

## EMBEDDED PHILANTHROPY PROFILE

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

### C. F. FOUNDATION

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#### SUMMARY

The C. F. Foundation began its work in 1993 in southeast Atlanta’s East Lake community, site of one of the most troubled public housing complexes in the city. Tom Cousins bought the historically significant, but decayed, golf club that was at the center of the community and donated it to the C. F. Foundation with the charge of restoring the golf course and using the club as an “economic engine” to revitalize the community. The C. F. Foundation established an intermediary, the East Lake Community Foundation, which worked in partnership with the Housing Authority and the Residents’ Association to design and create a new mixed-income community of 542 housing units on 200 acres. Besides the housing, the development effort also included a new K-8 charter school, YMCA, child care center, and other programs and amenities. The C. F. Foundation has invested an estimated \$25 million in the community since 1993. The Foundation expects to remain involved in East Lake for the foreseeable future, though it hopes to provide less gap funding (for example, for the school) and more venture capital for special projects.

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

The East Lake neighborhood, once home to the elite East Lake Country Club, became known as “Little Vietnam” in the 1980s. Dominated by a public housing complex in significant disrepair, it had the worst social and economic indicators in the city. Tom Cousins had family ties to the neighborhood and felt personally saddened by its demise. He knew that East Lake was responsible for a high percentage of the city’s crime rate, but he believed in the role of the neighborhood conditions in influencing people’s life chances: “Criminals aren’t born, they are made.” Many family members were entrepreneurs and found reactive grant-making unsatisfying. Instead, they believed that they would “get the most satisfaction from opportunities to create solutions to difficult problems in long-term partnerships with others.” These factors, combined with Cousins’ ability to see the possibility of crafting a strategy that would restore the historic golf club and provide an economic engine for the neighborhood’s development, led Cousins to a decision to invest in East Lake. He purchased the golf club, began what would be several years of negotiations with the Housing Authority and the Residents’ Association, and established the

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East Lake Community Foundation (ELCF)—an intermediary that serves as the master developer of the area.

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

The C. F. Foundation views mixed-income communities as having the best chance of increasing the quality of life and self-reliance of low-income residents. Also central to the Foundation’s approach is a belief in the power of market forces and the need to build revenue streams for sustainability. Every other apartment or townhouse at East Lake is a market-rate unit. If these units cannot be competitive in the marketplace, the overall finances at East Lake will not be successful. Similarly, if the school is not strong enough to attract students from outside the community, as well as those from within, it will not continue to be financially viable as a charter school. Finally, Cousins’ convictions in the Foundation’s approach at East Lake are bolstered by a deep religious belief and sense of civic obligation.

### **WHAT STRATEGIES HAS THE FOUNDATION USED?**

The Foundation conceived of a “transformed” East Lake community and used a range of strategies to make it happen. First, it worked for several years with the Housing Authority and the Residents’ Association on a host of financial, legal, and regulatory issues in demolishing the existing public housing development and replacing it with a mixed-income community. An enlightened Housing Authority director, the Foundation’s persistence, and much relationship-building ultimately resulted in a 25-page agreement that spelled out residents’ right of return and different parties’ roles in the neighborhood’s development. Concurrently, the Foundation rebuilt the golf course and restored the clubhouse. The golf club is operated as a corporate membership club whereby member corporations not only pay a membership fee but have also contributed more than \$18 million to the ELCF for investments in the community. As the physical development was underway, the Foundation raised funds to build a new K-8 charter school for 750 students—Atlanta’s first charter school -- currently run in partnership with the Edison Corporation. Replacing a rundown building that had no windows with a state-of-the-art educational facility, the school operates with an extended school day and school year and a strong after-school program. The Foundation funded the school’s construction without school board involvement because it wanted to move quickly. It owns the land and the 100,000-square-foot building and leases it to the school for \$1 a year. It also built and then found partners to operate a child development center for about 150 children (run by Sheltering Arms, one of Atlanta’s premier providers of affordable day care) and a state-of-the-art, 50,000-square-foot



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YMCA. Finally, it helped recruit a new Publix grocery store, the first supermarket in the community in 40 years.

Among other strategies underway is a caddie program for youth ages 14 and older who earn money, learn golf, and get help with their homework and the opportunity to earn college scholarships. C. F. Foundation trustees believe the principles inherent in the game of golf—discipline, honesty, hard work, and integrity—contribute to youth development. An additional benefit of caddying, from the C. F. Foundation’s perspective, is that it helps youth develop the people skills they need to interact on the golf course with movers and shakers from the corporate world. Another Foundation strategy that is still being refined involves encouraging middle-class people from churches and seminaries to live in East Lake and be “strategic neighbors” to those in need. Currently, an interdenominational chaplain is provided a rent-free apartment and asked to do whatever makes sense to promote family success and be a “healing presence” in the community.

Since East Lake Villages opened in 2001, the Foundation has devoted increasing attention to devising strategies for integrating the development into the surrounding community, which in the past had wanted nothing to do with East Lake given its crime and social problems. The Foundation has bought some land around the development and hopes to develop partnerships with local community organizations, such as the neighborhood association and a local mosque, to stimulate badly needed commercial and retail development.

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

The Foundation established the East Lake Community Foundation to oversee the housing, educational, child care, recreational, and service strategies involved in rebuilding the community. Funded by the C. F. Foundation, ELCF’s budget of \$1.5 million supports an executive director and staff in the areas of finance, programs, and communications and fundraising. The Foundation consists of five people—two family members (Tom Cousins and his daughter, Lillian Giornelli) and three retired business leaders.

The ELCF is moving away from being largely a Cousins family enterprise to becoming more professionally driven. Tom Cousins became acquainted with ELCF’s current director, Carol Naughton, when she served as general counsel for the Housing Authority during the Foundation’s negotiations over East Lake’s development. She joined the effort in October 2001, replacing the individual who headed the organization for its first 7 years. Naughton has recently

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hired a program director who is charged with being the “glue” in the community by helping to coordinate different components, design new programs, and oversee research and evaluation activities. The Foundation also recently hired a fundraiser and communications person who will work to replace some of the C. F. Foundation’s operating support.

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

The East Lake community has been transformed. Residents first moved into the new housing in 2001, and the last housing was completed in 2003. The housing and landscaping is beautiful and has won various awards. The crime rate has fallen 70 percent in the surrounding neighborhood and more than 90 percent within the Villages (from the highest rate of the 56 police beats in the city to being in the lowest 10 beats). The real estate values in the surrounding community have risen more than 20 percent per year for the past 5 years, more than in any other area in metropolitan Atlanta. People are moving back into the surrounding community; old homes are being renovated, and the first residential construction in 30 years is taking place. Although it only opened in 2000, the school has already seen dramatic increases in test scores and decreases in disciplinary referrals, and it now has a waiting list of more than 200 students. Public housing residents at East Lake are working for significantly higher median salaries than those living in other developments.

The current corporate membership in the golf club consists of 75 Fortune 500 companies and 20 local corporations. This golf course hosts various big-name tournaments, including the PGA Tour Championship, which benefits the East Lake Community Foundation. Some of the corporate members provide volunteers for various community activities and needs. The community also has a second golf course that is open to the public, and a swimming pool and tennis courts for resident use.

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

**Making sure its partners share the Foundation’s vision.** Attracting existing mainstream providers to a low-income community has proven an effective strategy. However, the Foundation discovered that it needed to help some of its partners—most notably the YMCA, which had modest experience working with low-income families—realize their significant potential for contributing to the community without jeopardizing the Foundation’s relationship with its market-rate members both inside and outside East Lake.

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**Making the numbers work.** Most mixed-income developments use a 40 percent market, 40 percent subsidy, and 20 percent tax credit formula. The tax credit apartments help to make the development’s finances work over time and create opportunities for people to stay in the neighborhood who make too much to live in a public housing unit but not enough to live in a market-rate unit. East Lake’s 50 percent market, 50 percent subsidy formula was politically nonnegotiable at the time the development was planned, but it has created less flexibility than would be ideal from the Foundation’s perspective. It has also been somewhat challenging to attract families to market-rate units in the current economy. Although these units are 88 percent occupied, residents tend to be single people or student families who are not, for the most part, interested in investing in the community because they are not likely to stay. As rents go up elsewhere in Atlanta, East Lake units will be more attractive to market renters. The Foundation also intends to begin some targeted marketing to address this issue.

**Building community relations, ownership, and voice.** Another nonnegotiable element in East Lake Village’s development involved the placement of the housing units in four separate clusters around the community, rather than centralizing the housing and surrounding it by the golf course. This placement was not only costly, but it served to reduce interaction across clusters and undermine a shared sense of community identity. Further, although ELCF is intentionally not community-based in terms of its governance, the Foundation would like to see more residents in decision-making roles regarding community issues. The ELCF program director is charged with exploring various opportunities for organizing and engaging residents more directly in the life of the community.

### INTERVIEWEES

**Lillian Giornelli**, President, the C. F. Foundation

**Carol R. Naughton**, Executive Director, East Lake Community Foundation

**Ms. Eva Davis**, tenant association leader and long-time resident of East Lake