

# Making this new approach **real.**

It's easy to say that we've changed. It's much more difficult — especially within the first year — to demonstrate the nuance of what this fully means.

What we know is this: we are guided by a set of values that help us assess projects in new ways, which you will see on subsequent pages. While these values are not new — they've been an implicit

part of our work for decades — calling them out allows the Kresge Foundation to create a deeper impact in intentional ways. It allows the organizations we challenge and fund to understand our new model for decision-making.

We're also in the process of expanding our grantmaking, an approach best described in three tiers. Tier I focuses on grants to nonprofits to increase their capacity. The Capital Challenge Grant Program continues to be the core of this work, but new grantmaking tools will help us at more points along the capital project continuum, from early-stage planning and technical assistance to post-campaign

leadership development and endowment building.

Tier II is aimed at influencing entire fields of work. By forming teams in the areas of Health, the Environment, Arts and Culture, Human Services, Education, Community Development and International needs, we're building deeper knowledge of the trends and opportunities in each, and fostering new relationships. This knowledge helps deepen our perspective and provides insight into where we can have the greatest effect. Our toolbox in Tier II includes investing in intermediary organizations, supporting networks of grantmaking and sharing learning within each field.

Tier III is a multi-faceted, long-term focus on the health and stability of places that are struggling with poverty and under-investment, with an initial focus on Detroit. We are joining with other institutions to create a strong, unified front that is able to transform difficult situations. Tier III makes us more effective donors in other situations with similar dynamics around the world and has even influenced how we targeted funding after Hurricane Katrina hit New Orleans.

#### **An overview of our new emphasis.**

Traditionally, the Kresge Capital Challenge Grant Program focused on opportunities to strengthen leadership and giving. Grant recipients raise initial funds for their project before requesting our support — at which point we challenge them with a grant in order to help meet the remaining balance by their campaign deadline.

Today, the nature of the challenge grant remains the same, but we are actively seeking organizations that may need additional support before they reach the Kresge challenge hurdles. And we have added emphasis to what we are looking for in capital projects. The nine values that guide us in our decision-making today are:

**Creating opportunity** – how does the organization’s work expand opportunities and support for low-income people in order to improve their quality of life and participate more fully in the economic mainstream?

**Community impact** – will the project have a beneficial impact on the broader community?

**Institutional transformation** – will the project have a profound influence on the organization’s operations?

**Risk** – does the project take a reasoned risk in addressing the tensions of communities in flux?

**Environmental conservation** – does the project advance sustainable building practices, environmental stewardship, historic preservation, or sound land-use planning?

**Innovation** – does the project have the potential to advance innovations or best practices in a field?

**Collaboration** – what is the project's promise of bringing multi-party interdisciplinary approaches to problems that defy solution by a single sector?

**Underserved geography** – does the project focus on places with high concentrations of need and low financial capacity (for example, poor rural areas or cities with minimal tax base)?

**Diversity** – does the organization's staff and board reflect the populations the organization serves?



Adding to the work already in progress.

One might mark 2006 as the year Kresge changed, but this would not be true. Yes, defining the guiding values and the internal restructuring is new, but we add these things to the ground shift already occurring within the organization. We are simply speeding the transformation.

As context to where we stand today, it's important to see recent projects that continue to teach us how our evolving Kresge approach can be most effective. Our recently concluded Science Initiative addressed the shortage of laboratory equipment in colleges and universities with \$53 million in grants over 20 years. What we have learned here applies directly to our International work, specifically higher education in South Africa (pg. 55). And while our Historically Black Colleges and Universities Initiative and our Partnership to Raise Community Capital have been completed, they continue to inform how we work today in Detroit (pg. 58) and Mexico (pg. 56) — with funding, training and technical assistance.

Today, three areas of our work — green building, international and Detroit — demonstrate how our past initiatives laid the groundwork for the Kresge we are becoming. The details follow.



## Green Building Initiative

In 2003, it was an un-Kresge-like thing for us to do. In the area of green buildings, instead of investing in capital, we invested in other ways.

The first way was education. We produced print publications explaining why a nonprofit would want to build green and how to go about it. We held workshops across the country and intensive training sessions for nonprofits on sustainable design. We met with regional funders to brief them on our initiative. And we enlisted nonprofits to help us spread our message.

The second investment was in bonus grants to those organizations who specified sustainable facilities, in order to help them with what is often an expensive process. We no longer provide bonus grants, as such, but we do cover some of the same ground with our planning grant.

The third way, the planning grant, was designed to reduce the costs associated with green building, particularly in the initial stages of the project.

These three kinds of investment helped us to stimulate demand for green building, increase and share knowledge, and add definition to an area of construction still finding its focus.

We recognize the importance, too, of the larger drivers, such as public policy and renewable energy. And because green building was — and is — an evolving issue, our approach provided an internal model for the other areas we have today.



## International

Our international efforts are focused on South Africa and Mexico. The common factor between both of these countries is that we see situations where we can have a significant and immediate impact on advancing these countries' well-being and self-reliance.

South Africa embodies many of the world's critical issues — the gap between rich and poor, AIDS, transitions to democracy from repression, 30% unemployment and significant racial inequality. Within the context of their challenges, they have also had 13 years of peace and provide hope for many struggling areas of the world.

Part of South Africa's success has been in building solid primary and secondary education systems. Unfortunately, the system is not self-sustaining, as the country's colleges and universities cannot yet produce the necessary number of trained professionals and knowledge workers — agronomists, teachers, engineers, researchers, health care workers and computer scientists.

This is where Kresge, in collaboration with the Partnership for Higher Education in Africa, is able to directly apply its experience with educational institutions. We are in a unique position to complement others' work, fill gaps and respond opportunistically to local needs within South Africa.

In Mexico, we are partnering with the YMCA of the USA to work with the YMCA of Mexico in building and developing private philanthropy in Mexico. Kresge will provide technical

assistance, peer-to-peer training, salary support, and capital and other incentive challenge grants in this effort.

Both of these countries represent the potential for enormous benefit from creating the structures that will aid their long-term stability. And both are at a critical juncture where we believe our work can do the most good.





## Community Development: Detroit Program

The city whose industrial might essentially created the middle class now faces extreme challenges. Its economy continues to contract. Many people live in poverty. And, it has suffered from decades of disinvestment.

It's in this context that we are redoubling our efforts to revitalize the city — our hometown — so that it and the surrounding region can grow and flourish once again.

Fortunately, we are not alone in this work, and a remarkable gathering of invested parties is creating a powerful movement. We are working hand-in-hand with local and national

foundations, the Mayor and community leaders, and nonprofits from many different disciplines to focus and coordinate efforts. We won't call upon just one approach or a single tool, but a massive concerted effort on multiple levels designed to have the highest impact over time — creating stronger neighborhoods, a competitive economy, a clean environment, a robust arts and culture ecosystem, and a revitalized downtown.

Through this sharing of ideas and resources, we are seeing factors align in Detroit's favor. New investments in the billions. Indomitable spirit in city neighborhoods. The momentum of success in such areas as the riverfront, the Eastern Market, the lower Woodward corridor and Midtown. All of these point to a Detroit that is emerging from difficult times — as it always has — with vital new approaches.