

Economic impact of African Development Center of Minnesota in the Twin Cities

“Economic development: What benefits one, benefits all,” Ronnie Bryant, President and CEO of the Charlotte Regional Partnership, promoting the 16-county Charlotte region.

For every dollar invested in the African Development Center’s financial literacy training and loan programming in 2010, the overall return in the first year averaged \$1.68. ADC-served businesses, on average, realized \$5.90 in return; while ADC and other stakeholders, on average, got back 30 cents of their dollar invested after one year.

Considering the 32 ADC-served businesses in 2010, these returns represent a total one-year net benefit of \$604,369.

- ADC-served businesses in 2010 realized a net benefit of \$1.15 million, a per business net benefit of nearly \$36,000.
- ADC and other stakeholders underwrote a total net cost of \$547,029 or about \$15,388 per business.

Other key findings

Leverage and benefits of ADC financial literacy training and loans

- ADC loaned a total of \$544,600 to ADC-served businesses in 2010, ranging from \$3,000 to \$60,000. Half of the loans were for \$20,000 or \$25,000. These loans represented 25 percent of the total investment in these businesses that year, meaning ADC leveraged \$1.07 million in equity investments and nearly \$600,000 in other loans.
- On average, a one percent increase in an ADC loan increases gross receipts by 12 percent. In 2010, ADC-served businesses generated total gross receipts of \$6.4 million, with \$771,434 attributable to the ADC loans, averaging \$25,714 per business in increased gross receipts.

- About 76 percent of the loans provided by ADC, amounting to \$416,500, were invested in the local Twin Cities area.
- Assuming that businesses will spend their increased gross receipts locally at that same rate, \$586,290 is returned to the local area for wages and goods and services bought locally.
- ADC-served businesses generated a total increase of \$80,995 in gross wages and salaries, a per business amount of \$3,240.
- ADC-served businesses generated increased sales, payroll, and other taxes totaling \$77,280 in 2010.

Value generated by ADC-served homeowners

In 2010 alone, 163 ADC-assisted clients bought homes with a per-home average value of \$150,000 and an estimated total market value of \$24.5 million.

- Based on a Minnesota property tax rate of 1.05 percent, ADC-served homeowners, on average, generated an estimated property tax of about \$1,575, totaling \$256,725 in 2010.
- About 80 percent received closing cost assistance averaging \$5,000 per homeowner, totaling \$652,000.
- About 80 percent of the ADC-served families received financial assistance averaging \$8,000 per family, providing them with instant home equity, totaling about \$1 million.

continued

Study purposes and methodology

As part of a broader program effectiveness and impact analysis evaluation of community development organizations, African Development Center (ADC) contracted with Wilder Research in October 2011 to design and conduct a return on investment study of providing financial literacy training (FLT) and an economic impact analysis of ADC's business development and homeownership financing and support to businesses and populations in underserved markets and communities facing barriers to accessing credit and capital.

The costs of FLT programming and ADC investments in businesses development and homeownership activities were supplied by ADC staff from agency records. The FLT outcome data and the data and information for conducting economic impact analysis of ADC programming on local communities and neighborhoods in the Twin Cities were supplied by ADC staff from agency records and gathered through a survey with 32 businesses and 163 homeowners assisted by ADC.

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For more information

This summary presents highlights of the *Economic impact of African Development Center of Minnesota in the Twin Cities report*. For more information about this report, contact Richard Chase at Wilder Research, 651-280-2706.

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