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Revitalizing Struggling American Cities

By Ben Hecht

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Living Cities is working with five US municipalities to develop an ecosystem for solving urban problems BY BEN HECHT

I HAVE SPENT MUCH of my professional life looking for the lever that would transform the lives of low-income people. In the 1980s, I believed it was housing. In the 1990s, I was certain it was strong community organizations. In the first part of this millennium, I thought the Internet was going to be the savior. Then in 2002, I sought financial support from Cisco Systems for an initiative we were developing at One Economy Corporation, an organization I co-founded in 2000. Cisco was a loyal supporter of our work and excited about this new idea. But the funders there said: "You can't solve this problem alone. You're rebuilding an ecosystem. Who are the other organizations that must be part of your solution if this is going to succeed?"

This question changed my life. I immediately understood that I would never find the magic lever because none existed. No matter how heroic the efforts of one person or how much "scale" one organization could achieve, it never would be enough. A new approach to social change had to be defined and nurtured—one that required three things: unprecedented *collaboration* among and between funders and local actors; a commitment to continuous measurement of impact and to *adapting* to changing conditions; and *resilience*, or the capacity to stay focused long enough to transform the problem. I've come to refer to this new approach as *dynamic collaboration.*

Four years ago, Living Cities, a 20-year-old funding collaborative of 22 leading foundations and financial institutions, shifted its focus, in part to build a blueprint for dynamic collaboration. We asked ourselves two fundamental questions: How can a national funder collaborative take full advantage of both the individual and collective expertise and influence of participating institutions to accelerate social progress? And how can local collaboration across sectors and issues produce enduring change for low-income people?

ILLUSTRATION BY ANGUS GREIG

DYNAMIC FUNDER COLLABORATION

Living Cities was founded on the belief that real change could be achieved only through private and public collaboration. From its inception in 1991, it was unlike any other collaborative. It brought together national foundations and financial institutions. This not only enabled the commitment of significant funding, it also strengthened Living Cities' governance board. Today, board members include senior representatives from foundations such as Ford, Rockefeller, Bill & Melinda Gates, and Knight, as well as financial institutions such as Bank of America, JPMorgan Chase, Metropolitan Life Insurance, and Morgan Stanley.

During its first 15 years, Living Cities' $1 billion of direct investment was leveraged 16 times over, moving neighborhood redevelopment efforts from isolated successes to greater scale, shaping federal funding programs, and helping to build homes, stores, schools, and community facilities.

In 2006, the Living Cities board set out to reinvigorate its collaborative model, both to respond to 21st-century realities and to heighten its effectiveness. The board challenged itself to be a change agent not just by combining money, but also by more intentionally deploying its members' collective knowledge and experience. Toward that end, the board established committees composed of more than 80 senior staff from member foundations and financial institutions to create a new programmatic agenda.

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At the same time, Living Cities heightened its ambitions—adding six new members and expanding its focus. Recognizing the organization's unique potential to blend assets and influence, the board committed to moving beyond the neighborhood scale and to focus on disrupting obsolete systems that have long kept innovations benefiting low-income people on the periphery. Substantial staff capacity was added so that the collaborative could build a network of relationships and an ecosystem equal to its ambitions. Staff were charged with measuring results and helping the collaborative respond to emerging opportunities or crises, such as the 2009 stimulus bill or the foreclosure epidemic.

Just as Living Cities' board saw a need to transform the way its members worked together, so too it saw the need to stimulate dynamic collaboration in communities. We needed to help cities build and sustain the right ecosystem of actors, public and private, who could combine resources, measure results, and adapt to changing conditions to solve their most pressing local problems. We developed the following principles, based on our experience, to guide our work:

Create a resilient civic infrastructure: Problems such as stunted economic growth are complex and require long-term solutions. Yet often cities' responses are technical and short-term, focused, for example, on supporting a better after-school program in one school or renovating buildings on one block. We need to require key decision makers from government, philanthropy, the nonprofit sector, and the business community to come together formally to drive long-term, more adaptive change processes.

Disrupt obsolete and fragmented approaches: Essential systems, such as education and transportation, were built decades ago and are based on now-outdated assumptions, such as the imperative of a nine-month school year to accommodate summer harvests. We need to give local leaders space to innovate and propose bold approaches that cut across traditional silos. We can't "nonprofit" our way out of our problems—nor can we fix them solely through government grants or market forces.

Engage private markets on behalf of low-income people: If we've learned anything in two decades, it is that engagement of private markets and capital is critical to sustainability and scale. We need to support solutions that combine grants with debt to attract private sector money and bring mainstream market goods and services, such as grocery stores and financial services, to underserved people.

Establish a new normal: We must establish a new way to mainstream successful innovation. We need government and business, in particular, to commit permanently to driving public and private sector funding streams away from obsolete approaches and applying them to proven solutions.

THE INTEGRATION INITIATIVE

Beginning in 2009, we designed an $85 million strategy, the Integration Initiative (TII), around these principles. We invited 19 cities to respond to a request for proposals that would result in a new definition of local collaboration. Rather than dictating the issues on which applicants should focus, we required that they explain how they would put our principles into practice for the benefit of low-income people.

After a lengthy selection process, Living Cities chose five cities—

Baltimore, Cleveland, Detroit, Newark, and Minneapolis/St. Paul—and committed to investing up to $20 million of loans, grants, and program-related investments into each. These cities face some of the nation's most important problems, from reimagining the reuse of land in Detroit to harnessing the billions of dollars of economic power controlled by Cleveland-area universities and hospitals for the benefit of low-income people and neighborhoods.

Although we announced the five winning cities only in October 2010, we already have learned an extraordinary amount:

The power of one table: Encouraging cities to create a single, multi-sector "table" for problem solving is yielding results. These tables are becoming engines for dynamic collaboration, encouraging leaders to stop working in parallel and begin deeper alignment to great effect. In Detroit, for example, the inclusion of lenders at the table has resulted in progress on $20 million of deal flow. In the Twin Cities, leaders are using the table to consolidate the governance of multiple transit-oriented developments and coordinate precious financial and human resources on solving problems.

Moving beyond the project: It is not easy for cities to focus on large systems change. For many reasons, including a hunger for short-term tangible results, city leaders default to the project, getting absorbed by the technical problems they are facing—those that have a solution and can be solved by experts. We have to keep cities focused on, in the words of Harvard University professor Ronald Heifetz, the adaptive challenges—the complex systems change—for which solutions must be invented and which take a longer time. We dedicated a substantial part of our February 2011 learning community with the five TII teams to this issue.

The paradox of the public sector: Our work has reinforced the challenge and necessity of working with the public sector. Only government can do what every city needs—combine local, state, and federal funds and redirect these resources from approaches that don't work to those that do. In places like Detroit and Newark, these efforts are helping the public sector re-engage, and in some cases, relearn how to collaborate.

The challenge of capital: Our TII selection process exposed how hard it is to match capital to community needs, especially for business expansion, commercial development, or health care facilities. Even when we made loans available, some cities had no institutions that could borrow and deploy it. Baltimore and Detroit brought in expertise and capacity; Newark created a new financial intermediary. We are working to understand the problem better and to find ways we might help cities innovate to overcome it.

The last 10 months have confirmed two fundamental assumptions we had at the outset of TII. First, leaders across sectors are hungry to come together, acknowledge that our systems for solving intractable problems don't work, and use their own financial and political capital to build a new type of adaptive collaboration that can bring about enduring change. Second, this collaboration must focus both on the means—how funders need to work differently—as well as the ends—how local actors need to change their behaviors. Living Cities is committed to supporting this dynamic collaboration in new, emergent, and responsive ways and to sharing lessons learned with the field. ■