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Racial Equity Assessment that is Proactive and Practical (REAPP): A Toolkit for Investors



BLUEHUB
CAPITAL

Investing in people and communities
for an inclusive future

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Overview & Purpose

BlueHub Capital is a mission-driven, nonprofit community development financial institution (CDFI) focused on building healthy communities where low-income people live and work. Our investments focus on economically and racially marginalized communities that have been systematically denied access to capital.

REAPP (Racial Equity Assessment that is Proactive and Practical) is a tool intended to enable lenders to understand the extent to which projects in their pipelines may support racial equity – and to do so in a way that is more nuanced than considering only staff and service recipient/client demographics. Effectively assessing loans’ potential to support racial equity requires a more nuanced and comprehensive approach; REAPP is BlueHub’s best attempt at that approach.

Catherine Dun Rappaport developed REAPP in deep consultation with impact investing practitioners, community activists, researchers, and policymakers who are themselves and/or work to support people of color. (See the reference list included below.) It captures a range of factors that they and others surfaced as meaningful in advancing racial equity and that are also things that BlueHub and other investors can actually measure. BlueHub is thankful for the wisdom that these collaborators shared. Our work is exponentially stronger because of these individuals’ insights.

While REAPP is evolving, BlueHub is glad to share it through Impact Frontiers with the broader field of practitioners seeking to support racial equity through investment. We hope REAPP and other like efforts support ever more “impactful” investments and field-building that, ultimately, advance racial equity.

REAPP is not intended as an impact screen, and BlueHub considers a variety of factors when assessing the extent to which potential loans are aligned with BlueHub’s mission. The Social Impact Rating (SIR) and REAPP questions capture the universe of factors BlueHub assesses when determining the extent to which potential projects are mission-aligned.

Toolkit Contents

The toolkit includes:

- Introduction to the Survey and Rating Model (Page 3)
- References (Page 4)
- Survey Instrument (Page 7)
- Excel-based REAPP Rating Model (Available on Impact Frontiers website and user customizable)

Introduction to the Survey and Rating Model

The REAPP survey asks about a series of project attributes that racial justice advocates, BIPOC community members and borrowers, researchers, and DEI-focused investors have identified as associated with racial equity. REAPP considers populations served by projects, business practices at the organizations seeking to borrow from BlueHub, projects' potential to deliver positive impact and to build BIPOC wealth, and factors that, if left unchecked, could lead to unintended negative consequences in BIPOC communities.

BlueHub acknowledges that there are aspects of loans and business practices associated with racial equity that REAPP does not capture. The survey seeks to strike a balance between our desire for information and the burden placed on borrowers to provide information, given limited time and resources. BlueHub piloted the survey with borrowers to try to make it as simple, user-friendly, and minimally burdensome as possible. (We cut the survey by about half after realizing version 1.0 asked too many questions and took borrowers an average of 45 minutes to complete. We also compensated the borrowers who completed the pilot with handmade chocolates from a local, Black-owned business.)

The REAPP Rating Model allows the results collected from the REAPP survey to be synthesized and translated into a quantitative rating. For each potential borrower that fills out the REAPP survey, the rating model produces a single rating score. This score takes the form of a percentage of the total possible number of points awarded and can be compared to the scores achieved by other organizations who filled out the REAPP survey. The REAPP Rating Model has been integrated into BlueHub's Social Impact Rating (SIR), but it can also be used as a standalone assessment of a particular borrower or project. Although we appreciate having a quantitative summary of REAPP results, we want to highlight the fact that our decisions re: how to weight various questions and factors are subjective. They are our best guess at how various aspects of projects contribute to racial equity, but may change as we roll out the tool and learn about how it works (and doesn't work) and about practices that borrowers and community members identify as particularly important in supporting racial equity.

Additional Considerations

When beginning to develop REAPP, BlueHub created a Motivation Statement to describe our motivations and the desired outcomes over the short-, medium-, and long term. In doing so we followed guidance from Heather Krause and We All Count, an organization focused on advancing equity in data science¹. We recommend that other organizations consider creating their own Motivation Statements when embarking on similar efforts.

BlueHub strives to provide borrowers with clear information about what REAPP is and how findings may be used before borrowers answer REAPP questions. BlueHub answers the following types of questions. BlueHub also does not mandate that borrowers complete the survey in order to receive BlueHub financing, and BlueHub shares borrower responses and learnings from the survey back with borrowers.

What is REAPP?

- Why and how did BlueHub develop REAPP?
- Is completing REAPP mandatory and will my answers impact the likelihood or terms associated with BlueHub financing?
- How will BlueHub use REAPP findings?
- How long will completing this survey take and who should complete it?
- Are the project and borrower attributes explored in REAPP the only things that BlueHub considers when assessing projects' social impact?

¹ See “Why You Need a Motivation Statement” (<https://weallcount.com/2019/05/31/why-you-need-a-motivation-statement>), “Motivation Checklist” (<https://weallcount.com/wp-content/uploads/2019/05/Motivation-Checklist-Interactive.pdf>), and We All Count’s Data Equity Framework (<https://weallcount.com/the-data-process/>).

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Insights from conversations between REAPP Author, Catherine Dun Rappaport, and colleagues who work in impact investing and evaluation, specifically:

Ariel Brooks, Managing Director, Center for Economic Democracy

Dr. Michael Brown, Head of Research, Wharton Social Impact Initiative*

Alyssa Ely, Gender Lens Investment Specialist and Senior Researcher, Criterion Institute*

Carolyn Ezelino, Director of Strategy and Finance, RSF Social Finance*

Dr. Lianne Fisman, Senior Associate, Abt Associates, Inc.

Kelly Fitzsimmons, CEO, Project Evident

Dr. Erin Graves, Senior Policy Analyst, Federal Reserve Bank of Boston

Karim Harji, Programme Director, Oxford Impact Measurement Programme, Saïd Business School, University of Oxford*

Dr. William Jackson, Founder, Village of Wisdom

Dr. Heather Krause, Founder, We All Count

Dr. Michael McAfee, President & CEO, PolicyLink*

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Meeta Misra, Head of Impact and Outreach, GreenArc Capital*

Brian Prater, Executive Director, Community Development Finance, Morgan Stanley

Adam Rein, Co-Founder and COO, CapShift Capital

Belissa Rojas, CEO, Impacto Consulting*

Dr. Erika Seth Davies, Founder of the Racial Equity Asset Lab (REAL), Fellow Beek Center for Social Impact at Georgetown University, Associate Professor of Philanthropy, McDonough School

Shu Dar Yao, ESG and Impact Investing Advisor, Independent Consultant

*Individuals both provided initial guidance and reviewed drafts of the REAPP Framework

REAPP Survey: Racial Equity Assessment that is Proactive and Practical

Questions About the Survey Respondent

1. Please indicate the name and title of the person completing this survey.

2. Please indicate the phone and email for the person completing the survey.

3. Please indicate the name of the organization requesting BlueHub financing.

Questions About Your Organization's Staffing and Business Practices

Questions about staffing at your organization

4. Does your organization collect data about the race of its staff, senior leadership, and (if applicable) Board of Directors? (If no, skip to Question #9.)

- Yes
- No

Race of Board of Directors, Leadership, and Staff

5. Does your organization have a Board of Directors? (If no, skip to Question #7.)

- Yes
- No
- None of the above

6. Race of the Board of Directors at the organization requesting BlueHub financing. What percent of your organization's Board of Directors is in each of the following racial and ethnic categories? (Here, please count Hispanic/Latinx as a racial/ethnic category vs. separate from other racial categories, and please count each individual only 1 time. The total of these percentages should = 100%)

- _____ % Black or African American, non-Hispanic/Latino/a/x
- _____ % American Indian, Alaskan Native, or Native Hawaiian
- _____ % Asian or Other Pacific Islander
- _____ % Latino/a/x or Hispanic
- _____ % White, non-Hispanic/Latino/a/x
- _____ % in two or more of the above categories
- _____ % in another racial and/or ethnic category or prefers not to disclose

7. Race of the senior leadership team at the organization requesting BlueHub financing. What percent of your organization's senior team is in each of the following racial and ethnic categories? (Here, please count Hispanic/Latinx as a racial/ethnic category vs. separate from other racial categories, and please count each individual only 1 time. The total of these percentages should = 100%)

- _____ % Black or African American, non-Hispanic/Latino/a/x
- _____ % American Indian, Alaskan Native, or Native Hawaiian
- _____ % Asian or Other Pacific Islander
- _____ % Latino/a/x or Hispanic
- _____ % White, non-Hispanic/Latino/a/x
- _____ % in two or more of the above categories
- _____ % in another racial and/or ethnic category or prefers not to disclose

8. Percent of the labor force at organizations requesting BlueHub financing in various racial/ethnic categories. Approximately what percent of the labor force at your organization is in each of the following categories? (Here, please count Hispanic/Latinx as a racial/ethnic category vs. separate from other racial categories, and please count each individual only 1 time. The total of these percentages should = 100%)

- _____ % Black or African American, non-Hispanic/Latino/a/x
- _____ % American Indian, Alaskan Native, or Native Hawaiian
- _____ % Asian or Other Pacific Islander
- _____ % Latino/a/x or Hispanic
- _____ % White, non-Hispanic/Latino/a/x
- _____ % in two or more of the above categories
- _____ % in another racial and/or ethnic category or prefers not to disclose

Questions about business practices at your organization

9. Is your organization BIPOC-owned? (Here, count official designation as a Minority-Business Enterprise, or MBE, as BIPOC-owned. Also please answer yes to this question if the business does not have an official designation, but at least 51% of the owners of the business are people of color.)

- Not applicable, my organization is a non-profit.)
- Yes
- No
- Don't know

10. Does your organization have the following wealth-building or profit-sharing plans for employees? (Please check all that apply.)

- I do not know if our organization has wealth-building/profit-sharing plans for employees.
- No, we do not have wealth-building/profit-sharing plans for employees.
- Yes, we have a 401K plan or other retirement savings vehicle and we provide contributions/matches.
- Yes, we are an ESOP and/or have other profit-sharing plans with employees.
- Yes, we have other wealth-building/profit-sharing plans. (Please describe below.)

For more information, see:

<https://nmsdc.org/mbes/what-is-an-mbe/#:~:text=Ownership%20by%20minority%20individuals%20means,Definition>)

11. Which of the following actions related to supporting racial equity in operations does the entity receiving BlueHub financing engage in? (Please check all that apply.)

- The organization has a DEI statement on its website and in other materials that describe the organization.
- The organization has accountability structures related to its racial equity goals/strategies. (Related work is tracked and figures into staff assessments and performance reviews.)
- The organization has and tracks explicit goals re: supporting BIPOC businesses/vendors.
- The organization offers regular (at least annual) DEI training for all employees.
- None of the above

12. Which of the following hiring policies/practices does the entity receiving BlueHub financing engage in to support BIPOC staff? (Please check all that apply.)

- The organization follows formal policies re: ensuring a diverse BoD and/or Executive Team.
- The organization has and tracks explicit goals re: hiring BIPOC staff.
- The organization posts pay ranges in job descriptions and hiring materials.
- The organization values lived and work experience in hiring and accepts lived- and work experience as a viable substitute for formal credentials (i.e., advanced degrees, college degrees, etc.)
- The organization removes candidate names from resumes when hiring and/or takes other steps to mitigate against racial bias in hiring.
- The organization recruits from HBCUs and/or other sources likely to surface BIPOC candidates.
- None of the above

13. Which of the following practices does the entity receiving BlueHub financing engage in to support BIPOC staff? (Please check all that apply.)

- The organization has racial affinity groups for employees.
- The organization provides training/mgmt./mentoring specifically for BIPOC employees.
- The organization tracks and takes steps to address racial pay gaps.
- The organization supports BIPOC staff in other ways as described below.

-
- None of the above

14. Is the entity receiving BlueHub financing engaging in advocacy intended to address systemic racism; improve goods, and services for BIPOC “beneficiaries;” and/or close the racial wealth gap?

- Yes
- No

15. If you answered yes to Q14, please describe those advocacy efforts.

Questions About the Project Financed

The next several questions ask about the specific project for which your organization seeks financing from BlueHub Capital. Please answer these questions in terms of the planned project (vs. your organization).

BIPOC clients/beneficiaries and project connection to BIPOC community

16. Approximately what percentage of people served per year (or project "beneficiaries") are/ are likely to be Black, Indigenous, and/or People of Color (BIPOC)?

- <10%
- 10% - 25%
- 26% - 50%
- 51% - 75%
- >76%
- Don't know; we do not have this information and cannot come up with a good approximation.

17. To what extent is the project site in a community that is BIPOC? (Please select the answer that best describes the neighborhood in which the project/facility is located. If you are unsure, consider the demographics of the local zip code.)

- The community is <10% BIPOC.
- The community is 10% - 25% BIPOC.
- The community is 26% - 50% BIPOC.
- The community is 51% - 75% BIPOC.
- The community is > 76% BIPOC.
- Don't know.

18. Please indicate how this project engages with local BIPOC community members. (Please check all practices that apply.)

- BIPOC community members own or have some official control over how the project is designed and/or run and/or BIPOC community members are in decision-making roles.
 - The project was designed in response to a local need articulated by BIPOC-led community groups.
 - Project leadership regularly vets project plans and evolutions therein with BIPOC community members and BIPOC community members provide ongoing feedback/input.
 - BIPOC community members do not own or control the project and the project was not designed in response to BIPOC community member need, but BIPOC community members had some input in project design and/or implementation. Note: DO NOT SELECT THIS OPTION if you indicated that BIPOC members own or control the project or if you indicated that the project was designed in response to a local need articulated by BIPOC community groups.
 - Project leaders may inform community members about how the project is running, but they do not seek input from community members. Note: DO NOT SELECT THIS OPTION if you checked other options listed here.
 - Other engagement with the BIPOC community (please describe).
-

Project Impact on/in BIPOC communities

19. Which of the following best describes the project (or project type)'s track record for supporting positive impacts for BIPOC community members?

- The project or project type seeking BlueHub financing prioritizes positive outcomes for BIPOC community members and has a demonstrated track record for achieving positive impacts, i.e., there has been a study done of the project or project type that shows positive impact. *(Examples include affordable housing that serves high percentages of BIPOC residents in high housing cost areas, schools that have a track record for helping students of color to thrive in and out of school, community health centers in BIPOC communities, early care and education programs that serve BIPOC families and meet quality standards, nonprofit programs run by and serving BIPOC community members that have been proven impactful.)*
- The project or project type seeking BlueHub financing prioritizes positive outcomes for BIPOC community members and has likelihood of achieving positive impacts but has not yet been studied. *(Examples include start-up schools and daycare programs, creative place-making efforts, other innovative but untested community service programming.)*
- The project or project type seeking BlueHub financing does not focus specifically on serving and generating positive outcomes for BIPOC community members.

20. Will the project that receives BlueHub financing offer programming or services that explicitly address race and racism and support BIPOC clients/beneficiaries? (Examples include teaching curricula that celebrate people of color, offering support services that respond to stress brought on by racism,

coordinating affinity groups, offering nutrition courses that offer foods that reflect various BIPOC cultures, etc.)

- Yes
- No
- Don't know

21. If you answered yes in the prior question, please describe that programming here.

Wealth and job creation for BIPOC businesses and contractors

22. Does the project or project type being financed create wealth for BIPOC community members in any of the following ways? (Please check all practices that apply.)

- The project creates home- or business-ownership opportunities that target or serve BIPOC residents.
 - The project includes vocational education programming that targets BIPOC community members and that has been shown to increase students' incomes.
 - The project is an educational program that has been proven to increase BIPOC students' matriculation to and graduation from college or professional training programs.
 - The project reduces housing costs for BIPOC community members and has an indirect, but positive, impact on BIPOC wealth.
 - The project has a focus on generating wealth for BIPOC populations but has not yet proven effective in so doing. (DO NOT SELECT THIS OPTION IF YOU HAVE SELECTED ANY OF THE PRIOR OPTIONS.)
 - The project has a focus on generating wealth for BIPOC populations but has not yet proven effective in so doing. (DO NOT SELECT THIS OPTION IF YOU HAVE SELECTED ANY OF THE PRIOR OPTIONS.)
 - The project does not have an intentional focus on generating wealth for BIPOC populations. (DO NOT SELECT THIS OPTION IF YOU HAVE SELECTED ANY OF THE PRIOR OPTIONS.)
 - The project increases BIPOC wealth in other (direct or in direct) ways, as follows:
-

23. Does the borrower have a formal arrangement to contract with BIPOC-led or -owned construction firms or other firms/service providers, (1) for this project, (2) generally, but not for this project, or (3) no? (Here, by "formal arrangement," we mean arrangement to do business and compensate the BIPOC-led firm or service provider for so doing.)

- Yes, we have a formal arrangement to contract with BIPOC-led construction firms, other firms, and or service providers for this project.
- Yes, but not for this project. We have formal arrangements with BIPOC-led construction firms, other firms, and/or service providers, but not for this project.
- No, we do not have formal arrangements with BIPOC-led construction firms, other firms, and/or service providers (for this project or for other projects).
- Don't know



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Impact Frontiers is a learning and market-building collaboration for investors seeking to manage their social and environmental impacts and incorporate impact into investment decision-making. We provide resources, space for community discussions, and a cohort model that supports learning by doing.

Impact Frontiers also stewards the norms and consensus-building practices pioneered by the Impact Management Project. We use practitioner experiences to jump-start consensus-building in areas of practice where standards and guidance do not yet exist, and synthesize and share the results of these collaborations with the field at large.

Learn more at [impactfrontiers.org](https://www.impactfrontiers.org)



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