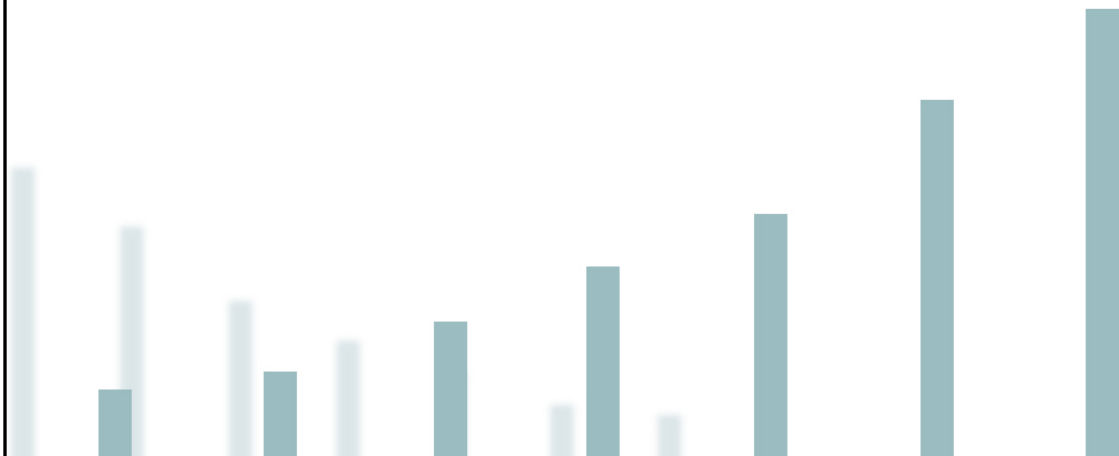


OCTOBER 2004

## **Harlem Children's Zone (HCZ)**

**Transforming the organization while scaling up  
in a tightly defined local service area**



## Summary

Harlem Children's Zone transformed itself dramatically starting in 1997, when it decided to focus on helping poor children in a 24-block area of Central Harlem. More recently, it has extended that area to 60 blocks. The approach is generating powerful results, but it hasn't been without its stresses, both organizationally and financially.

## Organizational Snapshot

**Organization:** Harlem Children's Zone

**Year founded:** 1970

**Headquarters:** New York City, New York

**Mission:** "To improve the lives of poor children in America's most devastated communities."

**Program:** Harlem Children's Zone works to enhance the quality of life for children and families in the Harlem neighborhood of New York City. Formerly known as Rheedlen Centers for Children and Families, HCZ has 15 centers that serve more than 13,000 children and adults. As of 2003, HCZ had reached 88 percent of all children in the 24-block service area of the project. In 2004, it extended that area to 60 blocks. HCZ's emphasis is not just on education, social service, and recreation, but also on rebuilding the very fabric of community life. Programs for children and the community include the following. The Baby College offers a nine-week series of workshops in child development and children's health for parents of up to three years old. Harlem Gems is a pre-kindergarten program that serves 40 four-year-olds. Peacemakers places over 190 AmeriCorps-funded teaching assistants (full- and part-time) in classrooms and after-school programs in five elementary schools to enrich children's educational and recreational experiences. TRUCE (The Renaissance University for Community Education) is a comprehensive youth development program for 200 adolescents between the ages

of 12 and 19 that fosters academic growth, career readiness, and high school graduation through the use of the arts, media literacy, health, and multimedia technology. TRUCE also operates a Fitness and Nutrition Center for students in the community. The Employment and Technology Center provides computer classes and employment services to youth and adults in the Zone. Community Pride is the community-organizing division, which among other efforts has worked with Harlem residents to create over 260 tenant-owned apartments since 1993. The Family Support Center serves families in Central Harlem from a walk-in storefront facility, offering families in crisis immediate access to professional social services. A charter school opened in 2004.

**Size:** \$16.7 million in revenue; approximately 260 full-time and 230 part-time staff (as of 2003).

**Revenue growth rate:** Compound annual growth rate (1999-2003): 20 percent. Highest annual growth rate (1999-2003): 218 percent in 2000.

**Funding sources:** Harlem Children's Zone's budget is supported by diverse sources of funding, with 33 percent of 2003 operating revenue coming from foundations, 28 percent coming from the government (much of that from AmeriCorps or the New York City Administration for Children's Services), 24 percent coming from individuals, 8 percent from corporations, and the remaining 7 percent from other sources (mostly gains on investments and interest income).

**Organizational structure:** Harlem Children's Zone is an independent 501(c)(3).

**Leadership:** Geoffrey Canada, president and chief executive officer.

**More information:** [www.hcz.org](http://www.hcz.org)

## Key Milestones

- 1970: Founded as the Rheedlen Centers for Children and Families
- 1977: Received its first public contract to prevent child abuse and neglect
- 1991: Opened the first Beacon School

- 1994: Geoffrey Canada became CEO
- 1997: Founded the Harlem Children's Zone project
- 2002: Changed the organization's name from Rheedlen to Harlem Children's Zone
- 2004: Began enlarging the Zone as part of the second phase of growth

## Growth Story

Richard L. Murphy founded the Rheedlen Centers for Children and Families, the precursor to the Harlem Children's Zone (HCZ), in 1970. Murphy started the organization because he noticed young children between the ages of five and 12 were out on the streets when they should have been in school. He began to work with chronically truant children and their parents to do something about the problem. This work led him to start Rheedlen.

In 1977, HCZ received its first public contract to provide services designed to prevent child abuse and neglect. The program, Truancy Prevention, served the Upper West Side, Central Harlem, and Hell's Kitchen neighborhoods in Manhattan.

Geoffrey Canada, HCZ's current president and chief executive, joined the organization in 1983 as educational director. He was asked to revamp the education program to ensure that children were reading at grade level. In 1994, Murphy left the organization to become commissioner of the Department of Youth Services in the administration of Mayor David Dinkins, and Canada took over as CEO.

In the 1990s, the number of children receiving Rheedlen's services quadrupled, growing from 1,500 to nearly 6,000. "Rheedlen was started to work with the bottom 15 percent of kids in the public schools — kids who were failing and going nowhere — and to get them back to the middle," Canada said in a 2002 interview in the *Philanthropy News Digest*. "But as the number of kids in that bottom group began to grow, we realized that we needed to expand our services. You know, at first we would go into a school and find 20 kids that needed help, then it was 40

kids, then a hundred kids, and as the need grew over the years, we decided we had to respond to that need.”

In 1991, HCZ opened its first Beacon School, a year-round after-school center where young people between the ages of five and 21 and their families could access educational, recreational, and youth-development programs. The Countee Cullen Community Center at Public School 194 in Central Harlem has developed into a national model of how a school can support the redevelopment of a community. Known as the Beacon/Preventive model, the program uses available public school facilities outside of school hours to provide a “shopping mall” of services aimed at promoting positive outcomes among young people. Beacon Schools are based on the belief that if children are to find effective alternatives to violence and prepare for productive futures, they must have access to enriching activities to fill their out-of-school time. In 1998, HCZ opened the Booker T. Washington Center at Junior High School 54, located on West 107th Street in Manhattan.

Also in 1991, HCZ began to focus on the issue of homelessness with the opening of its Neighborhood Gold program. Neighborhood Gold’s work organizing tenants to improve the quality of life in their buildings led to the development of HCZ’s community organizing program, Community Pride. Since 1993, Community Pride has worked closely with the residents in Central Harlem to restore their buildings and their block, and in the process to prevent homelessness.

In 1996, HCZ developed the Harlem Peacemakers’ Success in Schools program to make schools and the surrounding communities safer places for children. Harlem Peacemakers are college-age AmeriCorps interns who are placed in the classrooms of Central Harlem schools, where they assist teachers with lessons, teach conflict resolution in the school yard, tutor after school, and work with parents and school staff to create safe zones around schools.

In 1997, Rheedlen launched its most ambitious effort yet: the Harlem Children’s Zone initiative. The initiative created a 24-block area of Harlem where HCZ offered a comprehensive set of services to youth and families. In the Zone, 61 percent of children live in poverty, 25 percent of adults have a high school diploma, less than 30 percent of children read at grade level, and 28 percent of children suffer from

asthma. The project became the centerpiece of Rheedlen's work, and in 2002 the organization renamed itself the Harlem Children's Zone.

"It was clear to us as an organization that we wanted to deal with this issue of scale, and that the best way to deal with it was with a place-based strategy," Canada said in the *Philanthropy News Digest* interview. "In other words, we felt that we really had to do everything if we wanted to be successful on a larger scale. Again, one of our core beliefs is that in poor communities where, literally, all of the institutions are failing children, you can't do one thing and expect that you'll solve the issue of scale. I mean, you can save some children with an early-intervention program, and you can save some children if you work with addicted mothers, and you can save some children if you have after-school programs. But if you start talking about how you're going to save most children, you have to do all those things, and do them over the long term, and you have to make sure you can count how many children actually received those services."

A relationship with the Edna McConnell Clark Foundation supported and guided the organization's growth during this period. "My history with the Clark Foundation began significantly earlier, maybe in 1989 or 1990," said Canada in a March 2003 Clark/HCZ dialogue moderated by Bill Shore of Community Wealth Ventures.<sup>1</sup> "The city was in a huge homeless crisis with people just churning in and out of shelters. Clark was interested in family preservation and how to help former homeless families stay together. So they asked if we wanted to be part of that. This was a hard time in our organization in terms of fundraising. Everybody was cutting back, and we were losing huge amounts of money. So the answer was "yes." Clark helped them think about expanding the number of children they worked with, and

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<sup>1</sup> From a March 2003 conversation between Michael Bailin (president of the Edna McConnell Clark Foundation), Geoff Canada (president and CEO of HCZ), Nancy Roob (chief operating officer and vice president of Clark), and Bill Shore (the session's moderator from Community Wealth Ventures), with excerpts published by Venture Philanthropy Partners and Community Wealth Venures, Inc. in their 2004 report: "High Engagement Philanthropy: A Bridge to a More Effective Social Sector."

at the same time came up with its own initiative to do almost exactly what HCZ was planning.

As Nancy Roob, chief operating officer and vice president of the Clark Foundation, said in the March 2003 Clark/HCZ dialogue, “The program Geoff [Canada] is describing is what eventually became our Neighborhood Partners Initiative (NPI). This was an effort to make improvements in very small five-block neighborhoods. We supported lead community-based organizations that worked in close partnership with residents and other community stakeholders. We began this work by making a grant to Rheedlen to support a pilot effort taking place on one block — 119th Street between Lenox and Fifth Avenues. This pilot became the seed for what Rheedlen ultimately became, the Harlem Children’s Zone, and it was also the genesis of NPI in New York City.”

Clark paired HCZ with Bridgespan to develop a business plan in 1999-2000, which helped focus HCZ’s growth plan. “We clarified our mission, which made it easier for us to describe our work to folks who don’t know us,” said Canada in the March 2003 Clark/HCZ dialogue. “We had been operating the way a lot of organizations operate: More is better. We had programs we held onto because in lean times these programs had revenue streams, and we could use them to shelter key staff. So about halfway through the business planning process it became clear that we were going to change a number of things very significantly, and this would be one of them.”

“In our discussions, we asked about HCZ’s outliers, like its seniors program,” said Roob of Clark during the March 2003 Clark/HCZ dialogue. “HCZ always had a rationale for why it was so critical to have these programs ... [but] some of these outliers cost a disproportionate amount relative to their value to the organization. That was compelling evidence.”

“I had thought these programs were paying their own way, but it turned out they weren’t,” remembered Canada. “We had been raising a lot of money to support them. The seniors were very upset that we were severing our relationship with them. And my staff was stunned. I mean, just absolutely floored, because their thinking was, ‘If he could do that to them, what’s to say we’re not next?’ ... We hadn’t previously had the firepower to do an analysis like the one we did to look at

this. After we did, it made much more sense: If you are focused on children, would you make an investment in seniors or in children? That became a much easier conversation to have with staff and other folks.”

A thorough review of all programs in 2001 led management to conclude that three programs did not fit with its new mission of serving children in Central Harlem. In 2001, the Neighborhood Gold program was discontinued, while the Jackie Robinson Senior Center was transferred to the management of Harlem Meals on Wheels and El Camino, a dropout prevention program in the Clinton neighborhood of Manhattan, was transferred to Aspira.

The first phase of the HCZ program was running a comprehensive set of 10 programs aimed at children and their families in the 24-block Zone. The second phase of the program began in 2004, and has extended the initiative to an additional 36 blocks north of the original area of Central Harlem. The third phase will add another 31 blocks to the north.

“When my board saw that, they said, ‘Phase II takes us to \$24 million, right? That’s pretty serious, Geoff, but if that’s what you want to do, we’ll support you,’” Canada said in the 2002 *Philanthropy News Digest* interview. “Then we laid out Phase III, which calls for us to become a \$46 million organization, and the board said, ‘Well, let’s focus on one phase at a time. We’re not saying we’re not going to do Phase III, but it truly is ambitious. Do you really know what it would mean, in terms of fundraising and the day-to-day operations, to be a \$46 million organization?’ But we have every expectation of doing this, because we have to deal with this issue of scale. ... Now, if we find in 2005, at the end of Phase II, that it’s not reasonable for us to go on to Phase III because we’re not able to raise the money, or keep qualified personnel on staff, or maintain the quality of our programming, we will simply say at that point, ‘You know what? Doubling the number of children in our programs is terrific, it’s great, and we’ll just simply stay where we are.’ We’re not going to risk the health of the organization by going a phase too far.”

With Phase II underway, HCZ is planning several major new initiatives. The Harlem Children’s Zone Promise Academy Charter School opened in fall 2004, and by 2011 it will serve 1,300 children in grades K-12. A medical and dental clinic is planned, as well as a Head Start program. And HCZ is working to extend the



evaluations data that it already collects into a longitudinal study of the organization's impact on the neighborhood.

## **CONFIGURATION**

Harlem Children's Zone is a stand-alone 501(c)(3), with a board of directors that oversees the organization. Beginning in 2004, HCZ will offer a Practitioners Institute to share what it has learned and to show how HCZ programming can be adapted to other communities. It will offer three-day workshops for leaders in youth and community development. Follow-up technical assistance will also be available for workshop attendees who are trying to adapt one or more of HCZ programs to their communities.

## **CAPITAL**

The organization went through a major transition from 95 percent government funding when Canada came on board to 28 percent today. "The reason we needed private money is there was up and down with the public dollars, and every year a drama," he told Bridgespan in 2004. "We could never get anything up running long enough to say we have an impact. When we crossed 50/50 [public/private funding] I got concerned. It's too hard to raise private dollars because you get [individual] donor fatigue. And even when the private sector was doing great, there weren't a lot more dollars in the public sector. I realized we were going to have to raise a lot more in the private sector."

Canada started focusing on foundation giving in 2000. Having three-year plans to fundraise around has helped. "Now we're asking people to fund Phase II," he says. "I think it gives people a way of talking with their boards, and milestones so they're buying something."

Canada knows he could not have raised the money he has without usable metrics. "People really want to know, what am I buying with my \$500,000? What am I going see, and when am I going see it? We spend a lot of money on evaluation: \$250,000 per year. The problem is, this is the data everyone wants, but not

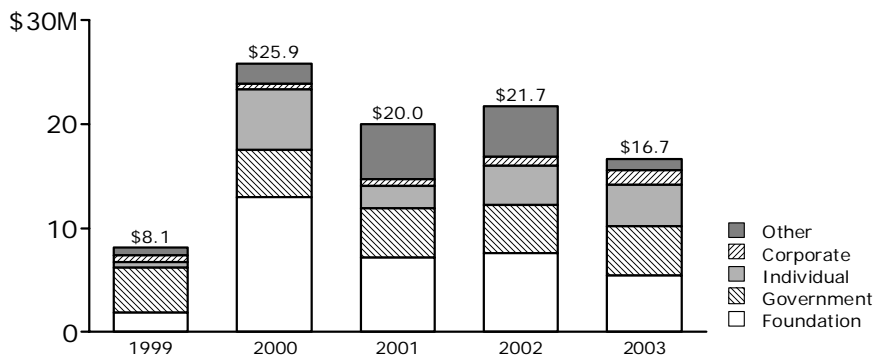
everyone has the money for evaluation. And if you don't have the evaluation you can't make the big money, but if you don't have any big money, you can't do the evaluation. Convincing people — myself included — that you should spend precious program dollars that you could be saving lives with, and spend them to do an evaluation — to prove what you already believe — it's a tough sale, because it's not cheap."

Canada says foundations often want to put their stamp on the metrics collected. "Then they can say, our foundation cares about this, and HCZ pays special attention to it," he says. "So now, 90 percent of the evaluation is just what it is, and 10 percent is for the other purpose — and as long as it's 10 percent, that's OK."

HCZ's growth has been dependent on a major funding relationship with the Clark Foundation. The organization also has had a strong funding relationship with the Robin Hood Foundation and the Picower Foundation. (See Figure 1 for a breakdown of HCZ's funding over time.)

Figure 1

Harlem Children's Zone revenue



Annual revenue growth	N/A	218%	-23%	9%	-23%
Budget surplus (deficit) (\$M)	-\$0.6	\$16.0	\$8.2	\$7.1	\$0.3

Source: Organization internal data

Canada is worried that some funders might shy away from giving HCZ small grants if they know they're receiving millions from bigger foundations. "Trying to explain our plan for growth and having to explain that we're going to have to raise three times the amount of money we're raising right now in order to achieve that plan has been a bit of a struggle," says Canada. "But I think a number of foundations understand the risk we're taking with this expansion. ... I think when people begin to see that our plans are backed up by hard numbers derived from rigorous evaluation, that this isn't simply an exercise we cobbled together out of dreams and good intentions, other funders will be willing to step up to the plate."

Canada spends about 65 percent of his time on fund development. "No one wants to hear from your development person," he says. "You have to do it."

HCZ also built its board to support the rapid growth in fundraising. The business plan called for the organization to build a new \$41 million headquarters, which will open in November 2004, in order to double the number of children they work with. But the plan required that the organization spend down its endowment to fund the building. The board now is working to help replace that money.

"We were clear that the board would have to raise half of the capital campaign target to retain credibility with potential donors outside the organization," Canada says. "Then the question became, do we have board members who can do that? It was very clear we didn't."

Canada slowly transitioned more and more people with fundraising connections onto the board, until a critical mass developed. Some existing board members left in response to the new fundraising mission. One piece of advice Canada has for nonprofits is to tap into college alumni connections. The new board chairman, Stan Druckenmiller, is a Bowdoin College grad like Canada. "Allegiance transfers to more than just your school," Canada says. "Rarely do not-for-profits think of this as a place to prospect. Find out who the top 100 givers to your college are."

## CAPABILITIES

As the organization has grown, Canada has found that his position at the center of the organizational chart needed to change. “I had built this organization by giving people direct access to me all the time,” says Canada. “So unless it was something confidential, my door was always open. That all changed. We realized we couldn’t grow the organization and continue to do that. We developed a different reporting structure. Someone who had been with us a long time said, ‘It feels like I’ve been demoted.’ The people who have been there the longest are the most unhappy. For those who have come on more recently, it’s fine.”

Canada spoke with Ken Chenault, CEO of American Express, about his experiences. “We were classmates at Bowdoin,” he says. “And he said he was having the same problem. There’s the same core group of folks that wouldn’t have access to him. How do you keep these people energized, like they still have a relationship with you? He suggested that I begin designing time with directors, where they get [a presentation of new ideas] first, so they can feel like, ‘I was talking with Geoff; here’s where the agency is going.’”

Canada strengthened the top management layer, bringing in a chief operating officer, a director of evaluation, a director of communications, and senior development staff. Directors who used to report to Canada had to learn to deal with a new boss, Chief Operating Officer George Khaldun. “[Eventually] people began to believe in the system somewhat more,” says Canada. “Directors had to believe they could get their needs met by going to these people. It’s also important to leave power with the senior managers. If [their new boss] says, ‘I have to ask Geoff,’ then [staff] say to themselves, ‘If you have to ask Geoff, what are you for? I could ask Geoff myself!’”

“Geoff [Canada] knew changes needed to be made to HCZ’s management structure long before the business planning process started,” said Roob during the March 2003 Clark/HCZ dialogue. “Still, it was a huge step to create new reporting relationships for 18 people who, up until then, reported directly to Geoff. Geoff had a series of conversations with staff across the organization about the new business

plan and its implications. At one of HCZ's planning retreats, Geoff asked each of his managers to decide whether to commit to the plan or to think about leaving."

"He offered to help find something different for those who couldn't commit to the full plan," said Mike Bailin, president of Clark, in the March 2003 Clark/HCZ dialogue. "He cared about the work they'd done and the contribution they'd made, but he needed everyone to buy into it or move on."

"One of my best directors [left]," Canada further explained. "It wasn't because he didn't buy into the plan, but we had told the trustees we wanted to compensate our directors based on their making a five-year commitment. He just said, 'I don't want to make this commitment and then leave two years from now.' So he ended up leaving. We lost a few other directors, one because he wasn't delivering. I told everybody this could happen. We need people who are really solid, with serious management skills. This is not the place for everybody. Also, we've had a number of folks who had realized that being on the front lines is not what they want to do, so we've offered them positions, when available, to serve the organization in other ways. For instance, a director of one of our programs has moved inside and is now our chief development officer."

To find additional management staff, HCZ hired an executive search firm. "Nancy [Roob] tried to convince me to use an outside agency to find talented staff," said, Canada, also during the March 2003 Clark/HCZ dialogue. "I would have never done it otherwise, because all I could think about was the cost. But we did use a search firm, and they delivered. They found the people we wanted, and it really mattered."

Canada had to deal with a sensitive balancing act as the organization added this new management team. "As you have to bring in all this other talent, you have to pay them more than you're paying folks who actually built the organization," says Canada. "I went to the trustees and said, 'I'm not comfortable bringing people in with salaries that are so much higher than what we pay the folks who actually built the organization.' So we revamped our whole salary scale so all of the directors' salaries would be more equitable. The organization functions much better now that we have someone who's in charge of these areas. But issues of race are another concern. People ask now why Geoff suddenly wants to be surrounded by a lot of

white folks who have graduate degrees, and are we still a black agency? We are always looking at the balance. But people wonder if your heart and soul are still in the same playing field.”

Canada reflected on the difficulty finding management talent in the 2002 *Philanthropy News Digest* interview. “There’s a real talent gap in our field,” he said. “The people who are capable of doing the kind of high-order thinking and managing and planning we need for initiatives like ours cost much more than most nonprofits can afford to pay.”

“We grow a lot of our own talent at HCZ, but this is the first time, because of the planned expansion, that we’ve had to really go out on the market and try to hire talent at the level we need to pull this stuff off,” he says. “And it’s been a rude awakening. There are lots of good people out there, but not necessarily with the skills we need, and lots of folks with the skills we need whom we can’t afford. There’s a real mismatch, I think, between the needs of the field and the skills we’re providing to the folks who do this work.”

## Key Insights

- **Having a strong vision.** Canada feels that nothing short of community-wide effort will improve the lives of poor children, so he designed one of the most ambitious efforts to serve nearly every child in an entire neighborhood. He has stayed with his vision, even though it’s meant dramatically growing the organization both programmatically and financially.
- **Getting the right people in the right place.** Canada has transitioned to a management team that can produce the kinds of results he wants. Managing the feelings of the 18 directors who used to report to Canada has been a challenge, as has creating an effective hierarchy where none existed before.
- **Creating a collaborative foundation relationship.** The Edna McConnell Clark Foundation’s support has enabled HCZ to dramatically transform itself, position itself for growth, and work smarter. Clark has funded business

planning and provided critical strategic advice that has changed the way the organization thought of itself and what it could do.

- **Anchoring growth in metrics.** HCZ has invested heavily in measuring outcomes, and it is gradually getting the kind of information it needs to make decisions about what's working and why.