

LETTER FROM THE PRESIDENT

The theme of this annual report is perspective, a word that captures our foundation's attitude and approach as we try to play a beneficial role in a world abruptly turned upside down.

The past year has been marked by the upending of systems we had come to take for granted. Credit markets careening through dislocations more dire and enduring than any of us could have imagined. Entire neighborhoods painstakingly built up layer-by-layer over decades through community sweat and treasure devastated by the mortgage crisis' cancer of greed and overreach. Accelerating income polarization that jeopardizes the basic tenets of opportunity at the heart of this nation's democratic heritage. A public sector frozen in its tracks by dwindling tax receipts, collapsing pension funds, and the possibility of bond defaults.

These events have underscored the dual reality that Elaine Rosen's letter describes. On one hand, we chip away at society's seemingly impenetrable problems in an attempt to make passable progress over the long term. On the other hand, we rivet our attentions on the here-and-now and the immediate actions we can take to help lessen the trauma of acute economic contraction.

Three years ago, when we began a recalibration of our grantmaking, our perspective was embedded more in a sense of gradualism—of expanding our grantmaking in ways that would ensure continuity and build on the strengths of our past work. Today, that perspective has shifted to a heightened sense of urgency. Searching out ways to participate in the pressing issues of our time. Expanding our commitment to reinforce the building blocks of healthy, creative communities. Bending every dollar toward helping improve the life conditions of the least fortunate among us.

We have come to see that our success will center, more and more, on how comprehensively and strategically we work to advance our fields of interest. Through monetary investments to be sure, but also through thought leadership, convening, creating connections among entities working in common purpose, and other philanthropic techniques that are new to us.

POINTS OF VIEW

The pressures of the last year's economic environment have affected each and every one of our program areas. As you would expect, the flow of compelling, viable facilities-capital challenge grant requests—long our primary method of grantmaking—is slowing. We find ourselves accelerating an already high-speed build-out of our programmatic strategies and the use of our new funding methods—growth capital, general operating and program support, planning grants, and program-related investments.



Rip Rapson

Each of our program teams—human services, health, education, arts and culture, community development, and the environment—continues to refine its long-term strategies. You can read brief descriptions of these approaches on pages 30-32 and learn more on our Web site, www.kresge.org. What follows is a short description of how we are balancing that long-term trajectory with a heightened concentration of energy and resources on shorter-term responses that

promise some measure of relief from the recession's extraordinary pressures.

HUMAN SERVICES

Our human services team has made its highest short-term priority emergency assistance for community-based organizations that are dedicated to alleviating hunger, providing shelter, and supporting the bedrock human needs of people who are out of work. This intention will be realized by elevating the weight given to lifeline agencies seeking support for new facilities; providing operating support for existing emergency-service grantees; and utilizing a specially established Emergency Relief Program-related Investment Fund that will make loans of up to \$500,000, repayable over three years at zero-percent interest.

HEALTH

The Health Clinic Opportunity Fund, to be launched this summer, is a two-year national grant program developed in direct response to the rapid increase in the number of people losing jobs and health insurance. It attempts to help build the capacity of voluntary free health clinics, public-health clinics, and those designated as federally qualified health center look-alikes, so they may better address the needs of their communities.

Complementing this effort is the Safety-net Enhancement Initiative, which seeks to strengthen cross-sector collaboration among primary-care systems—health centers, public hospitals and local health departments, among others—so that they may become more effective in their responses to the residents they serve, an estimated 45 million low-income and underinsured people nationwide. The initiative includes a planning demonstration, evaluation, and dissemination component so that promising models and practices can be shared in the field.

EDUCATION

The economic crisis has cast into bright relief the value of higher education institutions as safety nets for millions of Americans, whether they be low-income high-school students, laid-off workers seeking retraining, or adults re-entering the workplace. Community colleges and four-year colleges and universities also have tremendous collective value to entire communities crippled by a local employer's downsizing or closing. Our long-term strategy for improving both post-secondary access and graduation rates of those living in underserved communities, particularly communities of color, has proved to be an important strategy for the short term as well.

ARTS AND CULTURE

Arts and culture enrich our lives in multiple and miraculous ways. But they can also feed community engagement and economic development. It is in this spirit that we announced in June *Kresge Community Arts*—a two-year, grass-roots mini-grant program that will challenge up to five of the nation's most neglected cities to use arts and culture as a creative tool to engage youth and promote local economic opportunity. St. Louis, Baltimore and Detroit are already gearing up. One or two additional cities may be added. We hope local residents and groups—teens, artists, municipalities, neighborhood and homeowner associations, for example—as well as arts and cultural organizations will apply.

COMMUNITY DEVELOPMENT

Our primary community development work is in metropolitan Detroit, the city of our founding and our home today. This region began its economic contraction a decade ago, and feels it evermore acutely with each passing day. It is a time of unprecedented stress and hardship. But it is also an opportunity to re-imagine Detroit—from concentrating development in fewer geographic nodes and reclaiming vacant and underutilized land to building a new infrastructure of entrepreneurialism, from creating a creative corridor along the city's central spine to mapping a pathway to a new economy based on renewable energy and health care reform. With decades of involvement and a solid, three-year platform of strategic priorities on which to build, Kresge is well positioned to contribute to the critical debates and activities that will redefine this region's future.

We will convene partners with shared objectives, as we have with the Detroit Neighborhood Forum, a consortium of foundations, banks, City Hall, and key intermediaries. We will collaborate, as we have in helping create the New Economy Initiative, a pooled fund of \$100 million contributed by ten national and local foundations to help re-calibrate the regional economy. We will bridge to national networks and knowledge, as we have with Living Cities, a 21-member philanthropic collaborative of private foundations and financial institutions. We will make grants that take risks, as we have with our support for the creation of a light-rail system along the Woodward Corridor. And we will contribute to building the capacity of

key parts of the city's community development infrastructure, as we have in supporting the Next Detroit Neighborhood Initiative, an effort to concentrate and align city and philanthropic resources in a handful of Detroit neighborhoods.

ENVIRONMENT

To aspire to help slow the affects of climate change is to commit to a horizon line that far exceeds our lifetimes. Kresge has made that commitment. What's also clear is that our environmental grantmaking is essential in the immediate-term as an antidote to important aspects of the economic crisis. We are helping the Michigan Department of Labor, Energy and Environment position the state to take full advantage of federal stimulus dollars for energy efficiency and renewable energy work. We are promoting green-collar jobs when we fund energy-efficient retrofits of affordable housing. And just recently, we made a facilities-capital challenge grant for a new green-jobs training center in the greater Philadelphia area that expects to train some 200 individuals over five years to perform energy audits and provide residential retrofits for low-income and underserved neighborhoods.

FINAL THOUGHTS

This brings us full-circle to perspective. The Kresge Foundation has been known for taking the long view; first by supporting building projects that made lasting contributions to communities and, most recently, by narrowing our focus and deepening our commitment to strategic objectives within our fields of interest. But the economic crisis has quickly taught us that long-term and short-term perspectives are not mutually exclusive. We can pursue near-term objectives that advance our longer-term aims. We can act quickly without sacrificing disciplined, well-reasoned approaches.

These are excruciatingly difficult times, full of quiet, private tragedy multiplied person after unemployed person and family after homeless family. We want to help our grantees—all of whom are working on the front lines of this catastrophe—not just to endure the economic maelstrom, but also to best serve their growing constituents and to position themselves for success in a very different future.

I welcome your thoughts.

Sincerely,

A handwritten signature in dark ink, appearing to read "Rip Rapson", written over a large, stylized circular flourish.

Rip Rapson
President