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Abstract

Not to be confused with charity or humanitarian intervention, philanthropy used in economic development focuses on community economic initiatives to restore local business ownership and encourage the strategic use of local resources while empowering community pride for long-term sustainability. The city of Grand Rapids, Michigan, has flourished beneath the partnership of individual philanthropy and “place-rooted” foundations dedicated to improving the status and overall development of the city. Organizations like Grand Action and The Right Place, Inc. have leveraged the combined efforts of a number of local philanthropists to fund larger development projects within the city center to create a community that attracts, retains, and fosters innovation and has created a midwestern hub known for its support and achievements in the arts and sciences. As illustrated in this paper, the models and concepts used to revitalize Grand Rapids can be and have been replicated in other areas to create positive and sustainable urban economies.

Key Words: Philanthropy, economic development, innovation, strategic management, collaboration

Over the past two decades, the economy of Grand Rapids, Michigan, has been booming. West Michigan is home to a long list of generous philanthropists that have in luenced the city’s development, but particularly over the past quarter century, Grand Rapids has achieved significant growth that has caught both national and international attention. Practitioners in the new era of economic development are recognizing the potential of philanthropy in revitalizing downtowns in the midst of urban sprawl. Grand Rapids has set a precedent for philanthropic collaboration in the development sector with a number of citizens returning to invest in the city. Philanthropic engagement has turned its focus to becoming more strategic, with a special focus on the analysis of trends and leveraging collaboration to make informed funding decisions. It has been shown that economic growth must be pursued in tandem with economic opportunity to be effective and
sustainable. By designing a community that attracts, retains, and fosters residents and businesses alike, Grand Rapids has become an economic and cultural mecca. Much of this revitalization has been catalyzed by the philanthropic minds and attitudes that reside in the region. This paper examines how philanthropy has been used as an economic development tool in Grand Rapids and elsewhere, a brief history of philanthropy and relevant literatures, and application of theory, with recommendations for strategic implementation.

Not to be confused with charity or humanitarian intervention, philanthropy used in economic development focuses on community economic initiatives to restore local ownership and encourage strategic use of local resources while empowering community pride for long-term economic sustainability (Acrs 2013; America 1995; Bussell and Martinez-Cosio 2013). One of these strategies is investment in local infrastructure. In West Michigan, companies that invest in The Right Place, Inc. receive a return of $83 for every $1 invested (2014-16 Investment Campaign). Their investment directly impacts employment and expansion, in turn creating further opportunity for growth. The Van Andel Arena opened in 1996, seeded by a gift of $21 million by the Jay and Betty Van Andel Foundation (Grand Action Report 2014). In fiscal year 2011, the Arena had a $22.6 million economic impact and created 252 jobs. The construction of the Arena became a catalyst for the area and spawned the opening of 14 new restaurants in the vicinity within 6 months (Destination Asset Study for Grand Rapids 2016). Similarly, Georgia Aquarium in Atlanta spawned revitalization for the struggling urban center. Bernie Marcus, co-founder of Home Depot, gave a $250 million gift in 2005 to seed development of the aquarium to help the city rebound. Today, the aquarium is one of the country’s biggest attractions and has drawn more than 13 million visitors since its opening and has generated about $1.6 billion for the greater Atlanta metropolitan area (Peterson & Fujii 2012). In 1986, Chattanooga, Tennessee, created plans to revitalize the city’s riverfront and downtown areas. The River City Company was created as a private nonprofit to implement the plan, and twenty-six years later, the downtown area has become a destination for residents and visitors alike. This renewal spurred movement into the city and has yielded $14.2 million in economic impact and is credited with the creation of 192 jobs. The revitalization has continued to attract investment, yielding approximately $3 billion in construction investment since 1992 (Peterson & Fujii 2012). Private gifts for
large-scale construction and renovation can be directly linked to community improvement, providing jobs, improving the market, and bringing resident interest back to the urban core.

The nearly-mile-long stretch of Michigan Street known as Medical Mile has also helped to transform Grand Rapids into a destination for world-class healthcare and helped to kick-off the area’s revitalization after an economic decline in the 1980s and 1990s. The Van Andel Institute (VAI), established in 2000, served as the seed that inspired the growth of this area. According to Dr. George Vander Woude, former director of the VAI, an advisory committee was formed in 1995 with a plan to build an institution similar to the Howard Hughes Medical Institute - a fusion of education and research to be headquartered in Grand Rapids (personal conversation, 2013). The idea was presented to Jay Van Andel, co-founder of Amway and one of the areas wealthiest patrons. With the help of the citizen-led, privately-funded Grand Action committee, the VAI was brought to life in 1996. Medical Mile was one of Grand Action’s visions in helping to turn around a fading Grand Rapids, and Vander Woude credits the Van Andel family and Grand Action in preventing the city from a fate similar to the urban decline in Detroit (personal conversation, 2013). Because of the extensive public/private partnerships taking place and the relatively low cost of living, Grand Rapids has been able to offer more affordable amenities while still providing exemplary quality of living (Grover et al 2012). This example of influential philanthropic individuals has continued to make a significant contribution to the vitality of the West Michigan community.

**History & Literature Review**

At the heart of philanthropy, individuals and corporations give back to causes that are meaningful or speak to personal values. A common theme among philanthropists is the belief that those most “deserving” or “worthy” of philanthropy are those who are willing to help themselves. John D. Rockefeller, one of America’s first leading philanthropists, held the firm belief that “the best philanthropy, the help that does the most good and the least harm...is not what is usually called charity” (1908: para. 7). He felt that those in need the most needed a “hand up,” not a “handout,” and stated, “Money which comes to him [in need] without effort on his part is so seldom a benefit and often a curse.” Rockefeller was an advocate for education and job creation, and believed “if the people can be educated to
help themselves, we strike at the root of many of the evils of the world.” Payton and Moody discuss a similar sentiment that has been evident since ancient Greece and Rome; Roman philosopher Cicero believed that “we should see that acts of kindness are not prejudicial to those we would wish to benefit or to other; second, we should not allow our generosity to exceed our means; and third, it should be proportionate to the merits of the recipients” (2008). This belief is consistent with current examples of philanthropy: the most successful trends are those that help people better themselves and improve their situation, rather than relief in the short-term.

When it comes to determining the criteria to use when giving, Cicero and Rockefeller balance two core values discussed by Payton and Moody: compassion and community. According to Cicero, “the primary classical contribution to philanthropic thought was to see philanthropy as a way of improving community and enhancing the general quality of life” (Payton & Moody 2008). In his time, the wealthy gave for reasons of “enlightened self-interest” and with the expectation that their generosity would be lauded. Their concern was with improving the overall quality of life, but to their benefit as well. Rockefeller anchored his sentiment of compassion in his analysis of the underprivileged, emphasizing that, “probably the most generous people in the world are the very poor” (1908: para. 13). He goes on to describe how, despite having little to their name, the impoverished will often take on the burdens of neighbors who have fallen on hard times. He admired their compassion, and noted “it is only the spirit of giving that counts, and the very poor give without any self-consciousness” (1908). Whereas Cicero believed that one should give for the greater good and would in turn be rewarded, Rockefeller felt one should provide to others because they had the ability to do so. These core values laid the foundation for the early development of the idea of philanthropy, and have played a central role ever since.

The use of philanthropy in the revitalization of communities is not a unique concept. Philanthropy has been a vital component to the development of the modern world, with the earliest form of modern philanthropy documented by Alexis de Toqueville in his mid-19th century writing on “voluntary associations” in America (1835). A concept completely foreign to de Toqueville continues to be unique to the United States: each year, more than $300 billion in the U.S. is given to aid good causes, two to twenty times more than comparable countries around the
world (Zinsmeister 2016). Many of the more significant social advancements are made because of privately-given gifts. More recently, we’ve seen an increase in engagement of super-wealthy entrepreneurs in ambitious projects for social renewal (Gordon, et. al., 2015). Philanthropy evolved to phenomenal heights in 2010 with the establishment of the Giving Pledge, pioneered by Bill Gates and Warren Buffett, where several dozen billionaires have vowed to dedicate at least half of their fortune to philanthropy in their lifetime with the belief that this cycle of giving is an essential ingredient to American’s capitalism (Acs, 2013). Gordon et. al. (2015: 334) explain that “entrepreneurial philanthropists do not view philanthropy simply as giving away their personal funds, but rather as a mechanism to invest excess wealth to orchestrate social change on a large scale through application of their business know-how.” For these “philanthropic investors,” it is a form of a business investment with returns in the form of social capital. Bussell and Martinez-Cosio (2013: 13) note that the vague definition of philanthropy allows for a range of interpretation, with the consensus that the philanthropic actions must produce “broad effort to improve the quality of life by addressing asset building in five areas: social, human, physical, financial, and political capital.” While the form of philanthropy has evolved, its core has remained the same, from the development of privately funded foundations to crowdfunding.

Modern-day approaches to philanthropy tend to fall into two categories - service (meeting a need that currently exists) or systematic giving (addressing the infrastructure before these needs have been created through regular financial support). According to Paarlberg and Yoshioka (2016), community philanthropy fulfills a place-based expression of civic responsibility, and the benefits extend beyond only those who are able to contribute. Services such as local food banks and homeless shelters help to bridge the gap in a deficit the community is currently unable to fulfill, and these services survive on the philanthropy and volunteerism of local residents and corporations. Systematic giving through the establishment of endowments, sustained gifts, or bequests ensure that support is available in the long-term. A synergistic combination of service and systematic is crucial for developing a philanthropic culture and community that can be internally sustained regardless of outside influence.
Influence of Philanthropy in Grand Rapids

Strategies

A growing source of economic development through philanthropy are investments via pollinator enterprises. According to Michael Shuman (2015), pollinators are for- or non-profit entities that assist communities in handling their economic development functions with more efficiency than traditional methods with the goal of creating a locally sustainable economic environment. A Grand Rapids example of this is philanthropist Guy Bazzani, who was responsible for the renewal of the Wealthy Street Corridor through the investment and renovation of 27 buildings within the district over the course of 15 years. In 2003, he pioneered the creation of the Grand Rapids chapter of Local First and formed a partnership with the Business Alliance for Local Living Economies (BALLE). Together with a group of equally passionate individuals, Bazzani began the push for a more locally sustainable mindset, championing for the local economy and community (Shuman 2015). His private business began to take on the functions of economic development and spurred interest in an area formerly downtrodden. Similarly, Littleton, Colorado, developed a program in economic gardening for local business success, based on “an ability to adapt to changes while retaining an identity, a sense of self-organization that encourages action at the individual level versus top-heavy organizational structures, and a local culture that favors risk taking, innovation, and diversity” (Blakely & Leigh 2013: 289). This program assists 200 to 300 businesses annually with creating connections within the community and getting support, whether it’s for business-specific questions or physical improvements. Since implementation, economic gardening has helped Littleton attract more than 4,000 jobs to the city and the number of employees grew by 93% (Blakely & Leigh 2013). By fostering local entrepreneurship, investments in the local community become more sustainable and become a catalyst for future growth, as well as encourage the growth of small business.

A similar strategy for spurring economic development is through the use of endowed philanthropy. This strategy provides the giver with a long-term investment plan as a secure source of income for a foundation. The foundation and philanthropist are then able to give back over generations, creating an effect that lasts beyond the life of the donor (Grand Action Report 2008). Grand Valley State University’s endowment supports academic programs, scholarships, and growth, and ensure financial stability
for the long term. In turn, Grand Valley has become one of the most significant economic influences in West Michigan, creating an economic impact of more than $730 million in the region and attributing more than 10,700 employment opportunities (GVSU Economic Impact Report 2016). The endowment is supported by philanthropic gifts from private donors; without that support, the university would not be able to grow and sustain its economic impact. By investing capital into a fund for community initiatives, the endowment is able to have a more sustainable impact, and avoids going to consumption, which benefits only a small portion of the community.

Privately-funded foundations play a significant role in the development of a community. According to Green et al (2016), economic development philanthropy requires foundations to step into a role that provides the necessary support that other organizations are unable to provide. The Grand Rapids Community Foundation serves as a steward for hundreds of individuals who seek guidance in their philanthropy. In 2017, $6.8 million was raised for various community projects, including a number of community leadership initiatives (Grand Rapids Community Foundation 2017). To date, more than $2 billion has been granted by the Community Foundation since its creation in 1922. The Grand Rapids Community Foundation is an exemplary example of a “place-rooted” foundation, or those foundations “with a mission to improve a particular community or place in which they are located,” (Green et al 2016). They have begun to step into the role of fulfilling community needs through the development of strategic solutions and forming relationships with sources of funding to increase overall impact.

Funding collaborations can become a catalyst for improvement in community programs: in New York City, community development committees (CDCs) in four neighborhoods in South Bronx identified neighborhood needs and solutions; twelve funders came together to raise the $9.4 million needed. This action had further, nationwide impact as it inspired the creation of Chicago’s New Communities Program that now engages 16 neighborhoods and 14 community organizations (Bussell & Martinez-Cosio, 2013). A study done by The Philanthropic Collaborative (2007) showed that the country’s 70,000 philanthropic organizations awarded $42.9 billion in grants that produced more than $360 billion in economic welfare benefits in 2007 alone. It was found that for every $1 spent by foundations, more than $8 is generated in economic welfare.
benefits in 2007 alone. It was found that for every $1 spent by foundations, more than $8 is generated in economic and social benefits. Community foundations have become even more important to development in recent years as citizen support for services and policymaking has decreased and public trust in government support has declined, positioning community foundations to fill in infrastructure support (Bussell & Martinez-Cosio, 2013). An investment in the local economy sets the groundwork for better long-term outcomes, fostering entrepreneurialism and transformational change established by these “place-rooted” foundations.

Application of Theory & Concepts

Revitalizing the inner city is a crucial component of sustainable economic development. Urban sprawl has significant negative side effects, including increased pollution, racial disparity, and ecological destruction (Blakely & Leigh 2013). Renewing interest in the urban core and drawing residents back to the city creates a catalyst for restoring available infrastructure, which is less costly than continuing to expand outwards. Job creation is the most important goal of any economic development strategy. It is more sustainable to create new sources of employment for an area than it is to attract new employers to the area (Blakely & Leigh 2013). In Grand Rapids, organizations like Grand Action leverage the combined efforts of a number of local philanthropists to fund larger development projects within the city center that have the potential to have significant economic impact. These projects include the Van Andel Arena, DeVos Place, CI Studio movie theater, and the Downtown Market.

Grand Rapids has several natural and community assets that philanthropists and the city have worked together to improve. Grand Rapids Whitewater project began as an idea to create a kayaking course along the downtown waterfront and has developed into a passionate project to restore the Grand River rapids. Local outdoorsman Chris Muller and Chip Richards head the project and received support from the Wege Foundation. Several area foundations came together in 2014 to fund a study on the economic impact of restoring the rapids. The study showed that recreational use of the river and riverfront would generate an economic impact between $15.9 million and $19.1 million annually. Recreational activities like fishing, rafting,
kayaking, and paddle-boarding are anticipated to be a significant draw for new tourism, as well as creating a new field for jobs (Grand Action Report 2014).

The Dwelling Place began as a collection of several area churches in the 1980s who came together with the goal of improving housing in the dilapidated Heartside neighborhood. The organization struggled for many years before submitting an action plan that attracted the investment from the Grand Rapids Community Foundation and the Steelcase Foundation, who provided initial financial support while the programs developed. The plan garnered an additional $1 million in private funding and was able to renovate three building into an artists’ residence, family apartments, and commercial space (Grand Action Report 2014). The revitalization became a catalyst for the neighborhood and preceded the construction of the Downtown Market. The Heartside neighborhood continues to grow as investors have begun purchasing and renovating buildings in the area that had been abandoned for years.

The Downtown Market has become an economic success since its controversial construction. Situated just south of the Van Andel Arena, the market is now home to several established restaurants and vendors, and has helped launch several entrepreneurial businesses with its incubator space. Since its opening in 2013, the Market has launched interest in a previously ignored area, spurring investment into the former Klingman’s warehouse as loft-style apartments and bringing residents to an area previously known for its high crime rate. Grand Action and The Right Place, Inc. worked together to seed philanthropic funding for the project, which also received gifts from individual private donors. The Market even captured the attention of the New York Times, who called it “another harbinger of prosperity in Grand Rapids” (2015).

Start Garden, a $15 million seed fund established by Rick DeVos, began in 2012 as a way for fledgling businesses to present their concepts and gain investors. Entrepreneurs receive a $5,000 grant and are invited back to present their growth later on, with the chance to receive further funding. This opportunity gives new businesses the chance to gain footing and expand the market in Grand Rapids, creating jobs and capital as they grow and adding value to the downtown area. Start Garden invests in a wide variety of industries, from technology to retail to food. The company helps entrepreneurs take more business risks, something they are not always able
to do with traditional funding. This helps Grand Rapids be more innovative and diverse by taking chances and seeing companies flourish that might not otherwise elsewhere.

ArtPrize, the world’s largest open art competition and another venture by Rick DeVos, was founded in 2009. Primary funding for the contest came from the Dick and Betsy DeVos Foundation with the goal of attracting artists from around the globe. The first event saw more than 1,200 artists from 42 states and 14 countries, with approximately 200,000 visitors. By 2016, ArtPrize had a $28.6 million impact on the city, drawing more than 500,000 visitors to the city from all fifty states and 47 countries (Woods 2017). It has helped stimulate interest in the urban core and has made Grand Rapids a destination. What began with the philanthropic contribution of the DeVos’s has helped put Grand Rapids on the global economic map.

Conclusion

According to Forbes, Grand Rapids had a GRP growth of 30.9% from 2010-2015, making it the sixth fastest-growing economy in the United States (2016). The growing population of young, innovative talent has been encouraged to stay and use their talents in West Michigan by these developments. Further, the attraction to living downtown has increased as housing options and activities have become more available and accessible. Through the past decades, Grand Rapids has transformed in a way that puts it on the same level with much larger metropolitan areas. This was due to key individuals dedicated to using their resources to intervene and create a better quality of life for everyone. Emily Vander Woude (2009: 46) notes in her research on the area:

“The private funding sources give Grand Rapids an advantage over other areas. Many localities simply do not have the generous philanthropic resource that Grand Rapids is fortunate to possess. The local philanthropic funds have spurred the rapid growth of projects that may have been hindered by the lack of state and local funding available. A project like Van Andel Institute would not have been possible without extensive private capital. Grand Rapids has been fortunate enough to gain the cushion provided by philanthropic revenue and can afford to take such risks.”
Philanthropists of all sizes are collaborating for an impact that will outlast their lifetime and create opportunities for others to follow in their footsteps. The impact of foundations on the entrepreneurial spirit of the city has led to a breeding ground for economic development innovation. Their commitment transformed a humble Midwestern city into a cultural, passionate, close-knit environment that has spawned breakthroughs in everything from the arts to science to technology. By creating a community that attracts, retains, and fosters residents and businesses alike, Grand Rapids has become an economic powerhouse for the state, thanks to the foundation laid by area philanthropists. The fact that many of these major companies (Meijer, BISSELL, Amway, Steelcase, Herman Miller) maintain their world headquarters in West Michigan is further proof of their investment in this community. Perhaps most importantly, the model used to revitalize the urban core of Grand Rapids can be replicated - individual generosity and organizational development coming together to positively affect the local economy. West Michigan is able to maintain its national reputation as a destination for innovation and growth, thanks to the foresight and generosity of these dedicated philanthropists.
References


About the Author

Heather Rowan earned her Bachelor of Arts from Kendall College of Art & Design in 2012. After discovering a passion for civic engagement through her volunteer work, she returned to school and completed her Master of Public Administration from Grand Valley State University in 2018. Heather is currently the Manager of Student Philanthropy Initiatives for University Development at GVSU, where she guides student-led fundraising campaigns and creates opportunities for student/alumni engagement. She previously worked for the BISSELL Pet Foundation as the Development & Programs Associate. Heather also serves on the Event Committee for Planned Parenthood of Michigan’s annual gala and heads the Next-Gen Cultivation subcommittee. She resides in Grand Rapids with her partner, Alex, and their two rescued dogs.