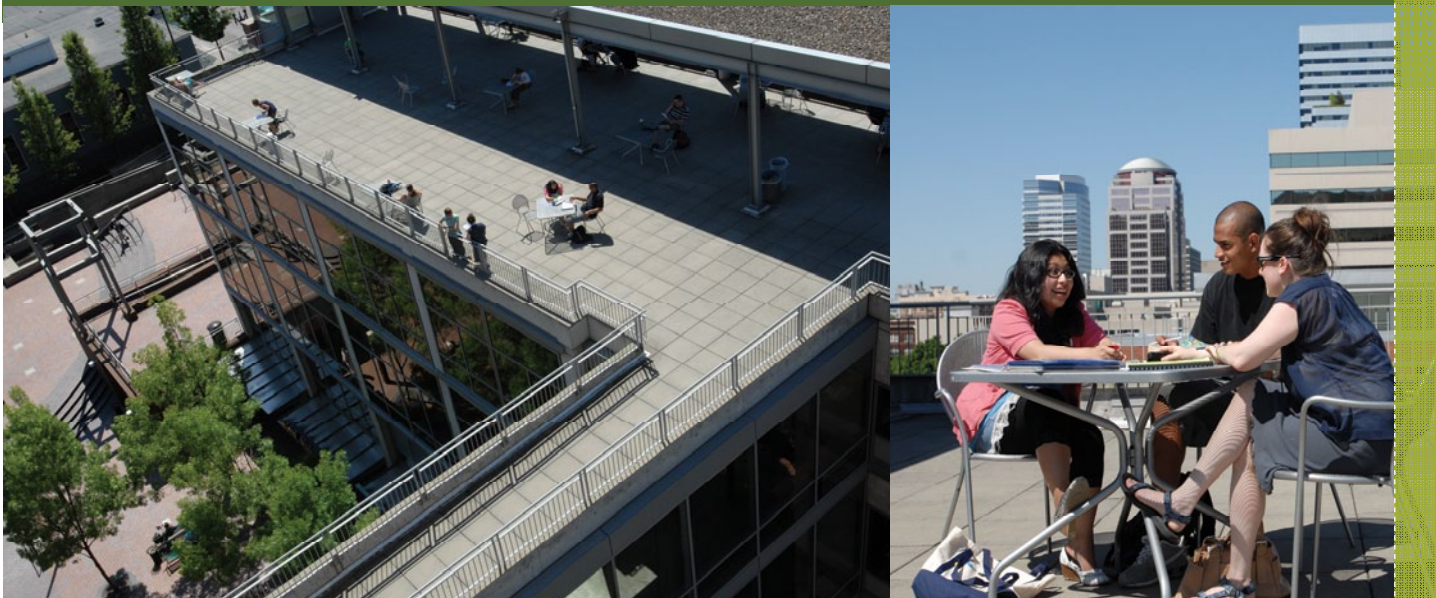


You *can* get there from here...

An occasional paper series from the Social Equity and Opportunity Forum of
the College of Urban and Public Affairs



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Development that Adds Up: Accounting for the Social Bottom Line of Triple Bottom Line Investment

A Review of Current Practice and Application to the Portland Metropolitan Region

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Welcome to the second issue of **You Can Get There from Here**. This occasional publication series is part of the Social Equity and Opportunity Forum in the Dean's Office of the College of Urban and Public Affairs. Directed by Janet Hammer, Ph.D., the Forum emphasizes the interconnectedness, interdependence, and shared values that are the connective tissue of our society. Working to advance opportunity and reduce inequality, the Forum is laying a foundation for healthy community development that benefits us all.

This issue of **You Can Get There from Here** takes on the extremely complex and difficult idea of what we call the social bottom line. One view of sustainability is that it strives to balance a "triple bottom line" that includes economic, environmental, and social factors. Balancing the triple bottom line is complicated because you need to be able to define and measure each line. There are tried and true tools for measuring the economic bottom line, and we have some good measures for the environmental component. The problem is there are not agreed upon definitions or measures for the social bottom line.

Janet Hammer's excellent work gives us an important entry point for getting a handle on defining the social bottom line and coming up with ways to reliably measure it. In this issue, **Development that Adds Up: Accounting for the Social Bottom Line of Triple Bottom Line Investment**, she reports on her findings from an extensive community engagement project and a review of the research literature on this topic. Blending the views of hundreds of people from various parts of the community that are concerned with development (e.g. finance, business, government, labor) with models that are being developed around the world, Janet helps us make sense of this complex area. She provides us with some excellent guideposts as we navigate our way through this important and difficult issue.

If you want some more detail about this initiative or Forum, take a look at the Social Equity and Opportunity Forum website <http://www.pdx.edu/cupa/social-equity-opportunity-forum>.

A handwritten signature in black ink that reads "Law Wallack". The signature is written in a cursive, flowing style.

Lawrence Wallack, Dr.P.H.

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Development That Adds Up: Accounting for the Social Bottom Line of Triple Bottom Line Investment

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Triple Bottom Line thinking captures our attention because it conveys a message about results that matter. By focusing on investment performance with respect to the three interrelated dimensions that define sustainability – economy, environment, and society – triple bottom line reporting can be an important tool to support sustainability goals. Interest in triple bottom line accounting has been growing across for-profit, non-profit, and governmental sectors. However, a number of questions remain as to how such accounting can be accomplished. Progress assessing the social dimensions of the triple bottom line has been particularly lagging.

The *Social Equity and Opportunity Forum* of Portland State University's College of Urban and Public Affairs is leading an effort to advance thinking and practice regarding the social bottom line of development investment

Consider the following thought experiment...

Project One yields initial profits of \$1.3M.

Existing residents are displaced, thus facing higher rents, longer commutes, and loss of community ties. A grove of trees that holds symbolic value to the community is removed. The majority of jobs created are low wage with little opportunity for advancement, and building practices that cut costs in the short term yield higher energy use over the life of the building and lower environmental quality for occupants – resulting in more illness such as asthma and lower worker satisfaction and productivity.

Project Two yields initial profits of \$1M.

Existing residents are provided with opportunities for affordable homeownership and rental. The beauty of the grove is enjoyed by residents and serves to attract customers to nearby businesses. “Green” building technologies save energy and keep dollars flowing in the local economy while also improving occupant satisfaction and productivity. Higher tax revenues from better wages generate funds for essential community services.

When considering the *financial bottom line*, Project One appears to be the winner: Evaluating the *triple bottom line*, Project Two comes out on top. Further, over time, Project Two is likely to hold and appreciate in value, producing a better financial return in the long run. By measuring what matters, and accounting for true costs, investment dollars can be directed more efficiently and effectively – yielding development that “adds up.”

in the Portland metropolitan region. This briefing paper shares what we have learned about the social bottom line (SBL) concept, including definitions of a “good SBL,” issues related to measurement of the SBL, and implications for advancing the social bottom line in our region.

What We Did

When the question came to us, “how can we account for the social bottom line of triple bottom line development investment?” we took a pragmatic approach focused on developing a usable assessment framework. As part of this effort we engaged in a series of community conversations about the social bottom line and reviewed existing examples of SBL assessment frameworks from the US and abroad.¹ In our conversations, we listened to nearly one hundred leaders representing seven development-related sectors in the region – business, community, development, finance, government, labor, and research. In our review, we identified more than thirty SBL processes relevant to this endeavor.² Our conversations and review of existing frameworks indicate that social bottom line assessment is at once straightforward and elusive, holding significant challenges and tremendous possibilities.

What is Social Bottom Line Assessment?

Social bottom line assessment is elusive in part because it goes by different names. Examples of SBL assessment can be found

¹ The terms tool, framework, process, and method are found in the literature and are used interchangeably in this paper.

² The list of tools and bibliography can be found at: <http://www.pdx.edu/cupa/publications>.

across the globe, by such varied names as impact assessment, social return on investment, social responsibility reporting, or social accounting. Whatever the term, each of these processes is trying to account for social impact. They are doing so because investment impacts extend beyond the financial bottom line, yet such impacts are not addressed by conventional accounting practices. Social bottom line assessment processes aim to account more completely and accurately for the social costs and benefits of investment.

The many types of SBL assessment have emerged in part because they are responding to different contexts, with the design of each influenced by how the audience, purpose, and scope are defined. Processes may account differently for social impacts of investment because they are evaluating different investment types – for example, investments in businesses, property, financial institutions, infrastructure, or people. Also, they may be assessing different objectives – such as investment impacts, resource alignment, or achievement of targets. Thus, a plethora of evaluation frameworks or tools have emerged. For example, investors in a social enterprise³ bakery employing disadvantaged youth are likely to account for the social bottom line using a double bottom line tool such as SROI (social return on investment), while a property investment might be evaluated with a tool such as LEED ND, the Healthy Development Measurement Tool, or the Sustainability Checklist.

SBL evaluation is distinct from, but related to, quality of life and sustainability indicator initiatives. Indicator initiatives track how a

³ Use of the term “social enterprise” varies somewhat, but in the US is mostly used to describe businesses with a social purpose. Such businesses, by design, are intended to have “extra-financial” returns.

community, state, region, or country is performing with respect to a set of goals (e.g., health outcomes, transit time, educational achievement, income, air quality, access to clean water, housing affordability), while SBL initiatives evaluate impacts of a specific project or policy. Ideally, where indicator initiatives are in place, SBL evaluations consider whether and how an investment's impacts contribute to or inhibit achievement of quality of life or sustainability goals.

Defining a Good Social Bottom Line for Development Investment

When we reviewed SBL assessment frameworks to see what they are measuring and compared that to what the various sector groups told us *they* think a good social bottom line of development investment is we found a fair amount of agreement regarding the definition of a good social bottom line.⁴ For the purposes of this initiative, development investment by private, public, philanthropic or non-governmental entities was defined as investment in the physical or built environment; the projects may or may not include investments in “soft infrastructure” such as job training. The kinds of investments evaluated could range from a performing arts center to a school for homeless youth, a community center to a transit line, an office complex to a mixed income, mixed use development.⁵ In our conversations, we did not establish a scale threshold (e.g., square feet or dollars invested).

⁴ The matrix mapping our framework with extant tools can be found at:

<http://www.pdx.edu/cupa/publications>.

⁵ Throughout this paper, the terms development, investment, and project are used interchangeably.

The five main themes we identified in our listening sessions and review of existing assessment frameworks provide the foundation for a SBL assessment: it is only after we define a good social bottom line that we can create a framework to assess the SBL of development investment. The five themes introduced below paint a portrait of possibility. Most development investments are not likely to achieve all of these outcomes, nor are they intended to. Rather, together these themes describe what it looks like when development investments overall yield a positive social bottom line.

Responds to and Benefits the Community

Development investments with a good social bottom line fill a gap in the community and consider how the individual project fits within the larger neighborhood and regional context. They respond to community-identified interests and provide benefit to the community. Engagement with community members is appropriate to the type and scale of the project and fosters productive participation by diverse stakeholders, including people traditionally marginalized by imbalances in access to power and capital. At its best, development investment with a good social bottom line is development *with* rather than *to* or *for* a community. As one community leader put it, “It’s more than listening to, it’s more than responding to, it is being a partner, a true partner.”

These developments include people in a meaningful and appropriate way in project design *and* implementation. Said a participant from the development sector, “I would look at who builds it and who benefits from it. So when you look at who builds it, were people from the local community employed, are you working to ensure that women, minority, and

emerging business who haven't had access to contracts are given a chance, and are you using fair labor practices...and then who benefits from it, both in the building, who's living in it or who's working in it, and in the broader community, is the building serving the broader community?"

Fosters Healthy Living

Development investments with a good social bottom line contribute to the creation of "complete communities" – communities where it's easy to access life's daily goods and services. This includes things like jobs, schools, healthy food, financial services, recreation, outdoor spaces, and quality, affordable child care and health care. Developments with a good social bottom line create and maintain a range of ownership and rental choices for diverse household and business types. They connect easily to a variety of transportation options so one need not rely on a car to get places. They promote active living for commuting and recreation and invite interaction with the natural world. They make it easier rather than harder to live healthfully.

Development investments with a good social bottom line create a nurturing and healthful environment for children. You feel good about raising kids there and know they have access to a high quality education and opportunities to thrive and succeed. The businesses associated with these developments, both during and after construction, ensure that their practices promote the health and safety of workers and community members – across the supply chain.

Strengthens Community Fabric

Development investments with a good social bottom line have a positive effect on the

fabric of the community. They create spaces that are accessible, inviting, and enjoyable. They have a feeling of vitality, energy, soul and beauty. It feels good to be there. They balance our need for private retreat and public engagement. They inspire the community. They make you proud to take somebody from out of town there to show them *that* development.

Projects with a good social bottom line have spaces for culturally relevant visual and performing arts, and local foods and crafts. They foster cultural diversity while maintaining cultural distinctiveness. They preserve heritage and cultural authenticity. They create accessible spaces for people to gather for meetings, connection, recreation, and celebration. They make it easy for people from different backgrounds to connect and have positive interactions with each other.

Development investments with a good social bottom line enhance people's ability to reach their potential. These projects invest in people as well as physical spaces – soft infrastructure as well as hard infrastructure. A culture of meaningful participation and continuous improvement is cultivated. Individual and community leadership capacity is developed and collaborative governance takes place. Investments in people yield costs savings for services like police, prisons, and emergency health care. These projects understand our interconnection and realize that investments in people pay off because we all do well when we all do well. Instead of thinking about how to divide up a limited pie, they think about how to expand the pie – they think about how to plant an orchard and develop a locally owned pie-making industry.

Contributes to a Vibrant Community Economy

In a development with a good social bottom line the jobs during and after construction pay a living wage. Workers have an opportunity to develop skills and advance. Jobs accrue to existing residents in the community. If you work there you feel like your contributions are valued, that your work is rewarded, and that work-life balance is encouraged.

Developments with a good social bottom line have a positive impact on the fiscal health of the community. They ensure that public good is advanced with public dollars. They set conditions on public subsidies or incentives, and ensure that the promises made are delivered upon: they ensure that tax credits and concessions are only given if certain performance criteria are met or community benefits are delivered, and that those conditions are monitored and enforced.

The businesses that are part of such a development contribute to the vitality of the local economy. Project assets are locally owned and controlled, and businesses have a commitment to buying local when appropriate and contributing to the local community. Historically disadvantaged and marginalized populations are given a fair shot at business development and expansion.

Fairly Distributes Burdens and Benefits of Growth

Development with a good social bottom line provides a sense of ownership not just in a psychological sense, like community identity and sense of place – though that is important too – but in a material sense, with opportunities for equity ownership and profit-sharing. They encourage shared accountability and shared rewards.

Development investments with a good social bottom line don't cause involuntary displacement. They don't bring to bear the costs of longer and more expensive commutes and the loss of social supports and community ties. They don't burden "receiving" communities with economic refugees. They don't create a wonderful, livable, vibrant city for some at the expense of others. They ask whether the project increases or decreases equity and social inclusion. They ask how impacts are distributed, and whether certain groups bear disproportionate burdens or benefits, including future generations.

Developments with a good social bottom line address the needs of people who have the least access to opportunities for advancement, specifically targeting low-income and historically underserved populations. They link and leverage resources, connecting folks who may have different resources to contribute – such as local knowledge and financial capital.

Developments with a good social bottom line integrate with economic and environmental bottom lines. They consider full costs and life cycle costs, rather than off-loading costs to others. They consider their impacts across the supply chain and to employees, families, the local community, and society. In developments with a good social bottom line the finances add up, not just to shareholders, but to all who are impacted.

As one participant said, "Development with a good social bottom line decreases rather than increases inequality. This is important because research shows that inequality is linked with worse health outcomes and worse chances to succeed in life." Said another, "What if we viewed developments as citizens? Are they good citizens or not? A development

investment with a good social bottom line would be a responsible citizen. It would tell a good story about the community – who we are and who we want to be.”

Measuring the Social Bottom Line

Our sector meeting conversations and review of existing social bottom line tools indicates that the definition of a good social bottom line is fairly straightforward. In fact, the five themes identified sound a lot like elements of comprehensive plans and vision documents from Milwaukee, Oregon to Milwaukee, Wisconsin; from Vancouver, Washington to Vancouver, BC. Figuring out how to measure this is where things get elusive. Here’s what we’ve come to understand about the mechanics of measuring the social bottom line.

Making it Manageable and Meaningful

Clearly, it is more than a little challenging to make assessments both manageable and meaningful, to design an assessment that is rigorous and robust without being too burdensome. The balance is a difficult one to achieve. There are significant issues pertaining to data availability, time and space boundaries, and valuation.

Information that yields the most insight is often costly to collect and analyze; data that are more readily available may not adequately answer the most important questions. For example, easily accessible data may show that average income increased in a geographic area, but those figures might be reflecting an in-migration of higher income residents rather than benefits accrued to existing residents. A more meaningful assessment of program impact would include follow-up with

individual employees and residents – usually a more resource intensive enterprise.

Specifying time and space boundaries for evaluation is difficult as well. The time horizon necessary to demonstrate impact is often much longer than typical reporting timeframes. Geographically, a project that shows increased property values and decreased crime in an area might be heralded a success, but the analysis might look different if the impacts to displaced residents and their receiving communities are considered. Related to this are measurement challenges regarding life-cycle analysis – for example, considering impacts of educational or networking opportunities to health and wealth outcomes across generations at individual, family, and community levels.⁶

Another question is that of integration of the social bottom line with economic and environmental bottom lines. The three dimensions of sustainability interact with each other, yet these interconnections are difficult to measure.⁷ For example, energy efficiency and conservation measures may yield environmental benefits while also increasing dollars circulating in the economy, thereby strengthening both household and government budgets, and potentially decreasing psychological stress and the

⁶ For example, considering how structural racism that denied access to housing, education, and social security benefits has cost families in terms of wealth creation and has cost communities with respect to blight, crime, and disinvestment, or how increased bridging social capital (networks, norms, trust) can improve access to information and resources key to advancement and success.

⁷ The “three pillars of sustainable development” or “three legged stool” metaphor favors thinking that is reductionist rather than holistic and integrated. Thus, the use of terms such as dimensions, facets, and strands to discuss the interrelated “streams” of environment, economy, and society.

ancillary deleterious effects associated with a dampened economy or budget shortfalls.

Another challenging boundary issue pertains to the unit of analysis for the development investment. For example, if a project such as an office or mixed-used complex has ten, fifty, or one hundred businesses within it, would each and every business within the project need to be evaluated? If the social bottom line of development is defined in part by the generation of high quality jobs and presence of community oriented businesses, does a SBL evaluation need to examine how each of the businesses in the development measures up?

Questions also remain regarding the issue of valuation. Implementation of social bottom line assessment likely would benefit from some standardization of definitions and additional research documenting financial and extra-financial benefits associated with specific measures (e.g., cost savings or satisfaction impacts associated with natural lighting or flex time). Further, where some would argue that use of “bottom line” terminology implies that financial metrics be used to account for costs and benefits, others argue that such a strategy is not only inappropriate but violates the very premise of accounting for differential types of impacts. Participants in our sector conversations, consistent with the majority of the literature and examples reviewed, suggest that the social bottom line be viewed figuratively rather than literally. The impacts of development investment cannot be reduced to a singular number, monetized or otherwise.

Being Responsive to Context

SBL assessment should address community definitions of a good social bottom line. Where one community expresses a need for

jobs, another may want a skate park or dog park or meeting spaces. Further, assessment tools that are overly prescriptive – for example, rating projects with points for feature x , y , and z ⁸ – may not fit a project’s unique attributes and may dampen innovation. Our review of the literature and community feedback indicate that the most valuable and appropriate assessment standards will be guidelines for a process to measure the social bottom line in a way that responds to context and provides meaningful information about whether and how a project has improved or degraded social conditions.

In some circles, it has been suggested that assessments should be standardized to promote comparisons between projects – so we can compare apples with apples. The trouble is, often we are not comparing apples with apples. We are comparing Braeburns with Pink Ladies, Red Delicious with Macintosh. They are *qualitatively* different. We want to avoid assessment frameworks that are overly prescriptive because that can breed an inflexibility that stymies good efforts and ignores context. At the same time, we want frameworks that help us effectively choose between or evaluate different developments.

⁸ For example, requiring a supermarket may not succeed in delivering the objectives of access to healthy, affordable, culturally appropriate, and sustainably produced food. Further, there are tensions related to the expectation that businesses supply services that the state should provide (e.g., health insurance). The costs of these services can be so burdensome as to undermine small business viability and potentially work against social bottom line goals pertaining to local and small business ownership. Thus, rather than rating businesses on whether they provide specific benefits such as health care, other measures may be more appropriate for assessing the quality of jobs provided (e.g., health promotion measures such as flex schedules for education and childcare).

Our research indicates that it is more important to have standard *guidelines* for evaluating the social bottom line than standard *metrics* for evaluating the social bottom line. This includes having a process that is adaptable across a range of types and scales of development investment – from infrastructure to mixed-used development, from small loans to multi-million dollar initiatives. Such a process requires comfort with uncertainty, a stance of humility and curiosity, and a commitment to adaptive learning.

Institutionalizing Assessment Efforts

If public, private, and non-profit investors want to account for the social bottom line of their development investments, they likely will need to require assessment as a condition of funding or approval. We heard repeatedly that while the concept of SBL measurement is gaining traction, “it won’t get done unless it is required.” We also heard a clear sensitivity to the need for an appropriate blend of incentive and regulation – a balance between “carrot” and “stick” – and the distinction that these are requirements to assess a development *not* requirements regarding how to develop.

If assessments are required, it may be important to implement some sort of cost sharing for conducting and reporting on the SBL. Further, assessment quality and confidence in results may be greater if conducted by a skilled, third-party assessor. Capacity for third-party certification of social bottom line impacts will need to be developed, including the incorporation of participatory, community-based research methods that appropriately engage and compensate community partners.

As noted earlier, assessments should integrate analyses across boundaries or levels (e.g., organization, neighborhood, community,

What Kind of Playing Field?

I recall an exhibit where you lined up as if you were going into a carnival booth. It had a heading something like “Welcome to the Game of Life.” You walked into a dark, circular room. The walls of the circular room were lined with mannequins, and the mannequins ranged from an obviously well off person to a child of extreme poverty on the street. A bank of lights flashed around and around, as though a roulette wheel were spinning. As each light went on, it illuminated a mannequin. Wherever the flashing lights stopped... that was the life you were born into. You held your breath not knowing where it would land, which circumstances you would receive. It was a visceral reminder that our life chances are very much determined by the zip code where we land. Social bottom line assessment asks how can we design things, how can we invest, so that opportunities to thrive are strong no matter how the dice are rolled.

J. Hammer

society) and across the development life cycle (e.g., including equity and opportunity values in plans and goal statements, using SBL assessment as a filter in allocating resources and reviewing bids, and evaluating impacts of funded projects and using assessment findings to engage in continuous improvement and adaptive governance). Finally, to ensure that assessment is not merely a “toothless tiger,” accountability mechanisms must be in place, with reasonable consequences associated with not reporting, reporting poorly, or demonstrating a poor social bottom line.

Another key implementation issue relates to the infrastructure for moving social bottom line work forward in the region. Representatives from the seven development-related sectors that we met with had similar definitions of a good social bottom line and

identified similar issues regarding how to measure the SBL and how to foster positive social bottom line outcomes. However, participants were not aware of their common vision, nor do they have all of the necessary networks, norms, and trust in place to communicate and collaborate effectively to achieve this vision and reconcile areas of potential disagreement. The infrastructure for sharing information, power, and benefit currently is not adequately developed. Building and enhancing this infrastructure will require cultural sensitivity, trust building, and an examination of structural racism and privilege. As one participant said, what will make us successful “it’s not *that* we do business, it’s *how* we do business.” Said another, “it’s an investment on the front end, it takes time but it’s necessary to get things done, and get them done right.”

Conclusions and Next Steps

As commitments to sustainable development have grown, so has the search for tools to support this goal. Triple bottom line reporting, which aims to account for financial, environmental, and social performance of investment decisions, is suggested as a useful tool because it provides a way to more accurately account for the full impact of investment decisions and assess our performance with respect to sustainability objectives. However, a number of questions remain regarding how to design and implement these assessments.

Responding to this gap, the *Social Equity and Opportunity Forum* is working with a range of community leaders to address the social bottom line of triple bottom line development investment. Listening to representatives of seven development-related sectors and reviewing existing assessment frameworks, we found a fair amount of agreement regarding

the definition of a good social bottom line and identified a number of models to draw upon. We also identified a number of issues regarding the social bottom line of development investment.

In September, 2008 our Phase One findings were shared and discussed with approximately 65 leaders representing the seven development-related sectors. Participants affirmed the value of this initiative and made commitments to advance social bottom line efforts in the region. In Phase Two, the *Social Equity and Opportunity Forum* will collaborate with these and other public, private, and non-profit community leaders to refine and pilot-test the draft assessment framework, address implementation issues, help build the knowledge and networks needed for effective collaboration, and help seed Triple Bottom Line Living Laboratory projects that provide a venue to design, implement, and evaluate promising strategies. We invite you to join us in this endeavor.

The list of tools, draft framework, matrix, and bibliography referenced in this paper can be found at:

<http://www.pdx.edu/cupa/publications>

For additional information on the *Social Equity and Opportunity Forum's* Social Bottom Line initiative, please contact:

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