



# THE BILLIONAIRE AND THE BOOKSTORE

IS WENDY SCHMIDT, WIFE OF **GOOGLE** CEO ERIC SCHMIDT, A NARCISSIST DETERMINED TO GET HER WAY ON BIG-MONEY NANTUCKET, OR A VISIONARY CHANGING THE DIRECTION OF PHILANTHROPY?

BY KRIS FRIESWICK

Main Street in downtown Nantucket, even on a torrentially rainy August Monday, is packed tight with cars navigating its uneven cobblestone streets, steering around gaggles of tourists lugging suitcases and strollers. Below Main, Nantucket's world-famous harbor, filled with gleaming white yachts, meets streets lined with glitzy seasonal restaurants and a dizzying array of summer-only retailers – half a dozen designer-clothing boutiques, along with jewelry stores and art galleries. There's a liquor store, a sporting goods store, and a bank. Real estate offices and insurance brokers.

But if you need a hammer and a nail, you're out of luck.

There's no place in downtown Nantucket to buy hardware or the many basic necessities of living here. In the dead of winter, locals have only a couple of places downtown to grab a burger and a beer. One of the two downtown pharmacies closed last year. The only downtown video store

is about to. It's a state of affairs that makes the locals unhappy, but there's not much that they can do about it. One guy, Stephen Karp, bought most of the historic downtown real estate three years ago and he and his management team decide who rents it. Karp, CEO of New England Development, does not, however, seem overly concerned with creating a downtown catering to locals. The man has stakeholders and partners to satisfy, after all, and stakeholders generally don't care much about squishy terms like "sustainability" and "community building." (Karp declined to comment for this story.)

Even though the town passed a zoning law in April 2006 that prohibits chain stores and franchises over a certain size from locating in the downtown historic district, that hasn't helped locally owned businesses much. The high demand for land and space has caused skyrocketing rents. (As of the 2000 US Census, Nantucket was the fastest growing county in Massachusetts.) Only

stores with huge bankrolls, or branches in other resort towns that can subsidize a Nantucket store shuttered in winter, can afford to rent space in a Karp-owned downtown building, which is why there are so many designer-clothing stores.

But near the very top of Main Street sits Mitchell's Book Corner, an independent bookstore still in the same historic building it's occupied for 40 years. It, too, might have been a high-end clothing store, if a billionaire hadn't stepped in and saved it.

FOR A TINY ISLAND, NANTUCKET HAS AN embarrassment of riches when it comes to charitable acts. There are dozens of nonprofit organizations that help support every type of cause: schools, the hospital, the library, elder care. You could go to a fund-raiser, or two, or three every night in the summer. Preserving open space has been one of the most successful philanthropic activities on the island, and today, about 40 percent



**SHELF LIFE** With Schmidt's help, Mary Jennings (left) and Lucretia Voigt were able to save the island's beloved Mitchell's Book Corner. Schmidt sees herself as an "incubator" of locally owned businesses.

of Nantucket is protected land that can never be developed. But, to date, philanthropists have operated within traditional parameters, like hosting a charity event or funding an endowment.

Nantucket philanthropists do not, as a rule, stick their noses into the business of running the town. Last year, Wendy Schmidt changed that. She donated land for a transit hub, then saved the bookstore. Now she's talking about saving other local businesses, at least ones that she and her advisers deem worthy of preservation, and, in doing so, she may be changing the face of philanthropy on the island.

Schmidt, 53, and her husband, Eric Schmidt, the CEO of Google and number 48 on last year's *Forbes* 400 Richest Americans list, first came to Nantucket in 1998. It was love at first sight. The sense of community is what sealed the deal. "You meet people from backgrounds you'd never meet any other way," says Schmidt, a Smith College graduate who has a masters in journalism, studied interior design, and worked in the venture capital industry. "It's unique and it's special, and people who chose to come here love that about it. It's not true everywhere else."

It's certainly not true in Silicon Valley, where she and her husband spend the winter months and where they keep a deliberately low profile. Schmidt is so concerned about her privacy and that of her family that she refuses to reveal the names or ages of her two children. The Internet – even Google, or maybe especially Google – is also short on personal details, although the couple's California address was most recently reported as Atherton in the *Forbes* list. Schmidt's husband, on the other hand, is apparently not quite as inconspicuous. Google him and, along with the expected reports of his business doings, there are plenty of stories, mostly from a Bay Area tech-gossip blog, speculating about his relationship with a PR executive.

Schmidt, through her other philanthropic

organizations, the Schmidt Family Foundation and the 11th Hour Project, has always supported a variety of environmental causes. But she says she started getting concerned about the state of downtown Nantucket a couple of years ago. "I'd had a sense for several years that things were beginning to change in a way downtown that felt a little scary," she says. Downtown, she feels, is a gathering place for everyone who comes to Nantucket – the year-rounders, the day-trippers, the summer residents. And it was starting to skew badly in one direction – homogeneity. What downtown is losing, she says, is "character."

She reached out to two friends, year-round residents Alan Worden, owner of a resort investment and development firm, and Melissa Philbrick, an attorney, with a question: "Am I crazy to think that there's some way to make this situation better for both the people running the businesses and for the year-round residents and for everyone who cares about downtown?"

**L**ast year, Schmidt made her first foray into downtown revitalization by purchasing the former Island Spirits lot on Washington Street, a piece of land near the waterfront, for \$3.5 million. She offered it to the town, for \$1 a season, to use as the site of a new hub for the Nantucket Regional Transportation Authority. (The town had asked voters to fund the purchase, but they refused in a November 2007 special election.) It is a project that, she says, plays into her desire to get people out of cars and into environmentally friendly public transportation and ease the congestion that is making downtown increasingly inaccessible.

Along with Worden and Philbrick, she began hosting private dinners with Nantucket summer and year-round residents to try to determine what was special and worth preserving about down-

town. (Stephen Karp has not yet been invited to attend one of these dinners, but Schmidt says that "we certainly will be engaging with him as we go forward.") She says she's heard from Nantucketers over and over again about "the sense of threat to their lifestyle and their community."

By October 2007, the idea of direct philanthropy was catching on with other wealthy residents of Nantucket. That month, a group of summer residents, including James Pallotta, vice chairman at Tudor Investments, paid almost \$10 million to buy the historic but badly dilapidated Dreamland Theater. Town voters had already struck down taking the property by eminent domain. The investors formed the Nantucket Dreamland Foundation to raise funds for the theater's renovation and to develop programming there. Schmidt subsequently joined the board, along with several other summer residents.

"The issue is that there are so many people with money, myself included," Pallotta says, "that it makes it more difficult for year-rounders to afford to live here." It's important, he says, for those who can afford it to take responsibility for the situation they helped create, even if that means helping build a year-round infrastructure that makes downtown more livable.

In January of this year, Schmidt did just that, taking a philanthropic leap the likes of which Nantucket had never seen. She set up an LLC and bought Mitchell's Book Corner and the historic downtown building at 54 Main Street in which it sits from longtime owner Mimi Beman. Realizing that a different landlord would probably charge such high rent that the island's beloved bookshop would be forced to move, or possibly close, Schmidt became a "benevolent landlord." The new operators of Mitchell's, Mary Jennings and Lucretia Voigt, who had formerly worked at the bookstore, rent the space at significantly below-market rates, and they are forbidden, by contract, to ever move the store. Schmidt retains ownership of the Mitchell's name, but the two operators essentially own the business and all its inventory and are solely responsible for its profit and loss. Schmidt likens her role to that of creating an "incubator" that fosters new locally owned businesses until they become successful enough to stand on their own feet. She hopes to expand the incubator concept to other locally owned downtown businesses soon.

Most recently, Schmidt's new philanthropic organization, ReMain Nantucket LLC – created to gather all these investments under one umbrella and headed by Philbrick – has invited an advisory committee of the Urban Land Institute to visit Nantucket for a week in October to study the downtown's economy and then ruminate on the questions that have been pestering Schmidt for years: How do we keep downtown Nantucket

“authentic”? What is the role of philanthropy in all of this?

And, most important, is it sociologically and economically wise to become a town’s sugar mama?

SCHMIDT AND OTHERS ARE DIPPING THEIR toes into uncharted waters, and they know it, which is one reason why Schmidt has commissioned the Urban Land Institute study. But, in the meantime, she’s going to keep on experimenting, seeing what works and what doesn’t. “You get on a path, and you take one step at a time,” she says, “and you adjust as you need to, and you figure out where you are.”

Aside from the disturbing image of the wealthy using downtown Nantucket as an economic petri dish, albeit with the best of intentions, what does it mean when a town comes to rely on philanthropists to pay for things it refuses to pay for itself? And what does it mean when benefactors financially prop up businesses that complement their vision of what downtown should be and let others die on the vine? On the flip side, given the unique mix of economic, historic, and geographic factors tugging at the future of the island and its residents, this may be the only way for Nantucket to survive as it is today.

Wealthy second-home owners pay about 75 percent of total property taxes generated on the island, according to Mike Kopko, chairman of the Board of Selectmen. So benefactors already are responsible for paying for much of the public infrastructure of the island. Still, the median income in 2004 was only \$58,000, according to the US Census Bureau. The Nantucket Housing Office, a nonprofit that works for affordable housing, estimates that a family would need to earn more than \$300,000 a year to be able to buy a home on Nantucket today. The town must fund an infrastructure built to sustain 60,000 summer residents, yet decisions about that infrastructure are made by just 8,000 registered voters – and those people vote with their pocketbooks.

The result is that they have made a habit of voting down many capital improvements that cost money, even though they’re not actually footing the bulk of the bill. The town is under obligation to fund a massive new water and sewer project soon, so voters appear to be viewing everything else as optional. In June, they rejected funding for a new police/fire station, a new sports complex, and a series of expenditures that included a new firetruck and removal of a leaky oil tank buried at the elementary school. “People were just freaked out by the economy,” says Town Clerk Catherine Flanagan Stover to explain the repeated “no” votes.

But given the recent efforts of Schmidt and others to step into areas that philanthropists hadn’t previously entered, who could blame voters if they started to think outside the box? Might



**PLAY BILL** Schmidt is on the board of a foundation raising money to restore the historic Dreamland Theater.

these “angels,” as they are called by some year-rounders, start paying directly for a whole bunch of things they hadn’t paid for before, like maybe a new firetruck or police station?

City officials say economic stress, not expectations of philanthropic largesse, is why people voted down the capital expenditures. Patty Roggeveen, a member of the Board of Selectmen and executive director of the Dreamland Foundation, says that philanthropists shouldn’t be funding municipal expenses, and the residents shouldn’t expect it. “I don’t ever see philanthropy as taking over the nuts and bolts of running a municipality. And it shouldn’t.” Still, she was surprised and frustrated by the town’s “no” vote on the article that contained the firetruck and oil-tank removal. “We haven’t been as unsuccessful in the past getting those things through. Those usually go through fine.”

Kopko, chairman of the Board of Selectmen, agrees, but wouldn’t be totally opposed to someone showing up at Town Hall with a check. “I feel a town has to take responsibility for itself,” says Kopko. “Having said that, any help is welcome at any time. As long as we all remember at the end of the day that it’s our responsibility.” Others, like Town Planner Andrew Vorce, are worried about the implications of such donations: “I think we should appreciate that people are stepping forward and being very generous, but we shouldn’t be dependent on it. Because of the split of income here, that’s going to be a very delicate balancing act in the future.”

Some locals are worried about Schmidt’s influence. Stover says that she doesn’t want to talk about Schmidt’s purchase of Mitchell’s because one of the bookshop’s former employees is working with her now. But she does think that perhaps philanthropists are unaware of the “ripple effect” that their actions cause. “When philanthropists come in and pay to preserve the town, it cripples Nantucket’s will to preserve itself,” she says.

Worden says that neither he nor Schmidt knows the answer to many of these questions, and that’s why they’re continuing to research philanthropic models being used elsewhere and contacting think tanks that study these issues. “You don’t want it to be a bunch of locally run businesses that are subsidized,” says Worden. “Then you’re creating a museum. That’s not a real place.”

“What we’re identifying,” he adds, “or what Wendy is really identifying and a lot of people that she is interacting with are helping her to think through, are what are the threats and what are some opportunities?”

Schmidt believes that what she is doing is shifting the lens of philanthropy slightly, from things like open-space conservation, which is an accepted form of giving, and refocusing it on another precious resource, preserving downtown. She doesn’t believe it’s meddling in the economy or social engineering.

In fact, she thinks it makes perfect financial sense to want to protect what she and others in town consider to be valuable and special about the historic downtown core. She sees it as a simple financial equation. “I think the special places, the unique places in the world are going to become incredibly valuable as we go forward in this world that we’ve agreed is homogenous out there,” says Schmidt. “Look at people with expensive real estate with their summer homes and say what is the value to them of those places that they’ve invested so much in if the downtown becomes this generic place. They’ve lost their value, so from my perspective, those of us who have the resources to look at this problem should be looking at it.”

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