

**Smithsonian Institution
National Museum of American History**

**Philanthropy Initiative
Oral History Project**

**Interview with:
Richard (Rip) Rapson
Kresge Foundation
Troy, Michigan**

**Interview conducted by:
Amanda B. Moniz, Ph.D.
David M. Rubenstein Curator of Philanthropy
National Museum of American History**

**August 4, 2017
Troy, Michigan**

Segment 2 of 2

AMANDA MONIZ: This is Amanda Moniz conducting an oral history interview for the Smithsonian's Philanthropy Initiative Richard Rapson of the Kresge Foundation. It's Friday August 4th [2017], and we're at the Kresge Foundation headquarters in Troy, Michigan. Could you please state your name?

RICHARD RAPSON: Sure, it's Rip Rapson with the Kresge Foundation.

MONIZ: Great thank you. Well thank you very much [00:00:30] for picking up our conversation again, I really appreciate your time. When I was here before [June 15, 2017] we had been talking about ... We left off talking about the drawings that you do to help the Kresge board conceptualize issues, and we'd been talking about the Detroit Grand Bargain your drawings to help people understand the issues that play there. So I was wondering ... I'd like to pick up talking about the Grand Bargain. But first I [00:01:00] wanted to just back up a little bit and ask about your relationship to Detroit, how well you knew Detroit before the bankruptcy in the Grand Bargain.

RAPSON: Having spent the previous long while in Minneapolis before arriving in 2006 in Detroit. I knew virtually nothing beyond I think what a resident of our country would know. I had associations with [00:01:30] obviously the automobile industry, but more particularly the deep decline of Detroit as a high functioning city. That it was almost always used as sort of the poster child for what can go wrong in a city, whether it's politically, socially, economically or otherwise.

I came to Detroit expecting to find a [00:02:00] city that was struggling to regain its place in the world, and indeed that's what I found. It was 2006 a place that although seemed to be on the cusp of a period of optimism, because they had a dynamic young Mayor named Kwame Kilpatrick. But still was struggling with long term forces of decline, the flight of capital into the suburbs, [00:02:30] the departure of major businesses, the increasing polarization along racial lines, the decline in household wealth all of the sort of the indicators one might associate with Detroit.

Were really in full play in 2006 and yet here was this sort of dynamic young mayor who'd been elected at the age of 31, former football star. A very commanding presence, big man former [00:03:00] ... Probably, a former football player as I mentioned just with an ability to capture a room and capture the imagination of the city. So I came at a time when I think people despite the decline of the city over the previous 20, 30, 40 years had some sense that maybe this was public leadership that could take them to a different place.

For the first couple of years of my tenure here that seemed to be bearing out. There were lots of interests in building along the riverfront and [00:03:30] trying to re-stabilize neighborhoods. But then 2008, 2009 just swept over the city and it was not just the broader economic collapse of the national economy which would certainly hit Detroit hard, but it was the particularized set of pressures on the automobile industry, that caused the entire auto supply chain in southeast Michigan to be at deep risk, and [00:04:00] the mayor had engaged in a whole series of practices that ... To make a long story short led to his indictment and imprisonment.

You had from 2008, 2009, 2010 a city that was just an extremist on every front. There was no functioning public sector. A new mayor stepped in, but it was such a chaotic, disintegrating, political environment that it was hard to imagine any mayor [00:04:30] being effective. You had the dominant industry essentially going into a bunker for two or three, four years they were essentially in bankruptcy themselves and couldn't make investments, couldn't really do the same kind of volunteer engagement that had come to characterize their work. You had a broader set of economic forces just bearing down on Detroit, and in particular through the housing crisis and the mortgage foreclosure crisis.

It was a time [00:05:00] that pretty rapidly called on philanthropy to make a set of decisions about how it might play a role when the other sectors seem to be unable to.

MONIZ: Before I ask you what kind of role Kresge played in Detroit in those years, just let me ask you personally did you go down to Detroit for cultural activities or for work or for other things? I'm just curious [00:05:30] about your own personal activities in Detroit?

RAPSON: Yeah. As this is true of so many national portraits of Detroit or any other city under duress, there were always points of light in Detroit. There was an incredible artistic and cultural heritage that never left Detroit. Whether it was in music or in [00:06:00] other forms of artistic expression.

Detroit had powerful anchoring institutions, largely in the cultural sector but not exclusively. Not only did Detroit at the time have the Detroit Institute of Art and the orchestra, and the opera, and other musical and performance venues that were active, but it also had Wayne State right in its midst with the continuing commitment to [00:06:30] its role in helping the city rebound. There were a lot of things going for Detroit.

So yes we ... I went into Detroit frequently, I mean many, many times a week it was part of our work, but it was also a recognition that the assets that Detroit had may have been struggling, but they were still present and were doing their best to stay afloat and more, and to contribute positively [00:07:00] to the renaissance of the city.

MONIZ: What community do you live in?

RAPSON: We're up in Birmingham which is about 15 miles north and a little bit west of Detroit.

MONIZ: So in these years before the bankruptcy what kind of role was Kresge playing in Detroit?

RAPSON: In the first two years after my arrival, we looked at the apparent vitality of the mayoral administration of Kwame Kilpatrick, [00:07:30] and felt that our best role was to reinforce the kind of activities that he was urging the community get involved. He had an ambitious set of plans to revitalize the riverfront and we had begun through some investments in the Detroit River Front Conservancy, in the creation of the Detroit River Walk. He had a very detailed set of plans for the revitalization of Detroit neighborhoods, in which he would select six neighborhoods in a [00:08:00] triage and collect as much capital into those neighborhoods as he could, and work on schools and out of school programming, social service supports, physical revitalization, a whole suite of things that you might imagine.

So for the first two years after my coming to Kresge, we felt our highest and best contribution would be to simply to help the mayor [00:08:30] advance his agenda. We looked at how we could work in neighborhoods, how we could continue our investments downtown and along the central business district of Woodward Avenue and actually began a series of activities aimed to try to help revitalize the Woodward Avenue corridor, the riverfront and in a number of neighborhoods.

After the economic recession [00:09:00] began to take hold after the automobile collapse and after Mayor Kilpatrick's struggles with the legal system, we realized that we had to move beyond supporting an administration that was essentially no longer intact. It took a number of forms, but maybe I could back up and say, what I think in some ways precipitated [00:09:30] my realization that Kresge had to step up in a highly unusual way, both I think for Kresge but also for philanthropy generally, unusual for philanthropy generally, were three different events. One was just the continuing horrible press that Detroit was getting mostly deservedly. I mean that you couldn't pick up a national publication without

reading about the swaths of decline [00:10:00] and abandonment, the political corruption, the increasing fragility of the economic anchors of the town.

So our board of directors about 12 folks, eight of whom are not from Detroit, read the same publications everyone else did, and we increasingly had very difficult conversations around the board table about what our strategy was. Did we have an endgame? How could you possibly work in such a distressed environment? Was this a philanthropic [00:10:30] fool's errand? Could you find some way to be helpful or was it just a finger in a dike that was inevitably going to just wash over you in ways that you couldn't control?

That was the first event we increasingly were having these conversations around the board table, and it went to the heart of our questions about efficacy and long term role. The second is I [00:11:00] had the opportunity to go and meet with the new president of the Ford Foundation Luis Ubiñas. Luis had come to Ford from practice on the West Coast at McKinsey, had very little connection to the city of Detroit and yet Ford had always had Detroit as one of its primary local investment areas.

Luis was considering turning Ford a little bit upside down and figuring out how its work [00:11:30] could be reinvigorated and re-imagined. One of the possibilities was to withdraw a little bit from Detroit because of the same reasons my board was thinking about. So I got on a plane and talked to him at length about the work we were doing, and some of the entry points that I felt Ford could be helpful with, and he turned to me and he said, "So Rip, how much does philanthropy spend every year in Detroit?"

It was such a simple kind of McKinsean [00:12:00] question, it took me aback and so I just grabbed a little sheet of paper and started just listing the private philanthropy that I was aware of, not so much donor advice funds because complicated or individual donations, I have no idea what that was. But just scrolling through Ford and Kellogg, and MOT, and the Hudson Webber Foundation that's sort of the full spectrum and I said, "Well I think Luis it's probably somewhere between \$150, 160, 70 million a year. Without missing [00:12:30] a beat Luis said, "Well that means Rip, that in the next seven years philanthropy will invest a billion dollars in Detroit, what do you propose to buy with that?"

So that was sort of a second awakening moment that forced me to think even harder about that question than I might have. Then the third event is a little bit more humorous, which is I received a call about the same time and this is all within a relatively short period of a month or two, from [00:13:00] a guy named Derek Douglass. Derek was one of the members

of President Obama's domestic policy council, high ranking adviser to the President.

And I had known Derek by reputation as a really fine policy thinker. Right after President Obama took office he called and he said, “Rip, I just got out of a cabinet meeting and the President said that he would not permit Detroit to become the Katrina on his watch, that [00:13:30] we have to figure out a way that the federal government within reasonableness can help Detroit climb out of its situation.” And he said, “So we want to come to Detroit and announce something, what should we announce.” I just laughed and I said, “Derek, what do you mean?”

He said, “Well we can't make any sense of it. You've had like three mayors in four months, with all of these corruption, scandals and temporary appointments, and the investment climate seems in chaos, and the nonprofits [00:14:00] seem to be just hanging on by a thread. We don't know what we would announce. It's just there's an absence of coherence to your town that makes it very difficult for us to figure out what to do.” Well I'm not sure that was quite the right way to frame it but message received.

Given my conversation, with the board given my visit to Luis, and given my conversation with Derek Douglass, I just went back to my office and sat [00:14:30] down on a Saturday and said, “If I were to sort of try to make coherence out of the situation. If I were essentially to answer both Luis's ... Well actually all three questions. Luis's questions, our board's questions and the President of the United States questions, about what can be done?

What has the possibility of having long term impact? What would that look like?” So I sketched on an 11 by 17 piece of paper, something I called “Re-imagining Detroit 2020” and it was [00:15:00] nine modules of activity, from transit, to education, to arts and culture, to community development. In which I had seen over the last two or three or four years, substantial positive activity at the neighborhood level. Where people were actually investing real dollars at the local level whether it was foundations or otherwise.

And where I actually believed there was leadership that would be able to sort of take the work forward [00:15:30] if there were additional investments or additional energies that were applied. And on that drawing I tried to sort of identify what I thought those nine bodies of activity were, who was taking the lead in those, whether it was a foundation or a hospital or some other civic player, and how this might sort of aggregate up into a, not so much a blueprint but at least a framework that could help guide

[00:16:00] our thinking about where investments might land, where activities might land.

And to make a very long story short this 11 by 17 a very horizontal depiction, if you turned it vertically you could actually create work plans for each of those nine bodies of work, and that's exactly what we proceeded to do. We tried to understand if you were to emphasize land use re-imagination, what is the work plan? What's the critical path? Who would do it? How much [00:16:30] would it cost? What would the stages of progress look like, and what would your final outcome be?

We did that for transit, we did it for land use, we did it for a Midtown anchor education med strategy, we did it all across the board. That in many ways for our board became the decision making framework that carried us through the next six or seven years. We knew that we already had invested in [00:17:00] each one of those domains and that our challenge would be to try to make sure that others continue to invest, and that those who weren't already investing did invest, so that you could reinforce some of that energy.

It quickly got out to others. I began getting calls from colleagues and other foundations saying, "Would you come and present this to our board?" Because we were essentially asking the same question that Luis, and your board, and President Obama are asking. [00:17:30] So I made presentations probably to eight or 10 local organizations ranging from the Chamber of Commerce, to The Hudson Webber Foundation Board, to non-profit organizations, to business organizations on and on. Without meaning to over prescribe, I think I was able to say, this is how we see the world, it may not be how you see the world and you could fill in blanks, [00:18:00] you could embellish the work in lots of ways but this is how we propose as one of the largest investors in Detroit to organize our work going forward.

I was really pleasantly surprised that over the next year or two increasingly it became a little bit of a blueprint for how people could think about a circumstance that was really complex, and I think it spoke a little bit to this [00:18:30] sort of the tool of a drawing like this. It can't substitute for a hundred page work plan, or a deep analytical taking apart of every cause and effect of an investment, but it could serve to simplify something that was quite complex and in that way I think it answered Derek's question of incoherence. It presented sort of a coherency that permitted us to say, "You can get started on these things.

One they're already in motion, but we [00:19:00] can double down, we can accelerate, we can draw others to the work, we can do a lot with these

building blocks.” A number of our colleagues said, “Oh well Rip, bunches of things are wrong with this. One haven't you learned that Detroit can only do one thing at one time.” And I said, “Well I understand that, but I think that actually sells us short. I think you actually the circumstance is so dire that you have to do all of these things simultaneously and more.”

[00:19:30] The second criticism is that well there's a lot that's not on your drawing. How about early childhood development, or how about any number of other issues and the best I could answer was that we as a foundation had to start somewhere, nine bodies of work is a lot, each one is packed with lots of complexity and lots of moving parts, and if others chose to [00:20:00] work on what they were already working on, that wasn't on the drawing, terrific it just would be additive.

Third there was sort of a sense that the foundation had ... The Kresge Foundation had moved into almost a prescriptive space that took it outside its lane. There were folks in the community in particular who believed that we were acting as almost a shadow government or a substitute [00:20:30] for government, and that there was no accountability, there wasn't sufficient transparency, and there wasn't sufficient community inclusion in what effectively had become a road map for the city.

And again it's a legitimate concern but a couple of responses it struck me were important. One, is that this was one foundations road map for itself, if others chose to come to it [00:21:00] that's terrific. Second, it was intended in many ways as scaffolding, that each one of these eight, nine modules of activity couldn't be seen as a permanent substitution for the legitimate role of the government, or of the private sector.

That what we could instead do was create enough energy, investment and weight around each of these nine bodies of activity to hold until those sectors [00:21:30] get back on their feet, the bankruptcies for the autos were a thing of the past, that we got beyond emergency management and bankruptcy, so that the government could get back and do what they were elected to do.

But until then we needed to see something that would hold the city and prevent its continuing sort of precipitous decline. Three, that in each one of these modules, there needed to be community engagement of all different [00:22:00] kinds. That wasn't always sort of classic neighborhood community organizing. You needed to engage the private sector, you needed to engage elements of the public sector that were able to help. You needed to engage national players like the Obama administration that wanted to help and wanted to play a more active beneficial role in the city.

Engagement was absolutely central, but it took lots of different forms and in something like the land use plan, it ultimately became a classic [00:22:30] community engagement, where we began three or four year process of engaging community residents, community businesses, community faith organizations in trying to reimagine what the future of land in Detroit could look like, so you could actually think about abandoned and blighted parcels in a more constructive way than just sort of permanent blights on the landscape.

MONIZ: So how do you go about doing that, engaging the community and thinking about something like land use?

RAPSON: Well that's an interesting story [00:23:00] in and of itself. After American Kilpatrick was indicted and put in prison, we elected a mayor named Dave Bing. Mayor Bing was a former NBA basketball player, one of the great basketball players of the 20th century and had gone on to run for almost 30 years a very effective steel supply business.

So he's a businessman and he was recruited out of that business background to run for mayor because [00:23:30] he was incorruptible. He was decent and kind and people felt that that would be the antidote that Detroit needed to all of this corrosive craziness that had gone on. So shortly after ... Well I'm sorry.

When Kilpatrick was first indicted, we by ordinance the city council president assumed the mayorship, [00:24:00] but then he had to stand for election, as a temporary election to serve for six months. He lost that to Mayor Bing, but then Mayor Bing had to turn around and run in the real election, it's just ... It was a sort of crazy year in which there was just constant turnover.

But once Mayor Bing realized that he was likely to be the permanent mayor, he began talking about very serious issues. He was a business guy and there was sort of no nonsense and he said, "We can't do [00:24:30] very much in Detroit unless we get a handle on this incredibly corrosive, disturbing, visible decay that is abandoned housing and commercial structures and blighted land." And there had grown over the last number of years almost what was called a ruin porn, photojournalistic essays about the sort of the devastation that was washing over the [00:25:00] neighborhoods of Detroit.

Mayor Bing quite appropriately said, "If I am elected that is going to be my highest priority. We've got to figure out a way to use land differently." But he wasn't the reason I talked about his background is he wasn't political, he didn't have much of a policy background and land use policy

is about as complicated a thing as it exists in the public policy realm at the municipal level.

When he was elected [00:25:30] he looked around to try to figure out how would he get going on this, and he had just almost no staff in place who were capable of doing this. His head of planning was a very nice guy, but whose last assignment had been designing parking lots for a local construction firm. So the planning director called me and said, “The mayor asked me to call you, you've had this background in community development and urban planning and development for so many years, [00:26:00] would you help us develop a master plan for the city?”

I said back to him that I said, “I'm not sure that's really what you need, we've had lots of master plans in the city, most cities have and they haven't been particularly effective, they tend not to be used.” I said, “It seems to me that we could take a page out of New Orleans book and try to understand how they came after Katrina to reimagine their land and reimagine their settlement [00:26:30] patterns.”

So I said, “Could you give us a month and we will send a team down to New Orleans try to learn everything we can. We think we know a little bit about how they proceeded but we'll try to learn everything we can and we'll just bring you back a 10 page summary of what we believe would be most effective. Can you wait that long?” He said, “Oh, yeah of course.” So that's what we did and sent our couple of our best staff down there. I knew a number of the people who were working in New Orleans and we went to [00:27:00] school on what they had done.

It turns out what they had done was both relatively simple and extremely complicated. They had had a couple of interventions after Katrina in which the Congress for New Urbanism, the American Society of Architects and a bunch of other people had come in and done master plans and they had gone nowhere, that the community just did not buy them at all for lots of reasons.

But on the third time what they did was to sort [00:27:30] of blend high level technical assistance, good planning, good economic analysis, good sort of land use, quality assessment with community process and engaged in a far reaching community engagement process that hit the ground at the same time. The technical analysis was offering up big ideas and new ways of thinking.

We came back and proposed to Mayor Bing that that's what we do [00:28:00] here. That we create a sort of a top down meets bottom up process that was as tied to community engagement as it was to high level

technical thinking. The question was then, how do you do that because again there wasn't staff on board with the mayor's early months, in the mayor's early months to be able to handle that. And I at that point got lucky, one of my friends from Washington, DC said, "I've heard through channels that you [00:28:30] guys are trying to figure out this land use question, can I recommend someone who is just phenomenal?" And I said, "Well who is that?"

And he said, "It's a woman who is now Cory Booker's Planning Director in Newark, and before that worked for Mayor Adams on the Anacostia plan in DC. African-American woman who has actually done work in Detroit when she was a private sector architect, she is brilliant beyond measure, you need to get her." [00:29:00] So I got her name and emailed her and I said, "With the risk of being presumptuous can I come and talk to you over a cup of coffee or dinner to see if you might be interested in taking on this role."

So we did it and her name is Toni Griffin. Toni and I spent hours and hours talking through what it would take in order to do this effectively. And she'd said exactly what we had learned in New Orleans, which is she would need a world-class planning team that would involve [00:29:30] economists, and anthropologists, and transit specialists and the like, and that she would need a team to help structure a community process in which neighbors could sort of lift up their wisdom, their issues, their sense of possibilities ... It would be her responsibility to blend those two worlds.

So we agreed and we underwrote both sides of the equation, we underwrote her ability to contract with teams from all over the world [00:30:00] to do this work. I think the people working on transit were from Edinburgh, it was quite extraordinary. After a couple of false starts on the community engagement process where we tried at first to do a traditional community voice process where you'd have big rallies in gymnasiums and a thousand people would come, and it just actually was a disaster and it was really unfortunate.

But it permitted us to recalibrate and she then contracted with [00:30:30] a guy at a local university, the University of Detroit Mercy, who had been doing community planning and community visioning for a long time, named Dan Pitera. Dan is brilliant.

And he put together a community engagement machinery that over the next three or four years, two or three years looked a lot like the Obama political campaign. It was door to door, it was electronic ways of connecting, it was design charrettes, it was everything. By the time we were done we had touched almost 100,000 [00:31:00] Detroiters. What

happened was exactly what we had hoped, which was lots of ideas came out of the neighborhoods, some of which were completely unrealistic because there was subsurface water contamination or because of some other obstacle and the high level planners would take that in and run analyses and it began to pick up steam.

The problem was it became so sophisticated and so complicated that it began to move away from the mayor, [00:31:30] and his staff became very defensive about it. They felt that Toni was too much of a prima donna. That it was in some ways a reflection on them because they weren't able to do this kind of work, and their planning department wasn't up to it, it was a very complicated reaction, some justified, some maybe less so.

It got to the point where they just essentially shut Toni and her team out. Well the minute that happened it became an exercise [00:32:00] in futility because we hadn't been asked by the mayor to do this, we were doing it on his behalf. It was really for him to own not for the Kresge Foundation to own. So we actually suspended the work for almost a year and we encouraged Toni to take what she had and get it as ready as it could be even if it wasn't complete.

We took the year to sort of figure out how complete it was, turns out it wasn't complete and so we said well, "We'll just take it outside of city hall, [00:32:30] we'll develop a set of products that will be held outside of city hall and if they're useful great, if they're not that's the best we can do." So she spent another year finalizing her work both at the analytical level and at the community level. And at the very end produced something called the Detroit Future City Framework which ended up being very complex, a 400 paged document, I don't know 13 chapters, 2,000 [00:33:00] pages of appendices.

I was told by a number of my friends in the business that it was probably the single best planning document that's ever been produced in America. But what was more important is that we then realized that if the mayor wasn't really willing to hold it, it could be held outside of City Hall. So we used a community advisory committee that we had formed all along to help us make sure that the community engagement and the relationship with the experts was going well.

We use that as the temporary [00:33:30] governing board, about 26 community members and when we announced the plan, we had them speak to it, and why it was important, why it was important to keep it alive. We also created an office that was intended to steward this plan, keep it current, find applications for it, continue to look for ways to engage with the public sector even if they were a little bit distrustful of it.

And finally so you had the plan, you [00:34:00] had the advisory committee, you had the essentially the project office and then I committed that every dollar that Kresge spent in the city of Detroit over the next five years would be consistent with the plan, and that was \$150 million, so it actually got people's attention. And we've been true to that ... I don't think we have made an investment in Detroit in the last five or six years that wasn't broadly consistent with [00:34:30] the precepts of the plan.

MONIZ: So you had worked on this plan before the bankruptcy?

RAPSON: Yes. I'm sorry this is all pre-bankruptcy, and it was actually announced in 2013, before the bankruptcy was declared.

MONIZ: Okay. So then the bankruptcy comes along, did you see it coming or did you-?

RAPSON: Yeah. That's such an interesting question. When I developed my re-imagining Detroit framework, we tried to pull together on a regular basis every couple months, [00:35:00] people from each one those nine bodies of work, to service a steering committee to say, you know you can't really do housing without connecting to transit which can't be isolated from education. So we tried to get people around the table to talk about how those connections could be made.

And I'll never forget it in about 2010 or '11 right we're in the sort of the middle of developing this, a guy named Matt Colan [00:35:25], who at that time was working for General Motors, he was [00:35:30] a very senior guy in charge of a global real estate development. He would later go on to Quicken Loans, and to Bedrock and become Dan Gilbert's right hand person. But Matt is a brilliant guy and he said, at one of these meetings, he said, "This is terrific, but what happens if the city goes bankrupt?"

Then we all dropped our jaws and we said well, "Why would you say that?" He said, "Because we are." He said that, "You cannot [00:36:00] run these deficits year after year, and you cannot have these kinds of pension and creditor obligations that are written about regularly in the newspaper and not be bankrupt, you are bankrupt. So it's just a question of are we positioning our work in a way that will survive a bankruptcy?" And it was profoundly the correct question.

And that's when I think I began talking more openly about this notion of scaffolding. That we had [00:36:30] to create something that was temporary to be sure because we wanted the other sectors back into the game, but it had to be sturdy enough to hold, it couldn't be flimsy, because

it was going to have to withstand a number of shocks. Continued public sector dysfunction just like the Detroit Future City, that was scaffolding. At the end of the day the city is in charge of land use, a nonprofit sitting outside the city of Detroit, structure is not the right center of accountability, [00:37:00] and that was true of all of the work we did.

But it was resilient, it was going to ... It was designed to suffer those shocks and to be able to get to the other side. So when the bankruptcy was declared it was essentially the ultimate test of whether that was true. Just to jump forward a little bit. The bankruptcy had three parts. One, was [00:37:30] the alleviation of the long term debt, of the pensions, and the healthcare costs, and the creditor claims against the city and that was what most people associated the bankruptcy with. That was the headline story, but then there was a second component of the bankruptcy, was putting the books in balance which is what Matt had talked about.

It was making sure that costs and revenues were in balance and Mayor Bing's administration had spent the better part of three years trying to do that. [00:38:00] They entered into consent agreements with the governor of the state of Michigan and they could not do it, and for a lot of good reasons and some not so good reasons. I mean some of the not so good reasons was I don't think they were particularly effective managers, but they tried, and they did it in good will and above the table.

But there were these structural issues of union contracts and civil service requirements, and all sorts of received legacy practices that made balancing the books really hard. So that was a second [00:38:30] problem of the bankruptcy, and then the third problem, was making sure that you had in place the building blocks of long term financial and social health. Because if you corrected the long term debt obligations and you put the books in balance through a bankruptcy, and then within a year you had nothing ... No tax base and nothing to rely on all of work you had done would crumble.

So when Governor Snyder appointed an emergency manager Kevyn Orr. Kevyn's [00:39:00] first charge was to see whether these three parts of the bankruptcy could be made to prevent the bankruptcy. Essentially because the first move the governor made was not to declare bankruptcy, it was to declare emergency management. And the emergency manager's role was to say, "On each of these three fronts can we do something?"

With some extraordinary power and being able to circumvent the electoral [00:39:30] process, I mean it's a pretty dramatic and drastic move, and a lot of people criticized it heavily for being anti-democratic, but the alternative was bankruptcy and so the governor in fairness I think was

trying to take a mid-step and say, “Can you balance your books, if you've ... If you create someone with extra authorities?”

After about six months Kevyn Orr concluded that it wasn't possible, that you had to declare bankruptcy and so that was sent up to the governor and bankruptcy was declared. At that point [00:40:00] the US Federal District Court chief judge appointed a bankruptcy master, bankruptcy judge, guy named Seven Rhodes. Rhodes then turned around and appointed the chief judge of the district court, a guy named Gerald Rosen to be the mediator of the bankruptcy.

So you had a bankruptcy judge, a mediator and Kevyn Orr. And those three then went [00:40:30] to work over the next year to try to figure out how they could do these three things that were necessary to get out of bankruptcy. And the thing again that they turned to almost immediately it was the remediation of this long term debt. We created the Grand Bargain, a whole series of things we can talk about. On the other side of it was always the question of, did the scaffolding the we [00:41:00] had created survive such a transcendently difficult, disruptive undoing of city's financial and legal structure. And to cut to the chase, I think the answer is yes, it did.

MONIZ: I would like to come back to talking about that in a few minutes, but can you talk to me a little bit more about the Grand Bargain and your role in bringing in about.

RAPSON: I got a call of [00:41:30] about five months into the bankruptcy from a Chief Judge Rosen who, again, had been appointed the mediator to try to figure out whether deals could be struck and different mechanisms could be developed to meet than the demands of the creditors and the pension obligations. And Judge Rosen and I had been doubles partners when he ... When we both worked on Capitol Hill 30 years ago.

So I know ... I knew the judge Jerry, I knew Judge Rosen [00:42:00] and he said, “Would you and your wife be willing to come and have dinner with ... I have a couple of ideas I'd like to run by.” And I said, “Sure of course.” And what turned out is that he had developed an idea to help resolve the bankruptcy, and he had asked one of our local, the head of our local community foundation to get the different foundations together on a Saturday to present the idea and to get their reactions. Well I was going to be out of the country on that Saturday and he said, “So before, [00:42:30] can you come before, could you come on Thursday night?”

And I said, “Sure, Happy to, happy to.” So we went to dinner and he laid out a concept he called the Art Trust. He said, “We have no new assets in

this bankruptcy, we have nothing to offer creditors, we have no way to meet these pension obligations.” He said, “I think we can figure out something on the health care. There’s a lot of innovation in that space and we can figure out different ways of dealing with it. But these other two I can’t do anything, so I’ve got to raise a fund that permits us to help [00:43:00] lessen the impact of the pension cuts, and to help a swatch the creditors. And he said, “The problem is that the creditors are looking at the art collection of the Detroit Institute of Art, because the Detroit Institute of Art is for all practical purposes.

At that point was owned by the city of Detroit. Well if the city of Detroit owned the Art Institute presumably, those were assets that could be sold to help meet the obligations of the city.” [00:43:30] ... And Judge Rosen said, “I just think that would be a disaster. I mean you’re stripping the cultural patrimony for a one time infusion of money into pension funds and into creditor obligations. So you’re selling the soul of the city to make sure that your accounts receivable are paid.”

He said, everything about that is wrong and I said, “Well fine, but what are you going to do about it?” He said, “Well what I thought is that we could assemble a pot enough, [00:44:00] a pot of money large enough we could essentially have the emergency ... Give that to the emergency manager. Have the emergency manager purchase the Detroit Institute of Arts collection and move it out of city control, because in this extraordinary circumstance, you have the power to do that, because he now controlled the city’s assets.

And create a trust that would permit us to not erode the pensions and [00:44:30] preserve the art.” And I said, “So well what are you thinking?” And he said, “Well that’d probably be somewhere between five and \$800 million.” And I laughed and I said, “Jerry, really? And he didn’t smile, he said, “Yes really.” And said, “Well that’s a big amount of money and our particular smaller local foundations just are not going to have the wherewithal to do that.” And he said, “Yeah I know, that’s why I’m talking to you.” [00:45:00] So I said, “Well just a couple of couple of suggestions for when you walk into that room in two days and talk to my colleagues.

One is that you not call it the art trust.” I said, “If it is perceived by these foundations that you are saving the art, you’re dead on arrival. No one will do that.” I said, “But if you believe that this is a mechanism that will [00:45:30] help you accelerate the resolution of the bankruptcy, and if we can tie our contribution to it being doing that, then you may have a conversation to be heard.”

And I said, “Second, I think the only way to get there, is by taking the two elephants and having them be the lead Ford foundation and the Kresge Foundation.” And I said, “I have a good relationship with their new president, Darren Walker, so I said, “That would [00:46:00] be my advice for you going in.” So that's what happened, he went in and met with the foundations a couple days later, they didn't say much, I mean as you might expect.

So after a week or 10 days of not much, no additional conversation we convene them here at Kresge again and revisited the question. And by that time, Darren Walker, the Ford Foundation and I had a chance to talk, and we agreed that these were big numbers, but they were extraordinarily [00:46:30] proportionate to the risk that was being presented, and that both of us had to step up. And we both agreed that probably each of us contributing \$100 million or more would be essential and that that would permit the other foundations to fall in line and make a \$20 million commitment or 410 million commitment.

So to make a very long story short we spent the next [00:47:00] couple of months getting everybody lined up, mostly Judge Rosen, and he was very skillful at that. And in trying to work together as a philanthropic community did understand what conditions would we place on that gift. We didn't want to make a gift of hundreds, of hundreds of millions of dollars to buy the art only for the bankruptcy to falter.

You've moved their art out of the public sector's [00:47:30] hands, but you've not resolved that pension issues, you've not done anything. We felt that the state needed to be involved. That if we were making these kinds of contributions the state needed to step forward, because the state has a constitutional protections of pensions, that they cannot be impaired. So they had every reason to be in the mix and I said, “We also need the Detroit Institute of Art to be in the mix.”

So again the alternative was a decade [00:48:00] of litigation. If you didn't come up with this Art Fund, this Grand Bargain, you would have been in court two ways. One, if you knocked the pensions down a dime, you would have been in court saying that these pensions are inviolable [00:48:20] under the state constitution.

That would have been pitted against the federal bankruptcy laws, and Judge Rhodes had already indicated that the federal bankruptcy laws in his [00:48:30] belief would trump the state constitution. And so that there could be an impairment of pensions, that would have been litigated literally for a decade. It would have gone up and down the Supreme Court there's no question about it. And on the other side the Art Institute and a

lot of its donors including Kresge would have argued that the art was held in public trust, that you can't just sell something because it on paper is an asset that there is a public trust and that the gifts to that institution over 100 years, were [00:49:00] done with the implicit conditions of it being held in public trust. That would have been litigated for a decade.

So if we had been in litigation for a decade, then you could have turned out the lights in Detroit. There was just no way that our scaffolding could have withheld that or anything else for that matter. So the genius of Judge Rosen's solution, was that by the end of the day with the state contribution, the philanthropic contribution and the Institute of Arts contribution, we raised a fund of almost [00:49:30] \$900 million.

And that was sufficient to essentially ensure a de minimis reduction in pensions. There was some reduction. I don't mean to be unfair, but it was only about I think 5% for both the general employee, retirees and the police and fire and they had slightly different structures and that also with sufficient consideration legal term to essentially buy the Detroit Institute of Art. The emergency [00:50:00] manager had gone out and got an appraisal from Christie's of which of these holdings are in clearly in the public ownership, because not all were have been titled as part of the city of Detroit collection. How much would those have been valued. That came back at about \$800 million dollars. There's a lot of heat about whether that was the right appraisal. But it was Christie's and they knew what they were doing.

So it turns out that the amount of money we raised was sufficient to [00:50:30] present essentially a reasonable offer for the art collection. That Grand Bargain then went back to the Judge Rhodes and became into the emergency manager Kevyn Orr. It permitted them to work out different kinds of deals with the creditors, and we had protected the pensions for all purposes, and they were actually able to get the creditors to agree to terms. And it became part of the final what's called Plan of Adjustment [00:51:00] that was adopted by the bankruptcy court .

One last point about all of that, is so we had done through the Grand Bargain the hard work of addressing the first pillar of the bankruptcy, the adjustment of long term debt. The second pillar of the bankruptcy was bringing the books in balance, and that Kevyn Orr had been working consistently on. Because he was vested with extraordinary powers he could [00:51:30] make cuts, restructure, realign city services, and he was able to bring the books into balance, but the third piece was still outstanding.

So at the end of the bankruptcy trial, this third piece of whether they were building blocks with the long term sustainability of the city was exactly what the judge was focused on, and so he asked three folks from the community who had been deep investors in the community to testify about whether [00:52:00] they believed that those building blocks were in fact in place. One was Roger Penske who was one of the great corporate leaders of the community and had invested in multiple ways over many years and in the community stability.

The second was Dan Gilbert who had moved Quicken Loans into downtown and who was investing deeply in the in the central business district, and the third was me. And in my testimony, they actually [00:52:30] used one of my drawings, it was very funny. There was a drawing that showed six rolls that philanthropy had played in the pre-bankruptcy period. And the council who was directing the testimony walked me through each one of those six and then basically said, "Talk to me about what that scaffolding is, what have you done? Two, tell me whether you believe it has endured and will endure, and three will you [00:53:00] continue to play that role post bankruptcy, and fourth in conclusion do you believe that there then is an adequate basis to believe that the city will at least in part have a shot at returning to solvency over the long term?" So that was my testimony.

MONIZ: Just say a little bit more about how the drawings help ... How it helped the judge or helped people understand [00:53:30] the issue?

RAPSON: It was very interesting, when the attorney who was questioning me, who called me to the stand, said, "Your Honor I'd like to introduce an exhibit." The judge had an affect that was just putting his head down, he was working at his computer throughout the entire trial which is many, many, many, many weeks. And he looked up and cocked his head and he said, "What is this?" [00:54:00] And there was this funny legalistic exchange between the judge, my attorney and the attorney for the creditors, because they didn't know what it was exactly.

I said, "Well it's not really a documentation of an event." And they went through all of these things that it wasn't really. And the judge said, "Well put it up." And he said, "Well essentially so you're going [00:54:30] to explain, you're going to walk us around this drawing and tell us why it's relevant?" And I said, "That that's my intention, that's why ... Evidently that's what they're asking me to do." And he said, "Fine let's do it."

I subsequently had seen Judge Rhodes and I hope this is not inappropriate, but I've asked him that question I said, "What did you think?" And he said, "Well at first I really didn't know what to make of it," He said, "But

second it was really compelling.” He said it was the visuality of being able to walk around a drawing [00:55:00] and understand roles and investment types, it was easy to keep in mind, he said it was actually important to my thinking.

MONIZ: That’s fascinating.

RAPSON: Interesting.

MONIZ: So the way you’re telling the story you are suggesting if I’m hearing you right, that your work before and after bankruptcy continues. You work after the bankruptcy is picking up and continuing what you had been doing before, is that right?

RAPSON: It certainly [00:55:30] is right. Just to state the obvious, the environment in 2017 is very different from the environment 2013. So it's why I tend to focus on philanthropic role as opposed to philanthropic subject matter. So before the bankruptcy it was really important that we work on land use, after the bankruptcy it's probably more important [00:56:00] that we work in neighborhood by providing a small investment capital for people to execute on that plan, to substitute productive uses for abandoned houses, to help kids get money to do neighborhood improvement projects, whatever that might be. The role of trying to invest in community capacity is the same, but the form it takes is different. And I think when you scroll through all of our work pre-bankruptcy [00:56:30] that is true.

Before the bankruptcy we were really trying to get the M-One rail line in place all of the complexity of working with the federal government, particularly under these circumstances of diffuse local capacity. It took us until just six months ago to actually get that rail car running up and down the line. But now the challenge [00:57:00] is different, the broad aspiration of philanthropy helping usher in better connectivity in the region of residence to jobs, people being able to get around who might not own cars will take a different form.

And so now we're working on trying to create a regional transit system by working with the political leadership of the region to figure out how you get that on the ballot, and how you route it properly, and how [00:57:30] you pay for it over the long term which is fundamentally different in kind from the tasks that are involved in starting a light rail along a three mile road. But again the function is the same, it's trying to work with the private and public sectors to figure out what are the component pieces of a viable effective regional transit system.

So if you were look at the nine modules that I sketched out [00:58:00] early on, in many ways they have mostly been realized. So the question is what are the next nine modules? And there are plenty of options. But I think we are going through a time in which we have to pivot away from the pre-bankruptcy strategies into the post bankruptcy strategies. And it is because [00:58:30] you now have a public sector that is firing on all cylinders. It's a very effective municipal administration right now. Mayor Duggan has put together a remarkable team, and they now have a 25 person planning department that is as good as any planning department in the country. They now have a set of community based offices that are paying much more attention to the granularity of what neighborhoods need, that would just didn't exist before.

[00:59:00] Similarly the private sector has rediscovered Detroit, not all of Detroit to be sure but certainly downtown along Woodward Corridor and increasingly in concentric circles around, as well as in the southwest part of the city and in the northeast part of the city along Jefferson Avenue, you're seeing the markets coming back. People actually have some confidence that you can get a return on investment, that simply did not occur and wasn't present in the pre-bankruptcy era.

So if the private [00:59:30] sector is shifting, and the public sector is shifting, we should also shift. So our methods, our priorities, are in pivot mode as well.

MONIZ: Are there ways that you see the Grand Bargain having changed American philanthropy in general or is it more of a one off?

RAPSON: Can I [01:00:00] restate the question a little bit? Because I think what often is said to me which is quite understandable is that the Grand Bargain was unprecedented, and it was a fundamental departure for philanthropy to work that way, and may or may not have implications for the rest of the country. My response is that, part of that is true, that it was unprecedented in its magnitude, and [01:00:30] even in its methodology of working so closely with the emergency manager and the bankruptcy court alike.

But I actually think that the more important story of Detroit is the work that was done leading to the bankruptcy. That that was where the philanthropy of Detroit developed the muscle to work together. That whether it was putting together the [01:01:00] land use plan and all of its components, whether it was assembling \$100 million fund to invest in small business development and entrepreneurialism. Whether it was working together to create the light rail plan, whether it was creating a whole new ecology of support for arts and culture. All of the things that we did had never been done in Detroit.

And I believe that that is what is unprecedented. [01:01:30] The level of concerted, sustained, strategic, impactful commitment on the part of a broad coalition of philanthropic actors. I also think that because we had spent from 2008 to 2013 working that way developing the collaborative muscle and sharing ideas, and sharing investments, and sharing [01:02:00] ideas about how to change over the long term, it made the Grand Bargain possible. Now having said that, the Grand Bargain was absolutely remarkable just in orders of magnitude, but not only in orders of magnitude but in terms of getting into the middle of the most complicated largest bankruptcy in, [01:02:30] municipal bankruptcy in American history.

But I would argue that we actually behaved there much as we behaved earlier. The philanthropic contribution to the Grand Bargain was about \$380 million. Our contribution to the New Economy Initiative the pooled fund to promote entrepreneurialism in Detroit was \$130 million. So one is bigger than the other, but [01:03:00] it was just an order of magnitude question. The Grand Bargain required that we work closely to develop the terms and the conditions of how we would work. The New Economy Initiative required that we become very strategic about where to invest, how to invest, what infrastructure do we want to create in the long term, how do we connect to the public and the private initiatives around entrepreneurialism.

They were different but they weren't different. [01:03:30] I just hope that people don't end up marginalizing the power of philanthropic collaboration when they look at the Grand Bargain, because it's so easy to say, "Well it was a one off it'll never happen again. And if it were just a Grand Bargain that might be true but I think it's more than that, I think it was the culmination or the inevitable consequence of having worked so tightly together on really hard issues over such a long [01:04:00] term. The light rail, the light rail's price tag will ultimately be almost \$200 million. So these are dissimilar but they're not.

MONIZ:

So you're seeing [01:04:12] the shift towards this collaborative way of working together in Detroit philanthropy in Detroit's crisis before, and decline before the bankruptcy. I'm wondering how another shift is changing [01:04:30] Kresge's work. So there's all sorts of new well philanthropy, new structures for philanthropy from some today's new philanthropist. There is the Giving Pledge, there is all sorts of innovation in the world of philanthropy, and you're the head of the legacy foundation. How does change and innovation in the world around you shift reshape or affect a legacy foundation?

RAPSON:

[01:05:00] That's just a profoundly difficult question. It carries the assumption that it will change. It's very interesting when you look at ... I think you could make an argument that at least as of August 4th in 2017, legacy foundations haven't changed much, and that may be good and it may not be good. At some level, [01:05:30] I think it's not entirely bad, if it's not the end of the story. I think that legacy foundations carry with them all sorts of institutional equity that comes with having come at problems for a very long time. We've diversified our tools to include loans and guarantees and grants and [01:06:00] all sorts of other mechanisms. Pay for performance, bonds. We've become I think more comfortable with interacting with the public and the private sectors and I think even 10, 15 years ago that foundations didn't do that.

There have been ways in which the traditional charitable impulses of the legacy foundations have become more sophisticated, more nuanced, more multi-faceted. I think in that evolution there is something [01:06:30] of value. I think it shows that these large privately endowed institutions with arguably so little accountability, relatively limited transparency actually have enough internal integrity and commitment to change, that they're being flexible.

As I look at the new structures, the new forms of [01:07:00] wealth, I wouldn't write off legacy foundations and how they have changed over time. Now having said that, the rapidity of change in the capital markets, it's not just new tech billionaires, it's banks behaving differently, it's consortiums of small foundations and donor advised funds behaving differently. The world is just awash [01:07:30] with new forms. I think maybe there the key for a legacy foundation like Kresge is to be a full participant in that environment.

We can't be as nimble as Mark Zuckerberg but we can probably look at how he is setting up problems, how he's forming alliances, how he's treating policy [01:08:00] question. There are 10 different ways. I just think that the learning goes both ways. I think the upstart ... The upstart I'm sorry it's the wrong word. The new or early, the more recently formed forms of giving have a lot to learn from the legacy foundations. How do you build expertise over time? How do you build legitimacy? How do you learn to evolve both slowly and quickly?

[01:08:30] But I think we clearly just have enormous amounts to learn from just mind-numbing variety of ways that people can invest in things, and believe in things, and activate other people around things. That's not really a very good answer, Amanda, but I think this [01:09:00] is not a chapter that is yet written. I just think on both sides of the ledger, you're

going to see a very different environment in five years than you and I have.

I would argue that in many ways Kresge is a good example of that. 10 years ago, Kresge did one thing. It invested in bricks and mortar capital challenge grants, and so any library or hospital or aquarium that wanted [01:09:30] support would come to Kresge and we ran them through this gift chart and ringer of best practice fundraising, and out on the other side they raised lots of contributions from individuals we matched it and the deal was done.

That's interesting, and that was probably really, really powerful 20 years ago and no one was thinking about how to rise endowment capital or do a fundraising in a more professional way. But over time events caught us up and [01:10:00] we switched. And I think when Kresge began its shift in 2006 when I came, there was the assumption that we would always do capital challenge grants, and that we would just depreciate the assets. That each year we would ask ourselves what continues to have value, what can we discard, but that always at the core would be this capital giving that had defined Kresge over time. Well within four years we were doing no capital challenge grants, we were not investing in bricks and mortar at least [01:10:30] not in our traditional ways.

I think it was because the external environment had changed, all sorts of different opportunities had emerged, and I think you're going to see that, and I think that is going to a little less hubris on the part of a lot of the venture philanthropy kinds of approaches and yet they'll be new hybrids that will probably combine what's really powerful about traditional philanthropy, legacy philanthropy and the emerging possibilities. [01:11:00] But I think ... As I said again that's not a good answer, I think you just have to pay attention, you have to be part of it, you have to make sure that your partners include people who work this way and that you're open to receiving that information and will see.

MONIZ: You changed the mission of Kresge when you came here, but I'm wondering about this issue from another perspective. Do you have a sense of needing to keep faith with Sebastian Kresge? I'm [01:11:30] curious what hold the history of the Kresge foundation and his gift has on you if at all?

RAPSON: It's absolutely the right question, and the right answer at its core has to be that you keep faith with the donor. I think it becomes however a question of how specific and directive [01:12:00] the donors intent was. This is a classic donor intent issue, and in so many foundations the donor intent is

really clear. Leona Helmsley said basically I want animal protection and couple of other things around the edges and that was pretty clear.

We had a mission articulated by our founder of improving humankind, which I think is more typical. Occasionally you get the Leona Helmsley [01:12:30] or the Moore foundation that's really focused on innovation, and issues of climate and environmental protection. But in ours it was a wide open playing field, and when Sebastian and his successors at the head of the foundation looked at how to invest these very precious resources most valuably, I think they always asked the question of what will make the biggest difference if you're fundamentally trying to improve life [01:13:00] in America or elsewhere in our case we worked all across the world.

We have had I think the luxury of being able to redefine that as circumstances change. It was one of the things I worried about the most when I came, is that we would somehow leave the family behind. That in our commitment to exploring new ways of working that we would lose that connection somehow and we've tried to guard against that a couple of ways.

One, [01:13:30] is that Sebastian was a stickler for careful, detailed analysis. That when you invest you invest with real purpose and intentionality. I suppose you could say that about anyone, but he was particularly committed to that. He's very frugal and there are all sorts of examples throughout his life of where he believed people had strayed from that and it bothered him.

Second, [01:14:00] is that we have elected to always have a family member on the board. Some people I suppose might say, well that's could be a form of tokenism, but it has not been. There have been a number of circumstances where on a board of 12 the family member has raised her hand to say that is not what my grandfather or great grandfather would have done, and it almost always closes the conversation.

There is there is something [01:14:30] intangible and yet utterly powerful about the role of family in how we think about things. 90% of the time the family member is any other trustee, advising about health policy or transit policy or whatever it might be. But 1%, 2%, 5% of the time there is something that speaks to the family's values of frugality, and care, and stewardship and [01:15:00] compassion that leads them to help us shape what we do.

So I think we are not as donor bound as many foundations are, but neither have we left that behind. It continues to be a very powerful motivator for us. It's just I think a little bit more subtle.

MONIZ: How did you develop the sense of who Sebastian Kresge was and what he was like?

RAPSON: Well that's one of the advantages of having family living and [01:15:30] involved in your work, and so I had wonderful conversations with our family member trustees and their dad. Since I've been here in Kresge we've had great granddaughters of Sebastian and their dad who the grandson of Sebastian is still alive and healthy and so we've talked to them a lot about what the family history was like.

He also wrote, there were a number [01:16:00] of things that are on paper that helped inform our sense of who he was. And I think he was also a little bit a creature of his time. He started the five-and-dime business in the 1890s. This goes way back. He started his foundation in 1924. So this in many ways is either contemporaneous with or precedes Rockefeller, Carnegie. [01:16:30] So there's a long history there. If you combine the family history, his own writings and this long history of giving, you just look at what he gave to, it sketches I think a picture of a guy who was deeply compassionate about people of less advantaged, who strongly believed in the democratic institutions of society.

I think that it's no coincidence that he invested in buildings, because he ... I think he often felt that buildings were the best [01:17:00] democratized institutions of society. That whether it was a library, or a hospital, or college, dormitory, or whatever it was that these were places that were the building blocks of American democracy and so that comes through pretty powerful.

MONIZ: Wow that's really compelling and so we only have a little bit more time so I wanted to ask a few [crosstalk 01:17:22].

RAPSON: Well and I should say my time is really yours, you tell me when you have to stop, I'm happy to go as long as you like.

MONIZ: Oh I appreciate [01:17:30] that so much, this is such a fascinating conversation. Well I wanted to ask you about any regrets or something that didn't go the way you hoped in your philanthropic career.

RAPSON: I don't know if it's a regret, but it was certainly a formative [01:18:00] experience that required correction. When I was at McKnight I was approached by a recently retired CEO of one of the most important

technology firms in Minneapolis, a widely respected guy and who said we really need to pull our business community together, to weigh in on and [01:18:30] help influence the issues that will define the future of this community.

Not so much in a traditional lower taxes, lower regulatory environment way, but the kinds of essential preconditions that businesses need in order to thrive over the long term, and to contribute to the community. This came on the heels of a biting critique that the University of Minnesota president had made of the complacency [01:19:00] in Minneapolis and St. Paul, and how the business community had become comfortable, it's just sitting back and failing to innovate, because it had done so well for so long.

And Larry Perlman, the head of Control Data, had been part of that conversation with the president. To make a long story short, and basically came to me and said. "So I would love it if you would be willing to convene our business leadership and begin a conversation about what that would look like." And I said, "Larry we're ... [01:19:30] McKnight is a foundation, I don't ... We're not a business, I don't think we would be taken particularly seriously." And he said, "No actually I think you're not correct," He said, "I think." I don't know if he's right or wrong. He said, "Both personally, I think people know you and would respect you, and institutionally they know and respect McKnight, and McKnight would not have a dog in the hunt. It would be doing this to try to create a better public policy environment, to create a more engaged business environment and to try to stitch that together with civic society in a more [01:20:00] profound way."

I said, "All right. Well, I guess the only thing I would ask in exchange is that I be able to take some time and scope out what this would really look like, because you're dealing with the head of 3M, the head of General Mills, the head of Pillsbury, these are big important institutions, and they will not stand for their time being wasted. I had been over the last couple [01:20:30] of years at McKnight working with a new office that had just been established by the McKinsey group in Minneapolis.

They had had a Chicago office but never had a Minneapolis office, and a guy named Jack Dempsey was their local managing partner, he had come to me two or three times to ask if I could help him find projects that would make sense for McKinsey to offer pro bono help with. One was some restructuring in the public school system, another was helping [01:21:00] reconfigure some of the mayor's departments anyway.

So I called Jack and I said, “Jack this is really complicated what Larry is asking, I think.

I said, “It's not ...” You just don't get people in a room and say what do you want to work on, or what's not working for you. I said I think what would be great is if McKinsey ... Because you have all these relationships with these corporate partners, would be willing to go out and have very personal interviews with the C-Suite folks [01:21:30] and ask them this question, What are you working on, what's not working for you, what should we as a community be working on test Larry's proposition that these folks would even be interested in weighing in.

And at the same time I just asked seven of the brightest people I knew to sit with me over two breakfasts. I said, “Would you just come to two breakfasts and just help me scope out what this would look like. What would we need? How would we use the McKinsey work? How [01:22:00] would we staff this, how would this work? So those two breakfast meetings turned into every Friday for a year. It was too long I suppose at some level, but we really wrestled with who should be around the table, should it be representative, what's the connection to non-business leaders, what happens when we run into opposition from business organizations who might feel like we're on their turf? How do you avoid this being an elitist operation? [01:22:30] What analysis do we need? On and on and on.

So with Jack's help and his partner's help they went out and canvassed I forgotten 300 executives in the Twin Cities area, came back with a series of findings, we had scoped out the structure and the machinery that we felt would work. We were going to create, working groups around between three and six priority areas that the CEOs identified depending on what they were. And then ... So we went ahead [01:23:00] and had our first meeting, and Larry and I co-host ... It was hosted at McKnight, and we got all of the CEO's around the table not really knowing quite what they would do.

But so that first meeting was dedicated to showing the results of what they themselves had said, and the governor came, and his chief of staff came, and the two mayors in Minneapolis, it was it was a big deal. All of the CEOs and it was CEOs only, it was not the head of community affairs. It was the CEOs all of them, the powerhouses of the region, [01:23:30] and some smaller ones, we had tried to mix it up in some ways because we needed some diversity around here there are no women and there are no people of color. It was crazy.

Any way to make too long a story a little shorter, what emerged was something called the Itasca Project. In the 1960s, the business leadership

of the Twin Cities all like eight of them, all eight men from that the longest standing [01:24:00] wealthiest families in Minnesota would go up to Itasca State Park which is the headwaters of the Mississippi River in a little conference center, and they'd sit down and they would map out the priorities of the community in 1964, and '65, you could still get away with that stuff.

So a little bit tongue and cheek, I said well let's call it the Itasca Project and it stuck. And the Itasca Project at that first meeting it became clear [01:24:30] that two things, one is that the priorities that emerged were not at all what people expected. They really did assume that it would be a traditional business agenda, but it became a civic agenda that was helped performed by the business leadership of the community, and it was early childhood development, health disparities, transit ... And then two or three things that were more particular to the businesses 'needs. Patent [01:25:00] transfers from the University of Minnesota, and the University of Minnesota president was on our group as well and a couple others.

And that was a surprise to people, because the two business organizations from the state were the Minnesota Business Partnership and the Minnesota Chamber of Commerce and they came just ready for bear. They were so annoyed that we were taking their guys and trying to feed them some socialist agenda. They basically said that [01:25:30] you're just being hijacked by the McKnight Foundation, what are you doing? So they were really annoyed. Then when they saw these different priorities, they just were beside themselves.

And matter of fact Governor Pawlenty basically said, "This is crazy." And it was very interesting that the business leaders themselves all of whom sat on Governor Pawlenty's fundraising inner circle, and sat on the Business Partnership and sat on the Chamber said, "This is different, [01:26:00] we need this. These other trade organizations do not reach these issues." And I'll never forget Marilyn Carlson Nelson who runs the Carlson Companies, the Radisson and all sorts of other things, leaned into the table and said, she said, "We've just spent some time talking about these findings." And she said, "Let me just tell you about this early childhood thing."

She was looking right at the chief of staff of the governor who was just really upset. Said, "I lose people every [01:26:30] day because I can't provide adequate childcare. I lose people every day because they cannot connect to child care and to the job because there's inadequate transit." She went through this list. Said, "So don't you tell me this is not a business priority, it is my highest business priority."

So they decided to start with transit, Minneapolis St. Paul had one rail line that like Detroit between downtown and the mega-mall of all [01:27:00] things. And but there was no connection between Minneapolis and St. Paul, there was no connection to the north, to the northern suburbs, on and on and on.

So Itasca essentially set up working groups around transit, early childhood, health disparities, patent transfer, and a couple of these other things. But decided to really go deep on transit first. So we took business leaders on trips to Seattle, to Denver, and then we got the former head of the [01:27:30] Metropolitan Council which is a regional planning organization the Twin Cities to essentially construct the perfect transit plan for the twin cities based on these trips and based on what he knew in his years of experience in the public realm. He did and we went essentially to work on transit and just to make this a little shorter.

Essentially they proposed a regional transit system with authorizing legislation [01:28:00] for the planning and the execution of the plan. I forgot what a \$20 billion price tag or something. Anyways a whole package and the head of one of retired business executives who was from Wells Fargo, he was chosen by the group to be their chair. He suggested that each of these business executives start inviting legislators to their homes for dinner to talk about the transit plan.

And so they would meet in groups [01:28:30] of three or four and so you're going to the head of Medtronic, you're going to the head of 3M, you're going to the ... It was really wild and these legislators were just star struck, and so they passed this legislation the governor vetoed it. And it was a Republican dominated legislature, and the governor was Republican. The Republican legislature overwrote his veto. And that was help, and that was really the stamp that made Itasca [01:29:00] be taken really seriously, and it continues to this day 15 years later.

I tell you all of this because it absolutely infuriated the business partnership and the Minnesota Chamber of Commerce. They just felt that their energies of their members are being diffused, that this wasn't really a business agenda etc. And they began putting pressure on my board at McKnight. Just saying you guys are way out ahead, and we had [01:29:30] become so visible. And McKnight and me personally had become so associated with Itasca and it was this powerful thing. I mean the *Minneapolis Tribune* basically said it's the most important thing that's happened in Minnesota in 20 years.

And it was, it was really quite profound. My board at McKnight was a family board, and they were very private. When my appointment was

announced way back in 1999 [01:30:00] they refused to have a picture taken of the family. They just were very protective for all sorts of good reasons and honorable reasons.

But they increasingly were uncomfortable with how visible we were, with how much pressure they were getting, and I think it in an ideal world I should have done a much better job of either taking a lower profile or going more slowly. I don't know how I could have done that. It took on [01:30:30] a momentum that was beyond my control. But still maybe involve them a little bit different. I'm not sure what but it was a classic, classic example of getting a little bit too far out over your skies, even when it was worthwhile and valuable.

And I think it taught me just a simple lesson about communication, you just can never over-communicate with the people who are charged with the responsibility [01:31:00] for governing your organization. I think one of the reasons I do drawings, one of the reasons I write a lot, one of the reasons I've tried to keep the boards I serve with small, is I think the idea of communicating is just hugely important, and yet communication can't be overly complex, or overly heavy. It has to be light, it has to be accessible and digestible. So [01:31:30] I think I've spent a lot of time at Kresge trying to figure out different ways to convey a message and not just to your board, because I think the same lesson can be applied to your staff, can be applied to your grantees, can be applied to your philanthropic peers.

So I just think it's a set of skills and a temperamental outlook that is sometimes undervalued in philanthropy. And I think particularly as we're increasingly criticized for [01:32:00] being elitist, out of touch, whatever the criticism is. I think you can't ultimately paper over really serious criticism just through communication, but I think it's really helpful to do that.

That's not a particularly profound observation but it's actually been much more formative to my work. I speak a lot and I force myself to do that not because I love speaking in front of 1,000 people, but [01:32:30] because I think it forces me as the head of the institution to work with the institution, to work with the staff, to work with the board and I almost always pre-vet the stuff with them to just make sure that I'm in sync with them and that we're communicating out in a way that is comprehensible and frequent.

MONIZ:

So it seems in a way there is a tension or ... Your paradoxical tension between wanting to [01:33:00] avoid being elitist or throwing around power, and wanting to communicate effectively, because the more you're out there communicating it increases your footprint ... You're using your

bully pulpit more which increases your authority perhaps in some ways. I'm just wondering if you've grappled with that issue.

RAPSON:

Yeah I don't know if I've grappled with it adequately, but [01:33:30] I feel strongly that that's a form of accountability. That if you put your point of view out there and it's not just high level jargon and empty rhetoric, you're actually putting ideas in front of people or approaches or investments in front of people that people have every right to challenge. Now the criticism back is well no one's going to say anything critical to a funder, I haven't found that to be the case.

I've found that whether I'm on a panel, or whether I'm giving a keynote address, [01:34:00] or whether I'm in a small group conversation. People are happy to push back ... For example during the Detroit Future City conversation where we were trying to engage communities in a particular way, I'll never forget going to a big bankruptcy conference here in Detroit and people booed. They just felt I was off base, that we were being arrogant and elitist, and we weren't really connecting with community because if we did we wouldn't have any part of the bankruptcy.

[01:34:30] I don't mean to overstate it, because I think people are often intimidated by, or feel it's not their place to challenge someone who is in a position of authority with lots of money. But I guess my sense is that that you then try to be as clear as you possibly can about your value set, and take risk with [01:35:00] ideas, and behaviors, and investments and then expect that you will need to be open to people with different views.

One of my favorite stories is when I was at McKnight, I was just beginning at McKnight there was a wonderful man named Jim Shannon, and Jim had been the archbishop in St. Paul whatever the top position in the church was in St Paul, and he resigned [01:35:30] from the church in the late '60s over his disagreement with the Pope's encyclical on birth control.

Here's this former bishop and he goes off to head St. Thomas University, Catholic university, and then from there goes to Minneapolis Foundation. And he told me a story early on, I said, "What advice would you have for this new philanthropic person?" He said, "Well let me just tell you," He said, "Having been an archbishop, having been a head of a university, having been a head of foundation, I [01:36:00] was pretty sure I knew what I wanted to do and pretty clear on what my priorities were. And people would give you ideas all the time, and 90% of the time they were goofy."

He said, “So it came to a head one day when my oldest friend scheduled an appointment with me.” And he said, “I was absolutely sure I knew what this guy was going to come talk to me about, and I knew we weren’t going to fund it. So I had just worked my position into myself into a mindset of, “No I’m not going to do this,” and I [01:36:30] spent all morning trying to figure out how to do that politely, and respecting my long term friendship with him.”

So his friend comes in and pitches something completely different, and it's very interesting, and it's very creative, and Jim said to me, he said. “So the lesson I take from this is never permit your philanthropic posture to be a default. No, you cannot let your philanthropic posture default to no, it always has to be yes. [01:37:00] And then if for some reason it can't be yes, you can work it through.”

I think that's just a different way of saying that you simply have to invite people to disagree with you, and to try ideas out on you, and to challenge your assumptions. I think by writing and by speaking, and by being out and about, and by having a really well connected smart, tenacious [01:37:30] staff who are willing to do the same, I think the whole institution can assume a posture of listening and receptivity to contrary points of view, I just think that's essential in philanthropy.

MONIZ: Last couple of questions.

RAPSON: Sure.

MONIZ: What’s the proudest accomplishment of your philanthropic career?

RAPSON: I suppose it's [01:38:00] easy to fall back on really tangible transactions that might be the Itasca Project or creating a new regional program for the McKnight Foundation, or ensuring that Detroit Future City work, or the rail project, or the arts work that we've done has been successful. But I think ultimately my two proudest moments have been [01:38:30] the long duration moments of helping a legacy institution reinvent itself to more ambitious and multi-faceted purpose. That the change in Kresge I think is profound. Someone else would have done it very differently perhaps, but I think the way we've done it has ended up being gratifying to the family, has had huge impact in the fields in which we work and has built [01:39:00] a talent base at this organization that I wouldn't trade out for any in America.

The second ... Wow, maybe I should stop there. I think in many ways the ability to create a machinery of philanthropy that [01:39:30] is adaptable and that can change with the circumstances is really what any executive

would want. You want to create something that can be changed to be sure, but that during your 10 year is sufficiently agile and skillful at meeting challenges as they morph into an environment as it changes as you suggested with these unbelievable changes washing over [01:40:00] private and public giving. You just have to be nimble and adaptive and skillful. I'm trying to think if there's anything else, but I think that that would certainly be my proudest.

MONIZ: What would you ... Last question. What would you like history to remember about you?

RAPSON: Okay. [01:40:30] At the risk of being just shamefully immodest. I would love if history would look at the first 10 years of my tenure at Kresge and say that it fundamentally redefined how [01:41:00] a community ... How a foundation can help a community of deep importance to the world reset its trajectory. And I suppose that would be my second great source of pride, is having contributed in a material way as an institution to the re-imagination, the revitalization and the resetting of trajectory for one of America's great cities.

[01:41:30] I think it's very difficult to look at Detroit's recent history and not take into account the formative role Kresge has played in helping it move in a direction that is ultimately going to be healthy and beneficial for its residents. That's a remarkable thing I think. It's certainly not me, it [01:42:00] is the institution in all of its dimensions that has helped make that so.

We've called on social investment capital, we've called on terrific program officers, we've tapped our board. It's really taken all parts of the organization to do it. But I ultimately think that that is the purpose of philanthropic leadership, is to take on challenges that may appear to be intractable and to make material [01:42:30] progress on multiple fronts over an extended period. I do not believe this is going to be a flash in the pan, it took a long time to do this work, over a decade and we still have lots to do.

But I the city that I arrived at in 2006 is a very different city from the city we now look at in 2017, and I'd like to think that history would remember [01:43:00] that Kresge and under my leadership has contributed to making that case.

MONIZ: Thank you, this has been a really fascinating conversation I really appreciate your time.

RAPSON: It's been my pleasure thank you.