



Pacific Community Ventures Sustaining Strong Social Returns

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Report and Executive Summary prepared by BTW Consultants - informing change.

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For the past six years, Pacific Community Ventures (PCV) has been a leader in the field of community development investing. PCV invests in and supports companies with strong business models that provide good jobs with marketable skills and wealth-building opportunities to residents of California's low- to moderate-income (LMI) communities. PCV provides businesses in its portfolio with advisory services, workshops and a resource network to help entrepreneurs gain access to existing knowledge and expertise within the business community. In addition, PCV provides equity investments to a subset of portfolio companies.

In 2004, PCV committed over \$2 million to two new portfolio businesses, bringing its total investment portfolio to nearly \$10 million in eight active companies. Four new businesses joined PCV's advised portfolio in 2004, bringing to 54 the total number of companies advised since 2000.

Purpose of Social Outcome Assessment

PCV is a double bottom line investor and service provider, working to achieve social as well as financial returns on its investments. PCV believes that clear, ongoing measurement is critical to articulating the impact of its work. As there are no "industry standards" for measuring and reporting on social return, PCV has developed its own standards and methodology for measuring the community impact of its double bottom line investments.

Since the spring of 2000, PCV has been working with BTW Consultants (BTW), an independent research and consulting firm, to assist in designing an approach for social return measure-

PCV PORTFOLIO COMPANIES AS OF DECEMBER 31, 2004

Financed

Beacon Fire and Safety (*San Jose*)
 Evergreen Lodge (*San Francisco/Groveland*)
 Moving Solutions (*San Jose*)
 New Key Financial (*Los Alamitos*)
 New Vine Logistics (*American Canyon*)
 Niman Ranch (*Oakland*)
 Radiovisa Corporation (*Los Angeles*)
 Timbuk2 Designs, Inc. (*San Francisco*)

Advised

Counter Production (*Berkeley*)
 Give Something Back Business Products (*Oakland*)
 Jeremiah's Pick Coffee Co. (*San Francisco*)
 Planet Organics (*South San Francisco*)
 Rhythm & Motion Dance Center (*San Francisco*)

Emerging Enterprises Advising program¹

Laura + Kiran (*Richmond*)
 Melissa Joy Manning, Inc. (*Oakland*)
 Revival Mercantile (*San Francisco*)

¹ The Emerging Enterprises Advising program (EEA) extends the reach of PCV's cornerstone advising program to smaller companies in the Bay Area.

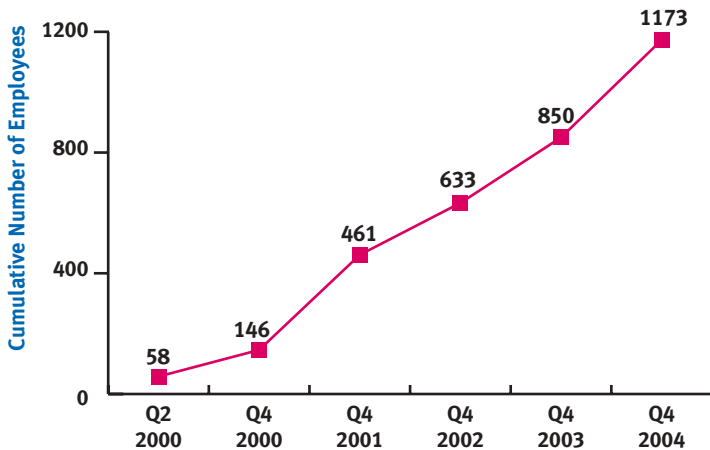
ment and interpretation. Together, PCV and BTW developed social outcomes and indicators to measure the following areas: 1) wages, 2) benefits, 3) wealth and asset building, 4) job training and skill development, 5) employee retention and advancement, 6) overall job quality, 7) business connection to communities, 8) company economic reach and 9) employee demographic characteristics. Data for measuring relevant indicators are systematically gathered through annual employer interviews and from quarterly employment reports. In 2004, BTW also conducted two portfolio employee focus groups to provide insight into the employee perspective on priorities and preferences for benefits.

EMPLOYMENT IN THE PCV PORTFOLIO

Designated Employees Working in the PCV Portfolio

Companies financed by PCV are committed to hiring individuals from LMI communities. Between April 2000 and December 2004, PCV financed portfolio companies employed a cumulative total of 1,173 designated employees.² Throughout the course of 2004, 543 designated employees worked in the eight active PCV financed businesses in a range of skilled and semi-skilled positions. Designated employee positions include but are not limited to jobs such as driver, butcher, bag sewer, shipping/receiving clerk, sprinkler fitter and administrator.

Cumulative Number of Designated Employees in Financed Companies, 2000-2004



PCV invests in and supports businesses at which jobs for designated employees constitute a significant proportion of the full-time workforce. During each quarter of 2004, between 85% and 91% of designated employees held full-time positions at PCV financed and advised businesses. In addition, designated employees make up more than half the workforce at 76% of these companies.

Since 2000, the designated employee demographic profile in PCV financed companies has been majority male and Latino. In 2003 and 2004, 63% of the designated employees were male and 37% were female; the racial and ethnic profile was 52% Latino/a, 29% White, 8% Asian/Pacific Islander and 7% African-American.

Wages

The weighted average wage for designated employees working at PCV's 2004 financed portfolio companies is \$12.78 per hour,³ which is considerably higher than the living wage ordinances in several California cities including San Francisco (\$10.51 per hour), San Jose (\$10.75 per hour) and Los Angeles (\$9.46 per hour). Accounting for inflation, this is a \$1.71 or 15.4% increase from 2000 and an \$0.88 or 7.4% increase from 2003. The increase from 2003 can be attributed

to increases in wages within companies that have remained in the PCV financed portfolio, the addition of new higher wage companies that joined the financed portfolio over the course of 2004 and the departure of lower wage companies. During 2004, 42% of designated employees within PCV's financed portfolio received pay raises. This is the largest annual proportion to date to receive pay raises.

In addition to hourly wages, 63% of 2004 PCV financed portfolio companies paid bonuses to designated employees.

Overall Weighted Average Wage at Financed Companies, 2000-2004

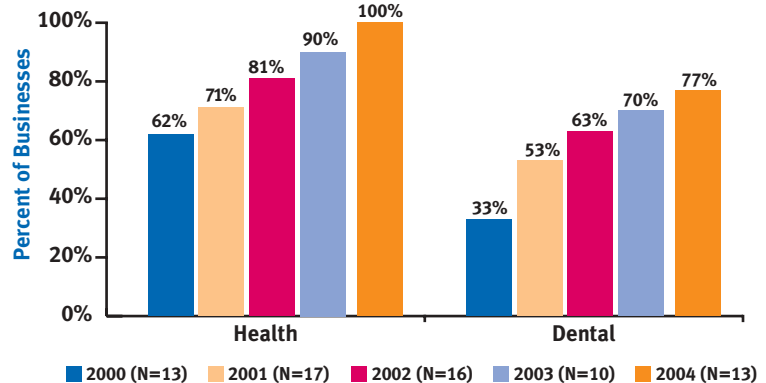
Year	Number of Companies	Number of Employees	Pre-adjusted Average Wage	Average Wage in 2004 Dollars*	San Francisco Living Wage Ordinance
2000	7	98	\$10.09	\$11.07	\$9.00
2001	8	380	\$10.55	\$11.25	\$9.00
2002	7	375	\$12.19	\$12.80	\$10.00
2003	7	402	\$11.59	\$11.90	\$10.25
2004	8	543	\$12.78	\$12.78	\$10.51

* Calculated using the Bureau of Labor Statistics inflation calculator.

Benefits

PCV and its portfolio company managers believe that benefits are an important feature of a quality job.

Percent of Portfolio Businesses Offering Medical Benefits to Designated Employees, 2000-2004



Medical Benefits

All 2004 PCV portfolio companies provide health benefits to designated employees. The largest proportion to date offer access to dental insurance and almost half (42%) of employers offer vision coverage. Almost two-thirds of 2004 PCV financed companies provide a health insurance option that is 100% paid by the employer. Offering a plan that does not require any employee contribution substantially increases enrollment.

² Designated employees are PCV portfolio company employees who: 1) were hired as hourly employees earning a starting wage equal to or less than \$20 per hour or in positions with a starting salary equal to or less than \$40,000 per year, and 2) live in a low- to moderate-income zip code or were hired from a nonprofit, job training or Welfare-to-Work agency.

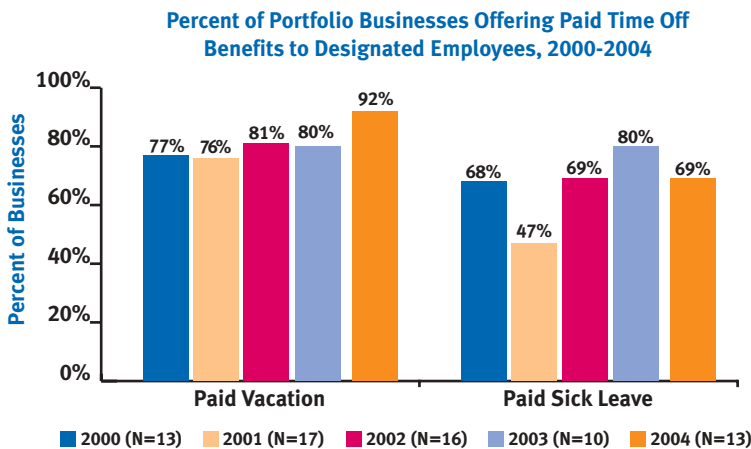
³ Bonuses are not included in hourly wage calculations.

In 2004, more eligible designated employees at PCV financed portfolio companies enrolled in company health plans than ever before. At the end of 2004, 75% of eligible designated employees chose to enroll in their company health plans, compared to only 54% in 2003. This 21% increase is attributable to higher enrollment rates at companies new to the 2004 PCV financed portfolio, as well as enrollment increases in the PCV financed companies continuing from 2003.

Paid Time Off

In 2004, the largest proportion of PCV portfolio companies to date offered paid vacation leave to designated employees and the majority, while slightly fewer than in 2003, provided paid sick leave.

PCV's 2004 employee focus groups brought to light the great value employees place on paid time off. Vacation time, holidays and sick time are important benefits to employees. Employees appreciate having easily accessible information about these benefits and would like as much flexibility and personal discretion as possible in using them.



Asset Building

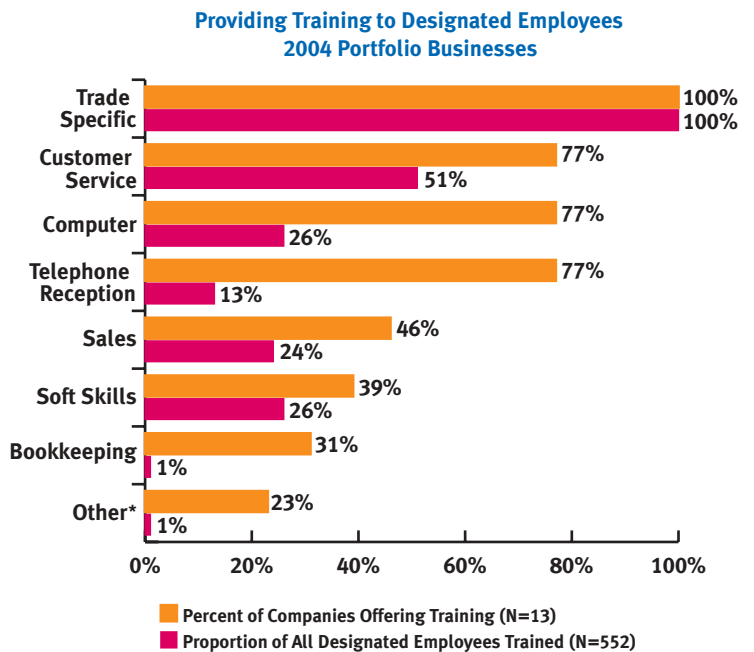
Sixty-three percent of 2004 PCV financed companies offer retirement plans to designated employees.⁴ Designated employee participation in company retirement plans, however, remains low. On average each quarter, 44% of designated employees working in PCV financed companies are eligible to participate in retirement programs. However, only 4%, on average, are enrolled per quarter. 2004 employee focus groups revealed that while some older employees are saving for retirement, most employees feel that they cannot afford to save.

PCV is working with financed portfolio companies to establish Individual Development Account (IDA) programs for designated employees. These programs provide designated employees the opportunity to attend financial literacy and other personal finance workshops and to earn a two-to-one match on their savings in the program. In 2004, PCV launched IDA programs at two PCV financed portfolio companies.

⁴ In addition, one company offers stock options and another company offers a phantom stock program to its designated employees.

Cultivating Skilled Employees

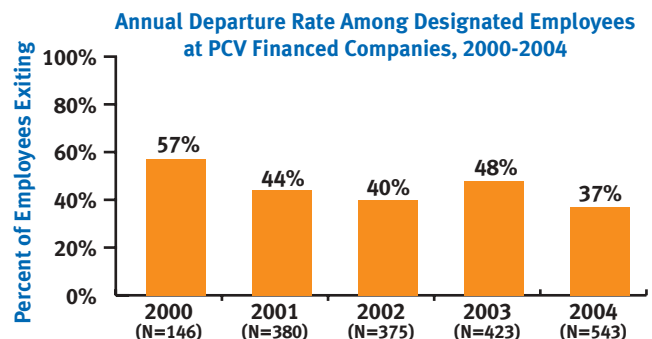
All 2004 PCV portfolio companies train *all* designated employees on the trade- or industry-specific skills required in their jobs. PCV views trade-specific training as the most valuable type of training because it helps employees gain tangible skills that make them more valuable members of the workforce going forward. Other common areas of training include customer service, computer skills and telephone reception. Training is done through classroom instruction, mentoring and/or on-the-job training. In 2004, the typical designated employee at portfolio companies received, on average, 51 hours of training in his/her first quarter of employment and 15 hours of training in subsequent quarters of the first year of employment.



*Other types of training include English language training, kitchen work and recreation.

Employee Retention

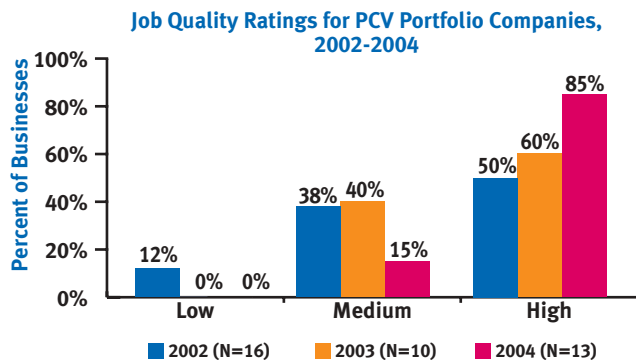
The 2004 departure rate for designated employees at PCV financed companies was the lowest it has been since tracking began in 2000. Fewer designated employees were laid off compared to 2003, indicating healthier businesses in PCV's 2004 portfolio as well as a stronger local economy. The primary reason designated employees left companies in 2004 was to pursue employment elsewhere or to attend educational or training programs.



Overall Job Quality

PCV measures social return on investment in terms of the number and quality of job opportunities provided by portfolio companies to residents of LMI communities. As a final way to assess the overall quality of the jobs that PCV portfolio companies are providing to designated employees, PCV and BTW Consultants created an integrated job quality index.⁵

In 2004, almost all (85%) PCV portfolio companies offered high quality jobs to designated employees. Compared to prior PCV portfolios, the 2004 portfolio has the largest proportion of companies that provide high quality job opportunities.



COMMUNITY CONNECTIONS

Location

The PCV 2004 portfolio includes companies located in seven different California counties covering the broadest geographical area in Northern and Southern California to date. About half of the PCV 2004 portfolio companies (54%) are located in San Francisco and Alameda Counties, while the other half are scattered throughout the state in Santa Clara, Napa, Tuolumne, Los Angeles and Orange Counties. All companies hire from low- to moderate-income communities and all but one are located in an LMI community.

⁵ The job quality index, created in 2002, is a weighted scale of key employment features including wage, benefits, training and wealth building opportunities for designated employees. For more information on the scoring system used in the Job Quality Index, please contact Pacific Community Ventures at info@pcvmail.org

Multiple Means of PCV Portfolio Companies Connecting with Local Communities

In addition to providing high quality employment opportunities for individuals living in local LMI communities and adding to the economic growth of those communities, all PCV portfolio companies are contributing to community vitality in many other ways. 2004 PCV portfolio employers contribute time and money to local organizations, they provide high quality products and services to their customers, and they are actively involved in local industry organizations.



CONCLUDING THOUGHTS

In many respects, 2004 has been a threshold year for Pacific Community Ventures. PCV has grown its portfolio of financed and advised businesses, extended its geographic reach to other parts of California, and expanded its service offerings, both to its portfolio businesses and to the employees of those businesses. This year's social return measurement shows that after six years, PCV is sustaining and strengthening its positive impact on low-wage workers, small businesses and the communities in which they are located. In the coming years, PCV will be exploring opportunities to assist businesses in responding to employee concerns of affordability and flexibility with respect to benefits.

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