THE KRESGE FOUNDATION

Betting BIG

Our $350 Million Commitment to Social Investing

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Social Investing Tools Prove Non-Negotiable in Advancing Kresge's Core Mission

RIP RAPSON

Philanthropic social investing exists at the bleeding edge of impact investing. What it lacks in scale, it makes up for in its ability to take risk, to value more than extractive return, and to combat the flawed biases so deeply rooted in traditional financial services.

In 2009, Kresge decided we had to build this way of working into our DNA. We started small, with a handful of no-interest loans to help the human services sector survive the economic downturn of that decade. We quickly leaned in, and by 2015, our board unanimously agreed to go bigger, committing 10% of the foundation's corpus to this work. This $350 million commitment would deploy program-related investments, guarantees, and other non-grant forms of capital into communities by 2020 and leverage $1 billion more from other investors.

What appeared to be correct to us in 2009 is crystalline now, more than a decade later, with that 2015 commitment fully honored. As our nonprofit partners embrace a cascade of ever-more intertwined and layered solutions to achieve their goals – so must we. Grants are essential, but organizations need diverse forms of capital. We expanded our tool set to meet that call. It's now impossible to consider working any other way.

The reason has to do with our values, especially those of respect, partnership, and equity.

Traditional markets were designed to serve people and communities with sufficient wealth to participate fully in them, not low-income families or low-wealth communities who can not. Kresge focuses on the latter.

The design of markets is tied to all-too-many pernicious traditions within portfolio allocation theory and credit underwriting that have actively discounted and discriminated against communities of color . . . that have failed to value the potential of collective action . . . and that have too often relied on extracting wealth from the lowest-income members of society.

Philanthropy has a clear and compelling role to play under such conditions. In seeking to deconstruct the drivers of discrimination and inequity. In priming the pump of reform. In designing alternative systems rooted in a very different values structure.

Indeed, philanthropy can take aim simultaneously at the market as it currently – and historically – functions and at a reconceptualized market hardware and software capable of ensuring full and inclusive participation of populations and communities that have been relegated to the sidelines or fenced out altogether. It is the only way to make significant reductions in the racial wealth gap . . . to ensure that high-quality and safe housing is affordable to all citizens . . . to prevent the deleterious effects of climate change from disproportionately falling on communities of color . . . to ensure full educational opportunity.

The question is what – exactly – this looks like, and whether philanthropy is adequately equipped to do it. The answer to this compound question varies dramatically across the philanthropic landscape. Foundations such as Ford and MacArthur have a long and distinguished legacy of creative finance, pioneering program-related investments over decades where market failure has been rampant. Others such as Omidyar and Case have more recently brought to bear deep institutional knowledge of the workings of private markets to leverage others into the impact investing space. Others yet have begun testing the waters of using their endowments to advance projects that generate market returns while fulfilling institutional mission.

Kresge has learned a great deal from all these approaches. As relative newcomers to the field of social investing, we have quickly recognized that our approach must be long-term, multi-faceted, and accretive – layering investments in the correct sequences in the proper doses over the correct period of time.

Social investments close only after painstaking planning, deliberations, stops and starts, and deal consummation anxieties. Invariably, each deal draws in accountants and attorneys, consultants armed with market studies, technical experts uncomfortable with this nit or nat. More often than not, the ground has to be cultivated by grants that fortify organizational capacity, offer technical assistance, and build the sinews of community buy-in. And always, each deal starts the machinery in motion all over again – even if an idea can be migrated from one deal to the next, it is rare that the same form and formulas apply.

Impact is, moreover, rarely achieved through the individual transaction. Instead, in Kresge's experience, impact comes through the threading of investments, grants, communications, convenings, policy work, and whatever other levers we can pull. You'll see how that works in the following pages of this document. I hope it will make clear that no matter how complex, nuanced, and time-consuming the process invariably can be, social investments can be the rocket fuel that accelerates the process of social change – the process of moving markets toward practices and impacts that are more equitable and just.

Leaning into the potential of the kind of work I've just described takes a staff that possesses not just uncommon financial sophistication but also mega-doses of patience and an all-absorbing commitment to improving the bedrock conditions of communities with low-wealth.

Through the magic of our Talent and Human Resources team at Kresge, we've assembled exactly that kind of team. The alchemy is nothing short of remarkable.

These are professionals capable of working in any sector, but who have chosen to bypass the glamour and financial reward of working in traditional investment markets . . . who have embraced the necessity of patient persistence . . . who realize that their success will hinge not on financial legerdemain, but instead on close collaboration with their program team counterparts who possess the kind of deep knowledge necessary to understand context and long-term effects.

I'm endlessly impressed with, and thankful for, the skills and commitment of Managing Director Aaron Seybert, of our newest Social Investment Officers Tosha Tabron and Erika Brice, of team assistant Julie Burlingame, of the portfolio management team of Joe Evans (who also serves as a Social Investment Officer for the Environment Program), Chris Cox and Will Guzman. I am also profoundly grateful for those who came before, building the practice in its earliest stages and, in so doing, leaving an indelible imprint on our work – most particularly Kimberlee Cornett and Kim Dempsey.

A hallmark of their approach, and a reason I believe our social investment work is particularly distinctive, is that the team applies these tools only when there is sharp fidelity to our programmatic strategies. Our mandate at Kresge is to make only those investments that propel our strategies forward and that dismantle capital barriers writ large along the way. Using novel tools simply for the sake of putting them into play is not our orientation. The tools are part of the totality of how one foundation can advance its core mission.

And, to return full circle, that mission is to contribute to the dismantling of the persistent and pervasive social, racial, and economic barriers that so shamefully impede pathways to equality and justice for low-income people and people of color.

Five Takeaways from Investing $350 Million

AARON SEYBERT

As Kresge's impact investing portfolio grew from a handful of partners to more than 80, and from a few no-interest loans to more than $300 million committed through program-related investments and guarantees, we learned lessons too numerous to share in this short space. Here are five that stand out.

Philanthropic capital comes with a high opportunity cost

Whenever we make a choice to do something we are making 100 choices not to do something. That means people who will not be served, organizations that will struggle, and brilliant ideas that could go undiscovered.

This is the single biggest thing that keeps me up at night. To decide what rises to the top, we try to evaluate transactions for impact at three levels:

1. The investment must have a high likelihood of generating clear, direct, positive impacts in people's lives. This needs to be obvious; it need not depend on the sun and moon aligning for low-income people to benefit.
2. It is likely to leverage significant outside capital and hopefully break down a capital barrier for partners and others similarly situated. Said another way, are we making it easier for our investee (and others like them) to access outside capital if this investment is successful?
3. Our investment has a shot at addressing a system-wide capital barrier and moving the broader field in a positive direction. This is hard to achieve, but in partnership with our program teams, we look for those rare opportunities to really shift a sector to serve low-income people better.

Duration is a powerful and hard-to-find quality in the investing marketplace, which sets us apart.

We can — and should — take a long view of problems. By our nature as a perpetual foundation, our dollars can stretch out into time in a way other investors might find untenable for the type of opportunities we invest in.

This is the one of the most important capabilities we bring to our partners; patience is hard to find in the marketplace.

In our portfolio, we have deals with terms up to 30 years. Investing for decades is no small decision, but it's one we have the luxury to consider. Big challenges rarely lend themselves to short-term solutions. This work takes generations, and we need to be as patient as the problems we face.

Foundations can easily get sidetracked by artificial portfolio construction rather than letting the problem set lead the solution set.

We learned that sometimes the problems you're trying to solve pull you far from the path of traditional portfolio allocation theory.

The traditional investor mindset prioritizes decision making based on the limitations of the investment capital (risk, duration, concentration, etc.) rather than centering the needs of people and communities. It bakes in many negative impulses and biases about what's risky and what's not. Adapting a traditional asset allocator approach to our work and tacking on impact at the end doesn't serve communities well because it doesn't center their needs from the start. We've had to abandon this traditional mindset and shape ourselves around the problems we are trying to solve. That's another luxury of philanthropic capital — no judgement of those traditional approaches, but that's not what we do.

Of course, we have to balance our ability to adapt to a problem with the desire to return our capital to the charitable budget and recycle it to serve more organizations. This is a careful dance we undertake with our partners in finance, the investment team, and our grant-making colleagues. There is no one-size-fits all solution to the mix of grant and PRI capital. What's helped us is remembering we are all on the same team and share the same goal: to create opportunity for low-income people in America's cities.

We can start with the people who need investment rather than with those who have dollars to invest.

Many impact investors are moving upstream, trying to change the behaviors of traditional institutional investors with the goal of doing less harm in the world and hopefully some good. There is value to that approach. However, for the reasons highlighted above, that's not a primary focus for Kresge. Yes, we want more impact investing capital out there, and yes, we want traditional investors to do less harm in the world. But if you center on those stakeholders, you dramatically limit what's possible with unconstrained philanthropic capital.

We can be the investor that will go to ground, look at a problem set, identify the capital barrier created by traditional investing orthodoxy, and create the intervention that pulls the market in a different direction. Only then should we ask, "Who else might join us?" Sometimes that's a large bank or insurance company. Sometimes a CDFI or DFA working in the community where we plan to invest. Sometimes we must do it ourselves. While we care about scale and sustainability, too often we see large, multi-investor, national initiatives fail to deliver the capital needed to generate the desired impact. They may generate a big splash but fizzle in their implementation. While we want to partner with others focused on impact, we also recognize the great oaks grow from small seeds. We have to be unafraid to invest in the right solution, even if its not the biggest or flashiest solution out there, and even if it means going alone sometimes.

Beware over-structuring

It's easy to over-engineer an investment. We did it more than once.

Sometimes in the hunt to create a structure that's both complex and elegant, you can lose sight of what you are trying to do and who you want to serve.

Always, when building toward a complex investment structure, pause to ask why it needs to be so. Would a simpler structure have the same social impact? What can you let go of? Are you as a philanthropic investor bending to the needs of a more traditional investor, thereby reinforcing the biases and barriers you're trying to address in the first place? Can you find another way? And finally, who is bearing the risk and administrative burden of the transaction you structure?

Big Bet: A $350 Million Commitment to Tip Markets Toward Equity

ANJALI DESHMUKH

DEVELOPMENTS IN MEMPHIS' EDGE DISTRICT INCLUDE THE RISE APARTMENTS, A NEW 200-UNIT COMPLEX, AND THE CYCLE SHOP, A HISTORIC BUILDING BEING RENOVATED AND REHABBED. THE EDGE IS A NEIGHBORHOOD INSIDE THE MEMPHIS MEDICAL DISTRICT, WHERE A NEWLY CREATED $30-MILLION FUND IS SPURRING INCLUSIVE DEVELOPMENT.

The year 2015 marked a milestone for Kresge's Social Investment Practice. Seven years after the Great Recession tore through communities, recovery was still an empty promise for millions of Americans who had lost jobs, homes and savings. New research on the racial wealth gap drew a terrifying trajectory for America's future.

Kresge, like other foundations, was asking difficult questions about the role of philanthropy as inequity entrenched deeper into systems and markets.

What was clear was that asset owners needed to direct more capital into the places the system was failing – to low-income communities in particular. And powerful tools like program-related investments, guarantees and equity, which Kresge first put to use in 2009, could amplify grantmaking, bring together capital providers motivated by different goals, and directly address community needs.

"Grants are a necessary vehicle for change. But the problems Kresge takes on won't be solved by even the most sophisticated, strategic grantmaking alone," said Aaron Seybert, managing director of Kresge's Social Investment Practice. "When you're tackling systemic issues such as climate change, college access, and community development in disinvested places, you need to pull every lever of change. One approach won't cut it. We needed to unlock capital in multiples of what our grant budgets alone can contribute, and social investments are the key to doing that."

That motivation drove Kresge's 2015 commitment to make $350 million in social investments by 2020 and to leverage $1 billion from other investors along the way. The commitment included a $150 million pool for program-related investments, $150 million for guarantees and $50 for mission-related investments via the endowment.

By the end of 2020, Kresge had made more than 100 social investments that sparked new insights on the roles that philanthropic capital can play in moving capital to fight structural inequity.

Translating Needs

More and more traditional investors purport to want to address inequity and create economic opportunity, but they work in a system with built-in biases that show up in how they evaluate risk, Seybert said. And more than anything, they center the needs of the folks who provide capital.

Kresge's Social Investment team understands that dynamic and works side-by-side with its grantmaking colleagues to understand their strategies for addressing low-income community needs, which come from a place of centering people. Social investors can then be the conduit that connects those two disparate threads.

"We take the approach of trying to understand the needs of the communities we serve, and then translate that into products that are investable but still responsive to community first," Seybert said. "Although it seems obvious, these contextual dynamics affecting how we collaborate—or don't—often get overlooked."

Inside the foundation, Kresge realized that the people who understood financial systems and the people who understood political and social systems were not always the same people. They also often had different priorities and skills. To bridge these cultures, the foundation redesigned teams and processes to spark partnership between the social investment unit and its seven program areas.

Today, the Social Investment team regularly brings knowledge of capital markets to the program teams' strategies for social and environmental change.

From Relationships to Collaborations

Outside foundation walls, Kresge surpassed its goal to leverage $1 billion in investments in 2019. Of the investments made from 2015-2020, almost all helped directly attract or enable other stakeholders to participate.

Among them is the Detroit Home Mortgage (DHM) program, created in 2017 and managed by the Community Reinvestment Fund (CRF). Through it, buyers of single-family homes could get a first mortgage based on the appraised value of the home and a second mortgage of up to $75,000 beyond the appraised value. Kresge, the State of Michigan, and the Ford Foundation provided $11 million in grants and guarantees to secure participation from six local banks.

Lessons from another Detroit investment, the Woodward Corridor Investment Fund, helped make the Memphis Medical District Investment Fund (MMDIF) possible in 2020, in partnership with local banks — Regions, First Horizon, and Trust — Pathway Lending, the Memphis Medical District Collaborative (MMDC) and the Hyde Family Foundation. The $30 million fund

A WOMAN STANDS IN FRONT OF A HOME MORTGAGED THROUGH DETROIT HOME MORTGAGE.

supports residential and mixed-use projects in an area with high poverty rates and a gap, like Detroit, between appraised property values and what mortgage ratios require. MMDIF manager, Pathway Lending, was able to capitalize the fund because of a guarantee of up to $4.5 million from Kresge.

"Time and again, we've worked to build relationships that lead to the unlocking of capital for communities. The playbook is always unique to the place, but what we learn in one city we can apply in another. Starting with strong relationships built on trust is the key, no matter where you're working," Seybert said.

Focusing on Systemic Change

The art of perfecting capital tools or shaping new ones can become a distraction, said Seybert. When should foundations focus on standardizing or creating financial products if organizations need it, and when should they focus on preventing the demand in the first place?

"Because foundation capital is quite small relative to the $100 trillion global capital market, we're constantly asking ourselves how to make the most of it. And this question gets harder to answer as you seek to connect capital tools to systemic change," explains Seybert.

"For example, there's no formula to decide whether to structure philanthropic capital to incentivize banks to lend in a broken mortgage lending market, provide grants to local land trusts, or support an organization seeking to increase government benefits that help homeowners improve their properties. In the absence, investors sometimes fall back on where our expertise lies or what's new to us."

Focusing on root causes of systemic failures, rather than financial tools, didn't necessarily lead to a formula. But it did open the door to the idea of supporting the infrastructure of community development, which includes loan funds, credit unions, networks, and various nonprofit investors dedicated exclusively to investing in low-income communities.

Often community development financial institutions (CDFIs) became frequent partners in this work, because of their understanding of local dynamics, ability to contribute to policy discussions, and their commitment to providing business counseling to their investees. Foundation capital invested via CDFIs can bolster specialized financial products and spread field-wide practices, while boosting greater coordination with government entities such as the CDFI Fund.

From Financial Tools to Financial Infrastructure

Starting in 2014, Kresge began making both grants and loans to strengthen community development infrastructure, which only intensified during its $350 million commitment. Two initiatives demonstrate that most vividly.

Through Kresge Community Finance, the foundation made $28 million in standardized loans to 14 CDFIs and Development Finance Agencies (DFAs) to directly impact its program strategies in human services, Creative Placemaking, health, environment, and community development in places like Detroit, Memphis and New Orleans. The goal was to show the field a proof point, a demonstration of making patient capital available at scale, via a standard process.

Similarly, after years leveraging its balance sheet to provide guarantees, Kresge realized it was filling a market need that was bigger than its social investing capital could or should fill on its own. To address the gap, Kresge collaborated with nearly a dozen partners to seed the first-ever guarantee pool dedicated to community investment, managed by Locus Impact Investing.

"The Community Investment Guarantee Pool (CIGP) standardizes what can be standardized in providing guarantees, without losing the individualized care that mission-driven organizations deserve," says Joe Evans, the team's Portfolio Manager and a Social Investment Officer.

To share knowledge with other investors, the social investing team worked with Kresge's communications department to launch DevelopStrongCities.org. There, investors can find concrete examples of how community development finance supports the creation of affordable housing, invests in small businesses, and supports equitable development.

The View Ahead

People and institutions with money often have outsized structural and systemic power. As the social investing team looks to the future, it will build on what it learned between 2015-2020 while finding ways to increasingly center investee voices.

"To bring capital into large projects, foundations can unintentionally find themselves prioritizing investor voices over the voices of community groups that are meant to benefit from investment," Seybert said. "For BIPOC communities in cities, generations of gentrification and displacement show how systems of revitalization fail the people they should serve."

KRESGE INVESTEE POSIGEN'S CUSTOMER GERNARD EADDY SHARES WHY HE INSTALLED SOLAR ON HIS HOME.

This shift is already evident in recent investments, as the foundation has doubled down on centering racial equity in its work.

One example: a $5 million loan in 2019 helped PosiGen grow in New Orleans and other cities. PosiGen was formed to bring the cost savings from electrification to communities without requiring minimum credit scores. It targets communities with low incomes, and 50% of their systems were leased by people of color. PosiGen works closely with local community groups and hires staff from the places they serve.

Just as Kresge neared its goal to make $350 million in social investments, the COVID pandemic struck, echoing past injustice in frighteningly similar ways. BIPOC communities have been hit harder on every front while receiving fewer government resources, like PPP loans.

The team's relationship with CRF made it possible to quickly provide a PRI loan to them in 2020 that helped CRF make PPP loans to 16 Detroit-based nonprofits. Without their support, far fewer nonprofits would have received PPP loans in Detroit.

Many questions driving Kresge's evolution wait for better answers; market transformations have yet to materialize en masse.

But the recapitulation of how Kresge deploys capital and the systems it has built both internally and in the field position the foundation well to keep leading that fight.

"The bridges and infrastructure we built over the years have put us in a remarkably different position than we were in a decade ago," Seybert said. "Now, when crisis hits, we know local organizations that can help. We can activate quickly to address urgent needs. In partnership with program teams, we can also illuminate unjust government policies and use our capital to redirect or complement government resources in equitable ways."

SIP Timeline

2008

The Great Recession hits America, leading to rising unemployment.

2009

Social Investment Practice, then called Innovative Capital, forms. The first investments made are 14 no-interest loans to human services agencies.

2010

Kimberlee Cornett hired as first head of Social Investment Practice

2011

Kresge makes largest investment to date, a $10 million loan to **Opportunity Finance Network** to support small businesses and nonprofit organizations in low- and moderate-income communities.

2015

Trustees approve $350 million commitment. Prior to this commitment, budgets were set annually for social investing.

Healthy Futures Fund grows to $100 million.

2016

Kresge Community Finance launches, ultimately investing $28 million in standard deals to 14 partners working in America's cities.

2017

The Social Investment Practice wins the Council on Foundations HUD award for public-private partnership for its investments in **Detroit Home Mortgage.**

Kresge joins $90 million **SPARCC initiative** to invest in equitable infrastructure.

2018

Largest pay-for-success fund to date, **Maycomb Capital,** launches with Kresge support (see story on page 15).

2019

Kresge commits a $15 million guarantee to **Arctaris Impact Partners** for its Opportunity Zones Fund.

Aaron Seybert named managing director of the Social Investment Practice.

2020

The **Community Investment Guarantee Pool** launches after years of incubation at Kresge.

In response to the COVID-19 pandemic, the team supports PPP loans to Detroit nonprofits through investment in **Community Reinvestment Fund.**

A $22 million financing package closes to secure funding for the **Marygrove Early Education Center.**

Housing Investment Gives Veteran New Life

National Housing Trust's HOPE initiative allows access to homes in prime school districts | ESHA CHHABRA

OVERHEAD VIEW OF THE BRIDGE AT ASHER APARTMENTS IN AUSTIN, TEXAS. PHOTO BY JAY JANNER/ USA TODAY

For Steven Pool, a veteran who has been homeless, battled addiction, and is disabled, the Bridge at Asher apartment he rents is more than just a place to live. In Austin, a city that's becoming increasingly expensive and hard for those reckoning with physical and mental health issues, the Asher complex has become a refuge.

Though he's dealing with physical pain daily, he says the staff at Asher have been thoughtful about his needs: situated on the first floor, he can be independent and move about freely, despite his disabilities.

"It's a great fit," Pool said. "And that's what they do. They try to make it work for each resident's needs."

A $72 million acquisition and renovation of the property in 2019 made that possible. The Austin Affordable Housing Corporation partnered with the National Housing Trust through its initiative called HOPE (Housing Opportunity Partner Engagement), which received a $4 million program-related investment loan from Kresge's Social Investment Practice in 2017.

Of the 452 units at Asher, 15% are slotted for individuals and families who qualify for affordable housing vouchers.

HOPE partners with local housing authorities across the country and converts about 15 to 20% of units in select facilities to Section 8 housing. These dwellings are purposefully located near blue-ribbon school districts to foster growth and make middle-class neighborhoods more accessible to low-income residents.

"One of the challenges that we in the affordable housing community have had for a long time is getting vouchers into neighborhoods of opportunity. Historically, vouchers have been relegated largely to low-cost neighborhoods," says Priya Jayachandran, President of the National Housing Trust. "That's what we set out to change with this project."

Built in 2002 in south Austin, the Bridge at Asher apartments are in what Jayachandran refers to as a "neighborhood of opportunity." There are high quality schools nearby, businesses to offer employment, easy transportation, and safe public spaces for recreation.

For the 35 families (and growing) that currently reside there under the voucher program, it meant a new beginning, says Alexis Peers, Asher's assistant community director.

Pool, for instance, had spent much of 2019 camping and homeless in Austin, while fighting PTSD. Prior to that, he dealt with an opioid addiction, due in part to managing injuries sustained while serving. He came to Asher in early 2020 when the COVID-19 pandemic broke out. Now, he says, he's in a much better headspace, thanks to the welcoming attitude of the staff and community.

"Everyone is so kind, helpful, and the staff are such a nice young group who are not motivated by money, but by serving others. And isn't that what life's about?"

Not only has he continued to be clean for 9 years and counting, he's also developed a strong friend circle, he says, and finds himself more hopeful about life going forward. "You can turn it around. It's a hard road, but it can be done, especially if you have people supporting you."

Other residents include families living on a tight income. One of the primary tenets of HOPE is to improve access to highly-rated schools. The aim is to have 100 children move into the Asher community and attend the local school, where they can receive a superior education and set up their families to break the cycle of poverty in the long run.

Peers says it's worked out effectively. "The variety actually helps. Everyone is respectful to one another. And the pandemic has helped us see our similarities, rather than our differences. It's been a rewarding journey for us staff as well."

Funding Where Climate Change, Social Inequity, and Clean Energy Meet

Inclusive Prosperity Capital gives boost to BlocPower | ESHA CHHABRA

BLOCPOWER CEO AND FOUNDER DONNEL BAIRD POSES FOR A PORTRAIT IN BROOKLYN. PHOTO BY REUTERS.

BlocPower, a New York-based company, brings energy efficiency to homes, churches, and schools in under-resourced communities across the country. What started with $5 million, thanks to Inclusive Prosperity Capital (IPC), has grown to more than $50 million in investment for this unique startup, including from some of the country's most well-known investment banks.

IPC is a Connecticut-based nonprofit investment fund that specializes in energy financing for underserved communities. Its team met with BlocPower in 2019, in the wake of a new partnership with Kresge's Social Investment team. Kresge made a $10 million guarantee commitment to the organization in 2018 in partnership with its Environment Program with a goal to help bring cutting-edge green technologies or business models to low- and moderate-income communities.

Cullen Kasunic, BlocPower's chief financial officer, calls IPC the "forward-thinking, edgy investor who gets behind new projects and technologies." Backed by Kresge's guarantee, IPC loaned BlocPower the catalytic funds it needed quickly. BlocPower then secured further funding from New York Green Bank, where they had "tried before and were unsuccessful, but this time around, we were able to get through," Kasunic explains.

"We're often the first money in through the door, at the concept stage," says Kerry O'Neill, CEO of IPC, "and this allows other money to come in and scale up the idea."

Investors could then see that BlocPower was a trustworthy business with potential. In the midst of the COVID-19 pandemic, BlocPower secured an additional $50 million from Goldman Sachs.

IPC has now backed a host of projects across America tackling the intersection of climate change, social inequity, and clean energy. In addition to BlocPower, there's EcoWorks in Detroit, Fleet Solar in eastern Oregon, Catholic Charities in Southern Nevada, and more, amounting to over $11.25M capital invested nationally.

Each has a direct community impact. BlocPower, for instance, has retrofitted more than 1,000 buildings in disadvantaged neighborhoods in New York City and has projects underway in 24 more U.S. cities.

This includes the Cornerstone Baptist Church in Brooklyn, which has a multi-family building as its parsonage. The building dates back to the 1930s, resulting in uneven heating issues and high winter heating bills. BlocPower helped transition it from a central system to mini air source heat pumps. These move air more efficiently than a forced air unit and bring down monthly costs. The 2,900 square foot building now has heating and cooling units in each room on a monthly lease payment that didn't require the tenants to provide any upfront capital.

Similarly, the Bright Light Baptist Church, a historic Brooklyn building, was struggling with poor lighting and high energy bills. BlocPower used incentives available through Con Edison to update 486 lighting fixtures with new LED lights. The church not only will save an estimated $7,000 in energy bills, but it'll also use less energy.

BlocPower is also looking more closely at stoves, which can improve resident health. Electric gas stoves prove to be healthier than natural gas stoves, which have been linked to asthma. Near Bright Light, there are twice as many asthma hospitalizations among children compared to the city of Brooklyn.

"So much of the emphasis is just on clean energy, but they're also on health and wellness. And in low income communities, that's just as vital," Kasunic says.

Paying to see Memphis Children Succeed

Guarantee helps launch Community Outcomes Fund, a first-of-its-kind fund to scale results-based financing | ESHA CHHABRA

A TEACHER READS A STORY TO A PRE-SCHOOL CLASSROOM IN SHELBY COUNTY, TENNESSEE.

Outcomes-based financing has a simple premise: ideas that work should be funded further by the public sector, and projects that don't deliver results can be dropped after a testing phase.

Andrea Phillips is a pioneer in this type of finance and compares it to angel investing for the philanthropic space: financiers willing to take on risk provide working capital to a nonprofit or service provider, and then, hopefully, help them scale it, if successful.

"We can't philanthropy our way out of poverty," Phillips says. "The government is the largest purchaser of services for the poor and disadvantaged: between $800 billion and $1 trillion a year. We're trying to ensure that those dollars are aligned with the desired outcome."

Phillips was one of the first advocates for outcomes-based financing. Through trial and error, Phillips learned the power in coupling private and public sectors with impact-driven organizations to scale work more effectively. Then she launched her own enterprise: Maycomb Capital.

Maycomb's goal was to raise $75 million from partners, including Kresge, which provided a $10 million loan guarantee to the Community Outcomes Fund, one of the only pay-for-success funds of its kind.

The fund addresses human services outcomes such as early childhood education. Since its launch, it's seen early success investing in early childhood education in Shelby County, Tennessee. While other localities have seen publicly-funded preschool become a norm, in Tennessee, it needed to be proven to local leaders, says Dr. Kandace Thomas, Executive Director of First 8 Memphis.

"People in the community were unsure about investing in pre-K," Thomas says. "With Maycomb and the outcomes financing project, we were able to build confidence in our leaders, that we can measure outcomes, and our children are actually doing better."

First 8 Memphis is a nonprofit that works with families on comprehensive care in and out of the classroom. "We want to ensure that every child is in a pre-K program, irrespective of their family's income," Thomas says.

The majority of the children in the program are Black or African American (81%); the remaining 14% are Hispanic or Latinx, and 5% are white. And since it's a needs-based program, many of these children come from low-income households.

The goal is to offer 1,980 low-income 4-year-olds a free education and care over two school years through this project, which started in 2019. In the first year, First 8 Memphis had enrolled 1,402 children, and 90 percent of them were ready for kindergarten. The Outcomes Fund supported 49 out of 67 classrooms in the program.

"Without Maycomb's support, we would have not gotten this far," Thomas says. "Beyond just funding, they've been a critical thought partner in helping us create high-quality pre-K programs that are seamless for children, irrespective of what school or program they're in."

Children in the program receive robust wrap-around services while teachers get access to high-quality professional development.

The program must hit multiple benchmarks related to consistent attendance, pre-literary and early reading skills and readiness for Kindergarten to prove the intervention worked and allow the public entities involved to be paid back.

They didn't anticipate having to run this program through a pandemic. Yet, Thomas says the children kept their reading levels up and were on par with 2019 results. "That's huge, in a pandemic which affects low-income families and those of color especially (hard). That's a great achievement for us and for these kids."

It's this very model of beta-testing programs to get more public funding and support that pushes Phillips to redesign "impact" financing.

"We're trying to help accelerate a relatively new market. For me and for the team, the potential impact and potential scale of the ripple effect we could have on low-income communities is incredibly compelling. That's why we do it," she says.

PRI Loans

Investment Partners	Initiative/Fund	Program	Total Committed **$150,004,571**
Baltimore Environmental Impact Bond		Environment	$3.1 million
Blue Hub Capital	Kresge Community Finance	Arts & Culture	$3 million
Bridgeway Capital		Health	$1.5 million
California Community Foundation		Health	$5.5 million
Capital Impact Partners	Kresge Community Finance	Health	$2 million
Capital Impact Partners	Michigan Good Food Fund	Health	$800,000
Capital Link		Health	$2.25 million
Capital Link		Health	$250,000
Coastal Enterprises		Community Development	$260,000
College Forward		Education	$600,000
Colorado Coalition for the Homeless		Human Services	$3 million
Community Development Trust	Strong Family Fund	Human Services	$1.43 million
Community Reinvestment Fund	PPP Loans	Detroit	$2 million
Community Reinvestment Fund	Community Relief Fund II	Detroit	$2 million
Cook Inlet Housing Authority		Arts & Culture	$3 million
Cooperative Fund of New England	Kresge Community Finance	Health	$1 million
Council for Adult & Experiential Learning		Education	$2 million
Council for Native Hawaiian Advancment	Kresge Community Finance	Human Services	$500,000
Direct Dermatology, Inc.		Health	$572,000
Eastern Market Corporation		Detroit	$750,000
EDGE for Memphis & Shelby County	Kresge Community Finance	Arts & Culture	$1 million
Enterprise Community Loan Fund	Kresge Community Finance	Detroit	$2 million
Forward Community Investments	Kresge Community Finance	Health	$1 million
Freshwater Trust		Environment	$800,000
Fresno Housing Authority		American Cities	$2 million
Goodwill		Human Services	$2.9 million
Greenprint Partners		Environment	$750,000
Greenprint Partners		Environment	$750,000
Hope Credit Union		American Cities	$3 million
Housing Partnership Fund		Health	$3 million
IFF		Health	$5 million
IFF		Detroit	$3 million
Inclusiv		Human Services	$5 million
Inclusiv	Southern Equity Fund	Human Services	$1 million
Inclusive Prosperity Capital	Kresge Community Finance	Environment	$3 million

Investment Partners	Initiative/Fund	Program	Total Committed $150,004,571
Invest Detroit		Detroit	$1 million
JEI Development Co.		Detroit	$2 million
LISC	Healthy Futures Fund	Health	$7 million
Living Cities	Catalyst Fund	Community Development	$691,000
Living Cities	Catalyst Fund	Community Development	$1.3 million
Living Cities	Blended Catalyst Fund	Community Development	$2 million
Massachusetts Housing Investment Corp.		Health	$5 million
Marygrove	Liv6	Detroit	$500,000
Memphis Medical District Collaborative	Predevelopment Fund	American Cities	$1 million
National Federation of Community Development Credit Unions		Human Services	$1.5 million
National Housing Trust		American Cities	$6 million
National Housing Trust Community Development Trust	Kresge Community Finance	Environment	$2.5 million
National Student Clearinghouse		Education	$2 million
NeighborWorks Capital		Human Services	$5 million
NewCorp, Inc.	BuildNOLA	American Cities	$2 million
New Jersey Community Capital		Arts & Culture	$2.5 million
Omada Health Inc.		Health	$500,000
Opportunity Finance Network		Social Invest-ment Practice	$10 million
Pathway Lending		Human Services	$2.5 million
Port of Greater Cincinnati Development Authority		American Cities	$5 million
PosiGen, Inc.		Environment	$5 million
Propel Nonprofits		Arts & Culture	$1.5 million
Reinvestment Fund, Inc.		Environment	$1.5 million
Reinvestment Fund, Inc.	Kresge Community Finance	Arts & Culture	$3 million
Seamless		Health	$750,000
Self-Help Ventures Fund	Kresge Community Finance	Health	$3 million
Social Finance	Center for Employment Opportunities	Human Services	$100,000
Social Finance	Jewish Vocational Services	Human Services	$350,000
South Carolina Community Loan Fund		Health	$500,000
St. Paul Port Authority	Kresge Community Finance	Environment	$3 million
St. Vincent de Paul of Lane County		Human Services	$120,000
St. Vincent de Paul of Lane County		Human Services	$215,000
Youth Services Inc.	Roca	Human Services	$1.3 million

Guarantees

Investment Partners	Initiative/Fund	Program	Total Committed $150,000,000
Arctaris	Opportunity Zone Fund	Social Investment Practice	$15 million
Artspace		Arts & Culture	$486,000
Aura Mortgage Advisors	Stabilizing Urban Neighborhoods	American Cities	$3 million
Capital Impact Partners	Detroit Neighborhoods Fund	Detroit	$2 million
Cinnaire	Strong Families Fund	Human Services	$450,000
Colorado Housing Finance Authority	Mixed Income, Mixed Use	American Cities	$2 million
Commons Energy L3C		Environment	$2 million
Community Capital Management		Social Investment Practice	$7 million
Community Reinvestment Fund	Detroit Home Mortgage	Detroit	$1.2 million
Community Reinvestment Fund	Detroit Home Mortgage	Detroit	$6 million
Detroit Development Fund	Entrepreneurs of Color Fund	Detroit	$1.4 million
Enterprise Community Loan Fund	SPARCC	Health	$2.5 million
IFF	Marygrove Conservancy	Detroit	$4 million
Inclusive Prosperity Capital		Environment	$10 million
Invest Detroit		Detroit	$1 million
LIIF, TRF, PCDC, GS & RF	HealthCo	Health	Health
LISC	Detroit Affordable Housing Fund	Detroit	$10 million
LISC	Healthy Futures Fund	Health	$2.5 million
Locus Impact Investing	Community Investment Guarantee Pool	Social Investment Practice	$10 million
Low Income Investment Fund/The Reinvestment Fund	Federally Qualified Health Centers	Health	$1 million
Low Income Investment Fund	SPARCC	Health	$2.5 million
Massachusetts Housing Investment Corp.	Healthy Neighborhood Equity Fund	Health	$1.8 million
Massachusetts Housing Investment Corp		Health	$1 million
Marygrove		Detroit	$3.8 million
Marygrove		Detroit	$1.3 million
Marygrove Conservancy		Detroit	$4 million
Marygrove Conservancy		Detroit	$15 million
Marygrove		Detroit	$5.2 million
Maycomb Capital	Community Outcomes Fund	Human Services	$10 million
National Affordable Housing Trust	Strong Families Fund	Human Services	$2 million
NewCorp		American Cities	$2 million
NYCEEC	Financing Resilient Power	Environment	$3 million
Pathway Lending	Memphis Medical District Investment Fund	American Cities	$4.5 million
Prudential		American Cities	$10 million

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