

Testimony

Presented

December 14, 2007

Creating Opportunities for Immigrant
Entrepreneurs

Business Outreach Center Network

Nancy Carin, Executive Director

Theresa Santiago, Director

Refugee Microenterprise Development and Special Projects

Good afternoon. It is a great honor to be here today. I am Theresa Santiago, Director of Refugee Microenterprise Development and Special Project here with Nancy Carin, Executive Director, on behalf of the Business Outreach Center Network. BOC Network is dedicated to assisting entrepreneurs and small business owners, particularly those living in culturally and geographically isolated communities, through one-on-one counseling, training and access to financing. These predominantly immigrant entrepreneurs create jobs and start and grow small businesses throughout New York City. BOC Network is a microenterprise and small business development organization with six member BOC's in diverse neighborhoods such as North and South Brooklyn, Corona, and Rego Park, Queens, Chinatown, and Upper Manhattan. We help over 1200 community-based entrepreneurs each year to successfully start-up, manage and expand their businesses. We have bilingual programs for various immigrant groups, women, minorities, and refugees, and resources for retail, restaurants, small contractors, import/export, internet, child care, industrial and fashion businesses, to name a few. Two of our centers have CDFI's that offer direct microloans with affordable interest rates and low fees. Over 75% of our borrowers are immigrant entrepreneurs.

The Center for an Urban Future recently highlighted how immigrant entrepreneurs have emerged as a key engine for economic growth. Immigrants are starting businesses in NYC at a considerably higher rate than native born New Yorkers. We appreciate the fact that the City Council recognizes that immigrant entrepreneurs are and will continue to be significant contributors to the city's economy. Between 1994 and 2004, the number of new businesses established city wide grew 9.6%, while minority and immigrant neighborhoods created nearly 5 times as many new businesses and immigrant neighborhoods created over 4 times as many jobs as compared to the City as a whole. In the predominantly immigrant neighborhoods that are BOC's target, the number of companies grew between 12% and 50%.

One example of our work with immigrant groups is BOC's childcare business development program, delivered in English, Spanish and Russian, in six local neighborhoods, which has reached over 500 entrepreneurs from more than twelve countries of origin and we are seeking to replicate the program in Chinese together with Chinatown BOC. BOC staff includes speakers of more than ten languages.

Immigrant entrepreneurs continue to face serious barriers to successful business development. Some of these barriers include adjusting to American culture, limited English proficiency, lack of knowledge of American business practices, lack of credit history and limited capital access. Immigrants also have barriers unique to their various backgrounds. Successful programs must accommodate to meet their unique needs. Small business development for immigrant entrepreneurs can not be a one size fits all model.

And we all know that business can't stop while an entrepreneur gains literacy. In the microenterprise field, timely access to information, business planning support, resources and capital is a best practice, complemented by programming to support individual advancement i.e. financial literacy, language acquisition, etc.

BOC Network's experience has shown that immigrant entrepreneurs need to develop a trusting relationship with a business development program. Our business counselors, conversant in clients' language and culture, conduct in-depth one-on-one needs assessment in order to connect and offer effective technical assistance and find ways to match entrepreneurs with the right resources. This is key to ensuring clients benefit from needed resources, such as legal assistance and financing. BOC counselors provide extensive handholding and ongoing follow-up, creating a relationship that is mutually beneficial. In order to increase familiarity with American business practices, workshops are sponsored in small group settings often in the client's language, creating a comfort level while dealing with finance, credit, business regulations and practices.

In addition to lacking access to capital – new immigrants typically lack financial management skills, and are often unaware of the limited programs and resources available to help. They experience a profound reluctance to leave the community to gain services and may be less willing than others to seek outside or government assistance. Trust is everything for this client base, but it is our responsibility to offer real business expertise as a vital part of the relationship. Immigrant entrepreneurs greatly benefit from individualized assistance with committed follow-up. Most begin their businesses informally, without records, often without bank accounts, and many lack credit histories or have credit problems.

However, support is vital not just during start-up but throughout their evolution as entrepreneurs, to prevent costly mistakes and build a strong tax paying and sustainable business. Like any

small business owner, immigrants require assistance that is relevant to their stage of business development, their level of understanding and experience, their type of business, and the context in which the business operates. Capital is vital, but not the whole answer. Consider the entrepreneur with limited English whose business landlord told her to clear out her belongings despite the fact that she had a lease, or the child care entrepreneur whose building is illegally trying to shut her down. Consider the growing business seeking to formalize, or the vendor with low literacy ready to open a bank account. These needs require non-financial technical assistance. Credit counseling and access to financing are vital for all small businesses and more so for entrepreneurs largely locked out of the system.

Support for immigrant small business must incorporate either direct microlending services or linkages to the high quality microlenders in the City, as well as strong connections with the banking community. Immigrant entrepreneurs are not just start-ups, many are significant businesses which have the potential to expand and take further steps into the mainstream economy. Competent staff with business acumen and linkages to the entire spectrum of available resources are vital to support ongoing business development.

We encourage the City Council to design policy to support immigrant small business development models that offer community-based one-on-one business counseling and technical assistance, both financial and non-financial, as well as customized trainings that take into consideration language and cultural differences. Effective business technical assistance must incorporate several key components:

- Cultural and language competency: Staff must understand the client's culture and be able to communicate in their language
- Qualified staff with business development skills: Small businesses benefit from the input of highly qualified and well trained staff.
- Access to capital: Direct microlending and/or linkages with microlenders, credit unions and banks.
- Linkages with a variety of business development resources: to access information and specialized technical assistance and opportunities for collaboration.
- Community-based presence: It is vital to develop maintain relationships within immigrant communities with religious groups, community organizations, and non-profits

Furthermore, City Council support for area CDFI microlenders would greatly enhance lending capacity through funding for loan reserves to leverage additional capital, and for loan capital for products with reasonable interest rates and fees.

By promoting these policies – together we will help communities throughout New York City create local wealth, economically empower individuals, create jobs and deliver more disposable income to the local community. It will help people like Natasha, Maria, Gladys, and Mei to launch home-based businesses as empowered entrepreneurs, help hardworking immigrants build legal and sustainable businesses, and help successful immigrant entrepreneurs grow into new markets and develop as MWBE contractors. These entrepreneurs will benefit from individual TA and access to financing to provide needed services to the community and create jobs for the future.

Thank you very much for this opportunity.

Creating Opportunities for Immigrant Entrepreneurs

My name is Dennis Reeder and I am the executive Director of the Washington Heights and Inwood Development Corporation, which was created in 1978 to foster economic development in Upper Manhattan.

Our B.O.\$\$. BO\$\$ provides business counseling, technical assistance, direct loans, Trickle Up grants, referral and other business development services. It has helped create over 450 neighborhood businesses and has made 332 loans to local businesses totaling almost \$5,000,000. The vast majority of those we help are recent immigrants, mostly from the Dominican Republic and other Spanish speaking countries of Central and South America

WHIDC's **Childcare Business Development Program** is a self-employment and business expansion service designed to assist low-income individuals (most of whom are immigrants) develop licensed child care businesses. The 120 program graduates have seen their annual income increase from an average of \$13,500/year to over \$32,000 within months of opening their businesses.

In our thirty years of experience we have found three underlying problems among immigrant entrepreneurs:

Access to affordable capital:

*Reliance on Prestamistas, loan pools, loan sharks due to culture, misdirection, lack of adequate financial records. This high cost of capital means less competitiveness with those that can access lower cost commercial capital.

Lack of Management Expertise:

- Financial Literacy: Inability to keep ledgers and tax records that form the foundation for a bank loan and/or the ability to value a business for sale/purchase.

- Lack of experience with local laws, regulations, licenses, tax requirements can lead to a business's quick demise. This is compounded if one does not read English or has a limited education. Many recent immigrants have a great business sense but are functionally illiterate in their own language, let alone English.

• Not being aware of financial, legal and management requirements leads to being taken advantage of by neighborhood based pseudo “lawyers” and “accountants” as well as loan sharks and lenders operating within the law but servicing specific industries (e.g.. small grocery stores).

Lack of Local Assistance:

• A lack of business assistance services that can provide management expertise that are based in immigrant communities. Non-English speaking immigrants will not travel outside of their community for assistance and are wary of governmental agencies based on their home country experiences.

There is a strong need for a place in the neighborhood to go in order to have a lease read, a sanitation citation translated, marketing assistance, a loan sourced and packaged, help setting up books, selecting an accountant/ lawyer, mentoring, and/or having business, tax or official documents translated.

LaGuardia Community College/CUNY



Creating Opportunities for Immigrant Entrepreneurs
Committee on Immigration Jointly with the Committee on Small Business
New York City Council
December 14, 2007

Brian Gurski
Acting Director, Small Business Development Center

I would like to say thank you to the City Council Committee on Immigration and the Committee on Small Business for holding this hearing. Your commitment to listen to the perspectives provided today and to take informed actions to support the growth of the immigrant business community is key to bolstering this essential economic engine of New York City. In addition to being a resilient and primary source jobs and wealth creation opportunities for immigrant communities, immigrant-owned businesses vitalize New York City's overall economy and quality of life as they provide not only diverse products and services often reflective of cultural backgrounds of owners but also unique business perspectives and opportunities the mainstream marketplace can benefit and learn from. As it has been established that immigrants have been more likely to be self-employed than the native-born populations, immigrants business represent an incredible opportunity to support the reinvigoration of what has made our country so economically strong – entrepreneurship. And, while immigrant businesses, as a group, share common challenges, they are no exception to the phenomena that entrepreneurship in the US is the source of jobs, wealth and innovation, period. From the perspective of any major sector – government, banking, big business or community - to not treat immigrant entrepreneurs as a tried and true engine for economic growth and a contributor to the overall quality of life in New York will be an opportunity lost to support the stability of New York's rich and diverse communities, social and economic inclusion of all its inhabitants, and overall economic resilience and agility in this global economy.

At LaGuardia Community College, I currently serve as the Acting Director of the Small Business Development Center at LaGuardia Community College where we share a passionate commitment to supporting the growth of new immigrant entrepreneurs. In as many as five languages, we provide one-on-one business counseling services and deliver more than 80 workshops and events a year for business community. Our SBDC has not only been distinguished for its work with new immigrant communities by major press but we have the highest level of outreach in New York State by way of attendance at our workshops and events which for 2007 exceeded 2,200. We work to maintain not only the language skills and cultural acuties necessary to counsel and educate but also the network to collaborate closely with new immigrant business and community organizations. Recognizing that support for new immigrant businesses should extend beyond storefronts to households and community networks that extend locally as well as transnationally, we have broadened our initiatives to include, for example, in-depth personal financial literacy programs as well as international trade

promotion. We have also led and contributed to applied research completed with LGCC and other New York City institutions as well as with institutions abroad to keep pace with the dynamism of new immigrant market and opportunities.

Reflecting on our work and experiences with immigrant entrepreneurs and their communities, I would like to share the following areas of concern and opportunity for your consideration:

Involvement in Community Planning

As community organizations such as local merchant associations, BIDs, local development corporations, and other types of community associations make decisions for neighborhood planning and commercial districts, it is important to support involvement of multiple ethnic groups that are represented in these districts. Barriers such as language, or not being informed of how community development works through participation in such organizations or how to articulate needs to those who with the ability to make a difference in addition to just the simple fact that people are overwhelmed and busy, can result in decisions in community planning that don't reflect the needs of all stakeholders.

Jackson Heights is a good example as it has multiple, well established immigrant groups — Indians, Bangladeshis, Pakistanis, Colombians, Ecuadorians, Mexicans, Whites, Polish, Russian and several more. Each of these communities contribute the stability and quality of life of this neighborhood, however, one can only imagine the challenge of creating a forum where all of these groups could have the opportunity to interact and think through community planning together. However, without efforts to bring multiple communities together, to gradually acculturate each group's ability to engage and understand the needs and contributions of the other, community development will suffer.

Issues of particular concern to community and commercial area development are:

Parking: A recent Center for an Urban Future policy brief emphasized how immigrant business districts serve not only customers in the immediate vicinity but also immigrant communities that have moved out of the city. Improved parking will help these out-of-city consumers continue to access and contribute to existing immigrant community cultural and commercial centers. Improved parking will also reduce the enormous pressure that is placed on retail districts located around public transportation where many new immigrant businesses often choose to located themselves because of access to the seemingly low hanging fruit of foot traffic. Improved parking can help spread retail districts further than the dog-eat-dog confines of the streets immediately surrounding trains. These areas around public transportation in addition to being full of opportunity can also serve as breeding grounds for exploitation, exorbitantly high rents, both informally and formally arranged, that consequently result high business turn-over.

Price of Commercial Real Estate: As said the high cost of real estate has created absurdly high commercial rents. Subletting, formally or informally, has resulted in rents that far exceed customary square footage prices in the city. Subletting along Roosevelt Ave in Queens for example can be as high as \$200 - \$300 a square foot or more. Such informal arrangements such as key money proliferate in environment such as these. I question what the city can do to reclaim vacant buildings or convert existing space to give business more opportunities to find suitable locations for reasonable rents.

Open up opportunities for street vendors: Individuals who want to sell in the street but cannot get a license get pushed up against store fronts that often charge high rents. Others end up engaging in game of 'lay out your goods on a blanket carefully and attractively' only to have to scurry it all up again when police come by. Regulations should be loosened to let the marketplace of local communities decide which vendor should stay or go.

Access to Capital & Banking Services:

Businesses need capital. My clients need capital to start up even when they are making a substantial personal financial contribution. Much of our work at the SBDC is preparing new and existing business owners to fund their businesses whether it is through loans, personal investment, investor equity or a combination of all three. Our clients need working capital to adapt to the ever-evolving tastes and preferences of customers or for seasonal products, store expansions, equipment purchases, remodeling or repairs. Capital is needed at times of inconvenience or disaster like blackouts, snowstorms or road construction and even to absorb shocks in the household. Access to capital is the ability to start, grow, adapt, promote and expand a business.

There is no question that businesses need to work build their ability to borrow and that banks should make loans that will be paid back. However, businesses struggle to communicate their value and viability to the banking community because everything is credit scoring, business plans are rarely looked at for loan applications below \$100,000. Everything that can be done to pressure and/or support banks to invest more time in reviewing a loan applications or business plans to make a loan decision will help more businesses open or keep open their the door.

It is important to describe what alternative sources of capital rise to meet the demand when banks are not present. These alternatives, while diverse and flexible are also often exploitative. While they serve where the banks yet won't, they suppress the growth of communities through exorbitant interest rates and by the lack of investment they make in the betterment of their customers insofar as their overall credit building and the long-term health of their businesses.

It is not unconscionable that business owners with no bank in reach and no access to capital turn to accept expensive and difficult conditions to get money. I reflect on my own experiences working much in Jackson Heights and Corona, Queens. Walking through a community underserved by banks is to see an unusual density of pawn-brokers, pay-day loan advertisements, check cashing businesses and other financing or cash advance gimmicks such as Rapid Refund Loans at tax time. When a customer approaches one of these institutions they pay high rates for services and do not build their credit history and by doing so perpetuate their economic instability.

Informal lending is also common in underserved communities. This is also called loan sharking although the term is oversimplifying. In 2003, I explored this issue through interviews and a focus group discussion with borrowers of informal lenders. We learned that informal lenders could be anyone from family, friends and neighbors to more "professional" lenders. This is simply what happens when formal institutions are not present, or are not trusted or are not accessible. Various communities have their various ways of create banking services like saving and lending. There is the Kye in the Korean community, Su Su in the West Indian community and family associations in the Chinese community. These systems operate under social contract or peer pressure to ensure repayment and responsible participation.

Over the roughly 40 individual informal loans reviewed in our study totaling about \$230,000, the average interested rate was 18% per month and loan sizes ranged from a few hundred dollars to \$20,000. When looking at the interest rates for each of the loans in a graph, the rates were not condensed like competitive market prices would be. Rather they were widely scattered suggesting that each loan was its own monopolistic relationship between the lender and borrower.

Let me jump to another alternative source of capital that small businesses are going to more and more. We have all probably heard that banks are moving "downstream", meaning they are increasingly targeting borrowers of profiles that are riskier than what they would have normally lent to. This also means that banks are trying to serve the undocumented communities and/or

communities where much informality exist. It is said that banks are working to get to the "mattress" money." In terms of immigrants in general, documented or undocumented, over half of all US retail banking growth is expected to come from new immigrants over the next decade according to an article in Business Week written in July of 2005. And the tip of their spear is the credit card.

Banks enthusiasm for credit cards reminds me of the same enthusiasm lenders had for sub-prime mortgages. Running a business on credit cards exposes business owners to higher and more volatile rates and put the their credit report at high risk as their balances owed increase hurting score which then chokes their ability to eventually qualify for a loan.

Access to Quality Technical Assistance

All these points, emphasize the need to be constantly providing the immigrant business community with free and professional technical assistance in their language and with understand a cultural understanding of where they come from. As mentioned, in 2007 our SBDC conducted over 80 seminars, workshops and other events in the community and reached out to over 2,200 new and existing business owners. We conducted workshops in English, Spanish, two dialects of Chinese, and Korean in libraries, banks, community centers, at our college and in partnership with a host of mainstream and immigrant community organizations.

I would be completely remiss if I did not emphasis that the immigrant community needs centers like ours to provide support in evaluating the viability of a business idea, preparing a realistic and complete business plan and financial statements, getting prepared for and connected to market opportunities, accessing capital, and embarking on the path of entrepreneurship which is one of constant monitoring, self-reinvention and adaptation, skill building, risk and making money. Our SBDC helps business stay open longer, earn more money, generate more jobs and provide stability in communities.

Frankly, there is a dearth of organizations in New York that provide intensive one-on-one counseling services and because of the fact that 9/11 disaster related funding for our Center ran out in 2004, I recommend that to help create opportunities for new immigrant businesses, the City consider provide financial support for our SBDC.

Our clients have real-people, on-the-ground issues. Other area of technical expertise also greatly needed by the community include:

- Legal
 - Operating Agreements
 - Deciding legal structures
- Tax and bookkeeping
 - "Tax preparers" or "notarios" are ubiquitous in immigrant communities and consequently so are poor or incomplete understandings of business obligations
- Financial Literacy
 - Personal Budgeting and financing
 - Credit report building and repair
 - Home ownership
- Permits and Licensing
 - Navigating the city, state and federal procedures can be a maze and incentivizes informal activities

Targeting and Growing Middle Tier/Growth Businesses

The more that we can identify and support the next 1-800-Mattress's, Crystal Windows and Doors Ltd.'s, Pollos Marios', Panda Express', Mana Products, Delgado Travel's, House of Spices' etc., the greater the impact we can make in generating jobs and wealth in immigrant communities. Many organizations and city initiatives seem to be focused on start up businesses, however, many businesses, once established for a number of years struggle to transition into the next stage of growth for the lack of next level technical assistance. There are organizations that provide legal, financial and accounting assistance for start up business owners with low resources, however, the impact for this type of assistance will be greatly limited if there are no services either pro-bono or low-bono to help these businesses transition.

International Trade

There is little or no support for importing which generates so many jobs and so much income for the city.

On behalf of our team at the LaGuardia SBDC and our client base of more than 5,000 businesses, thank you for your commitment to holding this hearing and supporting the immigrant business community.



METROPOLITAN COUNCIL ON JEWISH POVERTY
ACTS OF CHARITY • DEEDS OF KINDNESS צדקה וגמילות חסדים

New York City Council – Immigration and Small Business Committee

Friday, December 14, 2007

Hearing on Opportunities for Immigrant Entrepreneurs

Testimony of Gloria Blumenthal

Director, Immigrant Initiatives

Metropolitan Council on Jewish Poverty

Good afternoon. My name is Gloria Blumenthal and I represent Met Council serving nearly 70,000 immigrants through our continuum of programs.

Metropolitan Council on Jewish Poverty is known to many of you as Met Council. Met Council is a non-profit organization representing and coordinating social welfare advocacy efforts of grass roots Jewish Community Councils. Met Council establishes linkages between Jewish groups, non-Jewish groups and governmental agencies. We help stabilize and preserve neighborhoods with by assessing needs, offering technical assistance and bringing required resources to these areas. Our network of local Jewish Community Councils, known as JCCs cover over 150 neighborhoods throughout out the City. While Met Council has a unique relationship with the Jewish community, we extend our services to all individuals regardless of race, ethnicity, gender, sexual orientation, age, physical ability, language or religion.

Met Council is thankful for the Council's Leadership on the Initiative on Immigration (IOI). This funding stream focuses specifically on the plight of adjusting status, a key step in establishing stability and independence.

Met Council has a unique perspective on immigrant life in New York City, because we provide a continuum of services tailored to meet the specific needs of immigrants in New York City. Nearly 70% of those served by Met Council and its network through all of its programs are foreign born.

This hearing is timely. There are several key gaps in services that would assist immigrants seeking self sufficiency. To continue helping immigrants with entrepreneurial or professional aspirations achieve their goals and thus enrich the fabric of New York City, Met Council has identified the following needs:

- Acculturation services: classes or other group opportunities to learn more about American society, job and business culture and the American world of work including business.
- English for Speakers of Other Languages: classes in both English conversation but also career and business content English.
- Customized Career Coaching: employment programs that concentrate on the skills immigrant clients bring with them and adjusting them to the American job market.
- Business Networking: programs that bring together both successful immigrant and American born entrepreneurs to exchange ideas on running a successful business and advise those seeking to enter the business world.
- Micro Loans: financial services to help immigrants start or expand businesses.

In addition Met Council draws on these benchmarks to create successful models that have helped immigrants achieve their career goals. Please note that these programs have included a combination of language acquisition, cultural education, networking and training. Successful programs are:

- the Advisory Committee for Émigrés -- successful émigrés in high level professionals volunteer their time in providing information in group settings to émigrés with similar educational and professional backgrounds seeking to enter or

advance in high level positions, counsel in one on one settings and often referrals to jobs in high level professions.

- Business leadership clubs -- community organizations bring together local successful entrepreneurs to exchange information on business trends, what it takes to thrive in the neighborhood and beyond as well as helping prospective entrepreneurs enter the world of business. Often these businesses provide on the job training. In addition these entrepreneurs are a source of leadership in the community.
- World of Work Initiatives -- large businesses representatives come together to offer opportunities to immigrants in concert with social service organizations that can provide support services such as content ESOL, cultural adaptation programs that deal with workplace issues as well as skills training.

We look forward to working with you on making this program valuable and accessible to as immigrants as possible. Thank you.

NEW YORK CITY COUNCIL

IMMIGRATION and SMALL BUSINESS COMMITTEES HEARING

December 14, 2007

Elana Broitman

Director, City Policy and Public Affairs

Chairmen Stewart and Yassky, Council members, thank you for allowing me to make a presentation to you today. I represent UJA-Federation of New York, which helps to serve a broad spectrum of New Yorkers throughout the five boroughs by supporting a network of over 100 social service agencies.

UJA-Federation of New York

UJA-Federation's mission is "caring for those in need, rescuing those in harm's way, and renewing and strengthening the Jewish people in New York, in Israel, and around the world." We are a funding and coordinating body for more than 100 nonprofit health and human service and educational agencies in New York City dedicated to serving all New Yorkers with need, in large part through contracts with the City's Department for Youth and Community Development.

Last year, we raised almost \$300 million from tens of thousands of donors, which we use in large part to support this network of not-for-profit agencies. However, our work would not be possible without the successful public-private partnership that exists between the New York City Council and UJA-Federation. While UJA-Federation does not take government funding, our agencies rely on public funding, in addition to philanthropic support, to provide a myriad of services, including immigrant services, vocational and entrepreneurial support, health care, case management, affordable housing, legal aid, mental health counseling, and transportation for the elderly. We particularly appreciate Chairman Stewart's leadership on increasing the Immigrant Opportunities Initiative, thanks to which many of our agencies serve immigrants.

Immigrant Entrepreneurs

As acknowledged by the Center for an Urban Future report, as well as in statements by our Mayor and other public officials, immigrants offer a rich foundation for economic growth in New York City and elsewhere. They come with a natural entrepreneurial drive and spirit, which brought them here in the first place. They bring ideas and traditions from their countries, which can often translate into innovative businesses. And, they bring networks from their home countries, which can become important to the growth of their businesses.

Yet, they face many obstacles in addition to those faced by any new business person: a lack of:

- Language Capacity

- Credit Histories
- Access to Financing
- Network of Connections and Mentors
- Knowledge of U.S. business customs

Overcoming these barriers requires assistance by organizations steeped in those immigrant communities. I will describe some of the programs below, but their unifying message when I ask them about the barriers they face is the need for more funding to expand their services.

UJA-Federation Network Programs

ESOL

Our network of agencies serves immigrants throughout New York. Some of our agencies, such as the New York Association for New Americans (NYANA), provide English language instruction to immigrants from all of the boroughs - beyond their headquarters in lower Manhattan. Others such as our networks of YM-YWHAs and Jewish Community Councils serve populations in their neighborhoods in ways tailored to their communities: some populations desire citizenship preparation, others vocational support.

All of the ESOL providers report that they must turn away many more students than they serve because they simply do not have the resources to enable them to serve all of those seeking services. For example, one of our agencies from Brooklyn reported a waiting list of over 600 for ESOL and more for ESOL/Citizenship programs.

Hebrew Free Loan Society and JCH/Bensonhurst

One of our programs most geared to entrepreneurship is the partnership between the Hebrew Free Loan Society and the Edith and Carl Marks Jewish Community House of Bensonhurst. HFLS is a city-wide agency providing interest free loans to immigrants and other financially vulnerable groups. The JCH is a community center in southern Brooklyn, serving Russian and other communities. Based on their ESL and other programs through which they serve immigrants, JCH formed a Russian Business Club, which provides an informal opportunity for entrepreneurs and would-be entrepreneurs to build relationships with each other and those who have already begun their businesses. As I mentioned, networks and mentorships are some of the key ingredients to successful businesses, which are lacking for the newest Americans.

The Hebrew Free Loan Society partnered with the J, which already had a strong identity in the community, to create a comprehensive micro enterprise program offering core business training (through the 8-week Bensonhurst Business Institute course which uses a curriculum developed by the New York City Department of Small Business Services), pre- and post-loan technical assistance and interest-free credit. HFLS and representatives of the Russian Business Club screen program applicants, some of whom are BBI course graduates who have never run a business, while others already have a struggling nascent business they want to expand. Before a loan is provided, the applicants must write and submit a business plan and go through a review process. This program leverages government-funded resources such as business plan preparation guidance provided by

Brooklyn Business Solutions and the Business Outreach Centers. After the loan is made, HFLS professionals continue to provide technical assistance to the entrepreneur to help him or her address obstacles they face in the first business year. For example, help with marketing, with financial planning, etc.

Since April 2006, HFL received over 225 applications and made 53 loans of up to \$25,000 each. There have been some very important lessons learned in this program. First, both agencies have Russian émigré staff running the programs. They know their own communities and can evaluate more accurately than others the applicants' needs and situations. They are likewise trusted in the community. What they found was that government programs, alone, do not generate the trust needed to foster much use by the community. Second, the trainings are conducted in the language of the émigrés. While English capacity is ultimately critical to economic success, many immigrant entrepreneurs begin by serving their own communities, in their own languages. Finally, they cater to the community – in the neighborhood, during the most useful hours, and by creating programs to answer the need. For example, the J is creating several subsets – a Financial Literacy Institute run by volunteer financial industry professionals, a business women's group, and so on. Finally, they know how to find community interest by marketing their programs in local media and through communal networks.

F.E.G.S.

Another agency's work that I would like to describe is that of F.E.G.S., a very large city-wide vocational training and health service agency. As with many of our agencies, F.E.G.S. conducts ESOL courses, including computer literacy, which is so important in today's business world. In addition, F.E.G.S. conducts a seminar for business entrepreneurs, the Thylin Oltschick seminar. This program, 30% of the audience for which is immigrants, provides training from business development experts on business plan development, marketing, financial planning, legal issues, etc. It also naturally provides an excellent source for networking.

As with the J/HFL program, F.E.G.S. has seen several lessons. One, immigrants make best use of programs run by those from their own communities who understand the challenges and opportunities of the particular community. Two, every immigrant community is different – with varying levels of education and background in entrepreneurship. They need different learning and resources. Also, some communities are quite skittish about coming to the government directly for support. Particularly in today's anti-immigrant climate that is sweeping the nation, immigrants are far more comfortable with going to their community organization.

There are other programs, as well, that I have not gotten to, but I know you are hearing from some of them today. I would be pleased to provide further information and answer any questions.

Thank you, again, for inviting me to testify today.

TESTIMONY BY
DEPUTY COMMISSIONER LARRY SCOTT BLACKMON
NEW YORK CITY
DEPARTMENT OF SMALL BUSINESS SERVICES
BEFORE
THE COMMITTEE ON SMALL BUSINESS
OF THE
NEW YORK CITY COUNCIL
DECEMBER 14, 2007

Good afternoon Chairman Yassky and members of the Small Business Committee. I am Larry Scott Blackmon, Chief of Staff and Deputy Commissioner of Intergovernmental Affairs at the Department of Small Business Services, and I would like to thank you for the opportunity to testify today.

Under the Mayor's mandate to better serve small businesses throughout the five boroughs and with the strong support of the City Council, SBS has made great strides in helping New York City's more than 200,000 small businesses form, grow and prosper. We've also come a long way in improving neighborhoods across the City, connecting New Yorkers to job opportunities, and helping minority and women-owned businesses access contracting opportunities. Today, I would like to provide an overview of our work to date in serving entrepreneurs.

NYC Business Solutions

The cornerstone of our business assistance efforts, NYC Business Solutions, has served 18,022 businesses this year and 43,101 since inception in 2004. Whether business owners walk through the door of one of our seven centers located throughout each of the five boroughs, visit our comprehensive website at www.nyc.gov/smallbiz, or call 311, they can get the help they need to start and manage their businesses – including help accessing financing and incentives, navigating and selling to government, and hiring and training employees. Our Business Outreach Team also canvasses commercial neighborhoods block by block in all five boroughs, assisting thousands of entrepreneurs in their places of business each year. Thanks to these efforts, business owners and entrepreneurs are accessing SBS' business assistance more easily than ever before.

One particular area of emphasis has been connecting small businesses to financing, a service that is particularly important to micro-entrepreneurs who need access to capital in order to get their businesses off the ground. Often entrepreneurs come to us for help after being denied by traditional lenders. To date, we've helped businesses access more than \$43 million in financing. Thanks to our partnerships with micro-lenders throughout the City like Seedco, Accion and the Hebrew Free Loan Society, nearly 80% of those financing deals have been micro-loans, providing the critical support that new small business owners need to enter the market.

Our efforts to help start-ups don't stop there. Our business planning classes – such as Business Basics and Plan for Success – offer step-by-step assistance for first-time business owners and micro-entrepreneurs, walking them through the essentials of what it takes to own and operate a small business in New York City. In 2007 we provided 135 of these seminars to entrepreneurs. While we offer classes in English, Spanish, Mandarin and Cantonese our staff at the various

centers are equipped able to assist individuals in Spanish, Italian, French, Haitian Creole, Hungarian, Yiddish, Hebrew, Hindi, Urdu, Nepalese, Mandarin, Cantonese, and Tamil, giving entrepreneurs throughout the City the tools they need to establish their business.

We've partnered with some of the best organizations in the City to do this work. Our Business Solutions Centers are run by some of New York's most effective small business assistance organizations, including the Brooklyn Chamber, Seedco, and the Bronx Overall Economic Development Corporation. Just last month, we brought together business experts from 17 City, State and Federal agencies and non-profit organizations, including the Brooklyn Chamber of Commerce and the Industrial & Technology Assistance Corporation (ITAC), to create an "Instant Assessment Bullpen" for small businesses attending the New York XPO for Business conference at the Javits Center. The Instant Assessment Bullpen provided on-the-spot advice to 170 entrepreneurs and small businesses on financing, incentives, licensing, business planning, government procurement, and hiring and training. We will continue to work with the best organizations in the City to provide services that enable entrepreneurs and small businesses to open and expand in New York City.

M/WBE Certification

Our efforts to assist entrepreneurs continue once their doors are open for business. As you know, we have worked closely with the City Council on our Minority- and Women-Owned Business Enterprise (M/WBE) program. The passage of Local Law 129 provided a huge boost to our program by setting M/WBE purchasing targets for each City agency. Over the past year, SBS has been working with other City Agencies to create custom utilization plans that will enable them to

meet the targets set forth by the law. And we've made it easier for businesses to certify with us as M/WBEs by streamlining the application process and dramatically expanding our outreach efforts.

Through these efforts, we have increased access to contracting opportunities for hundreds of M/WBE firms, allowing them to grow and expand. In the last fiscal year alone, our technical assistance helped certified M/WBEs secure more than \$110 million in City contracts. The success of this program relies not only on ensuring that bona-fide M/WBEs take advantage of the program, but also building their capacities to put forth successful bids. In the coming year, our capacity building program will be providing more intensive training and assistance to help certified companies become more competitive. We're looking forward to working with the Council and the community partners funded through the M/WBE Leadership Initiative to continue helping M/WBEs grow and access contracting opportunities.

Workforce Development

Another way in which we have focused our efforts to better serve businesses has been the complete overhaul of our workforce development programs. We've made tremendous gains in our efforts to help businesses find qualified workers.

SBS has built infrastructure, overhauled major aspects of service delivery and improved performance. In April 2004, four Workforce1 Career Centers were placing 127 people in jobs each quarter. Today, our six Workforce1 Career Centers throughout the five boroughs are making more than 4,300 placements per quarter.

We've established new services to identify and pre-screen candidates for employers under the NYC Business Solutions brand, reducing their ratio of job applicants to hires by up to 95%. In 2005 we started a customized training program for businesses, which allows them to apply for grants to train their employees in order to increase productivity and wages and create new entry-level jobs. Since the program began in October 2005 SBS has awarded 35 grants totaling \$3.4 million to New York City businesses to train over 2,300 New Yorkers in all five boroughs. And we continue to make great gains despite the challenges we face in the wake of major budget cuts. As you know, because of the reduction in federal Workforce Investment Act dollars on a national level, we received \$10.5 million less in funds in FY07, a reduction of more than 21%. In spite of these cuts, we have already surpassed our target to place more than 15,000 New Yorkers in jobs by the end of the year.

District Development

Our agency also partners with organizations in neighborhoods throughout the City to create a better climate in which to do business. By making it easier for Business Improvement Districts (BIDs) to form and grow, recognizing best practices and enhancing our technical assistance, we have both energized and expanded the largest network of BIDs in the country. Annually, the City's 58 BIDs contribute more than \$80 million in supplemental services for the direct benefit of over 70,000 businesses. The impact of these BIDs is clear: cleaner streets, safer streets and more attractive places to visit, shop and do business.

Over the past year, we have created three new BIDs, in Court/ Livingston/ Schermerhorn, Sunnyside and Bayside. Since the beginning of the Bloomberg administration, 14 new BIDs

have been formed, including the City's first BID on Staten Island. We expect to launch five more BIDs in 2008.

Our work in the City's neighborhoods, however, goes far beyond BIDs. One of the areas we've focused on this year is in providing technical assistance and support to LDCs and Merchants' Associations that need extra help to have a stronger impact in their neighborhoods. For the first time Avenue NYC has launched borough-wide programs in Brooklyn, Queens and the Bronx. We've partnered with borough-wide groups like the Brooklyn Economic Development Corporation and the Queens County Overall Economic Development Corporation to leverage their experience so that other neighborhood groups can learn from them and build on their success.

Business Express

I would like to close today by discussing a major milestone in our efforts to make it easier to start and grow businesses here in New York City. Recently, the Mayor made a promise to launch an online resource that would help business owners overcome some of the regulatory hurdles and issues they facing when starting up. We've delivered on that pledge and recently launched Business Express, a website that for the first time enables restaurant owners to access all of their licensing and permitting needs in one place.

Take a minute to think about a restaurateur who wants to open a café. Like the more than 20,000 other restaurateurs in the City, he or she would have to deal with a dozen different City, State and Federal agencies, tracking down information on different permits and licenses. Over the past year our agency has worked hard to inventory and map out these regulatory processes for the

restaurant industry. Business Express makes all of those forms, applications and information available in one place online, helping businesses to save time, money, and an untold amount of frustration.

This is a critical first step toward making it faster and easier to start a business in New York City. However, it is not enough. Over the coming year, we will be working together with many City Agencies including Buildings, Finance, Consumer Affairs and DOITT to build on this application to add functionality. Before the end of this fiscal year, Business Express will expand to cover the retail and service sectors. I invite you to take a look at Business Express for yourself online at www.nyc.gov/BusinessExpress.

This multi-agency effort represents yet another way in which SBS is working to help business owners and entrepreneurs do business in New York City.

Conclusion

Our agency has come a long way in the past five years, and we have a lot of exciting work ahead. What I've tried to do today is give you a sense of how all of our efforts are geared toward providing meaningful and accessible assistance to the entrepreneurs and small business owners that are the backbone of our City's economy, accounting for half of our private-sector workforce. We're committed to better meeting the needs of all the City's small businesses - from start-ups getting their businesses off the ground to established firms looking to grow and expand. And with your support, we're building and strengthening small businesses across the five boroughs.

Thank you, and I would be happy to answer any questions that you have.

Joyce Moy
Director of Business & Community Development
LaGuardia Community College/CUNY
31-10 Thomson Avenue-
Long Island City, NY 11101
(718) 482-5098
jmoy@lagcc.cuny.edu

Creating Opportunities for Immigrant Owned Businesses

I am Joyce Moy, Director of Business & Community Development at LaGuardia Community College, and I am the founding director of the LaGuardia Small Business Development Center that was established immediately after 9/11 to assist small businesses affected by the disaster in Queens and throughout New York City. In the weeks and months following 9/11, it became clear that the vital economic immigrant business sector was sorely underserved and under-resourced, and continues to be.

It is fairly well accepted that immigrants turn to entrepreneurship because language, and cultural barriers often bar them from entry into the workforce. Even those who are well educated in their country of origin may find it hard to have their skills translate into a comparable position in the America because of language and credential evaluations.

In other words, immigrants are often “accidental” entrepreneurs, whose drive and need for survival propels them down the path. In the Korean community, it is often joked that the occupation you have in America depends on who meets you at the airport. For many communities, the business technical assistance and venture capital or start-up capital, often come from family, friends and in communities such as the Asian communities, from informal family or social associations. It sometimes also comes from sources that demand less than favorable repayment terms.

In today's world it is harder than ever to start and grow a business. My father, who came to the America over 60 years ago was taken in by a family member. He worked in the relative's hand laundry until he learned the business (translation—technical assistance and mentorship). He then obtained a loan from the family association (translation --access to capital), found a location, and with a few planks of wood, built shelves, a counter and a place to iron. Behind the shelves that held the bundled shirts was space for several beds, a large wash sink, a small room with a toilet and no tub, a stove. This was where the workers in this labor intensive, business lived—translation—affordable housing. The labor was my Mom and Dad, my three brothers and I. Yes, this was what economists call a labor-intensive business, and to this day, I understand that term in my bones.

My Dad added up the proceeds at the end of each day on his abacus (translation—cash flow analysis), and performed his break-even analysis. For me, cash flow was: there's money in the box, or no money in the box. Cash flow was good enough to pay the operating expenses and to feed the proprietor and his family. There was no money for

savings, retirement, medical insurance or leisure activities, let alone business expansion. If the rent was raised too high by the landlord, we moved and started all over again.

In the late sixties, and the advent of wash'n'wear clothes, the precursor of permanent press, and the introduction of less formal attire in the days of Hippies and Flower Power, business began to drop (translation—no access to market trends data or business planning). If my parents were to survive in this “new business environment” they would have to have a huge capital infusion. To continue in the laundry business, they would have had to convert to a “capital-intensive” business of purchasing washers and dryers for a laundry mat or dry cleaning equipment. In their community, there were no lending institutions with capital of this size, or technical assistance providers who could give them the guidance they needed to learn how to operate the machines, never mind the regulations that we have today regarding pollution, water recycling, etc. They were able to survive because my brothers and I had reached an age where we could find employment. We were able to work outside the home and supplement the family income, until it became possible to give up the business.

My Mom and Dad never wanted us to live the grueling and laborious life they did. Like many immigrant parents, their children were to be their legacy and the fruit of their labor. My brothers and I carried their hopes and dreams on our backs each day as we left for school. Somehow, my parents managed to produce four college-educated children with graduate and professional degrees.

Based upon the experiences of my family and the hundreds of immigrant business clients we have served at LaGuardia, I would like to make the following suggestions on how we can support, grow and create greater opportunities for the immigrant business sector. These comments come with the recognition that these changes cannot be made easily, however, they are possible.

1. Access to culturally competent business technical and legal assistance

- i. Need for greater funding and support to organizations that are in the communities that they serve who already have cultural and linguistic competencies.
- ii. Having written information translated into the various major languages is important but not enough. Doing seminars where people who can translate but do not have an understanding of the subject matter or a business background may be helpful, but is not enough. Example- after 9/11 a Chinese owned business sought the help of the SBA. He went back time and time again, each time being told yet again, that he needed another item or document (there were no checklists or information available in the beginning days), When he went back the fifth time, he apparently had all the documents, but was told that by the translator that he “...could not get the loan because the signature of the majority shareholder is needed.” Well, no one

- shareholder owned more than 50% of the stock because there were 7 owners. We read an article in the Chinese paper who quoted the owner as having cried so much, he had nothing but "dry tears left to cry." We called him and offered to assist him knowing that what was needed was a majority of shareholders to sign.
- iii. Create and fund vehicles to train accountants and attorneys on the needs of small minority and immigrant businesses. Often times, immigrant businesses seek the advice of their accountant and attorneys as their primary source of business technical assistance because they are unaware that business technical assistance providers that exist or
 - iv. Create a legal technical assistance center for small business. Currently, the LaGuardia Small Business Development Center works with the CUNY School of Law to train lawyers who want start their own practice in under-served communities. We heavily emphasize the need for training of attorneys to serve the immigrant and small entrepreneur community.

2. Access to capital

- i. Work with banks and financial institutions to create innovative programs providing access to capital-- banks could create a pool for loans to small businesses because of incentives similar to incentives to banks who located in special banking districts where the areas are under-banked (i.e. government entities place large deposits at a bank and require a lower return than the market rate).
- ii. Based on reports of the record deposits that banks have in various immigrant communities (see attached articles) banks should be encouraged to contribute more back to the communities in which they are located (e.g. Chinatown has \$6 billion dollars in cash deposits).

3. Address the high cost of commercial and residential real estate

- i. For start-ups: increase the number of vendors licenses available
- ii. More broadly advertise economic zones and incentive programs
- iii. Create more affordable housing – both for the entrepreneurs who tend to live in their community and their workforce.

4. Greater access to English language training

- i. Customer service training – would facilitate businesses through owners or their employees to expand beyond their ethnic community for markets and resources, and ease their integration into society.
- 5. Bolster procurement and supplier diversity programs**
- i. Small businesses need more support before and after the certification process. Without helping the businesses to develop the infrastructure to properly service a contract they obtain, and to develop after that first contract is obtained, these programs only provide false hope.
 - ii. Government and technical assistance providers should partner with the private sector to increase participation in corporate supplier diversity programs by helping to develop some common standards.
- 6. Create meaningful networks between government and ethnic business organizations**
- i. Support ethnic chambers of commerce
 - ii. Help develop leadership in these communities so that they can advocate for themselves
- 7. Give more attention to importing and technical assistance**
- i. Although many immigrant businesses export to their native countries, goods imported from their countries also provide our consumers with greater choices of products and support many jobs in the transportation sector. Government funded agencies may shy away from supporting the import sector because of misperceptions that this somehow means outsourcing jobs.
- 8. Identify and support businesses that might be ready to go to the next level.**
- i. Currently many of the programs focus on start-ups
- 9. Address crime against small and immigrant businesses**
- 10. Foster relations among diverse ethnic and socio-economic Communities.**
- i. Collaborations among small businesses may result in joint ventures and new markets between the groups, as well as opportunities to utilize each other's strengths

Year of the Buck: As Asian Money Surges, Financial Firms Flood Into New York Enclave --- In Scruffy Downtown Flushing, Immigrants Put Billions In Savings To Work --- The Zoo on Saturday Morning
By Bernard Wysocki Jr.. Wall Street Journal. (Eastern Edition). New York, N.Y.:Mar 24, 1999. p. A1

Abstract (Summary) Indeed, downtown Flushing has become a financial battleground, as Asian and Asian-American savers turn into investors and even speculators. Among the mainstream firms already here, PaineWebber Inc. and MetLife have opened offices in the past 18 months, and Fleet Financial Group has revamped its Flushing branch to target Asian customers. Merrill Lynch & Co. and others have scouted for locations. They find plenty of local rivals because many immigrants also have started brokerage, insurance or banking operations. Schwab arrived last year with a splashy two-story branch. Around the same time, the discount brokerage firm introduced a Web site using Chinese-language characters. Locals crowd into its Saturday investment seminars -- in Mandarin in the morning and Korean in the afternoon. While Schwab has catered to the Asian investor community since the early 1990s, the focus has been mainly on California. The Flushing branch is the first East Coast outpost of the company's Asia Pacific Services unit. Typical is Cindy Hsing, age 58, whose glasses, conservative suit and neatly coifed hair may bespeak the conservatism of a woman who trained as an accountant in Taiwan, has three grown daughters and works as a secretary for a Chinese architect. But last year, Ms. Hsing says, she conducted 150 trades -- buying or selling individual stocks about three times a week. She has bought and sold Internet hotshot eBay Inc. several times. She lost \$10,000 when an oil-drilling stock declined. She bought shares of America Online Inc. shortly before they split, then sold them for a modest profit. Overall, she came out a little ahead last year.

Full Text (1858 words)

Copyright Dow Jones & Company Inc Mar 24, 1999

FLUSHING, N.Y. -- The streets are strewn with litter, and many of the shops are no-name outlets overstuffed with down-market goods. Walking along Main Street here, it's easy to see why this neighborhood in the New York City borough of Queens seems doomed to be perpetually unfashionable. But when Howard Chen looks out his office window toward Main Street, the Taiwan-born senior manager at Charles Schwab & Co. sees something completely different: huge amounts of Asian immigrant money, and fierce competition to manage it. "It's ferocious, just ferocious," he says. "In just one block, there are six or seven brokers and a dozen banks." Indeed, downtown Flushing has become a financial battleground, as Asian and Asian-American savers turn into investors and even speculators. Among the mainstream firms already here, PaineWebber Inc. and MetLife have opened offices in the past 18 months, and Fleet Financial Group has revamped its Flushing branch to target Asian customers. Merrill Lynch & Co. and others have scouted for locations. They find plenty of local rivals because many immigrants also have started brokerage, insurance or banking operations. In all, about 37 bank branches fight for business in and around the Main Street area. Their combined deposits, according to the Federal Deposit Insurance Corp., soared to \$4.2 billion in mid-1998, up 44% since mid-1994 (compared with an overall rise at U.S. banks of 16% in the same period). Market leader Citibank has seen deposits at its single branch jump 87% in the past four years to \$321 million. Schwab arrived last year with a splashy two-story branch. Around the same time, the discount brokerage firm introduced a Web site using Chinese-language characters. Locals crowd into its Saturday investment seminars -- in Mandarin in the morning and Korean in the afternoon. While Schwab has catered to the Asian investor community since the early 1990s, the focus has been mainly on California. The Flushing branch is the first East Coast outpost of the company's Asia Pacific Services unit. All the activity points to a critical mass of people and wealth here among the 50,000 Chinese, 35,000 Koreans and smaller numbers of Indians, Malaysians and others. In this 300-year-old neighborhood a short train ride from Manhattan, immigrants from Asia are showing that legendary savers can also be energetic investors. In some Flushing households, savings rates are 50% or more, compared with a drop in the overall U.S. household savings rate to near zero in 1998. Meanwhile, many immigrants -- especially the Taiwanese, who dominate the financial landscape as bankers, brokers and investors -- are eagerly putting some of those funds into play with stock trading. Typical is Cindy Hsing, age 58, whose glasses, conservative suit and neatly coifed hair may bespeak the conservatism of a woman who trained as an accountant in Taiwan, has three grown daughters and works as a secretary for a Chinese architect. But last year, Ms. Hsing says, she conducted 150 trades -- buying or selling individual stocks about three times a week. She has bought and sold Internet hotshot eBay Inc. several times. She lost \$10,000 when an oil-drilling stock declined. She bought shares of America Online Inc. shortly before they split, then sold them for a modest profit. Overall, she came out a little ahead last year. She has an \$80,000 account with Schwab and says she loves to trade. She and her network of Taiwanese relatives and friends exchange stock tips. She bought a computer and does stock research online in Chinese. "A lot of Chinese are doing stocks now," says Ms. Hsing. In her case, it's strictly U.S. equities. "Investing here is the safest in the world." The idea that the U.S. is a haven in a troubled world helps explain the tide of people and money flowing into Flushing, though some funds that seek refuge often return home when trouble there abates. That was true in 1996, when tensions between Taipei and Beijing spiked and "millions of dollars poured in" from Taiwan, says Thomas Tai, a local insurance-company executive. "But it went right back because the situation settled down." Other capital ends its flight here, however. Hong Kong money that has flooded in, particularly before the mid-1997 handover to Chinese rule, looks like permanent investment. Some of the biggest stores along Main Street were financed by Hong Kong groups, including the Hong Kong Market, a huge supermarket. To be sure, some portion of the wealth accumulating in Flushing is illegal, as proceeds of drug trafficking or other criminal activity. But a spokesman for the Drug Enforcement Administration in New York says that "the majority of businesses in Flushing are legitimate." Money also has flowed into Flushing as a result of the Asian financial crises that began in mid-1997. But the human tide has been substantial, too, as thousands of jobs vanished at South Korean conglomerates or in mainland China's state-run companies. Visible here is a wave of newcomers at the bottom of the social pyramid: day laborers, fresh from provincial China -- and many here illegally, authorities suspect. They loiter outside the post office, a makeshift outdoor hiring hall. One or two rungs up the social ladder, Malaysian hairdressers, forced here by the crisis at home, work in the beauty parlors and double up in \$800-a-month apartments. A few rungs higher, the real money starts to appear. Some of the immigrants from mainland China are exporters, or children of the Chinese elite. If the elite "don't come themselves, they

send their children," says Jimmy Meng, president of the Flushing Chinese Business Association, which has about 600 members. And they don't loiter outside the post office. "Every week, we open at least 40 accounts for mainland Chinese, with at least a \$25,000 opening balance," says John Liu, president of First Flushing Securities Inc., a discount broker with a Chinese Web site. He notes that most of those new accounts are either resident aliens or U.S. citizens. It's hard to say how many live in Flushing, though, because his company's push into the online brokerage business has brought him new clients from farther afield. Even more prominent financially are the Asian immigrants who have been here a decade or more, worked hard and saved small fortunes. These include Asian or Asian-American physicians and dentists, computer entrepreneurs, restaurateurs and small-scale media moguls. At the top are the tycoons, such as the Wang family from Taiwan, owners of a Chinese-language newspaper and builders of a 175-room Sheraton Hotel here in the early 1990s. At the time, locals thought the project foolhardy. Who would put a nice hotel in Flushing, right under the flight path into LaGuardia Airport? Today the Sheraton LaGuardia East boasts a 91% occupancy rate and hosts an average two Chinese wedding banquets a week. The lobby's lounge and restaurant have become a deal-making hub for local and overseas Asian entrepreneurs, says Douglas Topous, general manager. Other Asian groups have bought up parcels of land in the hope of building more hotels, office buildings or residential towers. With its commercial growth, Flushing has emerged as New York's No. 2 Chinese enclave, rivaling Manhattan's Chinatown. As in the past, generations of immigrants have moved in, and then moved up and out, to Long Island or Westchester or New Jersey. Unlike the Irish, Italian and Jewish immigrants, however, many of the Asians who leave keep coming back on weekends to patronize familiar businesses and eat at one of the more than 100 Asian restaurants. Starting a restaurant is a common ambition. Historically, immigrants have found it hard to get loans, though in Flushing, that's less of a problem. Some of those 37 banks have been eager lenders to small businesses. Jentai Tsai, chairman and chief executive of Asia Bank N.A., with about \$200 million in deposits and \$20 million of paid-in capital, has made it his specialty. Mr. Tsai has been here since 1970, first running a supermarket, then pooling Chinese investment to open his bank. He specialized in letters of credit with a 24-hour turnaround. Since then, he has accumulated commercial property, and his bank regularly finances restaurants. A recent Monday lunchtime found Mr. Tsai at a brightly lit Chinese seafood place called Jenny, where he owns the building and has financed the couple from mainland China who lease the space for the restaurant. Mr. Tsai looks over the fish swimming in a tank along the wall, places his order and then saunters over to talk with the woman in her 30s who runs the place with her husband. "I told her, 'You've been here for five years. It's about time you bought a house. Come see me,'" Mr. Tsai says. He notes that his bank doesn't make much on such mortgage loans, but keeping the overall banking relationship is important. Hardship haunts Flushing's latest crop of budding entrepreneurs, however. The area's prosperity has brought soaring rents for retail shops. A 500-square-foot store rents for \$6,000 a month in choice locations along Main Street. It's too steep for some to survive. Turnover among restaurant owners is high. Turnover of ownership is a problem, too. Local officials point to \$4 million in taxes owed on downtown Flushing real estate. Those who have clustered in the high-rent district have been mostly Chinese. The Koreans have started to move east, along a major thoroughfare called Northern Boulevard. The signs on the storefronts show the trend. So do the computer-generated population-density maps in the office of Young Dae Kwon, who personifies the next generation of Flushing entrepreneurs. Mr. Kwon, a graduate of elite Seoul National University, is building a media-and-education empire in downtown Flushing. He has started a 24-hour Korean television station, channel 17 in New York. He owns a Korean-language radio station and a Korean telephone directory for classified listings, and he is launching a weekly newspaper. Mr. Kwon moved to the suburb of Port Washington, N.Y. several years ago, but when his children reached college age, he sold the place and bought a condominium in Flushing. "It was tough driving home at 10 p.m. Now I walk to work," he says. In the same building, Mr. Kwon's wife, Jenny, runs Elite, which offers Saturday classes for college-bound students. It's one of the "cram" schools where mainly Asian-American students get high-intensity training for college-admissions tests and other vital exams. And it's just one reason why downtown Flushing is such a zoo on the weekends. By 10 a.m. on a typical Saturday, the bank lines snake out the door. Traffic crawls. The new four-story Queens Public Library is jammed with bookworms. And in one of the smaller ballrooms of the Sheraton, the Schwab investment seminar in Chinese is under way, with about 75 attendees. The Schwab staffers talk for 20 minutes about Roth IRA accounts, Keogh plans, asset allocation. Then there's a call for questions. Dozens of hands go up. A Mr. Chou in the second row can't get recognized. He becomes impatient and finally just stands up and starts talking. "I don't know how to invest," he says. "But I have money." The Schwab people hand him a lucky Chinese calendar and promise to stay in touch. Credit: Staff Reporter of The Wall Street Journal

Indexing (document details)

Subjects: Investments, Financial institutions, Target markets, Aliens, Investments, Financial institutions, Target markets, Aliens **Locations:** New York City New York, New York City New York **Author(s):** By Bernard Wysocki Jr. **Document types:** News **Publication title:** Wall Street Journal. (Eastern edition). New York, N.Y.: Mar 24, 1999. pg. A.1 **Source type:** Newspaper **ISSN:** 00999660 **ProQuest document ID:** 39959602 **Text Word Count:** 1858 **Document URL:** <http://rpa.la Guardia.edu:2048/login?url=http://proquest.umi.com/pqdweb?did=39959602&Fmt=3&clientId=13053&RQT=309&VName=PQD> Copyright © 2007 ProQuest-CSA LLC. All rights reserved. Terms & Conditions Please do not reply directly to this email. Use the following link to contact ProQuest CSA: <http://www.proquest.com/division/es-support.shtml>

NEW YORK The Sun

October 12, 2007 Edition > Section: Business > Printer-Friendly Version

N.Y. Chinatown Emerges as Major Banking Center

BY A. BALLA - Special to the Sun

October 12, 2007

URL: <http://www.nysun.com/article/64428>

It looks like the real Wall Street is on Canal Street.

With nearly \$6 billion in deposits spread across three-dozen retail banks, Canal Street has some of the wealthiest branches in New York City.

"There is no doubt that we have become a bit of a retail banking center," the City Council member representing Lower Manhattan, Alan Gerson, said.

Banks in Chinatown are some of the largest in the city. While many branches across New York have less than \$100 million in deposits, and \$500 million is considered colossal, Canal Street is royalty. Four bank branches on or near Canal Street have more than \$500 million worth of deposits. Citibank, for example, has \$842 million in deposits at its branch at 124 Canal St., and has \$1.7 billion in its three branches in that ZIP code, or 30% of the entire retail banking in the area, according to the latest available data from the Federal Deposit Insurance Corporation.

By comparison, the commercial district near City Hall at Church and Chambers streets has \$2.4 billion in bank deposits, and Harlem and its 125th Street commercial district have just \$652 million. There are about \$3.5 billion in deposits in the Upper West Side. Brooklyn Heights has about \$3 billion. The Upper East Side has \$8 billion in deposits.

"Chinatown is a great neighborhood and we have been there for a long time," a spokesman for Citibank, Robert Julavits, said.

HSBC, which has \$526 million in deposits at its 254 Canal Street branch, also said through a spokeswoman that Chinatown is a key strategic market.

"Way before you saw seven-day banking in other parts of the city, the banks that rent from me on Canal Street were asking permission to operate seven days," a landlord of commercial properties in the area, Michael Salzhauer, said.

Driving forces behind these deposits include a cultural history of saving large amounts of money within the community, and cash infusions from Chinese Americans and other Asians who live elsewhere but prefer to do their banking at this commercial hub where they have linguistic and cultural ties.

"Culturally, Asians have much higher saving rates than the average American," the executive director of the Chinatown Partnership Local Development Corp., Wellington Chen, said. "And because of language issues, they feel more comfortable here."

It isn't just Canal Street that is seeing a growing banking industry.

While there are \$5.8 billion worth of deposits in Manhattan's Chinatown, in Flushing, Queens—another area with a large population of Chinese immigrants—there is \$3 billion in deposits, according to the FDIC. And while Manhattan's Chinatown boasts 32 branches of 19 different banks, Flushing is not far behind with 25 branches of 18 separate banking companies.

When City Council member John Liu participated in the opening of yet another bank branch in Flushing in June, it was the latest in more than a dozen such events.

"I've been cutting ribbons left and right," he said. "Many places see Flushing as just a place to eat — it's actually a financial center too."

For example, Royal Asian Bank and Abacus Federal Savings Bank, both based in Chinatown, opened new branches in Flushing this year. Commerce Bank has already approached Mr. Liu to help find some space to open a new branch.

"Many of these people have come here and work really hard, and they want to keep their savings safe," the chief financial officer of Global Bank, which opened this spring along Chinatown's East Broadway, Norman Jardine, said. "There is no better place than America to do that."



**New York City Council Committees on Immigration and Small Business
Chairs: Kendall Stewart (Immigration) and David Yassky (Small Business)
Oversight - Creating Greater Opportunities for Immigrant Entrepreneurs
December 14, 2007**

Testimony delivered by: Steve Cohen,
Vice President for Programs and Portfolio Management, Seedco Financial
Tel: 212-204-1307 || Web: www.seedco.org

INTRODUCTION

Good Morning. My name is Steve Cohen and I am Vice President for Programs and Portfolio Management at Seedco Financial Services, the community lending subsidiary of Seedco. Seedco is a national nonprofit that works with community-based partners in low-income communities to create economic opportunity for disadvantaged job seekers, low-wage workers, and neighborhood entrepreneurs. Seedco Financial is a national community development financial institution with \$190 million in assets under management. We provide access to capital and technical assistance to small businesses, nonprofit organizations, and anchor commercial developments in low-income communities.

BACKGROUND

Seedco serves aspiring entrepreneurs and small business owners through our Upper and Lower Manhattan Business Solutions Centers (BSCs). Funded in part by the New York City Department of Small Business Services, the BSCs provide a unique blend of services—including loans, technical assistance, and employee recruitment and training assistance—to help entrepreneurs launch and grow their small businesses. This year, Seedco's Business Solutions Centers have served over 4,000 businesses and entrepreneurs, 65 percent of which are Minority/Women-Owned Business Enterprises (MWBEs). Seedco Financial offers direct loans and technical assistance to small business owners, some of which is coordinated through the BSCs (40 loans totaling \$3 million in 2007). Seedco Financial also capitalizes local micro-loan funds to maximize its reach into communities. Additionally, Seedco and Seedco Financial have served as the go-to organization for small business disaster recovery efforts. We have administered over 1,000 emergency loans totaling more than \$27 million to help small business owners recover after the September 11th attacks, the 2006 northwest Queens blackout, and the 2007 Grand Central-area steam pipe explosion in New York City.

Immigrant small business owners are one of Seedco's key constituencies:

- 15 to 20 percent of business owners served through our BSCs are immigrants.
- 40 to 50 percent of the small businesses served by Seedco Financial are immigrant-owned.
- 70 percent of BSC clients are start-up businesses that require a particularly intensive level of services beyond the basic capital needs of established small firms.

As Seedco Financial increases our small business lending activities, we expect to serve an even greater share of immigrants. Our lending has focused on neighborhoods with sizeable immigrant populations—including East Harlem, Chinatown, and the Lower East Side—and we are seeking to identify additional target communities, particularly in New York’s outer boroughs.

CHALLENGES FACING IMMIGRANT SMALL BUSINESS OWNERS

The rewards of small business ownership can be great, but so can the obstacles—and our experience has shown us that immigrant small business owners and aspiring entrepreneurs face additional unique challenges to establishing and sustaining their firms. While there are many issues to cover, we have highlighted for you today the top three challenges that we believe immigrant entrepreneurs face.

Challenge #1: Access to Capital

Immigrant-owned businesses are less connected to mainstream sources of business financing, and many rely instead on higher-interest “prestamistas” (neighborhood loan brokers), personal loans, credit cards, and informal loan networks. Newer immigrants may also be unfamiliar with the traditional banking system and lack the credit histories necessary to qualify for mainstream loans.

Recommended Solution: A City initiative to provide low-cost capitalization or a loan loss reserve pool, in conjunction with some operational funding, would allow community lenders to expand into more neighborhoods where immigrant demand is now either unmet, or met by predatory lenders.

Seedco Financial addresses this issue by providing more flexible, character-based underwriting and associated pre and post-loan technical assistance (such as creating projections and financial statements from scratch) to many immigrants unable to qualify for bank loans. Our loans range from \$25,000 to \$200,000 and we offer attractive terms (interest rates are currently between 6 to 8 percent and we rarely require collateral) and free technical assistance. This approach is working. Although lending of this type is extremely risky, our delinquency rates are less than 10 percent and our default rate is in the low single digits. Many of our borrowers move on to traditional bank financing after a period of time. Unfortunately, while community lenders like Seedco Financial have successfully connected many immigrant entrepreneurs to capital, the reality remains that this type of high-risk financing is expensive. Infusions of funding can make a dramatic difference in our ability to capitalize small businesses: for example, we typically underwrite 40-50 small business loans each year—but with an influx of operational resources or low-cost capital, as we received from New York City’s Economic Development Corporation for the Queens and Grand Central Emergency Loan Programs, we can significantly increase our lending and our impact on small businesses.

Our experience has shown that there is greater demand for our product than we have the ability to provide, which is why we have limited our small business lending to certain neighborhoods.

Challenge #2: Available Assistance for Business Operations

Another challenge facing immigrant entrepreneurs is limited connection to professional business service providers and unfamiliarity with government agencies and license and permit

requirements. Many immigrant small business owners need to formalize their business practices, but have difficulty accessing assistance in their neighborhoods and languages.

Recommended Solution: In order to meet the needs of immigrant entrepreneurs, we believe the City should consider greater investment in community-based organizations—as well as partnerships with local groups and larger organizations like Seedco—to increase the availability of multilingual business services and further customize technical assistance to New York’s growing immigrant population.

Seedco, for example, negotiates with pro bono professional service providers to work with immigrants on issues including bookkeeping, taxes, real estate, legal compliance, and insurance. Seedco staff who speak Cantonese, Mandarin, Spanish, and several other languages assist immigrant clients at the BSCs, and we also conduct trainings in neighborhoods with large immigrant populations. However, there is still high demand in many communities for multilingual, immigrant-focused small business resources and services.

Challenge #3: Need for Business-Sector Specific Technical Assistance

General management assistance can give immigrant entrepreneurs the tools to launch and maintain day-to-day operations—but targeted, sector-focused technical assistance is the next critical step to helping immigrant businesses expand and profit.

Recommended Solution: The City should continue to expand the services offered at the BSCs to not only provide assistance on general business matters but also on specific sectors that immigrant entrepreneurs most commonly pursue.

Seedco has found that immigrant small business owners need both general and specific assistance, the BSCs also offer services focused on home-based businesses as well as the child care and restaurant/food services sectors. We find this focused technical assistance to be especially effective, since child care and restaurant/food services are two sectors that employ a high concentration of immigrants and also require entrepreneurs to negotiate numerous and often complex licensing and regulatory requirements.

Seedco and Seedco Financial have a robust organizational infrastructure and a long track record of serving small business owners and aspiring entrepreneurs in low-income communities—yet the capacity to address the multiple challenges confronting immigrant small business owners still falls short of a tremendous unmet demand.

In summary, immigrant small business owners and the organizations that serve them need increased loan funding and loan loss reserve, greater access to professional business services, and more sector-specific technical assistance to effectively close the resource gap and help immigrant-owned businesses grow and thrive over the long term. Thank you for giving me the opportunity to testify today. On behalf of Seedco, we look forward to working with the New York City Council to address these critical issues.



QUEENS COLLEGE
THE CITY UNIVERSITY OF NEW YORK
FLUSHING, NEW YORK 11367-1597

DEPARTMENT OF URBAN STUDIES

718 997-5130
718 997-5133 FAX

Testimony before the New York City Council
Committee on Immigration and Committee on Small Businesses
December 14, 2007

Good afternoon. Thank you for the invitation to testify before the New York City Council's Committees on Immigration and Small Business on the topic of creating greater opportunities for immigrant entrepreneurs. My name is Tarry Hum and I am an Associate Professor of Urban Studies at Queens College, City University of New York.

To address this important topic and add to the rich testimony given so far, I would like to focus my comments on two significant challenges to immigrant entrepreneurship in New York City which I have documented in my research and teaching. The first challenge is the rising cost of commercial rents which in some communities is exacerbated by recent rezonings; and the second is that ethnic banks – specifically, US based Chinese owned banks - need to be more active in community economic development.

Last spring, my undergraduate research seminar studied the Jamaica, Queens rezoning and one of my students has a cousin who owns a tailoring business specializing in custom made West African clothing. We visited him and learned he established his business in 1991 and like most immigrant entrepreneurs; he rents his small storefront on 160th Street near Jamaica Avenue. He employs one other tailor and purchases his fabrics from the Garment Center in Manhattan. His business serves a regional customer base built largely through word of mouth. We also learned he and his colleagues – other immigrant small business owners in downtown Jamaica – were aware of the rezoning plan and the likelihood of escalating rents and displacement but they had no idea of what to do to protect their businesses.

Through our reading of the Department of City Planning's Draft Environment Impact Statement, we learned that a rationale for the displacement of local businesses is that they are viewed as "not of substantial economic value to the City or region" and their displacement "would not adversely affect neighborhood character."¹ But in our visits to downtown Jamaica, it was clear that immigrant small businesses served a significant regional market for ethnic goods and services, and their presence was a vital part of the neighborhood's identity. The DEIS did not describe any remedial actions or programs for small businesses that will be indirectly displaced. I understand the New York City Department of Small Business Services (SBS) has established

¹ New York City Department of City Planning, Jamaica Plan, Draft Environmental Impact Statement, Chapter 3: Socioeconomic Conditions, page 3-68.

a Greenpoint-Williamsburg Relocation Program to assist businesses that were impacted by the rezoning. I would urge SBS to consider establishing a similar program to provide a relocation grant to help these small businesses – many of which are immigrant-owned – that will be affected by the rezoning of Jamaica.

Concerns with rising commercial and residential rents are also prevalent in my neighborhood of Sunset Park, Brooklyn. Although Sunset Park is frequently referred to as one of New York City's three Chinatowns, it is a racially and ethnically diverse, largely Latino-Asian working poor neighborhood in southwest Brooklyn. My family moved to Sunset Park in 1974 – a few years after its designation as a federal poverty area, and my dad continues to live in the neighborhood. In the past decade or so, real estate speculation and development has heightened, driven in part by Asian immigrant developers, realtors, and ethnic banks. Key money² and exorbitant rents are prevalent and these practices have repercussions for the working conditions and wages of the immigrant workers employed in these small businesses. Sunset Park is currently undergoing a rezoning study and up zoning along its commercial avenues will certainly increase property values, commercial and residential rents, and the potential for displacement of small immigrant entrepreneurs.

My research on the lending practices of Chinese banks in New York City finds their loan portfolios are concentrated in real estate loans (in construction and land development; and commercial real estate) rather than in home mortgages or small business loans. Attached to my testimony is a table that disaggregates the loan portfolios of select ethnic banks with branches in New York City that illustrates this concentration in real estate loans. Moreover, most Chinese banks do not have strong CRA records and Cathay Bank is an important example. Established in the 1960s, Cathay Bank is one of the largest Chinese owned banks in the United States with over 9 billion dollars in total assets. Based in California, Cathay Bank has rapidly expanded in the New York City area, establishing nine branch offices within the past decade, almost all located in Manhattan Chinatown (3), Flushing (3), and Sunset Park (2).

As you know, the 1977 Community Reinvestment Act (CRA) was enacted to encourage depository institutions to meet the credit needs of all community segments in which they operate including low and moderate-income areas; and for large banks defined as banks with assets greater than 1 billion dollars, CRA evaluations are based on the bank's performance in three activities: lending, services, and investments (measured as community development investments in affordable housing, small businesses, and non profit organizations). Earlier this year, Cathay Bank underwent a CRA evaluation and while the bank received an overall satisfactory rating – its lending, investment, and service tests in New York State were rated low satisfactory.³

Cathay Bank's poor CRA record corroborates a 2004 study published in the International Advances in Economic Research journal⁴ which found that in contrast to other minority owned banks in the United States, those owned by Asian and Pacific Islanders "were not addressing the

² Key money is a nonrefundable, one time fee charged up front by landlords when they rent residential and/or commercial space.

³ Cathay Bank 2007 CRA Performance Evaluation available from the FDIC website – <http://www2.fdic.gov/idas/main.asp>

⁴ Ann B. Matasar and Deborah D. Pavelka. 2004. "Minority Banks and Minority Communities: Are Minority Banks Good Neighbors," International Advances in Economic Research, 10, 1: 43-57.

needs of their communities in a manner that would distinguish them from non-minority banks,” in other words, Asian banks were least robust and impressive in meeting CRA obligations. In my research on ethnic banks in Sunset Park, I learned one bank listed as a CRA activity, their donation of a box of Lunar New Year calendars at a local social service agency.

To conclude, while immigrants make significant contributions to the economic vitality of New York City as recently documented by the Center for an Urban Future and Fiscal Policy Institute, in creating greater opportunities to support and promote immigrant entrepreneurship – there is an outstanding need to reconcile a disconnect between the immigrant small business sector and economic development planning (as in the case of the rezoning of Jamaica, Queens); to recognize that escalating commercial rents pose tremendous obstacles for small businesses; and the imperative of holding financial institutions such as ethnic banks accountable to meeting immigrant community development needs including affordable housing and small business development and support.

Thank you.

Bank Loan Types for Selected Ethnic Banks with a New York City Branch, December 2006

	Amerasia		Asia Bank, NA		Cathay Bank		First American Int'l		United Commercial		United Orient Bank	
	(\$000)	Dist.	(\$000)	Dist.	(\$000)	Dist.	Bank (\$000)	Dist.	Bank (\$000)	Dist.	(\$000)	Dist.
Total Loans and Leases	\$113,732	100%	\$273,272	100%	\$5,747,547	100%	\$291,644	100%	\$6,277,093	100%	\$61,215	100%
Real Estate Loans	\$105,502	93%	\$269,650	99%	\$4,569,005	79%	\$287,789	99%	\$5,238,172	83%	\$55,845	91%
Construction and Land Development	\$15,904	15%	\$9,853	4%	\$899,087	20%	\$78,536	27%	\$1,057,382	20%	\$676	1%
Commercial Real Estate	\$60,800	58%	\$229,104	85%	\$2,734,521	60%	\$165,601	58%	\$2,416,505	46%	\$24,010	39%
Multi-family Residential Real Estate	\$11,879	11%	\$13,183	5%	\$318,771	7%	\$19,415	7%	\$1,284,191	25%	\$23,529	38%
1-4 Family Residential	\$15,755	15%	\$17,510	6%	\$616,626	13%	\$24,237	8%	\$480,094	9%	\$7,630	14%
Farmland	\$1,164	1%	\$0	0%	\$0	0%	\$0	0%	\$0	0%	\$0	0%
Commercial and Industrial Loans	\$8,159	7%	\$3,423	1%	\$1,154,540	20%	\$2,804	1%	\$1,034,035	16%	\$5,237	9%
Individual Loans												
Credit cards	\$71	0.1%	\$199	0.1%	\$14,127	0.2%	\$1,051	0.4%	\$3,397	0%	\$108	0%
Related Plans	\$0	0%	\$0	0%	\$167	1%	\$398	38%	\$148	4%	\$0	0%
Other consumer loans	\$0	0%	\$199	100%	\$104	1%	\$171	16%	\$846	19%	\$72	67%
	\$71	100%	\$0	0%	\$13,856	98%	\$482	46%	\$2,603	77%	\$36	33%
Total Other Loans and Leases	\$0	0%	\$0	0%	\$9,875	0%	\$0	0%	\$1,489	0%	\$25	0%

Source: Federal Financial Institutions Examination Council, FFIEC, <https://cdr.ffiec.gov/public/SearchFacsimiles.aspx>

Prepared by Tarry Hum, Department of Urban Studies, Queens College, CUNY



ASIAN AMERICANS FOR EQUALITY

108-110 Norfolk Street, New York, NY 10002

Tel: 212-979-8381 Fax: 212-979-8386 www.aafe.org

Good afternoon!

My name is Christopher Kui, and I am the executive director of Asian Americans for Equality and the chair of Renaissance Economic Development Corporation. As you may know, Asian Americans for Equality (AAFE) is a citywide community development organization serving thousands of New Yorkers each year, with offices in Chinatown, Lower East Side, and Flushing, Queens.

I am here today to testify about the importance and the needs of New York City's immigrant entrepreneurs.

Working with New York City's Asian immigrant population, I continue to be impressed with the tenacity and creativity of the many immigrant entrepreneurs that AAFE and Renaissance serve.

The Asian immigrant population is the fastest growing population in New York City, with the U.S. 2000 census measuring 800,000 people, or 1 out of every 10 New Yorkers, as individuals of Asian descent. For example, since 1990, the population in Flushing, Queens has increased by 15%, with over half of its total population being of Asian descent. Due to educational and language barriers to conventional jobs, immigrants and minorities generate a high volume of business activity, creating an extraordinary number of business start-ups that resulted in the flourishing of immigrant-heavy centers, such as Manhattan's Chinatown and Flushing, Queens. Starting or working at a small business is an entry-level job for many new immigrants.

Lack of adequate training and funding from financial institutions are two of the major needs I have observed among immigrants seeking to become small business entrepreneurs. A recent study conducted by a New York City-based public policy organization pronounced the same conclusion.

In February, 2007, the Center for Urban Future published a study on immigrant and minority small business owners, stating that in the past decade, "immigrants have been the entrepreneurial sparkplugs of cities such as New York City." The study also showed that these same small businesses often have difficulty accessing bank loans, technical assistance, and other capital that non-immigrant and mid-sized business would otherwise have few difficulty receiving.

The lack of affordable capital, exacerbated by language barriers, leaves immigrant and minority small business owners more vulnerable to market conditions. The glaring example of this was Chinatown and the Lower East Side after September 11th. The garment manufacturing industry, a longtime major employer in Chinatown, was permanently affected by the post-September 11th downturn: where once there were over 500 manufacturers in the neighborhood, today there are less than 100. Since then, the area struggles and braces itself for occasional economic downturns due to international events (such as the months-long SARS scare and the concern about Asian bird flu) that decrease traffic for the retail- and service-industry reliant businesses.

One of the goals of AAFE and Renaissance Economic Development Corporation is to equip our clients, many of whom are immigrants, minority and women, with the necessary "capital" to operate a successful, healthy business. This capital is not only in the form of loan dollars, but also in knowledge and operational skills.

As a certified CDFI, Renaissance primarily serves the Asian immigrant population in Manhattan Chinatown, the Lower East Side, and Flushing, Queens. Renaissance offers various small business loan products that assist immigrant and minority entrepreneurs, one-on-one business and professional counseling, single-subject seminars, as well as training such as a 60-hour entrepreneurship training course. All of these services are available in either English or Chinese, the main languages spoken by Renaissance's target population. Since September 11th, Renaissance has provided over **\$15 million in affordable loans to over 500 entrepreneurs**, and provided training and technical assistance to hundreds of businesses. Our assistance has stabilized the lives of many families as well as infuse much-needed financial support back into the community.

In our own modest way, AAFE and its affiliates seek to meet the needs among our community's immigrant small business entrepreneurs. Our services are comprehensive because the needs of immigrant entrepreneurs are great.

I commend the City Council for holding today's hearing to discuss the challenges that this particular sector of small business owners face, and urge Small Business Committee Chair Councilmember Yassky and Immigration Committee Chair Councilmember Stewart to continue to support the creation of greater opportunities for New York City's immigrant entrepreneurs, who continue to be a vital economic engine to our city.

Thank you.

Testimony of Jonathan Bowles
Director, Center for an Urban Future

Before City Council Committees on Small Business and Immigration

“Creating Greater Opportunities for Immigrant Entrepreneurs”

December 14, 2007

Good afternoon. Thank you for inviting me to testify today. My name is Jonathan Bowles and I am the director of the Center for an Urban Future, a think tank dedicated to independent research about key policy issues affecting New York City's future, with a focus on economic development, workforce development, higher education and the arts.

I'm really excited to be here today, and thrilled that your committees have taken such a strong interest in increasing opportunities for immigrant entrepreneurs.

In February of this year, the Center published a comprehensive report which concluded that immigrant entrepreneurs have become an increasingly powerful economic engine for New York City. Our report, titled *A World of Opportunity*, documents that foreign-born entrepreneurs are starting a greater share of new businesses than native-born residents, stimulating growth in sectors from food manufacturing to health care, creating loads of new jobs and transforming once-sleepy neighborhoods into thriving commercial centers. The report, which I authored, also went into great detail about the multitude of challenges facing immigrant entrepreneurs.

It's important to point out that we didn't embark on this research about immigrant entrepreneurs because we are advocates on behalf of immigrants. . . . We are not.

Rather, we approached this topic as part of our longstanding attempt to identify growth opportunities for New York City's economy. The Center for an Urban Future has spent considerable time over the past decade writing about the urgent need to diversify the city's economy and identify new sources of job growth. After all, New York will need tens of thousands of new jobs if we are to add a million new residents over the next couple of decades, as demographers expect. And it's unlikely that the city will be able to count on key sectors like finance to create too many of these new jobs; in fact, the five boroughs has continued to lose market share in the financial services sector as large securities firms and investment banks have opted to add almost all of their new jobs overseas or in cheaper locations across the U.S.

Immigrant entrepreneurs clearly aren't going to replace Wall Street. But given that foreign-born residents now make up 37 percent of the city's population, have accounted

for pretty much all of the city's population growth over the past 25 years and generally tend to be highly entrepreneurial, we had reason to believe that immigrant entrepreneurs could be an even more important economic generator in the years ahead.

Our research revealed that immigrant entrepreneurs are having an even more powerful impact on the city's economy than we suspected. Among other things, our report found:

- Neighborhoods across the city in which many, if not most, businesses are immigrant-owned have seen an explosion of new enterprises over the past decade, far surpassing the number of firms created citywide. Between 1994 and 2004, the number of businesses citywide increased by less than 10 percent, while the number of firms grew by 55 percent in Flushing, 47 percent in Sunset Park, 34 percent in Sheepshead Bay-Brighton Beach, 25 percent in Elmhurst, 18 percent in Washington Heights, 14 percent in Jackson Heights and 11 percent in Flatbush.
- Job growth in immigrant-dominated communities also far outpaced overall employment gains: between 1994 and 2004, overall employment in the city grew by 7 percent, but rose by 34 percent in Washington Heights, 28 percent in Jackson Heights, 23 percent in Sunset Park, 13 percent in Sheepshead Bay-Brighton Beach, 12 percent in Flushing and 10 percent in Elmhurst.
- In 2000, foreign-born individuals comprised 36 percent of New York City's population, yet they accounted for nearly half (49 percent) of all self-employed workers in the city.
- Immigrants drove all of the growth in the city's self-employed population between 1990 and 2000: the number of foreign-born individuals who were self-employed increased by 64,001 (a 53 percent jump) while the number of native-born people who were self-employed decreased by 15,657 (a 7 percent decline).
- Citywide, 9.27 percent of foreign-born workers are self-employed, compared to 7.71 percent of native-born workers. In Queens and the Bronx, self-employment rates for foreign-born individuals in the workforce are nearly twice those of native-born workers—9.98 percent to 5.74 percent in Queens, and 7.31 percent to 3.98 percent in the Bronx.

It's apparent from our study that immigrant entrepreneurs are already having a remarkable impact on New York's economy. But all of this has occurred with virtually no support from city policymakers and despite the fact that immigrant entrepreneurs often face enormous obstacles in starting and growing businesses here. With just a little support, this could be a much more potent source of future growth.

Going forward, elected officials and local economic development officials—not only those at city agencies, but also leaders of chambers of commerce, neighborhood-based nonprofits that work with small businesses and financial institutions—will need to take a much closer look at this part of our economy.

Already, there is reason to believe that New York is not reaching its potential. Only a relatively small number of immigrants who own restaurants or other retail businesses have expanded into larger space or opened stores in additional locations; most vendors never give up their pushcart in favor of becoming a store owner; few businesses that make unique ethnic products have attempted to export to other states where recent immigration patterns have created a market for those goods; and large numbers of immigrant-run firms in New York remain narrowly focused on serving their own ethnic community rather than pursuing greater ambitions in larger markets.

There is also evidence that fewer immigrant- and minority-owned businesses in New York grow to the next level than in other cities. For instance, of the 15 cities in the U.S. that have the most Hispanic-owned businesses, New York has the lowest average receipts per firm. The average Hispanic-owned company in the five boroughs earned just 37 percent as much as a Hispanic-owned firm in Houston, 40 percent of the average in Chicago and 42 percent of the average in Miami. According to *Hispanic Business* magazine, only 11 of the nation's 500 largest Hispanic firms were based in New York City in 2004, down from 13 in 2004—while 40 firms from Los Angeles County are on the list.

Similarly, New York City's Asian-owned businesses took in a smaller amount of receipts, on average, than their counterparts in 13 of the 15 cities with the most Asian-owned firms. The average Asian-owned firm in New York earned 48 percent as much as a similar firm in Los Angeles, 57 percent of one in Houston and 71 percent of one in San Francisco.

While immigrant-run businesses in New York may be less likely to grow than similar firms in other cities, loads of foreign-born entrepreneurs in the five boroughs battle with a more serious problem: survival. Some go bankrupt after a short existence and others to toil in an endless struggle to stay afloat. Many are tripped up by the same factors that hamstring other small businesses in New York, from the high cost of commercial real estate and insurance to the city's overzealous regulatory enforcement agents. Others find it difficult to survive simply due to intense competition or because their business model isn't sustainable. But immigrants also encounter a long list of problems unknown to most native-born entrepreneurs—such as unfamiliarity with how business is done in this country, lack of awareness about local regulations, limited financial literacy and, often, no credit history. Language barriers add another element of difficulty for numerous immigrant entrepreneurs.

What should city officials do to help New York City capitalize on this growing but often neglected part of the economy? Here are a few suggestions:

- Mayor Bloomberg, and the next mayor, should integrate immigrant entrepreneurs into the city's overall economic development strategy.

- The Department of Small Business Services and the Economic Development Corporation should develop a new framework for providing business services to immigrant communities. Right now, too few of the programs overseen by SBS are reaching immigrant entrepreneurs.
- SBS and EDC should partner more with local organizations that have credibility in immigrant communities. Any plan to provide business services to immigrant entrepreneurs must start with the understanding that countless numbers of legal immigrants will never seek assistance from a government-run center—and that many won't set foot into a nonprofit organization they don't trust.
- Increase support for microenterprise organizations that already have the expertise to support immigrant entrepreneurs, but which currently lack the capacity to serve additional clients. Microenterprise organizations like ACCION, NYANA, the BOC Network, Project Enterprise and several others have become indispensable sources of capital and technical assistance for thousands of foreign-born entrepreneurs in New York who haven't been able to secure traditional bank financing. Keep in mind that funds that enable these organizations to provide technical assistance may be as or more important as funding for microloans.
- Push for well-established economic development organizations to collaborate with newer nonprofits that have roots in immigrant communities.
- Initiate programs to help more immigrant-run businesses export their products beyond their own community.
- Create marketing campaigns to promote major ethnic business districts—like Flushing, Jackson Heights, Richmond Hill and Washington Heights—as unique destinations for shoppers from throughout their regions.
- Put pressure on banks to refer more of their clients to microlenders and to offer new products that encourage more immigrants to open checking and savings accounts.
- Stop demonizing street vendors, and create programs that encourage more vendors to expand into storefronts.
- Support the growth of ethnic food manufacturing and other niche industrial businesses by pushing for land use policies that preserve viable manufacturing districts around the five boroughs.
- Rein in overzealous regulatory enforcement efforts.

If you would like to view *A World of Opportunity* or any of our other work about immigrant entrepreneurs, please go to www.nycfuture.org.