

Investing in Opportunity Act

REQUEST FOR LETTERS OF INQUIRY

JUNE 2018



THE KRESGE FOUNDATION





Opportunity Zone LOI Qualifications Form

Thank you for your interest in submitting a Letter of Inquiry to The Kresge and Rockefeller Foundations for the Investing in Opportunity Act. With your LOI, please fill out this qualification form and include it as a cover sheet. To submit your LOI or to ask questions, please email socialinvestments@kresge.org.

Name of Fund Manager: _____

Please confirm the following by selecting your response, Yes (Y) or No (N):

- ☐ Y ☐ N Firm has at least three years of experience in deploying capital in low-income communities
- ☐ Y ☐ N Proposed structure does not include financing for a single project
- ☐ Y ☐ N Manager has sufficient financial capacity to take risk alongside the Foundation

Please read about Kresge's program strategies at kresge.org before you begin your submission and answer the following:

Fund connects most directly to the following Kresge program area (please select):

- ☐ Arts and Culture
- ☐ Detroit
- ☐ Education
- ☐ Environment
- ☐ Health
- ☐ Human Services
- ☐ American Cities Practice/Place Based: Detroit, Memphis, New Orleans

Please read about Rockefeller's program strategies at rockefellerfoundation.org before you begin your submission and answer the following:

Fund connects most directly to the following Rockefeller program area (please select):

- ☐ Inclusive community development
- ☐ Economic mobility
- ☐ Expanding access to quality jobs

We give permission for our submission to be shared with other philanthropies that may have interest in Opportunity Zone investments:

- ☐ Y ☐ N

Investing in Opportunity Act

Request for Letters of Inquiry

The Investing in Opportunity Act is an important new resource for community investment. The Kresge Foundation (“Kresge”) and The Rockefeller Foundation (“Rockefeller”) (Kresge and Rockefeller, collectively referred to as the “Foundations”) desire to see the program facilitate investments that create wealth, assets and opportunity in low-income communities. The Foundations are evaluating how their respective organizations can support new opportunity fund managers that seek deep, positive community impact through this program. The Foundations are requesting initial Letters of Inquiry (LOI) from prospective fund managers around investment strategies that:

- Relate to one or more of the programmatic goals of The Kresge or Rockefeller Foundations
 - The Kresge Foundation: alignment with one of six program areas and/or focus on Detroit, Memphis or New Orleans
 - The Rockefeller Foundation: advance inclusive community development, economic mobility and/or expanding access to quality jobs
- Will embed impact measurement and equity into the work

BACKGROUND

The Investing in Opportunity Act (“IOA”) is part of the Tax Cuts and Jobs Act of 2017 and provides capital gains relief to investors investing in “Opportunity Zones” designated by U.S. states and territories. Unlike other incentives designed to improve low-income communities, the IOA is currently less specific about the social impact the program is intended to create or how that impact will be measured over time.

Because of our shared interest in seeing the Opportunity Zone (“OZ”) program benefit low-income communities, The Kresge and Rockefeller Foundations are partnering on this solicitation for Letters of Inquiry (LOI). We believe there is an opportunity to support fund managers that will harness the IOA subsidy to make investments that create high-quality jobs and further opportunity for people with low incomes. Through the LOI, the Foundations are exploring how to possibly use multiple capital tools to support Managers launch best-in-class funds that improve the lives of people with low incomes and, achieve expected investment returns.

The following fund examples may catalyze thinking for potential submission and are intended to be illustrative only. They should not limit the scope or creativity of submissions:

- Essential services: Investment fund focused on the provision of essential services to poor and vulnerable populations (e.g., health clinics, low income housing)
- SME Finance: Investment fund focused on SMEs and impact-oriented early ventures located in opportunity zones
- Infrastructure: Investment fund focused on the provision of essential infrastructure to underserved communities (e.g. broadband, renewable energy)
- Financial Services: Investment fund focused on supporting or partnering with financial service firms focused on underserved communities and asset building

It should be noted that at this time, there is no commitment on behalf of either Foundation to make grants, guarantees or other forms of Program Related Investments (PRIs) available. Information gathered through this process will help determine if and how the Foundations commit resources.

After reviewing the LOI submissions, some organizations may be invited to submit full proposals. If investment opportunities emerge from qualified fund managers that are highly aligned with the interests of one or both Foundations, Kresge and Rockefeller will consider financial support.

The Kresge Foundation has the capacity to provide up to \$25 million in unfunded guarantees. The amount of grants or other forms of investment support through PRIs has not yet been determined. It should be noted that neither Foundation has capital gains liability it is attempting to offset through the Opportunity Zone program. Our collective interest is in exploring how Foundations' support can help managers use the OZ subsidy for the highest impact in communities.

REQUIREMENTS

The Foundations welcome applications from organizations that have significant experience raising and deploying capital in low-income communities and those that are newer to community investment. The Foundations do not fund individuals or organizations that discriminate on the basis of race, color, religion, gender, national origin, citizenship status, age, disability, sexual orientation or veteran status.

Each submission should be no more than 3 pages, single-spaced, address the questions below and explain why you have confidence that your approach will achieve your impact goals for low-income communities. Submissions should address the following:

Background on fund and management

- Background, qualification and readiness of the fund manager;
- The manager's experience raising capital from likely Opportunity Zone investors;
- Relevant actors already engaged (e.g., investors, beneficiaries, public sector);
- History and maturity of the fund (e.g., concept only, 6 – 9 months to launch, new);

Proposed investment focus

- Target social outcomes and expected social impact (e.g., “increase affordable housing availability by 5%”);
- Link between investment strategy and expected impact;
- Rationale and expectations around investor types that will be drawn to Opportunity Funds, and to this fund, in particular;
- Understanding of and evidence for community needs being addressed;
- Expected risks and planned mitigants for fund launch and capital deployment;
- Proposed fund structure and use/amount of unfunded guarantee
- Proposed location for implementation;
- Pathway to scale and replication;

Proposed implementation approach

- Approach to engaging with:
 - Beneficiaries and community organizations;
 - Individuals and private sector (e.g. banks, high net-worth individuals, etc.);
 - Public sector (if any); and
 - Metrics or indicators for tracking success.

PROCESS

The LOI submission period will open on June 12 and close July 16 without exception, at 5:00 p.m. Pacific time. You will receive an email confirmation that your submission has been received. Submit your LOI application to socialinvestments@kresge.org.

Submissions will be read by an internal group of Kresge and Rockefeller staff for:

- Strength and readiness of the applicant;
- Potential for social impact;
- High alignment with the programmatic goals of Kresge and/or Rockefeller;
- Potential to leverage other capital or demonstrate or scale an innovation; and
- Strength of partnerships with communities and local actors.

By default, submissions will be confidential and accessible only to staff or contractors of the Foundations. However, applicants may “opt in” to allow to their submissions to be shared with other philanthropies interested in Opportunity Zones.

If selected for further consideration, applicant will be notified within 60 days of the final submission date.

INQUIRIES

Other questions related to this LOI request process should be sent to socialinvestments@kresge.org. To receive updates about this LOI process, please send an email to the address above with subject line: **“Add me to OZ list.”**

ABOUT THE KRESGE FOUNDATION

The Kresge Foundation was founded in 1924 to promote human progress. Today, Kresge fulfills that mission by building and strengthening pathways to opportunity for low-income people in America’s cities, seeking to dismantle structural and systemic barriers to equality and justice. Using a full array of grant, loan, and other investment tools, Kresge invests more than \$160 million annually to foster economic and social change. For more information visit Kresge.org.

ABOUT THE ROCKEFELLER FOUNDATION

The Rockefeller Foundation is a \$4.4 billion private global foundation, headquartered in New York, NY, that works to promote humanity throughout the world. Together with partners and grantees, The Rockefeller Foundation strives to catalyze and scale transformative innovations, create unlikely partnerships that span sectors, and take risks others cannot – or will not.

The Foundation is focused on accelerating breakthrough solutions in health, food, power, and jobs to ensure the benefits of progress and prosperity are shared by all. The Foundation was an early pioneer in building the market infrastructure and research for impact investing. It has used program-related investments (“PRIs”) in various forms since 1988, when it began to contribute PRI support to the National Community Development Initiative, now Living Cities. Since then, the Foundation has made PRIs to support multiple programs and initiatives. The FoundationRockefeller currently has committed to a range of targeted impact investments globally. The existing investments include debt, equity and guarantees.

By leveraging policy opportunities and building unique public-private partnerships, we work to enable meaningful economic mobility for millions of people in the United States who have not fully benefitted from a changing economy.

Terms and Conditions

Reservation of Rights

Rockefeller and Kresge reserve the right to reject any or all responses submitted if it is deemed to be in the best interest of Rockefeller and/or Kresge. Rockefeller and Kresge reserve the right to check the accuracy of all information and to request supporting documents. Respondents who provide inaccurate information can at all times be excluded from the grant award process.

Confidentiality

Rockefeller and Kresge reserve the right to require any respondent to enter into a non-disclosure agreement. In the course of discussions with Rockefeller and Kresge, Respondents may have access to or be directly or indirectly exposed to the Foundation's or Kresge's confidential information, including information relating to Rockefeller or Kresge programs, financial information, grantmaking processes, and any proprietary information, but not including information that was known to it or in the public domain before disclosure or that becomes part of the public domain except by a breach of this agreement by it. Respondents agree to use reasonable measures to hold confidential all such confidential information and shall not, without Rockefeller's or Kresge's express consent, disclose it to third parties.

Costs and Ownership

This Request for Expression of Inquiry does not obligate Rockefeller or Kresge to pay for any costs of any kind that may be incurred by you or any third parties, in connection with your response. All responses and supporting documentation shall become the property of Rockefeller and Kresge, subject to claims of confidentiality and copyright in respect of the response and supporting documentation.

Intellectual Property

You should not use any intellectual property of Rockefeller or Kresge including, but not limited to, all logos, registered trademarks, or name of Rockefeller or Kresge, at any time without the prior written approval of the Foundation.

Responses

All accepted responses shall become the property of Rockefeller and Kresge and will not be returned.

Governing Law

This Request for Expression of Inquiry and your response to it shall be governed by the laws of the State of New York.

No Liability

Neither Rockefeller nor Kresge shall be liable to any respondent, person, or entity for any losses, expenses, costs, claims, or damages of any kind:

- Arising out of, by reason of, or attributable to, your response to this Request for Expression of Inquiry; or
- As a result of the use of any information, error, or omission contained in this document or provided during this process.

Privacy

Personal information collected from any respondent is subject to The Rockefeller Foundation's privacy policy, available at <http://www.rockefellerfoundation.org/privacy> and will be used by The Rockefeller Foundation in accordance with its privacy policy. For international respondents, please be aware that the information submitted is collected in the United States of America. In addition to being subject to The Rockefeller Foundation's privacy policy, the collection, storage, and use of a respondent's personal data will be subject to U.S. laws and regulations, which may be different from the laws and regulations of other countries. By participating in this process, the respondent consents to this collection, storage, and use.

Entire Request for Expression of Inquiry

This Request for Expression of Inquiry, any addenda to it, and any attached schedules, constitute the entire Request for Expression of Inquiry. In the event that it becomes necessary to revise any part of this document, the Foundation will contact all respondents.