



## Cities look to philanthropy as economic development tool

By [Dustin Dwyer](#)



[Dustin Dwyer / Changing Gears, December 28, 2011](#)

[The Amway Hotel](#). [Van Andel Arena](#). [The Grand Rapids Public Museum](#). What do all these things have in common? Yes, they're all credited with helping turn downtown [Grand Rapids](#) around. But they also owe their existence, at least in part, to something else: philanthropy.

"Everybody recognizes that Grand Rapids' downtown has been revitalized in these dramatic ways," says Michael Moody, who studies family philanthropy at the [Johnson Center for Philanthropy at Grand Valley State University](#).

Moody says one of the things that makes Grand Rapids downtown unique is how philanthropy has been used there.

"We do see institutions that were developed like hotels and convention centers that were developed through major roles of philanthropists, but that otherwise look like regular downtown economic development activities," he says.

But this kind of philanthropy is not necessarily unique to Grand Rapids.

Ronn Richard runs the [Cleveland Foundation](#). It's one of the largest community foundation in the country. Richard says when he was hired eight years ago, he knew that the foundation had to expand its scope - not just supporting existing organizations, but creating new ones from scratch.

And so the Cleveland Foundation started acting like a venture capital firm. It has a project called the Evergreen Cooperative. Richard says the project includes a pot of money, about \$22 million so far, to be used as startup capital to get businesses going.

"And then when they hit profitability, they will do two things," Richard says. "Ten percent of their profits will go back into the pot to start ever-more companies, and the rest of the profits get distributed among their employees because these are for-profit, employee-owned companies."

The companies are located in some of the most economically distressed neighborhoods of Cleveland. There is a clear social goal to Evergreen Cooperative.

But Richard says the businesses do have to be viable.

"You know, we are kind of hard-nose business folks when it comes to that," he says. "We couldn't afford to just keep pumping money into these companies if they're not profitable. So these are serious, for profit businesses."

Two businesses have launched so far. A third is launching soon. Richard says by next summer, the project will be directly responsible for creating 80 jobs.

This program is a unique way to tackle economic problems. And the Cleveland Foundation has many more projects with the same goal. So do other Midwest cities. You could go to Chicago, Milwaukee, Detroit or Flint and see the effects of philanthropy.

The [Chronicle of Philanthropy](#) keeps track of this kind of giving. If you look at just the institutions that give grants for community and economic development, the Midwest has four of the top five foundations in the country.

It is one of the great assets of our region - these foundations and philanthropic organizations that were set up years ago. They can continue to fuel our economies for years to come.