

## **Neighborhood Development Center**

### **Evaluation summary**

#### **Assistance received from NDC**

Of the 170 business owners surveyed in 2005 (out of 301 estimated to be in business):

- 97% received training from NDC; 32% received financing; and 5% had a location in an NDC incubator.
- 67% of owners received training only, 24% training and financing, 5% incubator space and additional services, and 3% financing only.
- A little over one-third of owners became involved with NDC in the last two years. One-third received assistance three to five years ago, about one-fifth 5 to 10 years ago, and about one-tenth over 10 years ago.

#### **Profile of surveyed business owners**

- 55% are men, 45% women.
- The average age is 43, the median 42.
- 29% are African-American, 28% White (non-Hispanic), 24% Latino/Hispanic, 5% Somali, 5% Native American, 4% Hmong, 2% Oromo, 1% African, and 1% Asian (not Hmong). Two percent identified an ethnicity not listed.
- 68% have some post-secondary education, compared to 56% in 2002.
- 8% have prior business training, and 66% prior experience trying to run a business.
- 66% work at their business full-time, 28% part-time, and 6% seasonally. Thirty-six percent of owners also have another job.
- For 54% of owners, their primary source of income is their business. On average, 57% of household income is brought in by the business, up from 49% in 2002.
- 10% of owners have a monthly household income of \$1,500 a month or less, 21% between \$1,501 and \$2,500, 19% between \$2,501 and \$3,500, and 39% more than \$3,500 monthly. Eleven percent of owners did not provide their monthly household income.

#### **Profile of businesses**

With NDC assistance, 42 percent of owners started a new business (up from 37% in 2002), and 49 percent expanded a pre-existing business (down from 63% in 2002). Nine percent of owners did not provide this information. The typical NDC-assisted business is a sole proprietorship, with one location, providing a service to customers within and outside of its immediate neighborhood.

Of the 170 businesses discussed by owners:

- 58% are in the service industry, 21% in retail, 11% restaurant or catering, 4% specialty food production, 4% construction, and 3% production or manufacturing.
- On average, businesses have been in operation just over five years; the median is four years.
- 83% of businesses have one location. Forty-nine percent are home-based, and 49% in commercial space.
- 74% are sole proprietorships (up from 63% in 2002).
- 79% of businesses have at least some customers from within one mile of their location.
- 31% of owners report gross monthly revenues of more than \$5,000, including 18% with gross monthly revenues over \$16,000.
- 25% of owners have not yet made a profit. Thirty-seven percent did so in a year or less, 16% in about one to two years, and 8% in more than two years. Fourteen percent didn't know or didn't respond to the question.
- 69% of business owners have at least one business loan. The highest percentage of owners have loans from family or friends (35%, up from 25% in 2002), credit cards (34%), NDC (28%), and/or a bank (26%). Thirty-one percent of owners have no debt, and 12% owe less than \$5,000. The average debt is about \$43,000 (up from about \$26,000 in 2002); the median \$5,000 (up from \$4,500 in 2002), with a range of \$0 to \$750,000. The total amount of business debt is \$6,858,070.

### **Business expansion since NDC assistance**

Of the 83 owners of pre-existing businesses (i.e., businesses that existed prior to NDC's involvement):

- 39% of owners have increased their hours of business since NDC assistance (up from 29% in 2002). The average increase is about 18 hours per week, the median 10 hours.
- 29% have increased their number of employees. The average increase is eight employees, the median three.
- 67% have increased their gross monthly revenues (up from 58% in 2002). The average increase is about \$3,000, the median \$1,000.
- 59% increased their monthly business income (up from 47% in 2002). The average increase is about \$2,000, the median about \$800.
- 13% increased their number of locations by at least one.
- 19% moved from a home-based business to a commercial space.

### **Goals of NDC-assisted business owners**

- 48% of owners say that being in business meets their personal goals "quite a bit;" 12% report meeting their financial goals "quite a bit" (down from 17% in 2002).
- 80% of owners have as a goal to increase their gross monthly revenues. The average goal is an increase of about \$31,500 a month, the median an increase of \$10,000 a month. If these owners meet their goals, their revenues would increase by over \$44 million annually.
- 76% have a goal to increase their number of employees. On average, these owners want to hire 15 additional employees; the median is four. If these owners meet their goals, they would employ an additional 1,848 people.
- About 80% of owners report additional goals. The most common include expanding to new markets (20%), increasing their number of job sites or business locations (19%), and offering new products or services (17%).
- According to the owners, the average amount of additional capital needed to achieve these goals is about \$160,000 (up from about \$97,000 in 2002); the median is \$30,000 (down from \$40,000

in 2002). The total amount of capital needed is about \$24 million (up from about \$20 million in 2002).

- The top three ways that owners believe NDC could help their businesses grow are: financing (45%); technical assistance regarding running a business (22%); and assistance with marketing, advertising, or business referrals (20%).

### **Impacts on neighborhoods**

NDC-assisted businesses continue to contribute substantially to their communities through rent, property taxes, employment/payroll, payroll taxes, local purchase of supplies and materials, and tangible support for neighborhood activities and events.

- 34% of businesses occupy a building that was formerly vacant (up from 29% in 2002), and 19% are in spaces that were rehabbed for the business.
- Owners who own their business location report paying a total of \$152,600 in property taxes annually (up from \$50,083 in 2002).
- Owners who lease their business location report paying \$1,527,372 in rent annually (up from \$1,380,516 in 2002).
- 41% of owners have employees (up from 37% in 2002). These owners employ a total of 744 individuals (up from 403 in 2002). Eighty-one percent employ neighborhood residents.
- 53% of the 744 employees work fulltime; an additional 24% work 30 to 39 hours per week. The remaining 23% work 29 hours a week or less.
- The average wage for employees is about \$10 an hour, the median \$9.
- 62% of all employees are neighborhood residents.
- Of the 70 business owners who have employees, 80% provide employee training.
- The total monthly payroll of business owners with employees is \$796,725 (up from \$516,884 in 2002). This is equivalent to \$9,560,700 annually.
- 33% of owners with employees report the amount of payroll taxes they pay monthly. The total amount per month is \$62,770 (down from \$84,069 in 2002, perhaps due to the large amount

of missing data). This is equivalent to \$753,240 annually.

- 42% of owners have hired subcontractors or cash workers in the past year, for a total expenditure of about \$1.3 million (up from \$1.2 million in 2002).
- Owners report spending a total of \$153,430 a month in their neighborhood to purchase materials and supplies, or \$1,841,160 annually.
- 55% of business owners contributed time, money, or in-kind support to neighborhood events and activities in the past year. Owners value their contributions at a total of \$165,624 (down from \$441,357 in 2002).

Business owners also contribute to their communities in less tangible ways, such as serving as role models, participating as leaders, and providing a safe and comfortable gathering place.

- 83% of owners say they believe they serve as role models in their communities.
- 29% report that they provide leadership in their neighborhood; 27% in their ethnic community. In total, 39% feel they serve as leaders for their neighborhood, their ethnic community, or both.
- 31% of owners say their business serves as a gathering place for their community.
- 40% of owners say they feel connected with neighborhood groups or associations (down from 59% in 2002), 34% feel connected with groups or association related to their race or ethnicity.
- When asked to describe the contribution of their businesses to their neighborhoods, owners' most frequent responses include: providing needed, affordable, and/or convenient products or services (33%); providing employment and/or training for residents (13%); serving as a role model or mentor (11%), and offering cash or in-kind donations to neighborhood groups or activities (10%).
- When asked to describe the contribution of their businesses to their ethnic communities, owners' most frequent responses include: providing

convenient access to ethnic products or services (28%), serving as a role model or mentor (12%), and providing clients with a place to feel comfortable or a sense of belonging (8%).

### **Owners' views of NDC**

In general, owners have positive views of NDC assistance.

- 76% of owners say that their business is as successful as it is today largely (28%) or somewhat (48%) because of NDC. Owners attribute this success to NDC's educational opportunities, support and encouragement, financial assistance, and business plan expertise.
- 74% of owners say they have used NDC business advice a lot (45%) or some (29%). The most helpful advice includes the following topics: business development, business plans and research; finances and taxes; bookkeeping and accounting; marketing and advertising; and contacts and customer relations.

### **Comparisons by type of assistance received**

This section compares business impacts for owners who received training from NDC (N=114) with those who received both training and financing (N=41).

- 51% of the training and financing group, compared to 35% of the training-only group, have paid employees. The average and median percent of staff who are neighborhood residents is higher for the training and financing group (60% and 50%) than the training only group (44% and 33%).
- In terms of expansion of hours of operation, number of employees, gross monthly revenues, monthly business income, and number of locations among owners of pre-existing businesses, a higher percentage of those who received training and financing report growth than those who received training only.
- The training and financing group is more likely than the training-only group to have contributed time, money, or in-kind support to neighborhood activities (66% vs. 48%).

## Second stage businesses

Second stage businesses are defined as those that have been in existence for three or more years, have five or more employees, and/or have gross annual revenues of \$200,000 or more. Second stage business owners comprise 68 percent of all business owners surveyed.

Of the 115 second stage business owners:

- 26% obtained their business knowledge working for someone else, 25% were self-taught or learned while working in their business; 21% completed entrepreneur training, including NDC training; 15% used advice from others; and 14% have formal business-related education.
- The most common source of start-up money for their businesses is personal savings or earnings (73%), followed by family or friends (24%), financing from NDC (17%), bank loan (15%), and credit card (14%).
- 45% of second stage business owners say they have come very close to going out of business. According to these 52 owners, what most commonly kept them in business is: determination (37%), change in business name or services (16%), credit card usage or loans (12%), and increase in demand for their products or services (10%).

## Keys to success of second stage businesses

- Half of respondents attribute their success to determination and hard work. Respondents also attribute their success to other factors including: experience, skills, or knowledge (14%); good customer service or repeat customers (14%); training and assistance through NDC (13%), lots of support from or connection to the community (13%), and high quality products or services (11%).
- The most common advice these owners would give someone starting a business are: be determined and patient (39%), do lots of research (21%), and have a business plan and set goals (21%).
- Second stage businesses are more likely than first stage businesses to have been home-based (47% vs. 21%).
- Second stage and first stage business owners name similar ways that NDC can help their business grow, with one exception. Second stage businesses owners are less likely than first stage business owners to list one-on-one meetings or mentoring (1% vs. 10%).

## Wilder Research

[www.wilderresearch.org](http://www.wilderresearch.org)

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### For more information

This summary presents highlights of the *Neighborhood Development Center: Outcomes evaluation report*. For more information about this report, contact Mike Tamali at 651-291-2480.

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