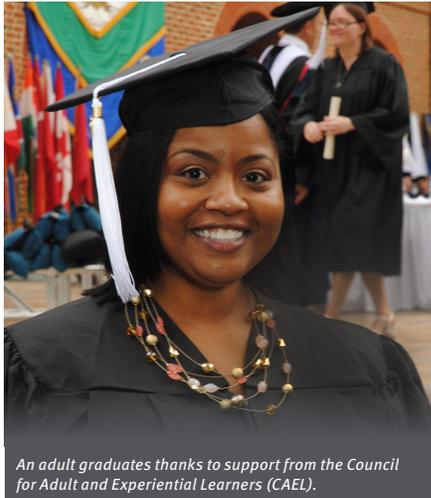
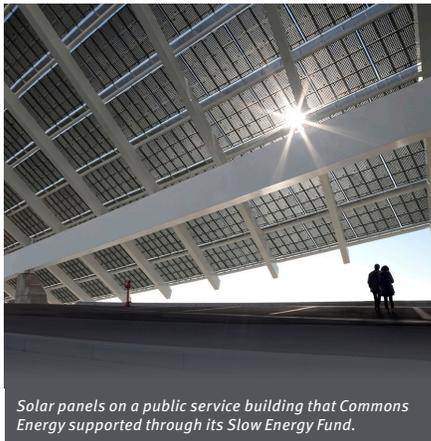


Social Investment Practice 2016



An adult graduates thanks to support from the Council for Adult and Experiential Learners (CAEL).



Solar panels on a public service building that Commons Energy supported through its Slow Energy Fund.



A resident stands outside a renovated housing unit at the ground-breaking of the Deborah Strong Housing development, a project of the Strong Families Fund.

In 2015, The Kresge Foundation's approach to addressing complex social problems hit a pivot point. During the previous five years, Kresge significantly increased its social investments portfolio, built its investment skill-set, strengthened its back-office systems and reoriented its internal culture, all to support an increased focus on using multiple forms of capital. After laying this necessary groundwork, Kresge has made an institutional shift to deploy a full complement of investment tools – alongside the cultivation of deep relationships that bridge sectors – to speed and scale improving opportunities for low-income people in America's cities.

That was the resounding message sent in September 2015, when Kresge's Board of Trustees approved a \$350 million commitment to its impact-investing work, with a mandate to put the resources to work by 2020 and leverage \$1 billion from other investors. This \$350 million, multi-year commitment represents approximately 10 percent of the foundation's endowment and puts Kresge in the top echelon of philanthropies most dedicated to the use of multiple capital tools.

Kresge makes social investments to advance the foundation's programmatic strategies through debt, equity investments, deposits and unfunded non-cash guarantees, as well as market-rate, mission-aligned investments from its corpus. The Social Investment Practice also awards small grants.

“No longer are grantmaking and social investing two disparate strands of investment,” said Kresge Foundation President and CEO Rip Rapson. **“The new model is an integrated one, where different investment types work together toward the same end.”**

To invest the \$350 million, the foundation will:

- Expand capital sources for communities through loans to community development financial institutions, development finance agencies and credit unions;
- Make strategic investments in sectors aligned with Kresge programs;
- Invest in developers, intermediaries and funds that focus on mixed-income housing and mixed-use development; and,
- Make market-rate, mission-aligned investments.

Nine investments were approved in 2015 across all the foundation's programs. These transactions leveraged more than \$113.5 million from a variety of other investors, demonstrating the foundation's ability to unlock capital and move more resources into underserved communities.

Capital Impact Partners

Arlington, Va.

\$2 MILLION GUARANTEE

This guarantee supports the Detroit Neighborhoods Fund, which invests in projects that accelerate opportunity, job growth, density and a higher quality of life for all local residents. The fund provides loans to multifamily residential, mixed use and healthy food retail real estate projects in Midtown, the greater Woodward Corridor (New Center, North End, and Eastern Market) and other specifically identified distressed Detroit neighborhoods. JP Morgan Chase modeled the fund after the Woodward Corridor Investment Fund, of which Kresge was the key architect, demonstrating the foundation's ongoing influence on real estate development and finance in the city.

Capital Impact Partners

Arlington, Va.

\$800,000 LOAN

The Michigan Good Food Fund (MGFF) is a public-private partnership fund created to finance healthy food production, distribution, processing and retail projects that benefit underserved communities throughout Michigan. It is designed to provide flexible capital and grant investments to healthy food enterprises often overlooked by traditional financial institutions. MGFF also offers business assistance to help entrepreneurs grow their ventures and prepare for financing.

Commons Energy

Burlington, Vt.

UP TO \$2 MILLION GUARANTEE

This guarantee will provide credit enhancement for the Slow Energy Fund, a fund of up to \$20 million in investment capital to finance energy efficient building upgrades in public-serving buildings including affordable housing developments, schools, health centers and municipal government facilities. The goal of the fund is to lower energy consumption in small- to medium-sized buildings that serve a public purpose, allowing owners to repay the cost of investment through savings generated from the efficiency upgrades.

Council for Adult and Experiential Learning (CAEL)

Chicago, Ill.

UP TO \$2 MILLION

This investment represents the next evolution in the foundation's support of Learning Counts, an effort to scale a new approach to prior-learning assessment, a process through which adult learners can earn college credits for knowledge gained outside a traditional classroom. Through Learning Counts, individuals may earn up to 21 college credits for prior learning, all at an affordable cost, expediting their path to degree completion.

Healthy Futures Fund (HFF)

The fund was formed in 2012 with support from Morgan Stanley, Kresge and Local Initiatives Support Corporation (LISC) with the goal to improve primary access care in low-income communities. The fund uses both New-Market Tax Credits to invest in Federally Qualified Health Centers, and Low-Income Housing Tax Credits to invest in affordable housing developments with on-site health services.

Local Initiatives Support Corporation (LISC)

New York, N.Y.

\$2.5 MILLION GUARANTEE

In the second round of funding for HFF, the program will target health centers intentionally working to address the social determinants of health through partnerships and community development. Projects will address health issues such as diet and exercise, tobacco use, social and economic factors and physical environment. Dignity Health joined as a lender in this round, which is expected to result in investments in more than 10 health centers and housing developments.

IFF

Chicago, Ill.

\$3 MILLION LOAN

This loan allows IFF to provide capital to high-quality early childhood centers in Southeast Michigan and other community facilities. Sixty percent of the funds are to be spent in Detroit. This loan supports a new initiative, KEYS (Kresge Early Years for Success): Detroit, which seeks to improve the early childhood system in Detroit and ensure all children are ready for kindergarten. IFF opened its Detroit office in 2014 and to date has made more than \$10 million in loans to a range of community facilities.

Living Cities

\$2 MILLION LOAN

The Living Cities Blended Catalyst Fund will invest in innovations to advance economic opportunity for low-income people in cities. Living Cities is a collaborative of foundations and financial institutions that makes high-impact investments in community development.

Mercy Housing California

San Francisco, Calif.

UP TO
\$3.5 MILLION
IN EQUITY

This equity investment will support the development of new housing units for homeless people who are frequent users of health and emergency services. Kresge's equity investment is part of a new financing model being tested to expand capital sources for this type of housing. The Supportive Housing Accelerator has a mission to provide quality housing to homeless populations, improving their physical and mental health and reducing public sector costs. Mercy has developed 128 rental properties across 36 counties in California to serve low-income families, seniors and individuals.

New Jersey Community Capital

New Brunswick, N.J.

\$2.5 MILLION
LOAN

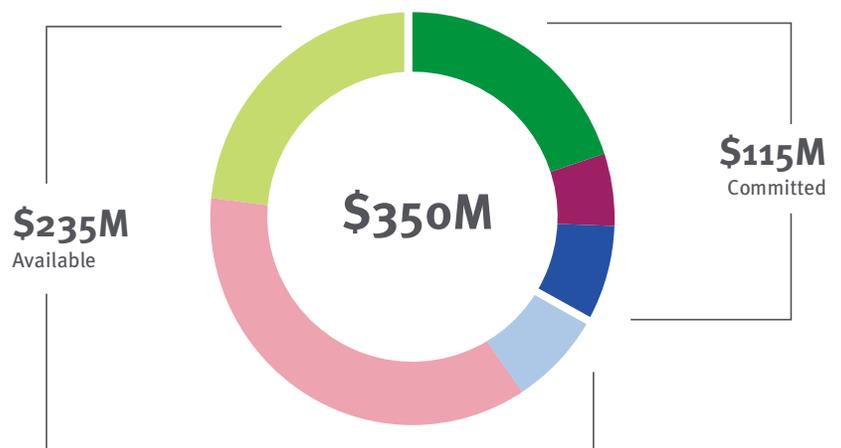
This loan will provide capitalization and credit support for a \$12 million New Jersey Creative Placemaking Fund. The fund will support catalytic projects that integrate arts and culture with broad-based neighborhood development strategies, and that generate significant community impacts. This revolving loan fund will provide flexible and affordable capital for the strategic acquisition, construction, and development of projects in low income communities in New Jersey.

Why we do our work

We influence and advance how markets work on behalf of low-income people and those who serve them in partnership with practitioners, investors, policymakers and governments.

The way we do our work

We make bold social investments that are flexible, creative and responsive to unlock capital for the benefit of low-income people in cities, and demonstrate the role of strategic philanthropy in solving complex social problems.



Kresge Social Investments

	PRI	PRI (Guarantee)	MRI
Available	\$80M	\$130M	\$25M
Committed	\$70M	\$20M	\$25M
Total	\$150M	\$150M	\$50M

PRI: Program-Related Investments | MRI: Mission-Related Investments

Kresge Social Investments CONTINUED

OTHER ACTIVE PROGRAM-RELATED INVESTMENTS

Artspace (2011)*

Minneapolis, Minn.
\$486,000 guarantee

Calvert Foundation (2013)*

Bethesda, Md.
\$1.25 million guarantee

Coastal Enterprises Inc. (2013)

Wiscasset, Maine
\$300,000 loan

Colorado Coalition for the Homeless (2013)

Denver, Colo.
\$3 million loan

Community Health Center Capital Fund (2008)*

Boston, Mass.
\$2.5 million loan

The Freshwater Trust (2013)

Portland, Ore.
\$1 million loan

Goodwill Industries International (2013)

Rockville, Md.
\$3.3 million loan

Healthy Futures Fund (2012)*

New York, N.Y.
\$7.25 million loan

Healthy Neighborhoods Equity Fund (2014)*

Boston, Mass.
\$1.8 million guarantee

Housing Partnership Fund (2014)*

Boston, Mass.
\$3 million loan

IFF (2012)*

Chicago, Ill.
\$5 million loan

Invest Detroit Foundation (2012)*

Detroit, Mich.
\$1 million loan

Invest Detroit Foundation* (2014)

Detroit, Mich.
\$1 million guarantee

Living Cities Catalyst Fund (2011)

New York, N.Y.
\$2 million

Low-Income Investment Fund (2012)*

San Francisco, Calif.
\$5 million guarantee

National Federation of Community Development Credit Unions (2013)*

New York, N.Y.
\$1.5 million loan

NeighborWorks Capital (2014)*

Silver Springs, Md.
\$5 million loan

Opportunity Finance Network (2012)*

Philadelphia, Pa.
\$10 million loan

Omada Health (2014)

San Francisco, Calif.
\$500,000 loan

The Reinvestment Fund (2011)*

Philadelphia, Pa.
\$3 million loan

Seamless Medical Systems (2014)

Santa Fe, N.M.
\$750,000 loan

Snapshot Dermatology Holdings Inc. (2013)

Palo Alto, Calif.
\$500,000 loan

Social Finance (2014)

Boston, Mass.
\$100,000 equity investment

South Carolina Community Loan Fund (2014)*

Charleston, S.C.
\$500,000 loan

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

Eugene, Ore.
\$335,000 deposit

Strong Families Fund (2014) Community Development Trust Inc.*

New York, N.Y.
\$3 million loan

Strong Families Fund (2014) National Affordable Housing Trust*

Columbus, Ohio
\$2 million guarantee

Strong Families Fund (2014) Great Lakes Capital Fund*

Lansing, Mich.
\$1.5 million guarantee

Woodward Corridor Investment Fund (2013)

Detroit, Mich.
\$5 million loan

Youth Services Inc. (2013)

Chelsea, Mass.
\$1.3 million loan

**Denotes an investment in a community development financial institution (CDFI). A CDFI is a specialized institution that works in market niches that are underserved by traditional financial institutions. CDFIs provide a unique range of financial products and services in economically distressed target markets, such as mortgage financing for low income and first-time homebuyers and not-for-profit developers, flexible underwriting and risk capital for needed community facilities, and technical assistance, commercial loans and investments to small start-up or expanding businesses in low-income areas. CDFIs include regulated institutions such as community development banks and credit unions, and non-regulated institutions such as loans and venture capital funds, and venture capital funds.*

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