

Presentation to Pacific Community Ventures, San Francisco, CA
By John C. Williams, President and CEO, Federal Reserve Bank of San Francisco
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Impact Investing, Impacting Neighborhoods

Thank you, Julius, and good afternoon everyone. It's a pleasure to be here.

While I was preparing to speak to you all today, I sat down with some of my staff to talk about what I should say, the points we should emphasize, the usual—I'm an economist, so I'm always over-prepared and fixated on data. The headline, obviously, was: PCV is a great organization because they directly invest, they advise on both the investor and investee side of the equation, and they're a thought-leader in the sector. But I wanted to dig deeper into the economic impact. And as we talked—about the economic benefit of PCV's work, how it compares to other options in these neighborhoods, looking at the data—we kept coming back to something: Not everything PCV does is quantifiable in hard numbers. Don't get me wrong, there are data—which satisfies my need to see a spreadsheet and a cost-benefit-analysis, something I'm sure many of the bankers here can relate to. But you can't really put a number on what truly defines this work. Which is a good thing...as uncomfortable as it makes a numbers geek like me. PCV helps small businesses succeed, creates jobs where they're most needed, and ultimately helps make communities stronger, and the impact of that is multifold.

An uneven recovery

PCV's work is particularly important in the context of the last several years. I've been in this job for just over four years now, and they have not exactly been the best of economic times. Now we're finally coming into the light at the end of the proverbial tunnel. Nowhere is that more evident than San Francisco—if you look out the window at our offices on Market Street, you see buildings going up on all sides.

But if San Francisco is a showcase of the best of the recovery—the epicenter of the tech sector, the boom in property—it's also the center of the debate about the people who aren't bouncing back. This economic recovery hasn't been the same for everyone. There are people who were left behind. There are people who were, frankly, left behind even in the best of times.

Which is why we need these targeted investments, so that everyone can benefit from the recovery. And since we're in San Francisco today, there's a certain poetic symmetry to PCV using Silicon Valley knowhow and investing acumen to focus on social problems and to develop neighborhoods. It's a sort of nexus of San Francisco life.

Sustainability and staying power

As we talked in my office, one of the points I kept coming back to was the advice part of PCV's work. After I graduated from college, I spent a couple years managing a small business called Blondie's pizza. While I was there, I met and talked with small business owners. Something I found fascinating was that many of them had gone to community college and that's where they learned how to open and operate their stores. It was surprising to me at the time,

though now it's obvious, that the community college system is basically our incubator for mom-and-pop shops. I remember thinking that this is something incredibly valuable that the community college system provides: a handbook for how to start a business.

But starting a business and sustaining a business are two different things. Particularly in disadvantaged neighborhoods, people just don't have the networks that other small business leaders do—people who've been through the myriad frustrations and stages of establishment and growth. People they can talk to and learn from.

It's true in any job that the connections you make and the networks you establish are important to your success. I'm sure most of you have worked in organizations that have mentoring and career development programs, because the company understands that it's important for someone to show you the ropes. Or you've worked in an area that depended on bringing in outside business, which is a whole lot easier if you've got people to make introductions. So that richer advice and counsel PCV provides is truly invaluable.

Starting a business is hard enough, but doing it in an underserved area, without the benefit of peer-to-peer advice, mentoring, networks...it's a herculean task. Add to that the difficulties of starting a business in the aftermath of the Great Recession: Loans were extremely difficult to get, and because personal assets are an important source of funding for these types of businesses, the drop in housing values hit the sector hard. So for that, hats off to everyone in this room who's made that terrifying leap, and a word of thanks to everyone who's supported them.

Strengthening neighborhoods

Speaking of the people who've offered financial support, I know a lot of potential investors may wonder: Why should I do this? What's the return on investment? We know that most of these businesses aren't going to go from four to 40,000 employees.

And that's a fair point. But they will go from four to 14, and then to 40, some may even make it all the way to 400. The important thing is that when they're a success, they lay the groundwork for others in the area to enter the market and push up jobs, wages, and productivity.

There is an economic effect that, say, a newly opened family-run grocery store has on a low-income neighborhood. That's increased if you add a bakery, a nail salon, and a hardware store on the same block, all locally owned and operated. The obvious benefit is the increase in local wages. But the real impact is how it can change a community. It's helping to establish a commercial corridor, creating an economic foundation that creates jobs, raises local incomes, and makes underserved areas more prosperous, safer, and self-sustaining. It's giving the community an anchor. And that's an exponential return.

Conclusion

Someone once said that you should always finish speaking before your audience has finished listening. And since my instinct when I'm up on stage is to go into an economics lecture, I'll spare you all.

I just want to wrap up by really commending the ingenuity and leadership of PCV, the
bravery and fortitude of their clients, and the generosity and open-mindedness of their investors.

Also their money.

Thanks again to everyone.