [Kania](#) and [Kramer](#) have too often observed how collective impact efforts struggle to sustain themselves due to “use by” dates of foundation commitments. Inevitably, foundations begin to fear the

consequences of long-term commitment or become eager to try out something new. But deep challenges such as systemic racism, which has a 400-year history embedded in behavior, narrative, and policy, will not give way that easily. This doesn’t mean the end of



We recommend that philanthropy:

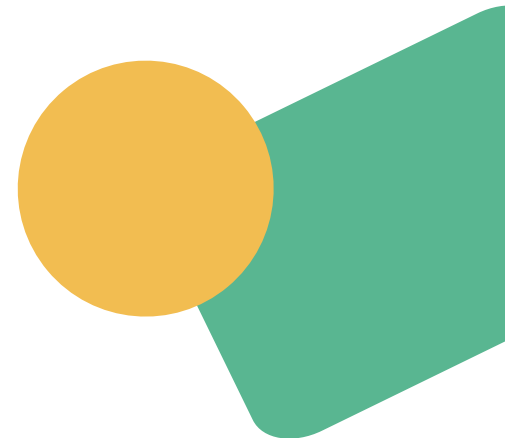
- Operate at the intersection of people and place
- Use diverse investment tools
- Bet on leaders
- Fund for the long haul

three- and five-year initiatives, but it does mean reframing them as interim experiments within longer processes that will require continuous adaptation, learning, and future evaluation to see what happens to the seeds we plant. Organizations become stronger when we continue to invest in them. Stronger organizations with consistent funding are better equipped to tackle the most deeply rooted challenges, like racial equity.

CONCLUSION

The COVID-19 pandemic powerfully revealed not only disparities in infection and mortality by race, but also how much the risk of illness derived from community conditions and circumstances. Crowded housing, reliance on public transportation, food insecurity, occupations in which working online is not an option, and toxic stress: all these and more put Black, Latinx, Native, and immigrant people and people with low incomes at greater risk for disease and death. The economic hit to the retail and service industries led to loss of income and the risk of eviction for many of the same people. All of these challenges were enormous, complicated, and symptomatic of the long-term challenges faced by disinvested communities. While federal aid did much to alleviate some of the immediate stress, real solutions will require time, courageous effort, bets on leadership, and very patient capital—all of which foundations can choose to provide.

This is a moment for philanthropy. It is a moment because of the years of innovation and experimentation during which foundations have tested new models of development, brought new actors and investors into the field, and catalyzed different modes of financing. It is a moment because there is now the prospect of a major federal investment in infrastructure and human development that will require communities to be organized and prepared. It is a moment because foundation support and convening power will be vital to helping communities clarify focus and include key stakeholders in the work. It is a moment because the deep wounds and trauma caused by racialized prejudice and exclusion have been exposed as never before, and the conversation will require courage and determination that are not subject to politics, ideology, or profit. In short, foundations must lead. And for the longer term, given their flexibility and role in society, foundations need to stay in the game.



ABOUT THE AUTHORS

David Fukuzawa is an independent consultant and advisor, with 30 years of grant making experience. He recently retired as the Managing Director-Health for The Kresge Foundation, where he built up Kresge's first national program to promote health equity. Before Kresge, he also worked at The Skillman Foundation, a private independent foundation in Detroit, Michigan. He currently serves on the boards of the Windward Fund and the Gretchen Swanson Center for Nutrition.

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About the Center for Community Investment

The **Center for Community Investment** at the Lincoln Institute of Land Policy works to ensure that all communities, especially those that have suffered from structural racism and policies that have left them economically and socially isolated, can unlock the capital they need to thrive. Our work is supported by the Robert Wood Johnson Foundation, the Kresge Foundation, and the California Endowment.

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