

Ramona Schindelheim, WorkingNation editor-in-chief:

You're listening to Work In Progress. I'm Ramona Schindelheim, Editor-in-Chief of WorkingNation. Work In Progress explores the rapidly changing workplace through conversations with innovators, educators, and decision makers, people with solutions to today's workforce challenges. Welcome to a special episode of Work In Progress at the Milken Institute Global Conference. I spoke with Aaron Seybert, Managing Director of The Social Investment Practice at the Kresge Foundation. Kresge's mission is to boost the economic mobility of low income Americans. Seybert explained how the Foundation is doing that through grants and income investing tools. He started off explaining how the money is invested and where it goes.

Aaron Seybert, Kresge Foundation:

It is an extremely eclectic portfolio. And a lot of it is very dependent on the program team that we are working with. So, inside of some of our programs we have venture capital investments, direct investments into technology companies that are trying to bring technology to market that disproportionately benefits low income people. And other program teams, we have real estate investments, direct and indirect investments that are focused around placemaking and sort of neighborhood redevelopment efforts. We have a significant portfolio in fixed income around debt to intermediaries like community development, financial institutions, and development, finance agencies. These are the organizations that are providing the capital into the system across a sort of wide variety of initiatives. And then we've got large-ish portfolio and things like social impact bonds and sort of creative equity structures, trying to scale up social enterprises or human service interventions. A lot of public private partnerships trying to make better decisions on the public side, using very risk-tolerant capital that we provide. So, it's extremely eclectic. We don't specialize in anything. What we specialize in is highly, highly impactful investing that disproportionately benefits low income people of color.

Ramona Schindelheim, WorkingNation editor-in-chief:

Can you give me an example of one of those? I know you're doing some work in Memphis.

Aaron Seybert, Kresge Foundation:

Mm-hmm (affirmative).

Ramona Schindelheim, WorkingNation editor-in-chief:

How are you investing in that community?

Aaron Seybert, Kresge Foundation:

Sure, so we work in partnership with the American Cities Program, which is a bit of an export of our Detroit work. Detroit is sort of our flagship place based investing and grant making program. In Memphis that team is highly focused on the community development sector and developing resident led organizations to sort of define the future of their neighborhoods. So they do, on the grant making side, a lot of capacity building to block clubs, neighborhood organizations, community development, financial institutions, et cetera. We partner with them by providing the kind of scalable capital they need. And I'll give you an example, in the Memphis medical district, which there's a CDC there that we helped fund with a local philanthropy to build its capacity. And then we created a loan fund focused at providing the kind of senior debt needed, and subordinate debt needed into real estate projects around this medical district. Which like a lot of places that are disinvested, high concentration of jobs, low occupancy, and

commercial and residential people don't live near where they work. Low income people are not connected to the jobs that are available in the medical and education center.

Aaron Seybert, Kresge Foundation:

So, we have a 30 million fund and partnership with some banks and a CDFI in that city to bring the capital necessary. To bring mixed use projects online, both housing and commercial, to make the medical district an attractive place to live. But doing so with a high equity focus. So we want to retain the residents that we have, and we want to connect them both through transportation and through, sort of the jobs centers to jobs that are high economic mobility opportunities for those families. And so, that's the kind of investing that we would do, right? We're building out a district using grant making to build capacity, using investing tools to build a capital channel, with the end goal of creating a more vibrant district for the residents who live there.

Ramona Schindelheim, WorkingNation editor-in-chief:

So in this project, I'm assuming it's kind of a long term project. I mean, you need jobs now, but this, it can't happen overnight. So what kind of timeframe do we see? How long does it take to rebuild a community?

Aaron Seybert, Kresge Foundation:

Yeah, this is one of the I think, the hidden powers of private philanthropy in the sort of U.S. perspective. Most of us were built as perpetual foundations, right? Our time horizon is infinite. We want to live forever. And the work that we try to do, which is a lot of the systems change level, these problems did not happen overnight, right? These are generational issues. One of our superpowers, the money's great, but our ability to stay with a problem and thinking about it intergenerationally, is very powerful. So inside of my own investment portfolio, and we have investments that run 35 years out. We're not going to see...I'm going to be probably not in this job, maybe in the ground by the time we start to see the fruits of this labor, but much of the work that we do is 10, 15, 20 years out.

Aaron Seybert, Kresge Foundation:

And, we are less of an impact investor where we are dollars of impact capital out, widgets of impact measurement back. That's good and fine work. But particularly for private foundations, we have the ability to go long, right? We have the ability to think across generations, outlasting politics, outlasting capacity constraints. We just have to have the discipline to stay with it. And so a lot of our placemaking work, if you look at our work in Detroit we've been at this a long time in Detroit, and only now are we really seeing the sort of fruits of our labor?

Ramona Schindelheim, WorkingNation editor-in-chief:

So let's dive into Detroit a little bit. What kind of investment did you make in there? And what is that fruit of your labor that you're seeing now?

Aaron Seybert, Kresge Foundation:

Oh boy. Well, I've not been around as long as some of the team members in Detroit, but as an outsider Detroit went through the largest municipal bankruptcy in the country's history and has been a difficult place for a while. Leading early in, we spent a lot of capital on developing public spaces and making the city accessible to its residents. We provided a transformational gift to the Detroit Riverfront that moved

it from a dilapidated industrial waterfront into something that's a public park and very accessible today. We spent a lot of capital developing, again the organizations that sort of were needed in the fabric of the city. The public sector has not always been in the best position, right? So we help fund a lot of emergency needs, police, fire, sewer, sanitation, that kind of like very basic public infrastructure at the time, the city was not able to provide those kind of services to residents.

Aaron Seybert, Kresge Foundation:

And now, as we've seen sort of Detroit come out of the bankruptcy in a much stronger city and the resurgence of the public sector, we're now pushed out into neighborhoods where we were very focused on the central business district and the sort of what we call the Woodward Corridor, it's sort of the meds and eds corridor of Detroit. We've pushed out now into neighborhoods. And again, we're all about building the capacity of residents. Resident led organizations to sort of determine their own destiny. And then we wrap grant making mostly focused at capacity building. We wrap capital tools around those organizations so that they can sort of scale up their work. And we've got a very exciting project where we had unfortunately, a shuttered private Catholic school that had served mostly African-American women, teachers, nurses, social workers for a very long time. Shuttered its doors, 56 acres in the middle of one of the highest residential density, African-American home ownership neighborhoods in the city.

Aaron Seybert, Kresge Foundation:

And the college just closed. What do you do with 53 acres in the middle of a neighborhood? So, we are working with the Sisters of the Immaculate Heart and the college's leadership to transform that campus into a P-20 campus that will serve generations of family, not just kids, but their family members starting at newborns. Which we built a new early childhood center, all the way a through post-graduate work. I'm in partnership with the University of Michigan, Detroit public schools, Starfish Family Services. The idea here is that neighborhoods are anchored by opportunity. And those opportunities in education are what... Affluent white people, that's what they want in neighborhoods, right? And we are going to build the finest educational opportunity in the region and to get access to it you've got to be in that neighborhood. We've got a catchment area. So we're trying to use the opportunities in education to anchor a neighborhood, but to do it in a transformational way that is highly focused on equity, particularly African-American families who stayed in Detroit, right? These are the kind of opportunities that we're trying to build in Detroit today.

Ramona Schindelheim, WorkingNation editor-in-chief:

Very key to that part of the conversation, and what we talk about here at WorkingNation is that education, providing opportunities for learning the digital skills you need. Being able to connect with local businesses and understanding what they need. So, this pathway from education to career pathways, to jobs. Talk about how important that is, as you look at this transformation of a community.

Aaron Seybert, Kresge Foundation:

It is from an evidence space, there's no debate about the single best intervention that you can have in the life of a family who's faced a lot of adversity, is educational opportunities. But, from a Kresge perspective, we like to think very holistically about it, right? So, when we think about a city like Detroit, that has gone through a lot of challenges, right? It's been a disinvested place for a long time. We've had really deep racial segregation, lack of economic opportunity, et cetera. We are focused in that project, pretty, not exclusive... We are focused very directly on the educational opportunities. But, as my friend and colleague, Dr. Raquel Hatter who runs our human service team would say, if you are not taking a

two generational approach to opportunity and to sort of poverty, then you're missing the boat because families want the best for their children, right?

Aaron Seybert, Kresge Foundation:

I've never met a family in Detroit who doesn't say, I want the best educational opportunity for my child. But, most kids in Detroit face evictions, it's every 18 to 24 months. Our health disparities are out of control, right? We've got deeply seated poverty. We've got transportation issues. We've got a whole host of factors that prevent that family, despite best intentions to getting access to those kind of things. And so, while we need to create those kind of educational opportunities, we absolutely cannot neglect the fundamental building blocks of a successful life, which tends to be a lot about security, health, housing, transportation, right? The things that affluent people tend to take for granted, right? They're just present in their lives, are not present in the lives of a lot of folks that we are trying to help. And so, while we are going to build this opportunity, we're going to do it looking across the spectrum because we are not focused on problems. We are focused on the people that we are trying to benefit, and then wrapping the solutions around the challenges that they have. Hopefully that makes sense.

Ramona Schindelheim, WorkingNation editor-in-chief:

It does make sense because you can't do this in a vacuum. You can't just say, I'm going to throw the money here, hope somebody benefits from it. If you're not doing things that are intentional. Yeah, we've seen a lot of programs. We only talk about programs that actually work. So... which is really good. So what are you seeing? Are people staying in the community? Are those services making that connection to those people?

Aaron Seybert, Kresge Foundation:

We are certainly seeing early signs of success. The demand is there. We are far oversubscribed on the high school, which is a sort of, it is a public school, but it is selective enrollment. Again I said, you have a catchment area that we draw from. So you have to live inside of that catchment area to sort of get access to the primary programs. We're seeing a very large spike, in sort of occupancy and rental housing around it. We're seeing a good appreciation and value of homes that have been long time owned by neighborhood residents. We are certainly seeing a lot of public infrastructure investments, bike lane, street facade. We built a greenway between this institution and another one about a mile away. We are getting a lot of good feedback. And particularly from middle class, African-American families who we have bled from the city for about a decade, and we desperately want back.

Aaron Seybert, Kresge Foundation:

So, I think that is working well for us. What I'm unsatisfied with at the moment is ensuring that we are preserving those opportunities for very low income families, which in this district, there are housing opportunities. But they wouldn't be good enough for my family, so they're not good enough for those families. So we've got some work to do on housing accessibility, so people can actually get onto this campus. We're also behind in building out the wraparound services, particularly with health and job training that we need to get further. So when a parent is dropping off their one year old at our early childhood center and their eight year old at our grade school and their 15 year old at the high school, we also want there to be immediate opportunities for that parent or grandparent to access services around food security, health access, primary care screening on campus.

Aaron Seybert, Kresge Foundation:

And then, long term we want to give that family the opportunity to get skills training, be it higher education, be it workforce training, et cetera, whatever it is. So we got a lot of work to do there. We're going to start by serving kids because we think that's the best intervention point. You're sort of... Our widgets of impact out, which I said we don't measure, but we want to see kids served. So we think that's a good intervention point, but we've got work to do on the others.

Ramona Schindelheim, WorkingNation editor-in-chief:

And, where are you looking next to invest? Are there other cities that you were starting to put money into and invest in?

Aaron Seybert, Kresge Foundation:

Yeah, so Kresge, we invest all over the country and virtually every urban center out of our national programs, but from a focus city perspective we are highly invested in Detroit, which is our largest grant making program. And also, pretty confidence to the largest concentration of our social invest capital that, that my team does. Memphis, New Orleans, Fresno, so those are our four cities that we are quite intentional about. And the way that I try to describe this work, it is similar for many national private foundations. Our national program teams are largely placed agnostic, but issue area specific with very sort of narrow strategies that they're trying to drive at. But they're somewhat ambivalent about where they go at that. That's not entirely true, particularly for our human services team, they're much more place focused. Our place based teams are not entirely issue agnostic, but the issues that they deal with are much broader, but they're very place centric, right?

Aaron Seybert, Kresge Foundation:

So when we go to a Memphis, or we go to a new Orleans it's not like our education team's very focused on access and success in higher education. We'll touch that new Orleans, but we're going to touch 30, 40, 50 other things. It's about context, right? It's about resident needs, neighborhood development, capacity building, power building for resident led groups. So, it's just sort of the other side of the coin, and we like to think that these are mutually reinforcing. We can gain the best practices of the national programs. What is working in every city around the country, and find the application at the local practice. And then inversely, what is working in these cities that are of a particular character, mostly disinvested communities, where there's a lack of private philanthropy, where we can apply practices in local context, and learn what really, really works for people on the ground, right? That we can see and touch and talk to, right? You can get that evidence based very directly and then export those learnings back out. So, it's not always perfect, but that's kind of the thesis of the way that we operate.

Ramona Schindelheim, WorkingNation editor-in-chief:

You sound very passionate about this mission. So, I always like to know what attracted you to it. What drives you, personally?

Aaron Seybert, Kresge Foundation:

So, before I came to the Foundation I was in banking at JP Morgan. I was always in the community development bank. Prior to that I was at a nonprofit and led some financing work around affordable housing there. But from a very early age, high school I had the opportunity to do really challenging work. And certainly when I got out of college I almost ended up in public accounting, but by a very lucky and very happy mistake I ended up at this nonprofit that invested in affordable housing. And I got to feel what it is like to work on very hard problems. Right? Very, very hard problems, lots of spreadsheets, and

legal documents, and very creative financing, and sort of scratch that high finance itch for me. But every day I get to come home and tell my wife and my kids about the amazing thing I got to do today, right?

Aaron Seybert, Kresge Foundation:

To help somebody. And I just can't fathom not being in a position where my values are highly aligned with the work that I do. And while I admire the people in finance who move lots of money, I just, I need that at feeling of alignment. And I... The world is not good enough for my kids right now. So, I got to do something about that. And it's definitely not good enough for the people I'm trying to serve. So, it's a little bit of selfish reward that I get that feedback loop, but also I just can't fathom doing anything else. It's the best work in the world.

Ramona Schindelheim, WorkingNation editor-in-chief:

Well, thank you for doing the good work. Thank you for joining me today.

Aaron Seybert, Kresge Foundation:

Thanks.

Ramona Schindelheim, WorkingNation editor-in-chief:

My guest was Aaron Seybert, Managing Director of the Social Investment Practice at the Kresge Foundation, who spoke with me at the Milken Institute Global Conference about how grants and investment tools are improving the economic and social mobility of low income Americans. I'm Ramona Schindelheim, Editor-in-Chief of WorkingNation. Thank you for listening.