Measures What Matters:
ShoreBank Enterprise Pacific’s Commitment to Triple Bottom Line Metrics

The ShoreBank Enterprise Pacific Headquarters in Ilwaco, Washington

Background

ShoreBank Enterprise Pacific (SEP), a certified non-profit Community Development Financial Institution (CDFI) headquartered in Ilwaco, WA., was created in 1995 by ShoreBank Corporation and Ecotrust. ShoreBank Corporation, Chicago, IL., America’s first and leading community development and environmental banking corporation, was established in 1973. It has banks and affiliate non-profits in Chicago, Detroit, Cleveland, northern Michigan and the Pacific Northwest. ShoreBank also works internationally in Africa, Asia, Eastern Europe and Central America supporting community development and micro-enterprise strategies in developing nations.

Ecotrust, in Portland, OR, was formed in 1991 to focus on conservation efforts in the Coastal Temperate Rainforest of the West Coast. Ecotrust specializes in community-based strategies supporting environmental and economic integrity. One of its most critical initiatives, “Salmon Nation,” is an effort to revitalize salmon runs in the Pacific Northwest, Canada, and Alaska.

These two prominent organizations found a common vision for the future that embraced both the well-being of the natural environment and the people who call this abundant coastal landscape home.

From its inception, Shorebank Enterprise Pacific’s mission has been to assist natural resource dependent communities by integrating economic, social and environmental goals. SEP has done this by supporting the emergence of new business, civic, and conservation strategies that deliver both community prosperity and healthy ecosystems. Thus, SEP has had at its core
the inclusion of environmental goals into the traditional social equity lending practices of CDFIs.

SEP’s activities and services include technical assistance for organizations (strategic planning, operational audits, and capacity building), and capital investment and community lending products (loans for real estate development, child care facilities, small businesses, septic system improvements, vehicle guarantee program for local Hispanics, and a Federal New Market Tax Credits program, among others). These services and products are provided in close coordination with community leaders, innovative entrepreneurs, local municipalities, other NGOs and service organizations.

In January of 2007, Shorebank Enterprise Pacific merged with Cascadia Revolving Fund—a CDFI based in Seattle, WA—doubling its territory and asset base. This opportunity allows SEP to leverage the resources and opportunities of rural and urban communities to synergistically address the needs of both environments.

Why Environmental Issues Are Critical to SEP’s Work

As the World Resources 2005 Report: The Wealth of the Poor states, “The link between the environment and poverty reduction is strong. Since the Rio Earth Summit in 1992, the importance of a sound environment to sustainable livelihoods has been widely acknowledged, particularly for the rural poor…”

This report goes on to quantify the vital role of natural resources for rural populations in the developing world, primarily Africa, Asia, and Latin America. The same argument can be made for the regions of rural America where poverty persists and for the un- or under-employed and underserved populations struggling in inner cities. Many practitioners in the CDFI industry believe that chronic poverty—economic insecurity—is directly tied to ecological degradation.

Many people working within distressed communities understand that poverty trumps the environment. Environmental quality and economic vitality must follow a baseline condition of economic security. People struggling for solvency make decisions that solve the crisis at hand. Therefore, an honest long-term commitment to a triple bottom line demands an institutional commitment to delivering economic opportunity that follows directly from environmental well-being. CDFIs—formed in response to the crisis of limited investment engines for distressed communities—are a natural responder to structural environmental issues that threaten economic security.

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Some of the most pressing environmental issues for SEP constituencies, under-served by financial services, are the following:

- Changes in patterns of rural land ownership
- Habitat impacts and loss of open space
- Ownership and use of natural resources, and the related impacts on traditional, place-based industries
- Natural resource extraction industries and their effects on natural systems
- Impacts of globalization in terms of labor, benefits, price competition, and employment
- The issues of efficient use of resources, particularly in the energy sector
- Cost of energy, or what some call ‘household energy burden’
- Water quality and watershed health
- Global warming issues and related macro-system failures

In places where natural resources are carelessly extracted—whether from land, water, or underground—the livelihoods and, therefore, the economic networks that support communities are compromised.

In the Pacific Northwest, stands of timber are degrading, if not by unsatisfactory forest management then by the stresses of climate change. Aspens are mysteriously dying. Ponderosa across the West are plagued by infestations of pine beetle. As healthy forests and forest lands shrink, the livelihoods networked to timber harvest, manufacturing, and product sales shrink. Whole communities and livelihoods are endangered.

Many fisheries are in decline, and the management of these fisheries is uncertain due to the fishery’s volatility.² On the West Coast, Pacific Salmon—which hatch in freshwater streams, feed for several years in the deep ocean and return to their places of birth to spawn and die—are in danger from habitat degradation and dams that block their return to spawning grounds upriver. Fisheries are further endangered by global warming trends. Warmer winters and less snow pack mean less water in the summer months when spawning salmon need it most.

As fisheries decline, markets and product delivery systems break-down, and the livelihood for fishermen becomes less viable. On both coasts, many working waterfronts and harbors have been lost either due to economic degradation or to condominium development and second homes.

Global warming also affects water systems as either less rain falls or rain falls in deluges that result in toxic run-off when soils are over-saturated. Rain water that falls on pavement, rather than filtering through soil, must be processed in wastewater treatment plants and cannot replenish below surface aquifers. Many of our nation’s aquifers are already stressed by water removal that is not matched by this ‘refresh’ cycle. These pressures on ecosystems adversely affect water quality and watershed health.

Urban environments are feeling similar environmental pressures. Reusing materials has long been a practice of the conservation movement and is now playing a role in inner city revitalization. Abandoned buildings can harbor unsavory activities and, at the least, create urban ‘dead zones’ in communities. The renovation or refurbishment of a building uses less material than new construction and often saves a historic monument from demolition; thus, green building practices have many environmental and economic benefits.

Another problem that can affect both rural and urban communities is toxic materials left over from post-war industrialization when environmental laws were not in place. Improper handling of these toxic materials can create ‘brownfields’ which are often in proximity to poorer communities. These toxics adversely affect both air and water quality and can make the costs of rejuvenating a site prohibitive.

And while it is well-known that the high-tech revolution in Silicon Valley and other sites on the West Coast has radically transformed late 20th century civilization, it is less well-known that high-tech development also harms people's health as well as the environment. Electronic computer equipment is a complicated assembly of more than 1,000 materials, many of them toxic.

Toxic materials in computer components include the following:

- lead and cadmium in computer circuit boards
- lead oxide and barium in computer monitors' cathode ray tubes
- mercury in switches and flat screens
- brominated flame retardants on printed circuit boards, cables and plastic casings

A majority of workers in information technology semi-skilled production jobs, which often involve hazardous chemical handling and

3 Data from the Silicon Valley Toxics Coalition site: [http://www.svtc.org/svtchome.htm](http://www.svtc.org/svtchome.htm)
exposures, are people of color, mostly women.

Often lower income people of color work in the most hazardous jobs and live in the most polluted neighborhoods. In the Silicon Valley, for instance, Latinos and Asian/Pacific Islanders live and work in neighborhoods nearest to sites of toxic leaks and spills from industry, resulting in a ‘double exposure’ to chemicals.

The responsibility for disposal of computer ‘orphans’—older computers whose original manufacturers no longer exist—often fall to municipalities who manage their own waste sites. The cost of handling these toxic materials, both in real dollars and in health and environmental degradation, is high.

Sprawl is another urban problem with adverse environmental effects by creating both air and water pollution and by squeezing natural-resource and habitat-dependent enterprises into smaller geographical spaces. With real estate prices in inner cities escalating and the costs of home ownership sky-rocketing, poor families must live further from city centers and travel back to work, increasing their over-all cost of living.

Suburban land developed—generally involving more pavement—again means that water cannot filter down through soils to replenish deep aquifers causing urban water quality crises and shortages. Bulldozed wetlands cannot provide the ecological services of storm mitigation and flood control.

Sprawl can also affect surrounding farm lands which provide the food for growing urban centers. Reductions in markets for traditionally produced crops or products and supply-chain ‘bullies’ mean that small farmers are priced out of doing what they do best. They must either sell out to suburban developers or are forced into service as part of industrialized, factory-style feedlots where the sewage of chicken, turkeys and pigs further aggravates pollution problems.

In many inner cities or suburban areas, inefficient energy practices can also result in air and water pollution because of the siting of industrial coal burning plants near poorer neighborhoods. Additionally, higher energy costs place a higher ‘total household burden’ on poor families who must travel long distances to work or to find basic services and, therefore, use a higher percentage of their income to support energy needs.

It is clear that when natural resources are compromised or environmental practices are unsustainable, the lives of individuals in communities of low wealth suffer the most.

**How Environmental Health Supports Community Development**

As a result of the growing awareness of these ecological concerns, CDFIs are beginning to take a new approach to their community development lending practices by investing in diverse natural resources, real estate, community facilities, affordable housing and related community development enterprises with three criteria for investing in mind:
the economic feasibility, or financial merits of the project;
the equity contribution of the project to individuals and families in the form of good wages, local ownership of resources (businesses or property) and asset-creating opportunities;
and the benefits and effects of the project’s operations, products, services, supply chain and related policies and practices on the environment.

The nexus of these three criteria is what institutions in our industry refer to as the triple bottom line investing opportunity.

For several decades, these three linked investment criteria have been gaining attention in global, socially-responsible and corporate investment circles. In 1987, the United Nations’ Bruntland Commission opened the eyes of many regarding the impact of global economic development policies and practices that had little regard for people’s welfare or stewardship of the environment. The environmental problems cited here combine to challenge private and public leaders on the imperative for sustainable development policies and practices. It seems clear to lending practitioners that poverty and the deterioration of the environment are intrinsically linked.

CDFIs in both rural regions and urban neighborhoods in the United States—and their counterparts throughout the world—are interested in and already experimenting with triple bottom line investing to strategically address poverty and conservation as related and interdependent issues.

SEP’s experience combining environmental practices with equity support and economic viability makes it clear that environmental sustainability benefits our customers and communities in many ways:

- **Customer Focus**: Promoting improvements in managing energy and resource use results in a stronger financial position and performance for small business borrowers and residential clients—decreasing household or business operating costs over the long-term.
- **Community Focus**: Communities with sustainably-managed natural resources have stronger reserves of natural assets to be employed to meet social and economic community development goals.
- **Economic Focus**: Supporting our communities and customers in tapping new, higher-risk markets that focus on sustainable technology will position them to create the innovative products of the future.

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4 In 1987 the United Nations Commission on Environment and Development (the Bruntland Commission) drew attention to the fact that economic development often leads to deterioration, not improvement, in the quality of people's lives.

5 Globally, microlending institutions like Grameen Bank whose founder, Muhammad Yunus, was recently awarded the Nobel Peace Prize, also understand the need for a triple bottom line approach to lending.
- **Environmental Focus**: Reducing materials usage and improving energy performance while minimizing the environmental impacts of our buildings—whether home or office—leads to lower operating costs or reduced household burden; reduced municipal costs; increased productivity and health of employees and residents; and better air, food, and water quality.

**Current Reporting Standards Are Inadequate**

SEP believes that what gets measured gets done: a triple bottom line metrics system that includes empirical data collection is how outcomes are measured.

Sustainable development means many things to many people. Too often, this results in the terms ‘sustainability’ and ‘triple bottom line’ lacking meaning. Metrics serve to define and bring discipline to the field of sustainability.

There is a plethora of major indices that attempt to assist businesses in measuring their environmental impacts; these metrics systems fall into several standards categories. The two most common categories have come to be called Corporate Social Responsibility (CSR) or Social Responsibility Investing (SRI).⁶ (These CSR/SRI standards are newer efforts layered over earlier attempts at developing multiple decision-branching measurement systems that include Data Mining and Balanced Scorecard approaches.)

“More than three thousand corporations now issue a periodic environmental or social responsibility report and, roughly, seven hundred and fifty voluntarily use the reporting guidelines issued by GRI.”⁷ But there is scarcely enough coherence in the field to announce a predominant standard as yet; there are over 25 major standards organizations and/or reporting systems in use today.⁸

However, even if there were a predominate set of metrics that would allow for the creation of benchmarks by industry, these current CSR and SRI standards are inadequate.

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⁶ These terms have gained traction with corporate executives in the post-Enron marketplace as opposed to the terms ‘Triple Bottom Line’ or even ‘sustainability,’ which are more often the vocabulary used in the activist or advocacy communities.


⁸ Global Reporting Initiative (GRI); Future500, Global Citizenship 360; New York Stock Exchange (NYSE) section 303A, corporate governance standards; Goldman Sachs best practices recommendations; Malcolm Baldrige National Quality Award; Social Accountability 8000 (SA 8000); Boston College Center for Corporate Citizenship; International Chamber of Commerce (ICC); Business Council for Sustainable; Development and Corporate Governance Principles; Dow Jones Sustainability Index; FTSE4Good Index Series; Global Sullivan Principles; Domini Social Investments; Calvert Group; UN Global Compact; Coalition of Environmentally Responsible Economies (CERES); Caux Round Table; and Smart Growth Network. Other indices and organizations include the AA1000 Framework, Business in the Community (BITC), the Interfaith Center on Corporate Responsibility (ICCR), the Organisation for Economic Co-operation and Development (OECD), and Innovest.
These metrics systems tend to ask questions about policy with a broad brush and are predominantly qualitative rather than quantitative measures. Where hard data may exist, it is neither audited nor auditable. For instance, in Coca Cola’s 2005 Environmental Report, water use is computed in a ratio labeled liter/standard unit, by “using an internal measure known as ‘Standard Unit of Concentration,’” which gives the reader no way to understand or verify raw data about volume of water used.

Additionally, since most CSR/SRI standards systems were devised for multiple industry application, they are ill-suited for the specifics of a unique location—an aspect of metric effectiveness that SEP has discovered is essential.

Other metrics systems that do utilize quantifiable, empirical data include Environmental Management Systems (EMS) or Sustainability Management Systems (SMS)—both outgrowths of Total Quality Management (TQM). These systems have been developed primarily to assist manufacturing companies in reducing their energy and materials costs, sometimes called an ‘environmental footprint.’ But EMS systems rarely take into consideration the costs of services provided by earth’s macro systems, nor the business impact on those systems, except as they relate to a company’s specific raw materials and waste management. A bigger oversight is that they are rarely integrated into the mission-impact of an enterprise.

There is also a developing methodology called Social Return on Investment (SROI) which is a set of calculations intended to capture “the social impact of a business or nonprofit’s operations in dollar terms, relative to the investment required to create that impact and exclusive of its financial return to investors.” The purpose of the SROI index is to provide a standard evaluative tool to assess the effectiveness and social impact of funds invested in different business models.

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9 As stated in Savitz and Weber’s The Triple Bottom Line (John Wiley & Sons), “Roughly half the GRI indicators are quantitative and can be answered with a number; half are qualitative, requiring a description of policies, procedures, or impact.” However, these authors go on to admit that “quantitative indicators present technical hurdles, such as defining, gathering, and checking the data and making sure that information drawn from facilities, divisions, and departments in various geographic areas can be rolled up into one number…” (page 215).

10 This definition and the underlying methodology is developed by Roberts Enterprise Development Fund (www.redf.org). Though SROI it is an attempt to apply financial accounting to social purposes, its methodology is experimental and highly subjective. These strictly dollar-based calculations include no established standard for calculating the appropriate discount rate of funds, for example. In most cases the discount rate used in an SROI calculation is provided by the principles of the business, since SROI has been most often used for venture capital pitches and fund raising.

11 A related discipline is being promoted by practitioners who seek to address the implementation issues affecting the credibility and standardization of the SROI social impact analyses. Groups in this category include Social Venture technology (www.svtconsulting.com) and the sponsors of a business plan and SROI competition administered by the UC Berkeley Haas School of Berkeley called Global Social Venture Competition among others (www.haas.berkeley.edu). They advocate a benchmarking practice called the Standard for Social Return in Investment Analysis (SSROI)—a by-industry indexing of SROI in order to compare social and environmental impacts across companies within like industries so that managers and investors can design, guide, and fund companies to maximize both financial and social returns.
In summary, there are no accepted standardized metric systems for assessing in hard data triple bottom line impacts of a business that directly address the uniqueness of locale. Even more challenging is creating a metrics system that links measurements for economy, equity and environment—acknowledging that these terrains operate in a system in most communities.

**SEP’s Theory of Change: Creating a Metrics Methodology**

SEP took up the challenge of making the concept of ‘sustainability’ tangible in its region by enlisting the services of a ShoreBank colleague, Alan Okagaki. Under Okagaki’s leadership, a list of metrics for sustainability drafted by the United Nations in 1999—in a document now known as the UN Global Compact—was reviewed. Okagaki lead a local, multi-stakeholder team to sort and select from this list of metrics by asking the question, “What natural systems are most critical to this special location where we live and work?”

SEP’s headquarters is in Pacific County, in the southwest Washington harbor town of Ilwaco, on a peninsula bordering the Willapa Bay. As one of the nation’s top producers of oysters—Willapa Bay produces nearly 20% of the nation’s shellfish—the SE region is most critically impacted by watershed health and water quality. (Reflecting this importance, two of SE’s resulting nine TBL metrics relate to water quality.)

SEP measures outcomes in three categories: Economic, Environmental, and Social Equity (hence, the triple bottom line, or as it is sometimes referred to, the 3-Es). The data points are customized to place and are relevant to the coastal watersheds, rural communities and the resource-dependent families of specific target areas.

SEP measures impacts on a quarterly basis in the following areas (the units of measurement appear in parantheses):

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<tr>
<th>Economic Outcomes</th>
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<td>Functioning Riparian Zone (feet)</td>
<td>People of Color and Women Entrepreneurs Assisted (#)</td>
</tr>
<tr>
<td>Leveraged Investment ($)</td>
<td>Land in Sustainable Management (acres)</td>
<td>Low Income Families Assisted (#)</td>
</tr>
<tr>
<td>Number of Value-added Businesses (#)</td>
<td>Gallons of Water Diverted from the Waste Stream (gallons)</td>
<td>Local Land Tenure ($ appraisal)</td>
</tr>
</tbody>
</table>

The metrics are defined as follows:

**Economic**
- Jobs created and/or retained—new full-time equivalent (FTE) jobs anticipated or projected and existing jobs retained as a result of this loan
- Leveraged investment—the short-hand definition is “other people’s money” brought into the deal; in other words, what SEP money attracts to the region
- Value added business—any business that uses a raw resource produced or harvested in the region and provides a ‘value added’ product, i.e. restaurant or fish market (local fish or produce), furniture maker (wood products), etc. This allows the upscale market value of the raw resource to stay in the community economic network rather than being ‘shipped out’ to markets in an urban center

**Environmental:**
- Linear feet of riparian zone—number of linear feet along a river or near a river/stream bank that is either restored or rehabilitated
- Sustainable/certified organic land—number of acres retained or brought under certified organic or sustainable management
- Water diverted from the waste stream—storm water catchment system that allows rain water to filter through the soil by means of on-site bioswales, permeable parking surfaces or walkways, or improved/engineered septic systems with drainfields

**Equity**
- People of color/women owners—ethnic ‘minorities’ or women who own 50% or more of a business; or, if a non-profit organization, a Board of Directors with a majority of women or people of color
- Low-income families assisted—defined as 80% of Pacific County’s median annual salary (now $35K), per census data for 2000; could refer to services of any kind including the loan itself
- Local land tenure—captures data on local ownership of property using the appraised value of the business, property or structures purchased by a resident borrower. This keeps ownership or management of businesses or property in the hands of local residents.

This nine-point TBL metric systems works in concert with SEP’s theory of change—something called ‘connecting the dots.’ SEP’s products and programs—the outputs of its work—are designed to produce specific results—the outcomes of its work. These outcomes,
over time, impact the larger systems at play in the region. Hitting as many of these metrics targets as possible over time ‘connects the dots’ and results in interactive and dense transaction that create positive change in SEP’s operating territory.

outputs (septic loans) ➔ outcomes (reduced water pollution) ➔ impacts (increased water quality)

Figure 1: SEP’s Theory of Change: Outputs Lead to IMPACT

In other words, a loan is more than money lent; a loan must deliver measurable results—restoration of linear riparian feet, for instance, or gallons of water diverted from the waste stream—which support an intentional process of change. Targeting scarce resources (human, capital, risk tolerance, subsidy) in defined, targeted places delivers dense outcomes (dots) that can be connected. Physical proximity of these outcomes, and sometimes ecological functions, helps these outcomes to amplify each other; dots adhere and can connect themselves or be connected by others.

SEP’s economic, social and environmental outcomes combine and synergize with the coordinated (and sometimes serendipitous) outcomes of others focused on the same complex, interrelated problems in the same place.

Over time, iterative and dense outputs from coordinated action cause a tipping point to occur. Communities move from isolationism, market dysfunction, environmental degradation and economic inequity toward regionalism, functioning markets, environmental quality, and economic opportunity for more people rather than fewer. Over time, a critical mass of outcomes translates to ‘scale.’

For SEP, tipping points are accelerated by the risk appetite of civic and business entrepreneurs fueled by (1) rational self-interest and (2) deep affection for place. SEP captures both self-interest and the power of place, deploying its risk tolerance and management capacities to support entrepreneurship as a force for progress. As a financier, SEP influences early business decisions that will increase outcomes over time. As a source of information about markets, business strategy, production processes, policy, and environmental stewardship SEP influences ongoing decisions that increase outcomes over time. When appropriate, SEP can merge these roles and share the risks of innovations that offer the promise of changing “business as usual” practices that frustrate progress.

SEP augments the outcomes delivered by these entrepreneurs with outcomes delivered by others focused on policy and land use issues, affordable housing, workforce training, watershed restoration, civil rights and market development. Whenever possible it delivers its products in ways that directly support the outcome contributions of its partners. Physical proximity of combined outcomes allows them to become dense and additive. In rural places, targets that qualify as economic centers for surrounding areas enables positive change to
reverberate within the commercial, social and political networks that emerge around these centers. Likewise, when targeted rural places reflect natural boundaries (e.g. watersheds) the environmental impacts of change are amplified by natural function.

Emerging functionality in markets, leadership, social networks, community capacity and relationships with the environment sustains continued progress. Planted and well tended seeds grow and sustain themselves. SEP can shift its attention to new target opportunities and bring with it a growing portfolio of relationships to inspire new target areas with the success of others’ efforts in once-similar places. Metrics that monitor results in hard data points can both guide this process and monitor its success.

Disciplined measurement maximizes the scale of impact and allows SEP to further refine its lending and community development strategies. Most important for SEP is the underlying belief that environmental issues support economic and equity enhancement in a community.

Supporting and increasing environment health and sustainability is not in conflict with economic development; rather it supports a community’s self-sufficicency and resilience. SEP can shift its attention to new target opportunities and bring with it a growing portfolio of relationships to inspire new target areas with the success of others’ efforts in once-similar places.

These nine metrics are gathered for every loan, as part of preliminary data collection for deal consideration, and are included in the presentation to the SEP loan committee. If or when the loan is approved and closes, the data becomes a permanent part of SEP’s triple bottom line data and benchmarking goals for the year. The following figure indicates TBL metric total for year-end 2004.

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<td>Number of Full-time jobs created and/or retained 473</td>
<td>Functioning riparian zone 8,050 feet</td>
<td>People of color and women entrepreneurs assisted 16</td>
</tr>
<tr>
<td>Leveraged Investment $11M</td>
<td>Land in Organic or Sustainable Management 585 acres</td>
<td>Number of Low-income Families Assisted 2,544</td>
</tr>
<tr>
<td>Value Added Business 17</td>
<td>Gallons of Water Diverted from Waste Stream 480,600 gallons</td>
<td>Local Land Tenure ($) $275M</td>
</tr>
</tbody>
</table>

**Figure 2: ShoreBank Enterprise Pacific’s TBL Results for year-end 2004**

**SEP’s Metrics System Applied to Lending: Portfolio Examples**

‘Linear feet of functioning riparian zone’ is one of the most straight forward of the environmental impact metrics. As we have noted, riparian is a term that relates to a body of water, generally a river or stream. This metric measures loan products that support river
health by documenting both local control over riparian systems and proper river stewardship along the banks of a stream or river.

The edges of rivers and streams are critically important to watershed health. Trees on the banks provide shade to cool the waters and create a healthy habitat for riparian creatures, particularly salmon. Cattle grazing and stream crossing can destroy riverbanks, disturb spawning beds, and deposit animal waste that degrades water quality. Since water quality is extremely important for fisheries, shellfish, and agricultural industries in our area, and since our region also supports dairies as part of the agricultural and economic mix, monitoring riparian systems and keeping them healthy is at the center of mission impact.

In the SE loan portfolio, this data must be derived from real estate boundaries and geography and is gathered by the loan officer as part of the loan application process. Loans for which this metric category might be used include any project with river bank stewardship or improvement:

- a dairy farm might use a portion of loan funds to construct a fence that keeps bovines from trampling river or stream banks
- a land management loan might include restoration and protection of riparian areas by replanting of trees, for instance, or mitigation of invasive species along a waterway

The Elk River Land Trust loan is an example of an extremely creative partnering of a non-profit, a private foundation, a state water management agency and enterprise collaboration in order to promote land stewardship and conservation in the Elk River watershed, located in Curry County on the southern Oregon coast, approximately four miles from the fishing village of Port Orford. The 40-mile long Elk River flows to the northern end of a coastal region known as the ‘Wild Rivers Coast,’ and the Elk is one of four rivers within the Wild Rivers region with a federal ‘wild and scenic’ designation.

The Elk River is one of the best salmon and steelhead fishing waterways. The watershed encompasses one of three federal wilderness areas on the Oregon coast—the Grassy Knob Wilderness—and is also home to significant populations of endangered Marbled Murrelets. This loan supports the restoration and protection of 2,700 feet of this remarkable stretch of the Elk River, a prime riparian zone in Oregon State.

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<td>Number of Full-time jobs created and/or retained</td>
<td>Functioning riparian zone 2,650 feet</td>
<td>People of color and women entrepreneurs assisted (#)</td>
</tr>
<tr>
<td>Leveraged Investment $266,000</td>
<td>Land in Organic or Sustainable Management 163 acres</td>
<td>Number of Low-income Families Assisted 600</td>
</tr>
<tr>
<td>Value Added Business (#)</td>
<td>Gallons of Water Diverted from Waste Stream</td>
<td>Local Land Tenure ($)</td>
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*Figure 3: Elk River TBL loan metrics*
It should be noted that one of the dangers of isolating particular quantitative metrics is in creating a transactional view within an institution rather than nurturing the understanding that moving toward triple bottom line impacts is a *process not a transaction*. The reality in the lending world is that while some loans hit more strongly in one metric category over another—economy, environment, or equity—the goal, always, is to understand that the loan represents a process of improvement that takes place over time. An ideal loan has a dense scattering of ‘dots’ that reflect a range of values across all categories.

These nine metrics are not the only indicators SEP uses to measure the success of its loan portfolio or its own financial health. Any business, to be sustainable, must monitor its economic health; these nine TBL measurements do no replace traditional accounting methods.

There are myriad state and federal reporting requirements for financial institutions, and SEP uses all the traditional measurements of loan loss, credit worthiness of the borrower, loan fees and cost of funds, and other aspects that monitor its lending products.

The point is that these nine metrics capture a trend in the portfolio: How well are we doing in finding and funding deals that support our *integrated* lending goals?

Another example of a loan which bridges the range of mission impacts—and can also be called a triple bottom line deal—is the Shoalwater Bay Indian Tribe Wellness Center.

In 2005 SEP used a portion of a New Markets Tax Credit allocation to invest $1.57mm in the Shoalwater Bay Indian Tribe's new Wellness Center, located in Tokeland, WA. The new 14,500 square foot facility offers medical, dental, drug and alcohol counseling and mental health services to Shoalwater Bay tribal members, as well as other Native Americans and residents in this area of southwest Washington.

The Tribe is Washington State's third smallest Tribe and one of its most remote. Created by President Andrew Johnson in 1866, the Shoalwater Reservation is located in Tokeland, WA, about twenty miles east of U.S. Highway 101 near Raymond, WA, with approximately two-hundred sixty four members.

Before 1994, all Native Americans residing in Pacific County were obliged to drive over eighty miles, one-way, to seek medical care at the distant Quinault Indian Reservation. Based
on medical records documenting high levels of prenatal and neonatal infant mortality rates, the Tribal Council declared a health emergency on the Reservation in 1992.

The new Wellness Center has six exam rooms to facilitate patient flow and allows for enhanced services such as visiting specialists and an x-ray machine that will prevent the need for the clinic to send clients to Willapa Harbor Hospital, a forty-minute drive from Tokeland. The facility now offers medical, dental, drug and alcohol counseling and mental health services to both members of the tribe, as well as other Native Americans and other residents in this remote area of Pacific County.

Many tribal members can walk to the clinic, as it will be adjacent to the Tribe's primary residential housing area. Landscaping surrounding the facility is designed to capture on-site surface water run-off from the roof and parking lot and channel the water into bioswales. The swales, planted with native wetland plants, act as filters for water coming off of the site, cleaning the water as it filters into the ground.

The Wellness Center investment is part of SEP's place-based triple bottom line strategy for the Lower Columbia Estuary region of Washington and Oregon. The strategy seeks to deliver rural community and economic development services to distressed communities in the region (e.g. native tribes) through deploying appropriately designed capital products. The opportunity to engage in dialogue about capital broadens the terms of engagement and opens additional channels to discuss TBL impacts. In the case of the Shoalwater Bay investment, SEP was able to deliver information and assistance that resulted in 'eco-friendly' on-site water management systems, and, therefore, support one of its mission-critical metrics.

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<tbody>
<tr>
<td>Number of Full-time jobs created and/or retained 30</td>
<td>Functioning riparian zone</td>
<td>People of color and women entrepreneurs assisted 1</td>
</tr>
<tr>
<td>Leveraged Investment $2.375M</td>
<td>Land in Organic or Sustainable Management</td>
<td>Number of Low-income Families Assisted 600</td>
</tr>
<tr>
<td>Value Added Business (#)</td>
<td>Gallons of Water Diverted from Waste Stream 340,000 gallons</td>
<td>Local Land Tenure ($) $251M</td>
</tr>
</tbody>
</table>

**Figure 5: Shoalwater Indian Tribe Wellness Center, TBL loan metrics**
SEP’s TBL Practice: In Summary

Over time, ShoreBank Enterprise Pacific has come to recognize that an effective TBL metrics system has the following features:

- It is based on what is important to place and people
- Prioritizes competing opportunities
- Emphasizes the importance of productivity
- Provides a continual feedback loop for refining business strategy
- Is auditable and trackable

As SEP integrates the products and services offered in its newly-formulated entity—post Cascadia Revolving Fund merger—the effort of metrics formulation will be taken up again to reflect the new urban territories of Seattle, WA and Portland, OR and the metro-corridor between them.

New questions will need to be asked:

- How can we measure our success in an urban environment?
- How can rural and urban communities work in a system of support that increases TBL benefits for both?
- What metrics do we need to guide our lending strategies and target the possible synergies of neighboring rural and urban landscapes?

A disciplined approach to triple bottom line investing is fertile ground, strategically, for financial service providers. Although, currently, environmental challenges are clearer and advocates are appearing from all segments of our society, the field of ‘sustainability’ is in its infancy. Theory behind TBL metrics formulation and methodology that can support sustainable practice is even less developed. The emerging opportunity requires clear and strategic thinking.

With new language and tools, our hope is that efforts to refine TBL metrics can bring tangible discipline to the words ‘sustainable development,’ and ‘TBL investing.’ SEP hopes to forward the dialogue on what it is and what it is not so that people in our industry, and others, can sort the ‘fluff’ from hard empirical evidence or, worse, data that has no connection to business mission.

SEP strongly believes that traditional strategic goals gain power by being combined with environmental improvement and that our customers’ lives are improved when environmental amelioration is central to the tradition mission of CDFI lending—social equity and economic development. In effect, this is an attempt to move the CDFI industry from two Es to three Es—by integrating environmental indicators into the practice.

This approach includes an element of self-interest. SEP has found that incorporating environmental goals into lending strategies creates new market opportunities—for green building, e-waste recycling, renewable energy and conservation, and lean manufacturing—and opens new sources of capitalization. Additionally, new terrain opens for creating non-traditional collaborative partnerships.
SEP embraces a holistic theory of change that features process not transaction. SEP understands the synergistic power of the density of outcome and the importance of focusing on and measuring the true impact of work.

ShoreBank Enterprise Pacific invests in people and their communities to create economic equity and a healthy environment.

Continued efforts to improve and refine a disciplined approach to triple bottom line metrics are critical to these goals.

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