

Helping neighborhood businesses grow

**1993-2002 evaluation results for
Neighborhood Development Center, Inc.**

Neighborhood Development Center, Inc. (NDC) in Saint Paul, Minnesota, helps low-income communities build their capacity, stability, and neighborhood economies by helping new entrepreneurs develop successful businesses. Since 1993, in partnership with neighborhood organizations and culture-based organizations, NDC has assisted 1,907 entrepreneurs through micro-enterprise training and two business incubator sites (Midtown Business Center in Saint Paul and Mercado Central in Minneapolis).

The results presented here are drawn from NDC's program records and from telephone surveys of NDC-assisted business owners conducted by Wilder Research Center in 1996, 1998, 2000, and 2003.

GROWING NUMBERS OF BUSINESSES ASSISTED BY NDC

	Assisted by NDC	Surveyed	Response rate
1996	140	120	86%
1998	173	156	90%
2000	277	230	83%
2002	292	222	76%

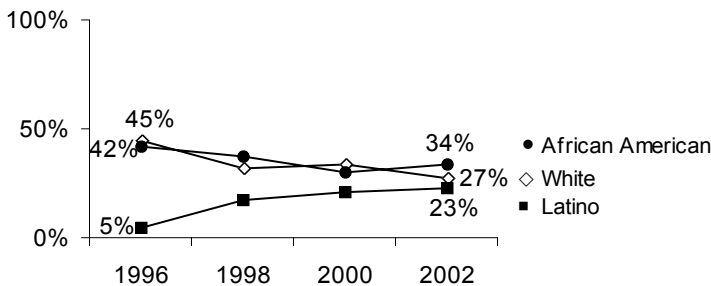
Note: Additional businesses may have been started by people trained or assisted by NDC since 1993, without the knowledge of NDC staff.

Profile of business owners assisted by NDC

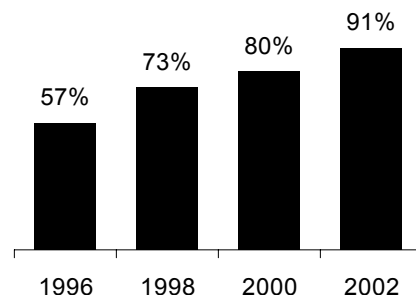
One hallmark of NDC is its service to businesses owned by women and people of color. From the start, NDC-assisted business owners have been a racially and ethnically diverse group, about half men and half women, with an average age of about 41 or 42. All are residents of inner city neighborhoods.

Over the past several years, NDC has worked with increasing numbers of business owners who have no prior business training.

RACE/ETHNICITY OF BUSINESS OWNERS



BUSINESS OWNERS WITH NO PRIOR BUSINESS TRAINING



Source: NDC records

How NDC helps business owners

Micro-enterprise training: Held in the offices of NDC's neighborhood partners, this training course totals 24 hours over 16 weeks. Classroom sessions (2 hours) alternate with one-on-one training (1 hour), leading to a written business plan. To participate, entrepreneurs must live in the targeted neighborhood or start their business in that neighborhood and have incomes below \$43,500 (adjusted based on family size), which is about 80 percent of the median income for a family of four in St. Paul and Minneapolis.

Culture-based training: NDC adapts its micro-enterprise training course for Hmong, Latino, Somali, East African and American Indian entrepreneurs in their own languages and peer groups.

Recipes for Business Success: This specialized program trains those interested in the food products industry.

Follow-up technical assistance: After classroom graduation, NDC staff trainers and neighborhood partners help entrepreneurs complete their business plans. Once an entrepreneur opens (or expands) a business, NDC is available for assistance at least monthly, and the neighborhood partners are available as needed.

Workshops for Existing Businesses (WEB): These have been offered on many topics in many neighborhood and ethnic settings, such as a Spanish-language series of restaurant management workshops offered at the Mercado Central. The workshops are designed to strengthen small, established businesses in targeted neighborhoods, whose owners rarely attend the 16-week business plan class.

Incubators: Two NDC incubator buildings that house 19 businesses. The Midtown Business Center (MBC) opened in 1997 in Saint Paul, in partnership with the Frogtown Action Alliance. Incubator tenants have access to shared computers, fax, and copier machines, and on-site technical assistance from NDC's business development specialists. The Mercado Central in Minneapolis is a collaborative project developed by Project for Pride in Living, Interfaith Action/ Catholic Charities, Whittier Community Development Corporation and NDC. It is a cooperatively owned retail incubator with 47 member-vendors, the majority of whom are graduates of NDC's Spanish-language training classes. NDC assists on-site with bookkeeping, marketing, and other support services. The Recipes program, described earlier, also has a commercial kitchen incubator

Business financing: Few of the entrepreneurs trained by NDC are able to obtain commercial loans from banks. Consequently, NDC has its own micro-loan fund, the Neighborhood Entrepreneur Loan Fund, which lends up to \$10,000 to qualified graduates. Larger amounts are available to businesses with strong plans and the potential for high impact. The Special Opportunities Loan Fund, a loan program for established businesses, offers matching loans for businesses with the potential for strong community impact.

In 2001, NDC added a fund for Islam-compatible business financing. Islamic law forbids financing that involves the payment of interest. To better serve Muslim alumni, NDC developed guidelines and obtained funds to provide this financing program for small businesses. The cost is the same for the business – 10 percent per year - but it takes the form of profit rather than interest. The need for this financing is primarily among the many business start-ups in the Somali immigrant community, but the program is open to all NDC businesses.

Real Estate Development Initiative: NDC provides loans or equity investments for leveraging real estate projects in inner city commercial corridors intended to be catalysts for neighborhood revitalization.

NDC assists businesses to expand as well as to start up. Over the past 10 years, NDC has worked mainly with existing businesses, but in recent years has worked with more new businesses.

Consistently over the past 10 years, service-oriented businesses make up the largest share of NDC's work, followed by retail businesses.

In 1996 and 1998, the typical NDC-assisted business was home-based, providing a service to customers outside of its immediate neighborhood, owed a small amount of money to NDC or a bank, and had grown modestly, if at all, since NDC training.

In 2000, the typical NDC-assisted business was still home-based, now serving to customers both within and outside of its immediate neighborhood, had low debt, and had experienced moderate to considerable growth.

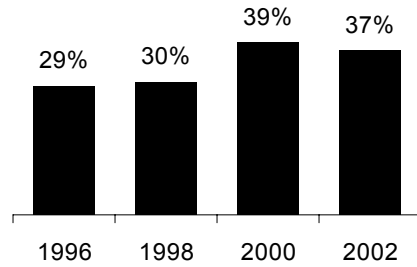
By 2002, the typical NDC-assisted business was still providing a service to customers within and outside of its immediate neighborhood, still had low debt, and had experienced moderate to considerable growth, but it was now located in commercial space.

In each evaluation, NDC-assisted business owners have reported that they enjoy being in business for themselves, and are meeting their personal goals to a greater extent than their business goals.

Signs of business growth

In 2002, since receiving NDC assistance, 29 percent of the owners of existing businesses report they have expanded their business hours; 30 percent have added employees; and 50 percent have increased their monthly gross revenues.

NEW BUSINESSES ASSISTED BY NDC



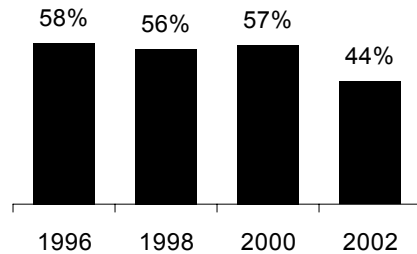
Source: Wilder Research Center survey

TYPES OF BUSINESSES ASSISTED BY NDC

	1996	1998	2000	2002
Services	59%	57%	59%	58%
Retail	15%	19%	20%	23%
Food	13%	14%	13%	12%
Construction	7%	6%	4%	4%
Production	5%	3%	5%	3%
Total businesses surveyed	112	156	230	222

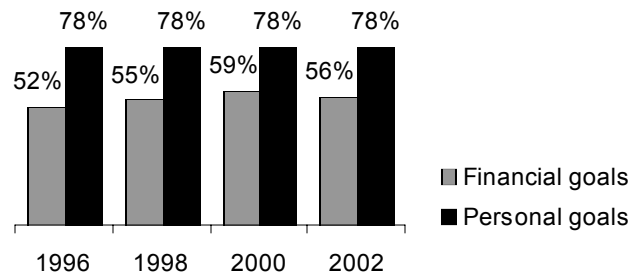
Source: NDC records

NDC-ASSISTED BUSINESSES BASED IN THE OWNER'S HOME



Source: Wilder Research Center survey

NDC-ASSISTED OWNERS WHO ARE MEETING THEIR FINANCIAL AND PERSONAL GOALS "QUITE A BIT" OR "SOMEWHAT"



Source: Wilder Research Center survey

Until 2002, although monthly incomes increased after assistance from NDC, many owners supplemented their business earnings with income from another full-time or part-time job. In 2002, however, more owners began to rely on their businesses as their primary income.

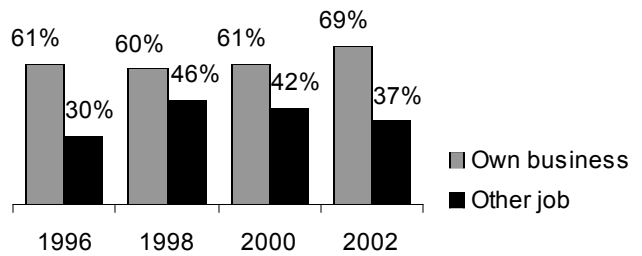
Impact on neighborhoods

Since 1998, NDC-assisted businesses have contributed substantially to their communities through neighborhood jobs, payroll taxes, rent, property taxes, local purchase of supplies and materials, and tangible support for neighborhood events and improvements.

Business owners also contribute to their neighborhoods in non-financial ways: by serving as role models, participating as leaders in community activities, providing a place for neighbors to meet and talk, and offering services or products to communities that need them.

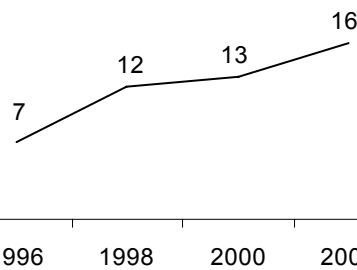
While the slumping economy has reduced the overall number of jobs and the neighborhood spending of NDC-assisted businesses, the program’s investment still has a strong return. Based on dollars returned to neighborhoods each month, the total NDC program expense of nearly \$3.8 million since its beginning in 1993 equals about five months’ worth of the dollars returned to neighborhoods by NDC-assisted businesses.

NDC-ASSISTED OWNERS WORKING FULL-TIME AT THEIR OWN BUSINESS AND FULL- OR PART-TIME AT ANOTHER JOB



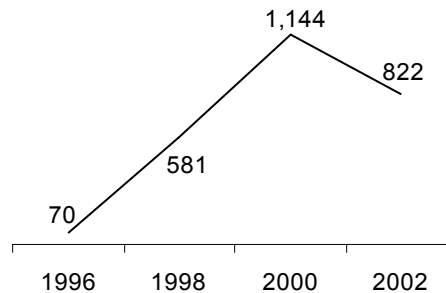
Source: Wilder Research Center survey

NUMBER OF NEIGHBORHOODS AND ETHNIC COMMUNITIES WHERE NDC-ASSISTED BUSINESSES ARE LOCATED



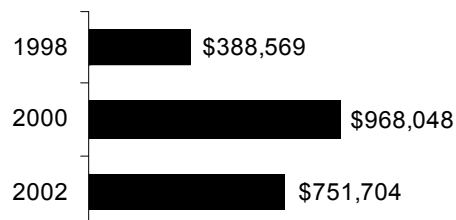
Source: NDC records

NUMBER OF JOBS CREATED BY NDC-ASSISTED BUSINESSES



Source: Wilder Research Center survey

MONEY RETURNED EACH MONTH TO NEIGHBORHOODS (PAYROLL, RENT, PURCHASES, CONTRIBUTIONS, AND TAXES)



Source: Wilder Research Center survey

For more information

For more information about the Neighborhood Development Center, Inc., contact Mike Temali at 651-291-2480. Additional copies of this report are available at www.wilder.org/research
 Author: Richard Chase
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