

LOCAL CAPITAL COLLABORATION BRINGS FIRST STEP STAFFING TO PHILADELPHIA

How First Step Staffing - an Atlanta-based enterprise - raised \$6.33 million from local investors to replicate their model of sustainable income creation for individuals experiencing homelessness



Photo credit: firststepstaffing.com

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INVESTMENT AT A GLANCE: FIRST STEP STAFFING



THE CHALLENGE

15,000 EXPERIENCE HOMELESSNESS

Each year, 15,000 Philadelphians experience homelessness, according to the City of Philadelphia's Homeless Services Department.

THE OPPORTUNITY



FIRST STEP STAFFING TO REPLICATE PROVEN MODEL

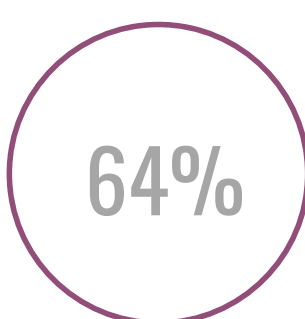
First Step Staffing (FSS), an Atlanta-based non-profit staffing agency founded in 2007, is committed to employing individuals experiencing homelessness. In 2017 alone, FSS created 3,384 jobs by purchasing a for-profit company in Atlanta and converting the jobs for their client population - prototyping a successful model with the potential for replication in other U.S. cities. FSS provides additional wraparound services and, consequently, pathways for clients to secure permanent jobs and housing.

A SOLUTION

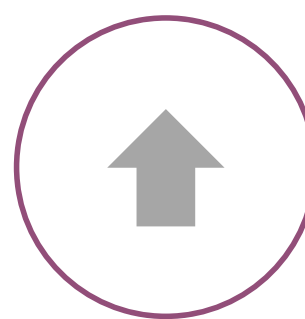
FIRST STEP STAFFING EXPANDS TO PHILADELPHIA WITH LOCAL STAFFING COMPANY ACQUISITION



FSS acquired Philadelphia branch of Overtime Staffing, including 700 jobs in 2018



FSS converted 64% of acquired jobs to opportunities for clients experiencing homelessness



FSS achieved 100% customer retention, added 14 new customers, and increased sales



FSS earned \$17M in revenue in their Philadelphia location alone in 2018

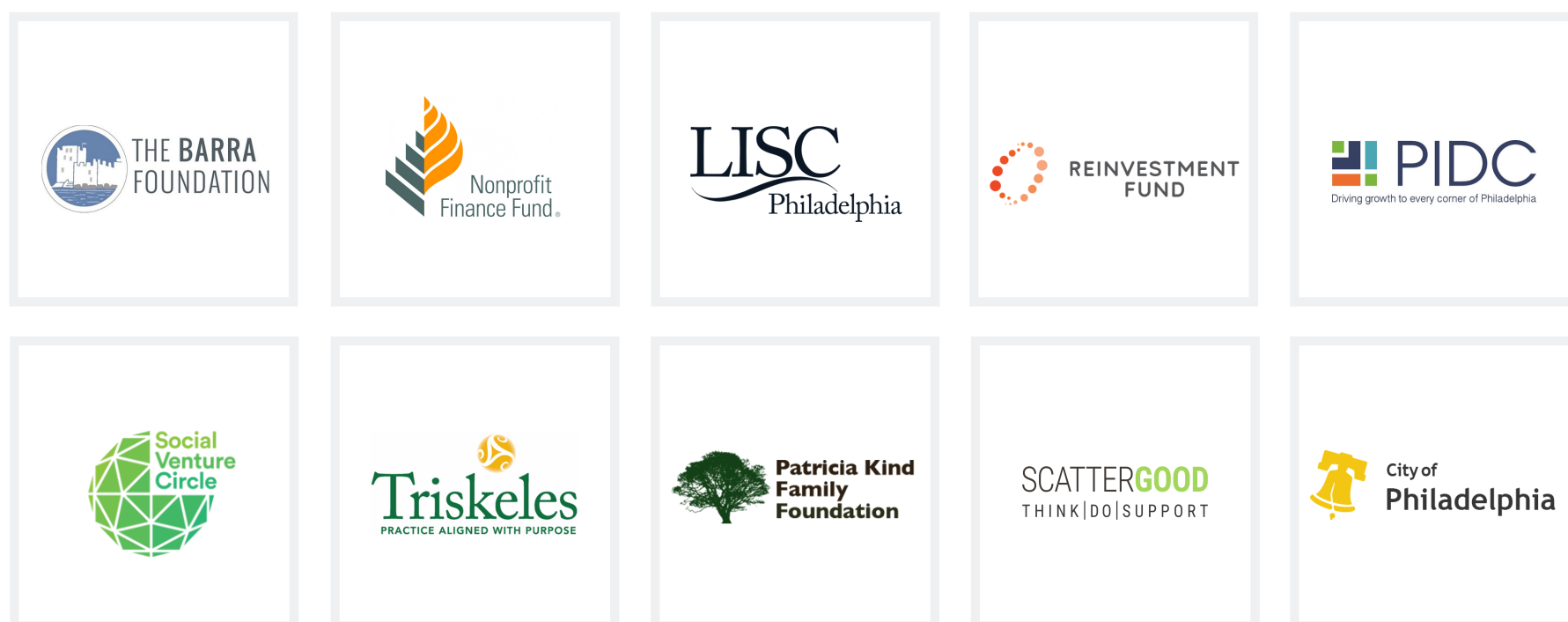


FSS built local wraparound services, such as transportation, to support client success

THE INVESTMENT

A \$6.33 MILLION COLLABORATIVE INVESTMENT

The First Step Staffing solution was possible with a unique collaboration of local investors - including foundations, a CDFI consortium, angel impact investors, and the City of Philadelphia,



CAPITAL STACK

\$280,000
GRANTS
\$4,850,000
CDFI DEBT
\$950,000
SUBORDINATED LOANS
\$250,000
CITY CONTRACT

THE INTENDED IMPACT

SHORT- AND LONG- TERM POSITIVE IMPACT INTENDED FOR DIVERSE RANGE OF STAKEHOLDERS

The \$6.33M investment intends to generate measurable impact, as well as a partial financial return on investment. The intended impact includes:



INDIVIDUALS WITH BARRIERS

Reliable income, stability, career skills, self esteem, new relationships, pathways to permanent employment



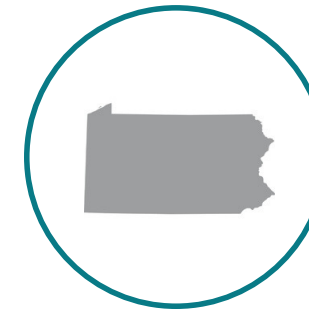
EXTENDED COMMUNITY

\$14M in 2018 paid wages and future wages to ripple into local community and business



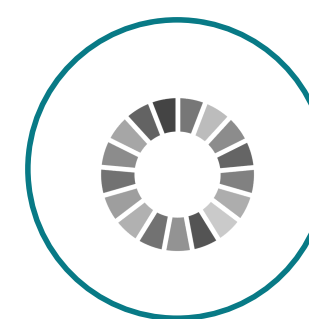
CITY OF PHILADELPHIA

Potential to ease costly services, create tax payers, attract new business and investments



EXTENDED REGION

Potential to model a solution that could be scaled and/or replicated in the region and Pennsylvania



UN SDGs

Potential to model a business and investment solution that advances UN SDGs in cities

LOCAL CAPITAL COLLABORATION BRINGS FIRST STEP STAFFING TO PHILADELPHIA

PHILADELPHIA'S CHALLENGE AND OPPORTUNITY TO END HOMELESSNESS

15,000 Philadelphians experience homelessness each year.

In 2018, The City of Philadelphia's Office of Homeless Services announced a 5-year strategic plan to make homelessness rare, brief, and non-recurring. Roadmap to Homes, the result of a 12-month planning process with a community of diverse stakeholders, is "a plan by the community, for the community" and outlines five key priorities:

- 1) Expand Homeless Housing Resources
- 2) Coordinate Across and Integrate Systems
- 3) Implement Transparent and Inclusive Quality Improvement Process
- 4) Communicate More Effectively
- 5) **Connect People to Employment and Workforce Development**

Within the 'Connect People to Employment and Workforce Development' priority, one identified action step is to work with First Step Staffing.

First Step Staffing was founded in Atlanta, Georgia in 2007 with the mission to secure sustainable income for individuals transitioning out of homelessness, including veterans, re-entering citizens, and others with significant barriers to employment. In 2015, the company acquired a for-profit company in Atlanta, Georgia that enabled them to place thousands of individuals experiencing homelessness with stable jobs – many of whom were then able to secure permanent housing. In 2017 alone, First Step Staffing was able to help 3,384 homeless or at-risk individuals find jobs and access wrap-around support services, such as job coaching and transportation, to increase job retention and support their overall success.



15,000 PHILADELPHIANS EXPERIENCE HOMELESSNESS EACH YEAR

Each year, 15,000 Philadelphians experience homelessness, according to the City of Philadelphia's Office of Homeless Services. In January 2018, 5,788 people were living on the street, in a shelter, or some form of homeless housing, according to city statistics.

"When we saw the results First Step Staffing was achieving in Atlanta and heard they wanted to expand, we jumped at the chance to help bring this model to Philadelphia."

**Andy Rachlin, Managing Director
Reinvestment Fund**

FIRST STEP STAFFING'S EXPANSION TO PHILADELPHIA, PA THROUGH LOCAL ACQUISITION

In 2016, a group of engaged Philadelphia stakeholders - the City, funders, and local nonprofits - began discussions and planning for how to replicate First Step Staffing's successful, Atlanta-based employment model in Philadelphia. The timeline from initial discussions and identification of a local acquisition target to closing was approximately 13 months.

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(November 2016 – January 2018). In 2018, First Step Staffing acquired a portion of the Philadelphia-based division of On Time Staffing—a for-profit staffing company founded 18 years ago specializing in warehouse, packaging, and manufacturing jobs. The purchased assets were immediately converted to a nonprofit, wholly owned subsidiary of First Step Staffing with a dedicated, local Philadelphia board to oversee operations and provide governance structure. Local staff and systems were systematically integrated with First Step's process.

“By purchasing a for-profit staffing company and converting it into a nonprofit with existing earned revenue streams, First Step is taking a fresh approach to combatting homelessness. This type of rapid employment for homeless individuals does yet not exist in Philadelphia and will be an important addition to the continuum of care.”

**Tina Wahl, President
Barra Foundation**

Additionally, new partnerships were formed with Philadelphia-based agencies and nonprofits serving the targeted populations to provide a pipeline of work-ready men and women to refer into the acquired positions. These agencies now have a local resource for rapid, supported employment for their clients so they can quickly gain access to income to stabilize and transition into sustainable housing.

With the acquisition complete and systems in place, First Step Staffing's goal for the first year, 2018, was to convert 50% of the acquired jobs into positions for the targeted populations – homeless, veterans, and/or returning citizens.

First Step Staffing's First Year Results

In its first year of operations in Philadelphia, 64% of First Step Staffing's acquired positions have been converted to positions for their clients - men and women experiencing homelessness. Additionally, nearly 175 individuals have been placed into permanent, full-time positions with First Step customers.

First Step's sales team retained all but one acquired customer, increased sales at several existing customers, and added fourteen new customers. These sales increases are due in large part to First Step's ability to provide a reliable, well-supported group of employees to the customer. The increased sales and new customers translate into more job opportunities for First Step clients. Additionally, services like job coaching, and particularly transportation, ensure First Step clients are able to obtain and retain employment. As a result of their first year successes, First Step Staffing Philadelphia will pay over \$14 million in earned wages to clients, creating a dramatic impact on client lives and return on investment for the community at large.

FIRST STEP STAFFING'S 2018 RESULTS

- ✓ On Time Staffing successfully acquired and converted to a nonprofit owned by FSS
- ✓ Local board created and local staff integrated
- ✓ Local partnerships established for client pipeline
- ✓ All but one customer retained, sales with customers increased, and fourteen new customers added
- ✓ 64% of 700 jobs acquired converted for clients
- ✓ 175 clients placed in full-time positions with First Step Staffing customers
- ✓ \$14M in earned wages paid to First Step's clients

LOCAL CAPITAL COLLABORATION BRINGS FIRST STEP STAFFING TO PHILADELPHIA

THE INVESTMENT COLLABORATION THAT MADE FIRST STEP STAFFING PHILADELPHIA POSSIBLE

First Step Staffing's replication in Philadelphia, PA was made possible by the close collaboration of the First Step Staffing team and multiple, engaged local stakeholders. Notably was the creative capital collaboration that enabled First Step Staffing to acquire On Time Staffing and kick-off their first year of business in 2018. The acquisition was funded by: grants from The Barra Foundation; a senior acquisition loan from four Community Development Financial Institutions ("CDFIs"), including Nonprofit Finance Fund, Reinvestment Fund, Local Initiatives Support Corporation (LISC), and Philadelphia Industrial Development Corporation (PIDC); subordinated loans by foundations including Patricia Kind Family Foundation, Scattergood Foundation, and Triskeles Foundation; subordinated loans from multiple angel impact investors with Social Venture Circle's (SVC) local Philadelphia chapter; support in the form of grant dollars and contract guarantees from The City of Philadelphia.

"PIDC is proud to be part of a diverse group of social impact funders who came together to fund First Step Staffing's first expansion. In addition to the direct jobs that will be created by bringing this new business into Philadelphia, First Step Staffing will bring its proven, innovative model to support individuals transitioning out of homelessness...making a significant contribution to one of the key challenges our city faces."

A \$6.33 MILLION TOTAL INVESTMENT

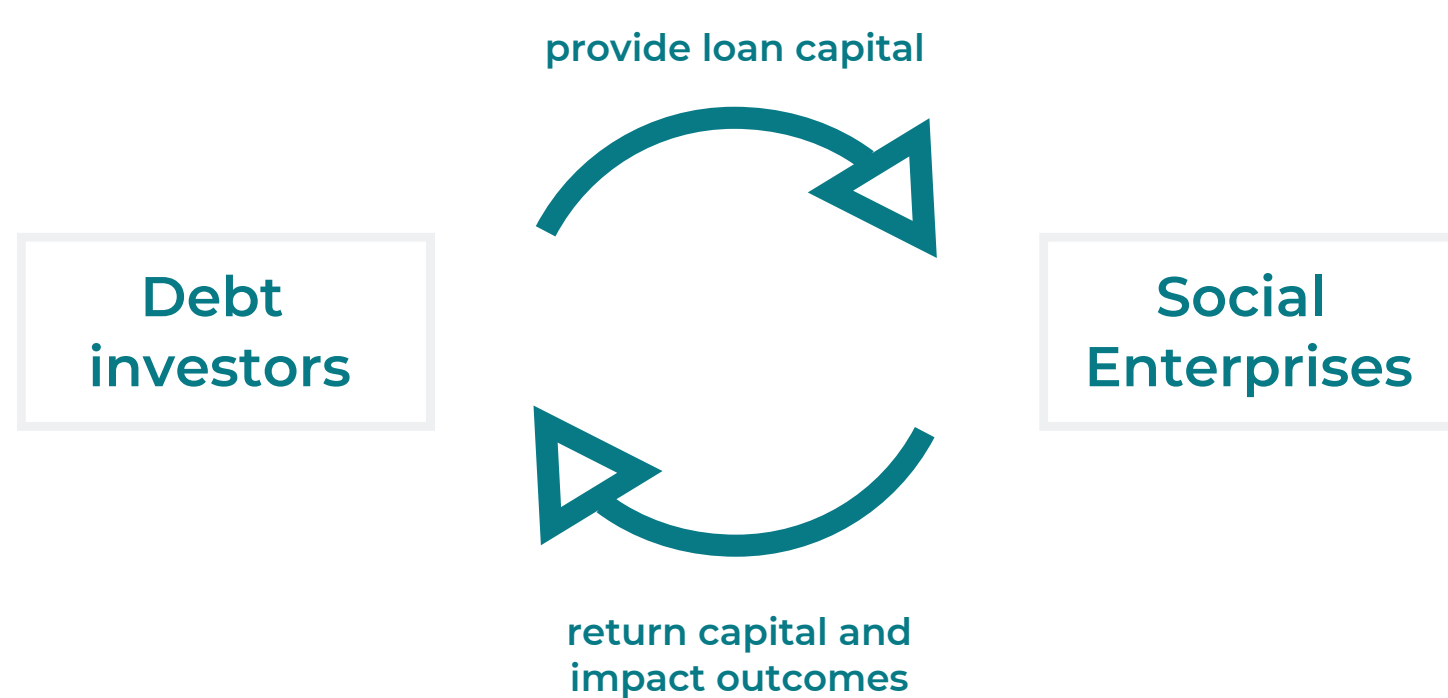


LOCAL CAPITAL COLLABORATION BRINGS FIRST STEP STAFFING TO PHILADELPHIA

THE INTENDED FINANCIAL AND IMPACT RETURN ON INVESTMENT

Financial Return

The majority of the investment, \$5.8M in loans and subordinated loans, intend to be returned to the deal's debt investors - the CDFI consortium, Patricia Kind Family Foundation, Scattergood Foundation, Triskeles Foundation, and Social Venture Circle individual investors - in loan principal and interest. By providing a debt investment, investors will be returned capital that can then be recycled to create new loans and investments for the benefit of the Greater Philadelphia Region.



The strategy is good business, especially in a tight labor market. By unlocking talent in a population largely overlooked, we're taking market share."

Greg Block, Founder & Chairman
First Step Staffing

Impact Return

The \$6.33M investment intends to not only produce a financial return, but to generate positive measurable (and unmeasurable) impact that has direct and indirect benefits, for a diverse range of stakeholders, in the short, medium, and long-term.



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EXTENDED LOCAL COMMUNITY

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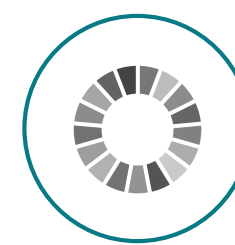
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LOOKING AHEAD

First Step Philadelphia celebrated its first year of operations in January 2019. In year two, First Step's goals are to continue to increase sales and jobs access while simultaneously integrating more of the targeted population into sustainable jobs.

First Step continues to establish its presence in the Philadelphia region, sharing the story with local stakeholders, building new partnerships, and adding new customers.

INVESTMENT CASE STUDY: FIRST STEP STAFFING



THIS INVESTMENT CASE STUDY WAS PRODUCED BY IMPACTPHL WITH THE SUPPORT OF HARP-WEAVER, AS PART OF THE GREATER PHILADELPHIA IMPACT CAPITAL PLEDGE CONTENT SERIES

ABOUT IMPACTPHL



ImpactPHL's mission is to increase investment in impact companies and organizations in Greater Philadelphia by accelerating development and awareness of Greater Philadelphia's impact economy. We do this by 1) growing the impact investing community 2) increasing the number of successful and growing impact companies 3) increasing awareness among and participation by established companies 4) strengthening connections and collaboration and 5) Positioning Philadelphia as a national leader of the impact economy. [Learn more at impactphl.org](https://impactphl.org).

ABOUT HARP-WEAVER



harp-weaver is an independent philanthropy advisory firm based in Philadelphia, Pennsylvania that works with individuals and families to gift to and invest in issues that matter in a meaningful way. If you are just starting to think about how to make charitable contributions or if you are looking to take a different approach, consider working with harp-weaver to help you navigate the world of philanthropy. giving with meaning is about unlocking your personal vision for your philanthropy and articulating that vision in a way that helps inspire and energize you. giving with meaning is about knowing that your contributions and investments are aligned and making an impact. [Learn more at harpweaver.com](https://harpweaver.com).

ABOUT THE GREATER PHILADELPHIA IMPACT CAPITAL PLEDGE CONTENT SERIES

The Greater Philadelphia Impact Capital Pledge, an initiative powered by ImpactPHL, aims to capture existing and catalyze new impact and mission-aligned investments from/for the Greater Philadelphia Region. The Pledge content series takes a closer look at the ways in which capital flows to create positive local impact by profiling a diverse range of investors and investment case studies. [Learn more at impactphl.org](https://impactphl.org).

LEARN MORE

First Step Staffing || firststepstaffing.com

The Barra Foundation || barrafoundation.org

Nonprofit Finance Fund || nff.org

Reinvestment Fund || reinvestment.com

Philadelphia Local Initiatives Support Coalition (Philadelphia LISC) || lisc.org/philly/

Philadelphia Industrial Development Corporation (PIDC) || pidcphila.com

Patricia Kind Family Foundation || pkindfamilyfoundation.org

Scattergood Foundation || scattergoodfoundation.org

Triskeles Foundation || <https://triskeles.org>

Social Venture Circle || svcimpact.org

The City of Philadelphia || phila.gov