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# 2014 OFN CONFERENCE

OCTOBER 14–17, 2014 • THE SHERATON DOWNTOWN DENVER, COLORADO



**Current Approaches to Defining and Measuring Impact**



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## PCV's Mission

- Pacific Community Ventures creates economic opportunity in low-income communities. We achieve our mission through capital, entrepreneurship, and impact investing thought leadership












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## PCV's Programs

- Advice



- Capital



- Consulting and Research



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## PCV InSight and Impact Measurement

1998 - present

**Internal Measurement:**  
Pacific Community Ventures

2005 - present

**External Measurement:**  
CalPERS, CommCap, Macquarie Funds Management, PG&E, The Annie E. Casey Foundation, The Northwest Area Foundation, The California Organized Investment Network, The California Endowment, and more

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## Impact Measurement Clients / Audiences

- Institutional investors
- Foundations
- CDFIs
- Government
- Corporations



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## Our Approach to Impact Measurement

- Seek to be rigorous, yet pragmatic
- Draw on a core set of metrics, customized to meet program and client needs
- Leverage existing relationships to make measurement "doable" for underlying companies, investors, and all key stakeholders
- Emulate traditional financial reporting by providing:
  - Longitudinal data collection
  - Benchmarked results
  - Disclosure of calculation methodologies and definitions
  - Timely release and update of information



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## PCV Impact Metrics

Metric	Examples
Dollars invested in target communities	<ul style="list-style-type: none"> <li>Dollars invested</li> <li>Dollars invested in San Francisco Bay Area</li> </ul>
Jobs Supported and Created	<ul style="list-style-type: none"> <li>Jobs supported at time of measurement</li> <li>Jobs created since investment</li> <li>Jobs created year over year</li> </ul>
Companies/Employees located in underserved areas	<ul style="list-style-type: none"> <li>In LMI areas</li> <li>In areas with limited access to capital</li> <li>In rural areas</li> </ul>
Employee health and retirement benefit levels	<ul style="list-style-type: none"> <li>Percentage of employees eligible for benefits</li> <li>Percentage of employees enrolled in benefits</li> </ul>
Employee wages	<ul style="list-style-type: none"> <li>Median hourly employee wage</li> <li>Median salaried employee wage</li> <li>Wages benchmarked to living wage, industry wages, etc.</li> </ul>
Opportunities for women, minorities, and social entrepreneurs	<ul style="list-style-type: none"> <li>Percentage of female/minority owners and managers</li> <li>Percentage of businesses supported with a social purpose</li> </ul>
Opportunities for advancement	<ul style="list-style-type: none"> <li>Hours devoted to formal training of hourly employees</li> <li>Opportunities for cross training</li> </ul>

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## Recommendations for Impact Measurement

- Prioritize impact measurement and reporting
- Blend impact data with compelling stories to create an impact narrative
- Seek to balance rigor with practicality in reporting
- Leverage existing relationships and communicate the need / importance for measurement up front with your stakeholders
- Utilize available industry research, tools, and data in demonstrating your organization's impact
- Seek to emulate traditional financial reporting in the manner in which you report impact
- Use impact measurement to inform your work

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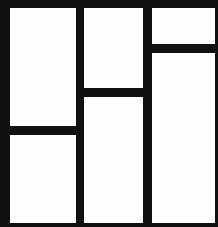
<http://www.pacificcommunityventures.org/research/>



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**Mark Sutton**

Policy and Program Analyst

**Defining and Measuring Impact**



## Our Mission

The Northern California Community Loan Fund promotes economic justice and alleviates poverty by increasing the financial resilience and sustainability of community-based nonprofits and enterprises. Through flexible financial products and sound advice, we create opportunities to make socially responsible investments that revitalize Northern California communities.

# Impact at NCCLF

## Categories

- Lending (Loans and NMTC financing)
- Consulting & Training (Consults, Workshops, Grantmaking)
- Investing

## Stories

- Getting past the numbers
- Impact Interviews, Newsletters, Annual Report, Videos



# Why and How do we collect this data?

## Why do we collect this data?

- One measure of success in mission
- Strategic decision-making
- Increased industry trend in impact reporting
- Feel good about what we've done!

## How do we do it?

- In 2011, major impact methodology revamp



# Making Impact Reporting a Priority

- Goal in 3-year Strategic Plan
- New hire: .5 FTE for program evaluation (of 25 FTE total)
- IT involved
- All department managers on board
- Board on board
- Storytelling retreat for entire staff

## Impact Project: Goals

- Complete lending and consulting audits (25 years of data)
- Enhance investing metrics
- Streamline collection
- Clear definitions
- Formalized processes
- Share data internally and externally



# Creating the Data Dictionary

- List of Metrics and Definitions
- Revised annually
- Clarifications, new metrics
- Example: Many types of jobs data

[illegible]

# Impact Data Definitions

- Impact Data Is Messy
- No FASB for Impact Data...yet (SASB)
- IRIS, GIIRS
- Industry standards evolving
- Outputs vs. Outcomes
- Diversity Data Definitions



## Working with Standards

- “IRIS is an effort to create a common framework for defining, tracking, and reporting the performance of impact capital.”
- NCCLF listed in official IRIS registry launch in September 2012
- Example:  
PI3687 - Jobs Created (In Financed Enterprises)
- NCCLF also listed on ImpactBase





# Impact Data Collection

# Social Impact Worksheet

- Distributed for each loan shortly after close
- Allows for streamlined and consistent data collection
- Data then entered into our CRM, Salesforce
- Signed worksheet also uploaded into Salesforce for easy data auditing



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## Northern California Community Loan Fund Lending Impact Worksheet

**Borrower:** Christine Church Home **loan type (check one)**

**Project:** Leslie Senior Apt. ☐ Business

**Loan Number:** 363 ☐ Community Facility

**Close Date:** 4-24-2012 ☒ Housing ☐ Other \_\_\_\_\_

In order to satisfy reporting requirements to the Opportunity Finance Network, an investor with capital in our loan fund, NCCLF collects job creation and retention figures for each project we finance. NCCLF collects these figures once at the loan close date, and again twelve months after the loan close date. Borrowers may also be contacted by Opportunity Finance Network to verify the figures NCCLF reports.

The borrower representative responsible for reporting job creation and retention for this loan is:

Kathleen Martin, Senior Project Manager

As of the loan close date above, the borrower representative reports the following job data related to the financed project. All figures are two-to-month full-time equivalent units (FTEs), where full-time is defined as at least an average of forty-five hours per week. (Example: A six-month-long, forty-hour-per-week position plus three year-long, twenty-hour-per-week positions equals a total of two FTEs.)

### Non-construction jobs

1. Number of FTE non-construction jobs in the borrower's organization: 168

2. Estimated number of FTE non-construction jobs in the borrower's organization that would have been lost if the loan had not closed (retained jobs): 0 Explanation for estimate, if any:  
no change because of this redevelopment loan

3. Projected number of FTE non-construction jobs in the borrower's organization expected to be created in the next twelve months, net of any expected job losses: 3 Explanation for projection, if any:  
new property will complete construction and new management staff will be hired

# Data Example

Lending Impact	FY2014	Life to date (through end of FY2014)
Total number of loans closed	17	331
Total dollar amount of loans closed	\$6,513,610	\$111,521,095
Facility square feet created or preserved	48,954	1,693,840
Housing units created or preserved	104	6,324
Permanent and construction jobs created or preserved	821	15,436
Individuals served by these projects	64,381	847,337
Total other financing dollars leveraged	\$33,480,083	\$1,263,596,425



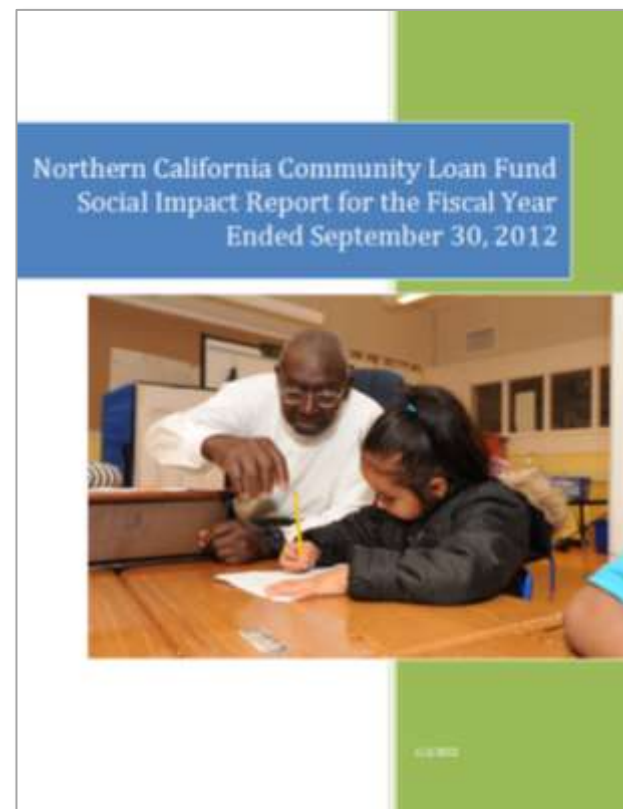
## Following up with Projects

- 3 years after close, conduct project audit
- Interview, site visit when possible
- Impact numbers are projected, don't always happen
- Keep in contact with clients
- Learn about projects
- Update, improve data



# Annual Social Impact Report

- Data heavy
- Companion to Annual Report
- Increasingly important for investors



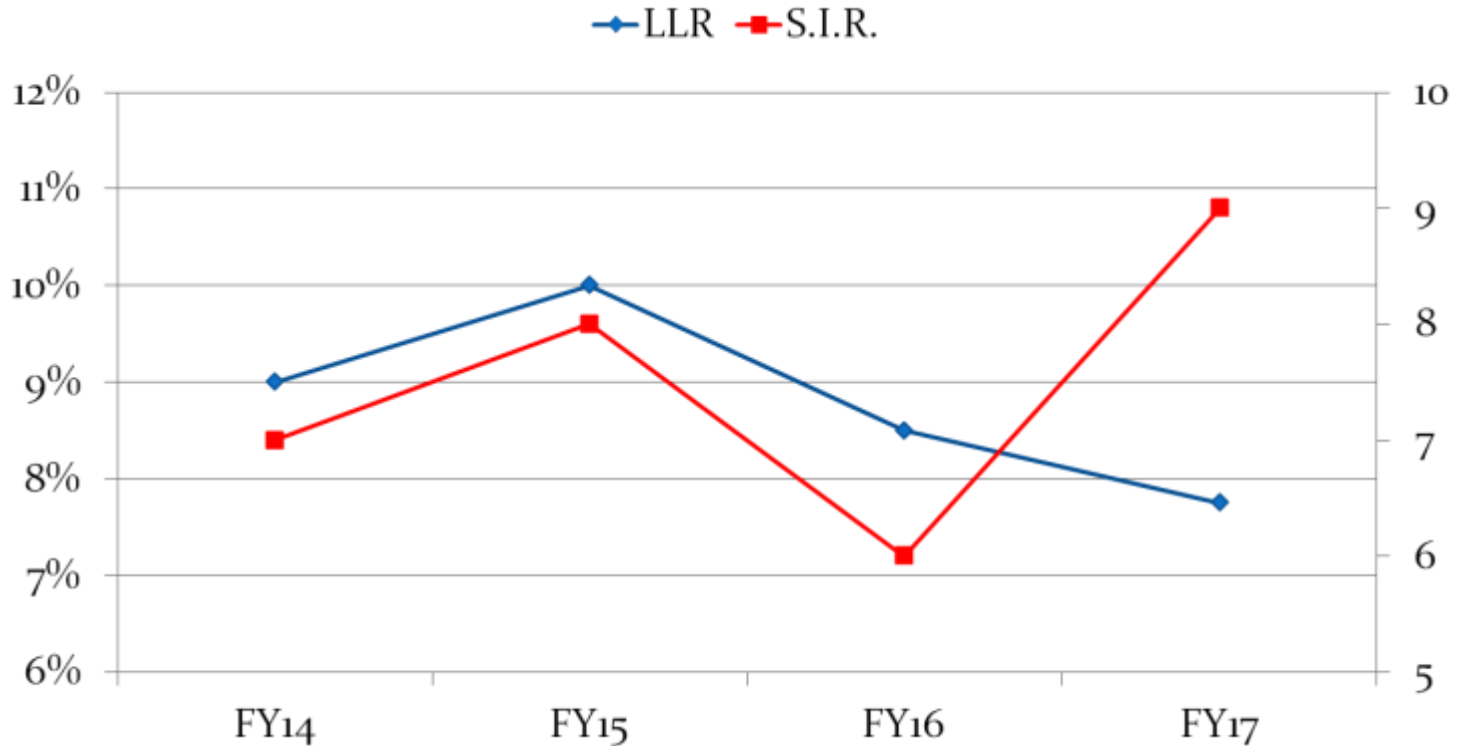
## 25<sup>th</sup> Anniversary Video



# Social Impact Rating: Using Impact Proactively

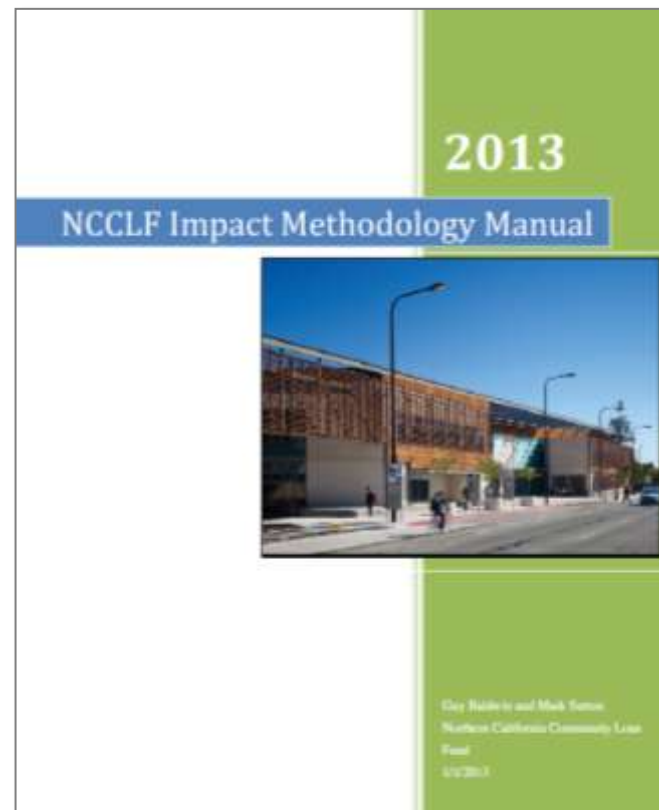
- A loan-level rating system
- Counterpart to risk rating system
- Formalize mission fit
- Comprised of 3 to 5 metrics that produce a composite score
- Potential role in determining the interest rate:
  - High risk rating moves the rate up
  - High S.I.R. moves the rate down
  - Still need to consider qualitative factors such as ability-to-pay, relationship issues, etc.

# Social Impact Rating and Loan Loss Reserve



# Creating the Methodology Manual

- Impact data policies and procedures manual
- Updated annually
- About 40 pages



# Impact Data Project: Key Outcomes (1)

Goal	Outcome
Developed list of standard metrics	Impact Data Dictionary
Audited and compiled existing data	Salesforce reports, spreadsheets
Properly and consistently record new data	Impact Worksheet, Surveys, Impact Interviews, Salesforce
Streamlined process for accessing data	Salesforce reports

# Impact Data Project: Key Outcomes (2)

Goal	Outcome
Sharing data internally	Impact Report, Meetings, Activities Report, At-a-Glance, Salesforce
Sharing data externally	OFN, CARS, newsletters, annual reports, investor packets, grant applications, ImpactBase – inaugural members
Maintaining manual for impact data processes	Impact Methodology Manual
Proactive Use of Data	Social Impact Rating System
Aeris Rating	AAA1



# Implementation Overview

## Mission

- Organization's mission, vision, and values guides activity

## Strategic Plan

- Strategic Plan sets forth objectives and goals toward the mission

## Data Dictionary

- Define data to be collected in line with strategic goals

## Reporting

- Departments collect specified data as defined in Data Dictionary

# Implementation Overview (2)

## Data Entry

- Data that is reported is entered in Salesforce (or other IS)

## Reports

- Customized Salesforce reports used

## Usage

- Internal documents and reports
- Annual Report, Newsletters, Applications, Reporting

## Assessment

- Processes and data are assessed for accuracy and efficacy
- Changes and improvements are made to improve achievement of mission

# Questions/Comments



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**COMMUNITY  
CAPITAL FUND**  
*Investing In Greater Bridgeport*

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**Mission**

CommCap facilitates the flow of capital and expertise into housing and economic developments that benefit low and moderate income people in the Greater Bridgeport Area

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**Background** CommCap was created in 2005 from the merger of Bridgeport Neighborhood Fund and Grow Bridgeport Fund

Companies supported	97
Total employees supported	494
Housing units created	436
Loans made	211
Financing Provided	\$35,911,482

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**Programs** CommCap utilizes capital to make loans from \$50k- \$500k to small businesses, nonprofits, and affordable housing developers.

## Small Business Loan Program

- Average loan \$150k - long/short term working capital, real estate, M&E
- Technical Assistance – THE LINK has assisted over 35 Businesses <http://thelinkgreaterbridgeport.org>
- Bond Guarantees - BondSure

## Affordable Housing Loan Program

- Average loan \$139k – build, remodel, rehabilitate multifamily or mixed-use properties
- Since 1986, program has financed over 1,000 units of housing
- Comprises 31% of CommCap's current portfolio

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## Programs (continued)

### Nonprofit Loan Program

- Average loan \$98k - long/short term working capital, real estate
- Total of 11 loans
- Provide a variety of services to the community

### Economic Revitalization Loan Program

- Over \$5 million from public sources directly to businesses or developers for redevelopment of the downtown
- Over \$3 million in EPA Revolving Loan Fund – Brownfields
- Provide lending capacity to municipalities

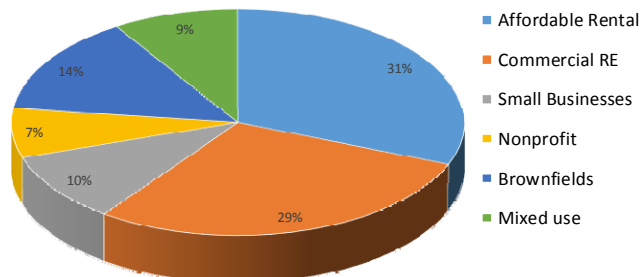
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**Portfolio** CommCap is committed to making capital accessible when banks can't while adhering to underwriting standards and responsible lending practices that banks understand...

**Active Portfolio - \$22 Million**  
**96 Loans By Type**



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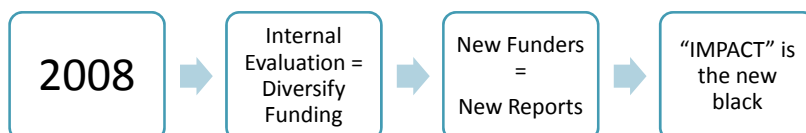
**What kind of impact does  
\$22 million in loans have?**

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## CommCap Impact Study



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## CommCap Impact Study

- **Funding** - CDFI Fund Technical Assistance Grant in 2011 to increase our capacity to raise capital and to tell our story better:
  - Market Analysis
  - Program evaluation and integration of new data collection system
- **Challenge** – Finding the right consultant
- **Expertise** - Pacific Community Ventures



## Metrics – what to measure?

- Industry Standards vs your capacity to get data
- Historic Data – Going back is great, but going forward is better!
- Establish a Baseline – Be reasonable and practical. Assess your capacity to maintain new information
- Survey – Good tool to capture data not previously collected and update existing data





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## Implementation

- **Commit to the process – 100% participation from borrowers and staff – 70% response rate**
- **Survey borrowers by all means and type necessary** - 60 entities including 6 different surveys (SB, NP, AH, CRE, BRF, LINK)
- **Programs Count!**
- **Data Collection** – new baseline data and all previously collected data organized in Excel



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## Integrating data collection:

- **Intake and Reporting** – incorporate into all loans and programs – applications, loan documents, policies, etc.
- **Portfolio Management System** – goal is to utilize system to store all loan and program data collected. Ex. Portfol allows the addition of new fields to capture data
- **Expectations/Incentives** – Borrowers (and staff)
- **Annual Data Collection** - Schedule data collection along with other required information such as insurance, financials, etc.



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## Utilizing the data

- Reporting purposes
- Presentations
- Marketing
- Internal evaluation and compliance monitoring



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## Impact Score

- What is it?

An evaluation tool used during the underwriting process to determine the “potential” social impact of a loan as well as to facilitate data collection during the application process.

- Why do it?

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## Impact Rating

Rating	Meaning
AAA	A project with this rating is in clear alignment with our CDFI mission and strategy. This project is expected to deliver social impact on a large scale.
AA	A project with this rating has a clear alignment with our mission and strategy and is expected to deliver high social impact, however not on the same scale as an AAA rated project.
A	A project with this rating has a clear alignment with our CDFI mission and strategy. However is expected to deliver social impact in a small scale.
B	A project in this group has reasonable alignment with our CDFI mission. However evidence of impact is not as strong or the project might not: <b>(1)</b> meet two or more core impact metrics or <b>(2)</b> the scale of the project might be very small.
C	A project with this rating lacks alignment with our mission or data is incomplete to properly calculate the rating.
D	A project with this rating shows limited evidence that the project will have social impact or no data has been provided.

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## Lessons Learned

- Real numbers are better than a sample
- Commit to maximum participation
- Include non-lending related programs
- Impact score may be good...
- Institutionalize – update intake and policies, and use technology
- Organizational Capacity – track impactful practices!

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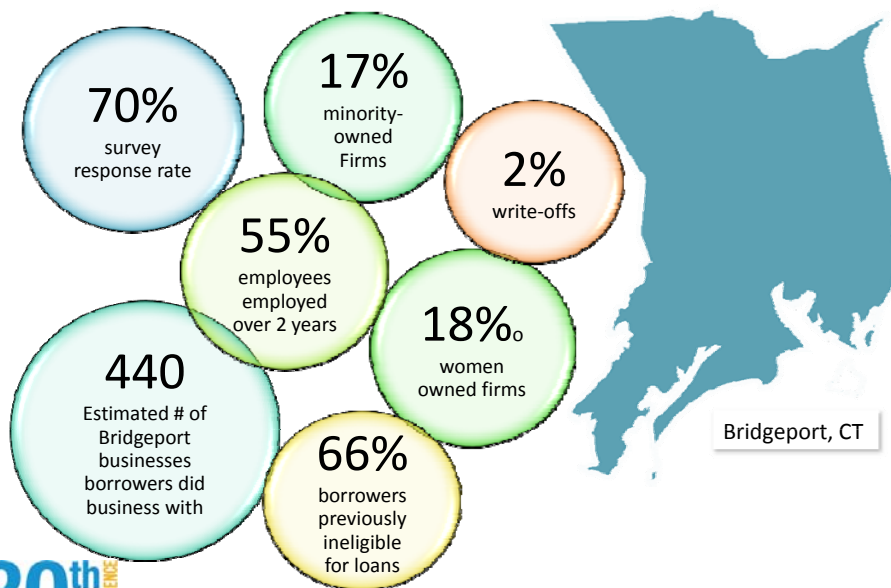
## Revolving Funds



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## Bright Morning Star Daycare



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\$80,000 Small Business Loan in 2012 -  
Previously unable to secure financing from  
traditional Sources

MBE/WBE Business Located in Bridgeport's  
West Side

50% job growth in 2 years – from 6-9  
Employees: 11% Non-Minority, 56% African  
American, 22% Hispanic, 11% Other

8 of 9 Employees live in Bridgeport

42% of Employees < 6 months

58% of Employees 6 months -2 years

Buys from 3 Bridgeport Vendors

Provides Daycare Services to 26+ families

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