



**Citizens United
for Economic Equity**



Citizens United for Economic Equity Social Impact Report:

The benefits of the CUEE lending model for
Post-Katrina Louisiana

Citizens United for Economic Equity

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Introduction

At Citizens United for Economic Equity (CUEE) we believe policy and economic development must focus on asset building as a primary strategy to poverty reduction, specifically in the systematically disenfranchised African-American communities of New Orleans. We therefore insist on a comprehensive lending approach that links development financing with local ownership, entrepreneurship, and progressive economic development.

Because small businesses account for 97.5% of employers and 54.1% of overall employment in Louisiana, their survival is vital. For this reason, we partnered with the state through Louisiana Economic Development (LED) in order to identify and aid struggling small businesses. Given \$11 million with a mandate to serve firms in hurricane-impacted parishes, CUEE has, since December 2008, provided \$9,604,702 in low-interest loans and grants to a total of 172 small, minority-owned, and woman-owned businesses with only two defaults.

The 2005 hurricane related loss of buildings, staff, inventory, and customers -- in essence, the loss of the ability to borrow in order to repair and grow -- devastated areas that were already struggling with under-employment and poverty. As the initial funding was provided by the state of Louisiana, the loans and grants administered in these areas were to be used exclusively to replace lost collateral. That is to say, we could not mandate that funds be targeted to businesses that hired at livable wages, provided optimum benefits, and fostered economic growth in disadvantaged communities.

Nevertheless, because our goal is social impact, it remains a critical measure we must evaluate, quantify, and characterize. This is vital not only to secure future investors, but because it enables us to make lending decisions based on an analysis among our own clients through deliberate data collection rather than broad-based assumptions and pervasive rhetoric regarding the economic development needs in New Orleans.

Long-term social impact can be defined by answering a single question - what does success look like? For CUEE, it looks like a thriving African-American entrepreneur who is able to offer employees a living wage and benefits. It looks like a small business that contributes to the stability of a community by providing services that benefit its citizens, and whose assets are continually developed so that opportunities to grow can be seized.

Ultimately, success looks like a neighborhood where families are able to rent or buy a safe home, where their children's lives will be healthy and stable, and where community spirit can be built on continuity and self-determination. Simply put, it is long-term wealth creation in communities that traditional banks have overlooked and where economic opportunities have bypassed the local population.

Barbara Major
CEO, Citizens United for Economic Equity
July 2010

The CUEE Model:

Going forward all new CUEE clients will be required to complete an annual survey for the duration of their loans that will allow us to track all aspects of their business, including wages, growth, and debt. In the meantime, the survey we conducted in January 2010 gives us a snapshot of where our lending has been most successful in terms of firm growth and job creation.

The data is new and this is only the preliminary analysis. However, the initial results reinforce the viability of the CUEE model. We will use this preliminary data to target our lending in marginalized communities with even greater confidence that we can and will make a significant and enduring economic impact.

CUEE Impact Measurement: methodology

To begin to evaluate the effectiveness of the CUEE lending program, we used information compiled from CUEE client loan records, the Bureau of Labor Statistics, and the CUEE client survey.

The survey was conducted between January 11 and February 15, 2010. Clients who participated in the CUEE/LED program were contacted by mail or email, with at least one telephone follow-up call. Ultimately 67 of the 127 businesses to whom we had made loans up to that time elected to participate, and all responses are included in the following metrics.

The severe lack of localized data regarding post-Katrina and Rita economic demographics has limited broader comparisons of CUEE clients to parish and state level data. However, by comparing CUEE's 2008 loan and 2010 survey data, we have identified general trends among our clients.



Case Study

The GeeCee Corporation

Concrete Construction
Gibson Chigbu, President

“We’ve been in operation in New Orleans for twenty-some years and took a big hit due to Katrina when we lost virtually all our equipment.

We tried to replace what we could with our own funds – we did not want to take out a loan. Of course you remember, the loans were not cheap right after Katrina. The CUEE program was basically a major help . . . you couldn’t get that in a commercial bank.

This was very, very helpful to us.”

Core Metrics:

The metrics included here characterize the race of business owners, the number and race of new employees hired between 2008-2010, the average wages of the employees, and the parish (county) where the business is located along with other data disaggregated by race and parish. The parishes included are Orleans parish (city of New Orleans) and two neighboring parishes: Jefferson and St. Tammany. Please note that all survey respondents did not provide a response to every question on the survey, which is why not all graphs and charts total to 67.

Additional Metrics:

In the surveys, we also asked for the zip codes of businesses and new employees, as well as the total business and payroll expenses. We plan to use GIS to track where people live and commute, as well as where income and investment flows.

Input:

By investing financial capital in small businesses, we believe that entrepreneurs can begin to reinvest in their communities rather than seeking employment and services outside. The impact of both local employment and the circulation of wages and services within a community will create long-term wealth.

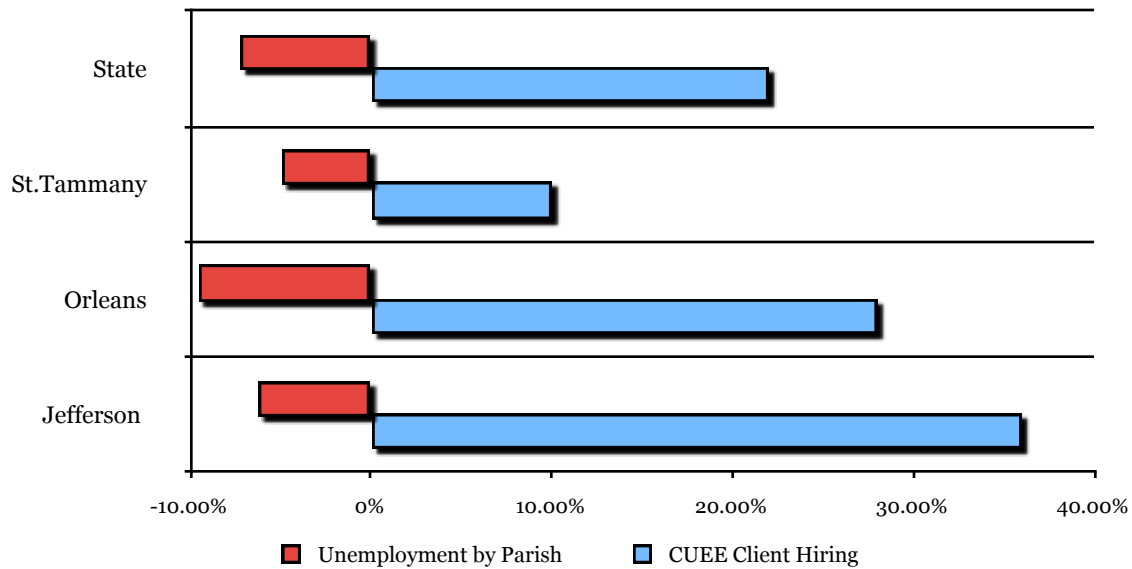
Outcomes:

In just a little over a year, one of the most significant outcomes of CUEE's lending has been a 22% average increase in employment among CUEE businesses who responded to the detailed survey administered in January 2010. 43 businesses out of the 67 collectively hired 152 new employees within one year of receiving a CUEE loan.



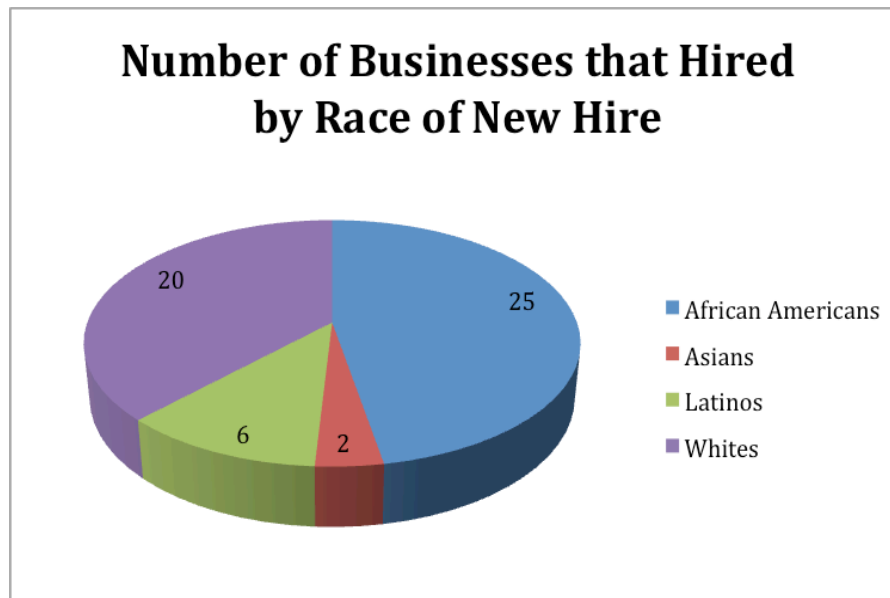
What is the general social impact of CUEE lending as demonstrated by the impact of its clients on their communities?

Overall Employment by CUEE Clients:



Broadly, CUEE's lending has enabled its clients to outpace the hiring rate among other businesses within the state of Louisiana and across Orleans parish and two neighboring parishes, Jefferson and St. Tammany.

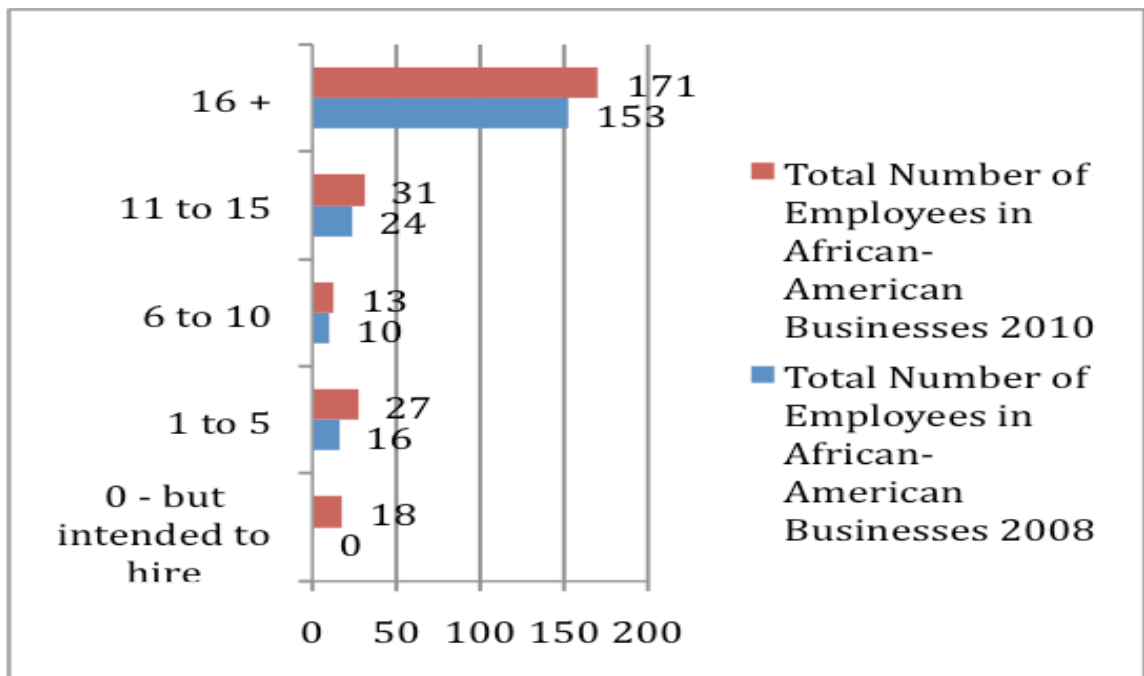
In addition, our small businesses were successful in hiring across racial lines:



Examples of Social Impact:

African American Businesses are Growing with CUEE's support

Of the 67 business owners who responded to the survey, 20 were African-American. These 20 businesses hired 27 new employees, 17 of whom were also African-American. The number of African-American businesses within each business size category shifted from a higher concentration of businesses within the 1-5 employee category to a higher distribution of businesses in the larger business size categories between 2008-2010. Additionally, African-American businesses individually grew as the number of employees increased within each business size category. Lastly, African-American business ownership translates to employment for other African-Americans as seen in the last graph in this section.



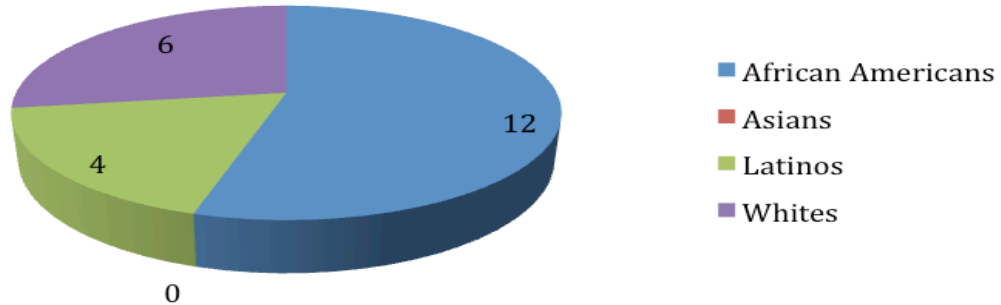
Number of African-American Businesses who Hired by Race of New Hire



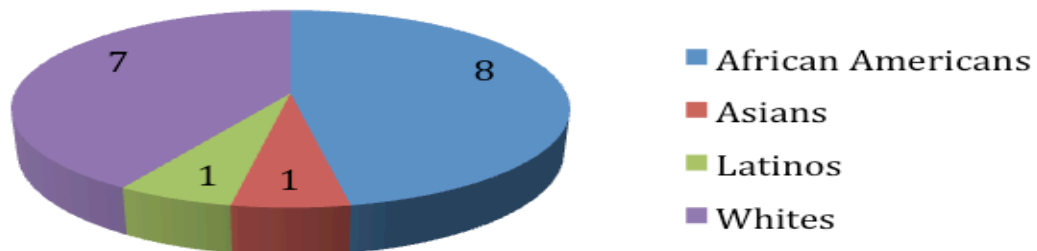
*Employees of all races are benefiting from CUEE
support of employers*

As seen below, Orleans parish businesses tended to hire more African-American employees mostly likely due to the demographic concentration of African-Americans within New Orleans.

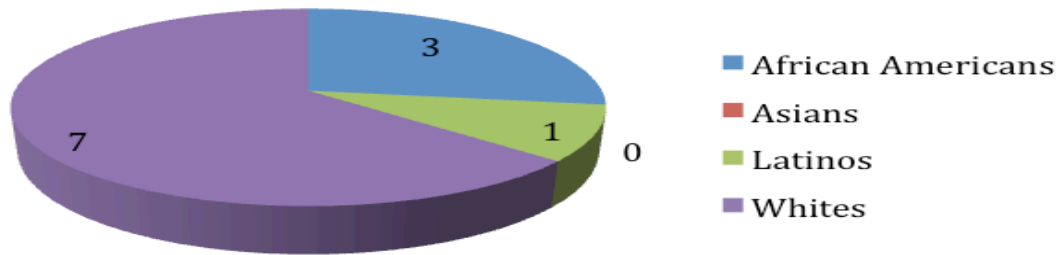
**Number of Businesses that Hired
by Race of New Hire (Orleans
Parish)**



**Number of Businesses that
Hired by Race of New Hire
(Jefferson Parish)**



Number of Businesses that Hired by Race of New Hire (St. Tammany Parish)



What types of businesses demonstrate greater social impact thus far?

The common wisdom in the New Orleans area is that hospitality and construction are two major industries for which we need to train our lower income and under-employed populations. However, at this early stage, the CUEE supported businesses that show the combined promise of good wages, benefits and growth are in IT, the health care industry, and general manufacturing.

Preliminary Conclusions

CUEE's lending model is shifting from an original state mandate of assisting businesses with the replacement of lost collateral to a comprehensive approach of targeted economic development. This will require a continued effort to collect data on our clients as our client base grows. As per CUEE's mission to build wealth in marginalized communities, we will continue to expand the magnitude of indicators for tracking the impact of our lending and continue to direct our loans where they will have the greatest impact. It is our hope that robust localized data will help us customize our lending in the New Orleans region, which has unique economic development needs that must be disaggregated from the state. The impact of long-term disinvestment in the African-American business community in addition to the enduring impact of hurricanes Katrina and Rita in the New Orleans region requires such a targeted approach.