

Letter from THE PRESIDENT

“The totality of the enterprise enhances, repositions or otherwise defines a foundation’s impact.”

It is deceptively attractive to view a foundation’s activities atomistically – gauging its aspirations and methods and successes grant by grant, strategy by strategy. And those are important analyses that help programs learn, pivot and grow. But that kind of granularity can also miss the larger picture, failing to see the ways in which the totality of the enterprise enhances, repositions or otherwise defines a foundation’s impact. I want to explore that idea in this letter, setting up the design treatment you’ll see in the subsequent pages – one that seeks to convey the degree to which one distinct datum can combine with others to yield a whole that is qualitatively weightier than the separate components slotted side to side.

We start with the simple proposition that The Kresge Foundation’s six programs, together with its Social Investment Practice, integrate into a single, overarching objective: to expand opportunity for low-income people living in America’s cities. As Elaine Rosen, chairwoman of our Board of Trustees, says in her letter on the previous pages, we believe that all individuals should have the supports necessary to lead self-determined lives.

The components of our overarching objective are multifaceted, but we have concentrated on six:

› **Promoting the full and robust integration of arts and culture into community revitalization efforts;**

...› **Contributing to the renewal of Detroit’s social and economic health and vibrancy;**

...› **Increasing postsecondary education access and success;**

...› **Enhancing communities’ ability to build environmental, economic and social resilience in the face of climate change;**

...› **Reducing health disparities by fostering conditions and environments that lead to positive health outcomes; and**

...› **Strengthening high-performance multiservice human services organizations both directly and through networks that enhance their capacity.**

Taken together, these distinct program strategies combine into a larger whole with multidimensional impacts – not unlike how different elements of the periodic table, when combined, can form molecules with distinct and complex properties.

This report accordingly starts with the building blocks of our individual grants. But the pages that follow suggest that each grant within a program is part of a larger web of partnerships, activities and impacts. In turn, each of the six programs is itself greater than a constellation of individual grants. We, for example, supplement grantmaking by deploying our institutional equity – convening, providing thought leadership, participating in field-strengthening activities and

promoting advocacy and public policy. We also are increasingly building into each programmatic portfolio an analysis of what forms of capital – grants to be sure, but also loans, direct investments, pay-for-performance instruments, loan guarantees and other tools – are best suited to the issue at hand.

Finally, our six program areas interweave and interact to create a larger identity and impact. Let me suggest three ways in which that plays out.

First, we recognize that each of our program areas is inextricably intertwined with the others.

Health, environmental, human service, community development, arts and cultural and educational systems aren’t hermetically sealed, but instead ricochet and reverberate one against another, interbraiding, morphing and recombining – particularly when they land in cities. The issues of low-income opportunity we seek to confront are so densely packed and intricate that the solutions must accordingly be systemic, not atomistic ... dynamic, not rigid ... nuanced, not ideological ... long-term, not episodic. Even when our strategies can only partly capture this complexity, they must be informed by it.

The ArtPlace America collaborative, described

on page 21, underscores this phenomenon. Consisting of more than a dozen foundations, ArtPlace seeks to demonstrate the centrality of arts and culture to efforts to help restore and animate American communities. Its central premise is that when you infuse the arts in broader conversations about community development – housing, transportation, health, human services, education, environmental conservation – those conversations are richer, they’re more balanced and they resonate more fully with a community’s social, ethnic and racial identity.

As arts and culture activities assume an integral role in community development, moreover, they can foster and accelerate economic development, contribute to sensitive placemaking and deeper resident attachment to community and drive the kind of long-term visioning that a community needs in order to remain vital and healthy.

Second, and in a similar vein, each programmatic strategy is invariably shaped by the intersecting and complementary roles of the private, public, nonprofit and philanthropic sectors.

Although collective action has become an overused catchphrase, it reflects the profound truth that intractable challenges necessitate the concerted action of all of society’s sectors. As each sector gravitates toward the unique roles and responsibilities required in a particular situation, a foundation’s activities are stretched, augmented, accelerated or otherwise modified. A foundation like Kresge doesn’t have the luxury of simply injecting prebaked ingredients into a dynamic environment. It instead has to

ask fundamental, but difficult questions: What specific aspects of a challenge can we influence? How will our efforts relate to others working on the problem? What kind of partnerships do we want to pursue with whom? What consequences can we control for and what consequences can we not?

The Woodward Corridor Investment Fund, highlighted on page 25, is illustrative. The challenge was to provide a single-stop source of capital to fill the gaps that were barriers to the development of mixed-use real estate projects so essential to the continued revitalization of the Midtown area of Detroit. Others in the nonprofit sector have long sought to crack this nut, but have been stymied by the inability of low market values to support traditional lending requirements.

Kresge realized that we needed to reach out to other partners to construct the kind of capital stack that would overcome these obstacles. We had to sell the idea. We had to conceptualize its architecture. And we had to put up capital. Kresge’s provision of a \$5 million loan and a \$1.25 million loan guarantee sprung loose the remaining \$25 million of needed money from a nonprofit community development finance institution, three private financial institutions, another foundation and Living Cities, a consortium of national foundations and lending institutions.

Third, our programs increasingly try to assess the full dimensions of a challenge before reaching for the appropriate tool.

Given the diversity of problems we’re seeking to solve, it would be odd to assume that the right tool for the job will invariably be a grant to an organization. In fact, it is virtually never the case that a stand-alone grant creates solutions that can be sustained at a scale commensurate with the magnitude of the challenge. And in fairness to grantees, they rarely claim otherwise. We’ve accordingly sought to identify the set of tools or approaches that are best suited to the nature of the problem at hand. There may be a grant somewhere in that mix, but there may also be a program-related investment, a prize, a social impact bond or some other form of capital. And if there is a grant,

it might be for any number of purposes – to support operations, projects, research, public information campaigns, advocacy for policy reform or many other activities.


Kresge’s support of Roca, a Massachusetts human services organization dedicated to helping formerly incarcerated men stay out of prison and enter the economic mainstream, reflects this. Described on page 41, Roca will be paid by the state of Massachusetts if the organization’s services hit targets for the reduction of recidivism among its clients. Over time, Kresge has provided operating support, a grant for the design of the pay-for-performance effort and a \$1.5 million loan for the front-end support the project requires.

A Look Toward the Future

The last few annual reports have chronicled Kresge’s programmatic evolution. In 2011 we concentrated on our Detroit Program, suggesting the extent to which our place-based work there best illustrated our foundationwide commitment to practicing strategic philanthropy. In 2012 we discussed how each of our six program threads, together with our Social Investment Practice, were being interwoven into a newly articulated focus on low-income opportunity in America’s cities. And this year, we have sought to show how that overarching theme has come to represent more than the sum of its parts.

I anticipate that the next stage of our evolution will solidify each of these elements – greater internal coherence, heightened mutual interdependence and augmented organizational identity. But I also suspect that it will necessitate that we become even more intentional about pursuing the kind of cross-disciplinary, cross-sectoral, cross-toolbox approaches I’ve suggested. So stay tuned.

As always, I welcome your comments – and the possibility of future partnership.



RIP RAPSON
PRESIDENT AND CEO
THE KRESGE FOUNDATION



As partners and friends of The Kresge Foundation, you are aware of our special relationship with the city of Detroit. Ours is a stake of historic proportion: We were founded in the city in 1924.

Although our grantmaking in metropolitan Detroit has been continuous, it accelerated seven years ago when we became deeply involved in helping shape a new civic trajectory. With public, private and philanthropic partners, we are helping the community build a new streetcar line, cultivating an already robust arts ecology, strengthening the infrastructure necessary for small business development and furthering Detroit Future City, a framework that can guide the city’s revitalization for decades to come.

Yet, over the last year, the news out of Detroit has been dominated by the largest municipal bankruptcy in United States history. All the promise and possibility for the city’s future will be touched in some way by the still-uncertain outcome of case No. 13-53846.

The course of the bankruptcy is being propelled by the federal bankruptcy judge, Steven Rhodes; the emergency manager, Kevyn Orr; and a team of mediators led by the chief judge of the Federal District Court, Gerald Rosen. Last year, Judge Rosen invited foundations with ties to the city to contribute to a fund that would help it meet its pension obligations and prevent parts of the Detroit Institute of Arts’ collection from being sold to satisfy creditors.

We agreed to become involved.

Ten of us have banded together: the Ford Foundation, the William Davidson Foundation, the Charles Stewart Mott Foundation, the John S. and James L. Knight Foundation, the Fred A. and Barbara M. Erb Foundation, the Community Foundation for Southeast Michigan, the Hudson-Webber Foundation, the McGregor Fund, the W.K. Kellogg Foundation – and Kresge.

We have agreed to contribute \$366 million over 20 years to the judge’s proposed

solution. This offer has since been expanded to include a proposed \$350 million commitment from the state of Michigan and a \$100 million commitment from the Detroit Institute of Arts. In total, \$816 million of new money is being raised for the express purpose of helping the city of Detroit.

This extraordinary commitment among all the parties is compelled by an extraordinary moment in our city’s history. Kresge makes its contribution with the belief that these funds will increase the likelihood that pensioners will be treated fairly, that an integral part of the city’s cultural heritage will be protected and that the bankruptcy can be brought to a speedy conclusion. We then can – and will – continue with the business of helping revitalize this great city so that it can keep moving toward a better future.

RIP RAPSON