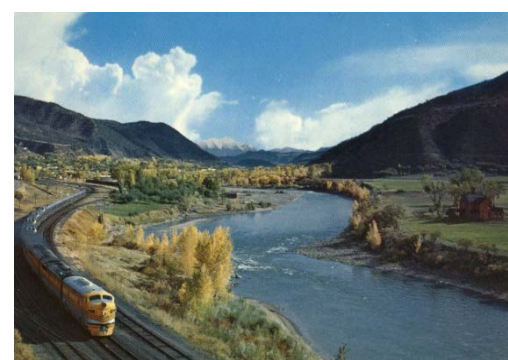


Gates Family Foundation Strategic Plan 2017-2021



December 14, 2016

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I. Introduction

The Gates Family Foundation celebrated its 70th anniversary in 2016. Since its creation, the Foundation has committed more than \$350 million to philanthropic activities. The vast majority of these investments have been focused on the people, communities and natural resources of Colorado.

The Foundation's activities are guided by a strategic plan. The strategic plan identifies the Foundation's core interests, key strategies and tactics, and approach to evaluating the effectiveness of its work. The Foundation generally undertakes a review and update of its strategic plan every five to six years. The last strategic plan was completed in 2011. That plan resulted in fairly substantial changes to the Foundation's approach and philanthropic model. Among the more significant changes:

- The scale of the capital grants program was reduced, and the program made even more competitive.
- A commitment was made to devote 60% of the Foundation's resources to grant making initiated by the Foundation in four priority areas: K-12 Education, Natural Resources, Rural Communities, and Urbanism. The biggest commitment of resources would be to the Education and Natural Resources work.
- The Foundation launched a Program Related Investment (PRI) program, providing new tools for advancing philanthropic objectives.
- The Foundation made its first true market return, mission-aligned investment through its portfolio.
- The Foundation staff has grown in size and in the range of skills and experience available to tackle some of the most important community economic, environmental, and social challenges facing Colorado.
- The Foundation has become more outcome-oriented, and seeks to track both quantitative and qualitative metrics of success more effectively.
- Foundation staff often play more active roles as conveners, leaders, thought partners, and change agents. The Foundation also generally works more collaboratively with a wide range of partners in multiple areas.
- The Foundation has sought to enhance the role of its trustees, engaging them more directly in the development of underlying strategies in addition to the approval of individual grant commitments.
- The Foundation has created internship opportunities for the next generation of family members, both on its board and as part of its investment advisory committee.
- The Foundation purchased the landmark Hover Building in downtown Denver and relocated its offices there. The Foundation has used the Hover Building to provide office and meeting space to support the work of a large number of community partners and grantees.



Probably the single most significant change was the commitment to initiate grant activity in four priority areas. The commitment to this approach grew out of analysis and discussions undertaken as part of the development of the 2011 strategic plan. In that plan, the trustees and staff committed to sustaining a focus on four significant, long-term challenges facing the state:

1) The challenge of educating all of Colorado's children

– A significant proportion of Colorado children are not achieving the minimum level of academic proficiency necessary for success later in life. Colorado's public education system has struggled to serve children of color and from low-income families effectively. As a result, a growing population of children faces limited prospects and dramatically reduced opportunities to participate in the economic and social life of Colorado communities, let alone function as global citizens.



2) The challenge of providing responsible stewardship of the state's natural resources

– Colorado's natural resources face challenges due to climate change, significant declines in forest health, increased potential for catastrophic wildfires, and significant impacts due to energy development and growth of the recreational economy. Population growth increases pressures on natural systems and drives the conversion of more land and water to urban use.

3) The challenge of accommodating more people – Colorado's population is anticipated to double within the next 40 years. The kinds of communities we create to accommodate the needs of this much larger population will have profound implications for a variety of aspects of life in urban and rural communities throughout the state.

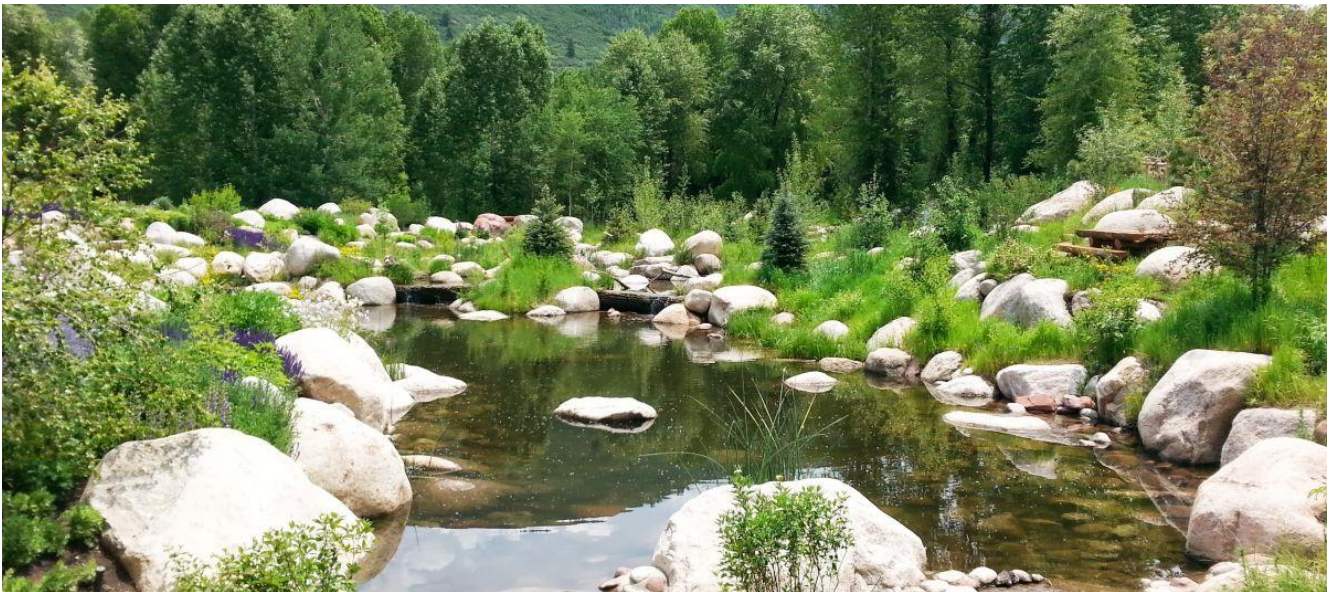
4) The uncertain future of rural communities – Rural communities and rural culture are an essential part of the identity and character of Colorado. But the future facing rural communities is full of challenges. Many face unprecedented growth pressures, while others are struggling to survive.

The Foundation remains committed to focusing a substantial portion of its efforts on these four long-term challenges. The 2016 strategic plan update has provided a chance to confirm the commitment to the philanthropic approach embraced in the 2011 plan (a strong commitment to initiated grant making in four priority areas; a more focused and more competitive capital grants program; increasing use of other tools such as PRI commitments and investments through the Foundation portfolio; development of the capacity of Foundation staff; and a more active role in leading, convening, and collaborating with partners in key areas).

II. 2016 Update Process

The 2016 strategic plan has provided an opportunity to assess what has been learned from the Foundation's experience from 2011 to 2016 operating in this different type of model. The process used to develop the 2016 plan was similar in many respects to development of the 2011 plan. The primary difference was the ability to look back at the experience of the last five years with the current model. Elements of the 2016 process included:

- A review of Foundation grant making prior to adoption of the 2011 strategic plan
- Internal analysis of grant making between 2011-2016, including internal assessments of the impact of Foundation grant making and convening/leadership efforts in priority areas
- Third party feedback from education, natural resources and community development partners and grantees (collected through consultants to ensure as much candor as possible in responses)
- Analysis of changes in the Colorado context over the last five years
- Analysis of population and demographic, economic, public policy/political, and nonprofit/philanthropic trends and projections in Colorado
- Analysis of changes in financial markets and associated challenges of portfolio management and ensuring the long-term sustainability of the Foundation
- Analysis of changes occurring or projected in the Foundation's core areas of interest – public education, natural resources and urban and rural community development
- Framing of key issues for board consideration
- Review of staff recommendations at the annual board retreat in June of 2016
- Drafting of an updated strategic plan in late summer for board review and refinement in September and final approval in December
- Communication of the content of the new plan and updating of the Foundation website in the fourth quarter of the year

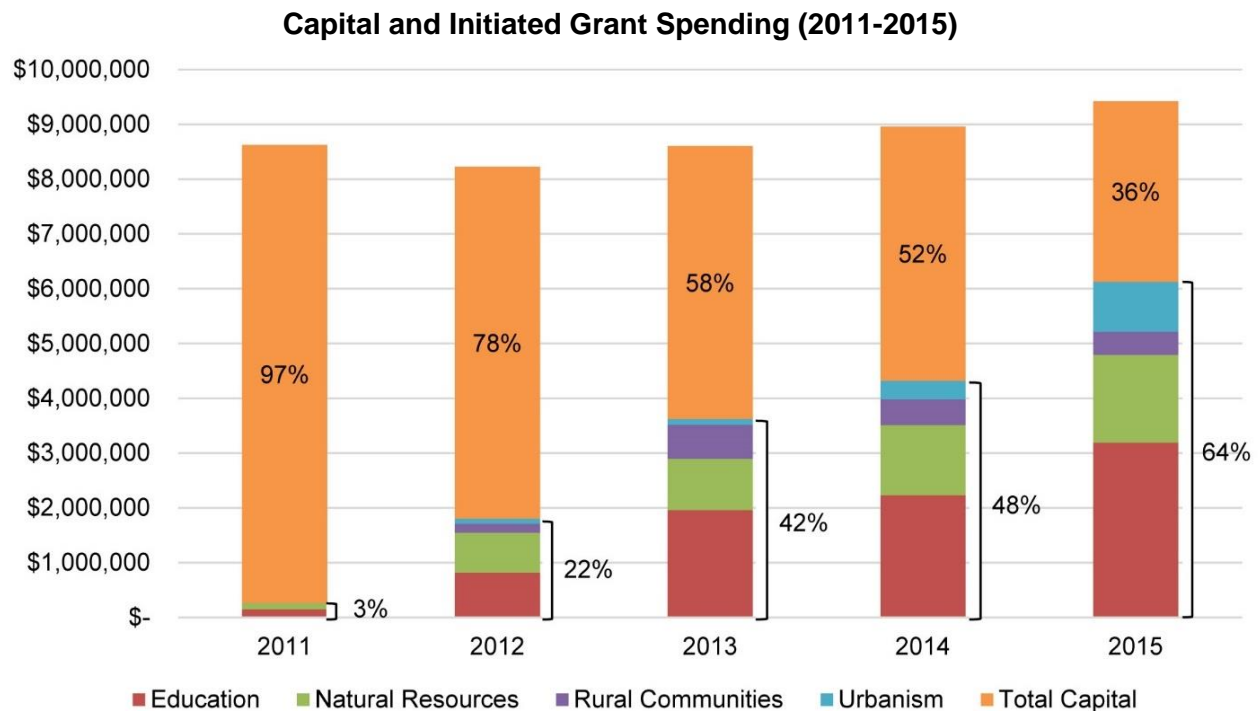


III. 2011-2016 Grant Making Summary

Following adoption of the strategic plan in 2011, the Foundation's grant program began a process of transition. Between 2011 and 2015, the Foundation shifted from a model where nearly all of its grant resources were committed through a responsive capital grant making process to a program with an emphasis on initiated grant making in priority areas and a smaller and more competitive capital grants program. This transition can be seen in the table below:

Category	2011-15	2011	2012	2013	2014	2015
Education	8,349,891	150,000	820,000	1,958,500	2,229,247	3,192,144
Natural Resources	4,737,087	110,000	726,049	937,232	1,283,806	1,600,000
Rural Communities	1,597,000	0	165,500	621,500	468,000	422,000
Urbanism	1,457,250	5,000	95,000	105,000	340,750	911,500
Total Initiated	16,141,228	265,000	1,806,549	3,622,232	4,321,803	6,125,644
Total Capital	27,697,154	8,358,740	6,417,614	4,982,300	4,639,700	3,298,800
Total Grants	43,838,382	8,623,740	8,224,163	8,604,532	8,961,503	9,424,444
% Capital Grants	63.2%	97%	78%	58%	52%	36%
% Initiated Grants	36.8%	3%	22%	42%	48%	64%

Note: In the table above and the charts and tables that follow in this section, grants labeled Rural Communities reflect only those grants made through the Foundation's initiated grant making program focused on community planning, alternative economic futures and urban-rural food linkages. Overall, more than one-third of all of the Foundation's grant making in Colorado is focused on rural communities. Grants benefitting rural communities and projects exist in every category of Foundation activity, not just those grants specifically labeled Rural Communities.



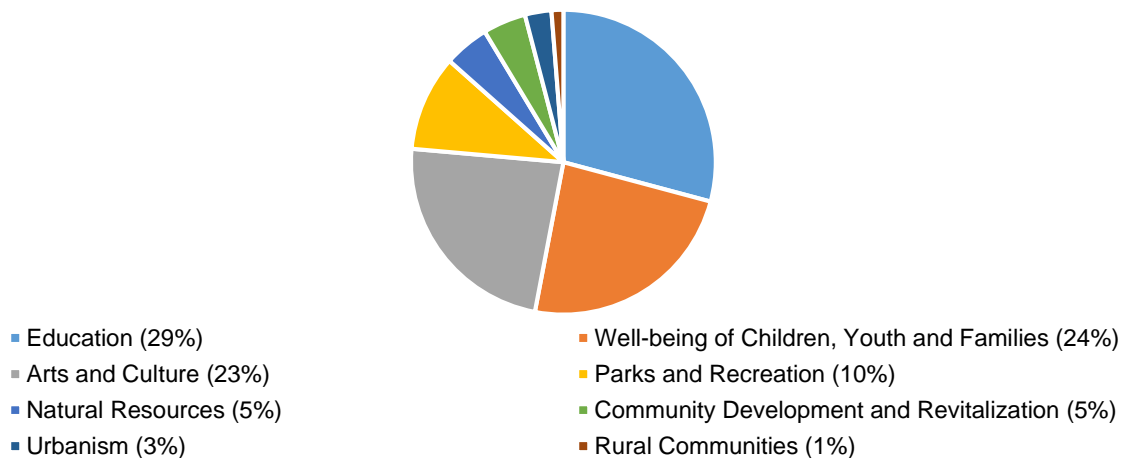
The general mix of capital spending across categories has remained fairly constant over many years. In the capital grants program, Education tends to be the largest category of spending. The Well-being of Children, Youth and Families is usually second. Either Arts and Culture or Parks and Recreation is typically the third largest category.

As noted above, the direction defined in the 2011 strategic plan required the scale of the capital grants program to decrease by roughly half in order to free up resources to be used in the initiated grant making areas. Capital grant spending and commitments for the years 2011-2015 are shown below:

Capital Grant Commitments by Category 2011-2015

Education	5,917,800	(29%)
Well-being of Children, Youth and Families	4,837,000	(24%)
Arts and Culture	4,751,000	(23%)
Parks and Recreation	2,062,000	(10%)
Natural Resources	974,000	(5%)
Community Development and Revitalization	926,214	(5%)
Urbanism	570,000	(3%)
Rural Communities	255,000	(1%)
Total	20,293,014	

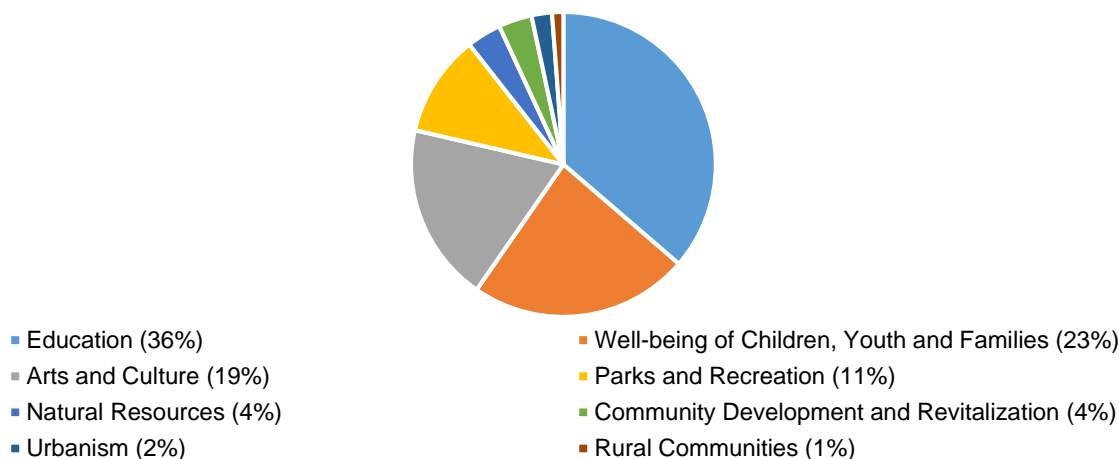
Capital Grant Commitments by Category
(2011-2015)



Capital Grants Spending by Category 2011-2015

Education	10,036,500 (36%)
Well-being of Children, Youth and Families	6,447,000 (23%)
Arts and Culture	5,243,000 (19%)
Parks and Recreation	2,986,000 (11%)
Natural Resources	1,014,940 (4%)
Community Development and Revitalization	979,714 (4%)
Urbanism	600,000 (2%)
Rural Communities	330,000 (1%)
Total	27,637,154

Capital Grants Spending by Category
(2011-2015)



Other observations regarding the capital grants program during the period 2011-2015:

- Total commitments during this period were just over \$20 million, indicating success in scaling new commitments to fit the current Foundation model where capital grant making is approximately 40% of total grant making. Actual capital grant spending during this period was higher at \$27.6 million. The higher spending number reflects the reality of paying off larger grants and larger overall commitments of capital made prior to 2011.
- When the top five largest capital grants awarded in each year are reviewed, it is evident that much has changed in the capital grants program. Other than a \$1 million commitment made early in 2011, the largest capital grant commitments have been in the \$250,000 to \$400,000 range. There is no longer as much capacity to make capital grant commitments of \$1 million or more.
- In most of the years since 2011, the top five largest grants by year included grants as small as \$125,000 to \$175,000. In comparison, for the years 2006-2010 the largest capital grant commitments ranged from \$600,000 to \$1.5 million.
- A slightly different trend is noticeable in the average and median size of capital grants. In the period prior to 2011, the average grant size was \$100,000, and the median grant size was \$50,000. At present, the average grant size is closer to \$62,000 (reflecting fewer very

large grants skewing the average) and the median grant size is approximately \$40,000. So the median (typical) grant has not declined much in size.

- The mix of capital grants by category of spending is fairly diverse. No single category dominates, but the three categories of Education, the Well-being of Children, Youth and Families (largely social services organizations), and Arts and Culture collectively represent just over three quarters of all the capital grant commitments in the last five years.
- In terms of capital grant spending (as opposed to capital grant commitments) over the last five years, Education spending is the dominant category. Education grants paid out were the highest amount of any category in four of the five years, and only \$75,000 short of being the highest in the fifth year. This pattern reflects the reality of paying off large capital commitments made prior to 2011 to two higher education institutions.



IV. Foundation Mission, Approach, Values and Governance

Mission

The mission of the Foundation is to make philanthropic investments statewide that contribute to the quality of life in Colorado, create opportunities for youth, and support stewardship of this extraordinary place. In carrying out its mission, the Foundation strives to maintain a long-term perspective and to focus on the challenges and opportunities that will have the greatest impact over time on the people, communities, and resources of the state.



Approach

The Foundation's mission is broad, its scope is statewide, and its primary areas of activity include many complex challenges. The Foundation's asset base is significant, but any one of the Foundation's areas of interest could easily absorb all of the resources available for distribution in any given year. As a family foundation, the goal is also to balance current expenditures and impact with the ability to sustain the asset base so that future generations can also engage in philanthropic activity, give back to the state, and address the needs and opportunities they perceive to be most important in their time.

The Foundation remains committed to focusing in areas that are consistent with the interests of the institution's founders, where it believes the state will face long-term challenges, and where the Foundation's participation can add value and make a difference. The trustees also continue to recognize the role the Foundation has played for 70 years as one of the few statewide philanthropic resources available to assist communities and nonprofit organizations in undertaking significant capital projects. The commitment to both initiated activity and responsive capital grant making is an attempt to balance these two roles.

Ultimately, the trustees and staff are most concerned with impact. Both want the Foundation to have an impact on the state well beyond what the scale of the Foundation's own assets might suggest is possible. The Foundation uses many approaches to achieve this goal. The current vision and aspirations for the Foundation include the following:

- A high impact organization, with a collaborative and creative culture, skilled at leveraging other resources and advancing complex concepts and projects, and always focused on outcomes
- Increasingly good at using all of the Foundation's assets (dollars, people, relationships, credibility, access, convening capability, physical space) to maximize impact

- Directly contributing to reductions in the achievement gap between low-income students and their more affluent peers
- Playing a leadership role in driving important long-term outcomes in land and water resource management
- Contributing in meaningful ways to the long-term viability and quality of life in rural communities
- Playing a leadership role in managing the challenges of population growth and urbanization of the state, while continuing to improve the quality of life and promote innovation in urban areas
- Committing scarce capital dollars in a manner that is thoughtful and creative
- Becoming increasingly effective in evaluating the impact of Foundation commitments through the use of metrics, data, and other tools
- Using an increasing percentage of the Foundation's financial assets in mission-aligned ways
- Influencing the priorities, activities and investment of resources by others, leveraging additional resources and impact in priority areas
- Providing broader civic leadership when appropriate, serving as a valued convener and thought partner
- Providing an attractive, flexible platform for expanded family philanthropy
- Managing the organization and acting in a manner that is consistent with the values and interests of the founders and the Gates family, and ensuring the long-term sustainability of the institution

Values

The legacy of the Gates family in Colorado has been shaped by a set of core values, including a strong belief in the importance of innovation, citizenship, free enterprise, self-reliance, striving for excellence, and an entrepreneurial spirit. The Foundation's founders and their descendants have also displayed a strong commitment to providing access to opportunity, particularly for young people, and a deep respect for nature. The work of the Foundation aspires to be in alignment with these values. The Foundation's own culture also continues to place a heavy emphasis on the following attributes:



- Being strategic – staying focused on impact, value added and leverage
- Being forward looking – taking a long-term view
- Staying grounded and humble, not ego driven
- Being good partners – approachable, supportive, and respectful of partners and collaborators
- Being data and information driven
- Remaining intellectually curious and eager to learn
- Being flexible, adaptable and open to new perspectives and new ideas
- Being rigorous

- Operating with integrity
- Being fair, pragmatic and non-partisan
- Striving to be an agent for constructive change
- Willing to lead, where appropriate
- Willing to take risk intelligently, and fail and learn when necessary
- Valuing and respecting the diversity of the communities within which the Foundation works
- Remaining a place that can continue to attract, retain, and empower talented people

Governance

The Foundation's governance structure is atypical for a family foundation, in that it involves a hybrid of family and community control. Ultimate authority rests with six family members, each representing a branch of the Gates family. These members approve the selection of the seven trustees that serve

as the Foundation's board. Many years ago, the decision was made to give majority control of the board of trustees to non-family members from the community. The current Gates Family Foundation board reflects this configuration, with four non-family members and three family members. The Foundation's Investment Advisory Committee also includes community members that are neither family members nor trustees. This configuration makes available a diverse set of skills and experience to assist with the management of the Foundation's portfolio of assets. Together, these practices ensure access to a talented and experienced pool of leaders, and keep the Foundation more closely grounded in Colorado.



In addition to majority community control of the board of trustees, the Foundation has instituted term limits (12-year maximum term). The Foundation has also created both a board intern role (two-year term, non-voting status) for family members as well as an emeritus trustee role (three-year term, non-voting status). These latter roles were created in part to facilitate the transition of the next generation of family members onto the board, providing opportunities for learning prior to board service as well as mentoring and coaching support for next generation board members once on the board. The Foundation also made the decision a number of years ago to restrict its philanthropic activity to the state of Colorado. The Foundation's asset base, while large, would be insufficient to have meaningful impact in multiple states.

One other innovation in the Foundation's structure is the opportunity for Gates family members to create family funds to be housed and administered at the Foundation. The family fund structure allows family members to place assets at the Foundation to support their personal philanthropy. Given the geographic diversity of the places of residence of family members, this opportunity provides a counter balance to the main Foundation's restriction of its activities to Colorado. The geographic focus and missions of these family funds are, in most cases, very different than those of the main foundation. Family funds essentially make the infrastructure of the Foundation available at little cost to encourage philanthropy beyond the direct work of the main Foundation. As of the end of 2016, there are seven family funds housed at the Foundation.

V. Philanthropic Model

The current philanthropic model employed by the Foundation has its roots in the 2011 strategic plan. The Foundation pursues its mission through a combination of initiated grant making, responsive capital grant making, Program Related Investments (PRIs), mission related investing, and the selective commitment of staff resources to play convening, leadership or other roles where critical to the success of a particular strategy or initiative. Each of these elements is described below.

Initiated Grant Making

The heart of the Foundation's current activity is initiated grant making focused on the four long-term challenges described previously: closing the achievement gap for low-income students while raising the academic bar for all children; being effective stewards of Colorado's natural resources; supporting the long-term health of rural communities; and, continuing to improve the quality of urban life even as the state accommodates an anticipated doubling of population in the next 40 years. Currently 60% of the Foundation's grant making annually is committed to initiated grant making in these areas. Initiated grant making can take many forms. The goal is to provide the most effective form and scale of support to ensure the success of key partners. The Foundation has also invested in an expanded staff with more skills and capacity to drive activity in these areas.

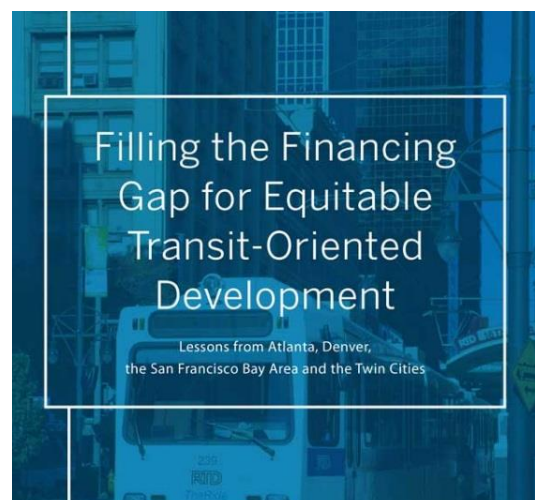
Responsive Capital Grant Making

The Foundation continues to operate a responsive capital grants program. The range of projects eligible for consideration has changed little over time, but the program has become much more competitive. Roughly 40% of the Foundation's grant making is allocated to the capital grants program. The Foundation uses the capital grants program to support multiple objectives. Among these objectives are:

- Reinforcing the Foundation's objectives and strategies in K-12 education, natural resources and community development
- Supporting investments in rural communities that face greater challenges in accessing capital for capital projects
- Maintaining a presence in the worlds of basic human needs/social services, arts and culture, parks and recreation, and civic capacity that would otherwise not be targets for the Foundation's initiated grant making

Program Related Investments (PRIs)

In recent years the Foundation has committed to the operation of a PRI program. These PRI commitments are generally below market, recyclable commitments of capital to support activity in priority program areas. The Foundation has targeted having up to \$10-11 million in capital in active PRI commitments at any given point in time. To date, these commitments have taken the form of low-interest loans and loan guaranties. Since the adoption of the 2011 strategic plan, the Foundation has used PRI commitments to address land banking for affordable housing and community facilities in proximity to transit station sites, energy retrofit and renewable energy investments in nonprofit facilities, and the development and



expansion of charter school facilities. At present, the Foundation is choosing not to count PRI commitments as distributions. As a result, the Foundation's PRI commitments are above and beyond the minimum 5% distribution requirement being met through the Foundation's initiated and capital grant programs.

Mission Related Investing

The Foundation has started to look for opportunities to include investments within its portfolio that are aligned with its mission. The first of these, the Colorado Impact Fund, is a private equity fund providing growth capital to Colorado companies that have potential to generate market returns and also provide some form of social or environmental benefit. The Foundation continues to explore investment opportunities that can meet its target for returns as well as advance some aspect of the Foundation's mission.

Use of Staff Resources

The Foundation has intentionally grown the size of its program staff and increased the depth of skills and experience available in priority subject areas. Increasingly, the commitment of staff time is as important as the commitment of grant funds. Selectively, Foundation staff are playing key roles in initiating projects, convening partners, and providing leadership on significant issues. Use of staff in this fashion is now an important component of the Foundation's philanthropic model.



Family Funds

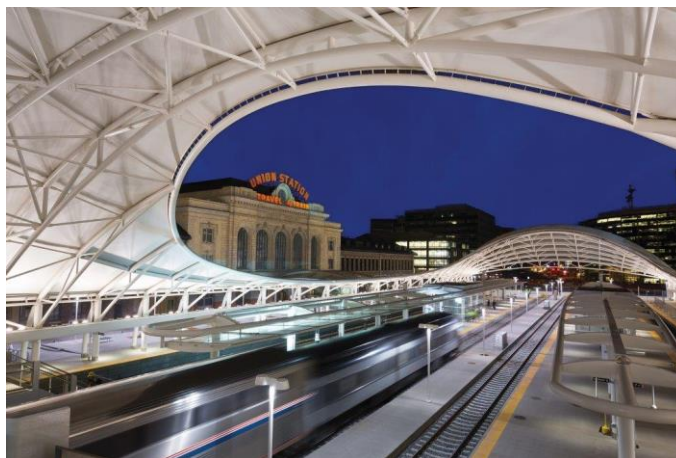
As noted previously, the Foundation provides the opportunity for Gates family members to utilize the Foundation's staff and infrastructure to pursue their own philanthropic interests. The assets of these family funds are managed and invested as part of the Foundation's total portfolio. As of 2016, there are seven family funds distributing approximately \$10 million per year.

VI. Context

During the course of this strategic plan update process, Foundation staff and trustees reviewed a great deal of information regarding what Colorado's future might look like. Demographic, cultural, and political trends, along with trends in the nonprofit and philanthropic sectors will all impact the landscape within which the Foundation pursues its mission. Staff and trustees also reviewed the landscape ahead in the Foundation's core areas of interest. Highlights of the big picture context are summarized below:

Population and Demographic

- Colorado's future, like much of its recent past, will be heavily influenced by accelerated population growth. Few states in the country have seen a pattern of sustained in-migration comparable to that of Colorado. Colorado has experienced net in-migration every year since 1970 except four years during the 1980s recession. The state demographer estimates that Colorado's population will grow from its current level of 5.35 million to 8.69 million by 2050.
- Population growth will continue to be concentrated in total numbers on the Front Range, but 7 of the 10 fastest growing counties in the state will be in western Colorado. Eagle, Garfield, and Routt counties will be among the fastest growing.
- Many communities in eastern and southern Colorado will continue to see stagnant or declining populations.
- Who is living here also continues to change dramatically. In 2010, Aurora became the first majority minority community among major Colorado cities. The entire state is projected to be a majority minority state somewhere between 2045 and 2050.
- More than 85% of Colorado residents now live in urban areas.
- Colorado's population is simultaneously getting older and younger. More than 1 million residents will age out of the workforce over the next 20 years. Baby boomers represented 26% of the state's population in 2010. The state's population of 65+ year old residents will be 125% larger by 2030 (accounting only for aging of the current population, and not considering in-migration). But the state is also experiencing significant growth in young adults due to in-migration.
- Within the Denver metropolitan area, poverty is being suburbanized and decentralized at an accelerating rate.
- Rural areas are also seeing dramatic change. Garfield County, for example, is projected to grow to 108,000 by 2040, a population increase of 89%. That population will be significantly more diverse than the county's current population. As a rural county, Garfield County currently has few of the tools necessary to cope with the housing, transportation, and conservation challenges that will accompany this kind of urbanization.



Economic

- Colorado has, in many respects, been an economic juggernaut in recent years. Between 2010 and 2014, the state added roughly 280,000 jobs. During this period of time, the Denver metropolitan area became the number one destination for millennials within the United States.
- The benefits of economic growth have been uneven. Poverty is still highly concentrated in the San Luis Valley, the Arkansas Valley, and portions of northwest Colorado.
- Housing costs in Denver and other parts of the Front Range have been escalating in recent years at 10% or more annually. Gentrification, displacement, and significant challenges in providing affordable housing are now a permanent part of the Front Range Colorado landscape. Similar dynamics exist in a number of mountain communities as well.

Cultural

- The state has been living with the many ramifications following the legalization of marijuana.
- Same sex marriage has become the law of the land, and has been largely embraced within the state.
- The gaps in cultural understanding between rural and urban Colorado in some respects are at an all-time high. And yet, some progress has been made in uniting urban and rural constituencies through efforts to develop win-win water solutions.
- Continued in-migration, population growth, gentrification, and demographic change have all put a greater strain on the state's social fabric.
- The political environment locally and nationally reflects a lack of public trust in institutions and a desire for change and for voices from beyond the status quo.

Public Policy/Political

- The state currently operates under a conflicting set of mandates that include the TABOR Amendment (Taxpayers Bill of Rights), the Gallagher Amendment, and Amendment 23. Together, these measures simultaneously constrain revenue and spending growth, shift property tax burdens from residential property to commercial property, and compel education spending to grow regardless of the state revenues available. Left unaddressed, the state's fiscal circumstance is unsustainable. The current course will continue to push all general fund spending out of the state budget, and allocate the resources available to declining education spending and funding growing Medicaid obligations.
- The fiscal pressures noted above will put increasing pressure on every currently dedicated revenue stream – including lottery funds for parks and open space, severance taxes for investments in local infrastructure, gaming revenues for historic preservation, etc. The certainty these committed revenue streams have provided regarding the state's ability to invest in these priorities will clearly be in jeopardy.
- Politically, the state may be less polarized and dysfunctional than at the federal level. But the general climate has become more partisan over time, and less centrist and pragmatic.



- Voters still show a strong propensity to legislate at the ballot. Between 1990 and 2014, proponents placed 68 constitutional amendments on the ballot for voter consideration. Colorado's constitution has been amended more than any state constitution in the United States. At present, Colorado remains one of the easiest states in the union in which to get a measure on the ballot. As a result, voters see not only locally driven measures, but a number of national campaigns looking for an early win.

Nonprofit and Philanthropic Sector

- Total charitable giving in Colorado has been in the \$4-5 billion range in recent years. Foundation giving represents 20-25% of this giving. A 2014 survey identified more than 28,000 nonprofits operating in Colorado, with total revenues exceeding \$30 billion.
- The availability of philanthropic funding for capital projects appears to be declining over time.
- Impact investing is on the rise. Philanthropic organizations locally and nationally are re-thinking the way they invest their assets and are seeking to direct more of the assets in their portfolios toward mission-relevant investments.
- There is growing interest in the role market mechanisms can play in addressing community needs. Approaches using social enterprise models are on the rise.
- The first generation of "pay for success" models are also gaining traction.
- There is increasing experimentation with collective impact approaches, where multiple funders and partners try to align around common strategies.
- In general, there is a diversification of philanthropic models occurring, and a greater emphasis on strategic philanthropy that is more focused on outcomes and makes greater use of data and metrics of success.
- A stronger equity lens is being applied to many issues. There are more funders and nonprofits seeking to engage the people they desire to serve, and to empower those voices and engage them meaningfully in decision making.
- The CEO of Community Wealth Partners recently summed up what the new context for solving social problems might look like:
 - Bottom-up approaches and unlikely partnerships will play an increasingly powerful role in driving social change
 - The foundation for solving problems will not be institutions, but rather networks
 - Everything will be more open and more transparent
 - Solutions to problems will be hyper-local, but complex and interconnected
 - Racial equity and inclusion will be at the forefront of solving problems
 - Lived experience will be viewed as equally valuable as expertise and intellect in solving problems
 - Leadership will be redefined, with major concessions and dispersions of power creating shared leadership structures
 - Mechanisms for funding social change will continue to emerge, unlocking new, large sums of capital from players such as major corporations and governments



VII. 2016 Strategic Plan Highlights

The balance of this document describes the Foundation's strategic direction in more detail. In general, the board and staff of the Foundation are largely satisfied with the direction and model outlined in the 2011 strategic plan. The board and staff also believe that the current target allocation of resources (25% for Education, 25% for Natural Resources, 10% for Community Development (urban and rural), and 40% for the Capital Grants Program should be maintained. This 2016 update, however, does include some changes and refinements to that direction and approach. Highlights of those changes include the following:

- Combining the urban and rural focused work in a single Community Development category – work will be organized in five areas of activity and funding: Access to Economic Opportunity; Community Planning; Multi-Modal Access and Infrastructure; Placemaking; and, Food Systems and Agriculture
- Growing the size of the program staff to create two teams of three, one team working in Education and the other in Natural Resources/Community Development
- Expanding the role of the Vice President for Finance and Administration to include more involvement in both the Foundation's PRI program and its mission investing activities
- Maintaining the current structure of the capital grants program, but moving to three review cycles per year rather than four
- Growing the Foundation's focus on communications, sharing, and convening
- Increasing the Foundation's focus on freshwater solutions
- Increasing the Foundation's focus on land trust community capacity issues – including mergers and consolidations, orphan easements, and long-term stewardship obligations
- Capitalizing to a greater extent on opportunities to grow resource stewardship capacity and increase the diversity of participants
- Increasing the emphasis on access to economic opportunity as part of the Foundation's Community Development work
- Focusing the Foundation's work in Education on five categories: Charter and Choice Alternatives; Innovation and Incubation; System Reform; Human Capital; and, Advocacy
- Increasing the focus on diversifying school models and supporting emerging next generation school models
- Increasing support for competency-based approaches to learning
- Continuing the Foundation's work with innovation zones in multiple settings, and district reform work such as the Foundation's partnership with the Lake County School District
- Increasing focus on human capital issues in the public education sector
- Growing capacity for grass roots and grass tops public education advocacy
- Expanding the Foundation's current efforts to build collaborative education strategies and funding structures with local and national foundation partners



VIII. Priority Area – K-12 Education

Introduction

Since the Gates Family Foundation began supporting education through initiated grant making in 2011, the organization has invested over ten million dollars in 58 nonprofit organizations. Across these investments, the Foundation's commitment to closing Colorado's achievement gap remained the unifying focus.

Over 40% of the Foundation's initiated education funds have supported high-quality charter and autonomous public schools in the state. These proof points, particularly in Denver, have shaped a conversation about the power of great schools to change the academic trajectory of low-income students. In addition to these investments, the Foundation has supported efforts critical to developing an ecosystem which demands and supports high-quality schools, regardless of governance model.

The Foundation invested in advocacy and media to support public engagement at the school, district, and state levels. These investments helped generate demand for meaningful accountability and ensure long-term support for reform and improved academic outcomes.

Gates has also worked to develop and support human capital pipelines capable of delivering effective teachers and leaders to schools of all types, increasing both the quantity and quality of teachers and leaders in the state.

Gates has also supported innovative programs and systems reforms designed to respond and adapt to the needs of students and schools. These investments have often acted as disruptive forces, carving out space for other strategies and reforms and increasing the likelihood that these approaches will be successful and sustainable.

Despite these successes, the need for more and better high-quality school options remains. Low-income students and students of color have particularly few high-quality options in the state, and these groups continue to lag behind their peers on measures of academic achievement. Work remains to cultivate demand among families and communities, particularly outside of Denver.

Schools struggle to attract and retain effective talent in teaching and leadership roles. As the population of Colorado students of color continues to grow, schools and districts have particularly struggled to attract and retain teachers who reflect that diversity.



As the nature of skills and knowledge required to succeed in the workforce continues to evolve, the need for innovation in school models is becoming more urgent. The governance systems supporting schools need to become more nimble and responsive to allow schools to be the unit of change.

Going forward, the goal uniting the Foundation's K-12 education work remains to improve educational experiences for low-income students. These experiences should lead to positive long-term outcomes indicative of a high quality of life, including high school graduation, college enrollment and persistence, job attainment, and future earnings. Learning from the past five years of Gates education investment in Colorado has refocused the areas of work in which Gates will be engaged, and has reshaped the strategies Gates will pursue to meet these goals. The Foundation will focus investments in five key areas:

Autonomous Public Schools

Support and sustain high-quality charter schools, charter networks, and other autonomous public schools serving low-income students that demonstrate gains in academic achievement and encourage students' long-term success.



Innovation and Incubation

Support innovative leaders, new school models, and innovation within existing models to better meet the needs of low-income students. Support learning across systems and geographies to encourage broader innovation and systems change.



Human Capital

Support efforts to recruit, train, and retain effective teachers, school leaders, and district and organizational leadership. Build a talent pool that reflects the racial and ethnic diversity of the student population in the state.



Advocacy

Support a robust ecosystem of public engagement, including grassroots and grasstops advocacy, at the school, district, and state levels. Support engagement and media efforts that push the education system to be more iterative and responsive to the needs of students.



Systems Reform

Support reforms that allow systems to become more responsive and adaptive, and that will spur school and district improvement. Provide targeted support to efforts that aim to encourage large-scale and transformational change.



While the vast majority of the Foundation's work to date could fall within these areas, several bodies of work the team regards as highly critical to the success of education investment were not previously named. New work in **Innovation and Incubation** and **Systems Reform** areas of focus has a high potential for impact and presents opportunities to further advance investments in **Autonomous Public Schools**, **Human Capital**, and **Advocacy**. Investment in rural communities will no longer be an isolated area of focus, but remains a critical lens for the Foundation to determine investment across categories. Activities and criteria for selection within these five focus areas are outlined in the sections that follow.

Lessons learned have also informed the way Gates will deploy resources. The Foundation recognizes that the challenges Colorado faces require the strategic investment of time and financial resources, as well as convening and sharing out across networks with an explicit learning agenda. Staff will further explore opportunities to cultivate and engage both existing and new networks to grapple with the complex problems Gates seeks to solve. The Foundation is working with other Colorado and national funders to align and pool financial and staff resources to increase the impact of education funding. Finally, the Foundation will also begin to develop an external communications plan aimed at increasing transparency and disseminating insights to shape and inform best practice.

A. Autonomous Public Schools

Support and sustain high-quality charter schools, charter networks, and other autonomous public schools serving low-income students that demonstrate gains in academic achievement and encourage students' long-term success.

Context

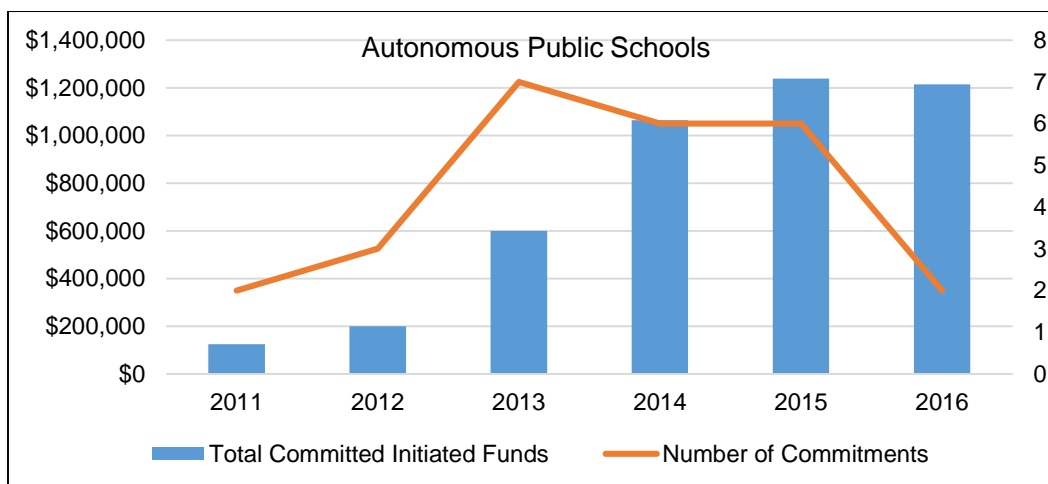
The growth of charters and autonomous public schools has increased access to high-quality options across the state and continues to play a critical role in pushing new conversations on governance and improving academic achievement for low-income students. Despite these gains, work remains to improve the quality and diversity of school models, ensure growth of charter management organizations (CMOs) is sustainable over the long-term, and increase access to these options for low-income students, particularly outside of Denver.

Over the past 23 years, multiple successful charter models have emerged capable of demonstrating robust gains in academic achievement. Supporting these schools and school networks remains a priority of the Foundation. Opportunity exists to improve existing models and support new models coupling academic gains with an intentional focus on activities that lead to long-term outcomes of success, and to support deeper engagement in school communities.

The replication of high-performing charter schools presents a proven route for increasing high-performing seats for low-income students. Historically, grants have been made with delineated growth and replication goals. However, CMOs across Denver have, at times, struggled to manage rapid growth and replication. Opportunity exists to support growth planning and model refinement that is reasonable and sustainable.

While education investment in Denver has supported the development of an ecosystem of charter schools and other models that provide more diverse choices to students, communities outside of Denver are undersupplied with high-quality options. As Denver continues to gentrify at a rapid

rate and low-income families are displaced to suburbs and other geographies, the lack of high-performing schools outside of Denver serving students from high-poverty families is increasingly problematic. Opportunity remains to seed high-quality charters and autonomous public schools in new geographies.



Total Committed Initiated Funds are displayed in the year or years funds are scheduled for payment
Number of Commitments shows total number commitments during the year they were made

In addition to these initiated investments, Gates will continue to support the Charter Facility Solutions Fund, created through a collaboration of local and national education funders.

Activities and Investment Criteria

The Foundation will support both existing high-quality charter schools and other high-quality autonomous public schools to iterate and refine practices and new schools with promising approaches, prioritizing capacity to deliver both strong academic gains and improved long-term outcomes of success. Gates will support schools serving low-income students to sustain, grow, and replicate reasonably, continuing the expansion of access to educational opportunity and choice. Gates will deploy these strategies across the state, and pursue alternative strategies and opportunities tuned to the particular needs of rural and suburban communities. Alternate strategies might include working with non-school organizations that support charter or other autonomous schools to grow and thrive. The Foundation will also continue to invest in organizations that help charters secure facilities and facility financing.

Gates will consider investment in schools that meet the following criteria:

- The school serves a significant percentage of low-income students
- The school demonstrates success producing results for low-income students, or has a sound plan for achieving results
- The school demonstrates fiscal responsibility, or has a sound plan for financial management and sustainability
- The school has autonomy over hiring and retention of staff, the use of financial resources, and instructional practices

Metrics

Gates will measure the success of grants to schools by tracking the expansion of seats, while considering what pace of growth is reasonable and manageable through a qualitative assessment formed in collaboration with school leadership teams. Gates will track performance by monitoring standardized assessment results, as well as early indicators of student success and broader long-term student outcomes. Gates will also track disaggregated student performance by income and race, and will assess the size and directional trends of achievement gaps. Statewide measures of school performance like the School Performance Framework will allow the comparison of data across districts and the state.

Metrics may include:

- The number of new seats generated
- Student performance as measured by performance and growth on standardized assessments, and statewide measures of school performance such as the School Performance Framework
- Directional change in achievement gaps by income and race
- Early indicators of students' long-term success (like attendance, behavior, and course rigor, completion, and performance) and long-term outcomes (like college persistence and job attainment/earnings)

B. Innovation & Incubation

Support innovative leaders, new school models, and innovation within existing models to better meet the needs of low-income students. Support learning across systems and geographies to encourage broader innovation and system change.



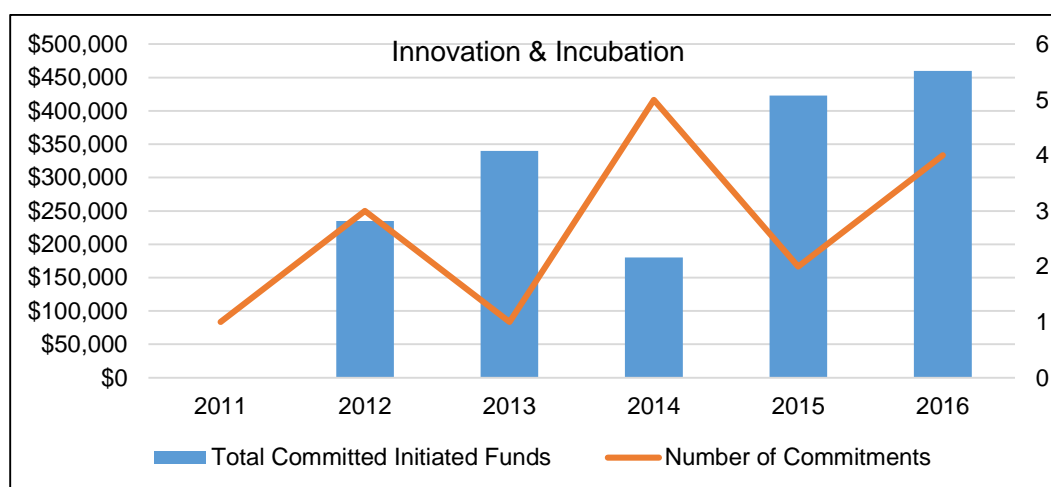
Elaine Grossman, Director of Strategic Partnerships for the Valley Settlement Project, and Elisabeta Rojas, Director of The Little Bus (El Busesito) program, outside of a mobile preschool

Context

While charter schools have made significant progress pushing the traditional school model to improve academic achievement for low-income students, significant opportunity remains to innovate and adapt school to better prepare students by developing both cognitive and non-cognitive skills. For schools to adequately prepare students for success in the 21st century, charters, other autonomous public schools, and districts must invest in innovation, the incubation of new school models, and shared learning across charter/district-run and geographic boundaries.

As a result of the value placed on academic achievement, little incentive has existed historically for charter and district schools to innovate and reshape models with demonstrated success achieving gains in test scores. However, as communities increasingly call for schools that instill skills not directly related to what is tested, and emerging data affirms the importance of these skills and others necessary for work in the 21st century economy, demand has been amplified for innovative school models and new approaches. Opportunity exists to support next generation school models, schools or districts engaged in school transformation, and organizations enabling these activities.

Activity in the charter school sector has proven that best practices from high-performing schools do not necessarily permeate other schools. While isolated examples of productive sharing of practices and ideas can be identified, the burden is largely on school leadership to both seek out and provide information. These activities require significant time and knowledge of the education landscape. Opportunity exists to support the dissemination of new practices and school models. In addition to support for school-to-school sharing, opportunity exists to deepen learning about which next generation models are most likely to succeed, how to best support smart risk-taking, and how to increase research and development mindsets and activities in schools.



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Activities and Investment Criteria

The Foundation will support the design of new school models and the transformation of existing schools serving low-income students. The Foundation will evaluate and support organizations developing and implementing innovative approaches to teaching, learning, and schooling, including schools themselves, districts, and partnering organizations. Gates will also support the dissemination and sharing of best practices and ideas across approaches, and will support efforts to deepen learning on how to best support innovation.

The Foundation will consider investment in innovative activities that support schools to:

- Advance cognitive and non-cognitive development
- Pivot to support students to meet the demands of the 21st century economy
- Implement approaches that are personalized and competency-based

Metrics

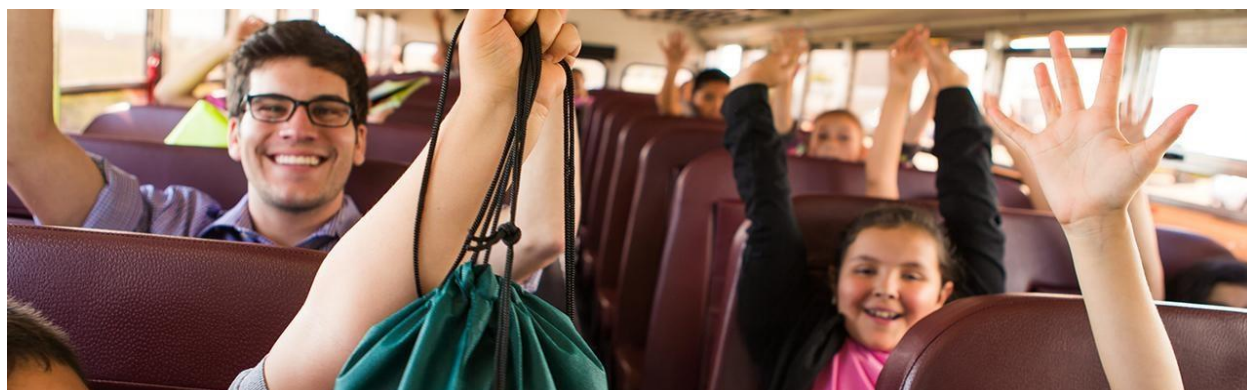
In addition to the expansion of seats, student performance, and student success metrics, Gates will track the success of new models and innovative programs in achieving the particular goals and objectives identified by each school or program. These metrics might include skill attainment in a particular content area, the attainment of specific social or emotional competencies, or student engagement. Gates will assess what level of trade-off between traditional results and the delivery of new learning and experiences, particularly in the early years of a new model, seems appropriate. Gates will also evaluate the dissemination of best practices and ideas.

Metrics may include:

- Success implementing specialized school design or curriculum (like STEM, personalized, or competency based approaches)
- Student competency and/or skill attainment, measured by student engagement, decision-making skills, and behavioral indicators
- Success achieving the goals of a dissemination plan

C. Human Capital

Support efforts to recruit, train, and retain effective teachers, school leaders, and district and organizational leadership. Build a talent pool that reflects the racial and ethnic diversity of the student population in the state.

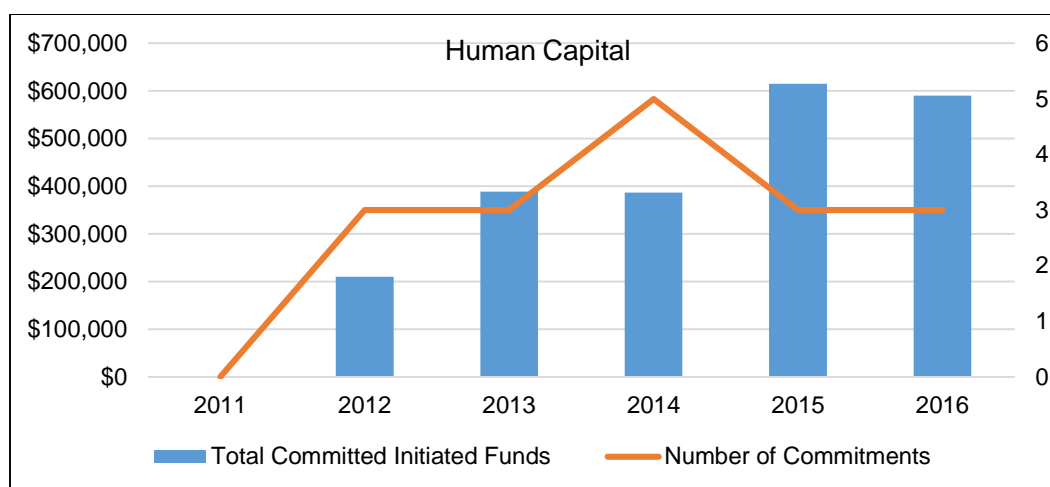


Context

Over the last decade, investment in alternative human capital pipelines, training, and professional development has increased the number of talented teachers and school leaders in Colorado. However, schools across public systems continue to struggle to attract, develop, and retain talent, particularly talent that reflects the racial and ethnic diversity of Colorado students. High-quality teachers, principals, and organizational leaders are a foundational precondition for excellent schools, and work remains to support the development of innovative and resource-efficient pipelines of new teachers and effective professional development and training for existing teachers.

Historically, human capital work has been costly and difficult to scale, particularly across suburban and rural geographies. Opportunity exists to support innovative approaches to attracting new talent, including emergent place-based and early teacher preparation programs. Given the challenge of recruiting net new talent, opportunities remain to train and develop existing talent. The need for effective training and development is particularly pronounced in communities outside of the Denver metropolitan area for which recruitment is particularly difficult.

Significant opportunity also remains to identify and support possible systems-level remedies to the education sector talent shortage.



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Activities and Investment Criteria

The Foundation will support the development of programs that recruit new teachers, leaders, and district and organizational leadership, as well as programs designed to increase capacity and skills of existing teachers and leaders. Gates may support targeted recruitment programs for teachers and school leaders so these educators better reflect the racial and ethnic diversity of the student population, or to develop the supply of teachers with expertise in particular content areas.

Gates will evaluate organizations for investment based on:

- Demonstrated success attracting net new talent or developing existing talent, or a sound plan for recruitment/talent development
- Resource-efficiency, teacher effectiveness, and rates of retention
- Effectiveness recruiting and developing talent from targeted groups

Metrics

The Foundation will collaborate with grantees to ensure a wide range of indicators and characteristics are measured among talent pools. Gates will assess program effectiveness by examining both participants' satisfaction with the program and the satisfaction of placement organizations with the talent supplied. The Foundation will also evaluate the effectiveness and retention of talent, and measure the quality and tenure of talent against the cost per each individual recruited and trained.

Metrics may include:

- Number and demographics of teachers, leaders, and administrators recruited/trained
- Teacher, leader, and administrator satisfaction with the program, and partner satisfaction with the talent supplied
- Retention of talent in teaching or leadership roles, particularly in schools or districts with a significant population of low-income students
- Talent effectiveness as measured by district measures and student and school success

D. Advocacy

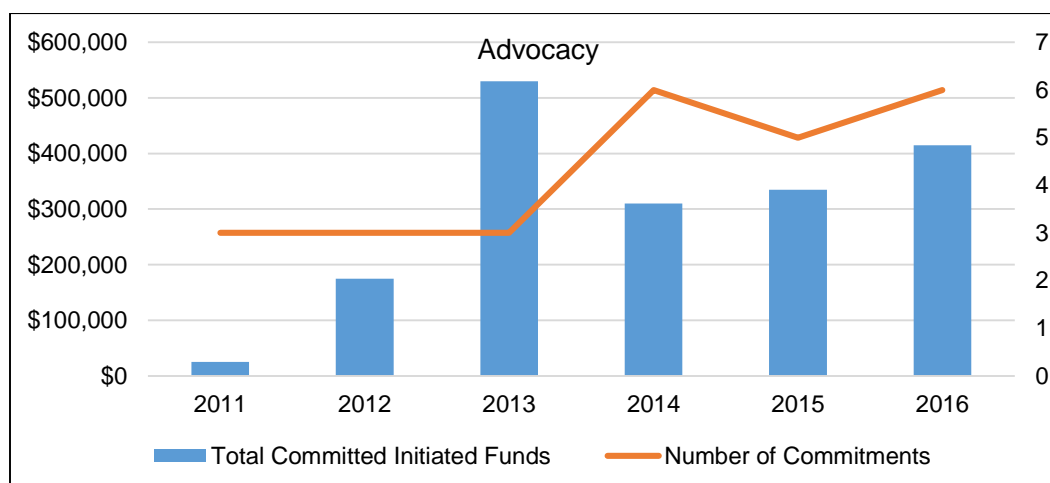
Support a robust ecosystem of public engagement, including grassroots and grasstops advocacy, at the school, district, and state levels. Support engagement and media efforts that push the education system to be more iterative and responsive to the needs of students.

Context

Important investments in advocacy, media, and community organizations have both increased public awareness and engagement across the state. Advocacy and engagement remains a critical piece of this work since reform and improvement must be informed by and be responsive to the needs of communities. However, Colorado still has a relatively limited pool of organizations dedicated to grassroots advocacy and community engagement. Significant opportunity exists to support grassroots organizations to deepen a local base and establish strategies, rapport, and reputation, particularly outside of Denver.

The small investments made in grassroots organizations have proven the high value of engaging students and parents. Opportunity remains to deepen support of grassroots engagement in low-income communities, including communities outside of Denver, and to explore how best to support new advocacy activity.

Support to grasstops organizations in the state has helped the ecosystem demand transparency and accountability from key decision-makers at the school, district, and state levels. Supporting these organizations remains a priority of the Foundation. Opportunity exists to support grasstops organizations to pursue strategies in collaboration with local communities and community organizations.



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Activities and Investment Criteria

The Foundation will support media and both grasstops and grassroots advocacy to promote public awareness and encourage engagement. Gates will consider support to efforts that engage students, parents, teachers, district and state decision-makers, and business leaders. Gates will make targeted investments in strategic locations across the state.



Aurora Public Schools families gather for a community meeting organized by RISE Colorado

Metrics

Outcomes of advocacy investments, by their nature, are often challenging to measure since the primary unit of analysis is often a large population or ecosystem. Despite this fundamental challenge, as the philanthropic and research community has increasingly developed a preference for data and metrics, several effective approaches to measuring the success of advocacy efforts have emerged. These methods, including network analysis and developmental evaluation, show potential for capturing both the short-term and long-term impact of efforts to encourage social change. Gates will consider the burden on staff and cost of these activities when calling for outcome measurement.

Metrics may include:

- An assessment of organizational capacity as measured by the quality of leadership, strategic plan, finances, or communication
- On-going documentation of strategy, process, and any lessons learned
- Success of the organization in reaching short-term, incremental goals and objectives, like the number and demographics of parents engaged and/or trained, advocacy “wins,” or the number of page views, downloads, or subscriptions

E. Systems Reform

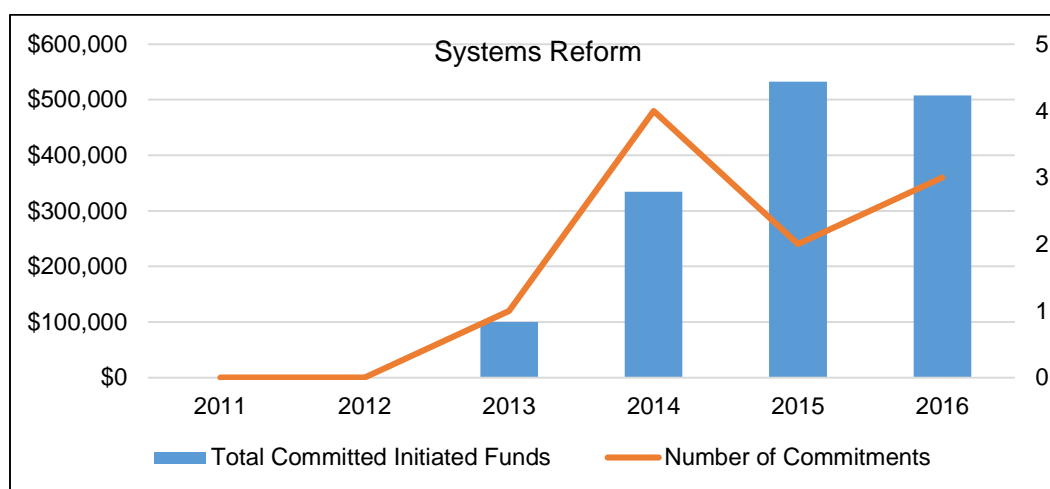
Support reforms that allow systems to become more responsive and adaptive, and that will spur school and district improvement. Provide targeted support to efforts that aim to encourage large-scale and transformational change.

Context

Two realities have driven a consideration of what types of investments might drive improvement and innovation in district systems. First, nearly 90% of public school students statewide are in district-managed schools. Second, the existence of high-performing charter schools, even at concentrations of 20% of enrollment, have not yet driven significant reconsideration of school or district management processes. Moreover, charter schools are less likely to be established in rural regions of the state. Despite these realities, few foundations nationwide have been willing to test theories of change in school districts.

For these reasons, there is significant opportunity to achieve great impact with investments in system reform. While essential pre-conditions for success in systems reform may not be present in many district settings, existing investments in Lake County School District (Leadville) and in innovation zone work elsewhere suggest that district innovation and improvement can be achieved with the strategic mix of leadership and partnership. Opportunity exists to invest funds, staff time, and convening toward encouraging more responsive and adaptive systems, and sharing and leveraging successes to inform and shape the broader education landscape.

Opportunity also exists to support highly innovative work to redesign and reimagine school systems at the state and district level. This work has potential for encouraging transformational change.



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Activities and Investment Criteria

The Foundation will support systems reform strategies that are likely to lead to the more efficient and effective use of resources to spur improvements in student achievement, with the goal of creating proof points of more responsive school districts across the state. Gates may support systems reform work through external partners or may fund school districts directly, and Gates will select the funding approach based on an assessment of district readiness for investment. Early work in this area suggests that pre-conditions for success in systems reform efforts include: stable system leadership at the appointed and elected levels; alignment between leadership and board on a bold agenda; a commitment to school leaders' autonomy and empowerment; demonstrated efforts to involve student, parent, and community voice; a healthy appetite for smart, data-informed risk taking; systems in place to learn and pivot quickly while implementing new work; and deep commitment to student-centered decision-making. The Foundation will also support efforts to re-envision systems, and pilot alternative finance and governance mechanisms with the potential for large-scale, transformational change.

Systems must serve a significant percentage of low-income students for the Foundation's consideration.

Metrics

Gates will track school performance over multiple years to ensure that investments result in measurable improvements. Gates will also monitor implementation efforts as early indicators of

likely success. Since a key objective of systems reform investments is to inform and shape the broader education landscape, the Foundation will take an active role in supporting the dissemination of information about systems reform initiated projects so others can learn and implement effective strategies.

Metrics may include:

- Teacher, leader, and community satisfaction with operational service delivery
- Teacher and school leader rates of retention
- Student performance as measured by standardized assessments and other measures over time
- The sustainability of systems improvements
- Success achieving the goals of a dissemination plan



Lake County School District students leaving Outward Bound base camp during the district's new summertime program, Rockies Rock, aligned to expeditionary learning curriculum

IX. Priority Area - Natural Resources

Introduction

The land and water resources of Colorado face enormous pressure as the state's population continues to grow by almost 2% per year. The state grew by nearly 101,000 people in 2015, placing it second nationally in terms of a percentage increase, and seventh for total population growth. Two-thirds of that growth represented new migrants to the state, 80% of whom settled in Front Range communities. New development along the Front Range and in mountain resort communities is placing greater stress on the wildland-urban interface and encroaching onto land previously used for farming and ranching. Colorado's water resources continue to be stretched by related growth in municipal and industrial needs, and by the needs of downstream users in other states that rely on Colorado's four headwaters rivers for their water supplies. These demands, along with climate change, have increased stress on both the agricultural uses and the environmental benefits of many rivers statewide. The state's famous public recreational lands (federal, state, and local) are in danger of being loved to death. Fourteen thousand foot peaks ("fourteeners") alone receive 260,000 visits per year, and while those visitors contribute over \$70 million to the state's economy in the course of their adventure, none of that economic impact currently goes to helping maintain or restore the resource itself.



Farmers irrigating land along the Arkansas River feel the pressure of 'buy and dry' water consumption practices fueled by population growth and development along the Front Range.

The Gates Family Foundation has a strong conservation legacy. In 2011 the Foundation identified Natural Resources as one of its top priority areas for initiated grant making, and established five program subareas: land protection in focus landscapes, water solutions, stewardship at scale, land trust capacity building, and payment for ecosystem services. In 2016 the board reaffirmed its commitment to these five priorities, as described below:

Land Protection in Focus Landscapes

Increase investment in land conservation at scale with emphasis on proposed project impact, landscape connectivity, partners, funding leverage, landowner commitment, and demonstrated community support. Concentrate initiated investments over a multi-year period in four focus landscapes.

Water Solutions

Support projects that advance new tools, processes, and ideas to realize a long-term sustainable balance between future urban, agricultural, recreational, and environmental water needs. Build on momentum generated by the development of the 2015 State Water Plan and encourage implementation of tangible policies toward a more balanced system of water resource management statewide.

Stewardship at Scale (formerly Citizen Stewardship)

Work with partners statewide to develop the information, tools, and capacities necessary to expand the scale of public land stewardship activity to address impacts of increasing recreational use and decreasing agency budgets. Seek to engage a more diverse cross-section of the state's population in stewardship activities and to build the next generation of stewards.

Land Trust Capacity Building

Support Colorado land trusts' adaptation to new financial and regulatory realities by exploring new business and service models, community engagement approaches, planning for financial and organizational means to fulfill perpetual stewardship obligations, and continuing to lead the nation as a model of organizational excellence and effectiveness.

Payment for Ecosystem Services

Support research and pilot projects in Colorado that advance valuation and market development for ecosystem services, and the integration of these tools into public and private decision-making.



The Trampe Ranch near Crested Butte, conserved with a conservation easement through the cooperative efforts of the Trust for Public Land, The Nature Conservancy and the Crested Butte Land Trust

A. Land Protection in Focus Landscapes

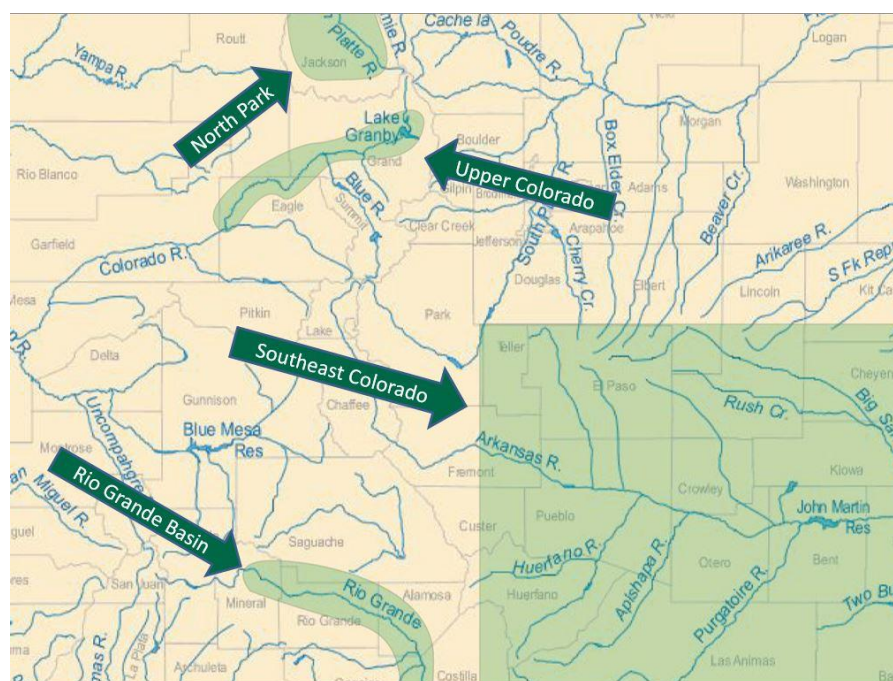
Context

According to the 2012 agricultural census, nearly half (31.9 million acres) of Colorado's 66.5 million acres is used for farming and ranching. By some estimates, Colorado is losing up to 90,000 acres of farmland per year to development. Between 500,000 and 700,000 acres of irrigated agricultural land in Colorado (15-20% of the total) could be dried up by 2050 through "buy and dry" transfers due to urbanization, according to the Colorado Water Conservation Board (CWCB). The use of conservation easements for private land conservation continues to be an important tool in Colorado. As of 2015, an estimated 2 million acres of farm and ranch land were under conservation easement in the state, and approximately 100,000 acres of land are put under new easements annually.

Recent biodiversity and ecological assessments have highlighted wetlands and grasslands as the most endangered landscapes in the state. In 2012, the CSU Natural Heritage Program found that the shortgrass prairie is the most altered and still least protected landscape in the state, though great opportunities for conservation exist. The report identified wetlands and grasslands as hosting the greatest number of at-risk species. Wetlands are a small percentage of the land mass in Colorado, but are critical to wildlife. The Colorado State Wildlife Action Plan also uses data to identify priority areas for conservation, and in 2015 included a focus on priority wetlands and freshwater conditions.

The strategic focus on land protection builds upon a 35-year history of the Foundation supporting land conservation across Colorado. During the 2011 strategic planning process, board and staff recognized the potential for larger, longer-term commitments to protect landscapes where conservation could be realized at a meaningful scale. Four landscapes were approved between 2011 and 2014: North Park, Southeast Colorado, Upper Colorado River Headwaters, and the Rio Grande Headwaters. All four landscape efforts operate through partnerships with regional land trusts and conservation partners and are currently receiving multi-year funding.

R: Map of current Focus Landscape geographies



North Park was the first focus landscape established, in partnership with the Colorado Cattlemen's Agricultural Land Trust (CCALT). Eight ranch properties were conserved between 2011 and 2014, totaling over 10,000 acres. North Park has been approved for a second phase of activity.

Southeast Colorado was selected as the second focus landscape in 2013. Primary partners include Palmer Land Trust and The Nature Conservancy, along with heritage tourism entities working in the region. The partnership in the area has successfully conserved over 128,000 acres, with a focus on grassland ecosystems and water rights.

The Upper Colorado River Headwaters in Grand and Eagle counties was also approved in 2013. Leadership is being provided by the Colorado Conservation Partnership (CCP), representing five of the state's largest land conservation groups (Colorado Open Lands, the Conservation Fund, the Trust for Public Land, The Nature Conservancy, and the Colorado Cattlemen's Agricultural Land Trust) working with local partners, Colorado Headwaters Land Trust, Eagle Valley Land Trust, and Eagle County Open Space, to preserve land and water in the headwaters region. To date, the project has conserved three properties totaling 1,577 acres, and explored the possibility of a local open space funding measure.



The North Park Focus Landscape



Purgatoire Canyon within the Southeast Colorado Focus Landscape



Left: The Upper Colorado River Headwaters Landscape; Right: The Rio Grande Headwaters Focus Landscape

The most recently approved focus landscape is the **Rio Grande Headwaters** focus landscape in the San Luis Valley, in partnership with the Rio Grande Headwaters Land Trust (RiGHT), among others. Work in this landscape is expected to be leveraged by significant current investments in community conservation in the region by the LOR Foundation.

Activities and Investment Criteria

Land Protection investment by the Foundation responds to the following observed trends:

- Population growth continues to make land conservation an important tool for protection of wildlife habitat, biodiversity, working landscapes, and recreational resources.
- There is increasing acceptance of the conservation easement as a tool for conservation in all parts of the state (including the southeast and northwest regions) and exploration of combined land and water protection tools.
- Land trust capacity building and sustainability is of increasing importance as more small land trusts consider transitions, mergers, and stewardship challenges, or close and leave behind "orphan" easements (see more below under Land Trust Capacity Building).
- The Great Outdoors Colorado Trust Fund (GOCO)'s 2015 Strategic Plan focused on large landscapes and connections between landscapes (including trails) that will continue to drive proposals to Gates for matching funds.
- State and federal agencies, policies, and resources continue to play a significant, and at times unpredictable, role in local land conservation.

Investment criteria for designating Gates focus landscapes includes:

- The area has been identified as a priority due to significant conservation value (e.g. by the Colorado Conservation Partnership).
- Investment in the region is timely (due to threats/opportunities/potential for impact).
- Potential exists to leverage Gates funding.
- Leadership has been demonstrated by strong partners, and community support is clearly expressed.
- There are clear metrics of success and means to track them.
- The region is relevant to other Gates priority areas (e.g. rural community development, agricultural economies, water innovation).

In addition to initiated program funds, the Foundation supports land conservation across Colorado through capital grants in areas that fall outside of the four focus landscapes. Between 2011 and 2015, an additional 11 land conservation grants were awarded across Colorado, totalling over \$1 million dollars.

Metrics

Metrics for success in focus landscapes include 1) the success of partnerships in achieving stated goals in the designated landscapes, 2) the number of acres conserved and the resulting conservation values and agricultural livelihoods protected within priority landscapes, and 3) the resources leveraged from other sources toward conservation in each area. Where data is available, the Foundation is interested in understanding and tracking the rate and impact of conservation in threatened landscapes, the degree of community support for land conservation outcomes, advancement of ecosystem health metrics in priority landscapes, and indicators of scenic values, community amenities, and other qualitative benefits of land conservation.

B. Land Trust Capacity Building

Context

The land trust community is facing new challenges as many small trusts created in the 1990s look to merge or change business models for financial sustainability. The use of conservation easements as a legal tool to protect the state's habitat, open space, scenic views, agriculture, and outdoor recreation areas grew significantly with the commitment of lottery proceeds in the early 1990s to form the Great Outdoors Colorado Trust Fund (GOCO). Across the state, dozens of local land trusts (many of them all-volunteer) sprung up to utilize GOCO funds, facilitate easement transactions, and hold and monitor easements in perpetuity. As of 2015, an estimated 2 million acres of farm and ranch land were under conservation easement in the state, and approximately 100,000 acres of land are put under new easements annually.

Land trust activity has also been bolstered by the creation of a state easement tax credit program that went into effect in 2000. Abuses of the tax credit program for individual profit by a small number of bad players led to regulatory reforms, heightened scrutiny, and increased administrative requirements for land trusts and other easement holders. These encumbrances, together with the natural evolution and professionalization of the field as it enters its third decade, have increased operating costs relative to transaction-based revenues. Some trusts are struggling to stay afloat as a result.



The Halandras family ranchland is protected with a conservation easement held by CCALT

Current issues include land appraisal challenges with the state Division of Real Estate, the need to address the phenomenon of orphaned easements abandoned by defunct trusts statewide, and a financial analysis that has revealed that many trusts' stewardship endowments will be insufficient to address perpetual stewardship obligations. Many of these challenges are better understood now than in 2011, due in part to research and analysis efforts undertaken by Gates' partners. Understanding and bolstering land trust capacity is a priority for the Foundation, in order to protect existing and prospective investments in land conservation.

The Foundation's land trust capacity building program area was developed in 2011 to help the land protection community improve organizational practice, identify better means to defend perpetual easements, increase stewardship capacity, and improve community support and the relevance of land trusts in Colorado.

Activities and Investment Criteria

Since 2011, the Foundation has supported research into orphan easements, stewardship endowment financial planning, and new operating/service models for struggling land trusts. The Foundation helped fund the first-ever easement legal defense insurance program for Colorado land trusts, and partnered with GOCO to hold a facilitated convening of statewide and regional land trust leaders to consider approaches to some of these thorny issues. Gates has also invested in leadership development for strong regional land trusts, the merger of two major statewide players, and mergers/new operating partnership agreements among smaller trusts.

While there are few, if any, “one size fits all” solutions, the Foundation supports further development of a tool kit of potential solutions to benefit the Colorado land trust community in order to ensure that the state continues to serve as a national model for best practices, rather than as a cautionary tale. In addition to traditional grant making, the Foundation may be able to facilitate problem solving in this arena by convening and encouraging collaborative problem solving among the state’s largest and/or most influential players in the conservation community.

Metrics

Indicators of success for land trust capacity work include:

- Development (and wide-scale adoption) of new financial, stewardship, and organizational models to support long-term land trust sustainability.
- Scaling of successful local models to address statewide challenges.
- Development of a more financially and organizationally stable Colorado land trust community, which is more community-supported in 2021 than it is in 2016, and is ready to continue its important work in land conservation well into the 21st century and beyond.
- Emergence of Colorado as a national leader in identifying new service models and approaches to the challenges facing local land trusts, as the use of the conservation easement as a commonplace tool for land protection enters its third decade.

C. Water Resources

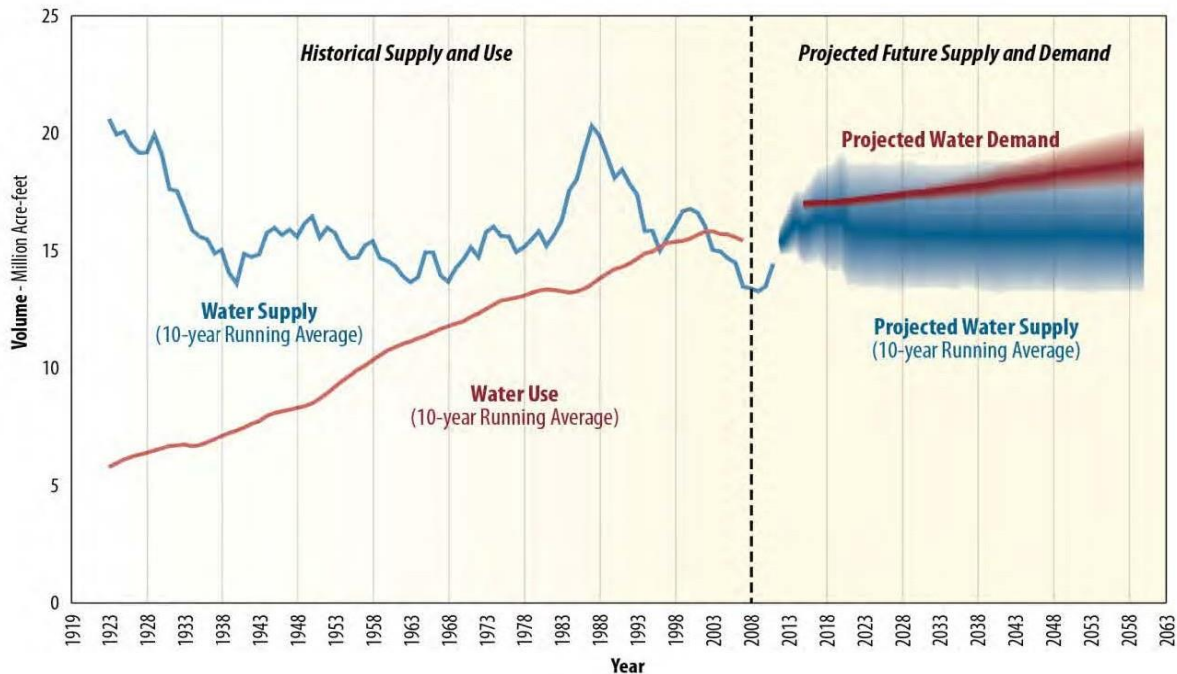
Context

Understanding and addressing water needs in Colorado is fundamental to the survival of the state’s urban and rural communities, as well as its wild places and ecosystems. The state's rapid growth threatens to pit urban populations against healthy river flows and agricultural landscapes. In fact, The Colorado Water Conservation Board estimates that Colorado will face a municipal and industrial supply gap of 630,000 acre-feet per year by 2040. In addition to demand in the state of Colorado, the Colorado River Basin currently provides water to 36 million people and irrigates six million acres of land in the American West and Mexico. Colorado River water is over-allocated, with demand outpacing supply, in part due to a "structural deficit" whereby the lower basin pulls more water from Lakes Powell and Mead every year than the upper basin can provide. The triple pressures of population growth, drought, and increasing temperatures are leading to critical shortages.



Mineral deposit “bathtub” rings at Lake Powell show the effects of increasing water withdrawals from the lower basin.

The Bureau of Reclamation estimates an average imbalance in the basin of 3.2 million acre-feet by 2060 under current practices, as shown in the graphic of historic and projected use below. As water rights are purchased and transferred out of agricultural use, the buy-and-dry phenomenon is expected to worsen, with negative impacts for rural communities, rivers and wildlife.



A graphic from the Colorado River Basin Water Supply and Demand Study by the U.S. Department of Interior Bureau of Reclamation (2012)

The first-ever State Water Plan was approved in 2015, and recognizes the need to balance environmental and recreational flows for rivers with municipal, industrial, and agricultural water needs. Implementing the Plan's recommendations will require significant political will and new financial resources. New ideas integrated into the plan (many from Gates grantees and partners) include detailed planning at the basin level for non-consumptive (i.e. environmental and recreational) water needs and the application of new tools to measure tradeoffs among different type of water needs, such as:

- The Basin Needs Decision Support System and the Watershed Flow Evaluation Tool;
- Environmental mitigation criteria in state reviews for new water development project financing requests;
- Goals to expand resources for Alternative Transfer Mechanisms (ATMs) for agricultural-municipal water sharing;
- Support for additional stream management plans across Colorado, and;
- Green bond financing for additional stream health research and implementation.



Over a hundred dams have been built along the Colorado River, which supplies water to seven states and Mexico

The concept of a Colorado River water bank is also gaining cross-sector support and would create a market-based, flexible, water sharing system that compensates water rights holders (i.e. farmers and ranchers) for voluntarily taking less water out of the river without risking their underlying water rights. The Walton Family Foundation (WFF)'s strategic goals for the Colorado River basin include establishing a regional water bank in the upper basin to increase system resiliency, and, in the longer-term, developing fully functioning water markets and water management systems that reward efficiency across user sectors. WFF invests around \$20 million per year basin-wide in the environmental health of the river and is an important philanthropic partner.



Irrigation in the Republican River Basin supports agriculture in northeast Colorado

Gates has also engaged in activity to improve communication between water and land use planning professionals regarding municipal water demands. Foundation grantees Western Resource Advocates and the Keystone Center, among others, are working with development, conservation, and water interests to explore best practices, possible policy interventions, and obstacles to innovation at state and local levels.

Since 2011, the State of Colorado has cautiously but steadily advanced its support for a variety of water sharing mechanisms, instream flow management tools, water and land use planning coordination, and West Slope/Front Range cooperation in river management and water supplies. GFF has been able to advance many of these ideas as one of very few Colorado funders engaged in water issues, in part through broader regional and national partnerships that are focused on the challenges facing the Colorado River basin and other western rivers. While smaller than many foundations in these groups, Gates has often helped to inform strategies and priorities and “connect the dots” within Colorado. Staff has learned a great deal about areas of greatest potential for philanthropic impact and has contributed to a larger conversation about ensuring that the state’s water supplies continue to support multiple values over time, as population growth continues.

Activities and Investment Criteria

The Foundation has steadily grown its involvement in the water arena over the past five years, with a focus on projects that advance new tools, processes, and ideas to realize a sustainable long-term balance between urban, agricultural, recreational, and environmental values. The Foundation’s projects have included:

- Support for Trout Unlimited’s work on the Windy Gap Bypass and the “Learning by Doing” adaptive management program as part of the broader Colorado River Cooperative Agreement to protect the Upper Colorado and Fraser Rivers
- Pilot projects to establish alternative transfer mechanisms for farmers along the Arkansas River
- A “call for water” by the Colorado Water Trust to support instream flows via short-term leasing during drought years
- A cooperative stream management plan for the Crystal River
- Collaborative land use and water planning to reduce municipal water consumption

- Efforts to analyze, provide positive feedback, and contribute to meaningful implementation of the State Water Plan

Looking forward, Foundation staff will continue to support models of cross-sector cooperation and market-based tools, connect land use and water conservation, support instream flows and healthy rivers, explore means to develop better water data and analysis for Colorado, and advance implementation of the State Water Plan toward balanced water outcomes. In coming years, Gates will focus investments of increased time and grant resources on:

- Working with the national Water Funders Initiative (WFI) on a variety of issues of common concern for western water, including data, communications and water markets.
- Exploring ways to support peer-to-peer networks and statewide capacity building for dozens of local watershed groups eligible for new state level stream management planning funds.
- Engaging diverse funding sources to support water policy and practice innovations in Colorado.

Gates funds dedicated to water resource grants are expected to grow to a level comparable to the resources currently committed to land conservation.

Metrics

While the timeline for change in water issues is long (five years in the water arena is less time than the average water court case takes to conclude), a few near-term indicators of success in this funding area include:

- Progress on the creation of an upper Colorado River basin water bank that supports agricultural efficiency and environmental flows, and helps maintain desired water levels in Lake Powell.
- Development of policies and programs that tangibly advance urban water conservation and support data sharing and transparency.
- Replication of successful pilot projects for alternative transfer mechanisms (ATMs) across the state and region.
- Support from agricultural interests for water sharing concepts, and advancement of water efficiency efforts in the farming and ranching sectors.
- Changes in statewide policy and practice that support balanced outcomes to accommodate population growth without significantly depleting rivers or drying up productive agricultural land.

D. Stewardship at Scale

Context

23.7 million acres of the state (over one-third) are federally owned and managed public land. Another 2.8 million acres are owned and managed by the state land board. Local parks and open space represent hundreds of thousands of additional protected acres. Coloradans and visitors enjoy the state's abundant outdoor recreation. However, as both local and tourist populations grow, increased use is permanently damaging the natural areas that are so beloved. The continuing popularity of outdoor recreation in Colorado is a boon to the economy, but impacts continue to outstrip the management capabilities of cash-strapped public land management agencies and their partner nonprofits, resulting in more long-term damage to public lands.

The *Colorado Statewide Comprehensive Outdoor Recreation Plan* (SCORP), published in 2014, calculates that the outdoor recreation industry contributes \$34.5 billion in annual economic

activity, has created 313,000 jobs (13.2% of entire labor force), and brings \$20 million to Colorado's gross GDP, generating \$4.9 million in local, state, and federal taxes. Lack of funding is cited as the major barrier for recreational maintenance and improvements. According to SCORP, local governments reported that only 24% of identified maintenance needs for open spaces, parks, and trails are currently being funded. Similarly, GOCO, the primary source of funding for new park facilities statewide, reports being able to fund only one-third of all requests. Research by the Colorado Fourteeners Initiative on the conditions of 42 summit trails found significant damage, estimating that \$24 million dollars would be needed to bring all trails up to sustainable conditions. The five peaks closest to the Front Range alone have over 100,000 annual hiker use days and would need more than \$6 million to be restored to sustainable conditions.



An effort by Trout Unlimited and partners to create a bypass of Windy Gap reservoir near Granby will restore connectivity, enhance flows and promote ecosystem health in this segment of the Colorado River

There is also a growing awareness that access to the outdoors is not equitable across society; low-income communities often lack access to green spaces and nature. American children today spend an average of four to seven minutes a day outside in unstructured play, which is more than 50 percent less time than their parents did. In 2015, GOCO launched the Inspire! Initiative, a five-year strategy to engage kids and adults in the enjoyment and care of the Colorado outdoors. Pilot awards have been granted in six communities: Denver's Westwood neighborhood, the Rocky Mountain Arsenal National Wildlife Refuge, the City of Lafayette, Lake County, the Town of Lamar, and in the San Luis Valley region. An additional fourteen communities were awarded planning grants that may grow into full programs.

Volunteer stewardship of public lands has been increasing modestly in Colorado, with 1.38 million volunteer hours recorded in 2014, valued at almost \$35 million. This level of participation represents an increase of 80,000+ hours annually since 2010. A 2014 report found that 87.5% of federal and 60% of state land management agencies in Colorado had insufficient funding for basic priorities like mitigating invasive species and maintaining trails and facilities.

Challenges identified by volunteer stewardship organizations included short-term volunteerism (requiring more frequent training), a lack of skilled volunteers, insufficient organizational capacity, limitations from project-based funding, and generally insufficient funding and staffing. While still nascent, advancements in statewide collaboration and data collection by outdoor stewardship organizations since 2010 are promising trends.



Students visit the Rocky Mountain Arsenal National Wildlife Refuge for a tour of native plants. The Rocky Mountain Arsenal and partners were awarded a GOCO Inspire! grant in 2015 to engage kids in the outdoors.

Since 2011, the Foundation has invested in collaboration and capacity-building statewide to grow the scale and reach of statewide stewardship efforts. In 2011, for example, Gates supported a study to analyze the gap between the state's stewardship needs and the resources available. Volunteers for Outdoor Colorado (VOC) and the statewide Stewardship Advisory Coalition undertook research into statewide capacity needs. In 2013 the Foundation hired former GOCO executive director and Deputy Assistant Secretary of the Interior, Will Shafroth, to undertake detailed interviews of the state's outdoor stewardship organizations (OSOs) to understand opportunities and obstacles for scaling up their work. In 2014, Gates and GOCO helped to convene a group of OSOs to increase alignment and collaboration across the sector and to brainstorm ways to scale and collaborate on upcoming efforts. Gates has also supported an online cross-watershed network that increases communication and collaboration among watershed groups across the region, operated by the Tamarisk Coalition.

Activities and Investment Criteria

The Foundation's Stewardship at Scale program supports efforts that engage residents, including youth and diverse populations, at a significant scale in the care of natural resources around Colorado. Gates works with key partners to develop the tools, information, and capacities necessary to expand the scale of stewardship activity statewide. The Foundation is also interested in efforts to support job training and employment opportunities that create pathways to new engagement with the outdoors, such as those being developed by community partnerships through GOCO Inspire! programs statewide. Gates will prioritize investments in GOCO Inspire! communities that demonstrate clear potential to advance objectives.

Methods to advance the scope of stewardship in Colorado could include new partnership formation, traditional event-based models, or other new pathways to diverse engagement. An example of a successful partnership is the joint National Forest Foundation and Colorado Fourteeners Initiative effort, which will operate in partnership with close to a dozen other outdoor stewardship organizations to restore summit trails on National Forest land (48 out of 54 peaks).



Colorado Fourteeners Initiative volunteers fortify trails on some of Colorado's highest and most heavily impacted peaks

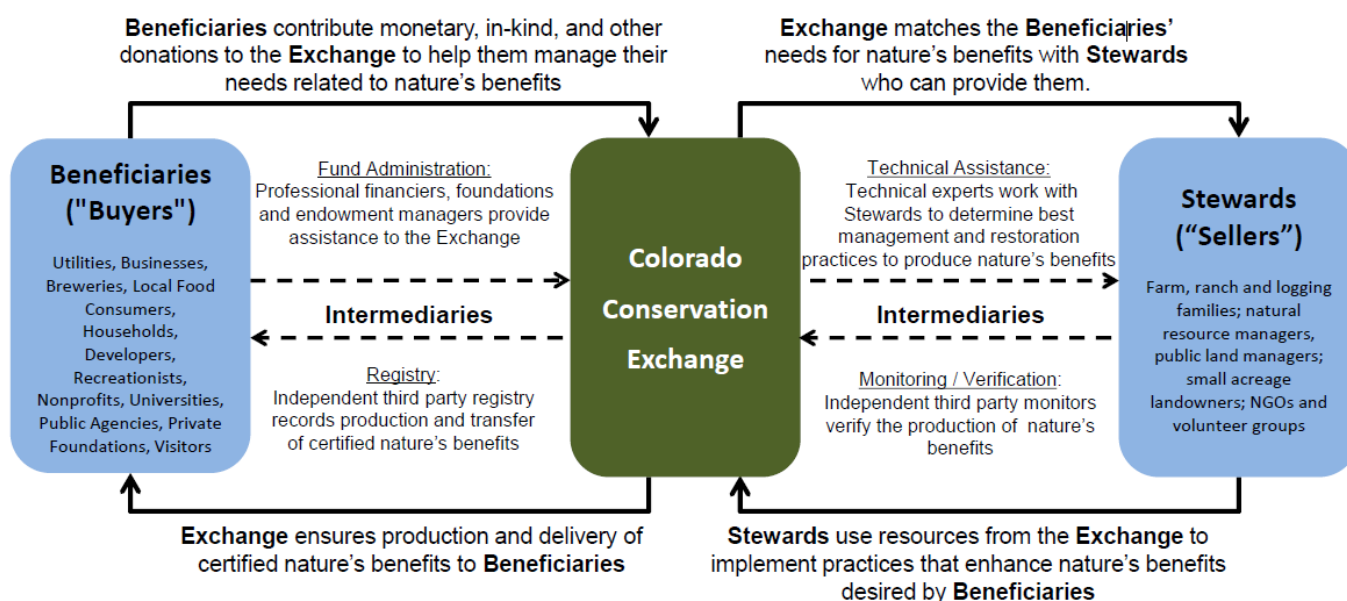
Metrics

Success with this program would result in an increase in absolute numbers of people engaged in natural resource stewardship activity statewide, and in greater economic and ethnic diversity among those engaged. Broadly, success at scale will be achieved through an increase in partnerships and collaborations that result in a much larger and more diverse statewide network of stewards that help to meet the needs of Colorado's threatened outdoor spaces and wild places. Success would also achieve engagement of the next generation of stewards, statewide.

E. Payment for Ecosystem Services

Context

Payment for Ecosystem Services (PES) tools monetize the values that healthy ecosystems provide to human communities and utilize market mechanisms to address threats to those ecosystems through win-win finance and practice models. In the last five years in the state of Colorado, PES tools have shown progress. Two specific examples include the development of the Colorado habitat exchange program to help prevent the listing of the Greater Sage Grouse, and the increasing popularity of “forest to faucet” programs whereby the United States Forest Service (USFS) is paid by a municipal utility to focus on healthy forest management practices within the city’s watershed.



A flowchart designed by the Colorado Conservation Exchange at Colorado State University demonstrates a PES approach

The Foundation supported the Environmental Defense Fund (EDF)'s Habitat Exchange pilot in Colorado, which developed and tested a system for private landowners to be paid to preserve and restore habitat critical for sage grouse protection. The project enjoyed cross-sector support from the oil and gas industry, the Colorado Department of Natural Resources, and conservation groups. In September 2015, the U.S. Fish and Wildlife Service determined that the Sage Grouse did not need to be listed as an endangered species under the Endangered Species Act, in part due to support for this and other (ongoing) collaborative measures. Another Gates-supported project is the National Forest Foundation's "In Lieu Fee" program to allow wetland banking on public land, with related mitigation fees to pay for the restoration of wetlands (specifically in this case, thousands of acres of wetlands in the Eagle River headwaters at Camp Hale). The program anticipates federal approval for implementation in 2016-2017, with positive results for Camp Hale and a potential for concept replication in Colorado and throughout the regional USFS office.

Activities and Investment Criteria

The Foundation supports PES models as an emerging tool to expand the use of market solutions to more fully and accurately value the role of healthy natural systems in the production of clean air, clean water, wildlife habitat, and other social benefits. For the Foundation, PES offers an additional tool to support natural resource priorities, including land and water conservation and

restoration. One of the greatest challenges currently is proving that these tools can work, which requires investing in pilot projects and taking informed risks. Gates investment in this area targets support to pilot projects in Colorado that demonstrate the potential to provide viable, long-term solutions to conservation issues through market-based solutions.

Metrics

There are three primary indicators of success for Gates PES funding: the success of market-friendly ecosystem service pilot projects; the general acceptance of the PES model as a conservation and business strategy, and the quantifiable protection of natural resources resulting from payment for ecosystem services projects.



The Greater Sage Grouse was the focus of an innovative payment for ecosystem services compensation model where private landowners were compensated for preserving and restoring critical habitat.

X. Priority Area - Community Development

Introduction

Community Development is a new program heading for the Foundation's initiated grant making in both urban and rural communities. The new category merges the previous funding areas of *Smarter, Greener, Healthier Urbanism* and *Rural Communities*, which were identified during the 2011 strategic planning process to address rapid population growth in some areas of the state, as well as the challenge of preserving vibrant communities in areas of the state facing population decline. The Community Development program will support opportunities for economic and social advancement across the state and foster livable communities that provide residents a safe, healthy, vibrant environment in which to live and work. Specifically, the Community Development program will advance goals through five investment areas: *Access to Economic Opportunity; Community Planning; Multi-Modal Access and Infrastructure; Placemaking; and, Food Systems and Agriculture.*

A unified Community Development strategy:

- Allows for better integration of grants with both urban and rural impact (i.e. the Colorado Farm to School Task Force, the Colorado Pedals Project) and recognizes the commonalities and connections between rural and urban community development, as well as the importance of suburban development and areas of transition that fall between urban and rural.
- Advances tracking of metrics and impact. Potential data to be collected include number of jobs created, dollars leveraged in communities, and businesses advanced or supported.
- Also allows the Foundation to follow broader metrics of community well-being across regions, including employment trends, economic growth, housing costs, displacement, and community instability; and to incorporate concerns about affordability, equity, and access into grant making decisions.



Cuatro Vientos (Four Winds) Park in the neighborhood of Westwood, Denver

Community Development is a secondary priority area for the Foundation, with smaller total commitments than those made in Natural Resources, Education, or the Capital program. Grant making in this area is considered opportunistic, with Gates investments reserved for catalytic opportunities that include significant leverage and demonstrable community impact.

A. Access to Economic Opportunity

Context

Economic recovery in Colorado has not been even, with some communities experiencing stagnation and population decline, while the Front Range and many mountain communities face record growth, housing pressures, and cost burdens to vulnerable populations. Gates support for economic development and revitalization stems from the Foundation's mission to enhance the quality of life and opportunity for success of all Coloradans.

Around the state, individuals, communities, government entities, and foundations are seeking ways to grow local economies in ways that support residents. Community wealth building strategies, for example, are economic development approaches that aim to address economic disparities by retaining local capital and capturing economic benefits for local economies.

Public, nonprofit, and philanthropic investments in the creative economy are also producing economic benefits around the state, including growth in the Colorado Creative Districts, the advancement of affordable artist live-work developments, and benefits from heritage tourism. The Space to Create initiative is an eight-year program launched in 2015 to develop affordable housing and work spaces for artists and creative sector organizations in nine rural communities around the state. The effort aims to position Colorado as a leader in community transformation for rural communities.

Grant support for main street revitalization and historic preservation has been shown to result in broader economic and community benefits in Colorado. A recent study of the Colorado Main Street program (operated by the state's Department of Local Affairs) found that during 2015 mainstreet revitalization efforts in the fourteen designated Colorado Main Street communities resulted in 266 new full-time jobs, 111 part-time jobs, and 98 new businesses. A study spearheaded by Colorado Preservation Inc. in 2011 found that economic benefits from all types of historic revitalization included community stability, increased property values, increased heritage tourism, additional tax revenue, and a boost to local businesses. Every \$1 million in acquisition and development dollars distributed by the State Historic Fund was found to leverage approximately \$4 million in additional funds.

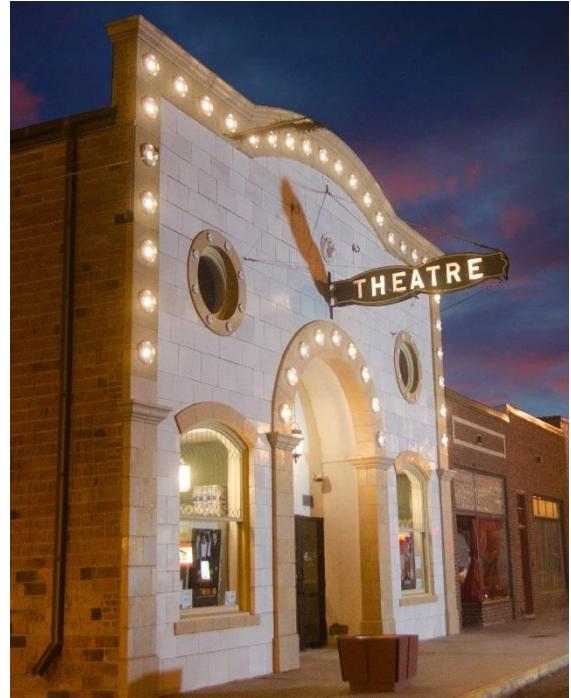
Current and previous Foundation grants in this arena include support for microfinance lending to small entrepreneurs through micro finance lender Accion and an ArtSpace creative sector business incubator in Loveland. Gates also helped initiate a rural theater digital technology conversion partnership with the Boettcher Foundation, the state Office of Economic Development



Indian Ridge Farm and Bakery located in the rural Paradox Valley benefitted from a microloan in 2014 administered by the Telluride Foundation with support from GFF.

and International Trade, and grantees Denver Film Society and Downtown Colorado Inc. The Foundation is also a partner in the Space to Create initiative at a preliminary stage, with future investment anticipated in the coming years.

Right: The Hippodrome Theatre in Julesburg benefitted from a digital conversion grant and is now operating as a thriving theater, art center, and events space



Activities and Investment Criteria

The goal of the Access to Economic Opportunity program area is to increase opportunities for good jobs, entrepreneurial growth, asset ownership, and economic advancement for communities across Colorado. Strategies to increase economic access include community wealth building efforts, mainstreet revitalization, heritage tourism, and creative sector development.

Within the field of community wealth building, Gates will examine investment opportunities that provide innovative pathways to build local assets. Examples could include collaborations with Community Development Financial Institutions that provide capital to entrepreneurs who lack access to traditional sources of capital, the use of cooperative ownership and community land trust models, and technical assistance and incubation programs for small businesses and entrepreneurs in communities of interest.

When considering mainstreet revitalization, heritage tourism, and creative sector investments, the Foundation will continue to seek projects with public and private stakeholder involvement, broad community support, and a demonstrable pathway to increase jobs and economic opportunity for local residents.

Gates will also stay informed about anti-gentrification/displacement and affordable housing efforts in cities and towns experiencing growth pressure, and will continue to engage with state, philanthropic, and nonprofit partners regarding emerging economic opportunity strategies across the state.

Metrics

Indicators of success for Access to Economic Opportunity include more local jobs and more locally-owned businesses resulting from grantee activity. For communities pursuing mainstreet revitalization, creative sector tourism, or other economic revitalization strategies, economic impact measures may include new businesses opening, expansion of employment opportunities, and increases in tourism dollars entering the community. As new models develop, staff expects to learn and adapt strategies for greater impact, based on lessons learned.

B. Community Planning

Context

As noted previously, Colorado had the second fastest growing population in the U.S. in 2015, with the majority of the growth occurring in the Front Range urban corridor. Metropolitan Denver was ranked the sixth fastest growing city in the U.S. by Forbes in 2015, using metrics of employment and job growth in addition to population growth. Development patterns during this boom, whether increasing density in urban cores or new housing developments on the suburban fringe, will impact resource consumption and the social fabric for decades to come.

The density and form of new residential and commercial development have implications for community affordability and quality of life. In mountain resort communities experiencing growth pressures, community planning efforts are critical to create and maintain livable communities that are accessible for local residents. In communities facing economic decline and population loss, community planning efforts can contribute to community identity, alignment regarding economic strategies, and a vision for long-term sustainability.

Activities and Investment Criteria

The Community Planning program area invests a relatively small amount of grant funding in compelling projects that tangibly advance inclusive, affordable, healthy, and sustainable communities that offer a high quality of life for all residents. The Foundation invests in community planning projects with an explicit goal to create on-the-ground improvements. Gates' strategies include activities that advance smart growth and sustainable development models, and that incorporate green building techniques, community engagement, and neighborhood revitalization and stabilization in distressed areas. Foundation resources in this area are highly limited and investments are reserved for select, catalytic opportunities that leverage other public and private funding opportunities and demonstrate an exceptional opportunity for impact.

The Foundation has history with this type of work in both rural and urban areas. In mountain communities and the West Slope, Gates' grantee Community Builders has been an important partner for community planning and leadership development. Through the Orton Family Foundation's Heart and Soul planning process in the Town of Cortez, Gates' investment resulted in the town's first comprehensive land use codes. The Foundation is also supporting the University of Colorado at Denver's nascent Center for Sustainable Urbanism to advance research and planning support for communities across the state. The West Denver Renaissance Collaborative (WDRC) is a multi-stakeholder partnership through the Denver Housing Authority



Above: Confluence Park in Denver

Below: Stakeholders in Rifle, CO, participating in a planning exercise led by Gates grantee, Community Builders



(DHA) and other partners to bring services and resources to west Denver neighborhoods with a focus on creating environmentally sustainable development while preserving the existing cultural and social fabric, and increasing access to economic opportunity for local residents.

Metrics

Short-term indicators of success in the community planning program include the ability of a grantee to leverage planning efforts into tangible built environment improvements and other concrete community benefits that can serve as models for other communities in the state. Long-term indicators of success will be measured through successful adoption of plans and realization of related metrics of community wellbeing, such as increases in community affordability, improved health outcomes, and environmental sustainability measures.

C. Multi-Modal Access and Infrastructure

Context

Auto-centered development has limited the capacity of urban areas in Colorado to absorb growth. Multi-modal transportation systems meet consumer demand, advance new company recruitment, reduce household expenses, and provide access to education, jobs, and community facilities for those unable to drive a car. Active transportation options also generate air and water quality improvements, and can provide health benefits for users.



Development of improved infrastructure for multi-modal access is a fast-growing field nationally, with Colorado at the forefront. Diverse sectors in Colorado (downtown advocates, developers, transit and community advocates, and economic development interests) are all looking for ways to support better transit, bicycle, and pedestrian infrastructure to meet demand. In 2015, Colorado was ranked as the 7th most bicycle friendly state in the United States by the League of American Bicyclists, achieving 54 of 100 possible points. Denver, Fort Collins, Colorado Springs, Pueblo, and many other Colorado communities are developing multi-modal transportation plans, with an emphasis on bike and pedestrian planning and infrastructure. In 2011, the Pikes Peak Area Council of Governments commissioned a report on the economic benefits of cycling in the region, finding nearly \$28 million in annual benefits, and encouraged local governments to facilitate bike improvements in the region.

The Denver region has invested heavily in transit infrastructure creating new demand for transit use and for transit oriented development. New transit includes the recently launched West Rail Line, the Free MetroRide in Downtown Denver, and the Denver Union Station transit hub. Four new rail lines and a bus rapid transit line have or will open in metro Denver in 2016, including the much-anticipated A Line to Denver International Airport. Four more rail extensions are expected from 2017 to 2018. In total, the FasTracks expansion will add 122 miles of light and commuter rail line, 18 miles of bus rapid transit, and 57 new transit stations. The ten rapid transit lines will extend in all directions of the metro region with Union Station as the central hub.

With 57 new transit stations opening, developing safe and accessible walking routes and other mobility options between transit stations and final destinations like home, work, or school (a.k.a., first and last mile connections) will gain importance. Similarly, transit oriented development (TOD) efforts are likely to gain added attention as new transit users and developers test the viability and value proposition of TOD investments. The Denver TOD Fund, with Gates as an investor, has made 13 loans since 2010 resulting in 1,163 permanently affordable housing units and over 100,000 square feet of community-serving commercial space in close proximity to transit.



The grand opening of the W-Line included a community celebration at stations along the corridor

Gates is a founding member and supporter of Mile High Connects, a group of funders, nonprofits, and commercial banks working to expand the benefits of the transit build out in metro Denver. The Foundation is currently supporting Bicycle Colorado and the Colorado Pedals Project, which launched in 2015 as a multi-year, \$100 million commitment to making Colorado a top bike friendly state. The Foundation's support for dedicated bike lanes in downtown Denver complements the Foundation's historic support for bike and pedestrian trails through the capital grants program, including most recently the Clear Creek Greenway Trail in Clear Creek County.

Activities and Investment Criteria

The Multi-Modal Access and Infrastructure program area supports efforts to build transportation systems that allow residents to move safely, efficiently, and affordably, using a variety of mobility options including walking, biking, smart vehicles, shared usage, and transit. The Foundation focuses on transportation infrastructure that also fosters successful placemaking and community development, such as enhanced sidewalk spaces, safe pathways to schools and community facilities, affordable transit oriented development, and regional trails and trail connections.

Metrics

Indicators of successful impact include physical infrastructure improvements as well as the number and diversity of multi-modal transportation users in grantee areas. Physical infrastructure metrics include miles of new transit service, bike lanes, sidewalks, and the success of affordable transit oriented development. User metrics include absolute numbers of people using a variety of modes of transportation, as well as measures of user diversity across age, gender, race and ethnicity, and socioeconomic status. The affordability, accessibility, and relevance of various transportation options within low income communities and for individuals without access to a vehicle are also important metrics of success for grantees addressing these issues.

D. Placemaking

Context

As urban density increases, pressure on existing public facilities and green spaces also increases. As a result, there are currently multiple large-scale urban planning efforts underway in the Denver metro area, including Civic Center Park, the Denver Performing Arts Complex, rehabilitation of

the 16th Street Mall, the South Platte/Sun Valley revitalization, and a new Downtown Denver outdoor facilities plan, to be finalized in 2016. Colorado Springs is also planning a new citywide trail loop and public market.

Gates grantee Community Builders recently conducted extensive surveys with businesses and residents in the rural intermountain west and found that character, amenities, and quality of life are important factors in economic development. The survey found that 70% of business owners moved to a place first based on lifestyle factors, and later decided to start a business. Respondents also reported being willing to sacrifice salary for the ideal community (83% responded that they would rather live in an ideal community on a lower salary). These results point to the importance of quality of life considerations in planning for economic development.

Activities and Investment Criteria

The goal of the Placemaking program is to support the development of public places that create opportunities for people to gather, recreate, and celebrate, and that promote local tourism and economic activity. The Foundation strategically identifies projects such as public space enhancements, rural community downtowns, public parks and plazas, and greenways that enhance the quality of life of all residents, often through multiple types of use. Gates selects projects with significant leverage of other public and private resources and with meaningful benefit to the community. Current and past grantees include the Trust for Public Land, High Line Canal Conservancy, Greenway Foundation, and the Rio Grande Farm Park in Alamosa.



Inviting public places are the building blocks of a healthy, safe, and vibrant community

The Foundation's capital grants program also supports placemaking through investments in community groups that are undertaking major physical renovations or purchasing building or public space in their communities to advance their work. Initiated funding for the Placemaking program differs from Gates' capital grants in that grant funds are reserved for demonstration projects, pre-construction planning, or other project elements that are not considered bricks and mortar and do not otherwise qualify for capital funding.

Metrics

As a strategic investment area where significant funding leverage is required, metrics are less uniform in this area. Indicators of program success include the catalytic value of the investment as measured by public and private funds leveraged, momentum generated, level of community participation, and the success of moving concepts to realization. Projects will be community-serving, and located in both urban and rural communities.

E. Food Systems and Agriculture

Context

Ranching and agriculture are an economic driver and a way of life in Colorado, and food systems have a major impact on economic health, fresh food access, and land and water usage statewide. Colorado's agricultural industry has been under strain due to shifting commodity markets, competition for land and water resources, and intensifying weather patterns. Demographic data indicates that many generational transfers of land and wealth will take place in the coming decade as older farmers and ranchers retire and generational shift occurs, with a potential loss of farm and ranch land in productive use.

To confront these challenges, some farmers and ranchers are transitioning to local food production strategies with more efficient aggregation, processing, and distribution models, such as food hubs, cooperatives, profitable supply chain analysis, and developing new institutional markets (i.e. local school districts and hospitals).

Another major trend in Colorado agriculture is a growing understanding of the connections between community health, local agriculture, and fresh food in both urban and rural areas. For example, farm to school purchasing agreements have been expanding across the state (from 22 school districts in 2010 to 75 participating in 2014), improving the supply of locally grown, fresh food for institutional markets.



Produce at a farmers market in the Arkansas Valley

Activities and Investment Criteria

This program area advances food system investments that support value creation for producers and their communities, build economic opportunity throughout the supply chain, conserve agricultural livelihoods and places, and increase access to fresh, healthy food options for all Coloradans. Specific strategies include value-added local processing, distribution innovations that increase efficiency and profits for small and mid-size farmers, new market development in urban and rural areas, efforts to address food deserts and food insecurity, sustainable business model development, land and water access initiatives, and strategies for generational land transfer in agriculture and ranching.

Gates is currently supporting a three-year effort by Rocky Mountain Farmers Union to assist new farmers in acquiring available agricultural land and to explore and advance food hub development in Colorado. Other supported projects include a USDA supply chain development pilot project in Pueblo, program development by the statewide Farm to School Task Force, the Arkansas Valley Organic Growers' Excelsior food hub in a former school building in Avondale, development of technical assistance, training and policy development capacity at Denver Urban Gardens, the Montezuma Orchard Restoration Project in southwest Colorado, and the Walsenburg Food Hub.

Metrics

Indicators of success include increases in:

- Financial benefits to small and mid-size farmers from supply chain improvements (i.e. improved market access, increased sales, and improved profit margins)
- Ability of new farmers to access land and water for agriculture
- Availability of healthy, local food for Coloradans statewide



L- A farmer in the Arkansas Valley; R- Participants at Delaney Community Farm, a program of Denver Urban Gardens

XI. Capital Grants

The Foundation has operated a capital grants program for many decades. The rationale for continuing to be a capital grant resource to nonprofits and communities throughout the state includes the following:

- Capital grants assist important community organizations with significant events involving land, buildings, or infrastructure that are important to the long-term capacity of the organization and/or its ability to successfully pursue its mission.
- The universe of capital grant makers has been shrinking over time.
- Gates capital grants are almost always leveraging other resources, whether private fundraising or support from public sector partners. Gates funds are often part of matches required to access funds



Clayton Early Learning, Denver

- from sources such as Great Outdoors Colorado, the State Historical Fund, Colorado Department of Local Affairs grant programs, Colorado's Building Excellent Schools Today (BEST) program, the Natural Resources Conservation Service, the Colorado Water Conservation Board, the U.S. Department of Education, or the U.S. Department of Agriculture.
- Maintaining a responsive capital grants program keeps the Foundation connected to the people and issues of communities throughout the state. All of the Foundation's program staff participate in staffing and evaluating capital grant requests. These experiences keep the staff in touch with the realities of local governments and the nonprofit sector and help maintain a familiarity with all regions of the state.
- The capital grants program allows the Foundation to be accessible and responsive to a wide variety of organizations serving communities in all parts of the state.
- The capital grants program provides another tool to support the Foundation's core interests in education, natural resources, and community development. It also allows the Foundation to direct support to other areas such as social services and basic human needs, arts and culture, parks, and recreation that would otherwise not be impacted by the Foundation's other program activity and grant making.

With the adoption of the 2011 strategic plan, the decision was made to reduce the scale of the capital grants program. Approximately 40% of the Foundation's grant resources are now dedicated to the capital grants program, resulting in a more competitive program. The Foundation has tried to maintain a commitment to supporting projects in rural communities where fundraising tends to be more difficult. The Foundation has also tried to focus more of its capital grant commitments where its participation is truly needed and will make a meaningful difference. There are some, mostly Front Range, higher education, private school, arts, and cultural institutions that historically were recipients of significant capital grants. Increasingly, the Foundation has become much more selective regarding these kinds of grant commitments. These institutions are still highly valued and continue to do important work. But the reality is that many of these

organizations are now capable of taking on very significant projects without support from the Foundation.

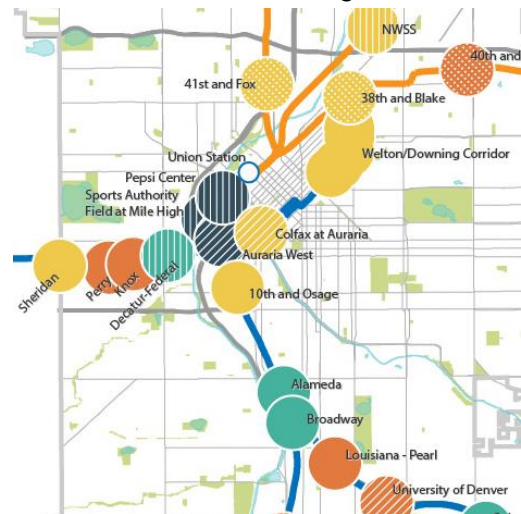
Going forward, the intent is to maintain a responsive capital grant program similar in scale to the current program and generally accessible to the same types of projects and organizations. The program will continue to be competitive, and there will be many projects with merit that the Foundation will not be able to support or support at the level of commitment requested. The only change proposed in this 2016 strategic plan is reduction in the number of application and review cycles each year from four to three. The plan is to maintain the current deadlines for applications in January, April and October. During the third quarter, the Foundation will not accept capital grant applications, allowing the trustees and staff to use that quarter to focus on larger strategic issues. The Foundation has tested this approach over the last three years and concluded that moving from four to three cycles per year will not constrain access to the program or negatively impact grantees. The Foundation has retained the flexibility to consider a request in the off quarter if there is a legitimate timing issue that will not allow consideration to wait until the following quarter.

XII. Program Related Investments (PRIs) and Mission Investing

PRIs and mission investing are vehicles the Foundation uses to increase its impact in priority areas. PRIs involve recyclable commitments of capital at below market rates of return designed to achieve mission objectives. Mission investing generally refers to market return investments within the Foundation's portfolio that are mission aligned.

In 2015, the Foundation formalized its approach to PRIs. The Foundation's PRI program is currently managed in the following manner:

- Up to 5% of the main Foundation's assets can be deployed in a PRI format at any given time
- The Foundation generally considers PRI opportunities in its core areas of interest (education, natural resources, community development)
- At present, the Foundation elects not to count PRI commitments as distributions, so as not to reduce the scale of the Foundation's grant programs – making commitments of PRI capital distributions above and beyond the Foundation's required distribution obligation
- The PRI program mostly targets organizations that generally would meet the Foundation's grant eligibility criteria
- At present, Gates PRIs primarily take the form of low interest loans, loan guaranties, or lines of credit
- The term of PRI commitments can vary, but generally the Foundation will try to manage commitments to balance inflows and outflows of PRI capital and to avoid commitments longer than ten years
- The Foundation will typically invest through experienced intermediaries or otherwise qualified partners, rather than being a direct lender
- PRIs will be used to address objectives that could not be effectively addressed through grant-based strategies or approaches, and where there is an identifiable and reliable repayment revenue stream



As of 2016, the Foundation has total PRI commitments in place of \$1.73 million for nonprofit energy retrofits, land banking for affordable housing and community facilities at transit oriented development (TOD) sites, and charter school facility development. Not all of this capital has been called yet, and one of the commitments is in the form of a loan guaranty. The Foundation also has a contingent commitment to provide up to \$5 million in PRI capital to the Charter Facility Solutions Fund.

The Foundation is at an earlier stage of exploring mission investing options. The primary focus of Gates' mission investing activities is seeking to identify investments capable of generating market returns consistent with the Foundation's asset allocation plan that also contribute significantly to advancing elements of the Foundation's mission. The most likely targets initially will be private equity investments, and potentially some direct investing opportunities. Mission investments also need to contribute meaningfully to education, land conservation, water resource management, or community development objectives. Ideally, mission investments would have a

strong Colorado connection, but there may be some opportunities that are highly-aligned with the Gates mission but have limited or even no activity directly in Colorado.

A \$4 million investment in the Colorado Impact Fund represents Gates' first true mission investment within the portfolio. The Colorado Impact Fund is a private equity fund providing growth capital to Colorado companies with strong potential to generate market returns that also have social or environmental benefits associated with their products, services or activities. As of the third quarter of 2016, approximately one quarter of the capital committed to this investment has been called. The Foundation anticipates identifying other viable targets for investment through its portfolio over the course of the next five years.



XIII. Strategic Communications and Convening

Historically, the Foundation has devoted limited resources to communications. At present, the Foundation's website represents the only source of information on Foundation activities. The site contains basic information on the Foundation's areas of focus, news items relevant to the Foundation's priority areas of interest, and grant highlights. In its present form, however, the website is a tool designed to serve a limited set of purposes. Increasingly, the Foundation is also involved in convening partners or stakeholders. As of 2016, the Foundation has no dedicated staff or other resources to support a wider range of strategic communications or convening activities.



The board and staff believe there is additional value that could be created through a commitment to a more significant communications and convening capacity. Among the potential opportunities:

- The Foundation has the ability to bring greater visibility to its grantees and partners, potentially increasing their chances of success and access to resources and support.
- The Foundation is in a position to see a great deal of important and innovative activity in its primary fields of interest. There may be value in sharing more of the information and insights gained through the Foundation's work.
- The Foundation wants people to understand what it does (its areas of focus, theories of change, specific projects and activities). Making the work undertaken and the rationale underlying it more accessible could increase the ability for potential partners to identify the Foundation as a relevant resource.
- The Foundation is increasingly in the role of leading or convening partners or stakeholders. There may be value in capturing and sharing what is learned from these experiences, when appropriate.
- The Foundation's work may benefit from access to better communications tools for influencing the thinking, investments, and actions of others active in its core areas of interest.

The need to commit more resources to communications and convening was also a strong element of the feedback received from partners, grantees and stakeholders (see a summary of this feedback in the Appendix). This topic surfaced in the interviews conducted by third parties in both the education and the natural resources/community development sectors. Based on this feedback and the opportunities identified above, the Foundation intends to invest in greater strategic communications and convening capacity in 2017 and beyond.

XIV. Appendix

Given the significant changes that occurred between 2011 and 2016 with respect to the Foundation's philanthropic model, staffing and approach to its activities, the board and staff wished to get candid feedback from a variety of sources. Two separate consultants (Nina Lopez of Nina Lopez Consulting and Scott Campbell of Innovative Conservation Solutions), were engaged to undertake parallel efforts to obtain this feedback. Interviews were conducted in the first quarter of 2016. The consultants each provided detailed reports on their findings. A high level summary of each report is provided below.

A. Third Party Feedback – K-12 Education

A third party consultant solicited feedback from 27 grantees, partners and other key informants. The interviews covered 1) perceptions regarding the role of the Foundation and its strategic priorities, 2) observations about the Foundation's grant making process and approach, and 3) opportunities for the Foundation to have impact in the future.

Key findings:

- **The Foundation is universally recognized as a critically important leader in the Colorado education landscape. The Foundation's credibility, independence and expertise have positioned it well to play a unique leadership role in shaping the future of public education in Colorado, and serving as a credible voice in any education discussion.**

"Gates is perceived differently than other foundations . . . they bring real and perceived balance which can de-politicize the discussions sometimes."

"Gates has the power and position and influence and dollars to ignite things that they think are important . . . They connect the dots between what people need and where they are."

"One of the anchor funders of every meaningful reform activity."

"They are doing great work . . . everything they have done for me I truly appreciate and feel a sense of obligation to do good work with their money."

- **Gates funding approach is seen as collaborative and focused on seeding innovation.**

"Definitely involved in things that are moving the needle (like the iZone and the Lake County work) that are . . . outside the normal types of projects."

"The conscience of ed reform where they are seen as thought partners and thinking outside the box in serving kids."

"It was one of the most collaborative processes I've ever experienced with a funder."

"I think they are on track with the things they have been working to promote . . . being an incubator of ideas and encouraging individual schools and districts to innovate or take risks."

- **The Foundation's unique portfolio is appreciated. Gates is not seeking to promote a specific educational approach or ideology. There is a need to articulate and share a clear set of intentions or vision of education in Colorado that Gates is aiming to support.**

"Highly respected . . . because they do not seem to be ideological or political."

"Willing to facilitate or support conversations around a host of issues . . . and not waiting for people to ask them to do something."

- **Grantees generally have a positive experience with the grant making process, although understanding of the Foundation's grant making process and investment priorities in the education arena is moderate to low. A consistent and coherent public narrative about the Foundation's strategic priorities and theory of change is absent.**

"Systemic change and thinking about it from the achievement gap."

"I don't quite know if I've heard an articulated strategy . . . about what they want to fund and why."

"It will be great to continue to clarify their priorities and how that impacts their relationships. Encourage them to think about how they engage with community leaders and partners that are not grantees . . . There doesn't always have to be money on the table."

"With other foundations it feels very person dependent. With Gates it is clear that their grant making reflects an organizational focus and approach."

"It is confusing to me."

- **The Foundation may wish to be more intentional about its risk profile. The confluence of leadership, diversity of funding opportunities, and initiated approach positions Gates to consider a proactive approach to shaping a learning agenda regarding the Foundation's higher risk investments, and a plan to share learnings. There is an opportunity to capture and disseminate lessons. The Foundation should consider funding a plan to learn and share learnings.**

"Given the breadth of their portfolio and the breadth of the other funders portfolios it is really important to have some knowledge management and dissemination . . . as thought leaders they should be asking how to be strategic about the capital work."

"Continue to take risks and do innovative and exciting things that have impact for kids . . . It is really exciting to see the Gates Family Foundation willing to invest risk capital and that is what foundations should do."

- **Other**

"I appreciate . . . their understanding that their role in the environment is beyond what they give money to – they have the ability to make other funders better and breed cross-collaboration of grantees."

“They are uniquely positioned to influence statewide work. They definitely could help bring more activity and influence on rural education policy.”

“I would encourage the Foundation to stay the course because they have something very unique in the way they work with schools and districts and it is very much appreciated. I have not wondered what the agenda was behind their support.”

“I do think they are well positioned to play the strategic voice of reason, convener role.”

The report also identified the following as areas for potential growth:

- Make communications about the grant process more consistent and more transparent
- Communicate to grantees how individual grants relate to the Foundation’s strategic goals
- Make explicit how the overall mix of investments works together to make progress towards the Foundation’s vision for education
- Greater clarity as to desired outcomes/shared priorities
- Provide transparency as to the Foundation’s overall vision, theory of change, and how investments advance that vision

B. Third Party Feedback – Natural Resources and Community Development

A third party consultant solicited feedback from 21 grantees, partners, or other key informants. The interviews covered 1) the level of understanding regarding initiated grant making and the Foundation’s grant making process and approach, 3) perceptions regarding outcomes and impact under the current approach, and 4) opinions regarding priorities for the future.

Key findings:

- **A new way of doing things is paying off in terms of outcomes, and building stronger relationships in the process.**

“The Foundation has a new, catalytic role, a forward thinking role. Our relationship was strengthened by conversations with staff. We talk through what we are doing. Gates became an integral part of the shaping of our own strategy.”

“Initiated grant making offers an opportunity to have more in-depth relationships, and that ties to outcomes. The dynamism of the model is much greater than responsive grant making.”

“As Gates has moved to initiated grant making, they’ve become more entrepreneurial – like venture capitalists – finding big, cross-cutting strategies that change the playing field.”

- **Gates is a thought leader in nearly every investment field. The level of staff expertise is exceptional.**

"We do not represent one of Gates' larger investment areas; nonetheless, if we had to choose between having more money or having them at the table as a partner, I'd take having them as a partner every time."

"Their ideas are as valuable as their dollars."

- **Gates' role as a convener is working, and people want to see more of it.**

"Foundations that recognize their power as conveners . . . can do amazing things if they leverage that power. Bringing together other funders and thinkers to build coalitions . . . I'd love to see Gates do more of that."

"We'd like them to be much more active as a thinker – not only bringing financial resources, but a lot of expertise."

"How is their theory of change evolving as their plans unfold? What are they learning? What are they thinking? I wish they would share this with grantees."

"How can Gates share what it is learning (in focus areas or regarding their theory of change generally)? Possibilities include a white paper, an issue-oriented conversation with a specific set of grantees or partners, or broader convenings to link activities in different areas."

"Gates doesn't necessarily need to be a convener in the sense of trying to address an issue by pulling organizations together; but, to the extent that Gates can serve as a thought leader and create an exchange platform for sharing information, that would be helpful."

- **The new model requires more internal resources, and those resources are stretched thin.**

"The only downside to initiated grant making that I can see is for Gates Family Foundation itself given the time and capacity it takes to administer, but that investment in time and capacity is returning big dividends."

"The leadership team has grown, and this is essential."

"If they were to encourage more informal communication during the course of the project – proactive, informal check-ins would really benefit organizations like ours. I value their further involvement as a thought leader, especially given their intentional presence in lots of different venues."

- **There is wide variation on the way people understand initiated grant making. Few understand it well. Many lack rudimentary understanding.**

"Complex. They're trying to do a lot of stuff."

"A couple of observations regarding an organization that is trying to address such a wide scope of activity and have such a significant impact: (1) it's not always going to be obvious, clean, or easy; (2) they make it direct, honest and open – they are straightforward regarding their intentions around what they are trying to do."

“For the way we work, the process is amazing. They ask really good questions. We develop really good programs based upon their inquiries. They are part of our strategic planning.”

“The evolution of our initiated grant was a frustrating process. The parameters kept changing. Of course, as a grantee, you say, OK, let’s work with what that latest message was. This was difficult, but overall, working with them as their program changed and evolved was positive. It built up the relationship.”

“The initiated grant making approach works. You don’t have to put too many resources into the process, but the process is great; it enables ideas to have a chance to shape themselves around outcomes.”

- **Initiated grant making requires internal organizational consensus around key issues that are distinct from responsive capital grant making. These issues include risk taking, targeting funding, flexibility, and investment duration.**

“The Foundation’s willingness to take risks in our community is exemplary. And it has paid dividends. Hopefully, this kind of risk-taking continues to be embraced by the staff and board.”

“Part of the success regarding our relationship with Gates is not having to worry that if a project doesn’t work it will tank the broader effort. The Foundation’s willingness to take risks has resulted in really positive outcomes.”

“Gates understands that from the zygote of an idea to the implementation of an idea, the world can change.”

“In the water field, flexibility and the willingness to evolve is extremely important. Gates possesses all of these attributes, and there are precious few foundations like this.”

- **Gates is gaining experience with different kinds of investments and learning to link those types of investments. There is a desire to see the Foundation do more of that.**

“Future success is going to be based upon more partnerships with private investment capital.”

“We need to partner with the private sector around impact investing and PRIs . . . that is a place where Gates can provide leadership.”

“Gates has a role to play in encouraging other national and statewide funders to invest in important matters in Colorado.”

- **Other**

“Gates staff, by being engaged and focused on outcomes, are more effective grant makers because they are able to measure opportunities that are being brought to them not against other projects (as is done in responsive grant making), but against their own yardstick.”

“There is nobody more professional or more strategic. We gain a lot from that.”

“Gates is the most effective funder we work with. They are not our largest funder, but there is a high level of professionalism and creativity that we appreciate.”

“The coolest relationship I’ve ever had with a foundation. They’re breaking new ground.”