Social Innovation

Accomplishments and Early Lessons

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THE SKILLMAN FOUNDATION

Kids matter here

Introduction and Overview

In 2013, the Skillman Foundation's leaders decided to add a new approach to the way in which the Foundation was working to address some of the most pressing challenges facing children and families in Detroit. Called "social innovation," the approach involved the use of innovative financial tools and new relationships with the private sector to support the Foundation's program goals. By using the Foundation's capital in new ways, the aim was to catalyze new ideas, new partners, and new strategies for improving the lives of Detroit's children.

The commitment to social innovation gave the Foundation an opportunity to use new tools, take on unfamiliar challenges, and achieve different types of impacts. Organizations that received these new forms of support claimed these crucial resources enabled them to address important issues of organizational sustainability and contribute in new ways to neighborhood improvements.

At the same time, these social innovation activities placed new demands on the Foundation, required new types of relationships to be built with organizations it had not worked with previously, and raised questions of how best to integrate this work with its more traditional grantmaking. The process of introducing this new line of work also highlighted cultural and stylistic differences within the Foundation; while some staff recognized and advocated for new approaches and working relationships to solve long-standing problems, others expressed more caution and questioned how these new investment tools and partners would advance the Foundation's core mission. As one staff member expressed it, choosing investments presented a combination of "values rubs"—for example, are expanded program-related investments (PRIs) and closer relationships with corporate partners an appropriate focus?—and "work rubs"—for example, does a particular project investment actually tie closely enough to mission? Sometimes it became difficult to separate these two dimensions. The process of working through these differences in perspective and approach and realizing a wider array of investment results is a significant part of the story that follows.

This review essay is written at what is still a relatively early stage in the development of this new approach—three years is a very short time in which to assess accomplishments and draw lessons about its overall value to the Foundation. Nonetheless, there is value in reflecting on the experience to date. The essay's focus is on describing the rationale for the creation of this new investment area, documenting key social innovation accomplishments to date, highlighting some of the challenges that accompanied this new set of activities, and identifying several areas for potential traction going forward.

Among its key observations are the following:

- The rationale for increasing non-grant investments as a complement to the Foundation's more traditional grantmaking is fully consistent with its longstanding commitment to changemaking and sound in view of its interest in fully leveraging all of its assets.
- The process of introducing the social innovation approach over the past three years has presented a variety of cultural, organizational, and technical challenges that were not fully anticipated, while also offering numerous occasions for learning and innovation among the Foundation's staff, grantees and program partners.

- Although it is still relatively early in the development of the approach to assess impacts, both the Skillman Foundation's staff and grant partners have already identified examples of positive results in the areas of crime and blight elimination, education financing, youth development, and organizational capacity building and sustainability improvements among neighborhood-based grantees and implementing partners.
- Looking ahead, it would be helpful to bring more clarity and definition to what the Skillman Foundation means by social innovation. In addition, a strategy screen and performance measures for social innovation would be useful for the Foundation in understanding why it is making certain investments and in assessing the impact of this work.

An Increased Focus on Neighborhoods and Changemaking

In 2006, the Skillman Foundation made a 10-year, $100 million commitment that targeted six neighborhoods with the aim of ensuring that children living in those areas are safe, healthy, well-educated, and prepared for adulthood. That commitment marked a decisive shift for the Foundation, which in the past had worked largely as a responsive grantmaker as it invested in education and child and family programs and strategies in the Detroit area.

While the Foundation's mission to improve the lives of children in Detroit had not changed, it was employing new approaches to meet that mission. Among the most striking was an increased level of involvement from staff and the use of non-grantmaking resources into what was then called changemaking. The Foundation's staff and the board understood that to take on as big a task as transforming the lives of children, they needed to do considerably more than provide traditional grants to organizations.[1] A basic premise was that the Foundation would need to bring to bear its full range of capital—knowledge, networks, credibility and political capital—in order to respond to the critical challenges facing Detroit's children.

Over the years from 2006 to 2011, the Foundation began to make shifts in its approach and to explore new ways of using its influence on several fronts, including in how it supported data and research, how it connected with external resources—including the federal government—and how it influenced key areas of public policy. It was natural, then, that as part of a strategic refresh in 2012 the Foundation began to examine how it might further build on these efforts, particularly with regard to how it could employ other types of capital including financial tools that it had not made of use of in the past such as PRIs and working with new partners whose organizational focus connected to the Foundation's mission.

"We have a fixed set of resources and I wanted to make sure we could use our capital to be catalytic," said Tonya Allen, the Skillman Foundation's president and CEO. "We wanted to find ways to be nimbler and make sure we weren't solely stuck in the programmatic view. We were looking at new ideas and new partnerships to make a meaningful impact as well as expose our community to new ways of doing work." A member of the board of trustees explained further: "We're not a big foundation and the

[1] Brown, P. (2012). Changemaking: Building Strategic Competence. *The Foundation Review, 4* (1).

amount of money we can spend is limited," she said. "How can we invest in bigger ideas that might actually take root and maybe get some of it back?"

When the Foundation began redirecting its resources toward Detroit neighborhoods, it set a goal of leveraging $5 for every $1 it invested in these places. It anticipated early on that using the wider range of tools now encompassed within the social innovation approach offered the potential for even greater financial leverage.

The need for further innovation in relation to the Foundation's deployment of its financial resources was underscored by Detroit's fiscal crisis at the time. The mayor had announced that the city's financial situation was so severe that it would run out of money by the spring of 2012. The state of Michigan was taking steps to play an active role in running the city. There were thousands of abandoned buildings whose owners were not paying taxes to support city services including Detroit schools. In short, the challenges facing Detroit's families required as much creative thinking as possible.

Social Innovation at the Skillman Foundation

As part of its new strategic plan approved by its trustees in March 2013, the Foundation committed more formally to an expansion of its non-grantmaking work when it created the Social Innovation group. In early 2012, the Foundation's leadership had already recruited an investment banker who would bring a different type of experience and perspective to the staff mix. This experience made him a good candidate to lead the new Social Innovation group.

Social innovation means bringing a social entrepreneurship[2] frame to all that the Foundation does. One of the newest and most "disruptive" of the social innovation strategies the Foundation chose to introduce was to become more directly involved in identifying ventures that can support the Foundation's program goals, while making use of innovative financial tools and connections to the private sector. The financial tools could include PRIs, which are loans that are mostly low-interest, loan guarantees, and equity investments; grants; and contracts including to for-profit organizations. Another tool is mission-related investments (MRIs), which are financial investments that support the mission by generating a positive social or environmental impact and competitive rates of financial return.

The Social Innovation group would be responsible for developing and deploying an investment strategy that made greater use of these tools. It would also be responsible for creating social venture funds to provide capital and operating support to partners that could drive the Foundation's mission. As part of its work, the Social Innovation group would work with its partners to identify and support innovative business models that could achieve a social mission using for-profit practices that require less philanthropic subsidy.

Of note, the early documents setting out the social innovation work focused on opening new ways of deploying capital beyond grants and strategic investment. Those discussions did not focus on what social innovation meant more broadly or set out metrics that would measure success. As one staff person put

[2] Social entrepreneurship is an approach that applies market-based principles to maximize improvements in the human condition.

it, “We wanted to leave a little bit of organic flexibility and nimbleness that would allow us to learn and not be too rigid.”

When the Social Innovation group began its work in 2013, the Foundation was making $17 million a year in grants. It was given a three-year budget of $1 million a year or about six percent of the Foundation’s annual grantmaking budget to go towards PRIs and grants. The group also had a $10 million aggregate loan guarantee capability with a $2.5 million annual payment commitment limit; such loan guarantees are different from cash payments in that the Skillman Foundation would be financially responsible only in the event the loan defaults with lenders. In addition, the Foundation had been looking to establish a charitable arm that could attract national and individual donations to support children’s issues in Detroit. It had raised some outside capital for an existing fund, the Levinson Fund, and was looking to raise more through the establishment of a separate 501c (3) organization that could receive and distribute funds from other donors. The Social Innovation group would oversee that effort as well.

Tensions Accompanying a New Approach to Deploying Financial Resources

For much of its first year, the Social Innovation group concentrated on educating the Foundation’s board and staff about the different approaches it might take to deploying its financial resources as well as creating policies and underwriting protocols for these types of investments. Not surprisingly this new approach to using the Foundation’s financial resources brought with it some new tensions as staff and board wrestled with how best to introduce a more business-oriented perspective to its resource deployment decisions. These tensions were as much cultural and philosophical as they were technical in nature.

At times, it seemed as though the different paradigms from the for-profit and nonprofit worlds made it hard to introduce new approaches to the Foundation’s work. “I still remember a conversation in one early meeting that basically called business people evil,” a staff member noted. “I said, ‘whoa, let’s temper that a bit. If you want to bring in partners from the business world we’re going to have to not paint things as good versus evil’.” Another staff member added, “There were huge adaptive challenges. You’re asking staff to let go of mental models that they have used very successfully in their careers. A paradigm in a child-serving organization is good versus evil. We are the protector of children—it’s a cape that you strap on. When you talk about social innovation, it requires you to let go of that good versus evil paradigm.”

To help in navigating this new area of work, the Foundation’s leadership created a new board committee, the Social Investment Committee, to review and approve PRI deals. The Social Innovation group recommended forming this committee because of the underwriting depth and nuance necessary for those deals. The committee and the board would have to approve all proposed grants and PRIs for more than $200,000, which mirrored program requirements.

Assessing Community Needs and Defining Investment Priorities

While this internal work was underway, the Social Innovation group began spending time in Skillman’s six Good Neighborhoods Initiative (GNI) neighborhoods, riding around with and talking to the executive directors of neighborhood groups to learn more about the problems they faced. The executive directors said that underlying issues, such as removing blight and decay and preventing foreclosures, were vital to creating vibrant neighborhoods where children could learn and thrive—a central mission of the Foundation. Also apparent was how fragile many of the institutions supported by the Foundation were. Many had little business experience in areas such as negotiating rent or setting up financial back offices.

The Social Innovation group also met with the Foundation's program staff, executives and staff from core grant partners, leaders of charter schools, and staff from local and national funding partners including those that had long experience in social innovation work.

A September 2013 memo to the Skillman Foundation's Trustees outlined a set of core issues that provided a clearer focus for Social Innovation group's investment strategy. These included:

- **Education, particularly charter school facility financing.** The memo noted that often the only schools that can obtain financing to obtain facilities are part of for-profit entities that do a poor job of achieving educational outcomes in low-income minority communities.
- **Safety, particularly blight elimination.** A major contributor to crime and poor living conditions was blight. Without eliminating blighted structures and removing decades of dumped trash, the quality of life for children in the neighborhoods is greatly diminished.
- **Neighborhoods.** Targeted place-making efforts could enhance the Foundation's existing work and lead to greater sustainability of that work, the memo stated.
- **Youth development.** The 60,000 children living in GNI neighborhoods had a significant problem getting to and from school as well as to youth development functions.
- **Organizational capacity building for core partners.** Many organizations the Foundation funds had deficiencies in their operational and financial abilities, which can limit their effectiveness and pose a threat to their sustainability.

The Social Innovation group also noted that the planned Detroit Children's Fund could serve as a vehicle to assist key organizations that needed support in establishing sounder financial and operational infrastructure.

Becoming a Closer, More "Hands-On" Investment Partner

Within the limits of its funding stream and the Foundation's priorities, the social innovation team had a broad charge to seek out opportunities and partners that could advance the mission of helping children. As the team began making PRIs and grants to organizations, staff took an even closer interest in the work of these groups than often occurs with its more traditional grantmaking investments. This closer working relationship typically included reviewing their finances, going over their books together, and offering advice. As one recipient described it, "I would sit down regularly with the social innovation team and say, 'here is where we are, here is where we're struggling and here's what we can't figure out.' Then the social innovation team would respond, 'okay, let's try these things.'" This was a different type of working arrangement. According to the recipient, "I felt I could be open with the Social Innovation group in a way I've not been with other staff at foundations including the Skillman Foundation."

Part of this difference stems from the different dynamics created by receiving a loan versus a grant. "A lot of times with program officers, I don't feel totally comfortable showing my whole hand," this grantee said. "I think I'm always being evaluated on my performance and saying to myself, 'gosh I don't know if this is going to hurt my chances of getting or continuing the grant.' This process was different from the beginning, since the Social Innovation group represented themselves as investors and partners in the effort. It wasn't like I didn't feel accountable but I felt like I had an engaged partner. It felt much safer and more comfortable to say, 'here's where we are.'"

Working Through Internal Structural Challenges

The organizational separation of the Social Innovation group from the Foundation's program staff also created some unanticipated organizational challenges. Deeper questions were raised at the Foundation about how well integrated some proposed social innovation investments were with the overarching mission. The mutual lack of understanding that sometimes surfaced between social innovation and program staff seemed to stem in part from different ways of thinking about how best to try and solve long-entrenched problems. For example, there seemed to be some genuine misunderstanding about the different but equally valid ways to carefully assess risks when considering making a funding recommendation. These misunderstandings took time to resolve because the two groups did not work together on a regular basis.

Another source of tension involved the perception among some program staff that the new and interesting work of the Social Innovation group got more attention than the less exciting but core work done by members of the program team. "The social innovation work was the hip thing to be involved with," one staff member said. "It could be and often was very distracting. I worried repeatedly about its ability to distract the leadership in a way that it becomes the cool kids club. We would spend an hour of a board meeting and four hours of executive team on a social innovation project that was really cool and it was maybe a $75,000 grant…Sometimes this work can feel like a lot more fun than the hard push of improving 8th grade math scores or supporting teacher instruction. The latter work can be onerous and boring and we've been working on it for 70 years."

The separation of the Social Innovation and program groups also created some confusion for grant partners who were unclear how the work of the two groups connected. One commented that it was difficult to figure out the right structure within the Foundation to collectively move work forward. This grantee noted that her organization was funded by social innovation but it was the Foundation's program officers who were on the ground in the neighborhoods and more closely connected to the people and organizations it was trying to impact. "There was often a disconnect," this grant partner noted, "That the work we were doing was authorized by the Social Innovation group and the programs didn't know about it. The communication and coordination just wasn't there." To respond to the various frictions that arose within staff, program and social innovation teams started meeting together on a regular basis to create workplans and budgets. They also began holding joint professional development days.

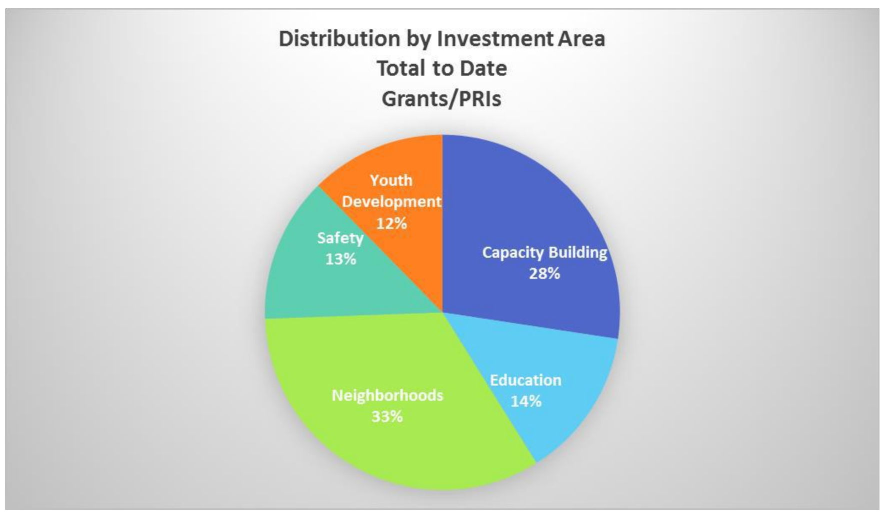
In addition to these structural factors, certain operational issues were challenging. Even though the Foundation had already expedited its grantmaking processes, as the social innovation staff sought to respond quickly to opportunities, they found that internal review and approval processes were still slower than those in the private sector. PRIs typically took longer than grants to gain approval, in part because of the increased underwriting necessary. Further, insufficient attention had been devoted to creating the systems and procedures needed to support the new work, which meant that different aspects of each decision required more careful review at multiple levels.

Key Accomplishments to Date

Several of the Foundation's staff noted that assessing the Social Innovation group's accomplishments over the past three years is somewhat difficult in the absence of an explicit set of metrics or outcomes against which to measure progress. It is also too early to know of much of the impact of this work. Nonetheless, both staff and grantees were able to point to several key achievements they view as early evidence of the value of the approach.

Overall Level of Effort

As of December 31, 2015, the total Social Innovation group spending was $4.1 million[3]. Of that, 80 percent was in the form of grants and 20 percent involved PRIs. Some of the grant funding was envisioned as providing initial support to organizations that could later take on various forms of PRIs. The group made five PRIs, the largest to Plymouth Education/Youthville ($300,000) and American Promise Schools ($250,000).



By the end of 2015 the group had only used 9 percent of its $10 million loan guarantee budget, making two such guarantees. Most of that funding went to the Detroit Edison Public School Academy ($860,000) while the rest went to Southwest Solutions Vista project ($60,000); these investments are described later in this section. As one staff member reported, the Social Innovation group used this tool less than it expected partly because it did not find a great need for it and partly because of the increased and necessary internal due diligence for loan guarantees. While no money immediately goes out the door with a loan guarantee, the Foundation could have to deploy as much as $2.5 million in grant funds in any given year to make good on any loans in which borrowers defaulted; that money would not be available for other grantmaking.

[3] Spending was higher than the original $3 million budget in part because of an increase in the Foundation's endowment.

The social innovation work achieved a 13.9 to 1 leverage, meaning that the $4.3 million it spent[4] leveraged an additional $59.9 million in outside capital. That additional capital includes federal and philanthropic funding, revenues saved by grant partners and fundraising.

More Specific Results

The following chart shows the distribution by investment type of the social innovation funding. Several outcomes have resulted from the work. Some of these outcomes may not be considered successes but they have led to gains in knowledge for the Foundation, which is why they are included here.

Youth Development. Early in its work, the Social Innovation group learned that children were having a difficult time getting to youth development programs because of the poor bus infrastructure in Detroit. The group funded a pilot program for the Detroit Bus Company to test a flexible routing system in Southeast Detroit that it believed could be run for $250,000 a year). Thousands of riders took part in the pilot program, and the Foundation hoped to expand the work with additional funding. However, that proved difficult and the bus route was eventually discontinued. Ultimately, the Foundation invested $435,000 in the program.

The way that the pilot was initially structured, however, provided useful lessons for the Foundation in thinking about sustainability. “We made the mistake thinking that if we had a model that was available and that worked that other people would fund it,” a staff member said. “We should have thought more about revenue streams up front.” Lack of collaboration with program staff also caused the Social Innovation group to miss certain kinds of local knowledge that might have shaped the program differently.

Among its other investments, the Social Innovation group also loaned Urban Neighborhoods Initiatives $25,000 to support the expansion of a youth-operated bike shop, Southwest Rides, into an operating business to employ and teach youth entrepreneurial skills. The organization is still in its early stages of development but has been making its loan payments.

Safety and blight elimination. The leaders in the Skillman Foundation’s neighborhoods told the Social Innovation group that blight was one of their biggest issues. Abandoned homes and trash-strewn, overgrown lots made the neighborhoods unsafe to live in and difficult for children and their families to thrive and achieve the outcomes that are central to the Foundation’s mission. Starting in 2013, the Social Innovation group began partnering with several organizations to tackle that problem and help stabilize neighborhoods.

The work began with a pilot project in Brightmoor in which neighborhood residents helped the Detroit Blight Authority identify and clear all non-structural blight—such as trash and vegetation—in a 14-block area. But it was also important to have better data to identify the scope of blight in Detroit in order to address it. The Foundation made a grant in 2013 to bring together two organizations, Data Driven

[4] The difference between the $4.1 million budget and $4.3 million cited in the leverage figures is that in 2014 and 2015, the Foundation had a $100,000 budget each year of president discretionary grants. Those are small grants that run through a different process but are counted toward leverage since some attracted additional leverage.

Detroit and Loveland Technologies, to collaborate on a parcel survey of Brightmoor. Working together, the two companies created a technology that uses smartphones to upload pictures and data that is captured in a dashboard and mapping tool. The tool can be used to help plan blight elimination more effectively.

Then, with federal funding in hand, Detroit Blight Task Force was formed to address every blighted structure in the city and clear every neglected vacant lot. Data Driven Detroit and Loveland received a $1.3 million contract from the Blight Task Force to perform a complete parcel survey in Detroit. It represented the most comprehensive land survey ever done in Detroit. The Social Innovation group also provided $200,000 in funding for the work. The Skillman Foundation leadership participated on the Blight Task Force steering committee and was closely involved in its recommendations of a city strategy to remove blight. Among the work done by the Task Force was the development of a tool that identifies "tipping point" neighborhoods where efforts on property rehabilitation or demolition should be focused. A key driver of the tool is the population of children in the neighborhood, which meant that many of the Skillman Foundation's neighborhoods would be prioritized for blight removal.

By 2015, the city had torn down more than 7,000 vacant homes, which is the largest scale of demolitions in the county. To better understand the economic impact of blight elimination, the Social Innovation group asked Dynamo Metrics, a firm that brings together large amounts of public data with geographic mapping programs, to do a study to determine the return on investment from the work. Dynamo's October 2015 report found that each demolition in the Detroit Hardest Hit Fund[5] areas increased surrounding occupied home values by an estimated 4.2% or an average of $3600 for $209 million in total. The report provided financial proof that blight elimination has direct financial benefits. The report's findings helped leverage an additional $21 million in funds for blight removal.

Capacity building. A major part of the Social Innovation group's work was in helping build the capacity of either organizations supported over a long period of time by the Skillman Foundation or organizations that could provide needed services to meet the Foundation's goals. The Skillman Foundation's staff knew that many of these organizations were fragile and needed assistance in managing their facilities, charging market-rate rent to tenants, building their businesses, or accessing loans. With its skill set, the Social Innovation group was able to provide assistance to some of these organizations.

One of the key organizations that the Social Innovation group funded to help with capacity building was IFF, a regional community development financial institution. In 2013, IFF received a three-year $396,000 startup grant from the Foundation to establish a Detroit office and provide real estate development services and financing to charter schools, early childhood development centers, and other nonprofits in

[5] In 2010, the US Treasury's Hardest Hit Fund Program (HHF) made $7.6 billion available for foreclosure prevention in 18 states. As a result of research indicating that targeted demolition helps preserve property values and prevent foreclosures, Michigan was allowed to reprogram a portion of its HHF allocation for blight elimination. To date, Michigan has programed $175 million for blight elimination, with the city of Detroit receiving $107.3 million for demolition. The Hardest Hit Fund represents the largest source of funding for bight elimination (Source: "Detroit Demolition Impact Report," Dynamo Metrics (2015).

the Skillman Foundation's six target neighborhoods. The grant specifically supported enhancing existing or creating new educational hubs in the six neighborhoods.

For example, IFF worked closely with a core neighborhood partner that provides youth development programs, which was operating with almost a $200,000 deficit. IFF shaved off $105,000 of the deficit in part by negotiating a new lease; IFF also helped other the Skillman Foundation's grant partners charge higher, market-based rents for their tenants.

The real estate services provided another needed piece of the puzzle in helping to stabilize organizations and neighborhoods that the Foundation believes are crucial to enhancing the lives of Detroit's children, a staff member from the Skillman Foundation said. In addition, those services provided a way for organizations to better understand how to manage one of their biggest assets—their buildings. "One of the problems with the multi-service providers was they were not being building savvy in terms of truly understanding the costs of the building and applying those expenses to the people who were renting," a grant partner said. "Their solution to deficits is to apply for more grants. Our pushback was there is no reason to go to the Skillman Foundation or other funders when you have a tenant that anywhere else would be paying market rent."

The Social Innovation group also looked for ways to strengthen organizations that the team believed provided important information that target neighborhoods and the Foundation could use in decision-making. For example, Data Driven Detroit, which provided the database for the blight work, was a nonprofit data intermediary co-founded by the Skillman Foundation and the Kresge Foundation. According to a staff member of the Skillman Foundation, it did not have a model to effectively bring in business, which jeopardized its potential sustainability.

The Social Innovation group and consultants helped staff think through how to better bid for work and change its status from nonprofit to becoming a low-profit LLC (LC3), which is a for-profit business with a primary social mission and secondary profit function. As such, Data Driven Detroit can seek both private investment and grants from foundations. "Their business model just wasn't working well," a staff member said. "We absolutely need the data they provide to us. To get them to the LC3 place so that they become a more sustainable organization is amazing." She also noted that it is still too early to know whether the shift to a low-profit LLC will ultimately help sustain Data Driven Detroit.

The Detroit Children's Fund. Another way to build capacity was to finalize a long-standing plan of the Skillman Foundation to establish a separate organization that could receive outside donations for work directed toward improving the lives of children in Detroit. The Social Innovation group built a strategic plan for the launch of the Detroit Children's Fund including establishing a board, creating policies and procedures, building an investment thesis, and creating a fundraising plan.

The Detroit Children's Fund was launched in September 2014. The Foundation is covering all overhead so that 100 percent of donated dollars can go directly to programs that the fund serves. The focus of investments is on charter schools and youth development programs as well as growing entities that helped existing partners supplement their revenue streams. Since the launch, the DCF board has been expanded and now totals 11 members, with the potential for further expansion in the future. In spring

2016, the Foundation adopted a $3 million multi-year fundraising goal. By year end, several fundraising efforts had generated over $1 million of revenue toward that goal.

Education. Much of the Social Innovation group's focus in education was on helping charter schools or charter management organizations get the financial backing and assistance they needed to become strong, self-sustaining organizations. For example, Detroit Edison Public School Academy is a long-time grant partner of the Skillman Foundation and viewed as one of the top charter schools in Detroit. Since its founding in 1998, the school has grown to serve 1,440 students in grades pre-K through 12. It has a waiting list of more than 350 children. After leasing a building for years, Detroit Edison's owner was seeking to sell it. Two community financial institutions, IFF and Capital Impact Partners, were willing to loan Detroit Edison $10.6 million to buy the building but the transaction required a guarantee for the first year of the debt load, which was $860,000.

The Foundation made the loan guarantee and Detroit Edison was able to save $600,000 per year in facilities costs, representing the difference between the rent it had been paying and the current mortgage payments. It is using the savings to make the organization financially stronger and pursue other projects such as a new athletic field, which can help attract more students. "We have a $17 million yearly budget and we couldn't just give them $600,000 a year, year after year," a staff member from the Skillman Foundation said. "I don't know of any foundation that could. This is an example of how a lot of our work isn't direct service to kids but it is helping make a strong organization that can help kids."

The Foundation also lent $250,000 in 2013 to support the start-up of American Promise Schools (APS), a new nonprofit charter management company that seeks to turn around low-performing schools. In 2015, APS was running three schools with a total enrollment of 1,540 students. The enrollment exceeds the amount initially underwritten by 440 students, which according to an internal memo, indicated that it can generate the necessary revenues to cover the debt service. The memo also noted that one school, the Jalen Rose Leadership Academy, received the second highest ranking on its Michigan Schools Accountability Scorecard during the first year it was run by American Promise Schools. The memo stated that APS had made all scheduled payments towards its PRI.

One charter school leader said that the financial support from the Social Innovation group was critical in its early stages of formation. "When we decided to form this organization, we said, 'yikes, we aren't going to get management revenue for six months,'" a grantee said. "We have to function. We need cash. We went to the Skillman Foundation and they suggested we do a PRI. It's making a difference because it's helping us survive. This has provided financial viability for our network."

Another PRI to a charter school management organization did not turn out as planned. The Foundation made a $300,000 PRI to Plymouth Educational Center (PEC) to help the school finance its $3 million purchase of the YouthVille building, which housed a high school. The goal of the purchase was to prevent YouthVille from going into receivership and protect the Foundation's earlier investments of nearly $3 million in its operations. PEC purchased the building. However, the high school was not performing well and PEC's board decided to close it.

The Social Innovation group learned much from funding that PRI, according to the Foundation's staff. In structuring the PRI, they did not include any stipulations that the Foundation had collateral in the purchased building, which PEC sold. That meant that the Foundation was at risk of not receiving its money back from the sale of the building. The Foundation has been working with PEC and is in the process of structuring an agreement in which it will receive the money back over five years, but the lessons from the experience have informed how the Foundation structures new PRIs.

Neighborhoods. The Social Innovation group sought to supplement and advance the Foundation's neighborhood focus by starting to look at physical development. Much of the work in this area focused on a large proposed neighborhood development project. The Foundation also funded work that sought to strengthen neighborhoods through providing easier access to mortgages, supporting businesses that hired youth, and remodeling homes, schools and neighborhoods.

A major focus of investment was a series of grants to Southwest Solutions for a community planning process for a resident-led project called the Vista Partnership, a redevelopment of 20 blocks located near El Mercado in Detroit. The ultimate goal was a 10-year, $85 million development with the potential of revitalizing Southwest Detroit and creating a model that could be replicated in other neighborhoods. The neighborhood had a lot of blight and vacant spaces with few of the amenities needed for a good quality of life. The project aligned with the Foundation's goal to increase the number of child-friendly spaces and assist in the reduction of blight in Southwest Detroit, a critical part of the Foundation's safety strategy. Another crucial component was the presence of community leadership by engaging and mobilizing citizens around community revitalization and investment.

In 2013, real estate prices were still depressed in Southwest Detroit and the plan was to purchase buildings that could be used to meet neighborhood needs. A Social Innovation grant supported two staff positions and a community engagement process to ensure area residents were involved in the development. Over a 15-month period, the Vista Partnership sent a team door to door to ask residents about what they wanted to see in a development. More than 700 residents completed surveys. One of the unexpected findings from the engagement process was a strong desire from residents for fitness and recreation opportunities—a neighborhood YMCA had closed 10 years earlier and few opportunities existed for residents to get exercise.

To help with the acquisition of buildings, IFF assisted the Vista Partnership. Working closely with IFF, Vista purchased St. Anthony's church, which quickly became a community hub for events and ongoing classes including popular Zumba classes that attract hundreds of women and children each week. The partnership also developed or revitalized three pocket parks where residents gather for concerts, birthday parties, and community picnics as well as tend community gardens.

One major disappointment for the Vista Partnership has been its inability to purchase more buildings, which was a central component of the work. Following Detroit's exit from bankruptcy at the end of 2014 and seeing the increase in property values in other parts of the city, speculators in Southwest Detroit have been holding onto properties and demanding huge prices for them. For example, one developer bought a building in 2015 for $550,000 and is now asking $6,000,000 for it. From March 2015 to March 2016, the Vista Partnership made five purchase offers and none were accepted.

Assisting organizations in generating new revenue streams. Part of the Social Innovation group's work was in helping its partners find ways to generate revenue so that they did not have to engage in as much fundraising.

For example, in 2015 the Social Innovation group supported the Detroit Food Academy, a youth development program, when it launched Small Batch Detroit to give students in its after-school program more real world experience and to generate revenues outside of the grants that fund the program. The Skillman Foundation's support enabled the Detroit Food Academy to pilot test and roll out its product Mitten Bites beyond farmer's markets where it had been selling. The two grants provided the cash flow to think through and test its business model without much risk.

The funding has supported a full-time director who has hired six students—one full-time—to prepare and demonstrate the products, which are now for sale in 30 stores. In April 2016, sales were about $5,000 a month. Breakeven would be about $31,500 a month, which the organization hopes to reach by August 2018. "We're fully on the path to develop a financially sustainable operation that employs young people in meaningful positions that can create a trajectory of youth development," the grantee said. "Without the grant, I don't think we'd be in an any traditional retail. We wouldn't be able to offer any meaningful employment."

Additionally, the Social Innovation group made a loan to help with blight reduction by putting a building into productive use and potentially providing employment for youth. It loaned $50,000 to Artesian Farms, a start-up hydroponic produce growing facility in Brightmoor that can harvest 17 crops per year of a mix of salad greens including several types of lettuce as well as spinach, kale and basil. That business has faced some challenges including unexpected construction costs and delays in opening. However, business has been brisk and in the spring of 2016 it was unable to keep up with demand from local restaurants and grocers. It is in the process of raising money to buy more growing systems. The business is generating about $10,000 a month in revenue with a breakeven of $15,000 a month. It employs one local resident. Because it is still working toward the breakeven point, the business has made just one or two of the scheduled payments on its loan to the Foundation.

"One of the outcomes of the social investment work to date is that it opened the Foundation's eyes to what PRIs could do and the impact it could have on the community," a staff member said. "It also revealed some of the risks of PRIs. Is there a balancing that needs to be done between the impact on a community and the risks to continuing on with these social innovation projects? It gives the Foundation a good learning tool for what they want to do going forward."

Reflections on Early Implementation

Because the Foundation did not launch the social innovation approach with a specific set of expectations for what this new set of activities would accomplish, it is difficult to fully assess its value. Also, as noted earlier, it is too soon to know exactly what benefits have resulted from some of its loans or whether its investments in fragile organizations have strengthened those organizations in a sustained way.

At this point, the staff of the Skillman Foundation have somewhat mixed reactions concerning social innovation's impact. Some staff felt that because of the social innovation work the Foundation has developed new capabilities and new ways of thinking that will help it moving forward as it embarks on a new phase of its work. It also opened up opportunities to work with new sectors in Detroit, often for the first time, staff said. "The Foundation has a presence at the table that we had never really accessed before," one Foundation staff member said. "That is particularly true for folks who are doing community real estate development as well as the investment community and the banking community. We have a presence and a huge credibility now."

In contrast, there is also feeling among some staff that the social innovation work has not yet been as innovative as initially hoped. "The work became more about the tools rather than the innovation," one staff member said. "The new financial tools became the innovation...I don't think we have created an innovation platform to help expedite the work of a cross section of people who have innovative ideas but lack the ability to pursue them. That was a big, big miss." A trustee added, "We've used social innovation in a narrow sense of how to use PRIs. What we should think about is how do we innovate and use the concepts of social innovation in all of our work? How do we experiment with new ideas? There are lots of ways to be creative and innovative that aren't strictly within the narrow definition of using a PRI."

Other staff at the Skillman Foundation and some grantees felt that the limited budget of the Social Innovation group, heightened review processes for PRIs, and the skepticism among some at the Foundation about the connection of the work to the Foundation's mission, constrained the group's ability to be as innovative as the work could have been. What's more, at the start of this work, documents from the Foundation describe social innovation as tools, rather than as a broader concept of what was meant by innovation.

In March 2016, the former investment banker who led the social innovation work resigned in order to accept a different position. The Foundation subsequently chose to integrate the approach more fully into the work of the program group. As part of this integration effort, the Detroit Children's Fund continues to be overseen by a senior program director who reports directly to the Foundation's president.

At this stage in the development of the Foundation's social innovation approach, many questions remain about how to continue shaping this work going forward. The Skillman Foundation's President & CEO, Tonya Allen, believes the recent staff and organizational changes, "Give us an opportunity to rethink this work. What I now struggle with is how can we incorporate social innovation across the board? Now can we take a slightly broader, less financially-driven view of it?"

Areas of Traction Moving Forward

As the Foundation considers its next steps in social innovation, there are numerous opportunities to build on and learn from the work over the past three years. Staff and grant partners of the Skillman Foundation offered the following suggestions:

- **Continue charter school financing.** There is a set of nonprofit charter schools that are not as strong or effective as they could be because they do not have the same access to lines of capital that some of the for-profit schools do. The Foundation has already helped key charter schools gain access to capital, has developed valuable experience in this area, and could continue to make an impact by assisting other nonprofit schools.

- **Directly and actively invest in organizations, rather than have an intermediary organization do so**. Some foundations involved in social innovation work do so through an intermediary group. The Skillman Foundation is already actively involved in its communities and can bring value in directly working with organizations. By managing this work, it can expand its knowledge of all of the tools available in social innovation and ensure that the learning from it comes back to inform future work.
- **Explore how technology that is already out in the marketplace but is not deployed to support civic issues may help.** The blight work is a great example of how technology helped improve a long-standing and pernicious problem. There are likely other problems that the Foundation wants to tackle where technology can provide an important part of the solution.
- **Use additional social innovation tools that might be particularly effective for attracting interest from emerging community groups and entrepreneurs.** For example, a My Brother's Keeper challenge grant solicited the community for ideas to improve outcomes for African-American and Latino boys. It received more than 450 ideas of which 20 will receive resources and technical assistance to refine their ideas. The top six selected will receive up to $50,000 each to implement those ideas. These ideas are coming from people in the Skillman Foundation's communities that the Foundation would likely never had connected with if not for this challenge grant.
- **Identify new investment opportunities that reinforce desired results.** Start with a focus on areas where the Foundation already has deep relationships and identify and invite proposals from people who have innovative ideas to help Detroit's children.
- **Continue the work to strengthen fragile organizations that the Foundation supports, many of which are not as organizationally or financially strong as they should be to do their work and sustain themselves.** One avenue is to provide a retainer to IFF, which could continue to offer its financial and real estate services to grantees, possibly on a cost-sharing basis. IFF could also work across the city and in other youth programs and provide similar services.
- **Continue to build the Detroit's Children Fund.** This newly-created entity now has a solid structure and can be a valuable vehicle for attracting new donors to invest in the Skillman Foundation's priorities.

Lessons Learned

In considering what had been learned so far about social innovation, the Skillman Foundation's staff and grantees offered the following lessons:

- **Bringing clarity to what the Foundation means by social innovation can be helpful for the Foundation moving forward.** What are the expectations for social innovation, especially if social innovation is defined as more than financial tools? How will these expectations be assessed? As the work continues, having more clarity about the role of social innovation and how it connects to the

Foundation's mission will be useful for staff and leadership in assessing the impact of this work and making course corrections.

- **A strategy screen and performance measures for social innovation need to be created so the Foundation can understand why it is making certain investments and assess the impact of this work.** Those indicators should roll up to larger indicators of success in order to see how social innovation connects with the Foundation's larger goals.
- **There is value in bringing in people with different approaches and backgrounds to help spur new ways of thinking.** Several staff from the Skillman Foundation said they appreciated looking at ways to approach long-standing problems through a new lens, while grantees appreciated the hands-on financial assistance provided by the social innovation group. Making full use of this diversity requires strong management, a powerful shared culture, and intentional strategies for cross-staff learning and exchange. Otherwise, the work can become distracting and even polarizing rather than something that enhances the Foundation's effectiveness. "I think there is a role for traditional grantmaking and a role for social innovation," one grant partner said. "If they worked together more and shared goals around what it is we're trying to achieve and have better coordination that would be really helpful."
- **Starting social innovation as a separate unit built internal capacity and helped establish new relationships outside the Skillman Foundation. Integrating it into program group now affords new opportunities for shared expertise and increased impact.** A staff member from the Skillman Foundation said, "Part of the problem of having the separate unit in charge of innovation is that it makes it difficult to pull this kind of work across the Foundation. There is this hunger across the program strategy to use all the tools that social innovation offers." The Skillman Foundation is now poised to build on social innovation's experience as it moves into the next phase of its work on behalf of children.