

Developing a model for economically empowering Africans in Minnesota



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Your presenter: Hussein Samatar

- Refugee from Somalia, 1991
- MBA, St. Thomas University
- 9 years commercial banking experience
- Executive Director, ADC, since 2002
- Boards: Minneapolis Foundation, Citizens League, Humphrey Institute
- German Marshall Memorial Fellow 2007



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This presentation:

**Minnesota: a history of
immigration and innovation**

**How Africans are becoming
an integral part of Minnesota
today**

**ADC: Developing a model
for economically empowering
Africans in Minnesota**

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Minnesota: a history of immigration and innovation



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Welcome to Minnesota

	Minnesota	Norway
Economy	Highly diversified	Highly diversified
Population	5.2 million	4.6 million
GDP	260 billion	260 billion
Median household income	\$58,000 (11th in U.S.)	\$56,000 (approx.)



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Minnesota then

- 1896: election instructions in nine languages: English, German, Norwegian, Swedish, Finnish, French, Czech, Italian and Polish
- 1910: 60% of population foreign born
- 1910: 23 foreign language daily newspapers in Minneapolis and St. Paul



Minnesota now

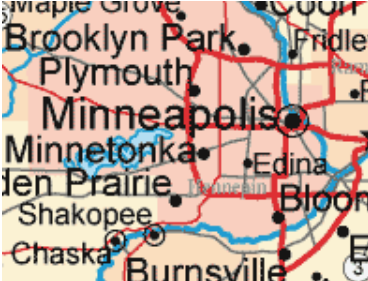
- 5.1% of population foreign born
- 20% of households speak a language other than English



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Africans are becoming an integral part of Minnesota



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African presence in Minnesota

- Minnesota ranks 30th in the nation for the number of immigrants*
- It ranks 8th in the nation for the number of refugees*
- African-born population: 135,000**
- 19% of foreign-born state population, highest percentage in U.S.A.
- A young community—median age 30 years
- Largest Somali population in Western world
- Other large populations: Liberian, Sudanese, Nigerian, Ethiopian, Eritrean

Sources: *www.ethnictrends.info, **ADC estimate



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Africans immigrants in the Minnesota economy

- A greater percentage in the workforce than in other states – 75%
- Top four industries: education, healthcare, manufacturing and retail
- Median Household Income: \$31,640



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Growth too fast to count

“Minnesota is definitely drawing African immigrants in large numbers. If you include children born here, it may have doubled already in this decade.”

- Barbara Ronningen, immigration specialist,
Minnesota Office of Geographic and
Demographic Analysis



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African buying power in Minnesota

Somali	\$216 million
Ethiopian	203 million
Kenyan	167 million
Liberian	142 million
Nigerian	71 million
Eritrean	22 million
Sudanese	8 million
Cameroon	6 million

Source: www.ethnictrends.info
(assumes 30% federal and state taxes have been deducted
from these numbers)



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African buying power in the U.S.

- \$45 billion
- This number is greater than the individual GDP of 120 different countries in the world
- In relative terms, this represents the 6th largest African GDP following that of Morocco

Source: www.ethnictrends.info



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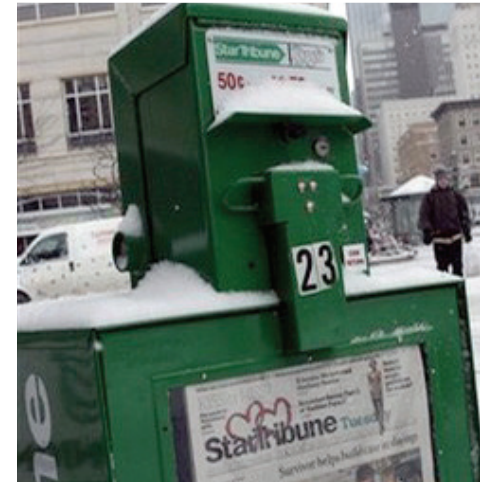


African immigrants in Minnesota also struggle

- 32% below the poverty line
- 28% home ownership rate

“... other large racial and ethnic groups, especially African immigrants, are sliding backwards, apparently because a strong tide of newcomers just starting out is diluting any strides being made by those who have been in Minnesota longer.”

– *Star Tribune* (Minneapolis, St. Paul)
November 14, 2006



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African Development Center (ADC)



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ADC: Developing a model for economically empowering African immigrants and refugees in Minnesota

“Your guide to financial success in America”

Mission:

We work with the African communities in Minnesota to start and sustain successful businesses, build wealth, and promote community reinvestment.

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ADC timeline

**2002-
2003**

Community listening sessions identify need for culturally sensitive services



ADC established as the Twin Cities' – and likely the United States' – first community development corporation for African immigrants and refugees

2004



ADC received first major funding



First full-time staff, programs begin

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2005

3 homeowners trained,
32 entrepreneurs trained

Loan fund begins:
\$25,000, 1 client

Islamic financing program begins

2006

88 homeowners trained,
91 entrepreneurs trained to date

Midtown Global Market opens as
largest public market in Minnesota;
ADC is one of the four developers

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2007

● Loan portfolio grows to \$1 million,
50 clients

● ADC Financial Literacy Center opens
in Minneapolis

● 187 homeowners trained,
128 entrepreneurs trained to date

● ADC partners with City of
Minneapolis to launch alternative
financing program

● Begin serving Greater Minnesota

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2008

394 homeowners,
180 entrepreneurs trained to date

ADC recognized nationally and internationally as resource on the economic empowerment of African immigrants and refugees

Loan portfolio grows to \$1.5M with 88 clients financed to date

ADC hosts delegations from Africa and Europe to explore its model of economic development for African immigrant populations

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● ADC opens second office in Mankato, Minnesota, to serve Greater Minnesota

● ADC launches mortgage company

● 515 homeowners,
285 entrepreneurs trained to date
(as of 9-08)

● Loan portfolio grows to \$2.3M
with 110 clients financed to date
(as of 9-08)

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Hussein Samatar is honored as a “Living Legend” along with former Minneapolis mayor Sharon Sayles Belton by the Urban Financial Services Coalition

City of Minneapolis’ Community Planning and Economic Development department identifies ADC as the most productive CDC in city

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Market growth: ADC estimates

- 1994: No significant African businesses in Minnesota
- 2008: 1,200 African-run and -managed businesses in the state



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Challenges to entrepreneurship

- Lack of planning
- Market isolation / saturation
- Wasted wealth
- Poor financial management



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Barriers to home ownership

- Unfamiliarity with the process
- No savings for down payment
- Credit / lending practices
- Cultural factors / preference to start a business instead of buying a house



ADC's response

- Business planning workshops
- Home ownership and financial literacy training
- Technical assistance
- Micro-lending
- Partnerships with banks, community developers and local governments



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Business development

- Workshops: 285 entrepreneurs trained since 2004
- Technical assistance, loan packaging and micro-lending to more than 110 entrepreneurs
- Advocate for Sharia-compliant finance products
- 10 clients have purchased commercial real estate



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Loan and financing portfolio (cumulative numbers)

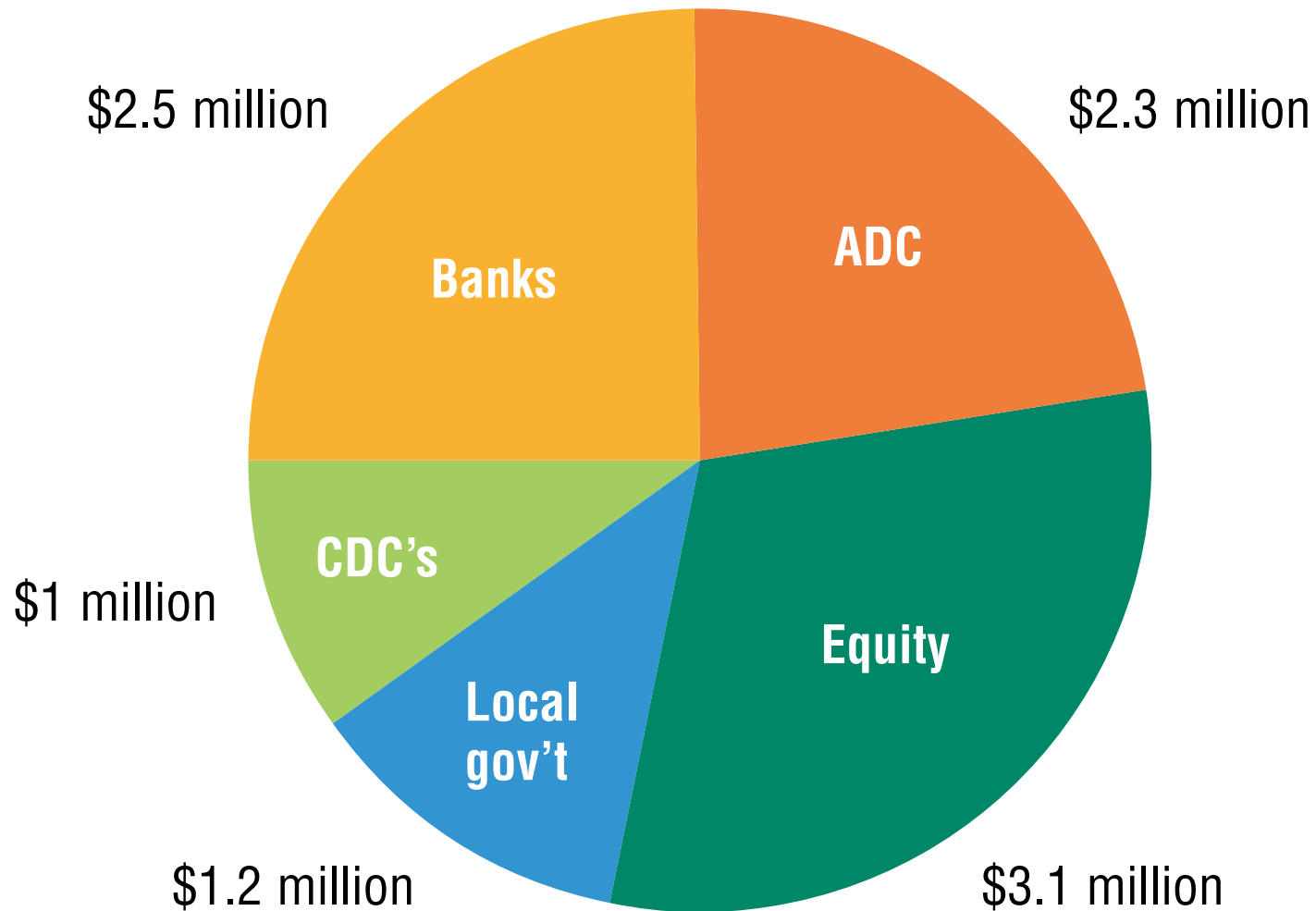
2005	1 client	\$25K
2006	48 clients	\$912K
2007	88 clients	\$1.5M
2008	110 clients	\$2.3M



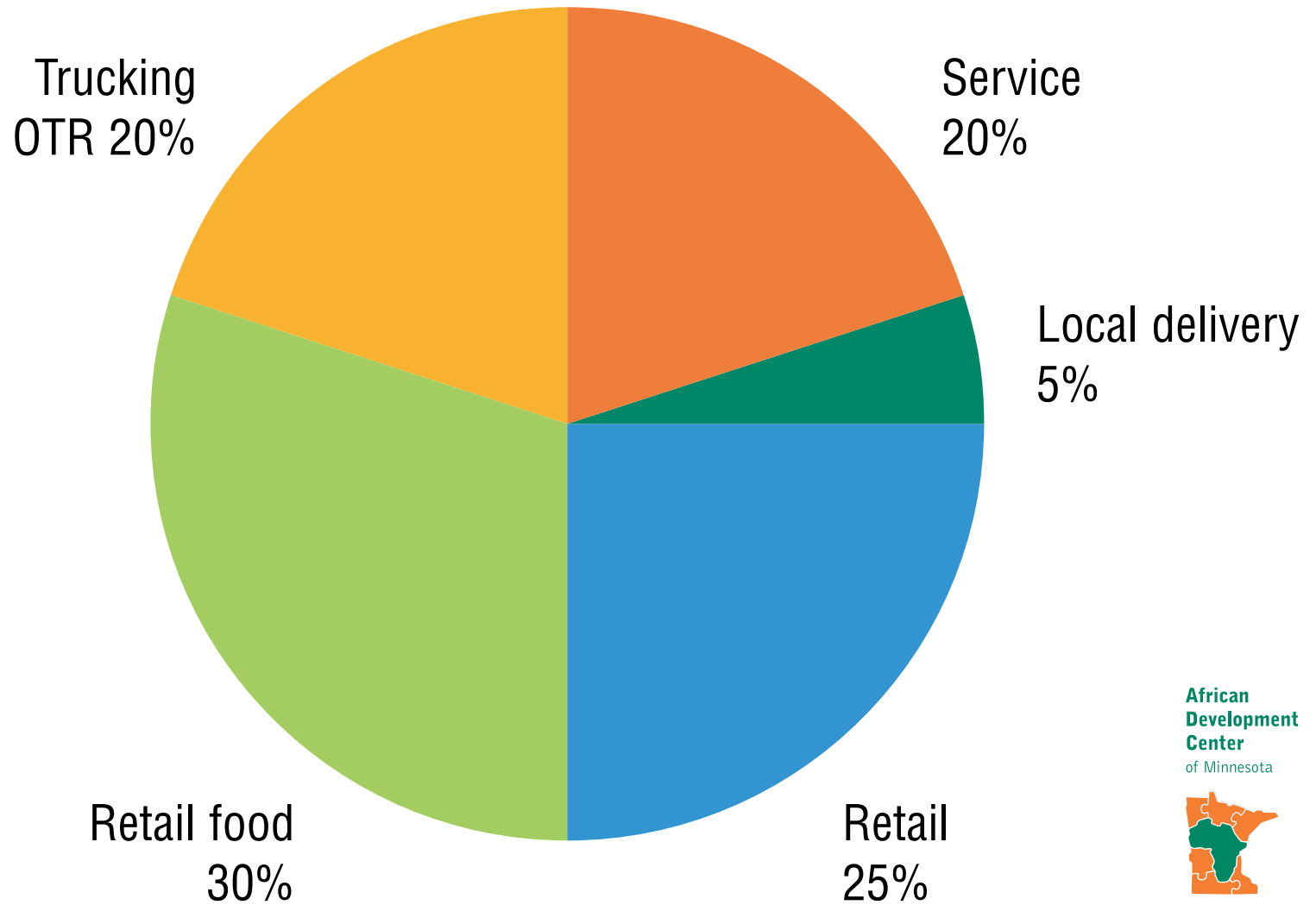
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Leverage: \$10.1 million



Business sectors



Markets in Minnesota

- More than 400 businesses in five major *suuqs* in Twin Cities
- Increased diversification and mainstream marketing of African-owned retail, from fine art to travel agencies



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Transportation

Hussein Ali Ahmed, Quale Transport

- First client to repay an ADC micro-loan
- Owner of three long-haul trucks
- Goal: ten trucks within three years



Retail food

Jamal Hashi, Safari Express Restaurant

- First indigenous Somali fast food restaurant in the U.S.
- Favorite of Africans and non-Africans alike at Midtown Global Market



Midtown Global Market

- Largest public market in 5-state area
- Located in Minnesota's second-largest commercial building
- Small business incubator
- ADC one of four development partners
- 8 ADC clients now operating in MGM



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Breakthrough: Minneapolis

April 2007: City of Minneapolis introduces profit-based (Sharia-compliant) public financing for small businesses.

- A matching loan partnership with local banks, community developers and individual investors
- A boon to the city's Muslims
- Open to all small business entrepreneurs



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Sharia-compliant lending

ADC and the City of Minneapolis have partnered to launch a new alternative financing program for small business owners. Investment repayment is based on a profit model rather than interest. This type of financing opens doors for the city's growing number of Muslim entrepreneurs whose religious beliefs restrict them from receiving traditional interest-based financing.

The program's first loan recipient, **Shukri Gedi**, has owned a clothing and accessories store in the Karmel Mall in south Minneapolis since 2000.



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Home ownership/financial literacy training

2004-present

- 515 families trained*
- 30% have bought homes
- Industry average is 14%

*African families represent 65% of this total

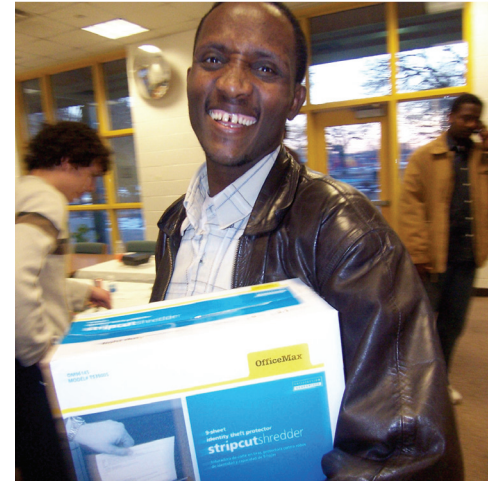


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Training the trainer

- Pilot program launched 2006
- Prepares fellow community members and community developers to provide basic financial literacy education
- Focused on cultural challenges facing African immigrants and refugees



2008: Serving greater Minnesota



- 135,000 Africans
- Twin Cities metro: 111,000

- “Outstate” areas served: 23,500
- Client base targeted: 147,500 (95%)

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Community and philanthropic support

2004	\$175K
2005	\$310K
2006	\$475K
2007	\$720K
2008	\$880K



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Impact

- In less than ten years Africans, Latinos and Asians have revitalized several inner-city commercial corridors
- African-owned businesses are taking hold in suburbs and “outstate” cities
- Among ADC clients, total capitalization has risen \$29M since 2004



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Looking ahead

- New services and revenue streams
 - ADC Financial Services, Inc., mortgage origination
- Murabaha partnership for Sharia-compliant home mortgage lending Minnesota Housing and Devon Bank)
- Capital campaign for ADC headquarters building
- New Greater Minnesota partnerships



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Conclusions

- Despite cultural challenges, Africans in Minnesota are building wealth.
- Community economic development assistance has led to reinvestment.
- Islamic financial products represent market choice, not special treatment.
- On many levels, Minnesota's experience is applicable to Norway.



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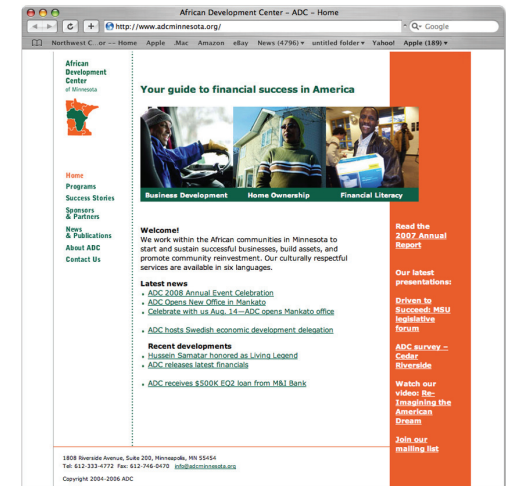


Thank you!

hsamatar@adcmnnesota.org

612.333.4772

<http://www.adcmnnesota.org>



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