Assessing Strategic and Social Impact

Andrew Baldwin, Corporation for Supportive Housing (CSH)

Who we are

- **Mission:**
  - To advance solutions that use housing as a platform for services to improve the lives of the most vulnerable people, maximize public resources and build healthy communities.

- **National service area**
  - Staff located in 20+ locations

- **Lines of Business:**
  - Lending/NMTC investments
  - Consulting and training
  - Advocacy and policy reform
Purpose

- Build on project eligibility criteria
- Connect lending to program and advocacy work
- Align lending to new strategic plan
  - Target populations
  - Expansion geographies
- Evaluate tradeoffs between mission, risk, and financial return
- Set goals/measure improvement
  - Individual lender vs portfolio

Using Data to Inform Strategy

Criminal Justice Related PSH Need

Data from the US Bureau of Justice Statistics

#OFNCONF
#OFNCONF

## Process

- **Create & Assess**
  - Determine the right elements – strategic vs social impact factors
  - Incorporate strategic plan goals
  - Assess other approaches
  - Get feedback from internal stakeholders

- **Test**
  - Phase I: lending unit
  - Phase II: internal credit committee

- **Implement**
  - Use in all new loans
  - Measure portfolio

## Challenges

- **Complexity**
  - Comprehensiveness vs focus

- **Subjectivity**
  - Conceptual vs specific measures

- **Clarity**
  - Detail vs flexibility

- **Consensus**
  - Engaging key stakeholders
Rating System

<table>
<thead>
<tr>
<th>Scorecard</th>
<th>Category Scores</th>
<th>Total Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most effective use of CSH capital</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td># new/preserved SH units</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Alternatives to CSH financing</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Advances innovative new product or financing strategy</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Supports CSH initiatives/target populations</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Developer SH capacity potential</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Developer is new to SH</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Existing SH developer/owner</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>CSH providing TA</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Geography/market development potential</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Advances systems change initiative</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Advances geographic expansion priorities</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Targets high need area/community</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Advances quality supportive housing</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Project achieves CSH quality standards</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Services quality</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Project promotes &quot;move in - move on&quot; goals</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Promotes healthy communities</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Advances CSH health policy agenda</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Promotes local community development</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Promotes environmental quality</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

Next steps/Issues

- Set baseline and goals
  - Portfolio
  - Individual lender/regional

- Develop ongoing measurement tools
  - E.g. risk vs impact vs financial return

- Measure actual impact

- Refine
  - Comparative value vs flexibility
NCCLF Social Impact Rating System

Ross Culverwell, Director of Lending
Northern California Community Loan Fund

www.ncclf.org
Facebook.com/ncclf
@ncclf

NCCLF Mission
We promote economic justice and alleviate poverty by increasing the financial resilience and sustainability of community-based nonprofits and enterprises.
Impact Rating – Project Background

- Annie E. Casey Fdn. – CDFI Leadership Program
  - 12-month leadership development program
  - Focus on disparities related to race, class, and culture
  - Required to define and address “organizational challenge”

- Experience at Moody’s
  - Rated state/muni bonds in Latin America, esp. Mexico
  - Large disparities between urban/rural, and regions
  - Least developed had worst credit ratings
    - Paid highest interest, though had the greatest needs

- Wanted to combine Casey goals with ratings tool to measure impact of loans
Impact Rating - Initial Concept and Goals

- A loan-level rating system
- Counterpart to risk rating system
  - Potential role in determining the interest rate:
    - Weak risk rating moves the rate up
    - Strong impact rating moves the rate down
- Impact ratings for each loan would add up to a portfolio score—like a loan loss reserve
  - Performance tracked over time
- Improve focus on
  - Factors of poverty, racial disparity, etc.
  - Impact reporting: outcomes vs outputs

Impact Rating Example - Loan Portfolio Quality Over Time

#OFNCONF
Impact Rating – Partners and Resources

- **Internal partners**
  - Management and board
  - Key staff
  - Lending department

- **External partners**
  - Annie E. Casey Foundation
  - SF Fed
  - *Pacific Community Ventures*

- **Data**
  - Project/borrower location
  - Borrower leadership and client base
  - Historical info on your loans

---

Impact Rating – Consult with PCV

**Phase I:** Review, brainstorm, and evaluation of NCCLF’s impact objectives and needs for Loan Rating System.

**Phase II:** Development of a draft loan rating system framework.

**Phase III:** Testing and refinement of draft loan rating system
Phase I: Brainstorming

Key findings or questions:

• **Define impact** – How does NCCLF define its impact? Favorite/least favorite loan exercise.

• **What sets NCCLF apart** – What is our "but for" argument? How could we capture this in the loan rating system?

• **Priorities** – What kind of impact does NCCLF want to make? What can be feasibly and consistently measured?

Phase II: Developing a ratings framework

- **Impact on Community**: Does the community where the borrower or client population is located face barriers to opportunities?

- **Impact on Borrower**: Will the loan improve the borrower’s effectiveness or capacity to serve its target population?

- **Impact on Beneficiaries**: What are the direct impacts of the borrower’s services on beneficiaries that are supported by NCCLF’s loan?

- **Impact of Financing**: Is there potential for NCCLF to increase the impact of the borrower (and other similar organizations) as a result of working with NCCLF specifically, and not another lender?
The Importance of Data

- **Location:**
  - We chose U.C. Davis Regional Opportunity Index
  - Other possibilities:
    - CDFI Fund NMTC eligibility d-base
    - CDFI Investment Area

- **Borrower Leadership:**
  - Racial/ethnic diversity, other factors
  - Similarity of leadership to clients served

- **Borrower clients:**
  - Race/ethnicity
  - Income levels
  - Affordable housing vs. other clients
Regional Opportunity Index

The Social Impact Rating System

<table>
<thead>
<tr>
<th>Summary</th>
<th>Category</th>
<th>Impact Rating</th>
<th>Loan Score</th>
<th>Median Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Score</td>
<td>High</td>
<td>75.4%</td>
<td>56.6%</td>
<td></td>
</tr>
<tr>
<td>Impact on Community</td>
<td>Good</td>
<td>37.5%</td>
<td>50.0%</td>
<td></td>
</tr>
<tr>
<td>Impact on Borrower</td>
<td>Good</td>
<td>62.5%</td>
<td>62.5%</td>
<td></td>
</tr>
<tr>
<td>Impact on Borrower Clients</td>
<td>Very High</td>
<td>100.0%</td>
<td>54.5%</td>
<td></td>
</tr>
<tr>
<td>Impact of Financing</td>
<td>Moderate</td>
<td>29.4%</td>
<td>58.8%</td>
<td></td>
</tr>
</tbody>
</table>
Key takeaways and questions

- What are the favorite/least favorite loans your CDFI has made? Articulate why.
- How would you prioritize between place, borrowers served, the people served by your borrowers, and the structure of the financing itself?
- What data is available to measure your priority areas? Are your in-house resources sufficient to maintain this data?
- What sort of feedback loop will you develop to measure the effectiveness of ratings?