They sleep in parks and on sidewalks. They wrap themselves in blankets in store entrances and tattered sleeping bags in Metro stations. They huddle in tents and rest exposed on cardboard mats on Skid Row.

They’re the homeless of Los Angeles, California, a marginalized population that grew by an eye-popping 75 percent from 2011 to 2017. At 57,000 and counting, L.A.’s unsheltered community is the second-largest among U.S. cities, behind only New York.

In fact, homelessness in America would have fallen in 2017 if Los Angeles had been left out of the equation. Instead, the nationwide numbers grew by about 1 percent — the first spike in homelessness in the U.S. since 2010.

It was so bad in L.A. that city officials earlier declared a state of emergency on homelessness, describing the situation as “unprecedented and growing.” Multiple factors — a housing shortage, skyrocketing rents, job losses and lack of federal and state safety nets among them — have contributed to the crisis.

Taking action, Kresge partnered with several California–based funders to help the city stem the tide. The foundation’s approach has been strategic, innovative and focused on the system.

Many people who find themselves living on the streets face complex sets of challenges that both cause homelessness and keep them trapped in a cycle of poverty and despair: mental and physical health, substance–abuse and lack of access to government services are among the most common.
Attacking all of those problems at once comports with Kresge’s increasing emphasis on cross-disciplinary approaches to solving social problems.

**Partners in Innovation**

Kresge is a major partner in a unique, multipronged initiative designed to triple the number of permanent supportive housing units — homes that also provide support services to help people succeed on their own — built in Los Angeles each year. The foundation brought its expertise in health, human services, housing and social investments to the table when it joined the already established Accelerating Permanent Supportive Housing Initiative. The California Community Foundation (CCF), the Conrad N. Hilton Foundation, the Weingart Foundation and the City of Los Angeles kicked off the initiative, along with various nonprofit lenders and developers, in May 2016. Kresge joined shortly after. The goals are twofold: improving outcomes and reducing costs to tackle homelessness.

The partners have committed a combined $63 million to a revolving loan fund (a self-replenishing pool of money that uses interest and principal payments on old loans to issue new ones) to build 1,000 new permanent supportive housing units each year, more than tripling the previous build rate. Kresge’s contribution includes a $1 million, three-year grant — as well as a $6 million program-related investment — to provide "on the ground value that will have a catalytic effect," says Kimberlee Cornett, managing director of Kresge’s Social Investment Practice.

A major benefit of Kresge’s participation is that it "helps us leverage capital from more traditional sources," says Brigitt Jandreau-Smith, chief lending officer at CSH (formerly known as the Corporation for Supportive Housing), whose mission is to use housing as a platform to improve lives and communities while maximizing public resources. "And it helps us to create a longer-term plan" than would otherwise be the case.

Encampments are common in Los Angeles, where the homeless population has drastically increased since 2011.

PATH Executive Director Amy Anderson at a construction site for new supportive housing.
The initiative provides capital so nonprofit developers can start work on 10 to 15 new developments each year. Loans are made by CSH through its Supportive Housing Loan Fund. The $6 million loan from Kresge supports that fund, as well as catalyzing investment from donor-advised funds (DAFs) held at CCF. DAFs enable donors to make charitable contributions for which they receive an immediate tax benefit. The funds work similar to a health savings account in that donors contribute as often as they wish and advise where and when the money should be deployed. DAF dollars are traditionally awarded as grants. However, Kresge’s Social Investment Practice team has worked to encourage more such investors to use their money as impact investments, allowing the host to generate returns and recycle those funds for use again and again.

**A Long-Term Solution**

There is a difference between permanent supportive housing and low-income housing. The latter is for people who have basic supports in place like jobs, help from family and access to medical and mental health care.

By contrast, permanent supportive housing is “designed primarily for people with long histories of homelessness due to persistent obstacles like serious mental illness, substance use disorders or chronic medical problems,” according to CSH. Such housing is designed for residents who might otherwise cycle in and out of shelters, emergency rooms and publicly funded mental health care services, which places a heavy burden on those facilities and taxpayers.

In general, people living in supportive housing are assigned a caseworker, employed by the city at a ratio of one to every 25 units of housing. The caseworker helps residents access health care, seek counseling and obtain government benefits, such as Social Security Income, food assistance and other supports.

“There is data showing this type of housing leads to health improvements as well as cost savings in the public health system,” Cornett says.

There has already been success in L.A. The initiative has 1,000 units of supportive housing in the pipeline, and thousands of formerly homeless residents now have places to live as well as access to mental health and substance abuse treatment.

**Leveraging Resources**

Meanwhile, CCF was able to raise $4 million from their DAF account holders to partially replace the Kresge capital. As a result, CCF is repaying $1.5 million of its loan early — and serving as...
a great example of how Kresge’s resources can be leveraged to attract other capital.

“As individuals and families learn that DAFs can also be used as a source of investment (as opposed to only grantmaking), large amounts of philanthropic capital can be unlocked for socially beneficial purposes,” says Fred Karnas, senior fellow and head of Kresge’s internal housing workgroup.

Such loans are an approved use of DAFs, but are not often employed by community foundations. Here is where Kresge’s innovative approach comes into play.

For the Los Angeles initiative, the funds are drawn to make low-interest loans to nonprofit developers. Loans make the money "go further and be more impactful,” Cornett says. When the loans — which carry below-market interest rates — are paid back, the donors can then use the proceeds to direct grants to their favorite charities, including those involved in solving homelessness.

A host of nonprofit developers are working on projects across L.A., such as A Community of Friends, Clifford Beers Housing, LINC Housing, Los Angeles Family Housing, Mercy Housing California, New Directions for Veterans, PATH Ventures, the Skid Row Housing Trust and the SRO Housing Corp. Along with other interested developers, they can apply for loans through CSH.

“Nonprofit developers were very nervous” about the potential risk, says Ann Sewill, CCF vice president of health and housing. Kresge’s participation helped ease their minds, not only because of the money it provided, but also because it amounted to a stamp of approval from a major, national foundation.

“Kresge is both an investment partner and a thought partner,” Sewill says. Developers can also seek grants from United Way’s Home for Good Funders Collaborative. Those are meant to cover the cost of site acquisition, drawing up building plans and getting construction and zoning approvals from the city. As part of the initiative, the city’s planning and housing departments are streamlining approvals for the nonprofit developers.

Kresge’s participation brings another benefit to the program: It attracts participation from other organizations and financing institutions.

“A national foundation of Kresge’s reputation helps push the policy agenda forward,” Sewill says. And what Kresge is doing in L.A. can serve as an example in other regions dealing with similar issues.

“Our work in Los Angeles holds the potential to develop new models for other cities struggling to address the challenges of large populations of chronically homeless residents,” Karnas says.