

Opportunity Zones

The Kresge Foundation Approach

THE
KRESGE
FOUNDATION

Kresge Fast Facts

- Private philanthropy in metro Detroit
- Works nationally
- Mission: Expand Opportunity for low-income people in America's Cities
- Programs include: American Cities, Arts & Culture, Detroit, Education, Environment, Health and Human Services
- \$3.6 billion endowment
- Tools: Grants and Social Investments
- \$350M commitment to social investments by 2020





How We See Opportunity Zones

- This is an opportunity to drive new investment into low-income communities
- Transparency and accountability are necessary for long-term impact and to prevent harm. In addition, these metrics are necessary to evaluate the efficacy of the program and to propose policy adjustments if needed
- Program as written doesn't include such requirements
- Guidance so far has been silent on these subjects

Covenants

Kresge provided:

- First loss guarantee protection of up to \$15 million to Arctaris and up to \$7 million to CCM (\$22M in total)
- 10-year term
- Use of Kresge brand equity

Firms agreed to:

- Empanel a non-governing advisory board to provide insights on community impact to meet no less than twice per year. The advisory board shall include representatives from low-income communities or organization who serve said communities.
- Identify the Fund in its marketing materials and legal filings as an “Opportunity Fund” structured to allow investors to participate in the federal
- Partner in good faith with Kresge to promote the Fund as an Opportunity Fund.

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Real Estate

- At least 50% of all multifamily housing investments to serve residents with incomes not to exceed 120% AMI (no fewer than 20% of available units per project)
- Adopt an “anti-displacement” strategy for all occupied multifamily housing investments
- Restrict investment to projects that demonstrate net positive job creation or other clearly defined community benefit (with focus on benefits to low-income persons).

Operating business investments

- At least 50% of the portfolio investments will create a net positive number of living wage jobs, as reasonably determined by the Fund Manager with respect to the location and cost of living for residents in that location
- A prohibition on mining, tobacco, firearms, oil and gas, and any other investment reasonably expected to have a significant, identifiable, and net negative impact on the environment or resident community.

Arctaris Fund Fast Facts

- Impact Manager based in Boston
- Invests in private companies located in inner-cities and targeted rural areas
- CRA banks largest source of capital, also insurance companies and other foundations
- 10:1 matching from private capital sources expected
- Expecting additional guaranty commitments from other states and foundations, expanding Kresge's anchor investment
- 70% of capital will go into private equity businesses and remainder into alternative energy, telecom infrastructure, real estate infrastructure projects – all qualified OZ businesses
- Investing nationally with Michigan, Ohio, Stockton (CA), Massachusetts, Maryland, Tennessee, Louisiana, and Maine among the key targets.

Example projects:

- Platform acquisitions of private equity manufacturing companies with potential to create hundreds of jobs in qualified areas
- Infrastructure: solar, broadband fiber, municipal public works, industrial parks

Community Capital Management Fund Fast Facts

- CCM is a 20-year old Florida-based Impact Manager
- Manages about \$2.5B in assets in U.S.
- Tags and tracks and reports on all investments on impact across 18 themes
- Investors are institutional (health care, foundation & financial) family offices and high-net worth individuals
- OZ Fund will be concentrated on high-net worth individuals
- Diversified, multi-asset, national fund
 - Qualified OZ businesses
 - Equity investments

Example projects:

- Food-systems and sustainable agriculture investments
- Partner with real estate firm, mixed-use for arts and culture gallery space with affordable housing above it.
- All investments will be made in Qualified OZ businesses with track records in their market, their strategy and in impact transparency and reporting.