

EMBEDDED PHILANTHROPY PROFILE

From “Moving Forward While Staying in Place: Embedded Funders and Community Change”
(Chapin Hall Discussion Paper, 2004)

LYNDHURST FOUNDATION

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SUMMARY

Lyndhurst’s involvement in Chattanooga’s Martin Luther King neighborhood (MLK) has taken two main forms. First, beginning in the late 1990s, the Foundation funded nonprofit intermediaries and organizations that work in the community to organize and develop leadership, affordable housing, and education projects. Second, since late 2002, the Foundation has taken a direct, active role in the neighborhood as a strategic developer of housing, parks, streetscapes, and other physical infrastructure. Its goal is to help the low-income, disinvested neighborhood become a healthy, socioeconomically diverse place that attracts private investment. Lyndhurst intends to stay focused on MLK until the neighborhood reaches a “tipping point,” where market forces and community leadership make the revitalization self-sustaining. The Foundation expects this could happen as early as 2005. Its total investment in MLK last year exceeded \$2.2 million.

HOW AND WHY DID THE FOUNDATION EMBED ITSELF IN THIS PARTICULAR NEIGHBORHOOD?

Lyndhurst’s recent decision to embed itself in the MLK neighborhood builds on a long history of work on downtown revitalization and neighborhood development in Chattanooga. During the past 20 years, the Foundation has played a leadership role in spurring downtown revitalization, assembling civic and institutional support for various community investment strategies, and building citywide capacity for development. For example, it helped create Chattanooga Neighborhood Enterprise (CNE), which became the city’s leading affordable housing developer and manager. In the mid-1990s, a growing consensus emerged among civic leaders that the successful downtown revitalization should be extended into urban-core neighborhoods. Lyndhurst took the lead and helped leverage a \$3 million Community Impact (CI) fund from its own resources and those of key partners, both inside and outside the city. The CI fund focused on MLK and four other neighborhoods. Although CI’s work produced significant progress, dramatic physical revitalization was elusive. In 2003, Lyndhurst chose one of the CI partner neighborhoods and assumed a more direct, hands-on role of strategic developer. The Foundation chose MLK because the neighborhood had the greatest chance of success, given its proximity to

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the University of Tennessee’s downtown campus and to the downtown itself. Lyndhurst dedicated an experienced staff person to lead the effort, called MLK Tomorrow.

WHAT BELIEFS AND THEORIES OF CHANGE INFORM THE FOUNDATION’S WORK?

Lyndhurst believes that intensive, deliberate, and properly scaled and sequenced physical redevelopment projects can revitalize neighborhoods by attracting financial and social investment from long-time residents, for-profit developers, and “urban pioneer” home owners. Taking an asset-based approach, the Foundation works with partners to help current residents benefit from changing community dynamics by strengthening neighborhood associations and assisting individuals with home purchases and rehabs. Lyndhurst believes that neighborhood decline occurs as people lose confidence in the neighborhood’s future and stop investing. Housing stock deteriorates, businesses close, volunteerism and neighborhood institutions weaken, and the cycle feeds itself. A guiding goal for Lyndhurst’s MLK Tomorrow initiative is to reverse this cycle and make MLK a neighborhood in which individuals choose to invest their private resources. Because it believes that nonprofit and public agencies and private developers lack the combination of mission, expertise, flexibility, and risk-tolerance required to achieve this goal, Lyndhurst has taken on the role itself.

WHAT STRATEGIES HAS THE FOUNDATION USED?

Although it has played a variety of roles in promoting community change over the years, assuming the role of strategic developer marked the Foundation’s first direct engagement with a neighborhood. Lyndhurst acts as a developer, in partnership with CI and CNE. The CI carries out community building and engages residents. The CNE develops affordable housing and promotes home ownership and home improvements. MLK Tomorrow purchases properties, hires contractors, provides home buyer incentive packages, leads efforts to shape public investments in the neighborhood, attracts private, for-profit developers, and markets the finished products. Believing that creating positive momentum is the key to attracting private investment, and that this cannot be done through minor, incremental steps, Lyndhurst set a very ambitious goal of sparking the development of 100 new or rehabilitated properties in MLK in the first year, a bold step in a community that saw only 3 new private residences built in the 5 preceding years.

Working with residents’ input, the Foundation and its partners identified “clusters of strength” (corners or blocks with positive elements) as well as problem properties (those controlled by absentee owners who neglected them or by owners who allowed criminal activities). They established a \$600,000 Buy-and-Hold fund that was empowered to gain control of problem

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properties and try to defuse them. They also spent roughly \$1 million purchasing dozens of parcels around the clusters of strength to stage the first round of development. They judged these areas as most likely to attract new residents and private investment and believe they will serve as visible signals of change to current and potential residents. The Foundation hopes this wave of development will “light a fire” of revitalization that draws in others and spreads across the neighborhood. In the first 9 months, the organization finished eighteen houses, seventeen of which have been sold, and have begun developing seventeen more properties themselves. To sweeten the deal, the Foundation has financed incentives up to \$20,000 for those buying new homes in MLK. In addition, the University of Tennessee at Chattanooga and the Foundation offer another \$15,000 to staff who buy homes in this neighborhood.

Lyndhurst has an active strategy for encouraging private investment in MLK. It has worked to acquire all the necessary public permits for development on lots it controls. The Foundation then organized a forum for private developers, some of whom typically work in the suburbs, and offered them free and discounted lots with no legal barriers to development. This strategy has begun to pay off as private development activity gets underway. The Foundation also held some of the best lots off the market with the idea that it will be able to sell them to private developers as the market rises, thereby underwriting some of the costs it incurred and enlarging the pool of funds available for a similar strategy in another neighborhood. A final piece of Lyndhurst’s approach involves hiring a consultant to aggressively market the new housing.

WHAT INTERNAL PRACTICES, STRUCTURES, AND POLICIES HAS THE FOUNDATION DEVELOPED TO SUPPORT THE WORK?

Lyndhurst aims to capitalize on its institutional freedom and financial resources to provide the “creative money” needed to change the investment dynamics in MLK. As a strategic developer, the Foundation often takes on unusual philanthropic roles. It vested its program officer with the mandate to dig into details of the strategic developer role and gave her the financial and institutional resources to get the job done. Its staff is in the field, deciding which lots to develop, when to develop them, and marketing them when they are completed. The Foundation offers financial incentives to new home buyers, grants land to developers, and set up a Buy and Hold fund.

Through CI, Lyndhurst helped develop a rubric for assessing and managing neighborhood change. The Foundation assesses physical and social output measures and has created a community data information system to gather data on these measures regularly. These innovative roles and structures allow Lyndhurst to move its agenda forward in the community.

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Key to the success of its development strategies has been the significant previous investment that Lyndhurst made in helping to create organizational partners—CI and CNE in particular—who could take responsibility for key aspects of MLK’s development.

WHAT CHANGES IN THE COMMUNITY DOES THE FOUNDATION POINT TO AS SIGNIFICANT?

The revitalization of downtown Chattanooga created the context for successful neighborhood revitalization in MLK. The Foundation built the capacity of organizations and residents to create community change. It helped strengthen resident associations and leadership in the neighborhoods through its work with CI. The partnership with CNE has also helped to build an organization that stretches beyond its original affordable housing mission to take a lead role in comprehensive neighborhood revitalization. In addition, significant physical changes are underway in MLK. The Foundation has invested in dozens of new properties, problem properties have been eliminated, and more work is in the pipeline. Also, new streetscapes and public parks are in various stages of development.

WHAT WERE THE BIGGEST CHALLENGES? HOW DID THE FOUNDATION CONFRONT THEM?

Managing a wide set of relationships throughout the community while taking active leadership on a number of controversial issues. From defining the city’s central image, to commercial development, to school reform, to neighborhood revitalization, Lyndhurst has not let the threat of controversy deter it from following its beliefs nor has the Foundation rushed headstrong into the storm. Instead, Foundation leadership have paid careful attention to the political and social dynamics of the region in order to move forward their vision of healthy, socioeconomically diverse Chattanooga neighborhoods.

Finding the optimal role for residents. When CI first began its work in the five neighborhoods, it tried to make ample room for resident participation. When it hired staff coordinators to work in each community, it assigned them to report directly to the president of each neighborhood association. However, Lyndhurst and CI report that this structure proved too burdensome for resident volunteers, who began burning out and resisting more responsibilities. Now, residents provide leadership in setting priorities but do not play a significant role in implementation.

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Managing the tension between the interests of current residents and those of potential residents. Efforts to maintain affordability create some friction with current and new homeowners. Some of them resist new, multi-unit properties that they fear will lower property values. At the same time, some residents may fear that neighborhood change and rising property values will put unwelcome financial pressures on them, despite the efforts of CNE, CI, Lyndhurst and others to ease the impact of the transition.

Operating in an atmosphere sometimes tainted by mistrust and suspicion. Through years of working together on this issue, Lyndhurst and its partners have developed a plan that centers on the value of dense, diverse, urban neighborhoods as a solution to many of the region’s problems and as a way to enhance residents’ quality of life. However, not all residents share this perspective, especially at the onset of projects. Furthermore, class and racial divisions separate the communities and the Foundation. However, through long-term dialogue and by building a record of partnership with the community, Lyndhurst has been able to find common ground with many residents. Fears of gentrification do not seem widespread, perhaps because about half the tracts in MLK are vacant and CNE has worked to move renters toward ownership. The neighborhood seems capable of absorbing many new residents without displacing current ones.

INTERVIEWEES

Jack Murrah, Executive Director, Lyndhurst Foundation

Allen McCallie, Trustee and Counsel, Lyndhurst Foundation

Sarah Morgan, MLK Project Director, Lyndhurst Foundation

Bob McNutt, Senior Vice President, Development, Chattanooga Neighborhood Enterprise

Donna Williams, real estate marketing consultant to Lyndhurst Foundation

BettyLynn Smith, Executive Director, Community Impact Fund

