About This Report

A team of Hewlett Foundation staff conducted interviews for and wrote this report: Larry Kramer, president; Fay Twersky, director, Effective Philanthropy Group (EPG); Lori Grange, strategy officer; Prithi Trivedi, EPG fellow, and Dominique Turrentine, former program associate, Madison Initiative.

About the Foundation

The William and Flora Hewlett Foundation is a nonpartisan, private charitable foundation that advances ideas and supports institutions to promote a better world. Learn more at www.hewlett.org.

Note: The foundation does not lobby or earmark grant funds for prohibited lobbying activities, as defined in the federal tax laws. The foundation's funding for policy work is limited to permissible forms of support only, such as general operating support grants that grantees can allocate at their discretion and project support grants for nonlobbying activities (e.g., public education and nonpartisan research). Additionally, the foundation may fund nonpartisan political activities by grantees in compliance with the electioneering rules. The foundation does not engage in or use its resources to support or oppose political candidates or parties.
I. OVERVIEW

The William and Flora Hewlett Foundation has had a strong commitment to working in the Bay Area from the very beginning in 1966 — a legacy of our founders and a reflection of their values. Support for local performing arts has been a constant, including more than $335 million in grants over the years, but there has always been additional work in the region. That has taken different forms, consistent chiefly in its focus on disadvantaged people and communities.

Since 2007, local giving beyond the performing arts has been made primarily through the Serving Bay Area Communities (SBAC) fund. This fund — slightly greater than $7.5 million in 2016 — has been distributed proportionately among our six programs, each of which has used its resources for Bay Area grantmaking in its area of concern or expertise. This has allowed us to support a wide variety of local grantees, but without any clear sense or ability to measure what we are accomplishing in the aggregate.

Last spring, using Outcome-Focused Philanthropy, the foundation’s approach to devising and implementing its grantmaking strategies, we set out to investigate whether these dollars could be used more effectively if directed toward a more carefully selected and defined problem facing disadvantaged communities in the Bay Area. Our first step was to gather information to better understand the array and nature of the problems this region faces, and we began with other foundations that work locally.

This paper synthesizes the guidance we received from 21 foundation leaders interviewed between March and September 2017. (One chose not to be listed.) These conversations deepened our understanding of local challenges, including the many different perspectives on ways to address them. We are deeply grateful for these leaders’ generous, thoughtful, and candid advice.

This paper is not a primer on their foundations’ work and interests, nor is it a comprehensive canvass of the many issues discussed in the interviews. It does not reflect what the Hewlett Foundation will ultimately do with SBAC. Its purpose is simply to memorialize the themes that emerged in these conversations and share what we have learned.

Foundations Interviewed

Akonadi Foundation
Blue Shield of California Foundation
California Endowment
California Wellness Foundation
Chan Zuckerberg Initiative
David & Lucile Packard Foundation
East Bay Community Foundation
Emerson Collective
Evelyn & Walter Haas, Jr. Fund
James Irvine Foundation

Northern California Grantmakers
Peery Foundation
San Francisco Foundation
Silicon Valley Community Foundation
Sobrato Family Foundation
Sunlight Giving
Thomas J. Long Foundation
Tipping Point Community
Walter & Elise Haas Fund
Zellerbach Family Foundation
A Brief History of the Hewlett Foundation’s Local Giving

Our Bay Area grantmaking can, roughly speaking, be divided into three periods: (a) 1966 to 1992; (b) 1992 to 2006; and (c) 2007 to present.

From 1966, when the foundation was created, to 1992, we made grants to address a wide range of purposes, but with no particular strategic framework or goal. Grants addressed such varied needs as affordable housing, homelessness, minority leadership development, community development, and general social services in low-income communities. Many of these grants, including awards to community foundations for re-granting, supported direct services.

In 1992, the foundation adopted a new strategy focused on Family and Community Development (FCD). While some support for direct services remained, FCD put greater emphasis on strengthening organizations, creating pilot programs, and conducting policy research and advocacy. The Neighborhood Improvement Initiative (NII) was FCD’s biggest project, making $25 million in local grants between 1996 and 2006. NII sought to develop East San Jose, West Oakland, and East Palo Alto — from connecting efforts to reduce poverty and developing local organizations to leveraging public and private resources for neighborhood development. Some of FCD’s projects had moderate success, but a 2007 evaluation of NII found that it was a “great disappointment, falling far short of achieving the hoped-for tangible improvements in residents’ lives.”

Based partly on this evaluation, we changed direction and created the Serving Bay Area Communities fund. Each program received a proportionate share of SBAC funds to make local grants aligned with its areas of interest and expertise. These grants often supported local organizations that deliver services directly to low-income people, communities of color, and children and families. For instance, consistent with its strategy to improve reproductive health in the U.S., our Global Development and Population Program supported local providers of clinical services and youth development programs. The Environment Program supported grantees seeking to improve transit availability near affordable housing — an integral part of reducing urban carbon emissions. Some programs, such as Education and Philanthropy, used grants to test ideas that, if successful, might be employed more broadly in their national strategies.

In 2016, in anticipation of the effort that underlies this memo, we notified grantees of the decision to explore new approaches and used SBAC’s 2017 dollars to make tie-off grants.

We support local efforts apart from and unrelated to SBAC. In addition to our Performing Arts Program, which has funded Bay Area organizations since our founding, we have continued to support various time-limited initiatives. The Community Leadership Project (CLP), for example, was a joint venture with the Irvine and Packard foundations from 2009-2016 aimed at building the leadership capacity and sustainability of small nonprofits serving low-income people and communities of color in the Bay Area, Central Coast, and San Joaquin Valley. In 2018, the Hewlett and Packard foundations will launch a successor initiative to the CLP. We have also partnered for the past several years with the Edna McConnell Clark Foundation on PropelNext, an initiative to increase the effectiveness of local nonprofits serving disadvantaged youth.
II. WHAT WE HEARD

While entirely open to potential issues on which to work, our exploration has important parameters. First, SBAC's relative size, approximately 3 percent of the foundation's annual grant budget, will remain the same — growing or shrinking in absolute size, like our other programs, as the foundation's endowment grows or shrinks. We hope to partner with other funders for this and other reasons. Second, the fund should still be used to support disadvantaged people or communities in any or all of the nine counties of the Bay Area. Third, we will use the fund pursuant to an outcome-focused strategy, consistent with how the foundation approaches its other programmatic work. Fourth, the strategy must align with our guiding principles. Finally, whatever we do must be deeply informed and guided by the communities we seek to serve.

With these parameters in mind, we asked other funders for guidance. Their feedback can be roughly divided into three categories: (a) specific Bay Area challenges; (b) the relevant geographic focus within the Bay Area, and (c) the funders' role.

Challenges

Different people with whom we spoke identified a wide array of challenges they consider pressing, but six came up most frequently in the interviews: (1) housing and transportation; (2) nonprofit and community capacity building; (3) education; (4) food insecurity; (5) criminal justice, including police-community relations; and (6) immigrants and immigration. In many cases, interviewees highlighted issues on which they already work, though some, like us, are exploring new or expanded roles. Even when funders agreed on the importance of a particular challenge, they frequently diverged when it came to what can or should be done.

Concerns about racial and economic inequality underscored nearly every topic. As one funder put it, “Equity is the issue of the day in the Bay Area, and not just morally and ethically. It also impacts the Bay Area’s ability to grow and thrive.”

The Top Two

Two challenges were top of mind for virtually all interviewees: (1) housing and transportation, and (2) nonprofit and community capacity building.

Housing and Transportation

One foundation leader said her mantra is “housing, housing, housing,” and virtually everyone else shared that sentiment when asked to identify the most serious challenge facing the Bay Area. We were not surprised, but our interviews brought the full scope and scale of the problem into much sharper focus.

As funder after funder noted, the Bay Area’s soaring housing costs are having profound and far-reaching consequences. Many people have been forced into homelessness; others have too little money left after paying rent to afford food, medical care, or other necessities. A great many
low-income residents, disproportionately people of color, have been forced to relocate to the far edges of the Bay Area, where few of the services they need are available. The long commutes for work disrupt family life and strain the region’s transportation systems. Steeply rising housing costs are also making it difficult for employers to recruit and retain employees. As one leader noted succinctly, “the housing shortage could undermine our entire region.”

Many funders said they are working on or studying housing because of its relationship to other issues they focus on, particularly racial and income inequality. As one interviewee said, “housing feels fundamental to everything we have been doing.”

Virtually everyone who spoke about housing also mentioned transportation, with which it is inseparably linked. One funder said his foundation is “thinking about how we can marry housing, transportation, and [public] transit.” Another called transportation “critical to the future of California, to the economy, to the environment.”

We expressed concern that our resources for local work are too small to make a dent in the enormous and complex housing crisis. Several funders agreed. Thinking about “what’s right-sized for $7 million — affordable housing is not, unless you do a total advocacy play,” said one. Added another: “Even if we put all of our money into housing it wouldn’t make a difference.”

Others argued that the very complexity of the housing challenge means there are many ways to make a meaningful contribution. We could, they noted, combine our resources with those of other foundations as part of a larger group effort. We could, moreover, supplement financial resources with assets “beyond the grant dollar,” using our experience and stature to help push individual jurisdictions in the Bay Area to think and act regionally. (We will come back to these possibilities below.) “Housing is a crisis, and transportation is right behind it,” one foundation leader said. “I understand that $7 million is not enough; $100 million is not enough. But you have a name and reputation” — which, in his view, can help bring attention.

Interviewees identified various roles they are considering or already playing, frequently (though some would argue not often enough) in collaboration with government, the business sector, and community-based organizations. Funders said they are taking sometimes overlapping actions such as the following:

- **Building new affordable housing.** A few of the foundations we interviewed are making capital investments in construction. Most said they are supporting efforts to pass and implement county bond measures, encourage innovative financing models, and promote “YIMBY” (yes in my backyard) zoning and planning regulatory reforms. Some efforts include transportation by seeking to make housing development more transit-oriented.
• **Preserving existing affordable housing and/or protecting low-income tenants from displacement.** Several funders are supporting a range of defensive tactics: advocating for rent control measures; subsidizing rents for teachers; incentivizing landlords to accept Section 8 vouchers, and providing legal assistance to tenants facing eviction. Several foundations fund direct services for families whose housing costs are crowding out money for other necessities.

• **Generating data and analysis.** Several foundations have made grants to local universities and nonprofits to generate and disseminate more and better data about both problems and solutions. Some of this work includes providing local officials with information about how other localities are responding to the housing crisis.

• **Strengthening community-based organizations.** Many foundations are providing unrestricted support to organizations working on these and other efforts, especially groups working on the ground to mobilize residents — disadvantaged people in particular — to build coalitions and educate people in their own communities.

• **Bringing stakeholders (including philanthropy) together.** Several foundations have spearheaded efforts to get funders to communicate, coordinate, and collaborate with each other and with government, nonprofit, and private-sector leaders. They say regional networks of stakeholders are particularly important, and more leadership is needed in this area.

**Nonprofit and Community Capacity Building**

Like housing, interviewees consistently highlighted the need to support community-based organizations and leaders across a range of issues. For some, this is a matter of principle. Said one foundation leader: “Who is making the decisions about what happens in the communities they want to change?”

It is equally a matter of effectiveness. The local nonprofit sector must be stronger and more resilient to meet complex and evolving challenges, and that requires sufficient capitalization. “What is the nonprofit infrastructure that you need [to drive change]?” one funder asked. “In immigrant communities, we are issue-agnostic. We are just trying to find the sweet spot where Latinos, African-Americans, and Asians can drive a galvanizing issue,” she explained. “We can’t guess what the issues are or will be, but you need strong anchors and agents for change in these places.”

Reflecting on his conversations with practitioners, policy leaders, and advocates, one interviewee advised, “The biggest gap seemed to be around advocacy and civic engagement. So you could place a bet there. The value is that it ends up being a flexible investment in the current political environment.”
Some funders believe that strong organizations and leaders already exist in the Bay Area, including some community foundations, but that they need greater support. “I have seen some incredible people and leaders who have created organizations that need capacity building and effective philanthropy,” one interviewee said.

Others see a shortage of healthy community-based nonprofits. They emphasized a need to build the pipeline of next-generation leaders, particularly people of color and particularly in outlying areas, such as East Contra Costa and Solano County. According to one funder, nurturing young leaders, incubating their ideas, and investing in their capacity must be an important part of strengthening a “racial justice ecosystem and movement.”

Another foundation official suggested that we also think about the need for well-informed, well-prepared leaders in government. “Every person needs to go through some type of training about what does it mean to represent the people of the Bay Area and San Francisco,” she said. “When you think about people’s daily lives, you want the right people in government.” She argued that this would be a high-leverage investment in leaders of the future.

**Other Important Challenges**

A number of other issues were raised less frequently than housing and transporation and capacity building, but four came up often enough to warrant serious consideration. These were (1) education; (2) food insecurity; (3) criminal justice, including police-community relations; and (4) immigrants and immigration. Concerns about racial and income inequality permeated all of these.

**Education**

Different foundation leaders mentioned education, but did so from different angles — hardly a surprise given the breadth and multiplicity of issues and entry points.

Some funders focus on providing students, especially those of color, greater access to science, math, and technology to prepare them for a changing workforce. “On the education reform side, we wonder about next-century skills that can lift more boats,” a leader in this group said. “We are doing a refresh in our education team to see the levers for change. We are looking at early education, and trying to understand the early years.”

A couple of interviewees discussed place-based opportunities. “If I had $7 million, I would put it in education in East Palo Alto,” one foundation leader suggested. “There are a lot of kids in East Palo Alto elementary and middle schools who don’t leave adequately educated.” Still others are taking a comprehensive approach. “The premise is that children should have access to quality schools in their neighborhood,” said one funder. “We are building good teachers and the best nonprofits we can in the Bay Area. We are building other pathways to careers for those for whom
There are a lot of pockets of hunger here, even though there’s a perception that it’s a wealthy place.”

Food Insecurity

In many parts of the Bay Area, fantastic wealth and crushing poverty often sit side by side, within mere blocks of each other. An estimated 76,000 millionaires and billionaires live in Santa Clara and San Mateo counties — where, simultaneously, nearly one in three households receives public or private assistance. For these low-income families, access to affordable food is not a given. Second Harvest, a major food bank in Silicon Valley, reports that it serves over a quarter of a million people each month. More than half are seniors and children.

When it comes to food insecurity, Silicon Valley is hardly alone. “There are a lot of pockets of hunger here, even though there’s a perception that it’s a wealthy place,” one funder said.

Several foundations suggested supporting food banks in the area. Ensuring that food banks have well-stocked warehouses is critical — as is building their organizational capacity over the long term. “It’s really about making sure resources are in place to serve families,” one leader commented. “We’ve done capacity building with some of these organizations to try to strengthen the effectiveness of their work.” Another funder supported a food bank to “grow their staff, physical infrastructure, and policy arm.” A third is looking at the “wholesale level” by working with food banks to better understand how food is acquired, distributed, and consumed.

Criminal Justice, Including Police-Community Relations

Several funders talked about the criminal justice system’s impact on Bay Area women and youth. Reentry to the community after serving time in jail or prison is a major issue, especially for women. “We found that a lot of models and programs are developed for men, but the issues women face are very different,” one funder explained. “We asked a prisoner — a model of good behavior — about reentry. [She] said that what she wanted more than anything was to get her kids back — and that was hard to do since she didn’t have a job or a home. And it’s hard to get those because of her record. So it’s a vicious cycle.”

Two foundations we interviewed are focused on understanding and disrupting the school-to-prison pipeline — the way in which youth, particularly those of color, face overly harsh school discipline based on zero tolerance or other policies, which then has a cascading effect that ultimately lands them in prison. One leader bemoaned what he views as a dearth of philanthropic attention on juvenile justice. “There are no major funders that are doing this work — no deliberate and intentional efforts in the Bay Area,” he said.

Somewhat to our surprise, concerns about police-community relations were seldom mentioned. Two foundation leaders said the extent to which this is a problem depends on the
locality and on the particular individuals in charge (meaning the police chief, sheriff, district attorney, and so on).

**Immigrants and Immigration**

Bay Area immigrants — documented or undocumented — face a range of challenges that philanthropy can help address, several foundation leaders told us. Community groups need funding to help immigrants feel safe in accessing public benefits. These are “issues of hunger and poverty,” one interviewee said. Another cited the importance of legal services to help defend immigrants against deportation, though some funders thought that, between existing public and private support, these are relatively well resourced.

One foundation has supported community colleges and other local organizations to expand adult English language learning for immigrants — giving people “tools to move up the ladder.” Another funder is trying to help immigrant communities build their capacity for advocacy and community organizing. It is important “to create a power base for them to be able to move on multiple issues,” she said.

**Geographic Focus**

We went into these interviews to ask for advice about what we should work on. But many funders offered equally valuable guidance about where. The conversations identified three distinct ways to approach this question: (1) focus on Silicon Valley, (2) look at the Bay Area’s peripheries, and (3) think regionally.

**Silicon Valley**

A number of funders whom we interviewed recommended that we work “in our own backyard,” that is, in San Mateo and Santa Clara counties. Silicon Valley is home to the Hewlett Foundation, as it was to Bill and Flora Hewlett. It also is home to some of the greatest inequality — both income and racial — in the Bay Area.

The *Giving Code*, a 2016 report commissioned by the Packard Foundation, found that more than 76,000 millionaires and billionaires live in Santa Clara and San Mateo counties. The average low-income family in these counties, meanwhile, earns less in real dollars than it did in 1989. Nearly one in three households receives public or private assistance. Silicon Valley-based giving has risen dramatically in the last decade, but nonprofits serving the needs of local communities are still struggling to get by.

Some foundation leaders we interviewed, including but not limited to those based in Silicon Valley, encouraged us to focus our attention and dollars here. “There’s not enough money staying in Santa Clara and San Mateo counties,” said one. “That focus makes sense.” Said another, referring to the cosmopolitan and global focus of Silicon Valley’s wealthy: “Silicon Valley is a state of mind. We have issues because there’s no community rooted here.”
The Peripheries

More than a few funders suggested we focus on the Bay Area’s periphery — Sonoma and Solano counties, East Contra Costa, and East Alameda — home to some of the region’s worst poverty. Significant numbers of low-income residents, predominantly people of color, have migrated there to escape the high cost of living in the region’s urban centers. But these more distant areas face severe economic challenges, coupled with a lack of nonprofit support and service providers. They are, as a result, struggling to provide adequate housing, public transportation, social services, and schools.

“The lack of [nonprofit] capacity makes it really hard to make progress,” said one funder whose foundation is working in some of these areas. A significant factor is that foundations have not stepped up to the plate. “There’s really a funding cliff when you get past Santa Clara and San Mateo counties,” she said. Added another: “We have huge portions of people moving [to Solano and other outer counties] but there are few philanthropic investments.”

Some interviewees urged us to see this empty space as an opportunity to get out in front of economic, demographic, and other changes that inner counties find difficult to address. “Think about what a healthy community is ahead of the curve,” one foundation leader said. “In San Francisco, remedies come at such a premium, but [in outlying counties], philanthropy can afford remedies.” “We are looking at how we can support capacity building in those areas,” another said. “There is an opportunity here.”

The Region

A good number of those we interviewed encouraged us to work at the regional level. “The idea of breaking down [the work] by county is artificial,” one argued. “I would use the money to bring business, nonprofits, and government together on issues.” Said another, who cited a Los Angeles-based funder coalition as a model, the Bay Area “has struggled to break through in a collective manner on issues. Whether it’s housing, or anything, how do we think about it collectively?”

The need to act regionally is deemed particularly crucial when it comes to housing and transportation, complex issues that inherently and unavoidably cut across local and county lines. As part of our exploration, Hewlett Foundation staff have participated in several meetings of foundations, government, business and nonprofit leaders, and others trying to collectively tackle these two issues through a regional lens.
But many funders were skeptical about the prospects for success in trying to address challenges across dozens of localities. “In part because of the political demarcation of cities and counties and how the federal government has driven money down, there is no good regional planning effort,” said one funder. “We’re so balkanized. But the problems we’re trying to address are not.”

Funders' Relationships and Roles

Many funders underscored the need to collaborate. Some foundations have long worked with peer funders on local issues, but virtually everyone we interviewed agreed that collaboration is too infrequent. Equally important, they said, philanthropy should do more to draw in the business sector, especially the big technology companies whose very success has exacerbated the region’s many challenges (especially housing).

This is, of course, easier said than done, as many of the leaders we spoke with conceded. Some foundations lack staff capacity to spend the necessary time building and maintaining relationships. Others are narrowly focused on particular issues or in particular places, where few partners are available. In some cases, funders have conflicting views and priorities. “One thing that would be helpful is insight on how to effectively collaborate — these issues are so complicated,” said one. “Each foundation has its own way of doing things.”

A number of funders — most notably community foundations — have made coalition-building a priority, and some have led the way for years in fostering partnerships in the Bay Area. Many of those we interviewed urged the Hewlett Foundation to join these efforts. “Don’t forget the brand, voice, and influence that Hewlett brings,” one leader said. Another said she thinks about “the Bay Area having a plan to deal with issues around race, social justice and development — bring the threads together. You can play a role in terms of doing that.” Still another advised us to “do what you do best” by galvanizing funders to focus on evidence and effective philanthropy. He suggested that we play a convening role with other foundations, taking an approach that is action-oriented and attentive to scale. “Put the money into being the catalytic force,” he said.

**“Put the money into being the catalytic force.”**

III. NEXT STEPS

Guidance from other Bay Area foundations and funders has provided an invaluable jumping off point for a second round of conversations we are undertaking in 2018 with other knowledgeable stakeholders — nonprofit and community leaders; local, county, and regional officials; private-sector leaders; and others. Listening and learning is essential to make an informed and thoughtful decision about how the Hewlett Foundation can best serve the Bay Area.