Assessing the Impact of Community Development Financial Institutions

Recommendations for New Jersey Community Capital

Edward J. Bloustein School of Planning and Public Policy
Rutgers, The State University of New Jersey
Assessing the Impact of Community Development Financial Institutions

Recommendations for New Jersey Community Capital

May, 2011
Prepared by:
Kristin Crandall
Maria De Fazio
Daniel Kravetz
Jared Mancinelli
Cara Purcell
Caitlin Salemi
Samantha Swerdloff
Rrezarta Veseli

Faculty Advisor:
Dr. Julia Sass Rubin

Prepared for:
New Jersey Community Capital
16-18 West Lafayette Street
Trenton, NJ 08608
ACKNOWLEDGEMENTS

The study team would like to thank Leah Apgar, Daniel Arndt, Jacqueline Baranowski, Peter Grof, Doris Harris, Marie Mascherin, Wayne Meyer, Joseph Palazzolo and Todd Rotert of New Jersey Community Capital, for providing us with invaluable insights and assistance. We particularly want to thank McCaela Daffern, who coordinated this project for NJCC and was amazingly good natured and prompt in responding to our many questions and concerns.

We also would like to thank Gail Berlinger and Jessica Brooks of Boston Community Capital; Linda Brown of Edison Department of Health and Human Services; Carla Dickstein of Coastal Enterprises; Carolina Espinosa of Robert Wood Johnson University Hospital; Mike Farley of the Unified Vailsburg Services Organization; Ed Sivak of Hope Enterprise Corporation; and Jessica Standiford of the Low Income Investment Fund, for so generously sharing their time and knowledge.

We are grateful to Professor Bruce Baker of the Rutgers Graduate School of Education; Professors Stephanie Curenton, James DeFilippis, and Marc Weiner of the Edward J. Bloustein School of Planning and Public Policy at Rutgers; and Janice Rabkin of University of Washington, for sharing their expertise on education, affordable housing, and survey design.

Finally, we want to thank New Jersey Community Capital for giving us the opportunity to explore this critical issue and to raise important issues for NJCC to consider as it works to strengthen its impact assessment methodology.

The recommendations in this report are solely those of the authors and should not be seen as representing the expressed or implied views of anyone associated with NJCC.
ABSTRACT

This report recommends a methodology for assessing the social outcomes of New Jersey Community Capital’s (NJCC) financing and other activities. In developing this methodology, we first review the existing literature on impact assessment, both within the community development field and across the non-profit sector more broadly. This includes defining assessment-related terminology, clarifying the components of an assessment process, and identifying the many difficulties inherent in that process. We then detail the challenges and lessons learned from an analysis of four other community development financial institutions (CDFIs) that are adept at measuring their social outcomes. Building off of these, we provide NJCC with overarching recommendations for maximizing the effectiveness of the organization’s impact assessments, and with specific recommendations for each of its four primary investment areas: affordable housing, neighborhood stabilization, early care, and charter schools. We present the specific recommendations in the form of a literature review, a set of recommendations for what data NJCC should track and why, and methods NJCC should use to collect and analyze data. For the areas of affordable housing, early care, and charter school facilities, we also provide NJCC with model questionnaires for data collection. For neighborhood stabilization, we provide a detailed spreadsheet for data input and computation. We conclude that, although NJCC likely lacks the capacity to prove its social impact, it can benefit from using more strategic metrics and refining its organizational approach to assessment. With improved evaluation processes, NJCC can become a stronger CDFI industry leader in assessing performance and a more effective agent of community transformation.
LIST OF ACRONYMS

ACS – American Community Survey
AMI – Area Median Income
BCC – Boston Community Capital
CAM – Credit Approval Memorandum
CAPC – Community Asset Preservation Corporation
CARS – CDFI Assessment Ratings Systems
CDFI – Community Development Financial Institution
CEI – Coastal Enterprises, Inc.
CMO – Charter (School) Management Organization
ECERS – Early-Childhood Environment Rating Scale
HOPE – HOPE Enterprise Corporation
HUD – United States Department of Housing and Urban Development
IEP – Impact Evaluation Plan
LEP – Limited English Proficiency
LIHTC – Low-Income Housing Tax Credit
LIIF – Low-Income Investment Fund
MPEC – Mississippi Economic Policy Center
NCLB – No Child Left Behind Act (federal)
NJCC – New Jersey Community Capital
NJDOE – New Jersey Department of Education
NMTC – New Markets Tax Credit
PSTS – Project Statistics Tracking System
REO – Real Estate Owned (property)
SD – Students With Disabilities
TOD – Transit Oriented Development
TRF – The Reinvestment Fund
USDA – United States Department of Agriculture
USPS – United States Postal Service
TABLE OF CONTENTS

ABSTRACT ........................................................................................................................................... 5
INTRODUCTION .................................................................................................................................... 8
PART I: LITERATURE REVIEW AND BEST PRACTICES ........................................................................... 10
METHODOLOGY .................................................................................................................................... 10
IMPACT ASSESSMENT: LITERATURE REVIEW ..................................................................................... 10
CDFI CASE STUDIES: A SYNTHESIS OF FINDINGS ............................................................................. 14
RECOMMENDATIONS FOR NJCC: AN APPLICATION OF INDUSTRY BEST PRACTICES ...................... 17
PART II: INVESTMENT AREA RECOMMENDATIONS ............................................................................. 24
AFFORDABLE HOUSING ....................................................................................................................... 24
NEIGHBORHOOD STABILIZATION ......................................................................................................... 32
EARLY CARE .......................................................................................................................................... 45
CHARTER SCHOOLS .............................................................................................................................. 55
CONCLUSION ......................................................................................................................................... 71
WORKS CITED ....................................................................................................................................... 75
APPENDICES ......................................................................................................................................... 88
APPENDIX I: BOSTON COMMUNITY CAPITAL CASE STUDY ................................................................. 88
APPENDIX II: COASTAL ENTERPRISE INCORPORATED CASE STUDY .................................................. 90
APPENDIX III: HOPE CASE STUDY ........................................................................................................ 95
APPENDIX IV: LOW INCOME INVESTMENT FUND CASE STUDY ......................................................... 102
APPENDIX V: AFFORDABLE HOUSING QUESTIONNAIRE .................................................................... 107
APPENDIX VI: EARLY CARE QUESTIONNAIRE ..................................................................................... 112
APPENDIX VII: CHARTER SCHOOL QUESTIONNAIRE ........................................................................ 118
INTRODUCTION

New Jersey Community Capital (NJCC), a community development financial institution that serves the state of New Jersey, requested assistance in developing an impact assessment methodology. NJCC sought guidance on how to comprehensively evaluate the social benefits of its work and integrate this information into the organization’s daily operations, longer-term strategic planning, and communications with partners and stakeholders.

NJCC has been collecting outputs—such as dollars invested and number of housing units financed—since the organization’s founding in 1987. However, in measuring outcomes—such as the number of low-income families who obtain access to quality affordable housing as a result of its financing—NJCC’s efforts have been largely limited to anecdotal accounts. In 2009, NJCC began a strategic planning process that identified the following as an overarching organizational goal:

Advance our ability to measure, manage, and demonstrate the organization’s social and community impact and ensure overall accountability and effective stewardship of investments and resources (Daffern 2011).

To implement this objective, NJCC developed a five-step Impact Evaluation Plan (IEP):

1. Analysis of NJCC’s existing quantitative output and outcome data.
2. Creation of case study assessments of several specific projects, to understand better the outcomes and impacts resulting from our approach to community development finance.
3. Review of research commissioned by NJCC, to identify emerging trends and issues facing low-income communities and the community development field.
4. Group and individual interviews with NJCC’s stakeholders, to gauge how effectively our products and strategies are meeting the needs of our target communities and our partners, and to identify ways that we could enhance both our impact and process.
5. Collaboration with a research institution to evaluate our approach to impact assessment, propose methods for refining reporting mechanisms, and develop a comprehensive impact assessment methodology (NJCC 2010, 2).

The research conducted by the practicum team and this report help constitute the fifth step of this effort.

NJCC’s Assessment Methodology

NJCC does not have a documented, consistent methodology for measuring its outputs. However, interviews with staff members reveal that the organization pursues the following chronology:

- As part of the application process, NJCC requires potential borrowers to report the projected outputs of an NJCC loan.
- If the loan is approved, these outputs are recorded in an Excel spreadsheet that accompanies a Credit Approval Memorandum (CAM). These spreadsheets are incorporated into NJCC’s loan database.
- NJCC analyzes this data on an as-needed basis, such as when trying to answer a specific question raised in-house or by investors. NJCC aims to maximize accuracy in such analyses. For instance, if NJCC makes more than one loan to the same project within the same year, the analysis will “back out” the output data from additional loans so as not to double- or triple-count the outputs. Similarly, if NJCC makes a loan out of multiple pools of capital that it manages, the analysis will not double-count jointly-reported outcomes. If NJCC is reporting output and outcome data associated
with more than one fund, however, it typically reports them as occurring for each one (NJCC Staff 2011).

**Current Performance Measurements and Outputs**

NJCC collects both quantitative and qualitative output data for use in reports, brochures, and other publications (see Table 1). Staff members also write numerous case studies that provide compelling stories describing the effects of specific investments. In an effort to document the need for NJCC’s investments, the organization also has conducted a GIS analysis of its investments and taken part in research “that identifies emerging trends and issues facing low-income communities and the community development field” (NJCC 2010, 15).¹

<table>
<thead>
<tr>
<th>TABLE 1: NJCC ASSESSMENT DATA CURRENTLY COLLECTED²</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary outputs</strong></td>
</tr>
<tr>
<td>Loan amount</td>
</tr>
<tr>
<td>Total project cost</td>
</tr>
<tr>
<td>Metropolitan statistical area</td>
</tr>
<tr>
<td>Census tract</td>
</tr>
<tr>
<td>Type of loan:</td>
</tr>
<tr>
<td>• Acquisition</td>
</tr>
<tr>
<td>• Construction</td>
</tr>
<tr>
<td>• Predevelopment</td>
</tr>
<tr>
<td>• Permanent</td>
</tr>
<tr>
<td>• Mini-permanent</td>
</tr>
<tr>
<td>• Working capital</td>
</tr>
<tr>
<td>• Permanent working capital</td>
</tr>
<tr>
<td><strong>Business:</strong></td>
</tr>
<tr>
<td>• Economic development</td>
</tr>
<tr>
<td>• Community real estate</td>
</tr>
<tr>
<td>• Social enterprise</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

(Adapted from NJCC 2009b)

¹ The complete reports of four such research initiatives can be found in the appendix of NJCC 2010d.
² NJCC uses the phrase *primary and secondary outcome* rather than *primary and secondary output* in its financial spreadsheets. However, the data it is collecting are actually outputs. Throughout this report, we do not differentiate between primary and secondary level outputs or outcomes.
Limitations and Challenges Identified by NJCC

NJCC staff has identified the following limitations in the organization’s output and outcome evaluation process:

- Inconsistent use of the terms output, outcome, and impact
- Lack of outcome data collection
- Lack of a documented or justified methodology for output data collection and analysis
- No systematized method of collecting descriptive data
- No verification of projected primary outputs (provided by borrowers at the time of a loan application) after project completion
- Storage of output data in a loan database that requires manual analysis
- No definition of intended impact beyond the mission statement
- No identification of external factors that affect the social outcomes of loans
- No determination of the time period over which to measure outcomes
- No use of output data to inform future investments or other internal decisions
- No measurement of the outcomes of non-lending activities, such as the informal technical assistance that NJCC provides to its clients or the regional and statewide partnerships in which the organization participates
- Limited capacity at current staffing levels to conduct output, outcome, and impact evaluations (NJCC Staff 2011)

Our practicum group approaches this report with the goal of overcoming many of these limitations. However, we also recognize that a major obstacle—NJCC’s current staffing level—constrains its ability to address other challenges.

PART I: LITERATURE REVIEW AND BEST PRACTICES

METHODOLOGY

This report is based on a review and analysis of the academic literature about impact assessment, particularly as it relates to the community development financial institution (CDFI) field. The report is further informed by case studies of four CDFIs that were selected because they are broadly perceived as leaders in social impact measurement. The case studies consisted of interviews with relevant staff members from those organizations and a comprehensive review of documents pertaining to their measurement methodologies. We also interviewed and consulted with a number of academics and practitioners with expertise in NJCC’s four primary investment areas: affordable housing, neighborhood stabilization, early care, and charter schools.

IMPACT ASSESSMENT: LITERATURE REVIEW

Community development financial institutions (CDFIs) have long-understood the need to measure the social impact of their work. Over the last decade, however, CDFIs—and other mission-driven organizations—have felt growing pressure to improve and expand their impact assessment activities. As subsidies have decreased, funders have placed greater importance on such reporting as a condition of receiving additional resources (Urban Institute 2002; Zielenbach 2004; Hollister 2007). Even when not required to report their
outcomes, CDFIs increasingly are finding that demonstrating competitive social returns can provide an advantage in attracting resources (Kanter and Summers 1987; Rubin 2008; Hollister 2007).

Beyond the demands of funders, robust impact assessment processes have important internal functions for CDFIs. For example, a CDFI can utilize assessment tools to guide the development of organizational goals and strategic plans, better focus its programs, and ensure it is targeting resources towards the most effective activities. CDFIs also can use internal assessment as a method of maintaining awareness, cohesion, and accountability among staff around broad strategic goals. Further, by engaging staff in the development of its assessment process, a CDFI can improve its systems and enhance the sense of collective ownership of the outcomes and impacts of its work. Similarly, creating a feedback loop for clients to give input regarding the assessment process can build stronger relationships between the CDFI and the organizations it funds (Urban Institute 2002).

Defining Impact and Other Measurement Terms

For New Jersey Community Capital to assess the social impact of its work, it first must define what “impact” means. This task is challenging, as many definitions of impact assessment are present both in the academic literature and within the CDFI industry. Broadly, the term impact is used to refer to the intended or unintended change that occurs in organizations, communities, or systems as a result of program activities (Hollister 2007). However, the term also has a much narrower technical meaning that refers to the proven effects of a specific intervention. For the purposes of this document, we refer to the latter as the “proven impact,” in order to differentiate it from the more common and general meaning of the term.

In Table 2, we define key measurement terminology and recommend that NJCC consistently use these definitions in its impact assessment process. For illustrative purposes, let us assume in this example that NJCC made an investment in the construction of an affordable housing project.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>“Reflect[s] the immediate products or services being provided” (Lee, Johnson, and Joyce 2008, 142)</td>
<td>Affordable housing units constructed.</td>
</tr>
<tr>
<td>Outcome</td>
<td>“The state of the target population or the social conditions that a program is expected to have changed” (Rossi, Lipsey, and Freeman 2004, 204).</td>
<td>The improvement in a family’s economic or health condition because they have access to high quality, affordable housing.</td>
</tr>
<tr>
<td>(Proven) Impact</td>
<td>“The difference between [the] outcomes and whatever would have occurred without [the] intervention” (Immergluck 2006, 7).</td>
<td>The portion of the improved economic condition that can be proven to have resulted from the affordable housing.</td>
</tr>
</tbody>
</table>

CDFIs and their evaluators often use the term impact to refer to outcome measures. This misrepresentation is due to the somewhat nuanced distinctions between these terms, the inconsistent ways that they are defined across the field, and the numerous barriers that CDFIs face in proving impact (Immergluck 2006; Hollister 2007).
The primary challenge of assessing proven impact is the need to establish a counterfactual, or a means of comparing a given program’s outcomes with the outcomes that would have resulted in the absence of the intervention (Hollister 2007). The comparison cannot be made by observing the same subjects who receive the intervention, thus it is necessary to use control and comparison groups comprised of subjects who are similar in both observed and unobserved characteristics. This enables the evaluator to attribute any observed changes to the program intervention, while removing other confounding factors.

There are many practical difficulties in establishing a methodologically rigorous counterfactual. The cost and time involved also make this assessment approach beyond the reach of most CDFIs. Furthermore, withholding a treatment from subjects assigned to control or comparison groups raises significant ethical considerations that would certainly be of concern for CDFIs even if resource limitations were not an issue (Singleton and Straights 2010).

This has led some to argue that it is not feasible to collect the data needed to determine the proven impact that CDFIs are producing in the field (Immergluck 2006; Hollister 2007). These authors posit that the advantage in the efficiency and reliability of outcome indicators in measuring performance supersedes the value to an organization of delving into its proven impacts, which are so difficult to measure and verify. Furthermore, as Immergluck notes, “together with qualitative and interpretive knowledge of an initiative and its context, [outputs and outcomes] can, at least in some cases, allow us to construct a reasonable argument that impact is likely or unlikely and, perhaps, tell us something about the scale of any likely impact” (2006: 8).

Components of an Assessment

Before beginning a data collection process, a CDFI must make a series of decisions regarding the components and tools of its assessment system. This task is challenging, especially considering that the organization may need to use the same tools to decide organizational priorities, develop staff capacity, appease funders, attract investors, identify borrowers, and influence policy—each of which demands a distinct focus and has a different definition of success (Urban Institute 2002). Specifically, a CDFI must determine how to balance the use of quantitative and qualitative; people- and place-related; and short-term and long-term outputs and outcomes, and how to assess its non-financial activities (Kanter and Summers 1987; Murray and Tassie 2005; Immergluck 2006).

Qualitative v. Quantitative Assessment

Qualitative and quantitative measurements each serve distinct functions within an organization (Murray and Tassie 2005). Frequently used qualitative data gathering methods include case studies, open-ended surveys, interviews, and focus groups. These methods generally are used to gain detailed in-depth information about clients that numbers alone cannot convey, such as how they feel their lives have improved due to a product or service that a CDFI provides. Qualitative data also can be used to share powerful success stories with funders, to motivate staff members, and to build stronger and more trusting relationships with clients. However, funders may question such data as subjective and deficient in proving a broad and significant impact, and organizational leaders may resist using these methods because they can be time intensive.

---

3 Researchers use a number of methods to establish comparable control and comparison groups. One option is to construct a control group by selecting subjects not exposed to the intervention, who are similar in dependent variable characteristics to the comparison group (Rossi, Lipsey and Freeman 2004; Singleton and Straights 2010). The downside of this method is that it cannot account for all extraneous variables. Additionally, if the pool of potential participants is not large enough, matching them on all variables may be difficult. Researchers also can adjust for the differences between the control and comparison groups statistically, if—in fact—these relevant differences can be measured (Rossi, Lipsey, and Freeman 2004).
Quantitative outputs and outcomes may include metrics such as units of housing built, clients served, changes in income, or average educational attainment in a service area. These data cannot provide the same human element or depth of information as qualitative data, but they are often easier to measure and can be used to identify significant patterns in outcomes that can inform an organization’s future decisions and strategies, and its marketability to funders. For example, quantitative data can be used to identify what inputs are associated with certain outcomes across geographies of investment, whereas qualitative outcomes cannot provide similarly reliable and geographically comparable information. However, quantitative data can skew organizational activity towards the simple fulfillment of benchmarks that the CDFI did not necessarily choose for itself or that do not reflect the true and complex needs of the family or community being served (Murray and Tassie 2005).

Optimally, a CDFI would use qualitative and quantitative data to supplement each other. For example, if a CDFI is implementing a pilot program to serve affordable housing tenants, it may want to track statistical information (e.g., length of tenure, economic gains) as well as interview the tenants to assess their satisfaction with the housing, determine how much of a difference it has made in their lives, and attain feedback on how this service delivery could be improved.

**People- v. Place-Based Assessment**

A CDFI must determine whether to measure outcomes and outputs at the geographic or individual and household levels (Immergluck 2006). Individual-level data (e.g., individual employment outcomes) can provide a direct assessment of how programs or investments are benefiting the residents of an area. Individual-level analysis is especially important if a program is targeting individuals or families with certain demographic features (such as a specific income level or family composition) or of a certain length of tenure within an area, as place-based outcomes generally are not detailed enough to capture results for varying subgroups within a geography. However, geographic data (e.g., housing values, income levels, or crime rates) can be easier and much less expensive to attain because they do not require specific individuals to be tracked over time, and they can serve as a somewhat accurate proxy for assessing family-by-family outcomes. A CDFI may opt to assess some programs using geographic-level data and others using individual and household-level data. In fact, most CDFIs employ a combination of both strategies.

**Short-Term v. Long-Term Assessment**

Most of the outcomes produced by CDFI investments do not become apparent immediately. To assess how long an individual maintains a job or resides in an apartment, for example, requires tracking outcomes over a multi-year period. However, such longitudinal assessments are resource-intensive. In the absence of capacity to complete them, shorter-term measures can provide a useful snapshot of the outcomes associated with an investment. These short-term measures can include the initial occupancy rate of a new housing development or the jobs created in the first few years after an investment in a small business. They also can help predict longer-term trends and provide data necessary for more immediate strategic planning and marketing purposes (Hollister 2007). For example, many CDFI funders require regular progress reports, necessitating short-term data collection (Urban Institute 2002).

**Assessing CDFI Non-Lending Activities**

CDFIs engage in a variety of non-lending activities, including providing technical assistance/intermediary services to borrowers; conducting research and policy analysis; and influencing conventional financial institutions to lend in areas that they had previously considered too risky. While such non-lending functions of a CDFI may have the greatest systemic impacts, they also can be some of the most difficult to assess using traditional outcome measures (Rubin et al. 2008).
To ensure that a loan is successful, CDFIs often provide their borrowers with technical assistance, including financial education, tax assistance, and help with business planning and development. Impact assessment scholars point out that, if any successful rubrics for measuring impacts of technical assistance efforts exist, CDFIs are not currently utilizing them (Hollister 2007).

Another critical non-lending element of CDFI work is research and analysis. However, measuring the impact of one CDFIs research on the field at large is extremely challenging. For example, The Reinvestment Fund, a large Philadelphia-based CDFI, created “Policy Map,” a tool that undoubtedly helps CDFIs and other relevant actors make more effective decisions. However, traditional outcome methods—such as the number of data indicators that Policy Map offers its users—would hardly gauge its true impact on the field (TRF 2010).

CDFI research also helps inform local, state, and federal legislative, regulatory, and funding policies (Rubin et al. 2008). Some of the larger, resource-rich CDFIs view policy advocacy as central to their mission; Self-Help CEO Martin Leakes claimed that “the whole point of starting a CDFI was to get to the policy table as a respected player” (Rubin et al. 2008, 16). Hollister (2007) identifies two key problems with assessing policy. The first is the problem of ‘joint production,’ meaning that lobbying and the broader policy formation process involves many actors, and the dynamic nature of this work makes determining ‘who mobilized whom’ and who should get what share of the credit for a policy advancement nearly impossible. A second problem is that measuring the benefits of legislative or regulatory change is inherently challenging to quantify, particularly given the complex, at times murky, nature of the policy implementation process.

The other area in which CDFIs have arguably achieved their greatest systemic impacts has been in changing the lending culture in underserved markets. CDFIs have successfully demonstrated the viability of lending in such markets by funding projects in conjunction with conventional financial institutions and taking on the higher risk portion of the financing. CDFIs often supplement this gap-financing with targeted outreach efforts that aim to help conventional lenders understand “the true nature of risk” associated with underserved markets, as well as to educate them on the benefits of socially responsible practices such as green lending (Rubin et al. 2008, 9). However, as Rubin et al. point out, traditional output measures can be misleading when assessing such activities. For example, CDFI lending in a particular low-income community may actually decline as conventional financial institutions increase their involvement and meet a greater portion of the need.

CDFI CASE STUDIES: A SYNTHESIS OF FINDINGS

To better understand the challenges and opportunities associated with implementing comprehensive impact assessment programs at CDFIs, we conducted case studies of four organizations committed to and experienced in this work: Boston Community Capital (BCC), Coastal Enterprises Inc. (CEI), HOPE Enterprise Corporation (HOPE), and the Low Income Investment Fund (LIIF). The case studies consisted of interviews with key staff members involved in impact assessment and analysis of any documents that chronicled the individual organizations’ activities in this realm. Our goal was to understand:

- How these organizations arrived at their current assessment methods
- What their key objectives were in incorporating assessment into their organizational activities
- Which evaluation tools they developed and implemented
- Why those tools were selected
- What significant challenges they faced

4 Policy Map is an online data analysis and mapping tool created by TRF. It provides subscribers with data about real estate, neighborhood conditions, mortgage originations, education, income, and demographics for a given neighborhood.
The following sections summarize our key findings. Detailed descriptions of individual processes and findings from each organization are provided in Appendices I-IV.

Introduction to the Studied CDFIs

While the four CDFIs focus primarily on providing capital to support community development activities, each operates a unique combination of programs and serves a different geographic area. These CDFIs also encompass a variety of organizational components and programs, including New Markets Tax Credits (BCC, CEI, HOPE, LIIF); credit unions (HOPE); venture capital funds (BCC, CEI); green and healthy foods initiatives (LIIF, HOPE); and policy advocacy and research efforts (CEI, HOPE, LIIF). Despite this diversity of investment and other activity areas, the lessons learned from the experiences of these organizations can provide valuable guidance to any CDFI seeking to establish a more integrated assessment program.

### TABLE 3: CASE STUDY ORGANIZATIONS

<table>
<thead>
<tr>
<th>CDFI</th>
<th>Origin</th>
<th>Geography Served</th>
<th>Primary Investment and Focus Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCC</td>
<td>1985</td>
<td>Boston Region</td>
<td>Affordable Housing, Community Facilities, Schools, Child Care Centers</td>
</tr>
<tr>
<td>CEI</td>
<td>1977</td>
<td>Maine/Rural New England</td>
<td>Workforce Development, Small Businesses, Affordable Housing</td>
</tr>
<tr>
<td>HOPE</td>
<td>1994</td>
<td>Mid-South Delta Region</td>
<td>Commercial Financing, Mortgage Lending, Personal Financial Services, Technical Assistance</td>
</tr>
<tr>
<td>LIIF</td>
<td>1984</td>
<td>Nationwide</td>
<td>Affordable/Supportive Housing, Child Care, Education</td>
</tr>
</tbody>
</table>

(BCC 2009; CEI 2010; HOPE EC n.d.; HOPE CU n.d.; LIIF 2010a; LIIF 2010f)

Limitations and Challenges

Each of the four CDFIs understands the potential value of impact assessment to its individual operations and to the field at large. However, these CDFIs also are acutely aware of their limited capacity to fully measure impact (as opposed to their outputs or outcomes) due to resource constraints, the complex nature of the problems they seek to address, and the broader difficulty associated with establishing counterfactuals. In particular, the studied CDFIs identified the following challenges as hindrances in their efforts to conduct both actual impact assessments and substantial outcome assessments.

**Limited Staff Time and Financial Resources**

CDFIs face continuous struggles to acquire and sustain sufficient financial and human resources to support evaluation activities. For example, Ed Sivak of HOPE noted that he manages several other initiatives and therefore struggles to keep pace with the evaluation field’s evolving best practices (2011a). Similarly, CEI once employed several staff dedicated to research and evaluation, but the funding streams supporting those efforts were temporary. When funders changed direction, CEI was left with only one staff member whose job responsibilities included evaluation and other focus areas (Dickstein 2011). While LIIF’s custom project tracking software has enabled it to efficiently monitor outputs and outcomes with limited staffing...
requirements, the organization has been unable to conduct more complex impact studies due to internal capacity constraints and a lack of sufficient resources (LIIF 2011b; Standiford 2011b). Facing similar resource limitations, BCC has spread the responsibility for evaluation throughout the organization but has struggled to maintain consistency due to the absence of a single staff member dedicated to managing data analysis (Berlinger 2011).

**Pressure to Meet External Demands**

CDFIs’ limited resources for evaluation are further squeezed by funder requirements that are not necessarily congruent with their own internal objectives. There also is the possibility that funders will penalize a CDFI for forthright reporting by reducing funding when the outcomes are not as good as expected. This issue arose for CEI when its longitudinal assessment of job creation produced some surprising results. While the study helped CEI to refine its lending priorities, the results provided evidence to one of its funders that small business development was not a promising strategy for improving low-income individuals’ income levels (CEI 2004; Dickstein 2011).

**Lack of Consistency in Data and Definitions**

HOPE noted the importance of connecting the department responsible for evaluation to the rest of the organization to ensure consistency and reliability in reporting (Sivak 2011a). Similarly, CEI expressed the concern that the loss of evaluation staff has left the organization less capable of maintaining its “feedback loop” and training its various departments on evaluation systems, which could compromise data quality (Dickstein 2011). CEI also cautioned that data consistency is a challenge when an organization collects data from different types of borrowers with diverse output and outcome measures, such as businesses and early care centers (CEI 2006). Most of the studied CDFIs also noted that inconsistencies in definitions, standards, and methodologies extend beyond individual organizations and permeate throughout the community development field. One such inconsistency that we observed is the tendency to classify jobs created as a result of an investment as both an output and an outcome, with no explanation as to the criteria used for determining the appropriate category.

**Output and Outcome Measurement at the Studied CDFIs**

Recognizing the limitations of trying to measure impact, the four CDFIs dedicated most of their assessment efforts to the more achievable goal of carefully measuring outputs and estimating key outcomes to tell a story about potential impact. Table 4 illustrates some examples of the data collected by each CDFI to evaluate and guide its work, appeal to investors, and meet funders’ demands.
### Table 4: CDFI Examples of Output and Outcome Measurement

<table>
<thead>
<tr>
<th>CDFI</th>
<th>Outputs Measured</th>
<th>Outcomes Reported</th>
</tr>
</thead>
</table>
| **BCC** | - Use of various federal subsidies  
- Housing units built  
- Childcare slots created  
- Charter school seats created  
- Number of individuals receiving other services | - Self-reported outcomes from borrowers  
- Customers served by new retail opportunities                       |
| **CEI** | - Loans made  
- Businesses funded  
- Employment training agreements  
- Housing units built | - Economic return on investment  
- Household incomes  
- Health outcomes of residents  
- Jobs created and maintained |
| **HOPE** | - Number of “high impact” loans  
- Borrowers served by income/ethnicity  
- Foreclosure counseling recipients | - Positive neighborhood change over time (using qualitative data)  
- Improved credit scores of individuals who enter financial counseling programs (using qualitative data)  
- Jobs created and salaries/benefits |
| **LIIF** | - Housing units built/preserved  
- Child care slots created/preserved  
- Charter school seats created/preserved  
- Square feet of facility or commercial space created | - Household income savings  
- Societal savings  
- Increased earning potential of students  
- Economic benefits per dollar of support |

(Berlinger 2011; BCC 2010; CEI 2006; HOPE 2010b; Sivak 2011a; Andrews and Kramer 2009; LIIF 2010b; LIIF 2011b)

The CDFI limitations and challenges discussed above, coupled with other industry research and examination of CDFI measurement and assessment practices, indicate that the CDFI field continues to struggle with assessing its outputs and outcomes, let alone its impact. Recognizing the limitations associated with measuring impact, many CDFIs instead have focused their efforts on the more feasible goal of accurately tracking outputs and estimating key outcomes that can be used to tell a compelling story about potential impact.

**Recommendations for NJCC: An Application of Industry Best Practices**

Although the four profiled CDFIs have encountered challenges in producing reliable evaluations of their work, they also have accumulated a wealth of knowledge regarding how to maximize the effectiveness of their assessments within these constraints. Consequently, a close examination of these CDFIs’ experiences and implemented practices can provide other CDFIs with guidance on how to most efficiently structure their

---

5 For additional information on specific outputs, outcomes, or methodologies, see Appendices I through IV.

6 In this table, jobs created are listed as outcomes only when they are verified and assessed for quality. For the purpose of this report, we consider projected job creation as an output and jobs that are verified and assessed for quality as an outcome.

7 For each of its investment areas, HOPE defines which loans will be considered “high impact.” For example, high impact commercial loans are those that go to women- or minority-owned businesses or businesses that are located in distressed areas (census tracts where the poverty rate is 20 percent or greater). For a more detailed explanation, see the HOPE case study in Appendix III (HOPE 2010a).
own output and outcome assessment systems to ensure the collection of robust output and outcome data. This section summarizes the key lessons learned and best practices from these four organizations and provides recommendations for NJCC based on this information. These recommendations also are applicable to other CDFIs struggling with similar impact assessment challenges.

**Best Practice #1: Assign Dedicated Staff to Impact Assessment**

**Lessons Learned** – Three of the CDFIs emphasized the importance of having at least one staff member dedicated to impact assessment, both to ensure that data collection is coordinated and to centralize dissemination and reporting. LIIF, for example, devotes one-quarter of a full-time employee's time to output and outcome data entry. By charging a single employee with these data entry duties, LIIF has been able to maintain consistency in how data is recorded and to minimize the need to train multiple staff members on the organization’s project tracking system (Standiford 2011b).

**Recommendation for NJCC** – In order to ensure consistent and quality data collection and analysis, NJCC should dedicate a staff member to oversee output, outcome, and any potential impact measurement and evaluation conducted by the organization. Initially, this staff member should work with the other staff members to develop protocol and establish a system for collecting, recording, reporting, and evaluating data. Additionally, this staff member should be charged with staying current on best practices within the CDFI field, disseminating this information to the rest of the organization, ensuring borrowers are meeting reporting requirements, and advancing the other recommendations put forth in this report. NJCC should incorporate these duties into the staff member’s job description and reward structure, with clear parameters for how much time should be spent on these activities. At minimum, NJCC should allot 20 staff hours per week to this task.

**Best Practice #2: Develop an Organizational Culture around Impact**

**Lessons Learned** – The studied CDFIs agreed on the importance of prioritizing impact assessment at all levels of the organization. In addition to dedicating staff to the measurement effort, high quality assessments must be a visible priority of the organization’s leadership, which then communicates their value to the rest of the organization. Individually, the CDFIs noted several methods for creating such a culture of measurement.

- **Incorporation into Organizational Goals** – LIIF and HOPE encourage evaluation by establishing organizational benchmarks and targets in their strategic plans that are structured around output and outcome data. For example, LIIF has developed a long-term goal to “mobilize one billion dollars to serve one million people by 2014” (LIIF 2010e). As staff members seek to meet this goal they also are motivated to consistently measure the outputs and outcomes that will be used to determine when the goal has been achieved. At HOPE, the senior executives work with the evaluation staff and production managers to set corporate and individual targets for the percentages of “high-impact” loans they seek to offer in each lending area (Sivak 2011a).

- **Development of Systems to Encourage or Require Participation in Assessment Efforts** – LIIF also uses output and outcome goals to motivate and evaluate employees by incorporating these goals into staff work plans. Managers and directors have annual output and outcome goals, and are evaluated based on their success in meeting them. In addition, directors generate and review output and outcome reports quarterly to inform staff of whether or not they are on track to meet their goals and allow time for the implementation of strategy adjustments (Standiford 2011b). HOPE produces quarterly reports that its board and senior executives evaluate to ensure its departments are adhering to the organization’s mission
and meeting annual targets. Prior to the financial crisis, HOPE linked staff bonuses to social and production targets, such as loans to women- and minority-owned businesses (Sivak 2011a). CEI established requirements to ensure that each party involved in impact assessment (i.e. staff, borrowers, investors, etc.) fulfills its responsibilities. For example, CEI Ventures used its investment agreements to require portfolio companies to provide a significant level of social impact data (Dickstein 2011). CEI also incorporated a structured “feedback loop” through which it ensured designated staff members in all of its offices reported data in a consistent fashion and provided feedback on the techniques and metrics used by CEI to collect data (CEI 2006).

- **Sharing of Responsibilities** – BCC promoted a broad culture of measurement by incorporating this work into the job responsibilities of numerous staff members (Berlinger 2011).

- **Staff Training** – Several of the CDFIs stressed the need to provide “constant training and retraining, especially with new staff people” in order to develop an organization-wide understanding of evaluation terminology and methodologies, ensure the collection of consistent data, and further an organizational culture that prioritizes impact reporting (Dickstein 2011).

**Recommendation for NJCC** – The staff member responsible for overseeing impact assessment for NJCC should work with senior staff to help develop an organizational culture around impact. In addition to identifying ways for senior staff to highlight the value of impact measurement to the rest of the organization, this should include developing a plan to incorporate impact assessment into NJCC’s everyday activities. We recommend that this plan include the following four elements: (1) a method for establishing annual organizational output and outcome targets, (2) a process for training staff on the importance of impact assessment and its role in the organization, (3) a system for regularly reporting outputs and outcomes to staff members, and (4) a process for using output and outcome data to set and adjust organizational targets and activities. NJCC also should consider adopting individual and corporate social output and outcome targets and offering financial incentives to staff members who meet those targets. As NJCC’s knowledge of and capacity for impact assessment grows, the organization should annually review and adjust its plan for creating an organizational culture of impact.

**Best Practice #3: Recognize Distinctions between Internal and External Data Needs**

**Lessons Learned** – CDFIs must be cognizant of the potentially different types of data required to satisfy internal and external purposes and not allow one to overwhelm the other. Internally developed measures are likely to align most closely with a CDFI’s strategic objectives. However, the obligation to provide information requested by external funding sources can limit the organization’s capacity to collect the data it needs for its own strategic decision making. The case study organizations cautioned against allowing this to happen. For example, even when CEI was compelled to focus increasingly on producing metrics for external purposes, the organization adamantly emphasized the internal value of impact assessment and worked to align the externally requested metrics with internal needs. Additionally, CEI stressed the importance of transparency, even if an evaluation revealed that goals had not been met or that investment strategies had been misguided. If funders respond negatively to such findings, a CDFI should remain committed to using the data internally, to reflect upon and refocus its program goals or strategies (CEI 2006; Dickstein 2011).

**Recommendation for NJCC** – While it will be necessary for NJCC to continue reporting output and outcome data required by external funders, the organization also should develop internal measures
and evaluation practices that are appropriate for NJCC’s activities and mission. It can use these evaluation practices to determine whether its current activities are having the expected and desired effects, to better target the organization’s investments, and to guide any necessary strategic adjustments. Additionally, NJCC should engage in a continual dialogue with the external entities that require outcome information, to educate them about the resource burden that such demands place on CDFIs and to encourage them to align their information requests with existing internal measures. NJCC also should participate in a broader dialogue about assessment practices with other CDFIs, in order to cultivate a set of industry-wide best practices.

Best Practice #4: Create a Customized Output and Outcome Tracking Database

Lessons Learned – Several CDFIs have invested in customized databases to advance their impact assessment work. LIIF, for example, has a Project Statistics Tracking System (PSTS) into which it enters output and outcome data when a loan is closed or a grant is committed. This customized system, developed in-house, is linked to LIIF’s lending and grant-making systems so that each loan is tied to a corresponding set of output and outcome statistics (LIIF 2011b). Because the system is designed to enable queries, staff members are able to quickly generate output and outcome summaries that meet a variety of reporting and marketing demands (Standiford 2011b). Given that a well-functioning system can significantly reduce the need for staff resources, CDFIs should be able to justify up-front investments in the development of such a system based upon long-term gains in efficiency.

Recommendation for NJCC – NJCC should invest in a customized project tracking system that maximizes the collection of appropriate output and outcome variables while minimizing staff time required for data collection and analysis. Such a system should include protocols for data collection, recording, and reporting that specify what is required of staff and borrowers. The protocols for data recording will require the selection of software and storage systems. NJCC may benefit from investment in a customized project tracking system that stores project-level data and can be easily queried to generate output and outcome reports. Since the creation of such a system involves a significant up-front commitment of money and time, NJCC should develop interim protocols, to ensure that output and outcome data is not lost during the transition period to the new system.

Best Practice #5: Use Confirmed Methodologies to Extrapolate Outcomes from Outputs

Lessons Learned – To maximize its ability to estimate impact, LIIF has strategically identified outcome measurements that can be estimated by applying findings from rigorous and widely-accepted academic studies to key outputs. Employing this method of estimating outcomes has enabled LIIF to tell a compelling story about its potential impact without having to fund multiple costly and complex impact studies (Standiford 2011b). For example, by relying on research findings, LIIF estimates that for every $1 it invests in child care, $4 is saved in downstream costs to society (e.g., welfare and juvenile justice costs). Using this information, LIIF calculates the estimated societal benefit of a funded child care center by multiplying the center’s annual operating expenses by $4 (Andrews and Kramer 2009; LIIF 2011b).

HOPE is another CDFI that uses externally collected data to understand its outcomes. By geocoding its mortgage loans and mapping them to identify economically distressed census tracts, HOPE is able to determine the extent to which it is serving communities with the greatest need. HOPE also uses publicly available data to calculate a “self-sufficiency” standard that enables it to compare the average wage of jobs provided by the businesses it finances to the amount that an individual needs
to survive without public or private assistance (Sivak 2011a). BCC, meanwhile, relies heavily on external data that documents redevelopment patterns to ensure that it funds projects and communities that otherwise would have been subject to underinvestment. The organization frequently uses TRF’s Policy Map, The Greater Boston Housing Report Card, and data from the Warren Group (a real estate analyst) to assist in its assessment of housing conditions in and around Boston (Berlinger 2011).

**Recommendation for NJCC** – NJCC should strategically use externally collected data to better understand the outcomes of its work. Externally collected data can be combined with internally collected outputs to estimate potential outcomes while working within the organization’s capacity constraints. NJCC should focus on gathering and applying two types of externally collected data: (1) location-specific descriptive statistics collected on a regular basis by organizations such as the U.S. Census Bureau and (2) study findings from research relevant to NJCC’s work. NJCC can use location-specific descriptive statistics to understand neighborhood and demographic change in the geographic areas in which it invests, and it can apply relevant study findings to key outputs to estimate outcomes. These methods of estimating potential outcomes are further detailed in the investment sector-specific recommendations outlined later in this report.

The ability to use academic research to estimate CDFI outcomes underscores the important role that external research can play in CDFI impact assessment. NJCC staff should make a concerted effort to stay informed on emerging research related to the fields in which the organization operates (e.g., affordable housing, neighborhood stabilization, early care, and charter schools) as well as research related to best practices in CDFI impact assessment. While investment area-related research can help estimate outcomes and guide future investment decisions, research on CDFI impact assessment can provide opportunities for NJCC to improve upon its own metrics. One area in which best practices from other CDFIs may be especially helpful for NJCC is in developing job creation and job quality measurements, a key area that is outside the parameters of this report.

**Best Practice #6: Track Efficiency Measures in Addition to Outputs and Outcomes**

**Lessons Learned** – LIIF tracks efficiency measures that are useful in reinforcing the rationale behind its investments and demonstrating the organization’s effectiveness in leveraging funds. Its efficiency measures include capital deployed per dollar of net public support, dollar amount of development generated per dollar of net public support, economic benefits to society per dollar of net public support, and net cost per dollar of capital provided (LIIF 2010b). BCC uses data on subsidies received by funded projects to establish that the projects in which it invests are in serious need of funding and would not have gone forward without its involvement (Berlinger 2011).

**Recommendation for NJCC** – In addition to output and outcome measurements, NJCC should continue to calculate and report efficiency measures that demonstrate to funders the organization’s ability to deploy funds to achieve maximum impact. In addition to the efficiency measure that it already reports, such as the dollar amount of loans closed and funds leveraged, NJCC should consider measuring and reporting additional measures such as funds leveraged per dollar of subsidy and net cost per dollar of capital provided.

**Best Practice #7: Use Both Qualitative and Quantitative Measures**

**Lessons Learned** – All of the CDFIs analyzed for this report use a combination of both quantitative and qualitative data to convey the social outcomes of their activities. CEI supplements its quantitative data by conducting focus groups to gain a clearer perspective on the impact its

---

8 See Appendix I for a thorough explanation of the use of the self-sufficiency standard by HOPE.
programs have on their beneficiaries (CEI 2006). To supplement its newly implemented output and outcome survey, BCC conducts annual interviews with its borrowers to capture data that is not easily obtained via the survey tool (Berlinger 2011). Both HOPE and LIIF intersperse one-to-two-page “success stories” with quantitative data in their published annual reports (HOPE 2010b; LIIF 2011a). HOPE even hires a professional writer to draft their stories. These stories are very effective for fleshing out the impact narrative that the organization begins to tell with quantitative data. Additionally, HOPE highlights very brief success stories for each of its primary lending areas in its internal quarterly reports (Sivak 2011a). Similarly, LIIF incorporates a personal feel into its annual reports by presenting stories about lending activities, but it further strengthens the impact of these stories by providing related output and outcome statistics (LIIF 2011a).

Recommendation for NJCC – NJCC already incorporates success stories into its annual reports and should continue to do so. Furthermore, NJCC has conducted in-depth case studies for some of its activities in the past. However, NJCC should more effectively incorporate its quantitative output and outcome measurements into these case studies. By combining the two, the organization could tell an especially compelling story. Furthermore, NJCC should consider collecting qualitative data on a more regular basis. For instance, regularly administering brief, open-ended questionnaires to those impacted by NJCC’s investments (i.e., to residents of affordable housing units or property owners surrounding rehabilitated properties) will provide NJCC with easy to use and relevant qualitative data. Additionally, NJCC should consider using in-depth case studies for one-off projects or investment areas where output and outcome measurements cannot be standardized, such as with New Markets Tax Credit transactions.

Best Practice #8: Use External Evaluators When Appropriate

Lessons Learned – Most CDFIs lack the internal capacity to conduct rigorous impact assessment studies and, as evidenced in the analyzed case studies, many struggle with consistently measuring and reporting output and outcome data. If hoping to conduct proven impact assessments, most CDFIs will need to commission external evaluations. Even when measuring outputs and outcomes, CDFIs may find value in consulting with outside experts or enlisting third-party evaluators. External evaluators can provide CDFIs with the assessment expertise necessary to more fully develop high-quality measurement methodologies and programs. For example, to evaluate one of its non-lending activities—the policy advocacy work of its Mississippi Economic Policy Center (MEPC)—HOPE contracted with an external advisor to help develop program goals and objectives as well as measurable indicators for each objective. This evaluation included the development of specific data collection tools and a comprehensive evaluation plan. The external evaluator measured progress through document reviews, MEPC quarterly reporting forms, interviews with MEPC staff and key stakeholders, and a survey of MEPC’s constituents to determine their perceptions of MEPC’s research and analyses and how MEPC’s work affects its advocacy efforts for social policy change (PRG 2009). CEI also has commissioned several studies by academics and more broadly recognizes the value of using external evaluators to provide guidance to its staff in improving its methodology and creating consistency and standardization across the field (CEI 2006).

Recommendation for NJCC – NJCC should periodically contract with external evaluators who can conduct more in-depth outcome, and potentially impact, assessments. Commissioning external evaluations will be especially useful for projects like NJCC’s New Market Tax Credit investments that vary significantly from one project to another and inhibit the ability of the organization to collect standardized data. Furthermore, external advisors or researchers who are experienced in the field of impact studies can work with the organization to develop NJCC-specific tools for measurement. For instance, NJCC may wish to partner with an external evaluator or researcher to conduct a longitudinal study of CAPC’s neighborhood stabilization efforts. Such a study could produce a New
Jersey-specific multiplier that NJCC can use to estimate increases in property values for properties surrounding formerly foreclosed and rehabilitated properties. NJCC also may decide to contract with an education expert to conduct a longitudinal assessment of a particular charter school investment. This evaluation could involve implementing a pre- and post-loan alternative school performance evaluation, or a longitudinal study tracking individual student performance throughout their academic career at a NJCC-financed charter school. Undoubtedly, each area of NJCC’s work can benefit from more advanced, long-term evaluations. Evaluations by academic researchers also can lend credibility to an organization’s social impact findings. Given the cost of such evaluations, however, NJCC must determine in which areas of its work, and for which specific purposes, an external evaluator can be most useful in advancing the organization’s impact measurement efforts.

Best Practice #9: Customize a Measurement System to Meet Unique Organizational Needs

Lessons Learned – Although some basic output measurements are consistent among all of the studied CDFIs, each CDFI has developed its own unique mix of outputs and outcomes to meet organizational needs. For example, LIIF is currently in the process of developing less common output and outcome measurements for its green building financing activities that may include total utility cost savings and percent reduction in utility costs (LIIF 2011b; Standiford 2011b). While other organizations may have no need for these types of measurements, they are important for LIIF because they relate to the evaluation of a new investment area. This example demonstrates why outputs and outcomes should be customized for each organization, as selection of appropriate outputs and outcomes will depend on an organization’s investment areas and mission.

Recommendation for NJCC – NJCC should develop and implement a customized measurement system that takes into account the organization’s mission, key investment areas, and capacity constraints. The following sections of this report provide a key starting point for the development of this system by recommending output and outcome measurements and techniques for four of NJCC’s investment areas: affordable housing, neighborhood stabilization, early care, and charter schools. Given that it will be difficult to implement all of these detailed recommendations in the short-term, NJCC should carefully prioritize specific outputs and outcomes for early implementation. When establishing priorities, NJCC should consider the feasibility of data collection, staffing constraints, and what is most important to the organization. For example, NJCC may want to focus its assessment efforts on the investment areas it expects to be most active in during the coming years or on investment areas in which additional assessment would be especially useful in guiding future investment strategies.
PART II: INVESTMENT AREA RECOMMENDATIONS

In the following section we outline specific recommendations in four sectors that are key investment areas for which outputs and outcomes should be monitored to improve and expand NJCCs assessment methodology. NJCC should also continue to record data for other lending activities (e.g., square feet of commercial space financed for economic development projects, square feet of facility space created for community facilities projects, quality job creation, etc.) which are outside the scope of this report. Additionally, NJCC should research new measurement techniques to refine its current processes on an ongoing basis.

AFFORDABLE HOUSING

Introduction

Housing is traditionally defined as ‘affordable’ when a household spends no more than 30 percent of its annual income on housing costs. In other words, housing is affordable when a household can pay for it without difficulties affording other necessities (HUD 2011). Affordable housing developers usually aim to serve households with incomes at or below 50 or 60 percent of the area median income (AMI) of a given community. This target is largely due to the prominence of Low-Income Housing Tax Credits (LIHTCs) among federal affordable housing funding strategies: LIHTCs have been used to construct over 1.5 million rental housing units, far more than any other affordable housing program (Burge 2011). To qualify for LIHTCs, a developer must either (1) affordably provide at least 20 percent of its units to tenants with incomes below 50 percent of the region’s AMI or (2) affordably provide at least 40 percent of its units to tenants with incomes below 60 percent of the region’s AMI (Cohen 1998).

Due to these LIHTC requirements, ‘affordable’ housing in one region can actually be more costly than market rate housing is in another. Moreover, if a community has a median income that is under 60 percent of the median income for its metropolitan statistical area or county (the areas for which AMI is tabulated), a qualifying ‘affordable’ housing development can have the exact same rental cost as a market-rate housing development across the street from it. While the political definition of affordable housing is relative and can be exploited, the need for truly affordable housing developments for lower-income populations remains absolute and well-established. As of 2005, 17 million American households spent over 50 percent of their incomes on housing, well above the point at which U. S. Department of Housing and Urban Development (HUD) indicates a household may be cost-burdened (Schwarz 2008). New Jersey is among the states with the greatest need for affordable housing: the monthly rate for the average market-rate, two-bedroom rental unit in the state ($1,264) exceeds the affordable level of monthly rent for its average renter ($885) by almost $400. In over ten New Jersey counties, the mean wage of renters is under 60 percent of the wage they would need to afford a two-bedroom apartment at fair-market value (NLIHC 2010).

The continued output of affordable housing is critical to ensuring that more New Jersey families are able to attain shelter without incurring economic hardship. In addition, the development of high-quality affordable housing has other benefits that extend beyond cost of living considerations. Research consistently finds that high-quality affordable housing improves the quality of life of its low-income occupants in multiple ways, especially as it relates to health outcomes. Studies further show that in low-income areas, quality affordable housing developments are associated with positive changes in their surrounding communities, such as increases in property values and reductions in crime. Many of these studies are detailed in the following section, and collectively they provide an argument for the importance of organizations that not only facilitate affordable housing, but also ensure that such production (1) is truly affordable, (2) is of high quality, and (3) targets the areas that stand to benefit the most from it.
Affordable housing is a primary target of NJCC’s lending activity: from October 2004 through June 2010 it closed over 98 housing loans that totaled over $41 million (NJCC 2010). Because the need for stable affordable housing is so great throughout the state, NJCC can be confident that its focus on lending in this area is filling a critical need. NJCC already collects basic data to track its housing outputs and the changes occurring in the communities surrounding the developments it funds. Nonetheless, NJCC can expand its assessment of the outcomes of this key investment area to better understand its value to the individuals occupying the units (including if these units are helping them to save income) and whether it is targeting the communities that have the most to gain from quality housing developments.

The suggested methodologies in this document should demonstrate NJCC’s outcomes with just a few steps: the short-term recording of NJCC investments (and who exactly is benefiting from them initially), the brief and occasional analysis of community-level data in geographic areas of investment, and a short one-time survey of incoming residents of rental properties that have been built due to NJCC loans. Furthermore, the studies highlighted below will ease the burden on NJCC staff of conducting their own exhaustive evaluation processes. Instead of collecting extensive, longitudinal data on the outcomes experienced by impacted families and communities (which is unfeasible given capacity and funding constraints), NJCC can collect one-time indicators relating to these beneficiaries and connect these indicators to those in the existing research outlined below. Once collected and compiled, NJCC can use this data to guide its in-house strategic planning, demonstrate its results to borrowers, and attract resources from both public and private funders.

Benefits of Affordable Housing: Individuals

Many scholars have attempted to identify the impacts of affordable housing developments on the individuals and families that occupy these developments. While not all of the studies have produced conclusive or universally positive results, they generally indicate a positive net effect of affordable housing on occupant quality of life indicators. These positive outcomes are primarily related to the occupants’ health, education, and available income.

Research links health outcomes of families more closely to quality affordable housing than to any other variable. Krieger and Higgins (2002) indicate a number of substandard housing features that relate to the spreading of diseases, including lack of safe drinking water, absence of hot water, ineffective waste disposal, inadequate food storage, and presence of infectious animals. They link damp, cold, and moldy housing to rates of respiratory illness and asthma, and link household overcrowding with rates of tuberculosis. They also address mental health concerns related to substandard housing, including relationships between damp, cold housing and poor mental health and between overcrowding and psychological distress. The authors propose that the development of healthy affordable housing is a necessary solution to these negative outcomes.

Poor health outcomes are associated with substandard housing in other studies as well. Mueller and Tighe (2007) find that residents of public housing designated for redevelopment (i.e. substandard units) have worse perceived health status and far more cases of asthma than residents of other publicly assisted housing. These researchers link substandard housing to a number of health concerns, ranging from fire-related injuries to headaches and coughs to psychological stress and depression. Matte and Jacobs (2000) discuss the prevalence of lead poisoning in substandard housing and the exposure to allergens and vermin created by structural defects and old carpeting. Additionally, the Center for Disease Control and Prevention find a relationship between unaffordable housing and negative health outcomes for children, including failure to receive preventative health services, failure to have a primary health care provider, and increased exposure to sexual assault and violence (Harkness and Newman 2005).
Scholars have also studied the relationship between affordable housing and education. Although this literature is less broad than that related to health outcomes, it does provide several ties between affordable housing and education. For example, research has shown that housing overcrowding reduces high school graduation rates and increases school absences, although the magnitude of this impact is not well established (Mueller and Tighe 2007). Quality affordable housing also provides familial stability and can reduce residential moves, which studies link to negative outcomes in children’s school attendance and educational achievement (Lubell and Brennan 2007; Mueller and Tighe 2007).

Finally, as previously noted, a primary justification for affordable housing development is to reduce the economic hardships that low-income individuals face when their costs of shelter account for over 30 percent of their income. Studies indicate that residents of LIHTC affordable housing developments experience at least some short-term rent savings, though they do not typically match the savings that developers receive by using LIHTCs (Burge 2011). Nevertheless, these savings do provide households with additional funds and help establish the stability needed to attain other basic necessities that are critical to enhancing positive family outcomes such as quality food, medical care, and education (Matte and Jacobs 2000; Krieger and Higgins 2002; Harkness and Newman 2005; Mueller and Tighe 2007; Pollack, Griffin and Lynch 2010).

Benefits of Affordable Housing: Communities

The benefits of affordable housing are not necessarily confined to its occupants. Indeed, the improvement of entire neighborhoods is a foremost reason for the creation of affordable housing. Unfortunately, due to the vast amount of interrelated factors that create change at the neighborhood level, it is implausible to prove that an individual development has had its own distinct impact. Furthermore, affordable housing can have varying community impacts depending on the type and quality of development and on what the development is replacing (Ellen 2007). Still, studies have demonstrated noteworthy trends between affordable housing and neighborhood improvement—primarily in the realms of property values, crime rates, and economic growth—that justify affordable housing development.

In a study of affordable housing in New York City, Ellen et al. (2006) find that affordable housing construction in economically depressed communities is correlated with a rise in housing values to levels approaching the values in more stable adjacent areas. They find that these increased values sustain themselves over time and increase with the size of a development. Mallach (2008) expands on this idea by establishing that demand for housing, if triggered in an equitable way, is the primary driver of community change. Mallach argues that Community Development Corporations (CDCs) can create this demand—and can direct the resulting opportunities to low-income community residents—through improving the housing stock of the community and simultaneously maintaining its affordability. Nguyen (2005) reviews 17 earlier studies on this relationship that were conducted over a wide range of years and locations, and for a variety of types of affordable development. She finds that, while none of the studies suggest that affordable housing alone can improve surrounding property values, most find a positive correlation.

Freedman and Owen (2011) analyze the effect of LIHTC projects on neighborhood crime in high-poverty census tracts. In these tracts, they find that developments spurred by LIHTCs are related to a significant reduction in robbery, assault, and overall violent crime of approximately two percent. The authors also estimate that this reduction in crime generates over $12,000 in annual savings per unit developed within a community.

Finally, affordable housing development creates construction jobs for members of the communities in which the development is located. Determining how many of these incubated jobs actually go to community members is challenging, but studies have attempted to quantify the other short-term benefit of this investment to the community at large. One such analysis, completed in Memphis, finds that every $1 million
invested in new affordable housing construction generates an additional $1.4 million in indirect spending in the local economy. The study also finds that the combined economic value of the initial and indirect investments spurs the creation of 28 additional jobs and over $750,000 in new earnings within the community (Kolbe et al. 1998).

**Where to Build Affordable Housing**

As a leader in the field of affordable housing, NJCC should be aware of the debate among scholars and practitioners on where policy makers and builders should concentrate new affordable housing development. One movement, typically referred to as regionalism or poverty deconcentration, argues that affordable housing should primarily be built in middle- and upper-class areas. Currently, the majority of LIHTC units are built in poor neighborhoods (Mbulu 2001; Burge 2011), and regionalists argue that this trend perpetuates poverty concentration and the negative social outcomes with which it is associated (e.g., higher juvenile delinquency rates and lower educational outcomes) (Orfield 1997; Turner 1998). In this school of thought, wealthier communities should be obliged to provide their ‘fair share’ of low-income housing so that the poor have increasing opportunities to leave impoverished inner-city and first-ring suburban communities and relocate in places with higher quality schools and employment opportunities (Orfield 1997).

In turn, community development advocates argue that affordable housing should be built in low-income communities because those areas are where the need for quality affordable options is highest. According to this perspective, many low-income community members demonstrate a preference to stay in their communities. By building quality housing that these households can afford, developers cater to this emotional attachment to a place while concurrently improving the conditions of these communities. Further, because regionalists primarily seek to relocate a small percentage of the poor, some suggest that they do not provide any solution for the majority of the poor that will inevitably remain in impoverished communities (Goetz 2003; Imbasciato 2006).

This report does not recommend that NJCC use its evaluation process to determine specific geographies or demographic conditions in which to target its lending, as there are well-founded arguments on both sides of this debate. Still, while neither approach supersedes the other enough to warrant a specific recommendation, each may provide NJCC staff with a better understanding of the varying effects its loans may have on individuals in the widely diverse communities in which NJCC operates. If anything, these arguments collectively suggest that NJCC should actively continue to channel its resources to a wide range of environments, so that it will address the need for quality housing options in low-income areas and the need for greater opportunities for low-income households to move to higher-income areas.

**Recommendations for Measurement**

The proceeding table provides a series of outputs and outcomes that we encourage NJCC to measure to understand and convey the social value of its affordable housing financing. First, the table lists several basic outputs for NJCC to either begin tracking or continue to track, such as projects closed, units developed by type, affordability, and dollars invested and leveraged. While NJCC’s current output measurements convey the extent of its investments, the additional variables in the table will make its data more robust, detailed, and useful in strategic planning of investments. Further, by including data on occupancy rate and tenant income, NJCC will take an important step toward understanding not only how much affordable housing its borrowers are building, but also whom that housing is serving and how much it is reaching those in deeper levels of poverty. Most of these outputs can be attained via the pro forma statements of NJCC borrowers and a few minor reporting requirements.
These recommendations also include the tracking of outcomes for individuals in NJCC-funded housing, including changes in income savings, health, and general quality of life attained by moving into new units. These variables are based on the outcomes most strongly associated with housing improvements in scholarly research. This outcome information will tell a story of how people are truly affected by NJCC’s lending, allow the organization to assess where its impact on families is greatest, and provide information that its borrowers can use for their own planning and reporting. NJCC can collect this data via the questionnaire provided in Appendix V for occupants of new developments.

Finally, the table includes recommendations for measuring community outcomes, including temporary and permanent jobs created in the community and changes in community characteristics (e.g., crime rates, property values, and education and employment rates). By linking this data to studies on the general effects of affordable housing on surrounding areas, NJCC can make reasonable claims that its own developments are providing social benefit to surrounding neighbors. NJCC can track job creation data through relationships with its borrowers and can track broader community trends by occasionally analyzing demographic data from a variety of sources that range from local police departments to the American Community Survey. Collectively, the efforts identified in this section are feasible to collect, and doing so will give NJCC a significant resource for improving its investing and for reporting on the importance of this work.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Why Measure?</th>
<th>Suggested Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENTLY COLLECTED</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Property Characteristics</td>
<td>To show the number of developments NJCC has supported and the total physical output of housing resulting from NJCC's investments.</td>
<td>NJCC should continue to track total projects and units funded as well as units per project.</td>
</tr>
<tr>
<td>Projects Closed/Commitments Not Closed</td>
<td>To allow NJCC to monitor trends in its investments and collect census data around its developments.</td>
<td>NJCC should also aggregate both of the above variables by census tract and block group.</td>
</tr>
<tr>
<td>Number of Units Developed or Preserved</td>
<td>To allow NJCC to disaggregate outcomes by the type and location of developments.</td>
<td>NJCC should also track type of housing units for each project.</td>
</tr>
<tr>
<td>Unit/Property Location (address, block and lot, census tract, and block group)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of Housing (e.g. rental v. ownership)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OUTPUTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affordability (i.e. Targeted Income Level)</td>
<td>To demonstrate what income level NJCC units typically target (including market-rate buyers).</td>
<td>Data for the level of affordability (e.g. 60% AMI, 30% AMI) is tracked for each unit by NJCC's borrowers and can continue to be compiled for each development.</td>
</tr>
<tr>
<td>Dollars Invested</td>
<td>To assess the level of funding that NJCC directs to specific geographic areas and to convey the total amount of economic resources it channels to these areas.</td>
<td>Using loan and project information that NJCC currently collects from borrowers, NJCC can continue to extract and record this data for each development.</td>
</tr>
<tr>
<td><strong>MINIMUM RECOMMENDED</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum recommendations are currently met.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ADDITIONAL SUGGESTED VARIABLES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds Leveraged</td>
<td>To show how NJCC’s involvement brings additional funds to disinvested areas and which projects are more and less reliant on subsidy or private investment.</td>
<td>NJCC should regularly track and calculate this data for each development it funds and compile it alongside the other output information it tracks.</td>
</tr>
<tr>
<td>Dollars Leveraged from Other Sources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of Each Individual Project Funded by Subsidy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupancy Data</td>
<td>To give NJCC an accurate picture of how many households its housing development assists and to target high-occupancy projects and areas.</td>
<td>NJCC should track occupancy rate and average length of tenure via a voluntary or mandatory reporting requirement within the loan agreements with its borrowers.</td>
</tr>
<tr>
<td>Occupancy Rate of NJCC-Funded Rental Units</td>
<td>To show the income levels of those being served by NJCC-funded projects and to what extent these projects are serving the poor.</td>
<td>Income of residents is usually tracked by borrowers to ensure occupants meet affordability qualifications, and NJCC can request this data as well.</td>
</tr>
<tr>
<td>Income of Occupants</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TABLE 5: HOUSING VARIABLES
### Assessing the Impact of CDFIs

<table>
<thead>
<tr>
<th>Variable</th>
<th>Why Measure?</th>
<th>Suggested Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INDIVIDUAL OUTCOMES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENTLY COLLECTED</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NJCC does not currently collect any individual level data</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MINIMUM RECOMMENDED</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Saved</td>
<td>By understanding the difference between the former cost of housing and utilities and the current cost, NJCC can show in average dollars exactly how much households benefit financially from moving into the affordable housing it funds.</td>
<td>NJCC should distribute a brief one-time questionnaire (see Appendix V) to entering occupants via its borrowers. While permitting borrowers optional participation would be less imposing, mandating responses (or a percentage of responses) in the loan agreements would ensure NJCC attains stronger data. NJCC could then input this data and subtract former expenses from current expenses to attain this individual outcome.</td>
</tr>
<tr>
<td>* Former Rent + Utilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>* Current Rent + Utilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ADDITIONAL SUGGESTED VARIABLES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of Life Measurements</td>
<td>• NJCC directly benefits from demonstrating the improvements in health perceptions and amenities of occupants of the housing it funds, especially because studies strongly link quality affordable housing to positive health outcomes. • Understanding residents’ perceptions of new housing compared to their former housing gives NJCC powerful evidence of the improvements in the lives of individuals it serves.</td>
<td>Questions related to these outcomes are also included in the attached questionnaire that NJCC is encouraged to distribute to its occupants through its borrowers. This data can be recorded and disaggregated based on demographic data that would also be collected through the instrument.</td>
</tr>
<tr>
<td>* Disparity of Health-related Amenities (overcrowding, waste disposal, protection from vermin, proper heat and ventilation, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>* Other Quality of Life Measures (sense of safety, comfort, access to services and neighborhood amenities, accessibility, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>COMMUNITY OUTCOMES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENTLY COLLECTED</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CDFI Fund Mapping Variables</td>
<td>To assess the qualities of areas where NJCC’s investments are currently or will be located</td>
<td>NJCC uses this tool during the credit approval process. It will be beneficial to find a way to store this information digitally so that it can be reviewed for comparison later on. This will allow for the more comprehensive and accurate tracking that NJCC desires.</td>
</tr>
<tr>
<td>Variable</td>
<td>Why Measure?</td>
<td>Suggested Methodology</td>
</tr>
<tr>
<td>----------</td>
<td>--------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td><strong>MINIMUM RECOMMENDED</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jobs Created</td>
<td>To demonstrate how NJCC is supporting the economies of the communities it serves and strengthening its workforce, especially as the homebuilding industry remains a key area of economic recovery</td>
<td>NJCC should require that this data be reported by the contractors used by their borrowers and use it to calculate total amount of economic gain generated by jobs that result from its housing lending. Hours worked and wage rates paid out will establish the salaries and type of employment (part-time vs. full time) to give a more complete picture of the economic impact of the projects they invest in.</td>
</tr>
<tr>
<td></td>
<td>• Construction (Temporary) Work Hours</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Construction (Temporary) Hourly Wages</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Maintenance (Permanent) Work Hours</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Maintenance (Permanent) Hourly Wages</td>
<td></td>
</tr>
<tr>
<td><strong>ADDITIONAL SUGGESTED VARIABLES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surrounding Property Data</td>
<td>To link these variable to studies of broader trends showing the stabilizing effect of quality housing on surrounding communities.</td>
<td>• NJCC should track surrounding property values using data from the American Community Survey on an annual basis after properties are completed. • NJCC should track vacancy rates quarterly after properties are completed by using HUD’s USPS administrative data. Vacancy rates should be calculated by dividing total vacant units (or addresses) by total housing units (or addresses).</td>
</tr>
<tr>
<td></td>
<td>• Property Values</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Vacancy Rates</td>
<td></td>
</tr>
<tr>
<td>Aesthetics</td>
<td>To visually tell the story of neighborhood change by showing how NJCC investment and involvement has produced visible changes in communities</td>
<td>NJCC should visually record the location of new or rehabilitated affordable housing prior to investment, post investment, and after 1-2 years of completion.</td>
</tr>
<tr>
<td>Surrounding Crime Rates</td>
<td>To link investments to broader trends in which the construction of quality affordable housing is related to or co-occurring with a reduction in crime rates in the surrounding areas.</td>
<td>This data should be obtained from the FBI’s Crime in the United States data sets. This data is published about two years after the fact. It can also be verified or examined at the neighborhood level by contacting local police departments or precincts.</td>
</tr>
<tr>
<td>Census Variables</td>
<td>To track and demonstrate change in the neighborhoods receiving NJCC investment and infer a positive influence.</td>
<td>This information is readily available at the neighborhood level from sources including the U.S. Census, American Community Survey, and several other federal surveys. While sampling and estimates are occasionally used, this information is free, easily available, and does not require additional capacity at NJCC.</td>
</tr>
<tr>
<td></td>
<td>• Surrounding Income</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Unemployment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Education</td>
<td></td>
</tr>
</tbody>
</table>
Assessing the Impact of CDFIs

NEIGHBORHOOD STABILIZATION

Introduction

As communities across the country cope with the negative impacts of foreclosure, an obvious need has emerged for a proactive response to the foreclosure crisis at the neighborhood level. Although household-level interventions such as loan modifications have the potential to improve foreclosure outcomes, the volume and condition of vacant and abandoned foreclosed properties, coupled with lenders’ inability to return these properties to productive reuse, has made property-level interventions increasingly important. Property-level foreclosure interventions largely involve the acquisition of foreclosed properties by nonprofit developers who then use one of three strategies to mitigate the negative impacts associated with each property: (1) direct sale to a potential homeowner or property management organization when the property is in good condition; (2) rehabilitation and resale when a market exists for the property, but it requires repairs; or (3) demolition if a market does not exist for the property and it is in poor condition.

While property-level interventions are a key component of neighborhood stabilization efforts, community-based organizations have found that acquiring individual properties is too time-consuming and costly to combat the foreclosure crisis at a meaningful scale. The Community Asset Preservation Corporation (CAPC), a subsidiary of NJCC, was developed specifically to address this issue and provide a more efficient, scaled response to the foreclosure crisis in New Jersey. As a statewide nonprofit real estate organization, CAPC acquires nonperforming residential mortgages and real-estate owned (REO) properties throughout the state at deep discounts through bulk purchase arrangements. CAPC then returns these properties to productive use through a combination of strategies: (1) loan modification or refinancing for existing homeowners; (2) sale of property to nonprofit or mission-based for-profit housing developers for rehabilitation; (3) rehabilitation of property, if necessary, and direct sale into the market by CAPC; (4) property rental; and (5) demolition and/or land banking of properties (CAPC 2011).

Inherent in all of CAPC’s strategies is the assumption that the property-level interventions discussed above will have a positive impact on affected neighborhoods through either a reduction in the negative impacts caused by foreclosed properties or a direct positive impact resulting from the intervention itself. Although this assumption seems reasonable, we found no studies that directly correlate the acquisition and productive reuse of foreclosed properties with individual or neighborhood outcomes. This lack of literature may be due to the fact that a foreclosure crisis of the current scale is a relatively new phenomenon. New studies will likely emerge over the next few years as scholars explore the impacts of the foreclosure crisis in more detail. In the meantime, any attempt to understand the impact of property-level foreclosure interventions must draw from the literature on similar but distinct topics. Relevant research falls into two categories: (1) research on the negative impacts of foreclosure and (2) research on the impacts of vacant housing rehabilitation and demolition. The applicability of the first category of research is based on the assumption that foreclosure interventions at least stem, and potentially counteract, the negative effects of foreclosure. The second category of research is applicable because many property-level foreclosure interventions are focused on vacant properties. While the findings we take from these two research areas are imperfect measures of foreclosure interventions, they provide a solid starting point for understanding the impacts of CAPC’s property-level foreclosure interventions.

Impacts of Foreclosure

To properly evaluate CAPC’s impact, it is essential to first understand the negative impacts associated with foreclosed properties. These negative impacts include (1) harm to families residing in foreclosed units; (2) reductions in property values; (3) increased fiscal burdens for municipalities; and (4) negative social impacts
such as crime, social disorder, and population turnover. These key impacts of foreclosure are discussed in more detail below.

**Family Impacts**

Although families that experience foreclosure feel its most direct impacts, scholars have yet to rigorously examine these impacts because of the difficulty in tracking such families over time. However, due to the fact that most residents of foreclosed properties are required to move, we can draw conclusions about the effects of this displacement based on studies of other types of unwelcome moves (e.g., due to illness, job loss, or eviction). While it is unclear exactly how a given family’s living conditions will change due to displacement, the financial hardships associated with foreclosure make it likely that this transition will not be positive and may even lead to homelessness. The devastating impact of foreclosure on homeowners’ credit ratings and savings can make finding a new home difficult, and renters may incur moving costs that they cannot afford due to their unexpected or sudden eviction. Additionally, the stress associated with such a displacement may lead to emotional setbacks. This is especially true for the elderly, who may experience both negative physical and emotional health effects from even a single involuntary relocation, and children, for whom multiple moves have been correlated with poor behavioral and social development and poor school performance (Kingsley, Smith, and Price 2009). Although the full impact of foreclosure on affected families is unknown, its disruptive effect on families warrants additional research and underscores the importance of foreclosure prevention efforts.

**Property Value Impacts**

Research provides significant support for the theory that foreclosures negatively impact property values. Despite this general consensus, it is important to note that estimates of this effect vary significantly due to differences in research methodology and the locations and time periods studied (Frame 2010). Nonetheless, research consistently indicates that the impact of foreclosures on property values is primarily exhibited in the following two ways.

1. **Direct Reduction in Value of Foreclosed Property** – Foreclosed properties suffer from a sales price discount that research has attributed to variations in property characteristics, lower than average property quality, and a “liquidity discount” (Frame 2010, 3). Estimates of these foreclosure discounts range from less than 10 percent to 50 percent (Pennington-Cross 2006; Campbell, Giglio and Pathak 2009; Clauretie and Danshvary 2009; Sumell 2009). For properties that have gone all the way through the foreclosure process and become REO, the severity of the discount increases the longer the property remains REO (Pennington-Cross 2006).

2. **Spillover Effects on Surrounding Property Values** – Research indicates that foreclosures have a negative impact on surrounding property values. The magnitude of the foreclosure spillover effect is influenced by geographic distance, stage in the foreclosure process (or time elapsed after foreclosure proceedings begin), and occupancy status.
   - **Geographic Distance** – Although the magnitude of the impact on property values differs across studies, researchers consistently find that the closer a non-foreclosed property is to a foreclosed property, the more the value of the non-foreclosed property will decline. For example, Immergluck and Smith (2006a) find that foreclosures on properties with conventional loans depress the values of surrounding properties within one-eighth of a mile.

---

9 Key factors that influence estimated property value impacts include whether or not the study controls for occupancy status, property condition, neighborhood characteristics, time on the market or in REO, loan size, cash sales, and local market conditions (Frame 2010).
Assessing the Impact of CDFIs

by 0.9 to 1.1 percent and the values of properties between one-eighth and one-quarter of a mile from the foreclosed property by only 0.1 to 0.2 percent. 10

□ Stage in Foreclosure Process – In a review of the literature, Frame (2010) finds that the effects of a foreclosed property on the sale price of a nearby property decrease as the length of time since the foreclosure increases. However, a property must be in foreclosure for a certain period of time to have a significant effect on surrounding property values. For instance, in research conducted in Cuyahoga County, OH, Kobie and Lee (2011) find that the negative impact on surrounding property values does not occur until one year after the foreclosure filing. They also find that the impact is greater if the property has completed the foreclosure process and has been sold at sheriff’s auction. They therefore emphasize the importance of pre-foreclosure intervention so as to minimize negative impacts. 11

Mallach (2010) also finds that the presence of REO properties in a market nearly always has a negative effect on nearby sales prices.

□ Occupancy Status – Both renter-occupied and vacant foreclosed properties are typically in poorer condition than owner-occupied properties and therefore have greater impacts on surrounding property values (Frame 2010). In fact, vacant properties are likely to have more severe spillover effects than foreclosures (Knight 2002; Anglin, Rutherford, and Springer 2003; Mikelbank 2008; Clauretie and Daneshvary 2009). Shlay and Whitman (2006) find that homes within 150 feet of a vacant or abandoned house sell for about $7,000 less than other properties, and those within 300 to 449 feet of vacancies sell for about $3,500 less than comparable units in other locations.

Fiscal Impacts

In addition to declining property values, foreclosures have a negative fiscal impact on municipalities. Goetz et al. (1997) note a number of negative fiscal impacts of vacant properties that may apply to those in foreclosure, including (1) erosion of the property tax base due to declining property values, (2) increased costs of maintaining or securing property, (3) reduced private investment in the surrounding area, (4) potential demolition costs, and (5) increased likelihood of property tax delinquency due to financial strain or property abandonment. Apgar, Duda, and Gorey (2005) estimate that the costs of a foreclosure to a municipality range from $27 (if the foreclosed property was never vacant and sold at auction) to $19,227 (if the property was abandoned prior to foreclosure, left vacant, experienced modest criminal activity, and eventually demolished).

Social Impacts

Studies find that foreclosure rates are positively correlated with crime rates, with foreclosed properties that sit for long periods of time and become vacant or abandoned having a greater impact than foreclosed properties that are sold fairly quickly. After controlling for neighborhood variables, Immergluck and Smith (2006b) find that for every 2.8 foreclosures per 100 owner-occupied properties, there is a 6.7 percent increase in crime rates.
increase in violent crimes. Similarly, Kingsley, Smith, and Price (2009) cite a study in which the Charlotte-Mecklenburg Police Department finds that in high-foreclosure clusters, the violent crime rate is three times higher than in comparison groups. Findings from this study indicate that for every 100 homes in a high-foreclosure cluster, there is an annual average of 1.7 violent crimes.

Additionally, foreclosures may have long-term effects on neighborhood composition. Li and Morrow-Jones (2010) find that higher foreclosure rates are correlated with increases in the percentage of black residents, female headed households, and unemployment rates in the following decade. Surprisingly, they find that these neighborhoods also exhibit increased median incomes, which may be due to increased gentrification or an exodus of low-income households.

Impacts of Stabilizing Foreclosed Properties

As discussed above, literature on the impact of vacant housing rehabilitation and demolition provides the most comparable information on the potential impact of CAPC’s activities. For this reason, we outline relevant findings related to the property value and fiscal impacts of these activities below.12

Property Value Impacts

Although studies vary in their specific findings, the literature indicates that rehabilitation projects do have a significant and positive impact on surrounding property values (Goetz, Lam, and Heitlinger 1996; Ding, Simons, and Baku 2000; Ellen and Voicu 2006). Studying the impact of new and rehabilitation residential investment in Cleveland, Ohio, research finds that for each dollar invested in a rehabilitation project, properties located within 150 feet are expected to sell for $0.127 more (Ding, Simons, and Baku 2000). Research on this topic identifies the following three key factors as influences on the impact of rehabbed housing on surrounding properties.

1. **Distance from the Rehabbed Property** – The impact of rehabbed housing on surrounding property values decreases with distance from the rehabbed property and eventually disappears (Goetz, Lam, and Heitlinger 1996; Ding, Simons, and Baku 2000; Ellen and Voicu 2006). Ding, Simons, and Baku (2000) find that rehabilitation investment generally does not have any impact on property values beyond 150 feet from the project.

2. **Scale of the Rehabilitation Project** – Research has generally found that large-scale rehabilitations have larger impacts on surrounding property values than small-scale rehabilitations. Ding, Simons, and Baku (2000) find that small-scale investments, defined as any investment of less than $15,000, do not have any significant impact on nearby property values. Ellen and Voicu (2006) find that nonprofit projects (as compared to for-profit projects) appear to be more sensitive to project scale, most likely because larger projects are more likely to be developed by high capacity nonprofit developers and/or include community facilities.

3. **Type of Housing Developer** – Ellen and Voicu (2006) find that, while for-profit and nonprofit housing developers have similar impacts when involved in large projects, for-profit developments generate larger initial impacts when involved in smaller projects than nonprofit developments. This difference is likely due to the high sensitivity of nonprofit projects to project scale. Also, the length of time that there are spillover effects differs by type of developer, with spillover effects declining faster over time for for-profit projects than for nonprofit projects. This difference may reflect differences in ongoing maintenance or provision of community amenities (Ellen and Voicu 2006).

12 To the extent that CAPC activities result in the creation of affordable housing, any identified benefits associated with the provision of affordable housing would also be realized. However, these benefits are not discussed here because they are described in more detail elsewhere in this report.
Assessing the Impact of CDFIs

Although the literature generally favors property rehabilitation over demolition, demolition of vacant housing and land banking of the resulting vacant land may be appropriate in very depressed markets. For example, Genesee County Land Bank (GCLB) pursues a land banking strategy to address tax-foreclosed properties in depressed areas of Flint, MI. Studying the GCLB model, Griswold (2006) finds that demolition of abandoned residential structures increases the value of properties located within 1,500 feet of the demolition site. As with the impacts of rehabilitation projects discussed above, distance from the project site is an important factor in determining the impact of demolition, although this relationship is less straightforward. In his study of GCLB, Griswold finds that properties located between 500 and 1,000 feet of the demolition typically see a 2 percent increase in value. In contrast, properties that are closer to the demolition see only a 0.75 percent increase in value, and properties that are farther away (between 1,000 and 1,500 feet of a demolition) see a 1.6 percent increase (Griswold 2006). These findings indicate that more complex factors may be at play in determining the impact of vacant property demolition on property values than are at play in determining the impact of rehabilitation.

**Fiscal Impacts**

In addition to the community impacts associated with increased property values, rehabilitation projects also provide fiscal benefits to local and state governments. Most of these benefits come in the form of increased property taxes generated in one of the following three ways.13

1. **Direct Increases in Property Assessments** – Because investment in a particular property likely increases that property’s value, one can expect property tax benefits to accrue from housing rehabilitation projects (Goetz et al. 1997; Simons, Magner, and Baku 2003). Once the increase in the rehabbed property’s value is determined, property taxes generated by the increase in value can be modeled for a particular period based upon the tax rate and allocated to levels of government based upon their respective share of the property tax (Goetz et al. 1997). The most significant challenge associated with estimating resulting tax benefits is determining how rehabilitation expenses translate into increased value. Due to the fact that some expenses will solely cover maintenance work, not all expenses will increase the property’s assessed value. In fact, one study finds that “only about half of the rehab amount translated into an increased assessment” (Simons, Magner, and Baku 2003, 444).

2. **Indirect Increases in Property Assessments** – In addition to the direct tax benefit associated with increasing the value of a specific rehabbed property, indirect property tax benefits also result from the increase in surrounding property values (Simons, Magner, and Baku 2003). Once one estimates the impact of a particular housing rehabilitation project on the values of surrounding properties, it is possible to develop estimates of the increased property taxes collected by different levels of government.

3. **Spillover Investment Benefits** – Rehabbed housing may trigger additional investment in the area from neighboring property owners, who often see rehabilitation efforts as signals that the area has become worthy of investment (Goetz et al. 1997). In their study of the St. Paul Houses to Homes program, Goetz et al. use construction permits to measure the additional investment that results from a rehabilitation project and find a significant positive correlation. If one estimates increased investment, it is possible to estimate property tax benefits based upon the amount this increased investment will increase property values.

---

13 Similar property tax benefits were not found for vacant housing demolition or immediate housing reoccupation without rehabilitation (Goetz et al. 1997).
Although significantly more difficult to measure, other potential fiscal impacts of property-based foreclosure interventions include: increased income taxes from new residents and construction workers; increased retail sales tax from new residents and the purchase of construction materials during rehabilitation; decreased property maintenance costs resulting from reductions in calls for citizen services; and decreased police costs due to declines in the number of police calls at the targeted properties (Goetz et al. 1997; Simons, Magner, and Baku 2003).

Social Impacts

Job creation is another important outcome associated with the rehabilitation of foreclosed properties. Although the number of jobs created or hours worked varies based upon the specific project, almost every rehabilitation project generates at least some new jobs. While the actual paid work hours can likely be estimated by project, the impact of these jobs on worker income is probably more difficult to measure. Additionally, because foreclosure rates have been found to be positively correlated with crime rates and reduced property values, property-based foreclosure interventions may result in both reduced crime levels (Immergluck and Smith 2006b) and improved perceptions of the neighborhood (Goetz et al. 1997). While no precise estimates of these impacts exist, it is important to keep them in mind because both crime levels and resident satisfaction are key factors in neighborhood stabilization efforts.

Recommendations for Output and Outcome Measurement

Keeping in mind the study findings we describe above, the attached table outlines a set of variables that should be recorded for each property that CAPC acquires. For each category of variables, the table provides a detailed description of the information that should be collected, the reason for collecting that information, and a suggested methodology for data collection and analysis. If systematically collected and recorded, the output and outcome measurements recommended in this table will enable NJCC to begin to assess CAPC’s impact in a meaningful way. As a starting point, the suggested output measurements can be combined with the qualitative findings described above to tell a story about CAPC’s potential impact. Additionally, the suggested outcome measurements will provide estimates of specific outcomes of CAPC’s rehabilitation work. While these output and outcome measurements provide the background for the story of CAPC’s impact, CAPC can further develop this story—and can more fully understand its actual impact in certain markets—by regularly preparing case studies on specific bulk purchases or targeted interventions. Finally, NJCC can use this data to conduct more robust impact analysis of the CAPC initiative in the future. Given that the impacts of property-level foreclosure interventions have yet to be adequately studied, CAPC is in a good position to add to this area of research by conducting or commissioning more intensive impact studies in the future.

In addition to assisting CAPC in conveying the results of its work, systematic measurement and analysis of the variables presented in this table will enable CAPC to evaluate its foreclosure intervention strategies. For example, one would expect that the acquisition of properties concentrated in targeted neighborhoods would have a larger impact on affected communities than the acquisition of a number of geographically-dispersed properties. However, CAPC’s main method of acquisition—bulk purchase—may make the ideal level of strategic investment difficult to achieve as it is dependent upon the availability of properties owned or serviced by the same financial institution. At the same time, this strategy may be the most cost-effective available to the organization at this time. By regularly assessing its performance using these variables, CAPC should gain a better understanding of the pros and cons associated with a given strategy and can use this information to further refine its model of neighborhood stabilization.
| Variable Implementation Timeframe Key: | A) – NJCC already collects this data. |
| S) – NJCC collects this data, but collection methodology needs modification or NJCC does not collect this data, but should begin to in the (S)hort-run. | (L) – NJCC does not collect this data/make this calculation, but can do so in the (L)ong-run. |

### TABLE 6: CAPC VARIABLES

<table>
<thead>
<tr>
<th>Variable</th>
<th>Why Measure?</th>
<th>Suggested Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROPERTY CHARACTERISTICS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Property Characteristics</td>
<td>• These variables are useful in output calculations. • Identification of census tract and block group will facilitate the collection of basic census statistics.</td>
<td>• All of this data, except for the census tract and block group, is currently collected during CAPC’s development of a pre-acquisition valuation model and construction analysis. * • After acquisition, CAPC should record all variables in the CAPC Outputs and Outcomes spreadsheet. **</td>
</tr>
<tr>
<td>Pre-Acquisition Status</td>
<td>• Occupancy status at acquisition can be compared to occupancy status in the future, allowing CAPC to report the number of vacant houses that it returned to the market. • Occupancy status at acquisition may influence the types of outcomes that can be estimated. • Impact on surrounding properties differs by occupancy status and stage in the foreclosure process.</td>
<td>• Occupancy status, foreclosure status, and property taxes owed are currently collected during CAPC’s development of a pre-acquisition valuation model and construction analysis. * • Using relevant information from the renovation cost analysis, CAPC should establish standardized criteria for categorizing properties by condition. One potential categorization would be “poor,” “fair,” or “good” condition. • At the time of the property inspection, CAPC should assign each property a pre-acquisition condition. • After acquisition, CAPC should record all variables in the CAPC Outputs and Outcomes spreadsheet. **</td>
</tr>
<tr>
<td>Time in Pre-Acquisition Status</td>
<td>• Collecting this data enables CAPC to report the number of properties in foreclosure, REO, and/or vacant status that have been returned to the market after a certain period of time (e.g., six months or a year). • The longer that properties have been in foreclosure/REO or vacant, the more detrimental their effects will be on the surrounding neighborhood, although there is no definitive length of time for which negative effects are defined.</td>
<td>• For REO properties, CAPC currently tracks days that the property has been on the market and previous sales activity. • Length of time in REO may also be found by looking at property data in the New Jersey Association of County Tax Board’s database. • Determining the length of time that a property has been vacant and/or in foreclosure may be more difficult. However, CAPC should request this information, which may not be available, from the lender/servicer and work with individuals studying foreclosure in New Jersey to obtain foreclosure filing data that can be cross-referenced against CAPC acquired properties. Additionally, CAPC should review and record relevant foreclosure information included in title search documents. • After acquisition, CAPC should record all variables in the CAPC Outputs and Outcomes spreadsheet. **</td>
</tr>
<tr>
<td>Variable</td>
<td>Why Measure?</td>
<td>Suggested Methodology</td>
</tr>
<tr>
<td>----------</td>
<td>--------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td><strong>PROPERTY CHARACTERISTICS (continued)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neighborhood Descriptors (collected at both the tract and block group levels, if applicable)</td>
<td>• Collecting this data enables CAPC to report descriptive characteristics for the neighborhoods in which properties are acquired.</td>
<td>• After acquisition, CAPC should obtain all neighborhood descriptor data, except USPS data, for the census tract and census block group where the property is located. Five-year estimates can be accessed from the ACS portal of the Census.gov website using the Summary File Retrieval Tool available on the website.</td>
</tr>
<tr>
<td>• Median household income ($)</td>
<td>• If collected both at acquisition and at some time (e.g., 1-2 years) after the property has been returned to the market, this data can be used to identify changes in neighborhood characteristics over time.</td>
<td>• After acquisition, CAPC should obtain quarterly, tract-level USPS data from the U.S. Department of Housing and Urban Development’s huduser.org website.</td>
</tr>
<tr>
<td>• Median home value for owner-occupied housing units ($)</td>
<td>• Although causality may be difficult to establish, collecting these variables may help CAPC tell a story about long-term neighborhood change that coincides with its investments.</td>
<td>• For both ACS and USPS data, vacancy rates should be calculated by dividing total vacant units (or addresses) by total housing units (or addresses).</td>
</tr>
<tr>
<td>• Monthly housing costs ($)</td>
<td></td>
<td>• After acquisition, CAPC should record all variables in the CAPC Outputs and Outcomes spreadsheet.**</td>
</tr>
<tr>
<td>• Housing units (total number of housing units) ($)</td>
<td></td>
<td>• CAPC should periodically (e.g., quarterly or annually as capacity allows) retrieve updated descriptor data and record this data in the CAPC Outputs and Outcomes spreadsheet.**</td>
</tr>
<tr>
<td>• Vacancy status (total number of vacant units) ($)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Vacancy rate using American Community Survey (ACS) data ($)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Total residential addresses from United States Postal Service (USPS) ($)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Total vacant residential addresses from USPS ($)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Vacancy rate using USPS data ($)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Change in each descriptor over time (L)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TRANSACTION DETAILS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulk Purchases</td>
<td>• These variables are useful descriptive outputs.</td>
<td>• CAPC currently collects these variables.</td>
</tr>
<tr>
<td>• Number of bulk purchases (A)</td>
<td></td>
<td>• After acquisition, CAPC should record all variables in the CAPC Outputs and Outcomes spreadsheet.**</td>
</tr>
<tr>
<td>• Number of units purchased in bulk (A)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount Achieved through Bulk Purchase</td>
<td>• If the properties are sold to nonprofit developers, this information can be used to calculate the estimated savings passed on to those developers.</td>
<td>• CAPC currently collects the bulk purchase price and number of properties purchased. The purchase price is sometimes provided on a per property basis as well.</td>
</tr>
<tr>
<td>• Lender/servicer asking price per property prior to bulk purchase negotiation (A)</td>
<td>• This information can be used to demonstrate that CAPC’s strategy of acquiring properties in bulk benefits from economies of scale.</td>
<td>• When purchase price is not provided per property, CAPC should calculate the “actual” price paid for each property under a particular bulk purchase by dividing the total price of the bulk purchase by the number of properties acquired.</td>
</tr>
<tr>
<td>• “Actual” price per property under bulk purchase (A)</td>
<td></td>
<td>• For each property, CAPC should subtract the “actual” price from the lender/servicer asking price for that property prior to the bulk transaction to determine the estimated savings for that property.</td>
</tr>
<tr>
<td>• Average discount per property ($)</td>
<td></td>
<td>• CAPC should then divide the estimated savings for each property by the lender/servicer asking price for that property prior to the bulk transaction to determine the estimated discount for that property.</td>
</tr>
<tr>
<td>Variable Implementation Timeframe Key:</td>
<td></td>
<td>• After acquisition, CAPC should record all variables in the CAPC Outputs and Outcomes spreadsheet.**</td>
</tr>
<tr>
<td>(A) – NICC (A) already collects this data.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>($) – NICC collects this data, but collection methodology needs modification or NICC does not collect this data, but should begin to in the ($)hort-run.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(L) – NICC does not collect this data/make this calculation, but can do so in the (L)ong-run.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variable</td>
<td>Why Measure?</td>
<td>Suggested Methodology</td>
</tr>
<tr>
<td>----------</td>
<td>--------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td><strong>TRANSACTION DETAILS (continued)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Number of Foreclosures Avoided</strong></td>
<td>As a property advances through the various stages of the foreclosure process, the negative impacts of the foreclosure increase, both on the direct property value and surrounding property values. Homes that have gone all the way through the foreclosure process become REO have the greatest negative impacts. Gathering this data enables CAPC to convey the types of negative impacts that have likely been avoided by acquiring mortgages on properties before they are foreclosed upon or become REO.</td>
<td>CAPC should record the total number of mortgages acquired at the time of acquisition. CAPC should record any mortgages/properties that it is unable to workout, refinance, acquire via deed-in-lieu, or sell via short sale and that ultimately end up in foreclosure. By subtracting the number of properties that CAPC is unable to work out, refinance, acquire via deed-in-lieu, or sell via short from the total number of mortgages acquired, CAPC can calculate the number of foreclosures avoided. As data becomes available, CAPC should record all variables in the CAPC Outputs and Outcomes spreadsheet.**</td>
</tr>
<tr>
<td><strong>DISPOSITION DETAILS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Disposition of Property</strong></td>
<td>These variables are useful in trending the conditions of properties returned to the market. Number of affordable units can be used to calculate benefits created by the availability of quality, affordable housing. The length of time from acquisition to disposition helps tell a story about how quickly the property was returned to productive use.</td>
<td>At the time of sale, CAPC should record all variables in the CAPC Outputs and Outcomes spreadsheet.** To assess the positive individual and community outcomes associated with quality affordable housing, CAPC should refer to the methodology provided in the housing section of this report.</td>
</tr>
<tr>
<td><strong>Property/Housing Unit Transformation</strong></td>
<td>These variables can be used to report the amount of investment that CAPC has targeted in an area and the total number of units rehabbed or repaired. These variables can be useful in determining spillover effects. Recording property condition post-rehabilitation or repair enables CAPC to track and report the number of improved properties. Collecting demolition data enables CAPC to tell a story of eliminating very distressed properties in already depressed markets. Demolition may increase surrounding property values.</td>
<td>For rehabs conducted by CAPC, outputs should be recorded upon completion of the rehabilitation. For rehabs conducted by developers, CAPC should record the number of units sold to developers for rehabilitation at the time of sale. To the extent feasible, CAPC should obtain the cost of improvements from developers after the rehabilitation is complete. Alternately, CAPC can record the cost of rehabilitation as estimated in the pre-acquisition complete development budget. * Using the criteria established above, CAPC should assign a condition to properties post-rehabilitation/repair and track the number of properties with improved conditions. Number of units demolished should be recorded at the time of demolition. As data becomes available, CAPC should record all variables in the CAPC Outputs and Outcomes spreadsheet.**</td>
</tr>
</tbody>
</table>

**Variable Implementation Timeframe Key:**

(A) – NCCC (A)ready collects this data.
(S) – NCCC collects this data, but collection methodology needs modification or NCCC does not collect this data, but should begin to in the (S)hort-run.
(I) – NCCC does not collect this data/make this calculation, but can do so in the (I)lone-run.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Why Measure?</th>
<th>Suggested Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DISPOSITION DETAILS (continued)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reoccupancy/Occupancy</td>
<td>• In tracking how many residents (renters or owners) maintain or regain their housing due to its investments, CAPC will be able to track the potentially detrimental family impacts it averts.</td>
<td>• For rehabs conducted by CAPC, outputs should be recorded at the time of reoccupancy.</td>
</tr>
<tr>
<td>• Occupancy maintained, if applicable (renter-occupied, owner-occupied) (A)</td>
<td>• This data can also be used to calculate the number of units that remain unoccupied. For units that remain unoccupied, CAPC may choose to investigate the reasons and research potential solutions. For instance, potential homebuyers may be unable to acquire mortgages given unfavorable borrowing conditions, thereby leaving rehabilitated properties unoccupied.</td>
<td>• For rehabs conducted by developers, CAPC should obtain this data from the developer 6 months after units have been rehabilitated/repai red.</td>
</tr>
<tr>
<td>• Number of units reoccupied (S)</td>
<td></td>
<td>• The number of households served should be recorded the same as the number of units reoccupied, as it is assumed that a single household will occupy each unit.</td>
</tr>
<tr>
<td>• Number of households served (S)</td>
<td></td>
<td>• If the number of individuals served is unobtainable, CAPC should estimate this number using the document <em>Who Lives in New Jersey Housing: A Quick Guide to New Jersey Residential Demographic Multipliers.</em>****</td>
</tr>
<tr>
<td>• Number of individuals served (S)</td>
<td></td>
<td>• CAPC should calculate the number of units that remain unoccupied by subtracting reoccupied/continuously occupied units from the total number of units purchased.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• As data becomes available, CAPC should record all variables in the CAPC Outputs and Outcomes spreadsheet.**</td>
</tr>
<tr>
<td><strong>PROPERTY OUTCOMES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Value</td>
<td>• These variables will help CAPC determine the increase in property value that results from its investment.</td>
<td>• To determine these values, CAPC should use the figures from the broker <em>price opinion</em> ordered prior to property acquisition.***</td>
</tr>
<tr>
<td>• Pre-acquisition (A)</td>
<td></td>
<td>• For property value pre-acquisition, CAPC should use the &quot;as-is&quot; value assigned.</td>
</tr>
<tr>
<td>• Post-rehabilitation or disposition (A)</td>
<td></td>
<td>• For property value post-rehabilitation or disposition, CAPC should use the market-rate value assigned.</td>
</tr>
<tr>
<td>• Change in property value (A)</td>
<td></td>
<td>• Using these estimates, CAPC should calculate the difference in property value.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• As data is collected, CAPC should record all variables in the CAPC Outputs and Outcomes spreadsheet.**</td>
</tr>
</tbody>
</table>

**Variable Implementation Timeframe Key:**

(A) – NJCC (A)ready collects this data.

(S) – NJCC collects this data, but collection methodology needs modification or NJCC does not collect this data, but should begin to in the (S)hort-run.

(L) – NJCC does not collect this data/make this calculation, but can do so in the (L)ong-run.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Why Measure?</th>
<th>Suggested Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NEIGHBORHOOD OUTCOMES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surrounding Property Values</td>
<td>Using academic findings, CAPC can report the estimated spillover effects on properties within 150 feet of a substantial rehabilitation effort, suggesting its importance in community outcomes.</td>
<td>Option 1: For rehabs of greater than or equal to $15,000, CAPC may estimate the change in surrounding property values by multiplying the rehab cost by $0.127. The resulting dollar amount is the estimated increase in value for the average single-family residential property located within 150 feet of the rehabilitation.****</td>
</tr>
<tr>
<td>• Estimated increase in surrounding property values (within 150 feet) using academic study findings (L)</td>
<td>• Collecting census tract data on property values pre-acquisition and post-rehabilitation enables CAPC to evaluate neighborhood change. However, CAPC will have a hard time claiming causality even if property values have gone up.</td>
<td>Option 2: CAPC may estimate the change in surrounding property values using ACS data. Having followed the methodology outlined above, CAPC should already be periodically collecting and recording median value for owner-occupied housing units at the census tract and block group levels. Property values at time of acquisition can then be compared to property values 1-2 years after property rehabilitation to estimate changes in neighborhood property values over time.</td>
</tr>
<tr>
<td>• Median home value for owner-occupied housing units at acquisition (tract and block group level) (S)</td>
<td>• Change in median home value for owner-occupied housing units (tract and block group level) (S)</td>
<td>As data is collected, CAPC should record all variables in the <em>CAPC Outputs and Outcomes</em> spreadsheet.**</td>
</tr>
<tr>
<td>• Median home value for owner-occupied housing units post-rehabilitation or disposition (tract and block group level) (S)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crime Rates (neighborhood and municipality)</td>
<td>Foreclosures have been determined to cause an increase in violent crime in neighborhoods. While CAPC will not be able to claim causality, this data enables it to report if crime in the neighborhood has diminished once it has returned delinquent/foreclosed/REO properties to the market.</td>
<td>CAPC should obtain crime rates at the neighborhood level (if possible) for both pre-acquisition and post-rehabilitation time periods. These figures are often available from local police departments. Post-rehabilitation rates should be collected 1-2 years after the property has re-entered the market.</td>
</tr>
<tr>
<td>• Pre-acquisition (L)</td>
<td></td>
<td>Alternately, CAPC may obtain crime rates at the municipal level for both pre-acquisition and post-rehabilitation time periods from the Federal Bureau of Investigation's Uniform Crime Reports webpage. Post-rehabilitation rates should be collected 1-2 years after the property has re-entered the market.</td>
</tr>
<tr>
<td>• Post-rehabilitation or disposition (L)</td>
<td></td>
<td>As data is collected, CAPC should record all variables in the <em>CAPC Outputs and Outcomes</em> spreadsheet.**</td>
</tr>
<tr>
<td>• Change in crime rate (L)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Jobs</td>
<td>Due to the nature of the construction site it is not likely that CAPC can estimate the total number of jobs (full-time/part-time) that its investments have created; however, this data allows CAPC to estimate the number of work hours and average hourly rate for workers for each project.</td>
<td>For rehabs conducted by CAPC, CAPC should obtain a breakdown of work hours and hourly rates from its contractors at the completion of the rehab.</td>
</tr>
<tr>
<td>• Total work hours per property (L)</td>
<td></td>
<td>For rehabs conducted by developers, CAPC should obtain a breakdown of work hours and hourly rates from the developer for each construction project 6 months after the completion of the rehab (when following up about occupancy).</td>
</tr>
<tr>
<td>• Hourly rate per worker (L)</td>
<td></td>
<td>As data is collected, CAPC should record all variables in the <em>CAPC Outputs and Outcomes</em> spreadsheet.**</td>
</tr>
</tbody>
</table>

**Variable Implementation Timeframe Key:**

(A) – NICC (A)lready collects this data.

(S) – NICC collects this data, but collection methodology needs modification or NICC does not collect this data, but should begin to in the (S)hort-run.

(L) – NJCC does not collect this data/make this calculation, but can do so in the (L)ong-run.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Why Measure?</th>
<th>Suggested Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NEIGHBORHOOD OUTCOMES</strong> (continued)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Neighborhood Residents’ Perceptions of Neighborhood</strong></td>
<td>• This information will help CAPC determine if residents’ perceptions of the neighborhood have changed.</td>
<td>• Pre-acquisition, CAPC currently conducts a door-to-door survey to determine if they have a potential ally in the neighborhood (i.e., someone who can watch over the property) and to gather information about residents’ perceptions of criminal activity, foot traffic, and turnover rates. • CAPC should standardize this survey for gathering resident perceptions. • CAPC should then administer this same survey 1-2 years after the property has been returned to the market. • Survey results should then be compared. • As data is collected, CAPC should record all variables in the CAPC Outputs and Outcomes spreadsheet.**</td>
</tr>
<tr>
<td><strong>Aesthetics</strong> (collected at both the property and block levels, if applicable)</td>
<td>• This information will help CAPC document how property and neighborhood aesthetics have changed since its market intervention. • Photographing neighborhood conditions pre-acquisition and post-rehabilitation enables CAPC to visually document neighborhood change. However, CAPC will have a hard time claiming causality even if neighborhood aesthetics do improve.</td>
<td>• CAPC already takes photographs of the properties it acquires both prior to (or shortly after) acquisition and after the property has been returned to the market. • At the same time that these property photographs are taken, CAPC should also take photographs of the entire block on which each acquired property is located to document neighborhood aesthetics. • If CAPC is especially active on certain blocks, it should also consider photographing these blocks periodically (e.g., biannually or annually as capacity allows) post-rehabilitation or disposition to document long-term changes in neighborhood aesthetics.</td>
</tr>
<tr>
<td><strong>FISCAL OUTCOMES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td>• When CAPC acquires a property with back taxes, the taxes are paid and the municipality recovers that lost revenue. • This data enables CAPC to report the estimated increase in property taxes paid to the municipality as a result of the direct increase in the value of each property it rehabs and the indirect increase in the values of surrounding properties.</td>
<td>• CAPC currently collects data on property taxes owed on delinquent/foreclosed/REO properties prior to acquisition. • CAPC should calculate the direct increase in the tax base by multiplying the increase in the value of the rehabilitated property by the municipality’s tax rate. • CAPC should estimate the indirect increase in the tax base by multiplying the estimated increase in property values (calculated above) by the municipality’s property tax rate. The resulting dollar figure is the estimated increase in property taxes that will be paid to a municipality for the average single-family residential property located within 150 feet of a substantial rehabilitation. • As data is collected, CAPC should record all variables in the CAPC Outputs and Outcomes spreadsheet.**</td>
</tr>
</tbody>
</table>

**Variable Implementation Timeframe Key:**
- (A) – NJCC already collects this data.
- (S) – NJCC collects this data, but collection methodology needs modification or NJCC does not collect this data, but should begin to in the (S)hort-run.
- (L) – NJCC does not collect this data/make this calculation, but can do so in the (L)ong-run.
Notes
* Prior to acquiring a property, CAPC puts together a pre-acquisition valuation model and construction analysis that includes (1) a full property inspection (that includes a "wall-by-wall, room-by-room, and floor-by-floor" analysis; an investigation of plumbing, electrical, HVAC, and structural concerns; and an inspection of the exterior); (2) a renovation cost analysis; (3) a broker price opinion; (4) a purchase analysis; and (5) a complete development budget.
** CAPC Outputs and Outcomes spreadsheet refers to the Excel spreadsheet, provided to NJCC with this report, recommended for use in tracking variables for CAPC’s "impact" analysis.
***The broker price opinion includes the following projected values: "as-is", rehabbed, market-rate sale, and CDC rate. The "as-is" value is calculated by examining six comparable properties within one mile of the potential purchase, including three completed sales.
****The most recent version of Who Lives in New Jersey Housing: A Quick Guide to New Jersey Residential Demographic Multipliers, published by the Center for Urban Policy Research at Rutgers, The State University of New Jersey, is from 2006. If the guide is updated, CAPC should shift to using the new guide.
*****This multiplier is based on one study conducted in Cleveland, OH and published in the year 2000. The authors find that small-scale investment, defined as an investment of less than $15,000, does not have any significant impact on nearby property values (Ding, Simons, and Baku 2000).
EARLY CARE

Introduction

Over the past five years, NJCC has invested over $25 million in early childhood education and child care projects. Considering the magnitude of the organization’s investment in early care, it is vital that NJCC develop a framework to measure the outcomes of its investment in this area. We begin this section with a selective review of early childhood education literature, focusing on the effects of these programs on both individuals and society as a whole. We highlight the importance of early childhood education, the positive impact it has on the development of children, and its role in preventing negative societal effects in the future. In addition, we describe the kindergarten and school readiness concept, and suggest that the provision of quality education programs is one of the most effective avenues to foster school readiness. Further, we provide suggestions for how NJCC can measure the outcomes of its investment in this area. Once measured, this information can help NJCC understand its program performance and assist providers in effectively modifying its programs. Moreover, this information can help providers identify disparities in the readiness of children in time to undertake and promote effective interventions. Tracking data is imperative for early care providers and community development institutions like NJCC in order to make realistic progress towards closing the school readiness gap and ensuring that all children enter school on equal grounds and ready to learn. Finally, we conclude by providing specific recommendations for what data NJCC should collect from early care providers and how it should collect and analyze these data. We also provide NJCC with a questionnaire to utilize for this purpose.

Early Childhood Education: A Literature Review

Research into early childhood education has continually shown that participation in prekindergarten programs is a critical foundation for children’s continued success throughout kindergarten and elementary school. Early education is also vital in building children’s intellectual, academic, social, and emotional skills (Bruner 2003). The prekindergarten years are particularly important because they are the time that children develop their sense of self and advance their “cognitive, physical, emotional, and social growth” (Bruner 2003, 7). Much research has supported this argument by showing that children who attend high quality prekindergarten programs are less likely to be held back a grade or to be placed in special education classes than those who do not attend prekindergarten programs (Barnett 2007).

School Readiness

“School readiness” has become a common term in early childhood education literature. For children to be ready for kindergarten and school they need to have a distinct set of skills. Some of these skills include motor control, self-control, and language skills, through which children are able to communicate their wants and needs. Studies have shown that readiness can be achieved through quality prekindergarten programs, but while all children are expected to be ready for kindergarten and school, literature finds that many are not upon their entry. A large body of literature points to two key obstacles to success: poverty and economic instability (Andrews and Slate 2003). At the kindergarten level, children of low-income families are more likely to have physical, cognitive, social, and emotional limitations, which practitioners can address through early attention to child and family needs (Rhode Island Kids Count 2005). Poverty and its associated problems, such as stress, poor nutrition, and unsafe neighborhoods, often lead to lower measures of health, language development, neurological function, and IQ (Andrews and Kramer 2009), especially when children

---

14 The terms early childhood education, early care (and education), and prekindergarten program are used interchangeably in this paper. They include programs for children from birth through age five, such as: child care, Head Start, and other state and locally designed pre-kindergarten programs.
Experience poverty early in their lives. One study, for instance, shows that three- to six-year-old children living in poverty are much less likely to have cognitive and literacy readiness skills than children living above the poverty line (Child Trends 2010). The literature finds that children of low-income families consistently lag behind their peers and that this attainment differential, or achievement gap, persists in school years. Quality prekindergarten programs can help break this vicious cycle of poverty by exposing children to important developmental activities in a positive environment (Andrews and Kramer 2009).

Societal Benefits

The benefits of quality prekindergarten programs extend beyond school readiness and positive individual outcomes. Investments in early care and education lead to reduced future social expenditures associated with welfare, unemployment, and incarceration (Futrell 1987; Galinsky 2006). Schweinhart and Weikart (1993), for instance, find that attendees of quality prekindergarten programs have fewer criminal arrests and higher earnings at age 27 than those with no prekindergarten experience. Quality prekindergarten programs prevent violence by "set[ting] the foundation for children's attitude, knowledge and behavior related to aggression" (American Psychological Association Commission on Violence and Youth 1993). In addition, a longitudinal study of the Abecedarian preschool program (an experimental pre-school program serving low-income children) found that, while not all preschool participants pursued higher education, the program increased individuals' probability of attending a college threefold (Pungello, Campbell and Barnett 2006). The same study also found that preschool participants fared better in other outcomes, such as reduced incidences of teenage pregnancy, smoking, and the use of illegal drugs.

Repeated cost-benefit analyses demonstrate that high-quality preschool programs considerably benefit the general public and therefore are a good investment of taxpayers' dollars. Studies find that taxpayers save $7.16 for every dollar invested in a high quality prekindergarten program (Andrews and Slate 2001). A later study of three high quality prekindergarten programs geared towards low-income families not only demonstrates significant public benefit per dollar invested (ranging from $2.69 to $7.16), but also shows significantly improved life outcomes among participants when they are compared to nonparticipant control groups (Galinsky 2006). These estimates of the overall costs and benefits to society highlight the importance of investment in early childhood education (Bruner 2003). The table below shows how poor outcomes in early childhood years are associated with future government costs in several areas. It also illustrates how investments in early care programs to prevent poor child outcomes reflect in future savings.

### TABLE 7: EARLY CHILDHOOD OUTCOMES AND COSTS

<table>
<thead>
<tr>
<th>Poor Outcomes in Early Years</th>
<th>Governmental Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Poor birth outcomes</td>
<td>▪ Health care costs for chronic conditions</td>
</tr>
<tr>
<td>▪ Early and chronic health problems</td>
<td>▪ Health care costs for acute conditions</td>
</tr>
<tr>
<td>▪ Poor bonding and attachment</td>
<td>▪ Mental retardation and mental illness</td>
</tr>
<tr>
<td>▪ Inadequate supervision</td>
<td>▪ Child welfare and foster care</td>
</tr>
<tr>
<td>▪ Poor cognitive development</td>
<td>▪ Compensatory and special education</td>
</tr>
<tr>
<td>▪ Undeveloped social skills</td>
<td>▪ Juvenile delinquency</td>
</tr>
<tr>
<td></td>
<td>▪ Crime and adult corrections</td>
</tr>
<tr>
<td></td>
<td>▪ Dependency and welfare</td>
</tr>
</tbody>
</table>

(Adapted from Bruner (2003))
**Early Care Facilities**

In addition to the provision of quality prekindergarten programs, quality learning facilities are also an important precondition for children’s success. Studies have found that physical building conditions and overcrowding are linked to lower student achievement (Office of Elementary and Secondary Education n.d.). Working in such environments also negatively affects the morale of both students and the teaching staff. Even when controlling for other factors such as socio-economic status, studies have found that students coming from schools with poor building conditions score lower on standardized tests than other students (Edwards 1992; Cash 1995).

Because young children often learn through physical, interactive means such as play and exploration, preschool facilities should have safe and adequate educational spaces, both indoors and outdoors, and should be located close enough to where parents of young children live or work in order for them to take advantage of these centers (Sussman and Gillman 2007). The amount of classroom space provided is also one of the more significant environmental determinants of both early care program quality and job satisfaction among early care staff. While experts and preschool licensing criteria have historically used 35 square feet per child per classroom as standard size, recent research suggests that larger classrooms are necessary to improve educational quality. White and Stoecklin (2003) cite research suggesting that classrooms that provide between 42 and 54 square feet per child are more suitable for early care facilities in order to reduce stress among children and foster an environment more conducive to social integration and constructive behavior. The authors attribute this requirement from larger spaces to the fact that young children interact largely through play and physical activity (White and Stoecklin 2003). Unfortunately, greater additional space requirements can make construction of new facilities more expensive and capital-intensive (Sussman and Gillman 2007). However, community development institutions like NJCC are often able to fill in this financing gap for new construction and/or improvements for early care providers in low-income communities.

**New Jersey’s Abbott Districts**

In discussions with NJCC, we noted that the majority of children attending the early care programs it finances come from Abbott districts, which is the label assigned to New Jersey’s 30 poorest school districts. In 1998, the New Jersey State Supreme Court made the landmark decision on *Abbott v. Burke*, mandating the availability of free, high quality preschool for all 3 and 4 year olds of these poor districts in order to meet their challenges of kindergarten and school readiness.15 In addition to the provision of half day programs for 4 year olds and full kindergarten programs, the court also set high program quality standards, exceeding the general licensing requirements for providers. Abbott schools are licensed by the New Jersey Department of Human Services and are provided by various agencies including public schools, Head Start agencies, and private early care centers.

Abbott program providers are required to comply with standards of quality originating from Abbott’s Early Childhood Education Program Expectations. To ensure that children of poorest districts receive quality education, one of the key requirements in this set of standards is for teachers to hold a Bachelor’s degree (or to be working towards one),16 a Certificate of Eligibility, or a Certificate of Eligibility with Advanced Standing. In addition, these programs must also provide transportation, health, and other child services based on need.

15 153 N.J. 480.
16 If hired prior to September 2000.
Abbott programs also have a strong monitoring and evaluation component, led by the New Jersey Department of Education, to ensure schools meet certain program quality guidelines and Abbott standards (CLASP n.d.). The two primary tools the Department uses for evaluation are the Self-Assessment Validation System tool, which it uses to monitor the quality of the programs, and the Early Childhood Environment Rating Scale-Revised, which the districts use to evaluate every classroom for professional development and program improvement. In addition, the program also utilizes the Infant/Toddler Environment Rating Scale-Revised, the Family Child Care Environment Rating Scale-Revised, and the School-Age Care Environment Rating Scale. The New Jersey Office of Early Childhood Education also provides Abbott Preschool Program Implementation Guidelines to the districts and providers, outlining the components of a high-quality, comprehensive preschool program. Abbott program providers collect and report their data through these tools, which the Office then uses to conduct program evaluation (CLASP n.d.).

The Department of Education commissioned the Abbott Preschool Program Longitudinal Effects Study (APPLES), by the National Institute for Early Education Research (NIEER), to determine whether the learning gains at kindergarten entry continued into elementary school. Presently, NIEER’s research indicates that the Abbott Preschool Program has beneficial effects on children’s skills at kindergarten entry, including improved language, literacy, and math skills. NIEER (2007) also finds these positive effects to continue at the end of the kindergarten years, and that they are likely to lead to increased school success through continued advances in reading and math skills. This observation is in line with similar longitudinal studies, which find that early care programs contribute to long-term school success and provide economic benefits for participating students who were followed through adulthood (NIEER 2007). This finding is particularly important for NJCC, since all students in early care programs it finances are Abbott district students. As NIEER continues to follow program participants through its longitudinal study, the Abbott program could potentially become a national model for early education program design. The holistic nature of the program—and the manner in which it caters to the diverse challenges and needs of children in low-income communities—is a large part of its success.

Despite their value, early care programs continue to face challenges in attaining funding for investment in new buildings or expansion and improvement of existing ones. For example, Abbott programs (which, following the court decision, received about $330 million in funds), still face a shortage of adequate number of facilities, a lack of adequate funding, and a lack of collaboration between community providers and school districts (CLASP n.d.). As stated above, community development institutions such as NJCC are able to extend much-needed capital to early care providers serving Abbott district students in New Jersey. Considering the continuous positive impact that this program has on low-income children, nonprofits must continue supporting its expansion in order to contribute to children’s school readiness and to close the achievement gap between children of different socio-economic backgrounds.

Monitoring Prekindergarten Programs

Tracking children’s progress in early care and education is imperative in determining whether they are ready for kindergarten and elementary school. While some earlier literature relates the concept of school readiness only to cognitive development, in 2002 the National Education Goals Panel (NEGP) 17 developed a broader definition based on the research on early child development and education. Besides cognitive readiness, NEGP’s definition also included children’s physical, social, and emotional well-being. Below is a list of five dimensions of children’s readiness for school suggested by NEGP.

---

17 The National Education Goals Panel has been dissolved; however, an archived version of their website is still functional (see http://govinfo.library.unt.edu/negp).
1. Physical Well-Being and Motor Development (health status, growth, disabilities, and gross and fine motor skills)
2. Social and Emotional Development (child’s ability to interact socially, child’s perception of him/herself, ability to understand the emotions of other people, and the ability to interpret and express one’s own feelings)
3. Approaches to Learning (inclination to use skills, knowledge, and capacities such as enthusiasm, curiosity, and persistence)
4. Language Development (listening, speaking, vocabulary)
5. Cognition and General Knowledge (knowledge about properties of particular objects and knowledge derived from looking across objects, events, or people for similarities, differences, and associations) 
(Bruner 2003)

The research literature on early childhood education agrees that if children are lacking one or more of these dimensions at the time of school entry, they are likely to experience difficulties not only in school but also in other aspects of their life (Bruner 2003).

Assessment of Programs

The assessment of young children in the aforementioned domains should be an ongoing process documenting the evidence of early learning. This assessment could include indicators such as performance scores in linguistic and mathematical tests, samples of artwork, anecdotal evidence of children’s behavior in different situations, and evaluation of their participation in activities and play with their peers. Many studies indicate that program structure, teacher characteristics, and classroom quality have a significant effect on child cognitive and social-emotional outcomes (Horton 2006). A survey of several early childhood education impact studies yielded the following common output and outcome measurements:

1. Assessments of children’s cognitive development
2. Assessments of children’s social-emotional development
3. Child and family demographic information
4. Teacher characteristics
5. Assessments of classroom quality
6. Early childhood program characteristics
(Horton 2006)

Assessment Designs

Most prekindergarten programs, such as the Head Start and Abbott programs, employ rigorous research designs including experiments, regression discontinuity designs, and longitudinal designs. Head Start assessments, in particular, commonly employ experimental designs to ensure a nationally representative set of findings. Other data collection methods that are more frequently used in small-scale program assessments include non-experimental methods such as surveys and interviews with parents, teachers, and other stakeholders. Some researchers also assess classroom teaching and learning environments through direct observation by trained observers (for example, see NIEER 2007).

Data Collection Recommendations

To better understand the outcome of its investments, NJCC should continue collecting the data it is currently tracking, while incorporating a number of additional measures based on the recommendations from early care and education literature. As NJCC continues to finance early care centers, it should track this
data consistently and use it to assess whether investments in early care programs are improving the learning and development of the children being served. In order to complete this process, NJCC should first track a set of variables listed below.

1. The structure and quality of services offered by early care providers;
2. Data related to children’s performance during the program; and
3. Data related to families (to the extent that this data is available).

**Structure and Quality of the Centers**

NJCC should collect data related to the early care providers’ program structure and workforce, including: early care providers’ location, ages of children served, duration of the program, availability of special services based on children’s needs, and financial sustainability of the centers. These types of data will allow NJCC to monitor the availability and quality of early care programs in low-income communities, as well as their capacity to prepare children for kindergarten and later school. These data will also help NJCC better understand the impact of its investments in early care facilities and to observe the relationships among various centers, staff characteristics, and child outcomes. NJCC should also collect data on teacher-child ratios, curriculum used by the centers, and assessments of children’s progress. This information is pertinent because the availability of professional staff to address different needs of children, as well as staff turnover rates, will provide NJCC with information on the work environment characteristics of the centers it funds. Regarding assessment of teaching staff, NJCC should aim to collect teacher demographics such as race, ethnicity, gender, age, and teacher educational attainment. Demographic, educational, and professional data for the early care center personnel are important because they demonstrate how the characteristics of teaching staff are associated with the quality of early care services and child progress. They also will provide a clearer picture of the extent to which children in the program have access to quality teachers and caregivers.

**Child Performance and Demographics**

NJCC can assess children using data collected from multiple sources, including: teachers’ observations and their rating of children’s interactions with peers, samples of children’s art work, and parent surveys or interviews. NJCC can use these methods to assess multiple skills—including social-emotional, cognitive, and linguistic development—over a period of years. Such data will not only help teachers and early care providers monitor the progress of children, but will also allow NJCC to understand how key subgroups of children are progressing. Once the data is systematized and reported, NJCC will be able to determine whether children with certain risk-factors, such as non-English speaking children, are progressing in all developmental domains. If these children are not progressing, the data will allow centers to modify their programs in order to address areas that need improvement, be it the curriculum or further training of the teaching staff.

Children’s demographic information—such as age, ethnicity, socio-economic status, and special needs status—are important to collect because they connect children and families to appropriate services. Additionally, much of the literature finds associations between certain demographic characteristics and poor school adjustment at kindergarten and school entry. Some of the characteristics negatively correlated with school readiness and academic success include:

1. Parents without high school education
2. Single-parent families
3. Families dependent on social welfare
4. Limited English proficiency
5. Homelessness
6. Health concerns that influence learning
7. Other criteria, as defined by early care centers
   (Newman and Newman 2008; Early Childhood Collaborative 2011)

Interviews with early care centers financed by NJCC demonstrated that they consistently collect data for internal and external purposes, to the extent their time and capacity permit. While some of these data are reported to the state, and in some cases compiled by an intermediary, NJCC should request early care providers to fill out a questionnaire on an annual or semiannual basis, depending on their capacity. The providers should record children’s gains over time, which would allow NJCC to measure children’s skills across the development spectrum, rather than capturing only a snapshot of their developmental level. This measurement is particularly important for variables related to children’s performance in language, mathematics, arts, and skills related to their social and emotional development. Other variables—such as children and family demographics, teacher characteristics and qualification, and program quality—should ideally be collected with same frequency.

Data Collection Tools

The variable table below provides a detailed breakdown of what data NJCC should ask early care centers to collect and how often. Additionally, the table suggests ways in which NJCC can use these variables to show how the program affects participating children’s outcomes. Ultimately, these data can be used to show whether NJCC borrowers are successful at preparing children of low-income communities to be on par with those from moderate- and higher-income families upon their enrollment in kindergarten and subsequent levels of school. In order to establish a consistent data collection procedure for early care investments, we provide a questionnaire for NJCC to use in conjunction with their loan agreements. NJCC should include the instrument as an addendum to the loan agreement and, if possible, require early care centers to report these data back to NJCC at least once per school year. The variable table below and questionnaire (see Appendix VI) are largely based on information already collected by NJCC’s early care centers. We recommend that NJCC continue to improve the questionnaire by collecting additional variables (as well as increasing measurement frequency) and continually building on its outcome assessment methodology and tools.
### TABLE 8: EARLY CARE VARIABLES

<table>
<thead>
<tr>
<th>Variable</th>
<th>Why Measure?</th>
<th>Suggested Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enrollment start and end dates</strong></td>
<td>This data will guide NJCC whether it is continuing to finance early care providers in economically distressed area, and serving the target community (children of low-income families), in line with its mission.</td>
<td>This data could be used to disaggregate students’ performance based on their lunch eligibility, teacher/student ratio, staff credentials, and the type of curriculum used.</td>
</tr>
<tr>
<td><strong>Type of enrollment (full-day, part-day, combination, locally designed option)</strong></td>
<td>Additionally, through these data NJCC can demonstrate that low-income children are receiving quality prekindergarten education, based on: services rendered, teacher/student ratio, and teaching staff credentials. Demonstrating the quality of the program is particularly important because, as stated in the literature review, low-income communities traditionally suffer from low-quality programs.</td>
<td>The data is collected by most of the early care providers. NJCC can ask providers to report this information by completing a data collection instrument once per school year. The instrument can be delivered together with the loan agreement, or, if possible, become an addendum to the loan agreement, requesting borrowers to report their data by a given deadline, as determined by NJCC.</td>
</tr>
<tr>
<td><strong>Type of eligibility (income below 100% of federal poverty line, free/reduced lunch eligibility, TANF, SSI, and status of homelessness)</strong></td>
<td><strong>Teacher-student ratio</strong></td>
<td>A comprehensive data collection instrument prepared by the team can be utilized to collect these data.</td>
</tr>
<tr>
<td><strong>Turnover (total number of children who left the program any time after classes began)</strong></td>
<td><strong>Curriculum used by the center (utilization of weekly lesson plans, with concrete objectives and assessments, including ones for children with special needs)</strong></td>
<td><strong>Total staff (number of management staff, child development/teaching staff, and disability services staff)</strong></td>
</tr>
<tr>
<td>Cognitive</td>
<td><strong>Early care programs lay the foundation for children’s subsequent success in school. As such, these variables will show whether children are building the knowledge and abilities appropriate for their age. Additionally, they will show whether children are meeting the standards for entry into kindergarten, which is the goal of NJCC’s investment in early care.</strong></td>
<td><strong>Child performance scores are available from the early care providers. The analysis of the scores will vary among the centers based on the type of curriculum they use. However, data analysis should be a simple comparison of student performance scores against the standard performance expected for children of that age (as specified in the objectives, activities, and assessment of the centers’ curriculum).</strong></td>
</tr>
<tr>
<td><strong>Literacy and language skills</strong></td>
<td><strong>Through performance scores in these three dimensions, NJCC is able to tell the story of how these children are successfully reaching &quot;school readiness,&quot; and how they are cognitively prepared to enter kindergarten, thus contributing to closing the achievement gap between children of different socio-economic backgrounds.</strong></td>
<td><strong>If the early care providers do not have social and emotional data for every child, depending on funding availability, NJCC should engage experienced classroom observers to collect these data.</strong></td>
</tr>
<tr>
<td><strong>Mathematics</strong></td>
<td></td>
<td><strong>A comprehensive data collection instrument prepared by the team can be utilized to collect these data.</strong></td>
</tr>
<tr>
<td><strong>Emotional and social development</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variable</td>
<td>Why Measure</td>
<td>Suggested Methodology</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Demographic and Other Information</strong></td>
<td>- These variables will provide useful information on the demographics of children attending early care programs. It is important for NJCC to track this information to ensure that early care centers continue to serve children of diverse backgrounds and needs, as well as those with ‘at-risk’ characteristics. These descriptive data is useful in comparing student outcomes based on demographics.</td>
<td>- This information is collected upon enrollment in early care programs (self-reported by parents/legal guardians). A comprehensive data collection instrument prepared by the early care team can be utilized to collect these data.</td>
</tr>
<tr>
<td>- Age at enrollment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Race</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Home language</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Special needs</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OUTPUTS CURRENTLY COLLECTED BY NJCC</strong></td>
<td>- Dollar amounts leveraged for early care centers</td>
<td>- NJCC should continue tracking and reporting these data. While valuable, however, these outcomes do not tell the difference the investments have made for children and early care providers. As such, these outputs are best combined with anecdotal evidence (i.e. with parents or early care center personnel) to demonstrate the improved learning outcomes and learning environment as a result of NJCC financing for renovation or expansion of existing facilities. A comprehensive data collection instrument prepared by the team is also designed to collect these data post-investment (pre-investment data is already collected and recorded prior to the loan agreement).</td>
</tr>
<tr>
<td>- Total number of children served</td>
<td>- New enrollment slots created (post-investment)</td>
<td></td>
</tr>
<tr>
<td>- Total number of low-income children served</td>
<td>- Existing enrollment slots (pre-investment)</td>
<td></td>
</tr>
<tr>
<td>- Square footage of total classroom space (pre-investment)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Square feet created (post-investment)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ADDITIONAL USEFUL VARIABLES</strong></td>
<td>- Similar to the above, these variables will provide useful information on the community that the early care centers serve. They will determine whether the center is serving the target population (low-income communities), in line with the mission of NJCC. Research has consistently shown a high correlation between socio-economic background and children's school performance. As such, these data will demonstrate that children with multiple ‘at-risk’ factors are able to attend quality pre-kindergarten programs and, upon completion, are able enter kindergarten prepared and not lagging behind their peers. Parental/guardian satisfaction with the program and feedback on program quality from parents is important because it facilitates future program improvements.</td>
<td>- This information is collected before enrollment in early care programs and is self-reported by parents. Parents' years of education, employment, marital status, and income should be disaggregated by parent/legal guardian, where applicable. These data will allow for a comparison of children’s kindergarten and school readiness disaggregated by these various characteristics. Parental satisfaction with the program and involvement with children data can be collected through a questionnaire with parents, which comprises a part of the data collection instrument. A comprehensive data collection instrument prepared by the team can be utilized to collect these data.</td>
</tr>
<tr>
<td>- Parents' years of education (disaggregated by parent/legal guardian)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Parents' employment (disaggregated by parent/legal guardian)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Marital status (disaggregated by parent/legal guardian)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Family income (disaggregated by parent/legal guardian)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Parental satisfaction with the program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variable</td>
<td>Why Measure?</td>
<td>Suggested Methodology</td>
</tr>
<tr>
<td>----------</td>
<td>--------------</td>
<td>----------------------</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>• These data will show the areas where NJCC is financing early care centers and whether it is serving the populations of economically distressed areas. • It will also provide information on centers’ ability to obtain capital from conventional banking institutions post-NJCC financing. The information will help gauge whether NJCC lending has contributed to improved practices of conventional financial institutions. • Showing the number of jobs created would help demonstrate NJCC’s economic impact in economically distressed communities.</td>
<td>• Early care centers should report the number of staff members at the time of loan application, and the number of staff after the loan was made (preferably on an annual basis). • A comprehensive data collection instrument prepared by the team can be utilized to collect these data.</td>
</tr>
</tbody>
</table>
CHARTER SCHOOLS

Introduction

Given the availability of federal subsidy in an otherwise tight funding climate, CDFIs on the whole have embraced the rapidly-growing charter school movement. The Obama administration’s Race to the Top program has accelerated the campaign by rewarding states that promote widespread reproduction of the charter model. New Jersey Governor Chris Christie has joined the charge, streamlining the application process and adding 23 new charters to the existing 73 across the state this year (Hu 2011). In line with this trend, NJCC has $8.5 million of capital under management in this area, offering credit enhancement for predevelopment, acquisition, renovation, construction, and permanent financing of charter schools (largely with funds from the U.S. Department of Education). Since 2004, NJCC has provided financing for 12 charter schools in New Jersey and one in Washington D.C., which they estimate to serve 4,000 low-income students (NJCC 2009a).

Providing seats in a classroom, however, does not guarantee a quality education. In fact, studies comparing charter school performance to their public school counterparts reveal mixed results, at best. Increasing school choice and improving access to quality education in underserved communities undoubtedly corresponds with NJCC’s mission. However, the ability of charter schools to accomplish these goals, and to do so without detrimental effects to the greater community, remains in question. As discussed in more detail below, the success of charter schools and the challenge of accurate performance measurement have led to much debate.

Indeed, there is considerable controversy concerning the scalability of any successes demonstrated by individual charter schools. There is contention, for example, regarding equity of access to charter schools and their effects on the public school system. Because one of the main objectives of measuring impact is to make more informed lending decisions, it behooves CDFIs to re-examine the validity of charter schools as a strategic investment area in general. It is worth noting that, of the reputable CDFIs examined in this report, none have addressed the litany of critiques of charter schools in their attempts to quantify results. We encourage NJCC to take a more comprehensive approach to understanding its impact and to reevaluate the suitability of charters to the mission of positively transforming communities. Improved measures enable NJCC to establish a more factual knowledge base and catalyze a healthier and more legitimate debate about urban education.

Unlike the previously addressed lending areas, the merits of charter school education are much contested. As such, our approach in this section is dramatically different. We maintain that—before NJCC can measure the impact of a quality education—it must first establish that its charters offer one. Although the components of a quality education are difficult to prescribe because one size does not fit all, we provide in this section some metrics for more holistic evaluation of charter schools. If NJCC joins the education reform movement, it should do so in the most informed manner possible. Our hope is that in providing a baseline of information (and a more critical review of current metrics), NJCC will be better prepared to evaluate charter schools and affect positive change.

For example a large-scale national study by Mathematica Policy Research found that charters had no statistical impact on student achievement (Gleason et al. 2010). Another major national study by Stanford found that 87 percent of charter school students do worse or the same as their district counterparts (CREDO 2010). New York City Department of Education (NYCDOE 2009) in assessing environmental, performance, and progress indicators, concluded that charter schools citywide underperformed overall when compared to their public counterparts.

One of the purported detrimental effects regards the return of previously-enrolled charter school students to public schools after “count day.” Since revenue distributions are determined based on student body population, financing miscalculations may result. Subsequently, public schools may be left with an underfunded, overextended school budget. See, for example, Horn and Miron 2000. Proponents of charter schools, on the other hand, argue that the ‘competition effects’ of this fight for resources lead to improved performance by public schools.
Despite contention around the merits of charter schools as a vehicle for reform, it is generally accepted that there is significant variation among them. Assuming some charters provide enhanced educational opportunities, it is important for NJCC to differentiate between them and track their individual outcomes (to the extent possible). Going forward, if NJCC’s charter school financing is to continue, we recommend careful consideration of a number of relevant indicators of educational quality. Outlined below is a summary of the charter school debate and a methodology for collecting and evaluating information for distinguishing schools worthy of support. With these gathered data, NJCC can avoid arbitrary lending, reduce investment risks, ensure deliberate business practices, and reinforce its mission. Once collected, this information is not only useful for making better choices; it also provides necessary evidence for NJCC to convey its compelling narrative. Perhaps most importantly, NJCC has the opportunity to use this process to establish itself as a leader in its industry and inspire more enlightened community development pursuits.

NJCC’s Role

NJCC plays a crucial role for charter schools. While charters receive public funding for operations, one of the main obstacles they face is locating and financing adequate facilities. Literature suggests that the physical state of an educational structure impacts the quality of learning that takes place within it. Student academic performance is enhanced by better or newly renovated buildings (Bullock 2007; Wilson 2008). Studies also find a positive relationship between facility upgrading and improvements in student outlook and learning expectations. For example, a survey by the National Foundation for Education Research links facility enhancements to improved student/teacher perceptions regarding safety at school, pride in the educational environment, desire to attend, presence of bullying and vandalism, and expectations of going on to college (Rudd, Reed, and Smith 2008). Thus, research suggests that financing for charter school facility improvements has positive academic and social effects for the students served.

Moreover, existing charter schools often seek facility financing for expansion, enabling them to serve more students. Since charters serve a portion of their school district(s) and accommodate a limited student body, the potential benefits of providing adequate space to enroll more people are self-evident. In addition, provision of a permanent facility mediates the instability of short-term renting that plagues newer charters and distracts them from the principal purpose of educating young people. As gatekeepers of facilities financing, CDFIs are a central piece of the charter school puzzle.

NJCC’s Process

First, NJCC conducts site visits and meetings with leadership representatives of a school it deems a good mission-fit. NJCC subsequently asks the school to complete a due diligence form detailing its organizational structure, financial history, specific enrollment data, student performance as measured by school-wide test scores, and relevant facility information. NJCC also collects the New Jersey Department of Education (NJDOE) Report Card data, the latest statistics from the National Center for Education Statistics, and segments of the school’s NJDOE charter school application and/or charter renewal application. In determining budget management competence, NJCC uses the school’s financial statements from the previous three years to create an operating pro forma which serves as a conservative indicator of future fiscal sustainability.

The lending officer compiles the information into a credit approval memorandum (CAM) and circulates it among the lending staff, chief financial officer (CFO), and the organization president for feedback. After internal review, the lending officer submits the document to the credit committee for approval. Following

---

21 Thus, obtaining public funding for facilities is a policy priority for NJ Charter School Association (see http://njcharters.org/about/njcsa/policy-priorities/).
approval, NJCC continues to collect annual financial information (but no other data) throughout the course of the loan (Apgar, Arndt, and Palazzolo 2011). With the inclusion of other data (as detailed below), this existing feedback loop is a useful resource for developing a more holistic evaluation process for charter investments.

Charter Schools: The Debate

Since the birth of charters schools in 1988, they have become a controversial tool in education reform. Initially conceived by liberal reformers to serve the neediest population of students and likely drop outs, charter schools have since been adopted by conservative reformers as a more market-based strategy to education and have elicited a growing body of criticism on their purpose, mission, and efficacy. In fact, one of the founders of the charter movement, Albert Shanker, has himself become an outspoken critic of charter schools.

The controversy over charters is rooted in practical and political—but also deeply ideological—issues. This has resulted in a highly-charged atmosphere in which rational debate has been overshadowed by propaganda, vitriolic language, misrepresentations, and unsubstantiated claims. Thus, it is difficult to navigate the charter school landscape because it is littered with conflicting evidence and research fueled by the interests of powerful institutions on both sides. Embedded in the polarized disputes are numerous ongoing unresolved issues regarding the proper ingredients in and precise recipe for quality education. Proponents argue that charter schools encourage innovation, provide enhanced educational outcomes, create a mechanism for increased accountability, and offer choices for residents of underperforming public school districts. On the other hand, critics suggest that charter schools detract much-needed resources from the public school district; vilify labor unions; exacerbate stratification by ability and racial segregation; isolate young people most in need; and incentivize the exclusion of students with disabilities (SD), limited English proficiency (LEP), and low-performing students due to their heavy emphasis on test scores. In addition, the factual basis of touted charter school successes are much debated (see for example, Jackson May 2006, Barr 2007, CREDO 2009, Payne and Knowles 2009, Ravitch 2010, and Baker 2011b).

For parents of school-age children who cannot wait for incremental education reform, charters provide the hope of meeting their immediate needs. Certainly, some charters offer a superior choice in inadequate public school districts, but only to the limited population of students that are able to attend. Yet even with the most successful models, scalability remains a major concern. Thus, in the absence of inclusivity, subsidizing charters raises policy questions about education equity. Despite heated controversy, one

---

22 In conducting these ongoing financial analyses, NJCC has generally found the operating pro formas accurate in forecasting a school’s future financial performance.
23 The birth of charter schools were due in large part to the efforts of Albert Shanker, then-President of The American Federation of Teachers, and a group of public school teachers.
24 For a rational summary of the debate, see Payne and Knowles (2009).
25 For further exploration of the promise of charter schools, see US DOE (2004).
26 The effect of charter schools on racial segregation and test score gaps, for example, is explored in Bifulco and Ladd (2006).
27 For example, smaller class sizes—the benefits of which are much debated—are a frequently touted element of the charter model. The ability to replicate this model is doubtful because it necessitates a sufficient supply of quality educators and facilities to house them. As demonstrated by the California Class Size Reduction (CSR) campaign, reducing class size can result in a decline in teacher qualifications (especially for students most in need) (Stecher and Bohrnstedt 2000). Thus, without accounting for other factors such as teacher ability or appropriately adjusted pedagogy, reducing class size alone does not ensure increased educational quality. For an expanded discussion on the class size controversy, see Ehrenberg et al. (2001). Additionally, many of the other claimed successes of charters are arguably a product of the small scale at which they operate and thus inherently present scalability challenges.
Assessing the Impact of CDFIs

whereas the Total Test Taker category is all inclusive.

35 finances.

for each school including: school environment, student demographics, student performance indicators, staff, and district

34 poverty level, respectively (USDA 2011).

33 lower on standardized tests.

Critics argue that the ‘high stakes testing’ of NCLB that determines financial resource allocation based on time

performance. One of the more controversia

31 that determines financial resource allocation based on time

1 elements of the act relates to Adequate Yearly Progress (AYP), a diagnostic tool that determines financial resource allocation based on time-sensitive performance goals, measured by standardized tests. Critics argue that the ‘high stakes testing’ of NCLB punishes already under-funded school districts that have higher populations of SD, Limited English Proficiency (LEP), African American and low-income students, who traditionally score lower on standardized tests.

30 To qualify for free or reduced lunch, a student’s family income must be less than 130 percent or 185 percent of the federal poverty level, respectively (USDA 2011).

34 The NJDOE publishes an annual New Jersey School Report Card, required under a 1995 state law. It consists of 35 categories for each school including: school environment, student demographics, student performance indicators, staff, and district finances.

35 The NJDOE General Test Taker category excludes students with disabilities, free and reduced lunch, and LEP students, whereas the Total Test Taker category is all inclusive.


The Problematic Nature of Assessing Charter Schools

One critique of charters is that, in serving a limited proportion of the population, they exclude the neediest students by encouraging selection bias through their voluntary lottery process as well as the ‘pushing out’ of those who underperform. In addition, critics argue that charter school successes may be attributable to ‘skimming.’ Furthermore, the No Child Left Behind (NCLB) mandate provides a disincentive to serve students who underperform on tests. Likewise, since participation in the charter school lottery is an elective process, charters represent a skewed population by design. Therefore, in cases where test scores of charter schools are higher than their districts, it may only serve as an indicator of disparate demographics. Though ‘pushing out’ is nearly impossible to measure, high attrition rates usually reflect this pattern. Without understanding these charter school patterns, reflections of attrition, such as high graduation rates for example, may be misconstrued as school efficacy.

Another noteworthy critique involves the methods and metrics used to draw comparisons between charters and their host districts. Bruce Baker (2011a), an education finance and policy expert, argues that there are three key components that must be considered to make reliable comparisons. First, the percentage of the student body that qualifies for free or reduced lunch is a commonly accepted measure of the income levels served by the school. These two categories are generally aggregated in examining test scores. According to Baker, they must instead be examined independently because free lunch is a more accurate reflection of the poverty level (the specifics are discussed in more detail below). Test scores, Baker (2011a) adds, must also be disaggregated by grade level. Moreover, comparisons made using New Jersey Report Card test outcome data should be drawn using General Test Taker figures, rather than Total Test Taker data, in order to prevent charters with a disproportionately low number of special needs students from skewing the results (Baker 2011b).

28 Scholars have examined the variations in pedagogy, organizational and financial structure, and educational outcomes of charter schools. There have been numerous attempts to categorize the wide variety of charters and their results. For example, see, Buddin and Zimmer (2005), Bodine et al. (2006), Gleason et al. (2010), and Carlson et al. (2011).

29 ‘Pushing out’ not only leads to inflated test scores, but it is part of a larger pattern in public education of not serving young people who are deemed ‘difficult.’ Pushing out, and other harsh disciplinary actions, have been linked to increased juvenile delinquency and incarceration rates, a process academics have dubbed the ‘School-to-Prison-Pipeline.’ For more on this, see NAACP (2005), and Advancement Project (2010).

30 For an expanded discussion of these concepts, see Miron et al. (2011) and Lacireno-Pacquet et al. (2002). For analysis of their applicability to New Jersey charter schools, see Bruce Baker (2010b).

31 The No Child Left Behind (NCLB) Act of 2001 creates standards-based public education reform that links funding to school performance. One of the more controversial elements of the act relates to Adequate Yearly Progress (AYP), a diagnostic tool that determines financial resource allocation based on time-sensitive performance goals, measured by standardized tests. Critics argue that the ‘high stakes testing’ of NCLB punishes already under-funded school districts that have higher populations of SD, Limited English Proficiency (LEP), African American and low-income students, who traditionally score lower on standardized tests.

32 To qualify for free or reduced lunch, a student’s family income must be less than 130 percent or 185 percent of the federal poverty level, respectively (USDA 2011).

33 A large scale study across 16 states found that students in elementary and middle schools excelled but students in charter high schools and charter multi-level schools had significantly worse results than their public school counterparts (CREDO 2009).

34 The NJDOE General Test Taker category excludes students with disabilities, free and reduced lunch, and LEP students, whereas the Total Test Taker category is all inclusive.
Finally, although there is currently a widespread reliance on standardized test scores as indicators of education quality, school funders such as NJCC must recognize the inherently problematic nature of these existing metrics. While they serve as the most readily available and frequently collected data, they are insufficient for gauging school success. As education policy expert Ross Rubenstein and his colleagues (2003) point out, research over at least the last 50 years has consistently revealed that "variations in student performance, particularly as measured by standardized test scores, are highly correlated with students' socioeconomic backgrounds" (56). Given that low-income students consistently underperform on standardized tests, they are most negatively impacted by overreliance on these metrics (Rubenstein 2003; Fair Test 2011). As such, it is imperative that NJCC explore other measures of school performance. NJCC has the opportunity to demonstrate leadership in the field by looking beyond the test scores and applying supplemental analyses of school performance measures as discussed in the recommendations section below.

Recommendations for Assessing Charter School Investments

By refining the lens through which it views charter schools, NJCC can actively spread a clearer vision for education reform. Rather than simply measuring traditional school outputs (e.g., slots created, graduation rates, and test scores), NJCC should ensure that these metrics are, in fact, meaningful. What good are school slots if the education provided is not high quality? Of what value are test scores and graduation rates if they reflect exclusion and skewed results?

We imagine a more holistic assessment process for NJCC that incorporates feedback loops and adjustments for lessons learned. In this vein, NJCC should seek to transcend existing linear relationships with their partners that are characterized by a simple exchange of statistics for resources. Instead, NJCC’s approach to affecting change should be deeply rooted in shared values. It should incorporate the coproduction of knowledge and a cyclical flow of information in which the CDFI, its lenders, and borrowers mutually inform each other’s business operations. Given the reflexive nature of this envisioned process, NJCC must be adaptive: the organization should expect to face challenges and should be prepared to meet them. In addition to using newly gained knowledge to improve its own organization, NJCC must also embrace its responsibility to educate and, in doing so, encourage institutional progress. One way that a CDFI communicates to its partners is through its policies and practices. NJCC, through its deliberately chosen metrics and methodological rigor, should aim to enrich the conventional wisdom and elevate the discourse around education reform.

Assuming continued commitment to financing charter school facilities, NJCC should aim to lend selectively, provided that a particular charter school can show sufficient evidence of superior education provision for the
populations most in need. Recognizing the variation among charter schools and the problematic nature of assessing performance using traditional metrics, NJCC must analyze additional variables to gain a more accurate understanding of relative educational quality. NJCC currently collects general data on educational outcomes as discussed above, but only at the time of investment. We advise that due diligence be administered annually for the life of the loan. It is not enough for a school to perform initially, as superior education sustains itself over time. Without longitudinal data, NJCC cannot demonstrate the integrity of its investments. Continued measurement creates a robust mechanism for the accountability of charters and NJCC to the communities they serve. Given the limitations of available data, we recommend developing a more comprehensive pre- and post-investment evaluation that incorporates the following supplemental considerations:

1. Population in Need

Apples to Apples

Comparing charters to their sending district public schools can be problematic. Charter schools theoretically offer a better alternative to students in underperforming school districts. However, the aggregated test scores typically used in evaluating and designating underperforming schools are flawed in that they attempt to compare apples to oranges. Test scores are highly correlated with socioeconomic status and can be misleading because they are often indicative of poverty, rather than educational quality (Rubenstein 2003). Free lunch statistics represent the most accessible and accurate reflection of the deepest level of poverty within the student body. In 2009 for example, free lunch students scored 28 points lower than the national average on fourth grade reading (NCES 2010). Similarly significant achievement gaps were found across grades and subjects. Reduced lunch students, while still scoring below the national average, scored significantly above their free lunch counterparts (by 12 points). Likewise, substantial score gaps among males, blacks, Hispanics, SD, and LEP students persist. Some of the disparity between blacks and Hispanics and their white counterparts is explained by poverty and language factors. These disparities reveal the invalidity of aggregated evaluations.

However, NJDOE does not disaggregate free lunch from reduced lunch in reporting student exam outcomes, and therefore it is impossible to determine how these separate groups perform within their respective schools. Without the ability to disaggregate the poorest group’s academic performance across a district, NJDOE does not account for poverty and subsequent low test scores. In the absence of apple-to-apple analogues, comparisons are unreliable. Thus, because of the inability to accurately compare school performance, we recommend supplementary analyses that incorporate alternative qualitative measures and more relevant reflections of student performance.

36 The NCES publishes annual reports measuring national test scores for fourth and eighth grade math and reading levels. The reports disaggregate demographic cohorts by grade level.

37 In 2009 on average nationally, females scored ten points above males, Hispanics scored 24 points below whites, and blacks scored 27 points below whites in eighth grade reading (NCES 2010). To explore LEP and SD student performance on standardized tests, see Menken (2008) and Chudowsky and Chudowsky (2009), respectively.

38 While some of the racial and ethnic achievement gap is attributable to income and language disparities, accounting for these factors does not fully explain the variance. Discussions of the determinants of the gap are highly controversial. A number of scholars and institutions are dedicated to the study of this phenomenon and (for example, the Achievement Gap Institute at Harvard). For expanded discussion on black and Hispanic gaps, see Lee (2002). For analysis on the African American achievement gap, see Jencks and Phillips (1998); Myers, Kim, and Mandal (2004); and Gabriel (2010).

39 For instance, because test score results are significantly different between cohorts, a school with 40 percent free lunch eligibility should not be compared to a school with 40 percent reduced lunch eligibility. However, lumping the statistics for the cohorts leads to incompatible comparisons.

36 The NCES publishes annual reports measuring national test scores for fourth and eighth grade math and reading levels. The reports disaggregate demographic cohorts by grade level.

37 In 2009 on average nationally, females scored ten points above males, Hispanics scored 24 points below whites, and blacks scored 27 points below whites in eighth grade reading (NCES 2010). To explore LEP and SD student performance on standardized tests, see Menken (2008) and Chudowsky and Chudowsky (2009), respectively.

38 While some of the racial and ethnic achievement gap is attributable to income and language disparities, accounting for these factors does not fully explain the variance. Discussions of the determinants of the gap are highly controversial. A number of scholars and institutions are dedicated to the study of this phenomenon and (for example, the Achievement Gap Institute at Harvard). For expanded discussion on black and Hispanic gaps, see Lee (2002). For analysis on the African American achievement gap, see Jencks and Phillips (1998); Myers, Kim, and Mandal (2004); and Gabriel (2010).

39 For instance, because test score results are significantly different between cohorts, a school with 40 percent free lunch eligibility should not be compared to a school with 40 percent reduced lunch eligibility. However, lumping the statistics for the cohorts leads to incompatible comparisons.
Still, NJCC can conduct a limited assessment of a charter school using test scores. NJCC should request disaggregated free- and reduced-lunch performance statistics from its applicant charter schools to establish a baseline to measure potential future progress. This can be done by adding these variables to NJCC’s existing Due Diligence worksheet. While comparisons to district schools are impossible using available combined data, less flawed relative conclusions can be drawn about performance of similar cohorts across NJCC’s charters. By controlling for poverty in student test scores, NJCC can more correctly gauge how these groups are performing. Over time, the test scores disaggregated by free- and reduced-lunch will inform more accurate reference points from which to analyze student performance. Indeed, an even more sound assessment using charter school test scores might involve a longitudinal study that tracks individual student performances throughout their academic career. Conducting such a study corrects for demographic disparities because students are judged in relation to their own prior performance, and it would be particularly useful for tracking a school’s ability to meet the needs of SD and LEP students.

**Representative Population**

NJCC has a responsibility to ensure that so-called high-performing charters in which they have invested are not thriving due to their exclusion of the very groups NJCC aims to serve. In the absence of comprehensive, reliable, comparative performance data, NJCC should ensure that applicant charter schools at minimum serve a representative population from their targeted district(s). Given that the pitfalls of competitive funding (conditional on test scores) include disincentives to serve certain cohorts, it should be no surprise that several of Newark’s “consistently highest-performing” charters over-enroll girls (MacInnes 2011). More striking, in a review of 30 New Jersey charter schools, former NJDOE Assistant Director Gordon MacInnes (2011) found that a paltry 24 of 11,603 students (0.2 percent) were LEP: 52 times less than in their resident public schools.

NJCC has a mandate to alter this trajectory of exclusion by openly collecting cohort enrollment information and comparing it to that of the sending district(s). Doing so not only allows NJCC to make better lending decisions, but also explicitly communicates its intolerance for any discriminatory patterns. Every applicant school should be prepared and able to provide the rationale and evidence defending their student demographics. If their student body does not mirror the local district, NJCC must apply proper scrutiny. Unlike test score data, the NJDOE Report Card does disaggregate free- and reduced-lunch for enrollment, and as such, identifying income and demographic disparities is feasible and painless.

To this end, NJCC should continue to collect demographic matriculation data, but also go a step further. In addition to requesting that applicant schools report their own enrollment information, NJCC should require charters to provide similar data for their sending district(s) to determine demographic consistency (or lack thereof) between their students and those of the district schools. By provoking charters to engage in the

---

40 These types of evaluations, commonly referred to as ‘value-added assessments,’ are based on the idea that a school can and must add value for each student every year. In projecting a student’s future test scores based on their own previous performance, this method seeks to differentiate between absolute student achievement (mainly predicted by family income) and student growth (largely predicted by instructional quality). Though statistically complex, these types of evaluations are viewed by some as both a more accurate assessment of student performance and a fairer indicator of teacher performance. They can be done in-house or outsourced. For more information, see Hershberg (n.d.).

41 In addition, for a discussion on how high-stakes testing encourages schools to “game the system,” largely by preventing African American and Latino students from testing as well as excluding them from the school entirely, see Heilig and Darling-Hammond (2008).

42 New York City schools fared no better: NYCDOE (2009) found that charter schools citywide served 42 percent less SD students and 73 percent less LEP students than NYC public schools.

43 The mere presence of LEP and SD students is not enough; charters must prove they serve these demographics well. We have included some useful questions for making this determination (see Appendix VII).
exercise of determining equal representation, NJCC adds value to the organization and makes known its commitment to social justice.\textsuperscript{44} In cases in which there are multiple sending districts, the charter school should reflect the weighted average of the combined areas of service.

2. Beyond the Test Scores

Curricular Breadth and Depth

Ideally, an assessment of a charter school might include conducting comprehensive, qualitative analyses of pedagogy and teacher competence. In the absence of the ability to perform such evaluations, another good indicator of education quality is curricular breadth and depth. While incentivizing exclusion and misrepresenting performance, high-stakes testing has also resulted in the depletion of public school curricula. Critics argue the pervasive pressure to ‘teach to the test’ has reorganized educational priorities of school administrators in terms of course offerings. NCLB’s reinforcement of this counterproductive pattern via test score-based funding cuts to financially-challenged districts threatens to increasingly distort and narrow education options. This shift in pedagogy places an overemphasis on memorization, temporary retention, and test-taking skills rather than fostering a climate where students can engage in ‘deep learning.’\textsuperscript{45} For example, McMurrey (2007), in her study of 349 districts nationally, found an increasing school focus on math and reading (tested subjects), which was to the detriment of all other subjects. She determined that instructional time dedicated by schools to art, music, science, physical education, social studies, recess, and lunch decreased significantly after the enactment of NCLB.\textsuperscript{46} The hemorrhaging of these essential subject areas impoverishes public education and “threatens the continuing development of reflective, engaged citizens” (McGuire 2007, 620). Therefore, in order to ensure charter schools are offering a sufficient education, NJCC should determine, at minimum, that each applicant school provides satisfactory course offerings.

Charter schools—in purportedly offering a superior alternative to public schools—should be required by NJCC to exceed the minimum curricular diversity and provide evidence that they do so. Ensuring curricular breadth and depth is a good start. NJCC should require charter applicants to provide a detailed list of their courses offered, as well as those of the sending district(s).\textsuperscript{47} The applicant, in showing that their curriculum development is strategic and deliberate, should separately report the courses they offer that the district(s) does not. Applicants should also be required to disclose any and all courses provided by the public school curriculum but excluded by that of the charter. Magnet schools, due to their specialized nature, should be excluded from these comparisons. Applicant schools should additionally report the total amount of time per day/week that the school devotes to standardized test preparation. Lastly, in the case of an “innovative” (i.e. experimental) teaching technique or approach, schools should be required to provide the academic

\textsuperscript{44} We recognize that this additional requirement may serve as a deterrent to some applicants. However, while NJCC could access this data directly (from the Report Card), placing the burden of proof on applicant charters encourages them to be cognizant of - and proactive against - these trends.

\textsuperscript{45} The National Center for Fair and Open Testing has published numerous articles delineating the negative effects of curriculum based on standardized tests rather than pedagogy that focuses on student apprehension, critical thinking, and sustained learning. For more on these concepts, see www.fairtest.org.

\textsuperscript{46} For more on this, including the importance of a civic and liberal arts education, see McGuire (2007) and Carnegie Corporation (2003).

\textsuperscript{47} In the rare case in which a charter has multiple sending districts (for example, one NJCC-funded school draws from nearly 2 dozen), providing curriculum details for each district may be extenuatingly arduous. In these exceptions, NJCC should require the charter to explain their method for determining their service districts as well as the specific needs they aim to meet in drawing from so many different locations. At the risk of financing a school that “cherry-picks” its student body, NJCC should confirm that the justification for its district selection is rooted in sound reasoning.
research that has informed their pedagogy. In analyzing the course lists, NJCC should guarantee that their educational choices are made with the appropriate intellectual rigor.

Access to a wide selection of subjects, or curricular breadth—the arts, foreign languages, electives, and other non-core courses—enriches the quality of the education and enhances the capacity of the student body to become well-rounded individuals. Moreover, sufficient emphasis on core subjects, including provision of higher level and advanced placement (AP) courses, is a good indicator of curricular depth and allows students the opportunity to be challenged, to specialize, and to develop at different rates. A charter school that offers an expansive array of subjects and levels to a deprived district is serving an important unmet need. Expanding educational opportunities to underserved populations, if that is indeed accomplished, certainly reinforces NJCC’s mission of transforming communities.

**Promoting Wellness**

Another crucial element of a charter school’s curriculum should be comprehensive health and nutrition education. Student wellness is an issue that relates to academic performance, public health, the environment, the economy, national security, and social justice. Preventable diet-related illnesses constitute some of the leading causes of death in the United States and they disproportionately afflict NJCCs targeted populations—low-income and minority communities. Furthermore, over 25 million school-age children in America are overweight or at risk for becoming overweight. At present, one in three children is overweight or obese (AHG 2009). Furthermore, 16 million children in the United States live in food deserts and lack access to enough nutritious food (Center for Ecoliteracy 2010b). Evidence shows that primary and secondary educational institutions play crucial roles in shaping lifelong behavioral patterns for their students because “no other institution has as much continuous and intensive contact with children during their first two decades of life” (Story et al. 2006). Experts have identified the school environment as a key influence on children’s choices regarding their health, diet, and exercise (NIHCM 2007). In addition, because up to 50 percent of children’s daily caloric consumption occurs at school, this situation presents the most opportune setting for the intervention that is necessary to improve their diets (Gleason and Suitor 2001).

Beyond the need to combat childhood health epidemics, schools should be motivated to act because well-nourished children make better students, so if they intend to close achievement gaps, they must address health disparities. A body of literature has associated poor nutrition with prohibited cognitive function, reduced memory, increased absenteeism, and lowered academic performance (see for example, Parker 1989). More specifically, common types of malnutrition—such as iron deficiency—have been linked to fatigue, lowered concentration levels, and shortened attention span (Rampersaud 2005). The contributions of unhealthy body weight to social problems (such as low self-esteem, loneliness, and victimization by bullies) are also well-documented (see for example, Janssen 2004). Conversely, programs involving physical activities increase academic achievement and produce cognitive benefits (Taras 2005). Exercise at school also improves mental health, increases self-esteem, develops social skills, and reduces risky behavior (AHK 2004).

In recognizing that schools are the necessary venue through which to positively affect consumption patterns and encourage healthy lifestyles, there is a compulsory responsibility for schools to educate their students about wellness. Nutrition should be taught more than one day out of the semester; it should be more than an afterthought in a general health course. Nor should physical education be a negligible or inconsequential

---

48 Heart disease and diabetes are two of NJ’s leading causes of death (see: NJ Department of Health and Senior Services (2006)). In addition, statewide obesity has been steadily rising for the last two decades, especially among African Americans, mirroring the national trend.
part of the curriculum. Regardless of the extent to which NJCC weighs wellness considerations in its lending practices, the process of raising questions about a charter's commitment to health education is, in itself, valuable in that it serves a pedagogical purpose. While conducting expansive and intensive curriculum evaluations may be impractical, there are a few indicators that NJCC should consider adding to their Due Diligence Worksheet.

1. NJCC can start by requiring applicant charter schools to delineate and describe their wellness plan as well as courses offered in health, nutrition, and physical education.\(^\text{49}\) There are no prescriptive diagnoses to be made regarding a minimum threshold, but the presence or absence of a substantive program should be apparent.

2. Another valuable indicator is the presence of a health advisory council or a school wellness council (SWC). SWCs create coalitions that connect charters to their communities, unite fragmented wellness efforts, improve community health, and increase the transformative capacity of schools, thus magnifying NJCC’s impact. Experts have suggested the existence of a coalition of parents, teachers, administrators, and other stakeholders that oversee the design and implementation of a comprehensive wellness plan is a necessary element of effective health promotion strategies. NJCC should inquire if applicant schools have SWCs, and request membership information. Regardless of the presence or absence of an SWC, NJCC should provide the Alliance for a Healthier Generation’s SWC toolkit and recommend their free website for further reference.\(^\text{50}\)

3. In offering subsidized meals to a population of low-income students, schools should provide healthful, nutritious food. NJCC should recommend that charters follow more stringent requirements than the current United States Department of Agriculture (USDA) guidelines, as they have been determined to be inadequate.\(^\text{51}\) In promoting these superior standards, NJCC should ask to which set of nutrition guidelines schools adhere.

4. NJCC can also request a list of all ‘competitive foods’ available for consumption at the schools it finances.\(^\text{52}\) The literature shows that schools can counteract their nutrition education efforts by providing access to junk food. Therefore, for a true reflection of a given school’s approach to health, comprehensive considerations of all competitive foods on the premises are necessary.

Establishing that an applicant charter offers a broad and deep education—including life and health skills—should be of paramount importance in determining whether or not to lend to a given institution.

\(^{49}\) In participating in the USDA’s National School Lunch and School Breakfast programs, schools are required to have a local wellness policy (Child Nutrition and WIC Reauthorization Act (2004)). As such, applicant charters should be prepared to outline their policy and implementation plans. NJCC can refer to the Center for Ecoliteracy (2010a) for useful tips in evaluating such documents and provide the same guide as a reference for those charters that do not have well-developed plans.

\(^{50}\) The Alliance for a Healthier Generation, founded by the American Heart Association and the William J. Clinton Foundation and partnered with the Robert Wood Johnson Foundation - provides technical assistance, toolkits, policy recommendations, and programmatic suggestions for use by schools in combating childhood obesity. NJCC should direct all applicant charters to the following website for reference and valuable school resources: http://healthiergeneration.org/schools. For the SWC toolkit, visit: http://www.healthiergeneration.org/uploadedFiles/For_Schools/Helpful_Tools/08Toolkit_SWC.pdf.

\(^{51}\) For more details on updated nutritional guidelines for school meals and a comparison to current School Meals Initiative for Children requirements, see Institute of Medicine’s 2009 report: School Meals: Building Blocks for Healthy Children. Included in the bibliography are links to the summary and full report. Additionally, NJCC can consult the USDA 2010 Dietary Guidelines for Americans.

\(^{52}\) Competitive foods consist of food and drink available at schools that are not part of subsidized meals. These include food sold a la carte, in vending machines, snack bars, school stores, and fundraising activities. Literature suggests that teaching nutrition alone is not sufficient to change student diets and experts recommend a comprehensive approach.
Painting a Comprehensive Picture: Additional Variables

Beyond determining if an applicant school provides a comprehensive curriculum, a number of other variables can be instructive in more accurately evaluating its performance. It is important to recognize the interconnectedness of these metrics that make no single indicator alone reliable. Scholars have characterized school evaluations as requiring a “differentiated” perspective, demanding the understanding that a variety of factors effect different student outcomes, and thus school performance (Rumberger and Palardy 2005). First and foremost, given the prevailing concern about charter schools ‘pushing out’ underperforming students, measuring student attrition is crucial to preventing these patterns.\(^{53}\) As alluded to previously, without understanding and accounting for attrition patterns, other metrics such as high test scores or graduation rates can falsely depict school effectiveness.\(^{54}\) To avoid misinterpretation of performance, we suggest that NJCC use this indicator as the primary lens through which other student performance variables are viewed.

For a thorough illustration of the extent of—and causes for—attrition at an applicant charter, we recommend NJCC requests (via the Due Diligence Worksheet) the number of students over the previous three years who left, the reasons they left, and where they went.\(^{55}\) This data should be disaggregated by grade and cohort (free lunch, reduced lunch, SD, and LEP). In collecting this information, NJCC can be made aware of relevant trends, such as high expulsion or drop-out rates.\(^{56}\) While comparing these figures to the sending district(s) is not possible because mobility—not attrition—is reported, collecting this information for all borrowing charters is useful nonetheless. Over time, access to this data enables NJCC to make comparisons across its charters, recognize trends across the industry, identify red flags, and determine standard levels of attrition.\(^{57}\)

In addition to tracking the number of students leaving a school, measuring teacher attrition is also important. An underlying element of the charter school promise is the notion that, with increased autonomy to “teach as they think best,” charters will attract the best educators (Miron and Applegate 2007, 3). An increased level of self-governance in the classroom can undoubtedly be attractive to teachers in contrast to the regimented bureaucracy of traditional public schools. However, high teacher attrition in charter schools is well documented. Although some teachers admittedly enjoy the greater independence afforded them, the consistently high turnover that characterizes charters (compared to district counterparts) has been linked to other factors, such as longer working hours, lower salaries, and non-unionization (Malloy and Wohlstetter 2003; Renzulli et al. 2011).\(^{58}\)

---

53 For a review of the negative implications of student attrition on both learner and school performance, see Finch et al. (2008).

54 For example, an examination of New York City charter schools revealed a direct correlation between rising proficiency levels and high attrition rates (Bennett 2010). In addition, a recent national study by Miron et al. (2011) debunked the purported achievements of Knowledge is Power Program (KIPP) national charter school network by concluding that high levels of student attrition are a key contributor to their “success.”

55 The NJDOE Report Card provides student mobility rates; however, these differ from attrition rates in that they reflect the number of students who both entered and left during the same school year. Examining the mobility rate, therefore, would not account for any students who left the school in a different school year than when they arrived, and thus does not fully capture a school’s ability to retain students. So for example, a student entering the school at the end of grade 9th grade and leaving the beginning of grade 10th grade would not be counted. For this reason, we instead recommend that NJCC collect comprehensive attrition data for the charter school.

56 Consistently high expulsion and/or drop-out rates could reflect, for instance, ‘pushing out’ or lack of support services available to high need students. Further investigation would be required to determine the story behind the statistics.

57 We recognize that a certain amount of attrition is normal, and that rates will differ between charters and traditional public schools for many reasons. Some of these are inherent to charter schools, such as instability of location. NJCC will need to form its own conclusions using as much data as possible.

58 As expected, teacher attrition rates vary based on a number of factors; one survey of over 6,000 teachers across five states found departure from charter schools to be most common among educators who are younger, less experienced, and/or
Research reveals that teacher attrition not only causes the students to suffer, but places significant burdens on the school as well. A lack of continuity can impede an institution’s educational and cultural stability, consume resources for constant training, and delegitimize the reputation of the school. All of these may result in a decline in educational quality (Miron and Applegate 2007; Jacob 2007). Thus, NJCC should require schools to report the number of teachers who have left over the three years prior to the assessment and their reasons for leaving.

Student and teacher attrition are certainly not the only variables that can contribute to a complete story of school performance. A number of other measures, such as class size, graduation rates, or college attendance statistics, may seem particularly compelling. However, though NJCC’s funders may frequently request such indicators given the ease with which they translate into a persuasive (though not necessarily accurate) story, it is important to approach these variables with a critical eye. For instance, although graduation rates are one of the most frequently cited school performance measures other than test scores, they can easily be misconstrued. Thus, this data should only be collected and analyzed in conjunction with a variety of other factors. If a charter is serving a representative population and has low attrition rates, then graduation and college attendance rates across all cohorts can be assumed to have some value. NJCC may desire to collect these additional variables via the Due Diligence form, but must critically analyze them and to be careful and forthright when using them to market NJCC and its efficacy.

As useful templates, we have developed a variable table and questionnaire to guide NJCC and its lending officers in gathering the information necessary to quantitatively and qualitatively assess charter schools. The questionnaire, in particular, should be distributed to applicant schools in advance of the site visit so they are made aware of expectations, are prepared to demonstrate the ways in which they meet them, and can compile the necessary documentation. It should also serve as a guide to standardizing the lending officers’ evaluations by highlighting the key indicators to look for beyond the test scores and financial statements. During the annual due diligence, schools should be reassessed using the same metrics (via a modified version of the questionnaire).

### Alternative Assessment Methodologies

Because it is broadly acknowledged that current metrics of school performance are insufficient, education experts are exploring comprehensive alternative assessments. While we recognize that NJCC lacks the resources to conduct these intensive analyses in-house, it could collaborate with an external consultant in such an endeavor. Additionally, NJCC could develop a teacher-conducted, self-reported, student performance survey to track the progress of individual students beyond their test scores. Relying on surveys reflects a level of trust in the teachers’ evaluations, but these teachers may provide special insight into the teaching upper grade levels (Miron and Applegate 2007). In addition, perceived lack of capacity to achieve the charter’s mission was also a contributing factor.

As with student attrition, a certain amount of teacher turnover is to be expected at charter schools, particularly given the lack of unionization in these types of institutions. Again, NJCC will have to formulate its own standards. The questionnaire is not intended to be the finalized document. Going forward, NJCC should use its experience to adjust the questionnaire to the most appropriate form for gathering relevant data. These questions are intended to provide a framework for the content that should be covered. NJCC should utilize its feedback loop to refine the document as the staff gains a fuller understanding of the most pertinent questions and effective ways to ask them.

For example, Adjusted Performance Measures (APM), School Quality Reviews (SQR), Data Envelope Analysis (DEA), Education Production Functions (EPF), and cost functions in school performance are some alternative methods being developed in the U.S. and internationally (each with their own pros and cons). Additionally, for a discussion of ‘multiple measures systems’ that comprehensively examine student learning that are used in the U.S. and abroad, see Neill (2010).

We recommend that NJCC consult with Bruce Baker of Rutgers Graduate School of Education for further guidance in conducting case studies or alternative assessments.
personal growth of students because, as trained educational professionals, they offer valid expertise and perspective. Assuming every teacher has internet access, it should not be overburdening to require that teachers complete brief online survey at the end of each term to gauge the cognitive and social/emotional development of a representative sample of students. Ideally, this would inform a longitudinal study of educational investments, but in the short-term, it can be used to track more immediate progress.

**Transparency**

There is growing concern regarding charter schools that use business principles and practices to improve schools. For example, charter management organizations (CMOs), which have become a fixture in the charter school landscape, are characterized by centralized boards rather than individual local autonomous bodies. In the absence of local control, school funders and investors, who have varying motivations and objectives, are likely to have significant decision-making power. This dynamic can lead to a problematic injection of business interests into education, which may distort priorities and shift focus from learning to profit and growth. A national interim report of CMOs found growth and expansion were top priorities for most charters (Lake et al. 2010). Critics argue that this trend manifests in many ways, such as through hiring practices that over-emphasize business expertise rather than education experience. In fact, charters have become a force for privatization (Ravitch 2010). Arguably, this stress on market-based strategies is detrimental to educational quality.

In order to ensure a school is funded by and responsible to similarly mission-driven actors, NJCC should mandate that schools they fund disclose contribution over $1000. NJCC, in making themselves aware of the coalition they are joining by funding a particular charter school, can lend accordingly based on their assessment. Fortunately, collecting information about contributions to a charter school is made easier by the fact that many schools establish a “Friends of” non-profit entity through which funds are channeled. Many of NJCC’s loans are structured through these entities, and in these cases, NJCC already receives an annual update regarding any new contributions. NJCC should continue requiring these annual disclosures and demand that the school’s management submit an annual one-page memo detailing all contributions and expenditures.

3. **Financial Solvency**

Lastly, NJCC should continue to assess financial sustainability of the charters it funds. Though charters retain relative impunity for academic underperformance, fiscal failure is harder to ignore. According to experts, financial troubles are the primary reason charter schools close. In fact, over half of the schools closed by NJDOE were shut down due to financial troubles (O’Connor 2011). Given the great variation that exists among charter schools, determining whether a given operator has the capacity for long-term survival

---

63 Some of the most well-known examples include the Knowledge Is Power Program (KIPP), Aspire, Green Dot Public Schools, and Uncommon Schools.

64 It is worth noting that while the State of New Jersey has not recently conducted any studies examining charter school accountability and conflict of interest concerns, several government-led studies in other states have revealed serious conflicts of interest and concluded that far greater oversight is needed. See State of Minnesota (2008) and City of Philadelphia (2010) for more information.

65 NJCC is currently receiving such annual memos from some charter schools (Apgar, Arndt, and Pallazollo 2011). We recommend that this practice be expanded to all charter schools. These can then be passed on to the Chief Financial Officer for review.

66 Ensuring the purported accountability of charters in practice has proven complicated. For example, although New Jersey Education Commissioner, Christopher Cerf, maintains that the State will be “aggressive” in shutting down underperforming charters, the realities of an understaffed DOE and the politically contentious nature of closing schools have resulted in the closure of few underperforming charters (Brody 2011).
is crucial. Though NJCC cannot anticipate a charter school’s future financial performance, confirming a history of sound fiscal practices through due diligence indicates likelihood of good management. Subsequently, NJCC should continue its current practice of assessing the applicant’s financial records for the previous three years at the time of the loan as well as on an annual basis throughout its duration. The existing feedback loop whereby CAMs are circulated is a great asset. We recommend that NJCC improve this process to include the expanded due diligence information and extend the loop to all development and impact staff. All follow-up reviews for all charters can be conducted annually via the same mechanism.

4. Refocusing the Dialogue

CDFIs across the country are embracing the relatively new charter school movement, yet assessment methods for understanding the potential implications of such investments remain underdeveloped. Even while recognizing the considerable challenges it faces in raising its standards for its own charter school investments and assessments, NJCC should take a leadership role and seize the opportunity to advance these metrics for education throughout the industry.

Raising Awareness

Raising awareness of some of the concerns surrounding charter schools is a crucial step in improving the dialogue about the challenges facing low-income communities. Promulgating data about the problematic nature and limitations of standardized test scores is one way to promote a more accurate and comprehensive understanding of what quality education entails. NJCC’s website is a good vehicle for disseminating information to borrowers, investors, and the general public. Providing links to literature on alternative assessments and explanations of curricular breadth and depth would reinforce NJCC’s reputation as a mission-driven institution and help spread effective lending practices. The promise of quality education in low-income communities is undoubtedly compelling, particularly for CDFIs. However, institutions across the field continue to accept inaccurate status quo metrics, such as test scores, as valid indicators of school performance. Therefore, NJCC should actively engage with the CDFI Fund, CARS (CDFI Assessment Ratings System), and other industry leaders to critically reflect on standards for education.

Building Coalitions

NJCC is only one piece of the charter school puzzle, and cannot be expected to change the charter school landscape on its own. In addition to raising awareness, NJCC also should continue to strengthen its existing partnerships with entities such as the New Jersey Charter Schools Association (NJCSA). Through such coalitions, NJCC can continue to raise the bar for how charter schools are evaluated throughout the state.

Conclusion

Improving the indicators of the equity and quality of public education—a crucial mechanism for upward mobility—is at the heart of the work of CDFIs. Given the inadequacy of current education evaluation strategies, NJCC has an opportunity to distinguish itself as a leader in its field by laying the groundwork for cutting-edge valuations that transcend the limitations of readily available, but oversimplified, quantitative analyses. NJCC deserves much credit for committing to the challenging process of rethinking the ways their investments impact communities, particularly by exploring innovative metrics that surpass the status quo. Recognizing the significant funding stream that charter schools provide in the current climate of economic scarcity, there is an ethical imperative to employ the most rigorous possible standards for education. Adopting a more holistic and accurate approach requires NJCC to take bold, proactive steps that shift internal organizational patterns, reassert its commitment to transformational change, and refocus the larger community development discourse.
Schools play a central, arguably the most crucial, role in determining the future of the next generation. The responsibility of schools is not only to produce test scores, but also to prepare young people to live healthy lives, enable them to be engaged citizens, raise their expectations, and empower them to achieve. Given the profound impact of these institutions on their communities, the lack of rigor demonstrated by CDFIs in evaluating assessing charter schools is especially disconcerting. NJCC, in remaining loyal to its mission, should focus all possible resources on evaluating borrowers in this arena.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Why Measure?</th>
<th>Suggested Methodology</th>
</tr>
</thead>
</table>
| **Test Scores Disaggregated by:** | Test scores are the most readily available, yet flawed, metrics for measuring school performance. Test score performance is highly correlated with poverty; thus, if NICC is to compare test scores, it must disaggregate by free- and reduced-lunch when doing so. Ongoing collection of these variables by cohort will also allow NICC to track test score progress and serve as a more accurate reflection of the charter school's performance over time. The demographic information (collected pre- and post-investment) tells a story about whether the school operator has a history of serving populations in need and if they continue to do so. Given the concerns about charter schools serving a disproportionately small number of students from traditionally underperforming cohorts, it is critical that NICC have this information about their charter school clients. This will enable the CDFI to remain true to its mission by measuring the extent to which a school serves a population representative of its district(s). | Collection Test Scores:  
- Expand student performance data collected via the enrollment information section of the Due Diligence form to include test scores disaggregated by students eligible for free- and reduced-lunch  
- Re-collect in an annual post-investment Due Diligence worksheet for the duration of the loan  
Demographics:  
- Continue collecting demographic enrollment data via Due Diligence form  
- Expand enrollment section of Due Diligence form to include demographics of sending district(s). In the case of multiple sending districts, request both percent and total number of students by cohort. Additionally, require the school to calculate the ratio of each demographic group across districts using the total number of students in respective cohorts as proportion of the total combined population of all sending districts.  
For example, to calculate district percentage of females:  
(sending district 1 females + sending district 2 females + sending district 3 females + sending district 4 females) / (Total student population in all districts)  
- Continue collecting data from NJ DOE Report Card and the National Center for Education Statistics to cross-reference self-reported charter school information  
- Re-collect all variables in an annual post-investment Due Diligence worksheet for the duration of the loan  
Analysis Test Scores:  
- Compare test scores of free- and reduced-lunch cohorts over time to their prior performance in order to track progress  
Demographics:  
- After collecting enrollment data, compare like cohorts between sending district(s) and charter school to determine if they are serving a representative population |
| Free lunch |  |  |
| Reduced lunch |  |  |

**School and Sending District Population Demographics**
- Enrollment percentages by race, total number by race  
- Percent free lunch, total number free lunch  
- Percent reduced lunch, total number reduced lunch  
- Percent students with Disabilities (SD), total number SD  
- Percent Limited English Proficiency (LEP), total number LEP  
- Percent male/female, total number male/female  

*Only for schools with multiple sending districts*
<table>
<thead>
<tr>
<th>Variable</th>
<th>Why Measure?</th>
<th>Suggested Methodology</th>
</tr>
</thead>
</table>
| Curricular Breadth            | • Number and type of electives offered by grade level  
• Number and type of courses offered other than math and reading by grade level  
• Number of minutes per day/week devoted to standardized test preparation by grade level                                                                 | • Because test scores are inadequate, alternative supplementary metrics are necessary.  
• Education experts have identified curricular breadth and depth as necessary components of quality education. Assessing an applicant charter school’s provision of these enables a more holistic evaluation of school performance.  
• This data can be used to compare a charter school’s course offerings to those in the sending district(s) and thus determine if the school is meeting curricular needs.                                                                 | Collection  
• Incorporate the Charter School Questionnaire into the Due Diligence process to capture curriculum breadth and depth of applicant charter schools. (The Charter School Questionnaire, a sample of which is provided with this report, should also include the variables discussed in the subsequent recommendation sections. A modified version of this Questionnaire should be administered to all NICC-financed charters once annually.)  
• Acquire a file listing job code assignments of all certified staff from the NJDOE. Then, tally up how many teachers of different types, assigned to different areas, are in each school.  
Analysis  
• Compare course offerings with those of the local district to determine relative curricular superiority. An example of depth might be the number of math levels offered, while breadth might include non-core classes such as instrumental music. (Magnet schools, which inherently specialize, should be excluded from this comparison.) Although there is no prescriptive threshold for evaluating each school, NICC can use the collected information to determine the extent to which the curriculum is well-conceived, comprehensive, and designed to meet needs. |
| Curricular Depth              | • Number and type of advanced courses offered beyond remedial and basic-level courses by grade level                                                                                                      |                                                                                      |
## Assessing the Impact of CDFIs

<table>
<thead>
<tr>
<th>Variable</th>
<th>Why Measure?</th>
<th>Suggested Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Promoting Wellness</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting a wellness plan (with copy of plan on record)</td>
<td>Given that up to half of children's dietary intake occurs at school, these institutions are obligated to play a central role in combating childhood health epidemics, such as obesity and heart disease. Collecting and analyzing this health, nutrition, and food information will enable NICC to determine whether an applicant school has a comprehensive and substantive wellness plan. Furthermore, this process of inquiring about charter schools' commitment to wellness promotion will help elevate the community development discourse by raising expectations of schools as champions of child and community wellness.</td>
<td>Collection: The listed wellness variables should be collected using the Charter School Questionnaire. In cases where an applicant school has not yet adopted a sound wellness plan, including establishment of a HAC or an SWC, direct them to the Center for Eco-literacy (2010a) and the Alliance for a Healthier Generation’s SWC toolkit. Analysis: Consider all information gathered to determine whether the applicant school offers a substantive wellness program. While there is no prescription for this, indicators include substantial health, nutrition, and physical education curricula that is reinforced by the school's meal/snack offerings and broader wellness promotion strategies. In addition, a substantive health advisory council or SWC should be apparent by the participation of a diverse range of school and community stakeholders who are actively implementing a comprehensive wellness agenda.</td>
</tr>
<tr>
<td>Presence of a Health Advisory Council (HAC) or School Wellness Council (SWC)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>School meal standards (e.g., adherence to Institute of Medicine’s 2005 dietary recommendations)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory of “competitive foods” available on school premises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minutes dedicated to health education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minutes dedicated to nutrition education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minutes dedicated to physical education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation in Healthier U.S. Schools Challenge</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Facilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presence/availability of community garden</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presence/availability of steamer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presence/availability of sink and preparation area for washing and preparing produce</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presence/availability of fryer</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Painting a Comprehensive Picture—Additional Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student attrition (disaggregated by free lunch, reduced lunch, race, gender, SES, and LEAP), including students’ reasons for leaving and where they went</td>
<td>These indicators help in providing a broader, more accurate, picture of school performance beyond test scores.</td>
<td>Collection: To measure attrition, NICC should request that charter school applicants provide a list of all the students (by grade and cohort) who have left the school in the previous 3 years, including why they left and where they went. Analysis: By collecting these over time, NICC will be able to determine standard levels of attrition, make comparisons across its charters, and recognize trends across the industry. NICC should follow up with schools when red flags are identified.</td>
</tr>
<tr>
<td>Teacher attrition (disaggregated by gender, race, certification credentials, length of tenure at school, and number of years teaching experience), including teachers’ reasons for leaving and where they went</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research-based pedagogical approach</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number and type of extracurricular activities provided</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number and type of student support personnel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volunteerism and other student civic engagement activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Active use of family and community engagement strategies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existence of deliberate strategies for serving and ensuring the success of LEAP students</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presence of Special Education Coordinator</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existence of deliberate strategies for serving and ensuring the success of SD students</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotion of school facility as a community asset</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of teaching personnel with advanced credentials and degrees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presence of substantive professional development programs</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Alternative Assessment Methodologies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variables dependent on corresponding methodology (to be determined by expert)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Though no perfect measures exist, professionals are developing more advanced methodologies that account for residuals and more accurately depict education quality. Applying these techniques can provide more detailed evidence that can be useful in telling NICC’s narrative. Professionals can offer sophisticated analyses and expertise that is useful in making more informed lending decisions.</td>
<td>Collection: NICC could develop an instrument that teachers can use to gauge individual student performance, using classroom and teacher assessment measures other than test scores. Analysis: To be determined by experts</td>
</tr>
<tr>
<td>Variable</td>
<td>Why Measure?</td>
<td>Suggested Methodology</td>
</tr>
<tr>
<td>------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Financial Transparency       | • Because charter schools receive public funds, record of private contributions should be publicly available and are an important element of transparency.  
• Tracking significant financial contributions can help identify potential conflicts of interest and ensure the school is funded by and responsible to similarly mission-driven sources. | Collection • Continue collecting audited financial statements for the previous three years as part of the Due Diligence process.  
• Request that charter schools disclose contributions greater than $1,000 over the previous three year period (add to Financial Information section of the Due Diligence form).  
• Require the school’s management to submit an annual one-page memo detailing all contributions and expenditures.  
Analysis • Prior to making a loan, NICC staff member should assess whether the sources making these contributions are similarly mission-driven.  
• In examining the proposed funding sources listed in the project’s development budget, NICC should track and identify any potential conflicts of interest in a similar manner as with past financial statements.  
• NICC’s Chief Financial Officer should review annual one-page memos to ensure ongoing compatibility with NICC’s mission |
| Financial Sustainability    | • Financial failure is the most frequent reason for charter school closure.  
• Determining whether a school operator has a history of sound financial management practices can be a good indicator of whether the proposed school will be financially sustainable. | Collection • Continue collecting financial information, including audited financial statements for the previous three years, management prepared financial statements for the most current period, and an organizational budget, from the charter school as well as the applicant (if different than the charter school).  
• Continue with practice of creating operating pro forma to help project future fiscal sustainability  
• Continue creating credit approval memorandum (CAM) for internal circulation and ultimate submission to CAM committee  
Analysis • Expand internal circulation of CAMs beyond NICC’s lending team, CFO, and president to include all the development and impact staff. Bringing other sectors of the organization into this feedback loop will increase likelihood that social, not just financial, variables will be adequately discussed and weighted when making lending decisions and evaluating the long-term integrity of their investments. |
CONCLUSION

By infusing capital into economically underserved communities, NJCC and other CDFIs provide a crucial and indispensable service. However, these organizations have a responsibility to measure their efforts to determine to what extent they have the desired effect. NJCC and its counterparts have struggled to develop metrics that clearly demonstrate their effectiveness and make their results accessible to borrowers, investors, and their own internal staff. CDFIs such as NJCC are further obliged to develop a reliable measurement methodology to meet increasing demands from funders for quantified outcomes. In this report, we seek to provide NJCC with a set of tools with which they can better assess their organizational effectiveness. We review the literature on impact assessment, conduct case studies of other CDFIs, interview specialists in NJCC’s focus areas, establish best practices for NJCC to follow, and present a thorough series of tools and metrics that NJCC can use to gain in-depth understanding of the outcomes of their specific lending areas.

Our recommendations will enable NJCC to more holistically understand its contributions to the communities in which it invests, to enhance its strategic implementation of its programs and activities, and to more powerfully convey its story to its stakeholders. Because we recognize the considerable resources that comprehensive data collection, compilation, and analysis all demand—as well as the capacity limitations typical to CDFIs—we provide NJCC with viable steps that it can follow to thoroughly assess its value without overcommitting its resources. Precisely quantifying NJCC’s impact—or the difference between what it accomplishes and what would have occurred without its presence—is arguably impossible for a variety of reasons, but this level of assessment is also not a necessity. By collecting extensive outcome data and connecting it to existing research, NJCC will have sufficient evidence with which to ensure its investments are strategic, refine its future practices, convey a compelling narrative, and ultimately increase its value and productivity. Further, the process of engaging in measurement and assessment is itself invaluable to creating an internal culture of strategic thinking and self-evaluation by which NJCC can continually reassess and reinforce its mission of transforming communities. In adopting this culture and disseminating its learning processes throughout the field, NJCC can truly be a model for the CDFI industry and can continue to be a transformative agent of community development.
WORKS CITED


Assessing the Impact of CDFIs


Standiford, Jessica. 2011a. E-mail correspondence with Jessica Standiford, March 2, 2011.


APPENDICES

APPENDIX I: BOSTON COMMUNITY CAPITAL CASE STUDY

Overview
Boston Community Capital (BCC) is a community development financial institution whose mission is to “build healthy communities where low-income people live and work.” BCC is located in Boston and serves primarily the city and surrounding areas. BCC is structured as a holding company with a number of subsidiaries including a community development loan fund, a community development venture capital group, a real estate and residential mortgage group, a renewable energy financier, and thirteen New Markets Tax Credits LLCs. The organization was founded in 1985 and, as of 2010, had over $550 million in assets under management. Despite its substantial size for a CDFI, Boston Community Capital is staffed with only 20 full-time employees plus an occasional intern or fellow. Recent growth of new businesses and expansion of existing ones has caused the organization to begin a process of augmenting their senior management team. The organization expects to add several key hires in 2011.

Products and Services
BCC uses a comprehensive approach to community economic development, driven by the needs of the communities it serves and a desire to provide services otherwise not available in their target geographic region. The organization provides a range of debt and equity products for individuals, businesses, and communities. It also prevents foreclosures and evictions through the Stabilizing Urban Neighborhoods (SUN) initiative, which helps homeowners and tenants facing eviction due to foreclosure to repurchase their homes with new financing directly from BCC. This financing helps reduce average monthly mortgage costs by nearly 50%. BCC also is a part owner of WegoWise, a company that the CDFI developed with New Ecology and Thinkify, to measure the energy use of housing units in order to make them more affordable and environmentally beneficial.

Impact Assessment
BCC views impact assessment as a means both of ensuring they are serving the critical role they aim to play in their target communities and of establishing actionable annual goals. BCC aims to be in a continuous learning process when it comes to adopting and institutionalizing better measurement techniques. For example, in 2004, BCC’s President participated in meetings with the leaders of Enterprise Corporation of the Delta (now Hope Enterprise Corporation) and the Low Income Investment Fund to discuss how to improve impact assessment within the CDFI field.

As part of its 2006 strategic plan, BCC developed a five-level framework for examining the impact of their investments -- at the level of the financial system, the CDFI itself, the borrower & project, the community, and the individual/family assisted by their investments. BCC’s goal was to incorporate impact measurement into every level of their existing evaluation framework. BCC recently underwent the CARS ratings process for a second time and received top ratings for impact performance. BCC believes that it received the high social impact rating from CARS because of the successful way that the organization has integrated the five-level impact assessment framework into its ongoing operations.

Historically, BCC has relied on interviews with borrowers and credit memos for output data. Last year, they introduced a web-based survey that they piloted and hope to use annually once it undergoes additional refinements. BCC also intends to continue using borrower interviews and credit memos to augment and clarify the data they obtain from the survey.
BCC faces many of the difficulties encountered by other CDFIs in collecting and analyzing impact-related data. First, because a project often has many funders, it is extremely difficult to avoid double-counting the effects of their own funding and that of other groups. This makes it rather difficult to construct an appropriate counterfactual scenario. Second, borrowers who provide information on outcomes and impacts often lack the technical expertise and capacity to respond fully and in a timely fashion. As a result, BCC generally can report the immediate outputs of a project, but measuring the subsequent ripple effects of investment is far more challenging.

BCC also is concerned about potentially burdening borrowers and clients with onerous reporting requirements, and is trying to make their survey tool as user friendly as possible. The initial response rate on the survey was lower than BCC had hoped and did not fully capture the organization’s full range of borrowers. Going forward, BCC is considering making survey participation a mandatory condition of their loans.

BCC does not have a single individual responsible for its impact-related work, preferring to include aspects of this work in multiple individuals’ responsibilities. This is done in part to minimize loss of information and experience should the staff member charged with “impact assessment” leave. BCC also has relied on interns, fellows and other non-permanent staff members to augment the full-time staff’s capacity with impact measurement.

**Conclusion**

There are several lessons that BCC’s experience with impact assessment could offer NJCC, particularly given how similar the two organizations are in their structures and product offerings. First, BCC’s custom web-based survey tool could be a useful means of gathering information for NJCC going forward. Should NJCC pursue such a data gathering method, it should anticipate and prepare for the implementation challenges that BCC has faced in adopting it, including low response rates if the requirement to fill out the survey is not written into the loan contracts. Second, BCC’s efforts to share best measurement practices with ECD/Hope and LIIF may be a good model for NJCC to emulate in the future, providing an opportunity not only to learn about new measurement techniques but possibly also to share costs. This type of sharing also could help standardize the CDFI industry’s approach to measurement, including how to deal with common problems such as how to accurately credit the social impacts that are produced by projects with multiple funders.
APPENDIX II: COASTAL ENTERPRISE INCORPORATED CASE STUDY

Overview
Coastal Enterprise Incorporated (CEI) is a community development corporation (CDC) and community development financial institution (CDFI) founded in 1977 in rural Wiscasset, Maine. Originally serving its immediate rural community, it has grown to serve all of Maine, areas of northern New England, and upstate New York. Also, through its New Markets Tax Credit Program, CEI is able to invest in projects throughout rural America. CEI is a considerably larger CDFI than NJCC: it employs 85 staff members, has 380 outstanding loans, and has a total of $707.9 million in assets either under management or committed (CEI 2010). CEI also differs from NJCC in that its service area is primarily rural, and in that it primarily focuses its investments in small businesses, facilities, and service organizations that create jobs and provide workforce development opportunities for (primarily) low-income individuals. CEI has, however, increasingly focused on affordable housing in the last few years.

Products and Services
CEI provides a range of services, but its main area of focus is small business. Its services in this area include financing and technical support for small businesses (microenterprise development, targeted job creation, assistance to women business owners) and natural resources industries (fisheries, farms, forest projects), services for refugees and new immigrants, and job training. It also provides development assistance for community facilities and affordable housing. CEI also operates an active policy arm that conducts advocacy work and field research on the state level, with the objective of creating additional resources for its financing programs. CEI serves as an intermediary between clients and providers of services that CEI does not provide directly, and it has several affiliates and subsidiaries that handle venture capital management and investment and serve as intermediaries as well (CEI 2010).

CEI offers the following loans:
SBA 504 Loans (for small businesses), which can be used for:
- Land acquisition and improvement
- Building construction and addition
- Purchase and/or remodeling of existing buildings
- Purchase and installation of machinery and equipment

Targeted Loans
- Green energy funds: energy and environment
- Agriculture (the Organic Farms Loan Fund and the Maine Farm Business Loan Fund)
- Waterfront projects and fisheries - borrowers are expected to participate in the marine science and public health FISHTAG project and are partnered with CEI Fisheries and Working Waterfront Project staff for technical assistance on:
  - Loan fund eligibility
  - Compliance with state regulations
  - Marketability of your business idea
  - Projections and overall viability of your business plan
- Refugee and immigrant businesses
- Childcare businesses (to home and center-based businesses)
- Multifamily affordable housing finance
- Short-term first position loans
- Subordinated debt
- Bridge loans for property acquisition
- Predevelopment loans
- Construction loans
(CEI n.d)
Impact Assessment

CEI has been measuring qualitative and quantitative outcomes and impacts since the early 1990s, its efforts peaking in the mid-2000s after it received separate grants for impact assessment from the Ford and Heron Foundations. CEI has consistently directed this assessment towards capturing both social and economic indicators of the organization’s success. CEI’s assessments have primarily been limited to direct program outcomes due to the difficulty in quantifying indirect and secondary outcomes. However, CEI notes the importance of using both qualitative and quantitative measurements, employing existing research from other locations to apply locally, and (on rare occasion) incorporating random assignment studies to extend beyond outcome measurement and determine what added value they bring to the communities they serve. CEI has “pulled back” considerably in their outcome and impact measurement since the mid-2000s due to a lack of resources (Dickstein 2011).

CEI acknowledges that it is limited in assessing impact as it is defined by Hollister and other leaders in the field (see “Defining Impact and Other Measurement Terms” section), and that it is constrained even further by a necessary adherence to external requirements over which it has minimal influence (e.g., standardized measures, reporting guidelines of foundations). Under these circumstances, CEI claims to base its internally-defined measurements on getting as close to assessing impact as it can. It aims to presume the potential impact of an investment and demonstrate whether—and to what degree—its outcomes fulfill this plausible hypothesis. At the height of its assessment, CEI developed an extensive series of measurements across 12 individual studies or series of studies to realize this objective (CEI 2006).

To gauge its impact on job growth, for example, CEI measured the net number of full-time jobs created (and maintained over time) as well as the salaries and benefits offered to employees, at all of the companies it funded via small business assistance and other investments. Also, in recognizing the absence of a standard industry-wide strategy for documenting individuals’ low-income status, CEI implemented a self-reporting method for collecting this data which involved requesting that borrowers administer voluntary certification forms ascertaining workers’ income status prior to employment. Though this method is likely to under-report low-income status, CEI used it as a proxy to help track the hiring rate of low-income employees over time (CEI 2006). CEI continues to look into low-income job projections to some extent, particularly for particular groups such as TANF recipients, but it emphasizes that these numbers are only projected in the organization’s investment memos and are not verified post-investment for its loan funds (Dickstein 2011). 67

In the fields of housing development, neighborhood stabilization, and community facility finance, CEI used another series of outcome measurements, including household incomes, home ownership rates, stability (measured by the number of instances clients moved within a given time frame), health outcomes and coverage, projected capacity of community facilities financed (e.g., health care or child care slots), and square footage of commercial real estate developed (CEI 2006). In the mid-1990s, CEI incorporated the Social Information System (SIS) into its process, which has served to coordinate and streamline all of its measures into one database. Despite its general downsizing in the impact assessment arena, CEI continues to look at impact in housing development because of the relative ease with which it can demonstrate the basic effects of this work (Dickstein 2011).

CEI has sought to supplement its quantitative data with qualitative measurements, largely via surveys and focus groups, to gain a clearer (if narrower) perspective on personal impacts to its program beneficiaries. CEI attempted to incorporate academic research on broader trends in CDC and CDFI investments into this analysis, but with the caveat that these studies are sometimes ambiguous and not necessarily reflective of

67 CEI’s venture funds and New Markets Tax Credit Programs have been able to survey companies after the investment to determine job growth and quality.
Assessing the Impact of CDFIs

local conditions. CEI has also attempted to measure secondary outcomes of the large-scale programs it has implemented, particularly in the areas of fisheries and child care.

Beyond these studies, CEI has also given considerable thought to how to measure the longer-term systemic impacts of its work, including broader community-level and regional impacts, quality of life impacts, and secondary impacts on job sectors. CEI views institutional impacts, such as contributing to policy initiatives or changing the lending culture in underserved communities, as the area with the “most promise to point to social impacts over time;” however, CEI acknowledges that their policy work is “contentious” and that they are still in the earliest stages of developing impact measurement in this realm (CEI 2006; Dickstein 2011).

Methodology

CEI gathers and uses impact information differently depending on whether it is being used internally or externally, but it places primary importance on its internal use. Furthermore, CEI recognizes the importance of the commitment of the organizational leadership to impact assessment, but also acknowledges that strategies and commitment must permeate the entire organization. At the height of its work in impact assessment, CEI’s research and development department conducted annual impact studies of its loan portfolio as well as special studies of its programs. The organization extended assessment beyond this department to implement a feedback loop by which other staff members are encouraged to provide internal critiques of the adopted techniques (CEI 2006). Though CEI has scaled back this process due to budgetary limitations, it still recognizes this process as an opportunity to improve and democratize its evaluation process, as well as to increase broad program knowledge among staff to enhance their coherence and connection to the broader organizational goals (Dickstein 2011).

CEI emphasizes the value of an open and flexible evaluation process within the organization, but it also acknowledges the usefulness of external assessment. CEI recognizes that the standardization of impact assessment across the field would be valuable and that such a system could only be achieved through an effective external organization. CEI further acknowledges that external evaluation of assessment processes can provide guidance to staff in improving their implementation. In the past, CEI has prioritized its internal metrics over its external impact obligations, but due to funding reductions, the organization now primarily focuses on meeting their external metrics, which range from foundation reports to New Markets Tax Credit requirements (CEI 2006).

CEI has reduced much of its self-designed assessment—including the annual survey of the companies it funded, which had provided job creation data—but it has sustained many of its less intensive methods of internal evaluation. CEI’s primarily conducts its current in-house evaluation through a bi-yearly “At a Glance” publication, which measures output data (such as number of loans made and amount of resulting employment training agreements), and disseminates the report in staff and board meetings. CEI accompanies this process by small business job projections and measurement of housing impact (through LIHTCs). Interestingly, CEI’s assessment of its policy work—one of the most difficult components to measure—has become one of its most important assessments in terms of demonstrating its value and attracting resources. CEI also aims to seek influence on the evaluation methods required by external sources so as to make them more reflective of the organization’s needs and values and less costly and inefficient (Dickstein 2011).

Limitations and Challenges

The greatest challenge CEI faces in its impact assessment is reflective of a challenge faced by all CDFIs: CEI has limited capacity and resources to collect the data necessary to determine its impact and must balance its own underfunded methods with those dictated by its funders. Some of the methodologies CEI upholds as ideal are simply unfeasible unless specific grants are available. These methods include effectively and
consistently tracking longitudinal individual outcomes, proving a causal relationship between its investment and the outcomes of those it serves, and measuring the impact of the policy initiatives and cultural shifts it helps to spur. But even its more feasible metrics are difficult to implement without consistent investments, and the availability of funding for impact assessment both at CEI and more broadly was a short-lived phenomenon. A member of CEI’s management reports that in terms of impact assessment, they now do the “minimum for most of our portfolio,” with the New Markets Tax Credits program being the exception (Dickstein 2011).

CEI has faced the additional funding-related challenge of how to reap the internal benefits of better understanding its needs through evaluation without being penalized for reporting to funders that shortcomings indeed exist. CEI’s longitudinal assessment of its job creation, for example, demonstrated that the jobs created through its lending were neither as high-quality nor were they retained as long as they had anticipated. While CEI did experience a positive “learning loop” from this assessment—including valuable lessons about the need to shift focus towards retention through case management as well as towards working with larger companies—these results also provided further evidence to one funder that small business development was not a promising strategy for improving income levels of low-income individuals (Dickstein 2011).

CEI also faces internal limitations, which also are partially a result of reduced subsidies. CEI notes, for example, that when the organization was unable to renew funds for impact assessment, it lost the staff it had employed to work on improving its data collection system, provide a feedback loop to the organization, and maintain consistent definitions and metrics and providing staff trainings on reporting and evaluating across its decentralized departments. CEI’s Carla Dickstein notes that despite the fact that it was always on the organization’s agenda, “we never fully put in a system of good training...and without constant training and retraining of what it means and how you measure it, especially with new staff people, you are not going to get anywhere near accuracy with what you are measuring” (Dickstein 2011). In addition, CEI notes that its implementation of SIS has resulted in irregularities in data definitions and reporting methods, a resulting misinterpretation of the data by staff members responsible for dissemination, and a degree of internal resistance in the response to the additional burden it puts on organizational staff.

These issues have also come into play when CEI has used surveys to collect data. Some of these challenges were due to the lack of accountability of its borrowers—while CEI tried to make surveys simple and conveyed to borrowers that assessment helps the organization gain resources, they faced return rates well below what they would need “for any sense of accuracy or ability to extrapolate the results to its entire portfolio of small business loans ” (Dickstein 2011). The organization has also faced resistance from its own lending staff due to the effort the surveys required from the borrowers. Lenders perceive that additional reporting requirements deter borrowers from CEI. CEI strongly emphasizes that any CDFI seeking to implement a survey with its borrowers or clients should mandate its completion within the loan agreements, and that consequences must exist if a loan recipient fails to report. It further emphasizes the importance of the organization’s leadership providing this directive. It does note, however, that agencies with smaller portfolios are less likely to need to enforce compliance due to their ability to build relationships with more of its borrowers (Dickstein 2011).

As a result of the inconsistencies and deficiencies that are inherent in self-reporting and in general evaluative techniques, the accuracy of the resulting measurements is almost always “suspect;” utilizing an external audit to validate the measurements is yet another significant expense that CEI is generally unable to fund unless it is provided by a funder as part of a grant (Dickstein 2011). CEI notes that inconsistency of language and definitions across fields (e.g., the definition of “low-income”, the definition of a “job”) is not merely an internal limitation—this challenge crosses institutions and fields in the community development world, and leads to struggles in both requesting reports from borrowers and conveying them to funders.
CEI Impact Statistics

- Number of staff: 85
- Number of loans/investments outstanding: 380
- Capital under management/committed: $707.9
- Businesses financed: 2,104
- Amount financed: $677 million
- Amount leveraged: $1.66 billion
- Businesses/people counseled: 33,572
- Full-time jobs at loan closing: 25,235
- Affordable housing units created/preserved: 1,331
- Child care slots created/preserved: 4,952

Conclusion

CEI seems to have a very good understanding of the literature about CDFI impact assessments, as it is incorporated (as best it can be) into their operations and their analysis of their own impact. The organization explains its “theory of change” methodology and the limitations inherent in impact analysis, as well as the gaps between the ideal data and the data it is able to collect. The report it produced during the height of its assessment, Measuring Impact in Practice (CEI 2006), is a good reference and makes general recommendations that may be useful for NJCC. However, its struggle to maintain its assessment systems, and the lessons its staff have learned from this struggle, may provide just as much guidance for how NJCC can work towards its own consistent and manageable system.
APPENDIX III: HOPE CASE STUDY

Overview
HOPE is a community development financial institution (CDFI) providing commercial financing, mortgage loans, and technical assistance to support businesses, entrepreneurs, home buyers, and community development projects, through a range of income and asset development strategies. The corporation’s mission is to “[to] strengthen communities, build assets and improve lives in economically distressed areas of the Mid-south by providing access to high quality financial products and related services” (HOPE EC n.d.; HOPE CU n.d.). HOPE comprises two primary legal entities, HOPE Enterprise Corporation (HOPE EC) and HOPE Credit Union (HOPE CU).

HOPE EC, formerly known as the Enterprise Corporation of the Delta (ECD), was established in 1994 to benefit low- and moderate-income residents in the Mid-South Delta Region. The organization has extended its products and services to include the areas affected by Hurricane Katrina and the BP oil spills. HOPE EC offices are located in Arkansas (1 office), Mississippi (4 offices), whereas HOPE CU branches are located in Arkansas (2 branches), Louisiana (1 branch), Mississippi (7 branches), and Tennessee (4 branches) (HOPE n.d.; E. Sivak, personal communication). HOPE is now one of the leading CDFIs providing financial products and services to low- and moderate-income communities in Arkansas (17.3 percent poverty rate), Louisiana (17.3 percent poverty rate), and Mississippi (21.2 percent poverty rate) (US Census Bureau 2008).

The trade name HOPE Enterprise Corporation was adopted in January of 2011 to reflect the association between HOPE EC and HOPE CU, which are two unique entities that complement each other in working towards a shared mission (HOPE EC 2011). HOPE is the primary sponsor of HOPE CU, a federally chartered credit union established in 1995 as a small church project to help low- and moderate-income communities build a solid financial foundation for a better future. Through the credit union, HOPE generates revenue through customer deposits and subsequently lends the money to borrowers (Sivak 2011a).

Together, HOPE’s entities house approximately 140 staff members, many of whom work for both HOPE EC and HOPE CU (HOPE n.d.). HOPE EC is governed by a self-perpetuating board, while HOPE CU has a fifteen member board that is elected by credit union members. The credit union board also appoints an internal committee and a credit committee that reviews mortgage and commercial loans approved by loan officers.68 HOPE CU also contracts and outsources services such as internal auditing, investment management, retail transaction processing, mortgage documentation services, and attorney services (HOPE 2010a).

Since 1994, HOPE has generated more than $1.4 billion in financing for entrepreneurs, homebuyers, and community development projects and directly benefited more than 75,000 individuals (HOPE EC n.d.). As of the fourth quarter of 2010, HOPE EC’s total assets stand at $89 million, an increase of more than $11 million from the previous year. For the same quarter, HOPE CU’s assets stand at nearly $139 million (HOPE 2011b). This expansion is due to the continuous improvement of products and services, systems, and hiring qualified and dedicated staff. As a result, HOPE is expanding the products it offers and the areas it serves to reach more communities in need.

In addition to HOPE EC and HOPE CU, the organization also has a number of limited liability companies and corporations (LLCs) that it set up to facilitate their participation in the New Markets Tax Credit and other specialized programs (HOPE 2011c). Home Again is a nonprofit subsidiary of HOPE, overseen by three board members appointed by HOPE EC, providing people with the opportunity to make a home. It was created to fund a specific project in order to raise subsidy for building homes to new building codes established post-Katrina on the Mississippi Gulf Coast (E. Sivak, personal communication). Mid Delta Community and Individual Investment Corporation (Mid Delta CIIC) is a for-profit subsidiary providing

68 HOPE CU has a number of internal and external committees to oversee operations (HOPE 2010a).
business loans, technical assistance, and financial services within the boundaries of 12 adjoining counties in the Mid-south Delta region. MDCIC is also a fund that was created to for a specific project. The project is funded through the U.S. Department of Housing and Urban Development. HOPE took over the management of the fund after counties and the state were unable to deploy capital within the federally mandated time frame (E. Sivak, personal communication).

**Products and Services**

HOPE provides a broad array of services in line with its mission. HOPE’s products and services include: affordable housing development, home mortgages, financial counseling, consumer financial services, policy research and advocacy and project management for a wide range of development initiatives. A breakdown of selected products and services appears in the tables below.

**APPENDIX TABLE III-1: LENDING AND FINANCIAL PRODUCTS**

<table>
<thead>
<tr>
<th>Commercial lending:</th>
<th>Mortgage lending:</th>
<th>Consumer financial products:</th>
</tr>
</thead>
</table>
| Business loans: HOPE customizes its loans to meet the needs of small businesses.  
- Loans are offered for equipment and real estate, and for working capital. The loan size ranges from $5,000 - $2,000,000.  
- As of January 2011, HOPE is the lending partner in Mississippi and Louisiana for the Goldman Sachs 10,000 Small Businesses initiative - a national effort targeting 10,000 small businesses (across the US) to help them grow and create jobs. Existing businesses can borrow between $50,000 - $500,000 dollars for growth and expansion. | HOPE Federal Credit Union provides equal and fair access to a range of mortgages including those designed specifically for low- and moderate-income communities. | Hope Federal Credit Union provides the following deposit products:  
- Checking Accounts  
- Money Market Accounts  
- Savings Accounts  
- Certificates of Deposit  
- Individual Retirement Accounts  

The lending products include:  
- Signature Loans  
- Automobile Loans  
- Deposit Secured Loans  
- Home Equity Loans |

(HOPE EC n.d.; HOPE CU n.d.)
APPENDIX TABLE III-2: SELECTED COMMUNITY AND ECONOMIC DEVELOPMENT INITIATIVES

<table>
<thead>
<tr>
<th>Consumer Counseling</th>
<th>Other services</th>
<th>Fresh Food Retail Initiative</th>
<th>10,000 Small Businesses Initiative</th>
<th>The Community Development Capital Initiative</th>
</tr>
</thead>
</table>
| • Individual counseling  
• Foreclosure prevention counseling  
• Financial fitness  
• Homebuyer education (i.e. pre- and post-purchase counseling, how to save on energy bills) | • HOME Funds  
• Government Loan Guaranty Programs  
• New Markets Tax Credit Program  
• Technical Assistance to Brownfields Communities  
• The Low Income Housing Tax Credit Fund | • Forgivable low-interest loans for supermarkets and grocery stores in underserved areas of Orleans Parish. | • Initiative with Goldman Sachs aimed to increase job-creation potential for small businesses. | • Joint initiative with the U.S. Treasury to increase the financing for small businesses and homeowners. |

(HOPE EC n.d.; HOPE CU n.d.)

Policy Research and Advocacy

Since HOPE’s inception, the organization has been grounded in using data and analysis to inform its practices. For example, early in its existence, ECD contracted with Bain and Company to identify opportunities in communities and to conduct an analysis of which sectors the organization should focus its small business lending on. From the analysis, ECD diversified its lending beyond a primary focus on manufacturing to include retail, service, and other sectors. HOPE also recognized that while its products and services reach a substantial number of entrepreneurs, homeowners, and families, its impact is minute relative to the need in the region. Therefore, HOPE has consistently and deliberately tried to use its experience to influence the flow of public and private capital to take its lessons learned to scale (E. Sivak, personal communication).

Building on this legacy of data analysis and policy advocacy, HOPE established the Mississippi Economic Policy Center (MEPC) in 2006 in response to the need for research and information during Mississippi’s recovery from Hurricane Katrina (E. Sivak, personal communication). MEPC, an initiative of HOPE EC, is a nonprofit, nonpartisan organization that conducts research on public policy issues affecting working Mississippians (MEPC n.d.). The ultimate goal of MEPC is to ensure that the needs of low- and moderate-income communities are considered in the development and implementation of public policies, with special focus on access to economic opportunity (Sivak 2011a).

While MEPC’s policy work began as a “monitoring” mechanism of the recovery process, the organization recognized a need to continue its statewide policy research in a more systemic way. In doing so, MEPC has continued to grow and attract resources for its research (Sivak 2011a). Its three key areas of research include: (1) fiscal policy (Mississippi budget and taxes); (2) income and workforce supports; and (3) responsible lending (MEPC n.d.). Additionally, MEPC has a data analysis capacity that enables it to conduct assessments for HOPE EC and HOPE CU, including evaluations of outputs and outcomes and market analyses. MEPC further builds HOPE EC’s capacity by assisting with grant applications and competing for special projects (Sivak 2011a).

MEPC hosts annual policy conferences that bring together nonprofits, businesses, government and the media representatives. The center also releases reports and disseminates information ranging from budget...
and tax equity to self-sufficiency, responsible lending, and workforce development (HOPE 2011c). Other HOPE activities include lobbying and testifying on issues pertinent to its mission. Some of MEPC’s advocacy efforts include ensuring that resources are in place for a strong education system, job training for those who never finished high school, and pushing for payday lending reforms (Sivak 2011b). HOPE’s Vice-President, for instance, has testified on payday lending activities and how they negatively affect the low-income communities in the Mid-South Delta.

How does HOPE compare to NJCC?

HOPE EC’s mission to “strengthen communities...in economically distressed areas...” is similar to that of NJCC (HOPE EC n.d.; HOPE CU n.d.). However, HOPE’s approach to fulfilling its mission differs from that of NJCC in that HOPE sponsors a credit union. Most of HOPE’s financial products are offered through the credit union—including mortgages, individual loans, and small business loans—and the credit union enables HOPE to come close to financial self-sufficiency (Sivak 2011a). In some instances, HOPE has offered loans to finance early care centers, as NJCC does. HOPE is a considerably larger CDFI than NJCC, with CU branches located in four states and a combined staff of nearly 140. HOPE offers a wide array of services that differ from NJCC, including: policy research, environmental protection, health course curriculum development, broader coalitions and partnerships with community development actors in the region, and a range of financial products and services to meet the needs of moderate- and low-income communities in the Mid-South region (HOPE EC n.d.; HOPE CU n.d.; MEPC n.d.).

Overview of HOPE’s Impact Assessment

In describing CDFIs, Sivak (2011a) states that there is “a tension between generating the loan volume with the types of loans that are going to pay on time [and] generate income to pay the bills and simultaneously advance the mission of providing access to capital for historically underserved businesses and families” (Sivak 2011a; E. Sivak, personal communication). When generating loans, Sivak (2011) points out that it is imperative for CDFIs to make sure they “do [so] in a way that is mission-based” and that capital is expanded to “historically underserved populations that couldn’t get it [from] other places” (Sivak 2011a).

To evaluate its social impact, HOPE began conducting assessments in 1999 and has published annual Impact Reports since the year 2002, which are available on its website. The reports provide information about HOPE’s initiatives, describe output and outcome data, and highlight short qualitative case studies that illustrate the effect that HOPE’s financial products and services have had on individuals, small businesses, and communities. In addition, the organization produces quarterly reports for internal use that detail both financial performance and social outputs and outcomes. Since 1999, HOPE’s Impact Reports have grown, reflecting the addition of new financial products and services (Sivak 2011a).

There are three reasons that the organization finds it important to conduct such assessments: (1) to report to funders, (2) for marketing purposes, and (3) for internal purposes. Although HOPE CU enables HOPE EC to be nearly self-sustaining, the organization still receives funding from philanthropic donors and, in some cases, from state or federal government grants. In both cases HOPE recognizes the importance of reporting the positive social effects of its lending activities: because philanthropic funders are interested in seeing their dollars are being invested in a way consistent with their social mission, and because there is a level of accountability inherent in using public sector dollars for initiatives or projects. The reports also serve as an important marketing tool for HOPE, drawing in new funds and effectively promoting the organization. Internally, HOPE uses both its annual Impact Reports and its internal quarterly reports to monitor outputs and outcomes. The board of directors examines the reports to ensure that the organization is achieving its mission and to use the information to inform efforts and make programmatic changes, if needed (Sivak 2011a; E. Sivak, personal communication). Additionally, HOPE’s senior executives and board of directors
examine the quarterly reports to evaluate the organization's progress in meeting annual goals (Sivak 2011a).

Methodology

Ed Sivak, HOPE's Senior Vice President of Policy and Evaluation and Director of the Mississippi Economic Policy Center (MEPC), is in charge of the organization's assessment and evaluation activities. While Sivak (2011a) recognizes the importance of conducting and reporting social performance measures, he acknowledges the fact that HOPE's evaluation capacity does not allow the organization to conduct robust impact assessments. Rather, the organization focuses on output and outcome measurements that it finds meaningful and descriptive. The table below highlights the output and outcome measurements that HOPE collects for its three primary financial product areas.

**APPENDIX TABLE III-3: HOPE’S OUTPUT AND OUTCOME MEASUREMENTS**

<table>
<thead>
<tr>
<th>Commercial Lending</th>
<th>Mortgages</th>
<th>Consumer Lending</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reported on loan application</strong></td>
<td><strong>Reported on mortgage application</strong></td>
<td>• Credit score</td>
</tr>
<tr>
<td>• Borrower is a minority-owned business</td>
<td>• Credit score</td>
<td>• Does the consumer reside in an economically distressed area?</td>
</tr>
<tr>
<td>• Borrower is a woman-owned business</td>
<td>• Income of borrower</td>
<td></td>
</tr>
<tr>
<td><strong>Self-reported by borrower via survey</strong></td>
<td>• Race of borrower</td>
<td></td>
</tr>
<tr>
<td>• Number of jobs created</td>
<td>• Low-income census tract</td>
<td></td>
</tr>
<tr>
<td>• Wages of jobs provided</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Health and retirement benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Did the borrower have access to mainstream lending?</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Collected independent of application</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Is business located in an economically distressed community?</td>
<td></td>
<td>71</td>
</tr>
<tr>
<td>• “Self-sufficiency standard”</td>
<td></td>
<td>72</td>
</tr>
</tbody>
</table>

70 Fair lending laws prohibit gathering racial information for consumer lending. Income of borrower is not tracked because HOPE’s system is unable to hold this information (Sivak 2011a).
71 HOPE defines the following terms synonymously: low-income, underserved, and economically distressed. The criteria for these terms are that the census tract in question has a poverty rate of 20 percent or greater (Sivak 2011a).
72 This metric refers the extent to which “a given family’s income is deemed inadequate if it falls below the appropriate threshold based on their family type and location...Despite the Standard’s use of income thresholds, economic self-sufficiency cannot always be achieved with wages alone, or even with wages and benefits together. Self-sufficiency is more than a job with a certain wage and benefits at one point in time. True self-sufficiency is long-term economic security, making it a larger goal toward which to strive as well as a process in which to engage” (MEPC n.d.; Sivak 2011a; Pierce 2009).
73 HOPE geocodes the subject property address as reported on the mortgage application to determine whether or not the address is in a low-income census tract (E. Sivak, personal communication).
74 An economically distressed census tract is one where the poverty rate is greater than 20 percent (Sivak 2011a).
In addition to the above variables, HOPE collects output data for its community development initiatives, such as foreclosure prevention counseling. For these initiatives, HOPE reports data such as the “number of engagements” as well as the race and income demographics of the clients but does not attempt to evaluate any outcomes or impact associated with these programs. However, collecting all the above variables, including descriptive outputs, allows HOPE to begin to tell a story about the effect that its loans have on borrowers. For instance, HOPE geo-codes mortgage loans and displays them on a map that also shows which census tracts are economically distressed. Additionally, by calculating a “self-sufficiency” standard, HOPE can compare the average wage of jobs provided by the businesses they finance to the amount that an individual needs to survive without public or private assistance (Sivak 2011a).

HOPE supplements this quantitative data by highlighting case studies, both in its quarterly and annual reports. For its internal quarterly reports, case studies take the form of short paragraphs that tell “success stories” for each of its three primary lending areas. In its annual Impact Reports, the case studies are interspersed with quantitative data and offer longer one to two page descriptions of the positive effects that HOPE’s lending activities have for its borrowers. The cases in the annual reports effectively flesh out the impact story that HOPE begins to tell with quantitative data.

While HOPE does not have a written methodology, the organization does have systems in place to set benchmarks and to collect and analyze data. In consultation with the director of the Mississippi Economic Policy Institute, Ed Sivak, production staff, and senior executives review performance measurements on a quarterly and annual basis and set targets for the percentages of high-impact loans that they will offer in each lending area. An additional way that HOPE sets these benchmarks is by collecting Community Reinvestment Act data from conventional banks within the same operating region. At a minimum, HOPE wants to lend at least the same dollar amount to low/moderate income borrowers as conventional banks (Sivak 2011a).

Prior to the financial crisis, HOPE linked staff bonuses to whether or not social and production targets for certain kinds of loans were met. Staff could receive up to 20 percent of their salary as a bonus. Targets were set both for individual performance and corporate performance. For instance, the organization established a corporate goal to provide a specified percentage of their commercial loans to women or minority owned businesses. Additionally, directors assigned loan officers individual targets for how many minority and women owned business loans they added to their loan portfolio. Bonuses were based on both individual and corporate performance; production staff received 15 percent of their bonuses from individual performance and 5 percent from corporate performance, while for production managers the breakdown was 10 percent individual and 10 percent corporate and for senior executives the breakdown was 5 percent individual and 15 percent corporate. At the advent of the financial crisis, the incentive structure was removed as a cost saving measure. Once production again reaches a certain point, HOPE plans to reinstate this incentive structure (Sivak 2011a).

Loan officers collect many of the output data when filling out loan applications with a borrower. On a quarterly and annual basis, staff pulls impact metrics from these applications to complete evaluation processes. Some data is self-reported by borrowers, including information about job quality and health and retirement benefits. In addition, small businesses self-report whether or not they had trouble accessing conventional loans. For instance, a borrower may report that they were denied, deferred, that the loan amount was not sufficient, or that the terms of the loan offered were unfavorable (Sivak 2011a).

HOPE has no systematic way of collecting information for case studies. Rather, loan officers may suggest particularly illustrative cases that demonstrate HOPE’s impact. Internal staff members write up the “success stories” used in the quarterly reports and a professional writer is hired to draft the case studies for the annual Impact Reports. For the most part, quantitative data analysis is conducted by staff internal to the organization. The director of the Mississippi Economic Policy Research Center (MEPC) oversees the
organization’s impact assessment measurements and works with an analyst who dedicates half-time to impact analysis.

To evaluate the policy work of MEPC, HOPE contracts with an external advisor, the Policy & Research Group (PRG). Together, PRG and MEPC develop a written methodology, work to specify MEPC’s program goals and objectives, and develop measurable indicators for each objective. The evaluation includes the development of specific data collection tools and a comprehensive evaluation plan (PRG 2009). Progress is measured through document reviews, MEPC quarterly reporting forms, interviews with MEPC staff and key stakeholders, as well as a survey of MEPC’s constituents to determine their perceptions of MEPC’s research and analyses and how MEPC’s work affects its advocacy efforts for social policy change (PRG 2009).

Limitations and Challenges
Sivak (2011a) highlights two challenges that the organization faces in conducting impact assessment. First, Sivak’s time, which is split between several initiatives, is limited. As a result, he is unable to stay current on best practices in the impact assessment field so that he can make a case for using those practices to evaluate HOPE’s impact. For example, Sivak is aware that some CDFIs use a multiplier to assess certain impacts, such as job creation. However, because he has limited time to explore the relevance and appropriateness of such tools, he feels uncomfortable using them in HOPE’s analyses (Sivak 2011a). Second, Sivak (2011) stresses the importance of the quality of data and consistency in collecting that data. As HOPE has grown and implemented new systems to monitor its expanding portfolios, data has not always been available for cross-sectional or trend analysis (E. Sivak, personal communication). Sivak further emphasizes the importance of “connecting the impact assessment department or individual with the production staff because…[it is] the production staff that has access to the unit of observation. Contextualizing the findings is one of the most critical lessons that we can use to make our programs more effective” (E. Sivak, personal communication).

Conclusion
While HOPE is not conducting true impact assessment, the organization is firmly dedicated to collecting and evaluating outputs and limited outcome data. Although responsible for many tasks, the leadership of Sivak, as the Vice President for Policy and Evaluation, has created an organizational culture that is committed to collecting data related to social impact. Having analysts on staff at the MEPC who are responsible for data evaluation has increased the capacity for HOPE to conduct policy analysis, support business development efforts, and publish HOPE EC’s annual Impact Reports. Even so, the organization has experienced recent struggles with consistent data collection. Sivak suggests that any institution engaged in a significant amount of lending, should have a person dedicated to training staff on data collection and making sure that there are no lapses in collection. One of the clear limitations HOPE faces is that, even with Sivak in charge of impact assessment, the organization does not have time to familiarize itself with best practices in the industry to the extent that best practices have been identified. Were an agreed upon set of best practices made more accessible, Sivak suggests that HOPE would gladly incorporate them into their evaluation efforts (Sivak 2011a).
APPENDIX IV: LOW INCOME INVESTMENT FUND CASE STUDY

Overview
Founded in 1984, the Low Income Investment Fund (LIIF) is a national CDFI that provides funding and technical assistance to help finance facilities and programs in low income communities (LIIF 2010a). Working through four offices located across the country (San Francisco, Los Angeles, New York, and Washington, D.C.), LIIF’s main focus is on serving the nation’s poorest populations. This focus is demonstrated in the organization’s lending history, with very low income families representing approximately 75 percent of the families supported by LIIF-financed projects (LIIF 2010d).

LIIF works to create “pathways of opportunity for low income people and communities” through a number of lending, technical assistance, and policy activities (LIIF 2010a). As a community development loan fund, LIIF’s primary activity is providing capital to support community development projects. This capital is made available primarily through LIIF’s three internal loan funds: the Revolving Loan Fund (RLF), the Affordable Buildings for Children’s Development (ABCD) Fund, and the Fund for Children and Communities (FCC). The RLF provides funding for projects in all of LIIF’s program areas, while the ABCD Fund and FCC are dedicated solely to providing funds for child care facilities. In addition to its internal funds, LIIF also manages third-party funds such as the Healthy Food and Healthy Communities Fund (Standiford 2011a).

With total assets of $132 million and a staff of 52 in fiscal year 2010, LIIF is a larger CDFI than NJCC (LIIF 2011a). However, the two organizations provide similar services and focus their lending activities on the same types of projects: housing, child care, and education projects. Given these similarities, many of the output and outcome measurements and methods used by LIIF to assess the impact of its lending activities may be applicable to NJCC.

Products and Services
Historically, LIIF has been most active in supporting affordable and supportive housing, child care, and education projects. LIIF supports these projects through a variety of financial products including pre-development, construction, mini-permanent, and permanent loans; acquisition lines of credit; and working capital lines of credit. In addition to direct lending, LIIF also partners with other organizations and banks to structure financing for projects that LIIF is unable to fund on its own (LIIF 2010f).

LIIF also provides technical assistance to organizations doing work in the program areas it supports. This technical assistance comes in the form of one-on-one assistance, training and workshops, and “how-to” resources made available on the organization’s website. Through these resources LIIF seeks to expand capacity throughout the community development field (LIIF 2010f).

Although LIIF’s lending activities remain focused on the three priority areas discussed above, the organization has begun to branch out into new service areas in recent years with the development of a number of new initiatives. These initiatives include the innovative green finance, transit-oriented development (TOD), and healthy foods programs launched in 2010 (LIIF 2011a).

Impact Assessment
LIIF places a significant amount of emphasis on its impact and reports estimated outputs and outcomes in nearly every discussion of its activities. LIIF’s homepage provides a brief summary of the organization’s cumulative outputs and outcomes, and the website includes an “Our Impact” section. Additionally, going back to at least 2002, all of the organization’s annual reports have relied heavily on output and outcome figures to demonstrate the organization’s mission and work. This type of information has become increasingly prominent in LIIF’s annual reports in recent years. For example, output and outcome information is preceded only by a description of the organization’s mission and vision in LIIF’s 2010 annual report. Although much of that annual report focuses on presenting stories about lending activities, each of these stories is accompanied by related output and outcome statistics (LIIF 2011a).
LIIF not only reports its outputs and outcomes, but it also uses these measures to develop organizational goals. For example, LIIF’s long-term goal is to “mobilize one billion dollars to serve one million people by 2014” (LIIF 2010e). Similarly, the organization’s most recent strategic plan is largely structured around output and outcome targets for each of the organization’s program areas (LIIF 2010c). LIIF also uses output and outcome goals to motivate and evaluate employees by incorporating them into staff work plans. Managers and directors have annual output and outcome goals and are evaluated on their success in meeting these goals. In addition, output and outcome reports are generated and reviewed quarterly to inform staff of whether or not they are on track to meet their goals and allow time for strategy adjustments to be implemented (Standiford 2011b).

Recognizing the role third-party ratings can play in legitimizing an organization to potential investors, LIIF has also sought to demonstrate its strength through a CARS review. In this review, LIIF received the highest possible rating for both impact performance (AAA+) and financial strength and performance (1) (LIIF 2010e).

**Methodology**

Although LIIF provides numerous success stories in its publications, the majority of its outputs and outcomes are presented through quantitative measurements. In specific, LIIF reports the following output and outcome data for each of its programs.75

**Housing**

- Rental housing units created/preserved
  - Recorded by income level restrictions
- Homeownership units created/preserved
- People served
  - Calculated by multiplying the number of housing units by the average household size
- Household income savings (LIIF 2011b)

**Child Care**

- Child care slots created/preserved
  - Recorded by family income level and age
- People served
  - Calculated by multiplying the number of child care slots by the average family size
- Number of child care trainees (i.e., individuals who attend LIIF-sponsored or LIIF-affiliated child care training programs)
- Household income savings
- Societal savings (LIIF 2011b)

**Education**

- Desks created/preserved
  - Recorded by family income level, grade, and racial/ethnic group of students enrolled
- People served
  - Calculated by multiplying the number of desks by the average family size
- Increased income potential for students (LIIF 2011b)

---

75 LIIF is also in the process of developing output and outcome measurements for its three newest programs focused on financing green building, transit-oriented development (TOD), and healthy food projects (Standiford 2011b).
LIIF gathers output data from borrowers and grantees during the underwriting and grant approval processes. This information is then entered into LIIF’s custom Project Statistics Tracking System (PSTS) when a loan is closed or a grant is committed. By charging a single administrative employee with these data entry duties, LIIF has been able to maintain consistency in data records and minimize the need to train multiple staff members on the system (Standiford 2011b). This customized system, developed in-house, is linked to both LIIF’s lending and grant making systems so that each loan is tied to a corresponding set of output and outcome statistics (LIIF 2011b). Because the system is set up to enable queries, staff members are able to quickly generate output and outcome reports that meet a variety of reporting and marketing demands (Standiford 2011b).

To assist in translating outputs into outcomes, LIIF has developed a number of formulas for estimating outcomes based upon outputs achieved. Although incomplete, the following list provides descriptions of how some of LIIF’s more complex outcomes are measured.

Housing
  - Household income savings
    - LIIF computes the difference between the affordable rents/price of housing in financed projects and the market price using appraisals at the time of financing.
    - This difference is then multiplied by the number of years affordability is certain (e.g., term of Low Income Housing Tax Credit, if applicable) or length of the loan to calculate income benefit to households living in these units (Andrews and Kramer 2009).
Child Care
- **Household income savings**
  - LIIF uses the annual cost per slot to estimate the market value of a child care slot.
  - For subsidized slots, LIIF then calculates the difference between the market value of a slot and the subsidized price for the slot to determine household savings for households benefiting from subsidized slots (LIIF 2011b).

- **Societal savings**
  - Relying on research findings, LIIF estimates that for every $1 invested in child care, $4 is saved in downstream costs to society (e.g., welfare and juvenile justice costs).
  - Estimated societal benefit of a funded child care center is calculated by multiplying the annual operating expenses of the center by $4 (LIIF 2011b; Andrews and Kramer 2009).

Education
- **Increased income potential for students**
  - LIIF calculates the incremental high school graduation rate in the schools it finances, compared to the schools in the surrounding district(s).
  - Using this difference, LIIF calculates the number of desks filled with students that would not have otherwise graduated.
  - This number of desks is multiplied by $270,000 (the lifetime earning difference for a high school degree) to calculate the income benefit of these desks.
  - LIIF believes this method underestimates the impact of its investments because desks are only counted once rather than for the entire life of the school (Andrews and Kramer 2009).

Efficiency Measures
- **Capital deployed per dollar of net public support**
  - Total grant support for LIIF minus LIIF’s net worth equals “net charitable support.”
  - Capital deployed divided by “net charitable support” equals capital deployed per dollar of net public support.

- **Dollar amount of development generated per dollar of net public support**
  - Total development costs of projects financed by LIIF divided by “net charitable support” equals dollar amount of development generated per dollar of net public support.

- **Economic benefits to society per dollar of net public support**
  - Total economic benefits to society (based on outcomes discussed above) divided by “net charitable support” equals economic benefits to society per dollar of net public support.

- **Net cost per dollar of capital provided**
  - Dollars earned from lending work plus dollars earned from investment of cash balances minus interest paid to suppliers of capital equals net interest and fee earnings.
  - Incurred staff and other operating costs minus net interest and fee earnings equals lending costs net of earnings.
  - Lending costs net of earnings divided by capital provided equals net cost per dollar of capital provided (LIIF 2010b).
**Limitations and Challenges**

LIIF openly acknowledges that the complex nature of the social and economic problems that the organization seeks to address makes it impossible to develop perfect impact measures. For this reason, LIIF has focused its efforts on consistently collecting specific output and outcome measurements that can be used to approximate some of the benefits associated with LIIF’s activities. To maximize its ability to estimate impact while facing internal capacity constraints, LIIF has strategically identified outcome measurements that can be estimated by applying findings from rigorous and widely-accepted academic studies to key outputs. This method of estimating outcomes has enabled LIIF to tell a compelling story about its potential impact without having to fund multiple costly and complex impact studies (Standiford 2011b).

While this method of estimating outcomes is both practical and efficient, there are some inherent limitations associated with applying statistics or research findings from one particular source to activities that are conducted under different circumstances. Recognizing the limitations associated with this method of measuring impact, LIIF often includes disclaimers in its marketing materials that warn the reader that impact figures are “intended only to describe the approximate level of social benefit that flows from LIIF’s work” (LIIF 2010b, 32). Nevertheless, despite the challenges of impact assessment, these imperfect measures still provide useful information and demonstrate the role LIIF plays in the communities it serves.

**Conclusion**

LIIF has been actively involved in the emerging impact assessment movement among CDFIs. Some of LIIF’s more creative efforts to quantify outcomes and integrate feedback into its operations are good models for CDFIs with less advanced impact assessment programs. For example, its emphasis on using study findings to extrapolate outcomes from output data is both innovative and practical. Additionally, its efficiency measures are useful in reinforcing the rationale behind its investments and demonstrating the organization’s effectiveness in leveraging funds. Furthermore, LIIF’s willingness to dedicate resources to developing custom software that compiles outputs and outcomes in ready-made reports reveals its long-term commitment to measurement. Finally, not only has the organization sought to demonstrate impact for the purpose of attracting investors and meeting the demands of funders, but it has also meaningfully incorporated impact assessment into its internal operations through the use of output and outcome targets. LIIF’s mechanisms that periodically communicate goals and measure outputs and outcomes not only keep employees informed of their effectiveness, but also allow LIIF to identify issues and adjust lending practices accordingly. Developing such an integrated feedback loop is a considerable undertaking but is a crucial component of making measurement relevant in operations.

Despite these admirable efforts, like many CDFIs, LIIF has been limited to measuring outputs and outcomes due to the significant difficulties inherent in measuring actual impact. Recognizing the multitude of challenges associated with truly measuring social impact, it makes sense for organizations such as LIIF and NJCC to focus on accurately reflecting outcomes when true impact cannot be demonstrated. It is precisely in this area that LIIF has excelled. LIIF provides useful and compelling outcome measurements that can it can effectively estimate using relatively easy-to-access data. Given the fact that NJCC is active in many of the same service areas as LIIF and has limited resources to devote to intensive outcome studies, NJCC may benefit from—at a minimum—adoption of some of LIIF’s relatively simple outcome measurements. Additionally, LIIF has demonstrated the long-term efficiency that can come from development of an appropriate output and outcome software program and an integrated feedback loop. NJCC may benefit from implementing similar systems in its impact assessment program.
APPENDIX V: NJCC QUESTIONNAIRE FOR RENTAL HOUSING TENANTS

This questionnaire is designed to assist NJCC in understanding and reporting the outcomes of its housing investments for the individuals and families who occupy the rental housing units that it funds. NJCC can use the data attained from this questionnaire in several ways:

- To identify the demographic characteristics of occupants of each development;
- To understand why occupants choose to relocate to NJCC-funded properties, their previous location, and what the nature was of their previous living situation;
- To find out how occupants learn about NJCC-funded properties;
- To identify positive outcomes that occupants experience related to their cost of living, living space, health status, and general quality of life; and
- To determine which NJCC-funded developments show the most positive outcomes among their occupants.

Ultimately, NJCC can use this data to strategically target its resources to the areas that will experience the most positive outcomes and to convey the positive role it plays in the lives of New Jersey families. In reporting this information, NJCC can weave the data it collects on health improvement, crime reduction, and other quality of life indicators together with the research provided in the body of this report to make a compelling case that it is responsible for a portion of the positive outcomes achieved.

As noted in the Housing Variable Table, NJCC is strongly encouraged to include in its loan agreements a requirement that borrowers distribute this questionnaire to all entering tenants of their housing developments. NJCC should request that borrowers include the questionnaire as part of the paperwork these tenants complete to attain their unit, and that they return it to NJCC within three months of the lease. NJCC should then dedicate one staff person to inputting the survey data and calculating its results (using either Excel or, if possible, Stata).

NJCC should follow the proceeding guidelines for specific questions in the questionnaire:

- Variables should initially be sorted based on questions 11 and 12.
- For questions that require occupants to select one answer from a series of options (2, 3, 4, 5, 13, 21, 22, 23, 24), each answer should be coded and entered in one column, then analyzed to calculate frequencies.
- For question 6, which requires occupants to rank answers, each possible answer should be given its own column and marked with a 1, 2, or 3 (or left blank) to correspond to the ranking it receives, then analyzed to calculate frequencies.
- To calculate the income occupants save in first year after their move, the following formula should be applied, using responses from questions 7, 8, 14, 15, and 16.
  1. Responses to questions 7 and 8 should be added and then multiplied by twelve.
  2. Responses to questions 14 and 15 should be added and then multiplied by twelve. The resulting number should then be added to the response from question 16.
  3. The result of step two should be subtracted from the result of step one.
- To calculate relief NJCC provides for overcrowding, the following formula should be applied, using responses to questions 9, 10, 17, and 18.
  1. Responses to 10.a.i, 10.a.ii, 10.b.i, and 10.b.ii should be added, as should the corresponding categories for Responses 18. (These sub-questions are asked separately to allow disaggregation by age or temporary/permanent nature).
  2. The sums from step one should be divided by the results from questions 9 and 17, respectively, e.g. (18.a.i. + 18.a.ii. + 18.b.i. + 18.b.ii.)/17.
  3. The second quotient of step two should be subtracted from the first, i.e. 10/9 - 18/17. Any positive numbers that result will indicate a reduction in crowding. Also, results from step two can be reviewed to see how many results from both the “previous” and “current” categories reveal situations in which families were (or still are) living in units with over 1 person-per-room, and the tabulations can be compared.
- Questions 19 and 20 should be separated by sub-question and category to produce 12 and 14 columns, respectively, for each individual ranking made.
Thank you for taking the time to answer the following questions. Your participation helps the organizations that developed this housing understand the needs of its residents.

### About Your Previous Housing

1. **Last City and State of Residence:** __________________________________________

2. **Previous Living Situation (select one):**
   - □ Public Housing
   - □ Rental Housing
   - □ Homeownership
   - □ Lived with Family/Friends
   - □ Homeless
   - □ Other (please specify): _______________________________________________

3. **Previous Housing Assistance (select one):**
   - □ None
   - □ Section 8/Housing Choice Voucher
   - □ Other State/Federal Assistance
   - □ TANF Housing Assistance
   - □ Other (please specify): _____________________________________

4. **Previous Building Type (select one):**
   - □ Single-Family Home
   - □ Unit in Duplex/Triplex
   - □ Townhouse
   - □ Manufactured/Mobile Home
   - □ Shelter/Communal Space
   - □ Apartment
   - □ Single-Room Occupancy
   - □ Other (please specify): _______________________

5. **Time at Previous Housing (select one):**
   - □ Under 6 Months
   - □ 6 Months – 1 Year
   - □ 1-2 Years
   - □ 2-5 Years
   - □ 5-10 Years
   - □ 10 Years or More

6. **Please Rank Your Top 3 Reasons for Moving from Your Last Housing**
   
   (1 = Most Important, 2 = 2\textsuperscript{nd} Most Important, 3 = 3\textsuperscript{rd} Most Important):

   - ___ Too Expensive
   - ___ Needed More Space
   - ___ Too Far From Work
   - ___ Too Far from Family/Friends
   - ___ Poor School System
   - ___ Poor Housing Quality
   - ___ Unsafe Neighborhood
   - ___ Poor Management
   - ___ Eviction
   - ___ Appeal of New Location
   - ___ Other (please specify): _____________________
7. Estimated Monthly Rent at Previous Housing: _______

8. Estimated Monthly Utilities at Previous Housing (please note that utilities only include monthly costs of water, gas, electricity, garbage, and sewage): _______

9. Estimated Number of Rooms in Previous Housing Unit (excluding Bathrooms): ______

10. Individuals Living in Previous Housing Unit By Age: i) 0-17 ii) 18+
    a. Permanent (Year-Round) ______ ______
    b. Temporary (One Continuous Month or More) ______ ______

About Your Current Housing:

11. Name of Development: ________________________________

12. City and State: ________________________________

13. How Did You Learn about Your New Housing? (select one):
    □ Family/Friends  □ Employer  □ Social Service Organization
    □ Online Advertisement/Website  □ Flyer/Brochure  □ Property Manager
    □ Other: ________________________________

14. Approximate Cost of Moving (please note that costs of moving only include moving vehicle rentals, moving services, and packaging materials): ______

15. Estimated Monthly Rent at Current Housing: ______

16. Estimated Monthly Utilities at Current Housing (please note that utilities only include monthly costs of water, gas, electricity, garbage, and sewage): ______

17. Estimated Number of Rooms in Current Housing Unit (excluding bathrooms): ______

18. Individuals Residing in Current Housing Unit By Age: i) 0-17 ii) 18+
    a. Permanent (Year-Round) ______ ______
    b. Temporary (One Continuous Month or More) ______ ______
### Comparison of Your Previous and Current Housing and Communities

19. Please Rank the Following for BOTH Your Previous and Current Housing:

(1 = very poor; 2 = poor; 3 = average; 4 = good; 5 = very good; N/A = not applicable)

<table>
<thead>
<tr>
<th>i) Previous Housing</th>
<th>ii) Current Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. General Property Maintenance</td>
<td>1 2 3 4 5 N/A</td>
</tr>
<tr>
<td>b. Heating During Cold Weather</td>
<td>1 2 3 4 5 N/A</td>
</tr>
<tr>
<td>c. Operational Vents and Windows</td>
<td>1 2 3 4 5 N/A</td>
</tr>
<tr>
<td>d. Protection From Insects/Rodents</td>
<td>1 2 3 4 5 N/A</td>
</tr>
<tr>
<td>e. Garbage and Recycling Facilities</td>
<td>1 2 3 4 5 N/A</td>
</tr>
<tr>
<td>f. Landlord Response Time for Repairs and Complaints</td>
<td>1 2 3 4 5 N/A</td>
</tr>
</tbody>
</table>

20. Please Rank the Following for BOTH Your Previous and Current Communities:

(1 = very poor; 2 = poor; 3 = average; 4 = good; 5 = very good; N/A = not applicable)

<table>
<thead>
<tr>
<th>i) Previous Community</th>
<th>ii) Current Community</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. General Quality of Life</td>
<td>1 2 3 4 5 N/A</td>
</tr>
<tr>
<td>b. Sense of Safety</td>
<td>1 2 3 4 5 N/A</td>
</tr>
<tr>
<td>c. Proximity to Services (Doctors, Childcare, Public Transit)</td>
<td>1 2 3 4 5 N/A</td>
</tr>
<tr>
<td>d. Access to Amenities (Parks, Grocery Stores, Libraries)</td>
<td>1 2 3 4 5 N/A</td>
</tr>
<tr>
<td>e. Handicap Accessibility</td>
<td>1 2 3 4 5 N/A</td>
</tr>
<tr>
<td>f. Neighbor Friendliness/Sense of Community</td>
<td>1 2 3 4 5 N/A</td>
</tr>
<tr>
<td>g. Cleanliness and Upkeep of Streets and Sidewalks</td>
<td>1 2 3 4 5 N/A</td>
</tr>
</tbody>
</table>
Other Information:

21. Age:
   - □ Under 18
   - □ 18-24
   - □ 25-30
   - □ 31-40
   - □ 41-50
   - □ 51-60
   - □ 61-70
   - □ 71 or Older

22. Gender:
   - □ Male
   - □ Female

23. Marital Status:
   - □ Single
   - □ Married

24. Annual Household Income for Previous Tax Year:
   - □ Under $15,000
   - □ $15,000-$25,000
   - □ $25,000 to $40,000
   - □ $40,000 to $55,000
   - □ $55,000 to $70,000
   - □ More than $70,000
APPENDIX VI: NJCC QUESTIONNAIRE FOR EARLY CARE PROVIDERS

As described in the early care section above, the purpose of this data collection instrument is to gather information about the early care centers’ structure, quality of programs offered, as well as pertinent data related to children’s outcomes, family characteristics, and the satisfaction of parents or legal guardians with the offered early care programs.

Completion and process recommendations:

Pages one through five:

Early care providers should complete pages one through five, which include data on target populations, quality of services offered, children’s characteristics and outcomes, as well as family characteristics, based on the variables we recommended NJCC to track. This information is collected by most early care providers and, for those with Abbott district students, these can be extracted from relevant forms reported to Early Childhood Education Offices (e.g. ECERS-R form).

The survey should be completed by early care providers on an annual basis. NJCC should set a deadline for receiving responses from early care centers, as deemed appropriate by the loan officers or the staff members responsible for data monitoring and evaluation of early care investments.

As recommended above, NJCC should submit these forms to early care centers with the loan agreement, or as an addendum to the agreement, with a required reporting date. We recommend that early care providers start completing relevant data at enrolment and finalize it upon completion of the school year.

NJCC should encourage early care providers to include additional data they may collect which may not be included in this data collection instrument, to inform NJCC’s continuous efforts to improve its data collection system.

Page six:

The data collection instrument includes a questionnaire on page six, which is to be completed by parents or legal guardians of children attending programs of early care providers financed by NJCC. NJCC should ask providers to inform parents and legal guardians about the questionnaire and its purpose. The providers should encourage parents to express their honest opinions about the services rendered to their children, and to submit the completed form by the end of the school year. Providers should see this questionnaire as an opportunity to determine whether parents are satisfied with their services, and if their programs should be modified and improved, based on parents’ or legal guardians’ suggestions for program improvement. Additionally, the questionnaire gives providers an opportunity to follow-up with respondents on the actions early care providers take on order to improve the quality of their services.

To facilitate this process, NJCC should request early care providers to locate a box in an area where parents or legal guardians can collect and drop off their responses without compromising their anonymity. The early care centers should also provide these comments to NJCC together with the data collections instrument, at a date determined by NJCC.
NEW JERSEY COMMUNITY CAPITAL QUESTIONNAIRE
FOR EARLY CARE PROVIDERS

Part I: General information

Pages 1-5 are to be filled by the early care provider, unless indicated otherwise.

<table>
<thead>
<tr>
<th>Date:</th>
<th>Early care provider:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point of contact:</td>
<td></td>
</tr>
<tr>
<td>Center location (to be completed by NJCC):</td>
<td>Address:</td>
</tr>
<tr>
<td>Block and lot:</td>
<td></td>
</tr>
<tr>
<td>Census tract:</td>
<td></td>
</tr>
<tr>
<td>Block group:</td>
<td></td>
</tr>
<tr>
<td>Email:</td>
<td></td>
</tr>
<tr>
<td>Instrument administrator:</td>
<td></td>
</tr>
</tbody>
</table>

Does your administration require parental consent for data collection and analysis purposes:

- □ Yes  □ No

If yes, was parental consent for data collection and monitoring requested and granted:

- □ Yes  □ No*

* If parental consent not granted, do not proceed.

Part II: Early Care Provider information

1. Access to capital
   Has your center received any loans from mainstream banks post-NJCC financing?

- □ Yes*  □ No

   *If yes, please specify the date, bank, and the approximate amount: _________________________________

2. Job creation:
   Please indicate the number of new jobs created since NJCC financing: ______________

3. Please indicate your program’s enrollment start and end dates:
   Enrolment start date:   Enrolment end date:

4. Type of enrollment (check all that apply):
   - □ Full-day
   - □ Part-day
   - □ Combination
   - □ Locally designed option
   - Other:_________________
5. Type of eligibility (check all that apply):

- Income below poverty line
- Free lunch eligibility
- Reduced lunch eligibility
- TANF
- SSI

Homeless status: ____________ Other: ____________

6. Number of children with special needs: ____________

7. Children’s turnover: 76 ____________

8. Teachers’ turnover: 77 ____________

9. Teacher-child ratio: ____________

10. Type of curriculum used by the center: ____________

11. Do you utilize weekly lesson plans?

- Yes
- No

12. Are there concrete objectives and assessments for children?

- Yes
- No

13. Are there concrete objectives and assessments for children with special needs?

- Yes
- No

14. Total number of staff: ____________

15. Number of management staff: ____________

16. Number of child development/teaching staff: ____________

17. Number of disability services staff: ____________

18. Number of staff with the following qualifications:

- Teaching assistant: ____________
- Bachelor’s degree: ____________
- Advanced degree: 76 ____________
- Pre-K certification: ____________
- High school diploma: ____________
- Other: ____________

19. Age at enrollment: ____________

20. Gender: □ F □ M

Part III: Child information

76 Total number of children who left the program at any time after the classes began.
77 Total number of teachers who left the program at any time after the classes began.
78 Master’s and/or Ph.D degrees.
21. Race:

- Asian
- Black or African American
- White

Other:____________________

22. Ethnicity: Hispanic/Latino  □ Yes  □ No

23. Home language:

- English
- Spanish

Other:____________________

24. Does the child have any identified special needs?

- Yes
- No

If yes, please specify: ________________________________________________________________

25. Language performance (as reported by teaching staff): ______________________________

26. Mathematics performance (as reported by teaching staff):______________________________

27. Emotional and social development (as reported by teachers and/or other development staff):

___________________________________________________________________

_______________________________________________________________________

Part IV: Family information

28. Is this a one-parent family:  □ Yes  □ No

29. Parents' education attainment:

29.1 Parent/legal guardian (1)

Please check the highest level of education completed (check only one):

- Less than High School Associate Degree
- GED/High School
- Bachelor Degree

- Master Degree  
- Doctoral Degree
- Other: _____________

29.2 Parent/legal guardian (2)

Please check the highest level of education completed (check only one):

- Less than High School Associate Degree
- GED/High School
- Bachelor Degree

- Master Degree
- Doctoral Degree
- Other: _____________
30. Parents/legal guardians’ employment status:
   30.1 Parent/legal guardian (1): _______________
   30.2 Parent/legal guardian (2): _______________

31. Parents/legal guardians’ marital status:
   31.1 Parent/legal guardian (1): _______________
   31.2 Parent/legal guardian (2): _______________

32. Family income:
   32.1 Parent/legal guardian (1): $_____________
   32.2 Parent/legal guardian (2): $_____________

Thank you for providing your information.
Please return the completed form, including any relevant supporting documents, by dd/mm/yy, to:

New Jersey Community Capital
16-18 West Lafayette Street
Trenton, NJ 08608
or by email at: mail@njclf.com
NJCC QUESTIONNAIRE FOR FAMILIES USING EARLY CARE PROVIDER SERVICES

Please take a few moments to fill this questionnaire and help us understand how well your early care provider is doing in delivering services to your children. Please note that your answers will remain anonymous and they will be analyzed collectively.

To be completed by parents or legal guardians:

Which early care center does your child attend: _______________________________________

Do you have more than one child attending this program (please check one): □ Yes* □ No
   *If yes, please indicate how many: ____________________

Do you have a child with special needs enrolled? □ Yes* □ No
   *If yes, please indicate how many: ____________________

Date of completing this questionnaire: _____________________

Your rating of the early care facilities and services (please circle one):

On a scale from 1-5 (1 being weak, 5 being very strong, and DK for ‘do not know’), please rate the following:

<table>
<thead>
<tr>
<th>Rating</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>D/K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers are professionally prepared to deliver quality education:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Teachers respond to my child’s needs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff are friendly to children and families:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff frequently communicate with parents/legal guardians:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The early care provider offers a quality program for my child:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is adequate space for my child to learn and play:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There are adequate toys and equipment for children:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Suggestions for improvement:

- What are some things you think this early care provider or the teaching staff could do better?

__________________________________________________________________________________

__________________________________________________________________________________

__________________________________________________________________________________

Thank you for taking your time to complete this questionnaire.

New Jersey Community Capital will use this information to assess the difference its investments are making to local communities such as yours.
APPENDIX VII: NJCC QUESTIONNAIRE FOR CHARTER SCHOOLS

As described in the charter school section, the purpose of the following questionnaire is to gather information that will help NJCC to more holistically assess charter schools. It is meant to be incorporated into the Due Diligence that NJCC conducts at the time of loan. The questionnaire should be distributed to applicant schools in advance of the site visit so they are made aware of expectations, are prepared to demonstrate the ways in which they meet them, and can compile the necessary documentation. It should also serve as a guide to standardizing the lending officers’ evaluations by highlighting the key indicators to look for beyond test scores and financial statements.

A modified version should be administered annually to each NJCC-financed charter school throughout the life of its loan. To maximize efficiency, we recommend that this be done at the same time every year for all charters.

This questionnaire is not intended to be final or all-inclusive. Given that no one variable can adequately depict student or school performance, the questionnaire seeks to provide NJCC with a list of key variables and questions that can help illuminate the comprehensiveness of a school’s approach as well as its ability to prepare all its students for success. The intention is that NJCC will refine this questionnaire as it gains more experience with what questions should be asked and the best way to ask them.

NJCC should encourage applicant and currently financed charters to provide any additional information that highlights how the school serve the needs of the whole child or any barriers the school faces in doing so. This will help inform NJCC’s continuous efforts to improve its data collection.
A HOLISTIC PICTURE:
A COMPREHENSIVE CHARTER SCHOOL QUESTIONNAIRE

In an effort to provide adequate support to schools that strive to provide a healthy, safe, engaging, supportive, and challenging learning environment, we collect the following information. Please explain the strategies your school uses to prepare your students for lifelong success. In addition, please attach documents as requested. So we can better assist you, when relevant, please provide a detailed explanation of the barriers your school faces in achieving these goals.

<table>
<thead>
<tr>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter school:</td>
</tr>
<tr>
<td>Charter school network/CMO:</td>
</tr>
<tr>
<td>Current school address:</td>
</tr>
<tr>
<td>Proposed school address:</td>
</tr>
<tr>
<td>Current location district:</td>
</tr>
<tr>
<td>Proposed location district:</td>
</tr>
<tr>
<td>Sending district(s):*</td>
</tr>
<tr>
<td>Point of contact:</td>
</tr>
<tr>
<td>Email:</td>
</tr>
<tr>
<td>Phone:</td>
</tr>
<tr>
<td>Questionnaire completed by:</td>
</tr>
<tr>
<td>NJCC loan officer:</td>
</tr>
</tbody>
</table>

*If school has more than one sending district, please attach additional paperwork explaining the rationale for serving each district.

**Does your school commit to the health of the whole child?**

1. **Does your school have a comprehensive wellness program?**

   a) The Child Nutrition and WIC Reauthorization (CNWICR) Act of 2004 requires that each school receiving federal funding for the School Breakfast Program and the National School Lunch Program establish a local wellness policy. Federal law requires that there is broad community involvement in the development of the policy. Please attach a full copy of your local wellness policy.

   b) As required by the CNWICR Act of 2004, what goals has your school set for nutrition education and physical activity?

   c) What is your school’s plan for implementation of the policy?

   d) What metrics does your school use to measure the success of the plan?

   e) Using those metrics, is the plan working? Please explain.

   f) Is there a review and revision process for the plan?
g) How often is the plan reviewed?

h) Please describe the review process.

i) Who is responsible for enforcing this process?

j) What barriers does your school face in implementing a comprehensive wellness program?

2. Does your school have a Health Advisory Council or School Wellness Council?

a) If yes, please provide a brief history and summary of the Council’s work to date.

b) Please provide a list of the members as characterized by their relationship to the community (i.e. student, guardian, local school board member, representative of your school food authority, school administrator, health professional, community member, etc.). Please include when each member’s term begins and ends and whether there are term limits.

c) What barriers does your school face in establishing and maintaining continued engagement in a Health Advisory Council or School Wellness Council?

3. Does your school have a strong physical education curriculum?

a) How many minutes per day is each student required to take physical education?

b) How many days per week?

c) Please describe the types of activities included in your physical education program.

d) What barriers does your school face in designing and implementing a successful physical education curriculum?

4. Does your school have a strong health education curriculum?

a) How many minutes per day are students required to take health classes?

b) How many days per week?

c) Are students required to take health classes every semester/quarter/trimester/annually?

d) Please describe the health education program/curriculum.

e) What barriers does your school face in designing and implementing a successful health education curriculum?
5. Does your school have a strong nutrition education curriculum?

   a) How many minutes per day are students required to take nutrition classes?
   b) How many days per week?
   c) Are students required to take nutrition classes every semester/quarter/trimester/annually?
   d) Is nutrition education its own class, or is it part of another class?
   e) Please describe general topics covered in the nutrition education curriculum.
   f) Beyond the curriculum, in what additional ways is nutrition education promoted throughout the broader school food environment? (e.g., are healthy cooking classes offered on the school premises? What does the school do to make healthy eating fun?)
   g) Does your school have a vegetable/community garden? Do you have classes that use it as part of their curriculum? How many? Please list the classes.
   h) What barriers does your school face in designing and implementing a successful nutrition education curriculum?

6. Does your school provide healthy food for students?

   **Facilities**
   a) Does your school have a fryer?
   b) Does your school have a steamer?
   c) Does your school have a sink and designated area in the kitchen for washing and preparing fresh foods?
   d) What barriers do you face to acquiring adequate facilities for healthy food provision?

   **Meals**
   a) What fresh fruits and vegetables are made available at breakfast?
   b) What fresh fruits and vegetables are made available at lunch?
   c) What portion of the grains provided at breakfast and lunch are whole grains?
   d) Is whole milk available?
   e) Is flavored milk available?
   f) Is soda available at breakfast or lunch?
   g) Is fried food offered at lunch?
h) Is a plan in place for reducing students’ sodium intake over the next ten years?

i) Is there an established maximum caloric content for meals served?

j) What set of nutritional guidelines does your school adhere to? (e.g. Do you adhere to the USDA’s current guidelines? Do you adhere to the Institute of Medicine’s recommendations to the USDA?)

k) Please attach sample breakfast and lunch menus.

l) What barriers to healthy food provision do you encounter?

“Competitive Foods”
(Competitive foods are food and drinks sold a la carte, in vending machines, snack bars, school stores, via fundraising activities, etc.)

a) Do the competitive foods available at your school conflict with the healthy diet advocated by your nutrition education? (i.e. Are candy, soda, potato chips, and other junk foods sold in the vending machine?)

b) What efforts are made to keep competitive foods consistent with your school’s nutrition education?

c) Please list all competitive foods available on the school premises.

d) What barriers to healthy competitive food provision do you encounter?

7. Does your school participate in the Healthier US Schools Challenge?

8. In what other ways does your school try to get students excited about consuming healthy foods?

Are school, family, and community resources used to engage students?

9. Does your school offer a wide array of extracurricular activities?

a) Please list all extracurricular activities made available.

b) What barriers does your school face in providing extracurricular activities?

10. Does your school offer substantive support services to students?

a) Number of school counselors:

b) Number of social workers:
c) Number of other support personnel (please list by title):

e) What types of environments exist on campus that foster free expression and otherwise supportive environments for students?

f) Does your school have a plan for ensuring that each student is well known by at least one adult in your school, such as an advisor or mentor?

g) Please explain your school’s strategy for ensuring sustained academic and emotional support for every student.

h) What barriers does your school face in providing support services to your students?

11. Does your school staff actively engage families as partners in their children’s education?

   a) Please describe your school’s plan for family engagement.

   b) What barriers does your school face in engaging families in students’ education?

12. Does your school promote civic engagement by connecting students with community resources (i.e., through community-based apprenticeships, volunteerships, internships, or projects)?

   a) Please describe your school’s plan for expanding the learning of all students through community engagement:

   b) What barriers does your school face in promoting the civic engagement of students?

13. What does the school intend to do to promote the expanded school facility as a community asset?

14. Will the expanded school facility be made available to the community after hours or when school is not in session? If so, how often and for what purposes?

   a) What barriers does your school face in providing access to the community and encouraging them to take advantage of the school facilities?

   b) Does each student have access to a rich and challenging curriculum?

15. Does your school provide a well-rounded curriculum for all students, including rigorous programs in arts, foreign languages, and social studies?

   Curricular Breadth

   a) How many minutes per day/week are devoted to standardized test preparation?

   b) Please list all courses offered other than math and reading by grade level.

   c) Please list all electives offered by grade level.
d) What electives (by grade level) does your school offer that the sending district(s) do not?

e) What electives (by grade level) do the sending district(s) offer that your school does not?

Curricular Depth
a) How many advanced courses (by grade level) does your school offer beyond remedial and basic-level classes? Please list:

b) What advanced courses (by grade level) does your school offer that the sending district(s) do not?

c) What advanced courses (by grade level) do the sending district(s) offer that your school does not?

Pedagogy
a) Does your school employ innovative teaching pedagogy?

b) If yes, please describe your approach to learning and provide the academic research that supports this pedagogical approach:

c) How does your school’s curriculum support creativity, critical thinking, problem solving, and other necessary skills? Please be specific.

d) What barriers does your school face to expanding and deepening your curriculum and developing your pedagogy?

16. Does your school maintain high expectations and quality education for the most-in-need students?

Students with Disabilities (SD)

a) Does your school have a special education coordinator?

b) What is the process for identifying SD students? How do you approach the design of IEPs (Individualized Education Plans)?

c) What levels of disabilities is your school prepared to serve?

d) Please explain your methodology for ensuring the success of students with disabilities: (e.g., Are the SD mainstreamed? Does your school have a 12:1:1 ratio? Does your school adopt a “push in and pull out” approach? Is there a resource room?)

e) What mechanisms does your school have in place for communicating with parents of students with disabilities?
f) Please describe their qualifications.

g) What barriers does your school face in serving students with disabilities?

**Limited English Proficiency (LEP) Students**

a) What professional development is available for teacher of LEP students? (i.e. Are the core subject teachers trained in specific practices for working with LEP students?)

b) What is your school’s instructional approach to working with LEP students?

c) What type of evaluation process does your school have in place for evaluating success of LEP students? How are teachers held accountable for the progress of the LEP students in their classes?

d) What mechanisms does your school have in place for communicating with the parents of LEP students?

e) What barriers does your school face in serving LEP students?

**Does your school prioritize teacher professional development?**

17. What is your school’s staffing profile?

a) Total number of employees:

b) Number of administrative personnel:

c) Number of teaching personnel:

d) Number of disability services personnel:

e) Number of staff with the following qualifications:

   Teaching certificate: _____  Bachelor’s degree: _____  Master’s degree: _____
   Doctoral Degree: _____  Teaching assistant: _____  High school diploma: _____
   Special Education certification: _____  LEP certification: _____  Other: _____

18. Does your school prioritize staff professional development?

a) Please describe your school’s professional development program.

b) Does the school’s professional development program have specific objectives, as well as metrics for evaluating achievement of desired outcomes?
c) Is the program successful by these metrics? Please explain.

d) What barriers does your school face in encouraging and ensuring the professional development of your staff?

Is your school able to retain students and teachers?

19. Please attach a document detailing the following information for each student who has left your school in the last three years (names are not necessary):

<table>
<thead>
<tr>
<th>Reason for leaving</th>
<th>Where he/she went</th>
<th>Gender (M/F)</th>
<th>Race</th>
<th>LEP (Y/N)</th>
<th>Disability level</th>
<th>Free lunch (Y/N)</th>
<th>Reduced lunch (Y/N)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

20. Please attach a document detailing the following information for each teacher who has left your school in the last three years (names are not necessary):

<table>
<thead>
<tr>
<th>Reason for leaving</th>
<th>Where he/she went</th>
<th>Gender (M/F)</th>
<th>Race</th>
<th>ESL certified (Y/N)</th>
<th>Special education certified (Y/N)</th>
<th>Length of tenure at school</th>
<th>Years of teaching experience</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a) What barriers does your school face in retaining students?

b) What barriers does your school face in retaining faculty?

Additional Information

21. Is there anything else we should know about the ways in which your school addresses the needs of the whole child or the barriers it faces in doing so?