

Stanford SOCIAL INNOVATION Review

Field Report
A Haven for Transitional Youth
By Elizabeth MacBride

Stanford Social Innovation Review
Summer 2023

Copyright © 2023 by Leland Stanford Jr. University
All Rights Reserved

Stanford Social Innovation Review
www.ssir.org
Email: editor@ssir.org

A Haven for Transitional Youth

First Light Hospitality has developed a scalable social enterprise that provides jobs, life skills, and outdoor fun for young people aging out of the social-services system.

BY ELIZABETH MACBRIDE

In one of his earliest memories, Tim was 4 or 5 years old when his mother threatened to drive them both off a cliff. “Sometimes, I wished she just did it,” he says.

He is matter-of-fact about the horrific details of his childhood: The beatings from his mother and her boyfriends. The three years of being unhoused when he was a teenager, taking refuge in a park in Sacramento, California.

In 2018, Tim was living in housing provided by Lutheran Social Services when a counselor told him about a youth internship program, operated by First Light Hospitality, that assists young adults who are too old for youth social services but still need support. Founded by social entrepreneurs Brian Anderluh and Lee Zimmerman in 2002, First Light consists of two luxury lodges located just outside Yosemite National Park. The company’s internship program has helped more than 800 young people like Tim by offering them jobs, counseling, financial-literacy and life-planning courses, and housing.

Transitional youth are one of the most difficult-to-reach populations because most social services, including the foster-care system, are designed for people 18 and younger. Young people who have been in the social-services system often lack the familial, financial, social, and career supports to become self-sufficient adults.

First Light’s program puts into practice recent discoveries in social research about what services, in addition to counseling, help people recover from complex childhood trauma. These include small-dollar rewards, regular exercise, and interactions with sympathetic adults who have training in deep listening and empathy.

For Tim, First Light provided a stable and supportive environment, employment, and invigorating outdoor recreation that improved his well-being. After completing the four-month program, he found employment with another hospitality company before returning, in 2020, to the First Light lodges for a job in the maintenance department. Two years later, he landed a job at the Four Seasons in Jackson Hole, Wyoming, and is now saving to buy a home. The program, he says, not only gave him essential security—financial grounding and housing—but also helped him to develop the confidence and courage to move into the world.

BUILDING LIFE SKILLS

Anderluh and Zimmerman were roommates at the Stanford Graduate School of Business. After graduating in 1994, Anderluh joined a start-up that flamed out, while Zimmerman joined a nonprofit, Juma Ventures, which serves transitional youth. Both wanted meaningful careers, but neither wanted to run a nonprofit.

industry comprises a variety of jobs that require consistent engagement—with staff, visitors, and fellow youth—crucial to developing social skills.

First Light “didn’t want to be a giant hotel company,” Anderluh says. “We wanted something more.” This meant investing in the company as a social venture by setting aside some profits each year for the youth program. From the start, therefore, Anderluh and Zimmerman knew they had to accept slower growth for the business.

In late 2001, they saw an ad from a family-owned hotel company selling 18 cabins and an old lodge near the Yosemite National Park Hetch Hetchy entrance. The buildings, some built as early as 1921, needed renovation, but the location offered a tourism market, and the entrepreneurs thought the youth would benefit from the natural setting.

Anderluh and Zimmerman raised funds through their respective networks to buy the property in 2002, keeping the historic Evergreen Lodge name. That year, they began accommodating tourists and launched



Youth participating in First Light’s program, here, pictured at the Yosemite Tunnel, take advantage of the natural beauty.

In 2000, they hatched an idea to create a for-profit company to employ young people, like those Zimmerman encountered at Juma Ventures, who had job training but too few prospects for employment. Social venture fund REDF awarded them a yearlong \$80,000 grant to develop a business plan. They set their sights on the hospitality industry because it offered the potential for high profits to subsidize the program, and because the

the intern program with one staff member and four transitional youth. They now have four dedicated staff who manage the program, which costs about \$300,000 a year, or a little more than 10 percent of the company’s annual profits.

Potential interns go through two rounds of interviews. The program looks for people ready to commit to change—a quality that can be hard to identify, Zimmerman acknowledges. To evaluate

that quality, interviewers ask the youth about their goals and if they believe the program is a good fit for them. Some speak about the desire for change, says Matt Dunn, youth development director.

About 50 percent of the youth have connections to the foster-care system. Many come from vocational programs, such as the Waterside Workshops in Berkeley and Juma Ventures and Treasure Island Job Corps in San Francisco, or housing programs.

Each year, 50 transitional youth work as interns, making up about a sixth of the lodges' 300 employees. They are paid \$15.50 an hour and work in various occupations, including as restaurant servers,

Running a program like this requires taking some risks, or you're not reaching the people you want to reach.

housekeepers, maintenance crew, or salespersons in the lodges' retail shops.

"It's real work experience, and it's directly attached to the business operations," says Marc Spencer, the CEO of Juma Ventures and member of First Light's board of directors. "The youth are critical to the success of the hospitality business and critical to guests' experiences."

In addition to housing and meals, the program offers weekly counseling sessions and outdoor excursions in the national park. The program assists interns with opening bank accounts if they don't already have them. Fifty percent of their pay is deposited directly into a savings account, while the other 50 percent goes into a checking account. When an intern's account reaches \$2,000, the program adds \$1,000. Additional incentives reinforce the basic lesson that steady effort brings reward. Tim, for instance, was the first intern to hike 100 miles and was awarded \$100 worth of hiking gear.

One critical component of the program is helping interns build relationships with the lodges' regular-hire employees, who are trained in how to interact with the interns. For instance, employees are reminded not to reprimand

interns and to keep addictive substances, including alcohol, away from them. The program offers social meetups, such as popcorn-and-movie nights, and employees are invited to join interns on outdoor adventures. At the end of the program, First Light hires about a third of the interns as employees and helps the others secure jobs elsewhere.

Anderluh and Zimmerman have not conducted a formal program analysis. Though they initially planned to gather statistics, they didn't have grantors to report to and found that the mere act of data collection created counter-incentives.

"We were hiring people we knew we could help, so that we knew we could place

them in jobs afterward. That's better for your statistics," Zimmerman comments. "But running a program like this requires taking some risks, or you're not reaching the people you really want to reach, the ones on the margins."

GROWTH HURDLES

First Light has taken a blended approach, combining a for-profit business and social enterprise. The company's continued success challenges both the stereotype that a for-profit must hew to the bottom line and the assumption that a social enterprise can't turn a profit. "From the beginning, this was an experiment to see if we could introduce the ideas of social entrepreneurship in a for-profit setting," says First Light board member Melinda Tuan.

One challenge they encountered early was figuring out how to finance the deeply enmeshed for-profit company and social program. Bank loans are traditional sources of capital for for-profit businesses, but loan officers were skeptical about the company's ability to survive with its social program draining profits.

After two years of facing this skepticism, Anderluh and Zimmerman decided to hide the cost of the youth program

in their general administration line item. Their profit margin was still high enough to qualify for government and bank loans—which amounted to about \$8.5 million of the \$12 million they raised in those first two years. The remaining \$3.5 million came from 30 investors comfortable with the social enterprise.

However, Anderluh and Zimmerman knew they could still have a problem delivering returns to investors. Typically, returns come from the sale of a property, but selling their property would have effectively ended the youth program. Instead, they returned investors' original capital with the business's profits. Over 20 years, investors have more than doubled their money—that's slightly lower than what they might have expected for a market-rate investment.

"It's been a good, solid return over a long period of time," says Steve Zuckerman, a nonprofit finance executive and early investor in First Light.

In 2016, Anderluh and Zimmerman built Rush Creek Lodge, 17 miles down the road from Evergreen Lodge. They spent \$50 million on the project—money that came from investors, loans, and Evergreen's profits. The two properties comprise 40 acres housing the lodges' 231 bedrooms, suites, and villas (143 at Rush Creek and 88 at Evergreen).

In the next three to five years, Anderluh and Zimmerman anticipate adding two more lodges near Yosemite and plan to expand the youth program proportionally. Zimmerman says their business model—employing people who are stereotyped as not worth investing in—can work in other hospitality businesses if owners and investors are willing to sacrifice some profits.

The cofounders also note that what they've done demonstrates that businesses have a role to play in creating solutions to the toughest social problems—in this case, helping traumatized young people acclimate to adult life.

"The reason all businesses should be driven to succeed is that doing so gives them the incredibly rewarding and critical ability to build a kinder, fairer, more supportive society," Zimmerman says. ●

ELIZABETH MACBRIDE is a business journalist and coauthor of *The New Builders*.