

THE KRESGE FOUNDATION

In 2013, the Social Investment Practice invested in efforts to support juvenile offenders, protect the environment, provide financial services to low-income households, revitalize Detroit and expand community health centers.

The breadth of these efforts is an indication of our increasing ability to use a combination of capital tools to help create pathways for vulnerable people to improve their life circumstances.

We have committed cash and balance sheet resources to our Social Investment Practice, a team that works alongside our program staff. Social investing, or program-related investing, reflects our belief that long-term solutions to complex social problems require a range of interventions.

In addition to using new tools, we now undertake more complex transactions, closely integrate investments and grantmaking and attract capital from other sources.

In 2013 our Social Investment Practice made commitments totaling \$16.2 million. Along with the repositioning of an existing guarantee, those commitments leveraged more than \$76 million in private-sector investment.

The 2013 loans and a guarantee bring the total active commitments to \$57.4 million. Over the course of the year five loans were repaid, returning some \$4 million to the foundation to use for new investments.

Since its inception in 2008 through 2013, the Social Investment Practice has made 41 investments, representing \$67.7 million in commitments and \$12 million in repayments and interest.

Financing Change

In 2013, we continued work to expand access to quality health services.

With community development financial institutions and bank partners, we invested in community health centers that provide primary and preventive care to underserved and lower-income communities.



A loan allows the Colorado Coalition for the Homeless to expand health services.



A "pay-for-performance" investment supports a juvenile justice project in Massachusetts.



Support for a new investment fund helps finance mixed-use, mixed income projects in Detroit.

A 2012 demonstration fund to finance health centers last year led to a new three-year, \$40 million effort expected to support an additional 377,000 annual patient visits. Developed in partnership with the Low Income Investment Fund and the Reinvestment Fund, the demonstration fund showed the value of financing health centers as they undertake the expansion projects required as more Americans secure health insurance.

The demonstration led the Goldman Sachs Urban Investment Group, Primary Care Development Corp. and the Rockefeller Foundation to join with us in a new partnership, the Collaborative for Healthy Communities.

We also expanded our participation in pay-for-performance transactions by providing grant and loan capital for several investments, including a first-of-its-kind juvenile-justice initiative in Massachusetts.

We view pay-for-performance as an approach with the potential to raise new capital from the private sector and to identify interventions that produce measurable outcomes and cost savings for the public sector. Grant dollars awarded by our Human Services Program to Stewards of Affordable Housing fund work on data relating to social services in affordable housing and ways pay-for-performance might generate energy and cost savings for the U.S. Department of Housing and Urban Development.

In Detroit, grant funding in the city's Woodward Avenue corridor paved the way for our \$6.25 million investment in a new fund to finance market-rate and workforce housing. Managed by Capital Impact Partners, the fund includes bank, community development finance and philanthropic investors who together made \$30.25 million available for the Woodward Corridor Investment Fund. That initial capital is expected to finance six to eight projects that will contribute to the density, diversity and walkability of the city's central artery.



Support for a demonstration fund helped community health centers in three states, including this one in Pennsylvania, expand and has led to a new financing collaborative.

Kresge Social Investments

2013 INVESTMENTS

Calvert Foundation (2013)

Bethesda, Md.

\$1.25 million loan guarantee

Calvert is a community development financial institution that connects investors to the causes they care about. Calvert is among the partners in the Kresge-supported Woodward Corridor Investment Fund. This guarantee helps launch that fund, a \$30.25 million fund designed to support Detroit's revitalization by financing projects that are mixed-use, mixed income, transit-oriented and promote density, diversity, vibrancy and walkability in the city's core.

Capital Impact Partners (2013)

Arlington, Va.

\$5 million loan

A non-profit community development finance institution, Capital Impact, formerly NCB Capital Impact, provides financial services and technical assistance to improve access to quality health care, healthy foods, housing, education and elder care. This investment helps launch the Woodward Corridor Investment Fund, a \$30.25 million fund designed to support Detroit's revitalization by financing projects that are mixed-use, mixed income, transit-oriented and promote density, diversity, vibrancy and walkability in the city's core.

Colorado Coalition for the Homeless (2013)

Denver

\$3 million loan

The nonprofit organization provides housing and health services for vulnerable community members in metro Denver. This loan allows the expansion of health services. A pay-for-performance component reduces the interest to as low as 1 percent rate based on improved client outcomes related to health and housing stability.

Freshwater Trust (2013)

Portland, Ore.

\$1 million loan

The nonprofit conservation organization implements innovative restoration projects to improve the health of freshwater ecosystems. The investment supports expansion of the organization's efforts to cool municipal water emissions naturally and economically through the use of native trees and plants.

Goodwill Mission and Job Creation Services, Inc. (2013)

Rockville, Md.

\$3.3 million loan

Goodwill seeks to enhance the dignity and quality of life for individuals, families and communities by eliminating barriers to opportunity and helping people in need reach their fullest potential through employment. This low-interest loan allows Goodwill to expand the retail operations that support its social enterprises, employment and job training activities.

Montana Community Development Corp. (2013)

Missoula, Mont.

\$600,000 loan guarantee

This investment provides a backstop permitting the community development corporation to complete the financing for the Poverello Center Inc.'s \$6 million homeless shelter with a food pantry, veteran service facility and medical services in Missoula. The multiservice nonprofit provides services to address and improve the health, well-being and stability of the homeless and underserved in that community.

National Federation of Community Development Credit Unions (2013)

New York, N.Y.

\$1.5 million loan

More than 20 percent of U.S. households lack access to mainstream financial services, according to a 2011 Federal Deposit Insurance Corp. survey. The federation seeks to integrate access to affordable financial products with social services to help low-income individuals build assets and attain financial stability. The three-year low-interest loan ensures deposits in community development credit unions in urban areas.

Roca Inc. (2013)

Chelsea, Mass.

\$1.5 million loan

A \$1.5 million loan helps the multiservice organization Roca Inc. provide intervention services to 1,302 young men, as part of a Massachusetts juvenile justice pay-for-performance pilot project. Each year, approximately 4,000 young men age out of the juvenile justice system or are released from probation in Massachusetts; 65 percent will be incarcerated at least once within the next five years. Participants in Roca's program have a 22 percent recidivism rate. A companion grant from the Human Services Program helps Roca increase its organizational capacity to provide these services.

Snapshot Dermatology Holdings Inc. (2013)

Palo Alto, Calif.

\$500,000

The online telemedicine company provides patients access to dermatologists in health centers where specialty care is not available. Snapshot currently is working in 66 health centers serving low-income patients. This loan helps provide access to patients who need care.

OTHER ACTIVE PROGRAM-RELATED INVESTMENTS**Artspace (2011)**

Minneapolis, Minn.

\$1 million

A leader in developing, owning and managing affordable live/work space for artists by reclaiming abandoned buildings and renovating historic structures, Artspace promotes artist-community interaction, economic development and job creation. This unfunded guaranty substitutes for a cash reserve required by commercial investors for projects in Waukegan, Ill., and Council Bluffs, Iowa.

Coastal Enterprises Inc. (2009)

Wiscasset, Maine

\$760,000

Through 30 years of financing and community development work, the organization has supported the growth of small and medium businesses, and created or retained thousands of jobs. CEI has financed more than 1,200 units of affordable housing and finances small-scale enterprise throughout communities in Maine and beyond.

Community Health Center Capital Fund (2008)

Boston, Mass.

\$2.5 million

Community Health Center Capital Fund, a subsidiary of Capital Link, a community development financial institution, provides advisory and lending services to nonprofit community health centers seeking to finance capital projects that expand community-based health care. This low-interest loan helps finance the expansion of the Community Health and Social Services Center in Southwest Detroit.

Feeding America (2009)

Chicago, Ill.

\$2.5 million

The nation's leading domestic hunger-relief organization utilizes a vast network of food banks and charitable agencies to collect and distribute 2 billion pounds of food to more than 25 million Americans annually. A five-year, low-interest loan helps finance the purchase of 20 to 25 refrigerated trucks to increase food-delivery capacity.

First Children's Finance (2008)

Minneapolis, Minn.

\$1 million

First Children's Finance is a community development financial institution that provides financing and advisory services in 10 states for child care facilities serving low- and moderate-income families. A five-year, low-interest loan supports increased lending to human service and community development organizations in a five-state region.

Healthy Futures Fund (2012)

New York, N.Y.

\$6 million

Established by Kresge, Morgan Stanley and the Local Initiatives Support Corp., this \$100 million fund utilizes Low Income Housing Tax Credits and New Market Tax Credits to expand access to health care and affordable housing for low-income residents. The fund supports the construction of 500 affordable housing units with integrated health services, as well as eight federally qualified health centers that will serve an estimated 75,000 people. The fund also fosters collaboration between affordable housing developers and health care providers, constituencies that often work side-by-side in low-income neighborhoods but rarely in a coordinated fashion.

IFF (2012)

Chicago

\$5 million

IFF is a regional community development financial institution that provides loans and real estate consulting to nonprofits serving low-income communities in the Midwest. This investment supports loans to health-care centers in Wisconsin and Indiana.

Invest Detroit Foundation (2012)

Detroit, Mich.

\$1 million

Invest Detroit is a community development financial institution that provides financing in the City of Detroit. The 10-year low-interest loan provides capital for lending to downtown and midtown retail businesses that are unable to access traditional bank credit.

The Kresge Foundation

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Kresge Social Investments

Continued

Living Cities Catalyst Fund (2011)

New York, N.Y.

\$2 million

The Catalyst Fund houses investments for Living Cities and its Integration Initiative, an effort that combines grant and investment dollars based on a competitive process to stimulate systemic change in five regions. This investment supports the lending activity of various Living Cities programs, including the Integration Initiative.

Low Income Investment Fund (2012)

San Francisco, Calif.

\$5 million

This guarantee supports a \$25 million demonstration pilot, underwritten jointly by the Low Income Investment Fund and the Philadelphia-based Reinvestment Fund, to make capital available to federally qualified health centers serving low-income individuals and support neighborhood revitalization. The investment tests a new partnership model that could result in efficiencies and serve as a model for other organizations. In late 2013, the demonstration project attracted three new partners to form the Collaborative for Healthy Communities. A portion of the original Kresge guarantee now supports that \$40 million fund.

Opportunity Finance Network (2012)

Philadelphia, Pa.

\$10 million

Opportunity Finance Network is a national coalition of community development financial institutions that invest in opportunities that benefit low-income, low-wealth and disadvantaged communities. This 10-year, 1 percent loan helps fund the NEXT Awards, providing capital to community development financial institutions, which – in turn – lend to small businesses and nonprofit organizations in low- and moderate-income communities.

The Reinvestment Fund (2011)

Philadelphia, Pa.

\$3 million

The Reinvestment Fund is a community development institution with a mission of building wealth and opportunity for low-income communities through socially and environmentally responsible investing. This loan capital allows the fund to utilize credit enhancement stimulus money from the U.S. Department of Energy and provide financing for projects in Pennsylvania that reduce energy consumption by at least 25 percent.

St. Vincent de Paul Society of Lane County Inc. (2011)

Eugene, Ore.

\$335,000

This human services organization offers social and homeless services, affordable housing, and job training and placement to low-income individuals. A linked deposit provides additional funding for the purchase and renovation of a facility to house the Oakridge Service Center, as well as a five-year operating subsidy.

SUN Initiative (2011)

Boston, Mass.

\$2.5 million

Boston Community Capital Inc.'s Stabilizing Urban Neighborhoods (SUN) Initiative aims to stop the displacement of families facing foreclosure and the destabilizing effects foreclosure can have on neighborhoods. This loan allows SUN to extend new, fixed-rate financing to homeowners who have experienced significant hardship, allowing them to remain in their homes.

Ways to Work (2009)

Milwaukee, Wis.

\$1.5 million

The national economic-empowerment program provides financial education and affordable loans to low-wage earners, enabling them to purchase used cars for transportation to jobs, school and other activities. This \$1.5 million program-related investment supports activities over five years and is paired with a \$1.5 million grant to support the program's expansion plans.