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New Incubation Program Opens to Help Social Impact Orgs Ready for Opportunity Zone Funds.

Kresge grant to Calvert Impact Capital will send cohort of five potential fund managers through exploratory program

The Kresge Foundation announced today a $390,000 grant to Calvert Impact Capital that will support the Opportunity Zones Incubator, a technical assistance program for social impact entities that are interested in or exploring taking a Qualified Opportunity Fund to market.

Kresge selected five mission-aligned organizations that are exploring ways to direct capital to Opportunity Zones to enter the incubation program, where they will receive technical assistance around potential fund structures as well as assistance related to legal, tax and accounting considerations. Holland and Knight and Plante Moran will both assist Calvert Impact Capital with providing support to the organizations.

The Opportunity Zone legislation in the Jobs and Tax Act of 2018 provides tax forgiveness to investors who invest in more than 8,000 designated, low-income Census tracts across the U.S.

Kresge, in partnership with The Rockefeller Foundation, released a call in the summer of 2018 for letters of inquiry from potential Opportunity Zone fund managers, drawing more than 141 responses. From those applications, Kresge has selected a dozen to move forward through either this technical assistance incubator program or into a due diligence process for impact investments. Over the coming months, The Rockefeller Foundation intends to select additional fund managers to participate in the technical assistance program alongside Kresge.

The five organizations that are exploring starting an Opportunity Zone Fund through this incubation program are:

- Craft3, a regional nonprofit that makes loans in Oregon and Washington to strengthen the resilience of businesses, families and nonprofits.
- New Orleans Startup Fund, a nonprofit venture fund, established by Greater New Orleans business and community leaders, that provides seed capital and technical assistance to early-stage firms that demonstrate significant growth potential.
- Gulf Coast Housing Partnership. which works in the Gulf Coast region to promote community and economic development through various programs implemented to deliver effective and meaningful results.
- **Renaissance HBCU Opportunity Fund**, a partnership between Renaissance Equity Partners and an affiliate of the HBCU Community Development Corporation to invest in value-added and opportunistic real estate on or near the campuses of Historically Black Colleges and Universities.
- Fifth Ward Community Redevelopment Corporation, which seeks to enhance quality of life for individuals and families living in Houston's fifth ward, eliminate blight, attract investment and resources, encourage commercial and business development, coordinate government and public service, and offer a sense of destination and creative placemaking.

The Opportunity Zones initiative takes a free-market approach unmatched by any federal spending guarantees, which means that designation as an Opportunity Zone doesn't mean that a community will receive money for schools, health care or other public services, or even that they'll receive any money at all.

"These five organizations understand deeply what it takes to invest in low-income communities," said Rip Rapson, Kresge's President and CEO. "We hope through this incubation program they can prepare impact funds that will test whether the Opportunity Zones legislation will support impact investing methods, in which social impact outcomes are weighted heavily. We hope this sets this new market on a trajectory more likely to serve low-income communities well."

Kresge's Social Investment Practice sees Opportunity Zones as a potential benefit to low-income communities, but only if early market movers prioritize community impact and measure and report on their outcomes.

"The goal of this effort is to strengthen these fund managers' investment concepts through high-quality advisory services," said Kimberlee Cornett, Kresge's managing director of the Social Investment Practice. "Through partnership with Calvert Impact Capital, these managers will be better prepared to approach investors and further develop their programmatic thesis for future investment considerations."

Calvert Impact Capital has been working in low-income communities across the U.S. for nearly 25 years and is committed to ensuring that the Opportunity Zone tax incentive is leveraged in a way that provides inclusive economic opportunity and growth for people living and working in designated zones.

"We want to fill gaps to more efficiently move money into these communities," said Beth Bafford, vice president of Syndications and Strategy at Calvert Impact Capital. "This is an incentive that defers heavily to the market in its implementation, and early movers will define it. We want to show investors what good can look like."

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