Racial Equity & Impact Scorecard

Racial Equity Tiers

- **Racial Equity Stand-Out**
  - Drives systemic progress toward a society characterized by justice & racial equity by building **power & agency** for Black, Latino, and POC individuals and communities.

- **Racial Equity Centered**
  - Centers transformative **outcomes** for Black, Latino, and POC individuals and communities.

- **Racial Equity Serving**
  - Meaningfully increases or preserves **access** to critical resources or opportunities for Black, Latino, and POC individuals and communities.

Impact Scorecard

<table>
<thead>
<tr>
<th>Racial Equity Tier</th>
<th>Dimensions of Impact</th>
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<tbody>
<tr>
<td><strong>Racial Equity Stand-out</strong></td>
<td><strong>POWER &amp; AGENCY</strong></td>
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<tr>
<td></td>
<td><strong>Power &amp; Control</strong> Ownership and control by Black, Latino, and leaders of color; project sponsors with demonstrated commitment to racial equity.</td>
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<td><strong>Community Voice &amp; Agency</strong> Delegated decision-making to community members intended to benefit from the project.</td>
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<td><strong>Systems Change</strong> LIIF product designed to reduce structural barriers, and created structural enablers to achieve racially equitable outcomes.</td>
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<tr>
<td><strong>Racial Equity Centered</strong></td>
<td><strong>TRANSFORMATIVE OUTCOMES</strong></td>
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<td><strong>Population Served</strong> Individuals/families facing greater barriers to access due to circumstances.</td>
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<td><strong>Location</strong> Increased choice, displacement prevention, preservation of community assets.</td>
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<td><strong>Quality</strong> High quality facility; quality services and programs that augment outcomes.</td>
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<td><strong>Catalytic Impact</strong> Comprehensive community plan addressing multiple SDOH; innovative project type.</td>
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<tr>
<td><strong>Racial Equity Serving</strong></td>
<td><strong>ACCESS TO CRITICAL RESOURCES/OPPORTUNITIES</strong></td>
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<td></td>
<td><strong>Access</strong> Increases/preserve access to critical resources or opportunities for Black, Latino, and other communities of color facing the deepest inequities.</td>
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<tr>
<td><strong>ADDITIONALITY</strong></td>
<td><strong>Role for LIIF</strong> Additionality of LIIF’s capital and role in the transaction.</td>
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</table>

**Additionality / Investor Contribution**

1. LIIF utilizes a special capital product or tool.
2. LIIF provides unique navigation or leadership for the transaction.
3. LIIF’s loan is the only available financing available to move the project forward.

**Power & Agency**

- **Leadership, ownership, and staff of color**
- **Racial Equity as mission critical**
- **DEI business practices**
- **Power building within the community**
- **Community decision-making**
- **Sharing economic benefits**

**Community Voice**

We draw on The Spectrum of Community Engagement to Ownership by Rosa Gonzalez & Facilitating Power as a framework for assessing the level of power delegated to community members, from marginalizing a community (Ignore) to creating community ownership over decisions (Defer To).

The Spectrum of Community Engagement to Ownership
Impact-Risk-Profitability ("IRP") Framework

- IRP is three tools:
  - Impact scorecard (score & Racial Equity Tier), Risk Rating model (risk rating), Profitability model (NPV & MIRR)
  - Intentional and balanced decision-making around impact and financial sustainability

- Drive $5 billion to advance racial equity by 2030:
  - Impact-Led Lending strategy: Set lending goals and support business development
  - Attract impact capital: Motivate investors and lenders

Sample Portfolio Data*

Challenges, Opportunities, Lessons Learned

- Challenges & Opportunities
  - Business development: Align goals and incentives; manage expectations
  - Capital Raising: Influence traditional capital providers; unlock new sources
  - Risk: Shift risk appetite; shift perception of risk
  - Learning & Evaluation: Find a practical approach; test "power & agency"
  - Tools & training: build technology infrastructure & staff capacity

- Lessons Learned & Tips
  - Impact management is organizational change management: engage users on content and implementation early and often
  - Impact assessment involves choices: be transparent and intentional
  - Dedicate resources, people, and time: not volunteers or extracurricular activities
  - Root racial equity objectives in shared understanding of history and current conditions
  - Understand your organization’s risk appetite: may be defined by more than a rating

*IRP test run of 18 loans closed in FY22 (out of 63 on-balance sheet loans)
Affordable Housing Acquisition Loan

IMPACT (7 out of 22 / Centered)
- **Access:** 190 units affordable housing in majority Black/Latino community
- **Location:** Combat displacement in historically disinvested neighborhood; High Opportunity area
- **Quality:** Green Communities certification; Sponsor track record of success

RISK (2, Pass / High)
- Strong financial and management capacity/track record
- Repayment Highly Likely
- Secured 33% LTV (strong collateral coverage)

PROFIT ($395,023 NPV / 33.4% MIRR)
- Loan size; interest rate

Childcare Center Acquisition Loan

IMPACT (14 out of 22 / Stand out)
- **Access:** Childcare facility serving majority African-American students; >50% subsidy eligible
- **Location:** Operator’s acquisition of facility prevents displacement
- **Quality:** “Quality” rating by local agency OSSE
- **Power/Agency:** Black leadership and staff; racial equity mission critical; economic benefit
- **Additionality:** Brighter Future Fund; “But for”

RISK (3, Pass/Acceptable)
- Good financial and management capacity
- Repayment Highly Likely
- Secured 90% LTV (acceptable collateral coverage)

PROFIT ($31,586 NPV / 2.8% MIRR)
- Loan size; interest rate

Beyond the numbers: Black Developer Capital Initiative (BDCI)

**BDCI Unsecured Predevelopment Line of Credit for Black-led affordable housing firms**
- **Impact:** Control and ownership with Black-led sponsor; LIIF additionality.
- **Risk:** Experience as main underwriting criteria; no minimum financial requirements.
- **Profit:** Below market interest rate; breakeven NPV.

**IRP as an approach:**
- Influence on strategic product design
- Exploration of risk and risk appetite
- Scaling with an impact vs. return lens