

## From Julie Sandorf, President of the Revson Foundation

### Winter 2020

The ‘Making’ of THE CITY: The high-wire act of creating a nonprofit digital local news start-up in the headwinds of the greatest revolution in the delivery of information since the founding of the Gutenberg.

*“It is astonishing that this is happening in the media capital of America. Local news is a direct link between a community’s safety and preservation, whether it is putting the spotlight on the need for a new stoplight on the corner or a corrupt city council person. We don’t have the legs to do that in New York anymore.” — Award-winning journalist Tom Robbins, 2018*

*“As we dither and debate the future, the quality of the thing [local journalism] that we so badly want to save is getting worse and worse...What has been a crisis has become an emergency, akin to a health epidemic, and time is not on our side.” — Kyle Pope, Editor of the Columbia Journalism Review, 2018*

The digital revolution has connected us in ways that could not have been imagined at the turn of the 21<sup>st</sup> century, opening the world to us and completely reshaping how we purchase goods and services, seek and maintain relationships, and communicate with each other—for better or for worse. It has also transformed the way we receive information and what kinds of information we receive, striking a lethal stake in the heart of a critical source of information and an essential public service—local journalism. What might have seemed a laughable concept just over a decade ago, local ‘news deserts’ are spreading like contagion across the country, threatening the health, welfare, and civic vitality of small towns and big cities alike.

New York’s reign as the media capital of the world does not render it immune to the ravages of the market failure that is devastating quality local journalism elsewhere in the country. Strong and robust local accountability journalism is currently not commercially viable—even in a city of almost 9 million people. Between 2013 and 2018, New York City lost more than 125 local journalists from layoffs and closures alone at the New York Times, Daily News, Village Voice, and DNAInfo. A survey of the New York Times’ Metro Section documented a reduction in local stories per week from 153 in 2001 to 48 in 2017. The Daily News no longer employs a single beat reporter covering boroughs outside of Manhattan, and the Wall Street Journal cancelled its stand-alone Greater New York Section in 2016 in favor of much trimmed-down coverage. By the end of 2017, no one was covering the courthouses, and the City Hall press corps was a mere shadow of its formidable former self.

At the neighborhood level, hyperlocal news sites make herculean efforts to fill the community news void but are severely understaffed and operate at exceedingly tight margins. A recent study by the News Revenue Hub found multiple “hyperlocal news deserts” throughout the city, leaving many neighborhoods uncovered.

There is growing evidence that without local journalism, communities break down. Corruption goes uncaught. Important institutions, public and private, are not held to account, and people become disengaged from civic life. Recent studies have shown that when local news coverage declines,

municipal borrowing increases, and citizen engagement and participation in elections diminish. Additionally, researchers have identified a correlation between declines in local news and reduced political competition in mayoral races, a trend which may be reflected more broadly in the political polarization at the national level.

Over the past decade, the Revson Foundation has committed almost \$8 million to help build the capacity of nonprofit news organizations to fill the void left by the diminishing presence of legacy news operations in New York City. The Foundation provided the initial capital to grow New York Public Radio's local newsroom capacity, established ProPublica's first 'local news desk', supported the financial sustainability and editorial capacity of NYC's community and ethnic press, and supported innovative video journalism projects, such as The Marshall Project's 'We are Witnesses.' Revson has funded a program for up and coming journalism students at the Craig Newmark School of Journalism at CUNY to conduct investigative reporting with veteran journalists and supports scholarships for journalism students of color and/or immigrant backgrounds. (For additional information on Revson's funding of local journalism, please read my [2017 Letter from the President](#)).

Despite our best efforts to support local journalism over the last ten years, the emerging distress in the local news ecosystem has worsened to a widespread pandemic. Given the magnitude of the crisis, we decided that bolder action was required. And so we began the roller coaster ride that was the 'Making of the City.' At times, the challenges seemed so daunting as to be insurmountable. At other times, the excitement was as palpable as the need was urgent. Here's what we learned along the ride:

### **1. Gather intelligence about the local news landscape**

Our work began by commissioning several studies of NYC's local journalism landscape:

- In the summer of 2017, we commissioned an analysis of the major gaps in local news, led by legendary print and broadcast journalist Errol Louis. The analysis pointed directly to the decimation of the core function of local news reporting—beat coverage. What local reporting had lost was not just the volume of stories, but the consistent coverage of local affairs that comes only with dedicated news staff doggedly following issues, sources, and leads. Louis pointed out that reporters need to be a regular presence in the community—knowing the people and issues well enough to ask the right questions in order to convey the reality of daily, local life, connect the dots, and provide a common understanding of events to help bridge the city's social, economic, and racial divides.
- Tony Proscio's report, [Out of Print](#), on the role of philanthropy in strengthening local journalism was issued in early 2018. The report focused on the range of strategies deployed by Revson, other foundations, and individual philanthropists to strengthen journalism, as well as lessons learned to inform and encourage future philanthropic involvement in local journalism.
- The News Revenue Hub conducted a landscape analysis of hyperlocal digital news sites. This analysis showed that New York City suffers from a lack of hyperlocal news in many pockets of

the city, leaving one borough, Staten Island, totally unserved, and many neighborhoods, particularly in Manhattan and Queens, underserved.

## **2. Seek out, learn, and leverage insights from journalism experts with business and editorial perspectives**

As the media capital of the world, New York City is home to an extraordinarily rich array of industry executives, successful new for-profit and nonprofit media entrepreneurs, and talented journalists, including formidable reporters and editors at legacy media and pioneers of digital media. New York is also home to three major academic centers focused on the study and practice of journalism. I drew on the expertise of well over 50 people from all of these sectors, who generously gave their time to meet with me. These meetings proved invaluable to understanding both the opportunities and significant challenges in initiating a local journalism start-up. I was regularly given a reality check on the complexity of the task at hand. Nevertheless, their practical advice, good will, enthusiasm, and near universal agreement on the need for a new approach to reverse the devastating loss of local news reporting was a constant dose of encouragement. During this process, I not only met fascinating people but also developed a network of allies.

Additionally, in December 2017, Sarah Bartlett, Dean of the Craig Newmark School of Journalism at CUNY, invited journalists, industry leaders, and academics to participate in a day-long ‘summit’ on the future of local journalism in New York City. The attendees were a ‘who’s who’ of New York’s journalism firmament, all devoting a precious Sunday to help figure out a path forward.

I also assembled an informal ‘kitchen cabinet’—a small group of immensely talented people who went far beyond the call of duty to regularly field questions, discuss strategy, focus on key editorial and business matters, and most importantly—play *coach*, *hard-headed advisor*, *compassionate listener*, and *cheerleader*. Sarah Bartlett immediately understood the urgency of the mission and lent her own myriad talents as well as elicited guidance from her colleagues at the J-School. Legendary civic leader Dick Ravitch became deeply involved and dedicated early money to legal and administrative matters. Revson Board Chair Cheryl Efron opened doors to New York’s civic and media industry leadership and served as a constant source of guidance, gently pulling me into line when I got ahead of myself and pushing me forward when I was ready to give up. Ben Smith and Errol Louis were instrumental in the formation of editorial focus. Inspired by the editorial and business success of the Texas Tribune, I relied heavily on the collective wisdom of its Founders—John Thornton and Evan Smith, as well as nonprofit journalism pioneers Dick Tofel of ProPublica and Neil Barsky, founder of The Marshall Project. Had I not been able to consistently rely on this ‘kitchen cabinet,’ the project would have most certainly been a nonstarter.

## **3. Editorial mission and scope—doing better with less and achieving immediate impact**

As a rule, start-ups don’t have the financial resources to fully execute a grand vision at the outset. Instead, they must balance priorities of gaining initial traction and making an impact with raising precious high-risk capital to enable proof of concept and attract additional investment. For a nonprofit journalism start-up, this balancing act will likely force hard choices about the outlet’s initial mission,

breadth of content, and right-sizing the number of editorial staff to establish an immediate presence and credibility. In other words, do you have enough ‘boots on the ground’ to demonstrate a real presence but not so many that the enterprise becomes quickly unsustainable? As former CBS News President Andrew Heyward told me, “Start with a few beats and do less better—unleash the newshounds nipping at the heels of the powerful; what institutions and issues will benefit most from scrutiny and where can you dig for impact from the get-go?”

For John Thornton and Evan Smith of the Texas Tribune, the challenge was similar. With an audacious and hugely ambitious goal of helping people make better decisions in their civic life, Thornton and Smith focused on government accountability at the state level—declaring success when it was apparent that those in power “know we are watching,” and there were clear “changes in culture of legislation and government action.”

So, can you achieve impact with limited resources and a handful of people? The ‘take-away’ message is yes—if you start off by prioritizing a limited number of beats that directly affect people’s lives and focus on producing stories that hold public institutions accountable and make clear that those in power are being watched. Telling important and compelling stories from the outset will create a multiplier effect, with other news outlets following the ‘scoop’ and amplifying the story more broadly.

#### **4. Nonprofit in status and mission—business acumen and discipline in approach**

While local journalism is no longer a strictly commercial enterprise, in order to succeed, local nonprofit journalism outlets must operate with a market mindset and business discipline. This means establishing a business model that:

- Has an economically feasible budget and provides an adequate ‘runway’ of financial support—18 months to two years—to attract talented leadership and staff, demonstrate the impact of the reporting, and allow for time to attract a broader array of funding support.
- Launches with as many funders as possible, from individual philanthropists and foundations to small donor membership programs and corporate sponsors. For THE CITY, Revson joined forces with two other major donors, The Leon Levy Foundation and Craig Newmark philanthropies. Individual donors committed almost \$1 million. Collectively, these donors provided the risk capital sufficient to launch the enterprise and signaled credibility to additional investors. Over time, the enterprise will succeed if it meets the ‘nonprofit market test’—proving its merit and attracting a wider array of philanthropic investors. Additionally, with guidance from The News Revenue Hub, THE CITY established a membership program from day one and met its modest year one membership goal in four months. It is currently establishing a corporate sponsorship program and plans to increase the number of corporate sponsors over time. As John Thornton so aptly described, the name of the game is ‘revenue promiscuity.’
- Establishes, from day one, the fiscal, administrative, and monitoring systems that reinforce business discipline and accountability to its Board and funders. For THE CITY, the most cost-

effective approach was outsourcing a number of the accounting and HR duties and focusing on the development of a range of metrics to measure the reach and impact of editorial content.

## **5. The power of partnership**

The costs and risks of building a news operation from scratch were daunting and often seemed insurmountable. I found myself on the verge of throwing in the towel many times. The costs and challenges of technology, website design, and building an audience from zero were among the innumerable risks that seemed beyond the reach of simple good intentions. After six months of trying to put all the pieces of this puzzle together, I was about to give up. And then the epiphany struck. Could we create a strategic alliance with one of the city's most respected and influential media brands—New York Magazine (NYM)? With its storied roots planted in New York's journalistic firmament, NYM had successfully pivoted towards more commercially viable journalism that was national in scope, and their powerful mix of excellent journalism, digital savvy, design aesthetic, and audience reach was just the kind of wind the sails of this start-up would need. NYM understood, first-hand, the lack of commercial viability in local reporting and responded enthusiastically. Spurred by an enlightened sense of civic duty and an interest in developing new models for local journalism, they wanted to be part of the solution.

As a nonprofit entity, an agreement with a commercial enterprise such as NYM necessitated that NYM would not profit from this charitable venture. Revson commissioned the Lenfest Institute for Journalism to conduct a cost valuation of services, including but not limited to website design and management, graphic design, marketing support, and digital distribution. THE CITY's alliance with NYM proved essential to not only attracting additional donors and expediting the time it took to launch, but the partnership also substantially mitigated the risks of building, designing, and managing a new site and significantly reduced start-up costs. This alliance was the validation we desperately needed to move from pipe dream to action.

## **6. Cracking the 'chicken-egg' conundrum**

In [Out of Print](#), Tony Proscio notes that the major innovations in state and local news have generally come not from foundations but from individual donors. The Texas Tribune and Voice of San Diego got their start up money from venture capitalists. Others, like MinnPost, the online news outlet in Minneapolis, got its start from four wealthy civic leaders. The same is true at the national level—ProPublica and The Marshall Project were initially capitalized by civically-minded financiers who had the vision, checkbook, and willingness to commit considerable time and expertise to identify and hire executive staff, build a governing board, and seek funding partners. These individuals also clearly had an appetite, experience, and success in identifying opportunity where others might just see risk.

As Proscio points out, foundations have played a key role as 'mezzanine funders'—helping successful ventures past the initial start-up phase to expand their editorial reach, create new lines of work, and further diversify their funding. It is not just that foundations have been more risk adverse—they are structurally unsuited to the high stakes venture capital model deployed by these individual philanthropists. Most foundation boards, including Revson's, make funding decisions based on factors

such as the ability, vision, and track record of executive leadership and program staff, strength of governance, diversity of revenue sources, and demonstrated ability to execute and achieve results. Therein lies the chicken-egg conundrum. You can't attract and hire great leadership or talented staff to a high-risk nonprofit start-up without a commitment of initial funding, nor can you attract other funders absent your own commitment and the hiring of executive staff. You can't build a first-rate Board of Directors without financial commitments and staff leadership they trust and believe in. At least one 'deep pocket' must be willing to pull the trigger first.

We were challenged with this very same conundrum, heightened by issues of reputational risk and our Board's very appropriate concerns about our lack of in-house expertise in starting up a local news operation. After a year of considerable time and effort dedicated by Revson Board, staff, and pro-bono advisors, we had to 'fish or cut bait,' and do so while mitigating the myriad risks of being 'first in.' I presented the Revson Board with a \$2.5 million recommendation, with initial payment conditioned on: attracting a commitment of \$2.5 million from other donors; executing an agreement with New York Media (New York Magazine's parent company); expanding the initial Board of Directors from two to at least five members; and hiring an executive team ready, willing, and able to hit the ground running. Two months later, an additional \$5.5 million was raised, and all other conditions were met. The establishment of THE CITY was announced in late September and began publishing its first stories on the New York Magazine Intelligencer site in early February 2019. THE CITY officially launched two months later.

## **7. Governance matters**

Start-ups are like a walk on a tightrope without the safety net; you have to walk the fine line between the frenzied pace of entrepreneurial activity while trying to build a team, set the editorial direction, and deliver the goods quickly and consistently. Problems will inevitably arise and there will be many bumps along the way. A strong, engaged, and mission-driven Board of Directors who have a diversity of knowledge, experience, and expertise to collectively navigate the inevitable pitfalls is as essential as funding, technology, and staff talent. From day one, THE CITY was determined to create a Board that reflected the diversity of New York City and to draw from the best and brightest in the business. THE CITY also established an Editorial Council, a distinguished group of local journalism luminaries who provide invaluable advice and guidance on editorial direction and strategy.

### **An Auspicious Start**

THE CITY officially launched on April 3, 2019 with a mission to produce rigorously reported stories that reflect New Yorkers' concerns and experiences, connect people to the civic conversation, hold those in power to account, and ultimately drive action for public benefit. With an editorial and reporting team of 19, including reporters based in each of the five boroughs and in Albany, THE CITY has already broken many important stories, with reverberations felt in the neighborhoods, City Hall, the Statehouse, and even at the national level. Over the past six months, THE CITY's stories have been republished, linked, cited, and mentioned almost 800 times in dozens of digital, print, and broadcast outlets. By late 2019, it was attracting 152,000 unique visitors a month, which compares favorably with the initial experience of

industry's leader, the Texas Tribune. It has already won five journalism awards, including *Editor and Publisher's* Best Daily Newspaper Website, The Newswomen's Club of New York's Front Page Award for Breaking News, and the New York Association of Black Journalists' Award for General Feature.

THE CITY is also moving forward to diversify its funding base. From its initial capitalization of \$7.5 million, \$1.6 million has been raised from four additional foundations, and over \$1 million in significant gifts from individual donors. As Poynter Institute President Neil Brown has advised me, "You have to prove your value to the reader if you want them to read and potentially pay for the content." In the past seven months, THE CITY has attracted almost 2,000 'members' who have donated to the publication, with plans to initiate a corporate sponsorship program in early 2020.

Whether revealing the bureaucratic challenges faced by parents of children with special needs, getting broken traffic lights fixed, or exposing the Mayor's campaign finance ethics violations, THE CITY is off to an auspicious start. It is providing consistent coverage of the broad systems and issues that affect all of our lives—from mental health and homelessness to public housing and criminal justice. As reflected by their coverage, THE CITY's reporters and editors have their 'eyes on the street' and are staying true to their mission to hold public institutions accountable and strengthen civic life in our city. This story, however, is far from over, and I expect there will be unanticipated challenges and pitfalls as well as unanticipated opportunities. I hope to report periodically on the journey.