The Role Of Foundations In Economic Development:

A Cross-Regional Analysis

Systems Synthesis Project
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I. Executive Summary

The Role of Foundations in Economic Development: A Cross Regional Analysis investigates the varying ways in which economic development is perceived and implemented in six benchmark regions across the United States. Particular attention was paid to examining the role of the foundation community in economic development because of this sector’s emerging importance as a funding and administrative influence in the field.

Foundations are not typically directly engaged in economic development services and programs. They cannot, for example, provide direct loans or grants to private companies. These activities remain the province of government and nonprofits. However, foundations can support economic development initiatives in a variety of indirect ways and they are increasingly active in providing this kind of support. Foundations are providing grants for: strategic plans; the operations of organizations and nonprofits delivering services; facilities and projects for research and development; and marketing campaigns to promote the region.

The first section of this report provides an overview of foundation giving within and across the six benchmark regions of New York City, Philadelphia, Pittsburgh, Portland, St. Louis and Washington D.C. The role of the foundation community in these regions is viewed along the following five dimensions:

1. Millions of Dollars Granted Annually—New York and Washington dwarf the other four regions in this category due to the national and international organizations headquartered in these regions. This highlights the "apples-to-oranges" nature of any comparison in foundation giving between some regions.

2. Dollars Granted Annually Per Capita—The notable leader in this category is the Pittsburgh foundation community, which grant over $95 per capita each year. For a region of its size, the munificent levels of foundation giving in Pittsburgh produce per capita figures that are almost double those of every other region in this study excluding Washington.

3. Average Grant Size—The range of average grant size is relatively narrow, ranging from $115,000 in Pittsburgh and Portland to approximately $200,000 in New York, St. Louis and Washington. The degree of similarity in these figures represents a consistent element in the national foundation community.

4. Regional Giving by Foundation Type—In all the regions in this study except for Portland and St. Louis, independent foundations provide around 90% of total foundation giving. In Portland, community foundations average 17% of the region’s total annual funding and in St. Louis corporate foundations represent 35% of the granted funds.

5. Regional Giving by Foundation Location—The ratio of funding from foundations that are located "in-state" versus those that are "out-of-state" in New York, Philadelphia, Portland and St. Louis is about a 60-40% split. The two outliers are Pittsburgh with 91% in-state funding and Washington with an 87% dependence on out-of-state foundations.

The second section of this report examines four key findings regarding economic development and the foundation community’s role in this field.

1. Divergent Definitions of Economic Development—Economic development is generally defined in one of two ways: (a) a traditional and narrow definition that limits economic development to business attraction, retention and growth; or (b) a progressive and much broader definition that includes everything within community development from the arts to education. This new definition is overly expansive and unfocused. This study recommends consensus-building activities within each region to develop an economic development vocabulary that can be agreed upon by all the relevant sectors.

2. Widely Varying Roles of the Foundation Community—Foundations in Pittsburgh and
Philadelphia exhibit high degrees of influence in developing regional strategies, evaluating projects, supporting grant recipients, funding proactively and collaborating with other foundations. Foundations in these communities are role models because they fill an essential funding niche through their freedom to invest large amounts of private capital without the restrictions placed on public companies and government officials. Foundations in New York, Portland, St. Louis and Washington, however, do not take advantage of their niche-funding ability and are less strategic in their activities. This study recommends that foundations embrace their role as strategic niche funders of economic development.

3. Lots of Strategies; No Strategy—All six benchmark regions have failed to produce comprehensive regional economic development strategies that attain general community support and consensus. This study recommends that the public sector compel stakeholders with funding opportunities to formalize a unified strategy that is driven by the private sector and that draws on foundation support.

4. Lack of Systematic Metrics for Evaluating Success—An alarming lack of comprehensive program evaluation for economic development initiatives is attributable to a deficiency of readily available metrics for evaluating success. This study recommends the development of an assorted “bank” of available metrics that can be drawn on for project-specific evaluations across a wide variety of program areas. Public sector compel stakeholders with funding opportunities to formalize a unified strategy that is driven by the private sector and that draws on foundation support.
II. Introduction

Focused economic development strategies are becoming more and more important to American cities as they work to improve their neighborhoods, business districts and tourist attractions with increasingly limited budgets. This being said, there is little consensus about what activities constitute "economic development."

This study investigates the different ways in which economic development is perceived and implemented in six benchmark regions across the country. Particular emphasis is given to examining the role of the foundation community in economic development because of this sector’s emerging importance as a funding and administrative influence in the field.

With total annual foundation giving exceeding $15 billion during 2000, foundations have come to play a prominent role in all fields of community development. Foundations fund hospitals, housing projects, schools, universities, arts, parks, social services and many other initiatives. In many cases, the presence or absence of foundation funding will dictate the success or failure of an economic development initiative.

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Number of Foundations</th>
<th>Dollar Value of Grants Awarded</th>
<th>Number of Grants Awarded</th>
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</thead>
<tbody>
<tr>
<td>1998</td>
<td>1,009</td>
<td>$9,711,395</td>
<td>97,220</td>
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<tr>
<td>1999</td>
<td>1,016</td>
<td>$11,574,183</td>
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<tr>
<td>2000</td>
<td>1,015</td>
<td>$15,015,467</td>
<td>119,778</td>
</tr>
</tbody>
</table>

Total annual foundation giving from 1998 to 2000 (most recent year for which data is available) according to the Foundation Center

This study, commissioned by the Pittsburgh-based Joint Venture, investigates the status and nature of economic development initiatives in several regions across the country as compared with the greater-Pittsburgh region. In particular, the study focused on the following factors: (a) how the concept of economic development is understood; (b) the existence and nature of regional development agendas; (c) sources and uses of funds for economic development; and (d) decision making processes and structures that shape and drive economic development in different regions.

The study was conducted by several Carnegie Mellon graduate students from September 2002 to May 2003 and utilized both quantitative and qualitative research techniques to develop the following analysis. Interviews with foundations, economic development professionals, universities and media representatives followed widespread research on each region’s non-profit, economic development, foundation and governmental communities.

The research team employed a rigorous, quantitative selection process to decide on a series of benchmark regions for analysis. Ultimately, the research team chose to include New York, Philadelphia, Portland, St. Louis and Washington, D.C. to observe a spectrum of regions that both compared and contrasted with Pittsburgh along a number of social and economic indicators.

The following report presents an overview of foundation giving across the six benchmark regions, summarizes of the study’s four key findings, provides individual profiles for each of the benchmark regions and closes with an in-depth discussion of the study’s methodology.
III. Foundation Giving Across Regions

The research team turned to the Foundation Center as an authoritative source of published data to gather quantitative information about foundation giving within the six benchmark regions of this study. Founded in 1956, the Foundation Center is the nation’s leading authority on philanthropy.

This study is based on grants of $10,000 or more during 1998, 1999 and 2000 from a national sample of over 1,000 U.S. larger private and community foundations, including 800 of the 1,000 largest foundations as ranked by total giving. For community foundations, only discretionary grants are included.

This study draws on an analysis of giving from foundations all over the country to grant recipients located within selected Metropolitan Statistical Areas (MSA's). MSA's are designated by the U.S. Office of Management and Budget and represent large geographical areas surrounding metropolitan centers that share a degree of social and economic relatedness to that metro center. MSA's can cover hundreds of square miles and span multiple states.

The analysis of this data is informative when viewed along five different dimensions. What follows is an explanation of each of these dimensions, including a description of the nature of the analysis as well as a review of the salient observations that emerge.

1. Millions Of Dollars Granted Annually:

   New York and Washington tower over the other regions included in this study in terms of the average total annual volume of foundation giving to grant recipients within a region. This dominance is attributable to the national and international organizations headquartered in these regions.

   For example, the top recipient of grant funds in Washington during 2000 was the World Bank at over $49 million. In New York City, it was Columbia University at over $83 million. By comparison, the top recipient in Portland during 2000 was the Evergreen School District at just under $9 million. This vast difference in scale highlights the “apples-to-oranges” nature of any comparison in foundation giving between a large international city like New York or Washington and any other city in the United States.

   This study intentionally selected an assortment of both traditional and non-traditional benchmarks in the hopes of gleaning valuable information from both types of regions. A region with relatively low receipts of foundation dollars can learn more about philanthropic pursuits from a leader in the field than it can from a lesser peer-region. Moreover, regions with high levels of foundation support can learn how to make their dollars go farther by seeing how regions with lower funding levels stretch their limited resources.

![Graph showing millions of dollars granted annually in various cities]

Total annual average of 1998, 1999 and 2000 foundation giving to grant recipients within metropolitan statistical areas from the Foundation Center
2. Dollars Granted Annually Per Capita:

A very different picture emerges when regional foundation giving is adjusted for population in the MSA. Washington remains a leader in this category when the number of national organizations is placed relative to its population of only 7 million. By comparison, New York’s colossal $841 million in annual foundation receipts is greatly assuaged by its 20 million people such that its per capita receipts are below that of both Philadelphia and St. Louis.

The notable leader in the category of per capital funding levels, however, is Pittsburgh at over $95 in annual foundation grants per capita. Pittsburgh distinguishes itself despite the fact that its population of 2.3 million is virtually identical to both Portland and St. Louis. For a region of its size, the munificent levels of foundation giving in Pittsburgh produce per capita figures that are almost double those of every other region in this study with the exception of Washington.

Total annual average of 1998, 1999 and 2000 foundation giving to grant recipients within metropolitan statistical areas as adjusted by dividing through by July 1999 population levels within the MSA or CMSA, as available.
Source: The Foundation Center and the Population Estimates Program of the U.S. Census Bureau.
3. Average Grant Size

Despite the enormous variances in total giving and per capita giving across regions, the range of average grant size is somewhat narrower, spanning from $115,000 in Pittsburgh and Portland to around $200,000 in New York, St. Louis and Washington.

The degree of similarity among average grant sizes for the six benchmark cities represents a consistent element across the national foundation communities and highlights similarities in expectations and demands surrounding grant funds. Foundations in all benchmark regions award similarly sized grants. This includes regions that range from New York (which grants $841 million through 4,280 grants to an MSA of 20 million people) to Portland (which grants $80 million through 660 grants to an MSA of 2 million people).

Average grant size in dollars for foundation giving to MSA’s during 1998, 1999 and 2000 from the Foundation Center.
4. Regional Giving by Foundation Type:
Foundation communities are not homogenous. Rather, each region's community is comprised of many foundations of different types with varied funding interests and resources. The three major types of foundations as defined by the Foundation Center are Corporate, Community and Independent.

The Independent Foundation category is by far the broadest, subsequently accounting for an average of 83% of total funding within the six regions of this study. In New York and Washington, this percentage rose above 92%, making Independent Foundations the clear leaders in the foundation community.

Community Foundations in Portland, however, average 17% of the region's total annual funding as a result of the strong presence of the Oregon Community Foundation. In St. Louis, Corporate Foundations represent 35% of annual funding due to the prominence of local corporations such as Boeing-McDonnell, Anheuser-Busch and Ralston Purina. It must be noted, though, that these two instances have more to do with the proportionately underdeveloped nature of Independent Foundation communities than they do with focused and successful campaigns to garner funding from community or corporate foundation types.

A robustly diverse foundation portfolio should be the goal of every community. Regions that are overly reliant on independent foundations should encourage the development of Community and Corporate Foundations in their regions. Portland and St. Louis, respectively, may provide fruitful lessons on how to cultivate such funding relationships.

Average percentages of grant funds provided to MSA’s by Corporate, Community and Independent Foundations during 1998, 1999 and 2000 from the Foundation Center.
5. Regional Giving by Foundation Location:

The final dimension of the foundation giving analysis sheds light on the degree of self-sufficiency exhibited by each region. The analysis compared the percentage of funding that originated from foundations within the same state as the metro center of the MSA, to the percent of funding that was provided by foundations located elsewhere in the nation. The majority of foundations in this latter category are large, national foundations such as the Gates, Ford, Annenberg and W. K. Kellogg Foundations.

At this level of analysis, New York, Philadelphia, Portland and St. Louis all presented similar levels around 60% In-State and 40% Out-of-State funding. These proportions are considered to represent a healthy mixture of self-sufficiency through local resources and capitalization of resources outside of the region.

There were, however, two significant outliers: Pittsburgh and Washington. Over 91% of annual foundation funding for Pittsburgh-based recipients comes from foundations within the state of Pennsylvania, most within the city of Pittsburgh itself. On the one hand, this preponderance of In-State funding represents a well-endowed and locally-focused foundation community that is often the envy of other regions across the nation. On the other hand, as long as there are social problems there will be a need for more funding. Pittsburgh non-profits have not learned to tap into the wealth of external resources.

The second outlier is Washington with 87% dependence on out-of-state foundations. Washington's “In-State” category was, in fact, broadened to include foundations located in Virginia, West Virginia and Maryland as well as the District of Columbia because Washington is not located in a traditional state. Despite the large geographic area under consideration, only 13% of grant funds to Washington-based organizations actually originated from that region. Again, this disproportionate under-representation is attributable to the nature of the organizations headquartered in the Capital and the strength of their connections to communities all across the nation.

Average percentages of grant funds provided during 1998, 1999 and 2000 to MSA’s by foundations either located within the same states as the metro center of the MSA or from foundations located in other states. Even when an MSA spanned multiple states, such as with New York City (NY, NJ, CT and PA), only the metro center’s state was counted as “In-State” (NY foundations only). The exception to this rule was Washington D.C., which is not part of a state. For Washington, foundations located DC, Virginia, West Virginia and Maryland were all counted as “In-State.” Although data for In-MSA versus Out-of-MSA foundations would have been preferable to state-based data in order to avoid the apples-to-oranges comparison, this information was not readily available from the Foundation Center.
IV. Key Findings

In order to investigate the status and nature of economic development initiatives in each of this study’s six benchmark regions, quantitative data was augmented with qualitative information from a number of sources. Internet-based research of primary and secondary resources was combined with over one hundred telephone interviews with regional stakeholders from foundations, economic development organizations, newspapers, universities and government agencies.

Four key findings emerged when this data and information was analyzed first for each region individually and then for all six regions taken together. What follows is a brief overview of each key finding as well as general recommendations to all regions.

Key Finding #1: Divergent Definitions of Economic Development

Finding Overview:
Across all the regions encompassed by this study, there was a dramatic lack of consensus around the definition of “economic development.” When asked to offer a description of economic development, many interview subjects had to think for several moments as if they had never entertained the question. Several organizations with missions to promote economic and/or community development admitted that they had no working definition to offer.

Those who were able to offer relevant commentary on this subject generally fell into two factions with a fundamental conceptual divergence. The “traditional” group drew a stark distinction between economic and community development, defining economic development narrowly as those activities that directly promoted business attraction, retention and growth. Many organizations funding economic development felt that they were relegated to this group by longstanding internal and governmental restrictions on their giving.

The “progressive” group, on the other hand, merged economic and community development into one entity and offered a broad definition that included just about everything to improve society (e.g. workforce development, talent attraction, regional marketing, education, environment, regional amenities, fine arts, housing, human services, public safety, etc.)

According to several interview subjects, the broader of these two definitions began to emerge around ten years ago when economic development professionals realized how closely intertwined their work was with that of their counterparts in community development.

The problem with this new definition is that it is not sufficiently focused or understood. Even adherents to the progressive faction admit that the term has lost its meaning, the field has become muddled, professionals have lost sight of the big picture, and focusing on everything has been at the expense of specialization.

Some regions in this study were more successful at defining economic development than others. For example, both Pittsburgh and St. Louis have effective regional organizations that attract a wide variety of key economic development players. Other regions do not have active or effective organizations that allow for cross-sector conversations and familiarity with other individuals who are outside of one’s own sector. (please see graphic on next page.)

Study Recommendation:
There was a pressing need observed in each region to clarify roles and terminology and to build community consensus around the topics included in “economic development.” This might be done through a conference, convention, taskforce or coalition, but it must be done in order for regions to effectively pursue economic development.

Regional Summaries:
New York:
Both groups are represented but a majority lean toward the narrow, traditional definition of economic development, implying that the broader definition has no meaning at all.

Philadelphia:
The broad, progressive definition is embraced to a greater extent, with a particular focus on affordable housing, neighborhood initiatives and the arts.
Range of Definitions for “Economic Development”

Subjective placement of each region along a continuum based on the relatively narrow or broad way in which interview subjects viewed the conceptual definition of “economic development.” The broad-end of the continuum includes not only traditional business attraction and retention but also an assortment of community development initiatives, several of which are listed here in no particular order.

Pittsburgh:
Both groups are strongly represented with a lack of consensus between them, resulting in a hodgepodge, mélange approach that lacks focus, although there has been a growing willingness to entertain the broader definition.

Portland:
The broad, progressive definition is widely embraced, although many people are so concerned about improving the regional economy that they would gladly include anything that helps within the term “economic development.”

St. Louis:
Respondents leaned toward the narrow, traditional definition, with a focus on job growth and technology cluster-based development.

Washington, DC:
The region focuses on the narrow, traditional definition with particular emphasis on “equitable development” that is able to benefit all levels of society.
Key Finding #2: Widely Varying Roles of the Foundation Community

Finding Overview:
The role of the foundation community in economic development is a complex and multidimensional issue. In order to further investigate this subject it is helpful to define several of the ways in which individual foundations vary in terms of their levels of involvement in the field of development. For example, foundations may differ according to their degree of:

- Influence in developing regional strategies
- Control over development planning and oversight of funded projects
- Support for grant recipients beyond basic funding provision
- Proactive (strategic) versus reactive (non-strategic) funding
- Collaboration with other foundations in the community
- Regional encouragement for their fundamental involvement in economic development

Analyzing each region along these dimensions produced two distinct groups with Pittsburgh and Philadelphia in the first and St. Louis, New York, Portland and Washington D.C. in the second. The foundations in the first group (Pittsburgh and Philadelphia) ranked high in each of the six dimensions while the foundations in the second group produced comparatively low scores along these dimensions.

For example, foundations in Pittsburgh and Philadelphia can claim high degrees of influence in developing regional strategies, control over funded projects, supporting grant recipients, proactive funding and collaboration with other foundations in their funding decisions. When community members were asked their opinions about whether or not foundations should play an active role in funding and shaping economic development, both regions provided similarly affirmative answers.

Foundations in Pittsburgh and Philadelphia fill an essential niche in the funding arena because of their freedom to invest large amounts of private capital without the restrictions that are normally placed on public companies and government officials. Foundations have no shareholders or voters to appease and as such they can be more entrepreneurial in their funding decisions and take as much risk as the trustees will bear.

When contrasting participation from Philadelphia and Pittsburgh’s corporate communities, however, a key difference becomes apparent between the two regions. Pittsburgh’s corporate foundation community is more active in economic development and Philadelphia interviewees often reported a jealousy towards Pittsburgh’s deeper pockets.

By contrast, despite the fact that Portland, St. Louis and New York respondents opined that foundations should play a more active role in economic development, the reality is that they simply do not play such a role, regardless of the amount of funding they provide. Foundations in these regions are secondary players in economic development that provide reactive funding for initiatives developed by government, universities and the private sector. There is comparatively little involvement in, or control over, the funded initiatives on the part of the foundations.

To a certain extent, Washington is a hybrid of these two groups. The centerpiece of Mayor Williams’ administration is an economic development strategy based around large civic projects and bringing new professionals into the community. The foundation community has taken up a more active role in community development, and other areas that they believe are in need of strategic support.

(please see graphic on next page.)
Qualitative determination of foundation involvement in each region along four different categories as plotted on a spider-graph. A region’s point along each axis represents a subjective opinion of where foundations in that region fall along a continuum, as based on interview results. For each region, the points on each of the four axes are connected to form a geographic shape. The two region-groups are clearly visible from this graphic.
Study Recommendation:
Foundations in every region should categorize themselves along these lines and conduct an analysis of the strengths and weaknesses of their position. Gaps in economic development funding should be identified and addressed by foundations because their uniquely unrestricted funding capacity allows them to serve an essential niche role in funding economic development.

Regional Summaries:
New York:
Opinion is split on whether or not foundations should lead economic development. Yet, the primary role foundations currently play is funding the initiatives developed and led by others such as universities and government agencies. Funding is categorized as reactive because most New York foundations follow rather than lead the region's economic development.

Philadelphia:
The William Penn Foundation, Philadelphia Foundation and The Pew Charitable Trusts are active players in shaping Philadelphia's economic development. These foundations are proactive contributors to economic development and the strategic funding model is embraced. The majority opinion is that foundations should play an active role in economic development. A fairly high degree of collaboration exists among the most active foundations. The leading foundations are active players in providing expertise to grant recipients in the form of integrated consultation and strategic partnerships.

Portland:
Foundations in Portland are reactive and play a small role in regional economic development. Foundations typically fund economic development indirectly by supporting organizations that are creating jobs like universities and hospitals. Little regional collaboration between foundations exists although efforts at creating higher levels of collaboration are underway.

Pittsburgh:
Foundations are intimately involved in economic development and are becoming more proactive and strategic in terms of economic development funding.

St. Louis:
Funding is reactive in that foundations play a small role in regional development and typically fund economic development initiatives that are driven by universities and governments.

Washington, DC:
Driven by the Williams mayoral administration, foundations play an active role in economic development at the community level, but they generally do not collaborate.
Key Finding #3: Lots of Strategies; No Strategy

Finding Overview:
Each of the six benchmark regions presented a number of different strategies for achieving regional economic development. Major strategic initiatives include supporting commerce, attracting talent, regional marketing, rebuilding metropolitan centers and revitalizing communities.

The strategies differed widely in terms of their focus, stakeholders, groups shaping and driving their agendas, levels of support and public awareness, funding sources and amounts, and degrees of success.

Yet no region in this study was able to produce a unified regional strategy for economic development. The multitude of disparate initiatives created factions and counter-productive levels of internal competition. Lack of consensus produced suboptimal success rates if not outright failure.

A Few of the Strategies

<table>
<thead>
<tr>
<th>City</th>
<th>Initiative</th>
<th>Awareness</th>
<th>Driver</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>New York Industrial Retention Network</td>
<td>High</td>
<td>Non-Profit</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>Neighborhood Transformation Initiative</td>
<td>High</td>
<td>Gov</td>
</tr>
<tr>
<td></td>
<td>Avenue of the Arts</td>
<td>High</td>
<td>Gov</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>Allegheny Conference on Community Development</td>
<td>High</td>
<td>Non-Profit/Private</td>
</tr>
<tr>
<td></td>
<td>Three Rivers on Future</td>
<td>High</td>
<td>Private</td>
</tr>
<tr>
<td>Portland</td>
<td>Portland Development Commision</td>
<td>Low</td>
<td>Gov</td>
</tr>
<tr>
<td></td>
<td>Governor’s Recovery for Oregon Workers</td>
<td>Med</td>
<td>Gov</td>
</tr>
<tr>
<td>St. Louis</td>
<td>Regional Commerce and Growth Chamber</td>
<td>High</td>
<td>Public/Private</td>
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<tr>
<td>Washington D.C.</td>
<td>reSTORE DC</td>
<td>High</td>
<td>Gov</td>
</tr>
</tbody>
</table>

Across different sectors, government agencies generally presented the clearest economic development strategies with the broadest support. In the foundation community, most organizations expressed their support for development strategies, even if it was not stated explicitly in their mission statements. It is increasingly common to involve the corporate sector in research and planning strategies, having them both consult and directly support such initiatives.

The inability to develop a broad consensus around an inclusive agenda is a major obstacle to executing a regional strategy. The various stakeholders each have their own goals, agendas, expectations and limitations, which at times directly contradict to each other. Regrettably, this prohibits the formation and subsequent execution of a strong regional economic strategy.

For each region, the top one or two economic development strategies have been provided as examples, along with the perceived levels of community awareness of the program and the sector responsible for driving the program forward.
Study Recommendation:

Government should compel stakeholders, through funding opportunities, to formalize a unified, regional development strategy - one that is driven by the private sector and draws on foundation support.

Regional Summaries:

New York:
Corporations proactively initiate the strategy of the region. Businesses contribute to develop the region's workforce to serve their own needs. Therefore, the government and non-profit agenda conflicts with corporate missions in terms of development.

Philadelphia:
Development of the urban core and neighborhood and community development initiatives led by the governor's office most prominently define the strategy in Philadelphia.

Portland:
Marketing the region and building and sustaining the business community are key elements in the governor's GROW (Governor's Recovery for Oregon Workers) initiative. The Portland Development Commission is also working to invigorate and grow the City of Portland.

Pittsburgh:
Pittsburgh has a powerful non-profit organization, which is relied on by many of the major non-profit, government and foundation organizations. This is not considered "regional" because of variety of missions across 13 counties.

St. Louis:
The consensus and authority is consistent among all sectors and is focused generally on sustaining businesses and biomedical areas. The predominant funded strategy is a cluster strategy focused on precision manufacturing, bio-medical and life sciences and agriculture.

Washington, DC:
There is a strong divergence between the strategy of the government and a few large foundations, versus the smaller foundations in the community. The government and the large foundations are focused on bringing in high-income persons and large development projects, while the smaller foundations are focused on affordable housing and equitable development.
Key Finding #4: Lack of Systematic Metrics for Evaluating Success

Finding Overview:
In the regions examined in this study, there was a consistent lack of comprehensive program evaluation for economic development initiatives. This shortcoming was primarily attributed to a deficiency of readily available metrics for evaluating success.

Most foundations and organizations conduct some forms of monitoring, but it is not strategic, comprehensive, rigorous or independent in nature. The typical mechanisms from the perspective of foundations are grant proposals, progress reports, final reports, site visits and interviews with organizations.

However foundations do not have the resources to adequately track the effectiveness of most of their grants, especially the smaller ones. Insufficient human resources have left most foundations completely dependent on funding recipients to generate evaluation metrics and success appraisals.

In this backward arrangement, an organization is free to request funds from a foundation, develop their own means of evaluating success, subjectively track their own progress along such lines, and then report back a 100% success rate in order to ensure continued funding.

Particularly in areas with smaller foundation resource-bases, this apathy seems to be motivated by the fact that foundations do not see themselves as agents of vital community change. Particularly in St. Louis, Portland, and Washington, foundations see themselves as enablers of agendas initiated by government agencies, not-for-profit organizations, community development corporations and grass roots initiatives.

Foundations in both Pittsburgh and Philadelphia are working hard to improve this situation. Philadelphia’s William Penn Foundation, for example, has had noteworthy success with its “Outputs and Outcomes” system. This system monitors projects over time following the completion of funding pieces by tracking key indicators and assessing individual grants, grant types and foundations strategies. The purpose of the system is to help the William Penn Foundation become a better strategic partner with grant recipients by learning from and sharing the outcomes of each grant.

Furthermore, the lack of regional development strategies mentioned above prevents individual initiatives from being effectively judged in relation to their contribution to larger regional success. A program that seeks to improve infrastructure in a community may be entirely successful, but if there is no strategic regional need for such improvements then the program is more wasteful of resources than other priorities.

Regional Levels of Systematic Metrics for Evaluating Success

This figure juxtaposes those regions that lack consistent and systematic measures for evaluating the success of economic development initiatives against those that have been more effective in that arena. Note that Philadelphia is place more toward the middle of the seesaw than the
Study's Recommendation:
First, universities and think tanks should partner with foundations and economic development organizations to develop an assorted “bank” of available metrics that can be drawn on for project-specific evaluations across a wide variety of program areas. This bank may include hundreds of different metrics with well-developed evaluation instruments for each one. If such a bank were developed, foundations could require grant recipients to choose several metrics from the bank and employ the preexisting evaluation instruments in assessing their specific program, thereby creating a more equitable and effective evaluation system.

Second, each region needs to adopt an inclusive, unified economic development strategy that ensures broad community support. Only by articulating such clarity of vision can individual programs and initiatives be judged in relation to larger regional progress. Regional Summaries:

New York City:
New York City does not use any consistent metrics to evaluate success. The evaluation process, in a few cases, depends primarily on recipient reports. Respondents claimed that evaluations are very expensive and usually exceed the actual grant.

Philadelphia:
In Philadelphia, the William Penn Foundation, which awards between $40- $47 million each year, does credible evaluation with a system called “Outputs and Outcomes.” Other major foundations report using established metric systems and hiring consultants to evaluate their largest grants.

Portland:
In addition to being primarily reactive in nature, Portland foundations do not award adequate resources to justify extensive evaluation programs. They do monitor grant progress using traditional methods.

Pittsburgh:
Pittsburgh criteria are in flux and depend on changing variables, such as the economy. The most consistent set of evaluation metrics has been maintained by the Pittsburgh Post-Gazette, which measures regional development rather than project-specific success. Their metrics include job growth, gross metro product, productivity, exports, start-ups, initial public offerings, new and expanded facilities, real estate construction, labor force participation, unemployment, average annual pay and population growth.

St. Louis:
In St. Louis economic development organizations tend to justify success with their missions. From a foundation standpoint, success is measured on a case-by-case basis and evaluation is seen as a waste of scarce resources. Success is often measured by the existence of the organization and not the fulfillment of a mission.

Washington, DC:
In Washington, success is measured on a case-by-case basis, which is typically determined by the nature of the project.

end because of its only moderate levels of success in comparison to the other regions. No region in this study presented comprehensive metric for evaluation across disparate program areas.
V. Profiles Of Benchmark Regions

The following sections provide a more in-depth analysis of each benchmark region. For each of the six regions included in this study, the report includes a statistical profile, foundation giving profile, key findings and recommendations for further development.

The statistical profile provides a sketch of the region’s socio-economic condition that provides a framework for viewing the regional profile. The following facts have been provided for each region:

1. Population: In order to provide a sense of the overall population sizes of the regions, Metropolitan Area Population Estimates for July 1, 1999 have been provided, which is the most recent figure available from the U.S. Census Bureau. Figures used are for the Pittsburgh and St. Louis MSA as well as the New York, Philadelphia, Portland and Washington CMSA.

2. Growth 1960-2000: Overall economic growth between 1960 and 2000 provides a sense of the long-term fiscal health of a region and was retrieved from the Census Bureau.

3. Regional GDP: This figure is the 1999 estimate for the value of the gross domestic of the region as obtained from the Bureau of Economic Analysis.

4. Per Capita Earnings: Represents the average per capita individual earnings for the most recent year available from the Bureau of Economic Analysis.

5. Freeway Miles Equivalents: To indicate the differing capacities of regions to move people and goods, the number of Freeway Equivalent Miles for every 1,000 persons in the MSA is reported from 1999 data from the Texas Transportation Institute.

6. Unemployment Rate: To provide insight into the state of the regional economy, the profile includes the annual average rate of unemployment from 2001 according to the Local Area Unemployment Statistics program of the Bureau of Labor Statistics.

7. Dependency Ratio: This number presents the ratio of the number of people living in the MSA who are under age 15 and above age 65 to the number of people who are in the working-age population (those aged 15-64). Source: US Census.

8. Bachelor’s Degrees: This statistic provides the percentage of the population aged 25-34 with a bachelor's degree or better and comes from Version 2.2 of The State of the Nation’s Cities database from 1998, commissioned by the U.S. Department of Housing and Urban Development and assembled by the Center for Urban Policy Research at Rutgers University. The database contains data on 77 American cities and suburbs and includes the metropolitan areas used in this report.

In the foundation giving profile for each region, information from the Foundation Center has been analyzed and turned into a summary table. The analysis draws on giving from foundations all over the country to grant recipients located within the six MSA’s. Specifically, it is based on the average of grants made during the years 1998, 1999 and 2000 of $10,000 or more from a national sample of over 1,000 larger private and community foundations in the nation, including 800 of the 1,000 largest foundations as ranked by total giving.

The research team gathered data from web-based resources, including primary and secondary sources, and conducted over one hundred telephone-based interviews with regional stakeholders from foundations, economic development organizations, newspapers, universities and government agencies. The research team interpreted and synthesized all of the quantitative and qualitative data for each region to generate the key findings and recommendations. As such these findings and recommendations are subjective and reflect the opinions of the research team alone and not those of its client or Carnegie Mellon University.
1. New York City, New York

Statistical Profile

Population: 20,196,649  
Unemployment Rate: 6.1
Growth 1960-2000: 7.3%  
Dependency Ratio: 36.01
Regional GDP: $356,961,000  
Bachelor’s Degrees: 36.4%
Per Capita Earnings: $28,962  
Freeway Miles Equivalents: 0.564

Foundation Giving Profile

<table>
<thead>
<tr>
<th>Category</th>
<th>Average Annual Dollars Awarded to the Region</th>
<th>Percentage Represented by Dollars</th>
<th>Number of Grants Annually</th>
<th>Average Grant Size By Dollars</th>
<th>Per Capita Dollars Granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Foundation Giving</td>
<td>841,313,125</td>
<td>100.0%</td>
<td>4,280</td>
<td>196,553</td>
<td>41.66</td>
</tr>
<tr>
<td>Independent Foundations</td>
<td>782,237,856</td>
<td>93.0%</td>
<td>3,124</td>
<td>250,423</td>
<td>38.73</td>
</tr>
<tr>
<td>Community Foundations</td>
<td>23,504,776</td>
<td>2.8%</td>
<td>426</td>
<td>55,219</td>
<td>1.16</td>
</tr>
<tr>
<td>Corporate Foundations</td>
<td>35,570,493</td>
<td>4.2%</td>
<td>731</td>
<td>48,660</td>
<td>1.76</td>
</tr>
<tr>
<td>In-State Foundations</td>
<td>560,535,415</td>
<td>66.6%</td>
<td>3,802</td>
<td>147,432</td>
<td>27.75</td>
</tr>
<tr>
<td>Out-of-State Foundations</td>
<td>280,777,710</td>
<td>33.4%</td>
<td>478</td>
<td>586,992</td>
<td>13.90</td>
</tr>
</tbody>
</table>

From 1998 to 2000, the majority of organizations providing grants for economic development in New York were based in the New York metro region. Most New York foundations, however, give generously outside of the region and indeed all over the world. Wealthy entrepreneurs making their fortunes from international corporations with New York headquarters started many of these foundations. Each year, a preponderance of granted funds originated from the top fifteen givers. Most of these foundations gave out more than 25 multi-million dollar grants annually, which is a testimony to the tremendous wealth of this foundation community.

Key Findings

The definition of economic development in New York is both broadly construed and largely unclear to most people in the field. In traditional terms, development corporations are more concerned with community, rather than economic development and were reluctant to even respond to direct questions about economic development. Several academic sources claim that the term has been rendered meaningless because it can apply to almost anything and therefore it must be defined on a case-by-case basis.

The regional development strategy is largely driven by the corporate community and its desire to cultivate a robust workforce from which they can draw their employees. A problem arises, however, from the fact that the public and non-profit sectors both have their own visions for development agendas that are not always consistent with those of the private sector.

New York foundations may be internationally influential, but they are not the primary leaders of local economic and community development. They instead choose to reactively fund those programs that are generated and driven by the public sector year after year. Moreover, there is not much collaboration within the foundation community because of the tremendous size and global focus of many of these organizations. Although the foundations focus on specific issue...
areas that might fall under the umbrella of economic development, very few of them focus on the broader term and define economic development as one of their program areas.

Few organizations concentrate on how to effectively evaluate the success of economic development initiatives. Measuring success is considered too expensive for the current economic slump and one interview subject noted that evaluation processes often require more money than the program they are evaluating. Reports are filed about how funds were spent but there is no systematic or analytical process.

**Recommendations for Development**

- Greater levels of cooperation within the foundation community would make for a more powerful and efficient system.
- Economic development should be more clearly defined and professionals in the field should come to adopt a common definition.
- A team should work to develop a series of metrics that can be used to provide clear quantitative and qualitative measures for evaluating projects and grants.
- The smaller borough foundations should collaborate with each other and with the larger foundations to build a better New York from the small neighborhoods on up.

## 2. Philadelphia, Pennsylvania

### Statistical Profile

- Population: 5,999,034
- Growth 1960-2000: 7.2
- Regional GDP: $172,229,000
- Per Capita Earnings: $23,060
- Freeway Miles Equivalents: 0.627
- Unemployment Rate: 4.3
- Dependency Ratio: 37.91
- Bachelor’s Degrees: 32.9%

### Foundation Giving Profile

<table>
<thead>
<tr>
<th></th>
<th>Average Annual Dollars Awarded to the Region</th>
<th>Percentage Represented by Dollars</th>
<th>Number of Grants Annually</th>
<th>Average Grant Size By Dollars</th>
<th>Per Capita Dollars Granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Foundation Giving</td>
<td>294,197,125</td>
<td>100.0%</td>
<td>2,088</td>
<td>140,877</td>
<td>49.04</td>
</tr>
<tr>
<td>Independent Foundations</td>
<td>265,365,414</td>
<td>90.2%</td>
<td>1,480</td>
<td>179,301</td>
<td>44.23</td>
</tr>
<tr>
<td>Community Foundations</td>
<td>13,218,289</td>
<td>4.5%</td>
<td>296</td>
<td>44,606</td>
<td>2.20</td>
</tr>
<tr>
<td>Corporate Foundations</td>
<td>15,613,422</td>
<td>5.3%</td>
<td>312</td>
<td>50,043</td>
<td>2.60</td>
</tr>
<tr>
<td>In-State Foundations</td>
<td>176,720,373</td>
<td>60.1%</td>
<td>1,598</td>
<td>110,588</td>
<td>29.46</td>
</tr>
<tr>
<td>Out-of-State Foundations</td>
<td>117,476,752</td>
<td>39.9%</td>
<td>490</td>
<td>239,585</td>
<td>19.58</td>
</tr>
</tbody>
</table>
Over the period from 1998 to 2000, giving from the Philadelphia foundation community increased. Most foundation giving comes from local foundations and The Pew Charitable Trusts and William Penn Foundation are annually the top two foundations in terms of dollars granted-consistently giving about 30% of the total dollars among the 50 most active foundations. The year 2000 saw an increase in national foundation giving with the Gates, Mellon, Verizon and Ford Foundations all contributing much greater dollar amounts to the Philadelphia area.

Key Findings
The region’s economic development strategy is defined and driven through the mayor’s office via programs such as downtown revitalization via the arts, neighborhood revitalization, affordable housing and efforts to improve the Philadelphia City Public School System. Beyond these common themes, definitions for economic development range across areas such as education, workforce development, housing, commercial development, sustainable development, tourism and safety.

The William Penn Foundation is the prominent foundation player driving Philadelphia’s economic development, although The Pew Charitable Trusts and The Philadelphia Foundation play active roles as well. The prominent foundations use proactive, integrated/consultative funding models, working closely with recipients to create and implement strategies. This model allows foundations to have much control over planning and oversight of initiatives.

The majority of Philadelphia respondents proposed that foundations were perfectly positioned to drive economic development. One subject noted, “Foundations have the influence to act quickly and make things happen and can take the risks...its hard to imagine a better group of leadership elite than foundations... they overtly look out for the welfare of the city.”

Large foundations have internal evaluation units that monitor major projects. One foundation reports hiring project evaluation consultants for larger projects. Most measurement happens through due diligence before a project begins to best insure the recipient and project is worthy. In particular, The William Penn Foundation has an evaluation system called “Outputs and Outcomes” that is predicated on working closely with strategic partners and grant recipients to best understand community needs and form and fund strategies appropriately.

The Philadelphia foundation community has begun to truly embrace economic development strategy as a major piece of their overall funding strategy. But foundations are still not the region’s prominent economic development funding sources. The local, state, and federal government provides more overall money in economic development.

Recommendations for Development
• The local corporate community must become involved in funding economic development to a greater extent.
• Embrace the integrated funding approach pioneered by The William Penn Foundation and others to create intimate strategic ties between grant makers and grant recipients and thus better respond to the needs of the community.
• The foundation community needs to raise economic development to the level of priority that health care and education have enjoyed.
• Economic development must be defined in very specific terms such that funding gaps in economic development can be more easily identified.
3. Pittsburgh, Pennsylvania

Statistical Profile

- Population: 2,331,336
- Growth 1960-2000: 6.5%
- Regional GDP: $72,206,000
- Per Capita Earnings: $20,021
- Freeway Miles Equivalents: 0.986
- Unemployment Rate: 4.3
- Dependency Ratio: 39.17
- Bachelor’s Degrees: 34.1%

Foundation Giving Profile

<table>
<thead>
<tr>
<th></th>
<th>Average Annual Dollars Awarded to the Region</th>
<th>Percentage Represented by Dollars</th>
<th>Number of Grants Annually</th>
<th>Average Grant Size By Dollars</th>
<th>Per Capita Dollars Granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Foundation Giving</td>
<td>221,516,570</td>
<td>100.0%</td>
<td>1,916</td>
<td>115,634</td>
<td>95.02</td>
</tr>
<tr>
<td>Independent Foundations</td>
<td>191,005,518</td>
<td>86.2%</td>
<td>1,295</td>
<td>147,495</td>
<td>81.93</td>
</tr>
<tr>
<td>Community Foundations</td>
<td>13,700,436</td>
<td>6.2%</td>
<td>235</td>
<td>58,300</td>
<td>5.88</td>
</tr>
<tr>
<td>Corporate Foundations</td>
<td>16,810,616</td>
<td>7.6%</td>
<td>386</td>
<td>43,588</td>
<td>7.21</td>
</tr>
<tr>
<td>In-State Foundations</td>
<td>201,759,054</td>
<td>91.1%</td>
<td>1,820</td>
<td>110,836</td>
<td>86.54</td>
</tr>
<tr>
<td>Out-of-State Foundations</td>
<td>19,757,517</td>
<td>8.9%</td>
<td>95</td>
<td>207,247</td>
<td>8.47</td>
</tr>
</tbody>
</table>

The Greater Pittsburgh region is dependent on a tremendous amount of foundation giving, averaging around $95 in annual grants per capita in the metropolitan statistical area. This is one of the highest per capita receipt rates in the country and is more than double the rate of every other region in this benchmark study (except for Washington, which is skewed by giving to national and federal organizations). Moreover, a striking majority of these grants come from independent foundations (86%) and nearly all the foundation giving in a given year originates from foundations within the state of Pennsylvania (91%). The overall picture of foundation influence in Pittsburgh is one of a greatly endowed, extremely generous, locally present and locally-focused group of independent foundations.

Key Findings

The respondents’ consent that no one can agree on what economic development is anymore. Traditionalists restrict the concept to business attraction, retention and growth. Growing in popularity, however, is a definition that began to emerge around ten years ago and is so broad that it lacks focus and definition. It includes everything from workforce development to regional amenities and from regional marketing to environmental improvement.

The Allegheny Conference on Community Development is the primary organization in shaping and driving the regional strategy. The region’s strategy is focused on technology-based growth industries, talent attraction and retention, education, infrastructure, business attraction and retention, quality of life issues and regional amenities.
Pittsburgh is blessed with an extremely strong foundation community that values collaborative funding and has become involved in economic development over the last ten years. Foundations fill an entrepreneurial niche because they can invest freely without being concerned about turning a profit (as the corporate world must with private dollars) and without being worried about ensuring reelection (as the government must with public dollars). Over the last few years, foundations have been growing more proactive and activist in their funding, demanding greater accountability and requesting more control over fund utilization.

The specific metrics for evaluating any given economic development project are entirely project-specific, having been generated by the project organizers based on the nature of the project and their capacity to measure results. There is no standardized set of measurement tools on which project organizers can draw or to which contributors can demand adherence. This is regarded as an area for needed improvement.

The foundation community has begun to embrace economic development and wealth creation as one of their major funding areas within the last five to ten years, but the major source of funding in the area is still by far the state and federal governments. No other source of funds (private, corporate, foundation) can approach the amount of money at the disposal of the public sector. However, interviewees expressed an opinion that sustainable economic development must still be fueled and driven by corporations in the private sector. All other funding should be directed toward supporting.

**Recommendations for Development**

- The current definition of economic development should be more clearly spelled out; the strategy should be focused more sharply on fewer initiatives and broadened geographically to include the whole region; roles and responsibilities should be clearly delineated; and broad community consensus should be cultivated and mobilized.

- Economic development professionals should continue working to reduce inter-county competition and build a sense of regional identity from which marketing efforts can succeed.

- Workforce development should be further integrated into economic development initiatives and collaboratives. Demand-side and supply-side employment issues should be considered equally.

- Economic development agencies should be reengineered so that they are less bureaucratic and more agile, entrepreneurial, customer-oriented. Tax structures and zoning codes should be simplified and relaxed to remove barriers to businesses attraction.

- A set of standard metrics for measuring success should be developed. Several dozen readily available measurements should be developed on which project organizers can draw to which contributors can demand adherence. This would take the form of a ‘buffet of metrics” from which everyone can draw.
4. Portland, Oregon

Statistical Profile

Population: 2,180,996
Growth 1960-2000: 8.9%
Regional GDP: $60,856,000
Per Capita Earnings: $22,418
Freeway Miles Equivalents: 0.704
Unemployment Rate: 5.9
Dependency Ratio: 37.72
Bachelor's Degrees: 29%

Foundation Giving Profile

<table>
<thead>
<tr>
<th></th>
<th>Average Annual Dollars Awarded to the Region</th>
<th>Percentage Represented by Dollars</th>
<th>Number of Grants Annually</th>
<th>Average Grant Size By Dollars</th>
<th>Per Capita Dollars Granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Foundation Giving</td>
<td>77,026,590</td>
<td>100.0%</td>
<td>667</td>
<td>115,540</td>
<td>35.32</td>
</tr>
<tr>
<td>Independent Foundations</td>
<td>59,998,719</td>
<td>77.9%</td>
<td>388</td>
<td>154,769</td>
<td>27.51</td>
</tr>
<tr>
<td>Community Foundations</td>
<td>13,108,756</td>
<td>17.0%</td>
<td>173</td>
<td>75,919</td>
<td>6.01</td>
</tr>
<tr>
<td>Corporate Foundations</td>
<td>3,919,116</td>
<td>5.1%</td>
<td>106</td>
<td>36,857</td>
<td>1.80</td>
</tr>
<tr>
<td>In-State Foundations</td>
<td>37,946,633</td>
<td>49.3%</td>
<td>416</td>
<td>91,145</td>
<td>17.40</td>
</tr>
<tr>
<td>Out-of-State Foundations</td>
<td>39,079,957</td>
<td>50.7%</td>
<td>250</td>
<td>156,112</td>
<td>17.92</td>
</tr>
</tbody>
</table>

The foundation community in the Portland region is small and does not make the most efficient use of its resources. There is minimal collaboration between foundations and there are few proactive efforts to address specific regional issues. The Portland region has high ‘quality of life’ and values amenities such as arts, culture and the environment. Funding initiatives reflect these values and monies are awarded to a broad range of initiatives that aim to increase the quality of life in the region.

Key Findings

Economic development is a high priority in the Portland region but pinning down a concrete definition is a difficult task. None of the organizations interviewed for this study had an established, organization-wide definition of economic development.

However, when individuals were asked about their personal definitions, the consensus was that economic development describes initiatives that create both economic and social capital.

Although there are government-sponsored initiatives underway in the Portland region to aid economic development, namely the Portland Development Commission and the governor’s GROW initiative (Governor’s Recovery for Oregon Workers), there is no effective economic development strategy in place, despite a great need for one.

Oregon is in the process of making a transition from a resource-based economy (mostly lumber) to a knowledge-driven economy. It is working to bring high-tech companies to the area. Unfortunately, the tax structure in the state makes it unappealing.
to businesses and the legislature is very weak and does not understand what it takes to make economic development happen, primarily a shift in the tax structure.

The Portland foundation community has the smallest dollar per capita giving level of the regions examined in this study, at just $35 per capita per year. The foundations tend to be mostly reactive, accepting grant applications for projects within their giving areas with a negligible degree of collaboration or initiation.

Economic development projects in the Portland region are evaluated on a project-to-project basis with targets set by grant recipients. Foundations monitor projects in traditional ways including grant applications, interim reports for multi-year grants, final grant reports, and site visits.

The funding areas in the Portland region are general-purpose grants, education, community, youth programs, food banks, religion, culture and families. Grants targeted for economic development tend to come from the government.

**Recommendations for Development**

- The attributes included under the umbrella of “economic development” should be set by the governor’s office and be consistent throughout the state. The GROW initiative positions the governor's office to take the leading role in normalizing the economic development gray areas.

- Once a common definition of economic development is adopted, certain initiatives should be identified that will receive the lion's share of funding and attention. By trying to be all things to all people the Portland region is spreading its limited resources too thin.

- Although the foundation community is relatively small, a focused effort towards proactive funding and collaboration between foundations could make a huge difference in the economic development in Portland.

- The tax structure should be changed to make Oregon a more appealing place for businesses to relocate. However, even without this kind of drastic change, a focused push to make Oregon attractive to businesses by leveraging other assets (like high quality of living) could make a big difference in economic development efforts.

- A set of standard metrics for measuring success in economic development initiatives should be developed. Several dozen readily available measurements would be developed on which project organizers could draw and to which contributors could demand adherence.
5. St. Louis, Missouri

Statistical Profile

- Population: 2,569,029
- Growth 1960-2000: 7.1%
- Regional GDP: $81,709,000
- Per Capita Earnings: $20,934
- Freeway Miles Equivalents: 1.286
- Unemployment Rate: 4.9
- Dependency Ratio: 18.41
- Bachelor’s Degrees: 31.1%

Foundation Giving Profile

<table>
<thead>
<tr>
<th>Foundation Type</th>
<th>Average Annual Dollars Awarded to the Region</th>
<th>Percentage Represented by Dollars</th>
<th>Number of Grants Annually</th>
<th>Average Grant Size By Dollars</th>
<th>Per Capita Dollars Granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Foundation Giving</td>
<td>137,428,581</td>
<td>100.0%</td>
<td>683</td>
<td>201,115</td>
<td>53.49</td>
</tr>
<tr>
<td>Independent Foundations</td>
<td>88,330,318</td>
<td>64.3%</td>
<td>222</td>
<td>397,288</td>
<td>34.38</td>
</tr>
<tr>
<td>Community Foundations</td>
<td>496,083</td>
<td>0.4%</td>
<td>2</td>
<td>297,650</td>
<td>0.19</td>
</tr>
<tr>
<td>Corporate Foundations</td>
<td>48,602,180</td>
<td>35.4%</td>
<td>459</td>
<td>105,810</td>
<td>18.92</td>
</tr>
<tr>
<td>In-State Foundations</td>
<td>99,352,463</td>
<td>72.3%</td>
<td>456</td>
<td>217,878</td>
<td>38.67</td>
</tr>
<tr>
<td>Out-of-State Foundations</td>
<td>38,076,118</td>
<td>27.7%</td>
<td>227</td>
<td>167,490</td>
<td>14.82</td>
</tr>
</tbody>
</table>

St. Louis is a fairly balanced region with both strong independent and corporate foundations taking a lead in economic development. There is a strong degree of stability in the largest foundations. However, the overall foundation community is fairly small with only $53 per capita in average foundation giving. Additionally, there is not a significant amount of depth in the foundation community, with only a few foundations that grant over $1 million per year.

Key Findings

There is no consensus in St. Louis around the functional definition of economic development. The larger regional players agree that economic development should involve the growth of new industries and products from the region, while smaller organizations believe that economic development is equivalent to community development.

The Regional Commerce & Growth Chamber has a strategy of focusing on three economic clusters to grow the region. These are, namely, life sciences, agriculture and precision manufacturing. The large foundations are working in conjunction with government, university and corporate leadership to implement this vision.

The economic development agenda is created outside of the foundation community. Meanwhile, there are no consistent metrics or methods of evaluation. Most projects are evaluated on a case-specific basis. Some organizations define success as their continual existence.

Most economic development funds for the region originate from the state government. However,
the foundation community is a significant funding presence, as both the Monsanto and Danforth Foundations are active in life science research while the Boeing-McDonald Foundation is active in community development efforts.

**Recommendations for Development**

- The foundation community should develop a comprehensive system of program and grant evaluation.
- Smaller foundations should be brought into discussions concerning strategic targeting of funding towards economic and community development.
- St. Louis should maintain and strengthen ties to corporate foundations including those with historical connections that may be leaving the metropolitan area.
6. Washington, District of Columbia

Statistical Profile

- Population: 7,359,044
- Growth 1960-2000: 8.4%
- Regional GDP: $198,156,000
- Per Capita Earnings: $22,727
- Freeway Mile Equivalents: 0.923
- Unemployment Rate: 3.10
- Dependency Ratio: 32.34
- Bachelor's Degrees: 40.9%

Foundation Giving Profile

<table>
<thead>
<tr>
<th></th>
<th>Average Annual Dollars Awarded to the Region</th>
<th>Percentage Represented by Dollars</th>
<th>Number of Grants Annually</th>
<th>Average Grant Size By Dollars</th>
<th>Per Capita Dollars Granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Foundation Giving</td>
<td>853,920,635</td>
<td>100.0%</td>
<td>4,020</td>
<td>212,418</td>
<td>116.04</td>
</tr>
<tr>
<td>Independent Foundations</td>
<td>787,510,952</td>
<td>92.2%</td>
<td>2,962</td>
<td>265,901</td>
<td>107.10</td>
</tr>
<tr>
<td>Community Foundations</td>
<td>9,357,759</td>
<td>1.1%</td>
<td>149</td>
<td>62,945</td>
<td>1.27</td>
</tr>
<tr>
<td>Corporate Foundations</td>
<td>57,051,924</td>
<td>6.7%</td>
<td>910</td>
<td>62,717</td>
<td>7.75</td>
</tr>
<tr>
<td>In-State Foundations</td>
<td>111,495,923</td>
<td>13.1%</td>
<td>1,520</td>
<td>73,369</td>
<td>15.15</td>
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<td>Out-of-State Foundations</td>
<td>724,424,712</td>
<td>86.9%</td>
<td>2,500</td>
<td>269,930</td>
<td>100.89</td>
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Between 1998 and 2000, foundation giving has increased in the nation’s capital. During that time, $116 per person was given to the 7,359,044 residents of the Washington region. This number is significantly higher than the other regions in the study. Out-of-state foundations make up the majority of funds donated in the region (87%). Typically, in other communities, these numbers are reversed, with local foundations giving closer to 90% and outside foundations giving 10%. Independent foundations give the vast majority of funds (92%), with corporate foundations giving only 7% and independent foundations giving 1% in comparison.

The rise in foundation giving can be attributed to the positive returns in the stock market in the late 1990s. The high per capita giving is a reflection of a number of large out-of-state foundations giving in the Washington region. Given Washington’s stature as the nation’s capital, it is understandable that a number of major out of state foundations give significant dollars to the region. This is reflected in the high per capita number and the fact that 87% of the dollars come from outside the region.

Key Findings

Washington generally believes that economic development should be focused on bringing jobs, companies, and affordable housing to the community. The mayor and his office are the key players in economic development in the region. Many feel that the mayor is too focused on ‘big-bang’ projects and not concerned enough with more successful incremental approaches. Smaller foundations feel
the need to fill the hole the larger foundations and government miss (i.e. affordable housing and development). One of the major problems some interviewees identified was that the big foundations and the smaller foundations do not cooperate very well on projects.

The foundations play an intermediary role to foster redevelopment in many of Washington’s transitional neighborhoods. Their funds are flexible and are often the final funds needed to move a project forward.

While there are no established tools, most foundations are results-based in how they measure success. For example, if they were building affordable homes, they would establish a goal in the grant and then measure how many units were built.

**Recommendations for Development**

- The foundation community should lead an effort to encourage more cooperation and coordination between the government and foundation community.
- In order to take advantage of corporate dollars in the region, a regional approach that embraces the corporate community in the surrounding counties of Maryland and Virginia would be successful. Currently, very few corporate foundations invest within the region. If they realized the benefit of investing in the city, there could be greater engagement by the strong corporate community in those communities. Without this investment, there will continue to be a dominance of out-of-state and national foundations.
- Given that 87% of the dollars are from outside the region, the economic development community must be proactive to ensure these foundations are meeting their economic development needs. This can be accomplished by encouraging partnerships between small, local foundations and large, out-of-state foundations. This will also help bridge the divide between these two sub-sections of Washington D.C.’s foundation sector.
VI. Methodology

Research Team:
Seven graduate students at the Carnegie Mellon University H. John Heinz III School of Public Policy and Management conducted the research supporting this report between September 2002 and May 2003. Six of the students were in their second year of the two-year Master of Science in Public Policy and Management program. One student was in the second year of a two-year program for Masters of Arts Management. Both graduate programs require students to engage in a Systems Synthesis Project that is intended to “allow students to apply the diverse skills developed in the classroom to a real world problem” (Student Handbook, page 30).

The student team included David Anderson, Timothy Collins, Thomas Link, Cary Morrow, Abe Naparstek, Jessica Shields and James Weinberg. The faculty project advisor was Dr. Jerry Paytas, Acting Director of the Center for Economic Development. The Allegheny Conference on Community Development and the Pittsburgh Regional Alliance were the primary clients for this research project.

Over the course of the academic year, the research team met twice a week to share findings and delegate tasks. Much of the research was conducted on an individual basis, with team members serving in various capacities to organize and coordinate individual efforts. The team met with the client group three times: once at the beginning of the fall semester to define project parameters, once at the end of the fall semester to present a status report and once at the end of the spring semester to report the final analysis.

Nature of the Project
The broad purpose of the project was to conduct an analysis of the status and nature of economic development in several regions across the country as compared to the greater-Pittsburgh region. In the first client-group meeting, several areas of interest were identified: evaluating how different regions define the term economic development; evaluating different decision making processes and structures that shape and drive economic development within regions; identifying the existence and nature of economic development agendas; determining the sources and uses of funds for economic development in different regions.

Selection of Benchmark Regions:
The first step in the research process was to select a series of benchmark regions to which Pittsburgh could be compared. Based on the preferences of the project client group, the 30 largest media markets in the United States were selected as the pool from which benchmark regions were drawn. Extensive data was then gathered from preexisting sources for each of these 30 regions. The vast majority of data was drawn from the 2000 United States Census, although other sources such as the Bureau of Labor Statistics and Bureau of Economic Analysis were also used. For the most part, data for Metropolitan Statistical Areas were used for each media market. To prevent scale-effects from skewing data, per capita data was used whenever possible and appropriate.

The data for each region was broadly divided into two areas: “economic indicators” including data on economic base, economic development and regional infrastructure; and “social indicators” including data on demographics, cultural amenities and workforce. The students chose individual indicators based on the availability of data. Four of the top thirty regions were eliminated due to difficulties in collecting data along given indicators. A complete list of indicators is provided below.


- **Economic Base:** 1999 regional GDP from the Bureau of Economic Analysis, manufacturing jobs, hi-tech jobs, service wages, civilian labor force, per capita earnings, and office space available.
• **Infrastructure:** Cars per household, freeway miles equivalent per 1,000 persons, mean travel time to work, per capita public transit boarding, public transport miles per capita, and airline passengers emplaned.

• **Workforce:** Unemployment rate, twelve month change in employment rate, percentage of workforce in financial sectors, percentage in computer and mathematical occupations, percentage in community and social service occupations, percentage in healthcare practitioner occupations, and percentage in production occupations.

• **Demographics:** 1990 white population, 1990 non-white population, dependency ratio, 1990 foreign born, 1990 under 18, 1990 metro population over 64.

• **Culture and Amenities:** People per arts/entertainment/cultural organization, percentage of people working in arts/entertainment/cultural organizations, current education expenditure/person, percentage of metro population age 25-34 with a bachelors degree or better in 2000, 1993 ozone concentration, 1993 carbon dioxide air concentration.

Data for each indicator was collected for each region and then fed into a single Microsoft Excel© workbook. The data for Pittsburgh was used as an “anchor” to distinguish whether a region was relatively similar to or different from Pittsburgh along a given set of indicators. The degree of difference from Pittsburgh along each indicator was noted and this value was summed into overall scores for each region along economic and social lines. The purpose of this scoring system was to divide the media markets into four general categories:

<table>
<thead>
<tr>
<th>I. Economically Similar and Socially Similar to Pittsburgh</th>
<th>II. Economically Similar and Socially Different to Pittsburgh</th>
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<tbody>
<tr>
<td>Boston</td>
<td>Kansas City</td>
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<tr>
<td>Chicago</td>
<td>Milwaukee</td>
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<td>Cincinnati</td>
<td>Minneapolis</td>
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<td>Cleveland</td>
<td>Philadelphia</td>
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<table>
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<tr>
<th>III. Economically Different and Socially Similar to Pittsburgh</th>
<th>IV. Economically Different and Socially Different to Pittsburgh</th>
</tr>
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<tbody>
<tr>
<td>Atlanta</td>
<td>Dallas</td>
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<td>Portland</td>
<td>Denver</td>
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<td>Seattle</td>
<td>Houston</td>
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<td>Los Angeles</td>
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<td>Miami</td>
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Through dialogue with the project clients, five regions were ultimately selected as benchmark regions in addition to Pittsburgh. These were New York City, St. Louis, Portland, Washington D.C. and Philadelphia.

**Pittsburgh Pilot Study & Refinement of Project Scope:**

To further refine the project scope and experiment with research methods, the research team conducted a pilot study in Pittsburgh from November to December of 2002. Within each of the six indicator areas (economic base, economic development, infrastructure, demographics, cultural amenities and workforce), several regional experts and professionals were identified and interviewed. These interviews focused on the major areas of the study including the definition of economic development, decision making processes and structures that shape and drive economic development, existence and nature of economic development agendas, sources and uses of funds for economic development.

This pilot study helped the research team to refine their interviewing skills, hone their understanding of economic development, identify major issues within the various areas and prepare for a national survey to take place during the upcoming spring semester. Additionally, the pilot study raised the role of the foundation community in economic development to the forefront of the project.

There were several reasons for focusing the study on foundations’ role in economic development. First, the team learned that foundations have become increasingly involved in economic development over the past five to ten years. As such, they would be able to provide a fresh perspective on the subject and an authoritative opinion on the issue areas. Second, foundation program officers were deemed more accessible for interviews than their counterparts in the public and private sectors. Third, information and data on non-profit foundation granting would be readily available due to federal reporting and disclosure laws. Forth, many interview subjects in the Pittsburgh pilot study expressed an interest in learning more about the role of the foundation community in economic development. The pilot study made it clear that the project scope was much too broad and that a narrower scope would allow the team to provide a more in-depth and insightful analysis.

**Region-Specific Research and Cross-Regional Analysis:**

Once the six benchmark regions were identified and the pilot study completed, the team began an intensive examination of the research areas within each region. The primary means of gathering information through 15- to 45-minute phone interviews with local stakeholders, executives and professionals in the field of economic development. Other means of data collection included extensive Internet research, as well as correspondence with the Foundation Center.

For each region, approximately fifteen interviews were conducted. Interviewees were divided into the three categories of foundations (grant makers), economic development organizations (grant recipients), and others such as newspapers, universities, governments, etc. Each category of interview had its own questionnaire that was often e-mailed or faxed in advance of the interview. As a sample, the questions below comprised the foundation questionnaire:

1. How does your foundation define economic development? Has your funding for economic development initiatives changed over time (i.e. shifts in foci, program areas or regional initiatives)?

2. Describe your region’s economic development strategy and the relationship between your funding decisions and that strategy.

3. Is there regional collaboration between foundations? Please describe.

4. Describe the nature of your relationship with regional economic development organizations. Does your foundation offer additional support to organizations outside of funding (workshops, organizational development, etc.)?

5. What are the measures of success used when evaluating a program that should contribute to
economic development? Describe the most and least successful economic development grants that you have administered.

The results of these interviews were then analyzed along intra- and inter-regional lines to develop the key findings and regional profiles contained in this report. When needed, supplemental information and data was gathered to support or refute findings. A major source of information and data for this report was the Foundation Center online (http://fdncenter.org). Newspaper articles and government initiatives were also sources of supporting information.

The findings of this study were first reported through a public presentation at Carnegie Mellon University's H. John Heinz III School of Public Policy and Management on May 5, 2003. This final report was written through a collaborative effort from the project team. Designed with assistance, over 100 copies will be distributed to project partners and other interested parties.
VII. Thank You Section

We would like to thank the following people for their time, assistance, advice and guidance with the development of this project and report.

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Becky Rodgers, Neighbors In The Strip
David Roger, Hillman Foundation
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Becky Spencer, Regional Industrial Development Corporation
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Dorothy Mote, Lewis and Clark College
Debbie Murdock, Portland State University
Alvertha Penny, William and Flora Hewlett Foundation
Patty Petersen, Oregon Health Sciences University
Bonnie Pomeroy Stern, Lewis and Clark College
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